



# Economic outlook What will the current real estate cycle look like?

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**CaixaBank Research**



1

International outlook



2

Spanish economy



3

Real Estate Sector: focus on foreign demand





## Main factors

- Energy crisis: Price hikes and risk of rationing
- Inflationary pressures, more intense and persistent
- Pace and intensity of monetary policy tightening
- Covid-19, supply bottlenecks...

## Transmission channels to the economy

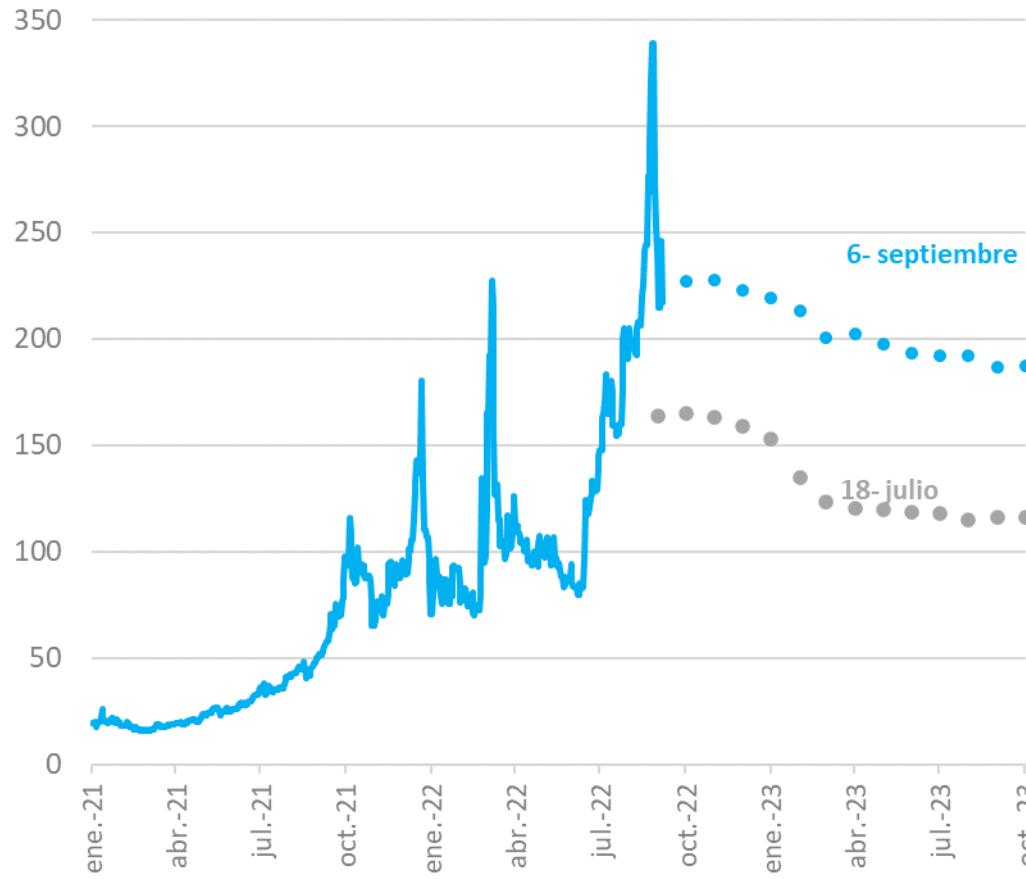
- Lower global growth and specially our main trading partners
- Productive capacity constraints
- Increased uncertainty and lower confidence
- Reduced expenditure capacity of households and firms

**Macroeconomic scenario depends crucially on how these factors develop and the economic policy response**

# Energy prices going forward: the main driver of the economic scenario, especially in Europe

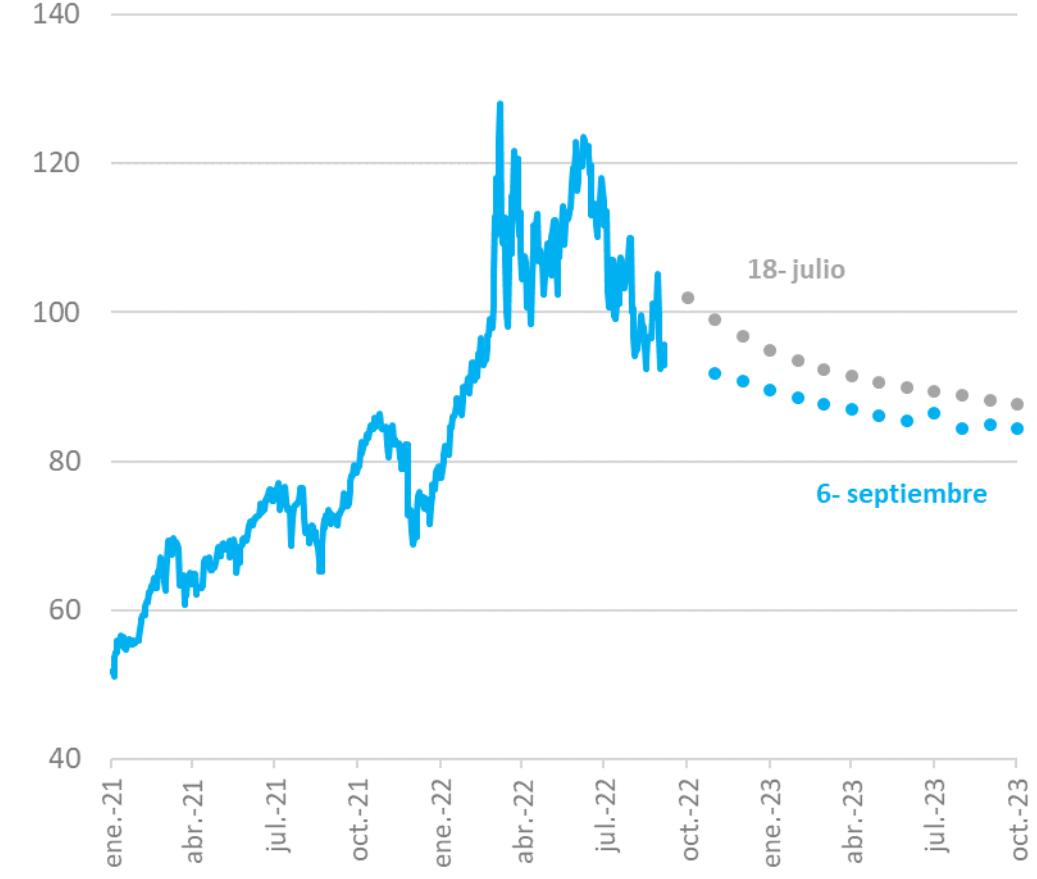
## Price of gas and futures

€/MWh



## Precio de oil and futures

\$/barril



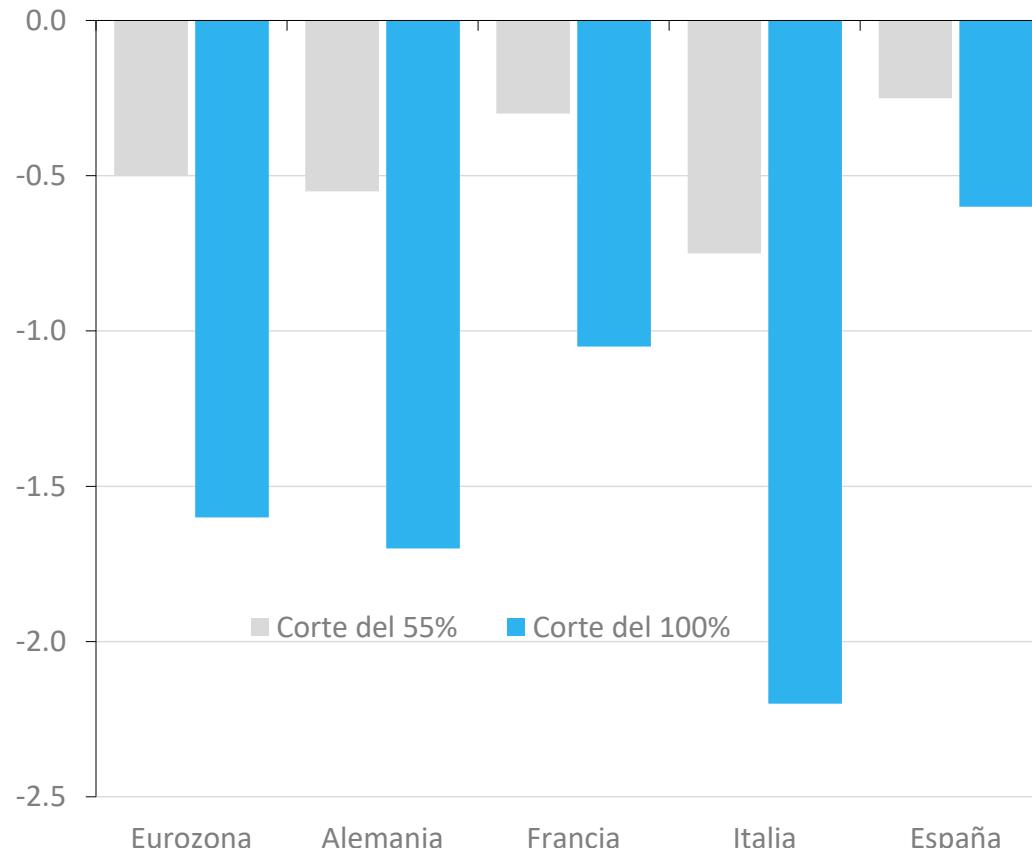
Notas: Gas Natural TTF (referencia en Europa) y petróleo Brent.

Source: CaixaBank Research, using data from Bloomberg.

# Economic impact of a russian gas supply cut: less acute in Spain

**Impact on GDP of cuts in russian gas imports**

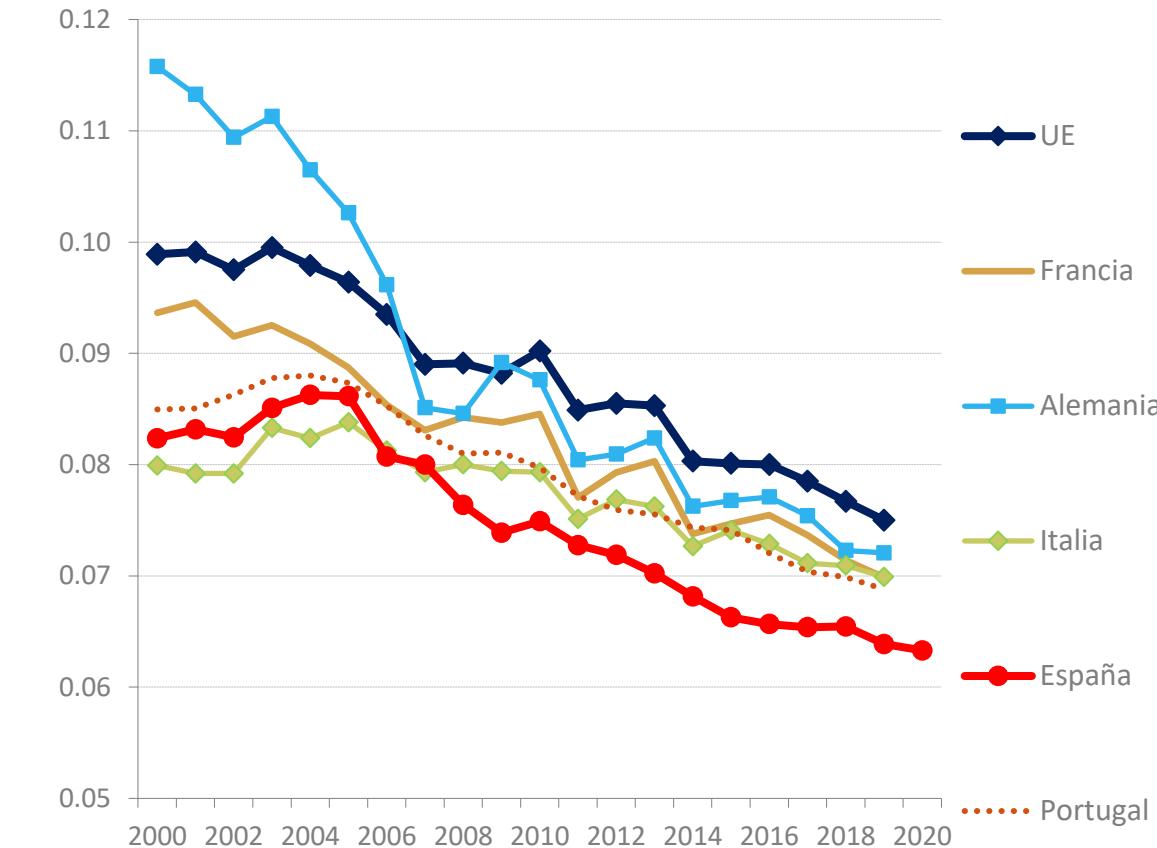
Percentage points



Source: CaixaBank Research, using data from Banco de España.

