

POLICY WATCH:

LATIN AMERICA

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LATIN AMERICA POLICY RESPONSES TO COVID-19

Across Latin America the COVID-19 crisis has intensified the effects of pre-existing political, social, and economic challenges. The pandemic hit the region just weeks after Europe, which allowed governments to take advanced actions to flatten the curve and respond to the economic impact. Governments within the region have continued to update their political responses as the situation progresses, and most economic measures have been designed to contain and balance the obstruction of trade operations.

As the pandemic advances, so do the regulations and measures aimed to minimize the impact on businesses, workers, and the general population. In the following report, Cushman & Wakefield highlights some of the significant real estate, fiscal and monetary programs and measures being implemented across the Latin America region. This is **not** an exhaustive list.

REAL ESTATE SPECIFIC POLICIES IMPLEMENTED ACROSS LATIN AMERICA COUNTRIES





ARGENTINA

Real Estate

- Argentina's quarantine initially went into effect on March 20 and has been extended to May 24. Only 48 essential activities were authorized to continue by the government. The construction sector has also been affected.
- Contingency can be considered within a force majeure event because it couldn't have been foreseen or avoided. However, the suspension of income and operating expenses have not been contemplated.
- Transactions, such as new leases and sales, are currently on hold. Other transactions, such as lease renewals and renegotiations, are moving forward and can be executed by scanning the documents (with certain legal aspects to take into consideration).

Monetary

- Loans for small and medium business industries prioritize food supply.
- Price maximums were established for 30 days for food products, personal hygiene products, medicines, and medical supplies.
- Capital expenditures budget increased by 40%, allocating US\$ 1.5 billion to infrastructure, education, and tourism projects.
- Total expenditure to control the side effects of this crisis is around US\$ 13 billion (2.9% of GDP) of government funds.

Fiscal

- The Central Bank of the Argentine Republic has the flexibility, provisionally, of the parameters with which bank borrowers are classified. The classification system considers the number of days in arrears of each debtor, among other variables. Through September 2020, the classification of each debtor will add 60 days to each category considering the difficulties caused by the crisis in various branches of economic activity.
- Employer contribution payments will be exempt from social security.
- Impoverished and unemployed families will receive a monthly salary of \$AR 10,000. Argentina's current minimum wage is \$AR 16,875.
- Layoffs and suspensions will be prohibited for 60 days; the measure started on March 31 and runs until May 31.
- Affected companies may apply for a compensatory assignment salary. The state is responsible for up to two minimum wages per employee.
- Export refunds will be accelerated to industrial firms.

BRAZIL

Real Estate

- A bill (PL 1.179/2020) that forbids evicting a tenant in situations where the eviction process is still subject to appeal; valid between March 20 to October 30, and there will be no injunctions until December 31. The bill was approved by the Senate and afterwards, sent to congress for approval.

Monetary

- The Brazilian Central Bank announced a reduction in bank reserve requirement from 31% to 17%, contributing BRL 1.2 trillion (US\$ 229 billion), or 16.7% GDP in liquidity.
- This will allow the Central Bank to buy government bonds and private bonds in the secondary market. That aid should inject around BRL 972.9 billion (US\$ 185.7 billion).
- The interest rate was reduced by 125 bps to 3% annually in response to COVID-19.
- Private banks extended the duration for individual loans, released more credit lines, and reduced their interest rate.

Fiscal

- EMERGENCY PROGRAM FOR WORKERS
 - » Emergency payment from the Treasury to workers who lost their job or had reduced hours was limited at BRL 1,813 (US\$ 346) per job. It depends on the previous paychecks.
 - » Workers that are not qualified as a formal job and are classified as intermittent or an informal job, will receive BRL 600 (US\$ 115) – 57% of the minimum wage, per month for three months. This program has a total of BRL 44 billion (US\$ 8.4 billion), or 0.61% of GDP and is expected to help 8.5 million workers.
- The government authorized withdrawals of BRL 1.045 / US\$ 199.4 (minimum wage) from the federal pension fund for all workers from July 15 to December 31.
- EMERGENCY PROGRAM FOR COMPANIES
 - » Banco Nacional de Desenvolvimento Econômico e Social (BNDES) introduced a special line of credit for companies that have annual incomes of BRL 360,000 to BRL 10 million for their payroll. The interest rate will be 3.75% annually for a duration of three years.

