Invesco Real Estate

Rent Collection in the Time of COVID-19 – A Global Viewpoint

May 31, 2020

A look at how Invesco Real Estate's core investment teams are managing the impact of COVID-19 and remain focused on income.

*Over **80%** of all rent due globally for April and May was collected*

*Global office rent collections have remained strong at close to **90%***

Income is perhaps the defining characteristic of real estate as an asset class. At Invesco Real Estate, we partner with over 2,000 commercial tenants and over 10,000 multifamily renters across the globe to optimize the operations of the circa 200 assets we own in our core and income strategies. We are focused on helping our tenants through this challenging period while also maximizing income and preserving value for our clients by collecting contractual rent from the majority of tenants that are able to pay.

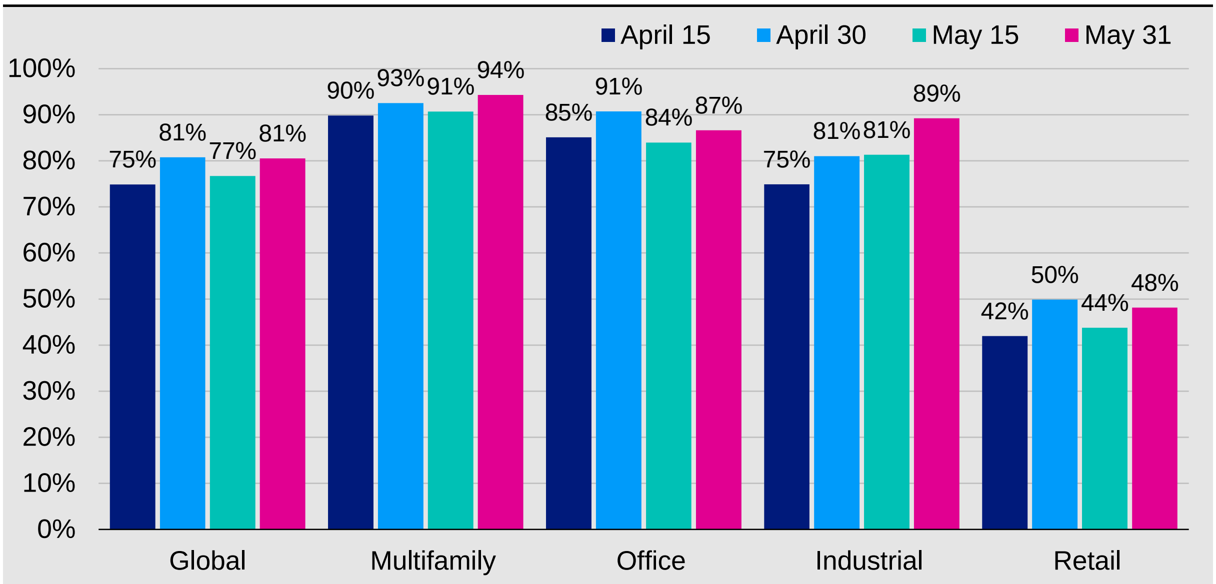
In this paper we summarise the key rent collection figures for our open-ended core/income strategies around the globe.

Overview – Global Rent Collections

- Over 80% of all rent due globally for the months ending April and May was collected.
- By sector, rent collected as a percentage of rent due was strong across the office, industrial and multifamily sectors.
- Not surprisingly, the retail sector had weaker rent collections. However, while the media may have painted a bleak picture of the sector, not all retail is the same. In our Sector Highlights section below we provide more detail.
- Comparisons across regions can be misleading. Some of the variance can be explained by the timing of the outbreak in each region, which started in Asia in January and February, migrated to Europe in early March and then onto the US. In addition, rent is collected at different frequencies in different markets, some monthly and some quarterly, which can make it hard to compare.

Overview – Global Rent Collections (continued)

Global Rent – Monthly Rent Collections (by Property Type)

