

Spain's Real Estate and Construction Markets



Think Tank of Deutsche Bank Group





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Overall Macroeconomic Environment

2

Real Estate Markets

3

Construction Activity

4

Concluding Remarks

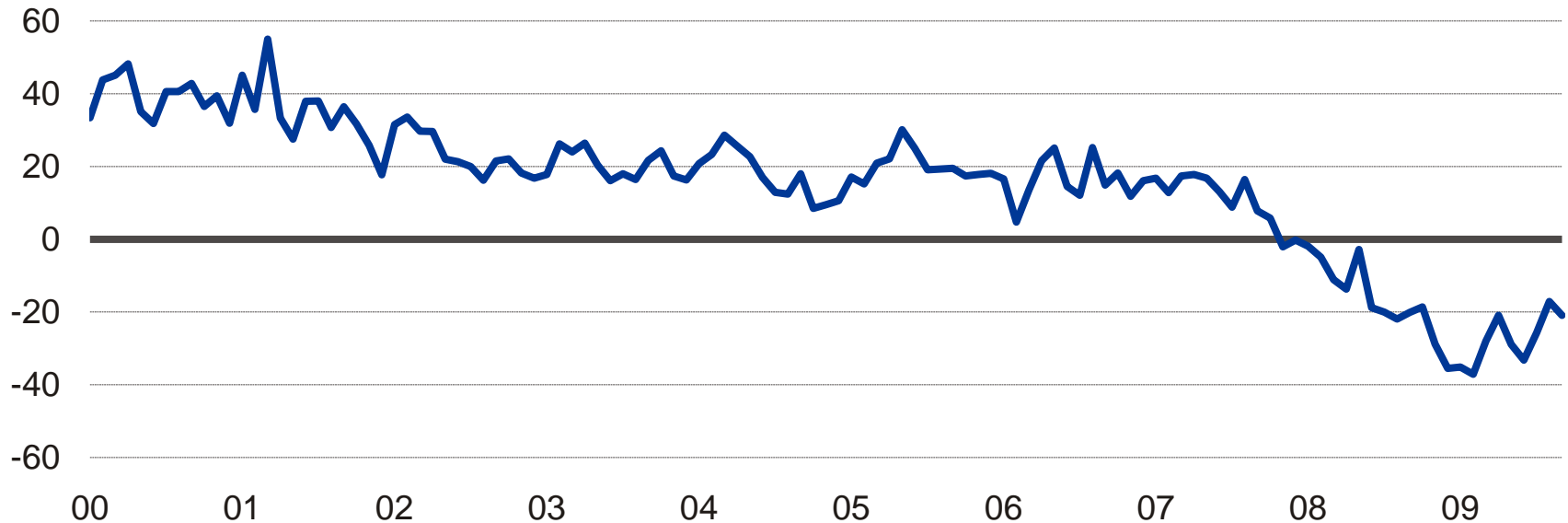


Climate has stabilised on a low level

Spain Business Cycle

Percent balance of opinion

The indicator is an average of the responses to the questions on business climate and evolution of demand.



