

# 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

- The quarantine was applied on March 20th, and this period has been extended. Every two weeks the government analyzes the situation and decides about new policies.
- The government authorized an opening of activities, which is under the control of each department. However, the focus of the pandemic is mainly in the City of Buenos Aires and Greater Buenos Aires, where the office markets are located.
- 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.
- Real estate activity is enabled. For this reason, real estate operations can be carried out complying with a special protocol.

### Monetary

- Loans for small and medium business industries prioritize food supply.
- Maximum prices established for a set of food products, personal hygiene products, medicines and medical supplies. This measure continues in force, controlled by each provincial department. This measure expires on October 31, 2020.
- 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 crises is around US\$ 22,3 billion (5.3% of GDP) of government funds

### Fiscal

- Emergency Assistance Program for Work and Production (ATP). It was created by Decree 332/2020 (B.O. 04/01/2020). The program proposes:
  - 1) Postponement or reduction of up to 95% of the payment of employer contributions to the Argentine Integrated Pension System.
  - 2) Supplementary Salary paid by the National State for workers in a private sector dependency relationship.
  - 3) Zero Rate Credit for people adhering to the Monotax and for self-employed workers with a subsidy of 100% of the total financial cost.
  - 4) Comprehensive unemployment benefit system: workers who meet the requirements will have access to an economic unemployment benefit. Said benefits amount to a minimum of \$ 6,000 and a maximum of \$ 10,000 (Argentina's current minimum wage is \$AR 16,875)
- Layoffs and suspensions prohibited for 180 working days until December 13, 2020.
- 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.

### Others

- Recently the country had a favorable restructuring of its debt with its main creditors, avoiding default. This event was an important fact inside of pandemic situation.
- It extends until September 30, 2020, the suspension of the precautionary measures and the initiation of enforcement proceedings.
- Extension of a credit program in 12 and 18 installments without interest to activate internal consumption.
- Finally, a rental price freeze was implemented in residential contracts. This measure expires on September 30 and does not affect the office and logistics market.





## BRAZIL

### Real Estate

- 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.
  - » Retail REITs returned to distribute their dividend, since they adapted their business to serve digitally.
  - » 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.

- 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.
  - » 59% of the companies have returned to work at their offices with extra care and sanitary protocols to keep the workplace safe.
- 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).

### Monetary

- The Brazilian Central Bank announced a reduction in bank reserve requirement to 17%, contributing with BRL 1.2 trillion, or 16.7% GDP in liquidity.
- A new bill authorized the Central Bank to buy government bonds and private bonds in the secondary market. That aid should inject around BRL 972.9 billion.
- The interest rate was reduced by 225 basis points since the beginning of the pandemic (February 2020), in four separate phases, following the increasing necessity of monetary incentives, reaching 2% annually.

### Fiscal

- EMERGENCY PROGRAM FOR WORKERS
  - » Emergency payment to workers who lost their job or had their working hours reduced of up to BRL 1,813 depending of their previous paychecks.
  - » Workers that are not qualified as a formal job received aid for up to five months of BRL 600 (57% of the minimum wage). A Second emergency payment for workers that qualify in the previous program of BRL300 until the end of the year.
  - » The government authorized withdrawals of BRL 1.045 (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 or that earn more than BRL 12.202,12. 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



CHILE

Real Estate

- A mandatory quarantine was decreed for the metropolitan region, since May 13th.
  - » Only emergency personnel and company for the category of public utility services, health, post and delivery, press, security and transportation are allowed to work.
  - »

Monetary

- On May 13th, the Central Bank asked the International Monetary Fund (IMF) for access to a credit line of USD \$23.8 billion, as insurance if the crisis is worse than expected and more liquidity is required.

Fiscal

- As of May 13, the Ministry of Finance authorized a new investment alternative focused on national assets, to diversify and provide better conditions for long-term savings. It facilitates the option of indirect financing for small and medium Chilean companies.
- As of June 14, the Emergency Plan for the Protection of the income of families and the economic and employment revival, was created with a three-axis plan:
  - » 1. 24-month fiscal framework:
    - a) An additional fiscal program of USD \$12 billion is created for the next 24 months in order to support the government in the execution of actions to face the emergency (i.e., support for families, workers, companies, health).
  - » 2. Income Protection of families and workers:
    - a) Increase of the Emergency Family Income (IFE) (version 2.0) from USD \$81 monthly to \$125 per person (maximum four members of the most vulnerable families).
    - b) Contribution of USD \$120 million to support municipalities to redirect to more vulnerable neighbors and contribution of USD \$20 million to support social organizations that serve vulnerable sectors.
  - » 3. Promote economic reactivation through employee and investment support plans:
    - a) Support for independent workers to access a tax credit with an interest rate of 0% (for those who meet the requirements).

