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Unsold property backlog decreasing in Spain but the data are difficult to interpret

The number of empty homes in Spain is still three times higher than in 2004

There has been more evidence recently that the Spanish residential property market recovery is not only continuing but is also becoming more uniform across the whole of the country, as sales activity is rising in practically all 17 of the country's regions and market prices appear to have stabilized or to be on the way back up practically everywhere.



This has led to speculation that a sharp increase in the number of new properties being built could be just around the corner, but consultancy firm RR de Acuña y Asociados points out that an element of caution needs to be introduced into these optimistic predictions, if the data available are anything to go by.

It is difficult to read into the statistics concerning completed but unsold properties in Spain for various reasons, although on the face of it the situation is improving. In 2010 the 1.7 million empty homes falling into this category were a millstone around the neck of the market, and now the total has dropped to 1.36 million, indicating that inroads are being made into unsold stock.

But on the other hand, before the property boom began in around 2004 the



number of unsold properties in Spain was just 400,000, a figure which would seem to indicate that the current total is still three times what might be considered a “normal” level.

And here lies the problem: what is hard to quantify is how many of those 1.36 million homes are actually likely to be sold in the

foreseeable future, as many of the homes which were built during the speculative boom years are located in areas which are now not considered appropriate, and do not meet the criteria of location, size or quality for the buyers who are responsible for rising demand.

Another warning issued by Acuña is to the effect that almost another million homes are currently being promoted with a view to construction and completion by Spain’s banks, including the bad bank Sareb, meaning that the stock of unsold properties in fact has a “reserve tank” of around 973,000. Were demand for housing to be uniform and generalized across the whole country, this would make the need for new construction projects practically non-existent.

But uniformity is far from being a characteristic of the market in Spain at the moment, and stock is forecast to run out first in Madrid, Barcelona, the Balearics, the Canaries and the province of Málaga: this could happen in as little as three years, and it may not take much longer in prime tourist locations on the Costas, where cranes could once again dominate the skyline if demand continues to rise.

But another cloud on the horizon is that demographic trends suggest that there will be a natural decrease in the need for housing from the year 2020 onwards.

Having taken all of the variables into account, the analysts at Acuña predict that by 2019 the number of properties unsold in Spain will have fallen to around 907,000, representing a drop of around 450,000 from the current total, and that around 350,000 of the remaining homes will be new-builds. In the meantime, the number of second-hand homes on the market will fall from 973,000 to around 550,000.