



LUCAS FOX
INTERNATIONAL PROPERTIES

10 YEARS

2005-2015

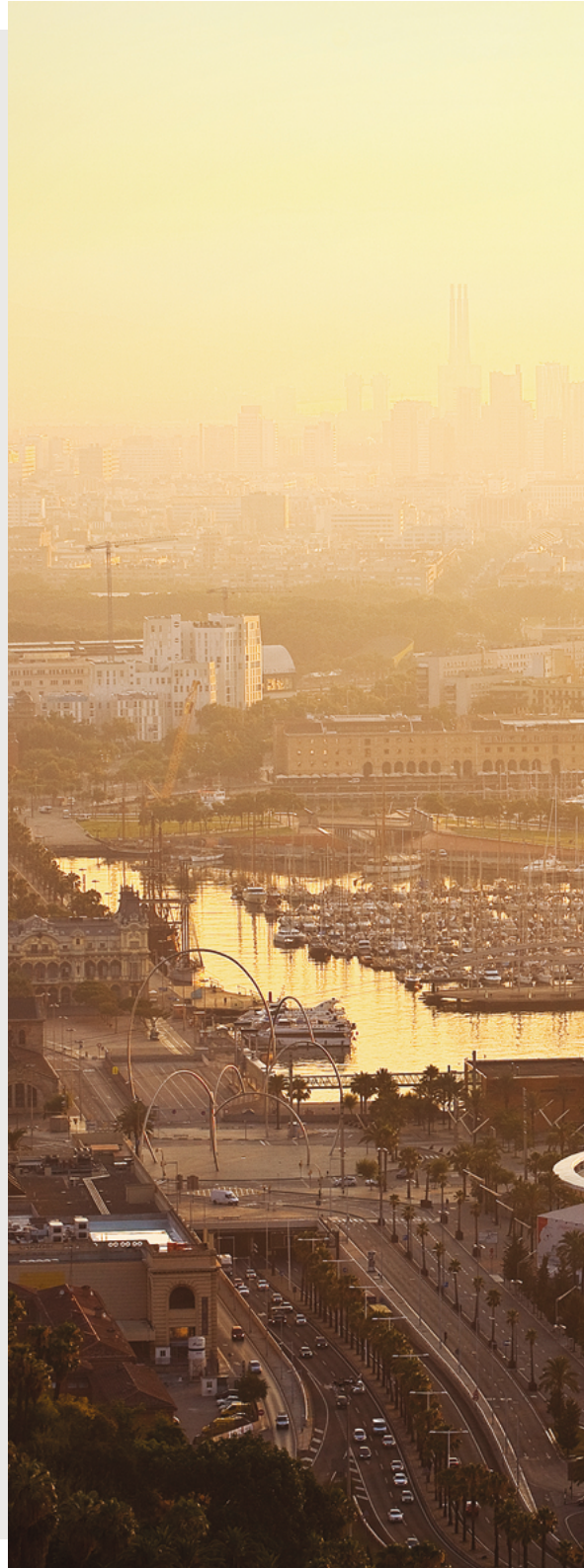
PROPERTY TRENDS IN SPAIN

2005 - 2015

Property Trends in Spain: 2005 - 2015

Since Lucas Fox opened its offices in Barcelona in 2005, the Spanish real estate market has gone through a period of flux: first rising to a bubble-bursting point in 2007 and then slowly rebuilding with more integrity and a stronger focus on quality properties in the more desirable locations, with a long-term view on both investment opportunities and lifestyle enhancement.

Since Lucas Fox's humble start in Barcelona, our offices have grown nationally. Initially focusing on the areas of Barcelona, Costa Brava and Ibiza, the company quickly grew to encompass the Barcelona Coast (Maresme and Sitges), and more recently Marbella, Valencia and Madrid.



