Cushman & Wakefield Investors' Survey May 2020

Portugal



INVESTORS' SURVEY - MAY 2020

A total of **53** investors participated in the Survey which we conducted between the 6th and 17th May in order to gather data as well as market sentiment during the lock-down period. Thank you to all the participants

This document summarizes the answers received to this survey as well as our conclusions.

A key take away is **the desire of investors to progress as quickly as possible into a more active investment phase** in order to place a significant volume of equity. We invite you to read the document and the conclusions.

We would be delighted to discuss the content and conclusions of this survey in more detail, so do not hesitate to contact any member of the team to exchange ideas. We do look forward to hearing from you.

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INVESTORS' SURVEY - MAY 2020



1 Highlights of the survey

2 Profile of Respondents

3 2020 Investment Plans and Strategies

4 Investment Re-pricing

5 Debt / financing conditions

6 Leasing market adjustment

Investors' perception

1 Highlights

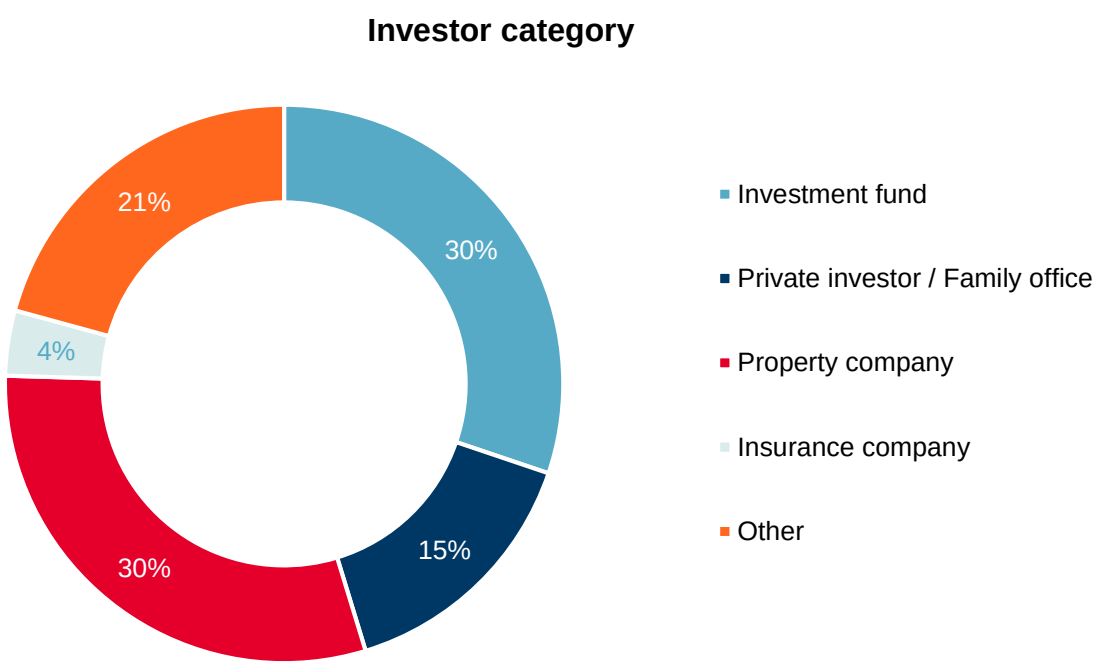
- 87% of respondents are active in the market and 63% are ready to submit LOIs.
- The investors confirmed a total fire power of €7 billion ready to be invested in the Portuguese market, with an approx. €3 billion of assets to be potentially disposed.
- Almost 50% of the surveyed investors have not changed their investment strategy at all, 31% are reconsidering their investment risk profile and 22% are assessing different asset classes.
- Appetite for offices and student housing assets remain strong and stable. In terms of changes in asset allocation, logistics, residential PRS and healthcare outweigh any other asset class.
- In terms of risk profile, higher increase is seen towards core+ and opportunistic strategies.
- Leasing activity in the logistics, residential PRS and healthcare sectors is expected to come back to normality within 3 months by the majority of respondents (*vs*. the other sectors, not expected before 2021 or 2022).
- 83% of investors surveyed believe that the investment market will recover its normal activity and pricing over the coming 18 months.

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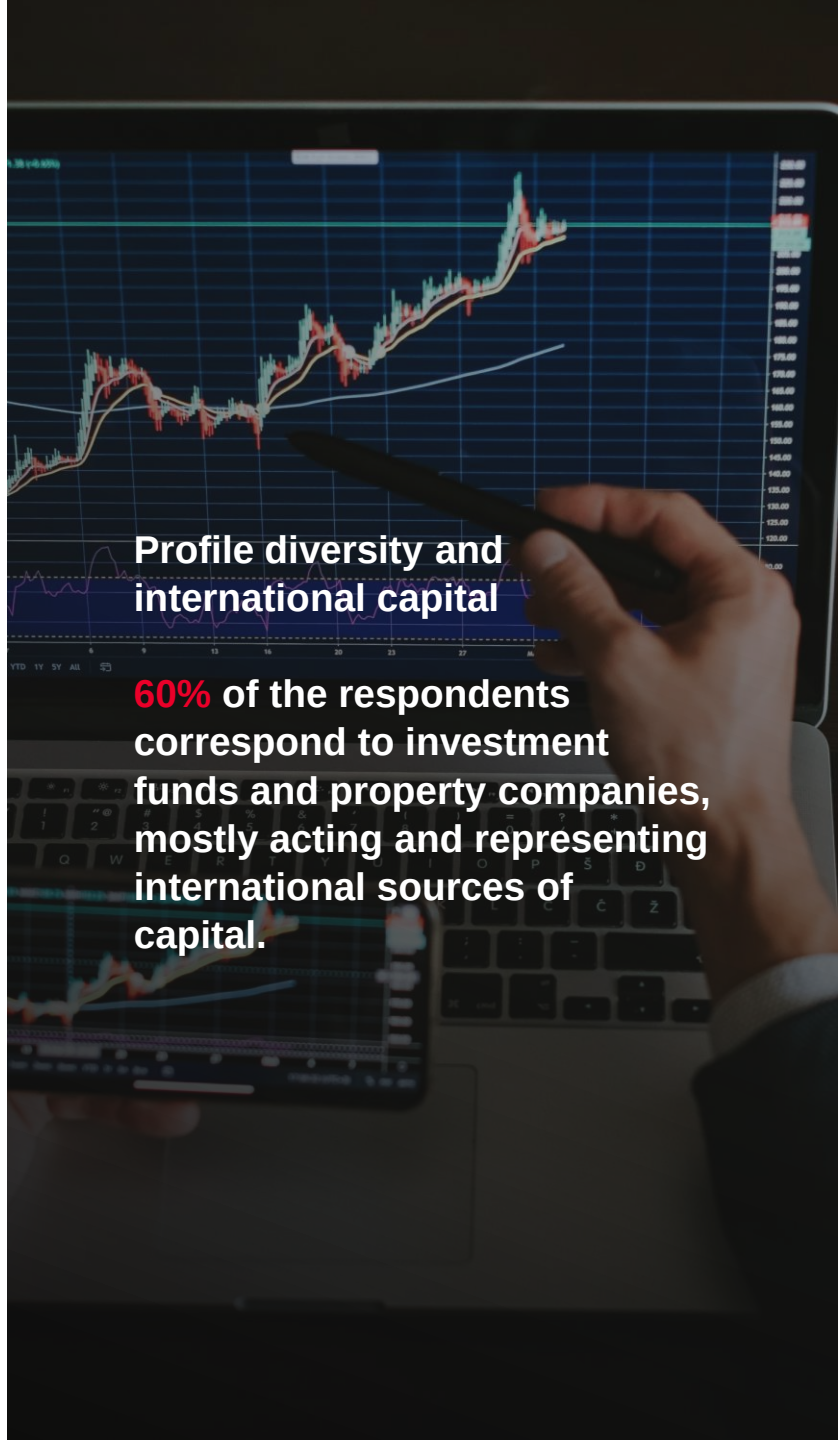
Investors are largely active and operationally ready to do deals without anticipating a significant discount; the market will remain dynamic, subject however to the availability of sufficient supply.
This is some of the good news that emerges from this survey!

