



BARCELONA

REAL ESTATE MARKET Q1 & Q2 2014



LUCAS FOX
INTERNATIONAL PROPERTIES

OVERVIEW

The Barcelona residential property market has continued to improve in the first two quarters of 2014 and there is a great deal more confidence amongst buyers, with international buyers dominating the prime market. Prices are stabilizing and the number of transactions is slowly increasing.

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Sales prices for all of Barcelona averaged €3,250 per m² by end of the second quarter of 2014.

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Prime property sales price averages ended the second quarter of 2014 on €4,237 per m².

The number of foreigners staying in holiday apartments continues to grow year on year. In May 2014, more than 50 thousand foreign travelers stayed in holiday apartments in Catalonia, the vast majority in Barcelona.

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While UK and Northern European buyers from Germany, France, Sweden, the Netherlands and Switzerland continue to purchase prime properties in Barcelona, interest and purchases grow each quarter amongst buyers from the Middle East, Russia and Asia.

The average rental prices for Barcelona overall and for each individual district remained steady or rose across eight of the ten neighborhoods for the first two quarters of 2014. Overall, average rental prices for Barcelona ended the half-year on €11.20 per m².

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Prime market rental prices ended the half year on an average of €14.62 per m², with Eixample rising in average rental prices all year, ending the second quarter of 2014 on €17.44 per m².

BARCELONA REAL ESTATE MARKET: SUMMARY

A mild Mediterranean climate, cosmopolitan culture, fine cuisine, famous architecture and excellent beaches make Barcelona one of Europe's most popular destinations. While the Spanish property market remains fragile due to the economy and lack of bank finance, demand from international buyers for properties in Barcelona's more affluent neighborhoods and seaside locations is putting the city's property market back on the map.

"Since the beginning of 2014 we have never been busier," says Alexander Vaughan, co-founder of Lucas Fox. *"We are receiving around 30 offers a month on properties in the city centre, many of them close to asking price."*

BARCELONA: A WORLD'S BEST CITY

Barcelona ranks fourth amongst Major European Cities overall, according to the European Cities and Regions of the Future Report 2014/15. The ranking is based on an analysis of 468 locations across Europe, assessing indicators on economic potential, infrastructure, human capital and lifestyle, business friendliness and cost effectiveness.

Barcelona is consistently being selected by leading national and international companies as a base for their expanding operations. Amazon, for example, is currently investigating the feasibility of establishing a logistics centre in El Prat de Llobregat, in the industrial centre near Barcelona airport. If they do so, they will join other leading companies that have established expanded bases in Barcelona in the first half of 2014, including Swedish clothing giant H&M and Accenture (who have moved their Innovation Centre for Mobility to the city). Barcelona also ranks first in a survey of fDI Magazine's top Southern European Cities for Economic Potential.

In January this year, Barcelona was awarded the Biosphere Award for Responsible Tourism, recognizing the city as the world capital for sustainable tourism.

This year's Mobile World Congress, held in late February 2014, surpassed all previous attendance records, with the city hosting 85,000 attendees, up from 72,000 in 2013. The Congress is expected to have contributed more than €365 million to the local economy this year.



IN JANUARY THIS YEAR, BARCELONA WAS AWARDED THE BIOSPHERE AWARD FOR RESPONSIBLE TOURISM, RECOGNIZING THE CITY AS THE WORLD CAPITAL FOR SUSTAINABLE TOURISM

"WE ARE CURRENTLY TAKING AROUND 30 OFFERS A MONTH, AND CLOSING AROUND A THIRD OF THEM, MANY OF THEM CLOSE TO ASKING PRICE"



Alexander Vaughan
Founding Partner Lucas Fox



In March 2014, Barcelona was named European Capital of Innovation by the European Commission. The prize recognizes Barcelona's leadership in productivity and the city's efforts in using technology to improve the quality of life for local residents.

In June 2014, Barcelona Airport was unanimously voted the best airport in Europe at the Annual Assembly of the Airports Council International Europe based on a range of factors including infrastructure investment, environmental sustainability, and increases in international traffic and air routes.

