



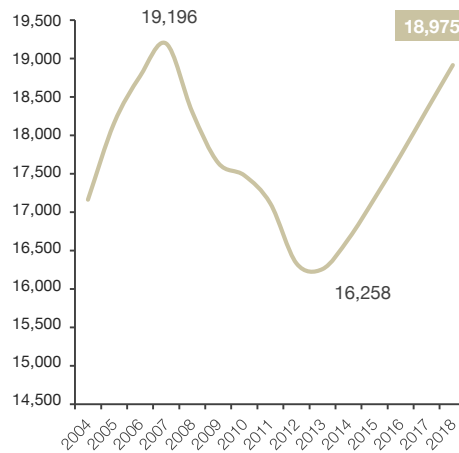
RESIDENTIAL SNAPSHOT

Q4 2018

SITUATION IN SPAIN

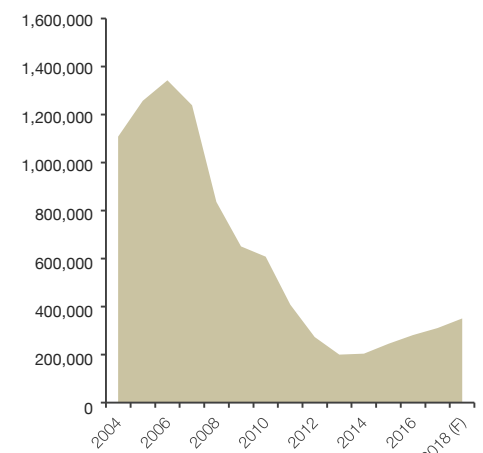
- The Spanish economy finished 2018 on a positive note, reinforcing its position as one of the key growth areas in the euro zone, due to factors such as the increase in Social Security Affiliates, a figure 26% higher than the lowest figures reached in 2013.
- Over 320,000 mortgages were granted during 2018, a figure 13% higher than the previous year.
- Household debt has also seen a reduction and is now at 65.2% of GDP. On average 32% of household income is spent on the mortgage, far lower than the highs reached in years prior to the crisis.
- The number of building permits exceeded 100,000 in 2018. It is expected the number of development approvals will exceed 87,500, this figure has continually increased since over the last few years.

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



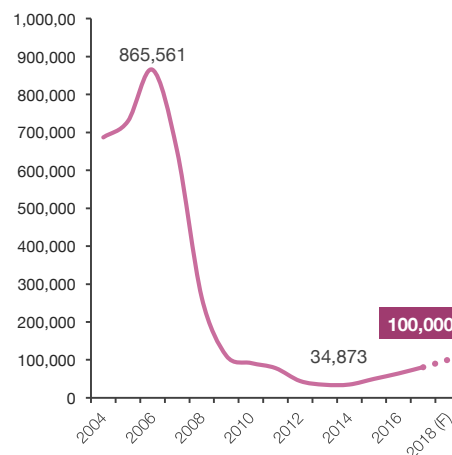
Source: Ministry of Employment and Social Security.

GRAPH 2
Number of mortgages granted
2004 – 2018 (F Q4)



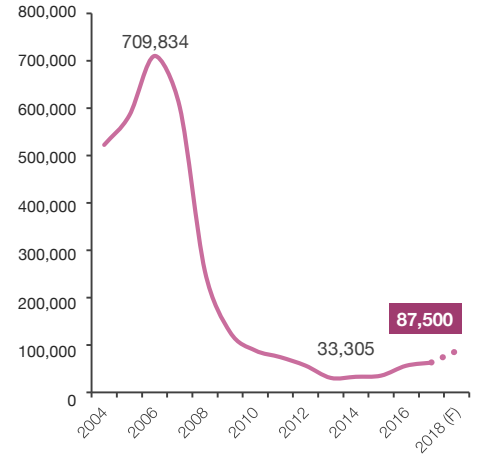
Source: Knight Frank Valuations Department based on INE data from Q3 2018.

GRAPH 3
Building permits
2007 – 2018 (F Q4)



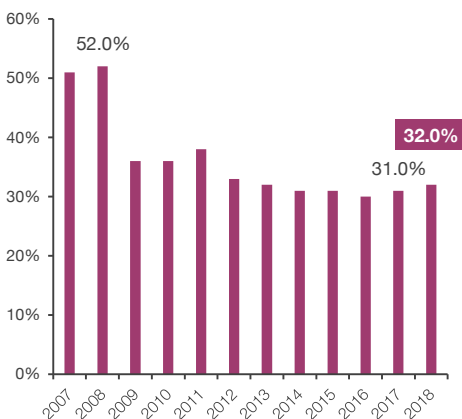
Source: Knight Frank Valuations Department based on Bank of Spain data from Q3 2018.

GRAPH 4
Development approvals
2004 – 2018 (F Q4)



Source: Knight Frank Valuations Department based on INE data from Q3 2018.

GRAPH 5
% of household income spent on the mortgage
2007 – 2018



Source: Knight Frank Valuations Department based on data from the Bank of Spain.

