

## RESIDENTIAL MARKET IN SPAIN REPORT

More than 400,000 residential transactions are expected to take place in 2015, amounting to a 26.6% year-on-year increase

- *This year, the residential stock in Spain will decrease by 31.5% and more than 50,000 homes are expected to be completed*
- *The average price of Spanish homes will rise by about 2.5% in 2015, and is expected to increase by 6% in 2016*
- *This data has been obtained from the first report on the residential market in Spain prepared by Servihabitat Trends, the Company's analysis and studies observatory*

**Barcelona, October 19th, 2015.-** Servihabitat, the independent servicer for the management of real estate and financial assets, has presented the conclusions of its report titled "Residential Market in Spain. Current situation and prospects." This is the first study prepared by the Servihabitat Trends observatory, which was created to analyze the evolution and forecasts of Spain's finance and real estate industry.

One of the main conclusions of the study is that the Spanish residential market is stabilizing gradually, with an increase in the number of residential transactions and a gradual rise in housing prices.

### **The number of residential transactions increases by 26.6%**

According to Servihabitat, there will be more than 400,000 residential transactions in 2015, amounting to a 26.6% year-on-year increase. This upward trend is expected to continue in 2016 with over 460,000 home sales (14.5% more than this year).

Upon analyzing the forecasts for the next few months, purchasing is expected to increase the most in the Canary Islands, the Community of Madrid, the Basque Country, and La Rioja, with positive year-on-year variations higher than 20% both in 2015 and 2016.

If housing categories are taken into account, the demand for first homes will consist of 3 bedroom apartments with a surface area of 90 to 100 square meters. In the case of vacation homes, the demand will be for 1 or 2 bedroom apartments with a surface area of 50 to 65 square meters.

The study concluded that the vacation home market is particularly active in the coast of Alicante, Costa del Sol, the Balearic Islands, the Canary Islands, and some areas of the Costa Brava.

### Expected number of residential transactions in 2015 and 2016 by autonomous region (table 8)

	2015 E	% National	2016 F	% National	% Var 2014-2015	% Var 2015-2016
<b>SPAIN</b>	<b>403,324</b>	<b>100%</b>	<b>461,703</b>	<b>100%</b>	<b>26.6%</b>	<b>14.5%</b>
Andalusia	74,240	18.4%	80,141	17.4%	15.4%	7.9%
Aragon	11,028	2.7%	12,889	2.8%	33.7%	16.9%
Asturias	5,964	1.5%	6,593	1.4%	21.1%	10.5%
Balearic Islands	10,836	2.7%	11,744	2.5%	16.8%	8.4%
Canary Islands	25,944	6.4%	33,083	7.2%	49.2%	27.5%
Cantabria	4,113	1.0%	4,216	0.9%	5.0%	2.5%
Castilla y León	17,846	4.4%	20,090	4.4%	23.9%	12.6%
Castilla-La Mancha	13,270	3.3%	13,767	3.0%	7.2%	3.7%
Catalonia	62,628	15.5%	73,124	15.8%	32.9%	16.8%
Extremadura	7,548	1.9%	8,914	1.9%	34.9%	18.1%
Galicia	15,132	3.8%	17,182	3.7%	26.8%	13.6%
Community of Madrid	63,384	15.7%	77,107	16.7%	43.3%	21.7%
Region of Murcia	11,532	2.9%	12,505	2.7%	16.9%	8.4%
Navarre	4,572	1.1%	4,660	1.0%	3.8%	1.9%
Basque Country	16,079	4.0%	20,068	4.3%	37.7%	24.8%
Community of Valencia	55,560	13.8%	60,856	13.2%	19.0%	9.5%
La Rioja	3,648	0.9%	4,764	1.0%	61.2%	30.6%

Source: INE, MFOM, Network of Qualified Real Estate Advisors, and IPE Real Estate.

Note. E (estimate) - F (forecast)

### The reduction of residential stock and the resulting increase in production

According to the study's conclusions, residential stock is expected to decrease from 675,411 homes in 2014 to 462,658 in 2015 (a 31.5% reduction). This downward trend is expected to continue in 2016 and reach 349,377 (24.5% less than this year).

The autonomous regions that currently have the largest percentage of stock are the Community of Valencia and Castilla-La Mancha, which are expected to hold almost half of the total stock in 2016. These two regions are followed by Andalusia, Castilla y León, and the Region of Murcia, where a significant concentration of stock will continue in the coming months.

The remaining stock in the rest of the regions is expected to be technical stock, which represents the usual levels for a stable market.

Given this scenario, production has started to increase in very specific areas, focusing on prime first and second home markets where the characteristics of the stock do not meet the preferences of demand or where the stock no longer exists. This gradual market recovery will lead to starting the construction of about 35,000 homes and completing more than 50,000 in 2015. However, there are still regions with high levels of stock in which the market will take some time to recover.

