

# Residential Snapshot

Q2 2023

The sector indicators are compiled quarterly from a detailed and exhaustive study prepared by experts in the Knight Frank Spain office and are based on real data and market trends.

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## The dynamism in the residential sector slows down, although a stable environment persists

- The progress of key economic variables such as GDP, inflation or interest rates will shape the direction of the housing market in 2023, with moderate adjustments expected in key indicators such as mortgages or transactions.

### SITUATION IN SPAIN

The Spanish economy continues to grow, although moderately. According to the INE, the GDP saw a year-on-year increase of 1.8% in the second quarter, compared to the 4.2% of the previous one.

The rise in mortgage loan costs will likely impact the market, where an annual decline of approximately 10% is

projected by the end of the year. This would result in around 420,000 mortgage agreements, similar to 2021.

In the approvals, around 110,000 are expected by the close of 2023, similar to 2022. The final works certificates could see a slight increase to approximately 90,000, despite the uncertainty, driven by the number of approvals from 24 months ago.

## Spain

Approvals and final works certificates evolution. Q1 2023 vs Q1 2022

**+0.4%** 28,450 approvals

**-0.2%** 20,200 final works certificates

Transactions and average price of free housing evolution\*. Q1 2023 vs Q1 2022

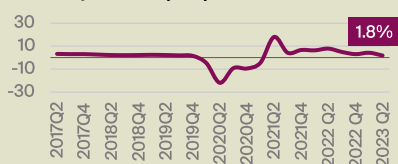
**-10%** 152,500 n° transactions\*\*

**+3.1%** 1,790 €/sq m

Source: Ministry of Public Works. \*New build and existing housing to Q1 2023. \*\*Provisional.

### GDP evolution

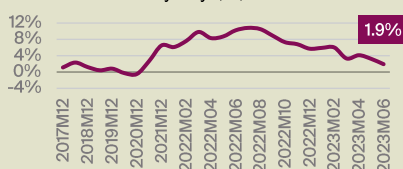
2017 - Q2 2023\*. y-o-y (%)



Source: INE. \*Provisional

### CPI evolution

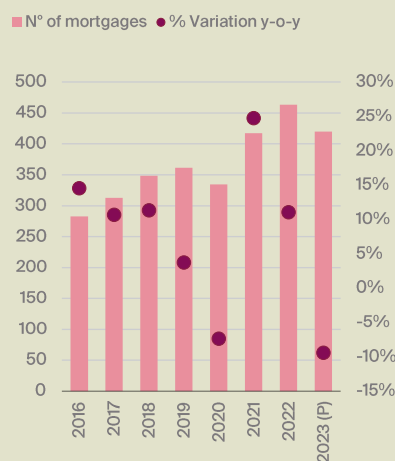
2017 - Jun 2023. y-o-y (%)



Source: INE

### Nº of mortgages

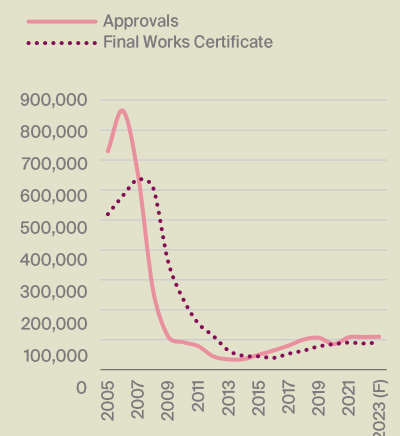
2016 - 2023 (F)



Source: INE

### Approvals and final works certificates

2005 - 2023 (F)



Source: Ministry of Public Works

## PRICES AND TRANSACTIONS IN SPAIN

The closure of 2023 generates uncertainty due to high interest rates (which have risen from 0% to 4% to control inflation), slowing down property transactions. Although a decrease of 10-15% is projected compared to the record year of 2022, the outlook points to over 600,000 transactions by the end of the year.

The most common housing buyer is still European, and within this category, the French are gaining ground along with the Germans, both with a 7% increase.

Likewise, the British continue to show great interest in the Spanish residential market (10% of the total international buyers).

