



Building a better
working world

The Living Property Telescope

Investment & Financing Keys

Spain 2022

Web - Executive Summary

November 29th, 2022

Strategy and Transactions





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Spain 2022

EXECUTIVE SUMMARY

1 Market Overview



Consumer morale keeps on deteriorating

- ▶ **Consumer confidence plunges** 42 points in 12 months, from 97 to 54 due to the increasing uncertain macro context.
- ▶ **Birth rate in Spain levelling off** at 1.23, much lower than UE average (1.5). Potential future buyers of house units expected fall in the middle run
- ▶ **12.7% unemployment rate expected to grow** due to the current global outlook.
 - **Youth unemployment (<24Y)** still the highest in Europe: (30% vs 16% of European average)
- ▶ **Inflation slightly going down since August** (330bps spread vs. Europe Avg) as the Spanish economy weakens progressively.

2

Supply & Demand



- ▶ **National Housing starts expected to reach c.90,000 units** in 2022, below 2019 figures. **Madrid and Barcelona regions account for 28%** of development activity.
- ▶ **BTR delivery pipeline** from 2022 to 2026 expected to fall by 31% from 24,500 units to 17,000 units.
- ▶ **Absorption rate** of brand new units ranging **below 90% in 2021**. It is remarkable that absorption ratio had been ranging from 100% to 155% from 2012 to 2017.
 - ▶ There is a **current unsold stock** of c.50,000 brand new units growing since 2019.
- ▶ **Average prices still growing but levelling off:** 4-5%YoY
- ▶ **Institutional investors very concerned with occupancy rates**, easing payment conditions using rent-free periods, step rents, tenant improvements and other allowances and marketing techniques.
- ▶ **Rental prices reaching its highest point** before the expected turnaround, or not?

4 Financing Activity



- ▶ **All-in financing costs for developments above 450bps**, and likely to keep on growing.
- ▶ **Spanish lenders focused on sponsor-protection** and reluctant to increase their current financing exposure.
- ▶ **International lenders** (Deutsche Bank, ING) **as an alternative** for large rental portfolios either for classic non-recourse project finance or revolving credit facility providers.
- ▶ Growing **hedging costs** as a potential **point of concern** to be addressed in future.

3 Housing Properties Investment Market



- ▶ **Worldwide institutional equity investment** in residential properties losing momentum as **activity plunges by 72% since October**. **Annual investment expected to reach €297bn by the end of 2022** (€274bn January-September).
- ▶ **Residential properties investment gaining weight against CRE segments**, accounting for **32%** of total worldwide Real Estate asset classes in 2022 (15% in 2011). The Americas represents c.79% of annual investment.
- ▶ **Spain institutional investment grows by 40% YoY** despite activity has fallen sharply since June. Consequently, there is still an important investment pipeline ahead (€1.4bn) that has failed to be divested in 2022 second half.

5 Key Performance Indicators



Main Hotspots	RENTAL MARKET				SALE MARKET		
	TTR (mths)	Take-up (% stock)	Price variation (vs.2021)	Rental E.R. (%)	TTS (mths)	Take-up (% stock)	Price variation (vs.2021)
Madrid	1.3	36%	+16%	46%	2.3	19%	+8%
Barcelona	1.4	36%	+36%	62%	2.4	20%	+6%
Malaga	0.9	37%	+25%	54%	2.9	18%	+10%
Seville	2.2	32%	+8%	40%	2.4	20%	+4%
Valencia	2.4	35%	+32%	52%	3.2	19%	+13%
Bilbao	2.2	34%	+7%	42%	4.1	15%	+7%
Zaragoza	1.6	34%	+7%	29%	2.7	18%	+5%

TTR: Time to rent / TTS: Time to sale / E.R.: Effort Rate



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Request the Expanded Edition...

1. **Historical analysis of demand trends**, and expected performance in the upcoming years
2. **New expected supply breakdown analysis** for both, BTS, BTR and Co-Living throughout Spain.
3. **Full detail on the most recent portfolio housing transactions** within the main hotspots
4. **Full Spanish Housing Hot-Spots in depth analysis**
5. **Main treats and opportunities for the living market:** Effort rates, client segmentation, development strategies...

...do not hesitate to contact us

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