



Highlights of the quarter

MACROECONOMIC FRAMEWORK. The Spanish economy has entered a period of slowdown, on the other hand, expected after sustainable growth since 2014 also accompanied by a less favorable external environment, which particularly affects our external balance. Our projections for 2020 are around 1.5%-1.7% for Spanish GDP.

We consider as a fundamental indicator the evolution of The Affiliation to Social Security (employment) and the domestic consumption, a key piece to keep the investment from withdrawing.

RESIDENTIAL. The housing market is broadly stabilized, mainly by demand stability. By 2020, a normalization scenario is envisaged, especially in the main cities of Spain, although it does not mean that prices can continue to increase, albeit at lower levels around 1.5%, year-on-year terms.

Investors will remain interested in products such as "Built to Rent", "Co-living", buildings rehabilitation and the change of use, seniors and students residences... Demand could also be affected for the political instability and economic instability in general, producing some retraction.

LOGISTICS/INDUSTRIAL. Period of continuity compared to 2019, maintaining demand in the main logistics axes of Madrid and Barcelona. Developments by funds promoters of soils, turnkey and rental of finished product in volumes above 20,000 sqm and modern and sustainable characteristics as far as possible.

Rents exceeding the barrier of 5.50 euros/sqm/month with upward trend in locations close to the city. The notable interest in "last mile" product remains.

OFFICES. The pace of contracting spaces maintains its strength in areas of the Business Center and in quality, modern products. Rents will grow slightly in Prime and Secondary area. Yields will keep current levels around 3.25% for better locations. The lack of quality product in CBD remains constant.

RETAIL. The "High Street" is the most attractive segment in major cities, where the offer available is scarce and prices are around 300 euros/sqm/month, with capitalization rates around 3%. Shopping Centers and medium-sized parks, more subject to new consumer habits and trends, will not reflect a different behavior than 2019.

HOTELS. The attraction of this real estate segment by national and international investors is growing by 2020, both in the holiday and urban models. Investment volumes for 2019 can possibly achieve around 2.7 billion euro. The offer will behave depending on the market evolution due to the strong interest of investors in acquiring assets.

The Gloval vision

GLOVAL AND THE SUSTAINABILITY OF THE REAL ESTATE SECTOR.

GLOVAL Group echoes to the importance of all that it is related to SUSTAINABILITY for the improvement and transformation of the real estate and construction segment. The valuation companies and its professionals, must increase the full consciousness of the impact that the sustainable must have on the values that are placed in the reports, such as the physical characteristics of assets, the impact of climate change according to their location, fiscal, legislative and public policy measures to be applied, raising consciousness of sustainability by both investors and tenants. The incorporation of sustainability factors into the reports will be an added value when estimating the assets value.

Company. Gloval Advisory.



Scorecard:

	Figure
Macroeconomic framework	4T19
GDP (YoY)	● 2,2%
Affiliation to Social Security (YoY)	● 2,6%
Unemployment Rate	● 13,8%
Interest Rate to New Mortgage Credit	● 2,1%
Euribor 12 months	● -0,261%
Spread	● 1,84%
Consumer Price Index (CPI) (YoY)	● 1,1%
Synthetic Index of Activity (Base 100 = 2010)	● 117
Housing Affordability (years GDI) (3th Quarter)	● 7,28
Housing Affordability (% GDI) (3th Quarter)	● 31,6%
Real Estate framework	
Housing Price (YoY)	● 2,1%
Price-to-Income Ratio (Base 100 = 1T01) (3th quarter)	● 106
New housing permits (YoY) (november)	
Residential	● 4,1%
No Residential	● 2,0%
Construction Completion Certificates (YoY)	● 28,9%
Mortgage Credit (YoY)	● 2,2%
Transactions (YoY)	
Residential	● 4,5%
Retail	● -2,4%
Industrial & warehouses	● -6,4%
Offices	● -6,0%

YoY: year-on-year change
GDI: Gross Disposable Income

Chart 1:
Real GDP and housing prices
(YoY: year-on-year change. 2007-2020)

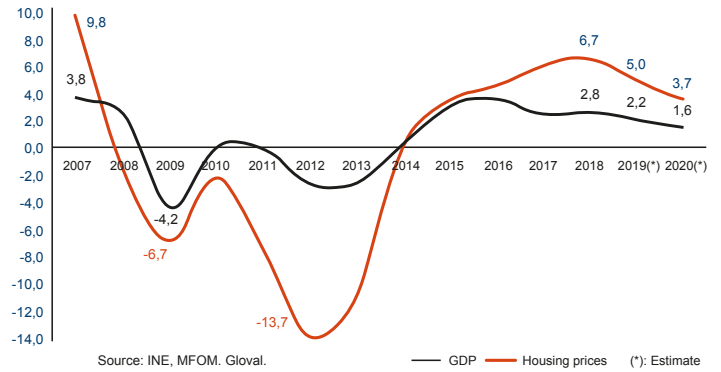


Chart 2:
Housing Affordability (% GDI)
(% RBD households, 3th Quarter 04-3th Quarter 19)

