

ULI
Knowledge
Institute



Spain

LIVING RENTAL MARKET

2023Q2 Spanish Market

Confidential

0. INTRO

2023Q2 Spanish Market



0.1 URBAN LAND INSTITUTE – ULI

Urban Land Institute - ULI is the most influential research and educational organization of the built environment. It was established in the United States in 1936 and currently has more than 45,000 Members worldwide. ULI's Mission is to "shape the future of the built environment for transformative impact in communities worldwide".

ULI Spain is the national chapter of the Urban Land Institute in Spain, which has two forums: ULI Barcelona and ULI Madrid, where we work with our 430+ individual members and our 30+ Corporate Partners to achieve ULI's objectives and priorities in our national council.

0.2 ULI SPAIN LIVING RENTAL TEAM + ULI SPAIN LIVING EXPERTS' PANEL

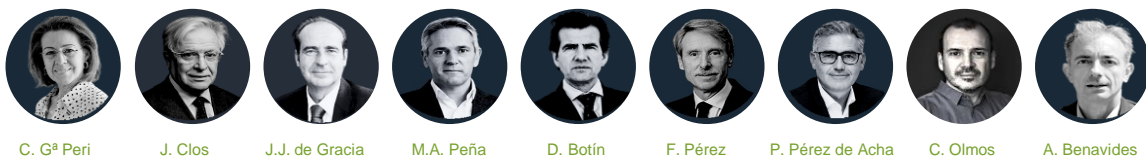
Within ULI's ambition to be the most influential Institute of research and knowledge and to lead on providing solutions to major challenges of our communities in the built world through applied collective experience, ULI Spain has developed the ULI Spain Living Rental Group whose primary goal is to publish accurate, independent and valuable information about the rental housing sub-sector in Spain to contribute to generate a deep, based on objective data and contrasted facts. ULI offers this report as a way of collaboration with public administrations, private sector and Universities (Accademia), to seek solutions and address the current challenge of accessible housing in Spain.

ULI Spain will periodically publish its ULI Spain Living Rental Report, analysing the Spanish rental housing sub-sector through 3 main axis analysis:



This Report addresses these 3 axis in 2 different angles:

- I. **Quantitative Analysis:** a numerical analysis of some of the most populated cities in Spain (in this edition, the 9 most populated provincial capital municipalities), based on "big data". In addition, the Report will show certain indices that allow to monitor the dynamics of demand, supply and payment capacity of the residential rental market over time. The Methodology used for the quantitative Analysis has been developed by Big Data Methodologies. Big Data, makes possible to interrelate diverse public data sources with a relevant level of spatial and temporal granularity, so the heterogeneous behaviours of our neighbourhoods and cities can be segmented. This process is necessary to run accurate basic diagnoses as it is the best approach for a political and social debate in search for solutions, but also for citizens and real-estate decision-making stakeholders.
- II. **Qualitative Analysis:** ULI Experts' Living Panel review the Quantitative Analysis from their vast experience, to put it in context and perspective. In this first edition, the Panel was formed by representatives of the Spanish main companies both public and private:



From ULI Spain, we would like to thank them for their contribution, in data analysis (for this first edition: Grupo Lar and Azora), and to our Experts for their time and for their thought leadership, the fundamental basis of the qualitative section of this Report.

This first edition of the **ULI Spain Living Rental Report** was announced on 20th September 2023, at THE DISTRICT congress in Barcelona.

1. DEMAND

2023Q2 Spanish Market

1.1 CITY DYNAMISM INDEX

This **City Dynamism Index** reflects the dynamism and strength of the demand fundamentals in Spain 9 main cities, not specifically referred to the housing market.

This Index (designed by ULI Living working group) reflects the consolidated knowledge of City Science and is based on the following indicators: job creation, ratio between active and inactive population, net income per inhabitant and household, urban GDP and Business creation.



Fig: City Index Main Cities Map.

50% of main cities are between median 0.4 and 0.6 points.
Cities like Murcia, Málaga, Madrid, and Alicante stand out, along with the cities in the metropolises of Madrid, Barcelona, and Seville.

Also, people affiliated to the Social Security, one of main drivers of this City Index, has substantially increased in the last 5 years (above 10%, except Barcelona, Bilbao and Zaragoza). All these cities are very close to maximum historical levels of Social Security affiliation.

Another driver of this Index is the number of new households created, which has grown in all 9 cities over the last 5 years, although the growth rate shows significant differences between municipalities, ranging from 5.6% in Murcia to 0.6% in Málaga.

In addition, net income per household impacts positively in a higher City Dynamism Index. This KPI is at record highs despite the complex macroeconomic environment over the last several years: covid-19, disruption of the supply chain, inflation, rising interest rates, Ukraine's war, cost of energy, etc.

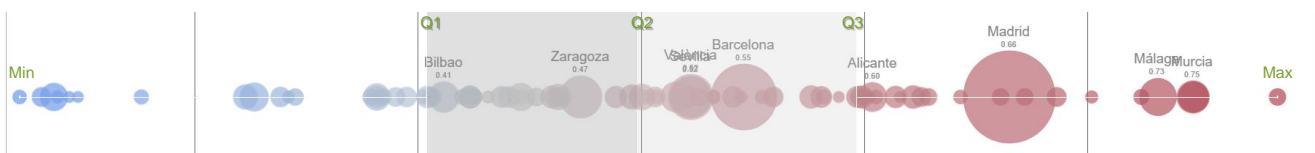


Fig: City Index Main Cities Chart.



