

VII REPORT ON THE RESIDENTIAL MARKET IN SPAIN – SERVIHABITAT TRENDS

Housing transactions will rise by almost 12% in 2018 moderating this increase in 2019

- *Next year, housing starts will increase by around 8.5%, while finished homes will rise by more than 22%*
- *Home prices will stabilize in 2019 with a growth of 4.7%, one point lower than the 2018 forecast*
- *New construction stock closed the year at slightly more than 464,500 homes, a 3.0% reduction, this being a trend that will continue into 2019*
- *According to the indicators measuring developments in the real estate sector, the residential market in Spain is still expanding, but showing signs of leveling-off*

Barcelona, 20 December 2018.- The Spanish residential market has continued its path of consolidation, where the main indicators have been showing positive signs, however, the forecast for 2019 indicates it will stabilize. This is the conclusion of the seventh report on the “Residential Market in Spain” created by Servihabitat Trends, the market research and analysis platform sponsored by Servihabitat.

Iheb Nafaa, CEO of Servihabitat, stated that “our analysis has detected that the Spanish residential market still has room for growth in 2019, but the trend will be somewhat more modest compared to 2018. Our forecast is that some indicators, such as housing prices and the number of housing starts, will move up with reasonable prospects and will be consistent within the macroeconomic context.”

Transactions in 2019 will increase by almost 5%

It is estimated that housing transactions will increase by 11.9% at the end of 2018 compared to 2017, amounting to more than 604,000 operations. This increase will continue into 2019, but at a more moderate rate of 4.7%, which would see a total of 632,000 homes sold. There are also indications of a generalized slight downturn in the growth phase of the real estate cycle.

Other factors driving demand that caused the upswing of this indicator were the steady pace of job creation contributing to higher disposable household income, the moderate approval of mortgage loans by financial institutions and the ongoing interest in real estate investments as well as high rental incomes.

By region, Andalusia, the Community of Madrid and the Community of Valencia will have the highest volume of transactions next year, where Catalonia will be ranked fourth after being the second region in 2018 with the highest number of transactions.

As far as the property type, new homes continued at the same momentum as existing homes, which accounted around 75% of all transactions in 2018, being the same as the previous year, according to Servihabitat's Network of Partner Agents (APIs). The price of 68.6% of properties is less than €150,000 and 34.9% of transactions are for homes with 61 to 90 sqm of floor space. First homes with the strongest demand have 3 bedrooms (flats and terraced single-family homes) or 4 bedrooms (detached single-family homes). In the case of holiday homes, demand focuses on 2 bedrooms (flats) or 3 bedrooms (terraced and detached single-family homes).

The average time for property sales in Spain has fallen by almost a month compared to the previous report, both for first homes (down from 7.1 to 6.1 months) and holiday homes (down from 8.0 to 7.2 months).

It is worth noting that more than half of first home buyers (58%) in Spain are between the age of 36 and 45 years, and 51% of holiday home buyers are between 46 and 55.

Housing starts will grow by 8.5% in 2019 and completed homes by 22.4%

This year is expected to end with more than 94,500 housing starts, meaning an annual increase of 17%, while in 2019 this indicator will increase by another 8.5% with more than 102,500 housing starts. Regarding completed homes, these are also expected to increase by around 17% this year (specifically 16.8%) and next year it will rise 22.4%, more than 76,900 units completed.

The Community of Madrid, Andalusia and Catalonia are the regions with the most housing starts this year and next year, with Cantabria, La Rioja, and Extremadura at the other end of the spectrum. However, in 2018, the regions that grew the most in terms of housing starts are the Region of Murcia, Navarre and the Community of Madrid, while for homes completed these are Andalusia, Aragon and the Balearic Islands.

In the context of home development, greater activity has been detected in the largest centers of population, especially in provincial capitals such as Madrid, Barcelona, Valencia, Seville and Malaga. Furthermore, the holiday home market experienced stronger activity while staying within the more traditional areas, such as along the Mediterranean coast and the two archipelagos.

As explained by Juan Carlos Álvarez, General Director of the Real Estate Business at Servihabitat: "In 2019, the new construction market will be slower than previous years where we saw a considerable increase from the turning point in 2015 and 2016. Considering the months of development, homes completed continue to be in a positive cycle with an uptrend in annual variations. Next year there will be a significant increase in completed homes, estimated at around 6,410 homes on average per month, equivalent to more than 1,174 approved homes compared to the last year's monthly average."

