

Real Estate

Sector Report

S1 2025

The expansive cycle takes hold

The rally in Spain's
real estate market
gathers pace

The real estate boom
spreads across Spain

House prices in Europe
reactivate with the shift
in monetary policy

The decline in
interest rates reignites
investment in
commercial real estate





SECTOR REPORT

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Summary

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The Spanish real estate market accelerated in 2024, thanks to the fall in interest rates, which added to a series of factors that are keeping demand very dynamic.



10 THE REAL ESTATE BOOM SPREADS ACROSS SPAIN

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Investment in the sector grew by 20% annually and the residential, hotel and commercial premises segments showed particular buoyancy.

«Now would I give a thousand furlongs of sea
for an acre of barren ground.»

WILLIAM SHAKESPEARE, *THE TEMPEST*



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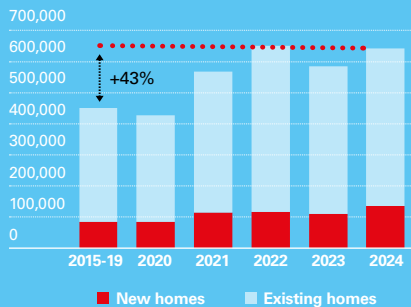
Housing demand consolidates at high levels and we improve our forecasts for 2025-2026

The number of transactions increased 10% in 2024 to 642,000, the third best figure in the historical series



Home sales

Number



CaixaBank Research forecasts for Spain's real estate sector

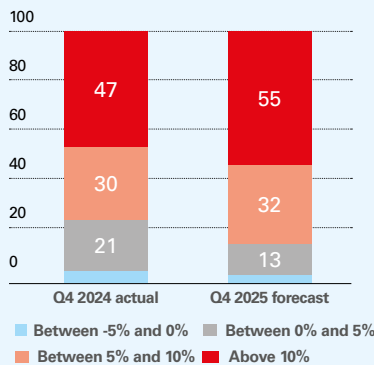
| | 2022 | 2023 | 2024 | 2025 | 2026 |
|--------------------------------------|------|------|------|------|------|
| Sales (thousands) | 650 | 584 | 642 | 650 | 618 |
| New construction permits (thousands) | 109 | 109 | 128 | 135 | 145 |
| House prices MIVAU (% change) | 5.0 | 3.9 | 5.8 | 5.9 | 3.0 |
| House prices - INE (% change) | 7.4 | 4.0 | 8.4 | 7.2 | 3.0 |

Source: CaixaBank Research, based on data from the National Statistics Institute of Spain (INE) and the Ministry of Housing and Urban Agenda (MIVAU).

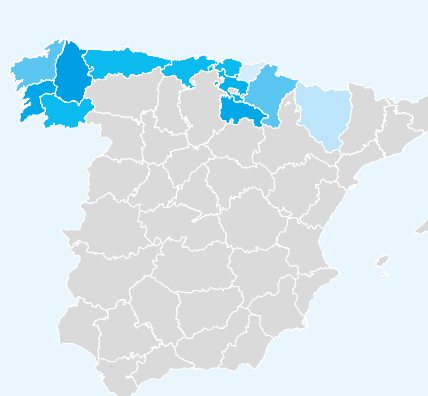
The real estate boom spreads across Spain

The prices rally is spreading to more and more municipalities

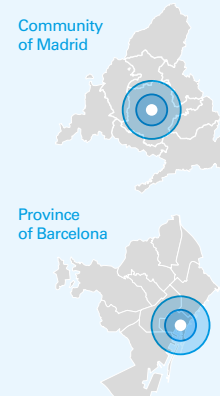
Distribution of municipalities according to price growth (% of total)



Temperature appears to be a relevant factor: sales are growing more rapidly in the cooler regions



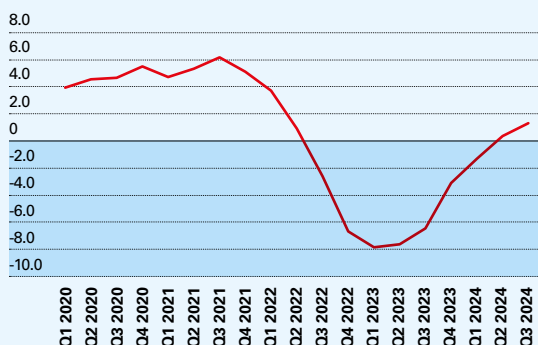
And the «oil stain» phenomenon around the major cities can be seen



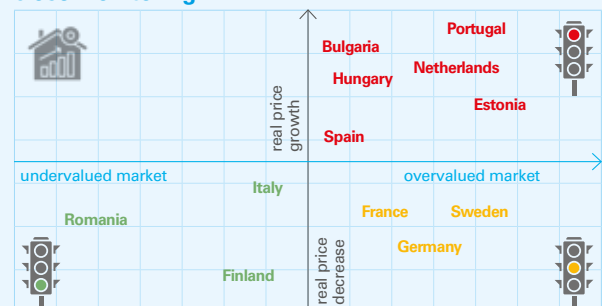
The shift in monetary policy reignites house prices in the EU

The real price of housing is growing again thanks to the buoyancy of demand

Year-on-year change (%)



However, there are clear differences between economies: Portugal, the Netherlands, Bulgaria, Hungary and Estonia are the cases that will require close monitoring



Executive summary

The expansive cycle takes hold

The Spanish real estate market accelerated in 2024, supported by the easing of financial conditions and the strength of the country's economy, which grew by a significant 3.2%. We all witnessed how the sector's indicators steadily gathered pace as the year went on: housing demand regained momentum after registering a setback in 2023, thanks to the reduction in interest rates, job creation, significant migration flows and strong foreign demand; house prices, meanwhile, also gained strength throughout the year, recording advances of 7%-8% compared to 4% in the previous year.

However, this strength of demand and prices is occurring in a context of an acute shortage of housing supply, this being the main imbalance that the real estate sector faces, both in the sales market and, above all, in the rental market. Moreover, this situation is combined with the absence of any other imbalances related either to excessive growth of credit for mortgages or developers, or to the relaxation of standards for obtaining credit. All this is raising fears of a sharp correction like the one that followed the previous expansive cycle between 2000 and 2007, which had dire consequences for the real estate and banking sector, as well as for the wider economy. In this regard, the possible risks to financial stability are low, although the social repercussions of this lack of housing are palpable and could end up holding back the Spanish economy's growth potential.

There is broad consensus on the need to increase the supply of housing, especially social and affordable housing. Although producing new housing is a long and slow process, in 2024 signs of a change of trend could be seen in the main indicators of the construction sector, suggesting a higher rate of housing production. Nevertheless, the number of social homes completed remains clearly insufficient to meet the needs of the population that struggles the most to afford housing.

In the first article of this report, we set out the **new forecast scenario in greater detail**. We expect that

demand will remain very strong and, although supply will continue to gradually increase, the housing deficit accumulated in recent years will sustain significant price growth at levels similar to the current ones. In addition, we anticipate that the current boom will spread to more geographical areas. The sharp rise in house prices in the major cities is causing a **shift in housing demand towards more affordable peripheral areas**. This pattern – colloquially referred to as the «oil stain» effect – is common as the expansive cycle in the residential market takes hold and we analyse it in the second article. At the provincial level, temperature appears to be a relevant factor: sales are growing more rapidly in the cooler regions of the Northwest of the peninsula, while the traditional tourist areas are experiencing a more gradual increase in demand.

In the third article of this report, **we investigate how European real estate markets have responded to the easing of financial conditions**. In some EU countries, including Portugal, there has been a sharp appreciation of house prices, while in others, such as Germany and France, a certain correction is taking place following the post-pandemic rally. Despite differences between countries, generally speaking the rapid growth in house prices in the euro area is a source of concern, as an overvaluation is detected in 80% of residential markets in the region.

In the final article of this *Real Estate Sector Report S1 2025*, we focus on the commercial real estate market. After registering sharp declines in 2023 and experiencing a slight revival in 2024, both investment and the number of transactions are expected to continue to recover, supported by the consolidation of the cycle of interest rate cuts. Spain is positioning itself as one of the most attractive of the main European economies for international investment in commercial real estate, thanks to solid macroeconomic fundamentals, especially in the residential, hotel and logistics segments.



Situation and outlook

The rally in Spain's real estate market gathers pace

The Spanish real estate market accelerated in 2024, especially in the second half of the year, largely thanks to the fall in interest rates. This was added to a series of factors that are keeping housing demand very dynamic, including significant migration flows, rapid job creation and strong foreign demand. On the other hand, the supply of new housing is beginning to awaken, but it remains insufficient to address the high demand. This mismatch between strong demand and scarce supply is driving up house prices – a trend that we expect to continue in 2025.

2024 recap: housing demand in Spain regains strength

The Spanish economy performed very well in 2024, recording GDP growth of 3.2%. This is a significant rate of growth, especially given that it occurred in an unfavourable international context characterised by high geopolitical uncertainty and weak growth in the euro area. Among other factors, the buoyancy of the Spanish economy is explained by its population growth, which has driven economic activity, job creation and household consumption.

This buoyancy of the Spanish economy has also been reflected in the real estate market, in which all the indicators steadily gained speed as the year passed. After the setback recorded in sales in 2023 (-10.2%), in the first half of 2024 they remained at levels very similar to the previous year. However, from the summer onwards, housing demand began to gain traction, supported by the decline in interest rates, and in the last quarter of the year it surged by 34.3% year-on-year. In 2024 as a whole, the number of sale transactions grew 10.0% to 642,000 homes, the third best figure in the historical series (the highest was in 2007, at the peak of the real estate boom, and the second, in 2022, after the pandemic). The strong growth in the final stretch of last year suggests that housing demand will remain very high in 2025.

The housing market is in the midst of a boom and we expect it continue in 2025



By type of housing, the biggest increase occurred in new homes, with sales growing by 23.4% in 2024, compared to the more moderate increase of 6.9% in sales of existing homes. As a result, new homes increased their share of total sales to 21.0% in 2024, compared to 18.8% in 2023. This growth in new home sales is a very positive development, as it indicates that, little by little, housing production is getting off the ground, as we will see in the next section. The majority of sale transactions correspond to unsubsidised housing, since just 7.4% of sales involved social housing, a figure which highlights the limited stock of affordable homes in Spain.¹

As for the nationality of buyers, sales to foreigners accounted for 14.6% of the total in 2024 according to the Association of Registrars, amounting to 93,000 transactions. This represents an increase of 6.4% compared to 2023, very close to the record level of sales to foreign buyers in Spain reached in 2022 (94,500), and it is 48% above the figure for 2019 (63,000).²

The strength of the economy, the revival of home sales and the decline in interest rates were also reflected in mortgage activity: the number of mortgages increased by 11.2% in 2024 to 423,761 mortgages, according to the National Statistics Institute (INE). Thus, the ratio of the number of mortgages to the number of sales increased slightly, going from 65.3% in 2023 to 66.0% in 2024. That is, approximately two in every three transactions involved the buyer taking out a mortgage in 2024. There are currently no signs of any increase in the proportion of purchases that are for investment purposes, where buyers tend to fund the purchase with their own resources. Similarly, the percentage of transactions in which the buyer is a legal entity was 10.8% in 2024, in line with the average of recent years. The evidence thus suggests that the current strong demand is supported by solid economic and demographic factors, including the growth of households' gross disposable income through job creation, and population growth driven by positive migration flows. It should also be noted that the growth of mortgage

¹ See «The challenge of increasing the supply of affordable housing in Spain» published in the *Real Estate Sector Report S2/2024*.

² See «Foreigners' appetite for homes in Spain since the pandemic», published in the *Monthly Report of January 2025 for an analysis of the foreign demand for housing in Spain*.

