

Dynamics of the Spanish rental housing market

Key findings

Neinor Homes S.A.

Málaga

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Agenda



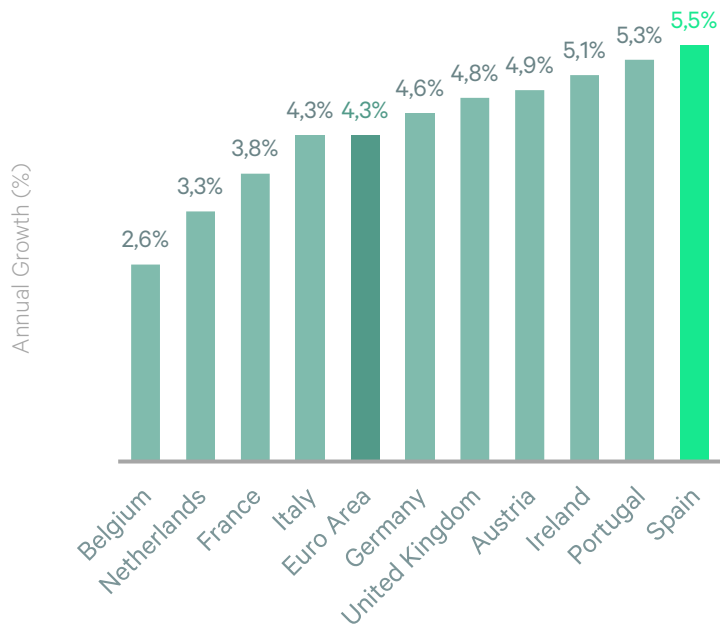
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Spanish economy is expected to rebound in 2022 outperforming the average EU growth

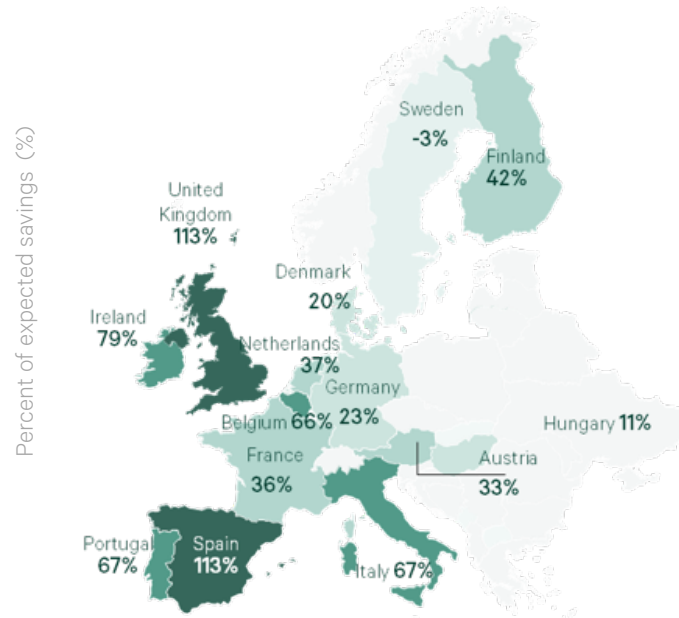
Policy measures and lockdown restrictions have enabled Spaniards to build up savings

Euro Area & UK Economic GDP Forecasts 2022



Source: European Commission (11th November 2021 Forecasts)

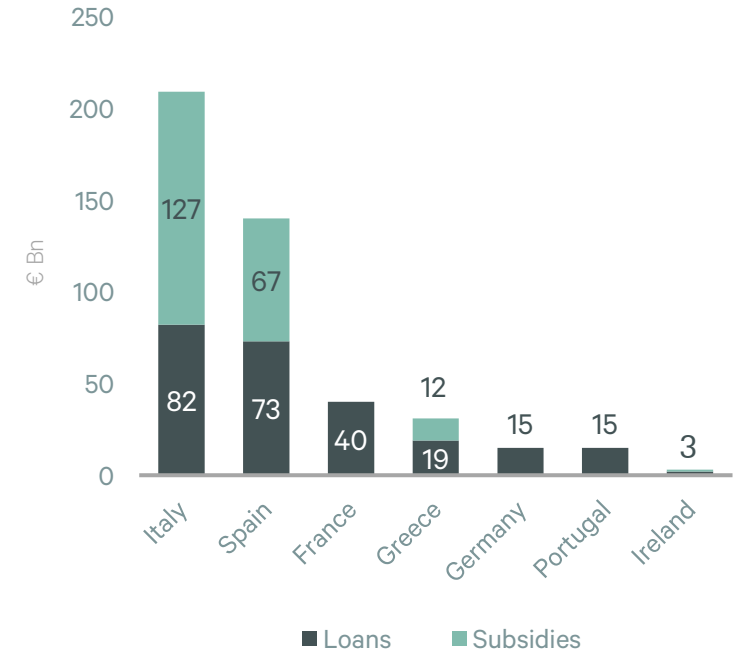
Households Cumulative Excess Savings*



* Household savings from 2020 Q1 to 2021 Q1 or latest quarter available, exceeding expected savings based on a calculated linear trend from Q12017 to Q42019 for each country

Source: IMF World Economic Outlook (October 2021)

European Funds allocation by country 2020

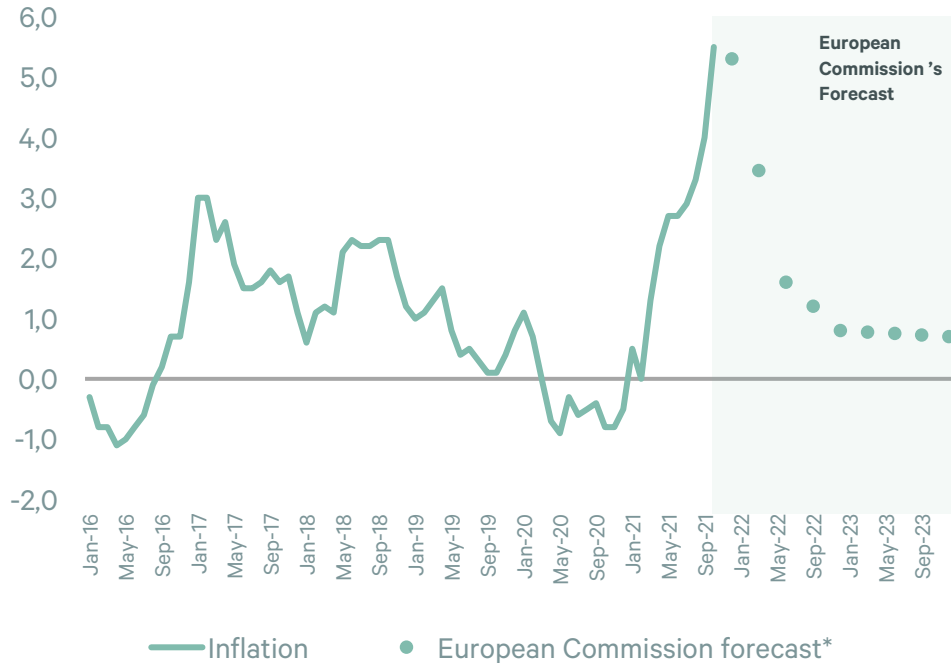


Source: European Union countries' recovery and resilience plans

Inflation adds uncertainty although it is expected to moderate in H2 2022

According to EU Commission, inflation in largest European economies will return to pre-pandemic levels in the second half of 2022

Spain: inflation and forecast*



Source: INE, National Statistics Institute – Consumer Price Index
European Commission Forecasts (November 11, 2021)

* Annual forecasts have been interpolated on a quarterly basis

Euro Area: market Inflation expectations*



Source: European Commission Forecasts (November 11, 2021) and Bloomberg

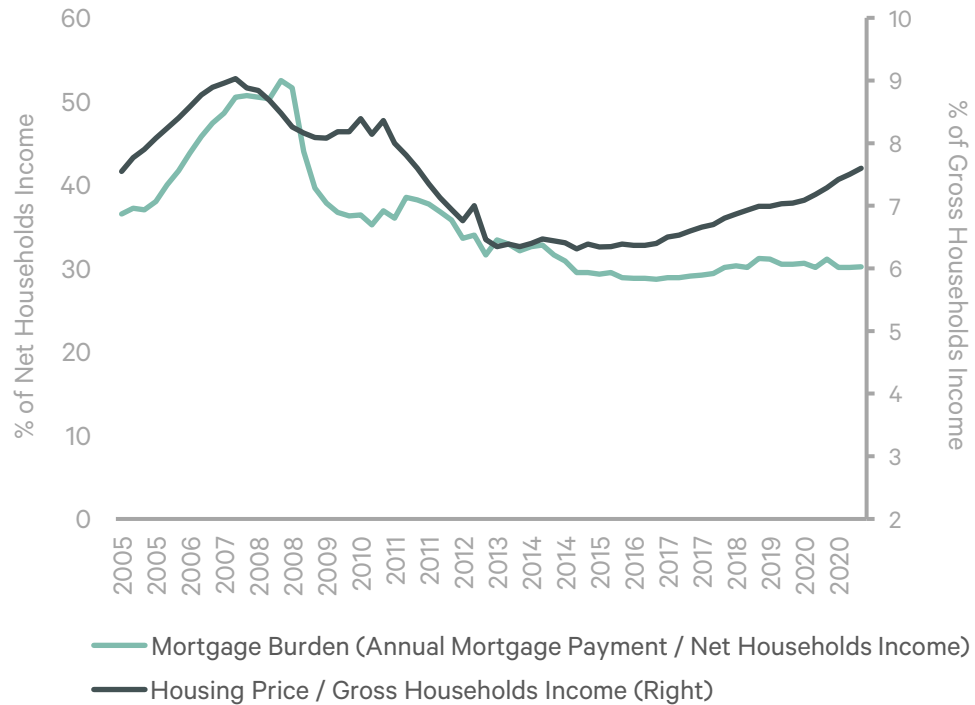
Inflation expectations derived from implied forward inflation linked swap rates (5y forward 5y ahead)

