

# THE HOUSING CRISIS AND FORECLOSURES IN SPAIN: A GEOGRAPHICAL APPROACH

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## I. INTRODUCTION

Foreclosures are among the most important and tragic social manifestations of the impact of the housing crisis which began in 2007. The increase in defaulted loans as a result of the high unemployment rate, greater job instability and pay cuts has led to a rise in the number of foreclosures seen by the magistrate's courts, from a little over 10,000 at the start of the century to around 90,000 per year since 2009, totalling over half a million in the last six years. The geographical approach is an effective means to identify the parts of the territory that are most vulnerable to this phenomenon, and yet in spite of the urgent need for political and legal responses to resolve this issue, it has still been insufficiently explored. This work analyses the spatial distribution of the main indicators characterising the drop in the housing market, and –more specifically– foreclosures affecting particularly the most vulnerable groups and territories, thereby materialising new forms of social and residential exclusion.

A variety of different information sources were used in order to obtain a general view: statistics on unsubsidised housing and housing prices (*Estadística de Vivienda Libre y Estadística de Precios de Vivienda*) from the Spanish Ministry of Public Works, statistics on property transactions (*Estadística de Transacciones Inmobiliarias*) from the Notary Certification Agency, mortgage statistics (*Estadística de Hipotecas*) from the National Institute of Statistics, and statistics on monthly mortgage loans (*Estadística de Actividad Crediticia Hipotecaria Mensual*) from the Spanish Mortgage Association. Evictions were based on the figures for actual and ongoing foreclosures database published by the Judicial Court Statistics Service of the General Council of the Judiciary, as this was the only source that provided a time series that was long enough to reveal the impact of the economic downturn and a disaggregation into the 431 judicial districts in which there are magistrate's courts. This allowed us to obtain a far more precise map of evictions than previously available, and to pinpoint certain keys to their uneven distribution.

## II. THE LEGACY OF A TRAJECTORY: FROM THE STAGNATION OF THE HOUSING MARKET TO THE HOUSING BUBBLE

Spain has undergone a spectacular urban metamorphosis, and can now be viewed as a paradigm for the expansion of the *secondary circuit of capital accumulation*, directly linked to the production of urban space (Harvey, 2007; López & Rodríguez, 2013). This process has taken place against a general backdrop of increasing *mercantilisation* of land (De Matos, 2007; Herce, 2013) associated to economic financialisation, the conversion of cities into businesses, and the emergence of a *society of owners*. To a large extent, cities have been stripped of their social function and are now seen as a speculative financial investment promising short-term profits, fuelled by a credit bubble made possible by a climate in which good banking practices were abandoned and the focus shifted to capturing new customers regardless of whether this involved incurring overindebtedness. Between 1996 and 2007 –at the height of the housing boom–, 7.12 million homes were built; this occurred as the price of unsubsidised housing skyrocketed from 694.4 euros/m<sup>2</sup> in 1996 to an average of 2,085.5 euros/m<sup>2</sup> in 2007. Only 30% of the housing units built went to the formation of new homes (Alguacil Denche *et al.*, 2013).

It is paradoxical that the abandonment of the social function and the transition to a surplus market occurred as a result of explicit political support in the form of legal reforms, a shift in territorial planning, and expenditure on infrastructures as a means of attracting private investment. In contrast, direct public expenditure on new housing was reduced in favour of tax incentives for the purchase of housing, which fed the *machine for urban growth* and incentivised a growing number of citizens to take on higher levels debt. In 2007, 87% of the population accessed housing by purchasing a property, as opposed to only 13% who rented.