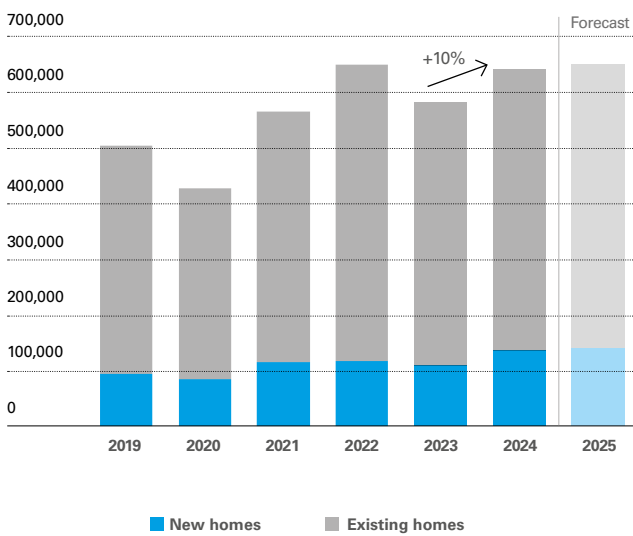


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credit is occurring in a context in which the aggregate level of household indebtedness is historically low (44.1% of GDP in Q3 2024, a percentage similar to that of the year 2000). In fact, the outstanding balance of credit for home purchases grew by just 0.3% in 2024. Therefore, there is no apparent excessive growth of credit either to households or to property developers that would raise fears of a housing bubble supported by credit. Credit granting standards have not been relaxed either. For instance, the percentage of loans for home-ownership with a loan-to-value (LTV) percentage in excess of 80% was 8.2% in Q3 2024, in line with the average in the period 2019-2023.

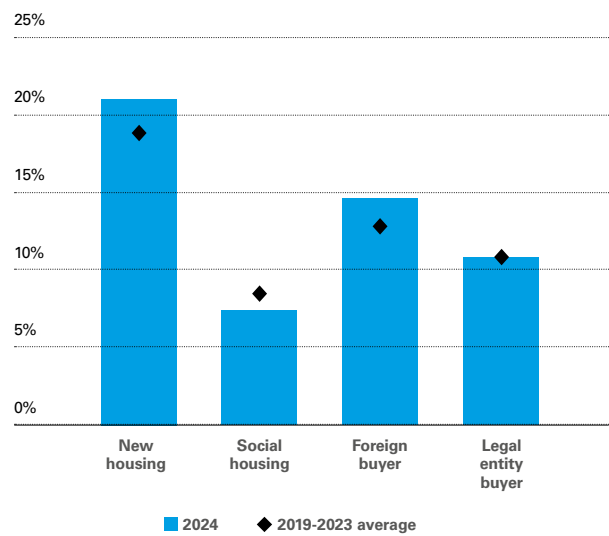
Housing demand regains momentum

Number of sales



Sales by type of housing and buyer

(% of all sales)



Source: CaixaBank Research, based on data from the Spanish National Statistics Institute (INE) and the Association of Registrars.

The housing supply in Spain begins to gain traction

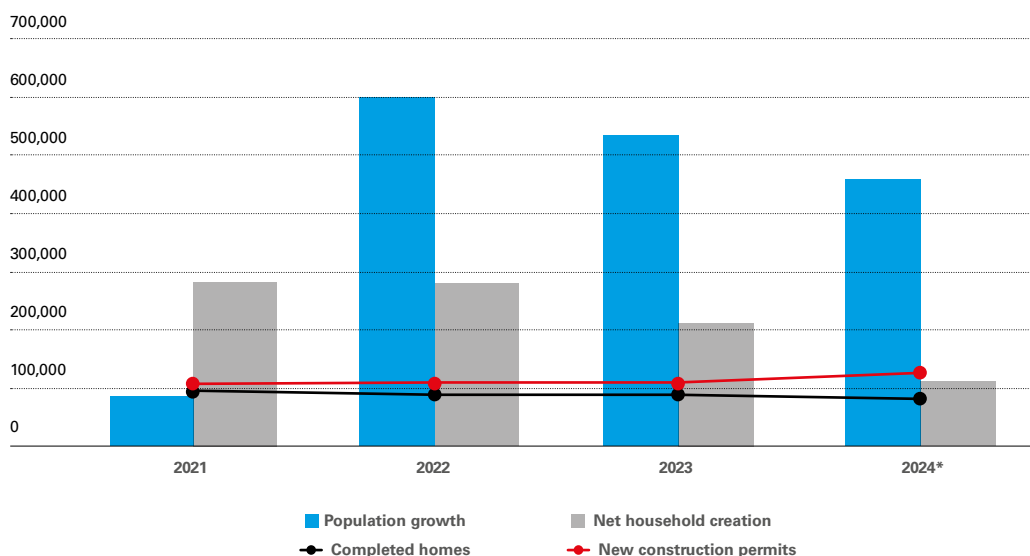
There is a broad consensus that the main imbalance currently affecting the Spanish real estate market is the lack of housing supply. Although producing new housing is a long and slow process, in 2024 signs of a change of trend could be seen in the main indicators of the construction sector, suggesting more dynamic supply. For instance, the number of new construction permits increased by 16.7% in 2024 and reached 127,700 homes, representing an increase of some 18,000 permits compared to the previous year. On the other hand, construction completion certificates, which tend to following the trend in new construction permits with a delay of around 18-24 months, also show a slight improvement (98,000 homes completed in 2024, 11.7% more than in 2023) and are expected to steadily increase. Other supply indicators also show a certain improvement, such as cement consumption, which grew by 3.1% in 2024 after two years of declines, or the number of people employed in the construction sector, which increased by 4.7% in 2024 compared to 2.2% across the economy as a whole.

Despite its recent revival, the lack of housing supply is the main imbalance currently affecting the real estate market

Thus, although a certain revival is observed, the housing supply in Spain remains much weaker than demand. In this regard, net household creation in 2024 was more moderate than in previous years, with just 112,000 new households created, according to the Continuous Population Statistics (136,000 according to the Labour Force Survey). This figure contrasts with the evolution of Spain's population, which recorded rapid growth (0.9%) and reached 49 million (+458,000 people in the last year, mainly due to immigration). The low net household creation figure compared to the population growth may be due to a composition effect (fewer single-person households and the creation of households of 3-4 persons, newly arrived immigrants entering existing households, the effect of the difficulty of establishing a home due to the rise in house prices, etc.). Thus, it is important to note that the growth of the total population remained very significant, only just below that of 2022-2023.

The gap between new housing production and net household creation has narrowed in 2024, but the population increase has been very significant

Number



Note: (*) Figure for completed homes up until Q3 2024 (trailing four-quarter total).

Source: CaixaBank Research, based on data from the Spanish National Statistics Institute (MIVAU) and the Ministry of Housing and Urban Agenda (INE).



The pressure on house prices in Spain intensifies

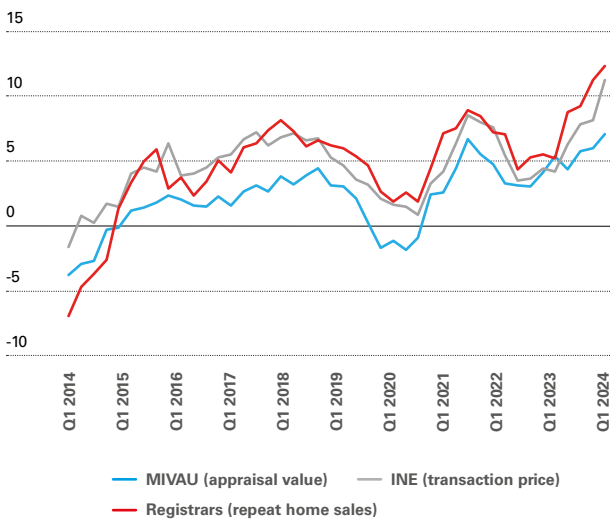
The growth of house prices in Spain accelerated in 2024 during the course of the year. Specifically, house prices went from growing 4.3% year-on-year in Q1 2024 to 7.0% in Q4 2024, according to the Ministry of Housing and Urban Agenda (MIVAU), based on appraisal values. For the year as a whole, the appraisal value grew by 5.8% (3.9% in 2023). This acceleration is even more evident in the index produced by the National Statistics Institute (INE), which is based on transaction prices: the growth rate went from 6.3% year-on-year in Q1 2024 to 11.3% in Q4 2024. On the other hand, the Association of Registrars' housing price index, based on repeat sales, recorded an even more rapid growth rate of 12.3% year-on-year in Q4 2024. According to this indicator, in 2024 as a whole, house prices grew by 10.4%, which represents a notable acceleration compared to the 5.1% recorded in 2023.

House prices rose in 2024 according to all the indicators, especially for new homes

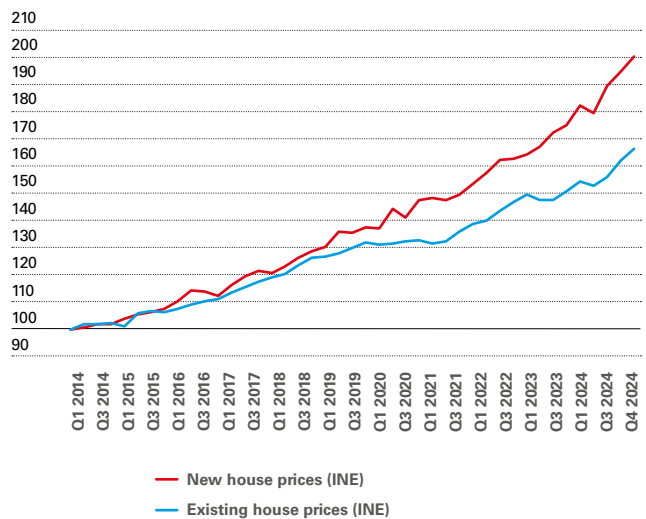
By segment, new homes recorded the sharpest price growth (12.3% year-on-year in Q4 2024, according to the INE price index), although the growth in the price of existing homes was also significant (11.1%). In this regard, the stabilisation of material costs for housing construction (0.9% increase in 2024), following the sharp increases of previous years (cumulative increase of 28.8% versus 2019), indicates that the price growth differential between the two types of housing could narrow.

House prices accelerated in 2024, especially for new homes

Year-on-year change (%)



Index (100 = Q1 2014)



Source: CaixaBank Research, based on data from the Ministry of Housing and Urban Agenda (MIVAU), the Spanish National Statistics Institute (INE) and the Association of Registrars.



Despite the sustained growth in house prices, it is important to note that, for the economy as a whole, the price of housing is advancing quite in line with the income of the median household. As such, according to estimates by the Bank of Spain, the affordability ratio will have increased only slightly in 2024 (from 7.1 in Q4 2023 to 7.2 in Q3 2024).³ However, it should also be noted that, in certain locations, such as tourist areas and urban centres, the affordability of housing is a challenge for domestic residents.

It should also be recalled that, despite the significant growth in house prices in 2024, when compared with the previous boom they are 7.1% above their peak in nominal terms, but still 23.1% lower in real terms, according to the INE index. The price of new housing, in nominal terms, is well above the previous peak, with an increase of 42.6%. In real terms, the peak for new housing has only been exceeded in four autonomous communities (the Balearic Islands, Andalusia, the Canary Islands and Madrid). In the following article of this Sector Report, we analyse in further detail the different price dynamics between regions.

③ The affordability ratio is calculated by dividing the price of a representative home by the gross disposable income of the median household, and it indicates the number of years of gross income that the median Spanish household has to dedicate to buying an average home.