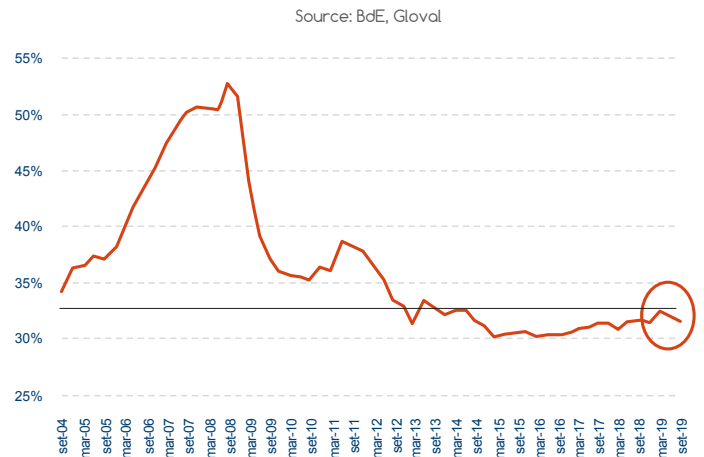


Chart 3:
Investment Effort. Housing prices/Gross disposable income. Years.

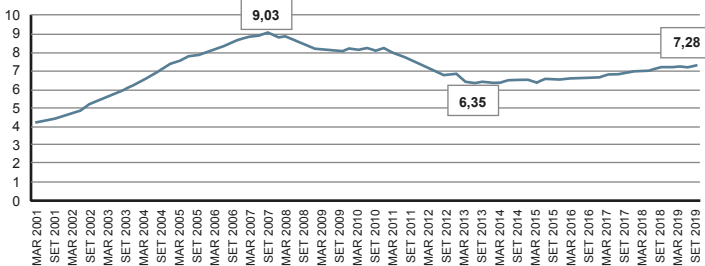
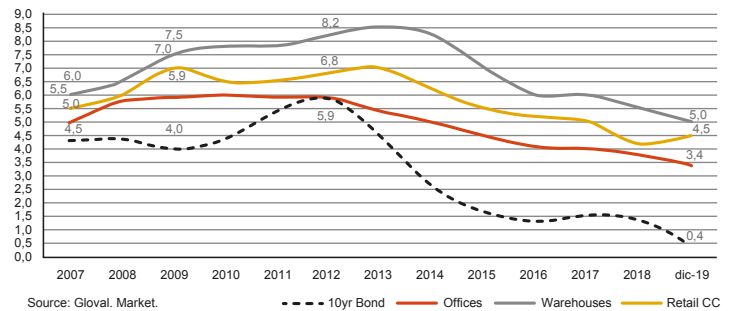


Chart 4:
Real Estate yields vs 10 years Bond



BREXIT and the Spanish real estate market

The withdrawal of a country from the European Union is not usual, the first case occurs; England leaves the EU (Brexit) and its trade link with our country takes on a special character for several reasons:

The volume of exports by large enterprises and SMEs to Britain over the last 7 years has been 14% higher than that recorded compared to the rest of the EU, although in 2017 when the withdrawal effect is launched exports fell by almost 7%. This phenomenon is likely to be contrasted with the export figures by Spain to other countries around such as Germany, France and Italy.

Trade agreements will need to be established between the two countries to maintain the flows of both goods and services that occurred before Brexit.

The residential real estate segment in our country does not go unnoticed and as far as coast and islands are concerned, it will be affected by this measure.

In Spain during 2019, around 63.000 homes were acquired by foreigners, representing 12.5% of the total number of made operations and approximately 9.000 units were acquired by English citizens. In 2018, this figure was 13 % higher, with 65.000 homes acquired by foreigners, of which 10.200 by British nationals.

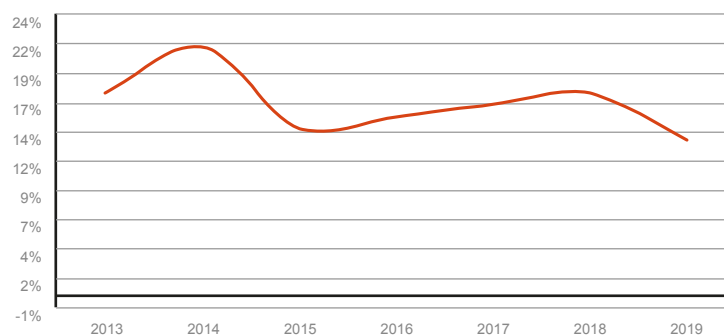
Facing the 2.34% year-on-year decline on the total sealed transactions in Spain in the fourth quarter of 2019, UK acquisitions fall 12% year-round and other foreign acquisitions fall by only 3%.

