



### Situation and outlook

# The rally in Spain's real estate market gathers pace

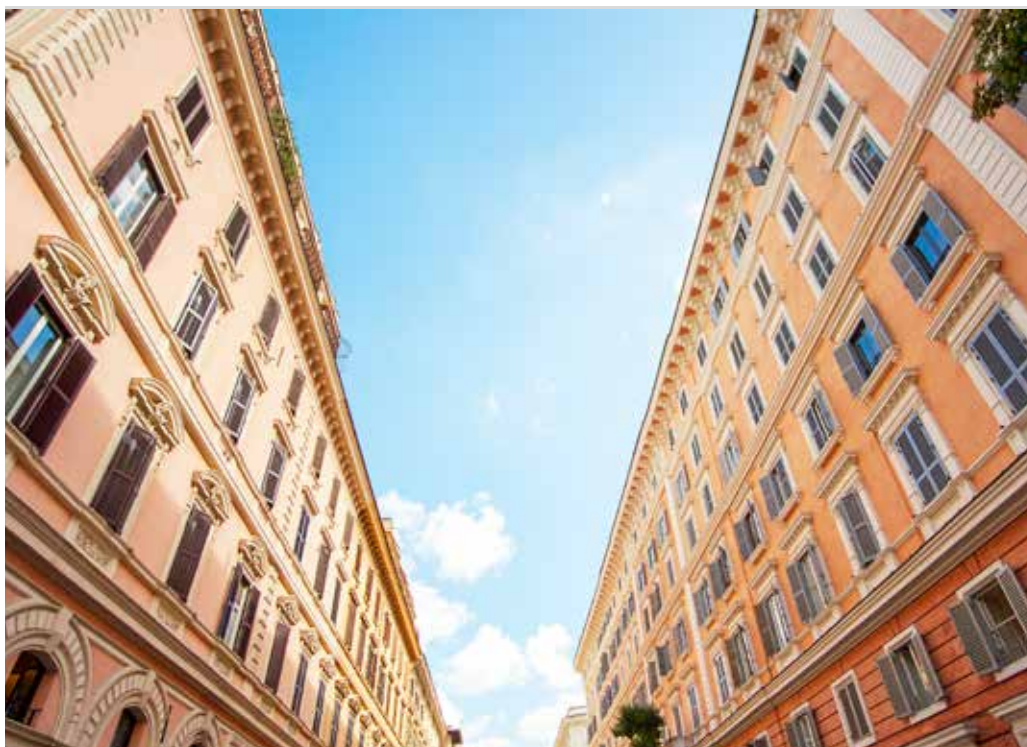
The Spanish real estate market accelerated in 2024, especially in the second half of the year, largely thanks to the fall in interest rates. This was added to a series of factors that are keeping housing demand very dynamic, including significant migration flows, rapid job creation and strong foreign 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.<sup>1</sup>

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).<sup>2</sup>

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

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

<sup>2</sup> 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.

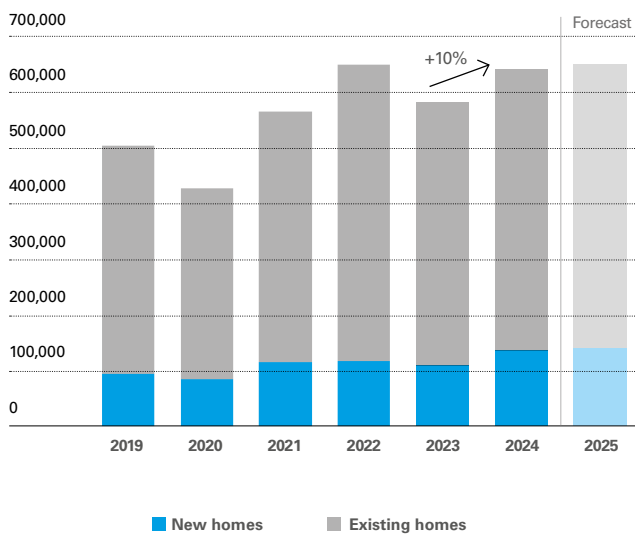


# Real Estate

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.

