

Residential Snapshot

Q3 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 demand remains dynamic, driven by savings growth of nearly 30%*

- Moderate adjustments are anticipated in 2023 in key indicators such as mortgages and transactions, although prices continue to increase slightly driven by a demand with accumulated savings.

SITUATION IN SPAIN

The expansion of economic activity in Spain continues. The GDP maintains an annual growth rate of 2.2% in the third quarter, and it is expected to close the year at 2.5%.

It is foreseeable that the increase in mortgage costs will impact the market, and it is estimated that by the end of the year, there will be an annual decrease

of more than 11% in mortgage firms, with an expectation of 410,000 by the end of the year, not far from the 2021.

It is estimated that the number of approvals permits will remain at around 110,000 by the end of 2023, similar to 2022. The final works certificates could increase to more than 90,000, despite the uncertainty, driven by the permits issued 24 months ago.

Spain

Approvals and final works certificates evolution. Q2 2023 vs Q2 2022

+12.4% 27,010 approvals

-3% 22,500 final works certificates

Transactions and average price of free housing evolution*. Q2 2023 vs Q2 2022

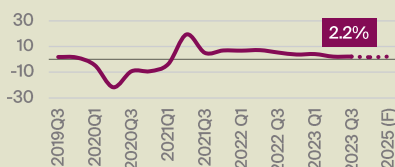
-14% 165,565 n° transactions**

+3% 1,793 €/sq m

Source: Ministry of Public Works. *New build and existing housing. **Provisional.

GDP evolution

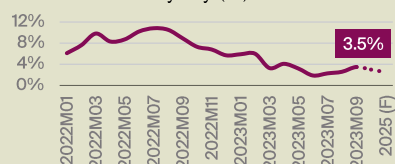
2019 – 2025 (F), y-o-y (%)



Source: INE (Provisional data from Q1 2020) | Bankinter

CPI evolution

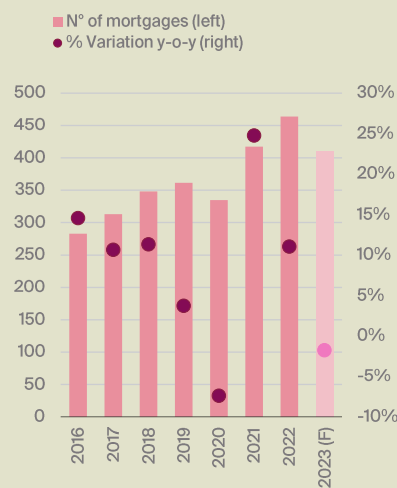
2017 - Jun 2023, y-o-y (%)



Source: INE | Bankinter

N° of mortgages

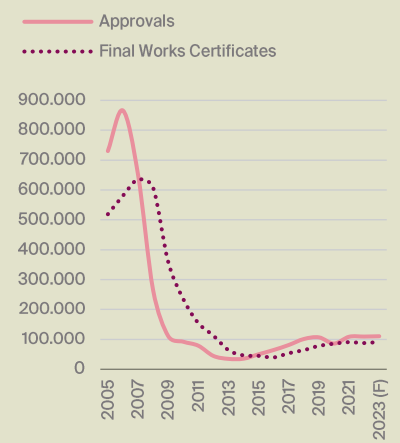
2016 - 2023 (F)



Source: INE

Approvals and final works certificates

2006 – 2023 (F)



Source: Ministry of Public Works

*Source: Bank of Spain. Savings of Spanish households as of June 2023 vs. the 5-year pre-COVID average.

PRICES AND TRANSACTIONS IN SPAIN

Due to high interest rates, the number of real estate transactions is slowing down, and a decrease of 10-15% is expected compared to 2022, which was, on the other hand, a record year. The outlook points to more than 600,000 transactions by the end of the year, not far from the numbers in 2021.

During the 2nd quarter, the British citizens were the foreigners who purchased the most homes in Spain, accounting for 8.8% of international property transactions. They were followed by Germans at 7.3%, French at 6.6% and Italians at 5.2%.

