

FOCUS · The real estate industry: a two-speed recovery

In the two years between 2015 and 2016, Spain's GDP grew by 3.2% year-on-year and over one million jobs were created, boosting the gross disposable income of households. This favourable trend in a low interest rate environment has stimulated house purchases, which have posted double digit growth figures.¹ The property business is therefore booming. In fact, in 2016 there were 7% more firms operating in real estate activities, a similar growth rate to the one posted by employment in this subsector in 2015-2016.²

Although house sales are enjoying a very positive trend, the recovery in housing starts is much more gradual with numbers still at historically low levels. The legacy of the real estate crisis, in the form of a large stock of new properties, is undoubtedly acting as a brake on growth in residential construction. In fact the number of companies involved in constructing properties is still declining, albeit at an ever-slower rate.³ But the employment figures are somewhat more encouraging. In 2016 employment rose by 5.3%, although this subsector still has fewer than half the number of Social Security affiliates it had in 2009.

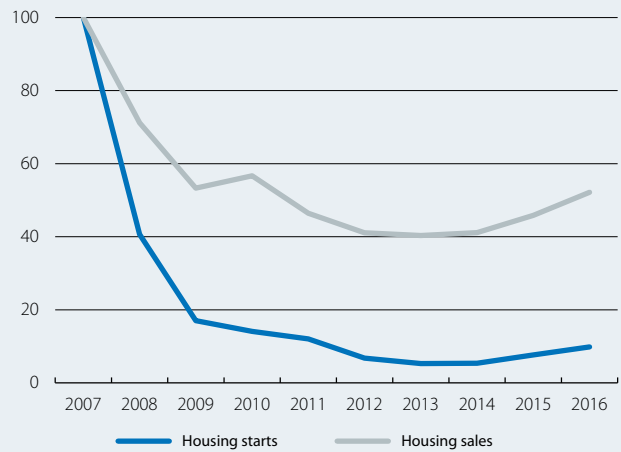
The disparate trend among those sectors aimed at selling and those at building properties can also be seen in their earnings. The aggregate profits of listed construction companies rose by 18% in 2016, although they are still in the red. Meanwhile those companies involved in the commercial side of the real estate sector earned four times more than in 2015.⁴ Nevertheless, firms in the real estate sector as a whole are enjoying higher profits.

In the medium term, housing starts will become more important as the stock of new properties for sale dwindles. This should boost construction and will help to reduce the current disparity between the sellers and builders of residential properties.

1. House sales grew by 15.1% year-on-year in March, cumulative over 12 months.
2. Data for CNAE group 68: Real estate activities (sale and rental of property for own use and third parties).
3. Data for CNAE group 41: Building construction (real estate development and building construction).
4. Data for all companies set up before 2015 and listed on the Madrid stock market from category 5.5 (real estate) and 5.10 (SOCIMI - real estate holdings or investment trusts).

Housing starts and sales

Index (100 = 2007)

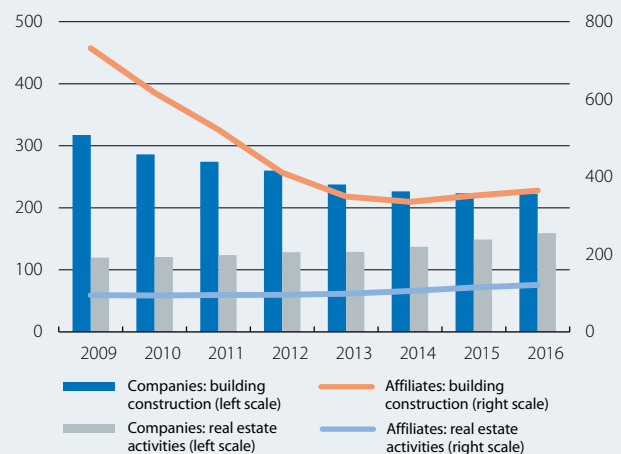


Source: CaixaBank Research, based on data from the INE and Ministry of Public Works.

Number of companies and Social Security affiliates by activity

(Thousands)

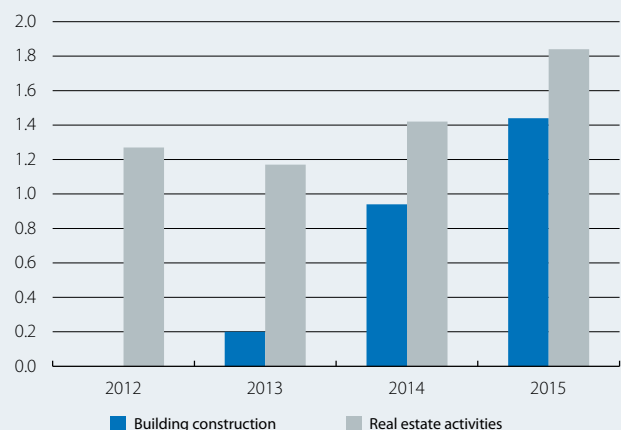
(Thousands)



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

Profitability of real estate firms

Profit before tax/equity (ratio)



Source: CaixaBank Research, based on data from the Bank of Spain.