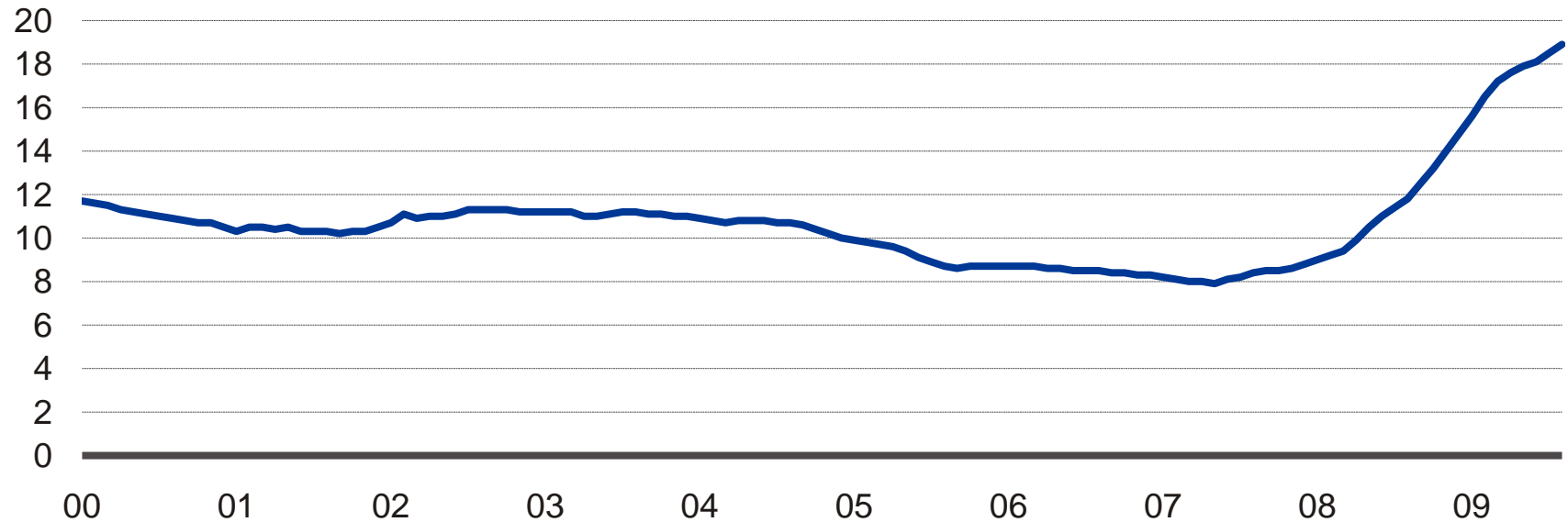
Source: European Commission, ECFIN



Labour market deteriorates

Spain Unemployment Rate

%



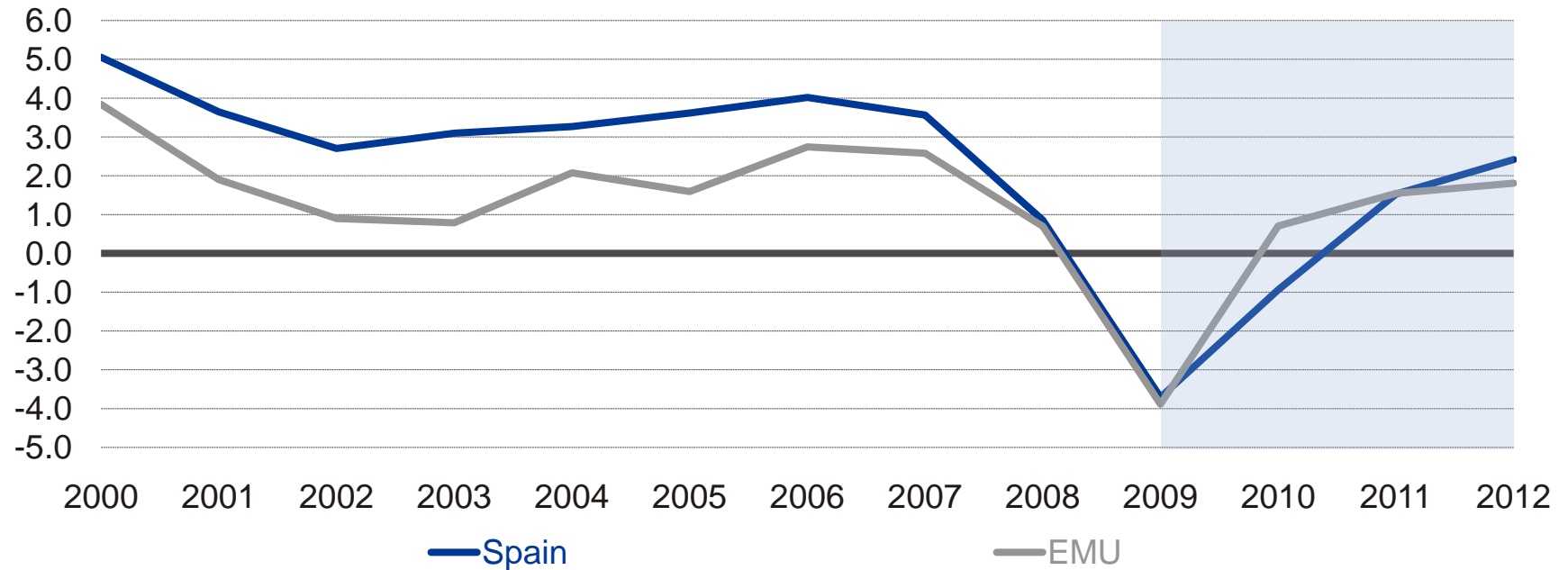
Source: OECD Main Economic Indicators



