

Reasons behind the low supply of housing in Spain

July 2024

Key points



Housing shortage



Since 2021, household formations in Spain have significantly outpaced housing starts. In 2023 the ratio between these two variables was less than 0.5, similar to that recorded in 2011-2013, in the midst of the economic crisis. Since 2008, Spain has been one of the European countries with the lowest number of housing starts per capita. Between 2008 and 2022, housing starts (1.53 million) were much lower than household formations (2.40 million).



Shortage of buildable land



Cities have land to develop housing. However, the proportion of buildable land, ready for construction, is limited. Spain has a number of homes equivalent to 26% of the current residential stock still pending construction. Urban development processes are lengthy and involve high legal complexity.



Regulatory uncertainty



Recently, housing legislation has undergone significant changes, disrupting the development plans of developers, builders, and rental companies. Some measures adopted discourage investment, introducing legal uncertainty, reducing profitability or discouraging economies of scale.



Reduced budget



The public budget for housing remains relatively low despite an increase since 2021, largely aimed at social rental housing. Since 2021, only about 13,000 subsidized homes have been started per year compared to 70,000 per year in 1995 and 2010.



Tourist accommodations



Foreign tourism expansion, legal instability and the insecurity perceived by homeowners after the approval of the latest regulations have led to an increase in tourist rental housing, which reduces the supply of rental homes for primary residence.

Key points



Rising costs of materials



Since the pandemic, **construction material costs have risen substantially**, affecting the profitability of some projects. The energy crisis has had a high impact on the costs of the sector given its high energy dependence.



Labor shortages



Construction is the sector where the number of unfilled vacancies has seen the largest increase. Between 2016 and 2023 the volume has almost tripled. In addition, construction workers have lower education and are older than average.



Reduced productivity



Construction productivity has reverted to 2008 levels, now standing 25.4% below the national average. Meanwhile, **the proportion of larger companies has remained stagnant** compared to the overall economy's growth. This sector must **take advantage of technological advances** to increase productivity and progress in the industrialization of the construction process, particularly in the area of social housing.



Boosting funding



The increase in housing supply will depend on the growth of credit for new housing development. Bank financing has fallen by about 80% compared to the peak reached in 2008. The government is taking measures, such as the ICO-Housing program. It is necessary to develop a framework that facilitates this boost without leading to excessive risk-taking.



Moving forward



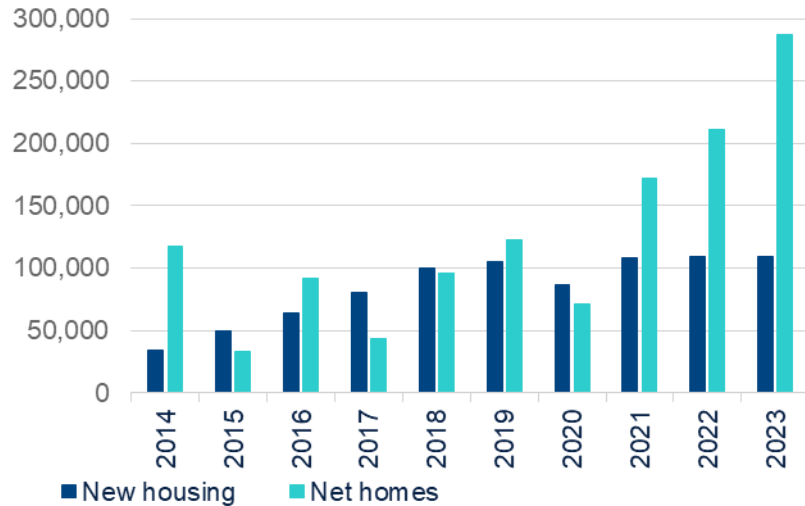
Measures are needed to help reverse the factors limiting supply in order to boost residential construction and rental supply, especially at reduced prices, as soon as possible.

01

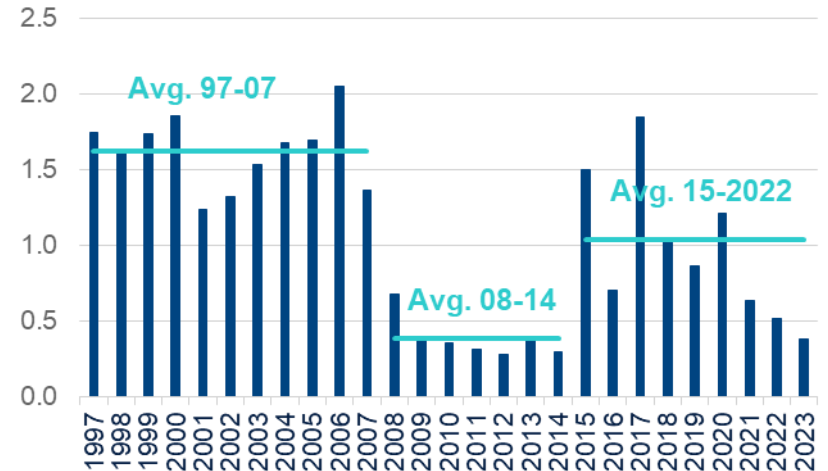
Housing supply shortage

1. The housing supply remains scarce in a context in which the population is on the rise

HOUSING PERMITS AND HOME CREATION



NEW HOUSING PERMITS PER HOUSEHOLD CREATED

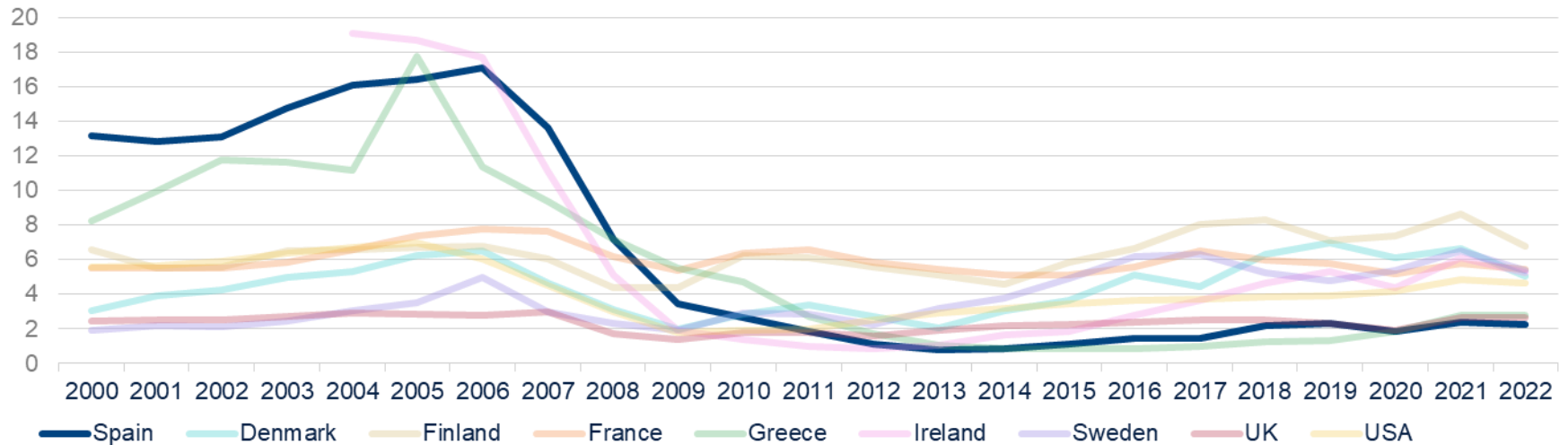


Source: BBVA Research, based on INE and MIVAU data.

The shortage of housing supply will cause housing prices to increase in a context of increased demand due to population growth. An aspect that affects new-built housing more, given the scarcity of this product on the market.

1. The new construction per capita in Spain is the lowest among the countries in the region

HOUSING STARTS PER INHABITANT (NUMBER OF HOMES PER 1,000 INHABITANTS)

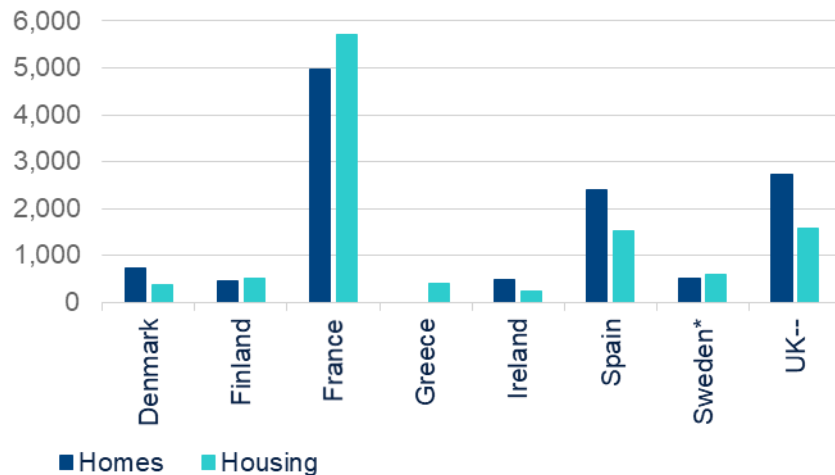


Source: BBVA Research based on EMF and the World Bank.

Spain is among the European countries with the fewest housing starts per capita in recent years. Data from 2022 stands out, as Spain ranked last with only 2.3 housing starts per 1,000 inhabitants aged 18 and over.

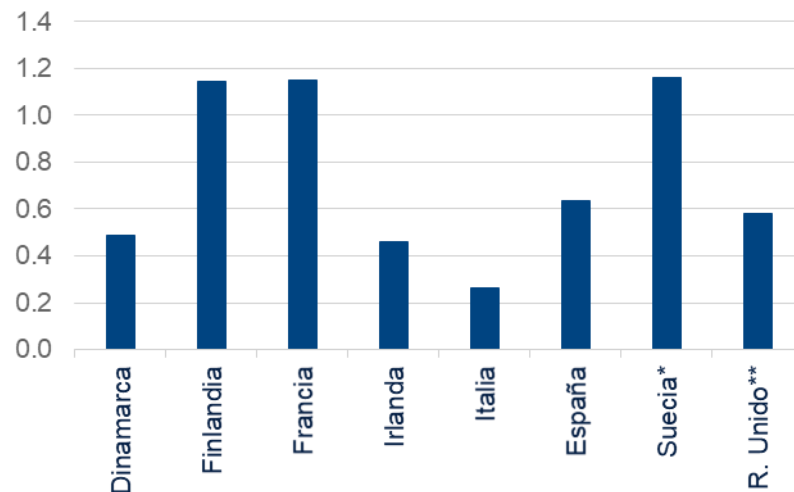
1. More households are forming than homes are built

HOUSEHOLDS AND NEW HOMES ACCUMULATED BETWEEN 2008 AND 2022 (THOUSANDS)



*Cumulative in period 2010-2022. ** Cumulative in period 2008-2019.
Source: BBVA Research based on EMF and Eurostat data.

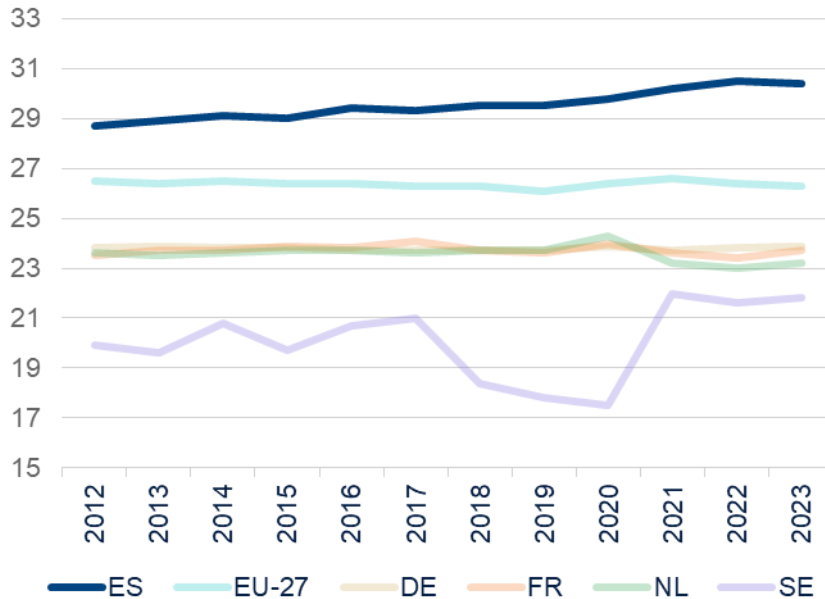
NEW HOMES PER HOUSEHOLD CREATED (CUMULATIVE BETWEEN 2008 AND 2022)



Spain is one of the countries with the greatest imbalance between housing built and household formations between 2008-2022. In France, Finland, Sweden and Greece, the construction of new housing has surpassed household formations. In Spain, this ratio for the period is 0.6 homes built per household formation.

1. Demand will remain strong in the coming quarters

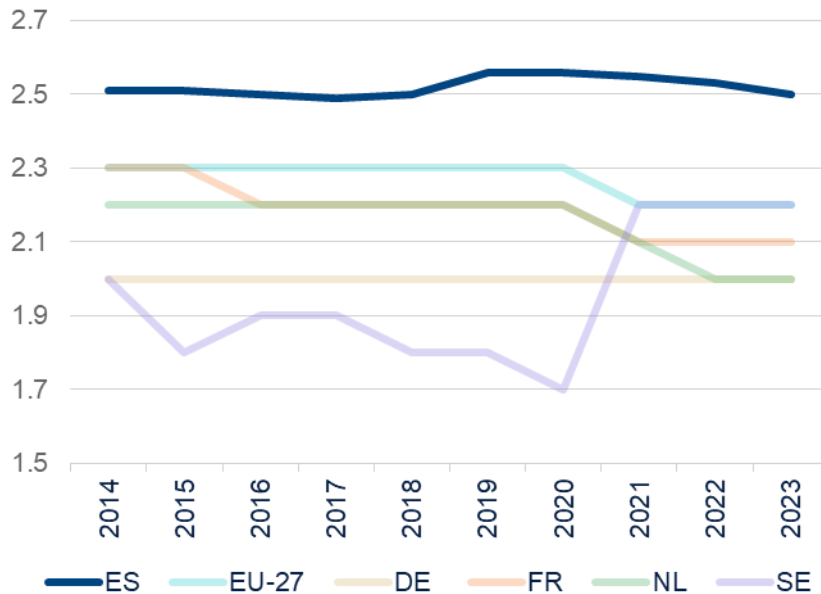
AGE OF LEAVING THE PARENTAL HOME (YEARS)



- According to the latest 2020 Continuous Household Survey, **55% of 25-29 year olds lived with their parents**, 6.5 pp more than in 2013. Furthermore, **25.6% of 30-34 year olds lived in their parents' household**, 5.1 pp more than in 2013.
- Since the pandemic, **the age of leaving the parental home has increased in Spain** and remains well above the European average.
- This implies that the **pent-up demand** for housing by young people may be relatively high.