Miguel Angel Peña
CEO Living Grupo Lar

1.2 LIVING EXPERTS' PANEL MEMBER ANALYSIS

Miguel Angel Peña noted that: "The City Dynamism Index is very positive in all 9 cities surveyed, indicating a high demand for rental properties. There are a series of more intangible reasons behind it, like: customers demand flexibility, they seek ease of mobility, and the pay-per-use economy is becoming increasingly widespread. Furthermore, there are other factors: many citizens have difficulty in acquiring a new home because of the barrier downpayment of 30% that banks do not finance, difficulty obtaining financing and not to mention the cost increases due to the rise in interest rates, these factors lead people to lean towards renting".

2. SUPPLY

2023Q2 Spanish Market

2.1 SUPPLY & DEMAND INDEX

This matching supply and demand index compares the existing stock of housing available on the market (both for rent and for sale) in relation to the number of transactions of such housing stock per quarter. It measures the capacity of the market to absorb the current available supply.

This index is increasing in almost all of the 9 cities studied (there is no data for Bilbao), but this growth is relatively small. It is worth noting that household number growth has been much higher than the growth of existing residential stock.

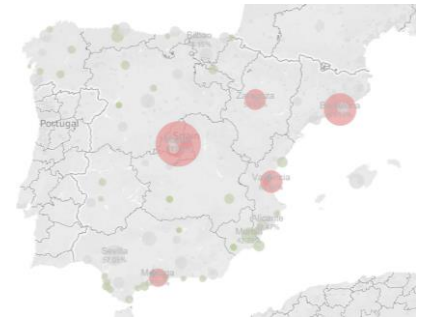


Fig: Supply and demand Index Main Cities Map.

All 9 cities selected, except Murcia, have a higher Supply and Demand matching Index than the median of 100 larger cities. Some of them due to demand pressure, and some due to limited supply.

Stock growth over the last year ranges between 1.1% and 0.2%; and Stock growth over the last 5 years ranges between 2.5% and -4.7% (Murcia is the only city analysed where stock of housing available is decreasing). It is important to focus on increasing housing production, make access to land easier, faster, and cheaper. That will encourage developers to start building more rental housing, gradually closing the significant gap with demand.

Considering this increase in growth in demand (growth in the number of households), the ULI Living Experts' Panel considered that one of the most important measures to adopt to address this challenge is increasing the supply of rental housing, by either incorporating existing current stock in poor condition or creating new stock.

In addition, in some of the municipalities analysed (Barcelona and Bilbao, for example), the Demand has reacted by shifting geographically to nearby municipalities in their metropolises.

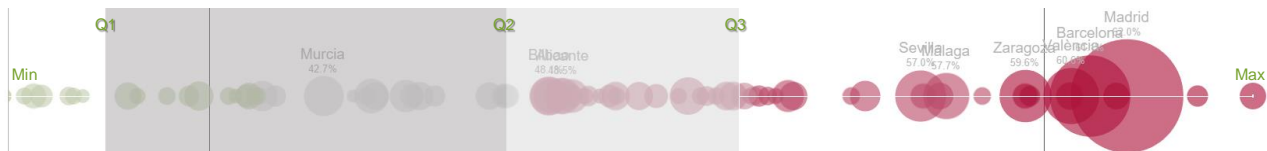


Fig: Supply and demand Index Main Cities chart.



Cristina G^a Peri
Senior Partner Azora

2.2 LIVING EXPERTS' PANEL MEMBER ANALYSIS

Cristina García-Peri noted: "What we find in Spain, is quite unique because, unlike other countries, during the major global financial crisis that began in 2008, the construction of housing came to a standstill due to the hardships faced by developers. In the case of Spain, I think we are behind in the amount of housing that has been produced, which goes far beyond what may be happening now.

That construction gap resulting from the crisis has never been fully closed. If we look at the amount of new housing needed and what we have been producing since construction resumed, that gap continues to grow".

3. PAY CAPACITY

2023Q2 Spanish Market

3.1 AFFORDABLE SUPPLY INDEX

The **Affordable Supply Index** shows the percentage of households in a particular city who would be able to rent a home at a cost equal or lower than 35% of the net income of that household.

In other words, this Affordable Supply Index shows what percentage of households in a city can afford to rent the existing stock, unless they spend more than 35% of their net income.

When measuring the financial effort a family can afford, 35% of net household income is commonly used as a threshold.

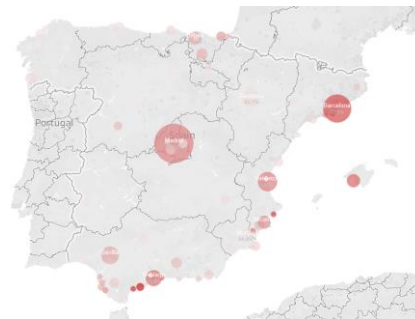


Fig: Affordable Supply Index Main Cities Map.

Seven out of nine main cities have affordable rental supply significantly below the Spanish city mean.

Although in specific historical moments and locations households have temporarily faced a bigger financial effort for their home (devoting up to 40-45% of the household net income), it is considered that above 35% of net income, a household becomes unsustainable in the mid and long-term.

Pay Capacity is key to define which typologies of dwellings need to be developed or refurbished, and to define what is the monthly rent level. The situation is very different in Zaragoza (with a 93.3% Affordable Supply Index) or Murcia (94,1%), compared to Barcelona (33,6%) or Málaga (45,6%). In general terms, there is currently a gap between existing Pay Capacity and the combined cost of housing refurbishment / development cost.

Therefore, as long as the most relevant costs of developing residential (land, financing, construction, length of administrative processes, etc) is not reduced and there is not more financing available (for developers and tenants), it will be very difficult to create abundant additional housing supply to match it with existing Pay Capacity.

