

Executive summary

A strained real estate market amid heightened uncertainty

Spain's housing market is in the midst of a phase marked by rising tensions, resulting from a combination of strong demand, insufficient and inelastic supply, and marked regional differences. In this report, we address the recent dynamics in the real estate sector from complementary perspectives and highlight the main challenges it faces: deteriorating affordability, the shortage of available housing and significant territorial imbalances.

Residential activity reached a high volume in 2025, exceeding 714,000 transactions, the highest record since 2007. Demand remained highly dynamic, driven by population growth, improved purchasing power, a robust labour market and favourable financial conditions. However, in the second half of the year, signs of moderation began to appear, due to both high prices and the shortage of available housing, especially new builds.

On the supply side, bottlenecks persist. Despite the progress in new construction permits, actual production remains insufficient to absorb the rapid rate of household formation. **Spain has accumulated a deficit of over 730,000 homes** since 2021, with a high geographical concentration – nearly half are clustered in five provinces: Madrid, Barcelona, Valencia, Alicante and Murcia. The lack of alignment between the trend in new building permits and real housing needs exacerbates the imbalance: the areas with the greatest deficit are precisely where the supply is showing the most limited response.

In parallel, and in contrast to the pattern observed during the pre-2008 boom, the current cycle is showing **significant territorial price dispersion**. The biggest increases are concentrated in major cities, metropolitan areas and tourist municipalities, where

demand is more dynamic and supply remains particularly rigid. Madrid and Barcelona lead the cumulative growth recorded since 2015, while in tourist provinces the price gap versus the rest of the country has widened significantly. This trend highlights that prices are rising more rapidly where demand is stronger and supply is insufficient. Price formation follows a logic of spatial diffusion: it begins in the main markets and then gradually spreads to the periphery. Given the varying rates of price growth between urban centres and their outskirts, this diffusion process still has room to develop.

Thanks to the **CaixaBank Research rental indicator**, we observe that while rental prices are showing moderate growth in renewed contracts, generally aligned with inflation and constrained by regulatory limits, new contracts are recording double-digit increases, especially in 2025. The affordability ratio remains stable at around 30% at the median, although there are significant differences according to age, region and type of contract, and it is particularly high among young people, urban households and new tenants.

The resurgence of geopolitical uncertainty due to the war in Iran could impact the sector through increased costs – particularly of energy-intensive materials – and a potential tightening of financial conditions if risk premiums rise or if the ECB is forced to raise interest rates. Moreover, a decline in household and business confidence could slow investment and moderate housing demand. However, the structural insufficiency of supply, especially in the most dynamic areas, will be the determining factor for market dynamics and price pressures in the coming years.