1. Demand will remain strong in the coming quarters

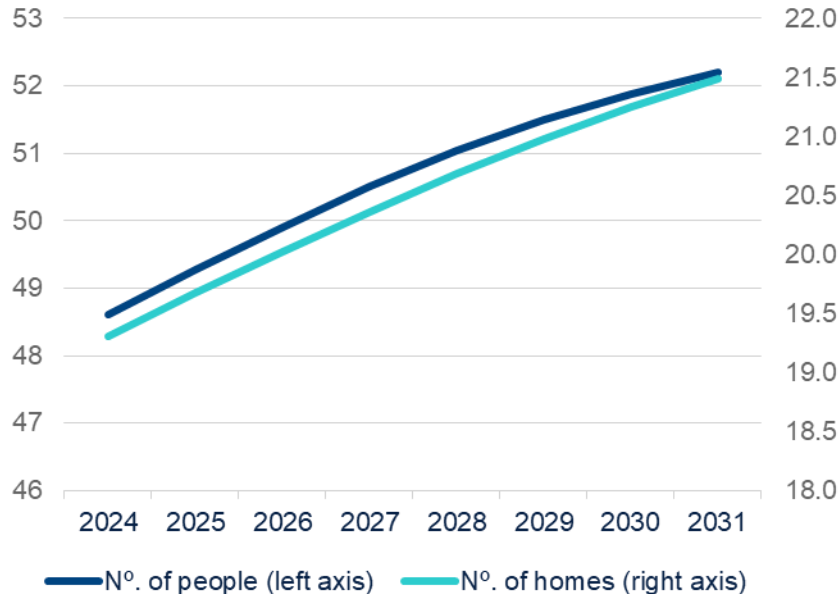
AVERAGE HOUSEHOLD SIZE (PEOPLE PER HOUSEHOLD)



- Spain is one of the countries with the highest average household size, having remained relatively stable at around 2.5 people per household.
- This is higher than the European average, which is 2.2 people per household, and that of neighboring countries.
- The average household size in Spain will probably converge to the European average, with the decline in the birth rate and a greater proportion of single-person households, which will imply a greater residential demand.

1. Demand will remain strong in the coming quarters

DEMOGRAPHIC PROJECTIONS AS OF JANUARY 1 (MILLIONS)



Source: BBVA Research, based on INE data.

- One of the consequences of **positive migratory inflows with other countries** is demographic growth.
- Spain is expected to have **just over 52 million people by 2030**, equivalent to an average annual growth rate of 1.0%. That is, about 3.5 million more people and 2.1 million households.
- This demographic increase, taking into account the average size of the household, would mean the **need for between 1.4 and 2.1 million homes**.

02

Shortage of buildable land

2. Shortage of buildable land



The **shortage of buildable land**, i.e. ready to start a new housing development, is influencing new construction in the areas of greatest economic activity, those with a greater demand for housing.



Many of the **urban plans** are earlier than 1992 and only 30% are later than 2008, according to the Urban Information System (SIU) of the Ministry of Housing and Urban Agenda.

This highlights the need **to review and update urban plans**, as working with an outdated land use guide drawn up so long ago makes it difficult to address the new needs of society and cities' ability to progress. Therefore, it is desirable that urban plans **be updated more frequently** and can be adapted to the most current requirements in terms of construction density, land use, environmental sustainability, etc.

The existing urban plans in most autonomous communities were drafted between 1993 and 2007, coinciding with the peak of construction activity in Spain. This phase may differ from current demands in many cases. Collaboration between communities and city councils is increasingly necessary to stimulate processes.

2. Shortage of buildable land



Timelines for carrying out any step of an urban planning process are very long as it requires the action of many participants and the preparation and approval of many reports¹. In addition, discrepancies among administrations (mainly autonomous communities and city councils) can lead to unwanted delays in the processes.



The limited urban planning and approval activity of the public administrations has generated a bottleneck in the expansion of available land supply. It would be desirable to strengthen collaboration between the different levels of administration, especially between autonomous communities, where most of the competencies in housing matters lie, and city councils, which are aware of the needs of the cities. It is necessary to create a regulatory framework that provides greater legal certainty, restricting the annulment of urban plans to relevant issues and not to aspects due to deficiencies of a purely formal nature.



It is necessary to speed up development processes and allow them to continue while minor issues are resolved, preventing them from being paralyzed by such issues. This would facilitate a reduction in timelines and could encourage the arrival of investors. Digitalization could help streamline urban development procedures.

(1) General plan drafting, in most cases, can take at least five or six years from the moment the data is collected (known as urban information) until the plan is approved, depending on what is collected. A long enough time for the initial data to change. See the White Paper on Sustainability in Spanish Urban Planning (2010). Ministry of Housing. Government of Spain.

2. Shortage of buildable land. Urban development is slow

- 1** General Urban Development Plan to follow
It defines **developable land** in the area of action of the General Urban Development Plan (PGOU).
- 2** Specific planning to develop developable land
It is necessary to **identify the plots through the management committee**. This is a slow and complicated procedure as **all the plots and owners must be identified** and may sometimes require several years.
- 3** Preparation of a **Partial Development Plan**
In this phase, several **sectoral reports**—environmental, road, railroad, sustainability, etc.—**and allegations are prepared**.
- 4** Drafting of an **Urbanization Project**
The **technical details of the work foreseen in the urban plans** for a given sector of action are defined. Sometimes this is done in parallel to the partial plan to save time, although it can be risky.

2. Shortage of buildable land. Urban development is slow

5

Earthworks for land development

Necessary work to be able to start the construction of the buildings.

6

Building permit with construction project

The city council gives the green light to start the construction of the buildings.

7

First occupancy permit.

The city council approves the suitability to start using finished buildings.

In terms of timelines, the preparation of the General Urban Development Plan and the specific planning can take about 5 or 6 years, and the Partial Plan and the Urban Development Project, about 2 years. Earthworks and development can take a year and a half. The construction process together with the request for licenses can take between 2 and 2.5 years. In total it can take about 10-12 years.

2. Shortage of buildable land. Planned homes are not built

- According to the Urban Information System (SIU), the general urban plans indicate that **in Spain there are 6.8 million homes pending development**, which translates to 25.6% of the existing housing stock.
- The problem lies in the fact that many of these homes are part of old plans, carried out in previous stages, which are not in accordance with the regulations currently in force. Others are part of plans that are totally blocked.
- According to the SIU, **69% of the general urban development plans were signed before 2008**, a very different period from the current one, both from the economic point of view and from the point of view of the requirements and needs of the cities.
- **Many of these plans should be reviewed and adapted** to current economic and urban needs and current legal requirements.
- Based on these criteria, it is quite possible that the planned housing units pending development in some locations are excessive. As for more economically dynamic cities, **it is necessary to speed up the processes that allow for streamlining these constructions**.

2. Shortage of buildable land. Soil classification

Consolidated urban land

Land that is legally part of the urban grid, has completed the land development process and is either fully developed or with a sufficient degree of development and/or consolidation to have the designation of a building lot or that can achieve such designation with certain accessory or simultaneous works related to construction.

Unconsolidated urban land

Urban area subject to urban transformation. Land qualified as urban land in which, in order to achieve the status of consolidated urban land, certain development or endowment, renovation, internal reform or urban transformation actions are needed, requiring the equitable distribution of benefits and burdens through coordinated efforts.

Developable land, zoned or sectorized

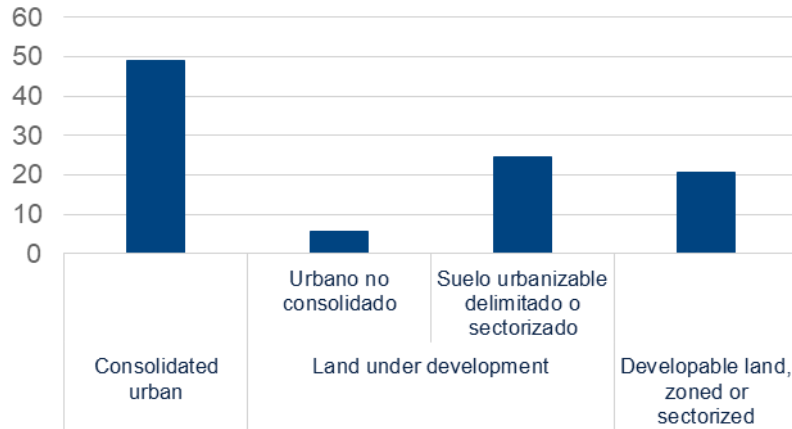
Land programmed for transformation and incorporation into the urban fabric. This encompasses land zoned by the urban planning for its integration into the urban grid and in which the conditions for its development have been established through a land development process in the timelines foreseen in the relevant program.

Developable land, non-zoned or non-sectorized

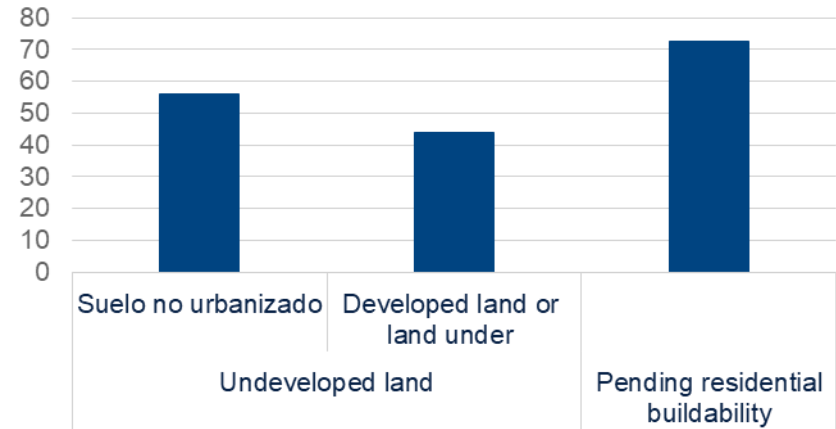
Land that may be subject to future urban development, but not as a priority. This encompasses land excluded from urban development until urban planning defines the conditions for its development and establishes the timelines for its transformation into urban land.

2. Shortage of buildable land. However, there is a high proportion of land under development

LAND CLASSIFICATION, EXCLUDING NON-DEVELOPABLE LAND, IN 2023 (% TOTAL**)



CLASSIFICATION OF LAND UNDER DEVELOPMENT AND PENDING RESIDENTIAL BUILDABILITY* IN 2023 (% TOTAL)



* The remaining buildable area corresponds to that set in the urban planning yet to be developed. Sometimes the plan indicates the number of homes planned to be built. If it is not fixed by the planning and it has not been possible to calculate it directly, an estimate is made of the number of dwellings based on the expected buildable area, taking into account the characteristics of such area or sector.

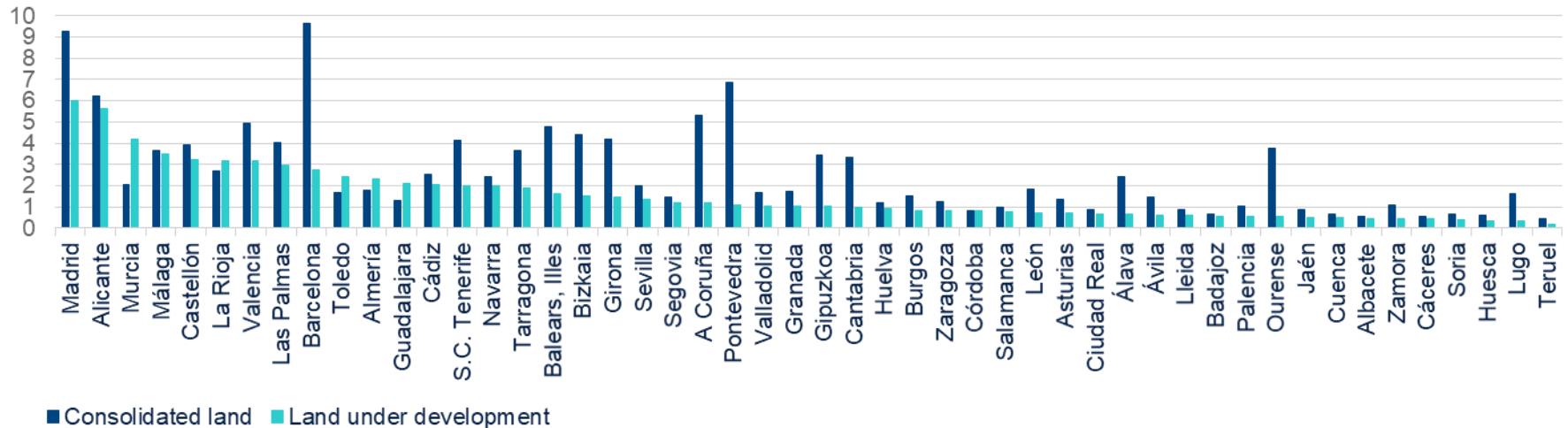
** Total land excluding the area of non-developable land.

Source: BBVA Research via SIU (MIVAU).

Excluding non-developable land, 48.9% of the total land is consolidated and 30.4% corresponds to land under development, on which work is being done to develop and transform it into designated land. Of the area under development, only 44% is developed land or land under development. In addition, 73% of residential construction is still pending.

2. Shortage of buildable land. However, there is a high proportion of land under development

LAND CLASSIFICATION* IN THE PROVINCES OF SPAIN IN 2023 (% TOTAL*)

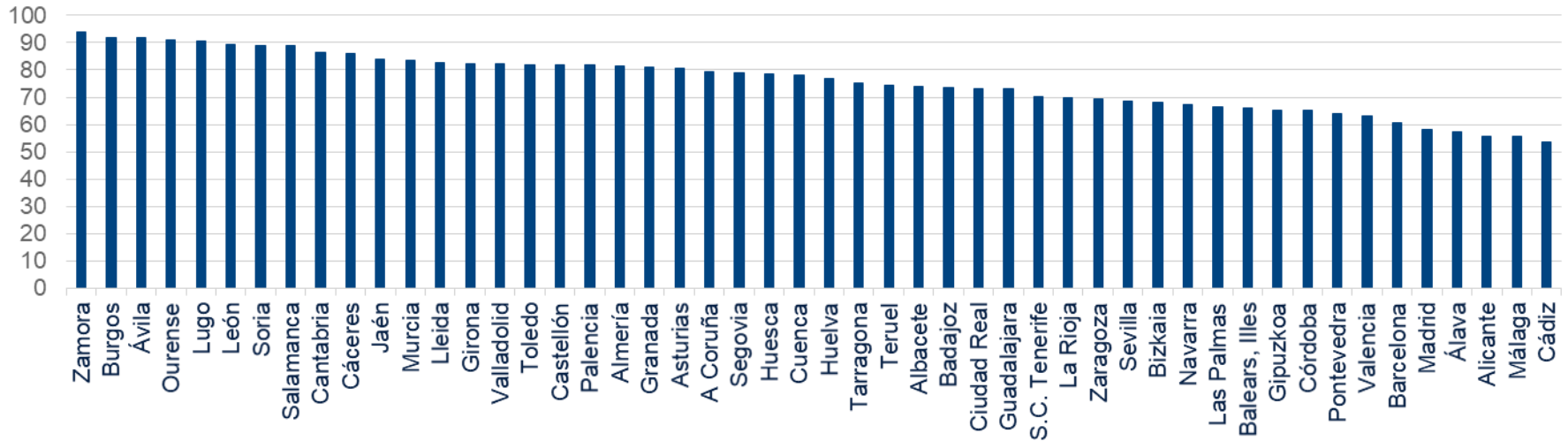


* Consolidated land and land under development.
Source: BBVA Research based on SIU (MIVAU).

Madrid is the province with the highest proportion of land under development (around 6% of the total land in the province). It is followed by Alicante, Murcia, and Malaga. In Barcelona, land under development is less than 3%.

