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Spain Has Enough Excess Land for 4 Million New Homes, Acuna Says

By Sharon Smyth - Apr 17, 2012

Spain has enough land approved for development to build 4 million homes and an existing supply of residences that will take about 10 years to sell, according to R.R. de Acuna & Asociados.

There are currently 2 million unsold homes in Spain, the Madrid-based property adviser said in a report published today. In a typical year, there is demand for 200,000 to 250,000 properties, the company estimates.

"Land continues to be the biggest threat for Spanish lenders," Fernando Rodriguez de Acuna Martinez, a partner at Acuna & Asociados, said by telephone yesterday. "An important part won't be developed in the next decade, which means the price of that land today is just symbolic or zero."

Spanish lenders have taken on 298.3 billion euros of loans to developers and real estate assets onto their balance sheets to cancel debt after a decade-long property boom ended in 2008, according to data published by the Bank of Spain. Since the market's peak in 2007, the average price of urban land has dropped 36 percent to 182.5 euros ($240) a square meter, according to data from the Ministry of Infrastructure.

Asking prices for homes have fallen by an average of about 30 percent during that time, according to a March 1 report by Fotocasa.es, a real-estate website, and the IESE Business School. Home prices will fall a further 20 percent over the next four to five years and land will be sold at an average discount of at least 65 percent, according to Acuna.

'No Need'

"There is no need whatsoever to use the developed land to build even more homes because current oversupply will not be absorbed for another 7 years in metropolitan areas and as much as 13 years in coastal areas," Acuna said.

Spain built on average 675,000 homes a year from 1997 to 2006, more than France, Germany and the U.K. combined, according to a report by a unit of Spanish savings bank Cajamar.

Excess supply, lack of demand and the depreciation of real estate assets has created "zombie developers" that can no longer be refinanced and may default, Acuna said in the report. That may result in losses of 92 billion euros for lenders, the company estimates. Lenders have already provisioned for about 32 billion euros of that and will have to face an extra 60 billion euros of losses from developers alone over the next four to five years, Acuna said.

The cost to the public of overhauling the industry has been 10 billion euros in the form of share purchases from the government bailout funds known as the FROB. Banks have made provisions for a potential 105 billion euros of writedowns since the market crashed.

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