

ACCIONA Real Estate

Despite the crisis, the Company boosted its presence in Spain and expanded internationally, especially in Mexico.

The economic context in which ACCIONA Real Estate performed its activity during fiscal year 2012 was characterized by macroeconomic tensions.

Main indicators for employment, consumer spending and investment reflected a heightening of the crisis. Only exports exhibited healthy growth, yet they were insufficient to offset the ongoing deterioration in domestic demand, that has exacerbated the recession. GDP is estimated to have declined by 1.4%, and the unemployment rate was close to 26%; public sector jobs were hit especially hard.

Lack of confidence among Spanish households and consumers, whose savings

capacity has steadily diminished, resulted in postponement of major investments such as home purchases.

This situation had an especially adverse impact on the real estate sector: home sales stabilized, amounting to barely 330,000 units in 2012, compared with 349,000 in 2011 and 491,287 in 2010. New home sales slightly exceeded 106,000, compared with 127,000 in 2011.

Restructuring of the Spanish financial system revealed the urgent need for the banks to dispose of real estate assets on their balance sheets. To facilitate this process, the Spanish government created

the SAREB, a company which will manage impaired assets from banks that have received public aid. This should help control real estate risk and provide stability to the banking system.

As regards the rental business, the disappearance of many companies has reduced the occupancy rate of offices, and industrial and logistics buildings, putting downward pressure on rents. As a result, owners' returns have declined notably. This trend will continue, since available office space is at its highest since the 1990s, and gross uptake has declined by 20% with respect to 2011, making it impossible to take up the slack. In this context, the only

new projects to come to market were those with confirmed tenants, i.e. with minimal risks.

Investment in rental assets was also cut drastically in 2012 due to persisting country risk and funding difficulties. Successful deals hinge on finding investors with considerable liquidity or a need to reinvest, although there are also bargain hunters waiting for the market to stabilize in order to buy in.

Despite these difficulties, ACCIONA Real Estate ended the year with turnover of 67.7 million euros, of which 53% corresponds to home sales and 47% to property rentals.

ACCIONA Real
Estate turnover in
2012 amounted to
67,7
million euros



ACCIONA Real Estate strengthened its presence in **Mexico**, an ideal market in which to continue expanding



1. REAL ESTATE DEVELOPMENT

In 2012, ACCIONA Real Estate sold 140 homes: 53 in Spain and the rest mainly in Mexico, and some in Poland and Portugal.

It also delivered 123 homes to customers in 2012, of which 51% were in Spain and 49% in other countries.

1a. Real estate development in Spain

The Company maintained its discount policy (begun in 2009) on all its developments, which enabled it to continue to sell finished homes despite market difficulties.

Transactions increased in November and December 2012, driven by buyer interest in avoiding the VAT hike (from 4% to 10%) and in taking advantage of tax credits for home purchase (which ended at the end of 2012).

Foreign buyers returned to the Spanish property market, buying homes mainly on the east coast. To harness this demand, ACCIONA Real Estate implemented several actions to offer its properties in potential buyers' home markets, mainly China and Russia.

Zoning processes became more complicated in 2012 due to growing intervention by the courts in the planning process. Despite such an adverse economic scenario, the Company continued to monetize land owned by ACCIONA Real Estate. Notably, the General Urban Development Plan for Las Palmas de Gran Canaria was approved, which includes detailed development of Isla Perdida, owned 100% by ACCIONA Real Estate.

1b. International real estate development

The Company was especially active in residential property development in Mexico. ACCIONA Real Estate strengthened its commitment to Mexico through subsidiary Parque Reforma, selling 62 luxury homes and delivering 32 units to customers.

In April, construction commenced on the second phase of the Santa Fe luxury apartments in Mexico City. By year-end, the Company had sold 82% of the 62 homes in the development, with delivery scheduled for early 2014.

