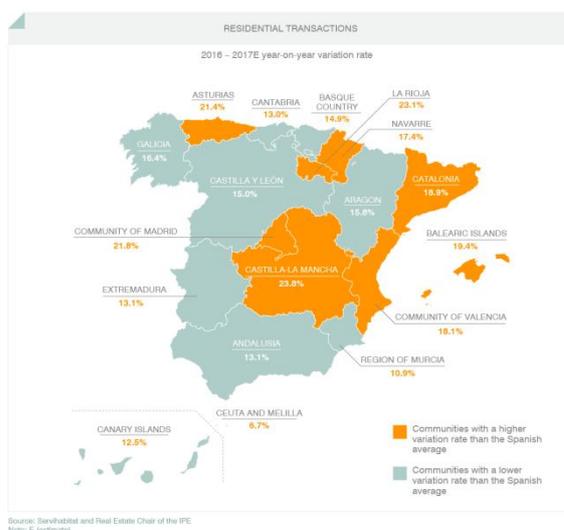


## REPORT ON THE RESIDENTIAL MARKET IN SPAIN – SERVIHABITAT TRENDS

### Housing transactions in Spain will grow by more than 18% in 2018 for a total of more than 550,000 operations

- *Key market indicators point towards the consolidation of the industry's recovery.*
- *Housing starts, homes completed and approved projects will increase by close to 20% next year.*
- *New construction stock closes the year at slightly more than 290,300 homes, a 26.3% reduction.*
- *Home prices will increase by 4.5% this year and by an additional 4.7% in 2018.*

**Barcelona, December 13, 2017.-** The Spanish housing market has shown clear signs of recovery in 2017 and additional growth is expected for 2018, as documented in the fifth report on the “Residential market in Spain” prepared by Servihabitat Trends, the Servihabitat industry research and analysis platform. According to Julián Cabanillas, CEO of Servihabitat: “Next year will clearly be marked by real estate consolidation and the market will find firm footing in most regions, as noted by the various indicator forecasts”. Despite this, we should continue analysing the separate micro-markets in order to take the pulse of the market as a whole in accordance with how each region evolves”.



#### Transactions to rise by almost 17% this year and more than 18% in 2018

Servihabitat Trends believes that in 2017, housing transactions will increase by 16.9% over the previous year, surpassing 472,000 transactions, and by a further 18.3% next year for close to 560,000 units sold.

Some of the factors that help drive demand, and consequently the rise of this indicator, are: higher solvent demand, policies that encourage more mortgages being granted by financial institutions, greater interest from investors (19% of holiday homes are purchased by investors), and progress in new residential developments.

By region, Andalusia, Catalonia, and the Community of Madrid are expected to have the most transactions this year and next, although Castilla-La Mancha (23.8%) and La Rioja (23.1%) have shown the most growth in terms of transactions in 2017 compared with 2016.

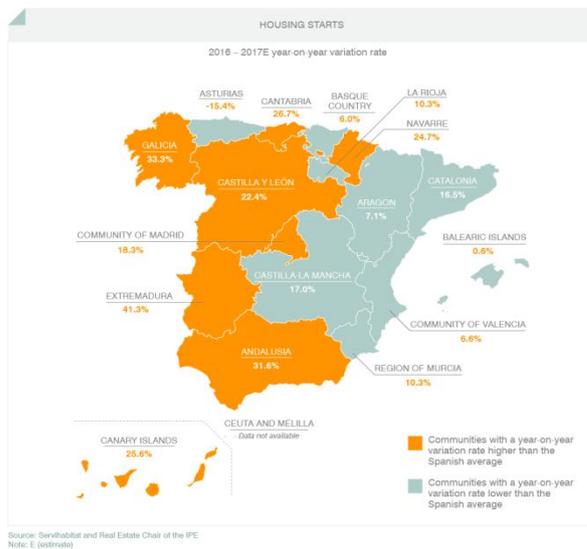
As far as the type of property, new homes have lost some ground compared with existing homes, which remain at about 75% of all transactions according to the Servihabitat Network of partner agents (APIs). The price of 70% of properties is below €150,000 and 34.6% of transactions are for homes with 60 to 90 sqm of floor space. The primary residence type with the strongest demand has three bedrooms (flats and terraced single-family homes) or four bedrooms (detached single-family homes) bedrooms. In the case of holiday homes, demand focuses on two bedrooms (flats) or three bedrooms (terraced and detached single-family homes).