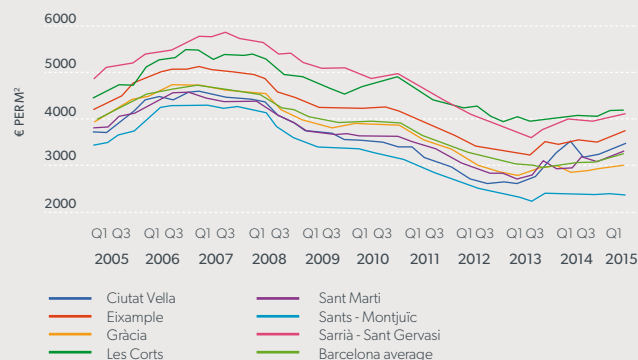
"IN THE PERIOD 2007 TO 2013 THERE WAS UNCERTAINTY ABOUT THE MARKET AND THIS MADE A LOT OF PEOPLE PUT THEIR PLANS ON HOLD. IN THE LAST TWO YEARS, THANKS TO MORE CONFIDENCE IN THE RECOVERY OF THE SPANISH ECONOMY AND THE EURO IN GENERAL, WE HAVE SEEN THE MARKET REACTIVATING WITH PRICE RE-ADJUSTMENTS ACROSS THE BOARD. THE APPEAL OF SPAIN IS AS STRONG AS IT'S EVER BEEN AND WE ARE SEEING A HUGE GROWTH IN WHAT WE CALL 'LIFESTYLE INVESTORS'. THEY WANT TO MAKE A WISE PROPERTY INVESTMENT BUT CHOOSE SPAIN BECAUSE OF THE QUALITY OF LIFE IT OFFERS."



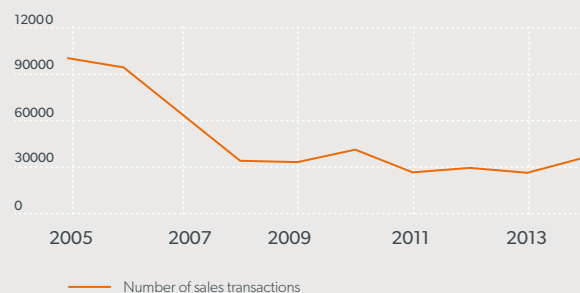
Alexander Vaughan

Lucas Fox Co-Founder and
Director of Barcelona Sales

Overview



Barcelona average sales prices in key Barcelona districts 2005 - 2015
Source: Idealista.com



Barcelona annual sales transactions of free housing 2005 - 2014
Source: Spanish Department of Development and National Institute of Statistics

BARCELONA SALES TRENDS

Since 2005, Barcelona saw sales prices reach a peak midway through 2007, followed by a decline until early 2013, and a steady rebuilding in most districts since then. In the key Lucas Fox city districts of the Old Town (Ciutat Vella), Sarrià-Sant Gervasi and Eixample, average asking prices have seen the greatest rebound, as can be observed in the final quarter of 2012. With limited new construction in the Old Town and Eixample, asking prices for good quality properties are beginning to strengthen.

Over the past ten years, Barcelona's average sales prices peaked at €4,732 per square metre in 2007, dropping to a low of €2,957 per square metre in the third quarter of 2013, before slowly rising again to start 2015 at an average asking sales price of €3,263 per square metre.

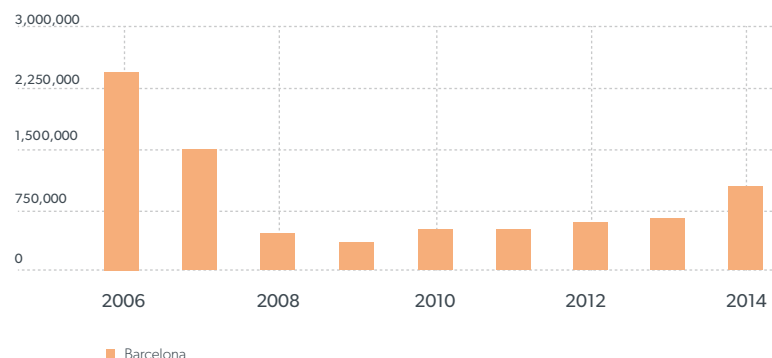
While sales prices show returning confidence to the Barcelona property market — with average sales prices rising for six consecutive quarters — the limited availability of high quality properties serves to keep the level of sales trading low. So while prices may be increasing, the amount

of property transactions remains muted, as sought-after properties in the city's best districts, with suitable levels of services and amenities, remain in high demand.

When Lucas Fox opened its Barcelona office in 2005, 100,449 properties were bought and sold in the city. By 2008, this had dropped to 34,619 annual sales, and has remained fairly consistent since then. In 2014, property transactions rose slightly to 35,607 for the year.

Ten years ago, in 2005, the overall value of property trading in Barcelona was €16.3 billion. This peaked with a total property trading value in Barcelona reaching €18 billion in 2007. In 2014, the value of property transactions of free housing in Barcelona totaled €6.17 billion.

