What we know

What we expect

What we question

Knight Frank

Covid-19

Research June 2020

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COVID-19

In Europe and all over the world, every business sector is reeling from the effects of the coronavirus (COVID-19) pandemic. At the time of writing, we feel that the past is no longer a reliable guide to the future. Instead of looking back, this report presents our take on the market as it is today. Given the uncertainty surrounding the ongoing impacts of COVID-19 on the real estate market, and the dearth of recent comparables, we aim to sketch an overview of the market situation at this moment in time. However, it is important to emphasise that things could change rapidly as circumstances evolve.

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COVID-19 REPORT

Following months of lockdown in virtually every country in the world, here in Spain the path to recovery is now coming into view. Nonetheless, we must proceed with caution and adhere to the proper safety measures if we are to see a swift return to normality.

In this report, we look at what the public health crisis might mean for the economy, in general terms and as of going to press, and more specifically its effects on the main real estate markets in which we operate. We outline some of our current expectations and our most pressing questions. We should bear in mind that the COVID-19 situation is fluid, and its effects on the real estate sector are many and varied – even if the impact is lessening with every passing day. For the purposes of this study, we have focused on a real-world scenario based on information and experience accumulated over the course of the last few months. This scenario is substantially different from the one we were working with at the end of last year, although it is our belief that, despite recent events, we are likely to be in an excellent position to build on the strengths and opportunities that can always be found in the wake of adversity. It is interesting to reflect on how the pandemic has served to fast-track patterns of working and shopping that had been slow to take off in Spain, despite enthusiastic take-up in other major economies. Almost overnight, we learned to work remotely without sacrificing efficiency, to shop online more frequently and successfully, to organise ourselves to prevent crowding in convenience stores and to enjoy a visit to family, friends and colleagues from behind a computer screen. It seems highly probable that we will stick with these models to help us manage our time more effectively and achieve better results. Strangely enough, we have also had a lesson in the true value of two very different but complementary factors, each vital in daily life: technological preparedness and expertise, and face-to-face social interaction.

CONTENTS

04 MACROECONOMIC CLIMATE

08 THE BUSINESS OUTLOOK IN SPAIN

10 OFFICE MARKET

12 LOGISTICS MARKET

14 RETAIL MARKET

16 RESIDENTIAL MARKET

COVID-19 REPORT

MACROECONOMIC CLIMATE

We are all acutely aware of the pandemic's impact on the global economy, and on each individual country. Experts suggest that there is a chance of a prompt return to normality, provided that the right measures are put in place to keep the wheels of the economy turning.

What we know

As we would expect, economic indicators have been painting a fairly dispiriting picture.

The lockdowns imposed all over the world were always going to have drastic repercussions in the short term, and indicators are a reflection of that. China, one of the first countries to enter a strict lockdown, is a good illustration: here, official statistics reveal a drop in GDP of around 7% in Q1. In many other countries, the available data is already obsolete and of little value when it comes to forecasting the future. In Spain, Q1 alone saw an unprecedented 5.2% contraction in GDP. There is currently a great deal of debate over the quality of some of the economic data put forward, particularly when extrapolated from surveys or questionnaires. Consequently, analysts are also looking at more long-term indicators, with a view to forming a clearer impression of what the economic reality in different countries might look like moving forward.

Interest rates: lower for longer.

Following a period of volatility, government bond yields have reached their lowest ebb in many major economies, even if only temporarily. Decisions made by central banks have led to either interest rate cuts or, at the very least, rates being held at historically low levels. Most major economies are running out of road as far as conventional measures are concerned, although China managed to cut benchmark interest rates for the entire month of April.

Many monetary authorities have now turned to less conventional options, such as purchasing public or private debt or dipping into countercyclical capital buffers. Under normal circumstances, all of these approaches would be regarded as expansionary in the extreme.

In Spain, the government plans to mobilise a total of €200,000 million to soften the blow of coronavirus on citizens and the domestic economy

Governments announce fiscal stimulus packages.

En March brought the first wave of funding commitments aimed at kick-starting struggling economies across the globe, although new programmes are still being unveiled. In the US, for example, the Senate has approved a stimulus package worth $484,000 million, with $300,000 million earmarked for the Paycheck Protection Program, informally known as the small business fund.