Sharp correction of output

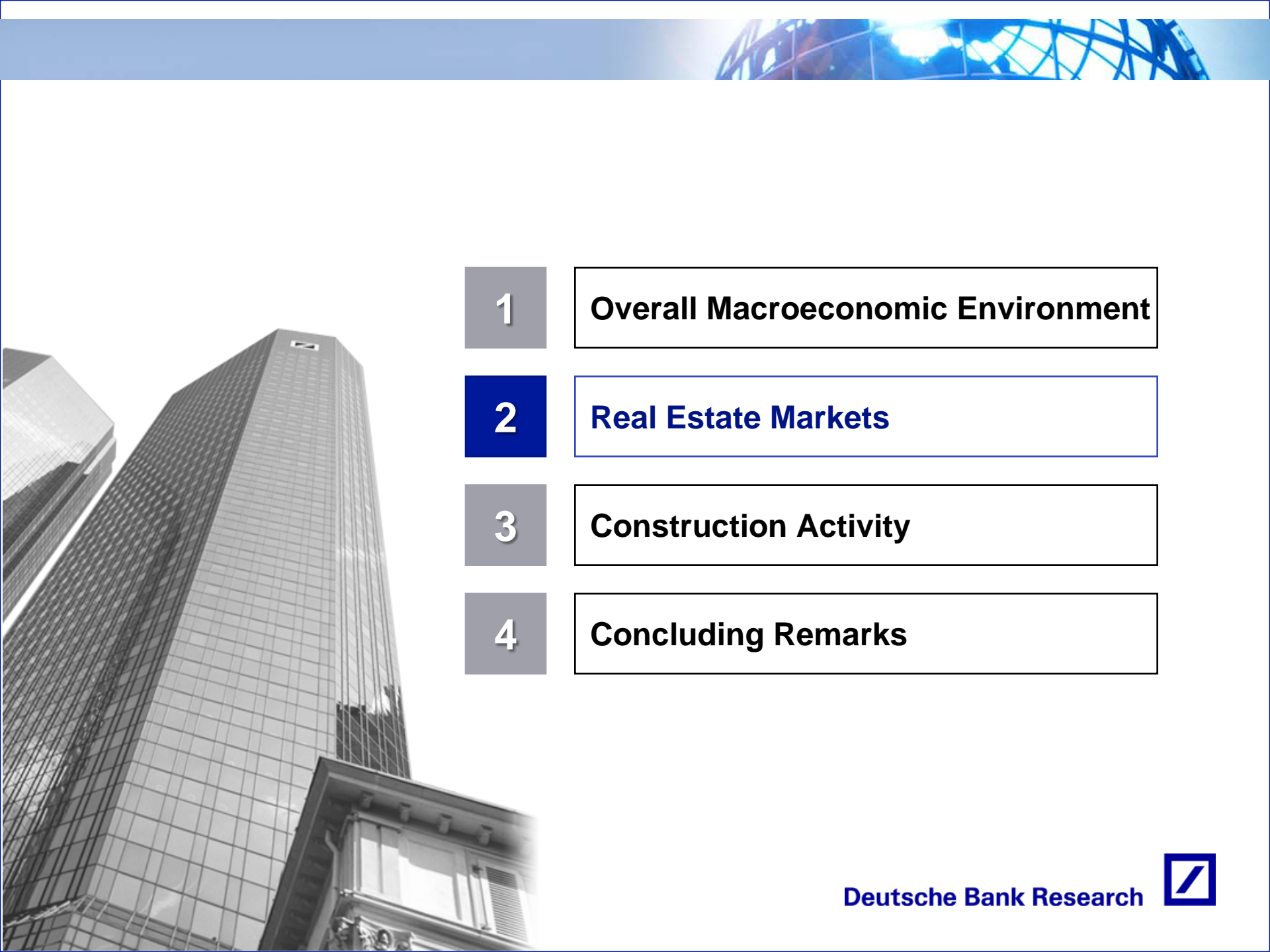
Spain GDP vs. EMU GDP

%



Source: DB Research





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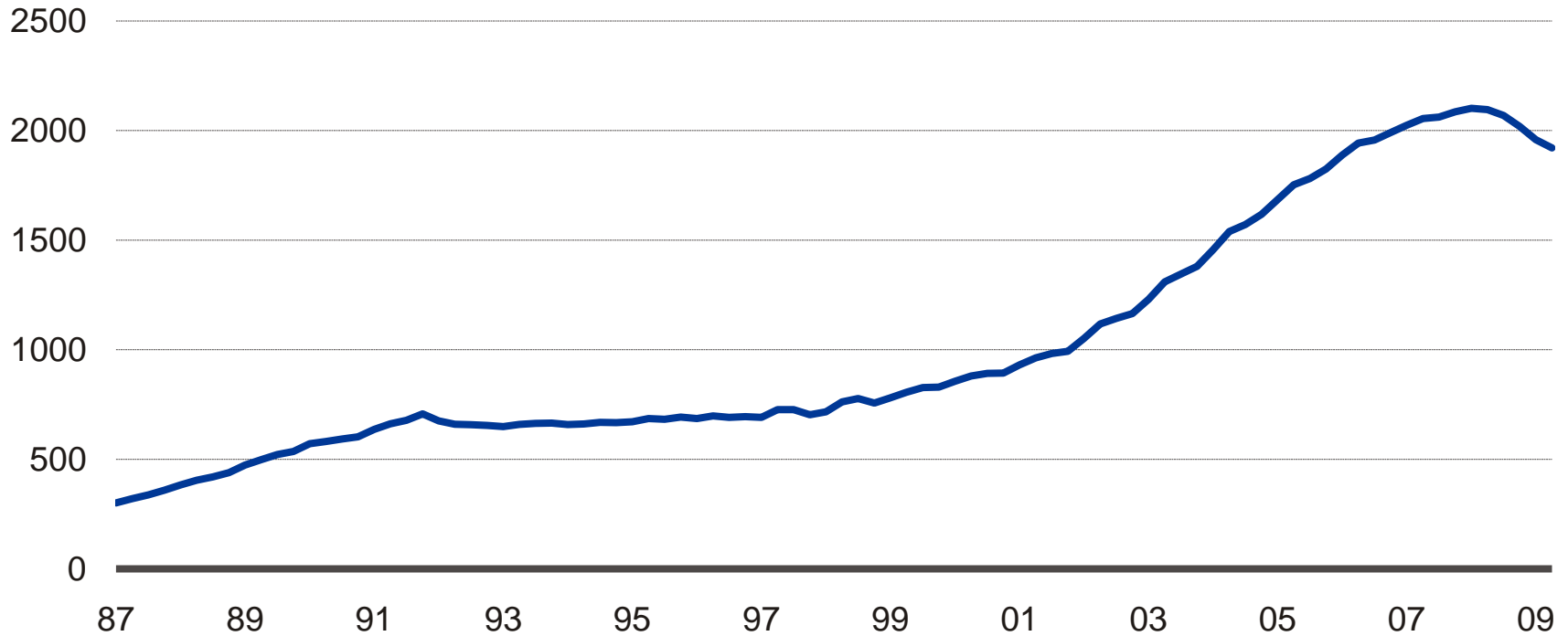
Concluding Remarks