## III. THE LANDSCAPE AFTER THE BATTLE: THE IMPACT OF THE CRISIS AND FORECLOSURES. A SPATIAL LOGIC?

Spain is one of the foremost examples of both the housing boom and its crash. The most visible fallout from the sudden end to this housing spiral is the desolate landscapes caused by the large stock of empty housing units, the urbanised and subsequently neglected land and chaotic cities, in addition to the decline in local tax receipts and the increase in public debt. It has also had an impact on employment and on the income of families whose financial obligations include the repayment of mortgage loans. In this scenario, the most vulnerable families who have been unable to repay their debts have been served with judicial eviction proceedings, in a prime example of the process of *accumulation by dispossession* denounced by Harvey (2004). The rise in evictions has transformed these isolated occurrences into a social problem and the manifestation of processes that develop unequally and whose explanatory route is overwhelmingly geographical. We can therefore talk in terms of defining *problem areas* whose “causes and effects are profoundly geographical” (Kaplan & Sommers, 2009: 102).

The differences in the density and growth rate of evictions poses the need to identify the most seriously affected territories and the possible reasons for their particular vulnerability. The hypothesis of this work is that the most important factor is the high exposure to risk

caused by the widespread specialisation in low-productivity activities such as construction and its ancillary sectors, which have been severely affected by the downturn. The second factor concerns the significant territorial sensitivity due to the greater or lesser presence in the area of fragile social groups (unskilled youngsters, low income levels, unstable employment, high unemployment rates and so on).

#### **IV. SOME METHODOLOGICAL ISSUES**

The increasing problem of evictions calls for an ever greater volume of information. The judicial statistics (*Estadística Judicial*) of the General Council of the Judiciary (CGPJ) include indicators on foreclosures and on notification and implementation proceedings on a quarterly basis in a time series with sufficient territorial disaggregation to allow the assessment of the uneven impact of the crisis in terms of time and space. Our research focuses on analysing foreclosures –the first stage of the eviction process– and offers a partial view that is the best possible result in the current circumstances, as the data do not allow us to distinguish the type of building affected, although we can chart their quarterly evolution since the start of the downturn.

The territorial units for the analysis begin with an overview at the provincial scale to establish the main trends, before breaking down the information into the 431 judicial court districts in the Spanish territory created in the first third of the 19th century. In spite of the relative accuracy of this map, there was no information available on smaller spatial units such as municipalities, which is a serious handicap in the case of studies on the urban scale where the majority of these proceedings are concentrated.

#### **V. AFTER THE END OF THE CYCLE: COMPARISON OF THE RECENT EVOLUTION OF SEVERAL HOUSING INDICATORS IN SPAIN**

Due to the absence of credit and demand, construction of new housing has ground to halt after the boom while unsold stock has accumulated. Housing starts fell from 863,800 in 2006 to only 33,900 (-96.08%) in 2013, and completed housing units dropped from 585,600 to 64,600, down -88.97%. Housing sales saw a similar slowdown of -68.56% (from 955,200 to 300,300) and unsubsidised housing suffered widespread depreciation, falling on average by -26.30% in the same period (from 1,990.5 to 1,466.9 euros per square metre). The mortgage market showed the same regression: from 1,342,200 mortgages granted in 2006 to 197,600 in 2013 (-85.27%) with an even higher decline in the amounts loaned (-89.52%) due to the drop in prices.

The three provincial indicators for the 2007-2013 six-year period reveal that all territories underwent a housing recession but with an intensity that was proportional to the excesses incurred. The number of housing units completed annually shows the stagnation of building activity, particularly along the Mediterranean axis, in the two archipelagos and in some inland provinces such as Toledo and Guadalajara, the provinces around Madrid, and some provinces in the Pyrenees and Saragossa. The greatest depreciation in housing assets was also seen in these areas, with a maximum of -40.52% in the province of Guadalajara. Finally, we observed that housing sales shrank in a more geographically homogeneous way, among

other reasons due to the upturn in foreign investment in the two last years, which is concentrated in major cities and in some tourist resorts on the coast. Only eight provinces showed better than average results for these three indicators: the three Basque provinces and Navarre, which have a diversified economy that was able to maintain a renewed industrial base; and some inland provinces with a low population density and a sluggish housing market (Soria, Teruel, Palencia, Cáceres).