- » Companies can change the work shift between 25%, 50%, or 70% for 90 days, or suspend the employment contract for 60 days (could be split into two periods of 30 days).

- For 25% reduction, the company could come to a mutual agreement with each employee.
- For 50% to 70% reduction, the company could come to a mutual agreement with employees that earn up to BRL 3.135 (US\$ 599) or that earn more than BRL 12.202,12 (US\$ 2,331). Those who are in the range can only change after sending a notification to the Unions.
- The company must communicate the worker's suspension at least 10 days from the agreement day.

STATES & MUNICIPALITIES AID

- » The federal government suspended the states debt.
- » The federal government is also forming a BRL 40 billion (US\$ 7.67 billion) deal:
 - US\$ 2.7 billion would go to the health care system
 - US\$ 382 million would go to social assistance in municipalities
 - US\$ 286 million would go to providing lunches in primary public schools
 - US\$ 4.3 billion would be transferred for other purposes

Other (Real Estate Actions)

RETAIL

- » Retail tenants have increased requests to negotiate contracts due to the lockdown impact. Retail owners are negotiating to give one month of free rent or postponed 3- or 4-months' rent to be paid by the end of the year.
- » Food and beverage, pharma, and supermarket businesses have increased their number of couriers due to rapid business adaptation to online platforms.
- » Most retail REITs have frozen the yield distribution to protect the cash flow in order to honor the current operation costs.
- » Mall administrators are bearing all or part of the condominium costs, and there is a great effort to reduce this type of expense to minimize the potential of default and/or vacant space.

INDUSTRIAL & LOGISTICS

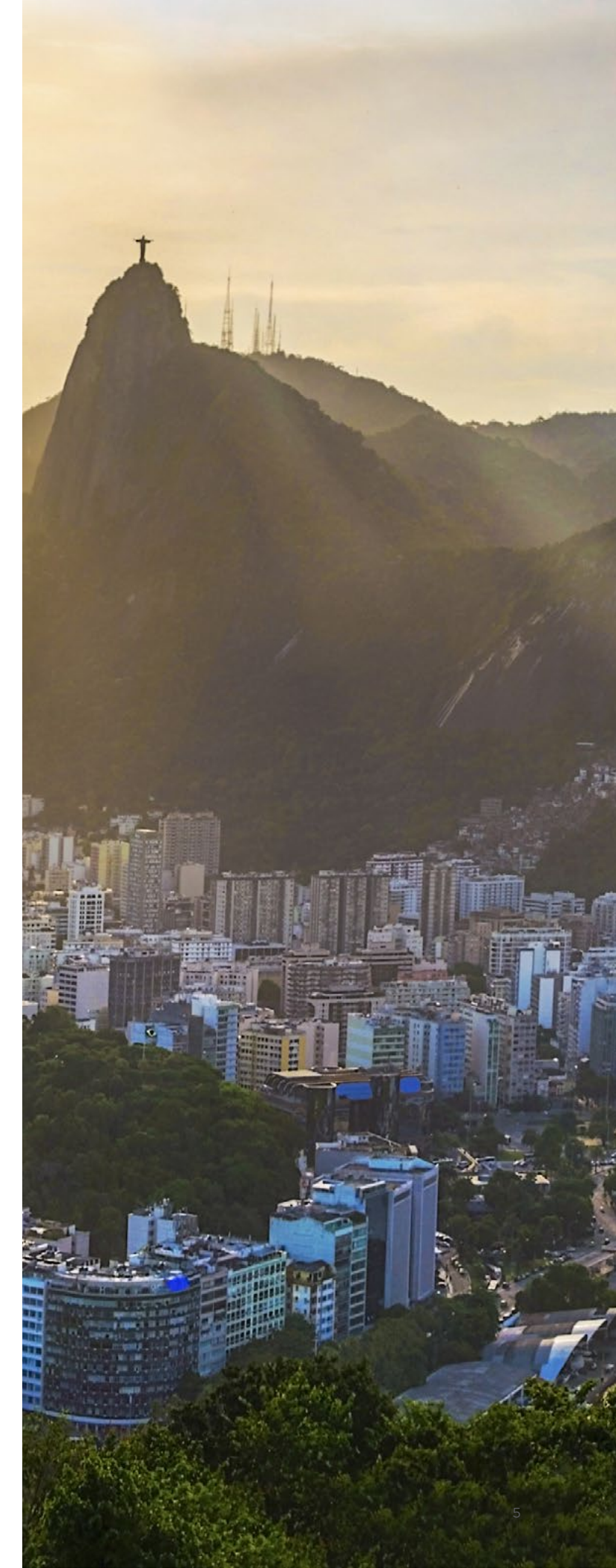
- » The Industrial & Logistics sector has increased their demand for space due to increased e-commerce activity. On the other hand, it might be possible that current occupiers, who do not provide online services and were impacted by the recent lockdown, request a renegotiation of the current terms of their contracts. There has also been an increase in demand for Last Mile space. Overall, logistic companies have increased or implemented sanitization changes throughout operations.
- » 41% of buildings under construction have been affected. Of those, 36% stopped the construction progress, 6% have reduced the work force, and 59% continued without changes in the delivery date. The sample reflected 85% of return from the landlords/ developers as of April 17.