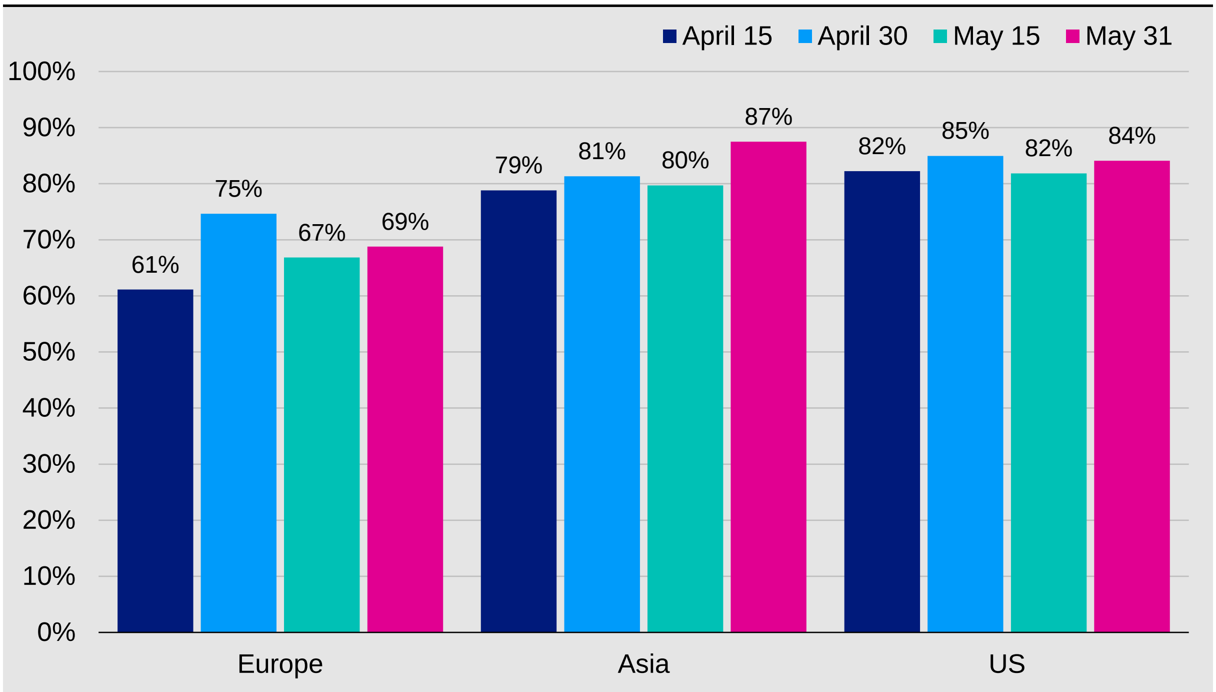


Source: Invesco Real Estate as at May 31, 2020.
Note: Weighted at a global allocation of 30% to Europe, 30% to Asia Pacific and 40% to the US. Multifamily refers to US Multifamily.

Sector Highlights

- Globally, office represented approximately 42% of net asset value (NAV), multifamily 21%, industrial 18% and retail 17% at the end of the first quarter.
- **Office.** Globally, office rental collections have remained strong with c.90% collection as office tenants, particularly those with work from home capabilities, have continued to operate and pay their leases when due.
- **Industrial.** Underpinned by strong performance from occupiers enjoying the tailwinds of e-commerce, industrial rental collections improved through April and increased to 89% in May. Invesco Real Estate's global industrial portfolio has benefited from the likes of tenants such as JD.com in Asia, Amazon in the US and Casino Group (grocery retailer) in Europe.
- **Multifamily.** At present, stabilized multifamily properties are only part of our core/income portfolios in the US. Rent collections in the US have been strong – more than 90% of rents were collected in April and May.
- **Retail.** Already a troubled sector, retail has been highly impacted in the past few months. Our portfolio is no exception with around half of retail rents having been collected in April and May. However, grocery-anchored retailers have fared better in this category. Retail rental collections remain dynamic as physical distancing restrictions continue to change by region.
- **Other.** Non-traditional sectors comprise less than 2% of assets and predominantly consists of self-storage assets in the US, which have obtained rental collections in excess of 90%. Our core/income portfolios have no exposure to other specialty sectors that have been highly impacted by the global pandemic such as lodging and student housing.

Global Rent – Monthly Rent Collections (by Region)



Source: Invesco Real Estate as at May 31, 2020.
Note: Weighted at a global allocation of 30% to Europe, 30% to Asia Pacific and 40% to the US. As a substantial portion of European rents were due and collected early in the quarter, European rent collections for the quarter are illustrated cumulatively to the dates specified above. Rental collections for the April-June quarter are expected to top 75% for Europe.

Regional Highlights

- The variance between rental collections across the regions can in part be explained by the timing of the outbreak in each region, which started in Asia in January and February, migrated to Europe in early March and then onto the US.
- **US.** In the US, rent collections have been relatively stable month-over-month when comparing May to April. A significant proportion of rents in the US were collected from the more resilient office, industrial and multifamily sectors.
- **Asia Pacific.** In developed parts of the region, the pandemic now appears to be more under control than in other parts of the world. Office and industrial rent collections have been solid, and overall rent collections are tracking higher in May compared to April as more businesses reopen. This may provide a glimpse on the possible path to recovery in other regions, though we remain watchful for potential resurgences of the virus.
- **Europe.** In Europe, rent collections were more meaningfully impacted as the epicenter of the COVID-19 pandemic shifted to the region in early March, with the most severe effects in Italy, Spain, France and the UK. European retail was among the hardest hit, although this was somewhat offset by strong collections from grocery-anchored properties, constituting approximately half of retail rents due. There has been a wide range of government "relief" offered to tenants across Europe regarding rental payment obligations.

Conclusion

Our continued philosophy of working with tenants to ensure we are acting as a partner to help usher them through this challenging time remains key. With greater transparency and cooperation with tenants, while also preserving all rights under our lease agreements, our focus is ultimately on generating income and preserving value for our investors.

To aid tenants' ability to make future rent payments, our external property managers and in-house asset management teams are working with tenants through offers that have included full/partial rent deferrals, payment plans and available resources related to government stimulus and benefits. In conjunction with granting such rent relief, Invesco Real Estate has also sought to improve our own position by including items such as extended lease terms, exercising early renewals and eliminating less landlord-friendly lease clauses. We remain confident in our ability to optimize property income and occupancy as we progress through the second quarter.

Should you have any questions about our global rent collection information, please do not hesitate to contact your Client Portfolio Manager or Portfolio Manager.

Rent Collection in the Time of COVID – A Global Viewpoint

Risk Warnings

The value of investments and any income will fluctuate (this may partly be the result of exchange rate fluctuations) and investors may not get back the full amount invested. Property and land can be difficult to sell, so investors may not be able to sell such investments when they want to. The value of property is generally a matter of an independent valuer's opinion and may not be realised. Changes in interest rates, rental yields and general economic conditions may result in fluctuations in the value of the fund. The underlying funds might make use of debt to finance investments which may result in the fund being more leveraged and may result in greater fluctuations in the value of the fund. Many Real Estate investments are illiquid, meaning that the fund may not be able to sell them quickly at a fair price and/or that the redemptions may be delayed due to illiquidity of the underlying investments.

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