There is a lack of fully permitted land, therefore investments in land management are necessary.

The scarcity of construction workforce may be a challenge.

The sector is growing under the ramp-up phase with financing requirements.

The industry is fragmented. Players concentration is expected.

► Digitalisation: Product trends & client focus.
► Inorganic growth: Size is crucial to gain efficiency.
► Industrialization: new technologies in construction process and development based on rotation.
► Platforms scalability: The business model must be adjusted in line with growth.
EXECUTIVE SUMMARY

Spain has consolidated solid pillars for a sustained recovery as shown in the main macroeconomic.
.transactions & housing sales prices

total housing price trend - Spain
average transaction price (€ per housing unit)
source: ministerio de fomento

€ 186,000
-27.3%

€ 135,000
+6.6%

€ 144,000

average housing sales prices increases/decreases
by province | data 3q 2017
source: ministerio de fomento

transactions by provinces

source: ministerio de fomento

madrid
80,598

barcelona
59,085

alicante
40,156

málaga
31,823

valencia
30,835

source: ministerio de fomento
EXECUTIVE SUMMARY

62% of the total new ongoing housing are located in 5 provinces. Madrid has the highest number of new ongoing housing.

Deloitte has analysed a national sample of almost 116k ongoing housings.

Top 5
62% of total ongoing housing

Number of housing units (Thousands)

Madrid: 12.9
Barcelona: 10.6
Málaga: 7.4
Alicante: 5.6
Vizcaya: 5.5
Valencia: 4.5
Zaragoza: 3.9
Sevilla: 3.4
Guipúzcoa: 2.9
Cantabria: 2.6

Number of ongoing housings per province

Source: Deloitte Grúas Analysis

CURRENT ONGOING DEVELOPMENTS

Source: Deloitte Grúas Analysis
EXECUTIVE SUMMARY

This study based on an algorithm filled with Deloitte Big Data Analytics, defines **Hotspots** as **locations** with **high chances of success** for the real estate residential development business.

272 Hotspots have been identified in 158 locations in Spain. Most of the Hotspots are located in Madrid, the Mediterranean coast and the north of Spain.
Most of the residential development business is comprised by small & medium-sized developers: 79% of them are developing a 30%
Spanish residential market continues to be attractive for international investors.
## EXECUTIVE SUMMARY

The Developers financing through the traditional lenders has returned to the market but they are demanding more controls and requirements.

### INDEBTNESS OF FAMILIES TREND

- **Jan 06**: €484bn
- **Jul 10**: €681bn
- **Dec 17**: €528bn

- **Source**: BdE

### Standard finance term sheet

<table>
<thead>
<tr>
<th></th>
<th>Traditional Banking</th>
<th>Institutional investors / Debt funds</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Finance developers</strong></td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td><strong>Land Finance</strong></td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td><strong>Requirements</strong></td>
<td>✓ Pre sales</td>
<td>✓ Structuring and specific warranties</td>
</tr>
<tr>
<td></td>
<td>✓ Project Monitoring</td>
<td></td>
</tr>
<tr>
<td></td>
<td>✓ Clients scoring</td>
<td></td>
</tr>
<tr>
<td><strong>Term &amp; Conditions</strong></td>
<td>Initial grace period of 3-4 years</td>
<td>Bullet amortisation</td>
</tr>
<tr>
<td><strong>Spread</strong></td>
<td>150 – 250bps</td>
<td>750 – 1,250bps</td>
</tr>
<tr>
<td><strong>Others</strong></td>
<td>Available corporate debt to large institutional players with sustainable LTV levels and stable recurring cash flow</td>
<td></td>
</tr>
</tbody>
</table>
EXECUTIVE SUMMARY

Key factors

Demand & Supply
- Diverse speeds of growth with and demanding customers
- Lack of supply and risks of productivity capacity

Growth/Land acquisition
- Lack of Fully Permitted Land land
- Entry barriers

Construction costs
- Scarcity of qualified workforce
- Material costs

Financing
- Financing has returned
- Higher control and requirements

Players
- Fragmented industry
- Changing landscape
WHAT IS NEXT?
EXECUTIVE SUMMARY

BREEAM and LEED certifications are the most significant sustainability certifications worldwide. Both standards are regularly updated in line with the market.
The Residential Development Handbook
Investment & Financing Keys
Spain 2018

#TheResidentialDevelopmentHandbook