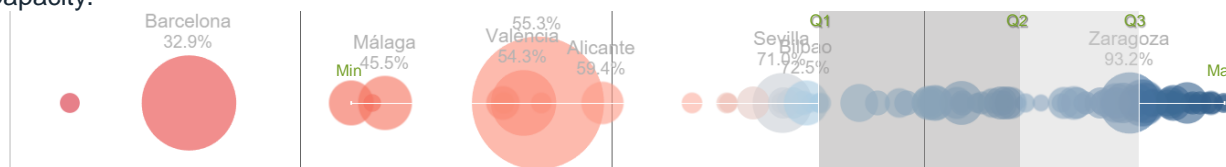


Fig: Affordable Supply Index Main Cities chart.



Francisco Pérez
CEO Culmia

3.2 LIVING EXPERTS' PANEL MEMBER ANALYSIS

Francisco Pérez noted: "In addition to the afore mentioned issues of costs and delays, the product offered is of particular relevance in terms of affordability. The size of new households is becoming smaller, mainly due to the increase in single-person and childless couples' households. The current housing supply is mostly composed of housing for large families, which makes rents more expensive, impacting on their ability to pay. We believe that a new supply is needed to adapt to this new demand, increasing the number of 1 and 2-bedroom homes. Another action would be to simplify and facilitate urban planning regulations to promote the densification of the built fabric without increasing the built-up area".

LIVING RENTAL MARKET

2023Q2 Quantitative Executive Summary

EXECUTIVE SUMMARY

ULI Rental Living Report Alicante 2023Q2



1. Demand Dynamics

1.1 Households

133k
Households (UA)

▲ 2.0%
5YoY Hholds

1.2 Workers

207k
Affiliates by municipality (SS)

▲ 17.4%
5YoY Affiliates

▼ -1.4%
R2Max

89.6%
% General

10.4%
% Freelance

1.3 Wealthness

€29,745
Net income per Hhold (ADRH)

▲ 13.1%
5YoY net income

2. Supply Capacity

2.1 Stock

185k
Housing Stock (UA)

▲ 0.5%
YoY

▲ 1.5%
5YoY

2.2 Potencial New Supply

11.7%
% Rented

8.5%
% Empty

12.1%
% Bad quality
& ruin assets

2.3 Demand Matching

48.5%
Supply Ix.
Qo vs so (S+R)

45.2
CAT
sqm/inhab.

-10%
Transaction-Stock
sqm distance index

3. Pay Capacity

3.1 Rental Price

1,092
Avg €/month

10.0
Avg €/month per sqm

3.2 VPP & VPO

x2.2
Supply-VPO
index

2.9%
Supply below
VPO module

x1.7
Supply-VPP
index

9.3%
Supply below
VPP module

3.3 Supply Affordable

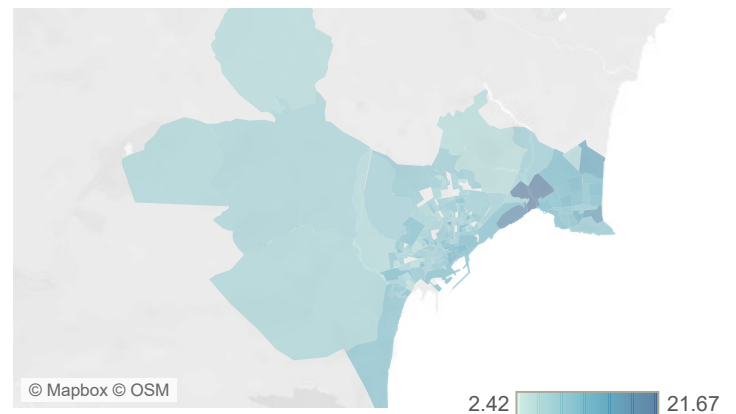
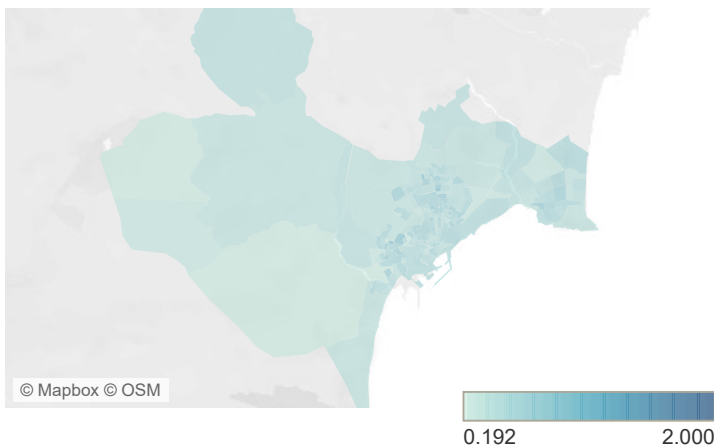
44.1%
Rent Affordability
index

59.8%
Matching below
35% affordability

4. Map

Supply index by census track

€/sqm/month by census track



EXECUTIVE SUMMARY

ULI Rental Living Report Barcelona 2023Q2



1. Demand Dynamics

1.1 Households

667k
Households (UA)

▲ 1.4%
5YoY Hholds

1.2 Workers

1,189k
Affiliates by municipality (SS)

▲ 6.7%
5YoY Affiliates

▼ -1.6%
R2Max

89.2%
% General

10.8%
% Freelance

1.3 Wealthness

€40,424
Net income per Hhold (ADRH)

▲ 10.8%
5YoY net income

2. Supply Capacity

2.1 Stock

693k
Housing Stock (UA)

▲ 1.1%
YoY

▲ 1.8%
5YoY

2.2 Potencial New Supply

10.9%
% Empty

30.1%
% Rented

0.8%
% Bad quality
& ruin assets

2.3 Demand Matching

40.7
CAT
sqm/inhab.

61.1%
Supply Ix.
Qo vs so (S+R)