Market-based long-term inflation expectations have increased since summer, but remain anchored below 2%, still suggesting that markets interpret the current elevated inflation rates largely as transitory

Spanish housing prices are growing at a lower pace than the current EU average

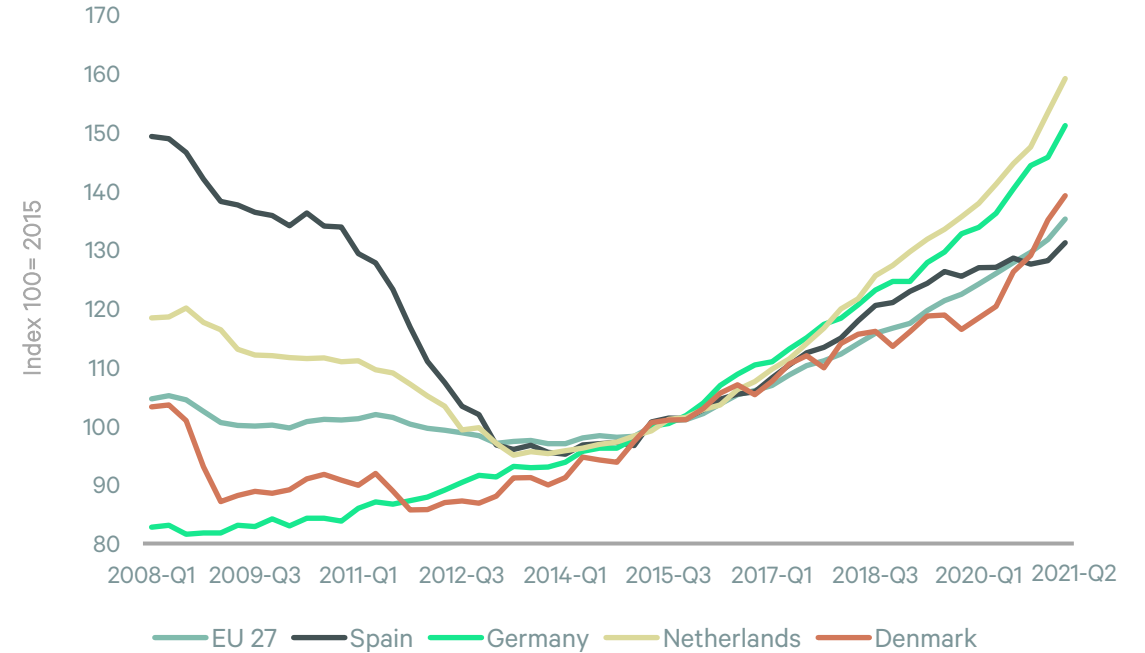
Despite low interest rates, lending policies are driving out low-equity home buyers

Mortgage Burden vs Housing Price in Spain / Gross Household Income in Spain



Source: Euromonitor – General Statistics. Building and housing. Housing affordability. Housing prices

House Price Index – Quarterly data in Europe (Base 100 = 2015)

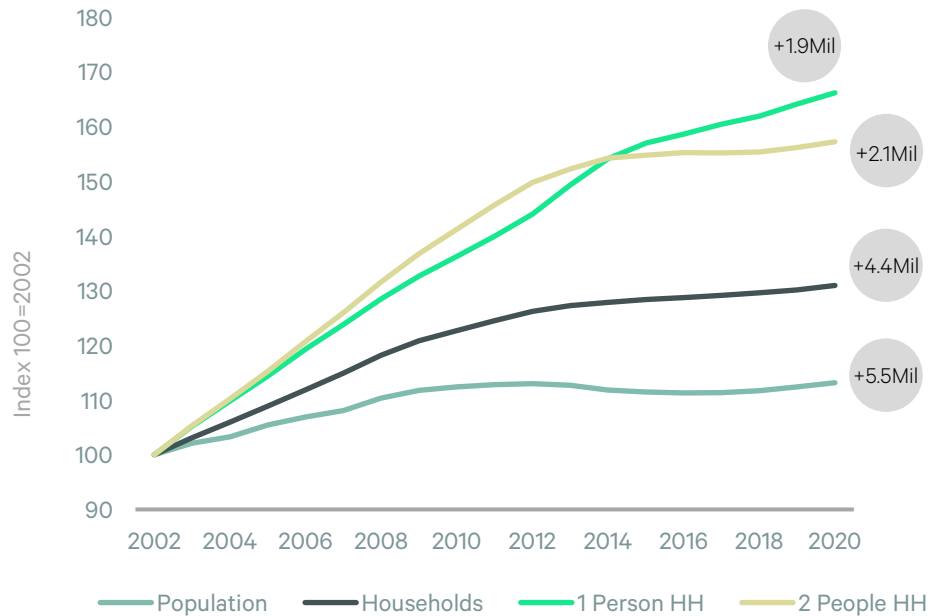


Source: Gross income per household | Bank of Spain.

Demographic macro-trends are shaping future housing demand

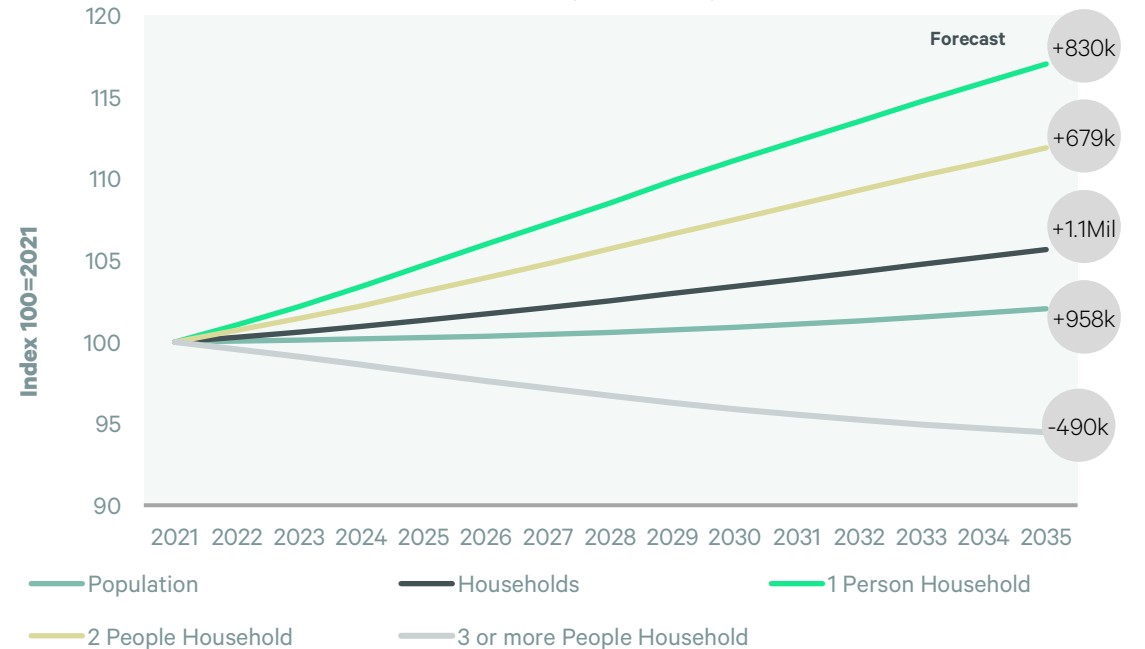
Smaller average households, increasing urban population and evolving needs through life cycle are drivers for the future housing demand

Household & Population Evolution in Spain
(2002 – 2020)



Sources: National Statistics Institute Demographics and Population

Forecast of Household & Population Evolution in Spain
(2021 – 2035)



Sources: National Statistics Institute Demographics and Population Projections 2020-2035

Statistics from Spain

2.4
average household size
By 2035 (2.5 in 2020)

61%
Of households 1 or 2
people by 2035 (56% in
2020)

