

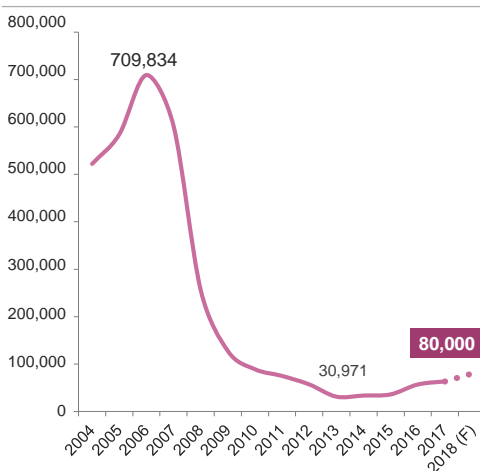
# RESIDENTIAL SNAPSHOT

Q3 2018

## SITUATION IN SPAIN

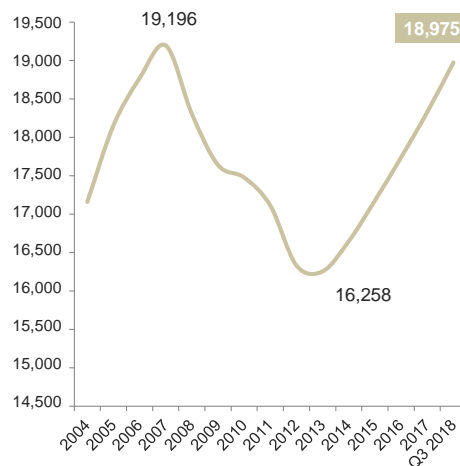
- It is expected that the Spanish economy will end the year as one of the fastest growing in the EU, driven by the recovery in the residential sector and supported by the decrease in unemployment and the growth in household income.
- The number of mortgages granted has continued its upward trend, with more than 200,000 mortgages signed so far this year. Forecasts indicate that by the end of 2018 last years figures will have been exceeded by 10%.
- Household debt has seen a reduction and is now at 66.4% of GDP. On average 35% of household income is spent on the mortgage, much lower than the highs reached in the years prior to the crisis.
- The year is expected to end with approximately 80,000 new development approvals. This number has continued to rise year on year since 2013.

**GRAPH 5**  
Development approvals  
2004 – 2018 (F)



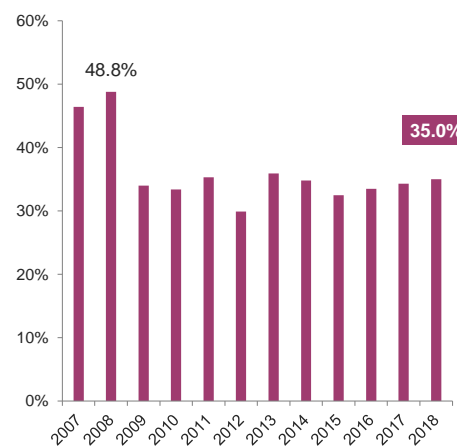
Source: Knight Frank Valuations Department based on Ministry of Public Works

**GRAPH 1**  
Affiliates of Seguridad Social  
000's of people. 2004 – Q3 2018



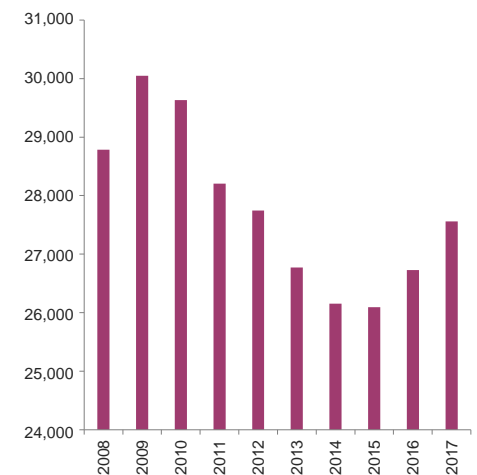
Source: Ministry of Employment and Social Security

**GRAPH 3**  
% of household income spent on the mortgage. 2007 – 2018



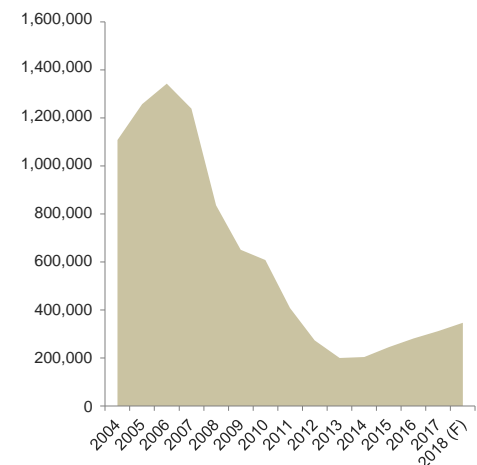
Source: Knight Frank Valuations Department based on INE data