Housing price boom ended in tears

Average Housing Prices in Spain

EUR per m²



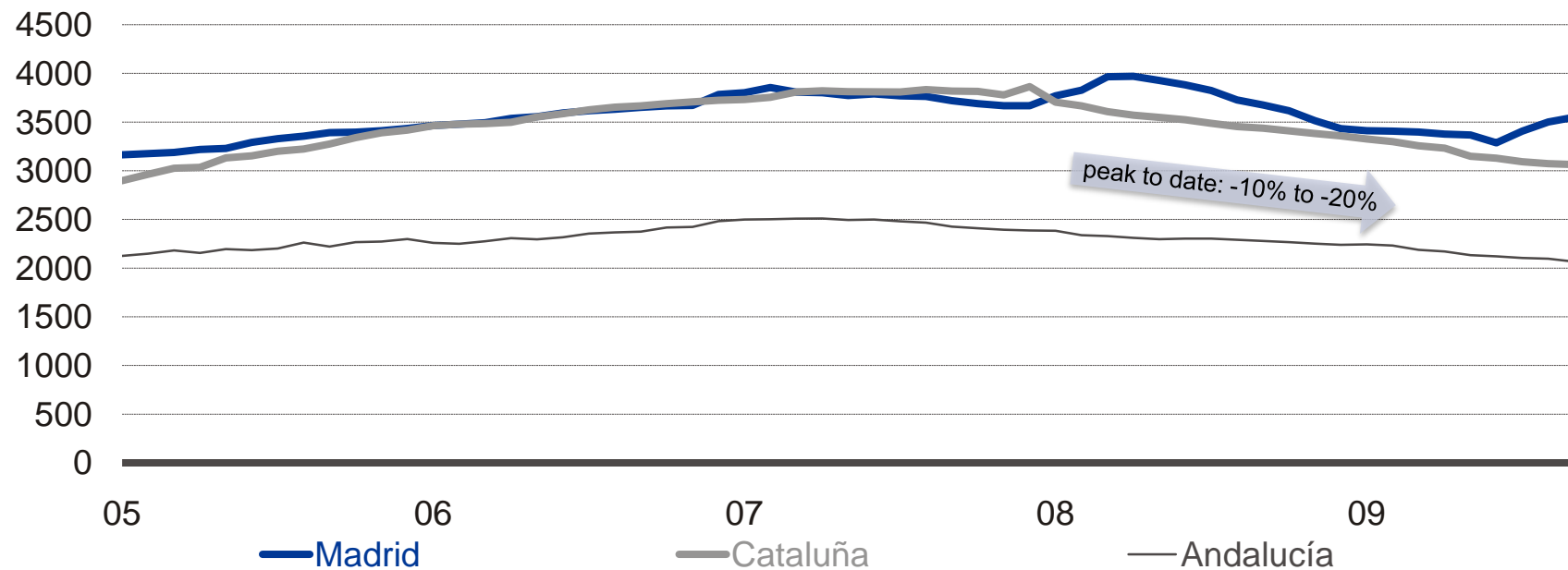
Source: Bank of Spain



Most large cities still subject to decline

Average Regional Housing Prices in Spain

EUR per m²

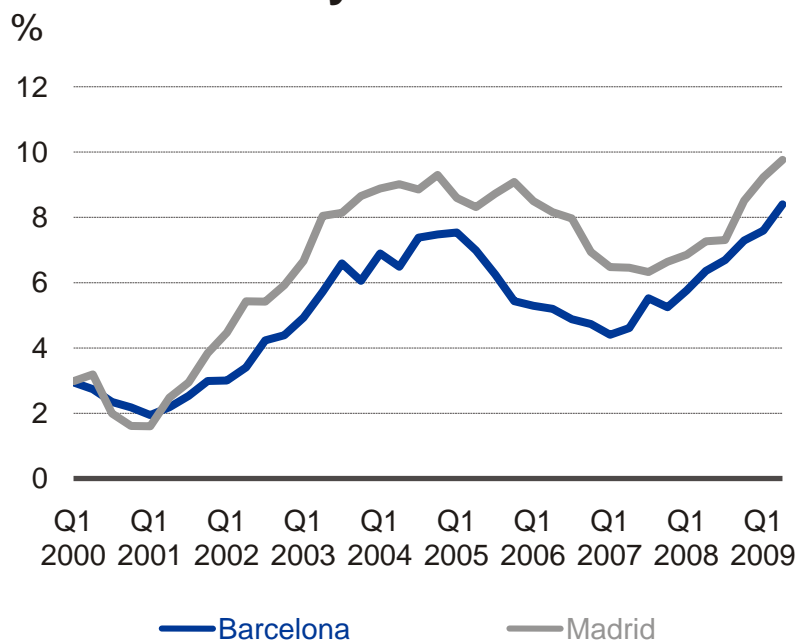


Source: fotocasa.es



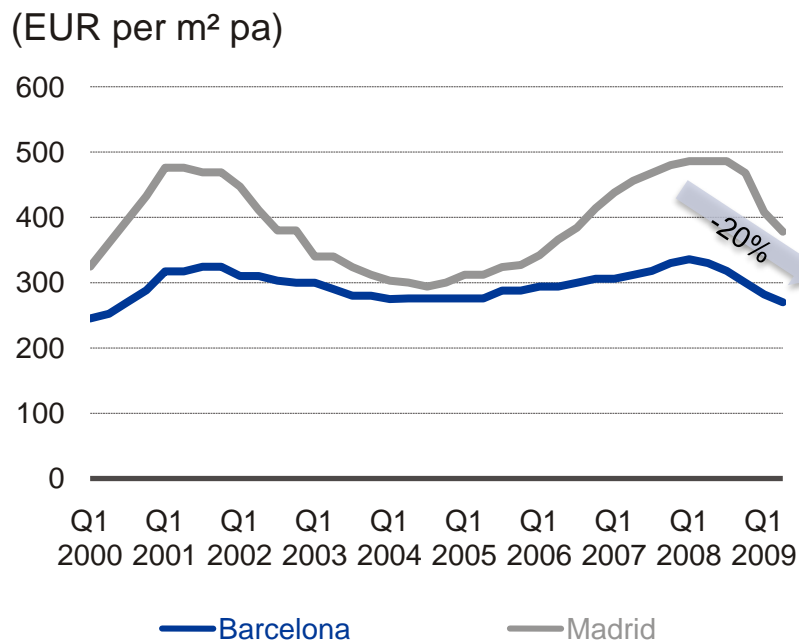
Office markets have still not found their bottom

