

**INVESTMENT ANALYSIS AND RATING  
ASSIGNMENT OF THE GRAN CANARIA  
PROJECT**

SILVA & ASOCIADOS, ASESORES FINANCIEROS, S.A.  
June 30, 2020

### DOCUMENT'S OBJECTIVE

Investment analysis and rating assignment of a Project for the construction of a 20 apartments, published in Housers website under the name of GRAN CANARIA.

### NATURE AND SCOPE OF OUR SERVICES

Project investment analysis based on the information provided on the main business plan's parameters, the market situation and the risk rating assignment through a standardized system (scoring) aimed at taking an investment decision.

Our work has been based on unaudited information provided by HOUSERS who receives the information from the Project developer. We want to underline that we didn't make any verification on our own, neither Audit, nor review, nor evaluation of the accounting, fiscal, legal, labour and environmental situation of the development loan Project object of this analysis. We assumed that the information we received was exhaustive and precise. Therefore, the possible risks that could occur, have not been taking into consideration in the analysis we made.

To carry out our work we have used information obtained by public sources and we assumed that it is fair and true, although we cannot guarantee the non-existence of any errors.

The information contained in the business plan fully belongs to the Project developer, although, for the purpose of our work, we have globally contrasted its coherence. We also want to point out that the Business Plan shouldn't be used in order to make an opinion about the whole Project, therefore, we avoid any responsibilities of any possible errors that could have an impact on the results of our work.

### AUTONOMY

Silva & Asociados notes that the information contained in this document is independent and should not be used as a recommendation for those that want to invest.

This investment analysis has been made exclusively to provide Housers and its users with an independent opinion on the project which is the only purpose of our work and, therefore, another use of this document is not permitted without our prior consent.

### CONFIDENTIALITY

Silva & Asociados authorizes the publication of this investment analysis on Housers' website [www.housers.com](http://www.housers.com).

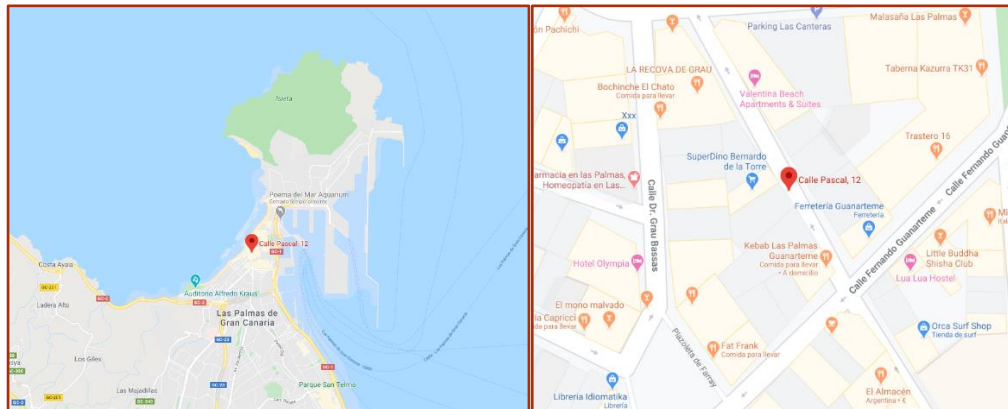
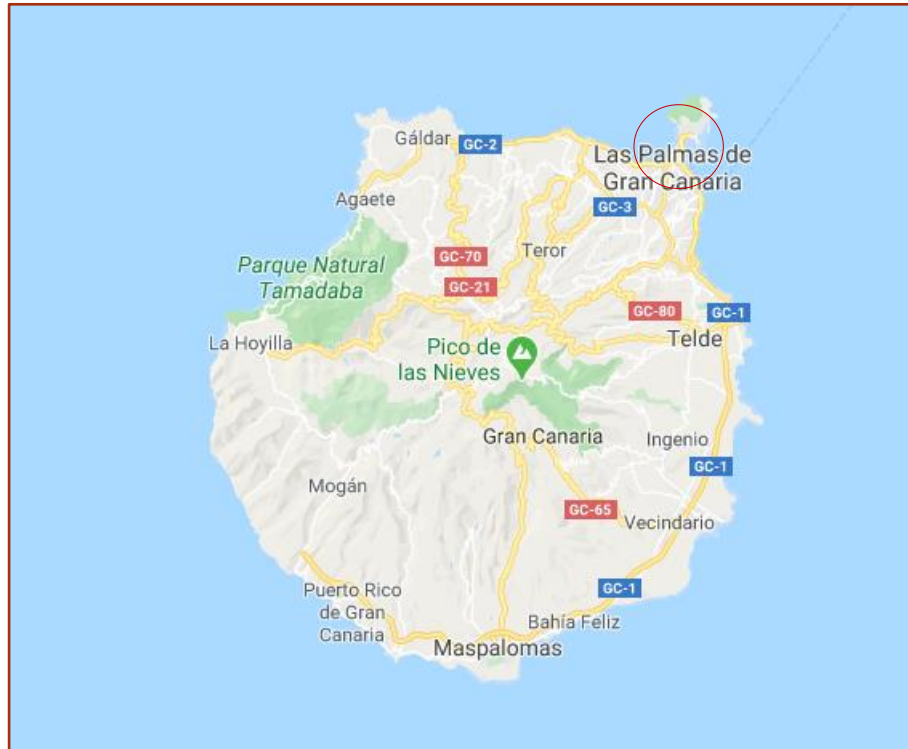
### DESCRIPTION OF THE PROJECT