42 Million
Spanish population living
in Urban areas by 2040

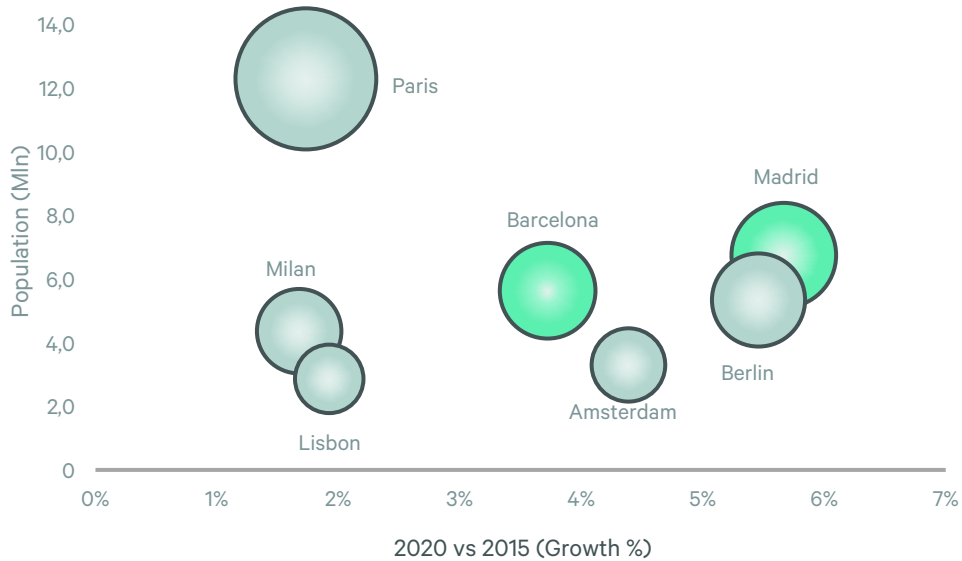
20% Foreigners
Expected share of foreign
residents by 2035 (14.8% in 2020)

+1 Million
new households
by 2035

Madrid & Barcelona are the 2nd and 5th largest metropolitan areas in EU

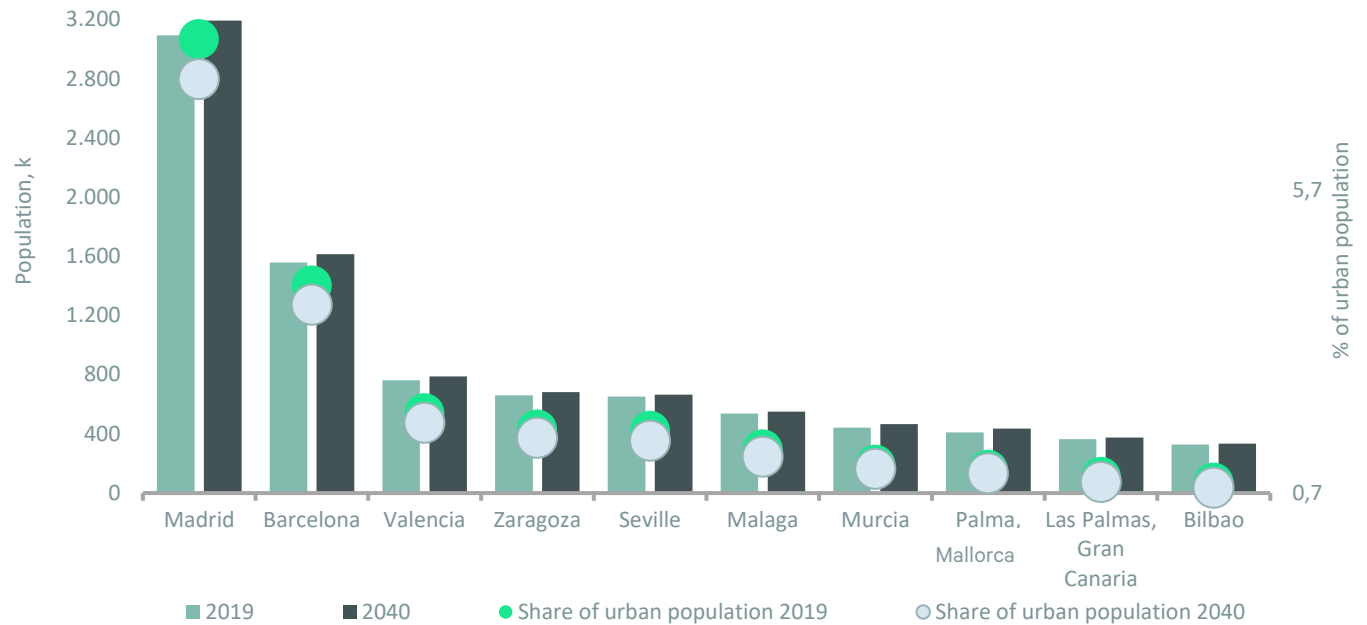
Spanish main cities are expected to attract a significant population inflow

Largest European Metro areas & 2020 vs 2015 population growth



Sources: Eurostat. Demographics and Population

Largest Spanish cities: expected population growth up to 2040



Sources: National Statistics Institute Demographics and Population Projections 2020-2040

6,7 Million
Madrid metro area
population (Eurostat 2020)

+9.5%
Madrid city population
expected growth up to 2030
(Eurostat)

5.6 Million
Barcelona metro area
population (Eurostat 2020)

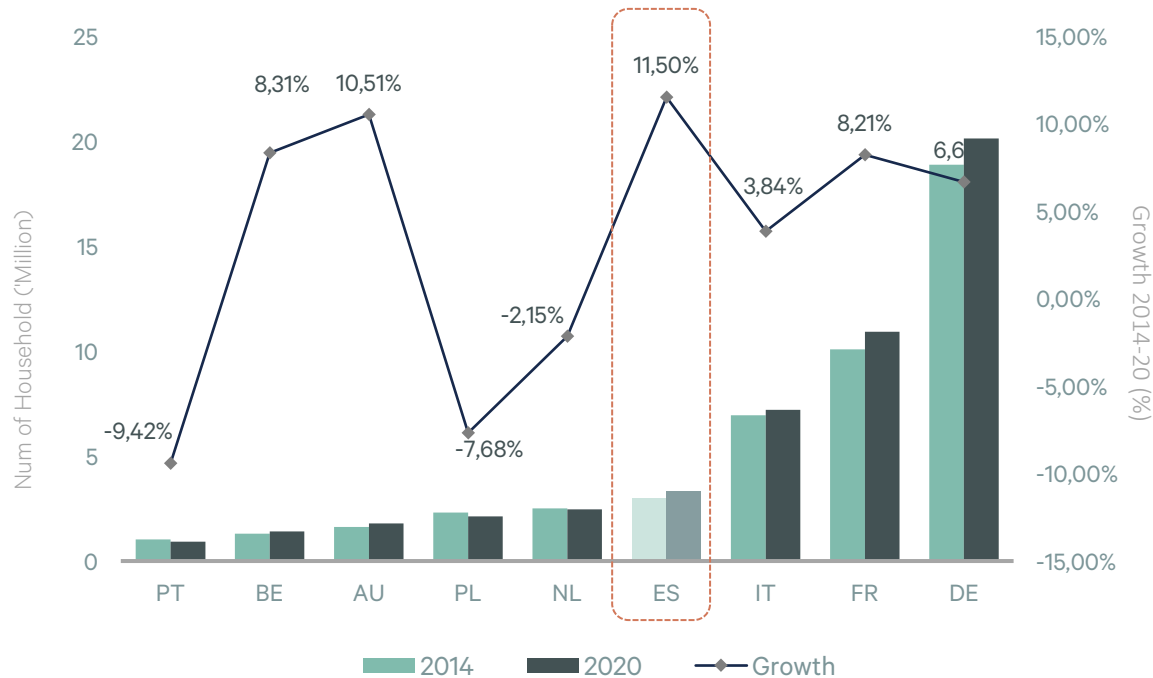
+7.4%
Barcelona city population
expected growth up to 2030
(Eurostat)

25%
Out of the total Spanish population live in the Metro
areas of Madrid and Barcelona (Eurostat (2020))