PROPERTY TRANSACTIONS

While transaction numbers have decreased massively from the peak in real estate trading at the start of 2007, property sales transfers of free housing in Barcelona are incrementally increasing, with the first half of 2014 showing a stable increase compared with the previous year.

Property sales transactions in Barcelona follow a similar trend to Spanish national sales trading. In 2014, total sales in Barcelona each month has averaged 2,292 transactions, with May 2014 showing particularly strong trading.

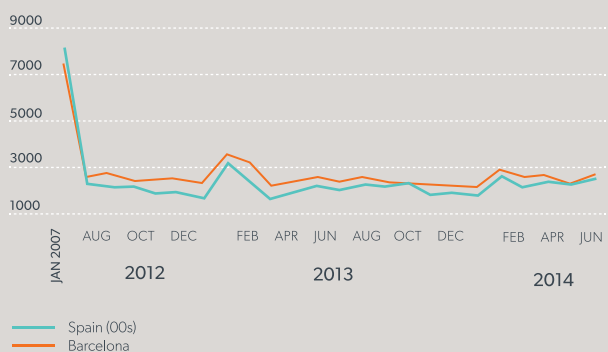
"When comparing this period to the same time last year it is important to consider that the figures in the second quarter of 2013 were distorted by a surge of buyers rushing to complete before the Transfer Tax (ITP) went up. Overall, there is more movement in the market and more positivity than this time last year," explains Alexander Vaughan.

BARCELONA PROPERTY SALES PRICES

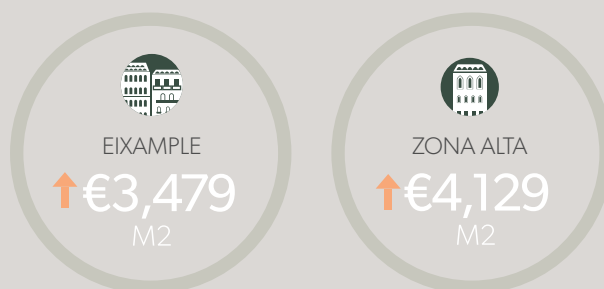
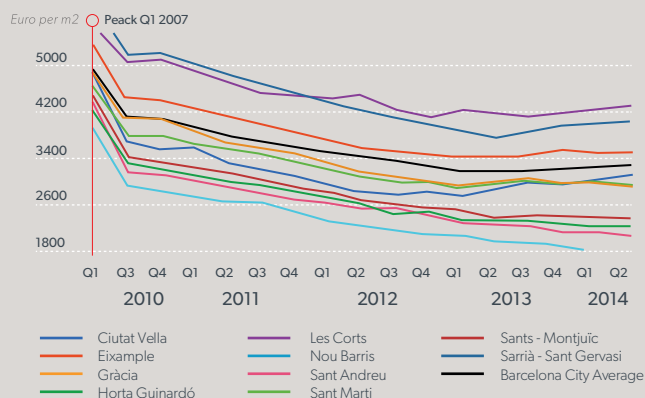
Sales prices for all of Barcelona averaged €3,250 per m² by end of the second quarter of 2014, the fourth consecutive quarter showing a (slight) increase in average sales prices. The districts of Eixample, and Zona Alta (Les Corts and Sarrià-Sant Gervasi) ended the half-year with the highest average sales prices, at €3,479 and €4,129 per m² respectively.

BARCELONA FREE HOUSING PROPERTY SALES TRANSACTIONS, PEAK (Q1 2007) AND Q3 2012 - Q2 2014

Source: Ine.es



BARCELONA AVERAGE PROPERTY SALES PRICES, PEAK (Q1 2007) AND Q3 2010 - Q2 2014 / Source: Idealista.com





BARCELONA PRIME PROPERTY MARKET

Interest in prime property in Barcelona has been growing over the past two years, with the final quarter of 2013 showing the strongest activity yet and a steady upswing in sales transactions in the first half of 2014.

It is difficult to calculate average prices for prime residential property in Barcelona, as the stock sold can vary widely. The first half of this year saw a drop in average price in Eixample to €3,475 per m² and Ciutat Vella's price dropped to an average of €5,079 per m² at the end of the half year. Overall however, prices have stabilized and are expected to do so throughout the second half of 2014. Prime property sales prices in Barcelona averaged €4,237 per m² at the end of the second quarter.