After initially falling after 2006, foreign investment in Barcelona property has increased annually from 2009, to reach just over €1 billion in 2014 (representing 17% of all property trading in Barcelona in 2014).

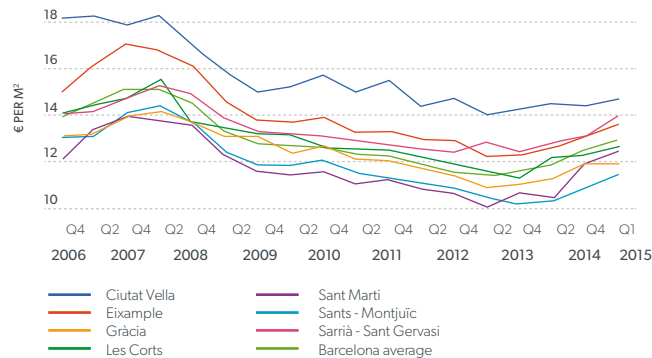


Total property transaction value of Barcelona property purchased by foreigners 2006 - 2014

Source: Spanish Department of Development

BARCELONA RENTAL TRENDS

As with sales prices, average rental prices in Barcelona fell from 2007. The rental market was about eighteen months behind the trends seen in property sales in Barcelona. Peak rental prices were reached during the middle of 2008, when Barcelona's average rental price hit €15.30 per square metre across all districts, with highest average rental prices seen in the Old Town, where averages reached €18.30 per square metre. Average rental prices bottomed out at the midyear point in 2013, when the city average rental price was €11.40 per square metre. By the start of 2015, average prices for the city reached €12.90 per square metre, with the Old Town climbing to €14.70 per square metre.



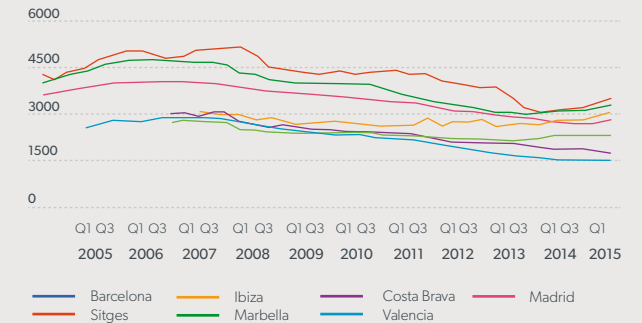
Barcelona rental average prices for key districts 2006 - 2015

Source: Idealista.com

SPANISH PROPERTY MARKETS:

A Comparison

SALES TRENDS



Average sales prices in key Lucas Fox property markets 2005 - 2015

Source: Idealista.com

In most Spanish property markets where Lucas Fox now operates, peak sales occurred in 2007, with sales prices maintained for longer in the more resilient areas of **Sitges** and the **Costa Brava**, where asking prices peaked as late as mid 2008. Muted drops were seen in the lifestyle-conscious markets of **Ibiza** and **Marbella**.

Barcelona saw a steady decline in asking prices each quarter until the third quarter of 2013, and has been slowly rebuilding average asking sales prices since then. **Madrid** and **Valencia** have followed a similar pattern but with less of an upswing in prices, with 2014 seeing a stabilizing in average prices and not yet a sustained quarterly increase in asking prices in either city. **Madrid** ended the first quarter of 2015 at €2,771 per square metre, about the same as prices recorded in the first quarter of 2014, while **Valencia** has sat at around €1,510 per square metre for the past year. These cities have a cross-section of properties and attract buyers with diverse interests and motivations for buying, so when the property market dropped, the whole market was affected.