Spanish housing rental market records the highest growth in Europe

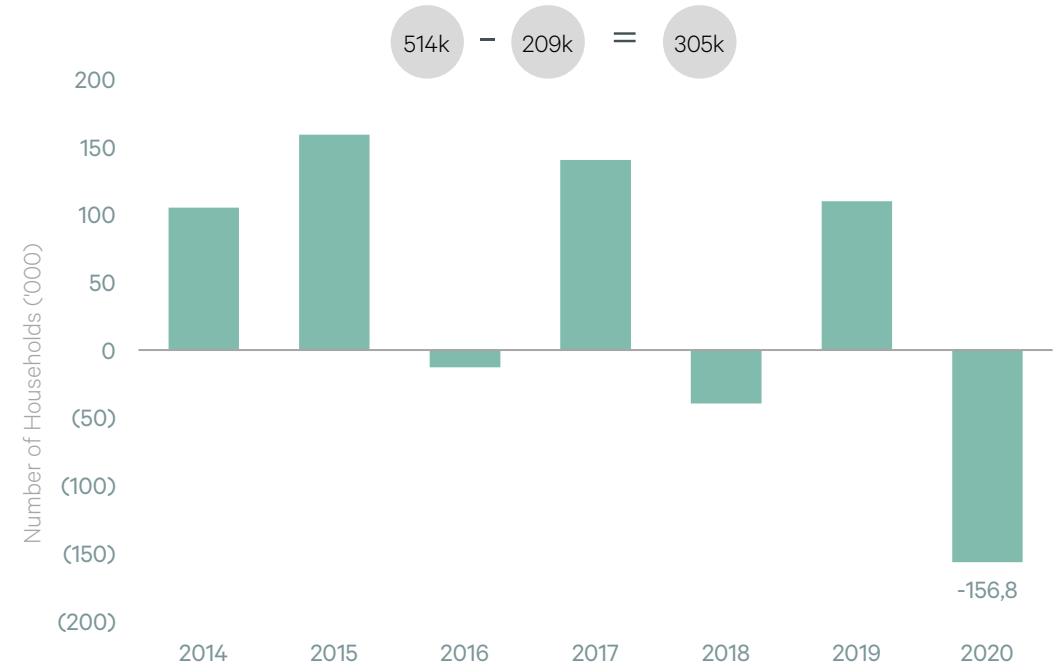
Despite 2020 COVID significant setback more than 300k new renting households were created between 2014 and 2020

Net Household Growth in European Rental Market (2020 vs 2014)



Source: Eurostat - Distribution of population by tenure status, type of household and income group - EU-SILC survey

Net Rental Household Growth in Spain 2014 -2020



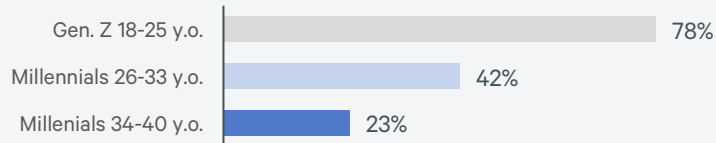
Source: National Statistics Institute – Number of main dwellings by tenancy regime and usable floor area

Renting is perceived as the most viable option among youngsters

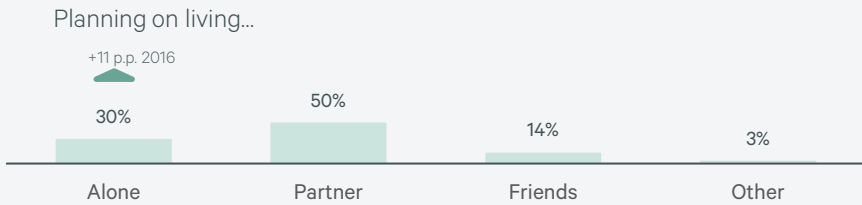
According to Ipsos & CBRE 's Survey 48 % of people under 40 years old live with their parents and 54% consider renting as a tenure option

More than half (62%) out of youngsters living with their parents (48%) plan to move in the medium term and half (54%) want to rent a home

48% are living with their parents



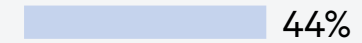
62% are planning to leave their parents' home in the next 3 years



54% are planning to rent a home



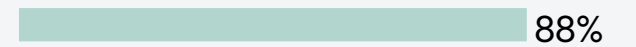
Value more their home after the pandemic



Feel it is important that their homes provide a sense of comfort



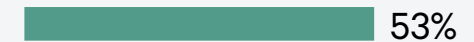
Considers house sustainability and its impact a key attribute



Prefer to live far from the city centre



Having outdoor spaces is one of the things they value the most



Want to move to a house with an outdoor space



Refer that spaciousness has gained more importance



Values space distribution

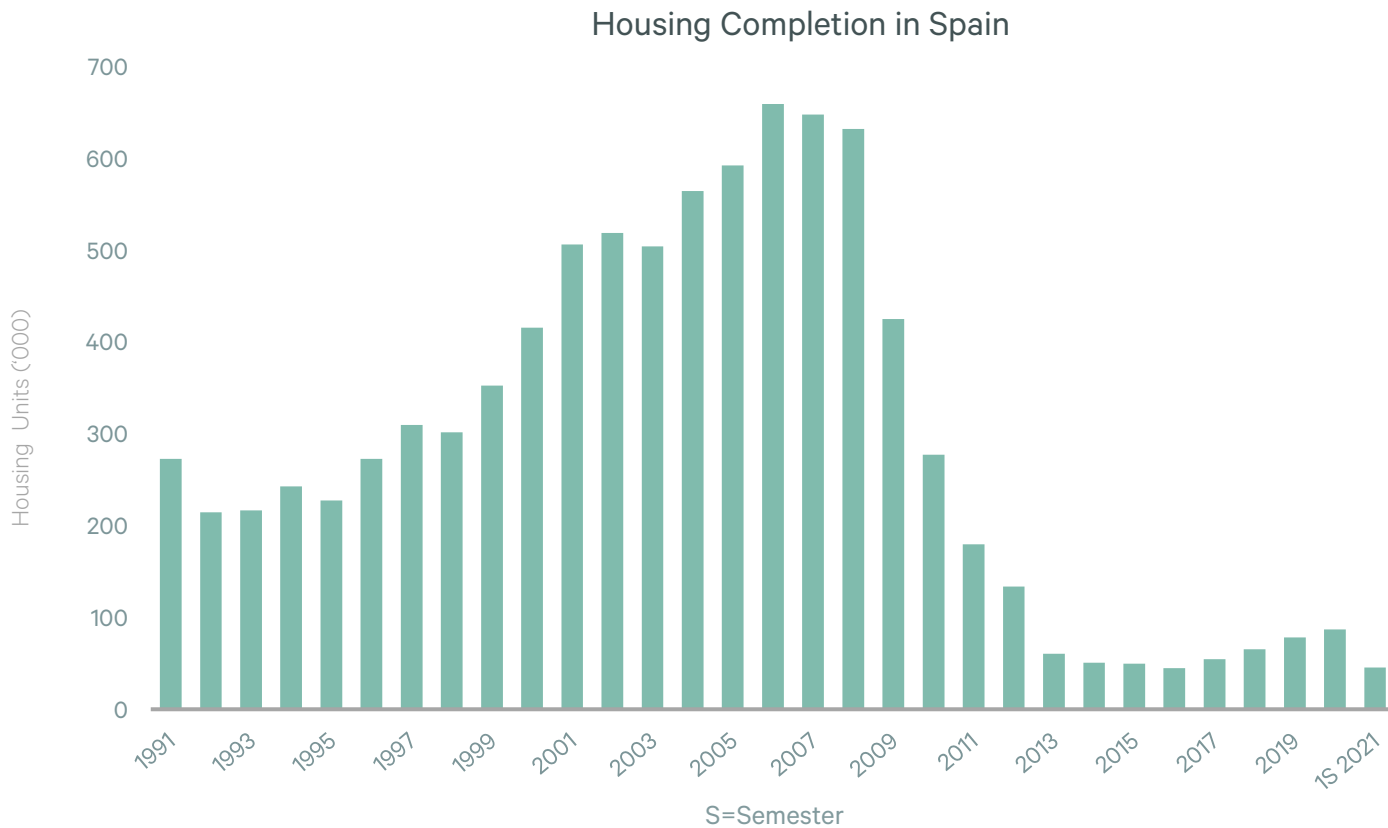


Source: CBRE People Insights & Ipsos Research (October 2021) – Gen. Z and Millennials and Residential Market Base 1000 responded people

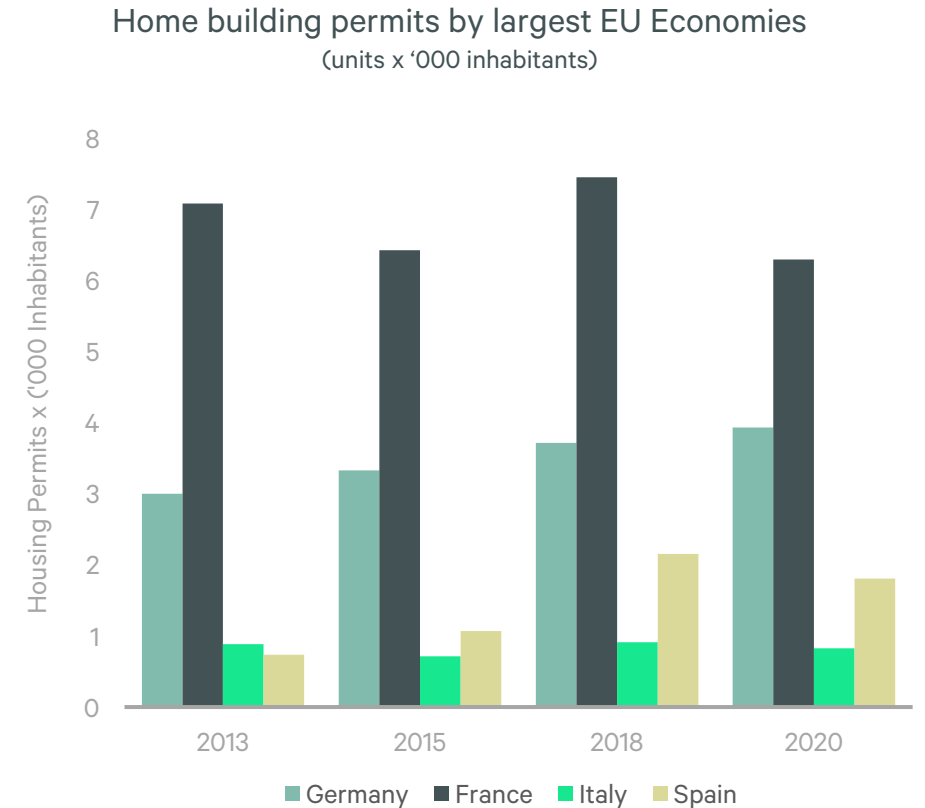
Source: CBRE People Insights & Ipsos Research (October 2021) – Gen. Z and Millennials and Residential Market

New house completion is at its lowest level since 1991

Since 2013 new housing supply remains below 100k units/yr. New housing construction per capita well under selected EU markets.