Two of every three prime market property buyers (60.6%) were purchasing property in Barcelona for use as their primary or secondary (holiday home) residence. Amongst the 30% purchasing for investment, the majority intended to lease out their property for holiday accommodation, with a small selection planning to reform their purchases into boutique aparthotels or multiple tourist apartment leases.

BARCELONA RENTAL MARKET

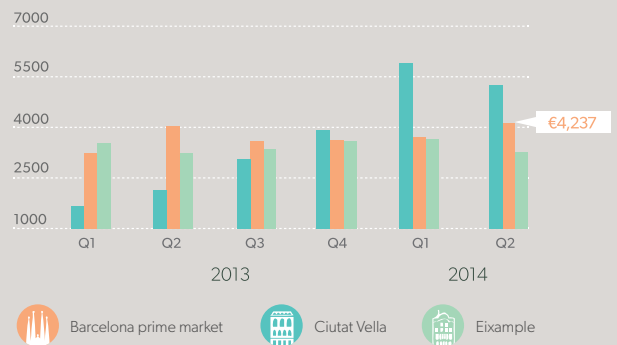
The average rental prices for Barcelona overall and for each individual district remained steady or rose across eight of the ten neighborhoods for the first two quarters of 2014. Overall, average rental prices for Barcelona ended the half year on €11.20 per m². The exclusive neighborhood of Sarrià-Sant Gervasi and the inner-city Ciutat Vella rental prices rose the most, with Sarrià-Sant Gervasi ending the half year on €12.40 per m² (up from €11.70 at the end of 2013), and Ciutat Vella ending the second quarter on €12.80 per m², up from €12.40. Eixample commanded an average rental price of €11.10 per m² while the Diagonal Mar neighborhood of Sant Martí (which overlooks the Mediterranean Sea) rose to €11.40 per m².

BARCELONA PRIME PROPERTY RENTAL MARKET

As with calculations for prime property sales, averages can vary considerably due to quality of stock and whether the properties are renovated or not. However, over the past eighteen months there has been increased demand for the best of Eixample properties (ending the half-year on €17.44 per m²), while overall Barcelona prime market rental properties averaged €14.62 per m² by the end of the second quarter 2014.

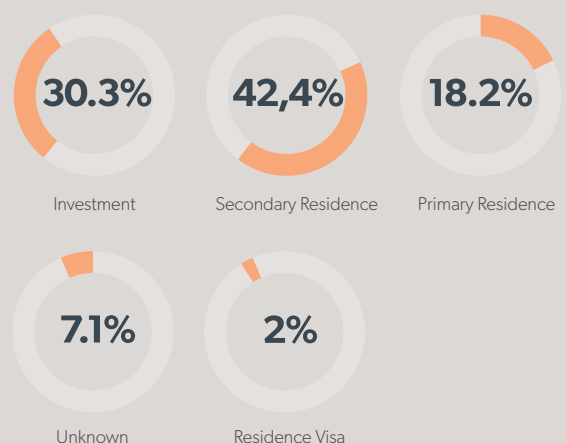
BARCELONA PRIME MARKET AVERAGE SALES PRICES, Q1 2013 - Q2 2014 / Source: Lucas Fox Sales Data

Euro per m²



PRIME MARKET PROPERTY BUYERS: MOTIVATIONS FOR PURCHASING IN BARCELONA, 2013 - 2014

Source: Lucas Fox sales data





SHORT-TERM RENTAL DEMAND

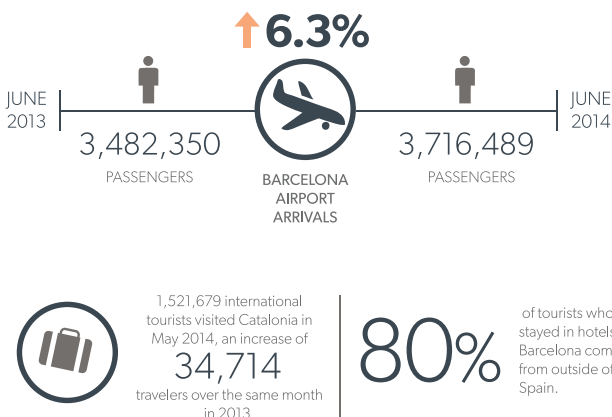
Barcelona airport arrivals and the number of travelers staying in holiday apartments are good indicators of both the demand for short-term rental accommodations and for the potential benefit of purchasing property for investment as tourist accommodation or for use as a holiday home with some income generation during periods when the property is not in personal use.

