



EFSI Operation Scoreboard¹

PROJECT PRESENTATION	
<u>Project name</u>	SUSTAINABILITY RETAIL DEVELOPMENT
<u>Promoter or financial intermediary</u>	LAR ESPANA REAL ESTATE SOCIMI SA
<u>Country of implementation</u>	Spain
<u>Summary project description</u>	<p>The Spanish retail property sector suffered a downturn from 2008 with a significant decrease in rents, investment volume and a deterioration in asset conditions and value.</p> <p>In 2009 the Spanish REIT regime (known as Sociedad Anónima Cotizada de Inversión en el Mercado Inmobiliario, or SOCIMI) was established as an opportunity to provide a broader and more diverse investor access to the real estate market and therefore promote its sustainable development. In early 2013, the property sector began to see seeds of a recovery in investment transactions in the retail and office sector.</p> <p>The creation and evolution of the SOCIMI regulation and the recovery were factors in the launching of Lar España Real Estate Socimi SA ("LAR") in 2014. LAR has grown through acquisitions in retail, office, residential and logistics. LAR is now considered one of the largest retail property owners in Spain. As of December 2017, the company owns and manages 643,927 sqm of GLA (gross leasable area) in 16 cities with 850 shops and has circa 53m visitors to its shopping centres. Its GLA is distributed as follows by asset class: 72% retail (16 retail asset and 22 retail units), 10% offices (5 office buildings), 5% residential (1 asset located in Madrid) and 7% logistics (5 parks located in Valencia and Guadalajara).</p> <p>LAR is planning to strengthen and underpin its core business strategy around retail properties in Spain and will selectively acquire new retail assets, focus on modernizing and improving efficiencies in their existing urban retail assets and engage in development where the market supports new third-generation urban development retail Projects.</p> <p>LAR's development programme will be particularly focused on the cohesion region of Andalusia where economic growth and employment creation are of particular relevance. The region presents a weak economic base relying heavily on the public sector and displaying very high unemployment rates (25.4% in</p>

¹ This Scoreboard of indicators reflects the information presented to the EFSI Investment Committee (IC) for its decision on the use of the EU guarantee for this operation. Therefore, the document does not take into account possible developments that could have occurred after this decision. Parts of this document that fall under the exceptions for disclosure defined by the EIB Group Transparency Policy, notably under the articles 5.5 (protection of commercial interests) and 5.6 (protection of the Bank's internal decision-making process), have been replaced by the symbol [...].

	<p>2017). The 2017 regional GDP per capita of Andalusia was the second lowest of Spain at EUR 18,470.</p> <p>The proposed Project concerns the development of a new third-generation urban shopping centre (Palmas Altas) that will underpin the social fabric of Seville's fastest growing planning-led area adjacent to the Seville Port. The Project is expected to achieve the highest environmental standards with elements of renewable energy and will have an international sustainability rating.</p>
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PROJECT PILLAR ASSESSMENT

Pillar 1

Contribution to EU policy	High
Cross-cutting objectives	
EIB Cohesion Priority Regions / Economic and Social Cohesion	100.00%
EFSI	
Contribution to EFSI	100.00%
EFSI: Environment and resource efficiency	100.00%
Sustainable urban and rural development	100.00%

Pillar 2

Quality and soundness of the project	Excellent
1. Growth	[...]
2. Promoter capabilities	[...]
3. Sustainability	[...]
4. Employment	[...]

This pillar evaluates the quality and soundness of the operation. This pillar is composed of four indicators which include:

- (i) "Growth" i.e. for example and where relevant the economic rate of return ("ERR"), which considers the project's socioeconomic costs and benefits, including its spillover effects;*
- (ii) "Promoter capabilities" i.e. the capacity of the promoter/intermediary to implement the project and create the expected impact at the [final] beneficiary level;*
- (iii) "Sustainability" i.e. environmental and social sustainability²;*
- (iv) "Employment" i.e. the project's direct employment effect.*

Pillar 3

EIB Technical and financial contribution to the project	Moderate
1. Financial contribution	[...]
2. Financial facilitation	[...]
3. Advice	[...]

This pillar measures the EIB's particular contribution to the project and its financing scheme in the form of financial and non-financial benefits which go beyond what commercial players would normally be able to offer. This dimension of value added is assessed through three indicators:

- (i) "Financial Contribution" i.e. improving the counterpart's funding terms compared to market sources of finance (interest rate reduction and/or longer lending tenor),*
- (ii) "Financial Facilitation" i.e. helping to attract private financiers (for example through positive signaling effects), promoting synergies in co-financing with other public sources of funds including National Promotional Banks or EU financial instruments,*
- (iii) "Technical Contribution and Advice" i.e. providing advice with a view to optimizing the financing package (financial structuring), or technical advisory services in the form of expert input / knowledge transfer – provided in-house by the EIB or in the form of assignments to external consultants – to facilitate the preparation or implementation of a project.*

² For additional information on the EIB's assessment of the project's environmental and social aspects, please refer to the project's Environmental and Social Data Sheet (ESDS) published on the EIB website.

Pillar 4 – Complementary indicators

Additionality

The objective of the company is to invest in the Spanish real estate market with a focus on the retail sector, in coherence with the local urban planning strategies and with a focus on the regeneration of brownfield sites. This operation will contribute to the EFSI objective of an integrated sustainable urban development, promoting the economic development and job creation in the urban area targeted by the project (Seville). The investments will take place in a cohesion region of Spain, contributing to growth and jobs in that region.

