

Flash Note 22/02/2019

Spain · Housing prices gain traction**Data**

- Appraisal prices for open market housing were up 1.8% QoQ in 4Q 2018 (0.1% in 3Q).
- In YoY terms, housing prices rose 3.9% in 4Q 2018 (3.2% in 3Q).
- In the full-year open market housing appraisal prices increased 3.4% (2.4% in 2017).

Assessment

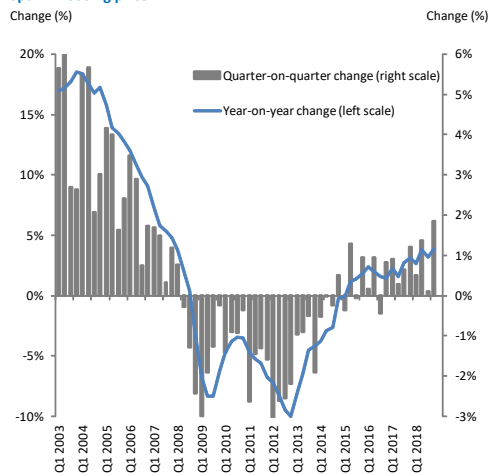
- **Appraisal prices for housing** grew at a faster rate in the final stages of last year, with an increase of 1.8% in the fourth quarter, the sharpest quarterly uptick since the housing price recovery began in 2015. This growth was slightly stronger than our forecast (we expected growth of around 1.2% QoQ) and confirms that **real estate sector expansion is in full swing**.
- The prominent housing price growth came amid **sustained highly robust demand for housing**: in 2018 as a whole 515,051 units were sold, up 10.1% compared to 2017 (figures from the National Statistics Institute). However, there were some signs of demand growth slackening. Specifically, **purchases** between October and December were up 7.5% YoY, a lower rate than the 11.0% posted in 3Q. Likewise, purchases by foreigners also eased in the final stages of the year (according to data from the Registrars Association).
- It is noteworthy that **purchases of new homes expanded 11.1% in 2018**, exceeding the annual growth of existing homes (9.9%) for the first time since 2007. However, the weighting of new homes out of all purchases, at 18% in 2018, remains far lower than a decade ago (42% in 2007).
- **Supply indicators**, meanwhile, reflected a good trend: investment in residential construction grew 6.3% in real terms during 2018. The number of social security affiliates in construction expanded 6.5% YoY in January (much faster than the 2.9% growth seen in the total economy), while industry confidence indices have improved substantially. We are therefore seeing a supply normalisation from very low levels. Specifically, **new construction permits expanded considerably**, up 25% YoY in the year up to November, almost reaching 100,000.
- **Industry prospects remain upbeat for the coming quarters**. Thus, purchases and housing prices are set to sustain considerable growth, albeit somewhat more moderate than registered in the last year, in line with trends for the economy as a whole. In particular, the labour market is expected to perform positively, although the pace of job creation should gradually ease. Meanwhile, financing conditions will remain highly accommodative, with monetary policy normalisation expected to be very gradual.
- In the light of this data, **the risks in terms of our housing appraisal price forecast for the full-year 2019, of 4.2% YoY, look to be slightly on the upside**.

Spain: housing prices

				4Q 2018		2018	
	1Q 2018	2Q 2018	3Q 2018	Data	Forecast	Data	Forecast
YoY change (%)	2.7	3.8	3.2	3.9	3.2	3.4	3.2
QoQ change (%)	0.5	1.4	0.1	1.8	1.2	-	-

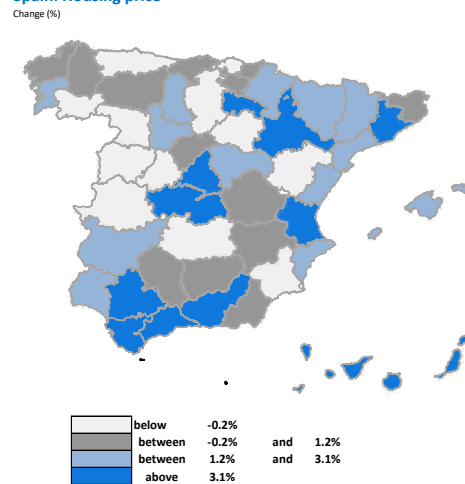
Source: CaixaBank Research, based on Ministry of Public Works and Transport data

Spain: Housing price



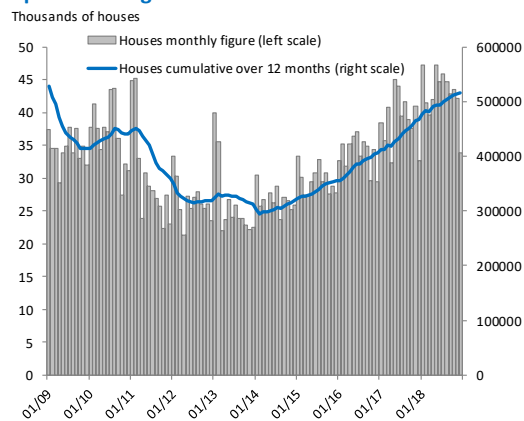
Source: CaixaBank Research, based on data from the Ministry of Public Works.

Spain: Housing price



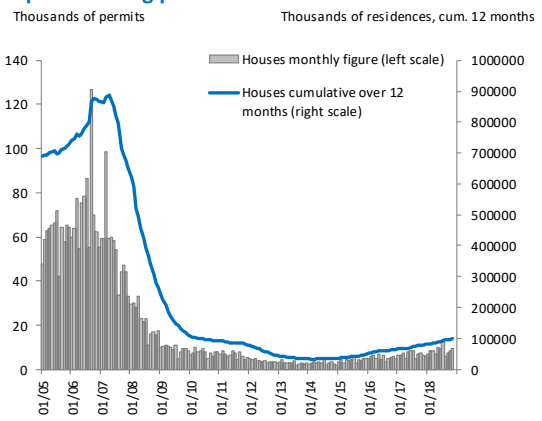
Note: Data from Q4 2018.
Source: CaixaBank Research, based on data from the Ministry of Public Works.

Spain: housing sales



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

Spain: housing permits



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

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