Source: MITECO (Housing Stock Assessment Series & New-housing construction series)

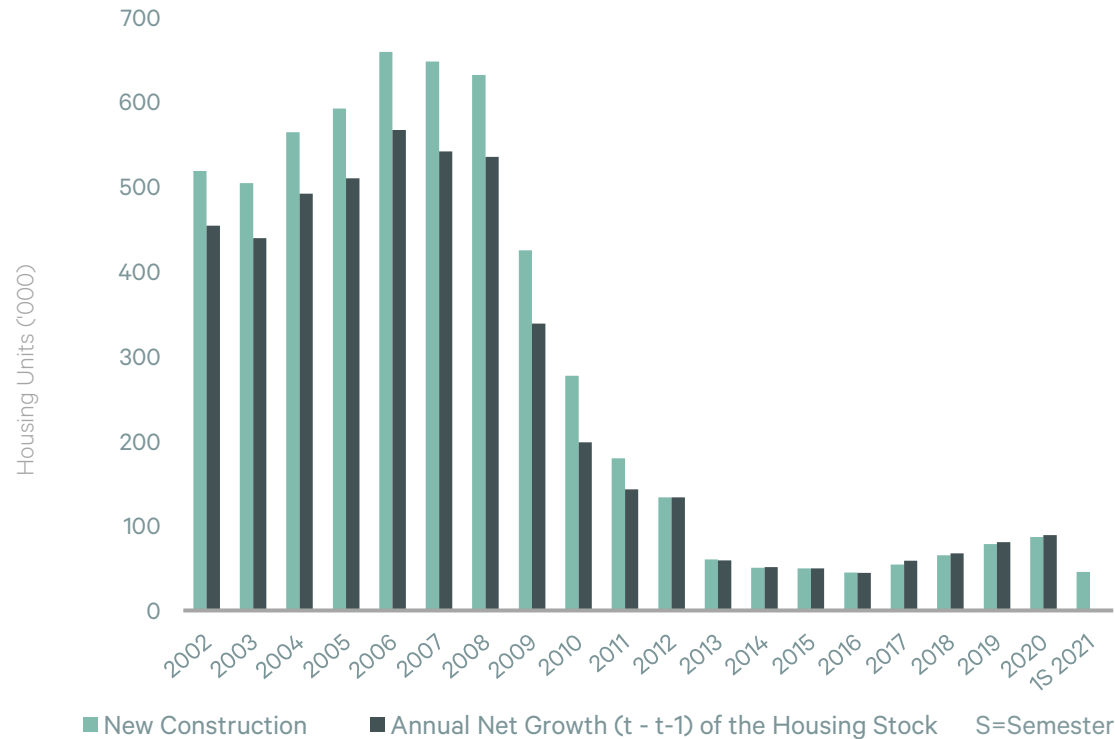


Source: DESTATIS.DE Series Building permits in structural engineering: Germany, years, construction activities, type of building/builder; ISTAT.IT Series Building Permits new residential buildings, INSEE.FR Series Building Permits

Housing surplus following the GFC* (2007-2009) has been mostly absorbed

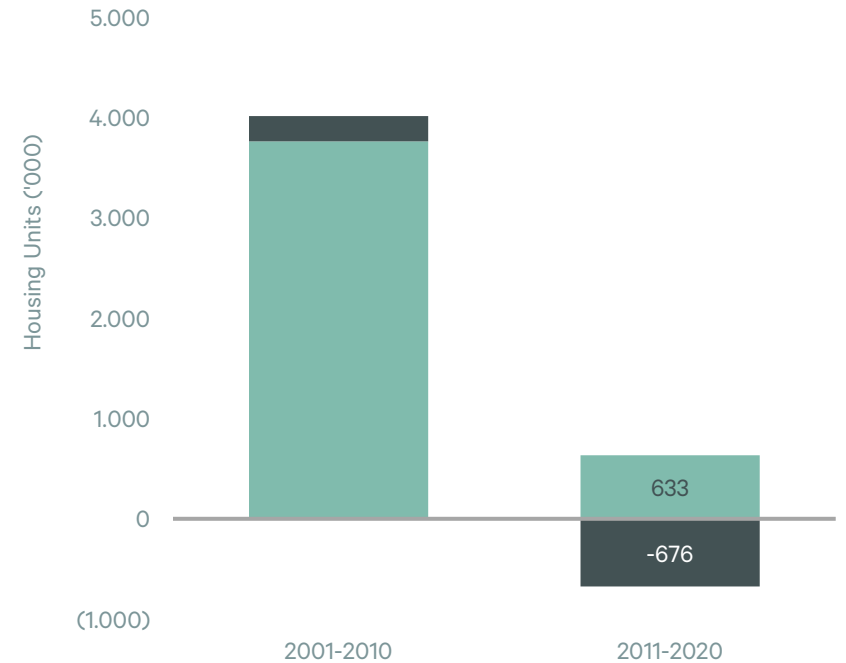
There was a net decrease of non-principal dwellings over the last decade