2 Profile of Respondents

Number of responses obtained: 53



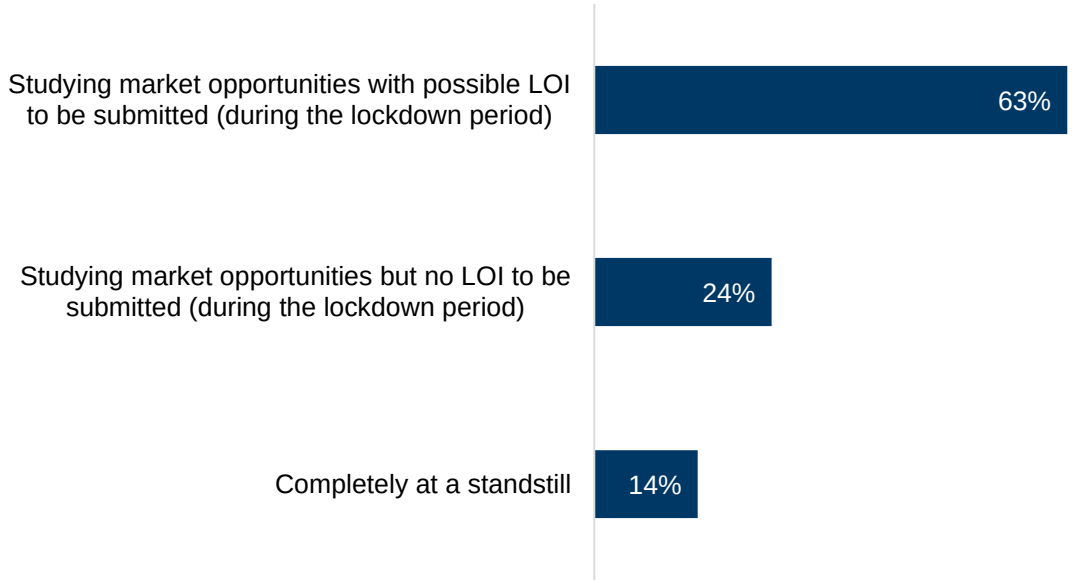
Source: Cushman & Wakefield



3 Investment Plans and Strategies

Acquisition intentions during lockdown period

How would you qualify your current acquisition activity?



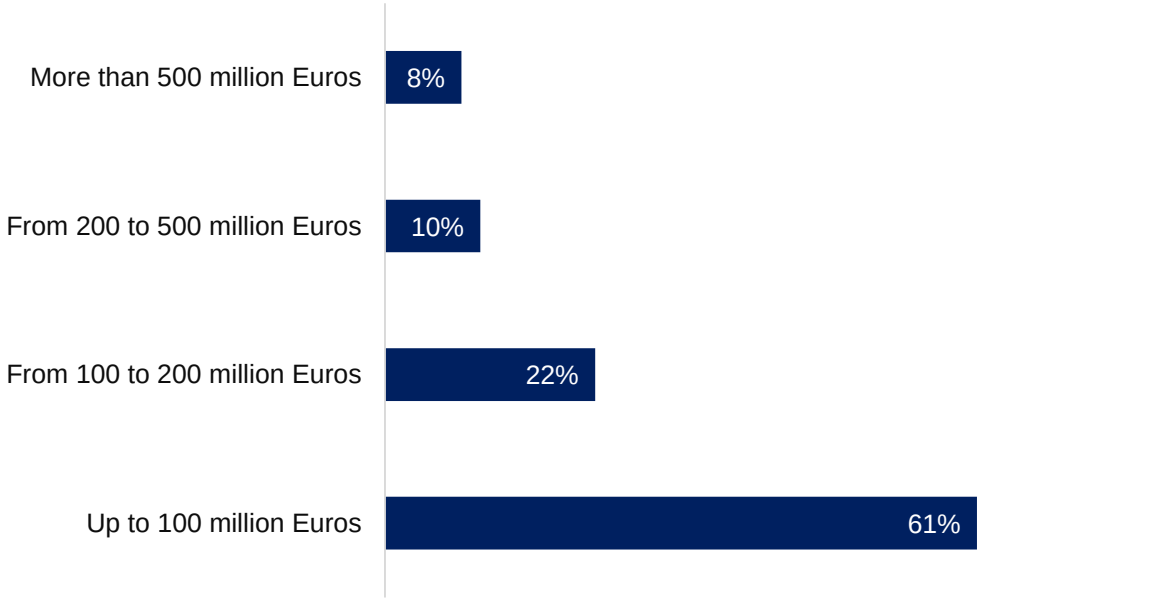
Source: Cushman & Wakefield

Despite a clear reduction in activity, 87% of the investors surveyed confirmed to be active in the market and 63% confirmed to be even ready to issue letters of intent if the right asset at correct pricing be introduced to them

2020 Equity Availability and Sales Intentions

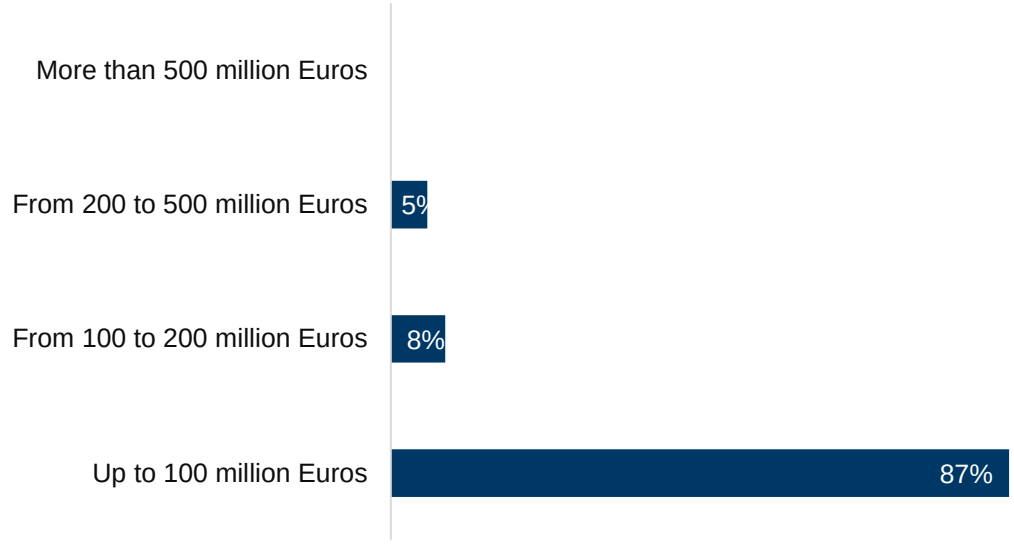
The total capital ready to be deployed currently by the surveyed investors in the Portuguese market add up to approx. €7 billion. And more than 75% of those respondents intend to sell approx. €3 billion.

How much equity do you have available for acquisitions?