The number of foreigners staying in holiday apartments in Barcelona continues to grow year on year. The latest data available at time of press (for May 2014) shows 50,940 foreign travelers stayed in holiday apartments in Catalonia, the vast majority in Barcelona. This represents an increase of almost 10% in the past twelve months.

Airport arrivals data shows a similar trend. 3,716,489 passengers arrived at Barcelona airport in June this year, an increase of 6.3% over passenger arrivals for the same time last year and contributing to an overall 6.8% increase for the first half of 2014 over 2013 arrivals.

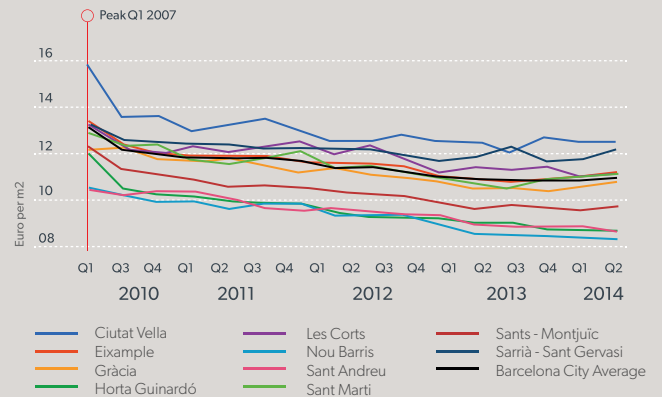
2014 is on track to surpass 2013's record number of tourists. Over 7.5 million tourists stayed in hotels in Barcelona in 2013, with 80% of these travelers coming from outside of Spain.

Foreign travelers with a primary destination in Catalonia - the majority coming to Barcelona - consistently accounted for 25% of all international tourists visiting Spain in each month of 2014. Again, 2014 is shown to be on track to be another record-breaking year in foreign travelers coming to the city and region, with 1,521,679 international tourists visiting Catalonia in May 2014, an increase of 34,714 travelers over the same month in 2013.

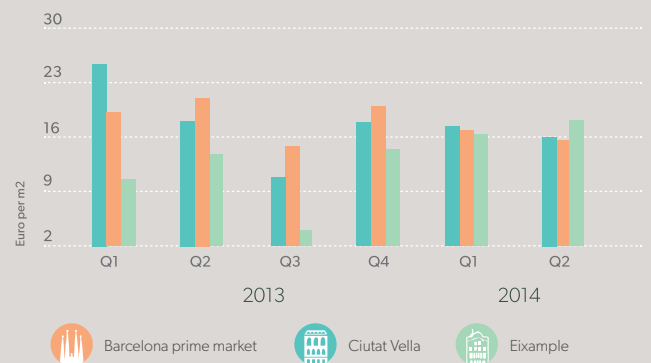


BARCELONA AVERAGE PROPERTY RENTAL PRICES, PEAK (Q1 2007) AND Q3 2010 - Q2 2014

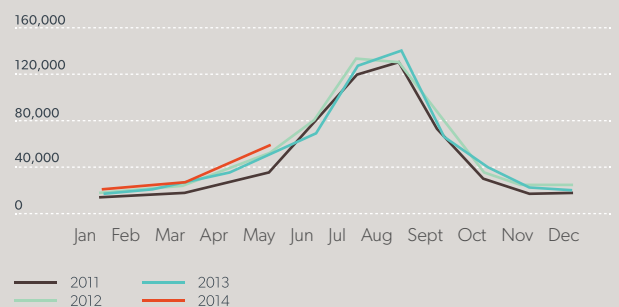
(Source: Idealista.com)



PRIME MARKET RENTAL PROPERTY AVERAGE PRICES, Q1 2013 - Q2 2014 / Source: Lucas Fox sales data



FOREIGN TRAVELERS STAYING IN HOLIDAY APARTMENT ACCOMMODATION 2011 - Q2 2014 / Source: Ine.es





FOREIGN INVESTMENT

The countries of origin of international buyers of Barcelona prime market have been evolving over the past year. While UK and Northern European buyers from Germany, France, Sweden, the Netherlands and Switzerland continue to purchase prime properties, interest and purchases grow each quarter amongst buyers from outside Europe, in particular Russia, the USA, the Middle East and China.