Housing Stock Net Growth vs New Housing Completions in Spain



Source: MITECO Housing Stock Assessment Series

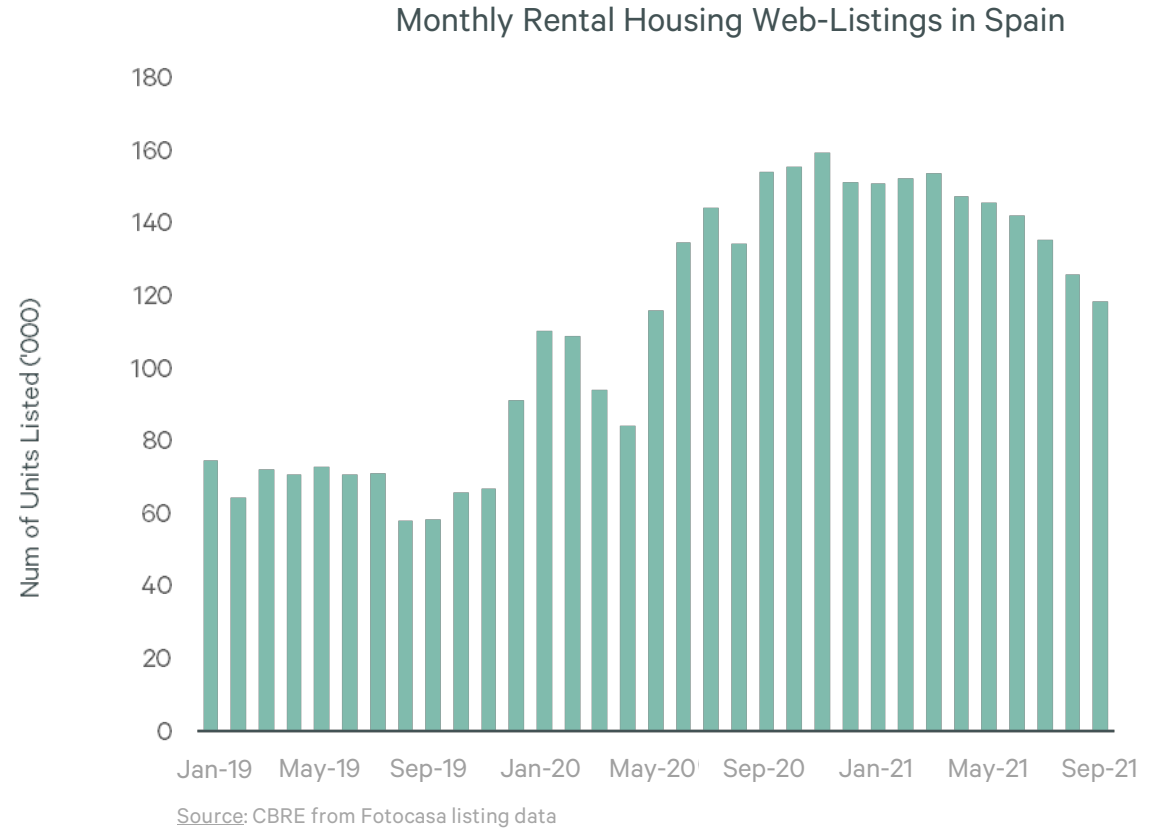
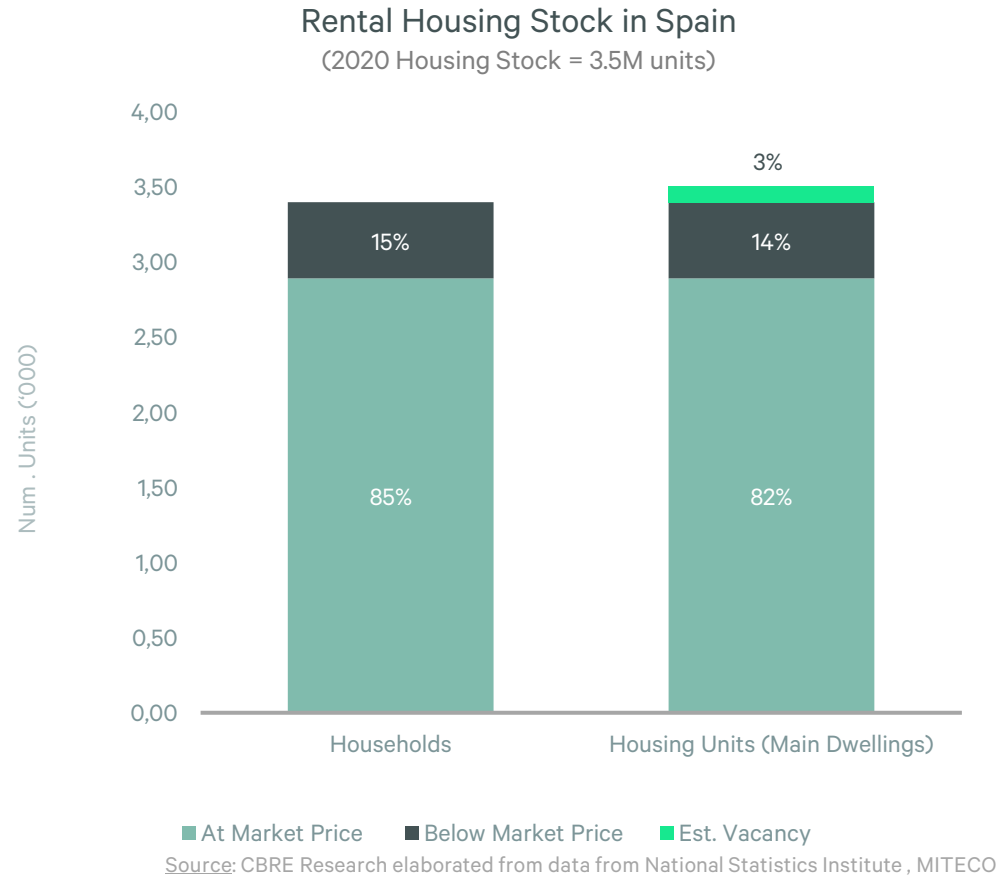
Housing Stock Net Growth in Spain Family and Non-Principal Dwellings*



Source: MITECO New-housing construction series

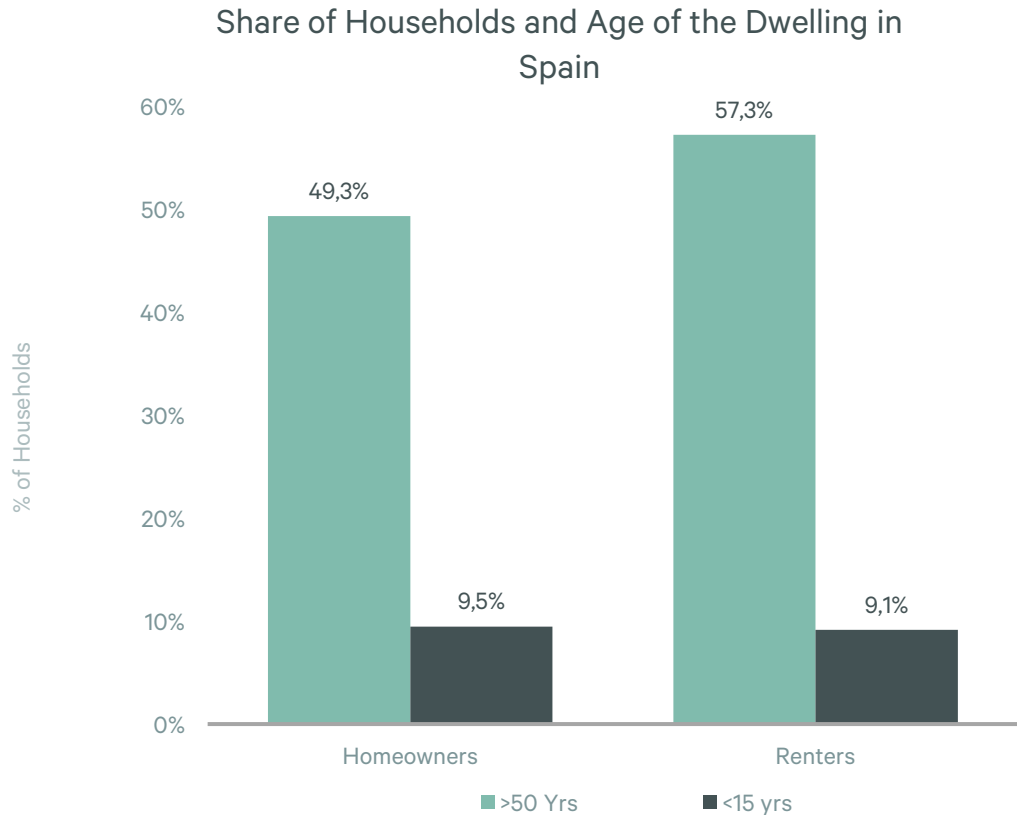
There is a moderate rental housing vacancy rate

According to rental listings, COVID has influenced vacancy rates. Diminishing rental listings since 2Q 2021 indicates a recovery trend

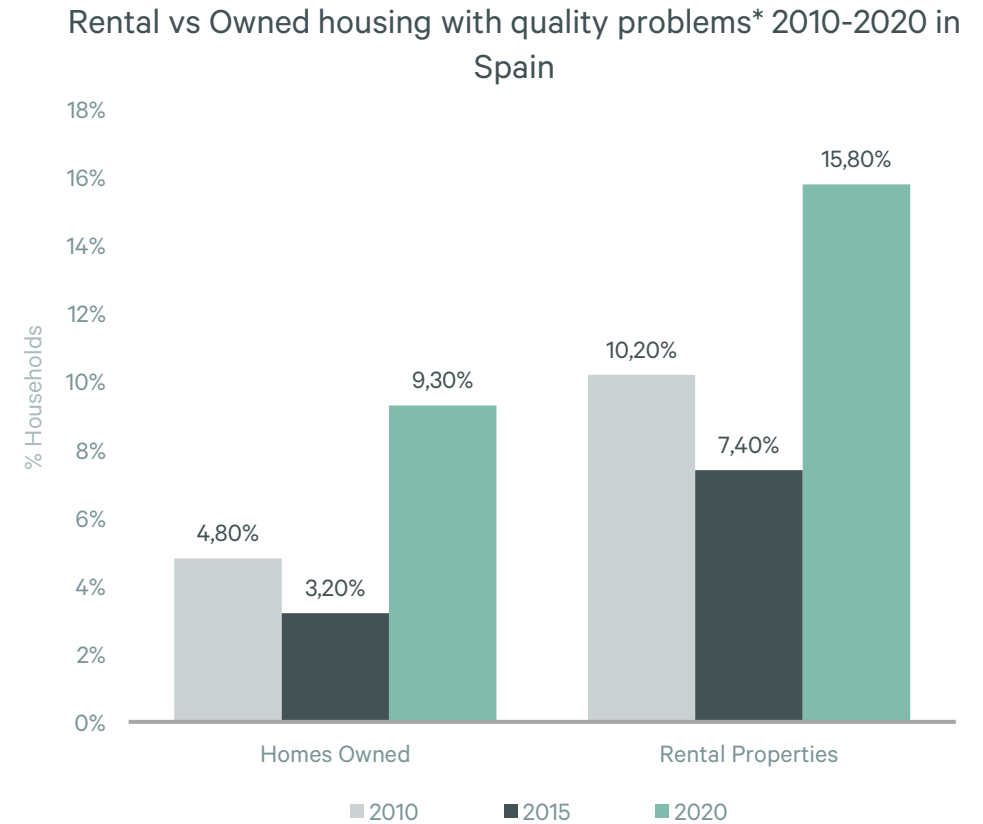


Quality of rental housing units is lower than owner occupied stock

Almost 58% of people are renting housing units built before 1970. Tenants tend to be critical about housing quality



Source: National Statistics Institute – Number of main dwellings by year of construction and tenure regime