- b) Incentives through subsidies to hire young people and women from the most vulnerable 40%-60% of the population.
  - c) Tax incentives: 50% reduction in the first tax category for SME's from 2020 until 2022, also three months payment extension of provisional monthly tax payments (PPM) and instant depreciation scheme extension until December 31, 2022.
- As of May 20, a USD \$2 billion fund (equivalent to 0.8% annual GDP) was generated to have resources that help the most vulnerable families in the country. Part of this fund (USD \$830 million) created the Emergency Family Income (IFE), which grants a monthly benefit for 3 months. The amount will depend on the size and type of home and will decrease over time. This income will help people who do not have formal income.
- As of April 16th, a bonus of USD \$65 will be awarded to those who meet affiliation requirements for programs for people with limited resources. This measure implies an investment of US \$170 million.

Other

- As of June 1, the "Mental Health Program" was created, in which the public offer of mental health care is strengthened, through a virtual platform.
- As of July 1, the Ministry of Science and National Agency for Research and Development (ANID in Spanish) will support 63 research projects on the Coronavirus in Chile. Research teams in different disciplines will receive funding of up to USD \$90 million over a year to generate solutions and new knowledge about the pandemic and its consequences.
- As of June 30th, the Social Protection Network: A project is signed that expands coverage and benefits of the employment protection law and unemployment insurance.
  - » a) It makes the requirements for access to unemployment insurance benefits more flexible, allowing those workers who are laid off or who will become unemployed after receiving the benefits of the employment protection law to access the insurance benefits.
  - » b) Extends benefits provided by insurance and by the employment protection law, increasing the percentages of remuneration.
  - » c) Increases percentages of remuneration of the solidarity unemployment fund, both for workers with an indefinite contract and for those hired with a fixed term.





COLOMBIA

Real Estate

- Residential and SME tenants cannot be evicted during the economic emergency and for up to two months after.
  - » The lease value increases will be frozen.
  - » 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.
- In order to further encourage the purchase of housing, the National Government announced 200,000 new subsidies to the interest rates on housing loans that deliver until 2022.
- On June 5, a decree was announced that allows unilateral termination of leasing contracts of selected activities: accommodation, food service bars, discos, gyms, parks, bars, billiards, casinos, bingo video game terminals, gyms, swimming pools, spas, saunas, sports courts, mechanical amusement parks and playgrounds, among others. The tenant will have to pay a maximum penalty which is one third of what was originally agreed.
- In order to reactivate the construction sector, the government announced incentives for the purchase of new homes, as of June 25th.
- On June 25th the government announced a reverse mortgage figure for the elderly who may receive a lease from the government in exchange for transferring the property to the district upon death.
- On September 14, 2020 The National Government issued Decree 1233 which enables the delivery of 100,000 subsidies for the purchase of not Social Interest New Housing in order to boost the construction sector
- On September 14, as a measure to reactivate the housing sector, the President announced a guarantees ( cosigner) program, of up to 70%, for Social Interest Housing (VIS) and Non-VIS loans.

Monetary

- On May 29 the Banco de la República, reduced the interest rate by half a percentage point to 2.75%.and rolls over NDFs maturing in June
- June 5th: Banco de la República informs that it carried out a debt swap operation with the Government for COP \$1,766 billion (nominal value). With regard to the foreign exchange market, in May, BR bought USD\$2,000 million to the Government. Additionally, BR sold USD \$1,668.1 million through Non-Delivery Forwards contracts. USD \$978.9 million corresponded to the renewal of maturing contracts.Finally, BR

purchased USD399.7 million that corresponded to the maturities of FX swap contracts (sales of US dollars in the spot market by BR and future delivery purchases).

- June 30th With the purpose of reinforcing the adequate supply of liquidity to the economy and support the credit supply required by corporations and households, the Central Bank of Colombia (BDBR) decided to maintain the REPO collateralized with bank credit claims indefinitel
- July 7 : Regarding the foreign exchange market, in June, BR sold USD \$1,351.4 million through Non-Delivery Forwards contracts. USD \$1,046.4 million corresponded to the renewal of maturing contracts.
- July 31: the Benchmark Interest Rate was cut by one fourth of a Percentage Point to 2.25%.
- Aug 31 The Board of Directors of the Central Bank of Colombia (BDBR) unanimously reduced the benchmark interest rate by a quarter percentage point to 2.0%.

Fiscal

- Extended deadlines for companies and individuals filing taxes.
- 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. On May 13th a second VAT Refund was made to vulnerable families.
- 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.
- 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.
- Second payment of income tax by companies (Renta) will be postponed until the end of the year.
- Recoverable balances of taxes pending at DIAN (National Taxes and Customs Institution) are guaranteed to be returned within 15 days.
- Dian modified the terms to present tax information for taxable year 2019 by large taxpayers.
- On July 2 Parameters for the service premium subsidy were issuedThe Ministry of Finance and Public Credit issued Resolution 1361 , which

establishes the parameters for the entities involved and future beneficiaries of the Service Premium Payment Support Program -PAP-. This will be a single contribution that will correspond to the number of employees multiplied by \$ 60 USD for the payment of workers who earn between a minimum wage and a million pesos.

