

Flash Note 23/05/2019

Spain · Property prices continue to climb at good pace**Data**

- Appraisal prices for open market housing were up 1.1% qoq in 1Q 2019 (1.8% in 4Q 2018).
- In yoy terms, housing prices rose 4.4% in 1Q 2019 (3.9% in 4Q 2018).

Assessment

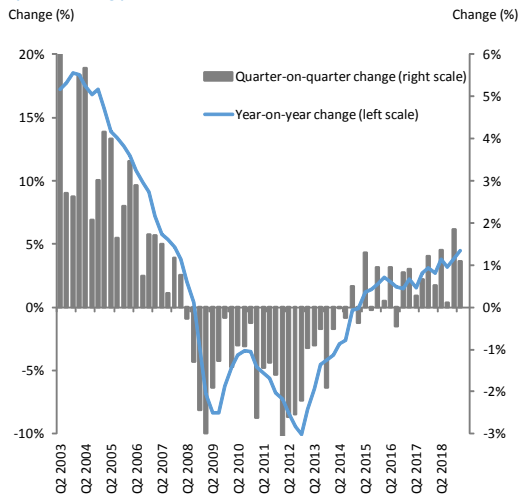
- **Appraisal prices for housing** continued their good rate of ascent in the first few months of the year, with a qoq increment of 1.1%, in line with the CaixaBank Research forecast. Property prices thereby consolidated the **rising trend** that began in 2015, confirming that **the real estate industry growth remains in full swing**.
- The significant uptick in housing prices comes amid **sustained robust demand for housing** (134,000 homes were sold in the first quarter of the year), although there were some signs of easing (purchases grew at a restrained 3.7% in 1Q, compared to growth of 10.3% in 2018).
- Despite a slowdown in total purchases, we saw diverging performances between new and second-hand housing purchases. As property developments that had got underway in recent years joined the market, **new home purchases have gained real pre-eminence**: growth of the same in 2018 outstripped that for second-hand housing for the first time in more than 10 years. This good trend from new housing sales was sustained in 1Q 2019, with an increase of 14.4% yoy compared to 1.4% for second-hand housing. As a result, the relative weighting of new housing is recovering ground (18.4% in 1Q 2019), but remains very close to the low ebb and significantly short of the average for the last decade (36%).
- **Property purchases made by foreigners are slowing somewhat more sharply** (-3% yoy in 1Q 2019). However, this should be seen in a context of very rapid growth from purchases by foreigners during recent years, which is now stabilising at particularly high levels. In fact, the proportion of purchases made by foreign buyers has declined: 12.2% in 1Q 2019 compared to 12.6% in 2018.
- **Supply-side indicators**, meanwhile, again showed considerable buoyancy during the first few months of the year: investment in residential construction grew 1.6% qoq in real terms in 1Q 2019 (compared with growth of 0.7% for total GDP). The number of social security affiliates in construction expanded 7.2% yoy in April (much faster than the 2.9% growth posted by the total economy), while industry confidence indices have improved substantially. All of which is leading to significant growth in the supply of homes. In 2018 more than 100,000 new housing permits were issued, up 24.7% compared to 2017, a positive trend that continued in the first few months of 2019 (+25.5% yoy in the 12 months up to February).
- **Looking ahead to the coming quarters, industry growth is set to continue**. Thus, housing purchases and prices should sustain considerable growth, albeit somewhat more moderate than in the last year. This easing should not be interpreted as a sign of sector weakness, but rather as normalisation towards more sustainable growth rates, following the sharp uptick seen during the recovery period.
- In the light of this data, **the risks in terms of our full-year forecast for 2019, of 4.4% YoY, look balanced**.

Spain: housing prices

	1Q 2018	2Q 2018	3Q 2018	4Q 2018	1Q 2019	
					Data	Forecast
Yoy change (%)	2.7	3.8	3.2	3.9	4.4	4.4
Qoq change (%)	0.5	1.4	0.1	1.8	1.1	1.0

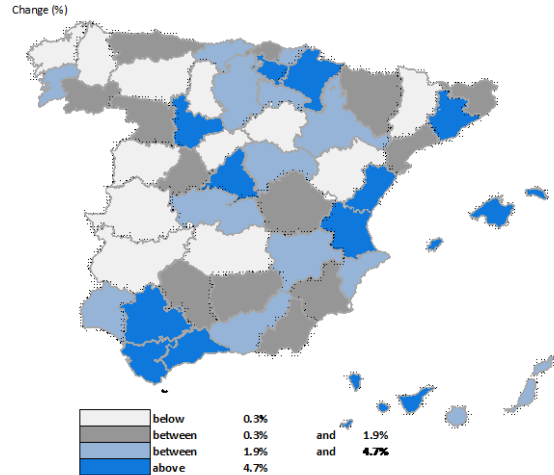
Source: CaixaBank Research, based on Ministry of Public Works and Transport data

Spain: Housing price



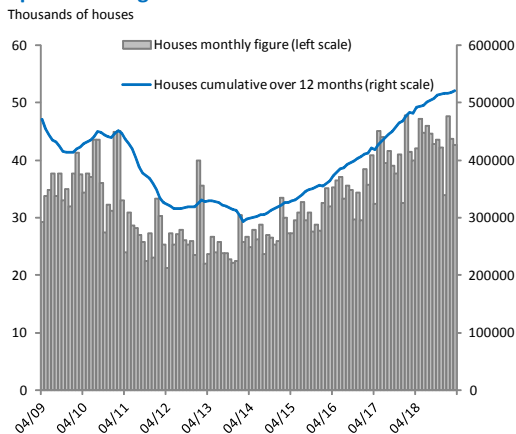
Source: CaixaBank Research, based on data from the Ministry of Public Works.

Spain: Housing price



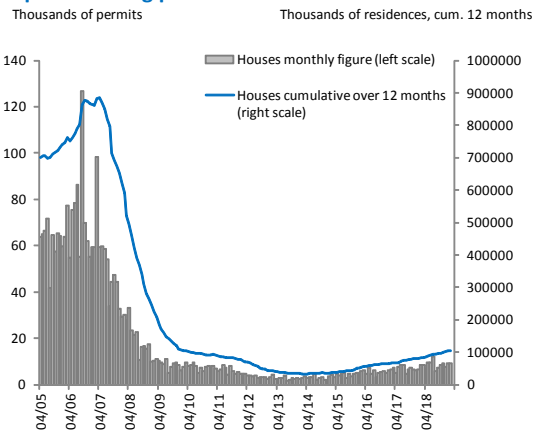
Note: Data from Q1 2019.
Source: CaixaBank Research, based on data from the Ministry of Public Works.
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Spain: housing sales



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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