**Intensity of final energy (Energy consumption / GDP)**

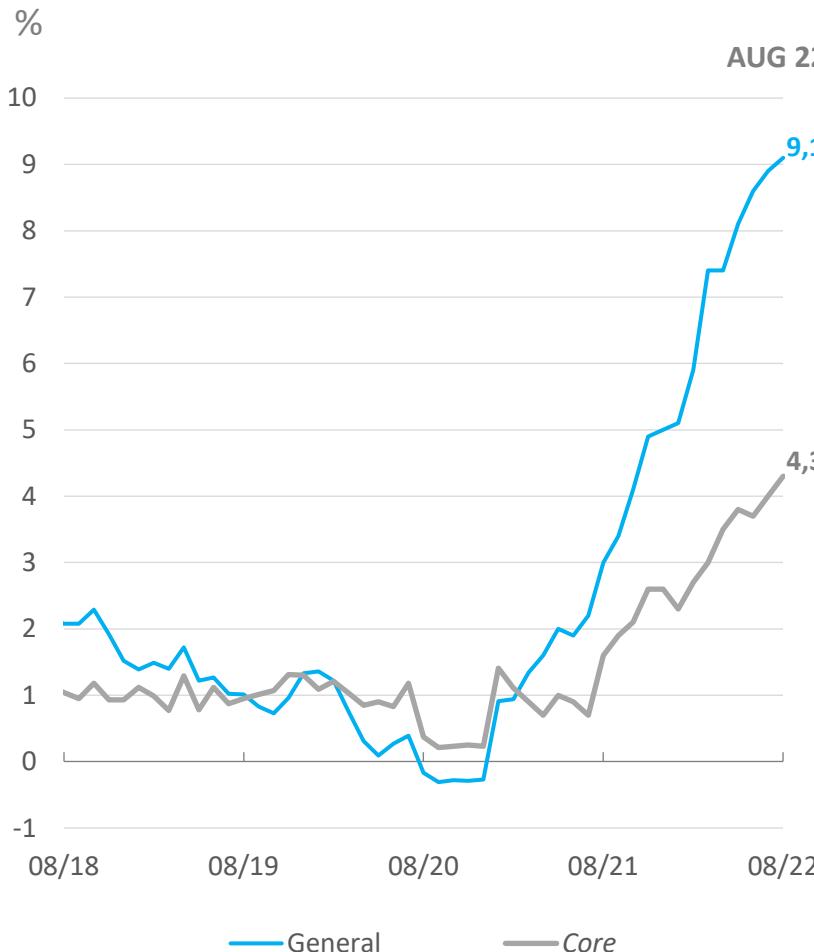
kep/€10



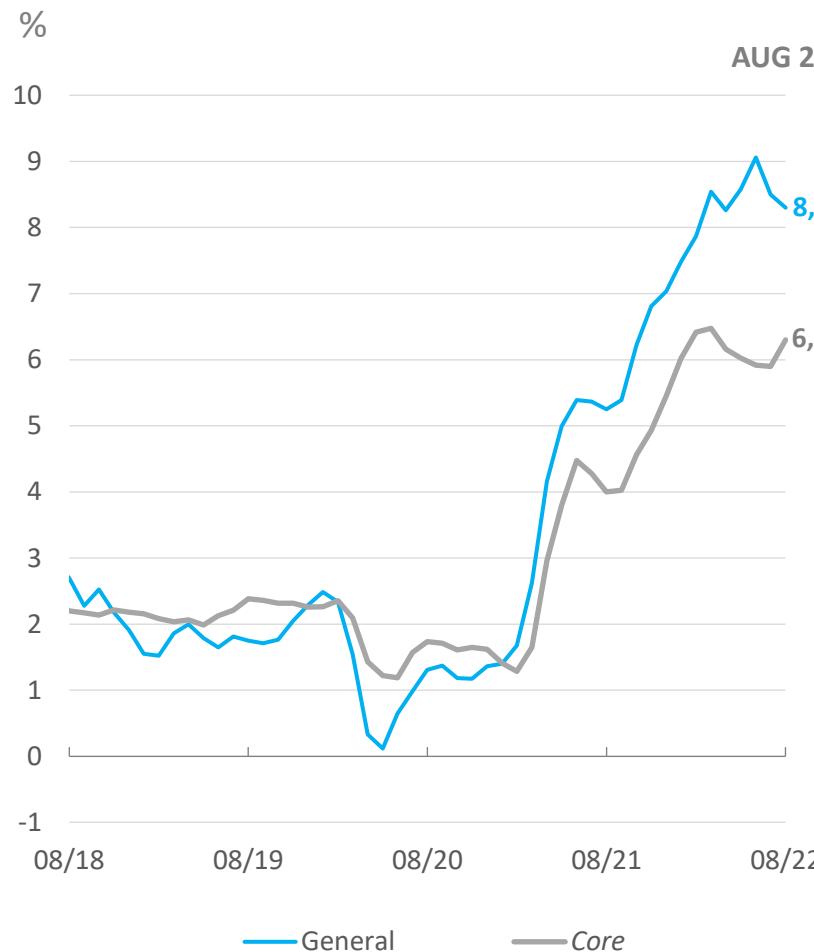
Source: IDEA/ODYSEE  
kep: kilos equivalentes de petróleo.

# Inflation keeps rising in the eurozone, but could have peaked in the USA

## Eurozone: inflation



## USA: inflation



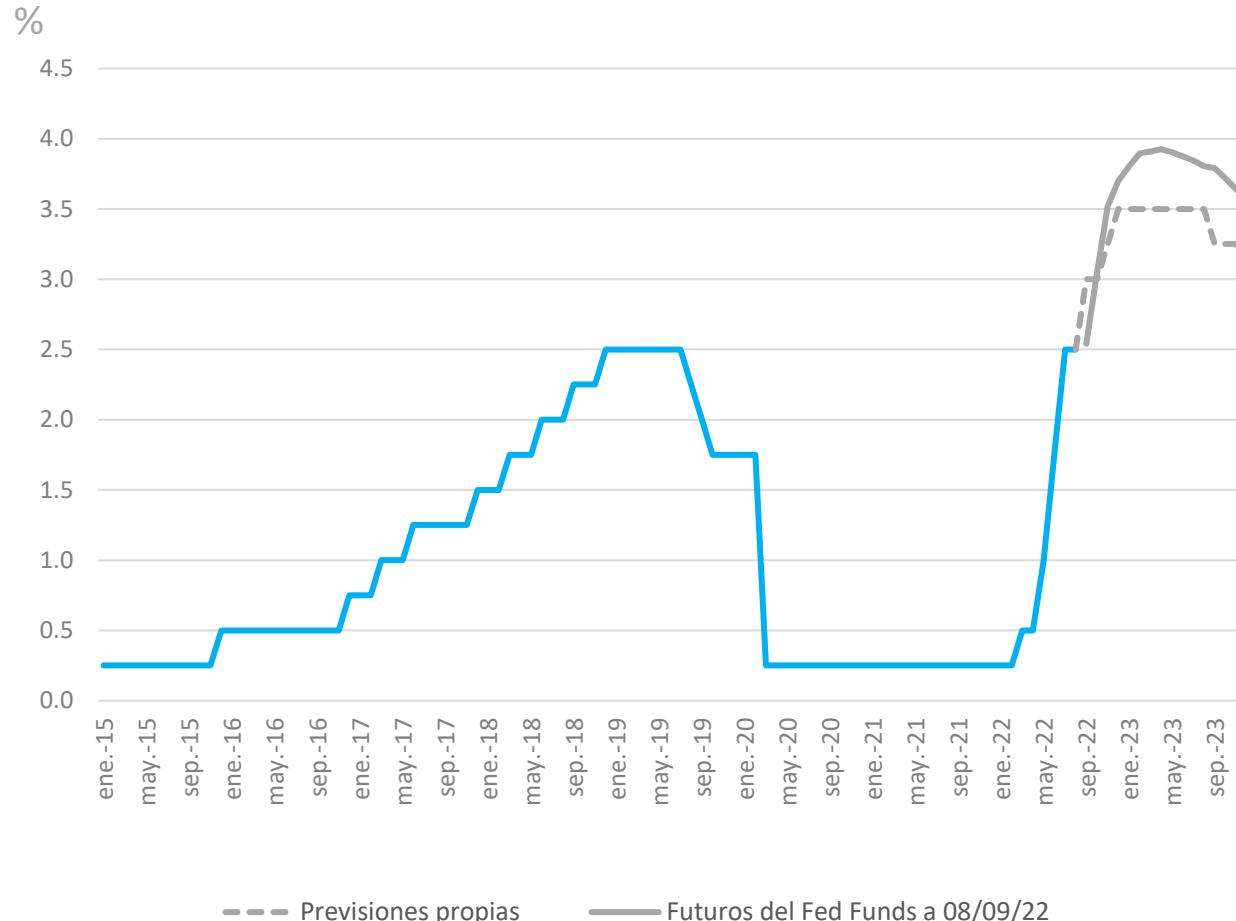
## Latest figure

	August	Inflation	Core inflation*
USA		8,3	6,3
Eurozone		9,1	4,3
Germany		8,8	3,4
France		6,6	4,1
Italy		9,1	4,1
Spain		10,5	4,7
Portugal		9,3	6,0

**Nota:** Los datos de los países de la eurozona se refieren a la cesta del IPCA. \*Inflación excluyendo bienes energéticos y todos los alimentos (elaborados y no elaborados).

# The Fed will continue to increase rates into the contractionary zone

## Official interest rate of the Federal Reserve\*



## FOMC meeting July 26 -27:

- ▶ Interest rate hike +75 bp up to 2.25%-2.50% (around neutral rates).
- ▶ Intention to keep rising rates above neutral zone and maintain in elevated levels until more clear evidence about inflation rate moderating in line with objective.
- ▶ Waiting for today's decision (September 21).

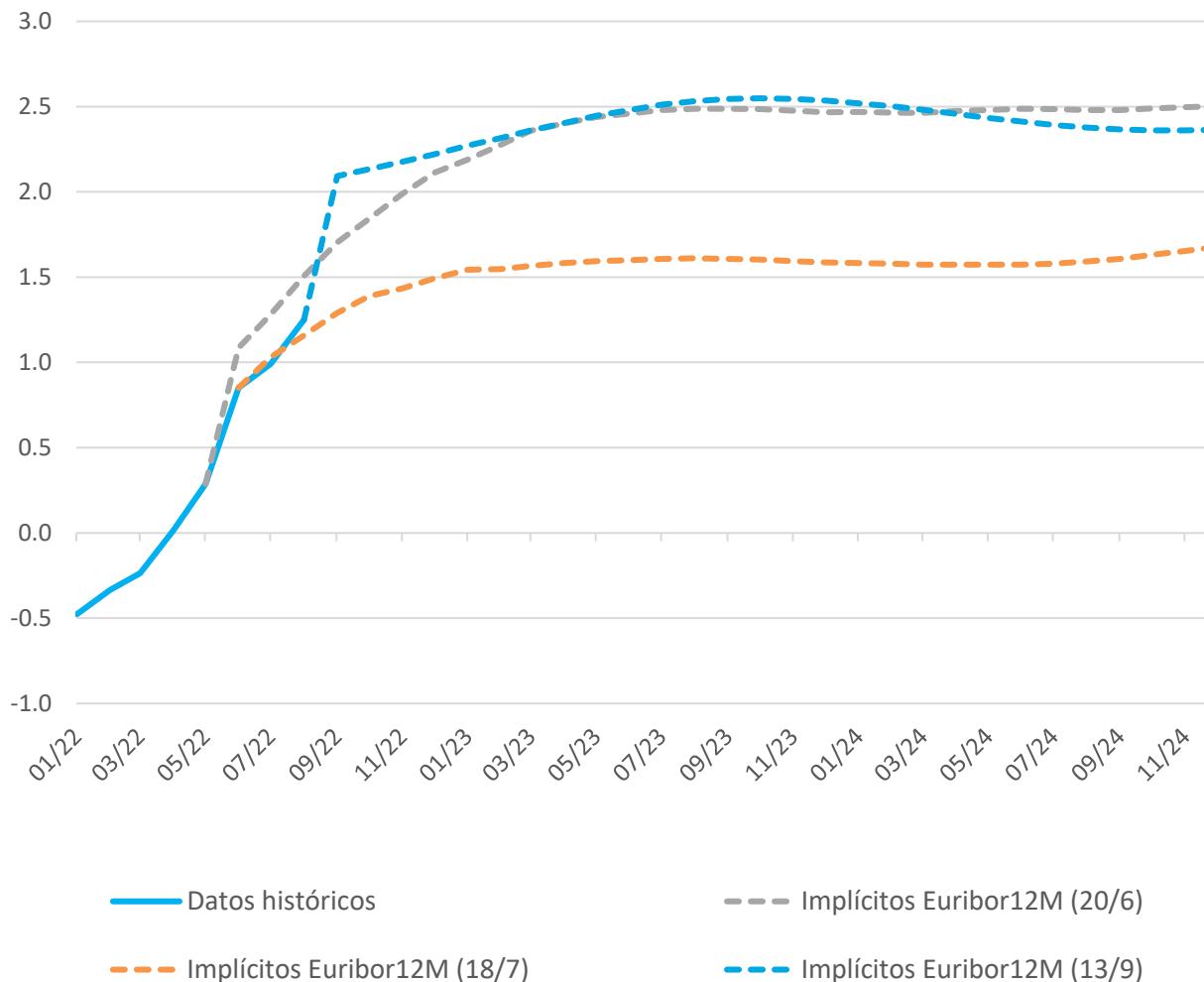
Nota: \* Upper bound limit.

Source: CaixaBank Research using data from Bloomberg.



# Price pressures lead the ECB to increase rates by 75 bp

## Euribor 12M and forward rates



Source: CaixaBank Research a partir de datos de Bloomberg.



## September 8 meeting:

- Official Rates Increase +75 bp. Up to 0.75% deposit facility (depo) and 1.25% refinancing operations (refi)
- The ECB has withheld the tone in its fight against high inflation. There will be more increases until Q1 2023.
- The ECB considers that thanks to the Transmission Protection Instrument (TPI) it will be able to do as much as necessary to stop the advance of inflation. (TPI: tool with which the ECB can acquire, without limit, sovereign debt of countries whose risk premiums increased in an "unwanted or disorderly" way).

## Previsiones macroeconómicas a septiembre de 2022

	2021	2022	2023	2024
<b>Crecimiento del PIB</b>	<b>5,2</b>	<b>3,1 (2,8)</b>	<b>0,9 (2,1)</b>	<b>1,9 (2,1)</b>
<b>Inflación general</b>	<b>2,6</b>	<b>8,1 (6,8)</b>	<b>5,5 (3,5)</b>	<b>2,2 (2,1)</b>
<b>Inflación subyacente</b>	<b>1,5</b>	<b>3,9 (3,3)</b>	<b>3,4 (2,8)</b>	<b>2,3 (2,3)</b>
<b>Compensación por empleado</b>	<b>3,9</b>	<b>4,0 (4,2)</b>	<b>4,8 (4,3)</b>	<b>4,0 (3,7)</b>

Nota: Escenario central del BCE. Entre paréntesis, previsiones anteriores (junio de 2022).