OFFICE

- » In the office market, tenant requests to renegotiate their rent and contract conditions have increased.
- » Landlords have shown a reasonable understanding with the situation; the rental negotiation depends on the tenant's market sector.
- » Some companies halted their operations, decreased their office occupancy, and postponed building projects, retrofits, etc.
- » While most companies have shifted to work-from-home policies, property managers have implemented extra care and sanitary protocols to keep the workplace safe.
- » 50% of buildings under construction were affected; where 10% stopped the construction progress; another 10% were halted, but came back to under-construction status after three weeks; also, 30% have reduced the work force. Even with that impact, 90% confirmed there are not changes in the delivery date. The sample reflected 83% of return from the landlords/ developers as of April 28.

FLEX & COWORKING SPACE

- » Flex space and coworking companies were strongly impacted and started to implement changes in layouts, infrastructure, and cleanliness to avoid contamination.
- » Short-term contracts have become an issue as their clients have the power to leave the leased space with short notice.
- » There is a strong demand to renegotiate contracts for self-employee businesses startups, and small or medium-sized enterprises (SMEs).



CHILE

Real Estate

- There are two types of quarantine:
 - » The first is mandatory throughout the country, beginning every day at 10:00 p.m. and ending next day at 05:00 a.m.
 - » The second, applicable to certain sectors or boroughs, in which the growth of infected people has been detected. This quarantine had affected the continuity of construction of class A buildings (as of April 13), in the submarkets of Las Condes and Providencia. This quarantine has since been lifted and construction works have resumed.

Monetary

- The central bank reduced the monetary policy rate to 0.5%, its historical minimum, down 170 pp from 1.75% adjusted in December.
- Beginning March 16, the Conditional Credit Facility to Increase Loans (FCIC) and Liquidity credit line (LCL) introduced a special financial line that has provided banks with resources and incentives to continue financing or refinancing loans to households and companies.
 - » For access to this credit, banking companies must provide an eligible collateral pledge to the central bank that includes new collateral, such as corporate bonds, with the objective to make it easier to obtain this line of credit.
 - » The FCIC has an initial line and an additional line could reach US\$ 25.5 billion.
- At the end of March, bank bonds were purchased from participants in the SOMA system¹ in order to increase liquidity in the market, for an amount up to US\$ 4 billion. The council expanded the plan to increase monetary momentum for an amount up to US\$ 5.5 billion. This action is similar to “quantitative easing.”²

¹ The Open Market Operations System (SOMA) is the trading platform through which the Central Bank of Chile (BCCh) interacts with institutions authorized financial institutions, to avoid their monetary operations in order to increase or decrease bank reserves. Source: Cushman & Wakefield Research, Chile.