Prices continue to rise, albeit moderately. The average price per square meter for free-market housing reached approximately €1,793/sq m at the end of the 2nd quarter, representing a 3% increase compared to the same period in 2022. In the case of new construction, the average price rises to over €2,144/sq m (+5.6% YoY), while the second-hand market records slightly over €1,782/sq m (+2.9% YoY).

The Islands lead the regions that have experienced the highest annual price variations, with the Balearic Islands showing a 9.1% increase and the Canary with 6% growth. They are followed by Andalusia (5.7%), Valencia (4.2%) and Navarre (4%).

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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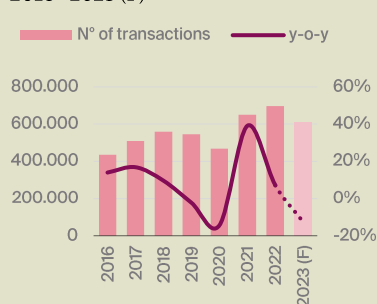


Research

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N° of transactions

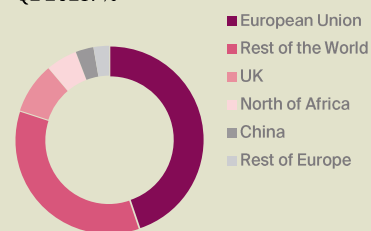
2016 - 2023 (F)



Source: Research Knight Frank | Ministry of Public Works

Origin of foreign housing buyers

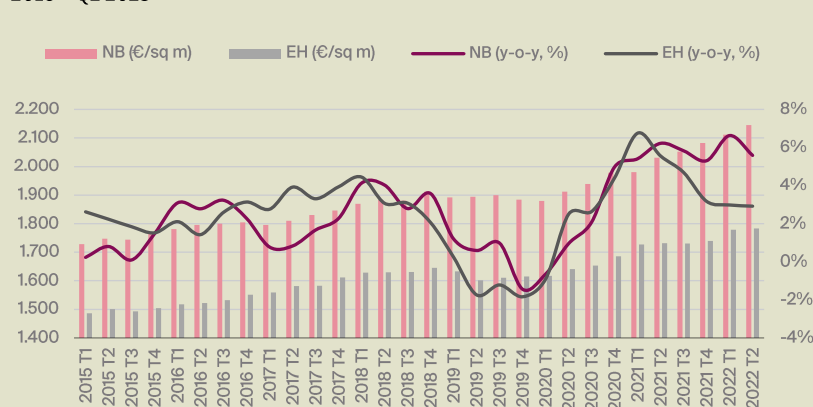
Q2 2023. %



Source: Spanish College of Property

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

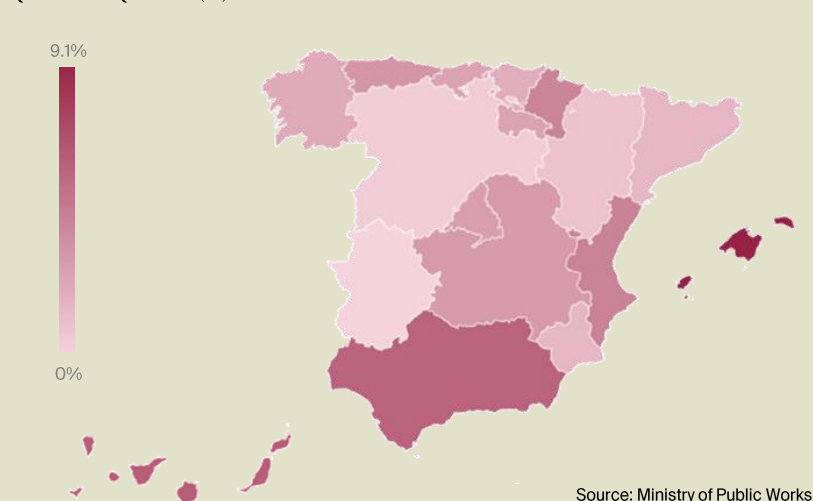
2016 - Q2 2023



Source: Ministry of Public Works

New build prices variation by region

Q2 2023 vs Q2 2022. (%)



Source: Ministry of Public Works