-11%
Transaction-Stock
sqm distance index

3. Pay Capacity

3.1 Rental Price

1,753
Avg €/month

19.9
Avg €/month per sqm

3.2 VPP & VPO

x2.4
Supply-VPO
index

x1.6
Supply-VPP
index

0.4%
Supply below
VPO module

14.6%
Supply below
VPP module

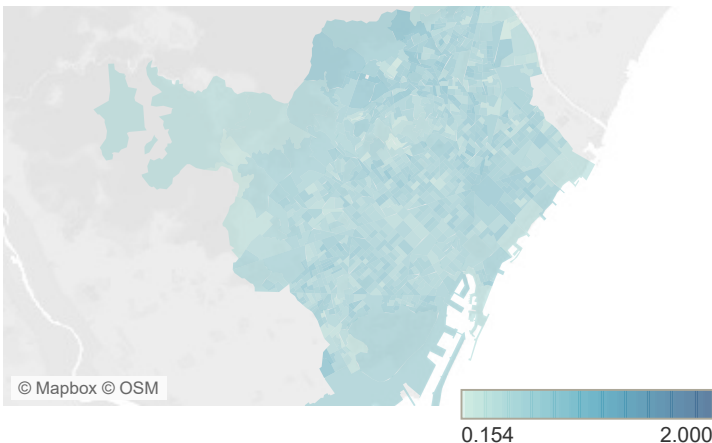
3.3 Supply Affordable

52.0%
Rent Affordability
index

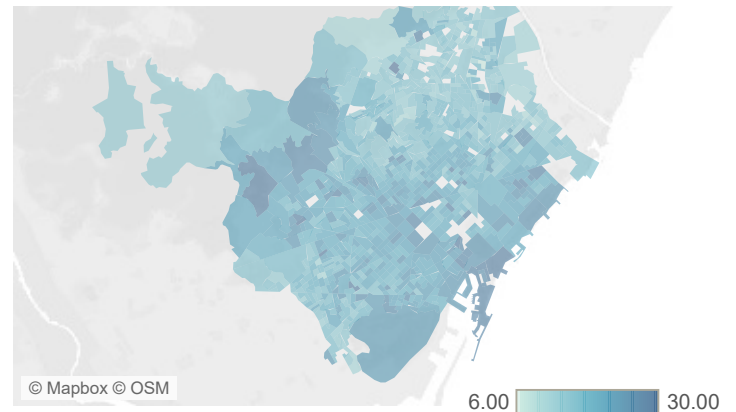
33.6%
Matching below
35% affordability

4. Map

Supply index by census track



€/sqm/month by census track



EXECUTIVE SUMMARY

ULI Rental Living Report Bilbao 2023Q2



1. Demand Dynamics

1.1 Households

148k
Households (UA)

▲ 2.5%
5YoY Hholds

1.2 Workers

185k
Affiliates by municipality (SS)

▲ 4.8%
5YoY Affiliates

▼ -1.2%
R2Max

87.6%
% General

12.4%
% Freelance

1.3 Wealthness

€37,156
Net income per Hhold (ADRH)

▲ 8.6%
5YoY net income

2. Supply Capacity

2.1 Stock

2.2 Potencial New Supply

2.3 Demand Matching

% Empty

% Rented

48.1%
Supply Ix.
Qo vs so (S+R)

3. Pay Capacity

3.1 Rental Price

1,126
Avg €/month

13.5
Avg €/month per sqm

3.2 VPP & VPO

x2.1
Supply-VPO
index

x1.3
Supply-VPP
index

0.6%
Supply below
VPO module

21.5%
Supply below
VPP module

3.3 Supply Affordable

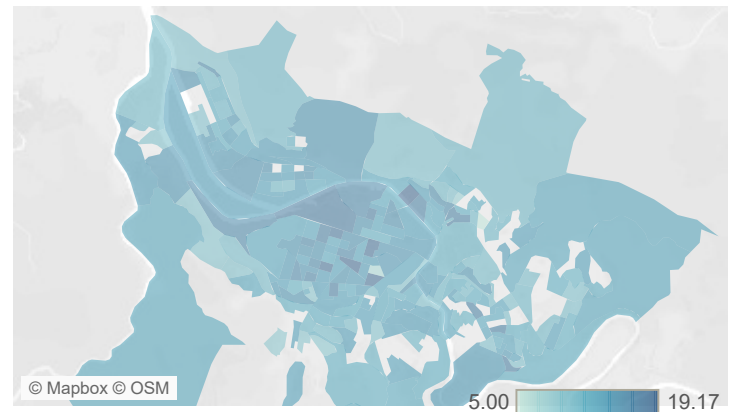
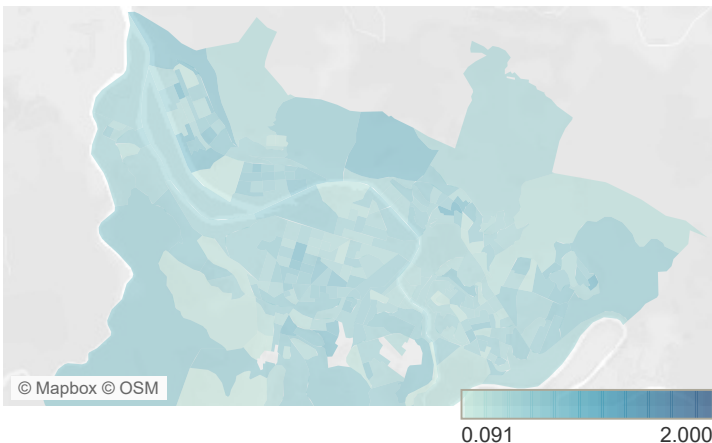
36.4%
Rent Affordability
index