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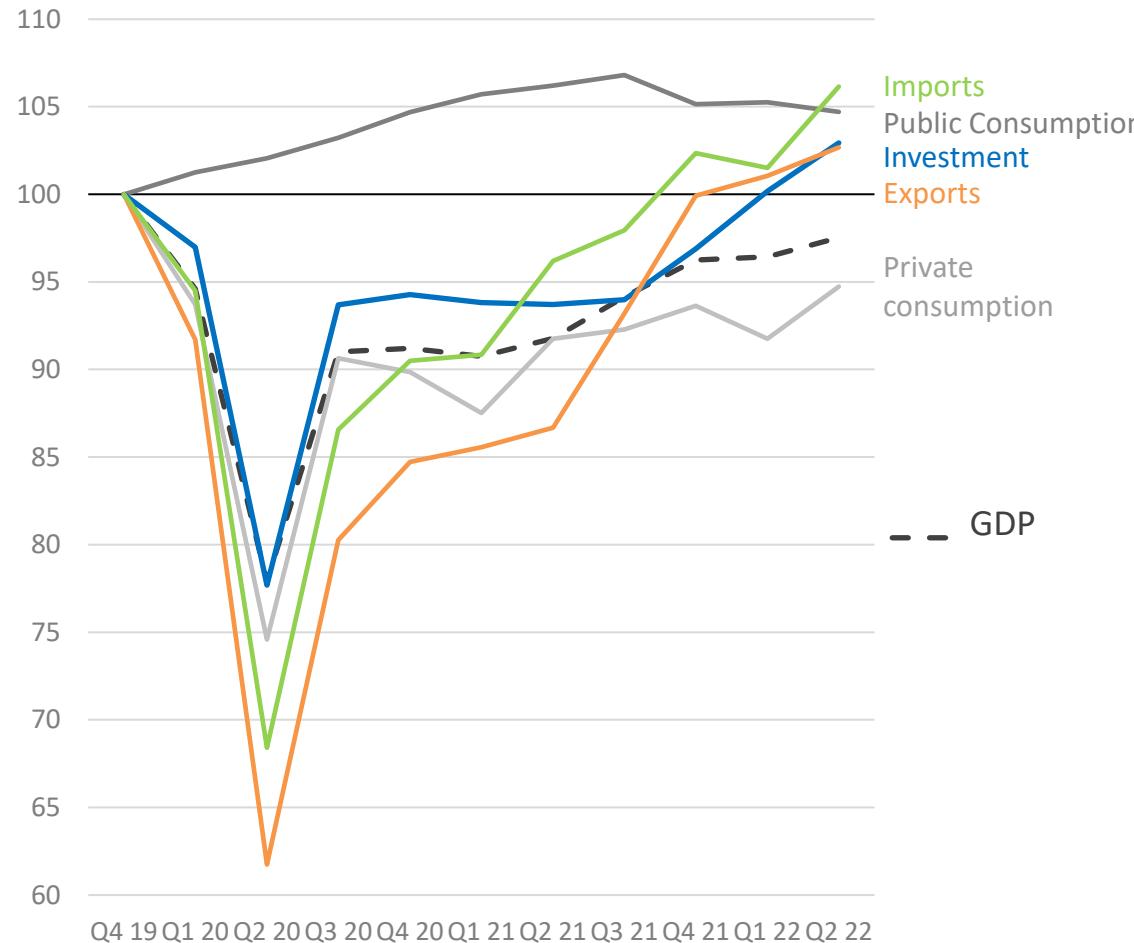
Real Estate Sector: focus on foreign demand



# Spanish GDP: positive surprise in Q2 2022

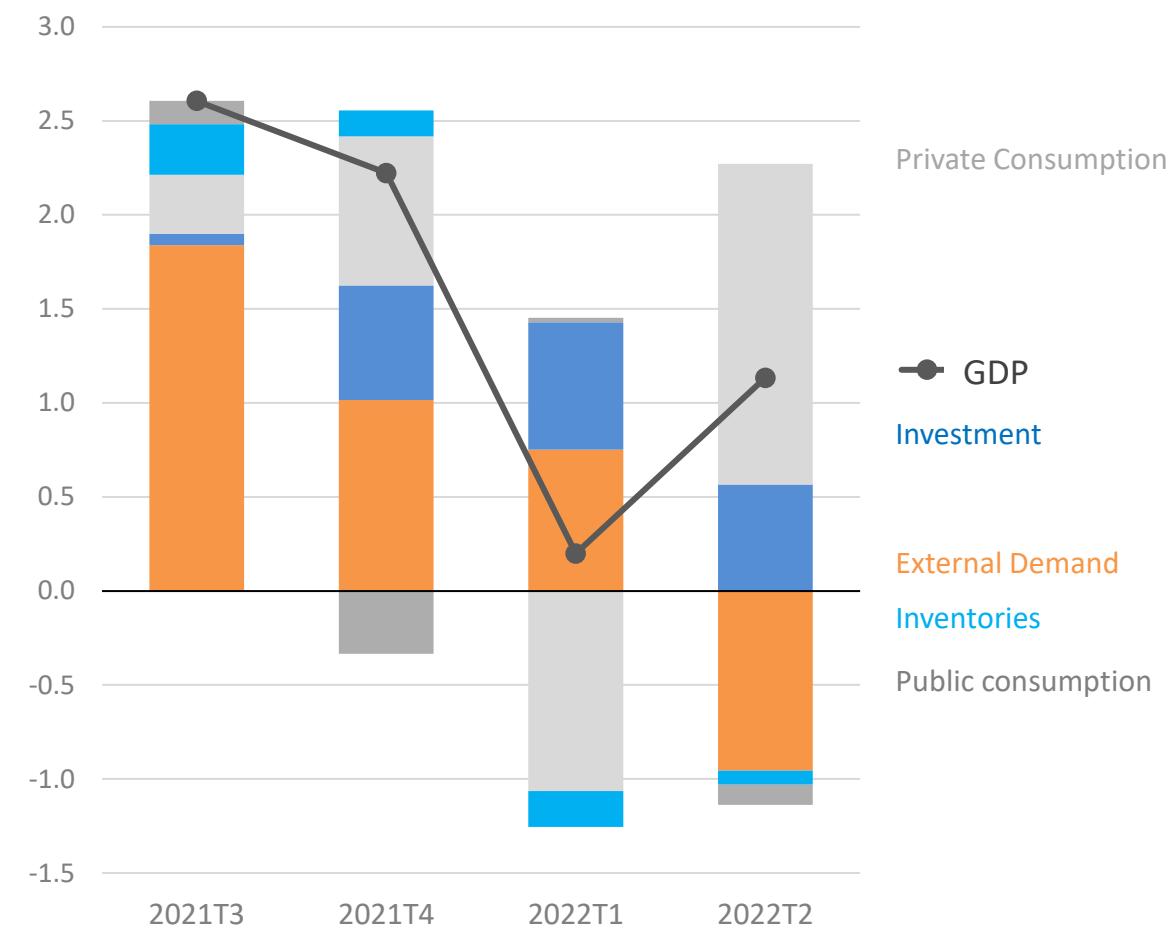
## GDP components

4T 2019 =100



## GDP: contribution to Q-o-Q growth rate

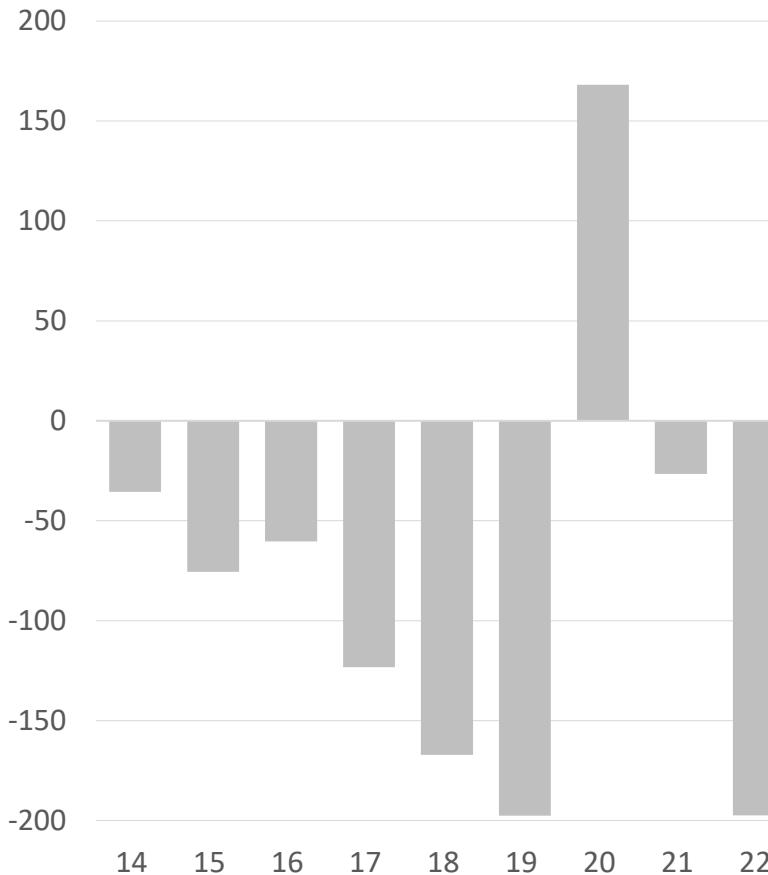
p.p



# Spanish economy weakens in Q3

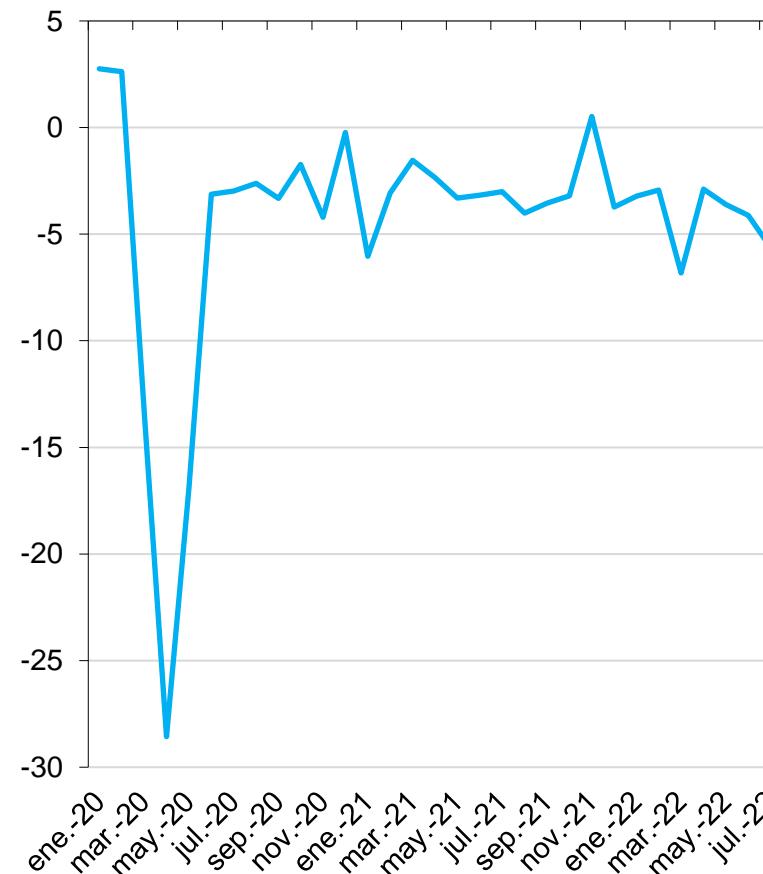
## Workers affiliated to S.S.

Cumulated change in July and August



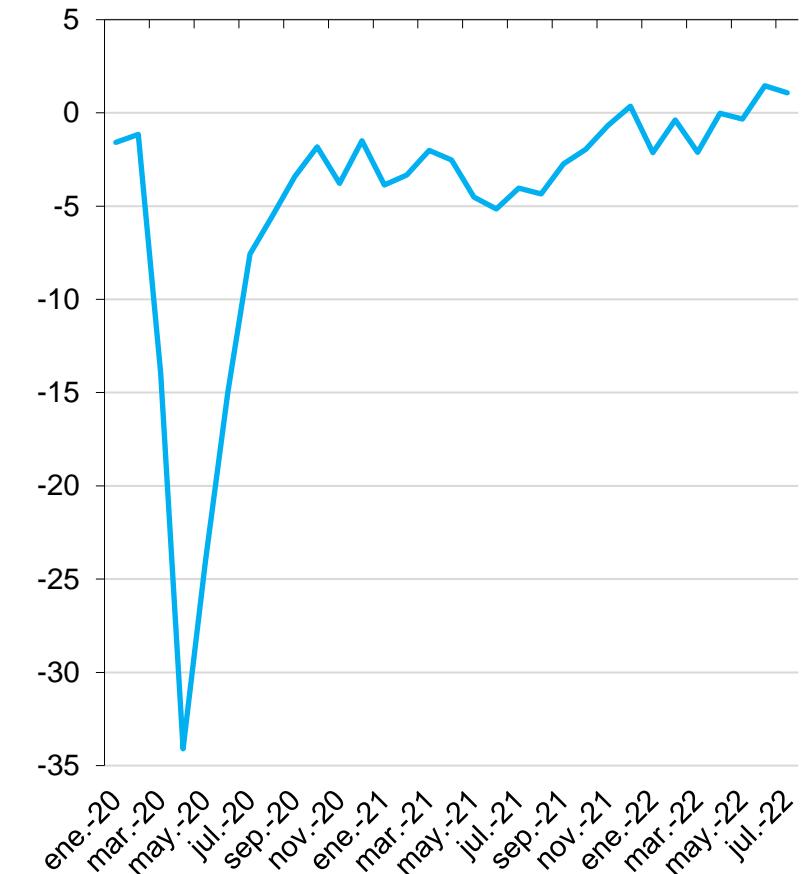
## Retail sales

Variation with respect to the same month of 2019



## Industrial production

Variation with respect to the same month of 2019



Source: CaixaBank Research using data from INE.

Nota: deflated data, without fuel stations

Source: CaixaBank Research, using data from INE.