2. Shortage of buildable land. Urban plans indicate that homes are planned, but many are still pending

RESIDENTIAL CONSTRUCTION PENDING ON LAND UNDER DEVELOPMENT IN THE PROVINCES OF SPAIN (% TOTAL PLANNED CONSTRUCTION)

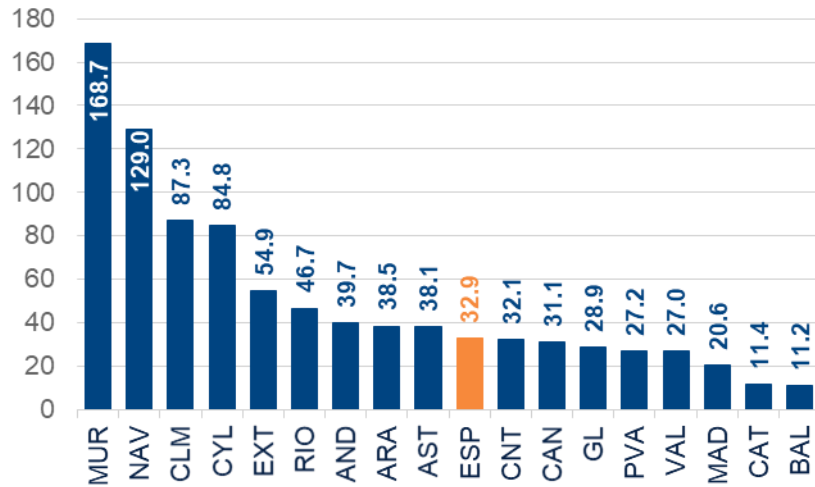


Source: BBVA Research based on SIU (MIVAU).

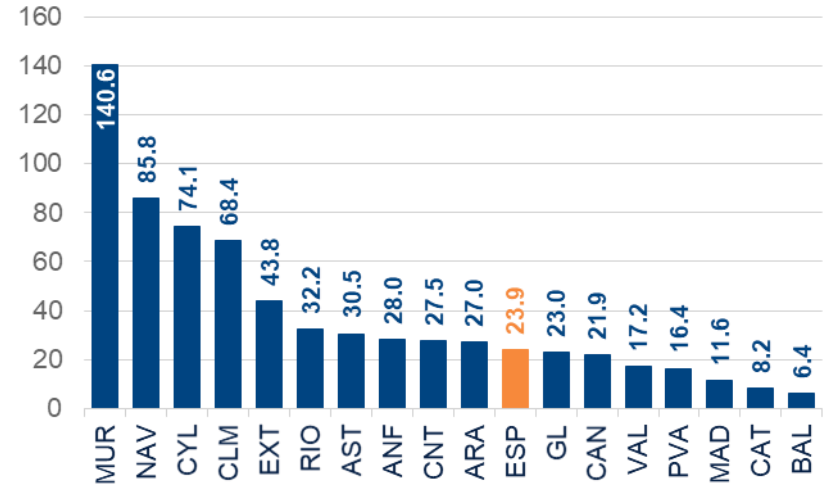
A large part of the building contained in the urban plans is pending construction. The provinces with the largest cities show a lower proportion of homes yet to be built, though it remains high. In Madrid and Barcelona, around 60% of the planned homes are unbuilt.

2. Shortage of buildable land. Urban plans indicate that homes are planned, but many are still pending

PROJECTED HOUSING COMPARED TO NEW HOUSEHOLDS FORMATIONS IN 2023



PENDING HOUSING WITH RESPECT TO NEW HOUSEHOLDS CREATED IN 2023

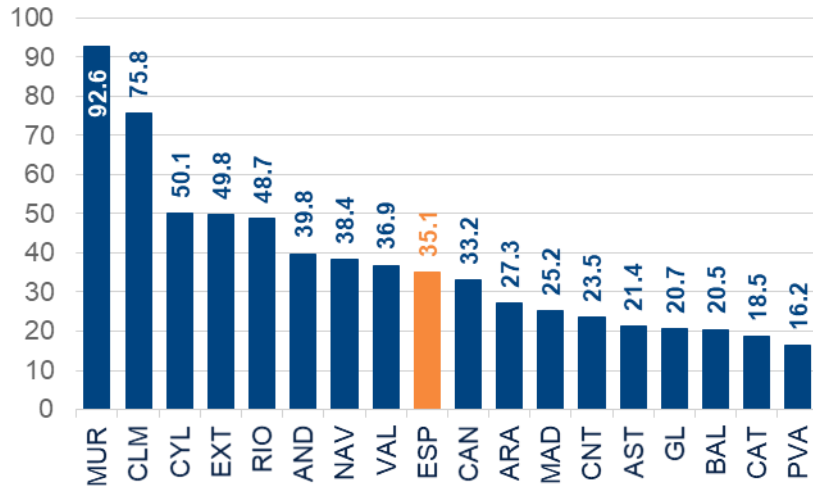


Source: BBVA Research based on SIU (MIVAU) and INE.

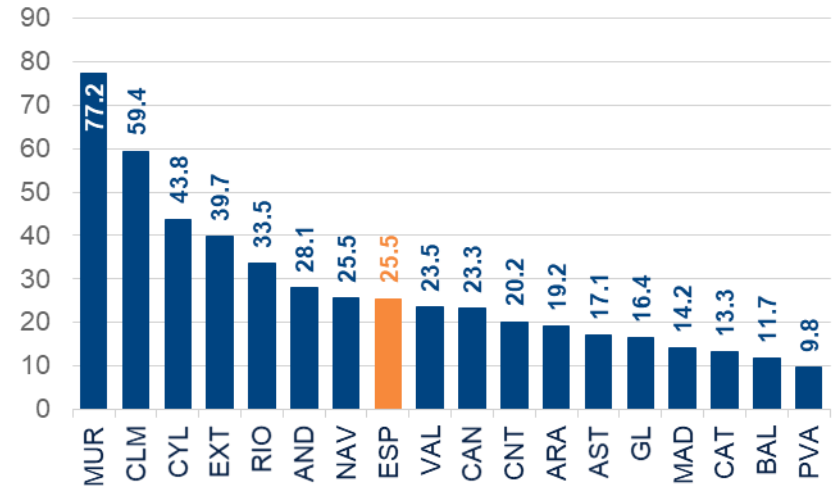
In all regions, projected housing is much higher than household formations in 2023. Projected housing in Murcia and Navarre stand out, exceeding 100 times household formation in 2023. In Catalonia and the Balearic Islands, this ratio is just over 10 times. Many of these housing projects are still pending.

2. Shortage of buildable land. Urban plans indicate that homes are planned, but many are still pending

PROJECTED HOUSING COMPARED TO THE HOUSING STOCK IN 2023 (%)



PENDING HOUSING IN RELATION TO THE HOUSING STOCK IN 2023 (%)

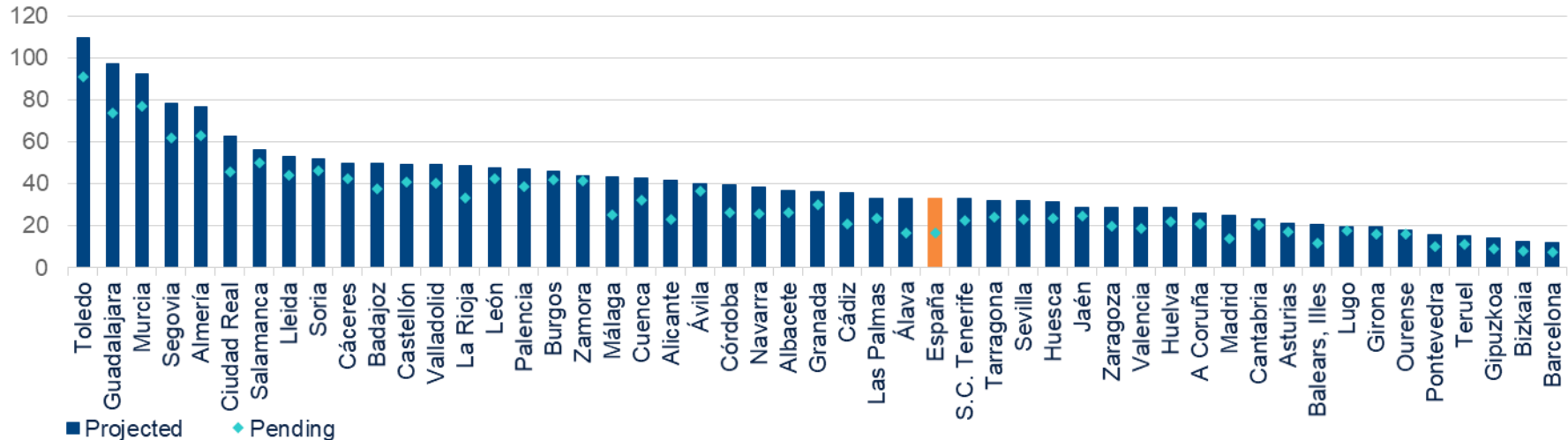


Source: BBVA Research based on SIU (MIVAU) and INE.

On average, in Spain, projected housing is equivalent to 35% of the residential stock, of which almost 26% is pending. In terms of housing stock, Murcia's plans foresee practically doubling the region's housing stock. Catalonia, the Balearic Islands and the Basque Country are the regions with a lower proportion of projected housing.

2. Shortage of buildable land. Urban plans indicate that homes are planned, but many are still pending

PROJECTED AND PENDING HOUSING WITH RESPECT TO THE HOUSING STOCK IN 2022 (PROJECTED AND PENDING HOUSING AS A PERCENTAGE OF THE RESIDENTIAL STOCK)



Source: BBVA Research based on SIU (MIVAU) and INE.

The projects in some provinces involve doubling the housing stock compared to 2022. It is a very ambitious objective, especially in those where demographic pressure is relatively low. Barcelona, Vizcaya, and Guipúzcoa are the provinces with the lowest proportion of projected housing. In most of them, most of the housing is pending construction.

2. Shortage of buildable land. Accelerating the urban development process

- It is advisable that the **Revised Text of the Land and Urban Renovation Law**, which aims to put an end to some of the main causes of delays in urban development processes, **be approved soon**.
- The aim is to give greater **stability to urban planning**, preventing defects in form, which can be easily repaired, from reversing work that has taken several years and paralyzing complex processes.
- Main aspects that aim to speed up urban development:
 - a) **The formal defects that cause the nullity** of a process will be detailed, while other issues can be resolved during the process to avoid disproportionate annulments.
 - b) **Partial nullity is invoked** when the nullity can be determined, on an individual basis, to a specific territorial scope, provisions or specific aspects.
 - c) **Aim to limit the cascading nullity of** all planning documents and acts to only those instruments and actions that contain the same defect of nullity as the one that has been declared null.
 - d) **Aim to prohibit the use of popular action in a manner that contradicts the principle of good faith** or is considered abusive. In addition, an attempt is made to limit popular action to material or substantive issues.

03

Regulatory uncertainty

3. Legal instability in the construction sector remains high and may be influencing investment decisions



2018-2019

In 2018, the government approved a series of measures aimed at the rental market.

In 2019 in Barcelona, the regulation came into force that obliges to reserve for social housing 30% of new constructions or renovations of more than 600 square meters.



2020-2021

Approval of Law 11/2020 for the regulation of rental prices in Catalonia that allowed rents to be frozen and lowered where the market was considered to be stressed.

Approval of the preliminary draft bill on the right to housing. Until its final approval, there was a long period of time that added uncertainty to the economy.



2022-2024

Implementation of mechanisms to protect the population from rising inflation.

Announcement of the expansion of the social housing stock through the mobilization of some 50,000 homes from Sareb.

The State Law on the Right to Housing was approved at the end of 2023 and does not solve the main problem of the sector: The lack of housing supply.

Creation of the Government Reference System for Housing Rental Prices.

ICO guarantee program. Aimed at promoting the construction of housing and facilitating the purchase of housing by young people.

3. Legal instability in the construction sector remains high and may be influencing investment decisions



2018

Approval of a **series of measures in the rental market focused on the tenant:**

- **Extension of the duration of contracts** from 3 to 5 years and up to 7 years for companies.
- Rental contracts were again **indexed to the CPI**.
- **Reduction of the maximum deposit** allowed to 2 months of rent.
- **Limits for the owner to terminate the contract** in case the property is needed.

The tightening of the requirements and the reduction of guarantees to homeowners represent a **deterrent to maintaining housing or putting it up for rent**. In addition, these factors can lead to an **increase in rent to compensate for this reduction in guarantees**.

Longer terms reduce the liquidity of the rented property. Spain has the longest rental contracts¹. In Brussels, France and Germany, contracts are usually for 3 years, extendable, and in Portugal, the owner who signs longer contracts benefits in terms of taxes. This longer contractual duration may lead to a **reduction in supply**, especially when legal certainty is limited in the event of non-payment².

Indexation to the CPI leaves rents exposed to material increases above inflation or discourages investment when the profitability of other assets is higher.

These proposals encourage the reduction of the size of the rental^{market} ³. **They discourage the construction of rental housing** as they increase the risk of the projects and can condition their profitability. They push owners **to look for new formulas to make their assets profitable**, such as tourist rentals, as pointed out by the Bank of Spain (2020).

(1) OECD (2021) PH6.1 Rental regulation. (2) Bank of Spain (2020). "El mercado de la vivienda en España entre 2014 y 2019", Documentos ocasionales N° 2013.

(3) Casas-Arce, P., and A. Saiz (2010). "Owning versus renting: do courts matter?", Journal of Law and Economics.

3. Legal instability in the construction sector remains high and may be influencing investment decisions



2019

In 2019 in Barcelona, the regulation came into force that requires 30% of new constructions or renovations of more than 600 square meters to be reserved for social housing.

In a scenario of housing supply shortage, this is not an appropriate measure since it may lead to a **paralysis of projects** for several reasons:

- **The profitability of projects and, therefore, their viability, can be affected** by this type of measure that involves having to allocate part of the buildable area to social housing.
- **The target audience of a social housing development can be very different from that of a free-market housing development**, especially in developments that seek a certain exclusivity.
- One consequence of this type of measure is the **reduction of the construction of free-market housing**, a contraction in supply and, therefore, a possible rise in prices.
- **The construction of social housing is a necessity**, especially in cities with greater population density. In fact, in Spain the stock of social rental housing was below 2% in 2022, compared to the 8% average in the EU¹. **However, its development should not be imposed on private initiative**, but should be led by the public authorities in close collaboration with private sector entrepreneurs.

(1) OECD (2024), OECD Affordable Housing Database - indicator PH4.2. Social rental housing stock.

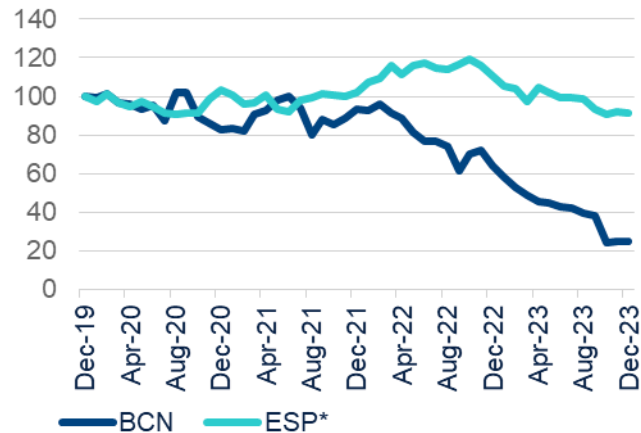
3. Legal instability in the construction sector remains high and may be influencing investment decisions



2019

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NEW CONSTRUCTION HOUSING PERMITS IN CAPITAL CITIES (CUMULATIVE 12 MONTHS)



The lack of labor, the scarcity and increase in the price of materials and the lack of buildable land are common aspects that have affected residential development in recent years in Spain.