² Quantitative easing (QE) is a form of unconventional monetary policy in which a central bank purchases longer-term securities from the open market in order to increase the money supply and encourage lending and investment. Buying these securities adds new money to the economy, and also serves to lower interest rates by bidding up fixed-income securities. It also expands the central bank's balance sheet.

Fiscal

- Tax incentives are largely targeted for SMEs.
- Provisional Monthly Payments (PPM): Extended deadlines to pay taxes and first installments for FY2020; cancellation of payment for the months of April, May and June 2020, and early return of annual tax refund.
- The Ministry announced a fiscal stimulus plan for US\$ 11.75 billion, which includes measures to protect labor income and employment, direct subsidies, a micro-trade protection fund, and tax deferral or suspension.
- A stimulus of US\$ 2 billion was created and more jobs will be created for the most vulnerable individuals and families. In a second phase, it seeks to guarantee liquidity for companies and SMEs through modifications to the Guarantee Fund for Small Business Owners (Fogape).
- The latter implies injecting US\$ 3 billion into the aforementioned fund, with this, the credit capacity would expand to US\$ 24 billion, which will increase tax spending to 12%.

Other

- In case of suspension of the employment relationship in the event of a mandatory decision (isolation, quarantine or curfew) by the authority, the employee will receive a payment from the Unemployment Fund. The Administrator will use the sums accrued from the individual account of each employee, but if the total amount is insufficient, the employee will receive the payment from the “Common or Supportive” Fund.
- The employer and the employee can agree on a reduction of the workday, with a 50% maximum. The parties can also reduce the remuneration in the same proportion. The Unemployment Fund will pay up to 25% of the remuneration, with a monthly cap of US\$ 270. The duration of this agreement is between one to five months.
- The safe return plan does not include risk groups, such as elderly, cardiovascular patients, chronically ill, and pregnant women. On the other hand, it does include sanitary measures, such as social distancing, avoiding large crowds, and hand washing.
- US\$ 500 million of the US\$ 11.75 billion from the stimulus plan was to capitalize the “Banco Estado” (National Bank), which has agreed to provide public service companies with certain benefits or payment flexibility for clients with certain characteristics. Various commercial banks have followed this with increased financing through programs for SMEs.
- The Commission for the Financial Market (CMF) has taken measures to facilitate the flow of credit to businesses and households.





COLOMBIA

Real Estate

- Residential and SME tenants cannot be evicted during the emergency through June 30 and for up to two months (August 2020) after.
 - » The value of the leases cannot be increased.
 - » No penalties or interest can be charged for late payments.
 - » Lease contracts that expire will be automatically extended.
- All banks with mortgage loans will grant a grace period of up to six months for the installment payments.
- On April 27, gradual opening of the construction sector will begin with strict bio-security protocols:
 - » Social distancing must be guaranteed for all activities (at least 2 meters) as well as the daily supply of face masks, antibacterial gel, and antiseptic alcohol.
 - » Companies will need online approval before returning to activities.

Monetary

- On March 27, the Central Bank, Banco de la Republica, cut the benchmark interest rate half a percentage point to 3.75%. Then on April 30, the Bank reduced its intervention interest rate by half a percentage point to 3.25% and adopted additional liquidity provision measures.
- Maturities of NDFs that expired before April 25 will be renewed.
- The Central Bank injected permanent liquidity into the economy by purchasing public and private debt securities. It expanded support to liquidity of the economy in pesos and US dollars by reducing reserve requirements and reinforcing intervention in the public debt market.
- The Central Bank increased the allotment of repos with private debt instruments.
- Banco de la Republica included solidarity bonds in its liquidity operations.
- The country is granted a loan from the World Bank for US\$ 250 million named CAT DDO.
- On April 30, the Minister of Finance announced a new "State of Emergency," which allows the government to enact new laws and economic measures for the next 90 days.
- On April 14, the Central Bank injected permanent liquidity to the economy by reducing reserve requirements and reinforcing intervention in the public debt market.
- On April 29, the Banco Interamericano de Desarrollo (BID) announced a US\$ 1.15 billion loan to the country.
- There were economic relief measures for the payment of public services that include:
 - » 20% discount in the Capital District, for Gas, Water and Electricity.
 - » Deferred payment up to 36 months, of public expenses during April and May for all socioeconomic levels. First payment can take place in August.