In certain locations, such as tourist areas and urban centres, the affordability of housing is a challenge for domestic residents



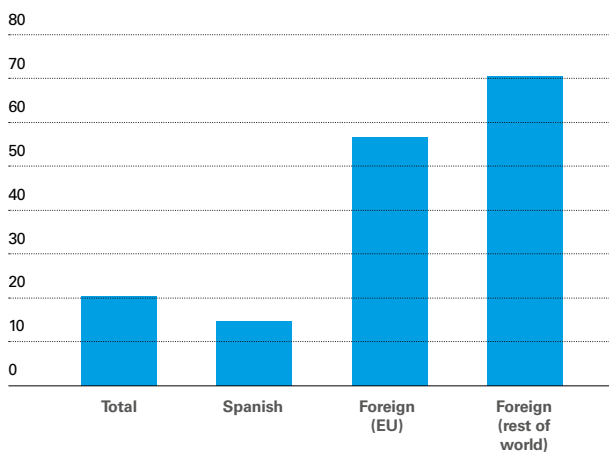
The Spanish rental market is highly stressed

The percentage of households living in rental homes increased in 2024, according to the Living Conditions Survey conducted by the National Statistics Institute (INE), reaching 20.4% of all households (17.0% renting at market prices and 3.4% at below market prices), compared with 18.7% in 2023. The increase in demand for rental housing is largely explained by the positive migration flows, since the percentage of foreign households who rent is much greater than among Spanish households. Specifically, the percentage of households who rent their home is 57.0% among those with an EU national as the head of the household, whereas it is 70.5% for other nationalities. Among households in which the head of the household is Spanish, just 14.7% live in rental homes.

The strong demand for rental housing and, again, the supply shortages have driven up prices. CaixaBank's average rental price indicator, which is based on rent payments made by direct debit, rose 6.0% in 2024 and has accumulated a 30.0% increase since 2019. The increase is even more significant according to the prices offered on real estate portals (Fotocasa: 14.0%, Idealista: 11.5%, pisos.com: 9.5% in 2024). The lack of affordable rental housing is one of the main problems in the real estate market today, as evidenced by the fact that in the trailing twelve months to Q3 2024 only 10,850 social housing units were completed, 52% of which were destined for the rental market. This increase in rental prices is particularly concerning given the greater financial vulnerability of households who rent: according to data from the INE's Living Conditions Survey, these households tend to have a below-average income level and around 40% live close to the poverty line, compared to 11.2% of those who own their home.

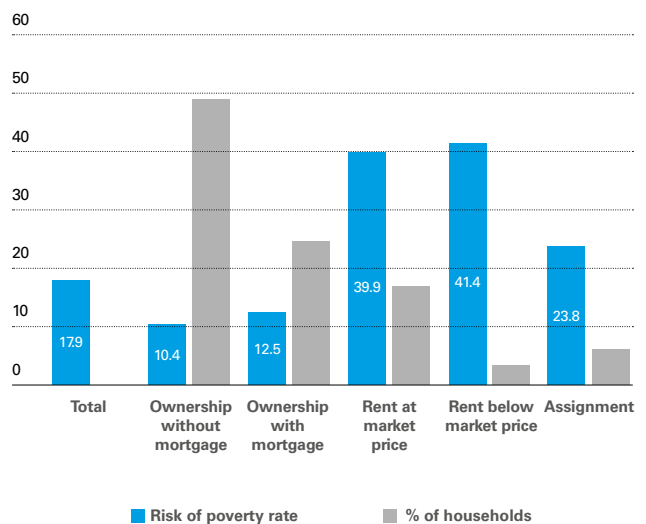
Households who rent, by nationality of the head of the household

(% of households)



Risk of poverty of households according to the form of housing tenure

(% of households)



Note: Rent at market price and below market price.

Source: CaixaBank Research, based on data from the Spanish National Statistics Institute (Living Conditions Survey).





Outlook for Spain's real estate market in 2025-2026

In 2025-2026, we consider that the boom in the housing market will continue.⁴ On the one hand, the various factors that have driven demand will remain present. The ECB will continue to lower benchmark interest rates throughout the year and they will stabilise at around 2% in 2026; household income is expected to continue to regain purchasing power; the population is also expected to continue to grow, and the economy as a whole will continue to grow above its potential. Thus, we expect the number of transactions to reach around 650,000 in 2025. For 2026, we expect that the number of sales will remain high, at around 620,000. However, this is slightly below the 2025 level, as the temporary factors that are currently driving housing demand – namely the fall in interest rates and the pent-up demand due to the high rates of 2022-2023 – are expected to dissipate.

As for the supply of housing, we expect it to continue to steadily grow, with 135,000 new construction permits in 2025 and 145,000 in 2026. However, the new housing supply is likely to remain below new household creation, and this will keep house price growth in 2025 at similar levels to those observed in 2024. For 2026, the pace of house price growth could moderate as supply gradually increases and the gap relative to demand narrows. In any case, the pattern of house prices will continue to be largely conditioned by the supply deficit accumulated in recent years. In this regard, a lower-than-expected revival of supply could exert more pressure on house prices than expected and, depending on the response of demand, exacerbate the affordability problems.

⁴This scenario was presented in the article «New forecasts for the Spanish real estate sector: the expansionary cycle takes hold in 2025» in the *Monthly Report of February 2025*.

CaixaBank Research forecasts for Spain's real estate sector

| | 2022 | 2023 | 2024 | 2025 | 2026 |
|--|------|------|------|------|------|
|  Sales (thousands) | 650 | 584 | 642 | 650 | 618 |
|  New construction permits (thousands) | 109 | 109 | 128 | 135 | 145 |
|  House prices - MIVAU (% change) | 5.0 | 3.9 | 5.8 | 5.9 | 3.0 |
|  House prices - INE (% change) | 7.4 | 4.0 | 8.4 | 7.2 | 3.0 |

Source: CaixaBank Research, based on data from the National Statistics Institute of Spain (INE) and the Ministry of Housing and Urban Agenda (MIVAU).



Outlook

The real estate boom spreads across Spain

House prices and the number of sales have surged since mid-last year in Spain, although there are significant geographical differences. In 2024, house prices grew more vigorously in the most expensive areas, thus widening the price gap between municipalities and regions, and this is causing some of the demand to begin to shift towards more affordable areas. At the provincial level, temperature could be a relevant factor: sales are growing more rapidly in the cooler regions of the Northwest of the peninsula, while the traditional tourist areas are experiencing a more gradual increase in demand. In addition, the sharp rise in house prices in the major cities is causing a shift in housing demand towards more affordable peripheral areas, where house prices are expected to experience rapid growth in 2025.

Where are house prices and sales growing the most in Spain?

House prices grew in all autonomous community regions in 2024, although the pace of that growth varied widely.⁵ The biggest increase was registered in the Balearic Islands (12.1% year-on-year in Q4 2024) and in the Community of Madrid (9.4%), which are precisely the regions with the highest average price (above €3,000/m²). On the other hand, Extremadura, the Basque Country, Murcia and Castile and León showed the lowest increases in house prices (below 4% year-on-year in Q4 2024) and their starting point was an average price below the national average, with the exception of the Basque Country. As a result of this uneven rate of growth, prices between regions are diverging and **the gap between the most expensive and the cheapest regions is widening.**⁶


















This sharp increase in house prices in the most expensive regions is causing a slight depletion of demand, while the buying boom is spreading to more affordable areas. For instance, the biggest increases in sales by autonomous community were registered in Galicia (22.3%), La Rioja (20.0%), Castilla-La Mancha (19.4%), Asturias (18.6%), Cantabria (16.4%), Navarre (15.0%) and the Basque Country (13.8%), most of which are located in the Northwest of the peninsula. The Balearic Islands was the only one to experience a decrease

⁵ In this article, we focus on the appraisal value of unsubsidised housing published by the Ministry of Housing and Urban Agenda (MIVAU), since this data is published at the provincial level and for municipalities with more than 25,000 inhabitants.

⁶ The standard deviation of house prices between autonomous community regions, provinces and municipalities is at an all-time high, as is the ratio between the maximum and the minimum price at each geographical level.

in the number of sales (–2.8% in 2024), while other tourist regions, such as the Canary Islands, Andalusia, Catalonia and the Valencian Community, recorded a modest increase in sales, below the national average, although it is true that these regions represent more than half of all sales in Spain as a whole.

House prices and sales in 2024 by autonomous community

| | House prices | | | Sales | | |
|--|------------------------------------|--------------------------------|------------------------------------|--------------------------------|------------------|----------------|
| | Euros per m ² (Q4 2024) | Year-on-year change in Q4 2024 | Change between Q4 2019 and Q4 2024 | Number of transactions in 2024 | (% of the total) | Change in 2024 |
| NATIONAL TOTAL | 1,972 | 7.0 | 19.3 | 641,919 | 100.0 | 10.0 |
|  Balearic Islands | 3,317 | 12.1 | 36.8 | 13,642 | 2.1 | -3.8 |
|  Canary Islands | 1,891 | 8.6 | 23.5 | 24,860 | 3.9 | 4.6 |
|  Andalusia | 1,646 | 7.8 | 25.1 | 126,039 | 19.6 | 6.8 |
|  Catalonia | 2,370 | 6.1 | 16.3 | 99,592 | 15.5 | 8.4 |
|  C. of Valencia | 1,560 | 8.8 | 26.6 | 104,773 | 16.3 | 9.0 |
|  Murcia | 1,132 | 3.3 | 16.2 | 23,604 | 3.7 | 9.7 |
|  Aragon | 1,450 | 8.7 | 18.3 | 16,699 | 2.6 | 10.2 |
|  Madrid | 3,371 | 9.4 | 26.2 | 77,229 | 12.0 | 10.4 |
|  Extremadura | 905 | 2.4 | 5.4 | 11,012 | 1.7 | 12.4 |
|  Castile & León | 1,111 | 3.6 | 6.9 | 30,613 | 4.8 | 13.6 |
|  Basque Country | 2,632 | 2.6 | 8.6 | 23,173 | 3.6 | 13.8 |
|  Navarre | 1,673 | 4.2 | 14.0 | 7,273 | 1.1 | 15.0 |
|  Cantabria | 1,701 | 8.2 | 17.5 | 9,155 | 1.4 | 16.4 |
|  Asturias | 1,473 | 9.3 | 16.0 | 14,316 | 2.2 | 18.6 |
|  Castilla-La Mancha | 1,003 | 6.4 | 12.9 | 30,303 | 4.7 | 19.4 |
|  La Rioja | 1,262 | 5.5 | 13.9 | 4,858 | 0.8 | 20.0 |
|  Galicia | 1,392 | 6.1 | 15.5 | 23,642 | 3.7 | 22.3 |

Source: CaixaBank Research, based on data from the Spanish National Statistics Institute (INE) and the Ministry of Housing and Urban Agenda (MIVAU).

Recently, it is apparent that the average annual temperature, as well as the rise of green tourism and active tourism since the pandemic, are factors that are also fuelling sales in certain regions. To illustrate these trends, the chart on the following page places the provinces according to their average temperature in the summer of 2024 (horizontal scale) and their sales growth in 2024 (vertical scale). It can be seen that the cooler areas of Spain, marked with a green circle, are experiencing higher sales growth than the traditionally more touristic and hotter provinces (red circle) or the rest. This pattern shows the growing attraction that the Northwest of the peninsula is gaining as a tourist destination, as a result of the increase in temperatures and the heat waves of recent summers. An analysis of tourist spending, based on card payments recorded on CaixaBank POS terminals, shows that the coolest municipalities in Spain recorded the fastest growth in tourist spending between the high seasons of 2019 and 2023, highlighting the rise of green and active tourism in the more temperate areas.⁷

⁷ See «The impact of climate change on tourism in Spain: analysis and outlook» in the *Tourism Sector Report S1 2024*.



Home sales are growing more rapidly in Spain's cooler provinces



Source: CaixaBank Research, based on data from the Spanish National Statistics Institute (INE) and Copernicus.