Source: National Statistics Institute - Households suffering from certain problems in housing and its environment

Multifamily (BTR+PRS) market is highly fragmented

Top 10 players manage less than 1% of total rental housing stock

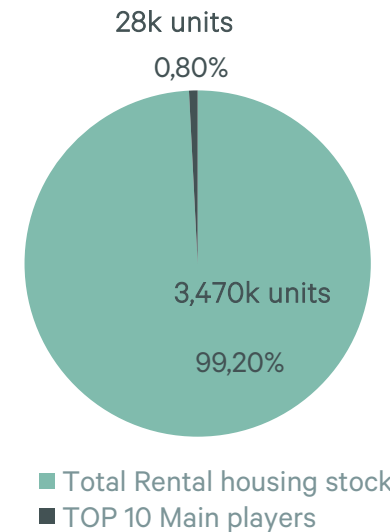
2020 Top 10 listed companies and NEINOR in Spain

Company	Units	Manager /Fund
TESTA	6.500	Blackstone
FIDERE PATRIMONIO SOCIMI	5.920	Blackstone
ALBIRANA PROPERTIES SOCIMI	7.464	Blackstone
VIVENIO	3.567	APG – AWARE Super
TÉMPORE PROPERTIES SOCIMI	2.564	TPG Real Estate Partners
NEINOR HOMES (*)	540	Orion European Real Estate Fund, ADAR, Cohen & Steers, Columbia Thread Needle
GRUPO ORTIZ PROPERTIES SOCIMI	484	Grupo ortiz
VBARE Iberian Prop SOCIMI	346	Meitav Dash Provident Funds and Pension
Almagro Capital	88	Alcor Sociedad Estrategica
BARCINO	154	Various
TOTAL	28.020	

Note *: This is just for comparison purposes as Neinor Homes is not a BTR SOCIMI

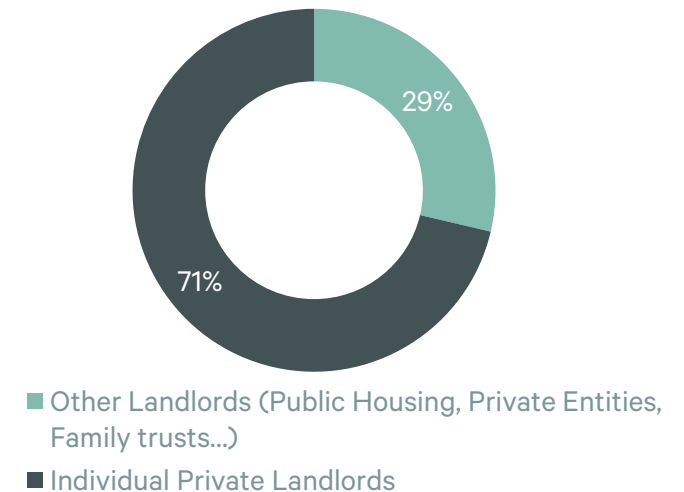
Source: Prepared by CBRE with information from public and published information of the companies (annual reports, company presentations)

Top 10 Companies' rental housing stock Over total housing stock in Spain



Source: Prepared by CBRE with information from public and published information of the companies (annual reports, company presentations..)

MFH BTR units by investor typology in Spain

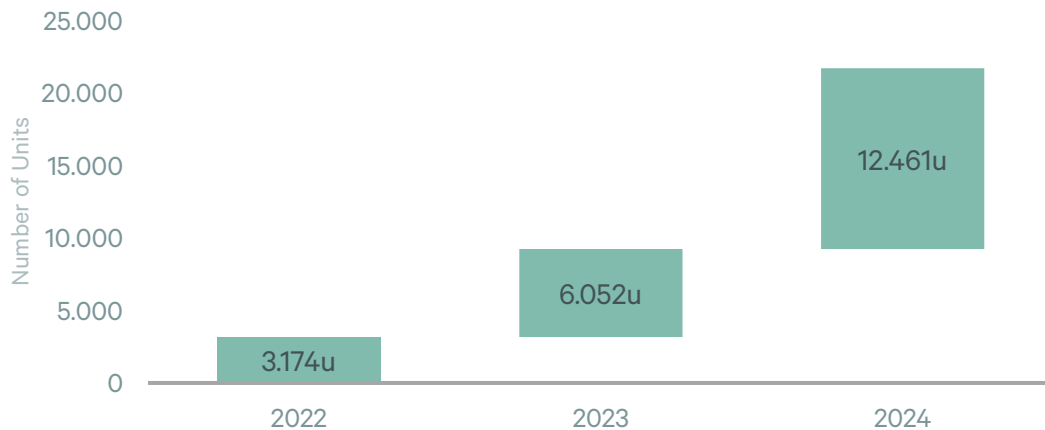


Source: Prepared by CBRE with information from Treasury Ministry and other public and published information of the companies (annual reports, company presentations..)

Multifamily (BTR) is the preferable strategy among institutional investors in Spain

Since 2019 institutional investors have been expanding their footprint through forward purchases and JV in BTR projects

Expected residential units under BTR projects (2022-2024) in Spain



Source: Figures above are not forecasts, they are based on information obtained from the most recent operations registered and companies' publications prepared by CBRE

+21k Residential units
11% of future housing stock

Estimated BTR units for the next 3 years account only for 11% out of the 190k building permits (Visados) registered by MITECO over the last 24 months

Foreign Investors in the BTR Sector

Patrizia

PATRIZIA AG has forward purchased a BTR turnkey development in the greater Barcelona area, for €52m, on behalf of its institutional clients

Tectum

Tectum will develop a land in Torrejón de Ardoz with a local developer 86 resi units which will be added to the 1,300 units existing portfolio

DWS

DWS entered in the resi BTR market in Spain in 2020, acquiring since then 11 buildings with 1,555 units in Madrid

Ares

ARES, in association with AEDAS, has created a JV (Dorsono) to build and operate 3,565 resi BTR units in a 50y concession

Nuveen

Nuveen & Kronos created STAY, a BTR JV with a portfolio of 5,000 units (Córdoba, Tarragona, Valencia, Barcelona & Madrid) to be developed in the next 5 years

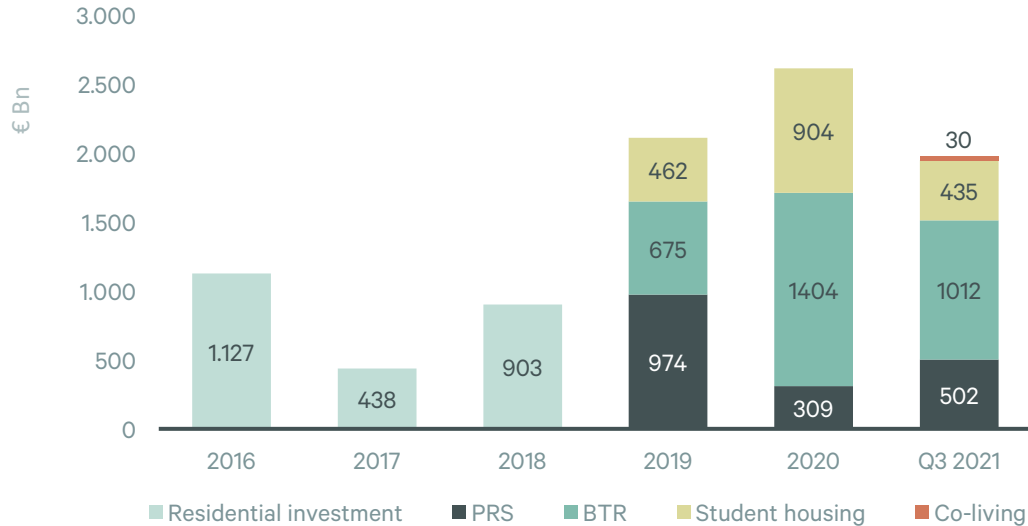
Source: Prepared by CBRE with information obtained from the most recent operations registered and companies' publications. (public media)

Residential investment volumes increased from 1,1 Bn to almost 2Bn in 2016-2021 period driven by BTR strategies due to lack of standing investment

Residential prime gross yields stand at 3% in Madrid and 3.25% in Barcelona as per end of Q3 2021, above mature markets in the largest cities in Germany, France, Netherlands and Austria