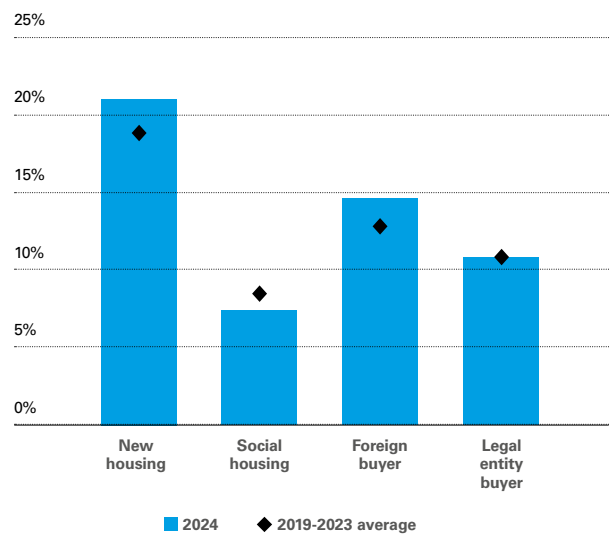
## Housing demand regains momentum

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

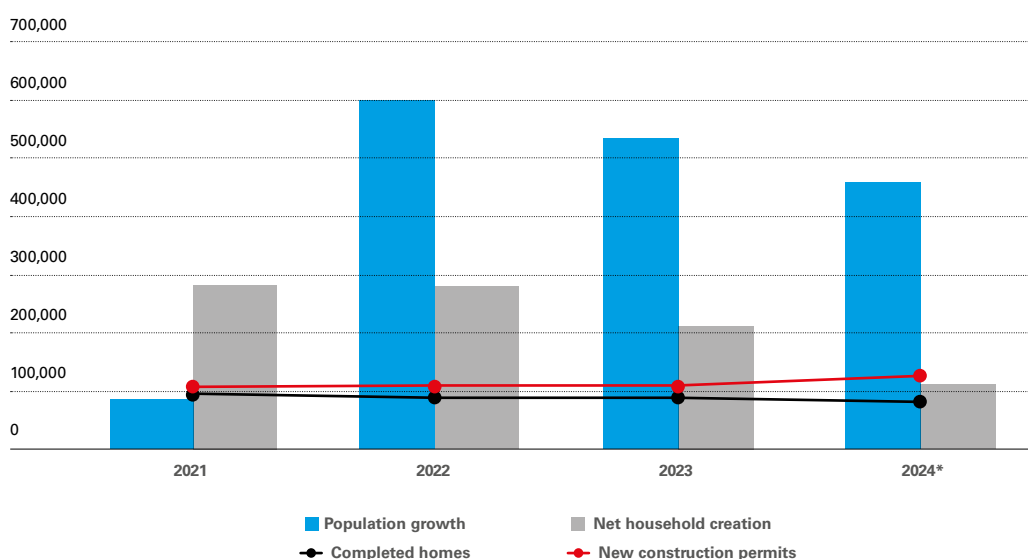
There is a broad consensus that the main imbalance currently affecting the Spanish real estate market is the lack of housing supply. Although producing new housing is a long and slow process, in 2024 signs of a change of trend could be seen in the main indicators of the construction sector, suggesting 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).