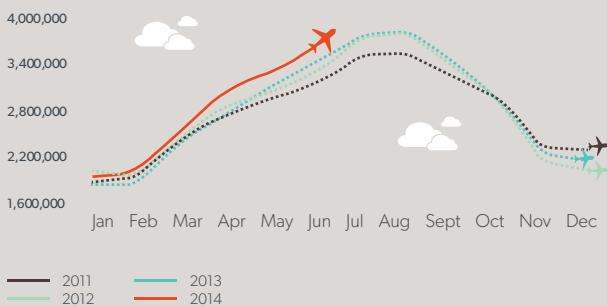
According to the Spanish General Council of Notaries, interest in Spanish property amongst foreign buyers overall grew by 27.2% in the first three months of 2014, with half of all foreign buyers residing outside of Spain. Foreign buyers represent just under 20% of all buyers in the Spanish market.

"The traditional buyer nationalities from Northern Europe and the UK are still dominant but the major change in the last few years has been the big increase in the number of non-European buyers, predominantly from China and South-East Asia and the Middle East," says Alexander Vaughan.

LUCAS FOX ANALYSIS AND PREDICTIONS

"The Barcelona market has continued to improve in the first two quarters of 2014 and there is a great deal more confidence amongst buyers, in particular international buyers. It looks like prices have now stabilized and the number of transactions is slowly increasing. The big change is that sellers are being more realistic and that asking prices are coming down in line with buyer expectations," explains Vaughan.

ABOVE: PASSENGER ARRIVALS AT BARCELONA AIRPORT 2011 - Q2 2014 / Source: Aena-aeropuertos.es

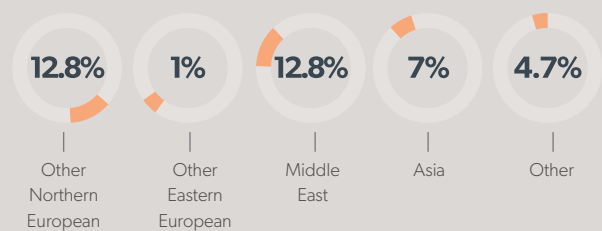


FOREIGN TOURISTS WITH A PRIMARY TRAVEL DESTINATION IN CATALUNYA (INCLUDING BARCELONA) 2011 - Q2 2014

Source: Frontur iet.tourspain.es



BARCELONA PRIME MARKET INTERNATIONAL BUYERS, COUNTRY OF ORIGIN / Source: Lucas Fox sales data





"The biggest demand is for high quality new development property but due to the lack of construction in the last few years there is a lack of supply of this type of property. The majority of clients are buying for their own use, either as a primary or secondary residence. There is a lot of movement in the commercial investment property market but very few private buyers are buying as an investment.

As with any property market, location is key. Given the price reductions since 2007 prime city centre locations represent excellent value and will be the first to see price rises when they happen. There are great opportunities for investors to buy apartments in prime locations for renovation which can then be sold on or rented out.

As far as prices are concerned in the second half of 2014, we predict more of the same; the market continuing to stabilize, the number of transactions steadily increasing and some great opportunities for clued up cash buyers."

"THE BARCELONA MARKET HAS CONTINUED TO IMPROVE IN THE FIRST TWO QUARTERS OF 2014 AND THERE IS A GREAT DEAL MORE CONFIDENCE AMONGST BUYERS, IN PARTICULAR INTERNATIONAL BUYERS"

"WE PREDICT THE MARKET CONTINUING TO STABILIZE, THE NUMBER OF TRANSACTIONS STEADILY INCREASING AND SOME GREAT OPPORTUNITIES FOR CLUED UP CASH BUYERS"



MORE INFORMATION:

If you are interested in knowing more about the property market in this region, please contact Lucas Fox on:

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