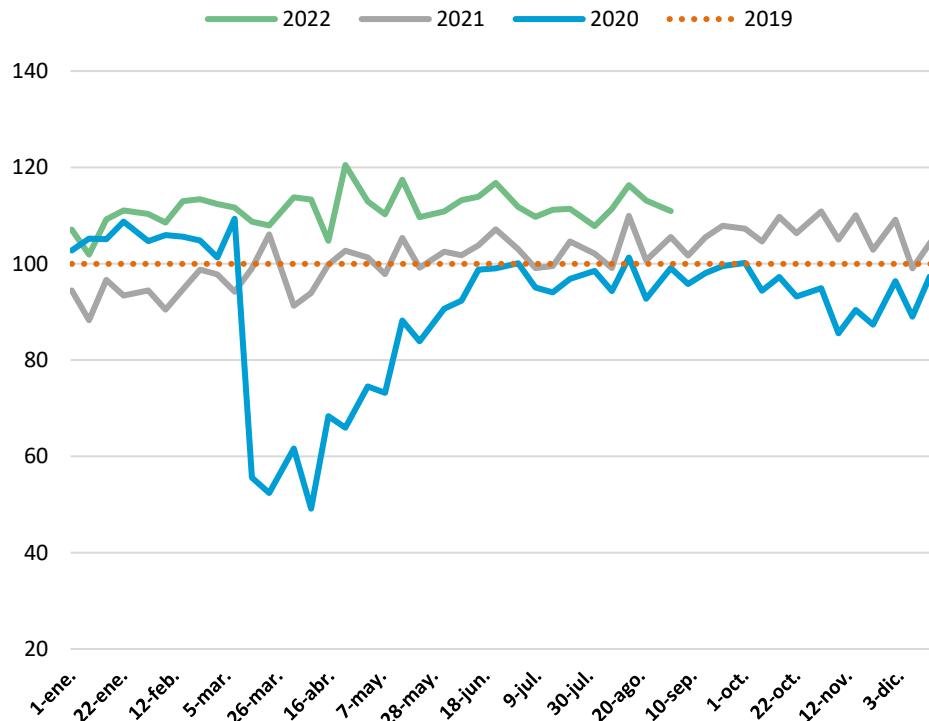
Nota: datos corregidos y desestacionalizados.

Source: CaixaBank Research, using data from INE.

# CaixaBank Consumption Monitor in Real Time

## Expenditure with Spanish cards<sup>1</sup>

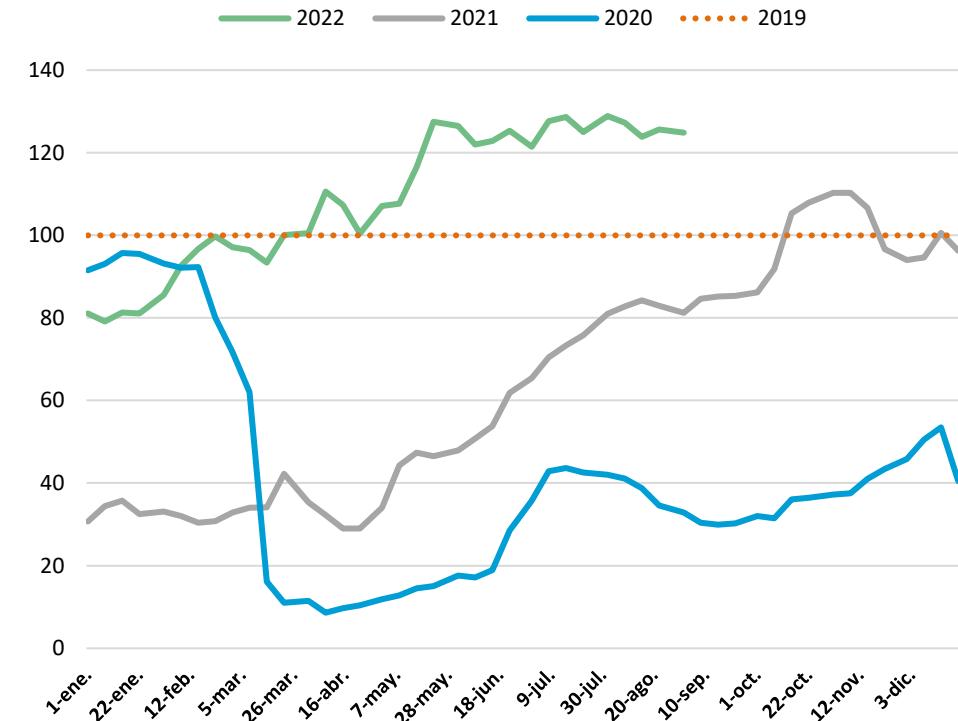
Index (100 = same period of 2019)



- Spending with Spanish cards grew by 11% on average in July and August (compared to the same period in 2019). This figure is weaker than that registered in 2022 Q2 (13%), which indicates that domestic consumption is already beginning to slow down as a result of high inflation.

## Expenditure with foreign cards<sup>11</sup>

Index (100 = same period of 2019)



- Foreign spending grew by 26% on average in July and August (compared to the same period in 2019), compared to 15% in 2022 Q2, thanks to the lifting of most restrictions associated with the pandemic.

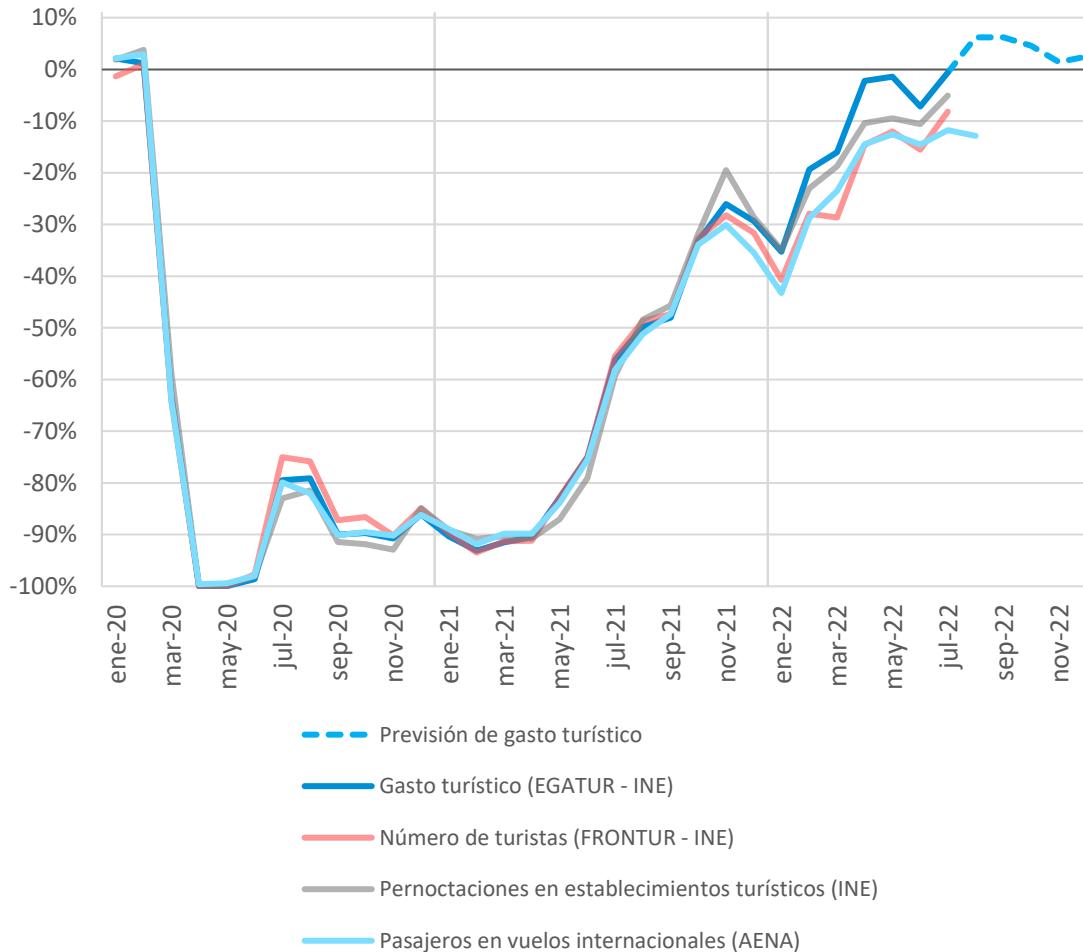
**Nota:** (1) Para evitar sesgos tras la incorporación de clientes de Bankia, el indicador incluye el gasto y los reintegros con tarjetas emitidas por CaixaBank (excluyendo las de clientes provenientes o compartidos con Bankia) y el gasto y los reintegros con tarjetas extranjeras en TPV y cajeros de CaixaBank (excluyendo los de comercios provenientes y compartidos con Bankia).

Source: CaixaBank Research, a partir de datos internos de CaixaBank.

# Positive evolution of domestic and foreign tourism

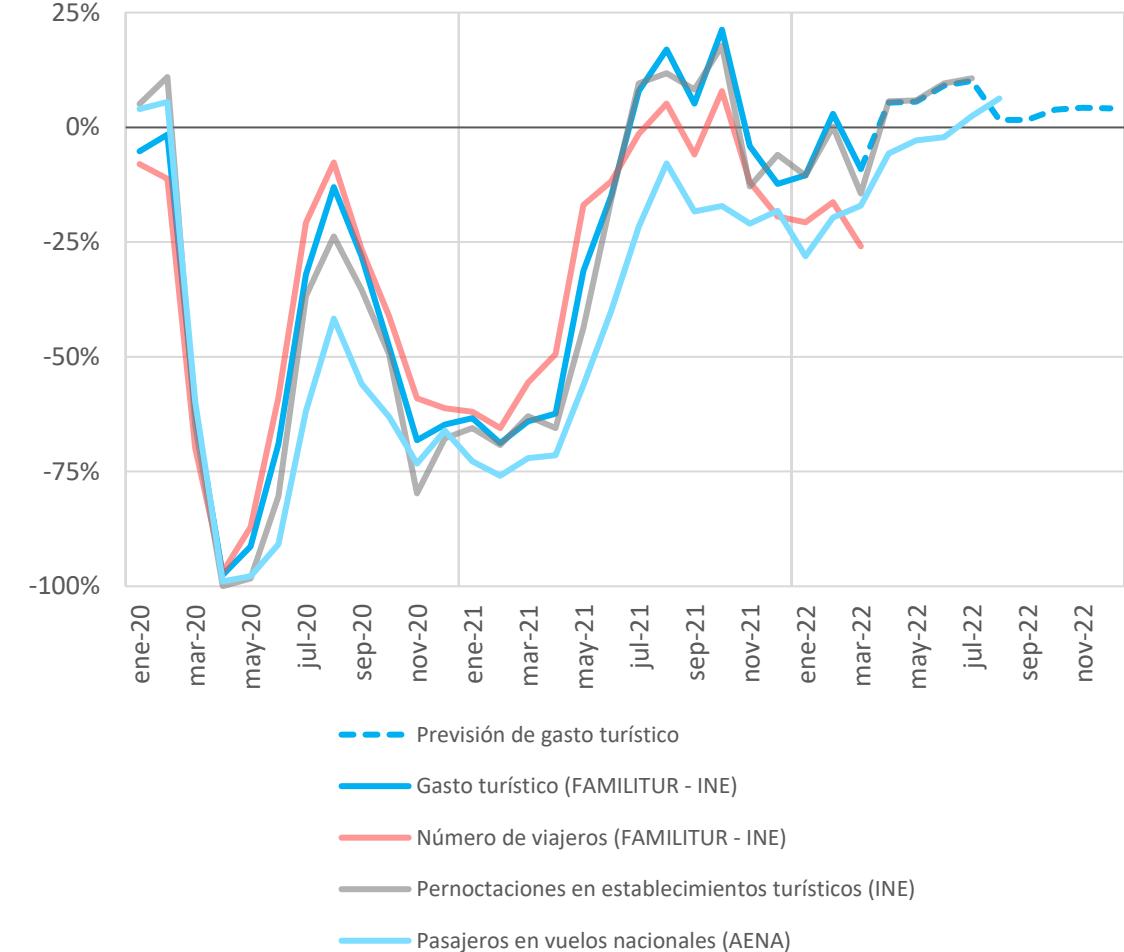
## Indicators of international tourism

Variation with respect to the same month of 2019



## Indicators of domestic tourism

Variation with respect to the same month of 2019



# Real Estate

Sector Report

2nd Semester  
2022

The upward trend in house  
prices will tend to moderate



How long can the real  
estate sector's upward  
trend last?

Where are house prices  
growing the most  
in Spain?