The investment project has the following main characteristics:

- The project under investment is located on the island of Gran Canaria, in the archipelago of the Canary Islands.
- Financing for the construction of a 20-apartment building.
- For the purposes of calculations in this report, the most conservative hypothesis (18 months duration) has been taken, while the Promoter's business plan includes an alternative to 12 months.
- The total need for project financing amounts to € 600,000.

# INVESTMENT ANALYSIS AND RATING ASSIGNMENT

## LOCATION



Source: Google Maps

## AREA & SORROUNDINGS

The project object of the investment is located in Las Palmas de Gran Canaria, capital of the island of Gran Canaria, second most populated island in the Canary Islands, although the one with the highest population density and capital of the eastern province and the Autonomous Community of the Canary Islands. The island is one of the most important tourist destinations in Spain, receiving more than 3 millions of tourists every year. In total, the Canary Islands receive about 12 million tourists a year.

The city of Las Palmas forms, together with other neighboring population centers, a metropolitan area of almost 700 thousand inhabitants, the largest in the Canary Islands. As for the whole of the Canary Islands Autonomous Community, it has a population of more than two million inhabitants.

## BUSINESS PLAN

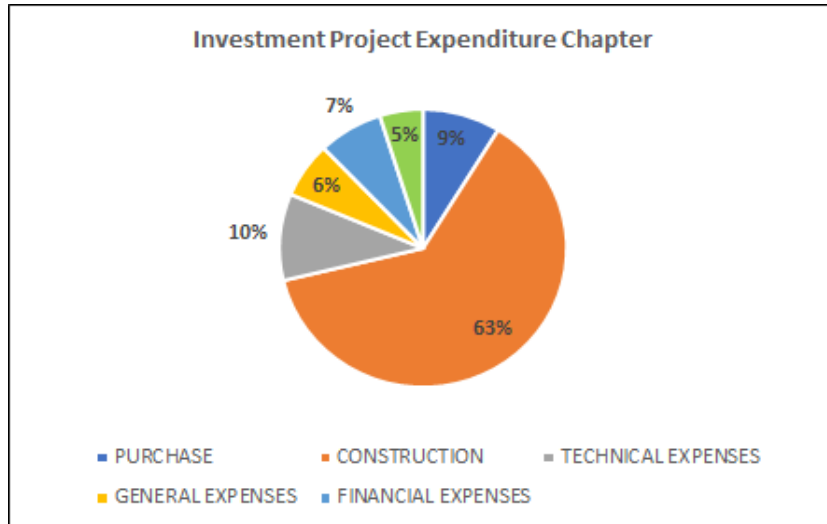
The summary of the business plan of the Project is as following:

€	2019	2020	2021	TOTAL
Income	0	0	2,284,665	2,284,665
Change in Inventories	92,215	853,225	-945,44	0
Procurements	-92,215	-853,225	-832,643	-1,778,083
Selling Cost	0	0	-1,778,083	-1,778,083
Gross Margin	0	0	506,582	506,582
Other operating expenses	0	-6,463	-144,598	-151,061
EBITDA	0	-6,463	361,984	355,521
EBIT	0	-6,463	361,984	355,521
Financial Result	0	-68,000	-72,015	-140,015
EBT	0	-74,463	289,969	215,506
Corporation Tax	0	0	-88,119	-88,119
EAT	0	-74,463	201,850	127,387

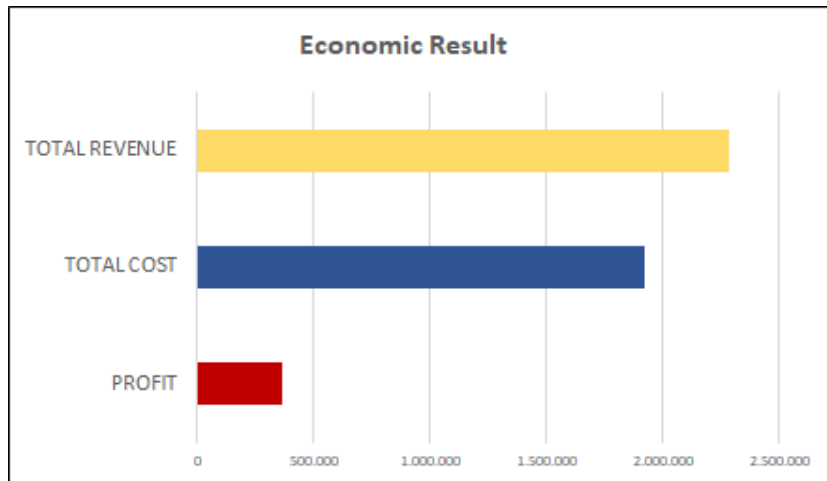
Source: Project Developer

## INVESTMENT ANALYSIS AND RATING ASSIGNMENT

A summary of the main expense chapters of the Project's investment and its economic profitability is as follows:



Source: Project Developer



Source: Project Developer

### BENCHMARKING

Market Witnesses Area			
Real Estate Selling Price			
Adress	Municipality	m <sup>2</sup>	€/m <sup>2</sup>
Guanarteme	Las Palmas	58	3,190
Secretario Padilla 59	Las Palmas	44	3,591
Guanarteme	Las Palmas	52	3,604
El Salvador, 44	Las Palmas	56	3,413
Guanarteme	Las Palmas	37	2,955
Portugal, 75	Las Palmas	49	3,796
<b>Average</b>			<b>3,425</b>

Source: Idealista.com (Tercero B), Benchmarking of the main Real Estate companies (Century 21 Arenas, Remax, HZ Inmobiliarias, Canarias Paradise Real Estate, Best House in the Sun).

The summary of the sale price has been prepared from an analysis of comparable product in the area of location of the project, prepared by reference real estate that place the average at 3,425 €/m<sup>2</sup>.

The cost of construction in the area has an average of 850 €/m<sup>2</sup>.

### PROJECT PROFITABILITY

	2019	2020	2021
<b>Cash Flow</b>	-40,749	-760,172	928,308
	<b>Cash Flow</b>	<b>ROI</b>	
<b>IRR</b>	9.15%	19.11%	

Source: Own elaboration.

The profitability of the project stands at 9.15% of the capital invested and the Return on Investment (ROI) at 19.11%.

**Loan to value:** represents the indebtedness of an asset in relation to its real value and measures the percentage of debt over the real value of the asset.

**Loan to cost:** total cost of the project that is financed with debt and measures the degree of financial leverage of an investment project.

The Housers' loan represents the **26.26%** of the total value and **31.28%** of the total cost.

Project total loan represents **78.79%** of the total value and **93.84%** of the cost.

## INVESTMENT ANALYSIS AND RATING ASSIGNMENT



Source: Own elaboration

### PROJECT DEVELOPER

Cordero y Prieto, S.L., with VAT number B49272065, is a Spanish company whose main corporate purpose is the acquisition of property or use, and its exploitation by leasing, sale of all kinds of real estate, its administration and possession, as well as advice on such operations in addition to promoting management and execution of all kinds of real estate businesses.

The developers have experience and have successfully developed a significant number of real estate projects.

### PROJECT'S RATING (SCORING)

The scoring's purpose is to qualify the project by evaluating the experience of the developer, the guarantees provided, as well as the profitability of the project.

The assignment considers 3 levels of investment quality:

- Investment with optimal and high quality: AAA (optimal) - AA and A (High)
- Investment with Good quality (BBB) and satisfactory (BB and B)
- Investment with low quality (CCC) and questionable (CC and C)

Score	Quality
AAA	Optimal
AA	High +
A	High
BBB	Good
BB	Satisfactory +
B	Satisfactory
CCC	Minimal
CC	Questionable
C	Questionable -

### DEVELOPER'S RATING

According to the result of our analysis about the Promoter we have assigned an **BB scoring** based on the following evaluated parameters:

## INVESTMENT ANALYSIS AND RATING ASSIGNMENT

PROMOTER	C	CC	CCC	B	BB	BBB	A	AA	AAA
Developer's Experience									
# Projects									
Track record									
Liquidity Ratios									
Debt Ratios									
Asset Management Key Figures									
Deadline Key Figures									
Profitability Ratios									

BB

Source: Own elaboration

### PROJECT'S RATING

According to the analysis carried out, we have assigned an **BBB scoring** to the investment project based on the result of the weighting obtained on the following evaluated parameters:

PROJECT	C	CC	CCC	B	BB	BBB	A	AA	AAA
IRR									
ROI									
License									
Area of influence construction									
Selling Price €/m2									
Construction €/m2									
City (Population)									
Special Locations									
% formalized sales									
Loan to Value (Housers Loan)									
Loan to Cost (Housers Loan)									
Land Ownership									

BBB

Source: Own elaboration

### GLOBAL EVALUATION

The overall rating of the investment project is determined by assigning a weight of **40%** to the Project Developer and the remaining **60%** to the project's scoring, which have been indicated from BB to BBB, respectively and, therefore, **we have assigned to GRAN CANARIA project an overall BBB scoring**, which indicates a **GOOD** rating.

### FINAL SCORING

BBB

Silva & Asociados, Asesores Financieros, S.A.

June 30, 2020



Juan José Silva Navarrete  
Managing Partner