This trend is translating into a greater level of interest in homes in these regions, including among foreign buyers. According to data from the Association of Registrars, the combined total home sales to foreign buyers in Galicia, Asturias, Cantabria and the Basque Country, which accounted for just 1.8% of the total in Q4 2020, reached 3.9% in Q4 2024. Among these four autonomous communities, the greatest international interest is the Principality of Asturias, where sales to foreigners represent 5.8% of the total, followed by the Basque Country (3.7%), Cantabria (3.6%) and Galicia (2.2%). It should be noted that, despite this growing interest, the percentages of sales to foreign buyers in this area of the country are well below the national average (14.6% in 2024).

The rise of green and active tourism in Spain's more temperate municipalities highlights the attraction that these types of destinations are gaining among domestic and foreign home buyers



The growth in house prices is spreading to the periphery of Spain's major cities

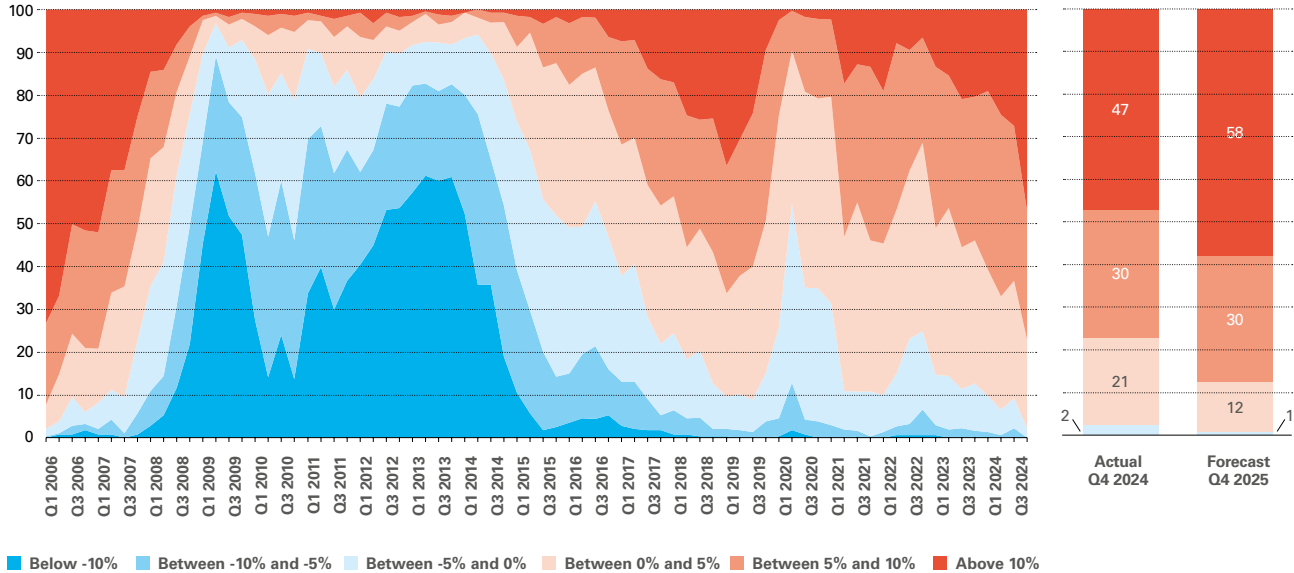
If we analyse the evolution of house prices in municipalities with more than 25,000 inhabitants, it is apparent that **the rally is spreading to more and more municipalities**. In particular, 47.1% of municipalities registered a year-on-year increase in excess of 10% in Q4 2024, which is 20 points more than in the previous quarter (27.1%). On the other hand, only 2.3% of municipalities experienced a drop in house prices.

CaixaBank Research's house price forecasting models, which use big data and are based on machine learning techniques,⁸ indicate that this year the number of municipalities that register double-digit growth will increase. Specifically, according to our models, an appreciation of house prices in excess of 10% is anticipated in 58% of Spanish municipalities with more than 25,000 inhabitants (compared to 47% today). It should also be noted that a decrease in the price of housing is not expected in virtually any municipality (see the last column in the chart on the following page).

⁸These models use GDP forecasts by autonomous community as the main macroeconomic factor, and a large number of socio-demographic and real estate indicators (based on internal CaixaBank data and external data from corroborated sources) to capture the differential evolution of the real estate markets in each location.



Distribution of municipalities according to the year-on-year change in house prices (% of municipalities)

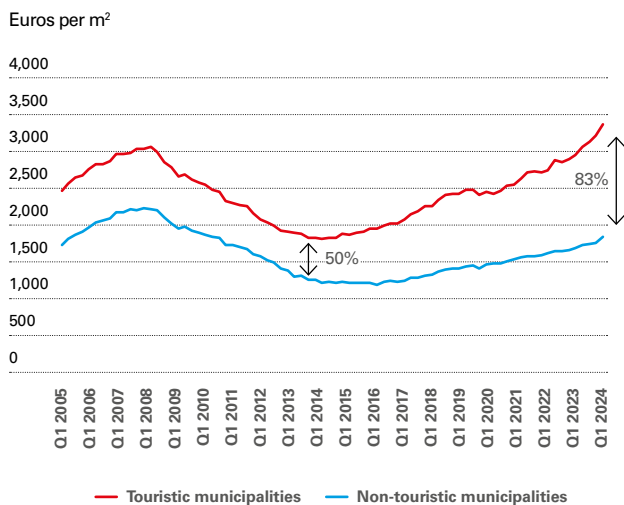


Note: In each quarter, the municipalities with more than 25,000 inhabitants are classified according to whether the year-on-year change in the price of housing is less than 10%, between -10% and -5%, etc.
Source: CaixaBank Research, based on data from the Ministry of Housing and Urban Agenda (MIVAU).

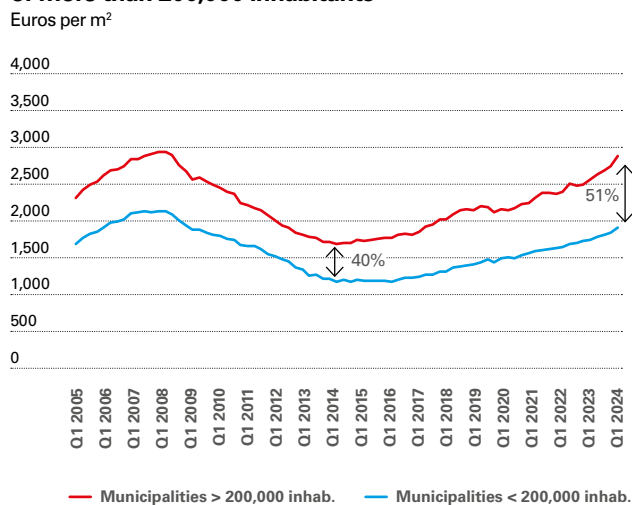
The forecasts for municipalities of more than 25,000 inhabitants suggest we will see widespread growth in house prices in 2025

In 2024, the biggest house price increases were recorded in the largest municipalities and in the most touristic ones. Specifically, the price of housing grew by 9.1% on average in Spanish municipalities with over 200,000 inhabitants (7.4% in the rest) and by 10.3% in the touristic ones (6.5% in non-touristic ones). Our forecasting models suggest that in 2025 house prices will continue to grow more vigorously in touristic municipalities than in non-touristic ones. On the other hand, the differences between the municipalities with more than and less than 200,000 inhabitants will gradually narrow: the models predict similar price increases in both cases, of around 10%.

House prices in touristic municipalities



House prices in municipalities of more than 200,000 inhabitants



Notes: Municipalities with more than 25,000 inhabitants. A municipality is classified as touristic if the percentage of spending recorded on CaixaBank POS terminals using foreign cards is greater than 10%.

Source: CaixaBank Research, based on data from the Ministry of Housing and Urban Agenda (MIVAU).

The forecasting models also reflect a certain depletion of demand in the major city centres and its displacement from the most expensive municipalities towards more affordable areas. This trend is particularly pronounced in Spain's two biggest cities, Madrid and Barcelona, which have registered significant price increases in recent years and where the so-called «oil stain» phenomenon is the most apparent, extending from the cities themselves out towards the adjoining and peripheral towns and cities.

In the charts on the next page, we show the latest data on the growth in house prices, corresponding to Q4 2024, and the forecast for the end of this year for the cities of Barcelona and Madrid and the municipalities of their respective provinces, ordered according to their distance from each city centre.

The sharp rise in house prices in Spain's major cities is causing a certain displacement of housing demand towards more affordable peripheral areas



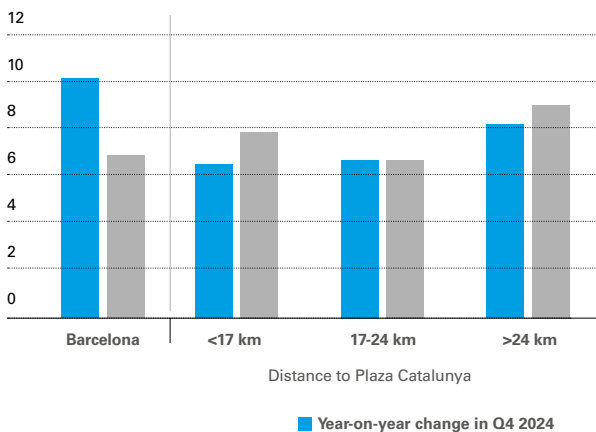
Real Estate

In the city of Barcelona, house prices grew 10.1% year-on-year in Q4 2024. The nearest municipalities (located within 17 kilometres of the city centre) registered an average growth of 6.4%; this figure was 6.7% for those located mid-distance from the city (17-24 kilometres) and it was a significant 8.1% in the case of those furthest away (more than 24 kilometres). In this latter group we find some of the municipalities that recorded the highest price increases in the province, such as Martorell (15.2% year-on-year in Q4 2024), Vilafranca del Penedès (12.4%), Manresa (12.4%) and Igualada (10.4%). Despite the sharp rise in house prices in these municipalities, their average price is approximately half that of the city of Barcelona (€1,942/m² compared to €4,034 in Barcelona). The forecasting models suggest that these more distant municipalities with a lower average price will continue to experience above-average price growth.

In the Community of Madrid a similar phenomenon is observed, albeit perhaps less pronounced. In the group of municipalities located furthest away from Madrid's Puerta del Sol, we find some that have registered considerable price growth in the last year, such as Galapagar (14.3% year-on-year in Q4 2024), Collado Villalba (13.0%), Torrejón de Ardoz (11.9%) and Alcalá de Henares (10.2%). However, other municipalities closer to the city have also recorded growth rates above 10%, most notably Parla (15.8%) and Alcobendas (14.7%). In any case, the forecasts for the municipalities of Madrid also indicate that the rate of growth, on average, could be somewhat more vigorous in those located furthest from Puerta del Sol, although it would not exceed the growth rate that is expected in the capital.

House price growth in the municipalities of the province of Barcelona according to their distance to Plaza Catalunya

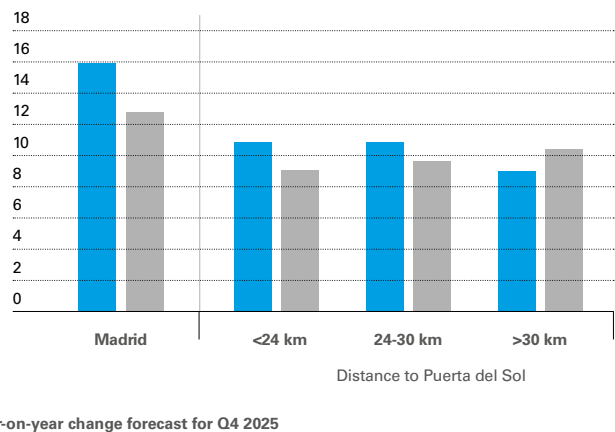
Annual change (%)



| | Barcelona | <17 km | 17-24 km | >24 km |
|----------------------|-----------|--------|----------|--------|
| Euros/m ² | 4,034 | 2,588 | 2,727 | 1,942 |

House price growth in the municipalities of the Community of Madrid according to their distance to Puerta del Sol

Annual change (%)



| | Madrid | <24 km | 24-30 km | >30 km |
|----------------------|--------|--------|----------|--------|
| Euros/m ² | 4,467 | 3,175 | 2,636 | 2,319 |

Source: CaixaBank Research, based on data from the Ministry of Housing and Urban Agenda (MIVAU).