This operation is addressing the current sub-optimal investment situation in the form of a lack of long term unsecured financing offerings. The Spanish real estate market still faces difficulties in mobilising sufficient financing in order to achieve the necessary expansion and upgrade of real estate. Since 2009 financial crisis, there has been a supply/demand imbalance in the European debt markets, as the deleveraging trend on the supply side no longer satisfied the sustained demand for debt. Access to external financing is a mandatory condition for the completion of any major investment.

The operation falls under the Special Activity category, in particular taking into account that the envisaged EIB financing under EFSI will be an unsecured loan which will present a longer tenor than other lender creating a further structural subordination. Due to the expected riskiness of the operation, the loan could not have been provided to the same extent by the EIB without EFSI support.

The EIB will be providing long-term financing with an unsecured structure, otherwise not available on the market. This shall help crowding-in private sector financing. EIB financing is expected to increase the commercial lenders confidence in the operation and confirm their own engagement in the financing of the company's growth plans.

The operation will be the first for the EIB with the promoter and will allow the EIB to provide support to Spanish sustainable and planning-led urban development while promoting economic growth and job creation/retention. In addition, the investments will include implementation of climate mitigation and adaptation actions and will also promote new building standards for the construction of shopping centres, and the adoption of sustainable building certification standards in retail buildings (BREEAM). Those investments will therefore contribute to a healthier and more sustainable urban life.

Set of indicators related to the macroeconomic environment

Spain - Economic environment				
Economic Performance				
	ES	EU	US	ES
	2016	2016	2016	2001-2007
GDP per capita (EUR, PPS)	26,818	29,440	42,615	28,562
GDP growth (%)	3.2	1.9	1.6	3.0
Potential GDP growth (%)	0.39	1.3	2.1	3.0
Output gap (% of potential GDP)	-1.8	-0.75	-0.03	2.9
Unemployment Rate (%)	18.4	8.2	4.7	10.0
Unemployment Rate (%) - Y/Y change (% points)	-2.3	-0.8	-0.3	-0.33
Bank-interest rates to non-financial corporations (%)	1.6	1.4	1.8	3.8
Bank-interest rates to non-financial corporations (%) - Y/Y change (% points)	-0.41	-0.21	-1.4	-0.05
Investment rate (GFCF as % of GDP) - Total	19.9	19.7	19.6	28.7
Investment rate (GFCF as % of GDP) - Public	1.9	2.7	3.4	4.1
Investment rate (GFCF as % of GDP) - Private	18.0	17.0	16.2	24.6

General Sector Indicators					
	2013	2014	2015	2016	EU (latest available)
Value added in Construction (% of total)	--	--	--	--	5.9
Employment in Construction (% of total)	--	--	--	--	8.0

Urban development					
	2013	2014	2015	2016	EU (latest available)
Urban population as % of total population	79.1	79.4	79.6	--	--
Urban population exposure to air pollution by particulate matter (Micrograms per cubic metre)	19.5	20.7	--	--	22.5
Unemployment rate - Cities (%)	24.3	22.9	20.7	18.7	9.1
Unemployment rate - Towns and suburbs (%)	27.4	25.3	22.8	20.1	8.3
Unemployment rate - Rural areas (%)	28.8	27.2	24.5	21.5	8.4
At risk poverty rate - Cities (%)	16.6	19.0	19.0	20.1	16.4
At risk poverty rate - Towns and suburbs (%)	20.1	22.9	22.9	20.8	15.8
At risk poverty rate - Rural areas (%)	27.6	27.9	27.6	28.1	20.2
Severe housing deprivation rate - Cities (%)	1.8	1.7	1.7	1.7	5.0
Severe housing deprivation rate - Towns and suburbs (%)	1.6	1.5	1.8	2.1	3.9
Severe housing deprivation rate - Rural areas (%)	1.8	1.9	0.9	1.2	6.6
Households level of internet access - Cities (%)	74.0	78.0	83.0	85.0	88.0
Households level of internet access - Towns and suburbs (%)	71.0	75.0	79.0	83.0	86.0
Households level of internet access - Rural areas (%)	61.0	66.0	71.0	76.0	80.0

- Country average for "GDP per capita (EUR, PPS)" is calculated in real terms
- EU value for "Bank-interest rates to non-financial corporations" corresponds to Euro Area average; Country average is the simple average between 2003 and 2007
- The EU value is displayed as the value in the year that corresponds to the latest value of the indicator in a particular country

Other indicators³

Key project characteristics

	Expected at PCR
Start of works	01.08.2017
End of works	31.12.2019
Project investment cost	170.70 MEUR
EIB/EFSI eligible investment mobilised	130.57 MEUR
External EFSI multiplier	1.87
External EIB (non-EFSI) multiplier	
Amount of private financing	100.70 MEUR
Quick start (% of expenditure during 2015-2018)	
Co-financing with national promotional banks	0.00 MEUR
Co-financing with structural funds (ESIF)	0.00 MEUR
Co-financing with other EU instruments (i.e. Horizon 2020, Connecting Europe Facility, etc)	
Energy efficiencies realised	0.00 MWh/a
Climate Action indicator	
Employment during construction - temporary jobs	1,431 person years
Employment during operation - new permanent jobs	1,500 FTE

³ For additional information on the EIB's assessment of the project's environmental and social aspects, please refer to the project's Environmental and Social Data Sheet (ESDS) published on the EIB website. The abbreviation PCR stands for Project Completion Report.