

BTR sector Spain

28 June 2023

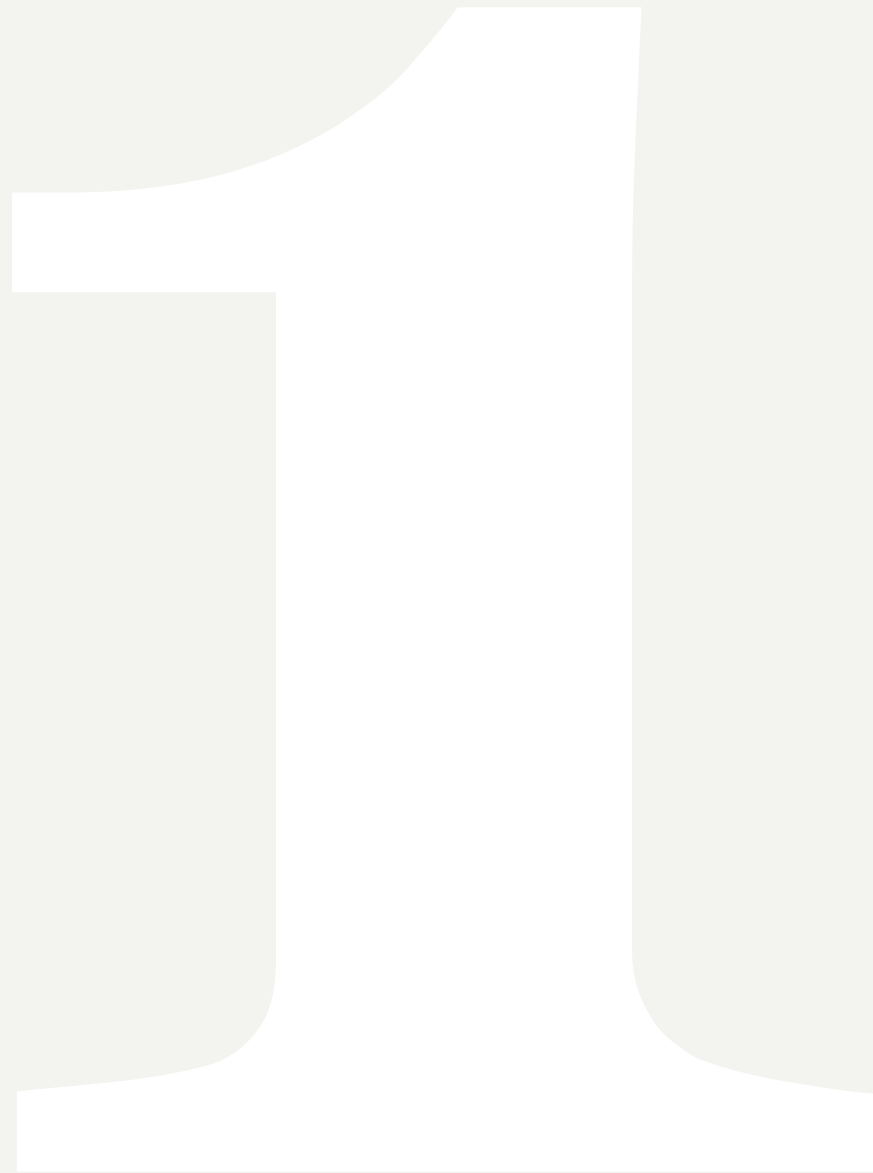
JAVIER MARTIN | Director & Portfolio Manager

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Market trends



Market trends for 2023

1. Occupier Market

- **Significant imbalance between Supply (Low) and Demand (High)**
- **Shortage of land available for new developments**
- **Upward trend in rents due to scarce supply**
- **Political measures reduces supply and increases rent levels**
- **Public and Private collaboration will be needed to facilitate urban planning rather than controlling prices.**

2. Investment Market

- **Strong appetite from Investors raising capital and deploying new strategies to develop projects**
- **BTR investment achieved €805 m in Q1 2023 - record investment levels**
- **Investment Downward trend in PRS (standing assets) due to higher interest rates**
- **Correction in Yields with increases between 75 and 100 bps**
- **Pipeline: 55,000 new units, 50% classified as subsidized rental housing units**
- **Madrid stands out in professional BTR market development with 28,000 new units**
- **Barcelona with 3,300 units and Valencia with 1,800 units ranks 2nd and 3rd.**

3. Political Measures

- **New Housing Law**
- **Rent increase caps for large landlords**
- **From 2025 onward a new index benchmark different to CPI to be defined**
- **Residential market stress areas affecting lease extensions and rent pricing controls for new leases**
- **Social shield: suspension of evictions for vulnerable households**
- **Government new rental supply of 90,000 houses: 50,000 houses from Sareb and construction 40,000 houses to be financed through European Funds.**

Source: CBRE, INE, Eurostat, Euromonitor, IKEA, Airbnb ,OCEDE

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BTR Demand



BTR Demand

Factors driving rental demand

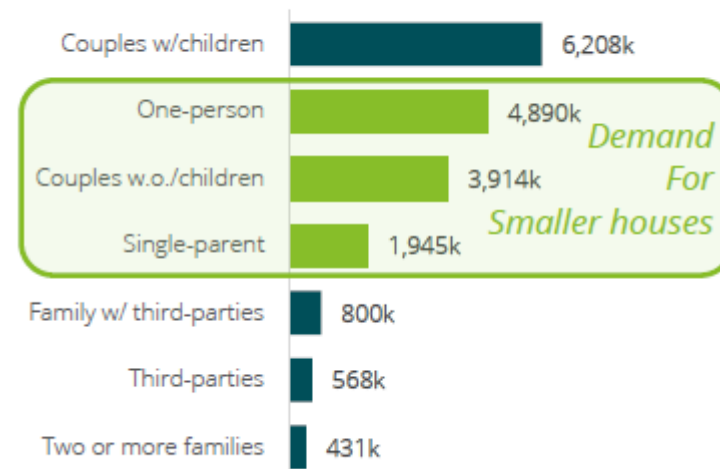
Tighter lending standards	<ul style="list-style-type: none"> • Tighter lending after financial crisis (pre GFC LTV 100%) • Banks require down payments between 20-30% and stricter affordability ratios
Low purchasing power	<ul style="list-style-type: none"> • Low capacity and disposal of savings to purchase homes as financial effort rates continues to increase
Culture	<ul style="list-style-type: none"> • Sociocultural changes of new generations looking for units with more amenities, • More efficient product is demanded • Different experiences.
Change in labour market	<ul style="list-style-type: none"> • The lower stability of the labour market promotes greater turnover and greater geographical mobility.
Supply shortage of new dwellings	<ul style="list-style-type: none"> • Land shortage plus difficulties for developers to obtain financing • Lack of good quality supply in the rental market and professionalized services

