

Market Trends

Spain

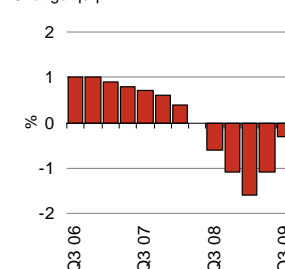
Q4 2009

Economy

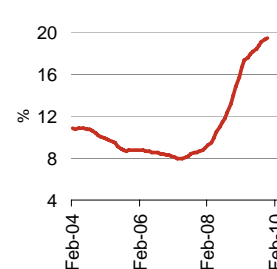
The economic deterioration proceeds but at reduced pace. In 2010 Spain's economy is forecasted to stagnate. The Spanish economy lags behind the recovery in many other countries noticeably. Unemployment reached tremendous heights in a pace not witnessed before. Furthermore the country is struggling with numerous structural problems such as consolidating public finances. As a consequence all real estate sectors will be affected negatively in 2010.

GDP

Change qoq



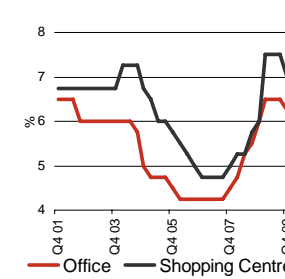
Unemployment Rate



Investment

Investors' interest is slowly increasing coming from very low levels and is very strongly focused on small prime assets. Therefore prime yields edged down somehow in Q4 2009. Prime yields could even tighten further as interest for prime products and assets backed by strong and long rental contracts is on the rise. However, yields for suboptimal properties regarding quality, location or letting situation are stable at best and not expected to tend notably downwards in the months to come.

Prime Yields Madrid



Market Value Changes

Real Estate

	Previous 12 Months	Outlook 12 Months
Office	-15%	0%
Retail	-15%	0%
Multi-Family	-15%	-5%

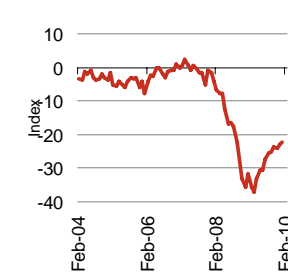
Office

The Spanish office markets will continue their downswing, although not with the intensity seen in 2009. Very high unemployment and an economy that will not recover within the next 12 months are a heavy burden. The stabilisation of rents and vacancies in Madrid in Q4 2009 should not be misleading as it is due to a number of larger deals which had been under negotiation for some time and certain deals were completed around maximum levels, thus reduced by rent-free periods.

Office Madrid



Economic Sentiment

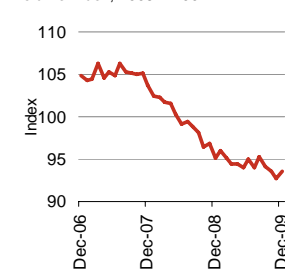


Retail

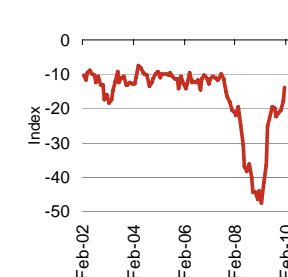
Consumers are heavily burdened by the economic development and high indebtedness. In addition Spain has decided to raise the VAT in mid-2010. Moreover, private consumption will be dampened relatively quickly by the ECB's rate hikes, which are expected to set in at the end-2010 as in Spain nearly all mortgages have only short fixed interest periods. The retail environment is highly fraught with risks for a longer period. Tenants already ask for rent discounts as retail sales decreases.

Retail Sales

Volume Index, 2005 = 100



Consumer Confidence

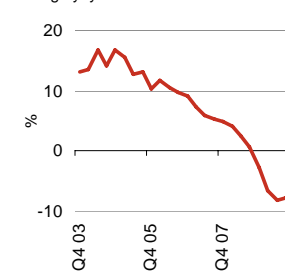


Residential

The corrections on the Spanish housing market are not over yet with house prices still declining although at reduced pace recently. The Spaniards are financially heavily constrained and that will not change in the course of the year. Furthermore the expected ECB's rate hike at end-2010 will rapidly put additional pressure on the housing market as mortgages typically have short fixed interest rate periods. Therefore the housing market correction should continue to be very pronounced.

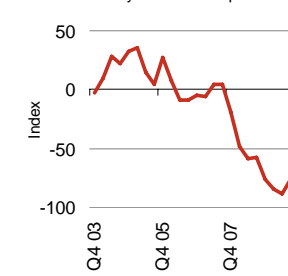
House Prices

Change yoy



Housing Orders

Business Survey Constr. Companies



GRM-CR-ABF-RAC Research

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