Markets

House prices in Europe reactivate with the shift in monetary policy

The initiation of the ECB's monetary policy normalisation process has led to an acceleration in house prices, especially in markets with a significant mismatch between insufficient supply and dynamic demand. The economies in which real prices have increased the most in the last year and a half, and where the residential markets are showing signs of more significant overvaluation, include Portugal, Bulgaria, Hungary, the Netherlands and Estonia. In contrast, the markets of large economies such as Germany, Sweden, France and Luxembourg remain overvalued, but have corrected the strong price growth they experienced in the decades leading up to the pandemic, reducing signs of overheating.

House prices return to growth in real terms in the EU

House prices across the EU in the last five years have been conditioned by monetary policy. After emerging from the most restrictive phases of the pandemic in 2020, house prices began to climb rapidly, driven by pent-up demand, forced savings, the population's new housing needs and the low interest rates. As a result, in the early months of 2022 the year-on-year growth in the price of housing reached 6% in real terms. From July 2022, the aggressive cycle of interest rate hikes pursued by the ECB and other central banks in the region to tackle the inflation rally triggered a significant correction in house prices in the EU in real terms (see the chart on page 19).

The aggressive cycle of interest rate hikes pursued by the ECB and other central banks beginning in July 2022 to tackle the inflation rally triggered a significant correction in house prices in the EU



With the beginning of the normalisation of interest rates during 2024,⁹ the demand for housing was reactivated and house prices picked up again. Thus, in Q2 2024, slightly positive year-on-year growth rates were recorded in real terms. Looking at the period 2020-2024, house prices for the EU as a whole are only 2.0% above the level of Q4 2019 in real terms, but 26% higher in nominal terms, reflecting the high inflation experienced during this period.

It should be noted that there is a significant disparity between countries. In the chart of the following page we compare the evolution of real house prices relative to Q4 2019 by country (grey bar), showing the rebound in prices after the pandemic (blue circle) and the low reached in response to the interest rate hikes beginning in the second half of 2022 (red triangle). The countries are ordered according to the cumulative increase since Q4 2019 (the latest available data is for Q3 2024). Through this analysis, we can identify three major groups of countries according to the pattern of their real prices.

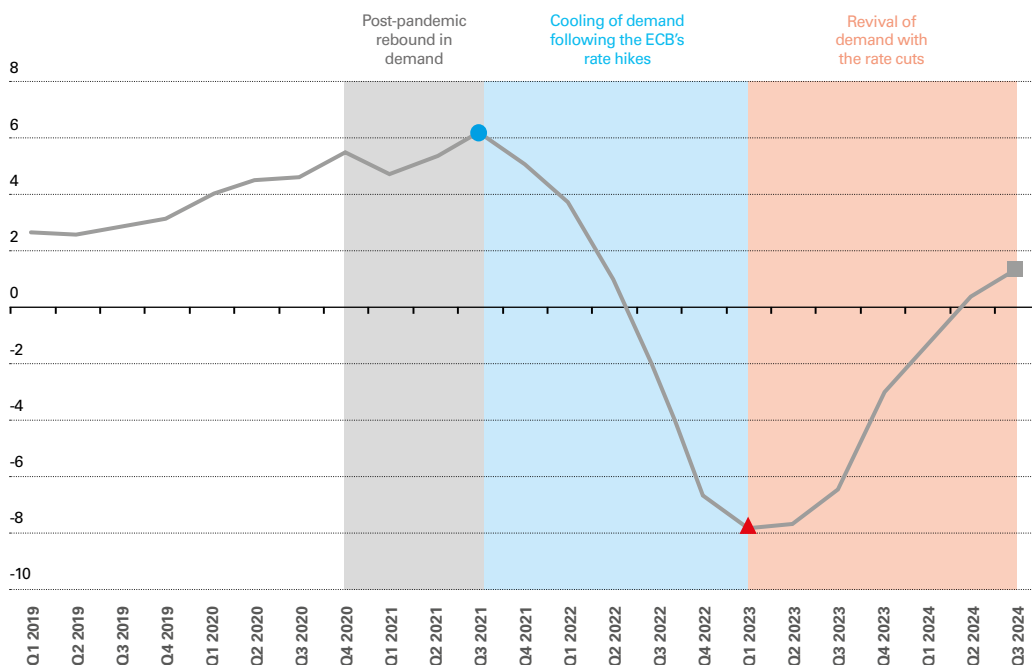
⑨ The ECB has cut interest rates on six occasions since 2024, such that the depo benchmark rate at the close of this report stands at 2.50%, compared to 4.0% at the 2023 year end. For a more in-depth analysis of our outlook for monetary policy in the region in the coming months, see the Central Banks Observatory.

With the beginning of the normalisation of interest rates during 2024, the demand for housing was reactivated and house prices picked up again

House prices reactivate following the ECB's rate cuts

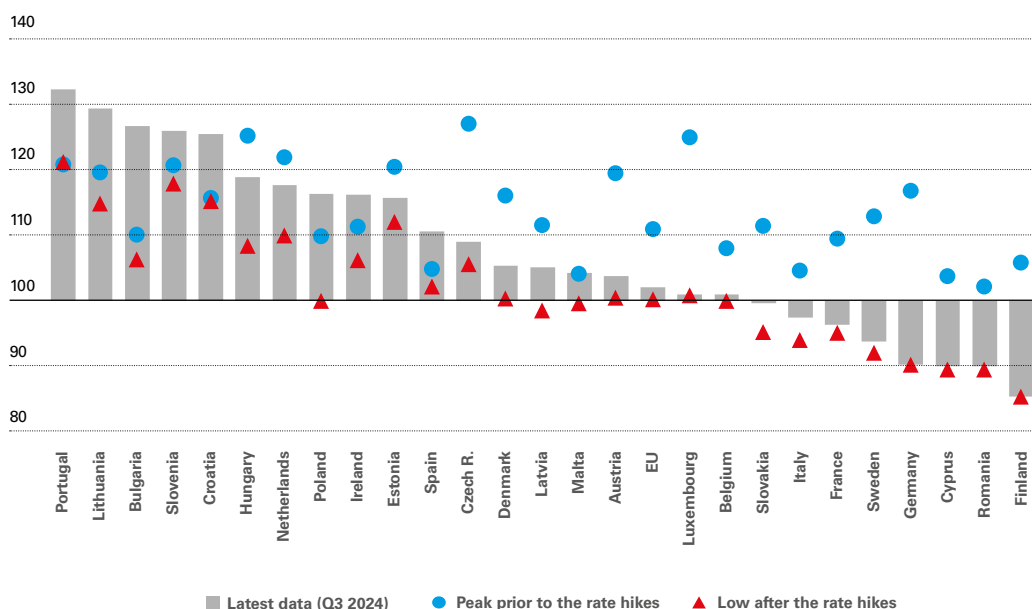
Real house prices in the EU

Year-on-year change (%)



Real house prices in the major EU economies

Index (100 = Q4 2019)



Source: CaixaBank Research, based on data from Eurostat.

Firstly, on the left of the chart we can distinguish a group of countries in which house prices have risen more sharply since Q4 2019, in many cases exceeding the peaks reached prior to the interest rate hikes. They include Portugal, Lithuania, Bulgaria, Slovenia and Croatia, with a cumulative growth in real house prices between Q4 2019 and Q3 2024 in excess of 25%.



Portugal, Lithuania, Bulgaria, Slovenia and Croatia are the economies that have experienced the sharpest growth in house prices since the pandemic

At the opposite end of the spectrum we find a second group of countries, represented further to the right of the chart, which include Finland, Germany, Sweden, France and Italy, with much larger residential markets that are relevant for the region as a whole. In these economies, prices remain around the lows recorded following the cycle of interest rate hikes in 2022-2023. Excluding the case of Italy, these are markets in which house prices had risen significantly during the decade prior to the pandemic and had experienced a major correction as a result of the rate hikes in 2022. Consequently, the state of alarm due to the significant increase in house prices is moderating. A clear example is that of Germany, where real house prices registered an increase of 17% in two years (between Q4 2019 and Q4 2021), but then dropped 23% by Q3 2024. In the five-year period as a whole, real house prices in Germany have fallen by around 10%.

Finally, the bulk of EU economies (including Spain) are somewhere in the middle, with prices rising rapidly following the easing of monetary conditions, but with a moderate cumulative increase since Q4 2019. In this intermediate group there are also some residential markets that have undergone a significant correction following the sharp rally in house prices in previous periods, including the Czech Republic, Estonia, Austria and Luxembourg, where prices had risen 20%-30% since 2019. Even so, as we will see below, the ECB notes that over three-quarters of the EU's residential markets are overvalued.



The ECB notes that 80% of EU residential markets are overvalued

The ECB publishes quarterly estimates on the overvaluation and undervaluation of residential prices in EU economies, based on four different valuation methods: price-to-rent ratio, price-to-income ratio and two model-based techniques.¹⁰

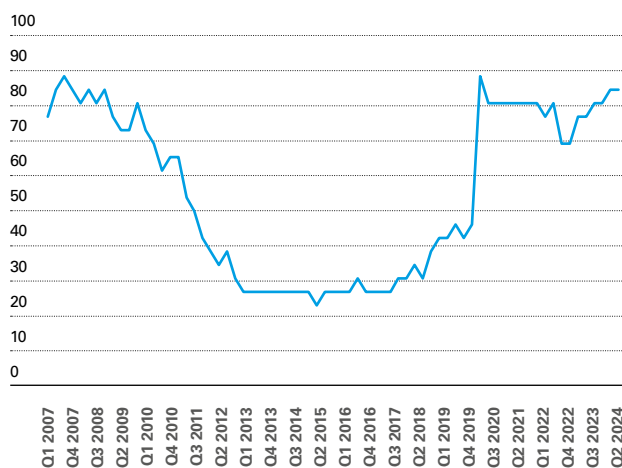
According to these estimates, over 80% of the region's economies currently have an overvalued residential market. Following the real estate boom of the mid-2000s, first the global financial crisis and then the sovereign debt crisis in Europe drastically reduced the proportion of residential markets that were overvalued to just 20-30%. However, since 2018, the region's markets have once again recorded sharp price increases. Excluding the unusual rebound in 2020, influenced by the effects of the pandemic, the number of overvalued residential markets has once again reached levels similar to those of the mid-2000s.

Luxembourg, Estonia, Greece and Portugal are the economies with the most overvalued residential markets (between 20% and 30%). On the other hand, Romania, Finland, Italy, Cyprus and Ireland are the only markets that are currently undervalued, according to the ECB's estimates.

¹⁰To carry out the analyses of this article, we have chosen to take the average valuation of these four methods. For further details on the ECB's estimates of over/undervaluation, see Box 3 in the ECB's *Financial Stability Review of June 2011* and/or Box 3 in the ECB's *Financial Stability Review of November 2015*.

EU economies with an overvalued residential market

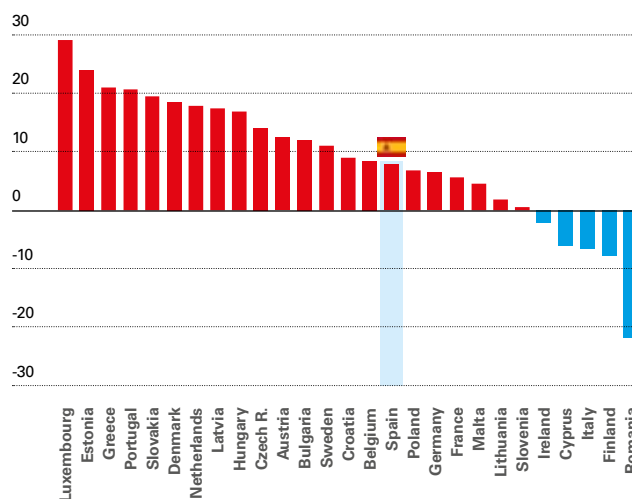
(% of all countries)



Source: CaixaBank Research, based on data from the ECB.