This year, new construction stock fell by 3% and another absorption of 2.7% is also expected for 2019

Construction stock continues its downward trend. In 2018, it fell by 3% compared to the previous year, amounting to 464,500 homes at the close of the year. In 2019, this trend will continue and new construction stock will be absorbed by a further 2.7%, reducing the total to 452,100 homes. Even so, the heterogeneous conduct of the market must be borne in mind since 50% of the stock is concentrated in three regions: the Community of Valencia, Catalonia and Andalusia.

In Spain, there are currently 99.5 homes in stock for every 10,000 inhabitants. This figure is significantly higher in La Rioja, Castilla-La Mancha and the Community of Valencia, although the Region of Murcia, the Canary Islands, Castilla y León and Aragon also surpass this national average.

In 2019, home prices will increase by 4.7%

This year, home prices in Spain are forecast to rise by an average of 5.8%, but next year they are expected to increase by another 4.7%. The Community of Madrid (10.1%), Catalonia (9.0%), the Balearic Islands (8.3%) and the Basque Country (5.9%) are the autonomous communities that have experienced price increments above the national average in 2018.

Moreover, during 2018 and 2019, the average value of transactions is the highest in the Balearic Islands, Madrid and the Basque Country, followed by Catalonia in fourth place. Compared to last year, those with the highest percentage increases of transactions were the Community of Madrid, Castilla-La Mancha and Extremadura.

The average time taken for a household in Spain to purchase a home has risen to 7.3 years in terms of gross income, although this is still lower than the 2007 figure when it was more than nine years of gross annual income.

Home rentals continue gaining ground in Spain

As noted in the report prepared by Servihabitat Trends, in 2017 22.9% of the Spanish population lived in rental homes according to data taken from Eurostat, a figure that has grown significantly over the past decade. Regarding the population that lives in rental homes paying market price, this regime has increased by almost a further 4 percentage points from the 10.7% registered in 2007.

According to data presented in the study, there are currently close to 105,000 rental homes available in Spain, about 7% more than one year ago. This equates to 2.2 available homes for every 1,000 inhabitants and 5.7 for every 1,000 households. As for the stock of available rental homes, the province of Salamanca stands out especially for its higher percent of volume, while the percentages in Madrid, Barcelona, Ciudad Real, Malaga and Balearic Islands are also higher than the rest.

The average rental price continues to rise and it is expected to increase by an average of between 1.5% to 2% during this second half of the year compared with the first half. The average rental price in Spain for a 80-90 sqm home is €710, although regions such as the Balearic Islands (€1,170), the Community of Madrid (€1,220), the Basque Country (€960) and Catalonia (€750) surpass this figure.

The gross average profitability for a rental home is 5.6%, where the Region of Murcia (5.9%), Castilla-La Mancha (5.7%) and the Community of Valencia (5.7%) are above this national average.

As already mentioned, the evolution of the rental market in Spain is in a positive trend, although some indicators have begun to indicate a slight slowdown. On the one hand, the distance between the price at which the owner is willing to lease their property and the amount for which the tenant is willing to pay has increased slightly. On the other, prices have increased relentlessly for more than three years, putting greater stress on the market, which has meant that tenants are increasingly less willing to make more financial efforts.

Foreign buyers account for 17.1% of total home purchases in Spain

Through to the end of June, there were 9.4% more transactions in Spain made by foreign buyers, totaling 91,756 purchases and representing 17.1% of all home sales in the country.

Six regions accounted for 93% of all homes purchased by non-resident foreigners, which included the Community of Valencia, Andalusia, Canary Islands, Balearic Islands, Region of Murcia and Catalonia. Alicante, Tenerife, the Balearic Islands, Malaga, Girona, Las Palmas, Almeria, Murcia, Tarragona and Castellon were the provinces where the percentage of transactions involving foreign buyers was higher than the national average (12.92%).

Overall, 2018 was a year in which the Spanish housing market continued expanding, as documented in the report on the “Residential Market in Spain” by Servihabitat Trends, which also foresees the market leveling-off in 2019 when taking the industry’s key indicators into account.

To access the full version of the report, please visit the following links:

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

About Servihabitat

Servihabitat is one of the major servicers for comprehensive management of mortgage and property development loan portfolios as well as property assets. Its experience of over 25 years in the market and the high volume of assets being managed consolidate the position of the company as an industry leader.

A highly qualified professional team and a first-party technology platform provide Servihabitat with an independent and differentiated operational methodology capable of meeting all demands in the financial and property asset management cycle.

More information:

Eva Anaya / eanaya@tinkle.es / 659 72 04 83

Montse Castellana / mcastellana@tinkle.es / 679 98 33 10