EY

The Living Property Telescope

Spain 2024

EXECUTIVE SUMMARY

1 Market Overview

Supply-Demand imbalance fueling investors interest

- **Consumer sentiment currently stands at 89 points,** (94 pts in 2023) due to the **macroeconomic uncertainties of 2024.**
- **Birth rate in Spain keeps decreasing** at 1.16 childs, (1.57 EU Avg), inverting the 49Mn population pyramid even further. (6.7Mn Foreigners, +5% vs 2023)
- **Decreasing trend in terms of unemployment rate (11.3%). However, youth unemployment is still one of the highest in Europe (22.4%)**
- **Inflation going up once again to 1.8%** as of Oct24 after 4 months of fall due to the aggressive turn of monetary policy.
- **24% leasing households (+4% in 20 yrs),** still far behind its EU peers (31% EU Avg)

2 Supply & Demand

- **The current cumulative housing deficit stands out at 370k dwellings since 2015.** Having a toll on affordability specially in main economies (Madrid, Barcelona, Málaga…) that, for the moment, doomed to persist…
- **Affordable housing through PPP potentially building up (188k units).** However, if the administration truly wants to develop such stock, it requires a greater public funding in order to make the projects feasible in secondary regions beyond Madrid.
- **Flex and Branded segment gaining weight.** 26% of the total living institutional investment. Proper project definition and real underwritings are key.
- **New strategies to fulfil an unsatisfied and varied housing demand:**
  - (i) Joint Venture initiatives between developers and institutional capital, (ii) Transformation of tertiary to residential for both affordable and luxury schemes and (iii) Flex Developments and (iv) PPP Schemes.

3 Housing Properties Investment Market

- Worldwide institutional equity investment has not fully recovered since the 2023 drop, remaining stable in 2024 with a slight increase of +6% compared to the previous year. **Living properties are slightly outperforming the CRE market, with investment estimated to reach approximately €173bn (+9% vs 2023) and representing 26% of total Real Estate investment.** European markets are gaining relative weight, now representing 23% of the total investment.
- Living institutional investment in **Spain has dropped by 7%** in 2024 with **Flex and Branded Residences segments gaining momentum** (26% of Residential annual investment in Spain).
- However, many transactions have been put "on halt" given current context with **potential pipeline reaching €18.4bn.**

4 Financing Activity

- Strong market living fundamentals in specific markets are fuelling interest from lenders for every living category considered, **widening scope to less traditional strategies.**
- DCSR the **trigger ratio (1.3X).** LTV/LTC just an output. **Bullet financing** as the only way to meet DCSR covenant so far
- **International and national lenders supporting affordable housing schemes,** gaining interest in Flexible accommodation**.**
- Decreasing **hedging costs** as a potential **point of optimism** to be considered in future.

5 Key Performance Indicators

	RENTAL MARKET				SALE MARKET		
Main Hotspots	**TTR** *(mths)*	**Take-up** *(% stock)*	**Price variation** *(vs.2023)*	**Rental E.R.** *(%)*	**TTS** *(mths)*	**Take-up** *(% stock)*	**Price variation** *(vs.2023)*
Madrid	1.34	0.11%	*14.3%*	32%	2.46	0.16%	*17.5%*
Barcelona	1.60	0.11%	*11.3%*	40%	2.39	0.26%	*9.3%*
Malaga	0.85	0.14%	*13.3%*	42%	3.02	0.28%	*18.3%*
Seville	2.43	0.08%	*6.4%*	30%	2.39	0.18%	*7.8%*
Valencia	2.33	0.14%	*16.4%*	40%	3.27	0.18%	*16.9%*
Bilbao	2.46	0.05%	*6.1%*	32%	3.80	0.21%	*6.9%*
Zaragoza	1.34	0.04%	*8.6%*	23%	2.66	0.12%	*7.0%*

TTR: Time to rent **/ TTS:** Time to sale **/ E.R.:** Effort Rate. *Source: Atlas RE*