Paradigm change

Family in the 1990s		Family in the 2020s
Fertility rate in Spain (children per woman) 1.36 Data for 1990	-7%	Number of births in Spain (children per woman) 1.26 Data for 2018
One-person households (% ov. Total households) 13% Data for 1991	+100%	One-person households (% ov. Total households) 26% Data for 2020
Marriages (#) 220k Data for 1990	-25%	Marriages (#) 165k Data for 2019
Unmarried partners (# of couples) 220k Data for 1990	+718%	Unmarried partners (# of couples) 1.8m Data for 2020
Single parent households (#) 467k Data for 1996	+300%	Single parent households (#) 1.9m Data for 2020

Spanish households' distribution

Source: INE data. Data for 2020.

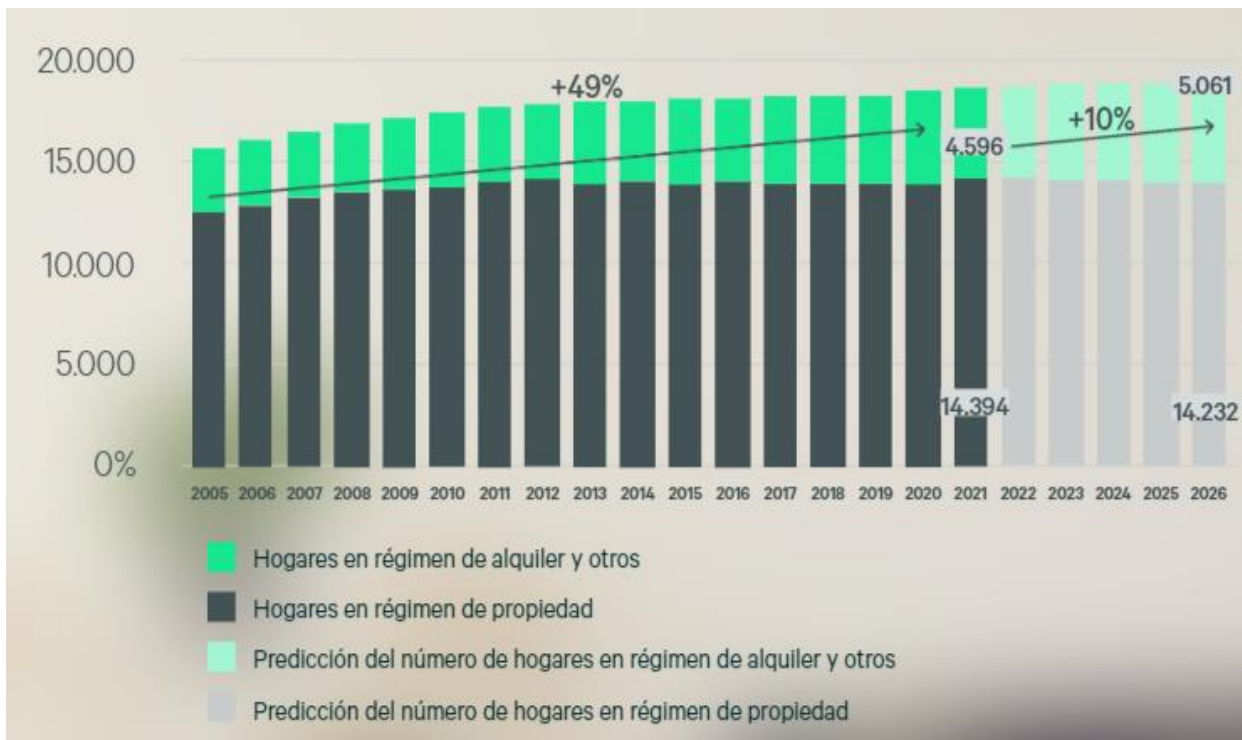


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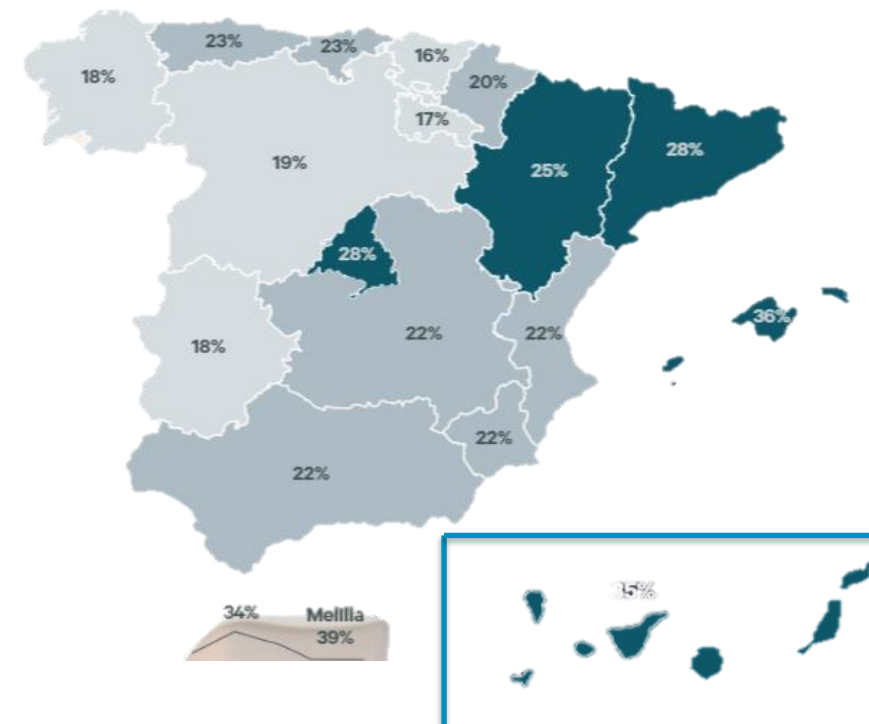
BTR Demand