In Spain, the government plans to mobilise a total of €200,000 million to soften the blow of coronavirus on citizens and the domestic economy. The largest chunk will be used to boost liquidity for businesses by providing state-backed loans to the tune of $100,000 million, thus ensuring that self-employed individuals, SMEs and companies can access the funds they need to keep them afloat and avoid redundancies. This sum is equivalent to around 20% of the Spanish economy's total economic output in a normal year. Meanwhile, Germany has given the green light to the release of €10,000 million to fund unemployment benefits and has cut VAT on restaurant and café sales.

The UK Treasury intends to more than quadruple its planned borrowing up to a total of £180,000 million, after announcing a £30,000-million support package earlier in the year. In short, government stimulus measures have yet to hit their peak. Meanwhile, Spain has decoupled the ERTE mechanism from the state of emergency, prolonging the scheme until 30 June for the time being. In the UK, payments made to furloughed employees — in a similar position to Spanish workers covered by an ERTE — will be gradually phased out, rather than withdrawn abruptly at the initial cut-off date, also 30 June.

What we expect

Easing the lockdown, little by little.

In some parts of Asia, things are already getting back to normal; employees have returned to work (subject to strict safety measures and regular testing) and South Korea has even managed to hold elections. In Europe, too, some countries are relaxing restrictions, albeit very gradually. As forecasts of weak economic growth in Q1 continue to pour in, governments everywhere are coming under mounting pressure to ramp up the pace and get on with reactivating the economy. The message they are keen to get across is the need to strike a balance between public health and the health of the economy. Accordingly, although the list of countries that have begun to lift some restrictions is growing rapidly, we would expect the journey back to "normality" to be measured in months and quarters, not in weeks.

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In Spain, although the impact on GDP in 2020 will be in the region of -8%, primarily due to the predominance of the tourism sector, it is expected to rally by 4.3% in 2021

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Fierce debate over the shape of the recovery.

The most recent batch of economic data will have focused all minds on getting economies back on track for growth. Opinions are currently split, but almost all analysts expect the slump in global economic growth in 2020 to exceed the -0.5% recorded during the GFC. On a more positive note, the consensus is that 2021 will bring renewed GDP growth of 4.3%, although unemployment looks set to rise to 5.3%, compared with 3.8% at the start of 2020. For most economies, the spectrum of predicted outcomes is extremely wide.

According to the IMF, the Eurozone will see a drop in GDP of -7.5% in 2020, followed by growth of 4.7% in 2021. For Spain, the predicted hit to GDP in 2020 is -8% (mainly because the tourism sector plays such a key role in the Spanish economy), with a recovery of 4.3% in 2021.

At the time of writing, predictions for most economic indicators span a vast range. This variation reflects a number of parameters that remain essentially unknown: the speed at which each country emerges from lockdown, the timing of the introduction of mass testing and the future impact of a second wave of infections.

In our opinion, the Spanish economy will experience slower growth than the more optimistic predictions for a V-shaped recovery would suggest, with the recovery drawn out over a long period of time.

What we question

Just how long will it be before things get back to normal?

The scale of the crisis is so great that there are inevitably many questions about the road back to normality: Will mass air travel be as prevalent as it was before? Will the increased reliance on card payments hasten the decline of cash? Will employees revert back to working in a physical office?

Will we become increasingly dependent on online shopping? In the short term, we can look to the example of certain parts of Asia, where people are already embracing a "new normal", at least to some degree. Offices and leisure facilities are beginning to reopen in China and South Korea, although as we would expect precautionary measures remain in place.

The UK may be about to head in the same general direction; however, when we drill down to the country level there are many nuances — differences in political and healthcare systems, for instance — that conspire to make generalisation impossible. In Spain, each region is transitioning through the different stages of easing the lockdown outlined by the government. To say the least, the time scale of the coming recovery will be unlike anything we have seen in the past; this is not a normal crisis, so we cannot expect a normal response. Conventional economic crises and their repercussions for the real estate markets tend to stem from a combination of 1) undercapitalisation of the banking sector; 2) excessive gearing; 3) oversupply; and 4) a loss of confidence. However, this is not a conventional economic crisis.