STARTED AND COMPLETED HOUSES | 2017 – 2018 (F)

STARTED: +23 % (100,000 units approx) COMPLETED: +30 % (65,000 units approx)

PRICES AND TRANSACTIONS IN SPAIN

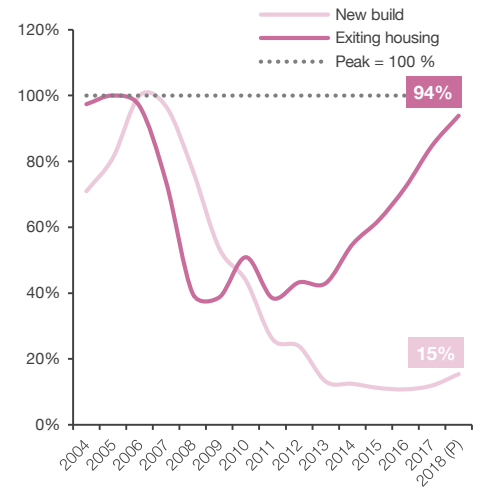
- It is expected that the number of transactions in Spain will exceed 570,000, based on official data from Q3, a 12% increase from the previous year, though still far below peak figures reached in 2006.
- Existing housing transactions continued to represent the vast majority, at an estimated 90%, compared with 10% for new builds, still far from a healthy balance between supply and demand.
- Both new build and existing housing prices continued to grow, reaching 1,840 €/sq m and 1,610 €/sq m respectively. Madrid and Catalonia remain the autonomous communities with the highest rents, followed by the Balearic Islands and the Basque Country.
- This year housing investment returned high yields of 4%, when compared with alternative investments, such as a 1.5% return for a 10-year state bond.

GRAPH 6
New build and existing housing number of transactions. 2004 – 2018 (F Q4)



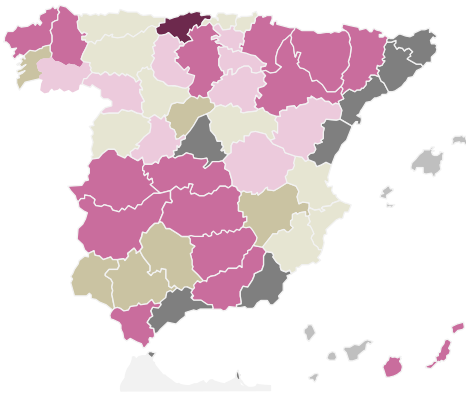
Source: Knight Frank Valuations Department based on Ministry of Public Works data from Q3 2018.

GRAPH 7
Number of transactions compared to the peak. 2004 – 2018 (F Q4)



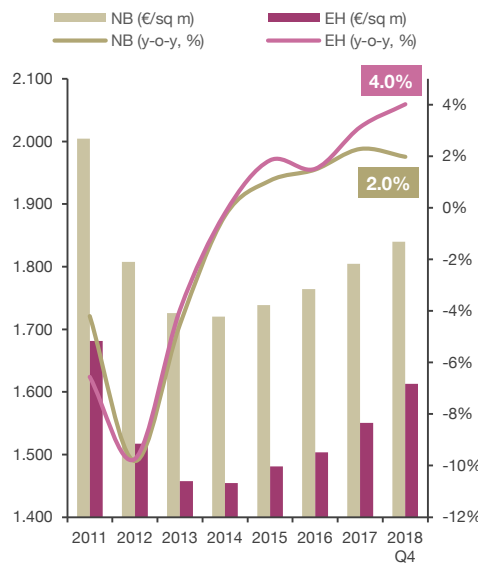
Source: Knight Frank Valuations Department based on Ministry of Public Works data from Q3 2018.

GRAPH 8
New build prices variation by province. Q3 2017 – Q3 2018



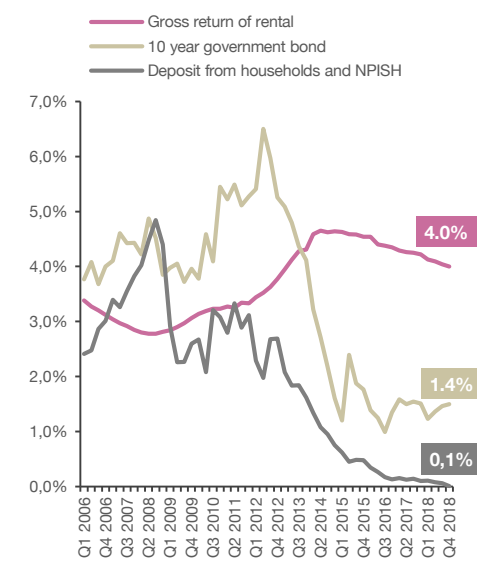
Source: Ministry of Public Works.

GRAPH 9
New build (NB) and existing housing (EH) prices. 2011 – 2018 (F Q4)



Source: Ministry of Public Works data from Q3 2018.

GRAPH 10
Returns of alternative investments 2006 – 2018 (Q4)



Source: Bank of Spain.



RESEARCH

Carlos Zamora

Partner | Head of Residential
Carlos.Zamora@es.knightfrank.com
+34 600 919041

Rosa Uriol

Head of Research
Rosa.Uriol@es.knightfrank.com
+34 600 919114

Important notice

© Knight Frank España, S.A.U. 2019

This report is published for general information only and is not to be relied upon in any way. Although high standards have been used in the preparation of the information, analysis, views and projections presented in this report, no responsibility or liability whatsoever can be accepted by Knight Frank España, S.A.U. for any loss or damage resultant from any use of, reliance or reference to the contents of this document.

As a general report, this material does not necessarily represent the view of Knight Frank España S.A.U. in relation to particular properties or projects. Reproduction of this report in whole or part is not permitted without prior written approval of Knight Frank España S.A.U. to the form and content within which it appears. Knight Frank España is a limited liability partnership registered in the Mercantile Register of Madrid with Tax ID No. (CIF) A-79122552. Our registered office is located at Suero de Quiñones 34, 28002 Madrid.