Source: Cushman & Wakefield

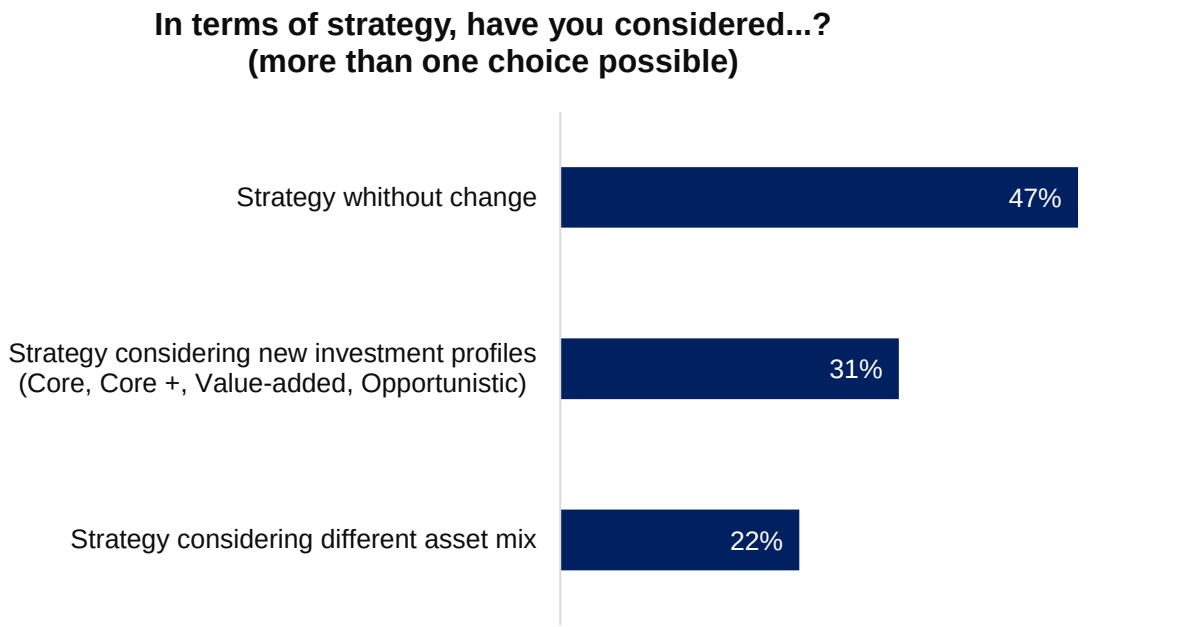
What is your total objective for asset sales in 2020?



Source: Cushman & Wakefield

3 Investment Plans and Strategies

Changes in investment plans since lock-down

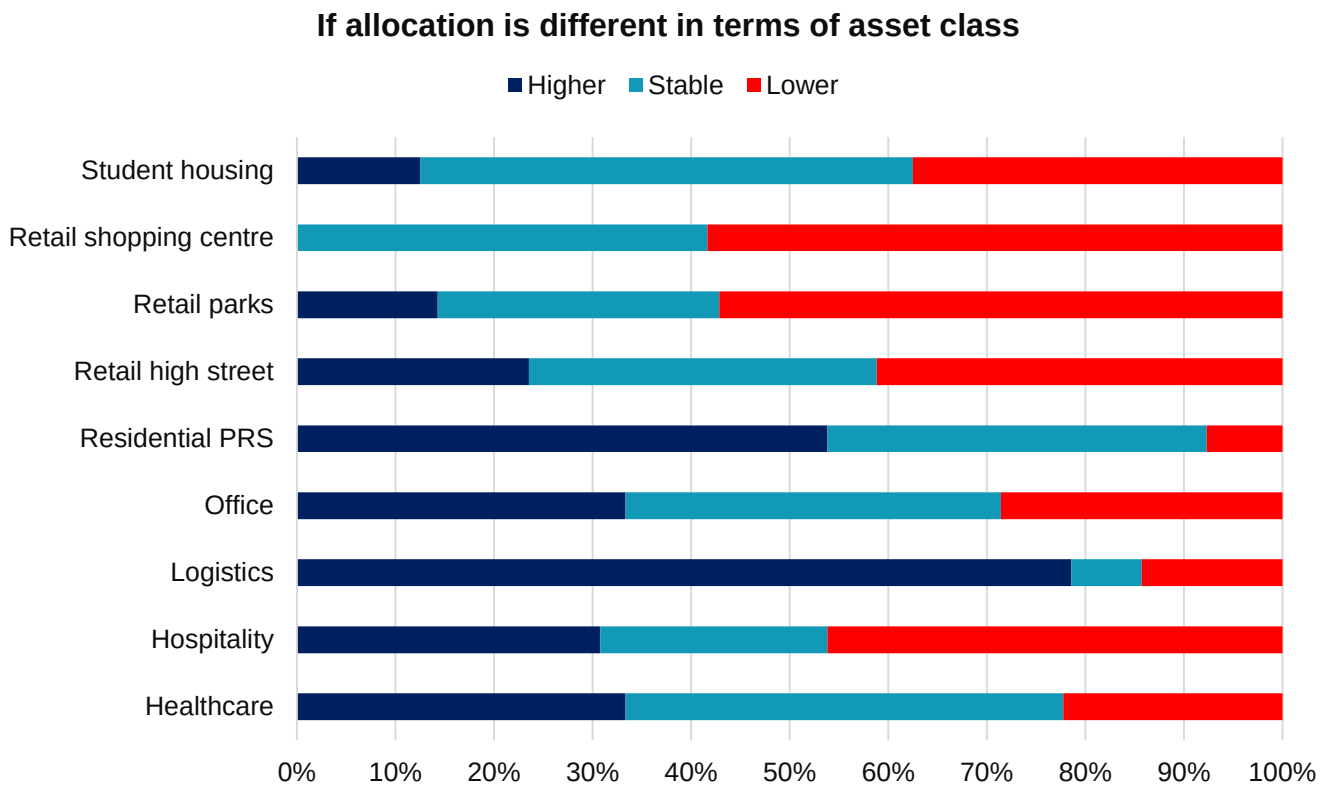


Source: Cushman & Wakefield

Almost 50% of the surveyed investors have not changed their investment strategy at all, 31% are reconsidering their investment risk profile and 22% are assessing different asset classes.

Details in the next slides.