In Barcelona, on top of all this, the imposition of land set aside for social housing has reduced the number of approvals by more than the average. In 2023, building permits only accounted for 23% of those approved in 2019, a proportion similar to that recorded in the first quarter of 2024.

*Total number of building permits of the provincial capitals (Madrid, Valencia, Seville, Zaragoza and Malaga).
Source: BBVA Research from MIVAU

3. Legal instability in the construction sector remains high and may be influencing investment decisions



2020

Approval of Law 11/2020 for the [rent price regulation in Catalonia](#) that allowed rents to be frozen and lowered in areas where the market was deemed stressed.

This Law was [declared unconstitutional](#) by the Constitutional Court in March 2022.

This regulation of the rent price was [the prelude to the regulation proposed by the Law on the Right to Housing](#) approved in May 2023.

As BBVA Research has already stated on several occasions, [third-generation controls](#) (the price is controlled at the beginning of the contract and in its subsequent reviews) [have a negative effect on the housing supply](#)¹:

- Owners who consider that the reference price is lower than their expectations [will take the house out of the primary housing market](#).
- Some [new housing projects may be blocked](#) by the increased risk that these measures pose to investors.
- [Penalization of large property holders](#). The market in Spain is very fragmented, and this measure goes against large companies, which could provide greater efficiency in the rental market.

The literature suggests that measures of this type lead to an [increase in rent prices in the affected area and neighboring areas](#)^{2,3 and 4}.

(1) Bank of Spain (2024), Annual Report 2023. Chapter 4. (2) Author, D.H.; Palmer, C.J. and Pathak, P.A. (2014). Housing Market Spillovers: Evidence from the End of Rent Control in Cambridge, Massachusetts. Journal of Political Economy. (3) Diamond, R.; McQuade, T. and Qian, T. (2019) The effects of rent control expansion on tenants, landlords and inequality: Evidence from San Francisco. American Economic Review. (4) G. Montalvo, J.; Monràs, J (2023) The Effect of Second Generation Rent Controls: New Evidence from Catalonia. BSE Working Paper 1345.

3. Legal instability in the construction sector remains high and may be influencing investment decisions



2021

Preliminary draft bill on the right to housing.

In addition to measures such as rent price regulation and the 30% reserve to promote social housing, it shows other initiatives that have a favorable impact on housing supply. These include **tax incentives to boost the supply** and the **impossibility of alienating public housing**.

There has been a **long period of uncertainty until approval**.

The final approval of the Law on the Right to Housing **has taken almost two years** since the approval of the preliminary draft bill in October 2021. A long process of uncertainty that has generated a lot of uncertainty about the content of the regulation.

Some of the projects have been kept waiting for the final definition of the Law, which has meant an additional **weakness in the supply of new housing**. Above all, rental housing, which is the type of housing that is most affected by this regulation.

The lack of definition of key concepts until the final approval of the Law, such as the concept of large property holder or the determination of the rent index, has kept investors on tenterhooks, **increasing the investment risk in the Spanish real estate sector**^{1, 2 and 3}.

An insecurity that continues even with the approval of the Law, as **several autonomous communities have announced that they were going to appeal it to the courts** on the grounds that they invade regional competences^{4 and 5}.

(1) Bank of Spain (2024), Annual Report 2023. Chapter 4. (2) García-Montalvo, J (2019). Rental market challenges in Spain. Spain Economic and Financial Outlook. FUNCAS. (3) Nasarre Aznar, S. (2022): El proyecto de la Ley de vivienda 2022. Documento de trabajo. FEDEA. (4) [Only twelve municipalities have requested the designation of stressed area outside of Catalonia](#). (5) [The Constitutional Court endorses most of the National Housing Law](#).

3. Legal instability in the construction sector remains high and may be influencing investment decisions



2022

Introduction of mechanisms to protect the population from rising inflation.

The government decided to limit the rise in rental prices to 2% in 2022 and 2023 and to 3% in 2024.

This is a measure that, although it protects those who already live in rented housing, may generate a greater challenge for those who are looking for rent due to the lower supply and higher prices.

This measure may have limited the primary housing rental supply¹ and ². Especially considering that the cost of maintaining homes has been exposed to the high inflation rates that have recently impacted the economy, limiting the return on transactions.

This measure, despite initially being transitory, can act as a distorting element in the market, especially if it becomes permanent. On the one hand, owners could have looked for other alternatives to maximize the profitability of their properties, such as temporary or vacation rentals, especially in the so-called large property holders whose tenants enjoy greater protection¹. On the other hand, these measures limit the profitability of build-to-rent projects and can lead to a reduction in supply³ and the consequent increase in prices in new contracts.

These measures could have been accompanied by other initiatives aimed at increasing the legal certainty of owners or alleviating this reduction in income through some tax benefit.

(1) Bank of Spain (2024), Annual Report 2023, Chapter 4. (2) Arnott, R. and M. Igarashi (2000). Rent Control, Mismatch Costs and Search Efficiency. Regional Science and Urban Economics.

(3) Sims, D.P. (2007). Out of control: What can we learn from the end of Massachusetts rent control? Journal of Urban Economics.

3. Legal instability in the construction sector remains high and may be influencing investment decisions



2023

Announcement of the expansion of the social housing stock through the mobilization of some 50,000 homes from Sareb.

This measure is a step in the right direction, aimed at increasing the scarce stock of social rental housing, which does not reach 2% of the housing stock, compared to the average of 8% in the European Union¹. But its impact will be limited for several reasons:

- The amount of new housing that can be put on the market in the short term is only 9,000 homes (the remaining 12,000, up to a total of 21,000, require some renovation or refurbishment).
- The location of these homes may be in areas with low demand, as they have not been sold in 10 years. The development of 15,000 homes on Sareb land is a positive measure to increase the public stock, but it is a medium- to long-term action whose effectiveness will depend on the location of the land, since, to a large extent, the land is not buildable and requires development processes before construction can start.

More agile actions are needed, focused on areas of interest for demand.

(1) OECD (2024), OECD Affordable Housing Database - indicator PH4.2. Social rental housing stock.

3. Legal instability in the construction sector remains high and may be influencing investment decisions



2023

The State Law for the Right to Housing, approved at the end of 2023, does not solve the main problem of the sector: the lack of supply, both rental and new housing.

It introduces disincentives to increase the residential rental stock, by facilitating price capping, by introducing uncertainty and increasing regulation, especially of large property holders (which goes against the profit in the sector¹); or by increasing rigidity in rental contracts.

The lack of legal certainty for owners, resulting in most cases from the slowness of justice system in resolving problems, will continue to be one of the main reasons behind a reduced supply of rental housing. Therefore, the tax incentives (or penalties) introduced are not expected to have a major effect until owners and potential investors feel a sense of security.

Price controls can lead to a contraction in supply, a reduction in investment in the renovation of rented housing² and an increase in prices.

It is not positive that flexibility³ has been eliminated in the signing of lease agreements, given that it reduces the investment interest of large and small investors by increasing the risk of their operations, resulting in higher rents⁴.

(1) Bank of Spain (2024), Annual Report 2023. Chapter 4. (2) Moon, CG.; Stotsky, JG. (1993) The effect of rent control on housing quality change: a longitudinal analysis. Journal of Political Economy.

(3) Ortalo-Magne, F., and A. Prat (2014). "On the Political Economy of Urban Growth: Homeownership versus Affordability", American Economic Journal: Microeconomics.

(4) (Glaeser, E., J. Gyourko and R. Saks (2005). "Why is Manhattan so expensive? Regulation and the rise in housing prices", Journal of Law and Economics.

3. Legal instability in the construction sector remains high and may be influencing investment decisions



2024

The Government Reference System for Housing Rental Prices is created, which offers a range of housing rental price values as a reference, as a guideline, for setting the rent in new leases.

In stressed residential market areas, declared in accordance with Law 12/2023, of May 24, on the right to housing, the upper value of the range will mark the limit of the rental price.

The published index seems to show lower price levels than the homes currently on offer¹. It requires that in some of the most dynamic market areas rents should be lowered significantly. However, only those contracts signed within the areas designated as stressed will be obliged to do so.

As mentioned above, both economic theory and experience in other economies² and ³ show that this policy can lead to a reduction in supply and, therefore, to an increase in rent prices in areas bordering stressed areas, where demand is driven due to the shortage of rentals in said areas⁴.

For the time being, the impact of the measure seems to be limited since only Catalonia has designated municipalities as stressed areas⁵. This may allow for an assessment of the effects of the regulation to guide future actions in other regions.

(1) [The real estate platform Idealista indicates that the index gives prices lower than market prices and close to 2017 levels.](#)

(2) Sims, D.P. (2007). Out of control: What can we learn from the end of Massachusetts rent control? Journal of Urban Economics.

(3) Diamond, R.; McQuade, T. & Qian, T. (2019) The effects of rent control expansion on tenants, landlords and inequality: Evidence from San Francisco. American Economic Review.

(4) Kholodilin, A.K (2024) Rent control effects through the lens of empirical research: An almost complete review of the literature. Journal of Housing Economics.

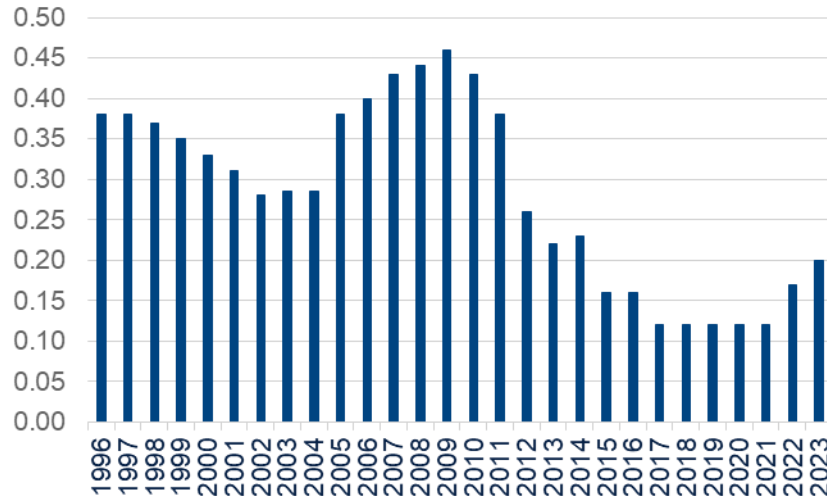
(5) [Only twelve municipalities have requested the designation of stressed area outside of Catalonia.](#)

04

Reduced public budget

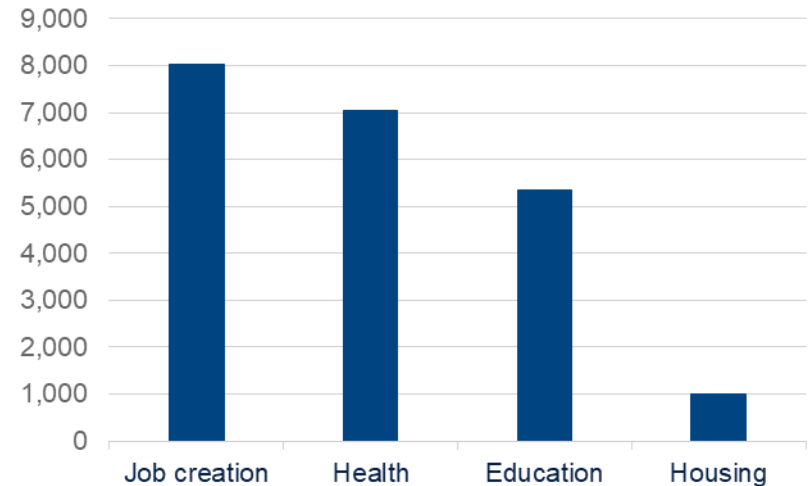
4. Low public budget for housing

SHARE OF THE NATIONAL BUDGET (EX MRR)
ALLOCATED FOR HOUSING (%)



Source: ASPRIMA from the national budget.

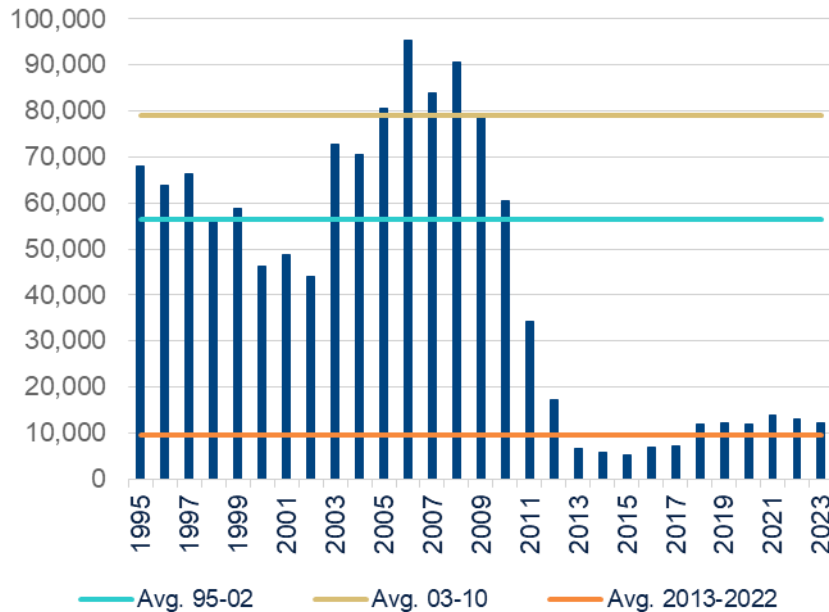
2023 NATIONAL BUDGET ITEMS
(MILLION EUROS)



The budget allocated for housing remains at relatively low levels. The increase from 2022 is due to actions aimed at increasing the stock of social rental housing, although the meager budget allocated makes it difficult to achieve the proposed goals of increasing the social housing stock to 20%.

4. Low public budget for housing

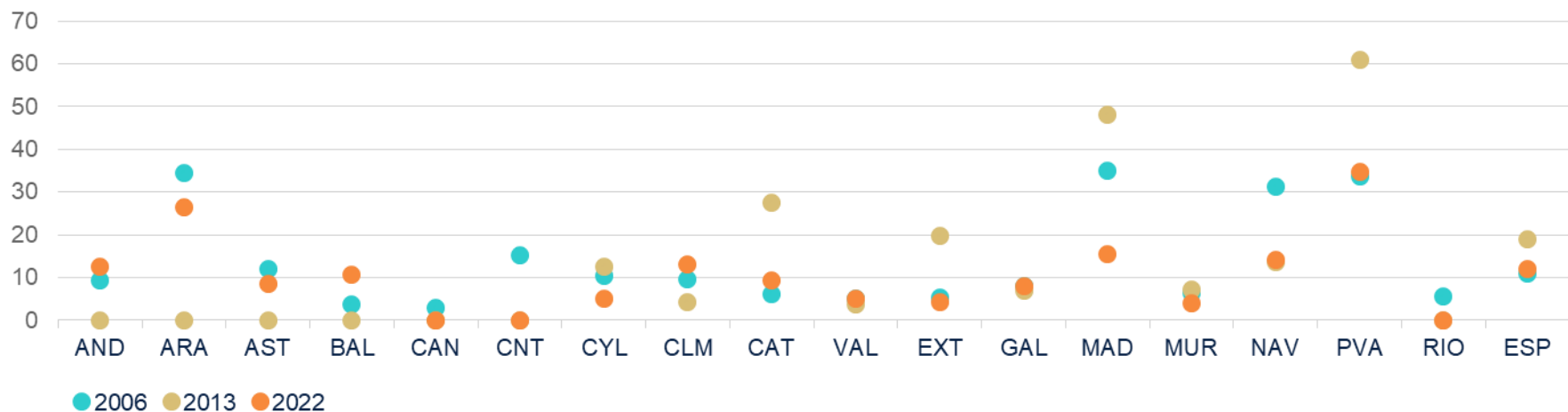
PROVISIONAL SUBSIDIZED HOUSING RATINGS (No OF HOUSING IN STATE AND REGIONAL PLANS)



- The output of subsidized housing, for purchase and for rent, are well below historical averages. Since 2018, about 13,000 subsidized housing starts per year have been taking place in Spain, well below the almost 60,000 starts between 1995 and 2002 and the almost 80,000 starts between 2003 and 2010.
- In relative terms, the proportions do not show such significant changes. In 2006, subsidized housing accounted for 11% of housing starts, while in 2022 it was 12%.

