

Bloomberg

Spanish Home Prices Fall Most on Record as Economy Shrinks

By Sharon Smyth - Sep 14, 2012

Spanish [home prices](#) fell the most on record in the second quarter as the euro area's fourth-largest economy shrank and a reduction in mortgage lending crimped demand for property.

The average price of houses and apartments declined 14.4 percent from a year earlier, the most since the measurement began in 2008, the [National Statistics Institute](#) in Madrid said today in an e-mailed statement. Prices fell 3.3 percent from the previous quarter.

“The data reflects a significant drop and confirms that prices haven't bottomed out yet,” said [Fernando Encinar](#), co-founder of Idealista.com, Spain's largest property website. “Only homes that are heavily discounted will sell as access to credit has completely dried up for potential buyers.”

Spain, which forecasts an economic contraction of 1.7 percent this year, is in its second recession in three years. The country's 25 percent unemployment rate is [Europe's](#) highest and has diminished lending for residential real estate.

[House prices](#) more than doubled in the decade through 2007, before turning negative in the first quarter of 2008 and have since fallen by about 23 percent, data from the Ministry of Public Works show. [Home prices](#) have fallen 32.4 percent since a December 2007 peak, according to separate data from Tasaciones Inmobiliarias, [Spain's](#) largest home appraiser.

Lending Drop

The number of Spanish homes sold declined in July for a 17th month, dropping 2.5 percent from a year earlier, according to the statistics agency. Mortgage lending fell 20.4 percent in June from the year-ago period, INE data shows.

The government has passed two decrees this year forcing Spanish banks to make deeper provisions for losses linked to real estate in an effort to push down prices and boost sales.

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.

The property bonanza that ended in 2008 has left around 2 million unsold homes in Spain, representing supply that will take a decade to absorb, according to Madrid-based property research firm R.R. de Acuna & Asociados.

<http://www.bloomberg.com/news/2012-09-14/spanish-home-prices-fall-most-on-record-as-economy-shrinks.html>

“Stock isn’t being reduced and some of it will never be sold because of its quality and location,” said Fernando Rodriguez de Acuna Martinez, a partner at Acuna & Asociados. “Some of it may have to be demolished in the future to stop the slide in prices.”

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