Investment Strategy – Change in allocation



Source: Cushman & Wakefield

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Logistics

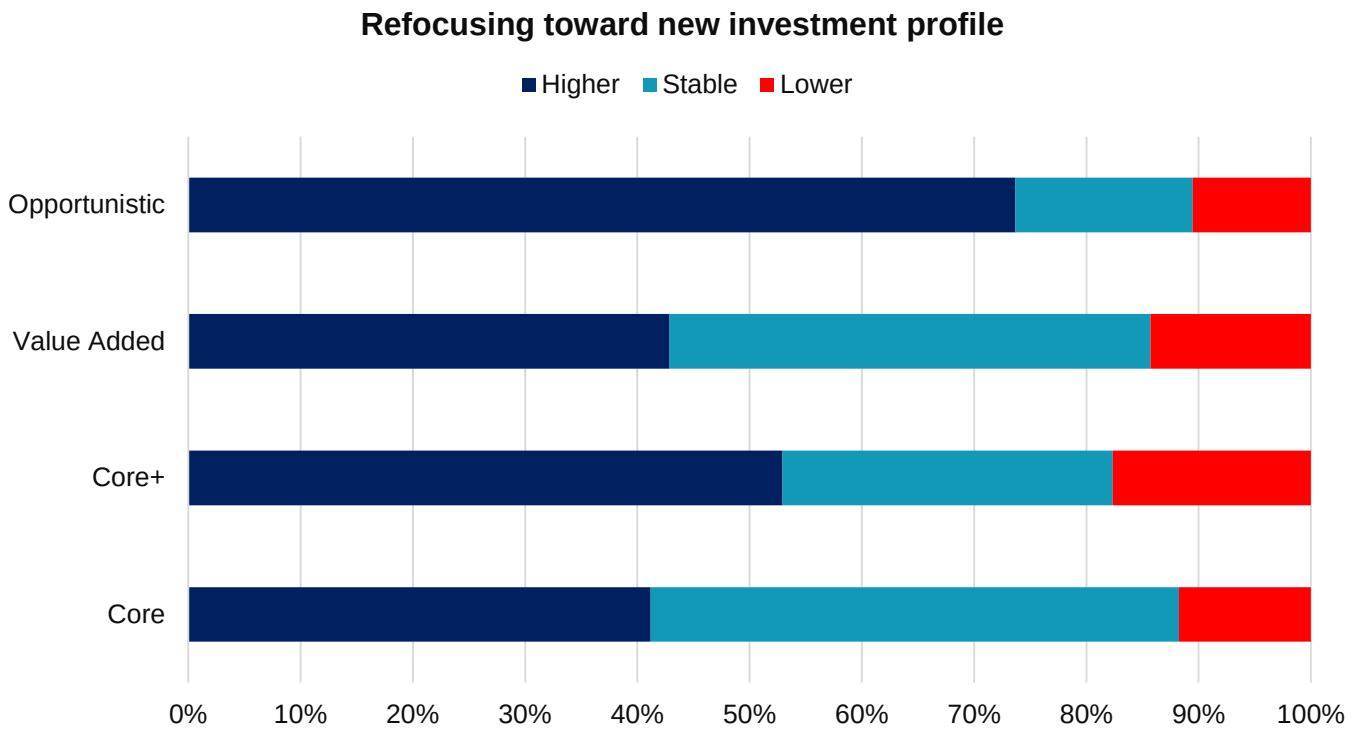
Residential PRS

Offices

Student housing

Retail

Investment Strategy – Change in risk profile



Source: Cushman & Wakefield

CUSHMAN & WAKEFIELD

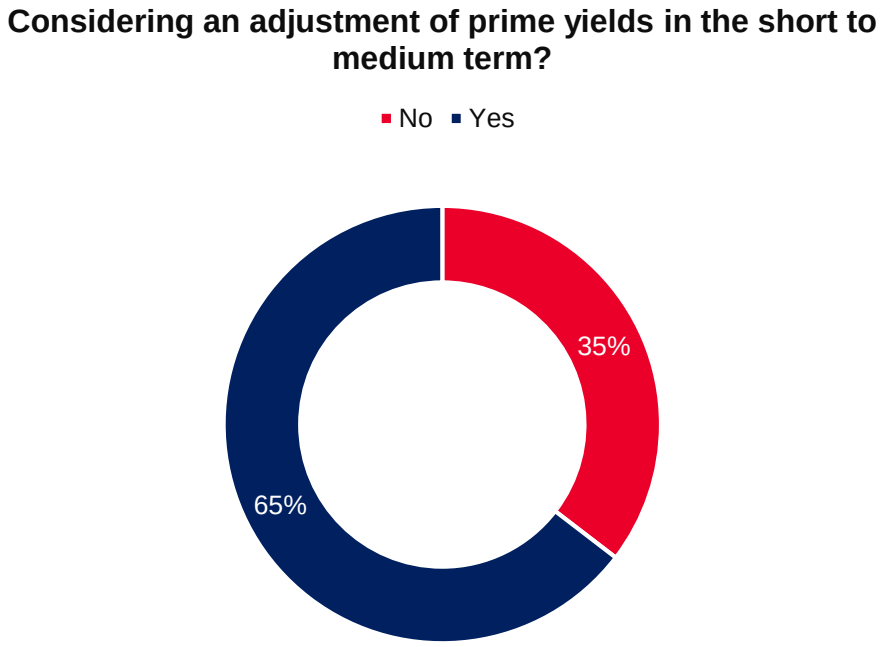
Core

Opportunistic

4 Investment Pricing Sentiment

Perceptions

Prime Yields Adjustment



Source: Cushman & Wakefield

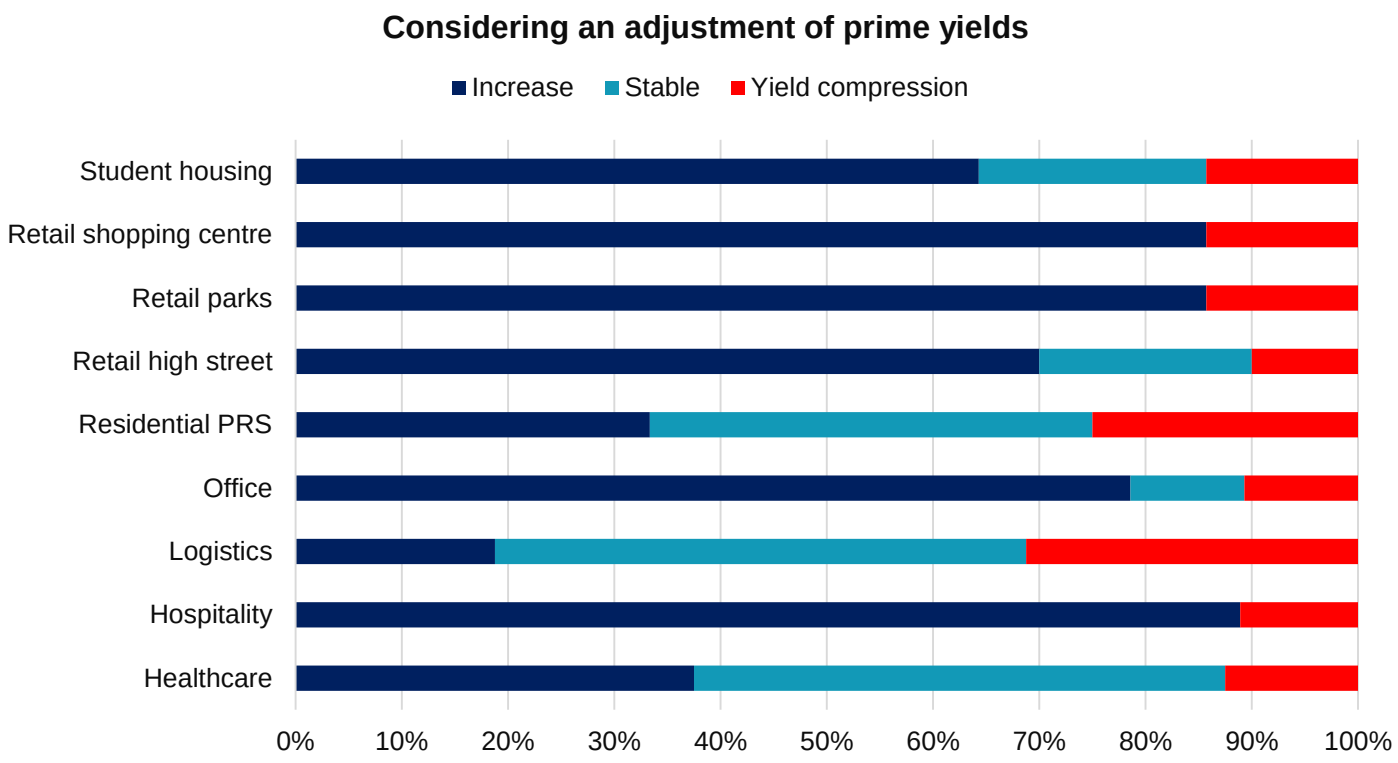
65% of respondents anticipate a softening of yields across all sectors.

Details in next slide.

