

# REAL ESTATE IN SPAIN

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Embassy of Spain  
Economic and  
Commercial Section

# Housing and Real State in Spain

- I. The Market for Housing in Spain. Past, Present and Forecasts for the Future
- II. Differences between Spain and the USA. Housing Market and Financial Aspects of Buying Property
- III. Real Estate Business in Spain.
- IV. Recommended Readings



# Housing and Real State in Spain

## I. The Market for Housing in Spain. Past, Present and Forecasts for the Future

- Recent Past. The Facts:
  - Average rate of growth in prices 1999-2006: **15%**
  - Strong and sustained demand
  - Very low rates for housing loans (in 2003 the lowest rates in Europe)
  - General increase in building activity



# Housing and Real State in Spain

## I. The Market for Housing in Spain. Past, Present and Forecasts for the Future

- Recent Past. The Drivers of Demand:
  - Domestic demand: Baby boomers (average age of 1<sup>st</sup> time buyer: 34), return to rural areas of former immigrants to the cities, low cost as an incentive to move to a bigger house.
  - Foreign demand: EU Integration process, comparatively low prices of real estate, Climate as an incentive for retirement in Spain, Immigration.
  - Virtuous (or Vicious?) circle fueled by investors due to the high returns of investments in housing



# Housing and Real State in Spain

## I. The Market for Housing in Spain. Past, Present and Forecasts for the Future

- Present Situation and Forecasts for the Future. The Facts:
  - Tightening of financial conditions (ECB official rate at 3.75% and expected to rise up to 4.25% in the third quarter of 2007)
  - Decrease in the rate of growth of prices (increase of 9% in 2006 and 3-5% expected for 2007)
  - Weaker demand both domestic and foreign
  - Some investors turn to other investment options



# Housing and Real State in Spain

## I. The Market for Housing in Spain. Past, Present and Forecasts for the Future

- Present Situation and Forecasts for the Future.  
What is behind the weaker demand?
  - Closing of the gap with EU prices
  - Decrease in the expected return on investments
  - Rise of rate of interest and consequently of costs of housing loans



# Housing and Real State in Spain

## I. The Market for Housing in Spain. Past, Present and Forecasts for the Future

- Present Situation and Forecasts for the Future. What is foreseen?
  - Soft Landing, returns on investments slightly higher than those of the long term bonds issued by the Government



# Housing and Real State in Spain

## II. Differences between Spain and the USA. Housing Market and Financial Aspects of Buying Property

- Housing Loans: In Spain more flexible (Higher percentage of variable rate loans and linked to short term interest rates) that means, theoretically, quicker and deeper impact
- Market Demand: US seems to be more closely linked to economic forecasts and economic growth



# Housing and Real State in Spain

## III. The Real Estate Business in Spain

- Main features:
  - Less regulated than in the US (Basically self regulation)
  - Both, small local and international real estate offices are operating simultaneously in the market
  - Agents not necessarily are exclusive (but the trend is to be exclusive)
  - Estate agent work for the seller
  - Real estate agents have their own databases



# Housing and Real State in Spain

## IV. Recommended readings

- Real Estate Watch Spain (BBVA Economic Research Department)

[http://serviciodeestudios.bbva.com/TLBB/fbin/0602\\_SituacionInmobiliaria\\_17\\_eng\\_tcm208-58913.pdf](http://serviciodeestudios.bbva.com/TLBB/fbin/0602_SituacionInmobiliaria_17_eng_tcm208-58913.pdf)

- You and the Law in Spain. David Searl. Santana Books

- IDEALISTA Web Portal

<http://www.idealista.com/pagina/portada>

