

## REAL ESTATE ACTIVITY

## Sales correct in October, although the trend remains positive

Spain Unit

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**Housing sales corrected in October, but continued to show a trend towards growth. Most of the demand fundamentals are maintaining their improvement: employment is still rising and interest rates fell again, against a backdrop since the summer of dampened consumer confidence. Construction activity, meanwhile, appears to be keeping to the stance of progress it began a few months ago, while land transactions showed a positive change. Finally, evidence is mounting about the rise in housing prices towards a relative stability.**

### Sales adjusted in October, but demand continues showing a growth trend

In October, housing sales showed a MoM correction of 1.1% after correcting the series for seasonal adjustments (swda). Nevertheless, this does not break the trend seen in the last few months: between January and October housing transactions were 17.3% higher than during the same period the year before (Figure 1). In terms of the fundamentals behind residential demand, the signs were mixed, although most of them remained better. On the one hand, employment continues to grow and financial conditions remain relatively stable. On the other, consumer confidence is shaky, due to the reduced optimism in people's perception of the future economic outlook.

Mortgage market activity continued to grow. Thus, credit granted for new housing purchases in October rose by 23% YoY, retaining its upward trend (Figure 2).

### The job market continues to show signs of growth in construction activity

Although we do not yet know the data for new-build housing permits in October, the figures for Social Security affiliation in the construction sector are performing positively: in October and November the number of workers signed up as working in this sector grew at a monthly rate of 0.7% and unemployment fell again by over 9,000 people. This confirms that construction activity is keeping to the progress it has been showing in the last few months.

Along the same lines, business people in the residential construction segment have not changed their perception of how the sector will develop in the future. Thus, the index measuring the climate of residential construction has remained relatively stable after the recovery last year (in the first half of the year the index stood at a monthly average of -63; whereas between July and November it reached a monthly average of -42). Although new orders and residential production seem to be correcting, the job market perception continues to improve.

Meanwhile, there has been another 21% YoY increase in the number of land purchases in the third quarter.

### Relative stability in housing prices

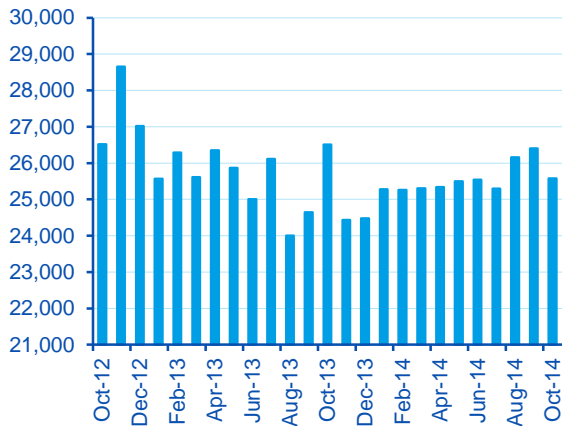
The housing price data published by the National Statistics Institute (INE) for the third quarter have confirmed the trend towards stability which was already noticeable in the pricing data from the Ministry of Development (MFOM), as we published in our latest Spain Real Estate Flash<sup>1</sup>. The INE housing price index showed, for the second quarter in a row, an increase in housing prices, although somewhat more moderate

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1: See our November Real Estate Flash

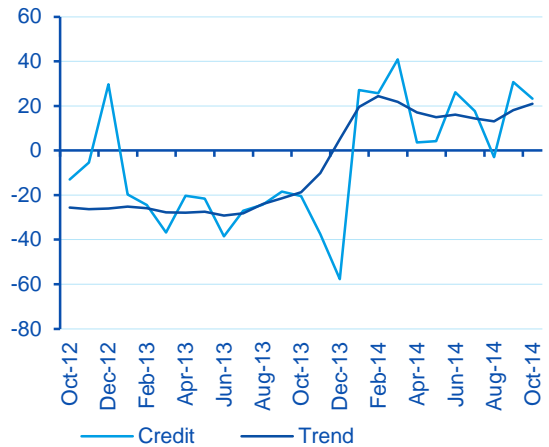
than in the previous quarter: between July and September housing prices rose by 0.3% in YoY terms. In any event, although both sources, the INE and the MFOM, construct price series using different data<sup>2</sup>, both show that the price of housing is moving towards relative stability (Figure 4).