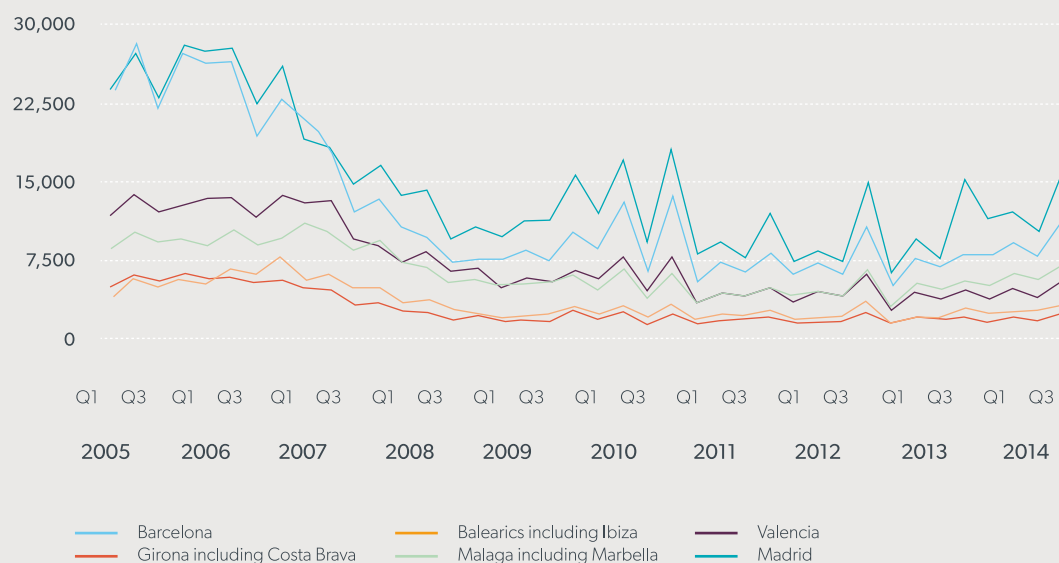
In **Sitges**, a higher number of newer, quality properties are in the market and discerning buyers, were already seeking properties that could serve as investment, but which also offered lifestyle benefits. This is a key trend in the recovering market today, where buyers, a large proportion of which are foreign, are seeking long-term property investment and using lifestyle elements such as climate, proximity to recreational services, the beach, and natural parklands as the deciding factors in identifying long-term, quality properties. Because **Sitges** was already attracting this type of buyer and had a greater supply of quality properties of this nature, average asking sales prices were maintained until the third quarter 2008, with a steady drop since and two significant market corrections occurring during the first quarter of 2009 and again in the third quarter of 2013. However, since then, average asking prices have again risen, reaching €3,439 per square metre, the highest observed across Lucas Fox's Spanish property markets.

Similar to **Sitges**, **Ibiza** and **Marbella** have attracted buyers who have recognized the long-term investment opportunities of quality properties close to lifestyle amenities. Sales price drops have been less severe in these markets, with prices fairly stable between 2008 and 2015. In **Ibiza**, properties now have average sales prices matching those in 2008, with 2015 first quarter average prices at €3,010 per square metre (only €31 lower than in 2008). **Marbella** has seen more of a drop: average prices in 2008 were €2,733 per square metre then, and ended the first quarter of 2015 at €2,313 per square metre.

Costa Brava held on to its highest average prices until mid 2009, before succumbing to a range of economic pressure points including the weak Euro and Ruble and wider Spanish macro-economic impacts. Key areas in **Costa Brava** like Platja d'Aro, however, have steadied for the past two quarters, ending the first quarter of 2015 on €2,474 per square metre.



Property sales transactions of free housing in key Lucas Fox property markets 2005 - 2015
Source: Spanish Department of Development and National Institute of Statistics



Total property transaction value in key Lucas Fox property markets / Source: Spanish Department of Development



Trading of free housing across all key markets show similar trends, although more pronounced in the key property markets of **Madrid** and **Barcelona**. Sales volumes fell sharply by the end of 2006, with some annual spikes observable as buyers seek to finalize purchases at the final quarter of the year to avoid an additional year's capital taxes. Since mid-2013, there have been regular increases in quarterly sales trading, indicating greater confidence in the market and more recognition amongst buyers that prices are at their best level. The **Costa Brava** and **Ibiza** markets, while seeing some slight increases, saw an initial drop in trading in 2006/07 but since then have remained consistent, suggesting that these markets are more resilient.

The overall value of property trading in **Barcelona** peaked in 2007, reaching €18 billion. Following decreases until 2013, the value of property transactions of free housing in **Barcelona** began rising again in 2014 and totaled €6.17 billion for the year.