4. Low public budget for housing

PRELIMINARY APPLICATIONS FOR SUBSIDIZED HOUSING (% OF TOTAL NEW HOUSING PERMITS)



Source: BBVA Research, based on MIVAU.

In 2022, the weight of the initiation of subsidised housing remains, on average, similar to that of 2006. In the most dynamic regions, the behavior is uneven. In Madrid, the region that contributes the most subsidized housing to the market, it is much lower. Meanwhile, in Andalusia, Catalonia, the Basque Country and Valencia it is at levels similar to 2006.

05

Tourist rental supply

5. Tourist rentals, competition for primary housing

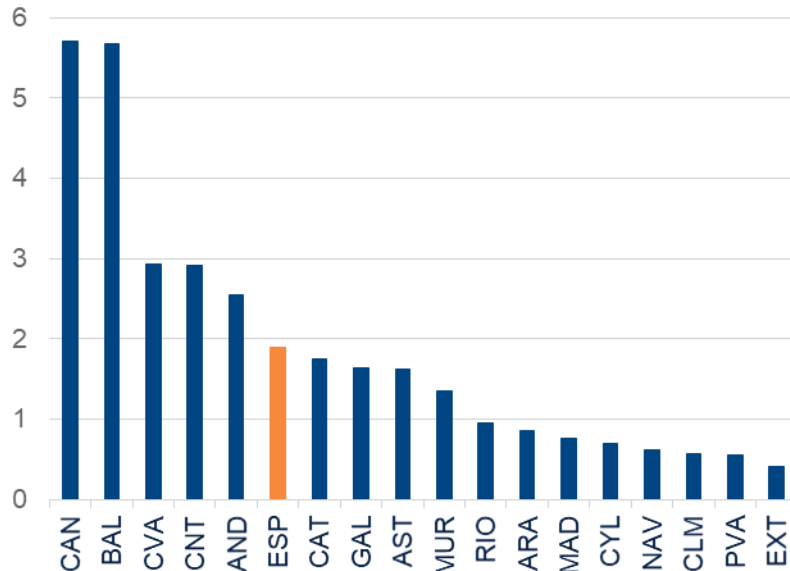
- Tourist rentals are another factor that puts pressure on the supply of primary housing. An aspect that is of special relevance **in certain locations**, such as large cities that attract tourism. The increase in tourism increases the profitability of tourist rentals and, therefore, makes it an increasingly attractive option for property owners.
- In addition, the perception among property owners of being less legally protected, following various legal changes in the rental market, has led to an **increase in the supply of tourist rentals at the expense of primary housing rentals**.
- Due to the **greater requirements and restrictions imposed by the new rental regulations**, some property owners have decided to move their properties out of the primary housing rental market in search of **opportunities in other markets that may offer higher profitability**: temporary and occasional rentals and room rentals .
- **Arbitrage tends to equalize returns**, raising the rents of primary housing, in a context of insufficient supply. This is another example of how regulation can change supply in an undesired direction.
- The **growth of the tourist rental market has taken place at the same time as primary housing rental prices** have grown in cities with high tourist interest, partly due to a transfer of part of the supply from primary housing to housing for tourist accommodations

5. Tourist rentals, competition for primary housing

- All this despite the existing regulations on housing for tourist accommodations, which has tried to be strict in order to avoid these transfers, especially on the part of local agents, who try to ensure the welfare of residents. To this end, on an international scale, municipalities have required owners to have business licenses, have established additional taxes and have limited the number of vacation homes.
- Despite everything, the number of tourist apartments has grown with some vigor since the end of the pandemic. As the economic literature indicates, the increase in this market is directly translated into price increases in the primary housing rental market.
- In any case, when regulating the activity, it is necessary to take into account the relevance of this economic activity in cities and the benefits it brings, especially in rural municipalities. Initiatives should be aimed at avoiding irregular situations and ensuring that the housing on offer complies with the established requirements and that this activity does not reduce the quality of life of the residents in these areas.

5. Tourist rentals, competition for primary housing

TOURIST HOMES BY AUTONOMOUS COMMUNITY (FEBRUARY 2024, % RESIDENTIAL STOCK)



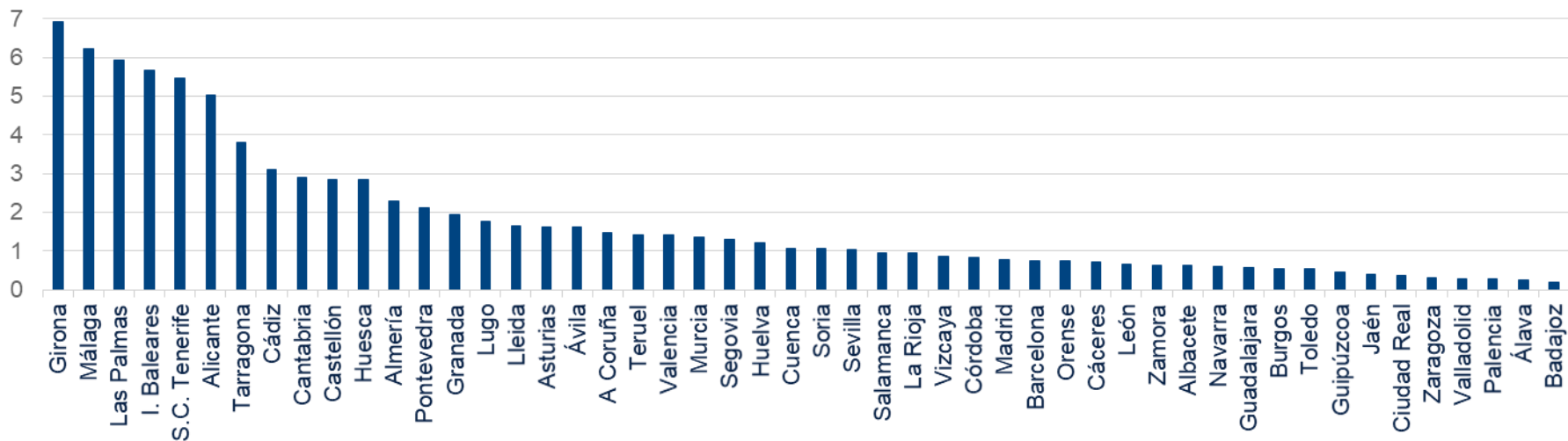
To obtain the information, the web scraping technique is used, which uses software programs to extract data from the three most used tourist accommodation platforms in Spain.

Source: BBVA Research, based on the Experimental Statistic on Housing for Tourist Accommodations (INE).

- According to the INE's experimental statistics on housing for tourist accommodations, **there were some 351,000 tourist homes in Spain in February 2024**, which represented an increase of 19.2% compared to the same month in 2021.
- **In terms of the residential stock**, it represents 1.9%, 0.3 pp more than in February 2021.
- There is a significant variation by region. While **on the islands, housing for tourist accommodations accounts for 5.7% of the housing stock**, in Extremadura it is less than 0.5%. In Madrid the weight is 0.8%, in Catalonia 1.8%, in Valencia 2.9% and in Andalusia 2.5%. Among the northern regions, Cantabria stands out with 2.9%.

5. Tourist rentals, competition for primary housing

HOUSING FOR TOURIST ACCOMMODATIONS BY PROVINCE (FEBRUARY 2024, % RESIDENTIAL STOCK)

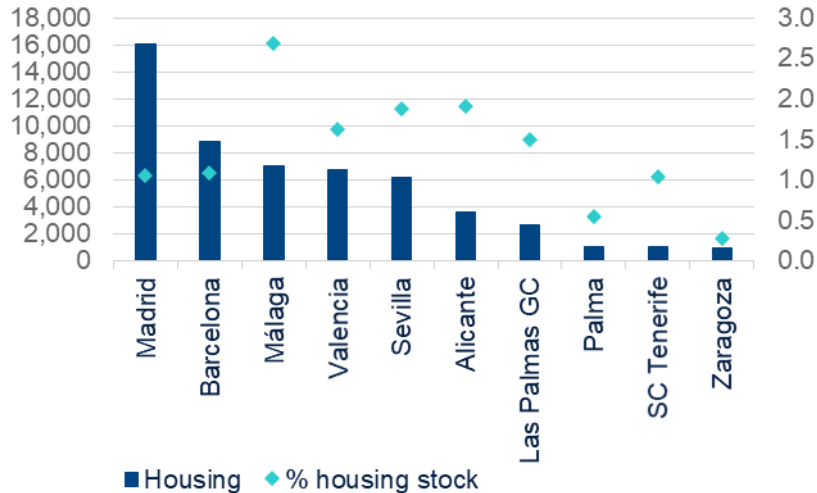


Source: BBVA Research based on the Experimental Statistics on Tourist Housing (INE).

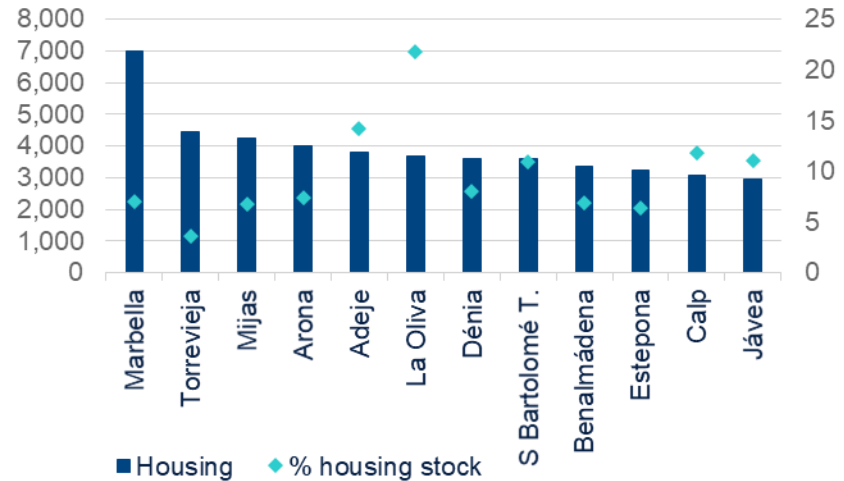
By province, those with the highest proportion of housing for tourist accommodations in the total stock are Girona (6.9%), Málaga (6.2%), Las Palmas (5.9%), the Balearic Islands (5.7%) and S. C. de Tenerife (5.5%). On the other hand, in Valladolid, Palencia, Álava and Badajoz, the representation is less than 0.3%.

5. Tourist rentals, competition for primary housing

HOUSING FOR TOURIST ACCOMODATIONS IN THE LARGEST MUNICIPALITIES
(FEBRUARY 2024, % RESIDENTIAL STOCK)



HOUSING FOR TOURIST ACCOMMODATIONS IN OTHER MUNICIPALITIES
(FEBRUARY 2024, % RESIDENTIAL STOCK)



Source: BBVA Research based on the Experimental Statistics on Tourist Housing (INE).

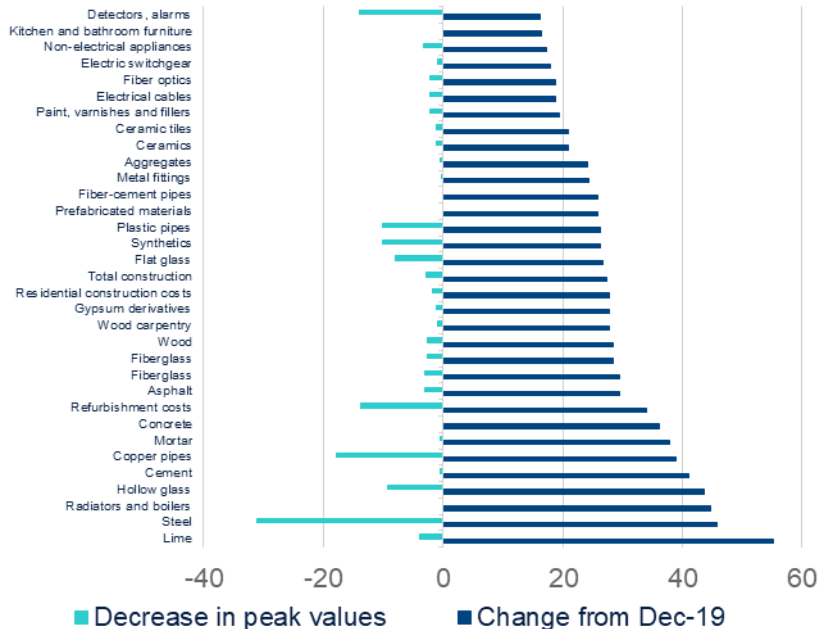
Among the ten most populated municipalities in the country, Málaga is the one with the highest proportion of housing for tourist accommodations with respect to the total housing stock (2.7%), followed by Alicante and Seville with almost 2.0%. In the rest of the municipalities where more housing for tourist accommodations is concentrated, Canary Island municipalities such as La Oliva and Adeje are the ones with the highest proportions.

06

Rising prices of materials

6. Shortage and increased cost of construction materials

CHANGE IN THE PRICE OF CONSTRUCTION MATERIALS (%)



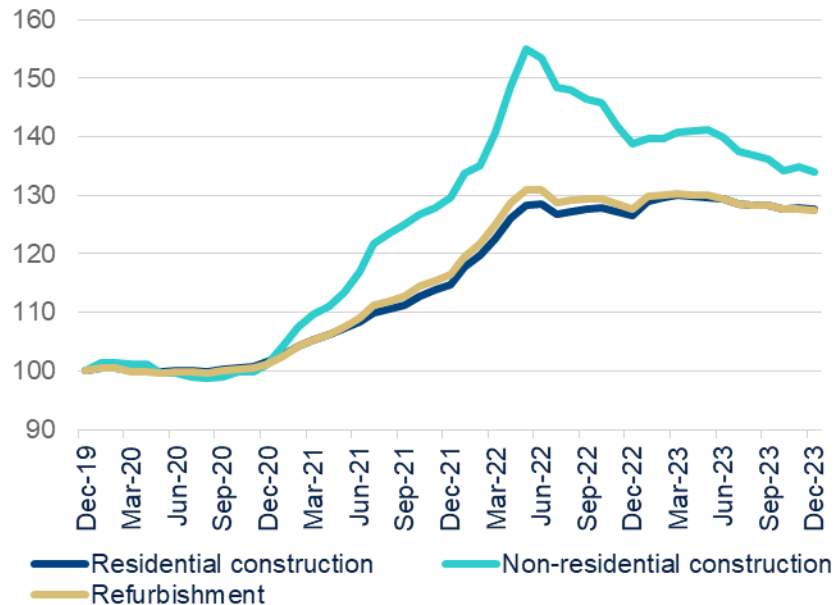
- The cost of many of the **main construction materials** has **increased** since Dec-19 above the increase in the CPI (15.5%).
- Despite the fact that the **prices of many of them have become cheaper since reaching the peak price** (in the case of steel, by around 30%, or 4% in the case of lime), **their prices are more than 30% higher than those recorded in December 2019**.
- The energy crisis must have had a negative impact on the costs of the sector given the sector's **high dependence on energy**¹.
- The normalization of manufacturing processes and the reduction of manufacturing barriers should lead to the continuation of price declines.

