

NPL&REO in Spain 2024

SPRING UPDATE

A new cycle in the European non-performing loan (NPL) market and a reactivation of transaction activity seem to be underway. Spain is no exception, but under very different conditions from those of the last decade.

Economy

Spain's economy grew again in 2023, and albeit at a slower pace than the one recorded in 2022, GDP increased for the third consecutive year, following the historic decrease of 11.2% caused by the coronavirus pandemic in 2020.

5.8% (2022) ↓

2.5%

GDP GROWTH 2023
SOURCE: INE

8.3% (2022) ↓

3.4%

INFLATION RATE 2023
(HICP)
SOURCE: EUROSTAT

2.5% (2023) ↓

1.7%

GDP GROWTH 2024
(FORECASTS)
SOURCE: EUROPEAN
COMMISSION

Property Market

Housing sales presented a downward trend in 2023 (as of Q3), but prices continued to grow over the same period. Reflecting the decrease in units sold, new mortgage loans also reduced in 2023. Also to note is that out of the total volume of new loans recorded in 2023, €4.7 billion corresponded to mortgage renegotiations, the largest volume in the last seven years.

543,800 (Q1-Q3 2023) ↓

470,600

DWELLINGS SOLD (Q1-Q3 2023)
SOURCE: MINISTERIO
TRANSPORTES Y MOVILIDAD
SUSTENIBLE (MTMS)

13.0% (Q1-Q3 2022) ↓

-13.5%

Y-O-Y VARIATION IN HOUSING
SALES (Q1-Q3 2023)
SOURCE: MTMS

4.7% (Q3 2022) ↓

4.2%

Y-O-Y HOUSING PRICE
VARIATION (Q3 2023)
SOURCE: MTMS

€1,740/sqm (Q3 2022) ↑

€1,812/sqm

HOUSING AVERAGE SALES
PRICE (Q3 2023)
SOURCE: MTMS

€65.2bn (Q1-Q3 2022) ↓

€56.2bn

NEW MORTGAGES
GRANTED (2023)
SOURCE: BANK OF SPAIN

8.9% (2022) ↓

-13.8%

Y-O-Y VARIATION IN NEW
MORTGAGE VOLUME (2023)
SOURCE: BANK OF SPAIN

NPL Stock and Ratio

Spain's stock of NPLs stood at €77.0 billion as of Q3 2023, down 2.5% from the €79.0 billion recorded 12 months earlier and relatively stable compared with the previous quarter (-0.5% vs. €76.7 billion). Despite the annual decrease, the country continued to hold the second largest share (21%) of Europe's total NPL stock (€362.7 billion), just ahead of

€79.0bn (Q3 2022) ↓

€77.0bn

NPL STOCK
(Q3 2023)
SOURCE: EBA

21.0% (Q3 2022) =

21.0%

SHARE IN EUROPE'S NPL STOCK
(Q3 2023)
SOURCE: EBA

2.7% (Q3 2022) ↓

2.8%

NPL RATIO
(Q3 2023)
SOURCE: EBA

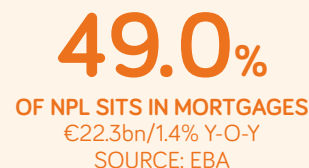
France's €116.8 billion (32%). The behaviour of the Spanish NPL stock over the last three years has been characterised by successive oscillations, with ups and downs over the last 15 quarters, and 2023 was no exception. As a result, the current stock is only €500 million below the level recorded in Q1 2020. Although stabilising for the fourth consecutive quarter at 2.8%, the NPL ratio corrected upwards year-on-year, rising by 0.1 percentage points from 2.7% in Q3 2022. Despite the good performance in recent years, this indicator not only remains above the European average (1.8%), but is also the fourth highest in Europe, tied with Portugal and surpassed only by Poland (4.4%), Greece (4.1%) and Hungary (3.1%).



57.0% (Q3 2022) ↑



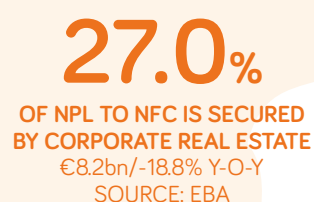
49.0% (Q3 2022) =



43.0% (Q3 2022) ↓



28.0% (Q3 2022) ↓



Potential NPL Deals

Spain follows the headline European trend of an increase in NPL transactions in 2023, recording an acceleration in the pace of both NPL and REO deals and even resumed the launch of jumbo operations, something that wasn't seen for a few years. The main transactions (both completed and ongoing) in the market were Project Nairobi (€500 million, sold by BBVA to Kruk & Cerberus), Project Victoria (€3.0 billion, sold by Sareb to Axactor), Project Spirit (€1.1 billion, sold by Santander to Cerberus), Project Valhala (€1.6 billion, launched by Deutsche Bank) and Project Sunshine (€6.0 billion, launched by Axactor).

Prime Yield's estimates for 2023 point to annual sales of this type of portfolio standing between €15.0 billion and €16.0 billion, confirming strong growth of approximately 40% compared with €11.0 billion in 2022, reflecting the return of the jumbo portfolios to the market, a trend that has become more pronounced since the second half of the year.

Expectations for 2024 are positive, with some €7.0 billion already spotted live on the market so far this year. Nevertheless, forecasts point to a more moderate sales flow compared with 2023, with the 2024 trading expected to reach €12.0 billion. Although some of the largest transactions planned for last year have been brought forward to 2024 (as NPL sales are time-consuming processes), the sales processes for jumbo portfolios are not expected to be as dynamic as in 2023. On the other hand, we are at a turning point in the market, with some of the main buyers active on the past decade investing in portfolio rotation. This phenomenon is not unique to Spain, where a good example of this trend is the new mandate for the sale of the €1.2 billion Marathon's portfolio, activated early this year.

Also, a lot of corporate activity is expected to continue in the coming months, with some servicers changing hands. The sale of Relanza (with more than €16 billion under management) by Bankinter to Cerberus' Gescobro is one of the latest examples, while companies such as Oaktree are also negotiating the sale of their servicer business and part of their managed portfolio.

There is also greater potential for activity in the secondary NPL market, which will be boosted by the transposition of the new European Union directive into Spanish law.



About Prime Yield part of Gloval NPL&REO Services

Established in 2005 and since 2018 a part of Gloval, a leading property services group that provides integrated valuation, engineering and consulting services, Prime Yield delivers valuation, research and advisory/consultancy services and has been focusing on the NPL&REO market, specializing in Europe and Latin America. The company has an NPL&REO specialized business area, supported by Prime AVM&Analytics, an advanced technological solution that allows NPL's investors and sellers to have property valuations in a fast, simple and reliable way both for single assets and entire portfolios. Prime Yield is regulated by RICS and REV-TEGoVA, also holding a certification in Quality and Environmental Management (NP EN ISO 9001 and NP EN ISO 14001).

Visit us at <https://nplreo.prime-yield.com>

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