Rental trend in Spain

Rental evolution in the Spanish market



Current rental rate by region in Spain



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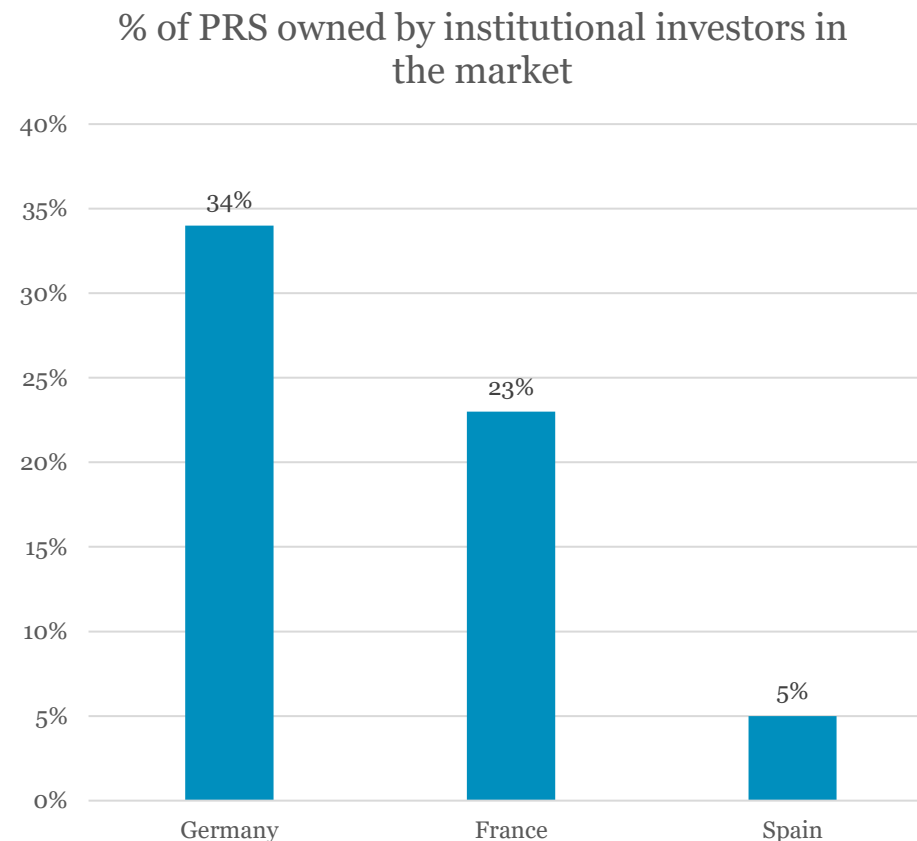
BTR Current offer



BTR Offer

Existing market

Product and amenities	<ul style="list-style-type: none">• Nascent market for high quality, purpose built residential rental stock• Dated stock. Former BTS from the 50' -60'
Location	<ul style="list-style-type: none">• Diversified portfolios with no concentration• Low NOI margin due to limited economies of scale and operating efficiencies
Pipeline and expansion	<ul style="list-style-type: none">• Not unified product offering branded BTR experience.• Lack of BTR operational stock due to development risk.
Operations	<ul style="list-style-type: none">• Not efficient opex management. Possibility to increase revenue with cross selling actions
Target price point	<ul style="list-style-type: none">• High rents for average BTR product given the shortage of supply.

