Home transactions in Spain will grow 12% in 2017 to reach 500,000 units sold

- The main indicators show the consolidated recovery of the Spanish real estate industry, although at different rates, depending on the region.

- New construction stock has fallen nearly 20% this year and is expected to drop 19% in 2017 for a total of nearly 315,000 homes.

- Housing prices continue their upward trend, with an average increment of more than 4% in 2016 and a similar forecast for the following year.

- The average gross rate of return for a rental home in Spain is 5.4%.

Barcelona, December 5th, 2016.- According to the third report on the “Residential Market in Spain” prepared by Servihabitat Trends, the Servihabitat market research and analysis platform, the main indicators show a consolidated growth for the industry in 2016, as expected at the end of last year, although at different speeds. The forecast for 2017 is that the market will continue with a moderate upturn, but it is worth noting the different rates throughout the country: regions with a significant rise in activity, those where stock levels must still be absorbed and areas with fewer prospects for activation in the medium term. According to Julián Cabanillas, CEO of Servihabitat: “In order to perform an overall assessment of the Spanish residential market’s evolution, the different realities in terms of demand and stock levels for each region must be taken into consideration. Although the industry is once again reactivating as a whole -to the degree of supply shortages and increasingly stronger demand in certain neighborhoods of various large cities- there are also regions where stock levels will take longer to decrease”.

Transactions continue their upward trend: 26% at the end of 2016 and 12% in 2017

2016 is expected to end with approximately 445,000 homes sold, which is 26% more than in 2015, according to data from the Professional Association of Registrars. Servihabitat forecasts that 2017 will end with more than 12% of growth in the number of transactions, for a total of 500,000 units sold. This confirms the upward trend in the evolution of transactions.

The main drivers behind this evolution are: more mortgage loans being granted, the growing interest of investors -who find refuge in housing instead of other types of assets-, the stabilization of prices and an improved employment stability.
In terms of autonomous communities, Castilla y León, the Balearic Islands, and the Basque Country have the most growth in activity compared to data from 2015; followed by Asturias, Castilla-La Mancha and Aragon, all with a year-on-year variation rate above the national average. It is worth highlighting that the number of transactions has risen in all the autonomous communities compared to last year, although Galicia, La Rioja, Extremadura and Ceuta and Melilla have the slowest growth.

In terms of the types of properties, existing homes continue to drive the increment in the number of transactions with close to 70% of sales, leaving 30% for new construction housing. This applies to both primary residences as well as holiday homes. Most transactions (nearly 80%) involve flats, although single-family homes have shown slight growth in the first half of 2016. For this type of asset, which have the strongest demand, usually consist of 3 bedrooms and a surface area between 80 and 100 sqm, according to the Servihabitat Network of partner agents (APIs).

It is worth noting that nearly 72% of properties are priced below €150,000. In this regard, the average price of the mortgages granted between July 2015 and July 2016 has increased by 10.1%, to reach €115,540. In any case, the trend in the rising number of mortgages with a debt versus asset value ratio higher than 80% that took place in recent years has ceased: in 2016, these mortgages have fallen and only represent 14.3% of the total.

**Nearly 62,000 housing starts in 2016 and 20% increment for the next year**

Upon analyzing the evolution of the new construction market, the 31.4% increment of housing starts at the end of this year compared to 2015 stands out, with a total of 61,984 units. This trend is expected to continue in 2017, which means that activity will increase by 20% compared to the end of 2016, for a total of 74,381 units. In parallel, the number of approved projects should also surpass the 100,000 homes this year. According to Juan Carlos Álvarez, Executive Director of Real Estate Business at Servihabitat: "These increments are taking place in certain regions or related to projects located in areas where stock levels have fallen and there is withheld demand, or projects with increased access to financing because more credit is available, or situations with high pre-commercialization in short periods of time, or projects located in large cities and their metropolitan areas or in traditional holiday housing market destinations. Mortgage activity and the existence of solvent demand are some of the factors that are driving this positive evolution of new construction market indicators". Completed homes have also shown 25.2% of year-on-year growth, and 2016 will end with 56,552 new units. In 2017, this number is expected to increase by an additional 20.1% for a total of 67,903 completed homes.

The reduction of stock is approaching 20%, although this is not occurring homogeneously throughout the country.
The volume of residential stock continues its downward trend, falling by 19.8% in 2016 compared to the previous year, for a total of 388,000 homes. 2017 will follow a similar evolution and the year will end with close to 315,000 properties after the number will drop by another 18.8%. This stock absorption does not occur uniformly throughout the country since demand is increasingly selective at many secondary locations and also because property maintenance needs are rising for certain developments that remain under construction, as well as for homes that remain unsold.