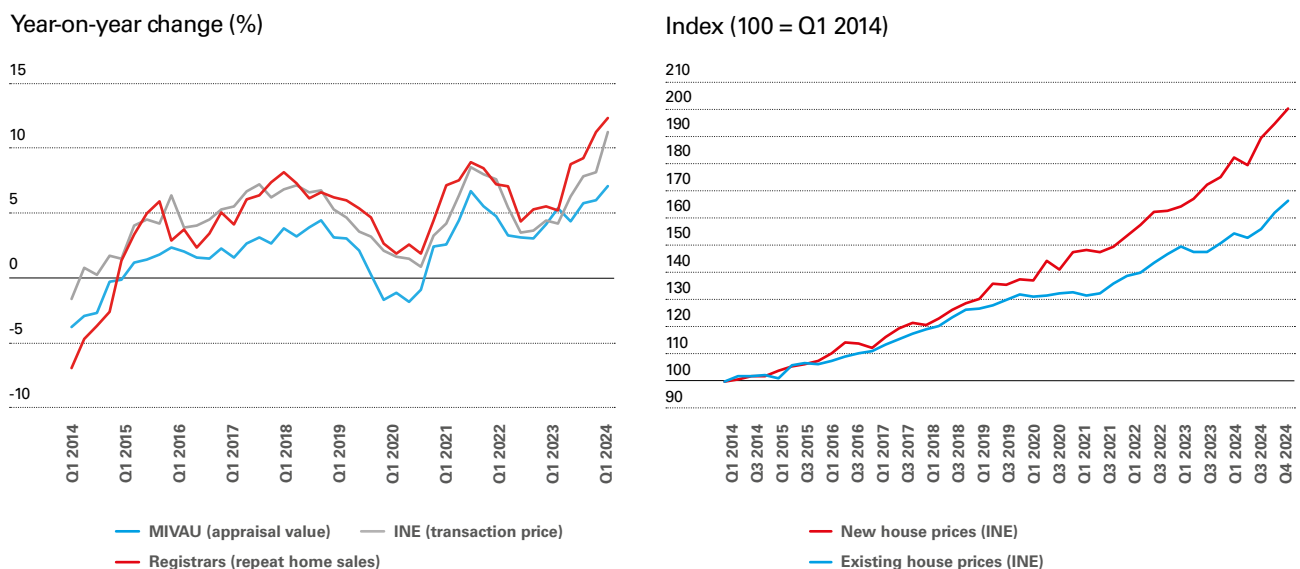
## The pressure on house prices in Spain intensifies

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



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).<sup>3</sup> 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**

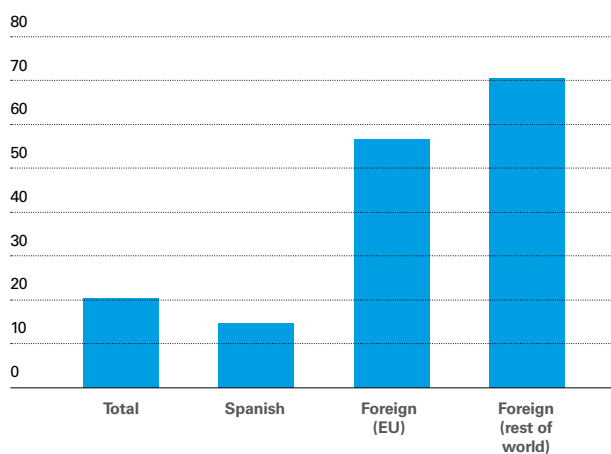


## The Spanish rental market is highly stressed

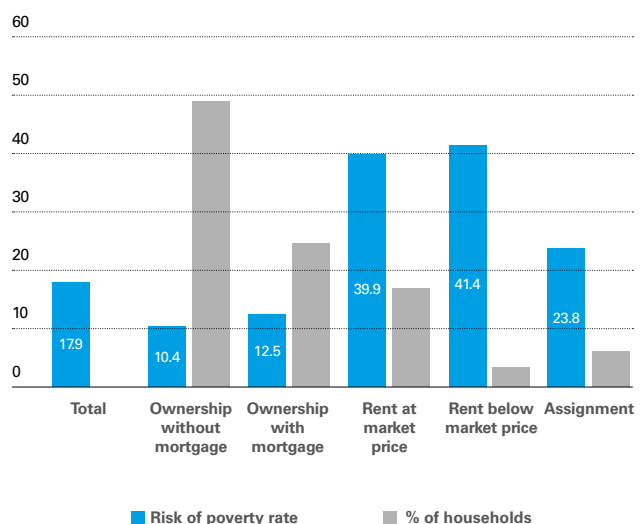
The percentage of households living in rental homes increased in 2024, according to the Living Conditions Survey conducted by the National Statistics Institute (INE), reaching 20.4% of all households (17.0% renting at market prices and 3.4% at below market prices), compared with 18.7% in 2023. The increase 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.<sup>4</sup> 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.

<sup>4</sup>This 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).