72.7%
Matching below
35% affordability

4. Map

Supply index by census track

€/sqm/month by census track



EXECUTIVE SUMMARY

ULI Rental Living Report Madrid 2023Q2



1. Demand Dynamics

1.1 Households

1,300k
Households (UA)

▲ 3.6%
5YoY Hholds

1.2 Workers

2,229k
Affiliates by municipality (SS)

▲ 14.7%
5YoY Affiliates

▼ -0.6%
R2Max

90.8%
% General

9.2%
% Freelance

1.3 Wealthness

€43,003
Net income per Hhold (ADRH)

▲ 11.6%
5YoY net income

2. Supply Capacity

2.1 Stock

1,495k
Housing Stock (UA)

▲ 0.5%
YoY

▲ 2.5%
5YoY

2.2 Potencial New Supply

6.5%
% Empty

21.3%
% Rented

9.0%
% Bad quality
& ruin assets

2.3 Demand Matching

62.0%
Supply Ix.
Qo vs so (S+R)

38.8
CAT
sqm/inhab.

-14%
Transaction-Stock
sqm distance index

3. Pay Capacity

3.1 Rental Price

1,569
Avg €/month

17.0
Avg €/month per sqm

3.2 VPP & VPO

x2.3
Supply-VPO
index

x1.7
Supply-VPP
index

1.3%
Supply below
VPO module

13.3%
Supply below
VPP module

3.3 Supply Affordable

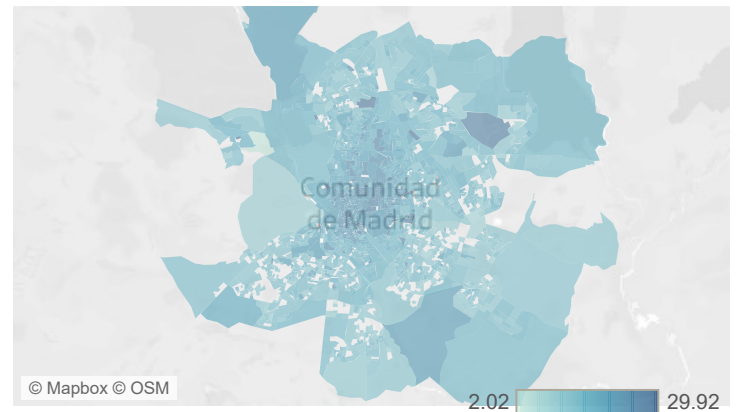
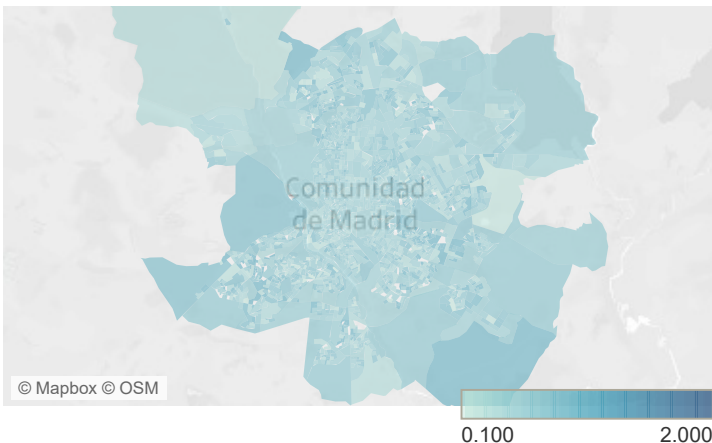
43.8%
Rent Affordability
index

55.9%
Matching below
35% affordability

4. Map

Supply index by census track

€/sqm/month by census track



EXECUTIVE SUMMARY

ULI Rental Living Report Malaga 2023Q2



1. Demand Dynamics

1.1 Households

216k
Households (UA)

▲ 0.6%
5YoY Hholds

1.2 Workers

313k
Affiliates by municipality (SS)

▲ 16.2%
5YoY Affiliates

▼ -1.8%
R2Max

88.4%
% General

11.6%
% Freelance

1.3 Wealthness

€30,219
Net income per Hhold (ADRH)

▲ 16.6%
5YoY net income

2. Supply Capacity

2.1 Stock

250k
Housing Stock (UA)

▲ 1.0%
YoY

▲ 2.0%
5YoY

2.2 Potencial New Supply

6.7%
% Empty

11.6%
% Rented

4.5%
% Bad quality
& ruin assets

2.3 Demand Matching

41.7
CAT
sqm/inhab.

57.7%
Supply Ix.
Qo vs so (S+R)