La Rioja is the autonomous community with the highest level of residential stock per inhabitant, followed by Castilla-La Mancha and the Community of Valencia. The Community of Madrid, the two archipelagos and Catalonia are on the other end, with the lowest levels of new construction stock per inhabitant, and far below the national average of 83.6 properties per 10,000 inhabitants.

**Housing prices will increase by slightly more than 4%**

Another indicator that confirms the market’s positive evolution is the moderate growth in housing prices, which in 2016 should be around 4.6% compared to the previous year, and is also expected to increase by approximately 4.3% in 2017. However, the process of standardizing the market with increased demand and the subsequent rise in prices is not occurring homogeneously throughout the country. Due to their size, large cities such as Madrid and Barcelona are having a significant impact on the rising national average, although Málaga, Seville and Zaragoza, as well as the holiday housing market in the Balearic Islands, the Canary Islands and in traditional areas along the Mediterranean coast, are also driving this price increase. On the other hand, the levels remain stable or continue to fall in regions where the potential demand is still limited and/or there is considerable stock.

The average effort that a Spanish household must make to acquire a home is approximately six years of gross income that should be employed to pay for it. This means that the trend from 2015 continues, with moderate growth following the drop that took place since the maximum levels that were reached in 2007, when more than nine years of gross annual income were needed to pay for a home in Spain.

**Rising number of households that rent**

The report prepared by Servihabitat Trends confirms the excellent opportunity to consolidate the rental market in Spain. This is of interest for new rental property owners, resulting in increased
professionalism, as well as products and management services that meet the expectations of demand.

Of the more than 18.3 million primary residences in Spain in 2015, 22.7% were rented nearly 4.2 million. Juan Carlos Álvarez, Executive Director of Real Estate Business at Servihabitat, confirms that, currently, “more than 40% of new transactions carried out by Servihabitat involve rentals, so we must address these needs and align ourselves with the interests of consumers. For this reason, the Company has made a concerted effort to operate in this market, particularly in the last three years, by expanding our rental portfolio to nearly 60,000 assets”.

According to data provided by the study, there are currently close to 115,000 rental homes available in Spain, and this number is just over 10% more than the number of homes up for sale. The supply is more abundant in coastal provinces such as Málaga, Cádiz and Alicante, as well as in cities with large student populations, like Salamanca.

At the end of 2016, the average rental price in Spain will have experienced an year-on-year growth of more than 10%. The average rental price in Spain for a home with 80-90 sqm is €540, although regions such as the Balearic Islands (€980), the Community of Madrid (€940), the Basque Country (€850) and Catalonia (€610), among others, surpass this figure.

The average gross rate of return for a rental home in Spain is 5.4%, although Catalonia, the Community of Madrid and the Balearic Islands are above this national average.

As pointed out in the document, the Spanish rental market requires a continuous level of innovation in the services available for renters and owners. According to Julián Cabanillas, CEO of Servihabitat: "It is increasingly important to establish a stable legal framework that will make it easier for potential investors to operate in this field. In addition, the government should become involved in initiatives aimed at promoting residential developments of subsidized and social housing for rent, and applying fiscal measures or grants that promote home rentals”.

**Housing purchases by foreigners have increased by more than 18%**
A total of 76,212 homes were purchased by foreigners in Spain between January and June 2016, and this figure is 18.4% higher than the number for the same period a year ago. Of these homes, 93.3% were purchased by resident foreigners and the remaining 6.7% were acquired by non-
residents. Taking this number into consideration, of all the transactions that took place in Spain between June 2015 and June 2016, 17.5% involved foreign buyers.

85.7% of non-resident purchases took place in six provinces: Alicante, Málaga, Almería, the Balearic Islands, Murcia and Las Palmas. If the total number of foreigners is considered, the aforementioned list should also include the provinces of Santa Cruz de Tenerife, Girona and Tarragona. This means that the Balearic Islands, the Canary Islands, the Community of Valencia, the Region of Murcia and Andalusia are the autonomous communities where the number of transactions involving foreign buyers is higher than the national average.

Finally, according to the survey carried out with the Servihabitat Network of partner agents (APIs), British buyers are traditionally the leaders in this market, followed by French, German, and the ones from the Scandinavian countries. However, taking into consideration those purchasing a primary residence, buyers from Morocco, Romania, and a number of Latin American countries stand out.

To view the complete report, please visit the following links:
- Complete report
- Executive Summary
- Summary video

**About Servihabitat**

Servihabitat is the go-to 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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