

Flash Note 23/11/2018

## Spain · Housing price growth eases

### Data

- Appraisal prices for open market housing climbed 0.1% QoQ in Q3 2018.
- In YoY terms, housing prices rose 3.2% in Q3 2018.

### Assessment

- There was a **modest increase in housing appraisal prices** during the third quarter of the year, standing at 0.1% QoQ, well short of our forecasts (we anticipated an uptick of 0.7% QoQ). In any case, in YoY terms the increase stood at a solid 3.2% YoY. This does not alter our expectation that **the rising housing price trend that began in 2015 will continue**.
- This moderate housing price growth came as a surprise amid a context of **robust demand for housing**. Specifically, between July and September **housing sells** were up a considerable 11.0% YoY, reaching 506,749 units sold in September (12 month accumulated figure). Improving income, employment and financing conditions have underpinned property demand. Furthermore, purchases made by foreigners again showed considerable buoyancy (these account for 16.8% of total purchases).
- **Supply side indicators** all point in the same direction: investment in residential construction grew 6.5% YoY in real terms during 3Q 2018. The number of social security affiliates in construction expanded 6.9% YoY in October (much faster than the 3.1% growth seen in the total economy) and industry confidence indices have improved substantially. Therefore there is a supply normalisation from very low levels. Specifically, the number of new housing permits showed a significant uptick of 26% YoY in the year up to August.
- **Sector prospects remain upbeat for the coming quarters**. In particular, good labour market trends, sustained accommodative monetary conditions and support from foreign demand are all set to drive property purchases, with significant growth anticipated, albeit somewhat less robust than last year. In turn, upside pressure on housing prices is set to shift from major cities and tourist zones towards peripheral neighbourhoods and neighbouring cities.
- In the light of this data, **the risks in terms of our full-year 2018 forecast, of 3.5% YoY, look to be slightly on the downside**.

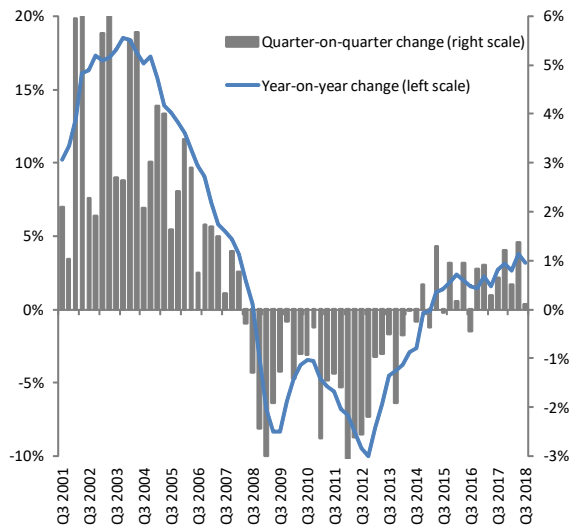
#### Spain: housing prices

	3Q 2017	4Q 2017	1Q 2017	2Q 2018	3Q 2018	
					Data	Forecast
YoY change (%)	2.7	3.1	2.7	3.8	3.2	3.8
QoQ change (%)	0.7	1.2	0.5	1.4	0.1	0.7

Source: CaixaBank Research, based on Ministry of Public Works and Transport data.

**Spain: Housing price**

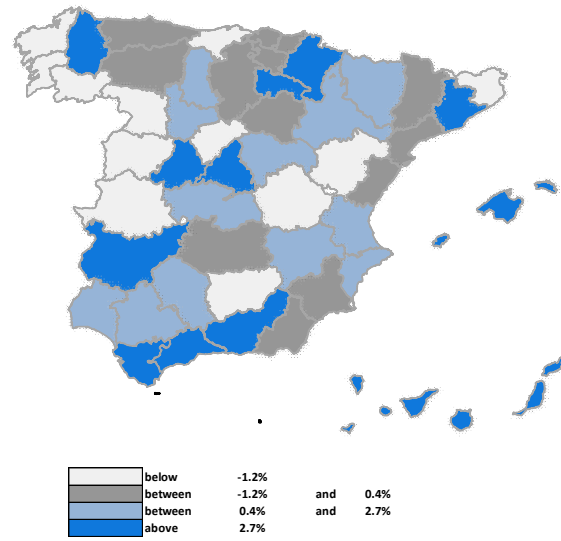
Change (%)



Source: CaixaBank Research, based on data from the Ministry of Public Works.

**Spain: Housing price**

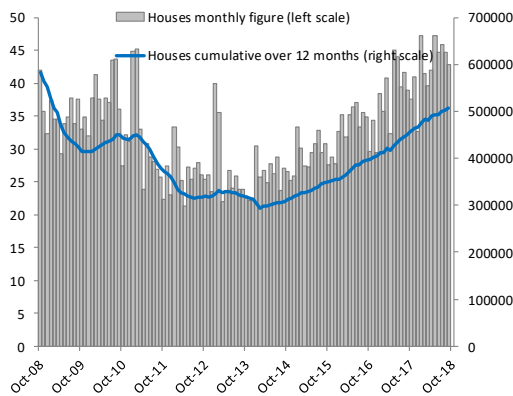
Change (%)



Note: Data from Q3 2018.  
Source: CaixaBank Research, based on data from the Ministry of Public Works.

**Spain: housing sales**

Thousands of houses

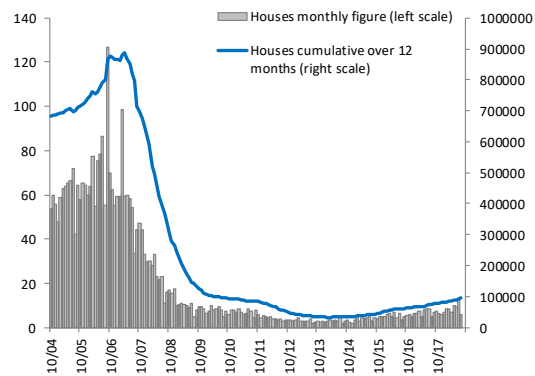


Source: CaixaBank Research, based on data from the INE.

**Spain: housing permits**

Thousands of permits

Thousands of residences, cum. 12 months



Source: CaixaBank Research, based on data from the Ministry of Public Works.

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