



Highlights of the quarter:

MACRO ENVIRONMENT. As expected, the advance in the year-on-year rate of the GDP corresponding to the second quarter of this year has been devastating, with -22% compared to the second half of 2019. Both the demand and supply factors of the National Accounts, as well as the level of debt and the unemployment rate, will also increase their records for this year. For the time being, the most effective instrument will be economic policy measures that compensate for the destruction of companies (capital stock) and avoid massive job destruction.

RESIDENTIAL. The level of consumer confidence in June has improved 3.4 points compared to March, perhaps due to the lockdown easing measures. In any case, the current situation is forcing a cooling off in the purchase of housing by demand, as reflected in the transaction data of the Higher Council of Notaries, which in June 2020 marked a reduction of 33.4% compared to 2019. (Scorecard), in spite of a 3.1% increase in average prices for free housing. As long as the situation generates uncertainty, renting will take precedence over buying.

LOGISTICS/INDUSTRIAL. Once again it can be affirmed it is the real estate segment that has not experienced decreases in activity, but rather the opposite, being in the face of the adversity of movements, confinements and sanitary precautionary measures, an activity of prime necessity for the distribution of goods. There is still interest in investing in product profitability in "Prime" locations, in the main distribution centers. The income hardly moves in platforms well located given the strength that is acquiring the modality of the "On Line".

OFFICES. Until the pandemic situation is under control, teleworking will continue to be a major issue in many companies. Since March, rental levels for newly hired office space have dropped between 4% and 10% in exchange for longer mandatory terms. In 2020, at least hiring will be reduced compared to 2019, and yields could move from 25bp to 50bp in locations outside the business area (CBD). Prime offices will not be affected.

RETAIL. Given the very close correlation between the evolution of retail consumption and Social Security affiliation, with the influx into shopping centers, medium sized or street-level premises, it is clear that this is not the segment that has been most favored by the state of alarm and evolution of the pandemic since March of this year and will probably continue for the rest of the year. On the other hand, "On Line" sales continue their positive trend.

HOTELS. Given the nature of Spain as a worldwide tourist and vacation destination, this segment has experienced a hard blow in occupations, with a 55% drop in the first six months of the year compared to the same period in 2019. It is estimated that these figures will continue to be weak for the rest of the year and, as the health issue evolves, in the next. It is clear that these are just temporary data and that this sector will recover its global strength as soon as the COVID-19 has been controlled.

The vision of

GLOVAL. ACCESS TO THE FIRST HOME FOR YOUNG PEOPLE

It is known that it is difficult for people between 25 and 40 years old to buy a house in our country. The current salaries, the conditions of financing by the entities and the current situation, make it virtually impossible to acquire a real estate asset that involves a significant outlay, not even the product of second hand. In order to activate the sector and facilitate access to renting by the most disadvantaged and especially young people, the Government is going to launch a Plan focused on this matter and with the purpose of increasing the weight within the housing stock of our country. This housing plan will be led by the Ministry of Transport, and will include provisions for renovation and access to young people and vulnerable groups through the figure of rent.

The Company. Glocal

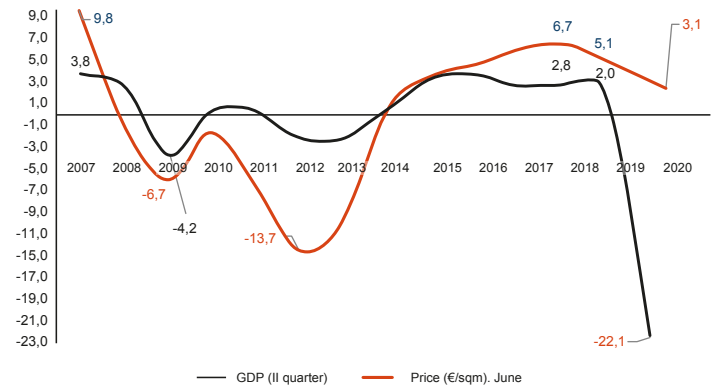


Scorecard:

	Figure
Macroeconomic framework	
IIT2020	
GDP (y/y)	● -22,1%
Afiliation to Social Security (YoY)	● -2,1%
Unemployment Rate	● 15,3%
Interest Rate to New Mortgage Credit. TOTAL	● 2,4%
Fixed rate	● 2,8%
Floating rate	● 2,1%
Consumer Price Index (CPI) (YoY). June	● -0,3%
The Consumer Confidence Index. Points. June	● -25,6
Housing Affordability (years GDI). 1st quarter	● 7,3
Housing Affordability (% GDI). 1st quarter	● 30,4%
Real Estate Framework	
Housing Price. (€/sqm. (YoY)	● 3,1%
New mortgages. (YoY). Jan-jun	● -8,4%
New housing permits (YoY) May	
Residential	● -35,0%
Non Residential	● -51,3%
Construction Completion Certificates (YoY) May	● -32,9%
Credit to Households. (YoY). June	● 1,9%
Transactions (y/y). Jan-Jun	
Residential	● -33,4%
Retail	● -38,9%
Industrial & warehouses	● -36,7%
Offices	● -42,3%

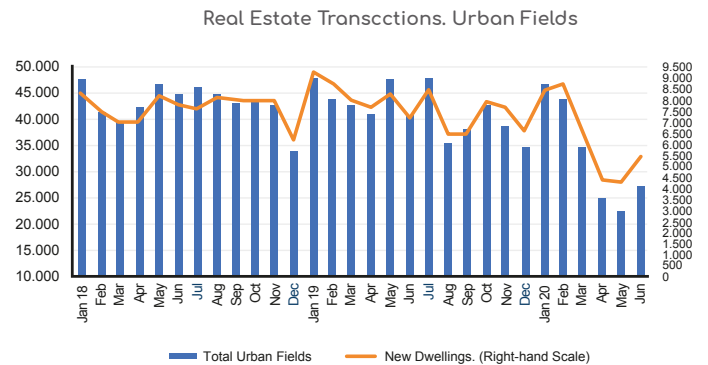
y/y: year-on-year change. GDI: Gross Disposable Income.

Chart 1:
Real GDP and Housing Prices
(year-on-year change, 2007-IIT. 2020).



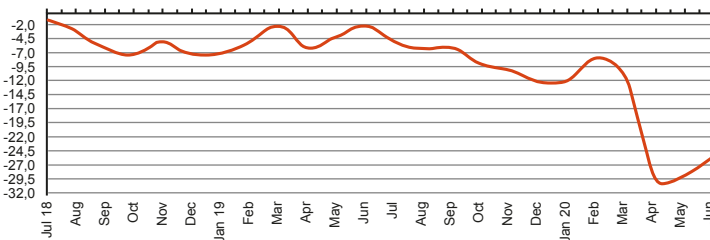
Source: INE, Notariado. Gloval Research

Chart 2:
Real estate transactions. June 2020.



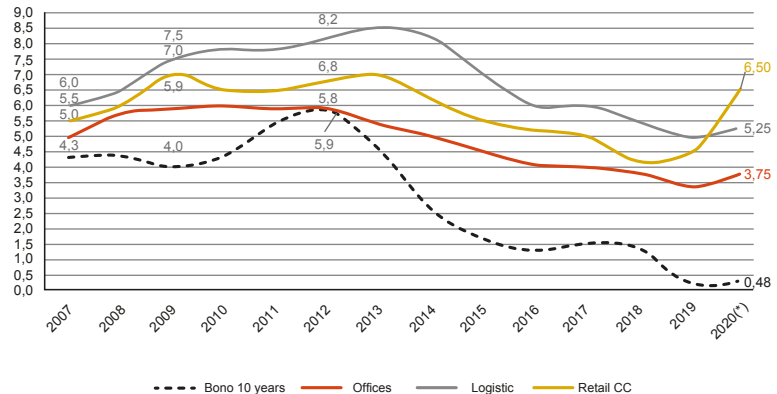
Source: Notariado. Gloval Research

Chart 3:
Consumer Confidence Index. Net balance.



Source: SGCPE. Gloval Research

Chart 4:
Real Estate vs 10 years Bond yields. II Q 2020.



Source: Market. (*): Forecasting Gloval Research



HOUSING. Evolution of income, average price and investment effort of households

The main indicators of activity (investment, transactions and initiation of new construction) and housing prices, from the aggregate level have evolved positively until the arrival of the COVID-19, which has caused a total halt in virtually all economic activity. As data after the first quarter of the current year become available, it will be possible to measure the consequences of this more precisely.