-10%
Transaction-Stock
sqm distance index

3. Pay Capacity

3.1 Rental Price

1,370
Avg €/month

12.8
Avg €/month per sqm

3.2 VPP & VPO

x2.1
Supply-VPO
index

x1.8
Supply-VPP
index

2.2%
Supply below
VPO module

5.1%
Supply below
VPP module

3.3 Supply Affordable

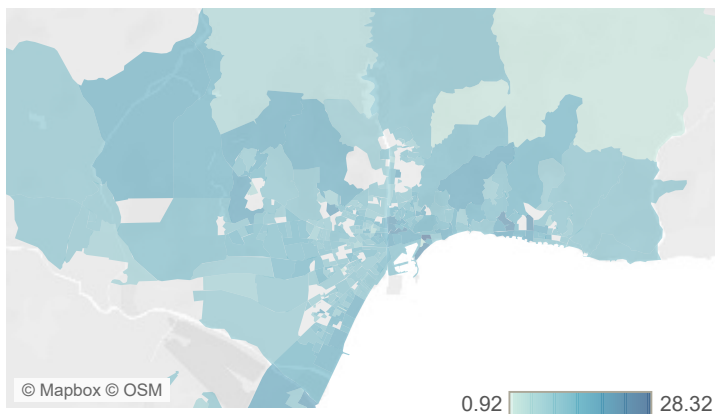
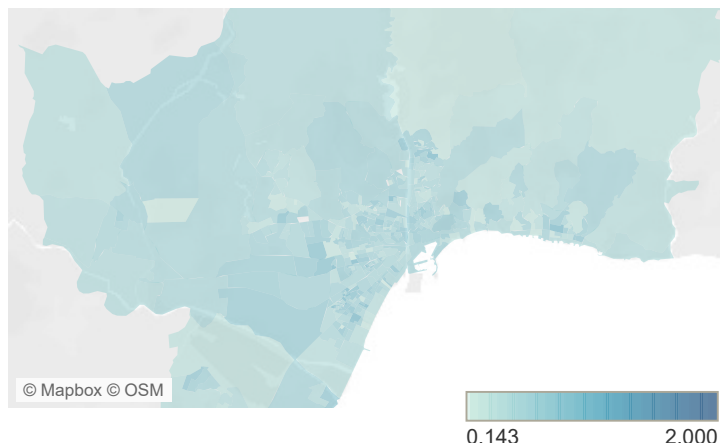
54.4%
Rent Affordability
index

45.6%
Matching below
35% affordability

4. Map

Supply index by census track

€/sqm/month by census track



EXECUTIVE SUMMARY

ULI Rental Living Report Murcia 2023Q2



1. Demand Dynamics

1.1 Households

162k
Households (UA)

▲ 5.6%
5YoY Hholds

1.2 Workers

237k
Affiliates by municipality (SS)

86.4%
% General

▲ 10.0%
5YoY Affiliates

▼ -1.9%
R2Max

13.6%
% Freelance

1.3 Wealthness

€33,461
Net income per Hhold (ADRH)

▲ 15.5%
5YoY net income

2. Supply Capacity

2.1 Stock

204k
Housing Stock (UA)

▲ 0.3%
YoY

▼ -4.7%
5YoY

2.2 Potencial New Supply

7.5%
% Empty

12.8%
% Rented

2.7%
% Bad quality
& ruin assets

2.3 Demand Matching

44.4
CAT
sqm/inhab.

42.7%
Supply Ix.
Qo vs so (S+R)

-28%
Transaction-Stock
sqm distance index

3. Pay Capacity

3.1 Rental Price

675.4
Avg €/month

8.1
Avg €/month per sqm

3.2 VPP & VPO

x1.2
Supply-VPO
index

x0.8
Supply-VPP
index

27.3%
Supply below
VPO module

81.1%
Supply below
VPP module

3.3 Supply Affordable

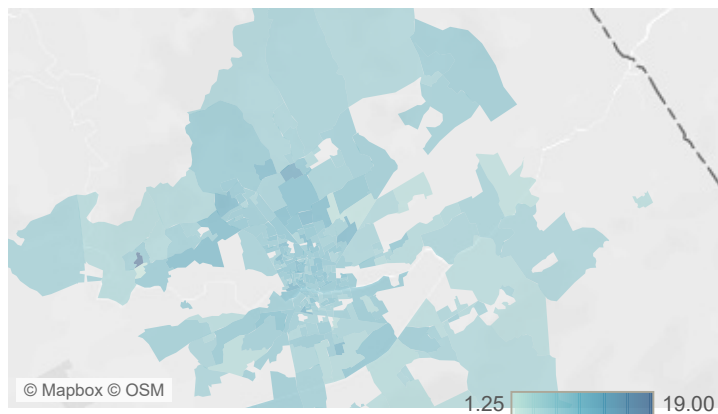
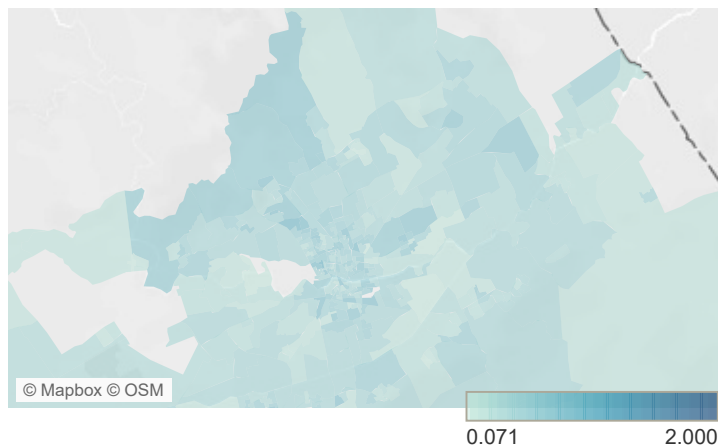
24.2%
Rent Affordability
index

94.1%
Matching below
35% affordability

4. Map

Supply index by census track

€/sqm/month by census track



EXECUTIVE SUMMARY

ULI Rental Living Report Sevilla 2023Q2



1. Demand Dynamics

1.1 Households

265k
Households (UA)

▲ 1.0%
5YoY Hholds

1.2 Workers

384k
Affiliates by municipality (SS)

▲ 13.1%
5YoY Affiliates

▼ -3.3%
R2Max

89.8%
% General

10.2%
% Freelance

1.3 Wealthness

€32,289
Net income per Hhold (ADRH)

▲ 11.9%
5YoY net income

2. Supply Capacity

2.1 Stock

319k
Housing Stock (UA)

▲ 0.4%
YoY

▲ 1.2%
5YoY

2.2 Potencial New Supply

11.6%
% Rented

7.7%
% Empty

15.2%
% Bad quality
& ruin assets

2.3 Demand Matching

57.0%
Supply Ix.
Qo vs so (S+R)

