

Living - Spain



Key Performance Indicators (Q2 2024)

Housing for sale market¹ Investment market

House transactions 161,000 Sold houses Q1 2024 Change YoY: +1.8%	Housing Price index (General) 6.3% House price variation (Q1 24) vs. 3.5% Q1 23	New-build permits 25,000 Units Q1 2024 Change YoY: -11%
Effort rate 36.1% To buy a house Change YoY: - 0.6 p.p	Rental households 24.9% CBRE FORECAST: 26.7% rental households in 2028	Change YoY Average rent² 14% Average rental Price €/sqm/month
Prime Yield Multifamily (PRS)* 3.80% Change vs Q2 23: +0 p.p	Prime Yield Student Housing 5.10% Change vs Q2 23: + 0.10 p.p	Prime Yield Flex Living 4.30% Change vs Q2 23: +0 p.p

Access to housing remains one of the main challenges of the residential market in Spain, mainly affecting lower income households and certain geographical areas. However, the start of the decline in interest rates and the increase in household purchasing power have given a small respite to the housing affordability rate, which is 0.6 p.p. lower than a year ago (36.1%), a trend that we expect to continue in the coming quarters.

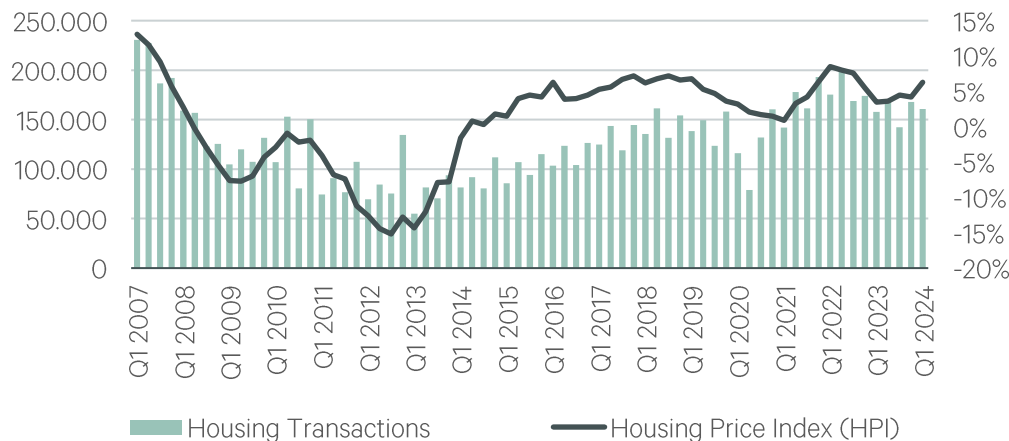
The tightening of financial conditions for buying a home, together with other demographic and socio-cultural factors, is causing a clear shift in demand from selling to renting. In this sense, the percentage of **households renting** in Spain will increase from the current 24.9% to 26.7% of the total number of homes in 2028.

The **housing market (BTS)** is in a phase of the real estate cycle of moderate deceleration but is showing signs of slightly greater dynamism than expected. Demand grew by 1.8% year-on-year (161,000 homes sold in Q1) thanks to the good pulse of the labour market and foreign sales. Housing prices continued to grow (6.3%), with new construction (10.1%) outperforming second hand (5.7%). On the supply side, it remains very low and far from covering the annual creation of households; however, initiatives such as the one carried out by the C. Madrid on changes of use of land classified as tertiary (offices) to residential use to implement affordable housing, can help to put more supply on the market.

Prime residential yields* remained stable in Q2, standing at 3.8% in Madrid and 4.0% in Barcelona, with a positive market outlook based on the increase in rental households, lack of supply and rising rents (+14% y-o-y). Flex Living has followed the same trend, maintaining 50 bps of difference with Multifamily for *coliving* assets; while student housing have been the first asset class to reach a situation of yield compression due to strong investor interest.

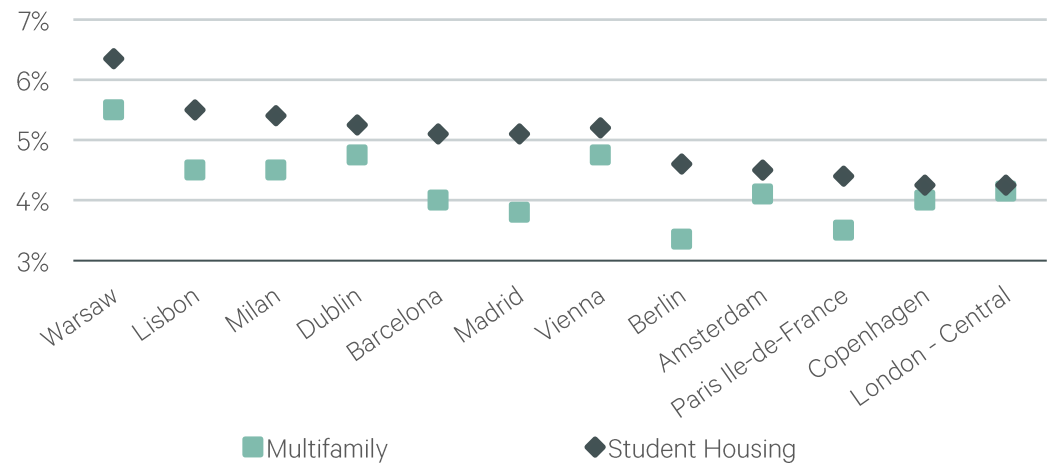
Housing transactions in Spain vs. Housing Price Index (HPI).

Source: CBRE Research based on Ministry of Transport, Mobility and Urban Agenda.



Prime yields of Multifamily and Student Housing in major European cities (Q2 2024).

