

# Living - Spain

## Key Performance Indicators (Q1 2024)

Housing for sale market<sup>1</sup>    Investment market

<b>House transactions</b> <b>639,000</b> Sold houses 2023 Change YoY: -11%	<b>Housing Price index (General)</b> <b>4.2%</b> House price variation (Q4 23) vs. 5.5% Q4 22	<b>New-build permits</b> <b>108,000</b> Units 2023 Change YoY: -0.9%
<b>Effort rate</b> <b>37.8%</b> To buy a house Change YoY: + 1.7 p.p	<b>Rental households</b> <b>24.9%</b> <b>CBRE FORECAST:</b> 26.7% rental households in 2028	<b>Change YoY Average rent<sup>2</sup></b> <b>12%</b> Average rental Price €/sqm/month
<b>Prime Yield Multifamily (PRS)*</b> <b>3.80%</b> Change vs Q1 23: +0.20 p.p	<b>Prime Yield Student Housing</b> <b>5.20%</b> Change vs Q1 23: + 0.60 p.p	<b>Prime Yield Flex Living</b> <b>4.30%</b> Change vs Q1 23: +0.30 p.p

**Access to housing** remains one of the main challenges in the Spanish real estate market, with an effort rate close to 38% at the end of last year (+1.7 p.p. year-on-year). However, we expect affordability to gradually improve in the coming quarters as Euribor stabilizes and households regain purchasing power.

In this context, the percentage of **households renting** in Spain will continue to rise, approaching 27% of total households in 2028 (+1.8 p.p. vs. 2023). This trend is supported by different reasons: economic (increase in financing costs for home purchases); sociocultural (search for greater flexibility); and demographic (upward forecast for the percentage of the population of emancipation age in the coming years).

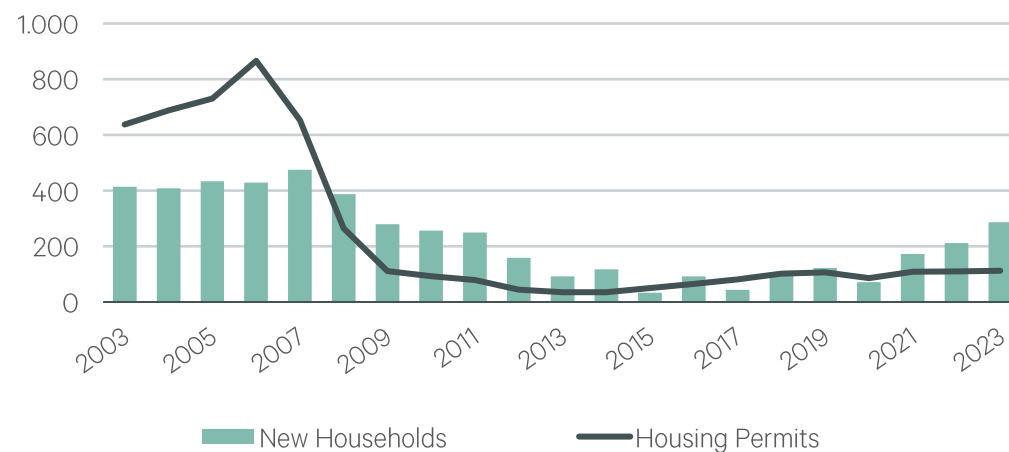
The **housing market (BTS)** entered a slowdown phase in 2023 as a result of the sharp upturn in financing costs. Demand, despite performing better than expected thanks to the resilience of the labor market and foreign sales, fell by 11%, with 639 thousand homes sold. Housing prices continued to show growth, but more moderate (4.2%), with new construction (7.5%) outperforming second hand (3.6%). On the supply side, it remains very low compared to the previous cycle and is insufficient to cover the pace of new household creation.

**Prime residential yields\*** remained stable in Q1, standing at 3.8% in Madrid and 4.0% in Barcelona, with prospects of homogenization in the main Spanish cities.

Flex Living has followed the same trend, maintaining the 50 bps difference with Multifamily for *coliving* assets; while student housing is reaching a potential yield compression situation. For Senior Living there is still no comparable evidence of yields in Spain.