If we focus on the average time needed to sell a property in Spain, primary residences take less than seven months and holiday homes have shortened to eight months.

It is worth noting that more than half of primary residence buyers in Spain are between the age of 36 and 45 years, and 30.9% of holiday home buyers are between 46 and 55 years of age.

**Housing starts will increase by more than 20% in 2018, along with homes completed and approved projects, which will rise by slightly less**

This year is expected to end with more than 76,800 housing starts, an indicator that will increase by another 22% in 2018, when the year should end with more than 93,600 housing starts. In terms of approved projects, 2017 is expected to close with almost 117,800 projects, or 27.8% more than in 2016. This number should jump by 18.8% in 2018 for a total of nearly 140,000 units. The homes completed category is also expected to increase by 27% this year and nearly 20% in 2018, when 61,300 units completed should be surpassed.



The Community of Madrid, Andalusia, and Catalonia are the regions with the most housing starts as well as homes completed this year and next, with Cantabria, La Rioja, and Asturias at the other end of the spectrum. However, in 2018, the regions that will grow the most in terms of housing starts are the Canary Islands, Andalusia, and the Basque Country, and in terms of homes completed are La Rioja, the Balearic Islands, and the Community of Valencia.

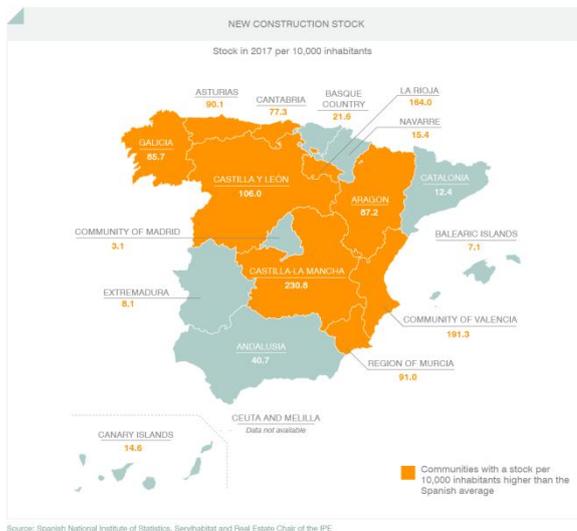
The following trends stand out in this area of real estate development: cities with more than 150,000 - 200,000 residents and their metropolitan areas, particularly

Madrid and Barcelona, have the most activity along with Costa del Sol, the two archipelagos, and certain municipalities along the coast of Alicante and Catalonia; traditional private developers and large investors are driving development activity; the housing stock in regions with higher levels continues to be absorbed slowly, with the resulting effect that there is almost no development activity in these areas.

As explained by Juan Carlos Álvarez, General Director of the Real Estate Business at Servihabitat: “The new construction market shows positive signs for the future, as noted by the approved projects indicator, which has risen considerably this year and will translate into significantly more housing starts for 2018. It is also important to take into consideration that large cities and their surrounding areas currently have technical stock levels”.

**New construction stock has fallen by 26% this year and absorption will surpass 16% in 2018**

New construction stock continues its downward trend, falling by 26.3% in 2017 (compared with the previous year) for more than 290,300 homes at the close of the year. New construction stock will be absorbed by a further 16.3% in 2018, reducing the total to 243,000 homes.

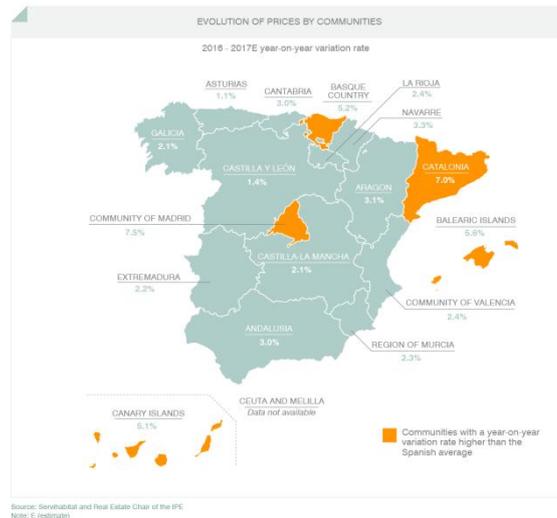


It can already be said that there is technical stock in the Balearic Islands, Madrid, large parts of Catalonia and the main cities in the province.