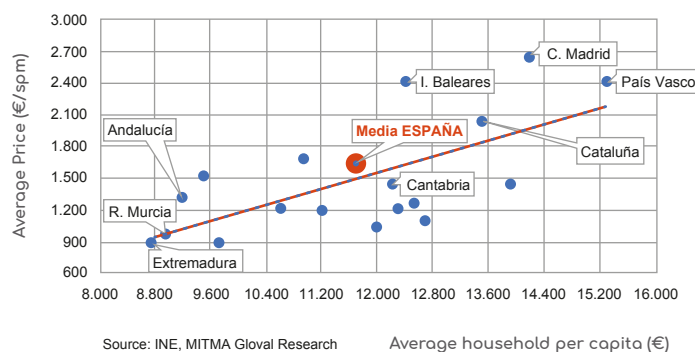
Housing remains an investment and use good for its owner, it has a long life and is repairable, although the production periods are high, so the supply in the short term is quite rigid. In addition, it is a good linked to the availability of land and the location is decisive.

The relationship between housing prices and interest rates, employment and the levels of disposable income of families as demand factors, is very high and therefore in a high percentage of cases, it is necessary to seek external financing from financial institutions and / or banks.

These particularities are reflected in different statistics that over time can give an overview of each stage of the economic cycle and are determinants of the prices of residential real estate assets. This box summarizes the evolution of some of them in the short term.

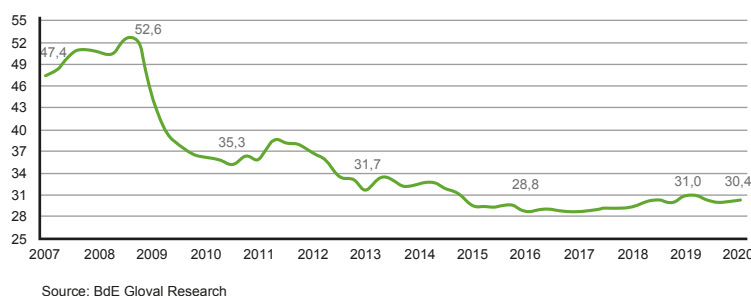
According to the following chart, there is a close correlation between the magnitude of household income and the largest increases in average prices of free housing.

Chart 5:
Housing price - Average household income per capita.
Regions. 2019



Following this map of rent and housing prices, it is convenient to observe the theoretical effort that households have made to acquire a home, without considering deductions, where a lower percentage can be seen as the economy improves. In the first quarter of 2020 it was 30.4%, a level similar to that recorded at the end of 2003.

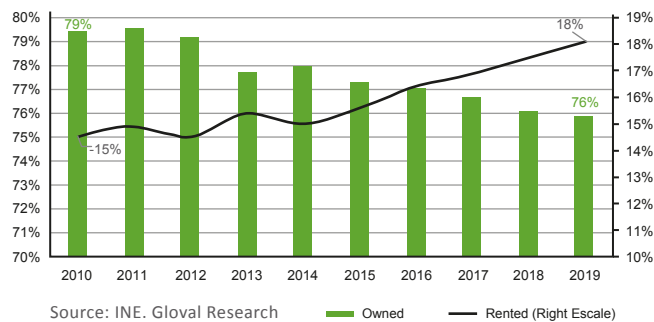
Chart 6:
Effort required from the households (without deduction).
Housing (%)



BUILT to RENT. New niche in the real estate market

This type of product, within the residential real estate segment, consists of building houses to be rented, which in the Anglo-Saxon nomenclature is called "Built To Rent" (BTR), given that its origins come from the USA and the United Kingdom. In Spain it is in its initial phase and can be an alternative to the difficulty that can involve at times of economic cycles, the acquisition of a home.

Chart 7:
Households by tenancy regime. Spain.



In 2019 this modality exceeded 600 million euros of investment and it is expected, despite the current circumstances of the pandemic that it will mean an important growth in the coming years. This is the result of a shift from buying to renting, from "Built To Sell" to "Built To Rent", due to a hardening of the conditions of access to the acquisition of housing, especially in central areas of large cities. The changes being experienced by the population in economic and social aspects, enhanced by the situation of uncertainty under the COVID-19 pandemic, have accelerated this constructive figure.

