



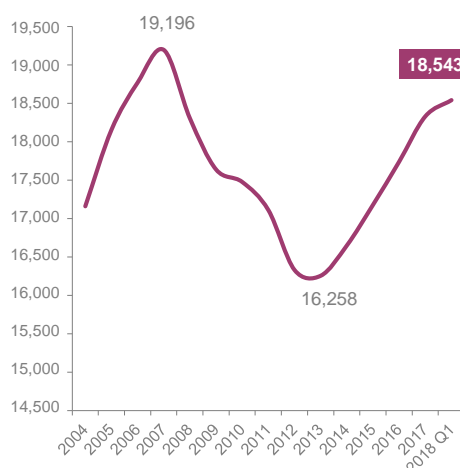
RESIDENTIAL SNAPSHOT

1st QUARTER 2018

SITUATION IN SPAIN

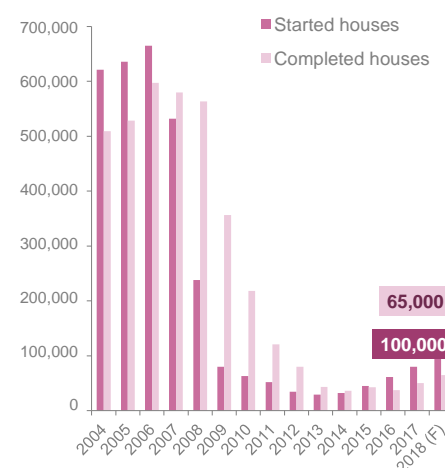
- Spain will continue to grow in 2018, due to the strong inertia of the tail winds of the economy. Political uncertainty has had limited impacts on economic activity so far.
- The number of mortgages is following the same trend of growth than transactions. The principal of the new loans for housing acquisition has reached 65.5% of the value of the house.
- The recovery of the number of started and finished houses has consolidated. It is expected that the number of started and finished houses will grow by 23% and 30% respectively by the end of 2018.
- In Madrid, the province with a higher number of started and finished houses, new construction visas have begun 2018 with very strong figures. It is expected an increase of 30% at year end.

GRAPH 1
Social Security affiliates
Thousands of people. 2004 – 2018 Q1



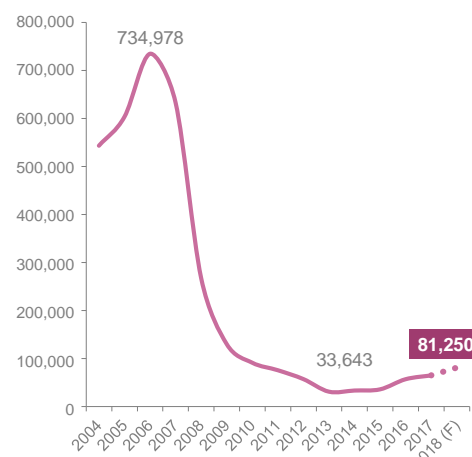
Source: Ministry of Employment and Social Security

GRAPH 2
Started and completed houses
2004 – 2018 (F)



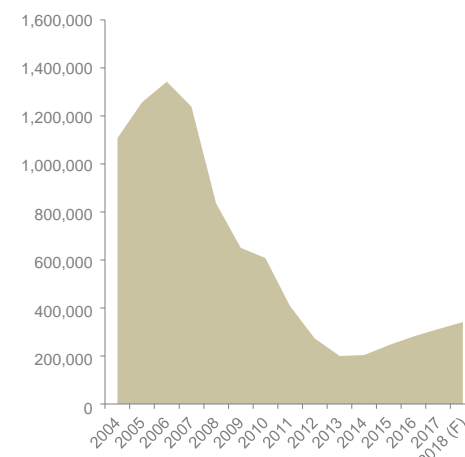
Source: Knight Frank Valuations Department based on Ministry of Public Works data

GRAPH 3
Licenses
2004 – 2018 (F)



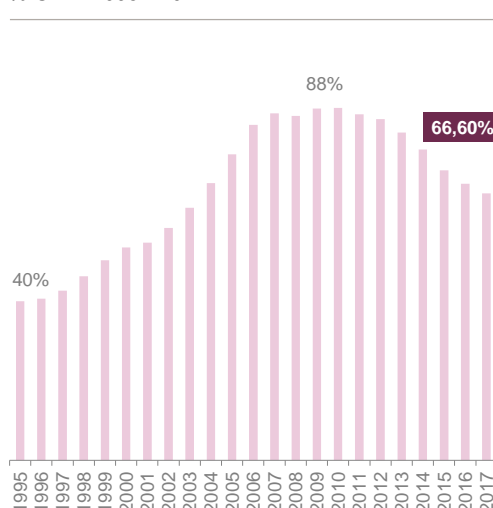
Source: Knight Frank Valuations Department based on Ministry of Public Works data

GRAPH 4
Number of mortgages granted
2004 – 2018 (F)



Source: Knight Frank Valuations Department based on INE data

GRAPH 5
Household debt
% GDP. 1995 - 2017



Source: Bank of Spain

STARTED AND COMPLETED HOUSES | 2017 – 2018 (F)