PHASES OF LOCKDOWN EASING IN SPAIN

PHASE 0. Businesses classed as non-essential can reopen with certain health and safety measures in place. Clients must make an appointment to visit premises of under 400 sqm. Once inside, social distancing and other measures must be observed, with each employee attending to one client at a time. Priority times are set aside for older people and those with disabilities which coincide with their allotted times for daily outings. Restaurants and cafes can reopen for take-away service but are still barred from serving food or drink for consumption on site. Show flats and sales offices are able to open in new-build property developments.

PHASE 1-INITIAL. Small businesses can reopen if safety requirements are met; this excludes shopping centres apart from stores which can be accessed independently from the street. Terraces can reopen at 50% capacity; this ratio may be increased if local authorities open up more street space to cafes and restaurants. Some hotels can reopen, as long as communal areas remain sealed off. Libraries can open and cultural performances with audiences of fewer than 30 people indoors or 200 outdoors can go ahead; museums can open at one third of their usual capacity. Gyms can open for pre-booked sessions of individual exercise, provided that safety measures are observed. Property viewings can recommence during this phase.

PHASE 2. Shopping centres can open to the public if visitor numbers are kept to 30% of capacity for communal areas and 40% for stores, with customers remaining two metres apart or admitted one by one. Special opening hours will be introduced for those over the age of 65. Indoor table service can be resumed at one third of capacity; all customers must be seated. In hotels, communal areas can reopen, with user numbers kept to under one third of capacity. Cinemas and theatres are free to operate, again at one-third capacity, and cultural outings can resume.

PHASE 3. Greater flexibility for travel. Shopping centres can reopen communal areas and leisure facilities to 50% of capacity, provided that social distancing is maintained. New guidelines for returning to the workplace apply. Bars and restaurants can trade at half capacity. Indoor performances and sporting events can recommence, subject to restrictions on audience numbers.

THE BUSINESS CLIMATE IN SPAIN

What we know

Increased investment during Q1 2020.

In Spain, the COVID-19 pandemic is also having a profound impact on the country's economy and on all areas of business activity, with both largely grinding to a halt since lockdown measures were introduced by the government.

Although a large number of deals were put on hold due to the crisis in Q1 2020, the year got off to a very good start with commercial investment increasing by approximately 15% y-o-y.

In terms of specific sectors, the retail sector saw its investment volume tick up compared to the same period last year, while volumes remained flat overall in the office and logistics sectors.

Investment in the logistics sector surged in March, largely thanks to a spike in demand for industrial warehouses as operators looked to expand their storage and distribution networks in a bid to meet the rising e-commerce that started to swell as the state of emergency took hold – especially in the grocery shopping segment.

Commercial investment in Spain

Millions of euros

Source: Knight Frank Research

What we expect

The importance of location.

Quality properties in prime locations are like gold dust for investors. Some buyers are willing to cast their eyes further afield so long as transport links are good, as these areas can be in higher demand, particularly in the office market. Location will also be particularly important in the world of retail, since the most liquid assets will be retail parks and local shopping centres or centres located in prime areas, where repurposing could even be considered for strategically located assets. Logistics investors will also be interested in location, but they are also on the lookout for high-quality, modern buildings, with big-name institutional tenants.

Post-lockdown trends.

As companies have had to adapt to the current situation at an unprecedented rate, we are likely to see a rise in hybrid workplace models that strike a balance between remote working, fixed headquarters and flexible offices. Digitalisation and innovation will also play a crucial role in the logistics market and the shift towards industry 4.0, as companies increasingly turn to Big Data and the Internet of Things (IoT) as a way of boosting efficiency and providing ever-faster solutions. Sustainability will continue to play an ever more central role in investor and tenant strategies, as they look to design new energy efficient warehouses that can be BREEAM/LEED.

As companies have had to adapt to the current situation, we are likely to see a rise in hybrid workplace models that strike a balance between remote working, fixed headquarters and flexible offices

What we question

Investors and opportunities.