Q3 2021 - Spanish Prime Yields vs European markets Prime Yields

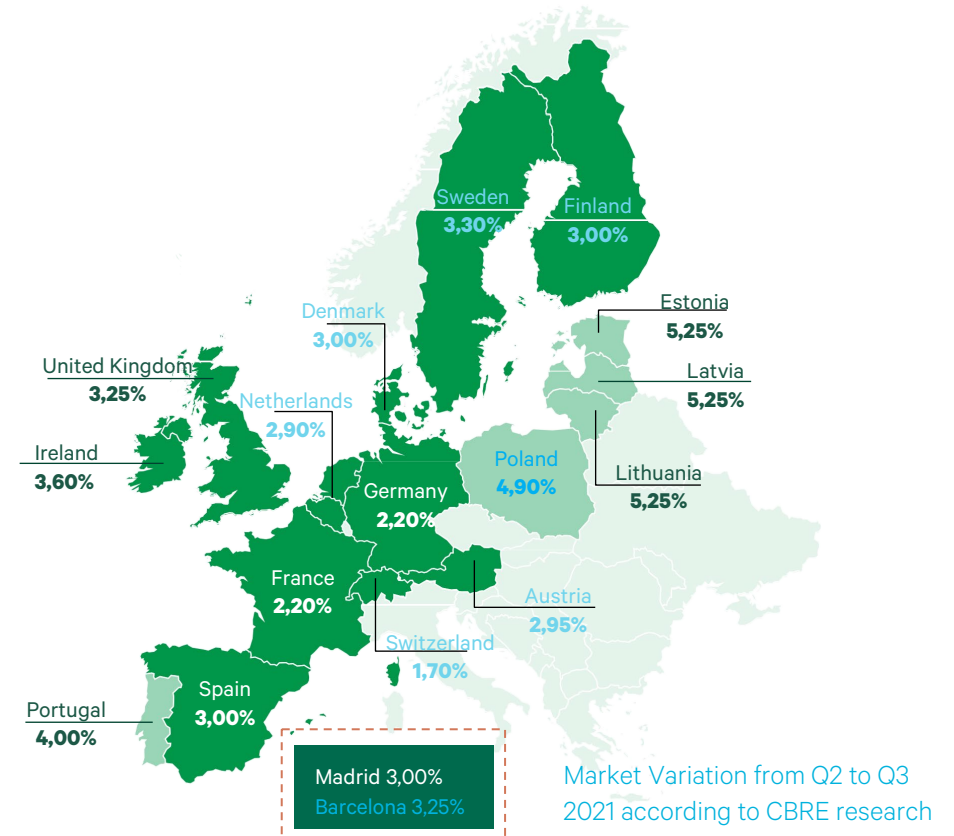
Residential Investment Evolution 2016 – Q3 2021 in Spain



Source: CBRE Research

+28% growth Q3 2021 vs Q3 2020

As of Q3 2021, Investment in BTR highlights, amounting € 1,012 M transacted (2/3 of total Residential investment in the period)



Market Variation from Q2 to Q3 2021 according to CBRE research

Source: CBRE Research

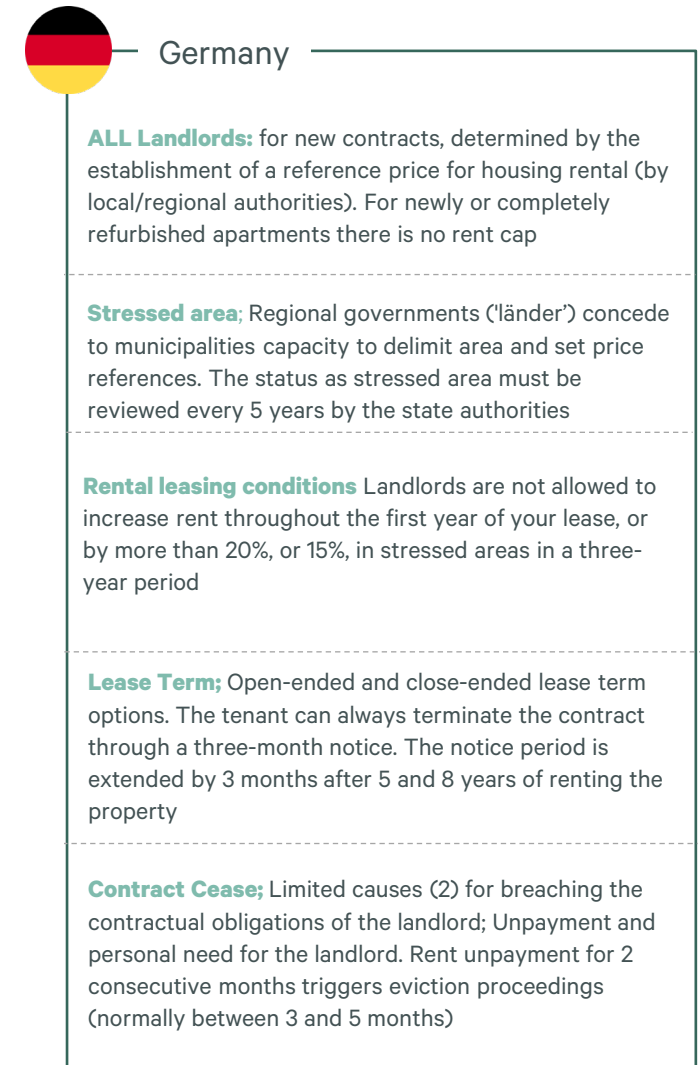
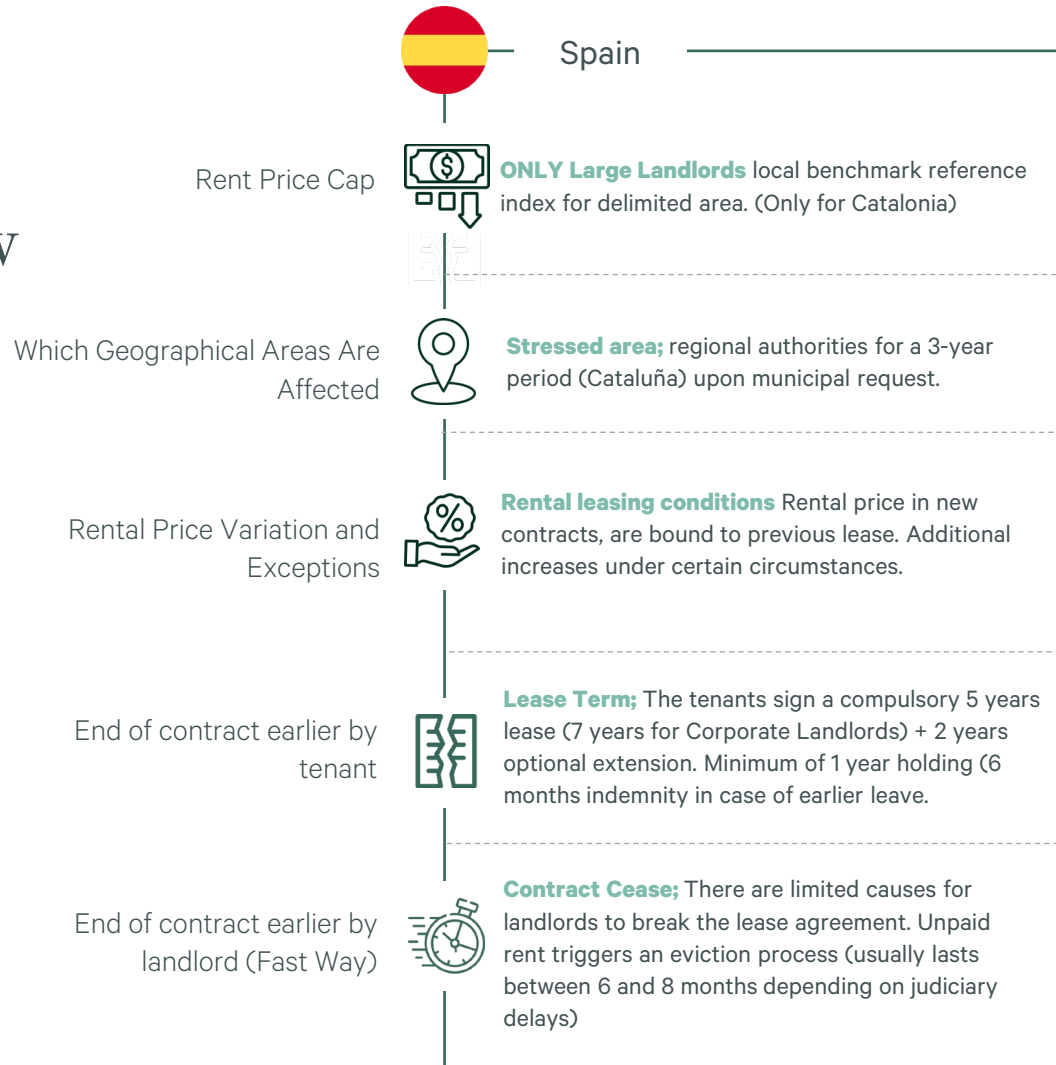
Home Rental Regulation Price comparative view

Spanish Laws

- ◆ Spanish Civil Code
- ◆ Ley de Arrendamientos Urbanos (LAU)
- ◆ State Housing Law (Pending Approval)

German Laws

- ◆ German Civil Code
- ◆ Specific provisions for residential tenancy law are regulated in BGB §549 onwards



Sources: Ley de Arrendamientos Urbanos and Anteproyecto de Ley por el derecho a la vivienda (26 October 2021, pending parliamentary approval), German Civil Code (Bürgerliches Gesetzbuch or BGB) which includes general lease contract law (535-548), housing lease law (549-577a), and law of Obligations 55.

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