(1) The 2021 Energy Consumption Survey (INE) indicates that the manufacturing of materials in the construction sector is one of the most energy-demanding. Metallurgy; manufacture of iron, steel and ferrous alloy products consumed 19% of the energy consumed in 2021. The manufacture of other non-metallic mineral products accounted for 15%. In turn, the Bank of Spain's 2022 annual report indicates in chapter 4: "For their part, within industry, the most energy-intensive sectors were the manufacture of cement, lime and gypsum (with the second highest electricity expenditure among all branches of activity), ceramic products for construction and refractory ceramic products—the latter two branches with the highest natural gas expenditure ratios."

6. Shortage and increased cost of construction materials

CONSTRUCTION COST INDEX

(DEC-19 = 100)

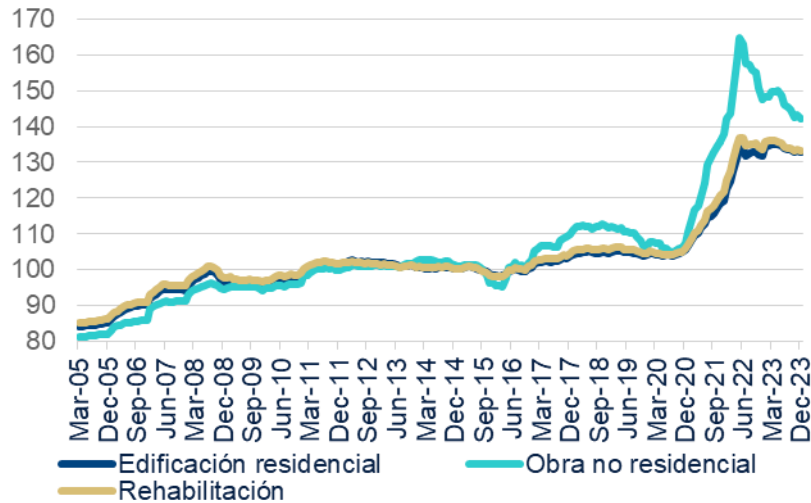


- In general, the costs of materials in construction have increased in all segments, highlighting the one associated with the non-residential segment.
- The cost of residential construction ended 2023 34% higher than at the end of 2019. A similar increase to that recorded in renovation.
- The high cost of materials has potentially affected the viability of some of the housing construction projects, especially since the second half of 2021.

6. Shortage and increased cost of construction materials

CONSTRUCTION COST INDEX

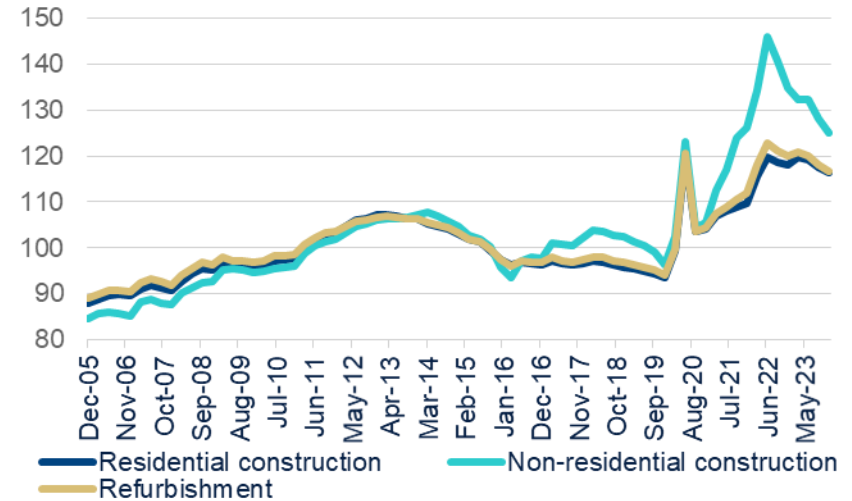
(2015 = 100)



CONSTRUCTION COST INDEX IN REAL TERMS

(COMPARED TO GDP DEFLATOR)

(2015 = 100)



Source: BBVA Research based on MITMA

The rise in costs has been unprecedented. The historical series does not reflect such a high cost increase in such a short space of time.

07

Labor shortages

7. Labor shortages



The performance of vacancies in construction shows that it is increasingly **difficult to find the necessary labor to undertake projects.**



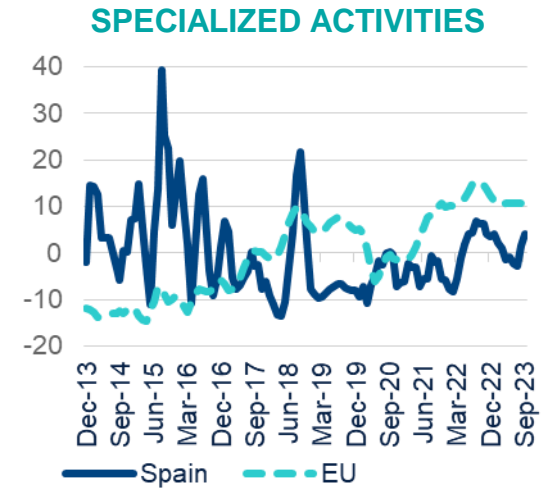
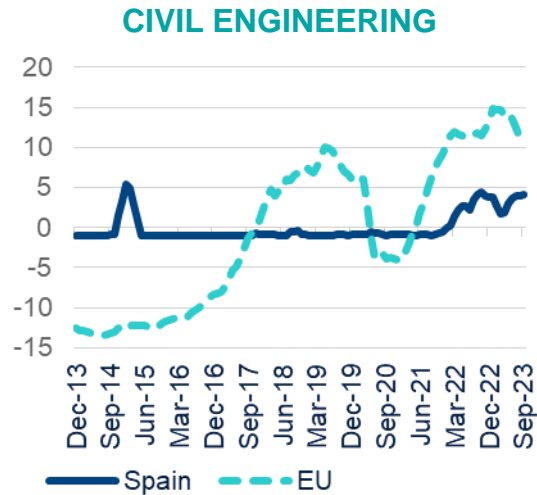
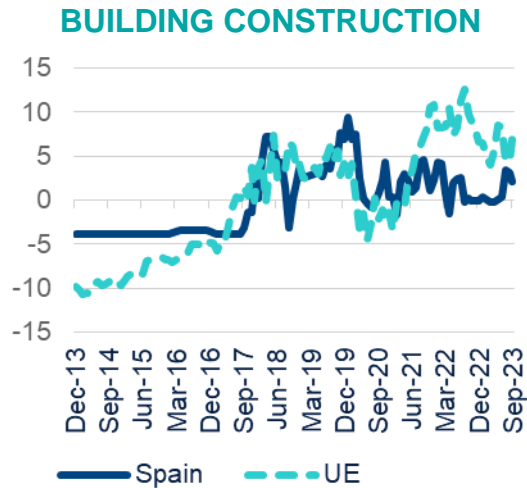
The **ageing of employed people** in Spain is widespread, and **is more intense in construction**, where the average age of workers has risen from 37.3 years in 2007 to 45.1 in 2022. More than 50% of those employed in construction are masons, laborers, electricians, plumbers or painters. Among all, the ageing of masons stands out, which have gone from 39.9 years on average in 2007 to 48.1 in 2022. An above-average age for a physical labor-intensive activity.



The **level of education in construction is lower than the average for the rest of the economy.** More than 60% of employees in the sector do not have professional training or higher education, compared to the average of 40% for the rest of the sectors. In neighboring countries, the percentage with low education is lower.

7. Labor shortages. The construction sector has a labor deficit in all its segments

LABOR SHORTAGES (RESPONSE BALANCES, DEVIATION FROM AVERAGE JAN-14 / SEP-23)



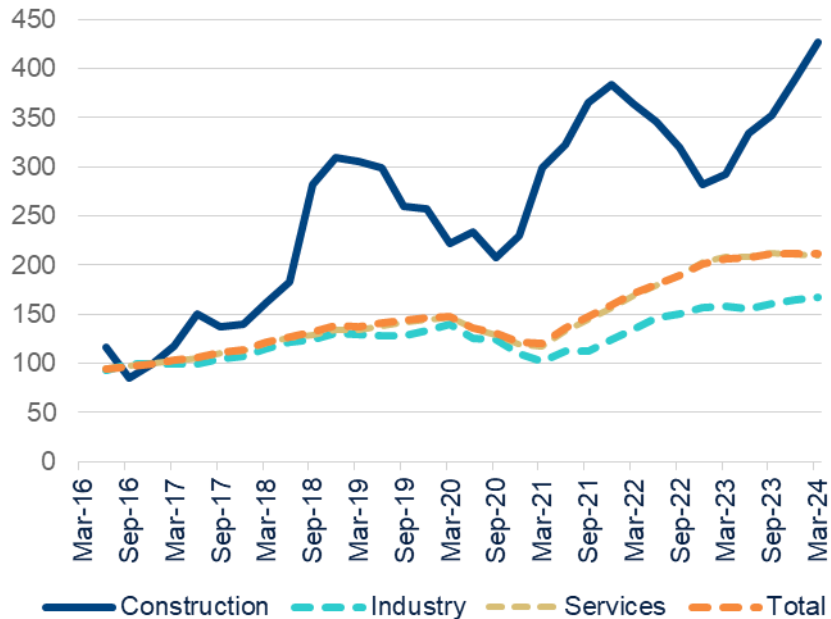
*Difference between positive and negative responses. For more information, see the methodological note: https://economy-finance.ec.europa.eu/system/files/2023-02/bcs_user_guide.pdf
 Source: BBVA Research based on Eurostat data.

After a period where labor has not been an obstacle to the progress of activity, since mid-2017 there have been several months in which the construction of buildings seems to have suffered from a lack of labor. This is not an exclusively Spanish phenomenon. On average, the EU also suffers from a lack of labor in this segment.

7. Labor shortages. The construction sector has a labor deficit

VACANCIES BY SECTOR OF ACTIVITY

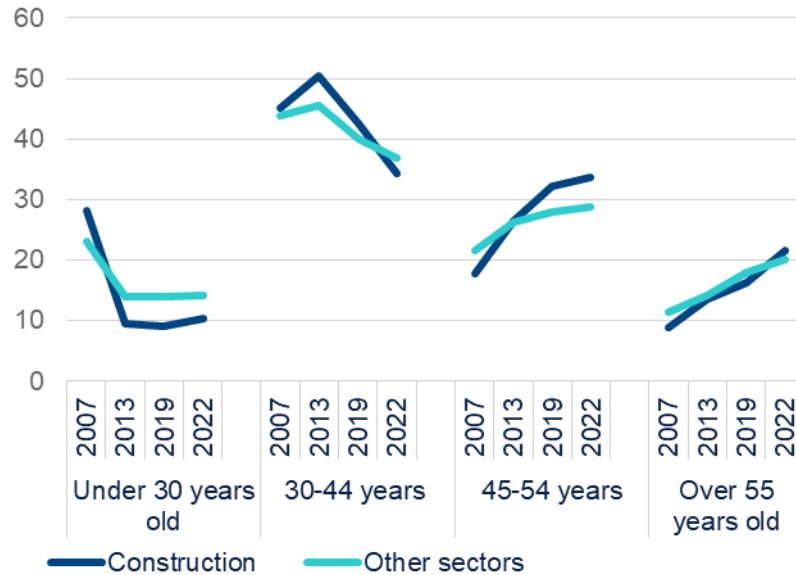
(ANNUAL CUMULATIVE, 2016=100)



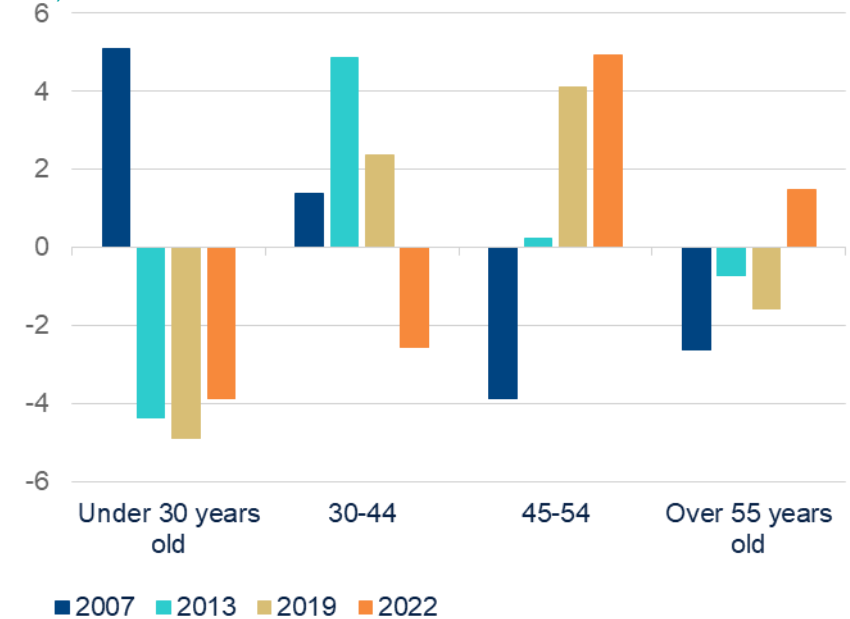
- Other statistics also highlight the problems that companies have when it comes to filling jobs.
- Vacancies in the construction sector have increased significantly in recent years.
- The construction sector is the activity where the number of vacancies that cannot be filled has increased the most. Between 2016 and 2023 the volume has practically tripled.