Prices continue to grow, although in a more restrained manner, with the average for free housing reaching around 1,790 €/sq m at the close of the first quarter (+3.1% y-o-y). In new build, the average price increases to over 2,110 €/sq m (+6.6% y-o-y), while the existing housing market records approximately 1,780 €/sq m (+2.9% y-o-y).

The regions that have experienced the highest annual price increases are the Balearic Islands (7.3%), Andalusia (4.8%), the Canary Islands (4.7%), Madrid (4.6%) and Galicia (4%). At the provincial level, Malaga (8.6%) and Segovia (7.7%) stand out in particular.

We like questions, if you've got one about our research, or would like some property advice, we would love to hear from you.



### Residential

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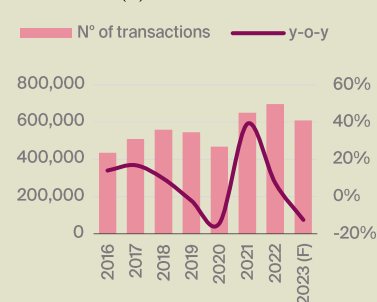


### Research

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### N° of transactions

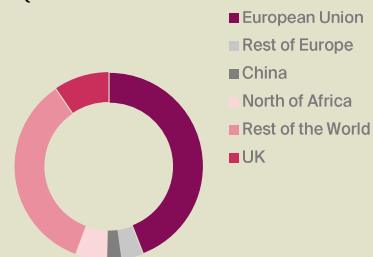
2016 - 2023 (F)



Source: Research Knight Frank | Ministry of Public Works

### Origin of foreign housing buyers

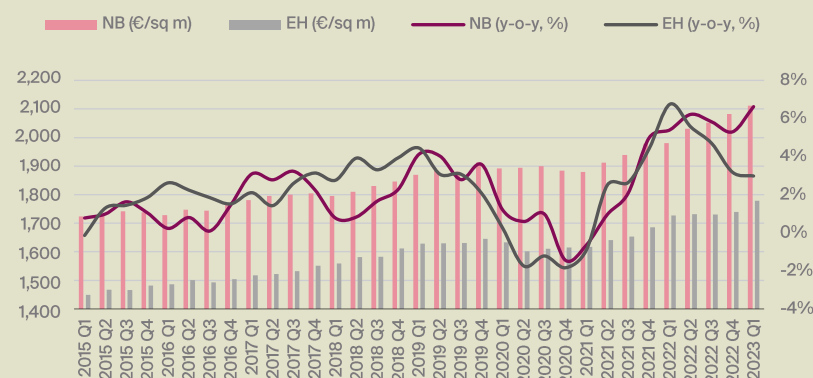
Q1 2023. %



Source: Spanish College of Property

### New build (NB) and existing houses (EH) prices in Spain

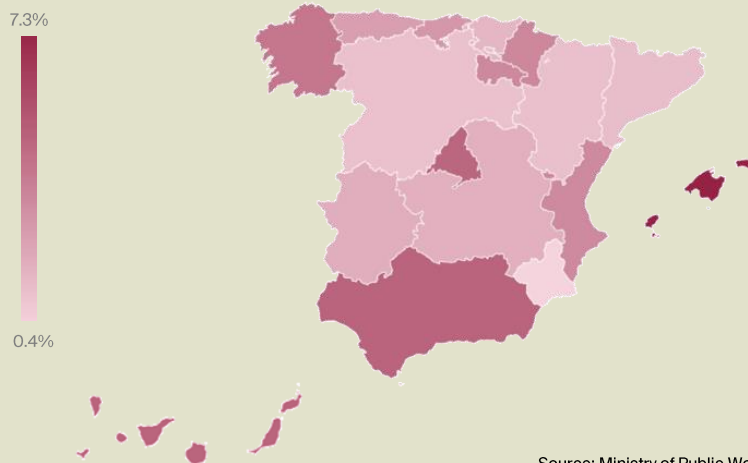
2016 - Q1 2023



Source: Ministry of Public Works

### New build prices variation by region

Q1 2023 vs Q1 2022. (%)



Source: Ministry of Public Works