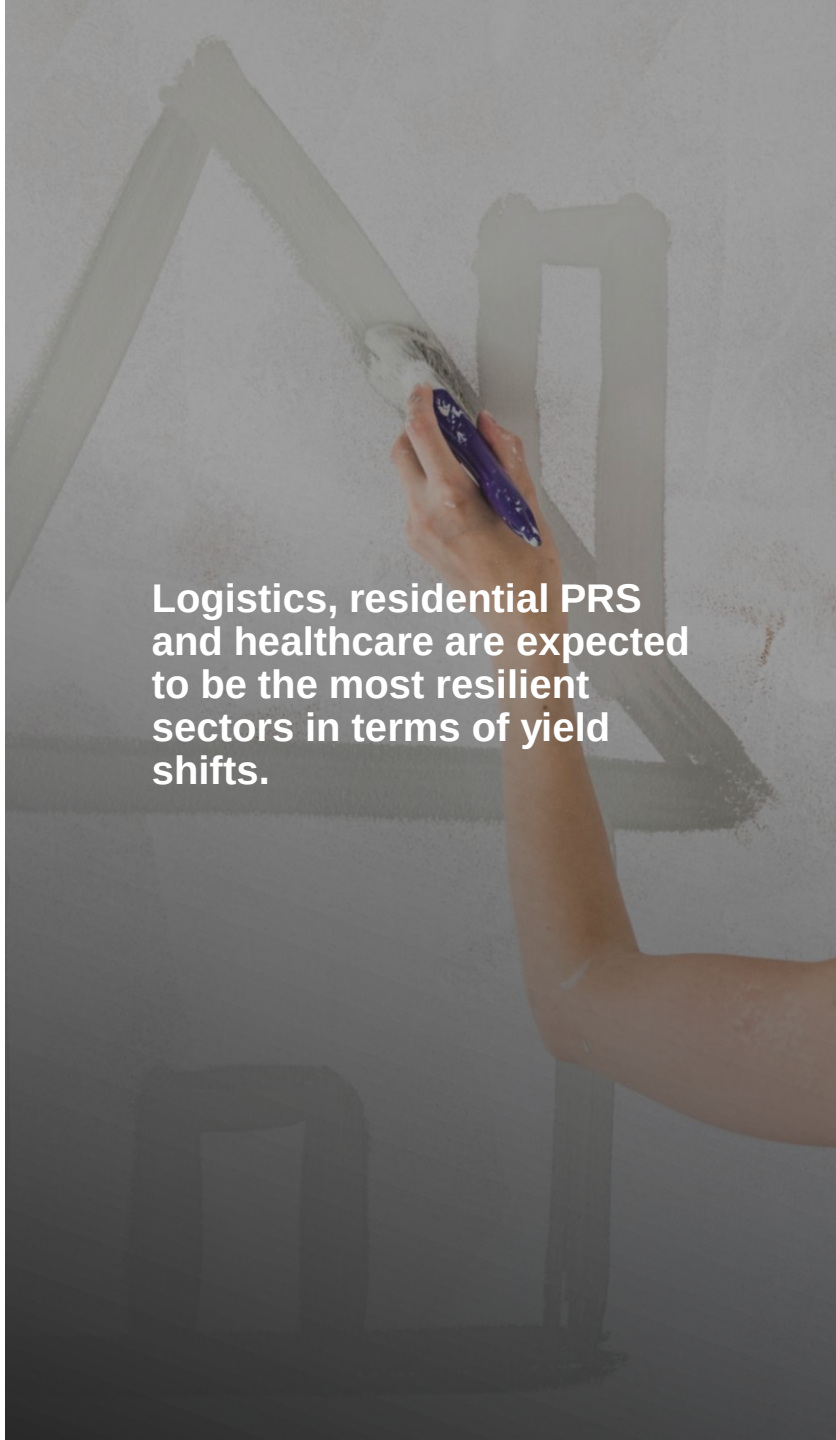
4 Investment Pricing Sentiment

Perceptions

Prime Yields Adjustment by Asset Class



Source: Cushman & Wakefield

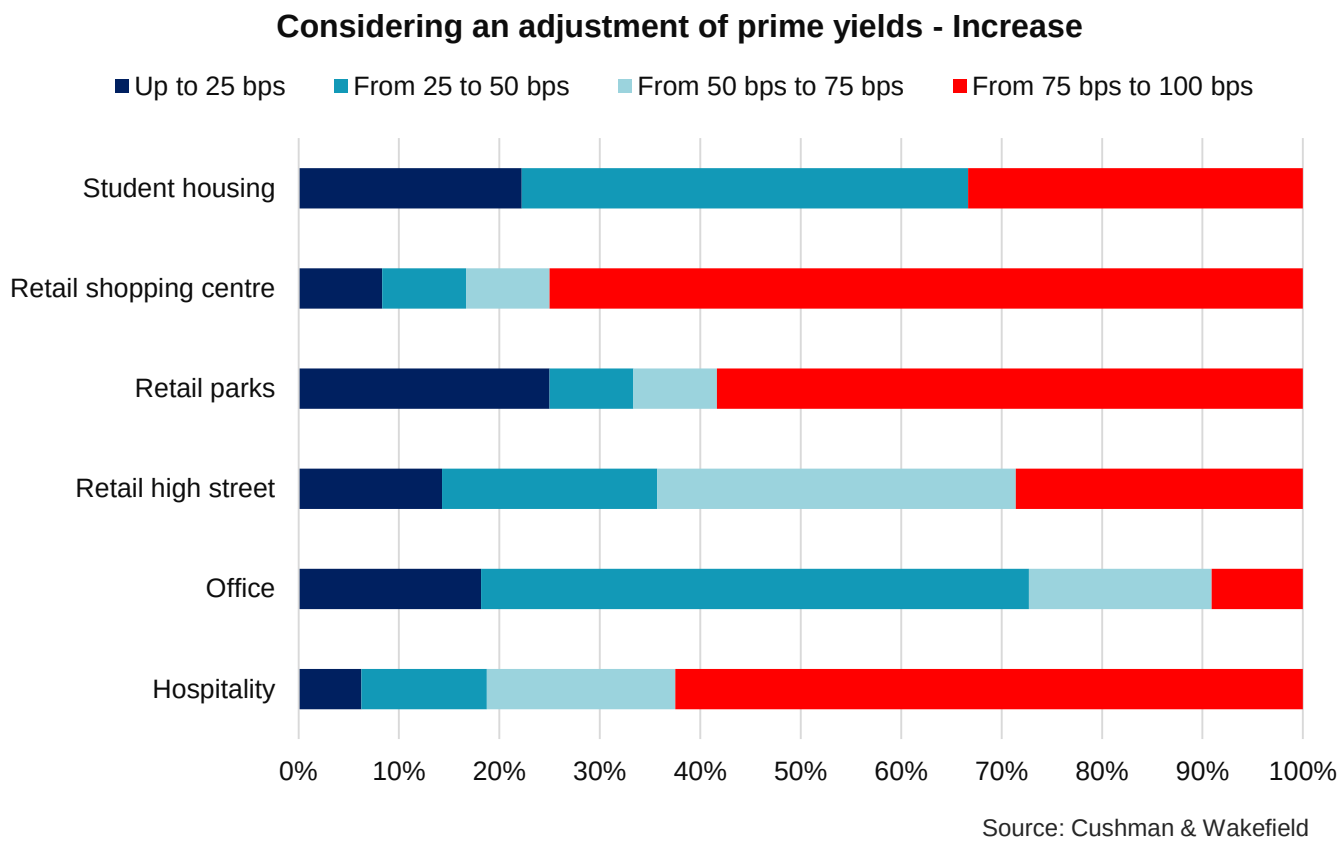


Logistics, residential PRS and healthcare are expected to be the most resilient sectors in terms of yield shifts.