Over/Undervaluation of the residential market in EU countries

Deviation from the long-term average (%).
Trailing 12-month average to Q3 2024

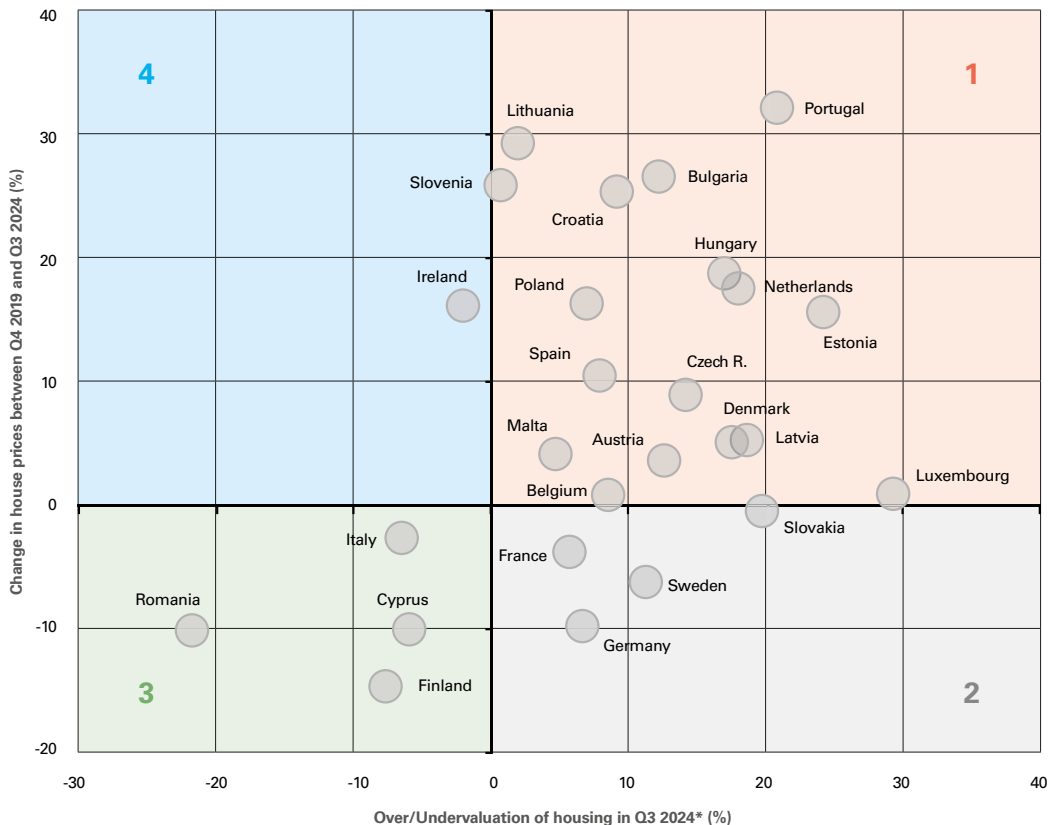


Luxembourg, Estonia, Greece and Portugal are the region's residential markets showing the most signs of overheating today, according to the ECB



If we compare these measures of overvaluation or undervaluation with the recent pattern in house prices, we can draw important conclusions about the current state of the residential markets. The following chart summarises this information and allows us to identify four major groups of countries.

Recent growth in prices and measures of over/undervaluation



Note: The data on over/undervaluation correspond to the trailing four-quarter average to Q3 2024.
Source: CaixaBank Research, based on data from Eurostat and the ECB.

Quadrant 1 encompasses the residential markets with the biggest price increases since Q4 2019, as well as those that are most overvalued according to the ECB's metrics. The cases of Portugal, Bulgaria, Hungary, the Netherlands and Estonia are particularly clear cases. In this group we also find the Spanish market, although neither its price growth nor its degree of overvaluation stand out, since it is closer to the centre of the chart's coordinates.

At the opposite end of the spectrum, quadrant 3 encompasses the countries in which house prices have declined since the start of the pandemic and which, according to the ECB's estimates, have undervalued markets. In this group we find Finland, Romania, Cyprus and Italy.

In an intermediate position are the countries located in **the other two quadrants**. Quadrant 2 includes Germany, Sweden, France and Luxembourg,¹¹ markets where prices increased significantly in the pre-pandemic period and which, according to the ECB, are overvalued. However, their prices have recently been corrected and now lie below Q4 2019 levels. Finally, quadrant 4 contains only Ireland, a country where prices are growing rapidly, although the ECB considers that its market is still undervalued.

Which European economies present a systemic risk associated with their residential market?

Having looked at the recent pattern of prices and the valuation metrics, a final analysis is needed in order to distinguish which economies have recently received systemic risk alerts due to the behaviour of their residential market and to assess whether the macroprudential policies implemented to date have had any effect.

The overvaluation of certain European residential markets in recent years has triggered some alerts. In Europe, the European Systemic Risk Board (ESRB) has been in charge of macroprudential supervision in the region since the financial crisis of 2008.¹² This body not only monitors trends in house prices, but it also takes into account household borrowing, households' ability to cover their mortgage payments, credit growth and the relaxation of lending standards.

The table on page 25 seeks to summarise the ESRB's assessment of systemic risk, the suitability of the macroprudential policies implemented by these countries to date and, finally, how prices are currently behaving.

Denmark, Luxembourg, the Netherlands and Sweden are the economies in the region with the highest systemic risk associated with their residential market according to the ESRB



¹¹ Although Luxembourg appears in quadrant 1, it is also included in this group: it is the most overvalued residential market in the EU, but prices have been correcting significantly in recent years and, since Q4 2019, they have grown by just 0.5% in real terms.

¹² The ESRB is an EU institution responsible for the macroprudential supervision of the financial system in the EU. It was created in 2010 following the 2008 financial crisis to identify and mitigate systemic risks that could affect financial stability in Europe. To this end, the ESRB monitors and evaluates risks in the financial system; it issues warnings and recommendations to governments, central banks and national regulators; and it proposes measures to strengthen financial stability in the EU. The ESRB has no coercive power, but its warnings and recommendations have a strong influence on economic and regulatory policy in the EU.



Real Estate






























In its last assessment in 2023, the ESRB identified Denmark, Luxembourg, the Netherlands and Sweden as the economies with the highest systemic risk in the region. In fact, the body had already issued an alert for these countries back in 2016. Among them, the most worrying case is that of the Netherlands, due to the significant recent growth in its prices (+17% since Q4 2019, although they remain below their peak) and its position as one of the most overvalued markets in the region (by 18%). In addition, the ESRB considers the macroprudential measures that the country has implemented to date to be inadequate. In contrast, the rest of the countries under alert do not currently show any significant increase in their real house prices or any excessive overvaluation of their markets, suggesting that they have already begun to correct their imbalances.

At the other end of the spectrum are economies such as Cyprus, Greece, Italy, Latvia, Romania and Spain, where the ESRB considers the systemic risk to be low and the macroprudential policies – in those cases where they have been implemented – to be adequate and sufficient. Furthermore, none of these countries show a particularly significant acceleration in their house prices, nor do they have especially overvalued residential markets.

Portugal, Bulgaria, Hungary and Estonia have not yet been the subject of alerts, but the current behaviour of their residential markets warrants close monitoring

Finally, there are some economies in the region that will need to be closely monitored in the coming years. Portugal, Bulgaria, Hungary and Estonia are considered by the ESRB to be economies with a moderate systemic risk and with macroprudential policies that have, so far, been adequate and sufficient. However, in recent quarters the growth of their house prices has accelerated and their residential markets are now considered to be particularly overvalued according to the ECB's estimates.

Assessment of risk and macroprudential policies

| | Assessment of risk in 2023 | Assessment of policies | | House prices | |
|---|----------------------------|------------------------|------------|----------------|------------|
| | | appropriate | sufficient | at peak levels | overvalued |
|  Germany | Moderate | Partially | Partially | No | Yes |
|  Austria | Moderate | Yes | Yes | No | Yes |
|  Belgium | Moderate | Yes | Yes | No | Yes |
|  Bulgaria | Moderate | Partially | Partially | Yes | Yes |
|  Cyprus | Low | Yes | Yes | No | No |
|  Croatia | Moderate | Partially | Partially | Yes | Yes |
|  Denmark | High | Partially | Partially | No | Yes |
|  Slovenia | Moderate | Yes | Yes | Yes | Yes |
|  Spain | Low | Yes | Yes | No | Yes |
|  Estonia | Moderate | Yes | Yes | No | Yes |
|  Finland | Moderate | Yes | Yes | No | No |
|  France | Moderate | Yes | Yes | No | Yes |
|  Greece | Low | Yes | Yes | No | Yes |
|  Hungary | Moderate | Yes | Yes | No | Yes |
|  Ireland | Moderate | Yes | Yes | No | No |
|  Italy | Low | Yes | Yes | No | No |
|  Latvia | Low | Yes | Yes | No | Yes |
|  Lithuania | Moderate | Yes | Yes | Yes | Yes |
|  Luxembourg | High | Partially | Partially | No | Yes |
|  Malta | Moderate | Yes | Yes | No | Yes |
|  Netherlands | High | Yes | Partially | No | Yes |
|  Poland | Moderate | Yes | Yes | No | Yes |
|  Portugal | Moderate | Yes | Yes | Yes | Yes |
|  Czech R. | Moderate | Yes | Yes | No | Yes |
|  Slovakia | Moderate | Yes | Yes | No | Yes |
|  Romania | Low | Yes | Yes | No | No |
|  Sweden | High | Yes | Partially | No | Yes |

Note: Macroprudential policy measures announced up to November 2023.

Source: CaixaBank Research, based on the report by the ESRB «Follow-up report on vulnerabilities in the residential real estate sectors of the EEA countries», February 2024.



Investment

The decline in interest rates reignites investment in commercial real estate

Valuations of commercial real estate assets recovered significantly during 2024, driven by the shift in monetary policy and the reduction of market interest rates. Investment in the sector grew at an annual rate of around 20% and the living, hotel and retail segments were particularly dynamic. For 2025, it appears that most of the revaluations will have already taken place, as interest rates are already at levels close to the new equilibrium. Still, the sector will continue to attract investment opportunities. Spain is positioning itself among the most attractive destinations for international investment in commercial real estate, thanks to solid macroeconomic fundamentals that will remain attractive throughout this year.

Asset valuations in the commercial real estate market are inversely related to the evolution of market interest rates, since an increase in the latter makes this type of investment less attractive compared to other, lower-risk alternatives. In this regard, throughout 2022 and 2023 we witnessed a widespread decline in valuations and, above all, in the number of transactions in the sector.¹³ Following the shift in monetary policy in 2024 and the change in expectations regarding market interest rates, the sector has seen a revival of investment activity and a fairly widespread recovery of valuations among the various different asset types.

¹³ For a more detailed analysis of the behaviour of valuations of commercial real estate assets, see the article «Given the economic scenario, the commercial real estate market goes into 'wait and see' mode» in the *Real Estate Sector Report S1 2023*.