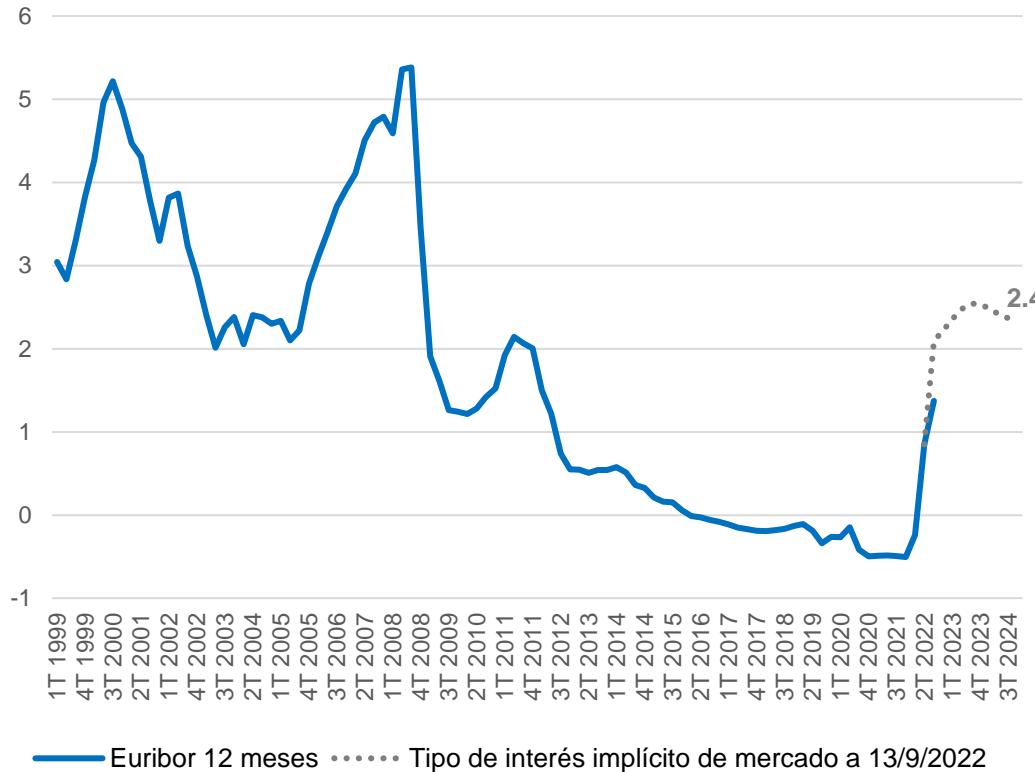
The strength of foreign  
demand for housing  
in Spain and its  
long-term outlook

Assessing the risk  
of a real estate  
bubble in developed  
markets

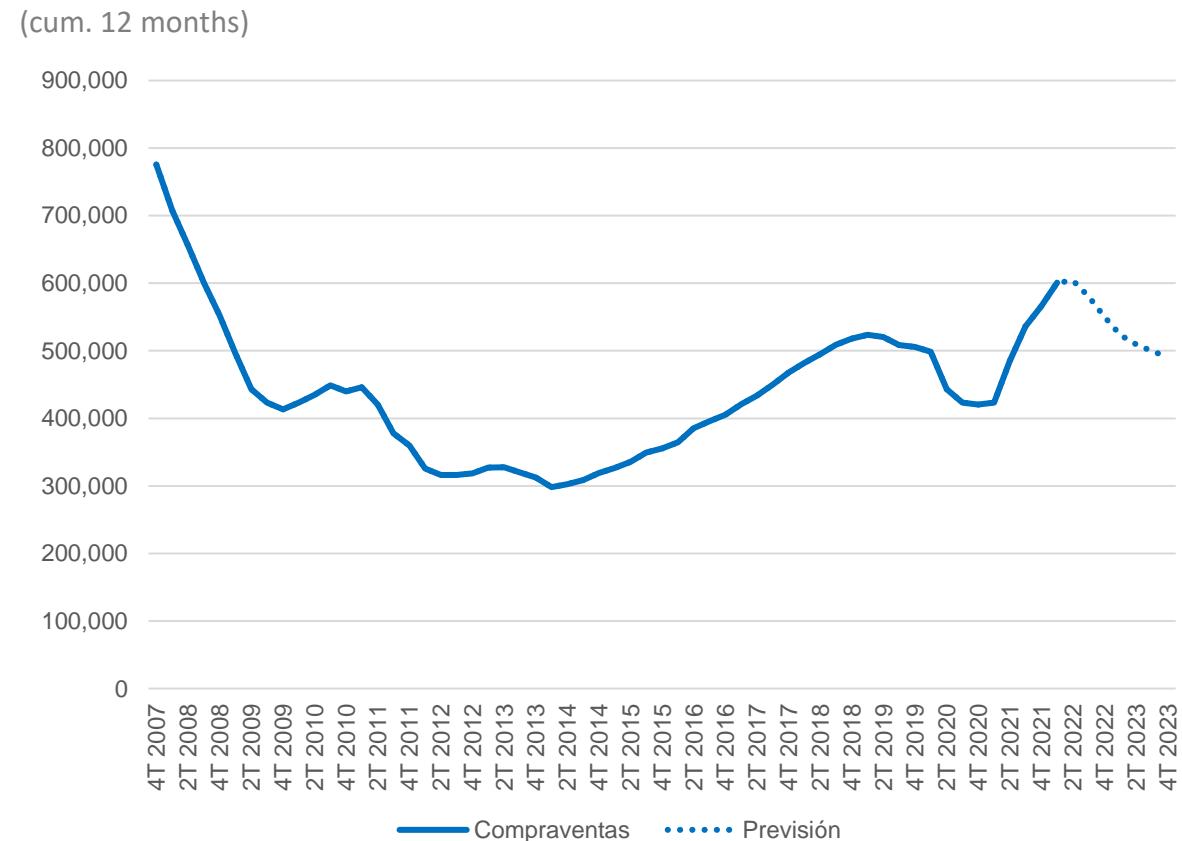
- ▶ Situation and outlook
- ▶ Where are house prices growing more in Spain?
- ▶ The strength of foreign demand for housing in Spain and its long-term outlook
- ▶ Risk of housing bubbles in developed markets

# Housing demand: the increase in interest rates will contribute to the deceleration in housing sales

## Euribor 12 months



## Number of housing units sold



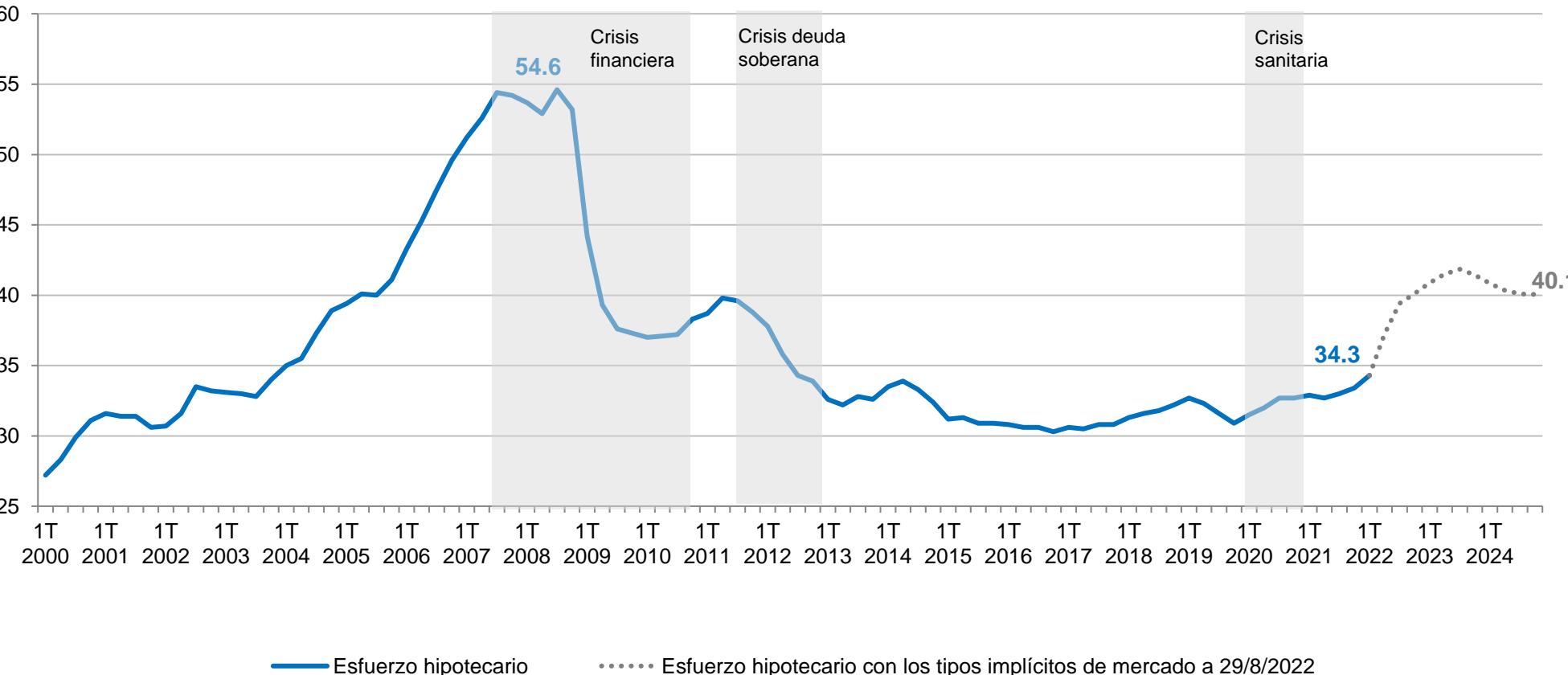
- **Housing sales in Spain:** 632,000 cum. 12 months (8.0% YoY) in July'22
- **Barcelona province:** 63,857 cum. 12 months (10.8% YoY) in July'22

Source: CaixaBank Research, using data from Bloomberg y del INE.

# Impact of the interest rate increase on mortgage effort

## Mortgage effort ratio

(% of gross disposable income)



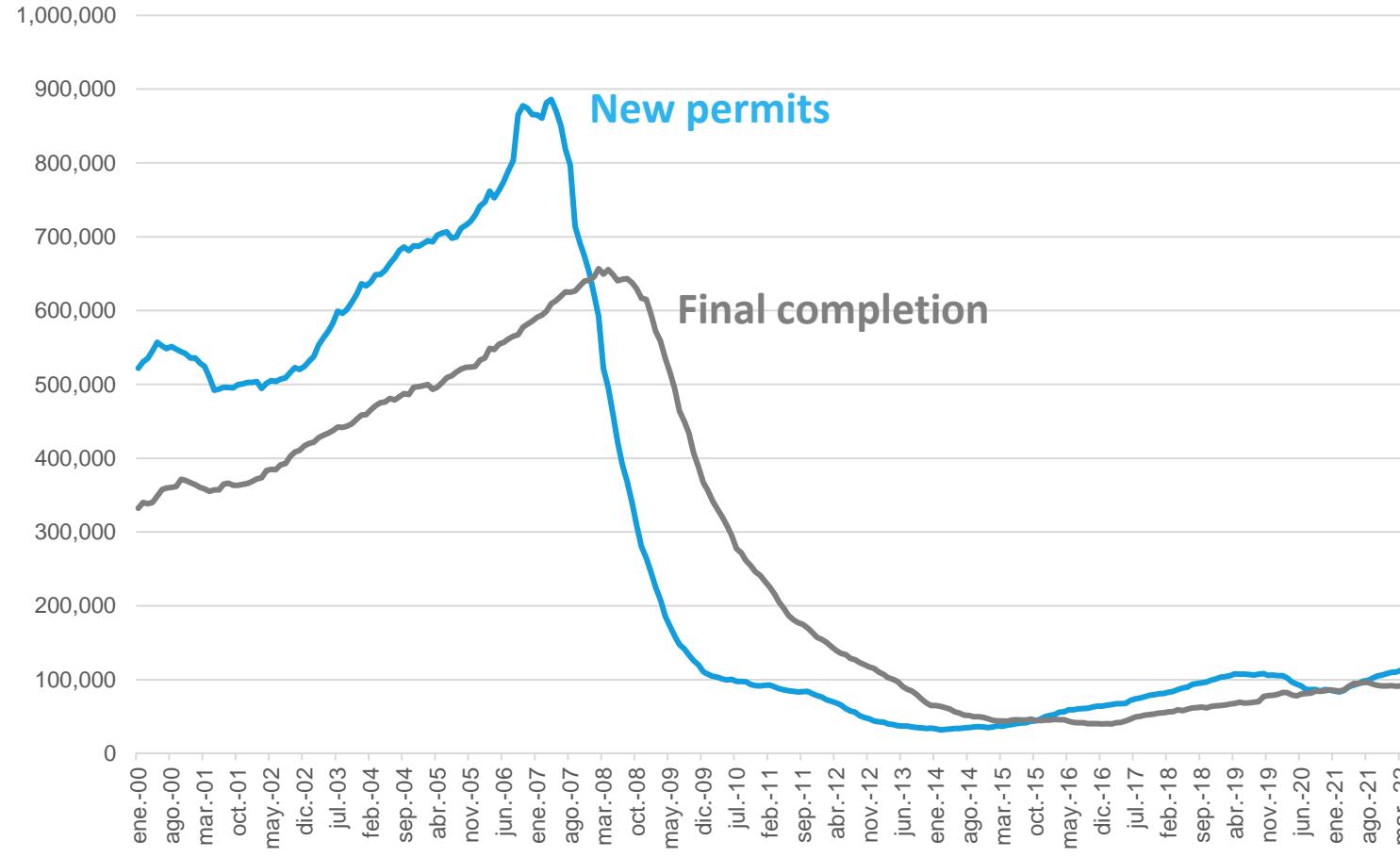
Nota: Importe de las cuotas a pagar por el hogar mediano, en el primer año tras la adquisición de una vivienda tipo financiada con un préstamo estándar por el 80% del valor del piso, en porcentaje de la renta anual disponible del hogar.

Source: CaixaBank Research, using data from Banco de España.

# Housing supply is limited



## Housing permits and certificates of final completion



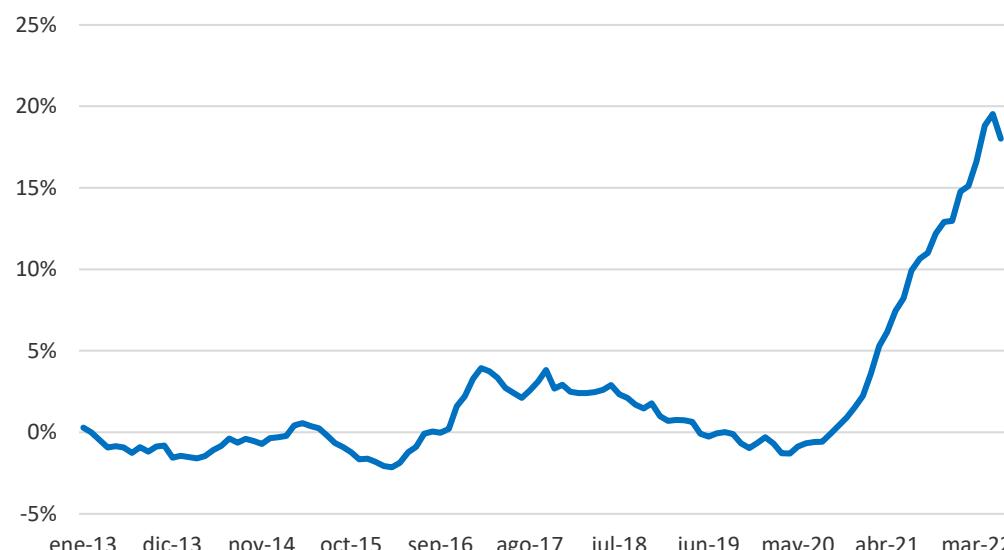
Source: CaixaBank Research, using data from Mitma.