39.0
CAT
sqm/inhab.

-17%
Transaction-Stock
sqm distance index

3. Pay Capacity

3.1 Rental Price

880.6
Avg €/month

10.8
Avg €/month per sqm

3.2 VPP & VPO

x1.7
Supply-VPO
index

3.0%
Supply below
VPO module

x1.4
Supply-VPP
index

9.7%
Supply below
VPP module

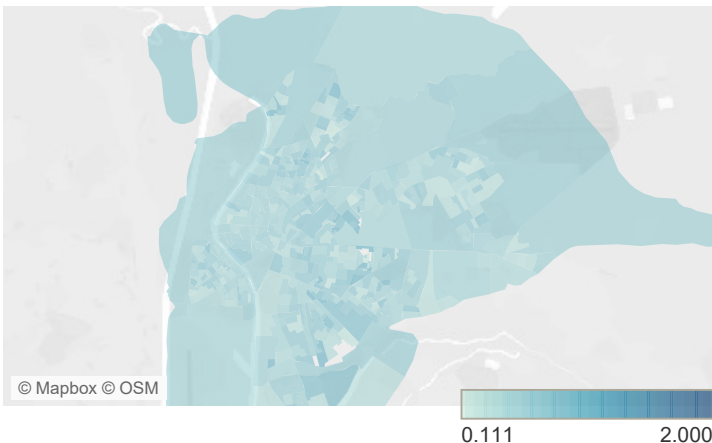
3.3 Supply Affordable

32.7%
Rent Affordability
index

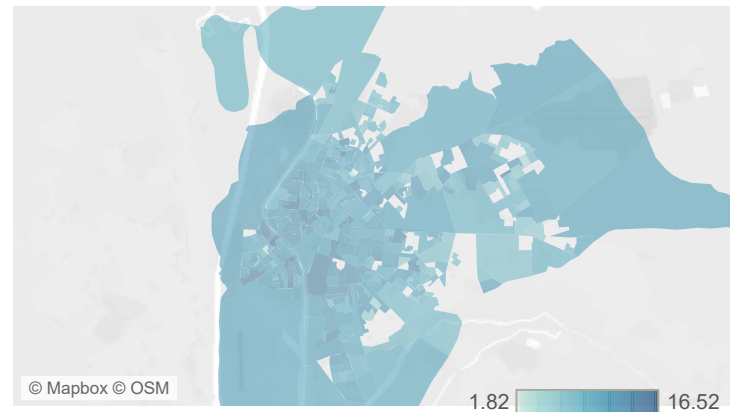
71.2%
Matching below
35% affordability

4. Map

Supply index by census track



€/sqm/month by census track



EXECUTIVE SUMMARY

ULI Rental Living Report Valencia 2023Q2



1. Demand Dynamics

1.1 Households

318k
Households (UA)

▲ 1.5%
5YoY Hholds

1.2 Workers

430k
Affiliates by municipality (SS)

86.0%
% General

▲ 14.8%
5YoY Affiliates

▼ -0.6%
R2Max

14.0%
% Freelance

1.3 Wealthness

€34,367
Net income per Hhold (ADRH)

▲ 14.6%
5YoY net income

2. Supply Capacity

2.1 Stock

411k
Housing Stock (UA)

▲ 0.2%
YoY

▲ 0.4%
5YoY

2.2 Potencial New Supply

8.9%
% Empty

13.6%
% Rented

13.6%
% Bad quality & ruin assets

2.3 Demand Matching

45.1
CAT
sqm/inhab.

60.6%
Supply Ix.
Qo vs so (S+R)

-11%
Transaction-Stock
sqm distance index

3. Pay Capacity

3.1 Rental Price

1,242
Avg €/month

12.0
Avg €/month per sqm

3.2 VPP & VPO

x2.5
Supply-VPO
index

x2.0
Supply-VPP
index

0.5%
Supply below
VPO module

2.2%
Supply below
VPP module

3.3 Supply Affordable

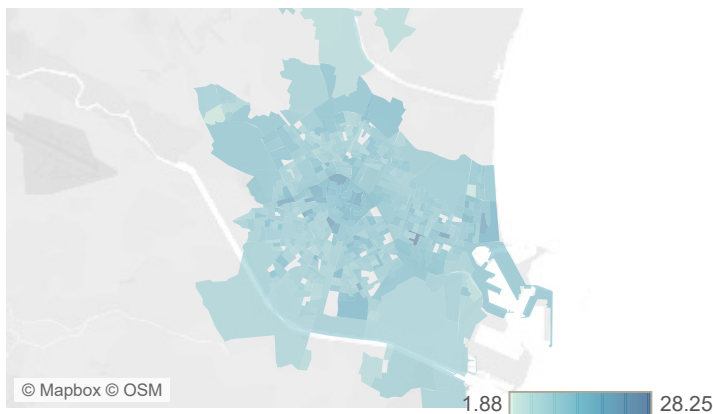
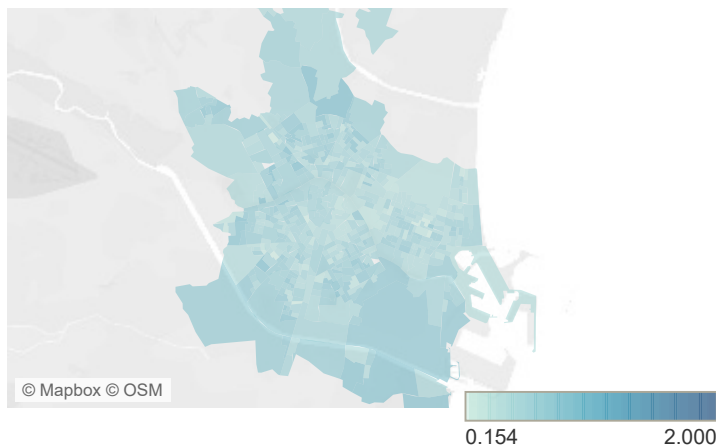
43.4%
Rent Affordability
index