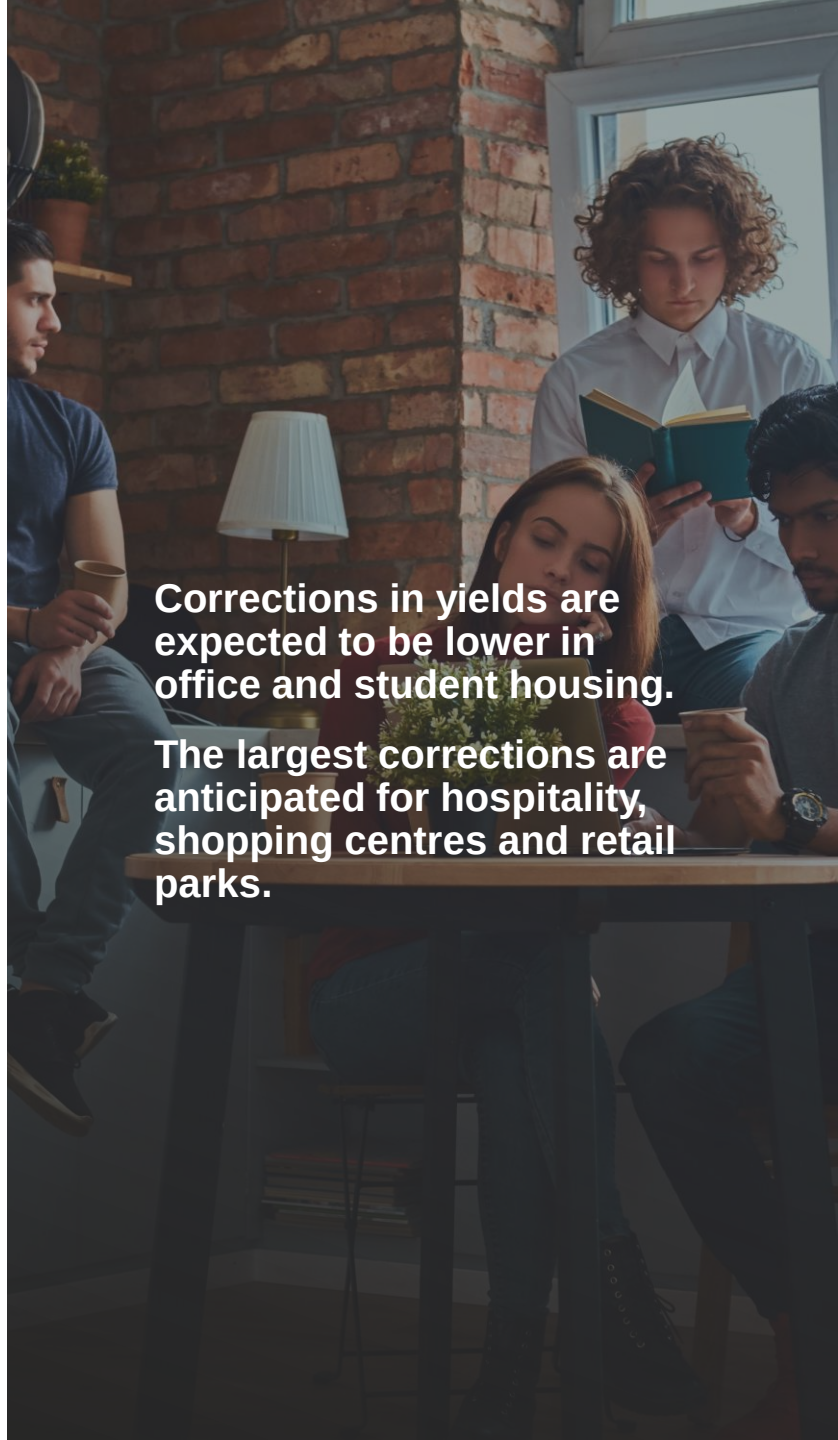
4 Investment Pricing Sentiment

Perceptions

Prime Yields Adjustment by Asset Class



Source: Cushman & Wakefield



Corrections in yields are expected to be lower in office and student housing.

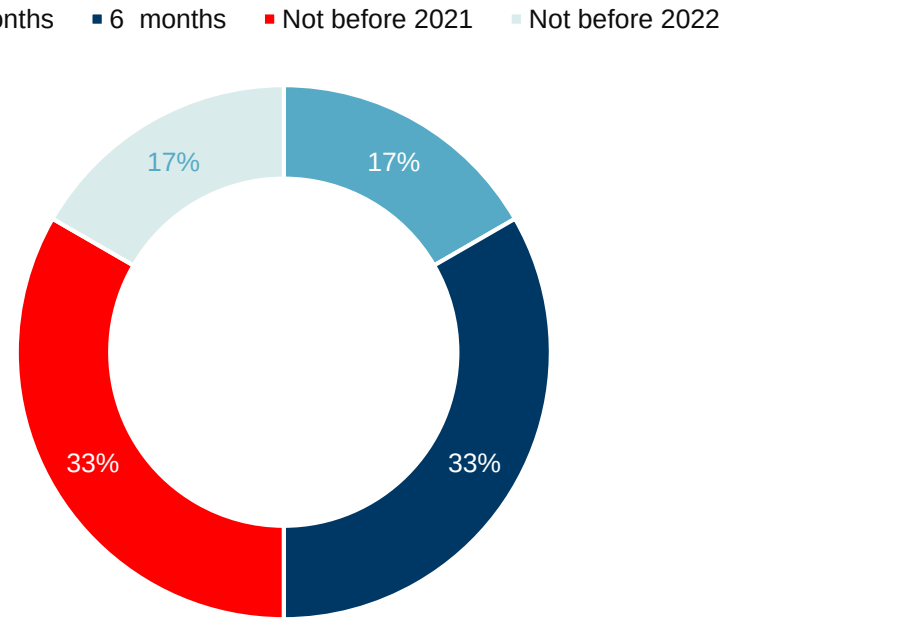
The largest corrections are anticipated for hospitality, shopping centres and retail parks.

4 Investment Pricing Sentiment

Perceptions

Investment Activity Recovery Expectations

When do you believe the commercial real estate investment market could be back to pre-Covid19 activity?



Source: Cushman & Wakefield

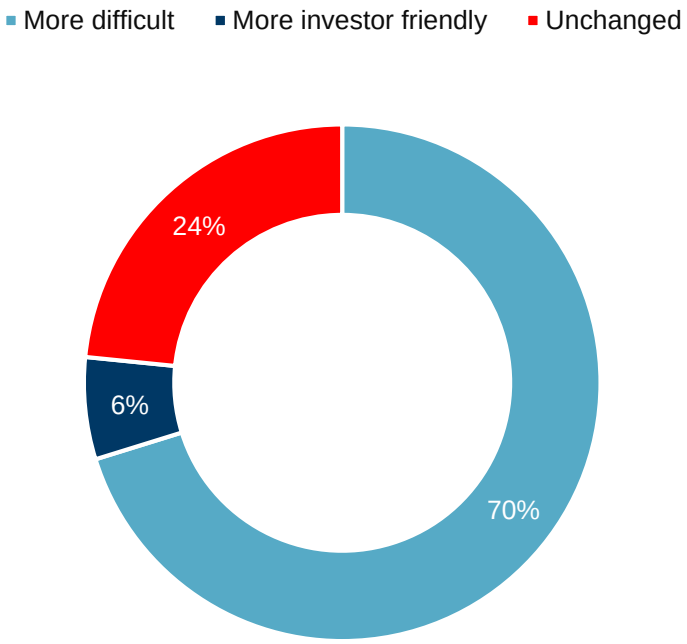
83% of investors surveyed believe that the investment market will recover its normal activity and pricing in the coming 18 months

5 Debt Financing Conditions

Perceptions

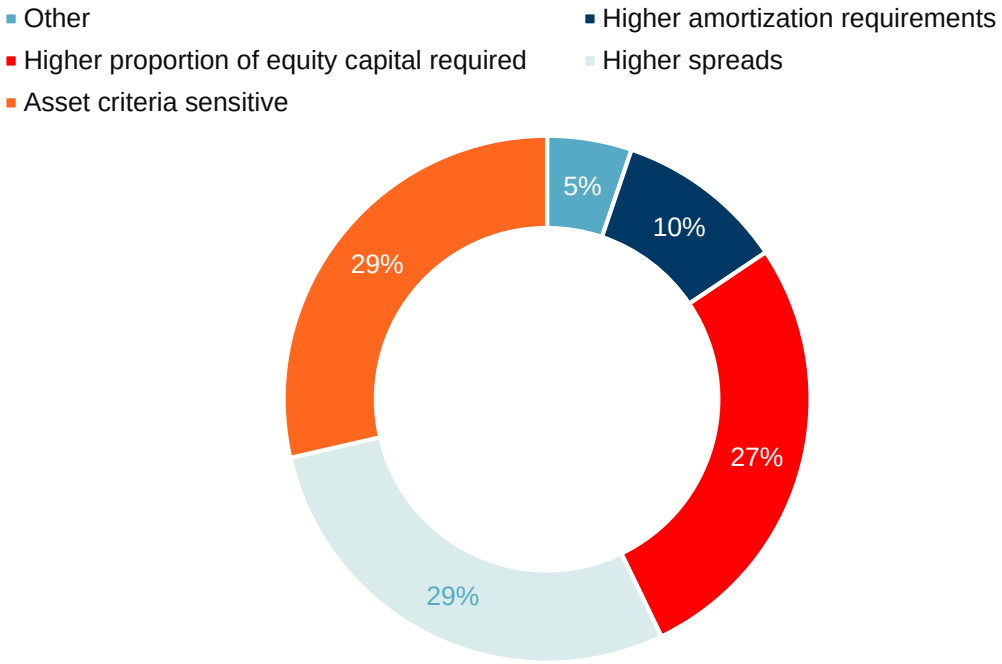
Expected to be more difficult, with potential decrease in LTV and higher spreads