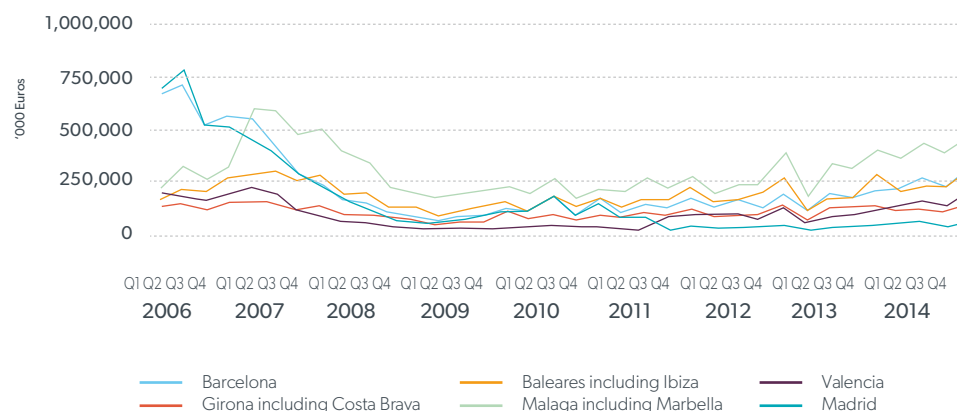
Ten years ago, the overall value of property trading in **Ibiza** was €2.8 billion. This peaked with a total property trading value in **Ibiza** reaching €4.8 billion in 2007. In 2014, the value of property transactions of free housing in **Ibiza** totaled €2.2 billion.

In 2005, the overall value of property trading in **Girona** (including the **Costa Brava**) was €2.2 billion. This peaked with a total property trading value in **Girona** reaching €3.5 billion in 2007. In 2014, the value of property transactions of free housing in **Girona** totaled €1.5 billion.

In 2005, the overall value of property trading in **Malaga** (including **Marbella**) was €5.6 billion, rising to €8.2 billion in 2007. In 2014, the value of property transactions of free housing in **Malaga** totaled €3.9 billion.

In 2005, the overall value of property trading in **Valencia** was €5.5 billion, rising to €8.2 billion in 2007 before dropping again through the years to 2013. In 2014, the value of property transactions of free housing in **Valencia** started rising again, totaling €1.75 billion.

In **Madrid**, overall value of property trading in 2005 was €22.5 billion, peaking in 2006 at €23.6 billion and dropping to its lowest total transactions in 2013 to €6.5 billion. The value of property transactions of free housing in **Madrid** rose again in 2014 to total €9.2 billion.



Total property transaction value in key Lucas Fox property markets of property purchased by foreigners

2006 - 2014
Source: Spanish Department of Development

OVERSEAS INVESTMENT

Property purchases by foreigners initially decreased after the heights of 2007, but over the past five years, foreign investment in property trading in all of Lucas Fox's key Spanish property markets has increased. Property purchases by foreign investors reached €1.03 billion in **Barcelona**, €976 million in **Balearics** (including **Ibiza**) in 2014, €478 million in **Girona** (including the **Costa Brava**) and €1.6 billion in the broader **Malaga** area (which includes the **Marbella** region).

Across Spain, the demographics of foreign buyers has changed in the past ten years. UK buyers continue to make up a large part of foreign property investors in Spain, but since 2010, the proportion of clients from France, Germany, Italy and the Netherlands has increased alongside Scandinavian buyers. The number of buyers from China

continues to grow incrementally year after year and while Russian buyers increased as a percentage of the property market between 2006 and 2013, this has begun to level off in the last year.

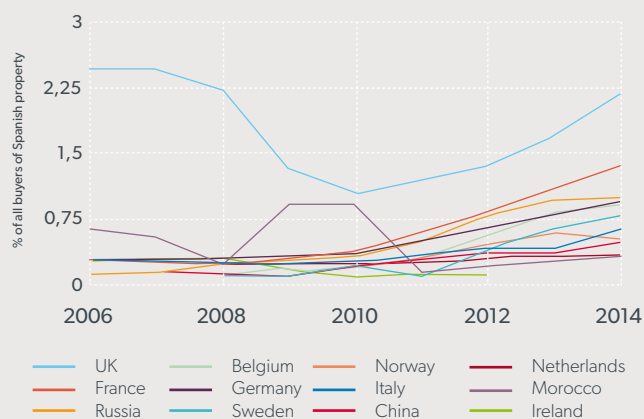
RENTAL TRENDS

Rental trends across Lucas Fox's Spanish property markets show a consistent trend: average rental prices peaked in early 2008 and fell steadily until the middle of 2013. For the past eighteen months, average rental prices have been adjusting upwards slightly in **Barcelona**, **Valencia**, **Malaga** (which includes **Marbella**), and **Madrid**, with each of these markets showing slight incremental increases for the past three consecutive quarters. **Sitges** has remained steady, averaging €11.40 per square metre since the fourth quarter of 2011.

