

Market Trends

Spain

Q2 2009

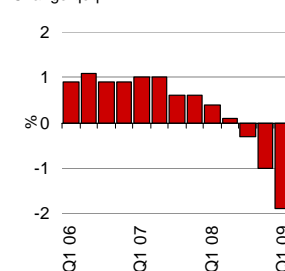
Economy

12-Months-Outlook ↓

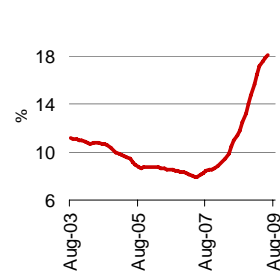
In Spain the deterioration of the economy proceeded with accelerated pace in 2009. The unemployment rate skyrocketed to a level not seen for about 15 years. Spain's economy suffers strongly. In 2009 GDP is expected to shrink by 4.6%. Even in 2010 – when nearly all other European countries will reach positive terrain again – Spain's economy is forecasted to contract further. As a consequence all real estate sectors will be affected negatively for a longer period to come.

GDP

Change qoq



Unemployment Rate

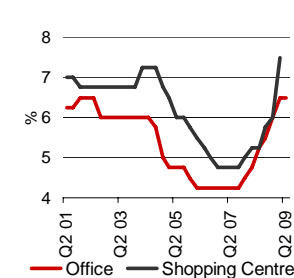


Investment

12-Months-Outlook ↓

The Spanish real estate investment market remains extremely subdued. Investment activity is very low. Demand derives mainly from domestic investors – a trend reversal as in the recent boom period in particular foreign capital entered the market. Yields continue their strong upward trend. As the outlook for the letting markets is clouded and debt financing has become more expansive and less available, the investment market will weaken further.

Prime Yields Madrid



Market Value Changes

Real Estate

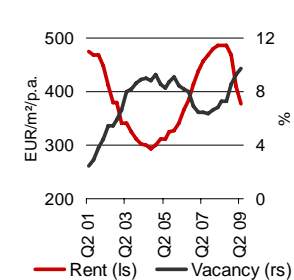
	Previous 12 Months	Outlook 12 Months
Office	-10%	-10%
Retail	-15%	-10%
Multi-Family	-15%	-15%

Office

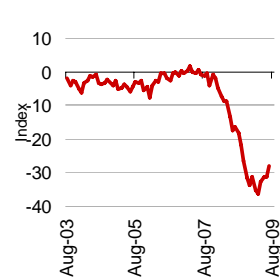
12-Months-Outlook ↓

Madrid's office market take up fell by 60% in Q2 2009 yoy. Tenants are looking to reduce space and costs. Vacancy increases and rents decline at fast pace. Due to the time lag with which the real estate letting markets react on the overall economic development, the outlook for the Spanish office market is strongly negative. The skyrocketing unemployment rate and an economy that will not recover within the next 18 months are a heavy burden for the future.

Office Madrid



Economic Sentiment



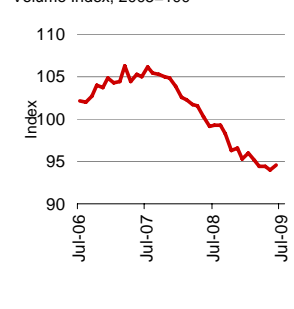
Retail

12-Months-Outlook ↓

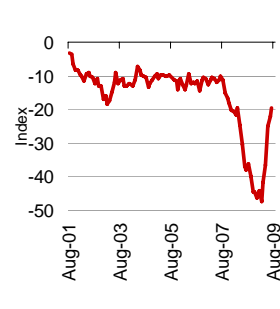
The downturn of Spain's economy, the disastrous labour market development as well as the still restricted credit availability are a heavy strain on consumers' demand and therefore for the retail sector. Rents get under pressure and re-letting periods increase. Vacancy on the whole is likely to rise. As the Spanish economy will suffer for a longer period to come the retail sector will do so, too. Thus, competition becomes fierce. Retailer, properties and locations that do not fit consumer's needs are in danger to be put out of business.

Retail Sales

Volume Index, 2005=100



Consumer Confidence



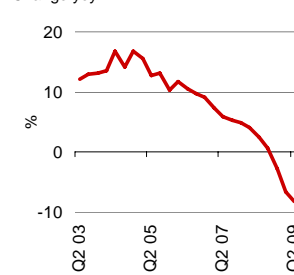
Residential

12-Months-Outlook ↓

The corrections on the Spanish housing market are not over yet with house prices still declining. Housing starts and new orders decrease that reduces additional pressure from the supply side. However, although the interest rate environment with a drop of the Euribor should have positive effects for mortgage lenders, no signs for a relief of the demand side can be seen due to still very restricted lending standards. All in all outlook for the residential sector in Spain is very gloomy.

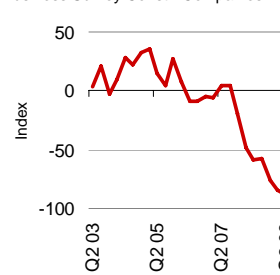
House Prices

Change yoy



Housing Orders

Business Survey Constr. Companies



ZRS RAC Research

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