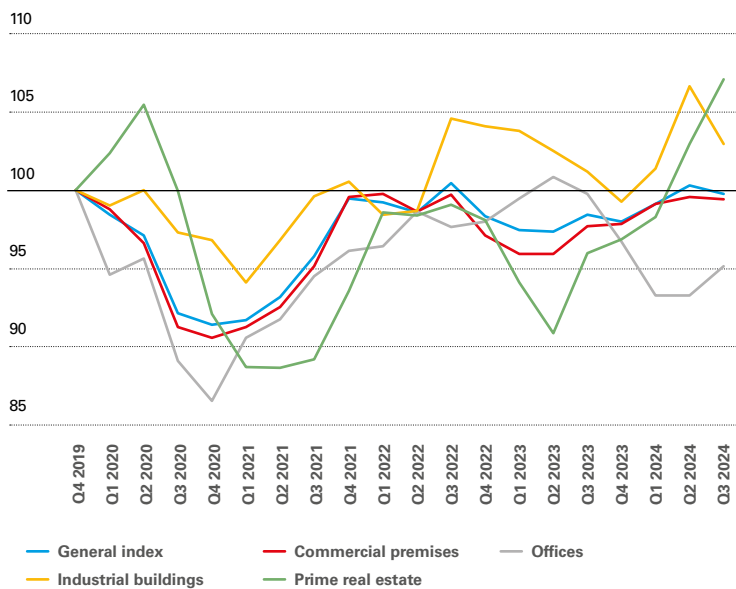
Investment in commercial real estate picked up in 2024, mainly thanks to the enormous interest in the living, hotel and commercial premises segments

According to the commercial real estate price indices produced by the Bank of Spain, the clearest improvement in asset valuations has occurred in the prime real estate segment (+18% since the lows recorded in Q2 2023) and that of industrial buildings (+4% since the recent lows of Q4 2023), that is, in assets associated with the logistics sector. In terms of investment, the data offered by the main real estate consultancy firms show a rebound at an annual rate of around 10%-20% in 2024, which is roughly double that of the EU as a whole and above the average investment volumes of the last five years. Of particular note is the growing attraction of assets in the living, hotel and retail segments (the fastest growing asset types in 2024).

Valuations and investment in commercial real estate assets are reviving after the shift in monetary policy

Commercial real estate price index

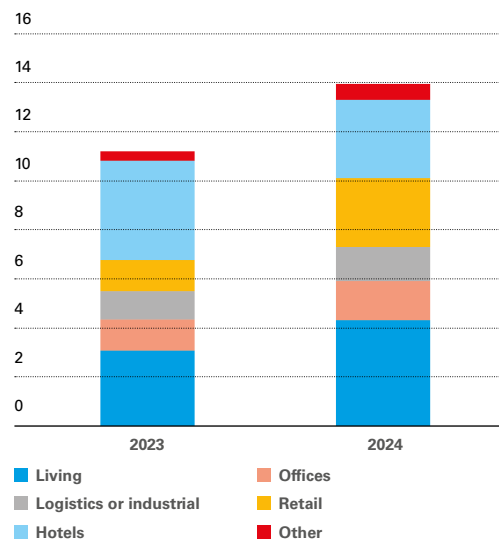
Index (100 = Q4 2019)



Source: CaixaBank Research, based on data from the Bank of Spain.

Investment in commercial real estate in Spain

EUR billions



Source: CaixaBank Research, based on data from CBRE.

What can we expect for Spanish commercial real estate in 2025?

The projections for 2025 indicate an expanding commercial real estate market, with rising valuations and an increase in both the number of transactions and the amount of investment. Moreover, this market will receive the support of the reduction of interest rates (although market rates have already incorporated most of the anticipated cuts), favourable economic conditions (the Spanish economy is expected to grow above potential thanks to the buoyancy of domestic demand) and sustained demand, especially in the segments with better macroeconomic fundamentals.

The living, hotel and logistics segments are the ones that have the most favourable fundamentals in the short and medium term



Real Estate



The **living segment** will continue to generate significant interest, driven by the demand for housing. In particular, the build-to-rent segment and new forms of flex-living (co-living, student residences and senior living, among others) have gained prominence due to the limited supply of housing in Spain and favourable market fundamentals. Factors such as rapid demographic growth (the population increased by half a million inhabitants per year on average between 2022 and 2024), the increase in international students attracted by the quality of the country's education (40% increase versus the pre-pandemic period) and the ageing of the population (those over 65 years old will exceed 25% of Spain's population by 2030) will support the expansion of this segment in the medium and long term.

In the **hotel sector**, expectations of an increase in the number of international tourist arrivals (which will reach 98.5 million in 2025 according to our estimates, 5% more than in 2024) allow us to anticipate another year of peak demand for the hotel sector. In addition, the sector's profitability has shown solid growth in recent years: the RevPAR index is registering consecutive double-digit increases, reflecting the boom which Spain's hotel industry is currently enjoying.

The **logistics segment**, which encompasses industrial buildings and data centres, remains one of the most attractive assets thanks to the favourable trend in sectors related to e-commerce, logistics and investment in ICT and AI. On the one hand, the latest available surveys show that making purchases online is now common practice for over 55% of the Spanish population (between 2005 and 2015, this was the case for less than 25%).¹⁴ On the other hand, expenditure on ICT tools by companies has grown by 34% in the last year alone. On balance, the easing of monetary conditions, together with strong demand and high interest among investors, contrasts with a still limited supply in Spain, thus reinforcing its attractiveness in the medium and long term.

¹⁴ These statistics come from the Survey on Equipment and Use of Information and Communication Technologies (ICT) in Households conducted by the National Statistics Institute (INE), which reflects the use of technology among the population aged 16 to 74.

As for the **retail segment**, the fundamentals suggest that its valuations could continue to converge on pre-pandemic levels. In particular, private consumption will maintain a positive tone in the short term, favoured by declining interest rates, moderating inflation and the recovery of household disposable income. In addition, the Spanish labour market continues to show significant strength, having created more than 2.5 million jobs since the outbreak of the pandemic. In this regard, we expect that the interest in transactions and investment in shopping centres will persist, having been among the best performing assets in 2024 after several years marred by post-pandemic doubts.

Offices are another of the commercial real estate assets that have not yet recovered their pre-pandemic valuations. Moreover, this asset class could benefit from the aforementioned strength of the labour market and a lower adoption of teleworking relative to expectations in the aftermath of the health crisis. According to the Labour Force Survey (LFS), only 6.9% of people in employment worked occasionally from home in 2024 (4.0% in 2020). Moreover, 85% did not telework at all. In any case, while many companies are pushing for a return to the office, the hybrid model and the growing demand for flexibility from employees have become consolidated as the new norm and will continue to define the evolution of this segment.

Offices have not yet recovered their pre-pandemic valuations and could benefit from the strength of the labour market and a lower adoption of teleworking

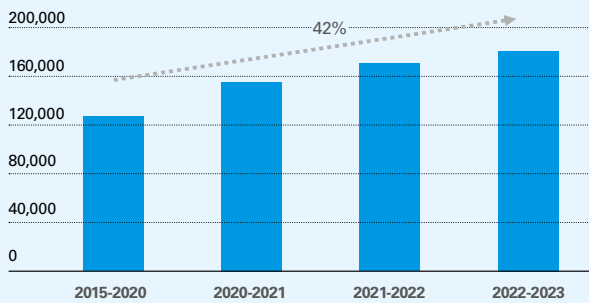


Macroeconomic fundamentals for Spanish commercial real estate assets

Living: build-to-rent and flex-living options will continue to attract investor interest

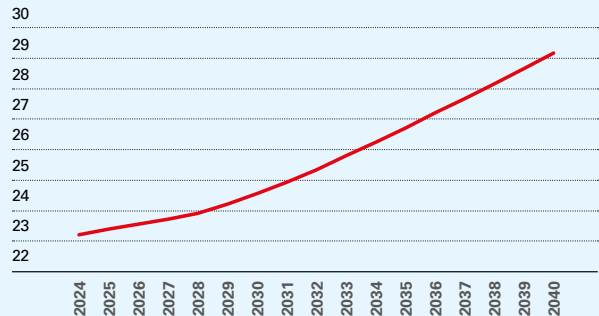
Universities are attracting more and more foreign students

Number of international students in the Spanish University System



The ageing of the population will sustain the senior living segment

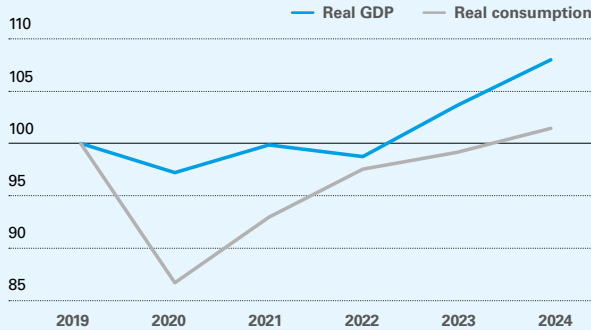
Population aged over 65 (%)



Retail: the revival of consumption in 2025 should facilitate a recovery of this segment

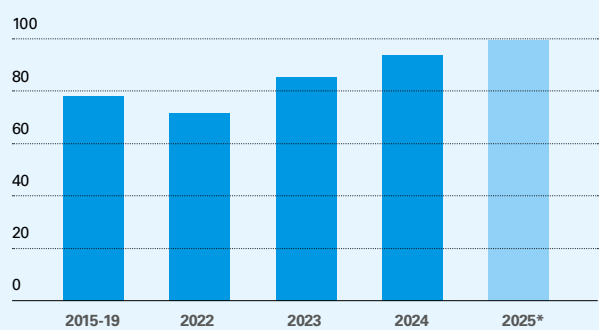
Consumption is reactivating, driven by disposable income

Real gross income and consumption
Index (100 = 2019)



Tourist arrivals will set a new record

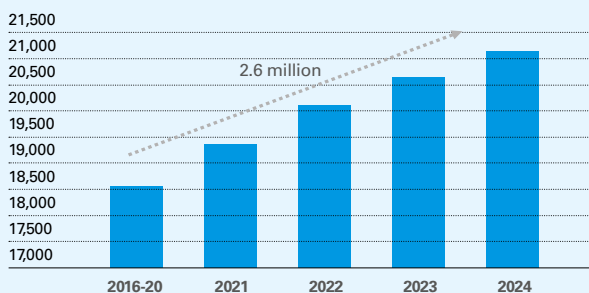
International tourist arrivals
Millions



Offices: the strength of the labour market and the gradual return to the office

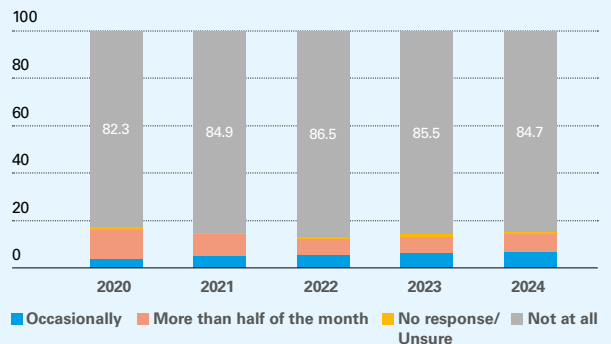
High job creation

Number of registered workers affiliated with Social Security
Thousands



The teleworking option has not grown as much as had been anticipated

Distribution of people in employment according to the frequency of working from home
(% of the total)



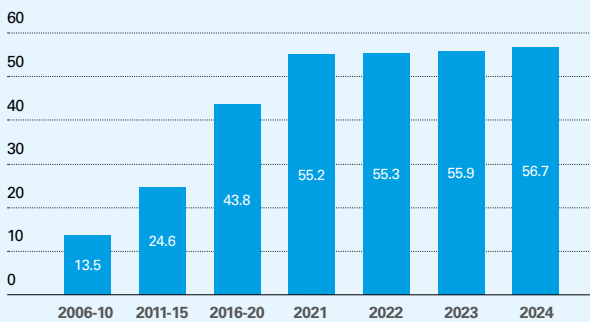


Logistics: limited supply of one of the most attractive assets in commercial real estate