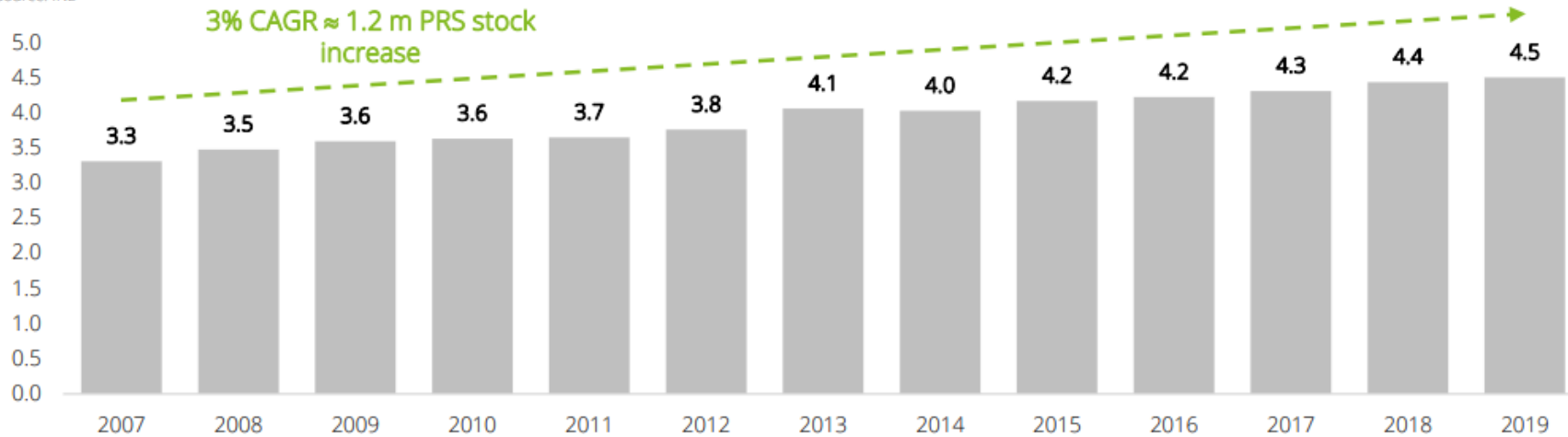


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BTR Offer

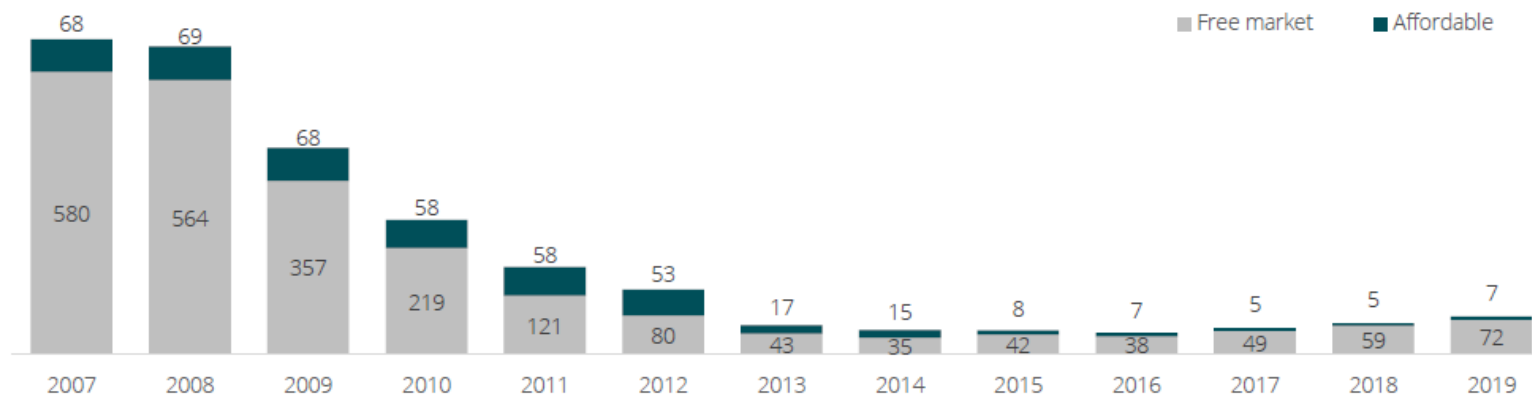
Spanish housing stock under rental regime (#m units)

Source: INE



Construction of new homes (#k units)

Source: Ministerio de Transportes, Movilidad y Agenda Urbana.



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BTR Offer

Competitive Landscape

	PRODUCT	MARKET	RISK ASSUMED	TARGET NET YIELD ON COST INTERVAL	TARGET RETURN (NET IRR UW IRR)	INVESTM. TERM (*)	PLAYERS
Spanish investor profile	Land without license	Main Target countries: ✓ Core markets + UK/Ireland ✓ Spain/Portugal ✓ Italy ✓ Poland ✓ Greece	License approval Construction risk Commercial risk Operational risk	5 - 5.5%	> 14%	4-5 Years	PRIMONIAL cerberus BainCapital LONE STAR FUNDS APOLLO NORTHWOOD Real Estate Hines ASG Homes
	Land with license	Main Target countries: ✓ Core markets + UK/Ireland ✓ Spain/Portugal ✓ Italy ✓ Poland ✓ Greece	Construction risk Commercial risk Operational risk	4.25 - 5%	c. 9% - 12%	4 Years	nuveen PATRIZIA Real Estate a
	Turnkey	Main Target countries: ✓ Super Core markets + UK/Ireland ✓ Spain/Portugal ✓ Italy ✓ Poland	Commercial risk Operational risk	4 - 4.25%	c. 7% - 9%	5-6 Years	nuveen PATRIZIA DWS Hines a Real Estate ARES PRIMONIAL
	Stabilized product	Main Target countries: ✓ Super core markets + UK/Ireland ✓ Spain/Portugal ✓ Italy ✓ Poland	Operational risk	3.5 - 4%	c. 5% - 7%	Long Term	PATRIZIA DWS CATILLA Hines GLOBE INVEST AberdeenStandard Investments Invesco Real Estate a

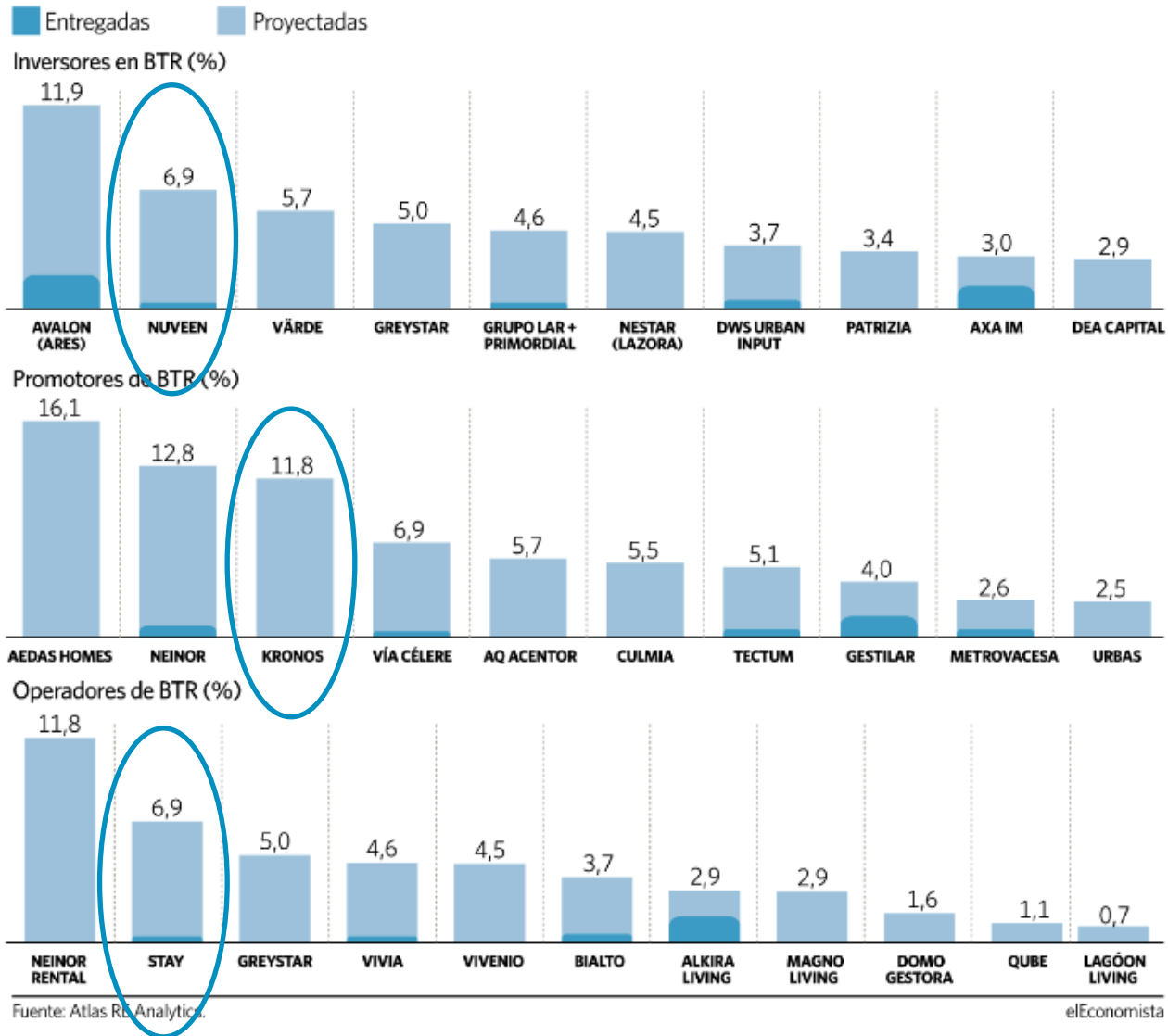
Source: Deloitte research.
 (*) Underwriting terms