Fiscal

- Extended deadlines for companies and individuals filing taxes.
- National Taxes and Customs Institution, DIAN, suspended the terms in administrative processes and actions in tax, customs and exchange matters from March 19 to April 3.
- The Ministry of Finance and Public Credit temporarily authorized the reorientation of income and the reduction of territorial tax rates.
- A value-added tax (VAT) of 19% was refunded to the most vulnerable households.
- The Ministry of Commerce, Industry and Tourism partially modified the customs tariff for the importation of medicines, medical devices, chemical reagents, hygiene products, supplies, equipment, and materials required for the water and basic sanitation sector.
- Solidarity tax on high wages of public officials and pensioners ranging from 15% to 20% of salary.
- Temporary suspension of parafiscal charges to improve companies' cash flow.
- Helicopter Money³ is not considered by the Central Bank.
- The Financial Superintendence reported loans of 6.9 billion pesos to the financial system.
 - » The Credit line for SMEs to cover payroll costs max amount per company is 2,005,763.76 pesos (US\$ 506).
- Financiera de Desarrollo Territorial S.A. (Findeter) launches credit line "Compromiso Colombia" aimed to support the country's public and private sectors.

³ Helicopter Drop or Helicopter Money refers to a last resort type of monetary stimulus strategy to spur inflation and economic output. Though it would appear to be theoretically feasible, from a practical standpoint, it is considered to be a hypothetical, unconventional monetary policy tool whose implementation is highly improbable. Source: Investopedia. com

Other Measures

- HEALTH & SAFETY
 - » The national quarantine was extended to May 25, 2020 and mandatory use of face masks was implemented.
 - » The Ministry of Health purchased more than 47,000 COVID-19 rapid tests. South Korea also supported Colombia with thousands of COVID-19 tests.
 - » On April 27, gradual opening of manufacturing and construction sectors began with strict bio-security protocols.
 - » Companies encouraged to continue to enforce work-from-home policies
- TRAVEL & ENTERTAINMENT
 - » There will be no international flights except for cargo and humanitarian reasons through the end of May.
 - » National flights will not be allowed until the end of the health emergency, except in specific cases of health, public order, humanitarian, and state services.
 - » On April 27, sports were allowed to participate in individual practice at certain times.

MEXICO

Real Estate

- The public housing credit institute will be covering three months of workers' debt and defer another six months for those who lost their jobs.
- Some state-level governments, including Mexico City, have announced that all construction permits, and licenses will be expedited.

Monetary

- The central bank, Banxico, unleashed liquidity programs equivalent to 3.3% of GDP and accelerated its interest rate easing cycle with an additional unscheduled 50bp cut to 6.0%.
- Two NDF auctions were conducted offering US\$ 2 billion each (0.2% of 2019 GDP). Banxico conducted several government bond exchanges, mainly to shorten maturities; and revised plans for new government bond issuance.
- The mandatory regulatory deposit with Banxico was reduced by 50 billion pesos (US\$ 2.06 million), or about 15% of the current stock.
- Banxico will provide USD liquidity (via auctions) to banks by drawing on the US\$ 60 billion swap line with the Fed. It also activated the swap line with the Fed, auctioned already US\$ 5 billion to commercial banks and announced a second auction of US\$ 5 billion.

Fiscal

- The federal government announced a package of support actions including:
 - » Frontloading of social pension and disability payments by four months.
 - » Lending 25 billion pesos to small businesses who have not fired workers or reduced salaries since the outbreak.
 - » Launching an austerity program for public expenditures including wage reductions in order to free up 2.5 percent of GDP to finance additional health expenditures and priority investment.
- Separately from the Federal government, the Inter-American Development Bank (IDB) reached a US\$ 12 billion agreement with the Mexican Business Council (CMN) to finance SMEs.