In times of uncertainty, investment tends to either slow or be put on hold until the market regains a sense of normality. Opportunistic and distressed investors are unlikely to prove an exception to this rule. However, given the amount of pent-up capital on the market, we are likely to see an uptick in investment volume in the future. Price adjustments will be driven by reduced expectations for rental growth and cost analysis. Investors are now having to revisit the agreements they have in place for their existing assets in a bid to ensure that they are not adversely impacted. Tenants, on the other hand, are trying to seek landlord concessions in a bid to meet their costs during this uncertain time – requesting rent reviews, rent holidays or rent-free periods. Given the current climate, opportunities will begin to appear once things start to get back to normal and will likely pique the interest of investors who have been lying in wait and will be keen to tap into defensive real estate opportunities offering a secure investment option. These new opportunities will pave the way for new projects, as construction and financing deals get back underway.

OFFICE MARKET

What we know

Lettings have slowed to a crawl.

Just as expected, the number of office lettings has trailed off in recent weeks. Even so, tenants have still been signing new leases, either because they were already under negotiation or because they found good opportunities in an undersupplied market. Looking at the overall figures, take-up reached close to 95,000 sqm in Madrid during Q1, with the effects of the COVID-19 health crisis starting to kick in right at the end of the quarter. Although this figure is similar to 2016 and 2017, take-up is at its lowest level in five years. It is worth noting that even before the crisis hit, take-up was already slightly down in January and February, due to the lack of attractive product on the market and the fact that rents were at an all-time high. The arrival of the pandemic in March caused various lettings to be postponed for the next few months. As expected, the number of lettings plunged during April and May. This was the case across all major cities in Europe, but tenants do remain active, even if they are somewhat hesitant to commit.

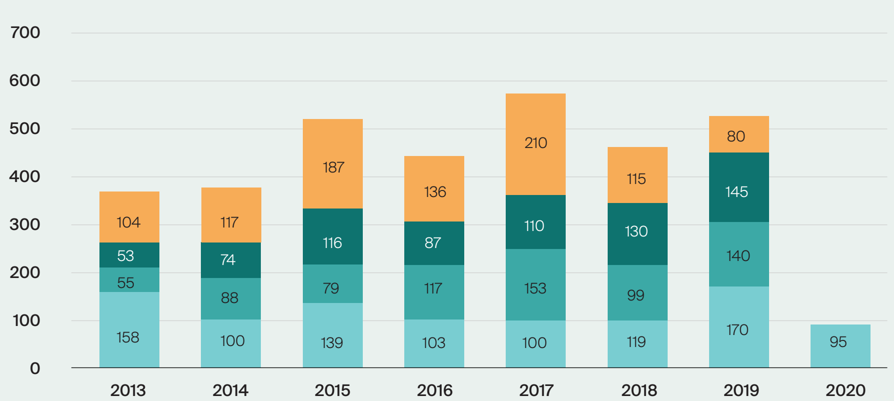
The Madrid vacancy rate stands at 9.9%, which equates to some 1.5 million sqm of available space. Grade A properties in the CBD account for barely 3% of this total, or 0.30% of Madrid's overall office stock. Many construction and refurbishment projects scheduled for completion may be put back slightly after works were put on hold for two weeks and due to delays in the delivery of materials, however, extra safety measures have been implemented and activity has now been resumed.

What we expect

Mid-term recovery with new ways of working.

The effects of COVID-19 will remain plain to see over the coming months, as some companies will choose to push back their plans to open new offices, relocate or expand their existing offices until the uncertainty eases, and others will continue to renegotiate their leases

Quarterly take-up in Madrid
2013 - Q1 2020. Thousands (sqm)



Source: Knight Frank Research

Once construction resumes, a number of attractive developments will bring coveted new space onto the market

to try and achieve more flexible conditions. The sector will continue to perform well in the medium term, largely due to the lack of quality buildings in well-established areas, which were already in high demand prior to the state of emergency. Some areas within the secondary centre and out-of-town submarkets could see a new spike in demand, as tenants look for spaces large enough to meet social distancing requirements and competitive prices such as those offered in areas such as Manoteras and Julián Camarillo – areas which also benefit from excellent transport links and could well become the new up-and-coming office hubs of the city. The market is also expected to do well in the long term as a handful of attractive construction and refurbishment projects will bring coveted new space onto the market once works are fully back up and running. We may also see some major corporates starting to consider subletting their offices, a move that would inject new, fully furnished and completed supply onto the market. And while remote working is now here to stay, it is also safe to say that the term "remote survival" could be used to better describe the far from ideal conditions in which many people have had to work. Going forwards, working from home will not likely be so extreme and anyone working remotely should be better equipped to do so. Ultimately, firms will need to strike a balance between smart and on-site working in order to maximise productivity.