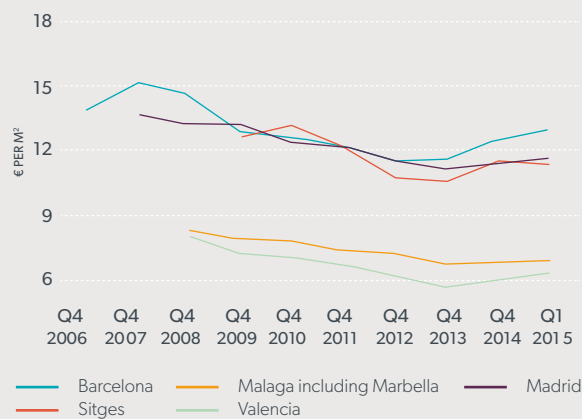
AIRPORT ARRIVALS

Passenger arrivals at destination airports can be a useful indicator of demand for short-term rental properties, and provides insights into the potential for investment properties in areas like **Ibiza**, **Marbella**, **Barcelona**, and **Madrid**.

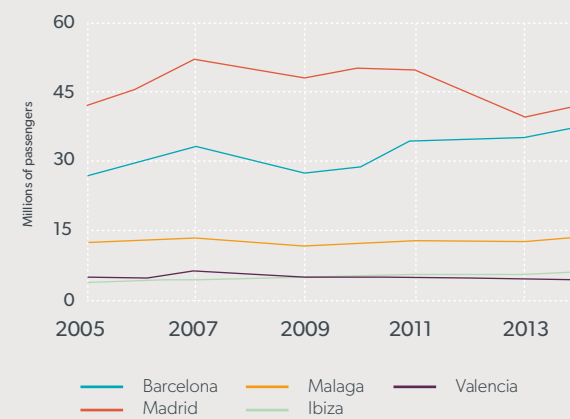
Barcelona has seen the strongest passenger growth in airport arrivals in the past ten years. From 27 million passengers passing through Barcelona El Prat airport in 2005, the city welcomed 37.5 million in 2015. **Ibiza** has also seen a strong growth, with the island rising from 4.1 million passengers annually in 2005 to 6.2 million in 2015. **Malaga** and **Valencia** airport arrivals have remained fairly steady for the past ten years, showing a consistency in visitor numbers annually.



Country of origin of foreign buyers as a percentage of total buyers of Spanish property 2006 - 2014
Source: Registradores.org



Property sales transactions of free housing in key Lucas Fox property markets 2005 - 2015
Source: Spanish Department of Development and National Institute of Statistics



Annual passenger arrivals at key airports 2005 - 2014
Source: Aena.es

Looking
back 10
years,

looking
forward to
another 10



Lucas Fox co-founders **Stijn Teeuwen** and **Alexander Vaughan**
at their new Barceloneta office in Marina Port Vell

Following the bubble burst in 2007, the Spanish property market in key areas of Barcelona, Ibiza, Marbella, Madrid and Valencia are now steadily rebuilding with a greater resilience and with more long-term investment potential. Lucas Fox Co Founder Alexander Vaughan believes the market trends for the rest of 2015 and beyond are positive:

“So far, 2015 looks set to be the year that the market really turns the corner and when transaction levels will start to increase significantly. As we have been saying for the last couple of years, the key for investors in Spanish property is to focus on location. The prices of properties in prime areas will recover first and now is a great time to take advantage of low prices and buy in the best prime micro-location you can for your budget.”

“WE ARE ALSO CURRENTLY SEEING A NEW BREED OF DEVELOPERS COMING INTO THE MARKET, WHO ARE A COMBINATION OF THE NATIONAL DEVELOPERS WHO SURVIVED THE LAST 7 YEARS AND NEW INTERNATIONAL DEVELOPERS. BOTH OFTEN HAVE INSTITUTIONAL MONEY BEHIND THEM AND ARE NOT RELIANT ON BANK FINANCE. NEW DEVELOPMENTS APPEAL TO EVERYONE — LOCAL AND INTERNATIONAL BUYERS — BASICALLY ANYONE WHO WANTS TO OWN A BRAND NEW, MODERN HOME.”



Alexander Vaughan
Lucas Fox Co-Founder and
Director of Barcelona Sales



BARCELONA
COSTA BRAVA
GIRONA
IBIZA
MADRID
MALLORCA
MARBELLA
MARESME COAST
SEVILLE
SITGES
VALENCIA

ANDORRA
PORTUGAL

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