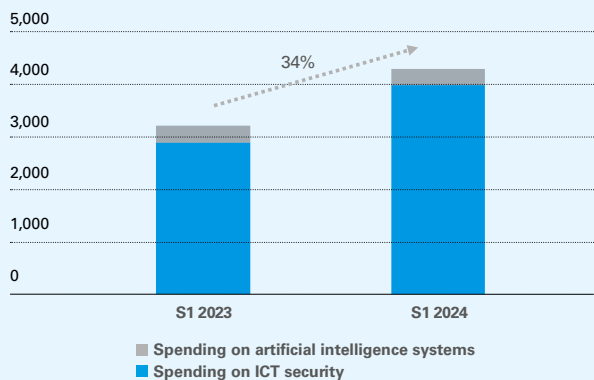
The data centre segment continues to grow due to the spread of e-commerce and increased business spending on ICT

People who have bought online in the last three months

% of the total (16 to 74 years of age)



ICT spending in companies with more than 10 employees

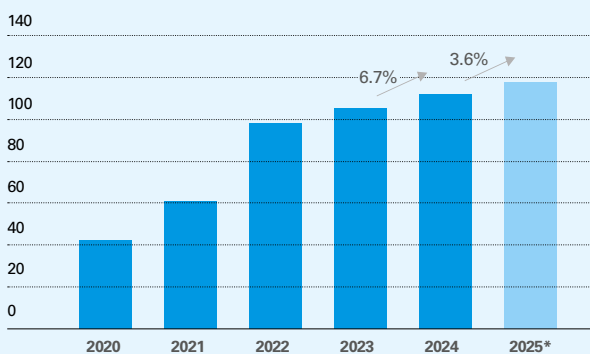


Hotels: the increase in tourist arrivals will keep demand and profitability in the sector at peak levels

We expect the tourism sector to continue to enjoy rapid growth

Tourism GDP in Spain

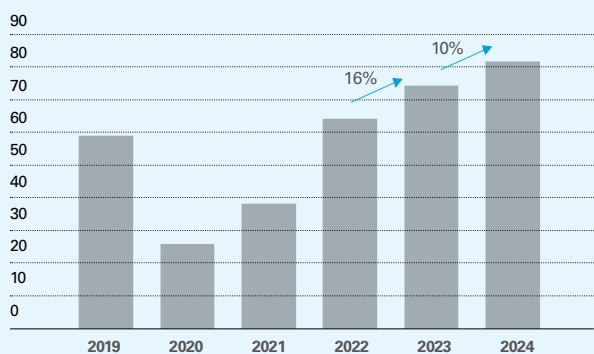
Index (100 = 2019)



The profitability of the hotel sector has skyrocketed in recent years

RevPAR profitability index

Revenue per room (euros)



Note: (*) CaixaBank Research forecasts.

Source: CaixaBank Research, based on data from the Spanish National Statistics Institute (INE), the Ministry of Inclusion, Social Security and Migration and the Ministry of Universities.



Indicators and forecasts

Annual change (%), unless expressly indicated

| | 2000-2007 average | 2008-2014 average | 2015-2022 average | 2023 | 2024 | 2025 forecast ¹ | 2026 forecast ¹ | Trend |
|--|----------------------|----------------------|----------------------|------|------|-------------------------------|-------------------------------|-------|
| Activity indicators: | | | | | | | | |
| Total GDP | 3.6 | -0.9 | 1.9 | 2.7 | 3.2 | 2.5 | 2.1 | ☀️ |
| GVA in construction | 3.6 | -8.6 | 1.3 | 2.1 | 1.9 | 2.7 | 2.4 | ☀️ |
| Investment in construction | 5.6 | -8.7 | 2.7 | 3.0 | 2.6 | 2.1 | 3.5 | ☀️ |
| Investment in housing | 7.4 | -8.7 | 5.0 | 2.1 | 1.4 | 2.7 | 3.5 | ☀️ |
| Investment in other construction | 3.6 | -8.6 | 1.3 | 2.1 | 1.9 | 1.2 | 3.5 | ☀️ |
| Construction permits granted (thousands) | 642 | 94 | 88 | 109 | 128 | 135 | 145 | ☁️ |
| Construction permits granted | 3.0 | -34.2 | 15.3 | 0.5 | 16.7 | 5.7 | 7.4 | ☁️ |
| Works completion certificates (thousands) | 482 | 230 | 69 | 88 | 98 | 115 | 130 | ☁️ |
| Works completion certificates | 9.0 | -31.2 | 8.4 | -1.7 | 11.7 | 17.5 | 13.0 | ☁️ |
| Confidence in the construction sector (level) ⁵ | 13.1 | -41.7 | -14.4 | 8.7 | 7.8 | - | - | ☀️ |

Labour market

| | | | | | | | | |
|--|------|-------|------|------|------|-----|-----|----|
| Total registered workers | 3.5 | -2.1 | 2.5 | 2.7 | 2.4 | 2.2 | 1.7 | ☀️ |
| Registered workers in construction | 6.1 | -13.5 | 3.9 | 3.8 | 1.9 | 2.4 | 2.0 | ☀️ |
| Construction of buildings | - | -14.4 | 5.0 | 4.1 | 2.0 | - | - | ☀️ |
| Civil engineering | - | -16.4 | 1.7 | 7.3 | 2.0 | - | - | ☀️ |
| Specialist construction act. | - | -8.9 | 3.4 | 3.4 | 1.8 | - | - | ☀️ |
| Registered workers in real estate act. | 10.3 | -12.3 | 5.0 | 3.8 | 4.0 | - | - | ☀️ |
| Total people in employment (LFS) | 4.3 | -2.4 | 2.1 | 3.1 | 2.2 | 2.2 | 2.1 | ☀️ |
| People employed in construction (LFS) | 7.0 | -13.5 | 4.0 | 3.2 | 4.7 | 2.4 | 2.0 | ☀️ |
| Temporary employment rate in construction (%) ⁵ | 57.6 | 39.6 | 38.1 | 18.0 | 15.2 | - | - | ☀️ |
| Unemployment rate in construction (%) ⁵ | 7.5 | 22.8 | 11.2 | 7.1 | 7.2 | - | - | ☀️ |

Housing demand

| | | | | | | | | |
|---|------|-------|------|-------|-------|-----|------|----|
| Sales ² (thousands) | 775 | 388 | 486 | 584 | 642 | 650 | 618 | ☀️ |
| Sales ² | -0.1 | -8.7 | 9.3 | -10.2 | 10.0 | 1.3 | -5.0 | ☀️ |
| New homes ^{2,5} | 12.1 | -13.4 | -0.1 | -6.0 | -4.3 | - | - | ☀️ |
| Existing homes ^{2,5} | -7.8 | -5.0 | 13.0 | -11.2 | -10.4 | - | - | ☀️ |
| Sales to foreign buyers ³ | - | 2.0 | 8.8 | -8.5 | 3.0 | - | - | ☁️ |
| Sales to buyers for second homes ⁴ | - | -10.5 | 7.0 | -7.1 | 5.0 | - | - | ☁️ |

Prices

| | | | | | | | | |
|------------------------------------|------|------|-----|------|------|------|-----|----|
| House prices (MIVAU) | 12.3 | -4.8 | 2.2 | 3.9 | 5.8 | 5.9 | 3.0 | ☀️ |
| House prices (INE) | 0.0 | -6.1 | 4.9 | 4.0 | 8.4 | 7.2 | 3.0 | ☀️ |
| New house prices ⁵ | - | -4.4 | 6.2 | 8.0 | 10.9 | 10.1 | - | ☀️ |
| Existing house prices ⁵ | - | -7.5 | 4.7 | 3.2 | 8.0 | 5.7 | - | ☀️ |
| Price of land | 18.8 | -8.8 | 1.0 | -2.8 | 8.5 | 9.5 | 3.1 | ☁️ |
| CPI for rent ⁵ | 4.3 | 1.3 | 0.7 | 2.1 | 2.2 | - | - | ☀️ |

Affordability ratios

| | | | | | | | | |
|---|------|------|------|------|------|------|------|----|
| Cost of housing (% of gross disposable income) | 6.7 | 7.9 | 6.9 | 7.2 | 7.1 | 7.2 | 7.1 | ☀️ |
| Theoretical effort (% of gross disposable income) | 37.8 | 38.7 | 30.4 | 37.0 | 35.5 | 34.4 | 34.6 | ☁️ |
| Rental yield (%) ⁵ | 4.5 | 3.5 | 4.0 | 3.4 | 3.3 | 3.4 | - | ☀️ |

Financing⁵

| | | | | | | | | |
|---|------|-------|------|-------|------|---|---|----|
| Number of mortgages | 2.9 | -22.7 | 9.8 | -17.9 | 11.2 | - | - | ☀️ |
| Outstanding balance of home loans | 17.9 | -1.0 | -1.9 | -3.2 | 0.3 | - | - | ☀️ |
| New home loans | 17.7 | -26.7 | 13.7 | -18.6 | 19.4 | - | - | ☀️ |
| Outstanding balance of developer and construction loans | 32.7 | -11.6 | -9.5 | -6.1 | 1.7 | - | - | ☁️ |
| Home loan default rate (%) | 0.5 | 3.5 | 4.0 | 2.5 | 2.5 | - | - | ☀️ |
| Developer and construction loan default rate (%) | 0.5 | 20.2 | 14.7 | 4.0 | 3.3 | - | - | ☀️ |

Notes: 1. Forecasts as of 30 June 2024. 2. The 2000-2007 average for home sales corresponds to the period 2004-2007 and the data are obtained from the Ministry of Housing and Urban Agenda (MIVAU). From 2007 onwards, sales data obtained from the Spanish National Statistics Institute (INE). 3. Sales to foreign buyers according to the Ministry of Housing and Urban Agenda (MIVAU). 4. Purchases of second homes are estimated on the basis of purchases made in a province that differs from the buyer's province of residence. 5. The «2024 forecast» column corresponds to the cumulative amounts up until the latest available data in 2024.

Source: CaixaBank Research, based on data from the Spanish National Statistics Institute (INE), the Ministry of Housing and Urban Agenda (MIVAU), the Ministry of Employment and Social Security and the Bank of Spain.

CaixaBank Research

CaixaBank Research's *Sector Reports* and other publications are available on the website www.caixabankresearch.com. Through our studies, we aim to stimulate debate and the exchange of views among all sectors of society, and promote the dissemination of key issues affecting the socio-economic environment of our time.



Tourism Report S1 2025

Spain's tourism sector enjoyed rapid growth in 2024 and has support factors to continue expanding in 2025. These include the economic growth of the main source countries and the sector's price competitiveness.



Sectoral Observatory 2024

In 2024, the Spanish economy has experienced widespread growth across virtually all of its sectors. The outlook for 2025 also looks promising, although there will be differences in growth rates.



Agrifood Report 2024

Activity in Spain's agrifood sector is increasing at a faster rate than across the economy as a whole and the outlook for the 2024-2025 campaign is encouraging.



Monthly Report

Analysis of the economic outlook for Spain, Portugal, Europe and the world, as well as developments in the financial markets, with specialised articles on the latest hot topics.




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Assessment of the main macroeconomic indicators for Spain, Portugal, the euro area, the US and China, as well as of the meetings of the European Central Bank and the Federal Reserve.



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Monthly analysis of the evolution of consumption in Spain using big data techniques, based on spending with cards issued by CaixaBank, spending by non-customers registered on CaixaBank POS terminals and withdrawals at CaixaBank ATMs.

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RealEstate&Homes

Hogares llenos de vida

En CaixaBank creemos que las empresas del sector inmobiliario merecen una atención especializada. Por ello, disponemos de una red de centros con equipos de profesionales especializados que dan cobertura a todo el territorio para acompañar al promotor durante todo el proceso de construcción, desde el inicio de la obra hasta la entrega de las viviendas. Del mismo modo, facilitamos también la financiación a los compradores a través de la subrogación del préstamo promotor, implicándonos día a día para crear hogares llenos de vida.



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