In Acapulco, 31 homes were delivered to customers as part of the second phase of the Playamar Tres Cantos project, an extensive beachfront development with views of the Pacific Ocean and more than 21,000

m² of green areas, swimming pools and a clubhouse. This is Parque Reforma's fourth project in Acapulco, where it has already delivered more than 600 homes.

In contrast with the scenario in Spain, Mexico's banking and economic situation favors home sales. Mexico is a mature market with scope for continual expansion, in view of job growth, increased consumer confidence, scarcity of new homes, a preference for high-rise homes, annual home sales volume that is in line with production, and growth in mortgage lending (in terms of the number and size of loans).

The Company continued to reduce its housing stock in Poland, in accordance with its policy of adapting to each country's situation. The number of available homes on Panska Street, in Warsaw's financial district, declined by

18% with respect to the previous year, and the stock in the Wilanów development, near Warsaw's Wilanów Palace, a former royal residence, was reduced by 17%.

ACCIONA Real Estate will continue to operate in Brazil through projects in Penedo (Rio de Janeiro state) and Guarujá (São Paulo state).

As for available land, ACCIONA Real Estate has space to build 124 homes in Santa Fe, Mexico City, and 508 homes in Playamar Tres Cantos, Acapulco. It also has enough land to build 480 homes in Lomas de Vista Hermosa, an upscale development in the vicinity of main schools, universities and services, where demand is high.

The Company also has sites to build around 2,200 homes in Poland as part of the Wilanów and Żoliborz developments.

The company's participation in the EU **Clear-up project** showed its commitment to research, development and innovation



2. PROPERTY RENTALS

The rental business provided 32 million euros in turnover. The Company ended the year with 89,000 m² of office space under lease in Madrid, Barcelona, Sabadell and Zaragoza, and an occupancy rate of almost 90%, i.e. on par with previous years.

As regards home rentals, Compañía Urbanizadora del Coto, S.L. (owned 50% by ACCIONA Real Estate), which has a portfolio of 875 homes in Madrid, ended the year with an average occupancy rate of 89%. ACCIONA Real Estate continued to operate student residences in 2012, with space for close to 1,200 in Albacete, Murcia, Lérida, Castellón and Cádiz under its CAMPUS brand. This market maintained an occupancy rate of over 68%.

In the hotel sector, Sol Meliá Group continued to manage Hotel Condal Mar in Barcelona under its TRYP brand, in association with the US Wyndham Hotel Group.

The Company retained ownership and management of Hotel Club Marítimo, in Sotogrande (San Roque, Cádiz), a 42-room boutique hotel under the Small Luxury Hotels of the World brand.

The five-star Hotel Estrella del Mar in Marbella strengthened its market position. Its 4,000-m² beach club with spa, tropical gardens, gym and restaurant with views of the sea complement the hotel accommodations and establish it as a leading resort hotel in the area.

3. ADVANCING IN R&D AND INNOVATION IN SUSTAINABILITY

ACCIONA Real Estate remains committed to sustainability, and is aware of its sizable impact on the surroundings. With a view to preserving and harnessing resources, the Company applies conservation guidelines to all its day-to-day processes. Involvement in this area is reinforced by active participation in the EU's R&D and Innovation project entitled Clear-up, which seeks to research and apply solutions for building comfortable, environmentallyfriendly homes.

As regards Parque Reforma's Cumbres de Santa Fe I development (Mexico City), 140 homes were delivered with the Efficiency Certificate (the second-highest of the three existing certification categories), under Mexico City's Sustainable Certification and Environmental Efficiency Program. In the same residential development, the Company is building another 64 homes to the highest standard: Excellence Certification.

ACCIONA Real Estate (AT MARKET PRICES)

According to appraisals by various independent valuers, the gross asset value of real estate assets, developments, investment properties and fixed assets totalled 1.547 billion euros (2012 prices), broken down as follows (million euros):

Inventories	1.054
Investment property	467
Fixed assets	26
TOTAL	1.547

Cumulative capital gains before taxes on those assets amounted to 364 million euros at year-end.