- ▶ **New permits in Spain:**  
109.000 cum. 12 months  
(-9.6% ene-may with respect  
to ene-may 2019)
- ▶ **Barcelona province:** 13.737  
(+33% ene-may with respect  
to ene-may 2019)

# Construction costs may have peaked

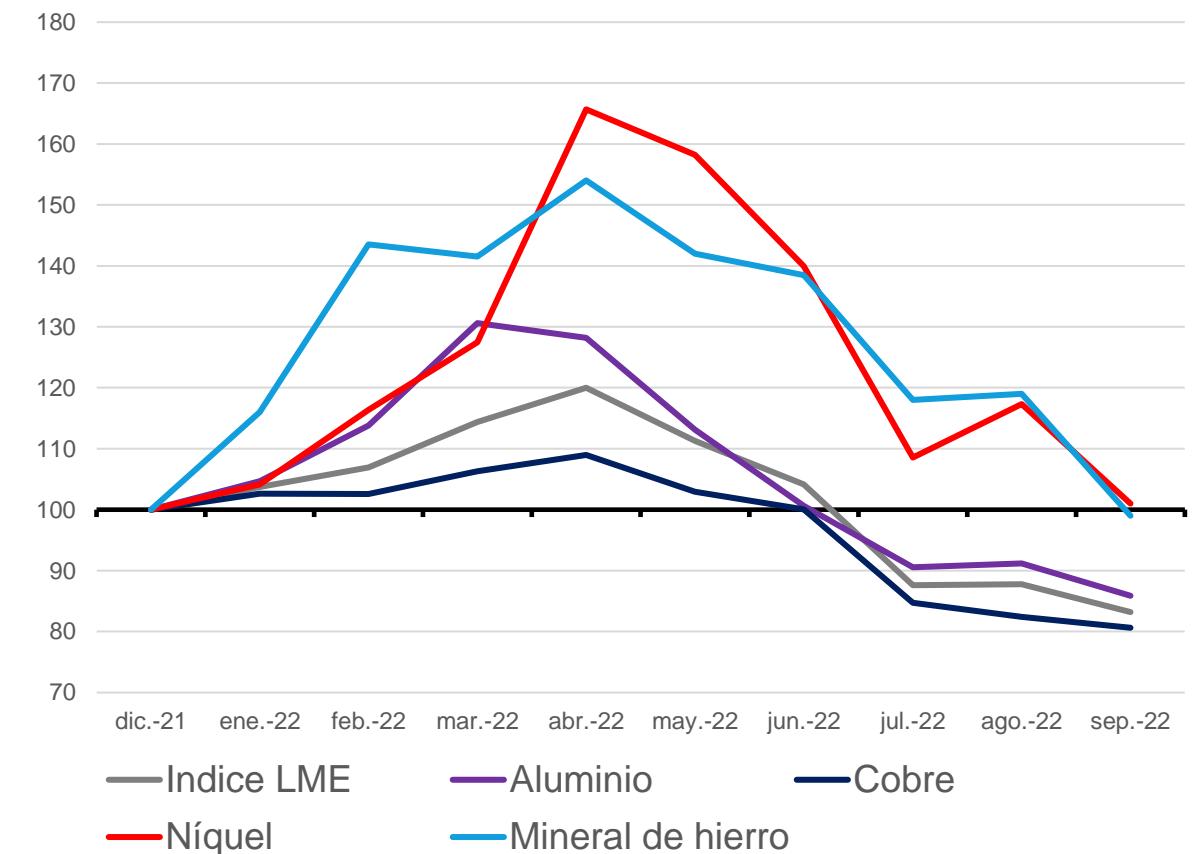
## Spain: Construction costs

Year over year variation



## International markets. Drop in metal prices

Índex (100 = dic. 2021)



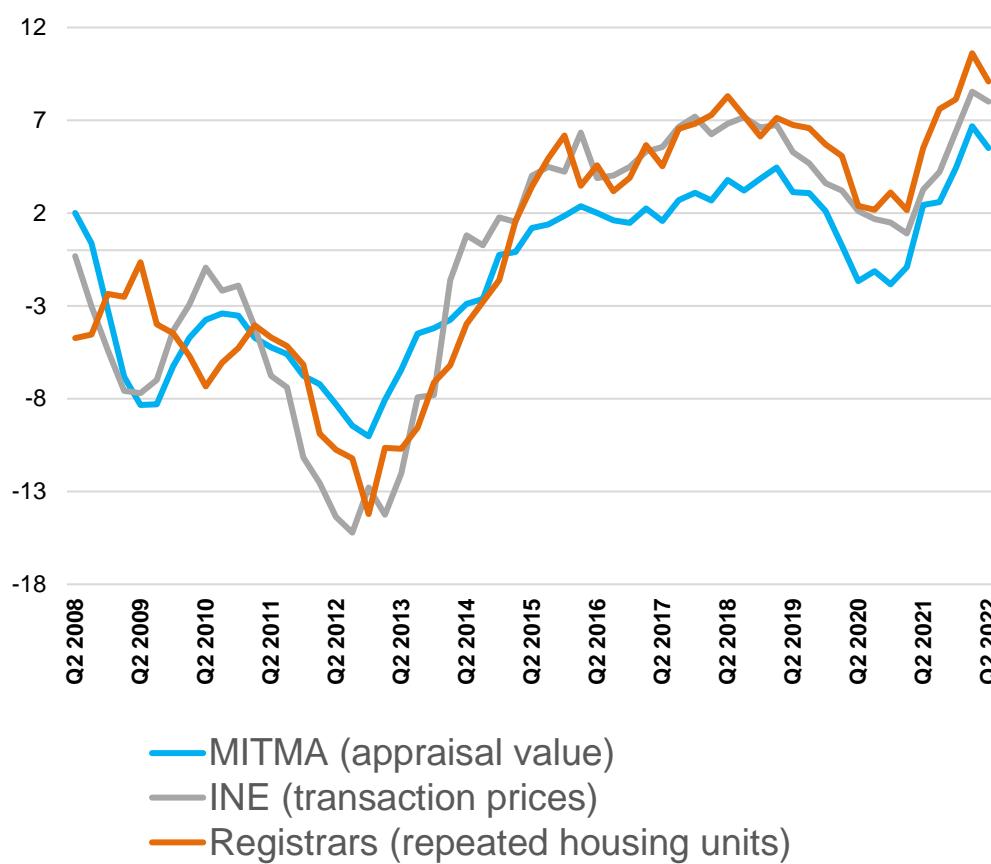
Nota: London Metal Exchange Index.

Source: CaixaBank Research, using data from Refinitiv.

# Housing prices: moderation of its upward trend in Q2 2022

## Housing prices

Year over year variation



Source: Caixabank Research, using data from INE, MITMA y Colegio de Registradores.

	Price (Q2 2022)	Variation (YoY)	Variation since Q4 2019
Spain	1,741	5.5	5.3
Catalonia	2,140	4.8	5.0
Barcelona (prov)	2,511	4.4	4.0
<b>Municipalities</b>			
Sant Cugat del Vallès	3,935	5.1	13.2
Sitges	3,740	9.1	
Barcelona	3,546	7.6	4.7
Castelldefels	3,487	3.7	9.2
Esplugues de Llobregat	2,883	4.1	14.0
Sant Joan Despí	2,748	0.2	5.2
Sant Feliu de Llobregat	2,698	0.7	14.5
Gavà	2,680	5.8	5.3
Prat de Llobregat (El)	2,370	1.9	-0.3
Cornellà de Llobregat	2,336	5.2	3.6
Viladecans	2,335	5.8	3.6
Premià de Mar	2,329	11.1	4.9
Cerdanyola del Vallès	2,275	6.3	5.5
Hospitalet de Llobregat	2,217	4.9	-0.1
Sant Boi de Llobregat	2,213	3.1	1.7
Sant Andreu de la Barca	2,165	5.5	
Badalona	2,117	8.6	4.9
Barberà del Vallès	2,036	-2.0	5.6
Sant Pere de Ribes	2,031	4.9	13.9

# Housing clock: What will the current real estate cycle look like?

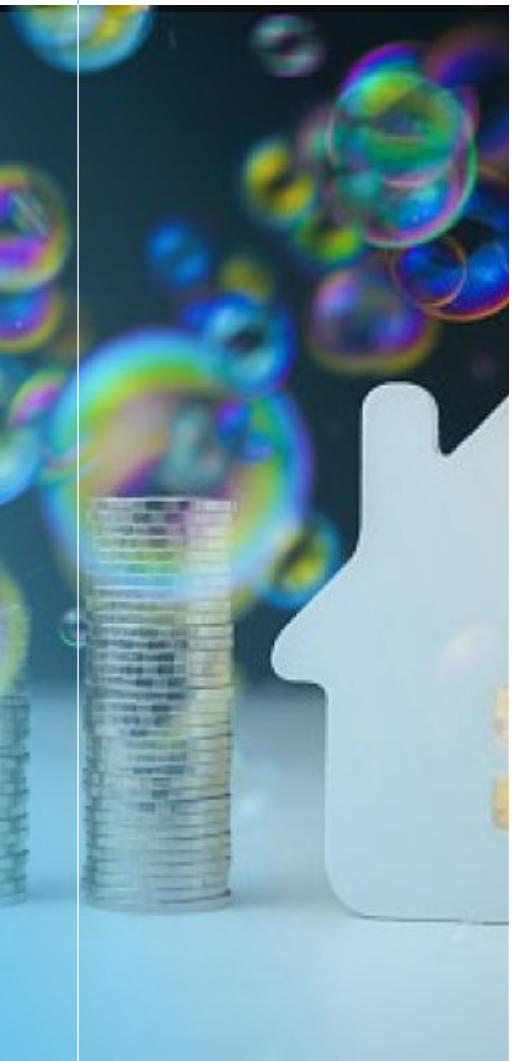


- ▶ We expect that the adjustment process will be limited.
- ▶ Demand will lose momentum in the second half of this year and we forecast a drop of just over 10% in 2023.
- ▶ The price of housing, which usually responds with a little more delay, will slow down notably in 2023, but we expect it to maintain a positive growth rate
- ▶ We do not expect a sharp correction to the extent that the market does not accumulate serious imbalances.

**Nota:** Se excluye el periodo 2010-2011 debido al efecto provocado por incentivos fiscales.

**Source:** CaixaBank Research, using data from INE, Mitma y previsiones de CaixaBank Research (pendientes de presentar en Comité Global de Riesgos de julio).

# ¿Risk of housing bubble in Spain?



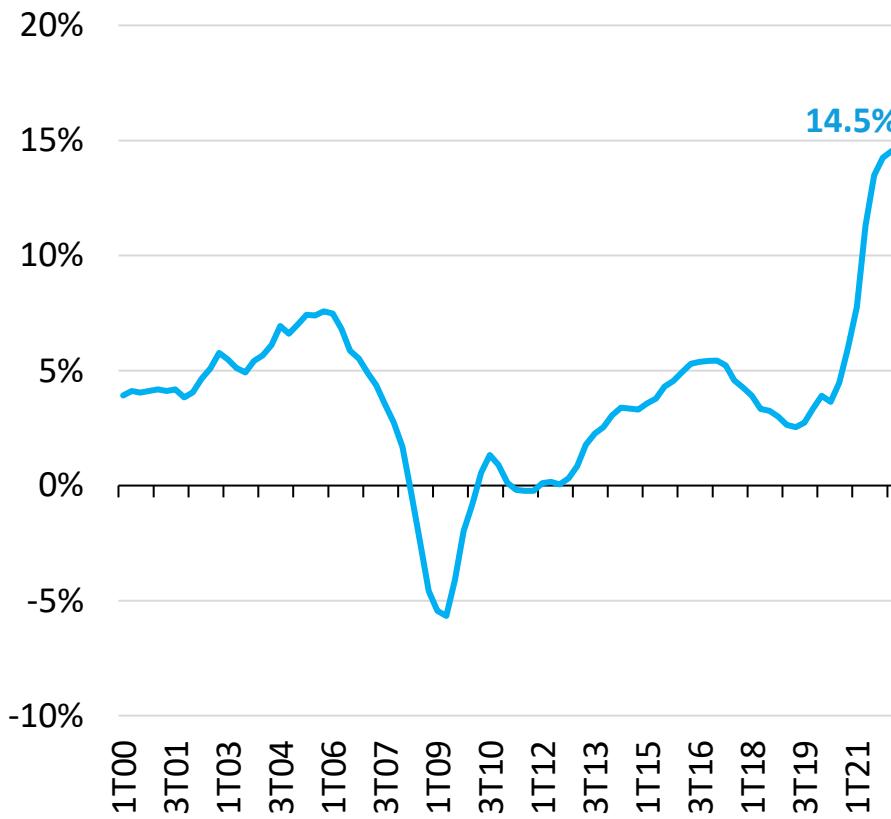
## Spain's residential market indicators

	LATEST FIGURE	LAST BUBBLE
 <b>SUPPLY</b>		
No oversupply	108,000 new homes and 172,000 households created	865,000 new homes (x2 households created)
 <b>FINANCIAL SECTOR</b>		
Less bank exposure to developer + builder credit (% of all credit)	7.5%	23.6%
Despite the rise in new mortgage loans, the outstanding balance has barely grown (mortgage loans as % of GDP)	46.0%	63.6%
Mortgage credit standards have not been relaxed (loans with LTV>80%)	8.5%	18.0%
Higher percentage of fixed-rate mortgages	60%	3%
 <b>FINANCIAL SITUATION OF HOUSEHOLDS</b>		
Low household indebtedness (household indebtedness as % of GDP)	58.4%, below euro area average (60.1%)	85.6%, above euro area average (64.2%)
Lower mortgage burden for households (annual payments/salary)	33.4%	52.5%
Lower household debt burden (debt interest repayments as % of gross disposable income)	0.34%	5.6%
Mortgage loans to households to purchase a home (% of GDP)	46.0%	63.6%