Figure 1  
**Spain: housing sales (swda data)**



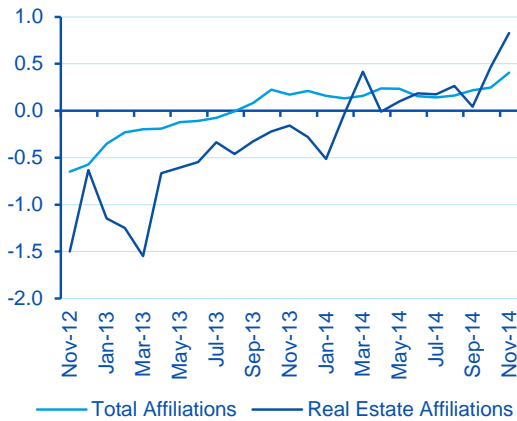
Source: BBVA Research based on CIEN

Figure 2  
**Spain: credit for new housing purchase operations (% YoY)**



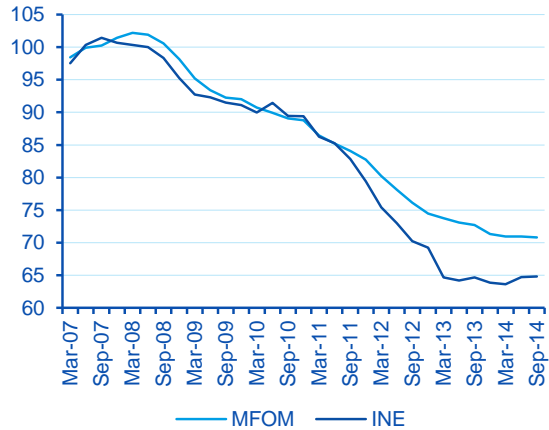
Source: BBVA Research based on central bank

Figure 3  
**Spain: Social Security affiliation, monthly average (% MoM, swda data)**



Source: BBVA Research based on SEPE

Figure 4  
**Spain: housing price index (swda data)**



Source: BBVA Research based on INE and MFOM

<sup>2</sup> The Ministry of Development constructs its price series using data of housing valuations transferred by ATASA. INE prepares its price index using data on houses sold, supplied by the General Council of Notaries.

Table 1

**Spain: real estate sector indicators**

	Jan 14	Feb 14	Mar 14	Apr 14	May 14	Jun 14	Jul 14	Aug 14	Sep 14	Oct 14	Nov 14
<b>Demand variables</b>											
Sales (% MoM swda)	3.2	0.0	0.2	0.1	0.6	0.2	-1.0	3.4	1.0	-3.1	
Affiliations to the S.S. (% MoM swda)	0.2	0.1	0.2	0.2	0.2	0.2	0.1	0.2	0.2	0.2	0.4
Unemployment (% MoM swda)	-0.4	-0.9	-0.4	-0.9	-0.5	-0.4	0.1	-0.4	-0.6	-0.5	-0.8
Employment LFS (% QoQ swda)			0.1			0.9			0.4		
Interest rate of new operations (%)	3.15	3.12	3.13	3.03	3.01	3.11	2.94	2.93	2.96	2.87	
New loan for house purchase (% YoY)	27.2	25.8	40.9	3.6	4.1	26.1	17.7	-3.0	30.7	23.3	
Gross disp. income (% YoY annual accum.)			0.5			0.2					
Consumer confidence (index)	0.6	0.9	4.7	3.6	7.7	5.6	3.6	9.5	5.6	3.7	-1.3
<b>Supply variables</b>											
Permits (% MoM swda)	-7.3	3.6	10.5	-0.5	1.2	-5.4	13.4	-4.9	1.2		
Cement consumption (% MoM swda)	-1.7	-0.2	5.2	-0.9	0.2	-1.7	3.9	-2.2	0.6	2.3	
Affiliations in const. (% MoM swda)	-0.5	0.0	0.4	0.0	0.1	0.2	0.2	0.3	0.0	0.5	0.8
Unemployment in const. (% MoM swda)	-1.7	-1.8	-2.0	-1.6	-1.8	-1.7	-1.5	-1.4	-1.5	-1.7	-1.7
Business climate in construction (index)	-54.6	-65.5	-62.4	-68.7	-53.6	-73.5	-44.2	-44.5	-33.3	-44.3	-45.5
Land sales (% YoY)			18.5			-0.9			21.0		
<b>Price</b>											
Housing price (% YoY MFOM)			-3.8			-2.9			-2.6		
Housing price (% QoQ MFOM)			-0.7			-0.5			-0.5		
Housing price index (% YoY INE)			-1.6			0.8			0.3		
Housing price index (% QoQ INE)			1.4			0.3			-0.3		

Source: BBVA Research based on national database

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