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BTR Offer

Main players

Los protagonistas del sector



Source El Economista

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BTR Investment market



BTR Investment market

KPIs

FIGURES | LIVING | Q1 2023

Living - Spain

Key Performance Indicators (Q1 2023)

Housing for
sale market¹

Investment
market

Housetransactions

718,000

Sold houses 2022
Change YoY: + 6%

HousingPrice index(General)

5.5%

House price variaton
(Q4 22) vs. 6.4% Q4 21

New-build permits

109,000

Units 2022
Change YoY: 0.6%

Effort rate

36.1%

To buy a house
Change YoY: + 5.8 p.p

Rentalhouseholds

24.2%

CBRE FORECAST: 26.4%
rental households in 2026

Change YoY Average rent²

8%

Average rental Price
€/sqm/month

Prime Yield
Multifamily*

3.60%

Change vs Q1 22: +0.60 p.p

Prime Yield
Student Housing

4.90%

Change vs Q1 22: + 0.40 p.p

Prime Yield
Flex Living

4.10%

Change vs Q1 22: +0.60 p.p

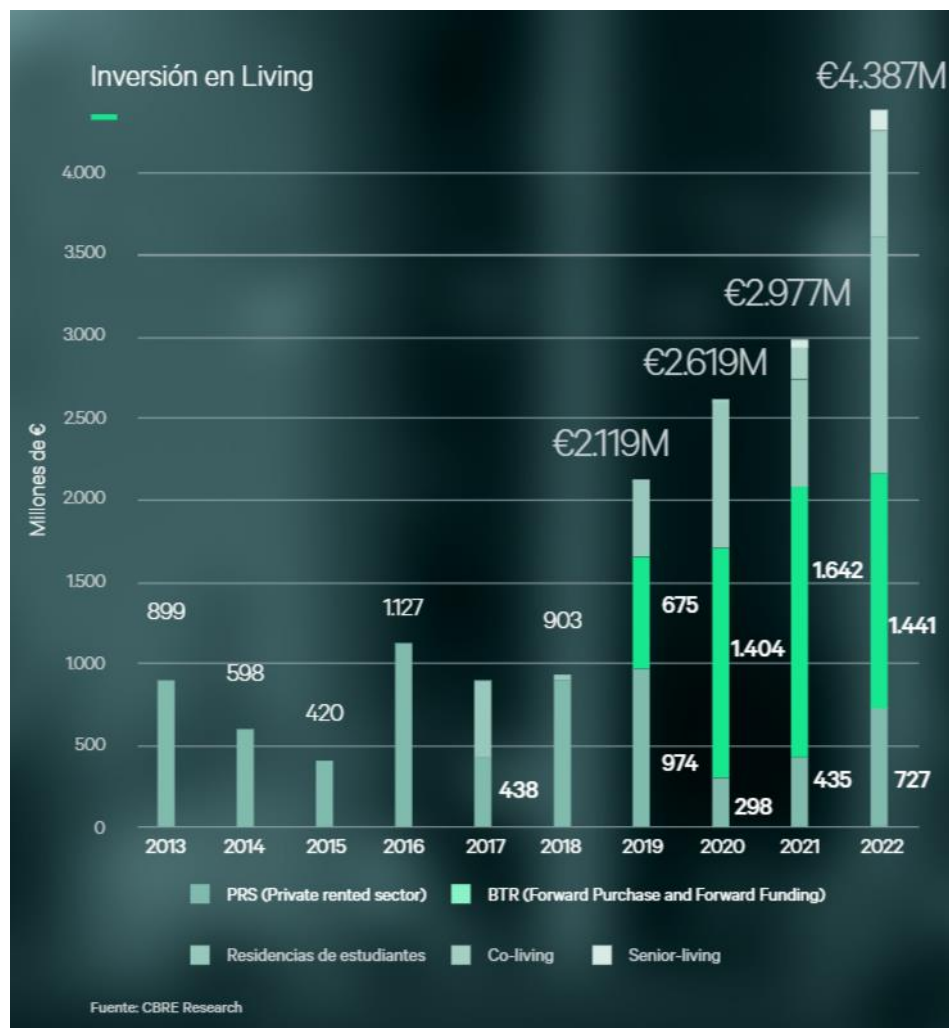
Source: CBRE Research

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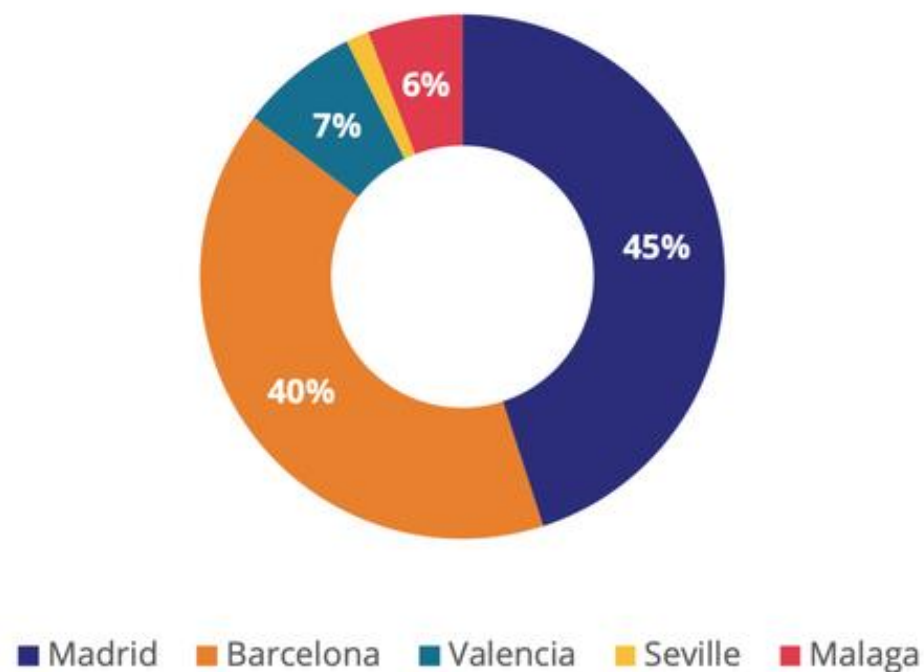
- Living represented 25% of the total real estate investment in Spain 2022
- During Q1 2023 Living was the leading sector in the Spanish real estate market with €1.219m traded / €805 m in BTR
- 36.1% effort rate to buy a house (33% in 2022)
- Households showing increasing preference for rental tenure
- Investment volume affected by financing costs and increase of construction costs.
- Yields have increased less in BTR than in other asset classes.
- BTR is the leading Living sector. 50K new units coming to the market in the next coming years. Nevertheless, the total amount of BTR represents less than 8% of the total developments in the housing sector.