In Spain there are 62.4 homes per 10,000 inhabitants of new construction stock. This figure is significantly higher in Castilla-La Mancha, the Community of Valencia, and La Rioja, although Castilla y León, the Region of Murcia, Asturias, Aragon, Galicia, and Cantabria also surpass this national average. On the other hand, the Community of Madrid, the Balearic Islands, Extremadura, and Catalonia have the lowest numbers.

**Home prices will increase by 4.7% in 2018**

If this year home prices in Spain will rise by an average of 4.5%, they are expected to increase by another 4.7% next year. The Community of Madrid (7.5%), Catalonia (7%), and the Balearic Islands (5.6%) are the regions with the sharpest price increments, although the average transaction value is higher in the Balearic Islands, Madrid, and the Basque Country, which applies to 2017 as well as to 2018. The regions that will experience the highest percentage increase in terms of transaction value next year will be the Community of Madrid, the Community of Valencia, and the Canary Islands.



The average effort that a Spanish household must make in order to purchase a home has risen moderately to 6.95 years of gross income destined to its payment, although this is 30.5% less than the figure for 2007, when more than nine years of gross annual income were needed.

### Home rentals continue to gain ground in Spain

As noted in the report prepared by Servihabitat Trends, in 2016, 22.2% of the Spanish population lived in a rental home according to data from Eurostat, a figure that has grown significantly over the past decade, just as with other European countries such as Sweden, the United Kingdom, Denmark, and Germany.

In terms of data by autonomous community, Madrid has experienced the greatest growth with regard to the number of households that live in a rental home since 2004, standing at 28.9% in 2016 and ranked third in the list, only after the two archipelagos.

Increased geographic mobility, entrenchment of the rental culture among the younger generation and the impact of tourism continue to be some of the factors that are driving the rental market in Spain.

According to data presented in the study, there are currently 97,900 rental homes available in Spain, about 14.5% less than one year ago. This is equal to 2.5 available homes for every 1,000 inhabitants and 5.3 for every 1,000 households. Salamanca, Alicante, and Ciudad Real are the provinces with a greater available supply with respect to the total number of homes. These three, in addition to Segovia, Burgos, and Cantabria, make up the list of provinces with a higher available supply per inhabitant and per household.

The average price for a rental continues to rise and is expected to increase by an average of 2% during this second half of the year compared with the first half. The average rental price in Spain for a home with 80-90 sqm is €620, although regions such as the Balearic Islands (€1,065), the Community of Madrid (€1,025), and the Basque Country (€945), among others, surpass this figure.

The average gross rate of return for a rental home is 5.5%, although Catalonia (6.1%), the Community of Madrid (5.8%), the Balearic Islands (5.8%), and the Canary Islands (5.7%) are above this national average.

As noted in the document, the rental market in Spain is evolving favourably, although it shows different behaviours depending on the region analysed. For example, Madrid and Barcelona are

much more active than all other locations, with the sharpest increments in prices and a marked decrease in the time required to rent a property. As a result, the proposals intended to increase the number of government-owned residential homes for rent will contribute towards achieving a greater balance between housing transactions and rentals as a residential option in Spain.

### **Foreign buyers made 16.8% of all home purchases in Spain**

Through the end of June, there were 10% more transactions in Spain involving foreign buyers for a total of 83,675 transactions, which represent 16.8% of all home transactions in the country. Of these homes, 95.8% were purchased by resident foreigners and the remaining 4.2% were acquired by non-residents.

87.3% of homes purchased by non-resident foreigners are located in seven provinces: Alicante, Málaga, Almería, the Balearic Islands, Murcia, Las Palmas, and Tenerife. If the total number of foreigners is considered, the aforementioned list should also include the provinces of Girona, Castellón, and Tarragona. The Canary Islands, the Balearic Islands, the Community of Valencia, the Region of Murcia, and Andalusia are the autonomous communities where the percentage of transactions involving foreign buyers is higher than the national average.

Overall, 2017 has marked the consolidation of the Spanish housing market, as documented in the report on the “Residential market in Spain” by Servihabitat Trends, which also forecasts additional growth for 2018, as predicted by the industry’s key indicators.

To view the complete report, please visit the following links:

- [Complete report](#)
- [Executive summary](#)
- [Summary video](#)

### **About Servihabitat**

Servihabitat is the leading servicer for the comprehensive management of mortgage and development loan portfolios, as well as of real estate assets. More than 25 years of industry experience and the high number of assets it manages consolidate its position as the industry leader.

A highly qualified professional team and a proprietary technological platform provide Servihabitat with an independent and differentiated operating methodology that is capable of meeting every need in the management cycle of financial and real estate assets.

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