

SPANISH MARKET SUMMARY

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By Victor Sagué
Marketing & Sales Director
at Taylor Wimpey España

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Has the spanish market reached rock bottom? Previsions for 2010

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Has the spanish market reached rock bottom?

Previsions for 2010



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Confusion:

Recently different reports have appeared in the press regarding the anticipated evolution of the Spanish real estate market in 2010. Unfortunately the previsions we receive from the various experts vary significantly from one another, ranging from those that anticipate an increase in some areas of Spain with less offer to the more defeatist who consider that the property prices in Spain still have to drop a further 20% but do not provide further details.

I believe that the information available for this market is quite scarce and the data we received from the INE (National Statistic Institute) does not help to clarify the matters nor reflect the reality of the market.

Some analysts assure that the crisis will last three years. They reach this conclusion by dividing one million stock units between 350.000 units' sales per year. But I must ask: Are we speaking about the centre of Barcelona or about Seseña in Toledo where a project of 3.000 units in a town of 13.000 inhabitants has been paralysed? Or are we speaking about Tarragona that could have units to cover the demand of the next 9 years or of Baleares who could be left without any stock at all in eighteen months?

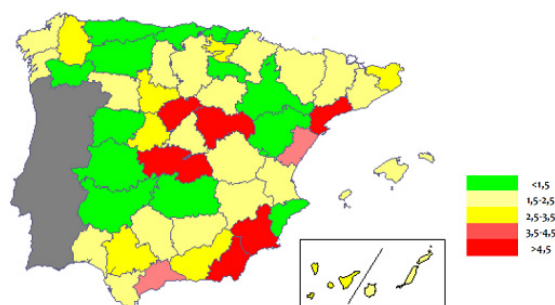
What is really clear to me is that it is of no use to give national figures or reach conclusions about the market globally. One region is not comparable to another; even in many cases one town is not comparable with its neighbouring town.

Province by Province

The Caixa Catalunya report issued on 30 November, details the number of stock units in each province in relation with the total number of existing homes. Without entering to comment the specific data provided, this report does give us a good idea of the enormous difference of stock units in the different Spanish regions.

The actual offer / demand relation stems from this different level of stock as well as the changes the property prices will undergo in these areas.

Stock de vivienda pendiente de venta por provincias (2008)
Hipótesis media
Porcentaje sobre el parque total de cada provincia



Fuente: Caixa Catalunya

In the chart above you can clearly see where the real estate bubble has grown the most: in the four areas around Madrid and in the provinces of Murcia, Tarragona and Almería. These latter coastal areas are the last areas to join the residential tourism race and where many expected a mass invasion of British purchasers, purchasing in isolated towns at ridiculous prices.

This report also mentions that the recovery will be "different in each district" and that in some Premium areas, after a two year crisis and building having been halted, the stock of units for sale has practically already been absorbed by the market.

Both Caixa Catalunya and the Spanish Valuation Society, affirm that in the centre of the largest cities and in areas with little offer, prices will recover within 2010.

Areas in which Taylor Wimpey de España operates:

Costa del Sol



Marbella: With the political crisis Marbella suffered planning permissions were frozen and practically no new licences have been granted in the last three years.

Consequently and given that the area of Gran Marbella is largely demanded by the foreign market, the stock of 2 and 3 bedroom units between 200.000 and 300.000 € has been quickly absorbed by the market and currently the offer is very limited.

For example at the Los Arqueros Golf Course – Benahavis area – Taylor Wimpey have sold over 40 units in the last year, with low competition at higher prices. Apart from Taylor Wimpey's developments only the following promotions were available last October in this area:

- a. Gazules del Sol (10 units in stock)
 - a. 2 Bed from 206.000€ to 277.000€
 - b. 3 Bed from 244.000€ to 293.000€
- b. Cumbre de los Almendros (13 units in stock)
 - 2 Bed from 225.000€ to 293.000€

In the second area in which Taylor Wimpey operates (Marbella – Elviria), the competition is also scarce and is limited to Ayco's development with 28 units for sale with prices starting at 340.000 €

The lack of available product in the area coupled with the competitive prices offered by Taylor Wimpey, has lead to us having completely sold the first phase of our development at La Mairena (55 units). Consequently during the first quarter of 2010 we will start building a new development in the same area and that will shortly be released on the market under the name of La Floresta de la Mairena.

Rest of Costa del Sol: As it has not been possible to build in Marbella the largest real estate developments carried out in the last years are located above the motorway from Málaga capital, in the areas of Benalmádena, Mijas and Fuenjirola, and on the south of the Costa del Sol: Estepona, Manilva and Casares.

These two areas do have a large amount of stock for sale, many of them in very massed, compact and boring developments, mainly due to the high prices the land reached in this region.

Baleares:



Regarding residential units on the coast, Baleares has important developable land limitations. The successive environment focused governments have conveniently regulated and restricted the development of the land in order to have a sustainable urban development in time. Consequently we cannot speak of an excess of offer in any of the costal areas of Mallorca.

In the area of Pollensa, greatly demanded by the British Market, we have detected two developments apart from ours, with a total of 14 units for sale.

Also in the South West coast (Andratx and Camp de Mar) the lack of new property is even more acute. The available offer is under 50 units divided in 3 developments.

The East of the island is probably the area with a higher number of developments for sale; from Cala d'Or to Costa de los Pinos (approximately 35 km) there are eight new developments that totalise approximately 140 units.

Costa Blanca:

The Costa Blanca is one of the areas in Spain that has accrued a higher number of units for sale, especially in the southern area from Santa Pola to Torrevieja. It is also in this area where the prices are suffering a higher drop. Precisely in Torrevieja and according to the property website portal Facilisimo.com, prices have dropped a 9.6% in 2009, a 2.6% more than the average of the province (7%).



The market in the north of the Costa Blanca, where the average unit sales price is noticeable higher, the offer does not reach the excess in the south due to the lack of developable land. Even so, in the area of Calpe where two of our developments are located: Calpesol and Montesol, we have detected 15 developments underway that in March 2009 accumulated a total of 139 units for sale.

Prices:

The Housing Ministry affirmed last 15 October that prices had dropped an 8% during the last year.

However and once again, we have speaking of an average that does not reflect a specific reality and the discounted prices depend of the particular situation each developer may be in.

According to our own experience in this market, we have observed that since the crisis started, there are hardly any companies that have not reduced their prices between a 15 and a 30% in order to continue selling and avoid bankruptcy.

Consequently we consider that after 2 years of significant discounts, the effort in reducing prices has been completed and that the Spanish

Developers hardly have any margin to continue dropping prices this year.

According to the Housing Ministry, approximately 200.000 new built units have been sold in Spain in 2009, figure that in spite of the crisis clearly exceeds the number of sales of any other country in our scene.

As I always say: **the best units are being sold now!** and whoever waits will have to settle for the worst units in the development and not necessarily at a lower price than today's.