Source: CBRE Research



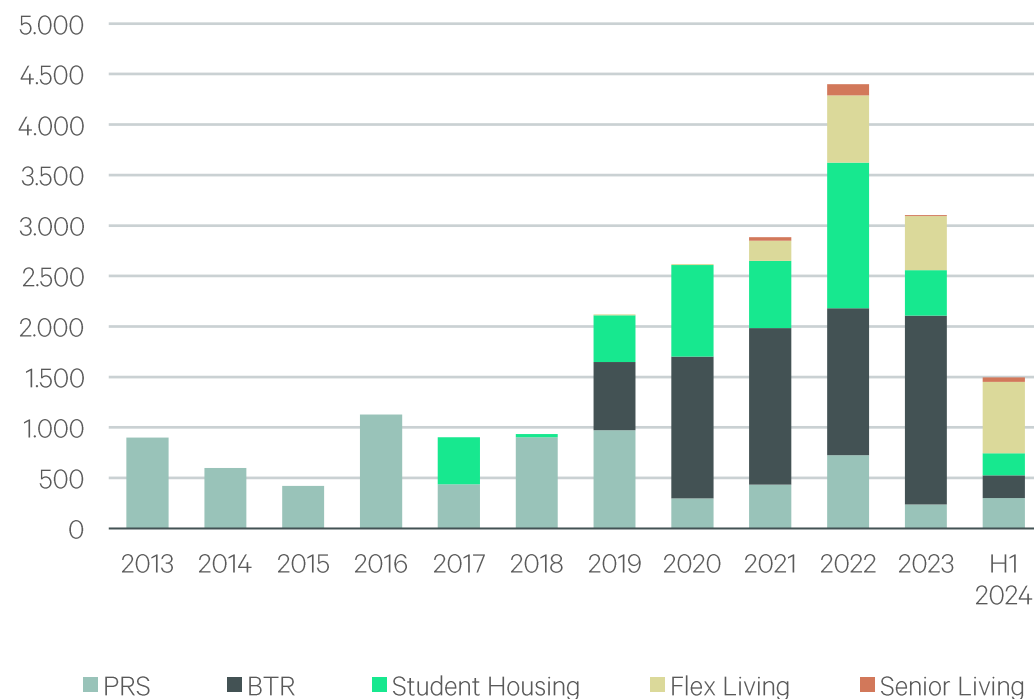
CBRE RESEARCH

* Yield refers to stabilized assets (operational and leased); while BTR (forward purchase or forward funding structure) has an average upward spread of between 25-50 bps due to development and operational risk.

¹ Housing for sale indicators are updated with the latest available public data (Q1 2024)

² Change in average rent-asking Price web portals (Q2 2024 vs. Q2 2023)

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



After a more moderate start to the year in terms of investment, the **Living sector** experienced a significant boost in Q2 to become the first asset class in Spain, driven by the more alternative sectors (Flex Living and student housing) and affordable product. The Living sector recorded an investment volume of 1,497 million euros in H1 2024 (27% of the total in Spain), a fall of 8% compared to the same period of 2023.

The **residential investment sector** lost relevance, accounting for 35% of the total through €525M (€223M BTR and €301M PRS), as investors in search of higher returns have shifted part of their activity and strategy in recent months to the housing market – Build to Sell. On the other hand, the affordable product accounted for almost half of the residential rental investment in the first half of the year (46%), reflecting investor interest in this type of asset. By location, Madrid stood out with 54% of the national investment in Multifamily.

Flex Living continued to grow and was the star product of the Living sector in H1 2024, with €708M transacted (47% of the total). Investment was driven by the acquisition of land for the development of new projects, such as the purchase of three plots of land in Valdebebas by Stoneshield, and also by the conversion of office buildings into Flex Living spaces, a trend that had been observed since the beginning of the year. Madrid remained the main investment destination (83% of the total), followed by other cities such as Valencia, Malaga and Zaragoza. **Student housing** reached an investment volume of €219M (15% of the total), which was entirely concentrated in Barcelona, highlighting Morgan Stanley's purchase from Grupo Vita of two student housing assets with a total of 624 beds. As investors look for new opportunities in this sector, other Tier II cities with solid fundamentals will become attractive and key investment destinations in the coming months.

Senior Living recorded the first investment transaction of the year in Alicante, the province with the highest number of foreign seniors in Spain (19% of the total).

Contacts

Javier Kindelan Williams

Vicepresident and Head of Living
CBRE Spain
javier.kindelan@cbre.com

Miriam Goicoechea

Head of Research
CBRE Spain
miriam.goicoechea@cbre.com

Laura Peláez

Associate Director
Research CBRE
laura.pelaez@cbre.com

© Copyright 2024. All rights reserved. This report has been prepared in good faith, based on CBRE's current anecdotal and evidence based views of the commercial real estate market. Although CBRE believes its views reflect market conditions on the date of this presentation, they are subject to significant uncertainties and contingencies, many of which are beyond CBRE's control. In addition, many of CBRE's views are opinion and/or projections based on CBRE's subjective analyses of current market circumstances. Other firms may have different opinions, projections and analyses, and actual market conditions in the future may cause CBRE's current views to later be incorrect. CBRE has no obligation to update its views herein if its opinions, projections, analyses or market circumstances later change.

Nothing in this report should be construed as an indicator of the future performance of CBRE's securities or of the performance of any other company's securities. You should not purchase or sell securities—of CBRE or any other company—based on the views herein. CBRE disclaims all liability for securities purchased or sold based on information herein, and by viewing this report, you waive all claims against CBRE as well as against CBRE's affiliates, officers, directors, employees, agents, advisers and representatives arising out of the accuracy, completeness, adequacy or your use of the information herein.