Office Vacancy Rate



Source: CBRE EMEA Research - ERIX Market Data

Office Prime Rent

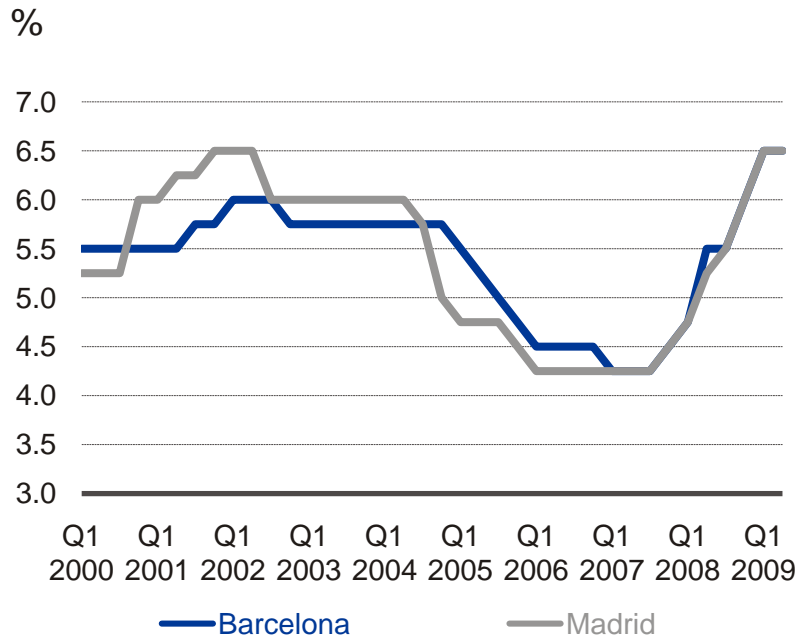


Source: CBRE EMEA Research - ERIX Market Data



Yields stabilize – but not enough

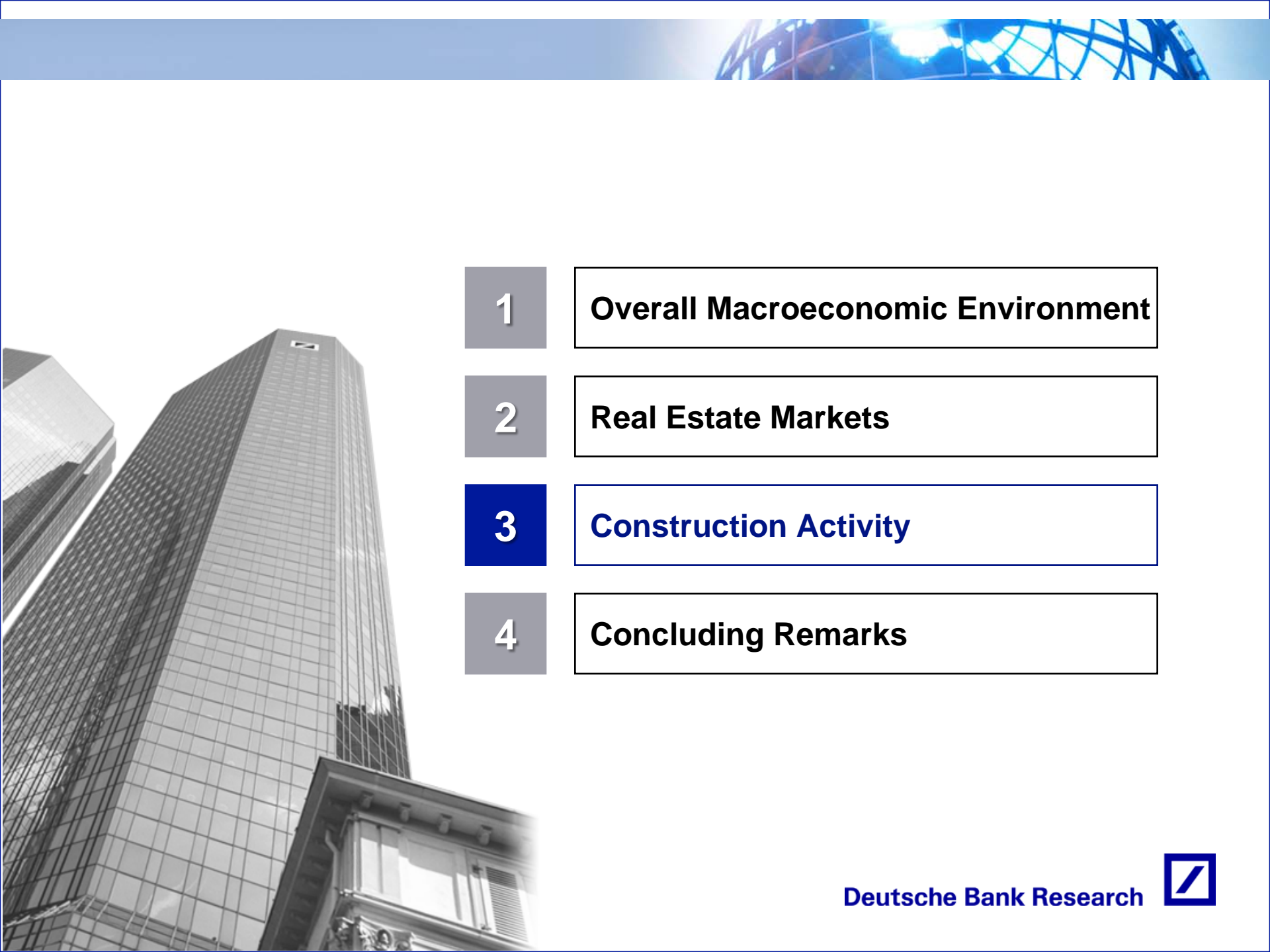
Office Prime Yield



- Capital value declined over 44% in Barcelona from its peak in 2007, and over 47% in Madrid
- Rise in yields accounts for 32 pp of this decline, while falling rents account for 15 pp
- Some investors will reenter the market
- Yields will start to fall slightly in the next few quarters

Source: CBRE EMEA Research - ERIX Market Data





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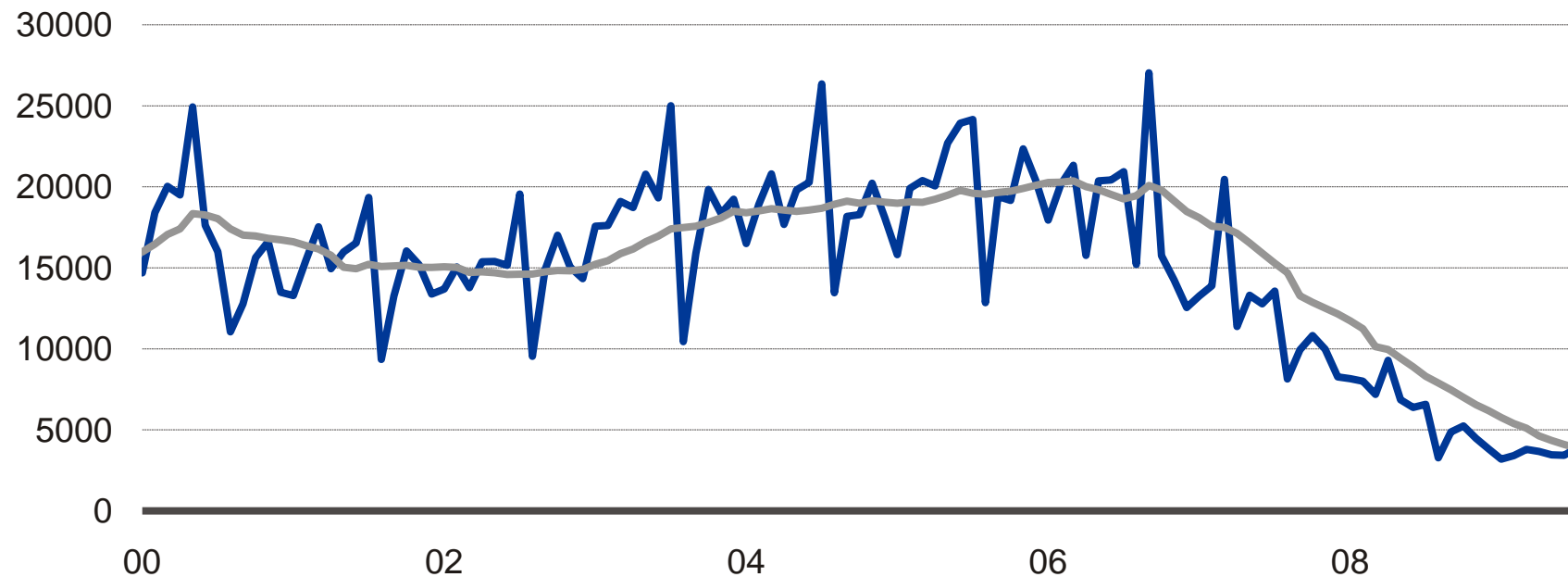