In Spain and despite the fact that the purchase of housing for living is deeply rooted, large developers and investment funds are increasing their positions in land purchases aimed at this product. With this technique, the developer reduces the risk of marketing homes for sale before construction is completed and on the other hand, they obtain financing from large funds, once they obtain the planning permission. It is a product, in general terms, of "turnkey" for the financier-owner. Like other segments such as logistics, operations can be closed under the formulas of "forward purchase" or "forward funding".

Product whose demand is focused on households or families who cannot acquire a home, given the current and future economic and employment situation, as mentioned above, and population groups such as university students, young people entering the labor market, independent adults without family responsibilities or children, professionals, etc. temporary or permanent who want to be close to their workplaces.

They are homes with a few meters, areas and common services, with locations where the transport network, stores, supermarkets, etc., is consolidated and allow to optimize the management of these to the funds owners. Of notable importance, the legal component and political situation of each Community that allows to measure the systematic risk with regard to the viability of each project.

At present, the number of developments and projects initiated or about to be initiated in Spain exceeds 2,000 million euros with more than 3,600 units approximately.



PRIME YIELD. Specialized area in NPL and REO portfolio valuations of Gloval Group

Within the Gloval Group and oriented in a specialized way to the NPL and REO valuation and consultancy, there is Prime Yield company, present in Europe and Latin America.

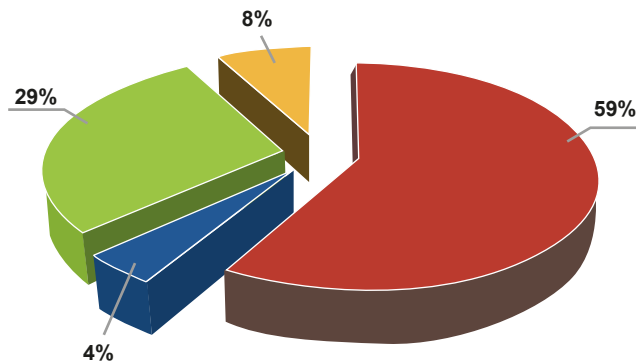
It features its own proprietary AVMs & Analytics valuation tool; an advanced technology solution that enables investors and/or sellers of NPL portfolios to have fast, simple and reliable valuation results, both for single assets and complete portfolios.

In spite of the short time in Spain, thanks to our effort, continuous work, and our attitude of listening and satisfying our clients, we are convinced and excited that the magnitude of our

valuation tool in the Spanish market will be remarkable throughout this year and the following ones.

The main NPL and REO markets are Portugal, Spain, Greece, Brazil, Italy... where actions have been developed for portfolios as Pumas, Mars, Nata II, Sertorius, Neptune, Brick and Atlas III, Pillar, Smart, Neptune, Icon I, Icon II; Hedgehog.

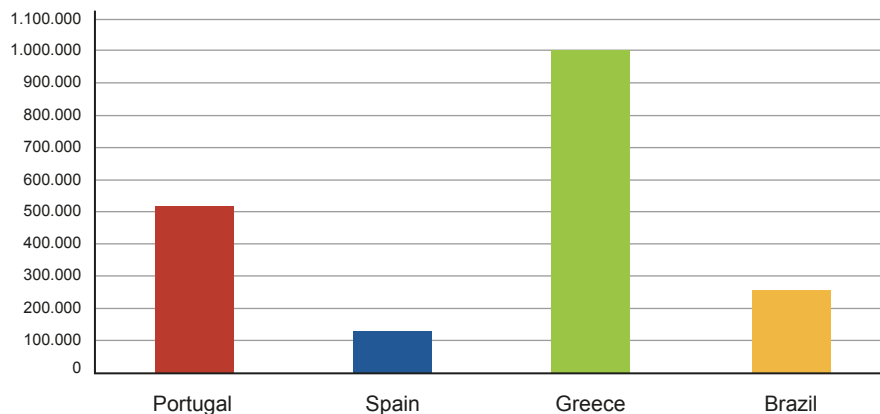
Chart 8:
Country quota. Valuations of NPL's. 2019.



Source: Prime Yield. (Grupo GLOVAL)

■ Portugal ■ Spain ■ Greece ■ Brazil

Chart 9:
Market value. Amount (th. €). 2019.



Fuente: Prime Yield. (Grupo GLOVAL)