STARTED: **+23 %**

COMPLETED: **+30 %**

TRANSACTIONS AND PRICES IN SPAIN

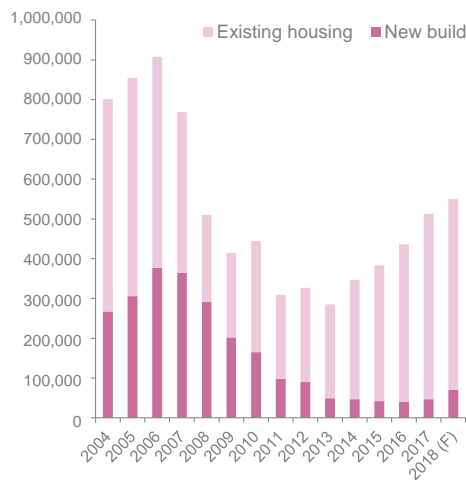
- Lack of new build is pushing house prices upwards. New construction prices grew by 0.8% in 2018 Q1 compared to the same period of the previous year, while existing housing prices increased by 2.8%.

- Effort index for housing acquisition follows a slightly upward trend. It takes more than 7 years of gross income to cover the price of a typical house.

- The current ease of access to credit, together with the low returns of alternative investments, favours the increase in demand for housing to invest.

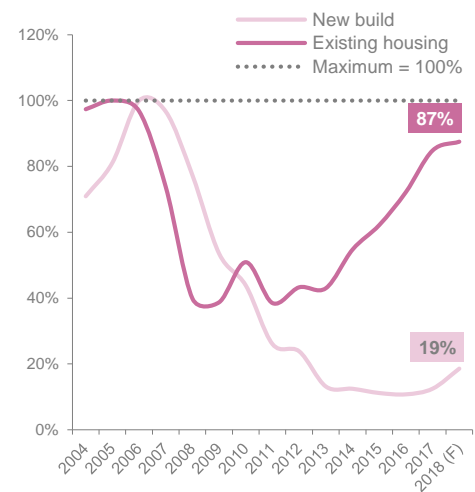
- We expect that the number of housing transactions will reach 550,000 at the end of 2018, with a higher share of new build. Although new build transactions are still well below its all-time peak that was reached in 2006.

GRAPH6
New build and existing housing number of transactions. 2004 – 2018 (F)



Source: Knight Frank Valuations Department based on Ministry of Public Works data

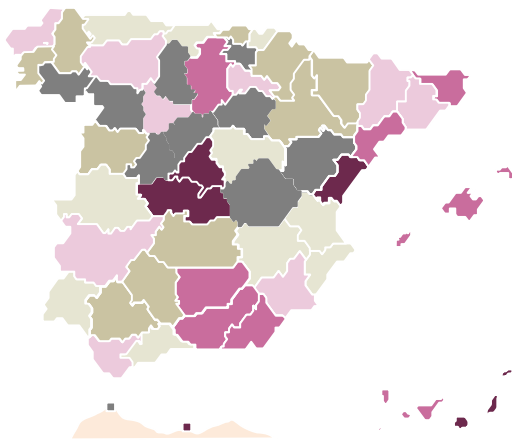
GRAPH7
Number of transactions in respect to the maximum. 2004 – 2018 (F)



Source: Knight Frank Valuations Department based on Ministry of Public Works data

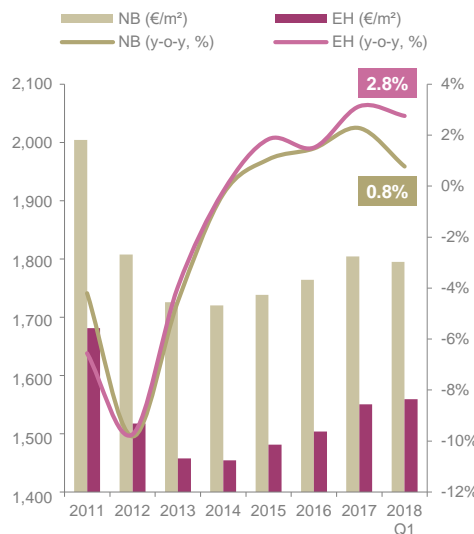
GRAPH8
New build price variation by province. 2017 Q1 – 2018 Q1

● X > 4% ● 2% < X < 4% ● 0% < X < 2%
● -2% < X < 0% ● X < -2% ● N. A.



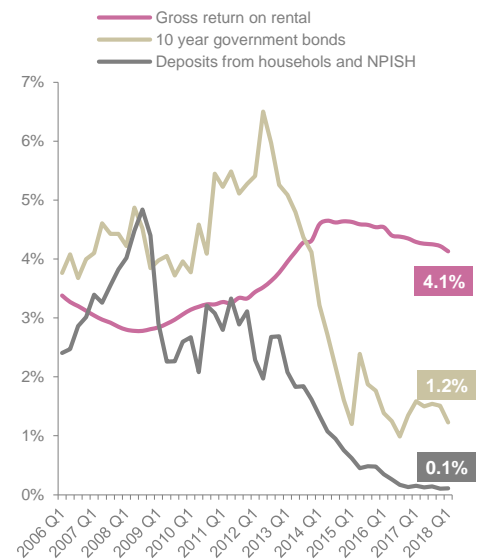
Source: Ministry of Public Works

GRAPH9
New build (NB) and existing housing (EH) prices. 2011 – 2018 Q1



Source: Ministry of Public Works

GRAPH10
Return of alternative investment 2006 – 2018 Q1



Source: Bank of Spain



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