**GRAPH 2**  
Average household income  
2008 – 2017



Source: INE

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



Source: Knight Frank Valuations Department based on INE data

### STARTED AND COMPLETED HOUSES | 2017 – 2018 (F)

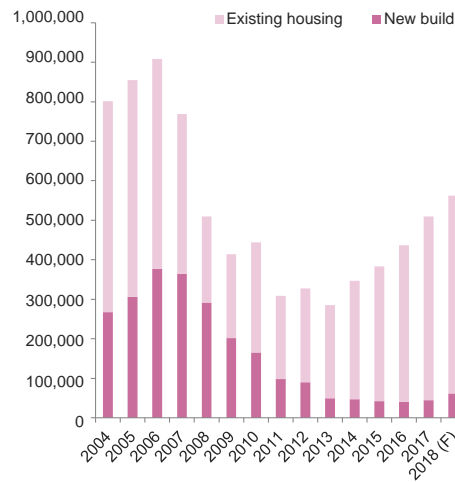
STARTED: **+23%**

COMPLETED: **+30%**

# PRICES AND TRANSACTIONS IN SPAIN

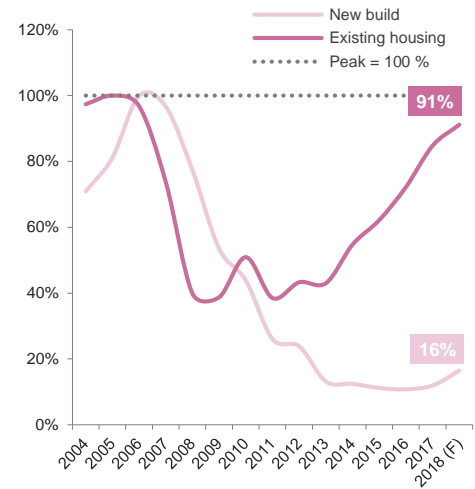
- The number of transactions in Spain still falls short of the peak reached in 2006. It is expected the number of transactions this year will reach over 560,000 with the year-end continuing with the trend of growth.
- Demand for new builds is increasing in Spain, its limited supply and the higher prices drive the number of transactions for existing housing. It is estimated that existing housing will account for 90% of all transactions in 2018.
- The prices for both new build and existing housing continue to rise. In the third quarter new build prices grew by 3.0% (y-o-y) and existing housing by 1.5% (y-o-y).
- Housing investment continues to have higher returns, 4% (on average), when compared with other types of investments. For example, a 1.5% return for a 10-year state bond.

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



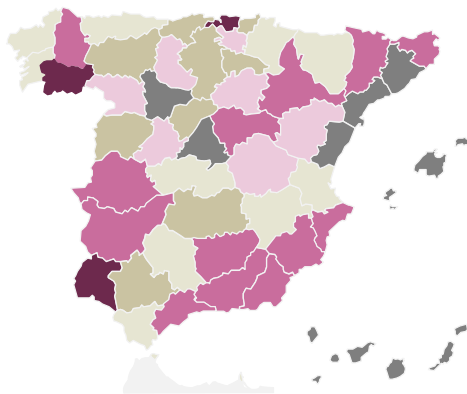
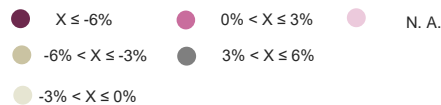
Source: Knight Frank Valuations Department based on Ministry of Public Works data

**GRAPH7**  
Number of transactions compared to the peak. 2004 – 2018 (F)

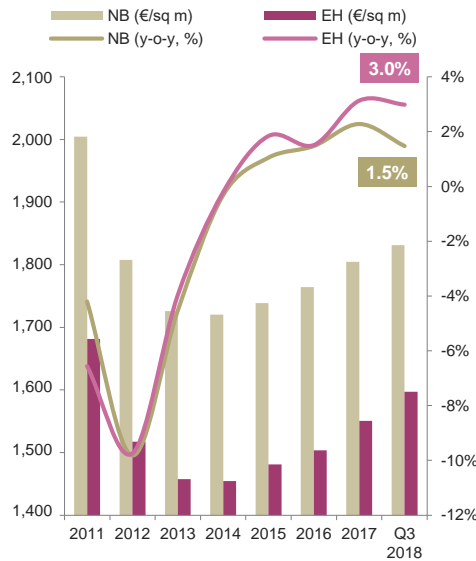


Source: Knight Frank Valuations Department based on Ministry of Public Works data

**GRAPH8**  
New build price variation by province. Q3 2017 – Q3 2018

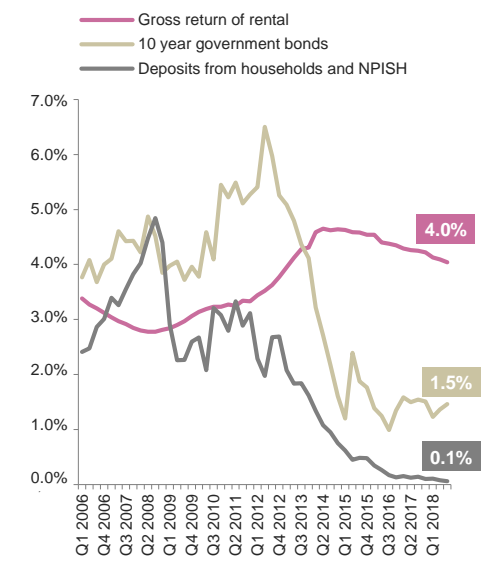


**GRAPH9**  
New build (NB) and existing housing (EH) prices. 2011 – Q3 2018



Source: Ministry of Public Works

**GRAPH10**  
Returns of alternative investments 2006 – Q3 2018



Source: Bank of Spain

Source: Ministry of Public Works



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