Offices will need to offer new and appealing spaces where employees can socialise with one another. Spaces that workers feel privileged to have access to and that help drive collaboration and creativity as they alternate between working from home and going to the office. In terms of office re-occupancy, on the one hand, we expect it to be a very gradual process, allowing each employee the extra space they need to ensure social distancing in the workplace. Whilst on the other, offices should be seen more as flagships, spaces that offer experiences and that attract employees and creates a sense of belonging among them.

What we question

COVID-19 took hold in Spain at a time when things were positively booming in the office sector. Although we remain positive that things will pick back up again, we are also not blind to the fact that the sector will have to adapt to a new reality.

How long will tenant-landlord negotiations go on?

In the short term, current rents are unlikely to see any major reductions given the scarcity of supply in the market. A more likely outcome is that new leases will be more flexible, offering conditions that benefit both parties.

Which sectors have the best prospects once the worst of the crisis is over?

The most promising sectors are the pharmaceutical, health sciences and technology industries, that were already leading office demand prior to the pandemic.

These companies are likely to need more space in the medium/long term.

Will we be more digitally agile? Will this improve our business?

While this is a goal that the sector has been aiming towards for quite some time, the current situation may well have forced its hand and made employers pay it the attention it deserves.

Technology has suddenly become the only means to business continuity and companies have been made to realise that not only do they need to equip their offices with better infrastructure, but that they need to make it a priority for the future.

LOGISTICS MARKET

What we know

A sector in high demand.

If there's one sector that this crisis has singled out as crucially important and the vital link between households and basic necessities, it's the logistics sector. The logistics market has not let up for one second since lockdown began in Spain. Operators have been racing to meet burgeoning demand by letting more storage and distribution space, pushing take-up to nearly 120,000 sqm in Madrid during Q1.

In-demand sectors and capacity-boosting measures.

In addition to offsetting reduced activity in other sectors, companies supplying food and healthcare equipment are taking measures to meet government requirements and ensure people have access to adequate supplies.

