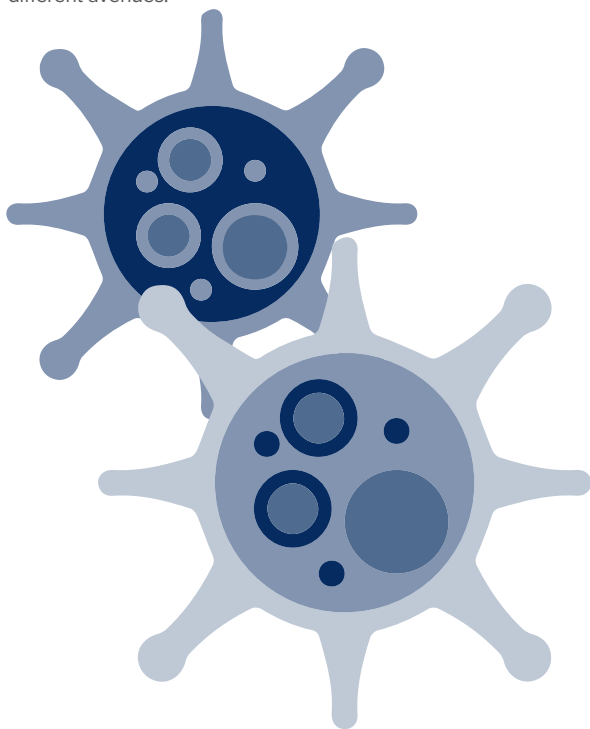


# CORONAVIRUS, PROPERTY AND THE ECONOMY – INITIAL REACTION

In this very uncertain and testing time, we are all learning to face up to the new reality presented to us as a result of the Coronavirus pandemic. We at DTRE wanted to pass on our sympathy to all those who are suffering duress as we look to cope with the impact on health and livelihoods, and the movement restrictions now imposed by the Prime Minister in Monday's announcement.

The purpose of this new series of weekly newsletter's will be to keep our clients abreast of the latest developments in both the economy and the property industry as we react to the ever-changing developments, without sugar-coating the obvious reality that this is an unprecedented event that may yet take many different avenues.



The current base case scenario is that the sudden stop in economic activity will cause a sharp downturn in Q2 GDP, but that once the pandemic is halted, not just in the UK but globally, we will witness an economic rally, lasting from the late summer into mid-2021. From a UK perspective, forecasts from Bloomberg suggest Q2 GDP will shrink 9%. That would make the April-June period of this year the worst quarterly performance since 1921.

However, we must not lose sight of the fact that this is not 2008 all over again. The banks are in much better shape and we expect Boris Johnson and his government (as well as others around the world) to stand behind the banking system. If there is to be some weakness in the rebound it is more likely to be in emerging markets or those highly-indebted Eurozone countries, not the UK.

The impact can most vividly be seen in the fall of the FTSE. Over the coming days and weeks, we will witness plenty of ups and downs in the markets, and this has been seen most starkly in the REITs. One of the main attractions of owning REITs is the predictability of the income streams and that disruption has resulted in huge volatility in share prices over the last 10 days. That roller-coaster ride will only stabilise once the science can guide us on the duration and implications of the virus.

Finally, from a direct property perspective, investment deals are still happening, Blackstone's purchase of Clearbell's Cara Portfolio completed last week, and we are aware of various other significant deals that should sign imminently. The marketing of Hermes' trophy Perivale Industrial Estate culminated in it going under offer at a significant premium to asking at the end of last week. No doubt any deal agreed before March and not signed will come under scrutiny, particularly with the Government announcement that this Quarter's rent payment is not enforceable by forfeiture, but we are seeing continued activity.

On the leasing side, we are aware of enquiries and inspections by all the big supermarkets across some of the biggest available warehouse units in the country over the last week. If there's to be one area that will see a spike in demand it will be in the leasing of short-term space to the supermarkets and 3PLs.

The industry must and will continue, but in equal measure, we should all for now stay at home and stay safe.

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