

From The Times

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## Supply glut hits Spanish property market

**Spanish house price inflation will slow sharply next year as a glut of new supply hits the market**

Thomas Caton in Madrid

Spanish house price inflation will slow sharply next year as a glut of new supply hits the market, a new report predicts.

The property consultancy R.R de Acuña & Asociados concluded that Spain has built one million homes more than it needs over the past three years, causing a national oversupply at a time when demand is poised to slacken.

The consultancy forecast that prices would rise by only 4 per cent in 2008, down from an 11 per cent surge in 2006.

Prices are due to rise 5 to 7 per cent this year, the report said.

However, other analysts are more pessimistic about the property market. A Reuters poll of 15 analysts published yesterday forecast that gains would slow to 4 per cent this year and to 1.4 per cent in 2008.

While prices overall are still rising, they have fallen in some coastal areas, upmarket city neighbourhoods and new developments on the outskirts of Spanish cities. R.R de Acuña said that Spain had built about 700,000 homes in each of the past three years, but annual demand stood at only 400,000.

Other reports out yesterday added to the picture of a slowing Spanish property market, which has nearly tripled in value in the past ten years. Up to 1 million Britons are thought to live part or all of the year in Spain. Barclays Bank estimates that Britons own more than 90,000 second homes in the country.

According to official figures also released yesterday, the number of homes sold in Spain over the past 12 months fell by 11.5 per cent. Among new homes, the decline was greater – sales were 16 per cent lower than the year before.

The R.R de Acuña consultancy estimated that three quarters of Spanish property developers could go bankrupt as business slows and interest rates rise. "There are already many living corpses" in the sector, according to its report.

Spanish authorities and the International Monetary Fund are still betting on a "soft landing" for property prices, but the IMF has said there is an outside risk of a price crash, which could be disastrous for Europe's fastest-growing economy. The construction sector accounts for 18 per cent of the country's economy.

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