Debt financing conditions today



Source: Cushman & Wakefield

More difficult debt financing due to:

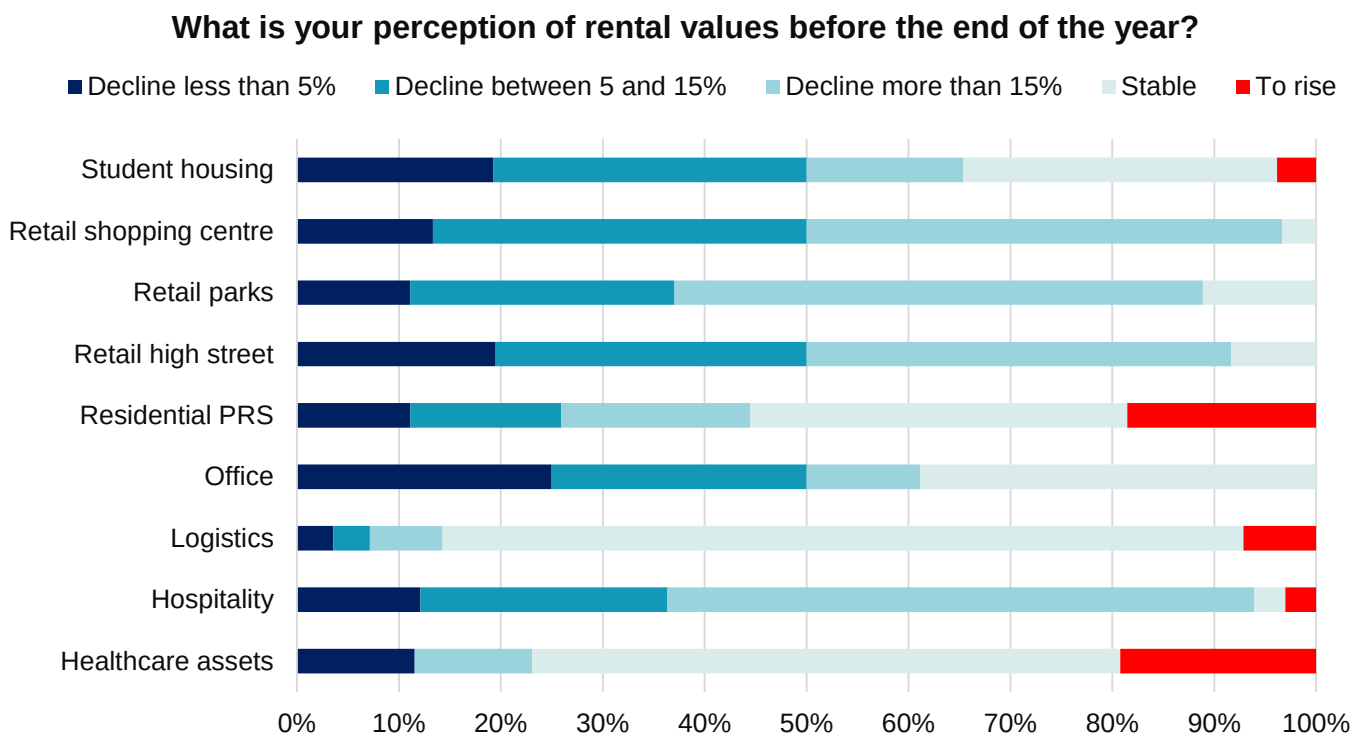


Source: Cushman & Wakefield

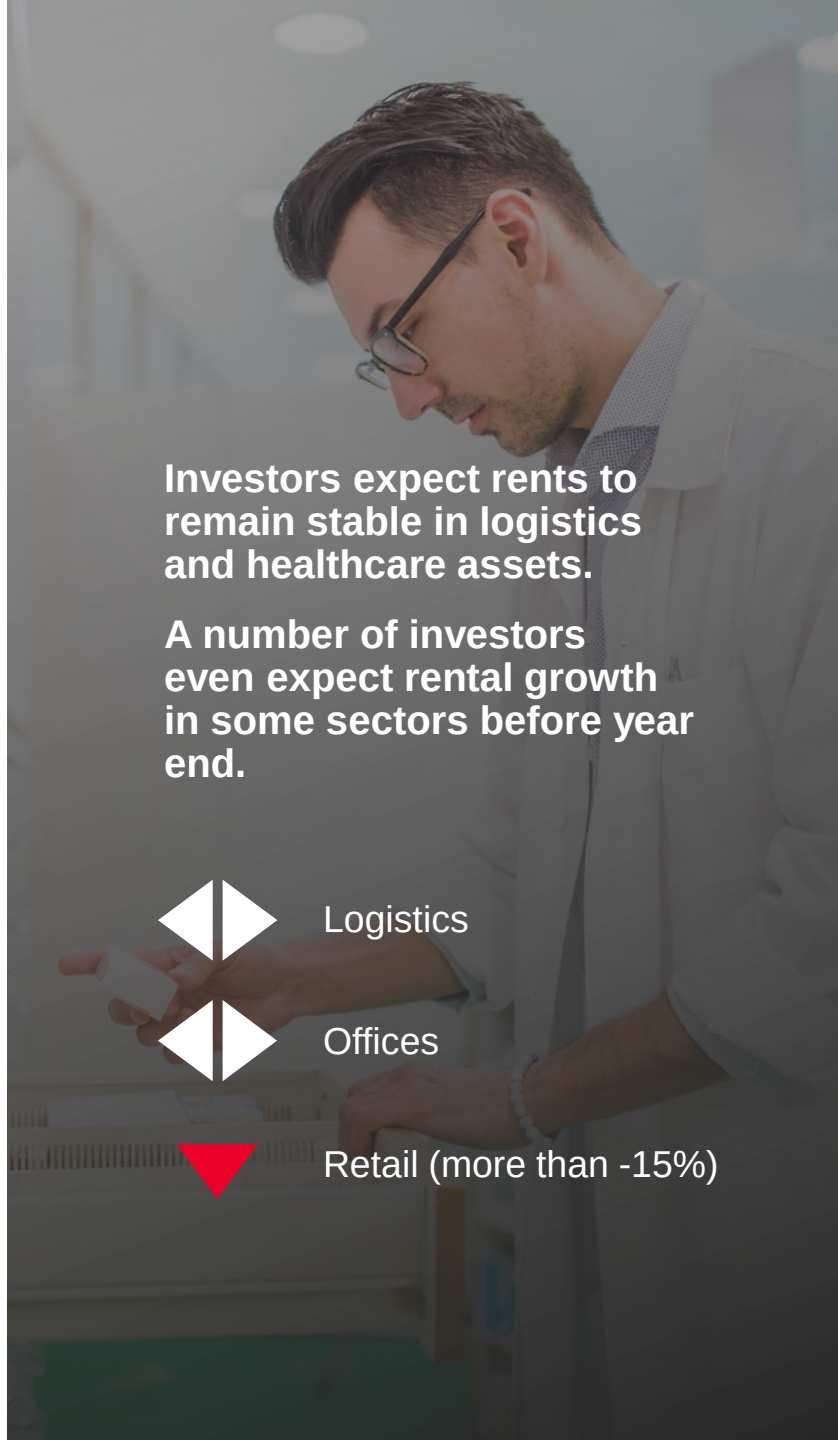
6 Leasing Market Sentiment

Perceptions

Rental values adjustment by asset class (by how much?)



Source: Cushman & Wakefield



Investors expect rents to remain stable in logistics and healthcare assets.