PERÚ

Real Estate

- Quarantine officially went into effect on March 16 and has been extended to May 24.
 - » Throughout this period, businesses that sell essential products such as food and hygiene products are allowed to stay open.
 - » There is a no-transit period between 8:00 p.m. and 6:00 a.m., and on Sundays.
 - » Only those who work in the aforementioned businesses and health and safety are allowed to commute with a special pass. Various housing and commercial projects in the construction sector have been stopped.
- On May 11, Peru is expected to reactivate the economy in four phases that will be implemented from May to August 2020; the construction sector is being considered for the first phase of reactivation.

Monetary

- There is authorization to transfer items in the public sector budget for FY2020 to the contingency reserve, in favor of the Central Public Procurement document (Perúcompras), up to the sum of S/ 100,026,487 (Peruvian Sol).
- The REACTIVA program was created to guarantee new credits granted by the entities of the financial system to micro, small, medium, and large companies until June 30. The program represents 4% of Peru's GDP.

Fiscal

- In order to maintain the family economy, a transfer of S/ 380.00 was arranged for families in poverty or extreme poverty, according to the Household Targeting System (SISFOH).
- The supreme decree accepting the application of the perfect suspension of work was approved.
 - » This is a measure that enables companies to suspend payment to employees for 90 days. This can apply to all or a group of workers within the company.
 - » The objective of this measure is to give companies the ability to maintain the work relationship and spending relief.
 - » The Ministry of Labour shall supervise each undertaking that has taken this measure and verify whether its implementation has been justified.
- Independent workers will receive a bonus of S/ 760. This subsidy will be awarded twice in a progressive manner.
- Modification of the established date of the annual declaration of income tax and bank transaction tax.
- Health personnel will receive a monthly bonus of S/ 720 during the pandemic. Recently, police officers, military and prison system personnel were benefited with the same bonus.



- Workers in the formal sector will be able to use exceptionally S/ 2400 of their service time compensation fund. Usually this fund can only be withdrawn once the person is fired or resigns from a company.
- The Superintendent of Banking and Insurance issued a statement that empowers entities in the financial system to take emergency measures against the outbreak of COVID-19, so that debtors, individuals and companies who are affected by the state of emergency adopted by the coronavirus, can meet the payment of the credits they currently have.
 - » Banks reprogrammed debts for a total of S/ 12,000 million; they will review case by case.
 - » The rescheduling of debts will allow debtors to postpone repayment of their debts for two or four months, beginning April 2020.
- PENSION FUND WITHDRAWALS:
 - » The withdrawal of 25% of the pension fund was recently approved with a minimum amount of S/ 4,300 and a maximum of S/ 12,900.
 - » The withdrawal will be in two parts; 1) 10 days after the request; and 2) 30 days after the request.
 - » Withdrawals of up to S/ 2,000 to workers who do not prove contributions in the last six consecutive months counted from March 31.
 - » Government approval of an emergency decree allows all workers to withdraw an additional S/ 3,000.
 - » Approval of an emergency decree that allows all workers to withdraw S/ 3,000 additional to the previous withdrawal indicated. This will be available in three stages: S/ 1,000 will be available in May, June, and July 2020.

Other Measures

- HEALTH & SAFETY
 - » Delivery and temporary use of the Towers of the Pan-American Villa located in the *Pueblo Joven Villa El Salvador Sector Fifth Area Zonal Area 26 - Biotechnological Complex* to the national health entity (ESSALUD). The towers will have capacity for 3000 COVID-19 patients.
- TRAVEL & ENTERTAINMENT
 - » Domestic and international flights are suspended, and the international airport closed its doors a week after quarantine began. While the government indicated that the solitary confinement period would end on May 10, there is no confirmed flight reopening date.
- UTILITIES
 - » The Government issued Emergency Decree that will allow the population considered vulnerable to split the debt for the consumption of electricity and natural gas across up to 24 months within the framework of the national state of emergency to prevent Coronavirus.



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