7. Labor shortages. The ageing of construction sector employees is palpable

DISTRIBUTION OF EMPLOYEES IN CONSTRUCTION AND OTHER SECTORS BY AGE (% OF TOTAL)



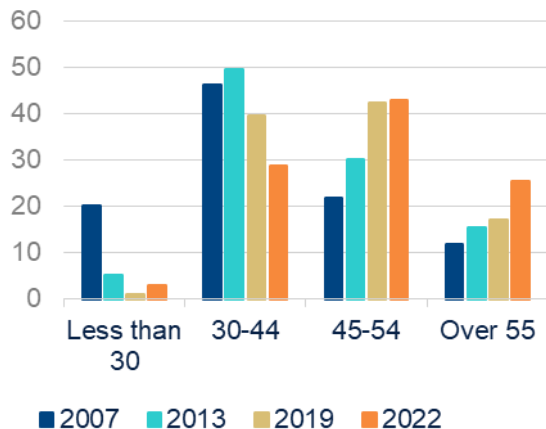
DISTRIBUTION BY AGE OF EMPLOYEES IN CONSTRUCTION COMPARED TO OTHER SECTORS (IN PP)



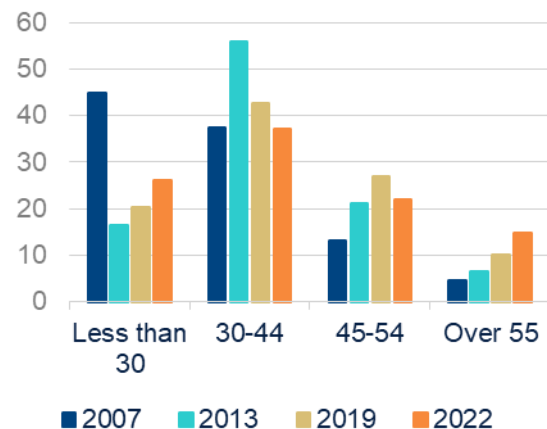
7. Labor shortages. Top occupations in construction show an aging workforce

AGE OF EMPLOYEES IN THE CONSTRUCTION SECTOR BY SEGMENT (YEARS)

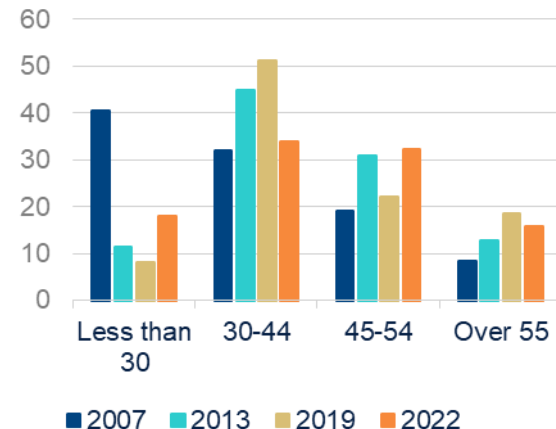
MASONS



GENERAL LABORERS



ELECTRICIANS



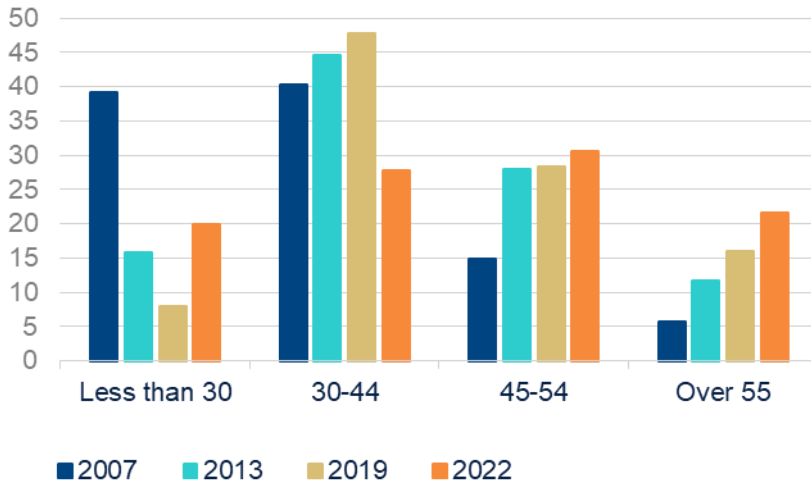
Source: BBVA Research based on INE data (Labor Force Survey).

68.3% of masons were over 45 years old in 2022 (13 pp more than the average in the sector and 19 pp more than in the rest of the sectors). On the other hand, the aging trend among general laborers and electricians has been less intense than the average in the sector and in the rest of the economy.

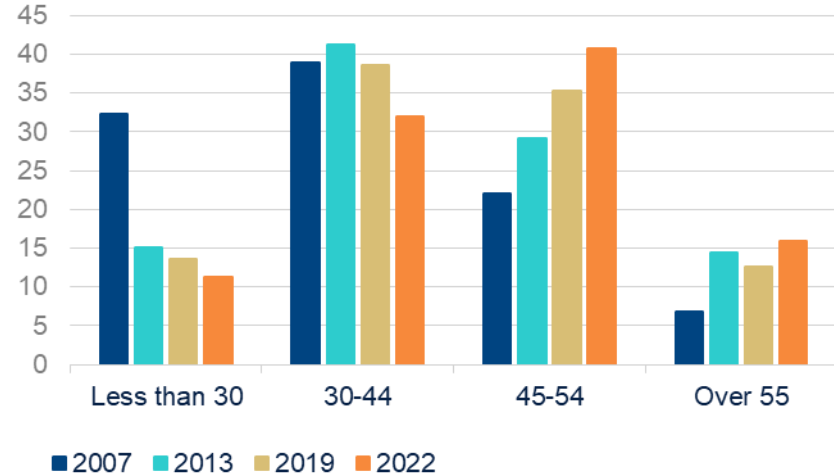
7. Labor shortages. Top occupations in construction show an aging workforce

AGE OF EMPLOYEES IN THE CONSTRUCTION SECTOR BY SEGMENT (YEARS)

PLUMBERS



PAINTERS



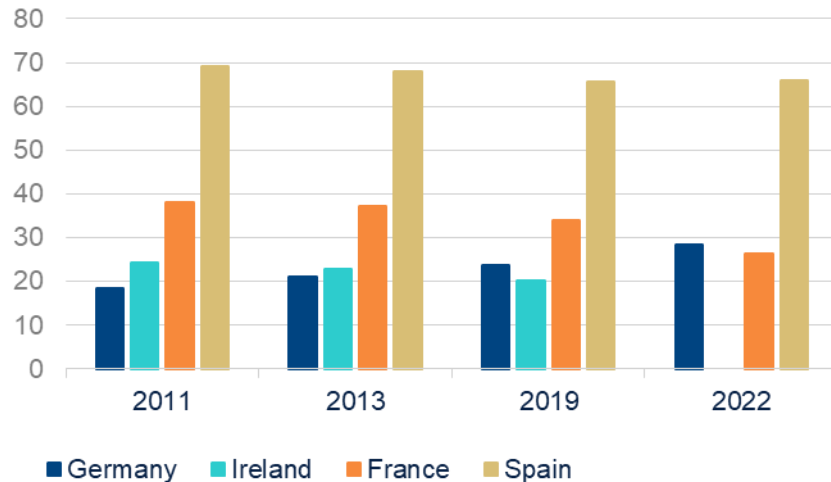
Source: BBVA Research based on INE data (Labor Force Survey).

52% of plumbers were over 45 years old in 2022, 22pp more than in 2007. This is a proportion 3pp lower than the industry average, but 3pp higher than the average for other sectors. In the case of painters, 57% were over 45 years old, 28pp more than in 2007. This is a proportion 1.4pp more than the average for the sector and almost 8pp more than in other sectors.

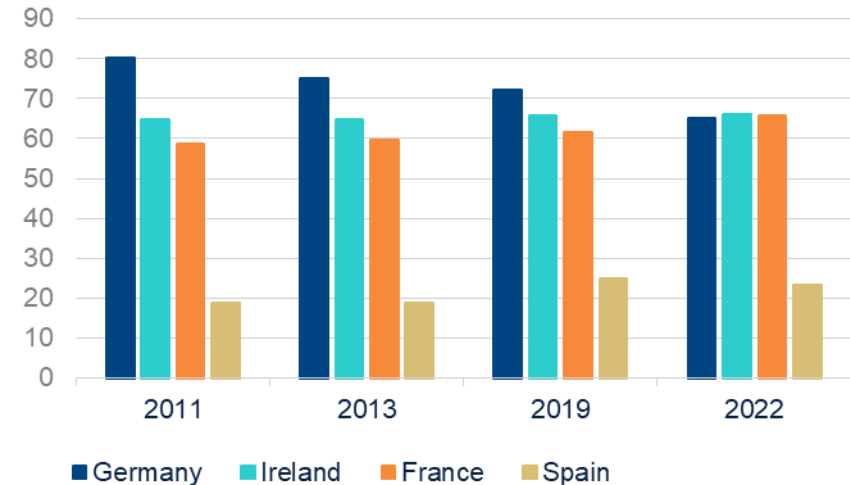
7. Labor shortages. In Spain, the proportion of employees in construction with little training is higher than the European average

EMPLOYEES IN CONSTRUCTION AND RELATED INDUSTRIES BY LEVEL OF EDUCATION (% TOTAL BY YEARS)

LESS THAN LOWER SECONDARY EDUCATION



UPPER SECONDARY AND POST-SECONDARY



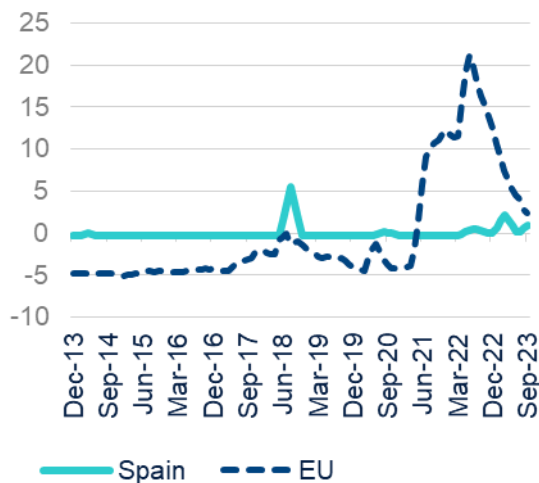
Source: Source: BBVA Research based on Eurostat data.

The level of education in construction is lower than the average in all countries. In Spain, education below upper secondary has a much higher weight than the average in other neighboring countries. The level of higher education in construction is also much lower than the average in other European countries.

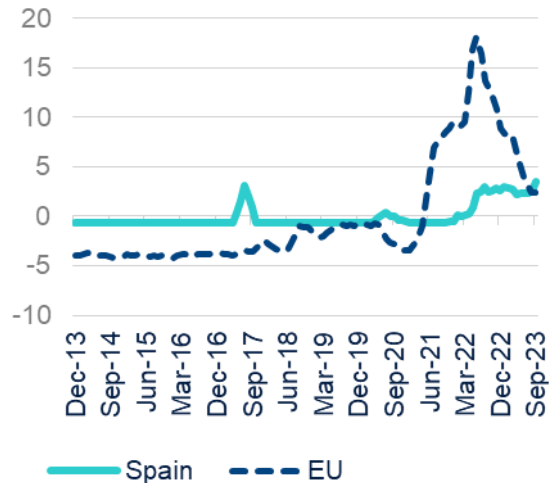
7. Scarcity and increase in the price of construction materials. The problem that arose after the pandemic seems to be being solved

SHORTAGE OF MATERIALS OR EQUIPMENT (RESPONSE BALANCES, DEVIATION FROM AVERAGE JAN-14 / SEP-23)

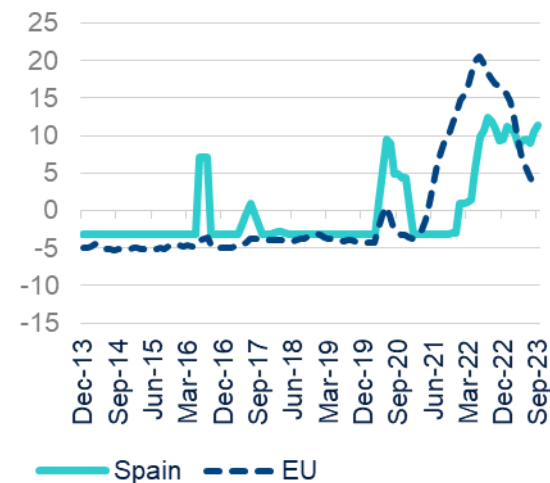
BUILDING CONSTRUCTION



CIVIL ENGINEERING



SPECIALIZED ACTIVITIES



*Difference between positive and negative responses. For more information, see the methodological note: https://economy-finance.ec.europa.eu/system/files/2023-02/bcs_user_guide.pdf
Source: BBVA Research based on Eurostat.

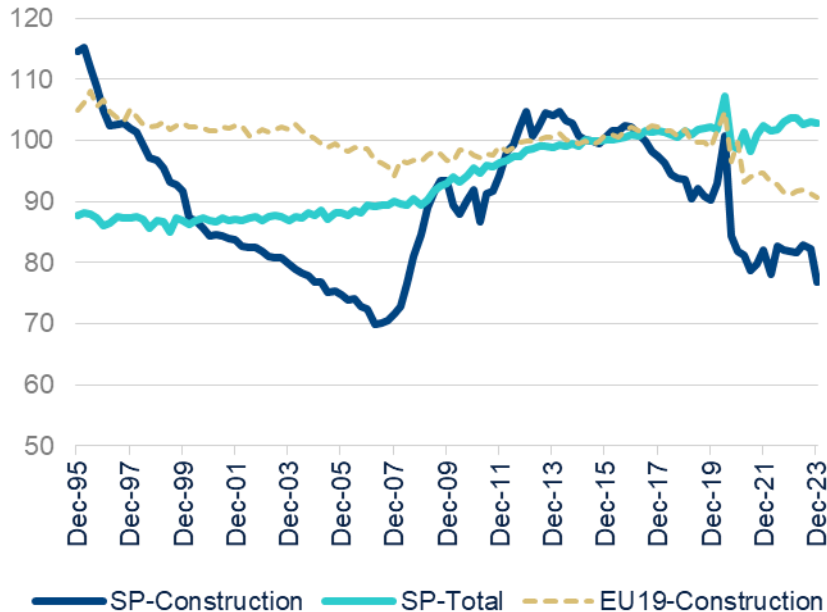
The lack of materials to carry out construction work in Spain has been more evident than usual in all segments, with the specialized activities segment standing out. The shortage has also affected the rest of European countries.

08

Reduced productivity in the construction sector

8. Reduced productivity

REAL PRODUCTIVITY PER HOUR WORKED IN CONSTRUCTION (2015=100)



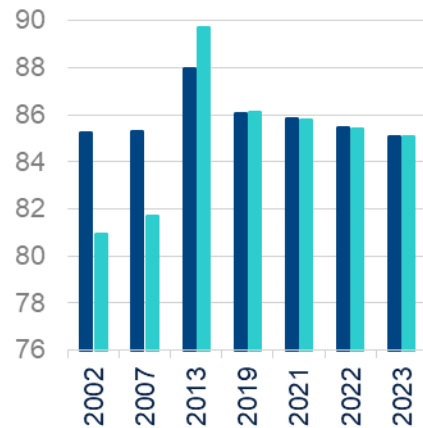
- The productivity of the construction sector remains at levels close to the lows reached in 2007 and well below the total productivity of the economy (25.4% lower) and the productivity of the sector in the EU19 (15.2% lower).
- The increase achieved between 2008 and 2014 was due to the slowdown suffered by the sector during the crisis, rather than by a change in production methods.
- With the recovery of activity, from 2014 onward, productivity declined again and at the close of 2023 it was at levels similar to 2004 and 2008.

8. Reduced productivity

COMPANIES REGISTERED WITH SOCIAL SECURITY BY SIZE AND SECTOR OF ACTIVITY

(%, WITH RESPECT TO THE TOTAL OF EACH SECTOR)

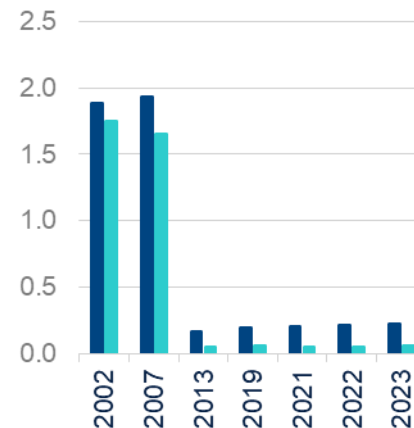
1 TO 9 WORKERS



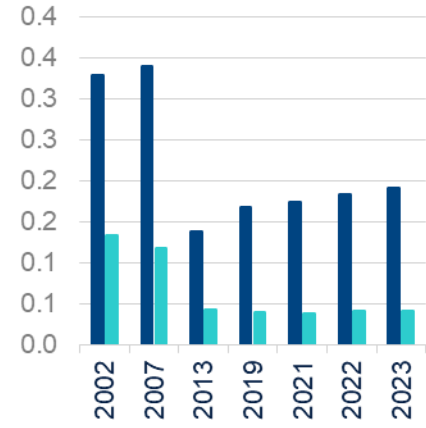
10 TO 49 WORKERS



50 TO 250 WORKERS



MORE THAN 250 WORKERS



■ Total ■ Construcción

Source: BBVA Research, based on MITES.

