

REPORT ON THE “RESIDENTIAL RENTAL MARKET IN SPAIN” – SERVIHABITAT TRENDS

The average gross profitability of rental homes in Spain is
5.7%

- *Madrid is the only community that exceeds this figure, at 5.9%, and the Balearic Islands, Canary Islands and Catalonia are at the same level as the average.*
- *The average price for rent in Spain will rise between 1.5% and 2% in the first semester of the year.*
- *The offer of homes for rent available in Spain is slightly lower in general, due to the increased movement in the market.*

Barcelona, 24 May 2018.- The main indicators of the residential rental market in Spain continue on the rise overall, although growth is moderate, as deduced by the fourth report on “Residential rental market in Spain”, drawn up by Servihabitat Trends, the market research and analysis platform promoted by Servihabitat. This study, which has been prepared using official sources, data from the rental asset portfolio managed by the servicer and the leading real estate portals, shows the difference between locations with more dynamic markets and the rest of locations.

The younger population increases their preference for home rentals in Spain.

22.2% of the Spanish population live in rented housing according to the Eurostat data for 2016, still far from the 30.7% for the EU-28 but gradually approaching this figure. Among the factors underlying this increase, the following can be highlighted: the change in the mentality of the younger population, an increase in geographic mobility for work-related reasons and the obstacles to emancipation and access to home purchases. Along these lines, households formed by the population between 16 and 29 years of age have increased their preference for rented homes in recent years, increasing from 39.3% in 2004 to 52.8% in 2016, according to the Living Conditions Survey of the Spanish National Institute of Statistics. Similarly, according to the Servihabitat Network of partner agents (APIs), 73.6% of rental home seekers in Spain are younger than 35, or seven decimal points higher than six months ago.

Multi-family homes with less than 90 sqm: these are the main homes rented

As regards characteristics, 27% of the multi-family homes in Spain are rented, while this figure is only 13.4% in the case of single-family homes. In the other hand, in most of the main types of homes, the useful living area is less than 90 sqm (74% of cases) Households with more than one foreign member have a higher preference for rent than ownership.

The average period of time required to rent a home in Spain continues to fall

The number of months needed to rent a home in Spain continues to decrease. In March 2017 this time period was over two months, whereas a year later the average is slightly over a month and a half, although these periods can differ between areas. In Andalusia, the Community of Madrid and the Community of Valencia rotation has increased, while in Catalonia and in the other communities, the time needed to rent a home has increased slightly. Even so, in very active markets, such as the cities of Madrid and Barcelona, a home can take only a few days to rent.

The higher momentum in the market generates a reduction in the volume of offer available

The offer of homes for rent available in Spain is 90,000, -8.1% compared to available offer in September 2017. This represents 1.9 homes on offer for every 1,000 people and 4.9 for every 1,000 households.

This reduction is the result of greater market momentum and is due to a decrease in the average time required to rent a home as well as the extension of contracts by tenants who do not change their place of residence as often to avoid increases in their monthly payments. Even so, in communities such as Catalonia, Madrid or the Balearic Islands, the offer has increased due to the higher number of investors, who are attracted by this momentum.

Catalonia, the Community of Madrid and Andalusia have the highest volume of homes to rent, while Rioja, Navarre and Extremadura, as well as Ceuta and Melilla, are those with the least volume.

RENTAL HOUSING OFFER IN SPAIN



Source: Servihabitat

AVERAGE HOME RENTAL PRICE AND EXPECTED TREND IN THE FORTHCOMING SEMESTER



Source: Servihabitat

The Community of Madrid and the Balearic Islands, where the average rental price increases the most

The average price of rental homes between 80 and 90 sqm in Spain is €680, 9.7% higher than six months ago, although in the Community of Madrid (+14.1%) and the Balearic Islands (+9.9%) this increase is even higher.

Despite this, the continued trend of average price increases has slowed in some areas and either remained the same or even decreased in recent months.

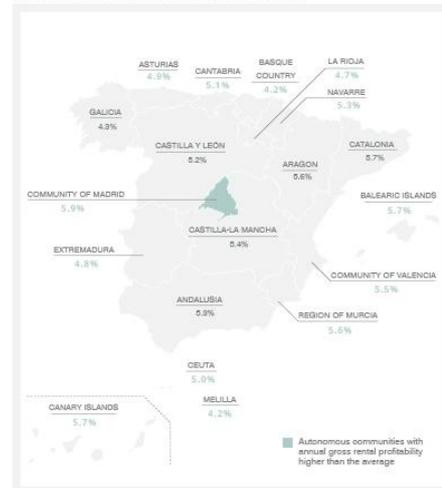
During the first semester of the year, the prices in most provinces are expected to remain the same or to drop and the average increase in prices across the country is expected to be approximately 1.5% - 2%.

Home rental profitability continues to increase, although at a slower rate

Average gross rental profitability in Spain is 5.7%, continuing its upward trend, although the increase is moderate overall, in both large and smaller transactions. Despite this increase, this indicator has fallen in the Balearic Islands and in Catalonia.

The Community of Madrid (5.9%) exceeds the national average, while the Balearic Islands and Canary Islands are in line with the same. By provinces, Las Palmas (6.4%), Valencia (6.3%), Huelva (6.1%), Cádiz (5.9%), Madrid (5.9%), Barcelona (5.8%) and Zaragoza (5.8%) exceed the national average.

AVERAGE PROFITABILITY OF HOME RENTALS IN SPAIN



Source: Servihabitat

In sum, the rental market shows symptoms of improvement, although the indicators show more moderate growth than in previous semesters.

The differences between locations with more dynamic markets (locations with more than 300,000 inhabitants) and the rest continue to increase. In the former, average times to rent a home are becoming shorter, there is a lack of offer and the profitability sought after by investors is falling.

The effort of proposals intended to increase public housing to rent will continue to mitigate the rate of monthly household effort. On the other hand, greater professionalisation of the sector continues to be necessary to increase the number and presence of large companies dedicated to managing large volumes of rental homes (REITs dedicated to housing) opening the way for smaller investors at the same time.

As regards the role of investors in this sector, Juan Carlos Álvarez, Real Estate Business General Manager at Servihabitat believes that in the medium term “institutional long-term investors will choose to invest in rental housing. Among the advantages to be found in the rental housing market are attractive profitability and the size of the market, which is much larger than that of other types of property. From our perspective, as the leading servicer with a definite commitment to managing rental housing portfolios and as the manager of the largest portfolio in Spain, the main difficulty lies in the management of these properties. However, we believe that this obstacle can be overcome by using the capacities that have been developed by Servihabitat, which allow efficient management of large volumes of rental housing portfolios spread out over the entire territory”.

Finally, it should be noted that the influence of tourist rentals is concentrated in very specific locations, especially in Barcelona, Malaga and Seville. In addition, the growing supply and demand of these types of rentals in certain communities has given rise to specific regulations of the same.

To view the report, please visit the following link: [Residential rental market in Spain](#)

About Servihabitat

Servihabitat is one of the leading servicers 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.

For more information: Eva Anaya / Teresa Batlle - / eanaya@tinkle.es - tbattle@tinkle.es 659 72 04 83 / 662 312 879