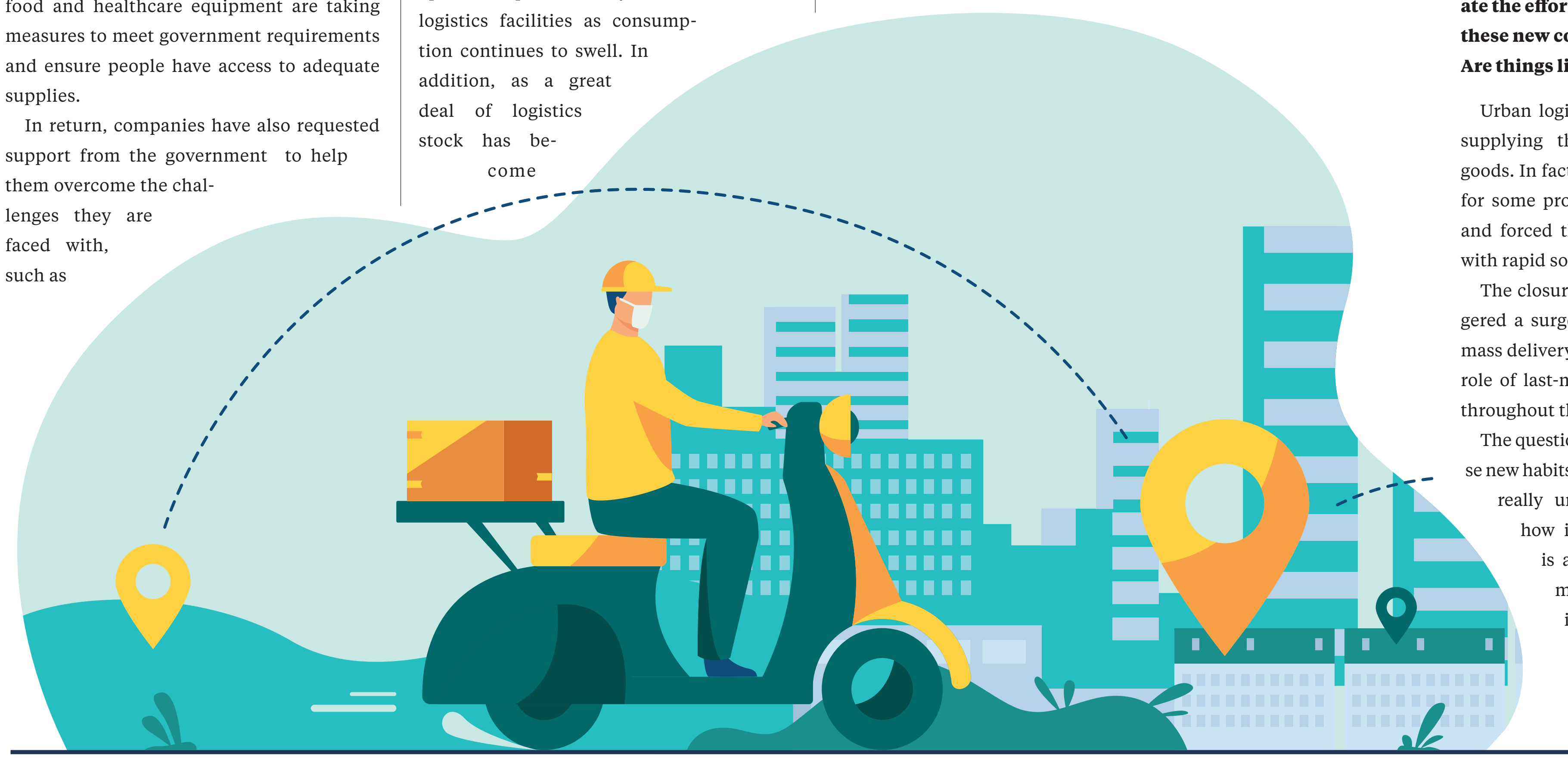
In return, companies have also requested support from the government to help them overcome the challenges they are faced with, such as being able to guarantee employee safety and resolve issues such as stock shortages and delays in deliveries caused by surges in demand. Major corporations have ramped up the services offered by their logistics networks to do their bit in these testing times, either by increasing their capacity to better meet demand or by helping to produce and/or distribute healthcare equipment.

What we expect

Rising demand due to new consumer habits.

A business model that was already changing, combined with the new consumer habits that the COVID-19 situation has given rise to, will keep demand among online and 3PL operators upbeat as they vie for the best logistics facilities as consumption continues to swell. In addition, as a great deal of logistics stock has become

Urban logistics has played a vital role in supplying people with essential goods



outdated, we expect operators to continue moving from older warehouses to new facilities. We also expect operators to look to negotiate lease extensions and rents to remain stable (rental increases initially anticipated for 2020 will be delayed until 2021). Owners will continue to offer an increasing number of rental incentives.

National reindustrialisation

Another knock-on effect of this crisis will be an increase in both the stock and size of logistics warehouses to meet rising demand during the pandemic, with tenants also seeking greater flexibility within logistics parks.

What we question

Will we really understand and appreciate the effort that goes into logistics? Are these new consumer habits here to stay? Are things likely to improve?

Urban logistics has played a vital role in supplying the population with essential goods. In fact, at times an excessive demand for some products caused stock to run out and forced the logistics sector to come up with rapid solutions.

The closure of offices and stores also triggered a surge in logistics activity, with the mass delivery of products and the important role of last-mile delivery becoming evident throughout the crisis.

The questions that remain are whether these new habits are here to stay, whether we will really understand and appreciate just how important the logistics process is and how much effort goes into making sure consumer demand is met, and how the lessons learned from this global pandemic will be used to improve these supply chains.

Initiatives taken by major corporations in the Spanish logistics market
Start of the pandemic in Spain. March 2020

amazon	**1,500** new logistics jobs created in Spain
INDITEX	**300,000** face masks donated and distributed thanks to logistical capacity
MANGO	**2 Millions** face masks provided to hospitals across Spain via its own logistics network
El Corte Inglés	**Priority deliveries** of supermarket orders for healthcare workers, with free home delivery
H&M	**Production and distribution** of PPE for hospitals via its global supply chain

RETAIL MARKET

What we know

Retail has been one of the hardest-hit sectors.

