INVESTMENT ANALYSIS

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ZURICH VALDEBEBAS PROJECT

Build-to-Rent Opportunity in Protected Housing

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Mehodology

- 157 external key parameters compared with real market data from Madrid and Valdebebas, inflation forecasts, area growth, and revaluation potential.

- Proprietary remodeling: 26 financial model sensitivity scenarios executed.

The project presents solid fundamentals in the Build-to-Rent sector, especially in the protected housing segment, but requires validation of some critical aspects before final investment.

1. Executive Summary

Operational Conclusion: VIABLE PROJECT

Verified Strengths:

2Bedroom and 3Bedroom rental income aligned with Live Plan; target dividend 5.70% within Spain BTR range.

Estimated occupancy 97.5% consistent with VPPL; conservative financial structure (LTV 40-50%) that can be further stressed.

Favorable regulatory framework (Law 3/2024) and capital gains potential post-liberalization.

Aspects to validate/monitor:

Exit hypothesis at €9,000/m² (cumulative revaluation ~58% vs. current €5,600-5,700/m²).

1Bedroom rental (+34% vs. Live Plan 2024-25) pending validation with VPPL module expected for 2027.

Construction cost in high band (€1,970/m²) due to quality/amenities, BedroomEEAM and parking. Potential optimization.

Verdict:

- Proceed with critical validations and exit scenario modeling (€6,500-9,000/m²).
- The project maintains attractiveness even in conservative scenarios (IRR ~7-8% at €6,500/m²).

2. Key Parameters and Market Comparison

Parameter	Project	Market/Reference	Comment
Global score (parameters in range/reasonable)	73%	-	Aggregate result of 15 parameters
Land price (€/m² buildable)	936	Valdebebas transactions ~600-920	In high band of recent references
1Bedroom rental (€/month)	1,035	Live Plan 2024-25: 768-776	+34% deviation vs. Live Plan; requires VPPL 2027 module validation
2Bedroom rental (€/month)	1,249	Current Live Plan ~1,204	In line with reference

3Bedroom rental (€/month)	1,394	Current Live Plan ~1,401	Practically identical
Dividend yield	5.70%	Spain BTR 5.5-7.3%	Within range
Operational occupancy	97.5%	VPPL market >97%	Realistic
Financing (LTV)	40-50%	Protected market 60-70%	Conservative structure
Construction cost (€/m²)	1,970	Madrid medium-high quality 1,500-1,800	At high end; amenities/BedroomEEAM/parking and contingencies explain it
Underground parking area	16,843 m²	-	Impacts CAPEX
Sale impact year 15 (€/m²)	9,000	Madrid 2025 price: 5,600-5,700	Requires cumulative revaluation ~58%
IRR Strategy 1 (2+15 years)	12.1%	Typical BTR 4-7%	Superior due to VPPL + exit capital gains
IRR Strategy 2	Phase I 15.8% / Phase II 11.1%	-	Partial liquidity in ~3 years (Phase I)
Gross yield	6.17%	BTR average ~6.17%	Competitive
Regulatory framework	Law 3/2024 CAM	-	Allows conversion from commercial to affordable residential

3. Critical Risks and Mitigation Levers

3.1 Future sale price (€9,000/m²). Medium risk.

With 2% annual inflation, theoretical revaluation in 15 years would be ~35%, leaving ~17 additional pp as necessary real revaluation. It is true that Valdebebas has revalued well above inflation in the last 5 years. The base IRR (12.1%) largely depends on this hypothesis.

3.2 1-Bedroom rental (€1,035/month). Medium risk.

Versus Live Plan 2024-25 (€768-776/month). Even applying 2% annually for 2 years (~€808/month estimated in 2027), a relevant difference would persist to be justified through official VPPL module updates, quality/location and market tension.

3.3 Construction cost (€1,970/m²). Medium risk.

In Madrid's high band (€1,200-1,800/m² for medium-high quality). The cost overrun can be explained by amenities (pool, gym, paddle tennis, coworking), BedroomEEAM certification, underground parking (16,843 m²) and contingencies (5%). A 10% CAPEX reduction would improve IRR by ~+1.5-2.0 pp.

4. Exit Scenarios (Sale by €/m²) and IRR

Sale price (€/m²)	Estimated IRR	Reading
9,000	12.1%	Optimistic (base scenario)
7,500	9-10%	Probable and still attractive
6,500	7-8%	Conservative but viable
5,700	4-5%	Pessimistic, marginal

Note: where IRR ranges are indicated, the analysis uses the midpoint strictly for illustrative purposes.

5. Investment Strategies and Summary Metrics

Strategy 1 (2+15 years): IRR 12.1%; dividend 5.70%; exit hypothesis €9,000/m².

Strategy 2 (by phases): Phase I IRR 15.8% with liquidity window ~3 years; Phase II IRR 11.1%; dividend 4.57% (Phase II).

BTR sector context:

Typical BTR Spain profitability 4-7% (IRR), with possible premiums in VPPL schemes and exit capital gains.

Growth in investment and BTR stock at national level (structural trend toward rental).

6. High Priority Validation Recommendations

High priority

- Validate VPPL modules projected for 2027 with the Community of Madrid (1Bedroom focus).
- Model exit scenarios €6,500-9,000/m^2 and quantify impact on IRR and cash distribution.
- Request multiple construction bids to contrast €1,970/m^2; potential 10% savings.

Medium priority

- Complete regulatory due diligence (Law 3/2024, use change viability).
- Validation of comparables in free market (3Bedroom at €2,628/month as possible outlier).
- Macro review (sustainability of cumulative revaluation ~58% at 15 years).

Low priority

- Assess phased strategy for risk-return and early liquidity optimization.

7. Conclusion and Disclaimers

Verdict: VIABLE PROJECT - proceed with validations

The proposal combines VPPL rental flows and exit capital gains; success depends on the final price hypothesis.

Even with conservative exit price (€6,500/m^2), the IRR (~7-8%) would be competitive versus alternatives.

Methodological disclaimer

This objective report is based exclusively on the two documents provided by the client. No external verifications or additional market contrasting have been performed in this version. All figures, assumptions and conclusions may vary after the proposed due diligence.