End of a rally on the residential construction markets

Spain Building Permits

Number of buildings per month



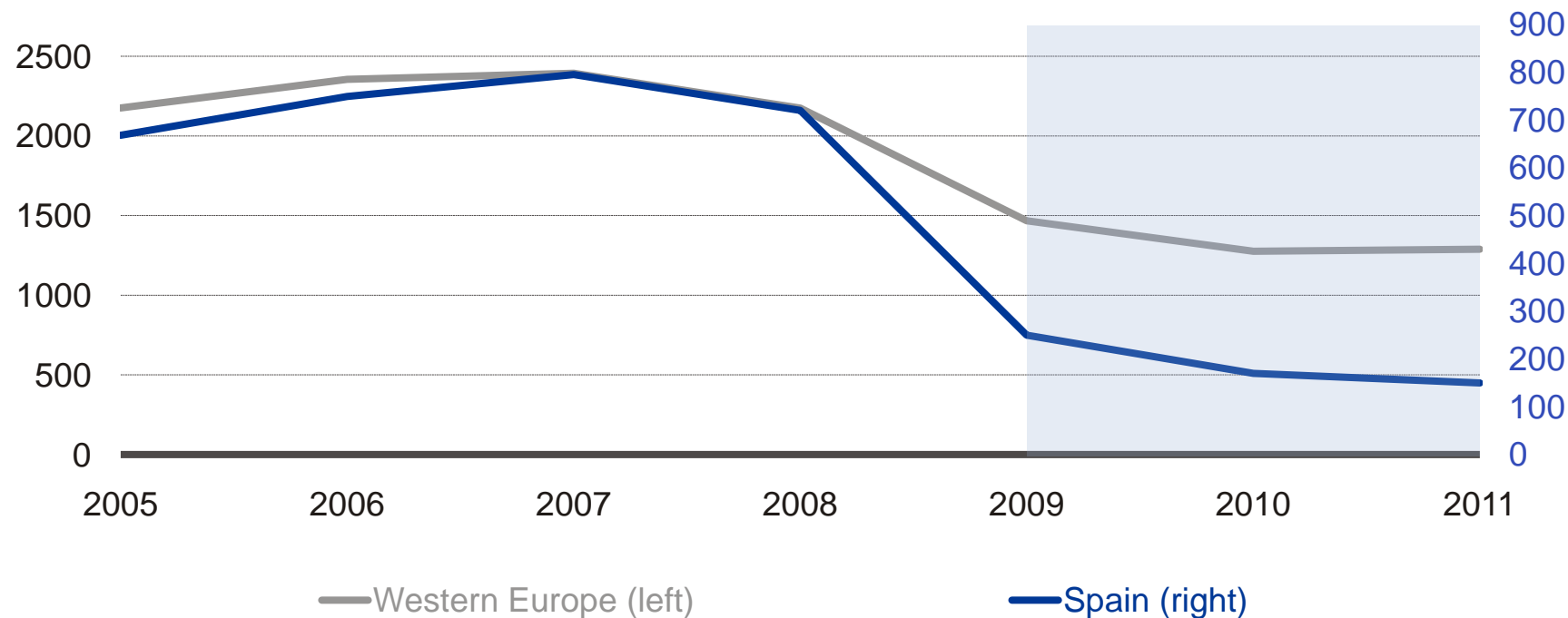
Source: Banco de Espana



Spain underperforms its neighbors

Total Number of Housing Completions

in 000s



Source: Euroconstruct 2009

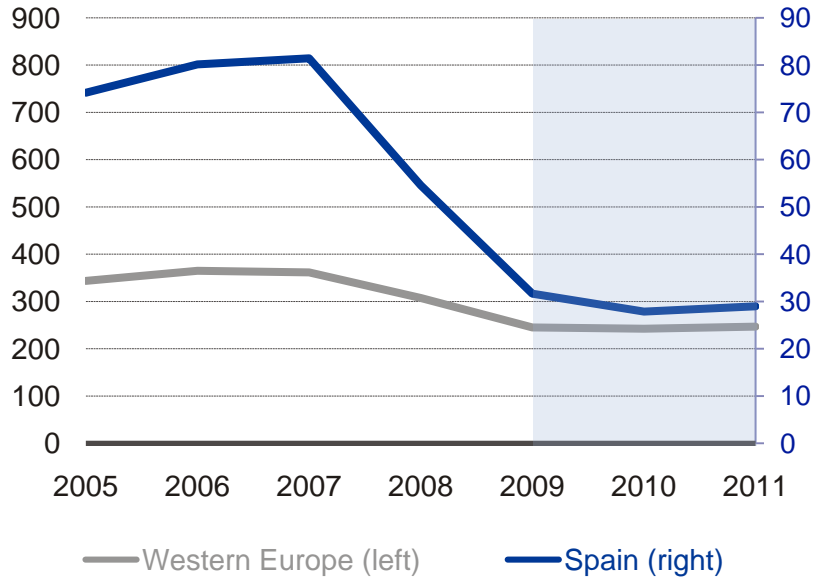
Note: Western Europe group is based on Euroconstruct's EC-15