# International comparison: real estate markets overheated

## Global housing prices

Year over year variation



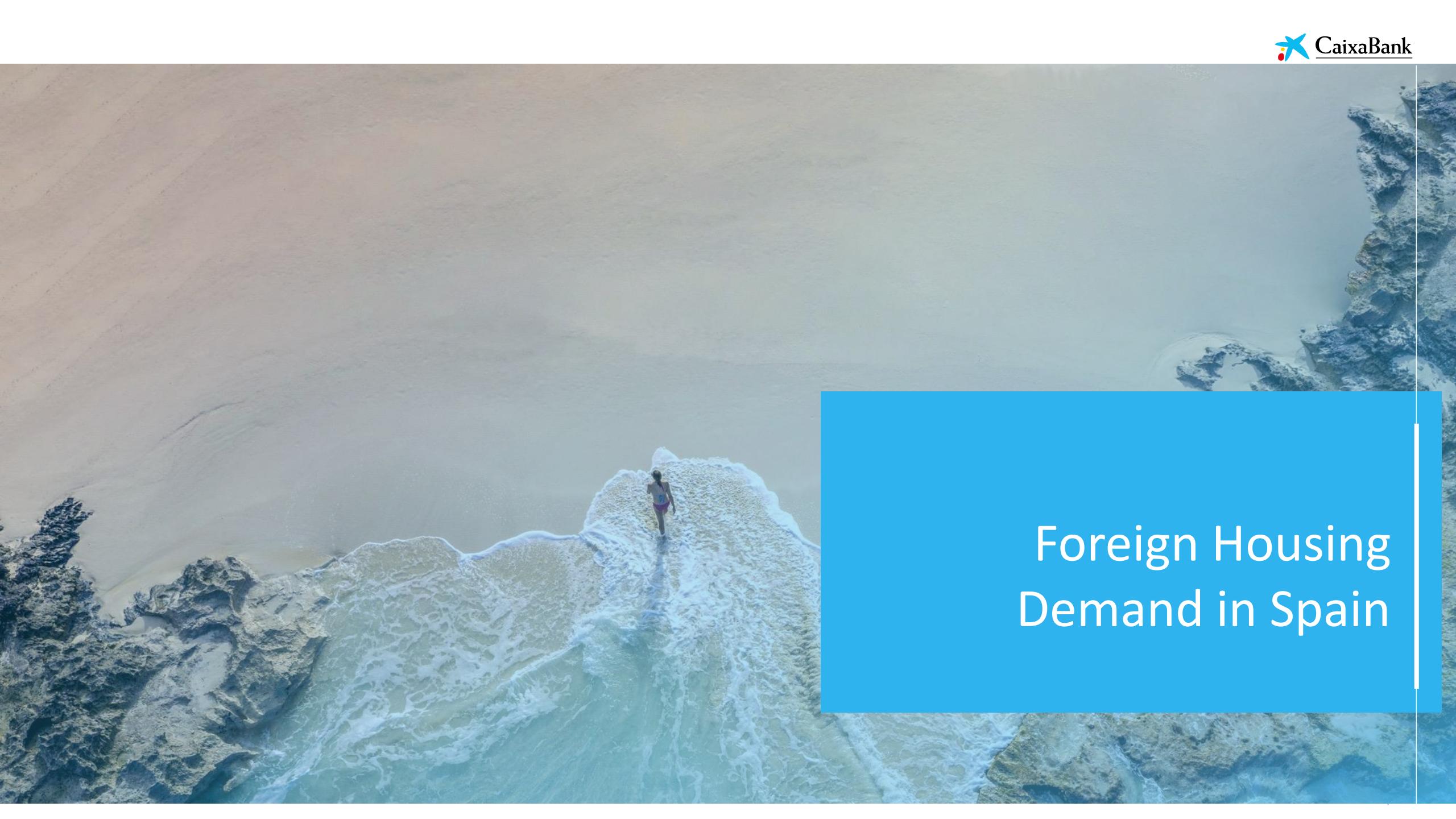
Source: International House Observatory.

## Indicadores del mercado inmobiliario residencial en varias economías desarrolladas

	Precio de la vivienda	Inversión residencial	Deuda de los hogares	¿Vivienda sobrevalorada?	
	1T 2022 vs. a/a 4T 2019 <sup>1</sup>	últ dato	2T 2022 % del PIB ¿Ha tocado techo?	últ. dato % de renta disponible	Fed Dallas ESRB
Canadá	24.3%	31.1%	8.7% SÍ	186%	SÍ -
N. Zelanda	20.1%	18.0%	8.9% NO	119%	SÍ -
Australia	14.2%	21.3%	5.2% SÍ	203%	SÍ -
P. Bajos	14.3%	19.5%	5.5% NO	230%	SÍ SÍ
Luxemburgo	14.2%	10.5%	3.5% SÍ	187%	SÍ SÍ
EE. UU.	12.3%	19.4%	4.7% SÍ	101%	SÍ -
Portugal	10.4%	12.9%	3.9% SÍ	125%	- MEDIO
R. Unido	10.1%	15.5%	3.8% SÍ	148%	NO -
Dinamarca	9.9%	6.7%	6.2% SÍ	244%	NO SÍ
Alemania	9.6%	12.0%	7.6% NO	99%	SÍ MEDIO
Noruega	8.7%	7.8%	4.3% SÍ	246%	NO SÍ
Suecia	8.3%	10.3%	5.6% SÍ	201%	SÍ SÍ
Irlanda	7.5%	15.0%	2.5% NO	124%	NO MEDIO
Francia	6.1%	7.1%	6.9% SÍ	127%	SÍ MEDIO
España	4.7%	8.3%	5.9% NO	107%	NO NO
Japón	3.4%	4.5%	3.9% SÍ	115%	NO -
Italia	3.2%	4.6%	5.5% NO	91%	NO NO

Nota: (1) Variación anual equivalente.

Fuente: CaixaBank Research, a partir de datos de Eurostat, de la Reserva Federal de Dallas, de la ONS (UK) y de la OCDE.



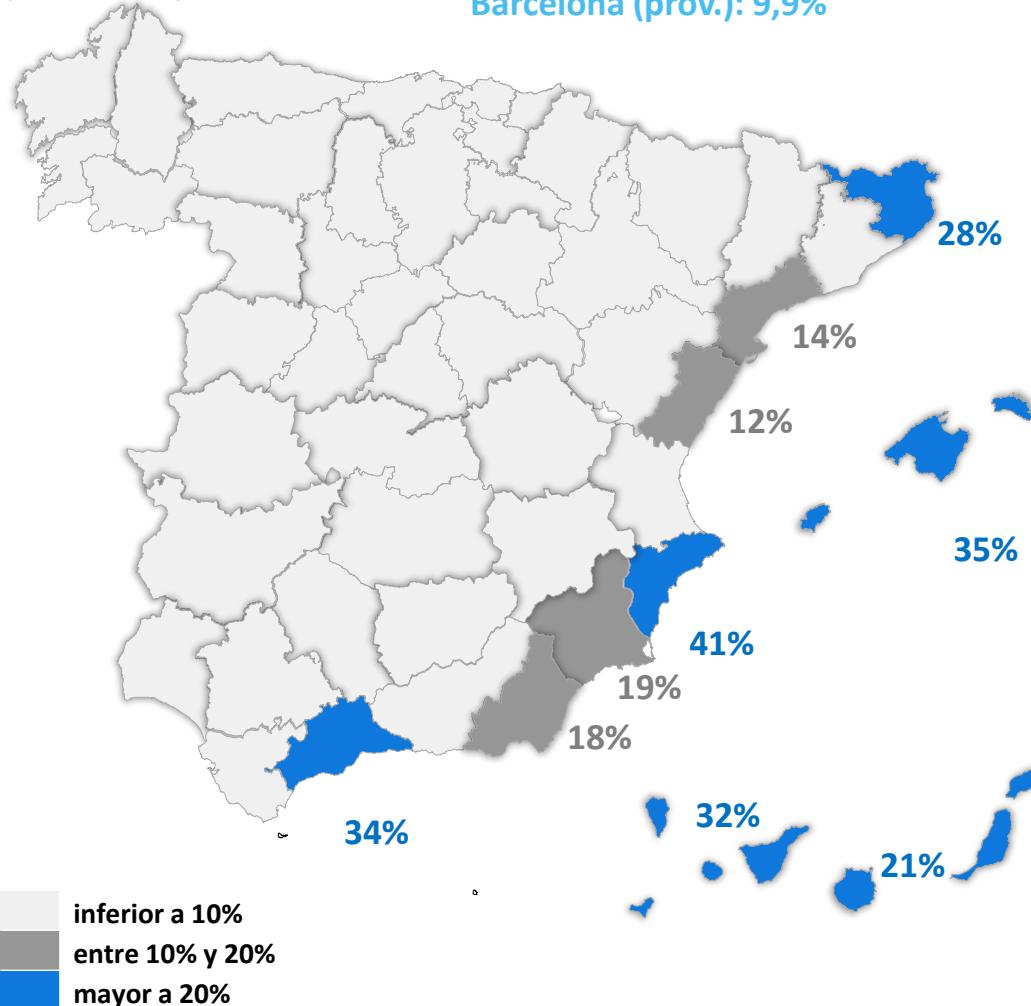
# Foreign Housing Demand in Spain

# Notable spike in foreign housing sales in H1 2022



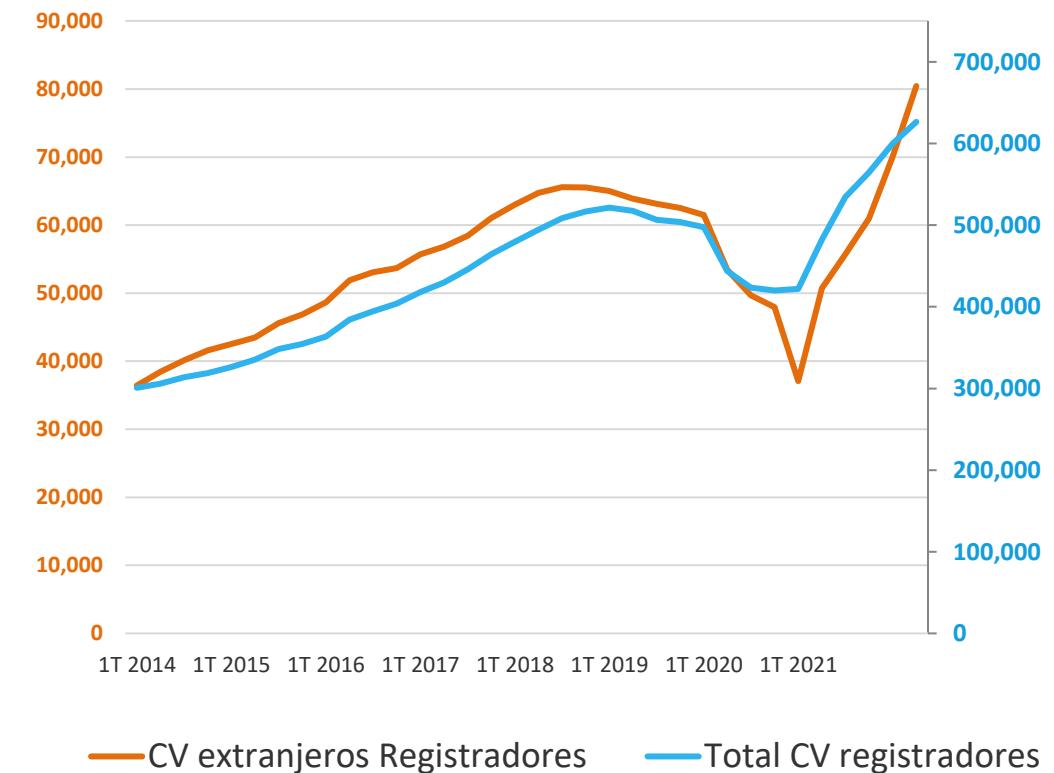
## Foreign sales

(% total sales)



## Foreign sales

Número por trimestre

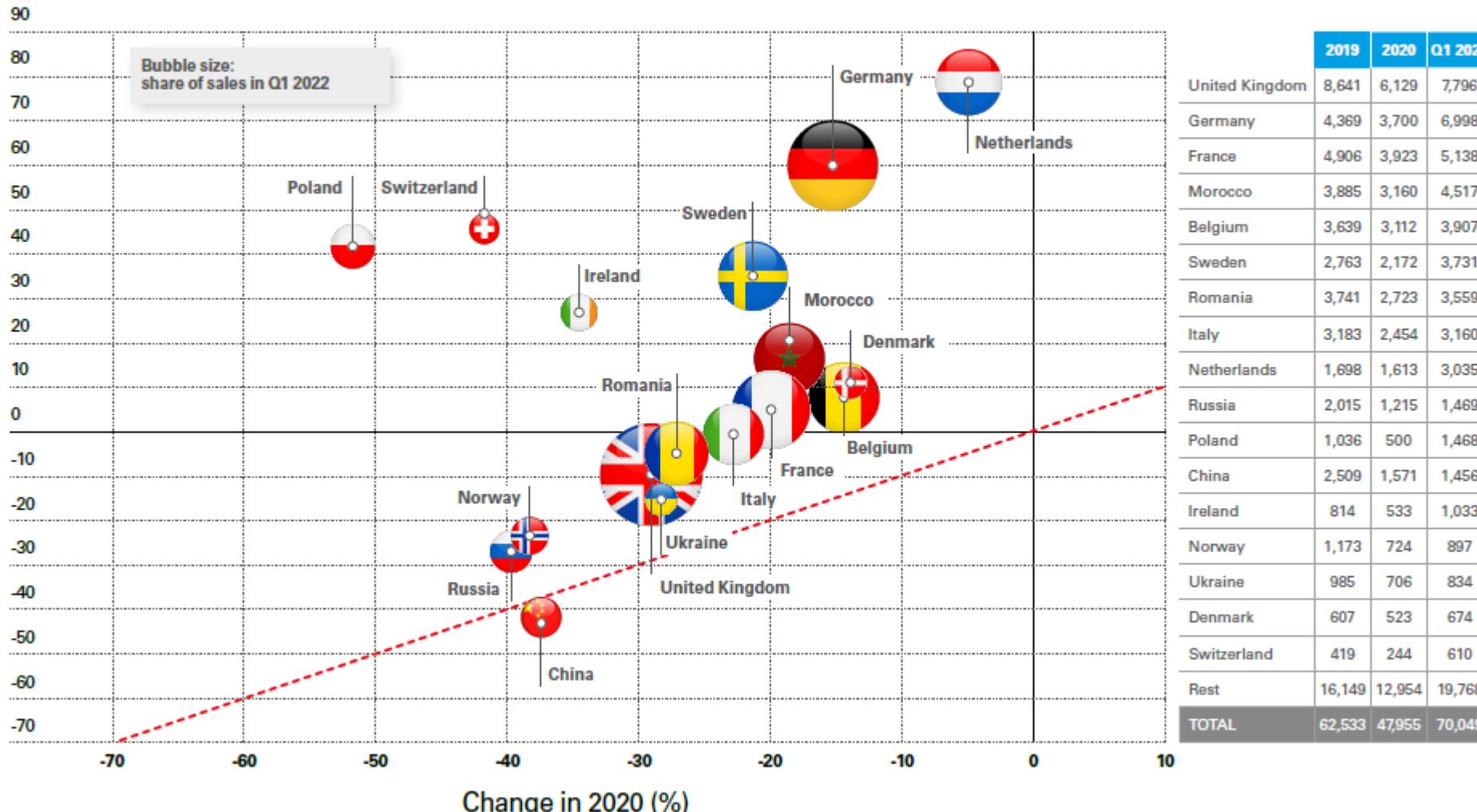


Nota. Data from Q1 2022.