54.8%
Matching below
35% affordability

4. Map

Supply index by census track

€/sqm/month by census track



EXECUTIVE SUMMARY

ULI Rental Living Report Zaragoza 2023Q2



1. Demand Dynamics

1.1 Households

277k
Households (UA)

▲ 1.9%
5YoY Hholds

1.2 Workers

305k
Affiliates by municipality (SS)

86.9%
% General

▲ 6.2%
5YoY Affiliates

▼ -1.7%
R2Max

13.1%
% Freelance

1.3 Wealthness

€34,753
Net income per Hhold (ADRH)

▲ 10.7%
5YoY net income

2. Supply Capacity

2.1 Stock

326k
Housing Stock (UA)

▲ 0.4%
YoY

▲ 1.8%
5YoY

2.2 Potencial New Supply

4.8%
% Empty

15.4%
% Rented

0.9%
% Bad quality & ruin assets

2.3 Demand Matching

46.5
CAT
sqm/inhab.

59.6%
Supply Ix.
Qo vs so (S+R)

-26%
Transaction-Stock
sqm distance index

3. Pay Capacity

3.1 Rental Price

683.2
Avg €/month

9.4
Avg €/month per sqm

3.2 VPP & VPO

x1.9
Supply-VPO
index

x1.5
Supply-VPP
index

0.8%
Supply below
VPO module

3.3%
Supply below
VPP module

3.3 Supply Affordable

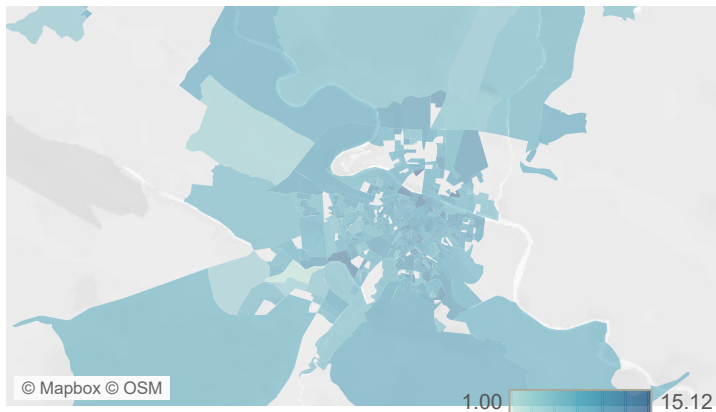
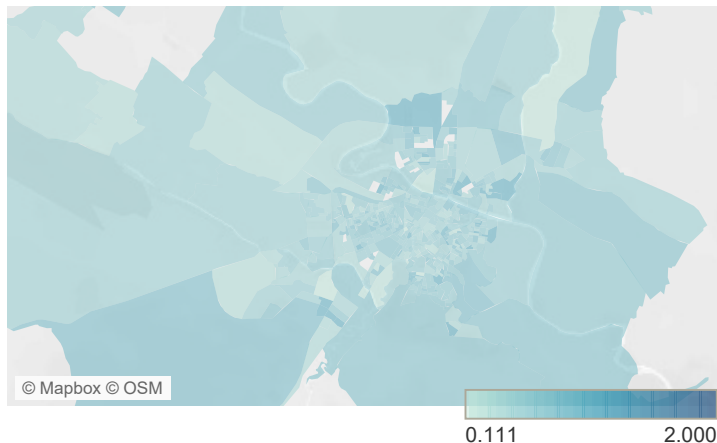
23.6%
Rent Affordability
index

93.3%
Matching below
35% affordability

4. Map

Supply index by census track

€/sqm/month by census track



Glossary KPIs

Urban

affiliates_n_ss: Number of affiliates in the Social Security system.

gross_income_per_household_ineadr: Average gross income per household derived from income tax returns for a calendar year and population data registered in the Population Census File (FPC) as of January 1 of the following year.

households_n_inecensus: Total number of households according to the Census.

housing_empty_n_ineua: Proportion of empty dwellings.

housing_n_cat_ineua: Number of conventional dwellings according to the Cadastre. UA.

housing_rented_n_inecensus: Number of Dwellings rented according to the Census.

net_income_per_household_ineadr: Average net income per household. Net income is considered gross income without taxes and contributions (including property tax).

Financial

e_so: Average asking price in euros.

esqm_so: Average asking price per square meter in euros.

VML_e: Maximum Sale Price: Maximum price at which a dwelling subject to public protection can be sold.

VML_esqm: Maximum price per square meter per month at which housing subject to public protection can be sold.

Glossary Indexes

affordability_rent_ix: Effort rate for renting a home under current market conditions, based on net household income.

demand_dynamic_ix: Index that measures the dynamism of demand through the creation of households, employment, net income per household, GDP, and business creation in a given area.

VPO_market_gap_ix: Number of times the average offer exceeds the VPO module (official regulated price for protected housing).

VPP_market_gap_ix: Number of times the average offer exceeds the VPP module (official regulated price for protected housing).

cat_sqm_pperson_ix: Square meters per person per household according to cadastre data.

supply_ix: Percentage of transactions for sale and rental compared to total supply for sale and rental.

supply_under_35aff_ix: Percentage of offers below the 35% effort rate. What percentage of the offers are affordable?

transaction_stock_cat_gap_ix: Percentage difference between the square meters of transactions and the cadastre stock.

ULI Knowledge Institute



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