FIVE SCENARIOS AND REAL ESTATE IMPLICATIONS

		Occupier and Rental Implications	Capital Market Implications
Central Case: Economic Recovery & Temporary Monetary Financing	Economic recovery and debt under control with low interest rates limited need for austerity	Recovery.	Pricing benefits from lower interest rates. Risk premia likely higher on countries with higher Debt: GDP. Uneven and may discriminate against countries with less Monetary Financing discretion.
Economy slow to recover	U, L or W-shaped recession; deficit takes longer to come down	Slower economic recovery – higher vacancy, weaker rental growth.	Pricing benefits from lower interest rates. Pricing suffers from considerably higher risk premia and reduced income growth expectations.
Deflation (& slow growth)	Weak demand turns inflation negative (prices fall)	Flat or falling rental values, higher vacancy.	Pricing benefits from lower interest rates. Pricing suffers from considerably higher risk premia and reduced income growth expectations. Significant divergence of core/secondary.
Inflation	Monetary and fiscal stimulus means that inflation picks up and goes well beyond target	Rental values rise faster than in Central Case initially, but policy response will hit real rents.	Pricing suffers from higher interest rates and considerably higher risk premia and reduced income growth expectations. Policy response may damage pricing further.
Stagflation	Monetary and fiscal stimulus drives demand but supply side takes much longer to recover from COVID-19 crisis	Real rental values decline, vacancy rises.	Pricing benefits from higher interest rates. Pricing suffers from higher risk premia and reduced income growth expectations. Policy response may damage pricing further.

Source: CBRE Research.