2015, YEAR ZERO FOR THE REAL ESTATE SECTOR RECOVERY IN SPAIN

Key factors for the Spanish Real Estate sector in 2015

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// SCENARIO

01. Transformation of the business model
Towards a model based on generating value and on real demand, aligning capital + financing + management and establishing synergies between them, preventing them from working separately, to guarantee sustainable development in the coming years

02. Professionalization
A higher level of professionalization of the sector, through specialisation by type of product and location

03. New key players with diverse strategies and perspectives
Relationships that allow investments to match economic conditions and real demand should be encouraged

04. An attractive real estate market
Offering advantageous investment opportunities in comparison to other countries, in terms of capital values and country and timing variables

05. Value-added investors
Value-added investors are taking centre stage

06. Towards an indirect investment model
The real estate market will shift from a direct investment model to one of indirect investment

07. A moderate recovery in financing
Focused on bank lending, maintaining exhaustive controls of risks and processes and looking for new alternatives to diversify sources of financing

08. Direct lending
Financing that does not originate from banks will become a key alternative alongside bank financing, which will remain fundamental

09. SOCIMIs (Spanish REITs)
Will be an interesting vehicle for investment in stock exchanges by retail investors. They are in the process of specialising

10. Changes to tax and insolvency legislation
Changes are being made which should boost interest from international investors, with a positive impact on refinancing (making it easier to reach agreements), restructuring and insolvency proceedings (bolstering companies' feasibility)

11. Lack of prime assets
A lack of high quality assets means that transaction values start to exceed expectations and investor returns decline

12. Urban redevelopment
Greater positive impact on the quality of peoples' lives and the cost of maintaining housing

// KEY PLAYERS IN THE SECTOR

// Most companies with real estate businesses have completed their refinancing processes. The number and size of these companies have decreased.

// Non-real estate companies have segregated their real estate businesses, focusing on their core activity.

// A change of trend in measures adopted in response to feasibility problems: early solutions and restructuring (increase in agreements and bolstering of settlements) vs. insolvency.

// Opening up to alternative financing.

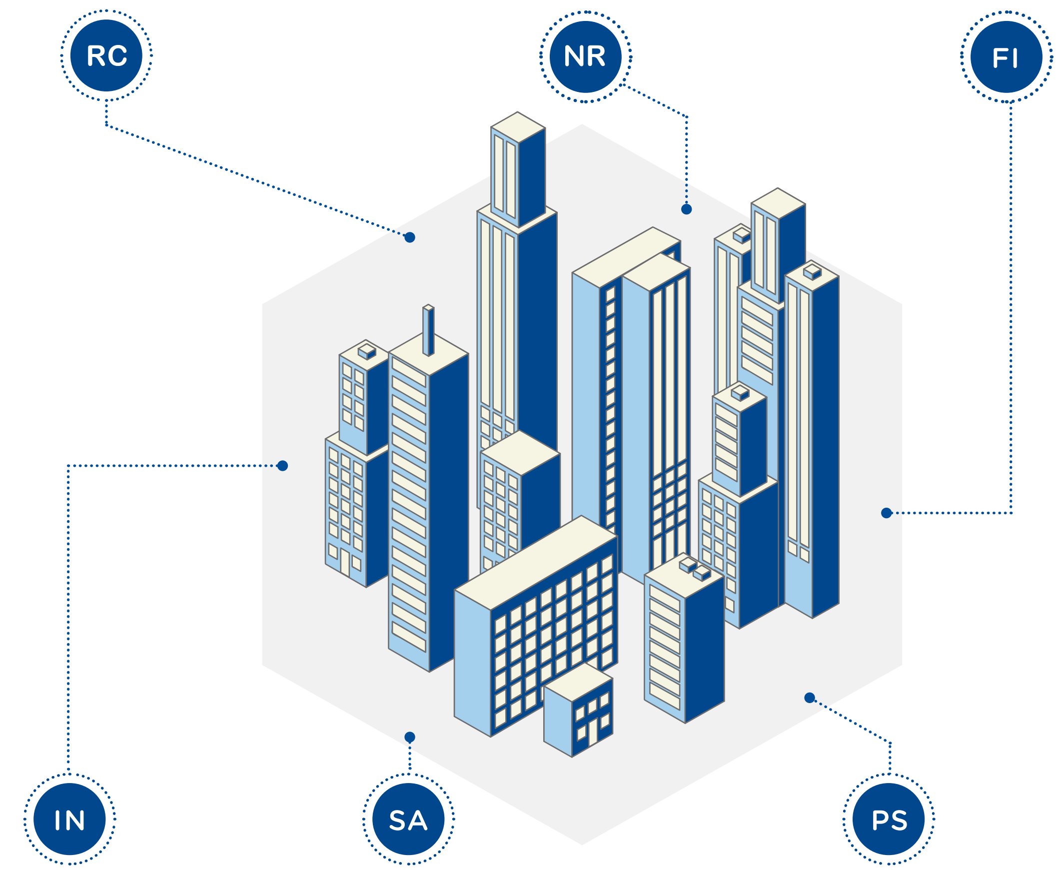
// Financial institutions will possibly choose one of two options for real estate assets:

- Financial operations (short-term)
- Real estate strategies (long-term)

Real estate companies

Non-real estate companies

Financial institutions



Investors

SAREB

Public sector

// Investors will remain prudent in their management of an economy that has yet to warm up and where there is still much pressure to invest capital.

// New key players who are prepared to invest, increasing competition and prices.

// Sareb will continue to play a key role due to the volume of assets to be divested over the next 13 years.

// The public sector is taking steps to put an end to complex legislation, which will facilitate private investment.

// To favour access for investors, especially foreign investors, the public sector's divestment of its real estate assets requires changes to increase flexibility and fluidity in practical terms.

// There is room for improvement in the use of publicly-owned real estate assets, moving towards a mixed rental and sale model.

KPMG
cutting through complexity