The share of large companies, which are usually more productive, in construction has always been lower than the national average. It can also be seen how, after the pandemic, the percentage of larger companies has remained practically unchanged in construction while, in the economy as a whole, companies have progressed upwards.

8. Reduced productivity

- **Productivity in construction has not been able to keep up with the recovery of activity since 2014**, which points to a poor restructuring of production techniques compared to those followed at the beginning of the century.
 - **There is no positive trend in the training of the labor force**, as noted in section 7. In addition, the proportion of large companies is stagnant compared to the growth seen in the economy as a whole.
- Although there are several factors that could be limiting the production of new construction, **reduced productivity is not favorable**. There are several aspects to take into account to try to raise productivity and, therefore, be more successful with existing resources:
 - **Maximizing the use of advanced technologies** and incorporating them into production process. Technology improves **industrialization** processes, reduces construction time, minimizes labor risks and makes it possible to deliver the work with greater quality guarantees, reducing the duration of the after-sales phase.
 - An effort to **standardize the design process and the manufacturing of repeatable elements**. It is the prelude to industrialization.

8. Reduced productivity

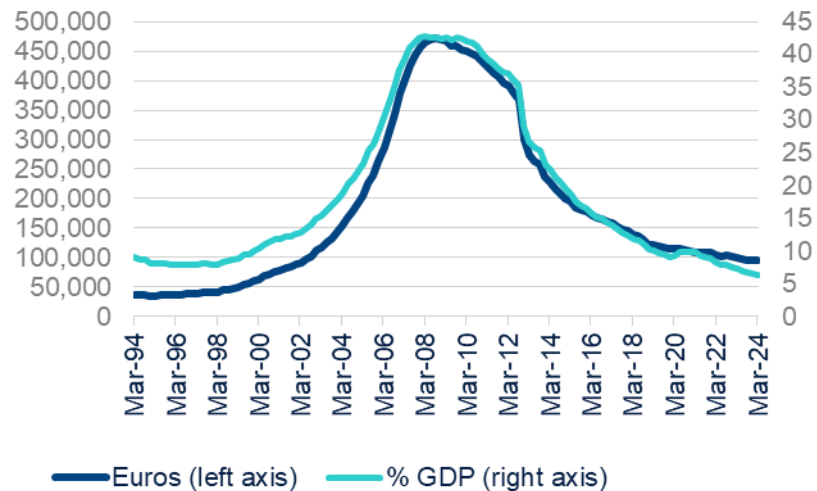
- **Incorporating industrialization** into construction, optimizing both materials and the scarce existing workforce. Especially in subsidized housing developments, one of the target products for the coming years.
- The expansion of industrialization will depend on close **collaboration between companies, financial institutions and regulators** to promote financing that will increase its weight in total production.
- This is the **financing of a new activity that must be calibrated by all the agents involved** because it is different from what is normally understood as a developer portfolio.
 - New formulas must be explored to be able to finance construction processes outside the physical place where the work is carried out, which implies an increase in risk.
 - It is not only necessary to finance the activity of factories producing construction elements, but also to finance their own construction, which is usually large workshops.

09

Boosting financing

9. Boosting financing

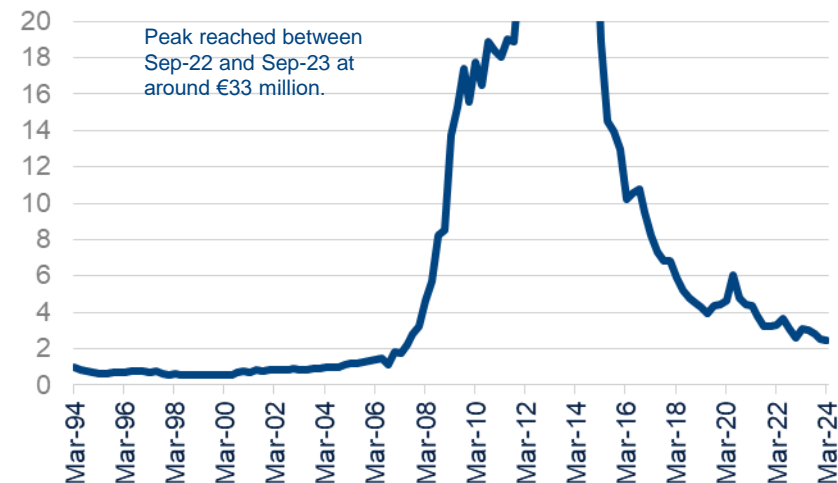
STOCK OF CREDIT FOR CONSTRUCTION AND REAL ESTATE DEVELOPMENT (MILLIONS OF EUROS)



*Deflated with the GDP deflator.

Source: BBVA Research based on BdE and INE.

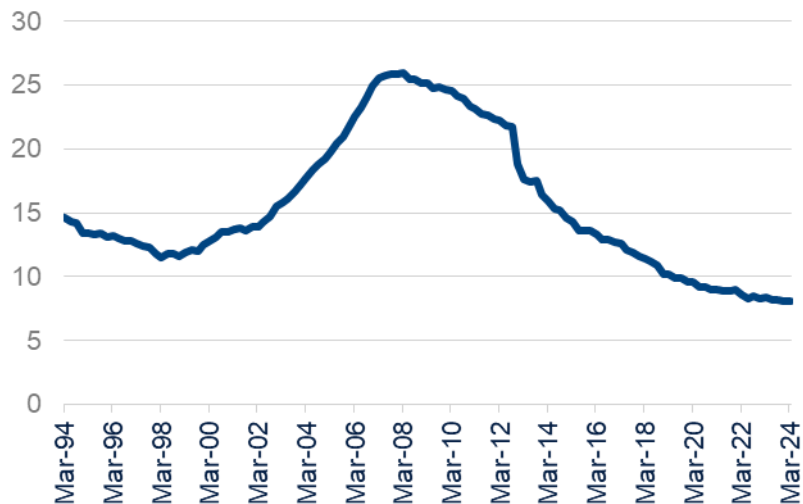
STOCK OF CREDIT FOR CONSTRUCTION AND REAL ESTATE DEVELOPMENT PER NEW HOUSING PERMIT (REAL MILLIONS OF EUROS*)



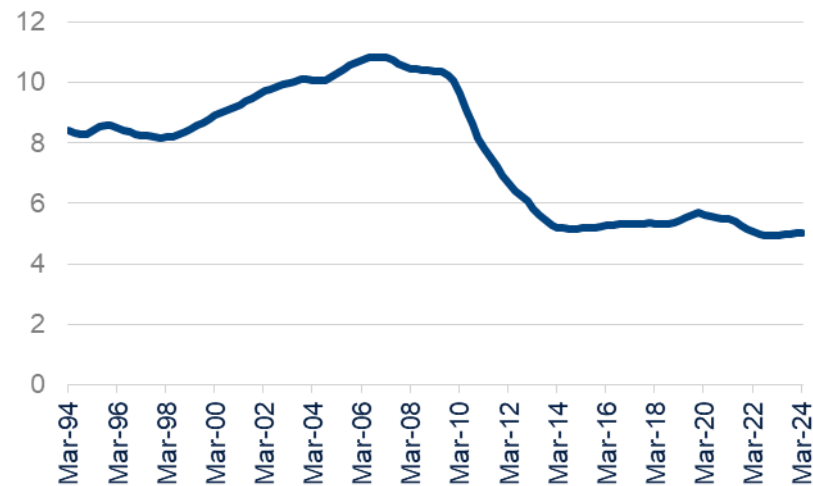
With the crisis, bank financing for real estate development was substantially reduced, and continues to drop. Although institutional investors are making up for the reduced bank financing, an increase in new construction will require more financing from financial institutions, which have the capacity to do so.

9. Boosting financing

**STOCK OF CREDIT FOR REAL ESTATE
CONSTRUCTION AND DEVELOPMENT (% TOTAL)**



**GROSS VALUE ADDED OF THE CONSTRUCTION
SECTOR (% TOTAL GVA)**

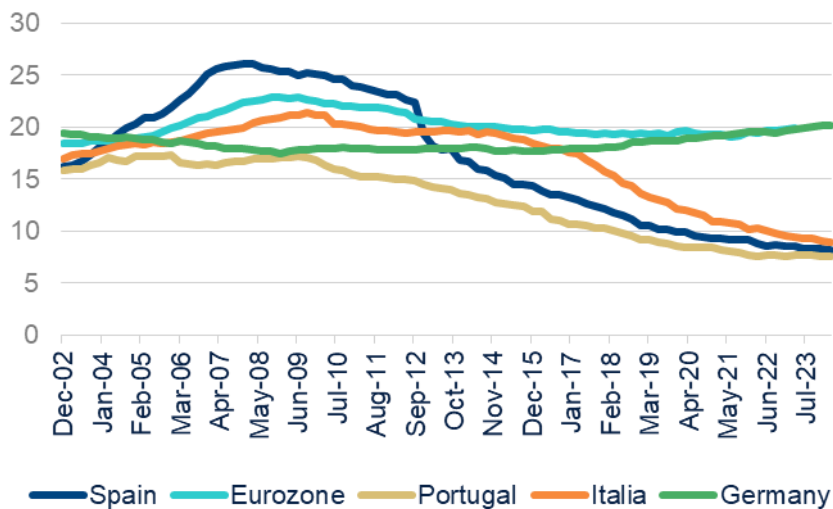


Source: BBVA Research based on Bank of Spain and INE data.

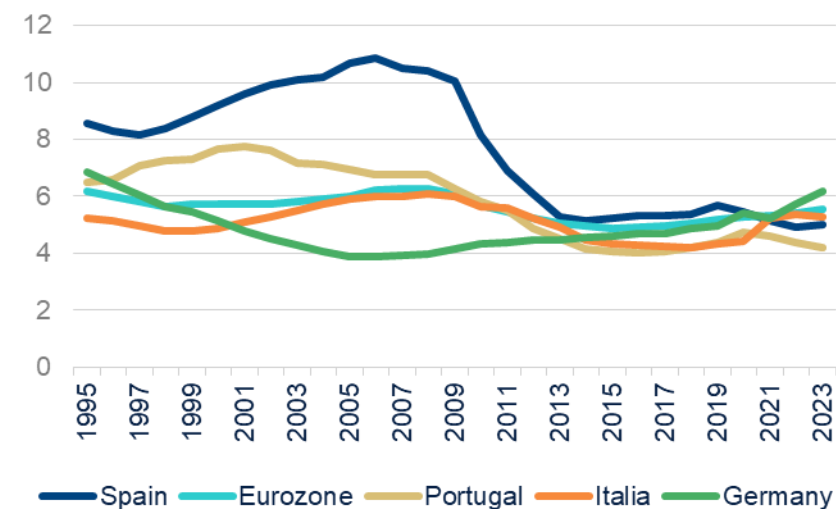
The credit trend reflects the performance of the sector in the economy. Both the weight of construction and credit to the sector are at a low. Although output has been relatively stable in recent years, the ratio of credit to the total reflects a clear downward trend that is also explained by the change in the funding model compared to the past.

9. Boosting financing

STOCK OF CREDIT FOR REAL ESTATE CONSTRUCTION AND DEVELOPMENT (% TOTAL)



GROSS VALUE ADDED OF THE CONSTRUCTION SECTOR (% TOTAL GVA)



Source: BBVA Research based on ECB and Haver.

Spain has gone from having the highest proportion of credit stock for construction and development over the total to being one of the economies with the lowest weight in this sector. Something that can also be seen in the GVA.

9. Boosting financing

- The prudential treatment of financial institutions' exposures to housing and land penalizes financing to the real estate sector, compared to other activities, with higher capital consumption.
- This negative weighting disappears if the developments to be financed have a certain number of sales contracts (not determined in the Capital Requirements Regulation (CRR)) and is always maintained in the case of land financing.
- From January 2025 the CRR will be updated (giving rise to CRR3) but the treatment of housing and land financing will not undergo major changes. It is only suggested that the higher consumption of capital will be eliminated in the event that the developer contributes substantially to the project and that there is a significant percentage of pre-sale contracts signed. In the case of financing for land, there are no changes and the negative weighting with respect to other activities is maintained.
- In addition, macroprudential regulations allow the Bank of Spain to activate different tools if an accumulation of systemic risks is detected but, for the time being, they have not been applied.

9. Boosting financing

- Currently, financing involves greater involvement of developers in the project and, therefore, a greater risk for companies compared to the risk previously borne by financial institutions. This would be avoiding financing developments of little interest to demand, as could have happened at the beginning of the century, when financing was granted to developments that remained unsold.
- **Financing with own funds and non-bank financing** from institutional investors (investment funds and family offices, to a greater extent) **are more relevant for developing new projects.**
- At the moment, there does not seem to be a problem with the supply of financing in the market, neither by institutional investors nor by financial institutions. However, **the regulatory uncertainty surrounding the residential sector could condition the raising of funds to be able to develop residential investment projects.**
- In addition, there is another weakness of the sector: **the long periods of time required to approve each of the phases of the urban development process. The time extension generates a lot of risk in investors' financial plans and in addition to making financing more expensive, it means a limitation on the arrival of resources to the sector.** The long time lag between the purchase of land and the execution of a development makes many financial plans unfeasible.

9. Boosting financing

- A large part of the government's **targets involves increasing the rental housing stock**, especially at reduced prices, through existing housing, encouraging renovation and revitalization, but also through the construction of new housing.
- **Financial institutions may now have less incentive to finance developments** than before, since the profitability of these operations may have been reduced today because, in addition to the absence of mortgage subrogations, the criteria for neutralizing the higher capital consumption associated with the financing of these projects are more severe given the higher risk of this type of operation compared to the financing of products intended for sale.
- The Government has launched an **ICO-Housing program with 4 billion euros** to finance projects aimed at increasing the supply of social rental housing or at an affordable price, as well as to improve the existing social housing stock.
- This **measure is a step in the right direction** and could act as a guarantor to help reduce capital consumption in rental housing development operations. However, **rental transactions pose a greater risk** and prevent, for a longer period of time, the allocation of funds to other alternatives with greater return.

9. Boosting financing

- Something similar happens with **developers** who wish to develop rental housing. They will have to **allocate part of their own funds to finance part of this fixed asset**, preventing them from carrying out other types of operations. Therefore:
 - Rental housing is being developed by **large developers**, which could continue to limit production.
 - And, given the limited financing, they could do so with the idea of not keeping them on their balance sheets, but with **the intention of transferring them** (once finished and in some cases already rented) **to institutional investors**, who can hold these assets on their balance sheets longer.
- **Although institutional investors are more involved in the construction process than before, the increased housing output will require an increase in bank financing.** At present, the stock of credit for development and construction is around 80% below the peak reached in 2008. Financial institutions have the capacity to increase this credit portfolio and to respond to a real need of the Spanish economy.

10

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Reasons behind the low supply of housing in Spain

July 2024