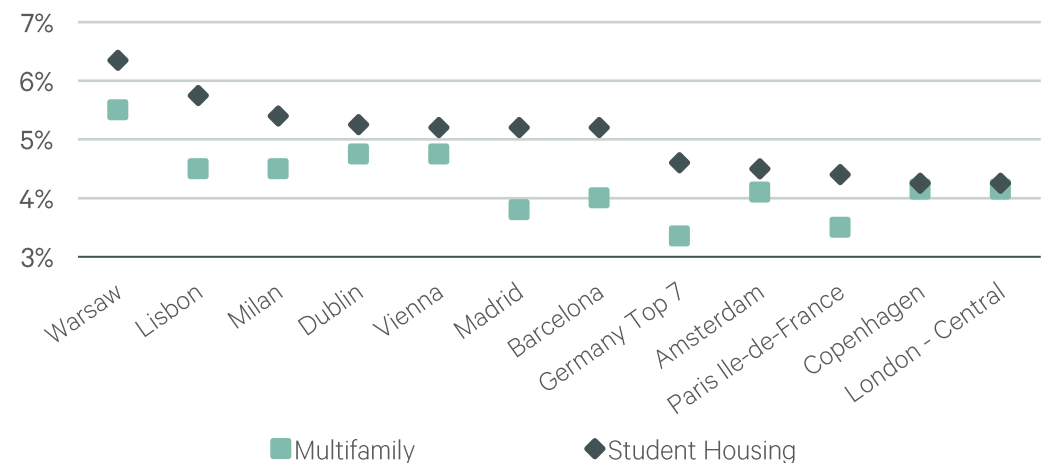
### Household creation vs. housing permits (thousands).

Source: CBRE Data Science based on BdE and Ministry of Transport, Mobility and Urban Agenda.

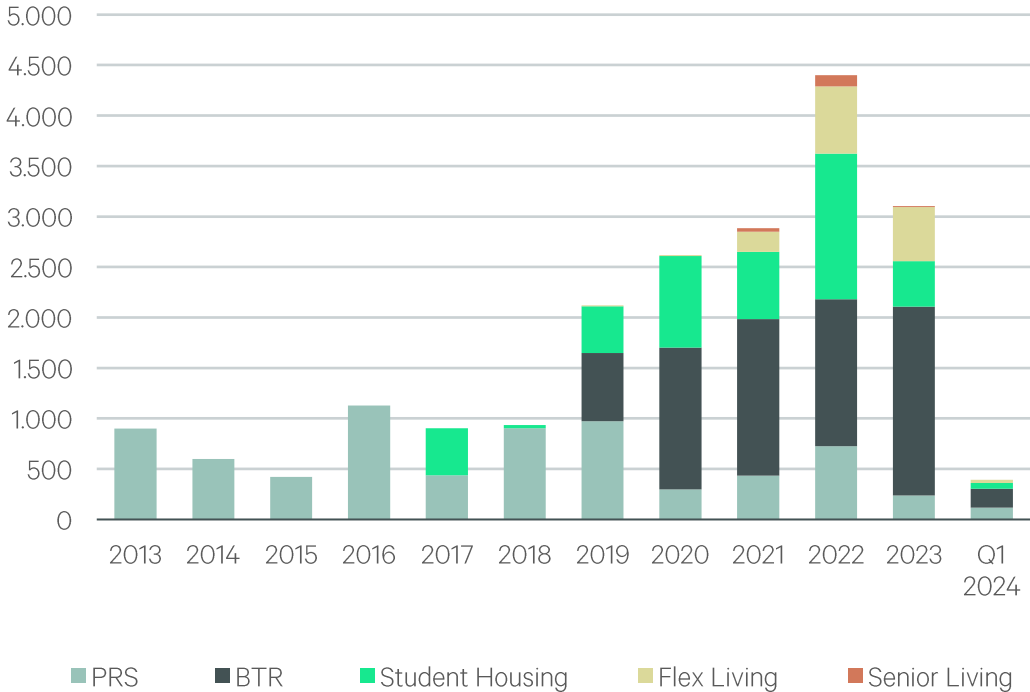


### Prime yields of Multifamily and Student Housing in major European cities (Q1 2024).

Source: CBRE Research



Living investment volumes (€ Million). Source: CBRE Research



The **Living sector** recorded an investment volume of 392 million euros during 1Q 2024 (18% of the total in Spain), a 40% drop in quarterly terms and three times less than the investment achieved in the same period of 2023. Rising interest rates and investors' search for higher returns have shifted part of the sector's activity and strategy in recent months to the housing market – Build to Sell (particularly the luxury segment and the Madrid location). However, the results of the *2024 European Investor Intentions Survey* point to a good year for the Living sector, and position Spain as one of the main investment destinations.

The **residential investment sector** accounted for most of the quarterly investment in Living, concentrating 77% of the total through €303M (€186M BTR and €116M PRS). In particular, the affordable segment, where the average yield is above 4% net, has established itself as the main focus of investors, and during Q1 accounted for more than two thirds of residential rental investment. By location, Madrid stands out with 56% of national investment in *Multifamily*.

**Flex Living** reached €30M during the first quarter (8% of the total), through 3 transactions in Madrid, Malaga and Zaragoza. The conversion of office buildings to Living is a growing trend in Spain, consolidating itself as an effective solution to face current challenges such as the lack of supply; so much so that two of the three assets transacted in Q1 of Flex Living were originally for office use.

Investment in **student housing** amounted to €59M (15% of the total) and was entirely earmarked for Barcelona, but given investors' expansion plans, other *Tier II* cities with solid fundamentals will take center stage in the coming months. **Senior Living** did not record any transactional activity this quarter, but the demographic outlook for our country supports a strong growth of this product in the future.

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