BTR Investment market

Investment Volume



Investment in BTR by Regions Spain 2022 (%)



Source: CBRE Research / Iberian Property

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Product – TK Living JV

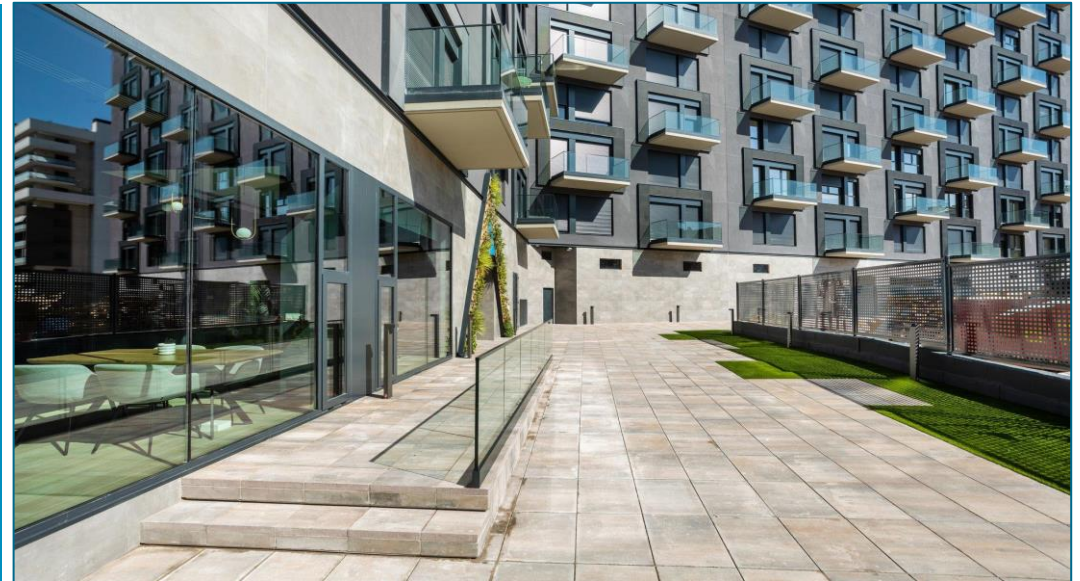
TK Living : Affordable Build to Rent platform

Innovative tenant centric rental concept offering best value-for-money service with a product based on Design, Tech and ESG

- **Client:** TIAA General Account
- **Sector:** BTR
- **Country:** Spain
- **Strategy:** Development of BTR across Spain. 70% located among Madrid and Barcelona, 30% in secondary cities with strong fundamentals
- **Current size (GAV):** EUR 710M / USD 747M
- **Committed size (GAV):** EUR 1BN / USD 1.05BN
- **Target return:** 12%+ net LIRR
- **Hold period:** 5 years
- **3,000 units**

USP of Strategy:

- Best in class partner - developer/operator
- Unique product in the market
- Vertically integrated and scalable operating platform
- Unique ESG approach with Fitwell, Bream Very Good certifications and Art among other features.



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STAY's product is based on 3 pillars that allow for a unique and differential product at an affordable price

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Mock-up laboratory: targeting to improve the tenant experience, the concept has been developed in an experimental space where all aspects related to the units have been tested in order to have top-quality, functional, and scalable concept

Module Development – Mock-up Laboratory

- The STAY experience **mock-up is focused on developing the optimal modules** in order to homogenize and be able to **replicate the STAY concept throughout all locations** with a high degree of **cost control and contingency anticipation**
- The mock-up has allowed to **carefully design and test a wide array of aspects** such as lighting, socket positioning, dimensions, and other aspects. This careful analysis has allowed STAY to **invest their budget in the most effective way achieving the highest value per € spent as well as reducing future OPEX expenditure** by planning and avoiding recurring expenses