## VI. THE MAP OF FORECLOSURES

The pattern of foreclosures can be differentiated into two stages: the first from 2006 to 2010, when foreclosures increased gradually from 15,000 a year to a maximum of 93,610 in 2010. The second stage began in 2011 and saw a stabilisation in the annual figures, the mitigation of the effects of the housing crisis, and an increase in social mobilisation, a fact which forced the loan providers to renegotiate the debts and triggered a range of legal initiatives. Despite the implementation of actions to halt the process, by the end of 2013 there were still more than 200,000 proceedings pending, which suggests that we will continue to see very high rates of evictions in the coming years if there are no changes.

The spatial distribution of foreclosures can be used to determine the scale of the problem of residential exclusion and its severity in a number of highly vulnerable areas. In the first place, we see a marked territorial concentration, as scarcely six provinces (Barcelona, Madrid, Alicante, Valencia, Murcia and Malaga) account for almost half (47.51%) of the 497,797 eviction proceedings initiated between December 2007 and 2013, for 41.66 % of the population resident in Spain.

The comparison of the foreclosures in the 2007-2013 six-year period with those of the previous period (2001-2006) points to an average rise in Spain of 440%. Once again the greatest increases were seen in the provinces along the Mediterranean axis (with Almería, Malaga, Murcia and Girona heading the list), along with others on the outer periphery of the Madrid urban agglomeration such as Toledo, Guadalajara and Avila. In contrast, the lowest rates of growth correspond to the Atlantic provinces (Vizcaya, Guipúzcoa, Asturias and Lugo), closely followed by other inland provinces such as Zamora, Palencia and León. This spatial pattern is reinforced when we combine this rate with the foreclosures for every one thousand inhabitants in the last six-year period: almost all the provinces along the Mediterranean coast, on the islands, and in the area around Madrid have higher values. Added to these are some provinces on the river Ebro axis and in both Castile-La Mancha and Castile-Leon, but also in Madrid, which points to the widespread presence of particularly vulnerable social sectors inside metropolitan agglomerations, and itself justifies the importance of analysing these internal contrasts.

This confirms that the territories that have been most severely castigated by the abrupt end to the housing boom are the ones that prioritised a residential economy based on ruthless breakneck urban development, sustained by the massive indebtedness of companies and families, together with low-productivity consumer services. Conversely, others that maintained their commitment to the productive economy and consequently achieved a more even balance between industry and services, along with greater innovation, have shown a greater capacity to resist. While the economic and employment indicators show only one aspect of

a multifaceted reality, the figures for foreclosures serve to reinforce these conclusions and suggest that the phenomena of dispossession of the most vulnerable groups also reveal differences that to varying degrees reproduce these same territorial patterns.

When we analyse these proceedings in terms of the judicial districts presided by the magistrate's courts in which they are processed, we see their localisation obeys a strict spatial logic. This involves venturing into a new and previously unexplored territory in the existing bibliography, in pursuit of far greater precision in order to verify the working hypotheses.

On this scale, the territorial distribution of the 523,164 foreclosure proceedings agrees in principle with the distribution of the general population and the housing stock. The Madrid judicial court district (and municipality) –with a total of 24,618 foreclosures– is considerably ahead of Seville (9,453), Barcelona (9,378) and Valencia (9,285) which are next in importance; the top ten include some of the main Spanish cities such as Alicante, Murcia, Malaga and Saragossa. These top ten judicial districts –out of the total of 431– account for almost one in every five foreclosures in Spain (18.84%), and represent a similar proportion in volume of inhabitants. However, the relationship with the size of the city is only relative, as many of the most castigated areas in absolute figures are located on the Mediterranean seaboard, as is the case of Orihuela and Torrevieja. In contrast we find 22 judicial districts with fewer than 50 foreclosures and seven with under 20 (Sahagún, Molina de Aragón, Puebla de Sanabria, A Pobra de Trives, Becerreá, A Fonsagrada and Bande), located mainly in the northwest quadrant of the peninsula.