The purchase and sale of housing by foreigners draws a very heterogeneous Spain. In the east, the percentages of customers arriving from other countries exceed 25% of the market, and in the Balearic Islands, homes bought by foreigners are almost 30% of the total. Similar figures are found in Valencian Community (26%) Canary Islands (25.7%). Paradigmatic are the cases of provinces such as Alicante (42% of foreigners at the end of 2019), Santa Cruz de Tenerife (30.6%), Girona (28%) Malaga (27%).

On the other side is a good part of the inner Spain. Provinces such as Badajoz, Córdoba, Salamanca, Segovia or A Coruña the percentage of foreign buyers does not exceed 0.9%.

The UK's withdrawal will generate noise and uncertainty in the early stages of Brexit, but the situation will become normalized as trade agreements are established between the two countries. It should be borne in mind that England is the country that invests the most in Spain.

Chart 5:
Percentage of home acquired by english citizens over total foreigners



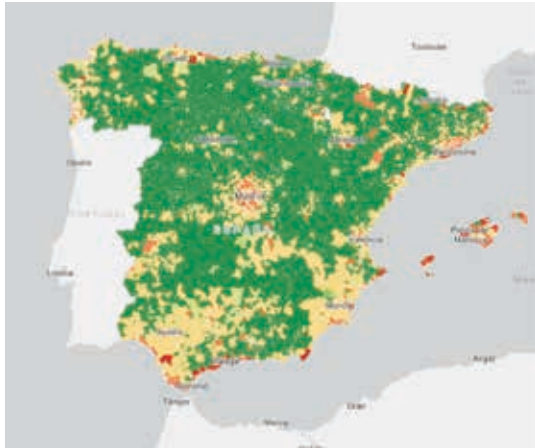
Source: INE, Gloval.



Housing market index in the residential segment.
Gloval.

GHBI

GLOVAL HOUSING BUBBLE INDEX



MARKET PRICE

Our house buying market index scored 3.15 points when averaging all of Spain's census sections. This qualifies the market price.

GPRI

GLOVAL PRIVATE HOUSING RENTAL INDEX



HEALTHY MARKET



Our rent market tension index scored 2.16 points when averaging all of Spain's census sections. This yields a healthy situation.

For more information <https://www.gloval.es/indicadores-del-mercado-inmobiliario/>

Economic exploitations in Gloval

The Gloval Group Economic Exploitation specialized area, focuses mainly on Financial Institutions, Individuals and Investment Funds.

In this area are made different types of reports for: hotels, student residences, senior residences, airfields, tourist apartments, spas, wineries, campsites, golf courses, leisure centers, cinemas, clinics and hospitals, colleges and universities, etc.

This department has made and continue making works for renowned clients and for the main Financial Institutions of our country, Funds, Family Offices, SOCIMI and investors of all kinds. Over the last financial year, around 1.000 reports have been made, in addition to appraise the so-called Trade Funds in Pharmacies and tobacconists, exceeding 750 reports.

Regarding the geographical distribution of the works, the communities of Andalusia, the Balearic Islands and the Canary Islands have covered a large part of them:

Chart 6:
Commercial Exploitations Dept.. Geographic distribution. 2019.

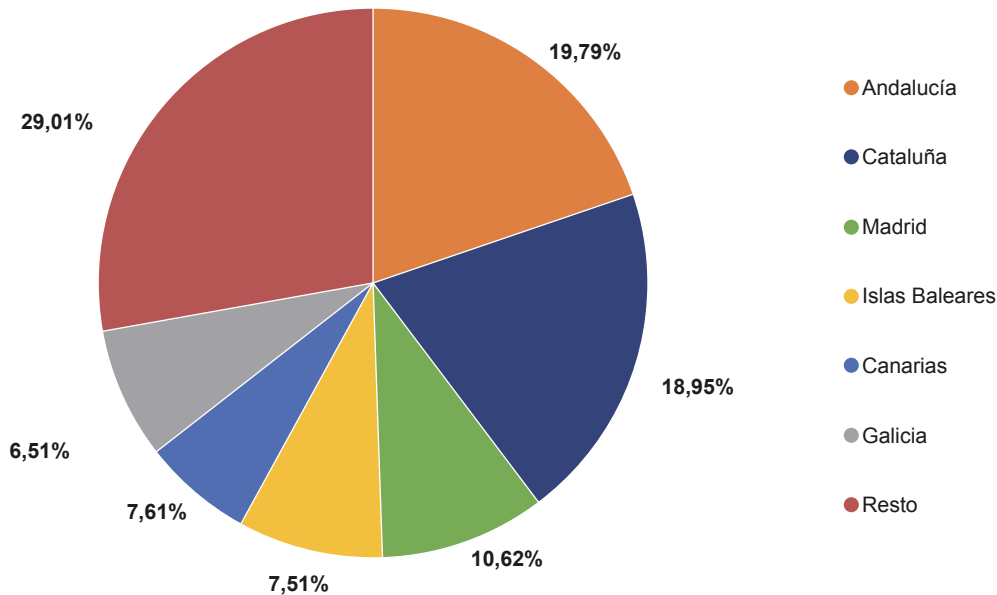


Chart 7:
Commercial Exploitations. Asset types (%). 2019.