Source: CaixaBank Research, using data from Colegio de Registradores.

# Foreign sales: recovery at different speeds by nationality

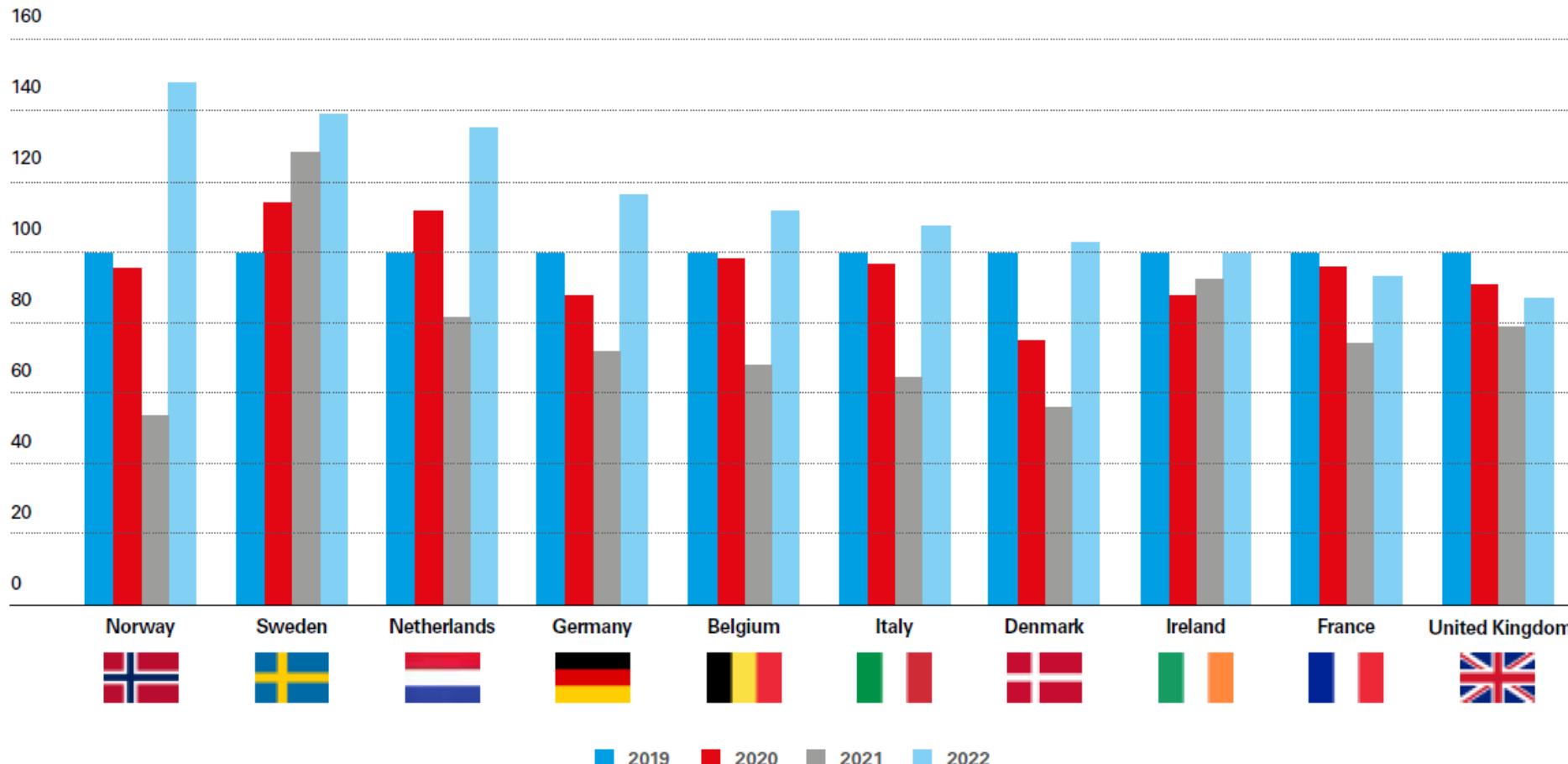
Change Q1 2022 vs. 2019 (%)



# High interest in buying a home in Spain

## Google searches for buying a home in Spain, by search country

Index (100 = 2019)



Note: For each year, the average number of searches between the first week of January and the first week of May is used.  
Source: CaixaBank Research, based on data from Google Trends.

# Long term Outlook for foreign housing demand in Spain: Demographic trends

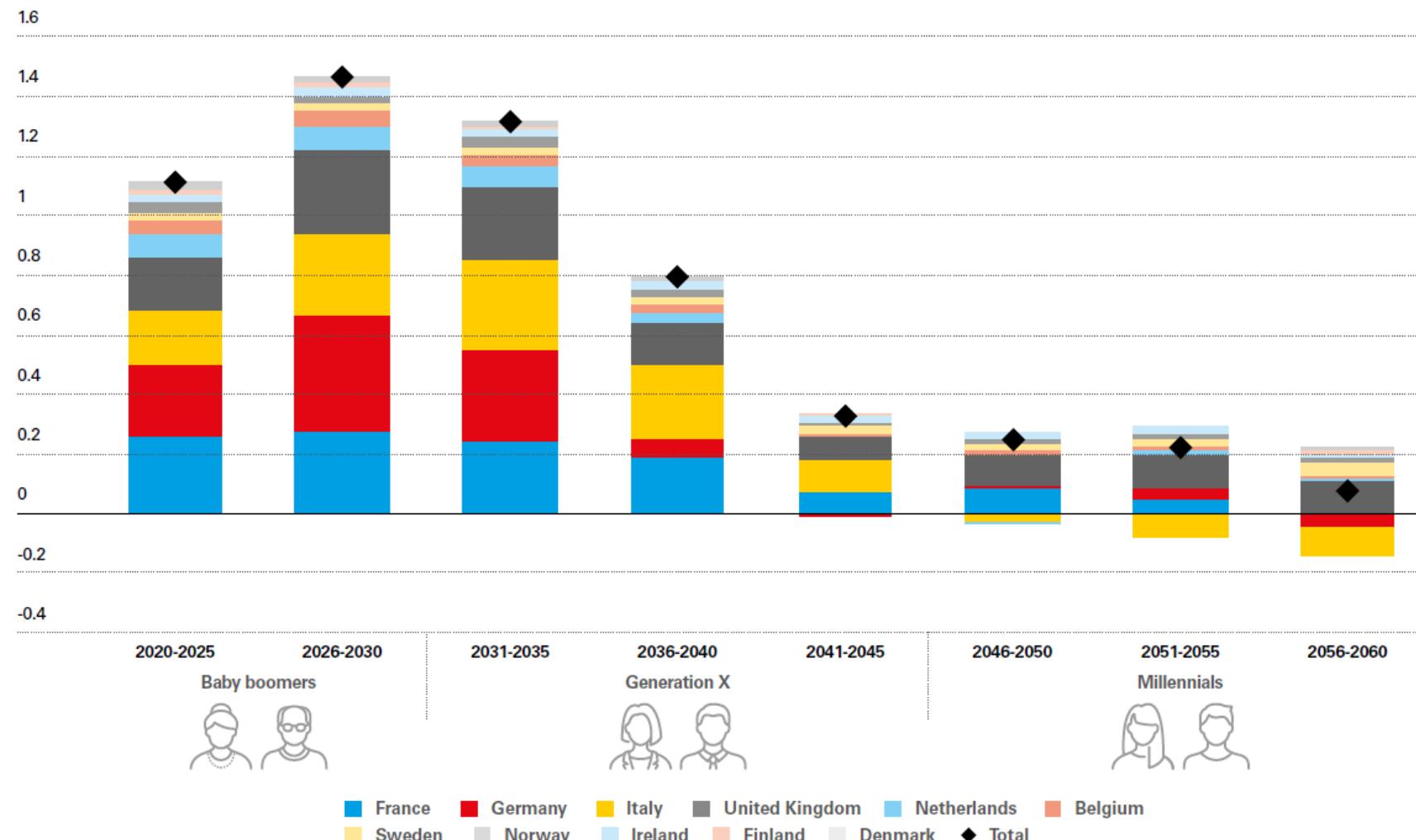


# Demographic trends in Europe: population ageing may foster foreign housing sales in Spain



## Annual increase of the population of 65 years old or more

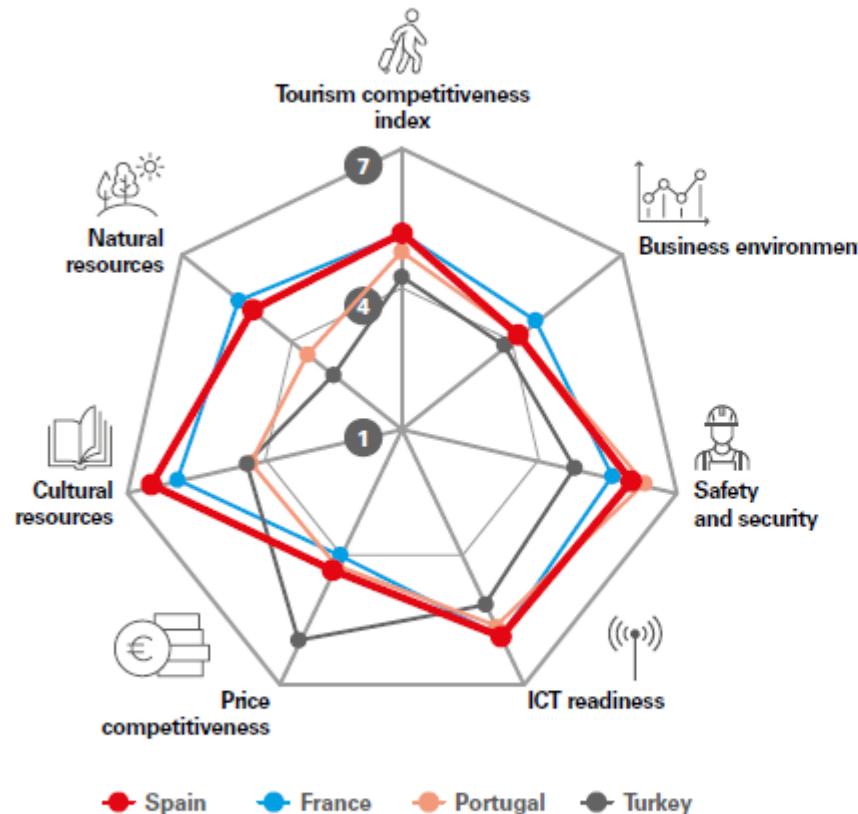
(millones de personas)



# Spain leads the Travel & Tourism competitiveness index

## Travel and tourism competitiveness index and its six dimensions

Index (min. 1 - max. 7)



	Spain	Mediterranean rivals
Tourism competitiveness index	5.2	4.7
Business environment	4.2	4.1
Safety and security	6.0	5.5
ICT readiness	5.9	5.5
Price competitiveness	4.4	4.4
Cultural resources	6.5	4.8
Natural resources	5.1	4.0

Notes: The following 17 rival countries have been considered: France, Italy, Turkey, Greece, Portugal, Croatia, Morocco, Egypt, Tunisia, Albania, Cyprus, Israel, Slovenia, Malta, Montenegro, Lebanon and Bosnia and Herzegovina. Indicator weighted by the share of international tourism in each country.

Source: CaixaBank Research, based on data from the Travel & Tourism Development Index 2021.

## Main messages

- ▶ Very **complex macroeconomic scenario** with many sources of uncertainty.
- ▶ The **real estate market** is not at the epicenter of the crisis, but it will be impacted by the increase in interest rates and the reduction in the real income of families.
- ▶ It is possible that there will be corrections in the real estate markets of some countries with clear signs of overvaluation.
- ▶ **Positive outlook for foreign housing demand in Spain:** aging population, teleworking, leader in tourism competitiveness. Need to foster attractive environment.

# Inmobiliario

Informe Sectorial

2º semestre 2022

La tendencia alcista de la  
vivienda tenderá a moderarse



¿Hasta cuándo  
puede durar la  
evolución alcista?

Dónde crece más  
el precio de la  
vivienda en España

La fortaleza de la  
demanda extranjera de  
vivienda en España y su  
recorrido a largo plazo

Evaluando el riesgo  
de burbuja inmobiliaria  
en los mercados  
desarrollados

Podréis encontrar el informe  
en la web  
de CaixaBank Research

[www.caixabankresearch.com/informe-sectorial](http://www.caixabankresearch.com/informe-sectorial)

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