Four regions are estimated to hold 57.1% of the market for homes under construction. These are the Community of Madrid, Andalusia, Catalonia, and the Community of Valencia. This level of concentration will be very similar in 2016.

Expected housing stock in 2015 and 2016 by autonomous community (table 3)

	2015 E	% National	2016 F	% National	% Var 2014-2015	% Var 2015-2016
<b>SPAIN</b>	<b>462,658</b>	<b>100%</b>	<b>349,377</b>	<b>100%</b>	<b>-31.5%</b>	<b>-24.5%</b>
Andalusia	58,311	12.6%	24,800	7.1%	-44.0%	-57.5%
Aragon	11,874	2.6%	7,315	2.1%	-41.8%	-38.4%
Asturias	18,272	3.9%	16,283	4.7%	-8.9%	-10.9%
Balearic Islands	5,024	1.1%	2,512	0.7%	-37.2%	-50.0%
Canary Islands	3,978	0.9%	1,989	0.6%	-73.0%	-50.0%
Cantabria	14,259	3.1%	11,001	3.1%	-18.7%	-22.8%
Castilla y León	31,630	6.8%	22,510	6.4%	-25.1%	-28.8%
Castilla-La Mancha	74,302	16.1%	63,980	18.3%	-12.3%	-13.9%
Catalonia	8,647	1.9%	4,323	1.2%	-67.1%	-50.0%
Extremadura	813	0.2%	406	0.1%	-74.9%	-50.0%
Galicia	36,432	7.9%	22,958	6.6%	-26.7%	-37.0%
Community of Madrid	11,646	2.5%	5,823	1.7%	-61.4%	-50.0%
Region of Murcia	51,109	11.0%	46,072	13.2%	-8.5%	-9.9%
Navarre	2,913	0.6%	1,237	0.4%	-34.5%	-57.5%
Basque Country	10,626	2.3%	8,653	2.5%	-38.5%	-18.6%
Community of Valencia	113,360	24.5%	104,369	29.9%	-30.9%	-7.9%
La Rioja	9,463	2.0%	5,146	1.5%	-25.5%	-45.6%

Source: INE, MFOM, Network of Qualified Real Estate Advisors, and IPE Real Estate.

Note. E (estimate) - F (forecast)

### Residential housing prices in Spain will be 6% higher in 2016

This study also establishes that the expected increases in housing prices will be a clear indicator of the industry's recovery. In this respect, a 2.6% increase in the average value of residential transactions is expected this year, followed by a 6.3% increase for 2016.

This price recovery will be more significant in terms of percentages for regions such as Cantabria, Castilla-La Mancha, and Castilla y León, whereas in 2016 there will be significant increments in Galicia, the Community of Madrid, the Region of Murcia, Aragon, and Extremadura.

In terms of the price range for residential transactions, most first home purchases will be between €79,000 and €167,000, depending on the geographic location of the product. Even so, the minimum and maximum transaction prices are expected to be €15,000 and €3.5 million, respectively.

## Expected average value of residential transactions in 2015 and 2016 by autonomous community (table 15)

	2015 E	2016 F	% Var 2014-2015	% Var 2015-2016
<b>SPAIN</b>	<b>130,867</b>	<b>139,054</b>	<b>2.6%</b>	<b>6.3%</b>
Andalusia	127,845	135,987	3.1%	6.4%
Aragon	115,897	123,973	3.4%	7.0%
Asturias	112,345	119,876	0.7%	6.7%
Balearic Islands	213,947	224,589	2.0%	5.0%
Canary Islands	115,342	122,983	3.4%	6.6%
Cantabria	139,458	145,323	4.0%	4.2%
Castilla y León	101,876	106,892	4.1%	4.9%
Castilla-La Mancha	89,678	94,365	3.9%	5.2%
Catalonia	163,894	174,387	3.1%	6.4%
Extremadura	81,900	87,650	2.4%	7.0%
Galicia	110,358	119,873	1.3%	8.6%
Community of Madrid	191,093	204,765	1.5%	7.2%
Region of Murcia	98,792	105,893	2.1%	7.2%
Navarre	140,873	149,821	1.7%	6.4%
Basque Country	203,482	217,313	3.4%	6.8%
Community of Valencia	109,329	116,892	3.4%	6.9%
La Rioja	108,632	113,329	1.6%	4.3%

Source: INE, MFOM, Network of Qualified Real Estate Advisors, and IPE Real Estate.

Note. E (estimate) - F (forecast)

### Rentals gain popularity as a residential option

Focusing on the evolution of the rental market, its weight as a residential option for Spaniards has increased in recent years. The report states that the number of rentals could increase in the next six months, so the rental market is expected to continue to expand, particularly among younger people who are entering the housing market for the first time.

In the next few months, the average rental price in Spain will range between €360 per month and €600 per month, with a €100 per month minimum and a €3,000 per month maximum, depending on the area.

### About Servihabitat

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

A highly qualified professional team and its own 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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