- On July 3: The government carried out two days without VAT tax for the entire population (-19%) of final prices in certain categories, in order to activate commerce.
- July 3 rd The Minister of Commerce, Industry and Tourism, announced that the national government issued Decree 981 of July 7, 2020, by which it postpones the payment of the parafiscal contribution for the promotion of tourism, within the framework of the health emergency.







## 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.
- On May 14 the government announced plans to begin the normalization of economic activities, including a green-yellow-orange-red color system for states to represent the extent of activities allowed (e.g., states with most active cases are red and would remain in a forced quarantine), the resumption of school and labor activities in municipalities free of infection, and the addition of construction, mining, and transport equipment manufacturing as essential activities. For the week of September 20, 23 states are in the orange category, and 8 are in the yellow category.

### Monetary

- The central bank, Banxico, unleashed liquidity programs equivalent to 3.3% of GDP and accelerated its interest rate easing cycle with additional rate cuts by 250bp, taking the reference rate to 4.5%.
- 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.
- On the financial side, the National Banking and Securities Commission (CNBV) has issued temporary exceptional accounting standards allowing credit providers to defer loans for up to 4 or 6 months.

### 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

- Real estate investment would gradually recover in 2S 2020 and 2021, aligned with the authorization for the start of activities in the construction sector, added to the positive perspectives for the social housing market, in a context of greater incentives for access to housing, favorable financial conditions and recovery of investment expectations.
- Within the framework of the resumption of activities, the execution of real estate projects and sanitation works was enabled, which may return to operation following a strict sanitary protocol. In this context, a rapid recovery is expected in the housing market, particularly in the social housing segment, due to new incentives implemented by the government, which will promote the access of more families to the credit of "MiVivienda" Fund (FMV), and to the subsidy given by the program "Techo Propio".
- In the office market, after the quarantine period ended, companies returned to activities progressively, in accordance with the phases of economic reactivation established by the government and the needs of each sector. Appropriate health measures have been implemented and capacity measures have been implemented to maintain the required social distance.
- Moreover, while the government has not intervened with specific measures in this sector, in the middle of this scenario and as the state of emergency expanded, both landlords and tenants began negotiations on the terms of existing contract conditions, in terms of rental prices, grace periods or contract extension.
- Since opening of shopping malls and major stores, in July, they can operate only considering 50% of their capacity, respecting social distance, therefore, most of the retail sector has opted for sales through e-commerce and home delivery. This increase in online demand also added changes in the requirements of location and warehouse surface to meet the demand that is in full growth, more than it was previously expected.
- Since construction activities began, no additional measures other than health measures were implemented

### Monetary

- The recovery of real estate investment will take place in a context of favorable financial conditions and improvement of expectations of investment. Peru's national bank reduced the monetary policy interest rate (0.25%, the lowest rate ever) and

injected liquidity to the financial system through the Warranty Program "Reactiva Perú" (16,760,946,600 dollars, equivalent to 8.7% of Peru's GDP), which allowed the acceleration of credit for real estate activities to 23.7% on average between May and June 2020.

- As of September 2020, Peru has allocated 20% of its GDP to reactivate its economy hit by the coronavirus
- New complementary measures have been aimed at financing small and medium businesses, with an initial financing of 83,804,733 dollars transferred by the Ministry of Economy and Finance through the General Directorate of the Public Treasury.
- 98% of companies that have received credits from "Reactiva Peru" are micro, small and medium companies, according to the Central Bank. 477,629 peruvian companies from all economic sectors received credits from the "Reactiva Perú" program as of September 21st.

### Fiscal

- The government announced the approval of a second "Bono Familiar Universal" (Family Bonus) which is a financial aid that will reach 8.6 million households and will mean an investment of more than 1,843 million dollars. In this sense, this second financial aid will reach more than 8.6 million people who were beneficiaries of the different financial aids arranged previously by the Government: "Bono Yo me quedo en casa", "Bono Independiente", "Bono Rural" and the first "Bono Familiar Universal".
- Among the incentives to access FMV credits are: the reduction of the initial fee from 10.0% to 7.5%, the temporary increase of the Good Payer Bonus (BBP) and the extension of the financing period from 20 to 25 years. In addition, in the "Techo Propio" program, the "Bono Familiar Habitacional" (BFH) increased and the minimum savings required policy was eliminated; also, in July, 149,451,773 dollars were transferred to finance 19,100 additional family bonuses in 2020. As a result of these measures, the number of FMV credits has begun to recover from May 2020 and would continue to improve in 2S 2020, reaching greater dynamism in 2021.
- Arrangements are being made with Banco de la Nación to optimize the delivery of this new financial aid and avoid conglomerations. The Emergency Decree allows Banco de la Nación to open a free basic account for individual savings called "Cuenta DNI" (National ID) - for any natural adult person that has their national identity document, without the need of prior execution of a contract of acceptance, in order to receive the subsidies that are being given.





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