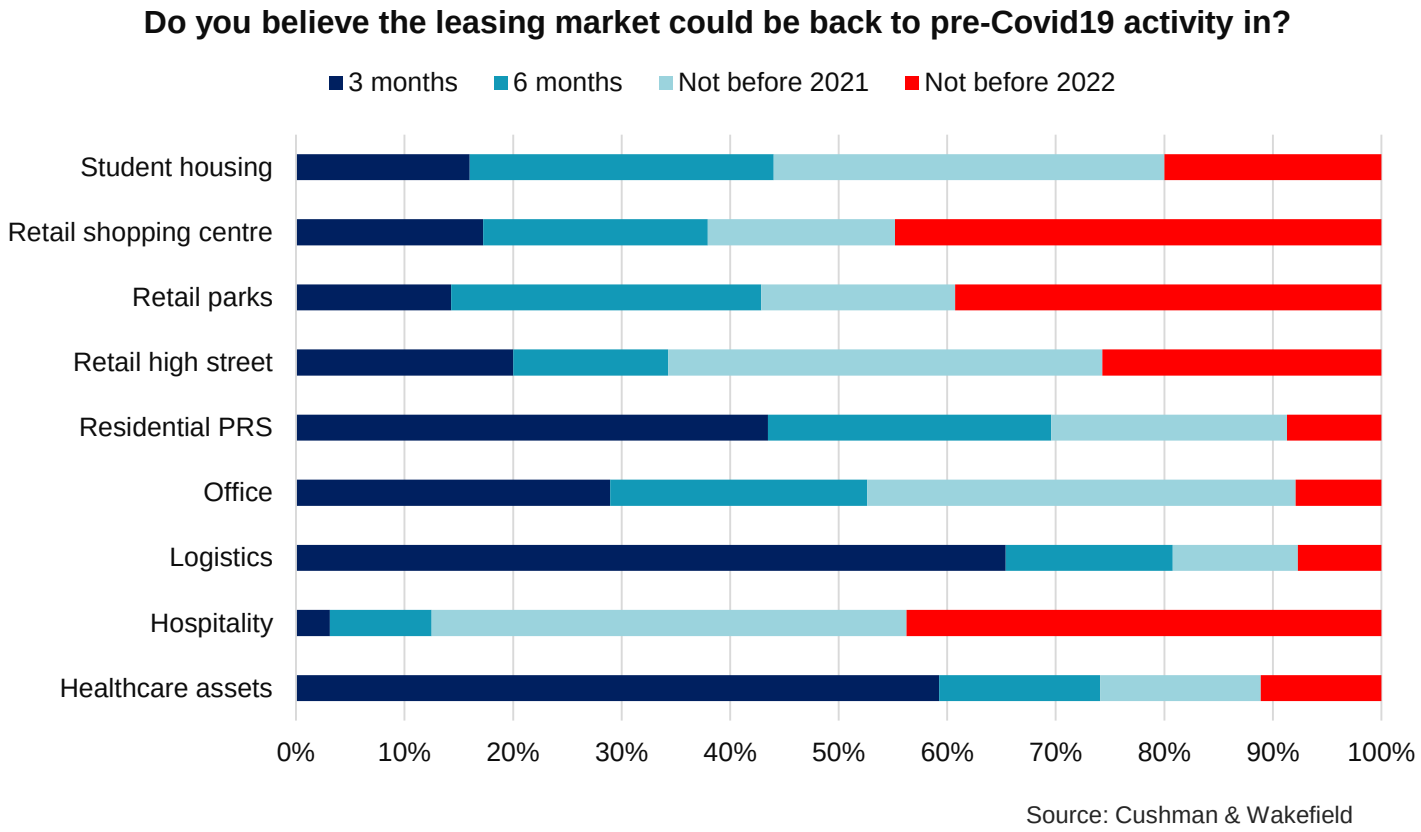
A number of investors even expect rental growth in some sectors before year end.

- Logistics
- Offices
- Retail (more than -15%)

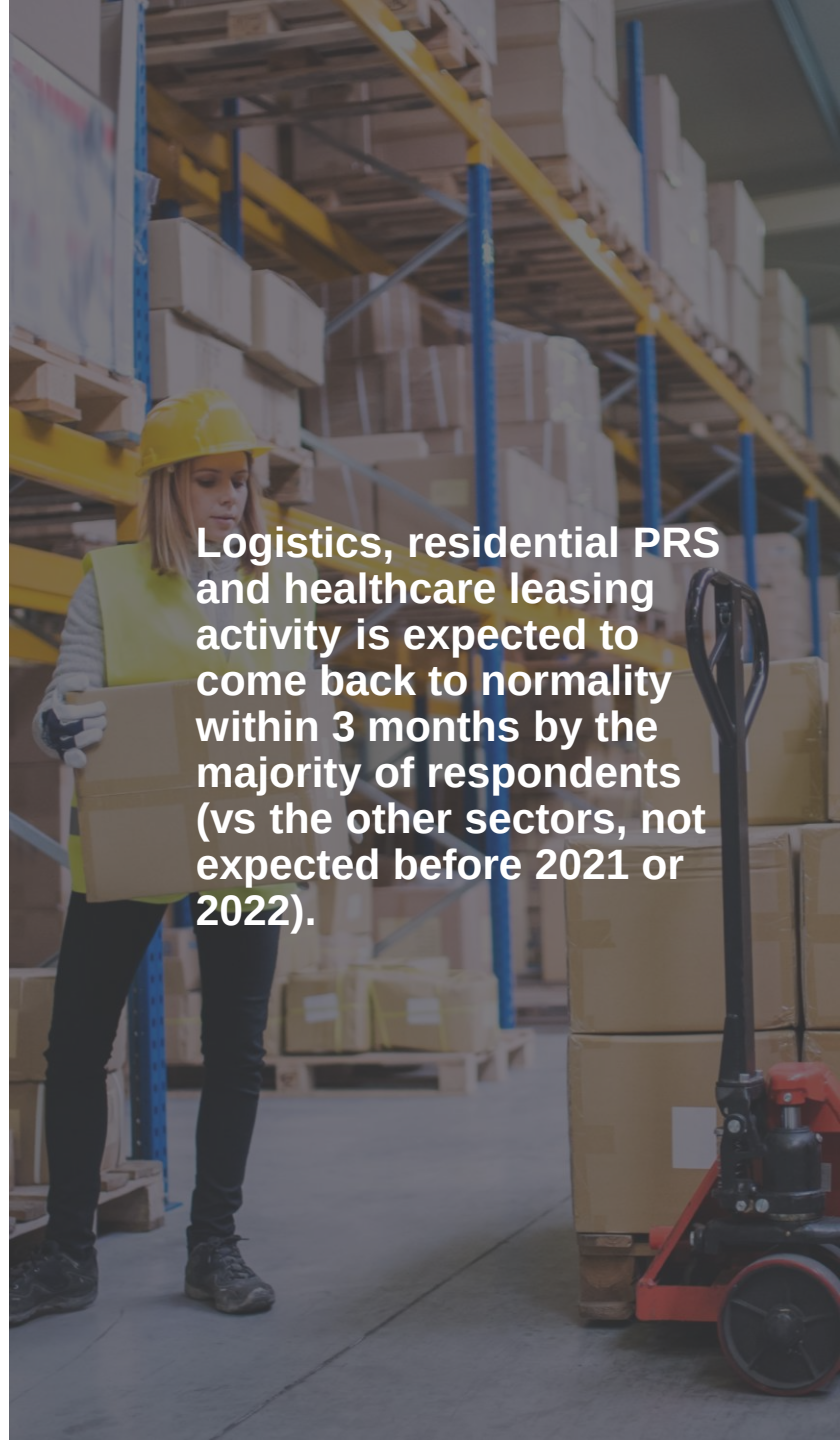
6 Leasing Market Sentiment

Perceptions

Rental values adjustment by asset class (by when?)



Source: Cushman & Wakefield



Logistics, residential PRS and healthcare leasing activity is expected to come back to normality within 3 months by the majority of respondents (vs the other sectors, not expected before 2021 or 2022).



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