



## Central Bank Says Spain Has Up to 1.1 Million Unsold Homes, Prices to Fall

By Charles Penty - Dec 30, 2010

Spain has between 700,000 and 1.1 million unsold homes, an amount that will drag on a recovery in the housing market as prices will probably keep falling in 2011, the [Bank of Spain](#) said.

“We will see a process of gradual absorption of accumulated excess supply, which will be slow and mean that housing investment will not contribute to the growth of activity in the near future,” the banking regulator said in its monthly economic bulletin published today.

While new-home construction soared during Spain’s property boom to 750,000 units in 2007, it dropped to 137,000 in the 12 months through September, a figure that probably won’t increase much anytime soon, the Bank of Spain said.

Home prices will likely keep falling because of tax changes, the regulator said. A tax incentive for house purchases expires at the end of this year.

“Some fiscal factors have been able to cushion the price adjustment in 2010, but in 2011 it looks probable that prices will keep moderating,” the Bank of Spain said.

Prices for Spanish homes have dropped by about 13 percent from the market’s peak in the first quarter of 2008, according to government statistics. A survey by property website Fotocasa.es and IESE business school says the decline has been more than 22 percent, while R.R. de Acuna & Asociados, a Madrid-based property adviser, predicts prices may drop another 20 percent in the next five years.

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