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# ACCIONA INMOBILIARIA

## Third year of rising investment in property

The decline in interest rates, growth in employment and higher disposable household income are boosting demand and driving a recovery in sales.

The Spanish economy ended 2015 with strong GDP growth. Very strong consumer spending and business investment drove GDP up 3.2% year-on-year, the fastest growth rate since 2007.

The variables that have the greatest impact on the real estate business performed very well in 2015. Interest rates continued to decline, which continued to reduce the cost of borrowing; employment continued to rise, ending the year with more than 17.3 million workers registered with the Social Security, i.e. 656,000 more than at the end of December 2014; and gross disposable household income increased slightly (1%) on the back of a 3.9% increase in wages.

Home sales grew 11.2% in 2015 to over 354,500 units, the second consecutive year of growth, according to the Association of Property Registrars. The recovery in the economy and, in particular, in employment, together with stable financial conditions and renewed confidence continue to drive demand and favour a recovery in sales. Prices increased by 6.65% during the year.

Investment in Spain increased for the third consecutive year and is already above the 10-year average. Direct investment in real estate exceeded 12.8 billion euros, over 30% more than in 2014. Although the tertiary sector is still the segment where most deals are being done, the total volume of land deals approached 1 billion euros.

In this context, ACCIONA Inmobiliaria ended the year with turnover of 51.4 million euros, of which 34% corresponds to property development and 66% to rentals.

In 2015, the Company spun off its rental property development and management business to a newly-created subsidiary, ACCIONA Real Estate, S.A. The business of developing property for sale continues to be conducted by ACCIONA Inmobiliaria. Approximately one-half of the Group's assets (in terms of GAV) were assigned to each business.

## 1. REAL ESTATE DEVELOPMENT

ACCIONA Inmobiliaria sold 85 homes in 2015: 7% in Spain, 10% in Mexico and 83% in Poland.

A total of 71 homes were delivered: 36% in Spain and 64% in other countries.

### 1a. Real estate development in Spain

In Spain, the Company maintained its discount policy, instituted in 2009, in order to continue disposing of completed housing stock. However, some of the housing stock that had been for sale in previous years was transferred to the rental business, as discussed below in the Property Rentals section.

Land development work focused on zoning the sites with the greatest visibility for immediate development. The Company also tracked cases of zoning and land planning from prior years that are before the courts.

### 1b. International real estate development

The company was particularly active in the residential property business in Mexico and Poland.

ACCIONA Inmobiliaria continued to strengthen its footprint in Mexico through subsidiary Inmobiliaria Parque Reforma. Parque Reforma Santa Fe, in which Inmobiliaria Parque Reforma has a 70% stake, delivered practically all of phase 2-B

of the Parque Reforma luxury apartment development in Cumbres de Santa Fe, Mexico City, consisting of 64 homes. Parque Reforma Santa Fe continued to commercialise phase 2-C, having sold 57 of the 60 homes in this phase by year-end. Phase 2-C is scheduled for delivery in 2016.

Inmobiliaria Parque Reforma develops and has a 10% stake in the Maranta project in Vistahermosa, Mexico City. This development consists of approximately 220 homes of which the first 70 are under construction and 71% pre-sold. Delivery of this first phase is scheduled to begin early in 2017.

The market in Mexico continues to trend slowly towards apartment blocks, which favours sales in the mid- and high-end residential segments, where amenities and security play an important role. This trend, and a good sales performance, make Mexico a favourable market for continuing our growth strategy.

In Poland, commercialisation and construction of the Atmosfera project, in Wilanow, Warsaw, comprising 100 homes and 13 commercial premises, continued in 2015. At year-end, 71 homes and 9 premises had been sold after just 12 months of commercialisation. This project is expected to be delivered in 2016.

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In December, ACCIONA Nieruchomosci Wilanow, a subsidiary of ACCIONA Inmobiliaria, sold a 6,613 m<sup>2</sup> plot of land in the Wilanow area.

ACCIONA Inmobiliaria retains exposure to Brazil through residential land in Penedo (Rio de Janeiro state) and Guarujá (São Paulo state).

### 2. PROPERTY RENTALS

Real estate rentals provided 33.8 million euros in turnover in 2015.

As regards **home rentals**, ACCIONA Inmobiliaria has a portfolio of 1,382 homes and achieved a 94.1% occupancy rate at year-end. In addition to the 849 homes owned by Compañía Urbanizadora del Coto, S.L., a company owned 97.47% by ACCIONA Inmobiliaria, an additional 366 homes in a number of developments began to be operated under lease as a result of the spin-off.

The Company ended the year with 61,975 m<sup>2</sup> of office space, mainly in the cities of Madrid, Barcelona, Sabadell and Zaragoza, with an average occupancy rate of 69%.

ACCIONA Inmobiliaria continued to operate **student residences** under its CAMPUS brand, with close to 1,200 beds in Albacete, Murcia, Lleida, Castellón and Cádiz, ending the year with an average occupancy rate of 51%. In the **hotel sector**, Sol Meliá Group continued to manage Hotel Condal Mar in Barcelona under its TRYP brand.

The Company retained ownership and management of Hotel Club Marítimo, in Sotogrande, a 41-room boutique hotel that is among the *Small Luxury Hotels of the World*.

The five-star Hotel Estrella del Mar in Marbella continued to strengthen its market position. Its 4,000 m<sup>2</sup> beach club with spa, tropical gardens, gym and restaurant with views of the sea make it a leading vacation hotel.

### 3. ADVANCING IN SUSTAINABILITY, R&D AND INNOVATION

ACCIONA Inmobiliaria remains committed to sustainability, and is aware of its sizeable impact on the surroundings. With a view to preserving and harnessing resources, the Company applies basic guidelines to all of its day-to-day processes.

In the international arena, ACCIONA Inmobiliaria delivered the Cumbres de Santa Fe II B development in Parque Reforma (Mexico City), with a certificate of 'Efficient' (the second-highest of the three existing categories) under Mexico City's Sustainable Certification and Environmental Efficiency Programme, the goal of which is to preserve natural resources and improve living standards.

New homes in the same development are being built with a view to obtaining the highest level of certification ("Excellent") under that same programme.

### ACCIONA Inmobiliaria at market prices (million euros)

Appraisals of the gross asset value (GAV) of real estate assets, developments, investment properties and fixed assets by several independent appraisers totalled 1.271 billion euros (2015 prices), broken down as follows:

Inventories	536
Investment property	708
Fixed assets	27
<b>Total</b>	<b>1,271</b>

Cumulative capital gains before taxes on those assets amounted to 76 million euros at year-end.