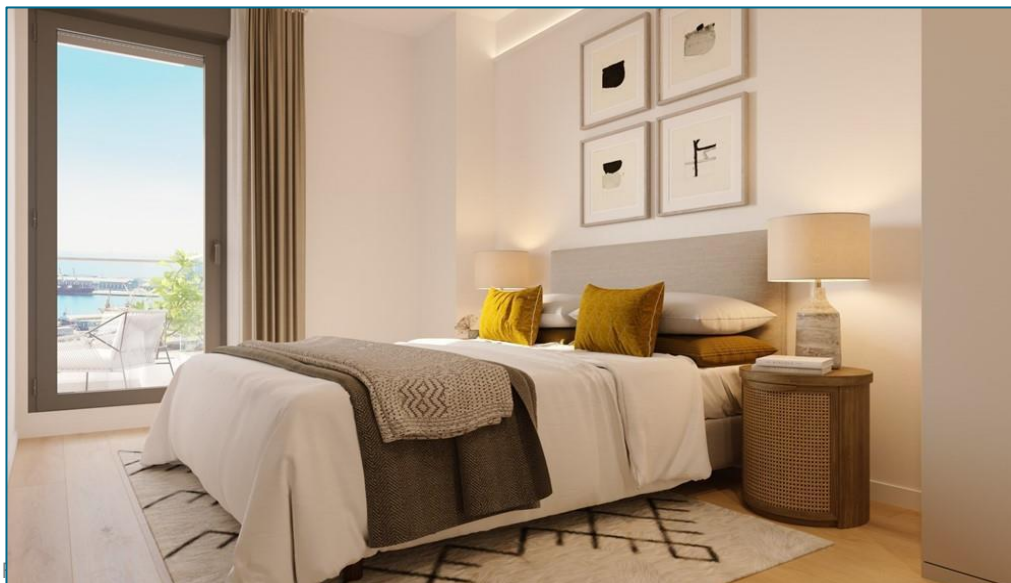
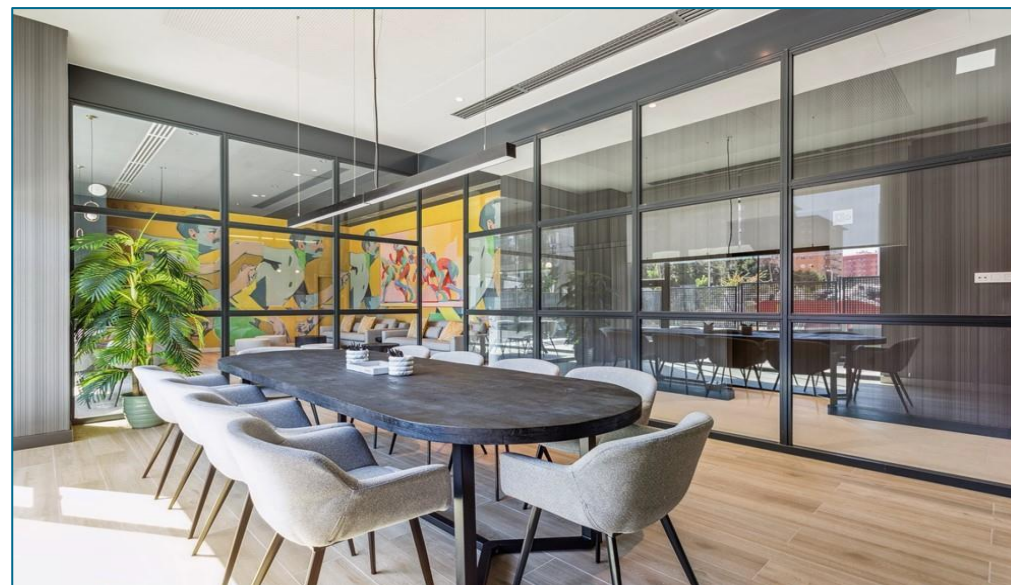
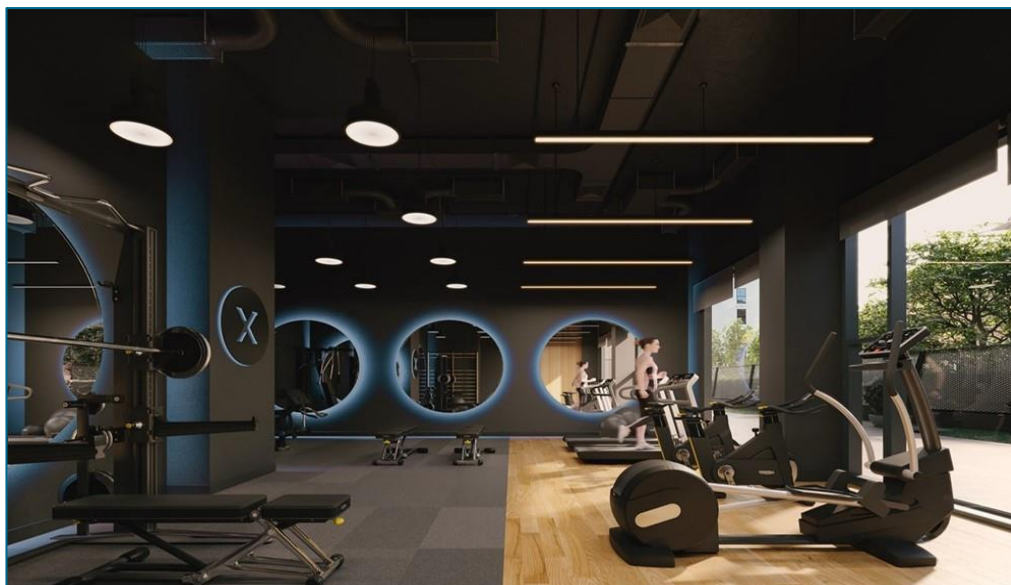
- The mock-up has also been used to carefully select the **optimal design and color selection** for the STAY concept