Midway through March, all non-essential retailers in Spain were forced to hang up their closed signs and began to demand solutions from the government to prevent the consequences of this temporary shutdown from being any worse than they had to be. At that point in time, a huge opportunity opened up for retailers who already had a strong online business model, or retailers who had just begun to dip their toes into the e-commerce market. As lockdown begins to ease, smaller businesses are gradually reopening at reduced capacity, as well as complying with all new health and safety measures.

Essential goods top the list as most-searched items.

The most popular online services at present – including pharmacies, media and above all, groceries – have really been able to come into their own. Other areas, such as fashion and banking, are actively offering discounts, free shipping, deferred payments and returns, express financing and other additional services.

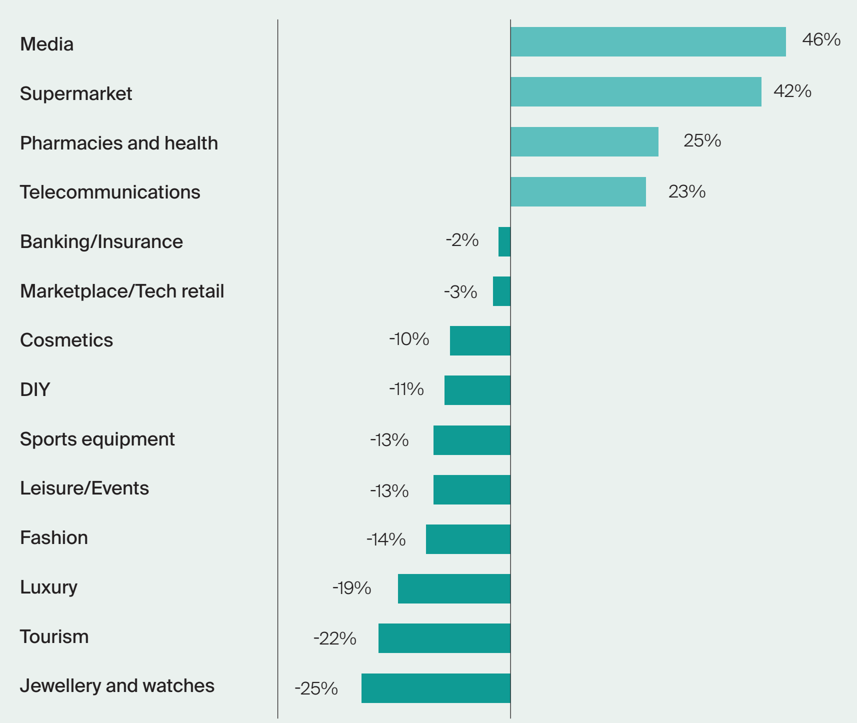
Shopping centres have kept their food retailers and other essential stores open with safety measures in place, adopting contingency plans with tenants right from the outset of the state of emergency. Shopping centres have finally been able to reopen their doors now that phase 2 has come in to play, so long as they comply with government measures and ensure that leisure facilities and communal areas remain closed until phase 3.

What we expect

Retail and the race to reinvent itself.

More than ever before, now is the time for retail to reinvent itself. For instance, shopping centres could begin to place a greater emphasis on essential retail, such as pet stores and pharmacies, to have a better contingency plan in the face of future pandemics such as this one. This crisis has hit the accelerate button on the digital transformation that was already taking hold in the Spanish retail sector, with omnichannel retailing likely to prove crucial to this transformation. Customers will be able to simultaneously interact in whichever way they prefer across various channels – making omnichannel the only channel for any retailers who want to succeed.

Impact of coronavirus on online traffic by industry
Start of the pandemic in Spain. March 2020



Source: ContentSquare

"COVID-free" certified shopping centres will ensure customers feel safer and more confident

Stores will have to adapt to the new normal by developing new ways of ensuring health safety, which has led to calls for "Covid-free" certification for shopping centres.

Rents and vacancy.

We estimate that rents could drop significantly, although they are expected to pick up again in the short to medium term. We expect the vacancy rate to increase by 10 to 15% across the board. Landlords will need to find new ways of cutting costs and adapting to the needs of their tenants more than ever before.