The severity of the evictions can be seen more clearly through their intensity, which is here estimated in terms of the number of residents as there are no annually updated figures on the housing stock at this spatial scale. The rate of foreclosures for every 1,000 inhabitants reaches its highest levels in the coastal tourist resorts. The highest figure is the 45.44 foreclosures per 1,000 inhabitants in Roquetas de Mar (Almería) –four times the Spanish average–, and it is also worth noting that 15 of the 20 districts with the highest densities are located on this Mediterranean axis, along with another three in the Canary Islands. Nor should we overlook the high rates for the territories in the Madrid agglomeration (Parla, Valdemoro, Illescas, Torrijos, Azuqueca de Henares, among others); these areas have a young population often in unstable employment and seeking cheaper housing options, who now find themselves trapped by the deterioration in their working conditions. At the opposite extreme we see a repetition of the pattern of judicial court districts in the Atlantic provinces, which have been far less affected by this problem.

The initiation of the judicial proceedings that eventually lead to eviction unquestionably bears a direct relationship with the social conditions and personal vulnerability of the affected individuals, but the striking contrast in their geographical distribution confirms the existence of a territorial vulnerability which is also highly selective and associated with this social and personal distribution. This is corroborated when we calculate the rise in foreclosures in the period 2007-13 compared to the previous six-year period (2001-06), both in terms of the respective average population. A total of seven judicial court districts show an increase of over 1000%, compared to another seven where it was under 100%, with extreme values in Fuengirola (1721.90%), Vera (1428.27%), Ciutadella (1231.61%), Purchena (1185.47%) and Estepona (1164.76%). Once again the Mediterranean seaboard is disproportionately significant: Campo de Gibraltar (Algeciras, San Roque), Costa del Sol (Fuengirola, Estepona), and

other areas of Malaga (Antequera, Torrox, Vélez-Málaga), the eastern part of Almeria and the Almanzora valley (Vera, Huércal Overa, Purchena), Mar Menor and Campo de Cartagena, Marina de Alicante (Villajoyosa), Ribera Alta and Horta Sur in Valencia (Alzira, Carlet, Picassent), the Ebro delta (Amposta) and the Baix Maestrat (Vinarós, Benicarló), and the island of Minorca. Very high rates are also seen in some of the Canary Islands (Lanzarote, Fuerteventura, El Hierro, southern Tenerife), the Catalan and Aragonese Pyrenees (Jaca, Boltaña, La Seu d'Urgell, Vielha, Tremp), some urban clusters in Galicia (Sarria, Lalín, O Porriño, Vilagarcía de Arousa, Padrón), and in the areas around large cities in both Barcelona's (Vallés Oriental and Occidental, Bages) and Madrid's agglomerations, which in this last case extends throughout the province of Toledo (Sagra, Mesa de Ocaña).

The last objective is to establish a series of underlying trends in the territorial distribution revealed by the figures for the intensity of evictions for every 1,000 inhabitants and the growth observed between the period in the study (2007-2013) and the previous years (2001-2006). The relationship between both indicators allows us to classify the judicial court district territories into four types, ranging from those with only modest evictions, through to the worst situation represented by areas with a high density and accelerated growth in recent years, thereby reconfirming all the previous hypotheses.

## VII. CONCLUSIONS

Foreclosures are among the most important and tragic social manifestations of the impact of the housing crisis which began in 2007, with a total figure of over half a million since that date until the end of 2013. The territorial approach proposed here examines these foreclosures using the only available source that breaks down the data in terms of space and provides an adequate period of analysis for our objectives, and reveals a predominantly urban reality but with a very uneven distribution within the system of cities.

These differences are directly linked to the region's economic base, but also to the unequal distribution of wealth and the spatial segregation of the most vulnerable social groups in terms of accumulation processes, who are now faced with the prospect of being dispossessed of their fundamental right to housing. The exploration of these landscapes that have been marked by the housing crisis represents a new challenge for future geographical studies, and this text has set out to contribute a preliminary general overview with the aim of encouraging further more detailed research using complementary information.