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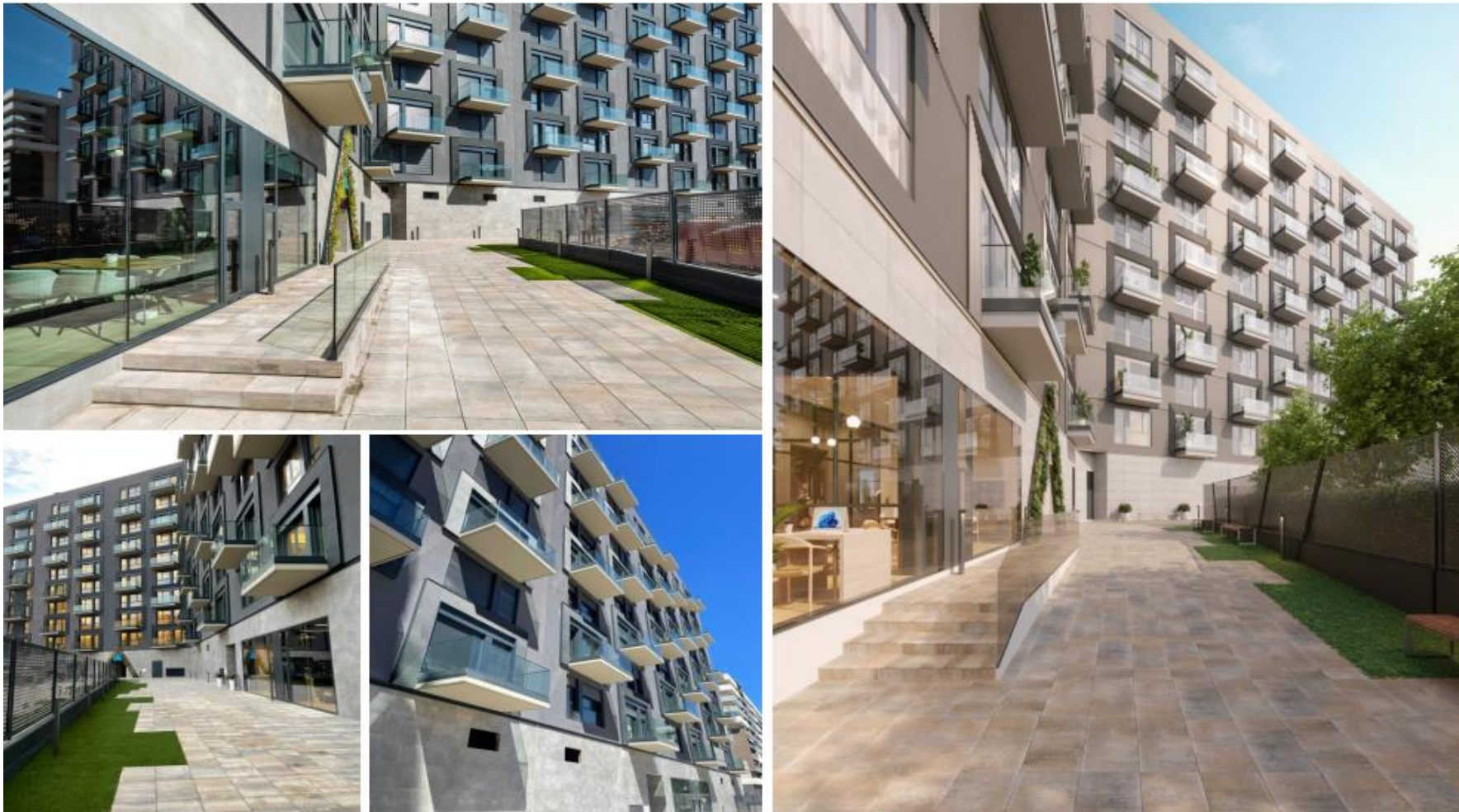
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Tarragona: Opened Sep 2022 – 100% occupied – 144 units

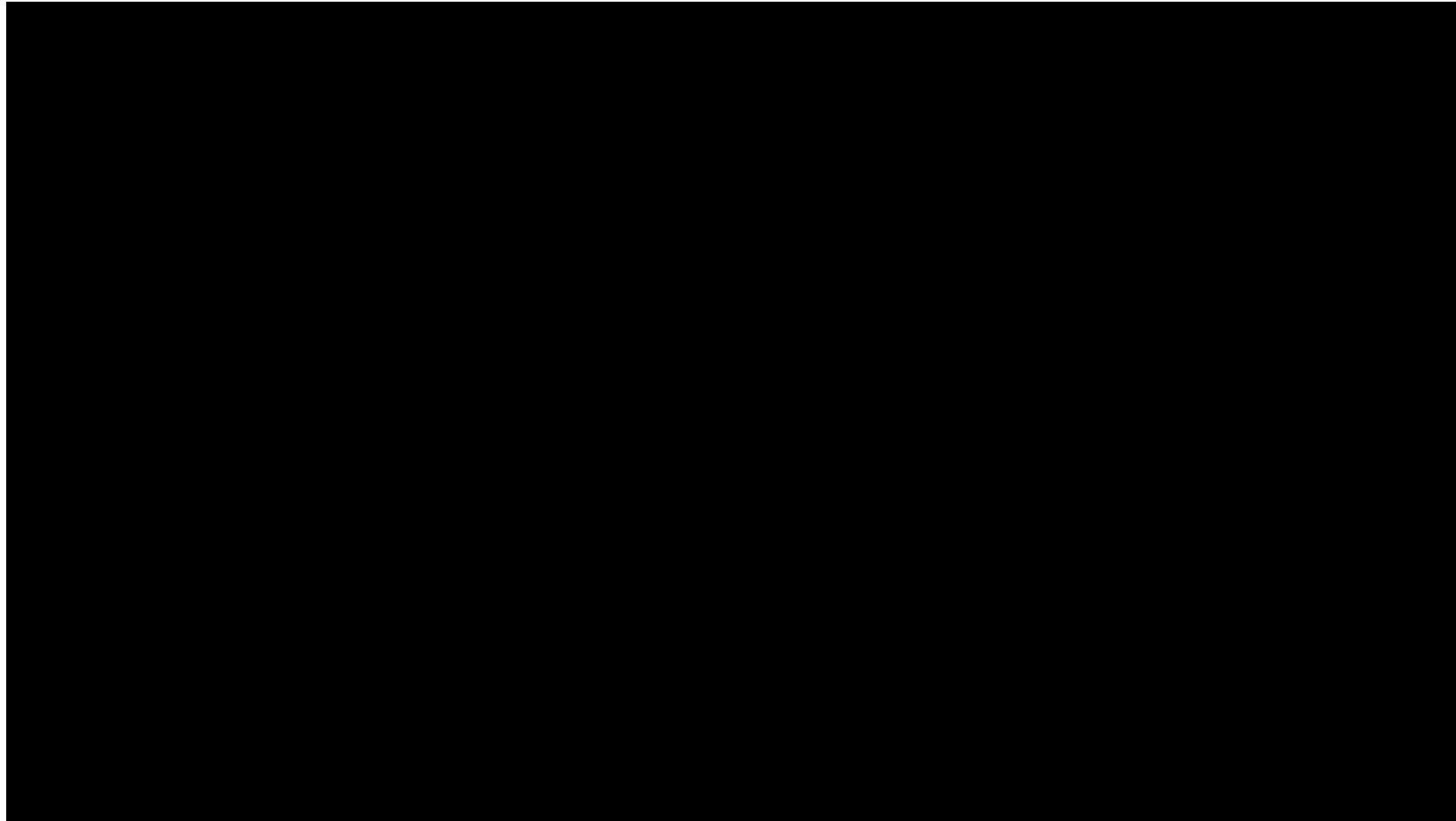


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Córdoba: opened June 2023 – 55% Occupied – 192 units



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Torrejón Madrid: Opening Sep 2023 – 121 units



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Valencia I: Opening Dec 2023 – 174 units



Thank you

Javier Martín

Director & Portfolio Manager

javier.martin@nuveenglobal.com

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