Volume of residential construction falls flat

New Residential Construction

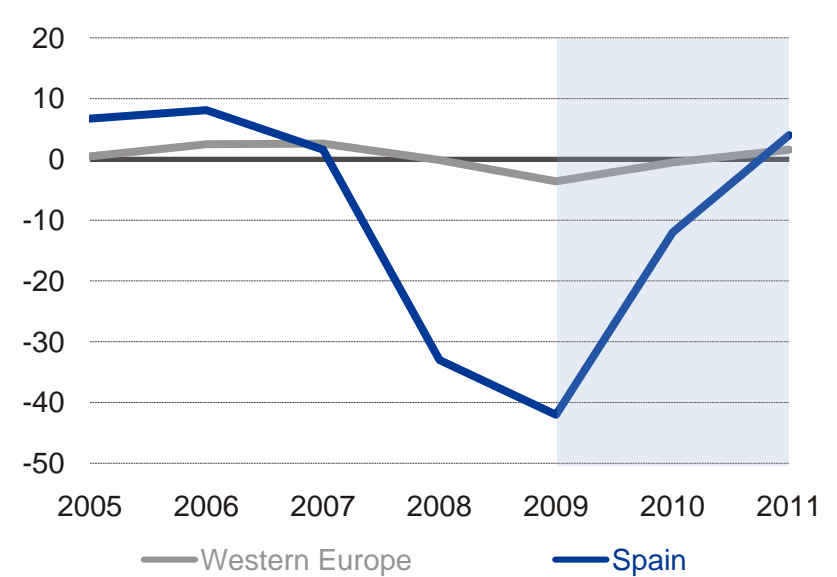
bn in 2008 prices



Source: Euroconstruct 2009

New Residential Construction

% change



Source: Euroconstruct 2009

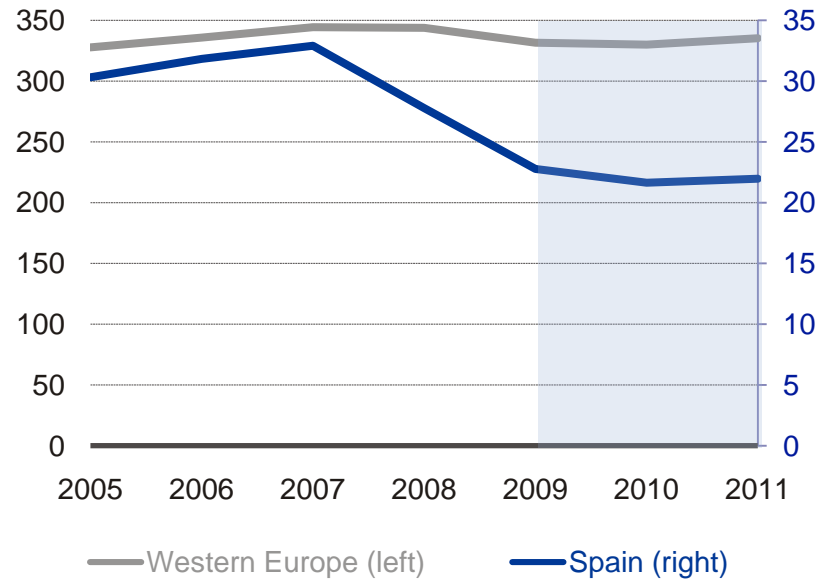




Public policy gives hope to Spain's renovation sector

Residential Renovation

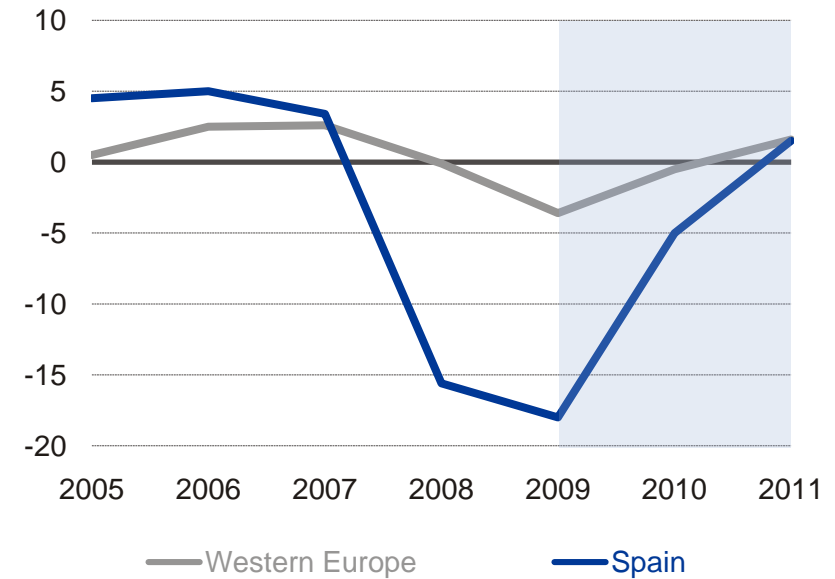
bn in 2008 prices



Source: Euroconstruct 2009

Residential Renovation

% change



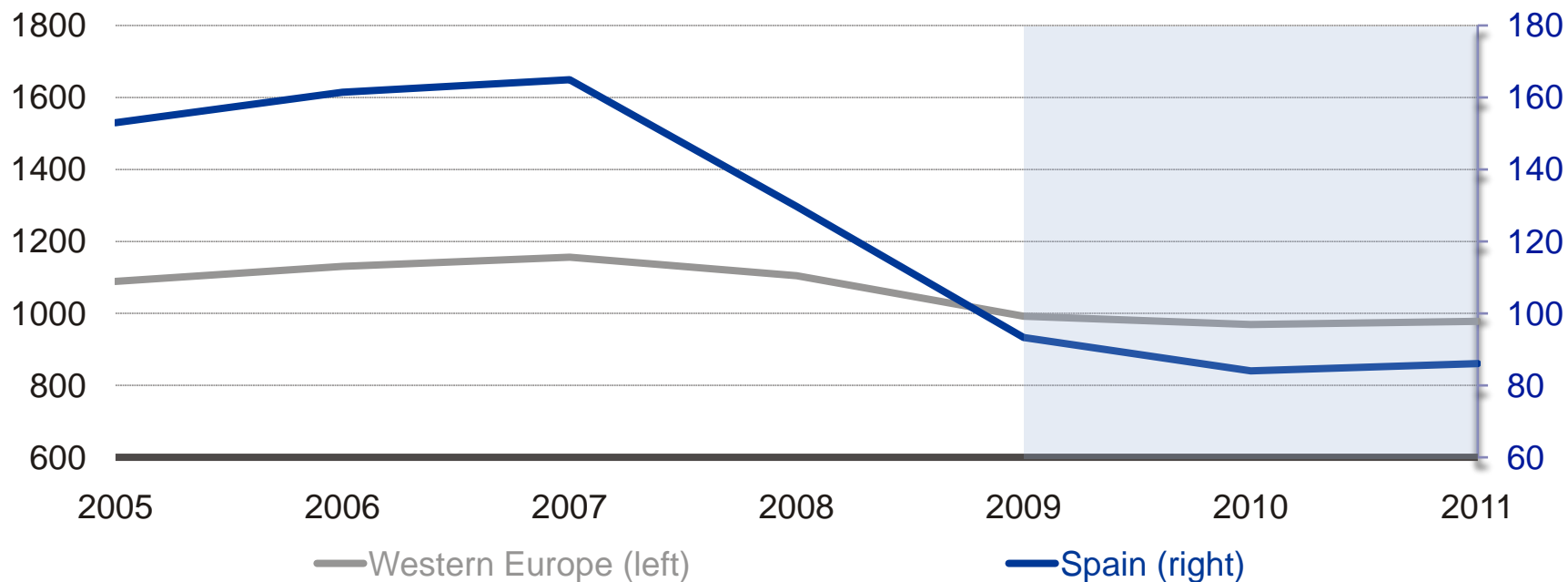
Source: Euroconstruct 2009



Spain's construction industry in troubled water

Total Building

bn EUR at 2008 prices



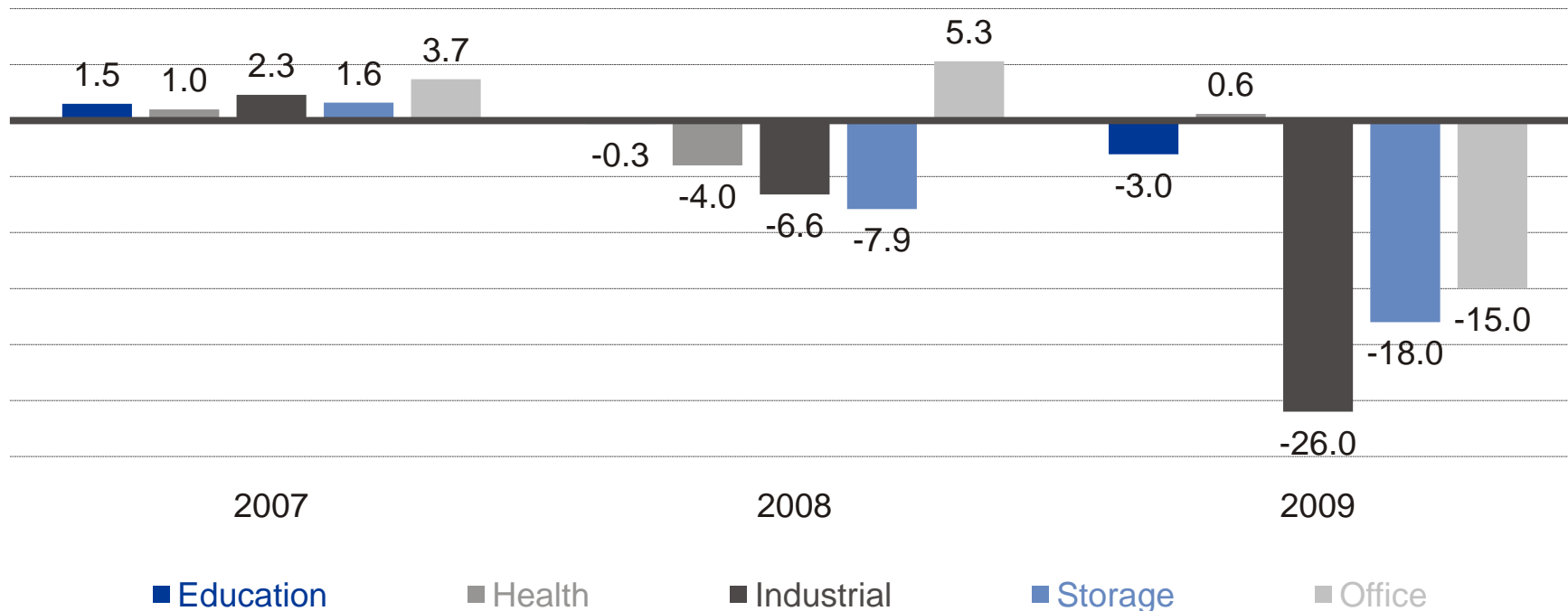
Source: Euroconstruct 2009



2007 growth overshadowed by 2009 declines

Non-Residential Buildings

% change



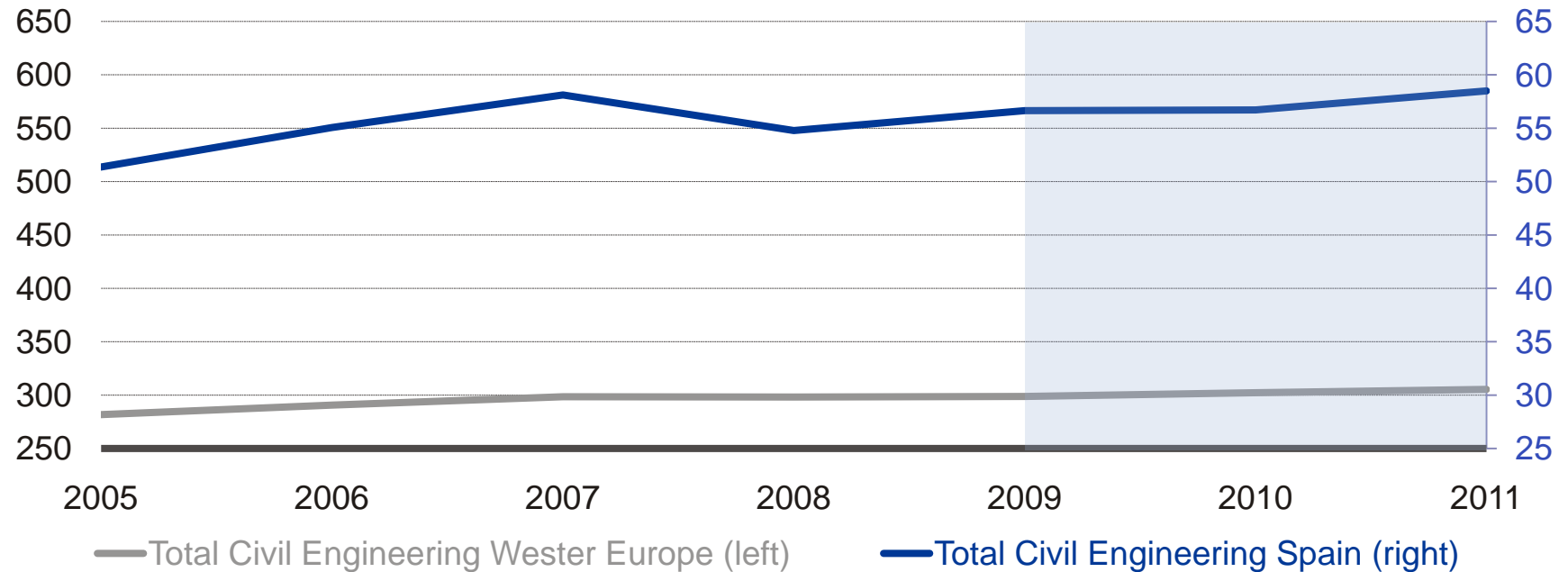
Source: Euroconstruct 2009



