

## FOCUS · Housing stock: marked by the past

Today's expansion in the real estate sector is very uneven. For example, while house prices in the provinces of Barcelona and Madrid are growing by 6.6% and 4.3%, respectively,<sup>1</sup> they are still falling in most provinces of Castile & Leon and Castile-La Mancha. Why such a divergence?

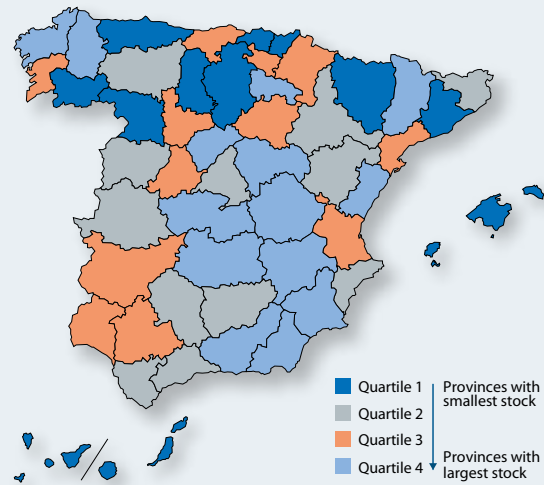
One of the main reasons is the legacy of the real estate crisis in the form of new housing that has yet to be bought. As shown by the first chart, this stock varies greatly between provinces and is particularly large in the centre of the country, apart from Madrid.

This larger stock acts as a brake on prices since it boosts the supply. As can be seen in the second chart, prices are still falling in zones with an above-average stock while they are rising in zones with a more limited supply. House prices rose by 0.7% year-on-year in the 25% of provinces with the smallest stock (quartile 1) but fell by 0.5% year-on-year in the 25% of provinces with the largest stock (quartile 4).<sup>2</sup> This reveals the different trend in the expansionary price cycle in each province depending on its stock.

But we must also remember that no connection has been observed between the stock of new housing on sale in each province and the speed of the recovery in house purchases (see the third chart). In fact, house purchases grew rapidly in almost all provinces. This is very good news for stock absorption<sup>3</sup> in those provinces where supply is still too large, and for the real estate sector as a whole. In 2016, purchases rose by 13.6% year-on-year, bringing the total number of homes bought in the year to 403,866. Growth in house purchases looks set to continue at a good rate, boosted by the labour market recovery and favourable financial conditions.

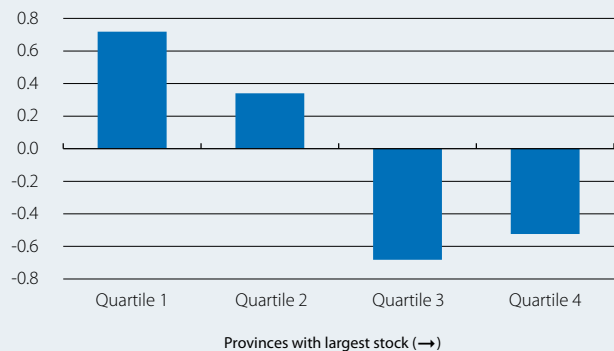
1. Year-on-year change in 2016 Q3 in the valuation of non-subsidised housing by the Ministry of Public Works.  
 2. Average year-on-year change in 2016 Q3. Provinces are ordered from less to more stock and divided into four groups or quartiles. «Quartile 1» contains the 25% of provinces with the smallest stock and «Quartile 4» the 25% of provinces with the largest stock.  
 3. Not all housing stock on sale ends up being sold as it may not meet the preferences or needs of the current housing demand.

### New housing stock on sale (% of total housing)



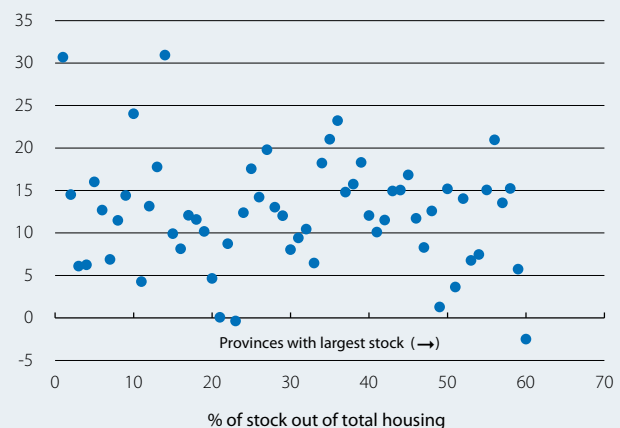
**Note:** «Quartile 1» includes the 25% of provinces with the smallest stock. «Quartile 4» includes the 25% of provinces with the largest stock.  
**Source:** CaixaBank Research, based on data from the Ministry of Public Works and Tinsa.

### House prices by stock in provinces Year-on-year change in house prices (%)



**Note:** Price data at 2016 Q3.  
**Source:** CaixaBank Research, based on data from the Ministry of Public Works and Tinsa.

### House purchases by stock Year-on-year change in purchases (%)



**Source:** CaixaBank Research, based on data from the Ministry of Public Works, Tinsa and INE.