What we question

How will stores change?

Retail will need to evolve faster than ever once it returns, adopting contactless payment devices, virtual changing rooms – physical changing rooms will require much more regular cleaning and disinfection – and the possible addition of guided shopping routes.

RESIDENTIAL MARKET

What we know

When it comes to the residential sector, emotions and human interaction are key.

Once a certain degree of normality is resumed and the necessary precautions are in place, we expect to see the sector start to come back to life. The residential sector has been exploring innovative new digital solutions, offering online viewings and digital signings, among other new initiatives. In the rental market, greater focus is being placed on measures such as rent freezes and providing easier access to finance.

What we expect

New-build developers are yet to lower prices.

Developers are currently focused on using all the tools at their disposal to serve their clients online, in order to boost reservations and sales. Once lockdown eases, they will resume physical contact with clients. There has been a more marked slowdown in resale activity, among other factors, due to being unable to carry out in-person viewings up until mid-May. However, viewings are now possible, so long as safety measures are adhered to, such as wearing protective equipment, refraining from touching anything, minimising the amount of people in a lift and maintaining a safe distance between each other. Prime residential property will be less affected by this crisis. Once we have returned to normality, prices are likely to fall. Some investors will look to the residential market as a safe haven for their capital, as seen in the aftermath of previous crises.

The professional rental market (PRS and build-to-rent) will flourish as banks become more cautious when it comes to lending and providing development funding, while consumers will adopt a more flexible approach to housing.

We therefore expect there to be a spike in interest in out-of-town areas with good transport links, such as Rivas Vaciamadrid. There will also be greater interest in alternative living options such as co-living, which offers greater flexibility at a lower cost.

The rental market will see heightened interest in alternative living options

Experts predict that the market will bounce back quickly. After the first few weeks of lockdown, virtual viewings and phone calls had already returned to normal.

What we question

The general consensus is that this crisis will have a profound impact on both GDP and unemployment.

The general consensus is that this crisis will have a profound impact on both GDP and unemployment. However, it is also true that the market fundamentals during this crisis bear no resemblance to those during the GFC. Prior to the COVID-19 crisis, the economy was generally in much healthier shape than it was back then, with much more liquidity in the market. More importantly, companies had taken on much less debt than they had leading up to the 2008 crash. As a result, experts initially believed that we would also see a quicker economic recovery, with many pointing towards the so-called V-shaped recovery. However, time has gradually eaten away at this optimism and a U-shaped recovery now seems a more likely scenario. We are confident that the impact on the economy and the residential market will directly correlate with the time it takes us to fully adapt to the new reality and for business activity to return to normal across all sectors.

WHAT ABOUT ACCOMMODATION?

TOURIST APARTMENTS

As COVID-19 has slammed the brakes on the tourism market, landlords and investors have been forced to re-market their short-term holiday rentals as traditional rental housing and long-term accommodation.

HOTELES

The impact on hotels will essentially depend on how long this situation lasts and how quickly people regain confidence to return to life as normal outside of their homes, and subsequently then look to travel outside their own city and country. Tourism is expected to make a slow and gradual comeback to normality. The sector is a stalwart for Spain and its return will be positive for hotels, although this will not be noted for various months. Hotels will be allowed to reopen from phase 1, although all communal areas must remain sealed off. However, many hotels have no plans to reopen until people can freely move around the country again. The government has announced that overseas tourists will be allowed to visit Spain again as of 21 June, while other countries such as Italy and Portugal – along with the rest of the European Union – also plan to reopen their borders in June. The return of tourism will prompt hotels and tourist apartments to reopen, with the first signs of reactivation appearing as regions enter phases 1 and 2. Although we expect to see a gradual return in line with each phase of reopening, the safety of guests will be paramount at all times, to ensure that they feel both confident and comfortable. Hygiene will play a key role in hotels. Domestic tourism is expected to recover fairly quickly, whereas international tourism will come back gradually, picking up as and when a greater perception of normality has resumed. Countries that were hit hardest by the pandemic are likely to begin travelling overseas first, whereas those who were more isolated from the crisis will be unlikely to open their borders in the immediate future.

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