Civil engineering remains steady

Total Civil Engineering

bn EUR at 2008 prices



Source: Euroconstruct 2009

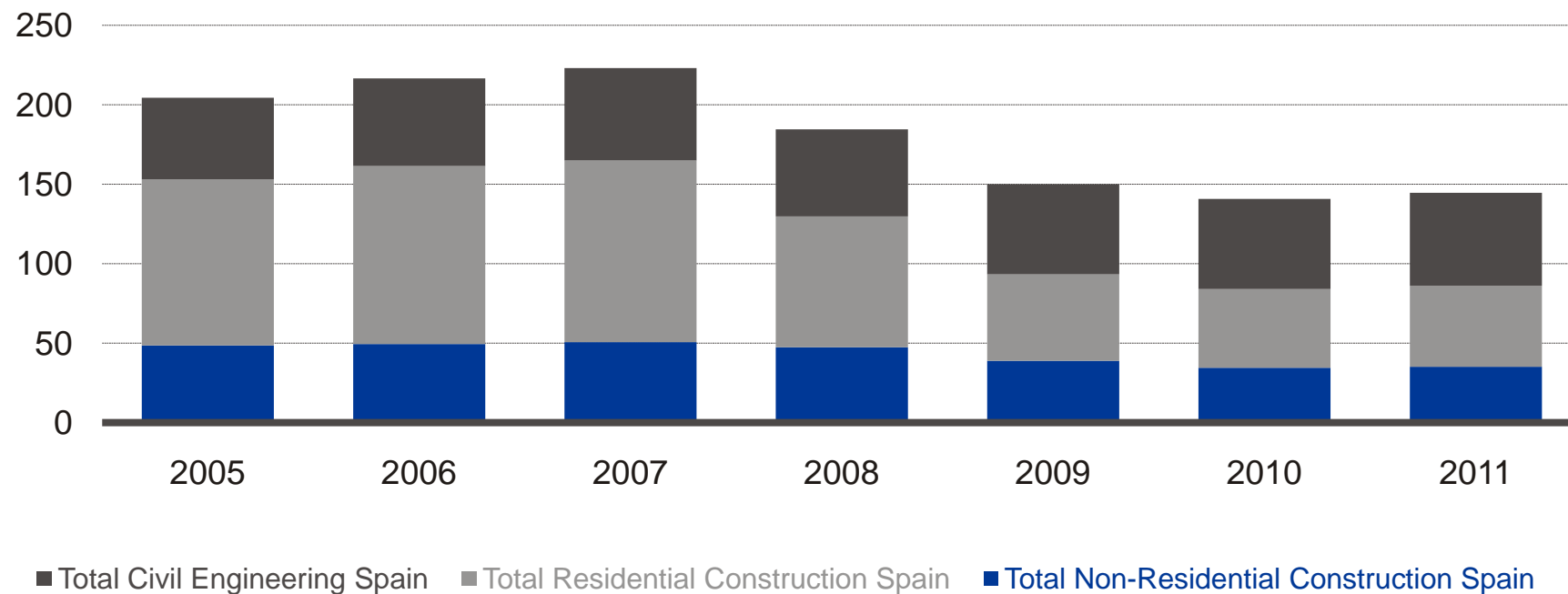




Structure of Spain's construction industry

Total Construction

bn EUR in 2008 prices



Source: Euroconstruct 2009





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Concluding remarks

Spanish economy is stronger affected by global downturn than Eurozone

Strongly rising unemployment will cause burden for 2010 and 2011

House prices are still falling and are set to fall further

Residential construction will remain muted for years

Office prices (and retail property) have fallen even more sharply than residential prices. Rents will fall further; yields set to stop rising

Infrastructure investment is somewhat benefitting from stimulus packages



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