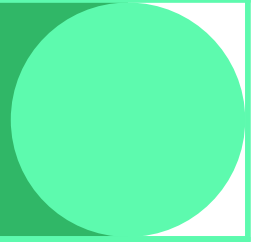




The Spanish Real Estate Market Resists and Grows: **Analysis of the First Half of 2025**



September 2025

KEY TRENDS IN THE REAL ESTATE SECTOR IN THE FIRST HALF OF 2025

INTRODUCTION

The first half of 2025 has confirmed that **the Spanish residential sector has not only withstood the tightening of financial conditions over the past two years, but has also managed to recover and consolidate momentum**, showing remarkable growth both in terms of activity and investment. Specifically, Spain has continued to strengthen its position as one of the most attractive markets in Europe, supported by a sustained recovery in consumption, the normalization of tourism, and a labor market that, while not without challenges, has maintained a positive trajectory.

After several years marked by tighter financial conditions, the stabilization of interest rates by the European Central Bank—holding them at 2% at its latest July meeting—and the decline in inflation have helped restore **a degree of confidence to the economy**. This broad improvement has strongly benefited the real estate sector, which has historically served as a safe-haven asset, and on this occasion has responded with **solid figures in both investment and closed transactions**.

However, the most significant aspect of this first half has not only been the volume of activity but the **persistence of the structural imbalances** affecting housing in Spain, particularly in terms of access, available supply, and geographic distribution. The country continues to face a **sustained shortage of new housing construction**, exacerbated by the **slowness of urban planning processes, the lack of ready-to-build land** in high-demand areas, and a regulatory framework that at times introduces **additional uncertainty for developers and investors**.

In this regard, according to the real estate portal Fotocasa, **current residential demand exceeds available supply by 25%**¹, a mismatch that translates into growing and persistent competition for housing, especially in densely populated urban areas with strong economic appeal. **This phenomenon is accentuated by the fact that, while demand continues to increase, new housing development remains at historically low levels**, with barely 80,000 homes completed annually—a figure that, according to sector estimates², falls far short of the 150,000–180,000 units needed to meet population growth and renew the existing stock.

At the same time, the population continues to grow, particularly in certain urban centers that concentrate job opportunities, education, and services, thereby fueling **demand pressures that are not being matched by proportional growth in available housing stock**.

Against this backdrop, Urbanitae breaks down and analyzes in this report **the key factors shaping the first half of 2025 in the real estate sector**: the performance of new builds, sales, and rentals, as well as the evolution of prices across different areas of the country.

TRENDS IN SECOND-HAND AND NEW HOUSING PRICES

During the first six months of 2025, housing prices in Spain have maintained a **sustained and broad-based upward trend**, driven by a combination of structural and cyclical factors that exert pressure on both the second-hand and new-build markets. In a context of high demand, structurally scarce supply, and a gradual recovery of developer activity, prices have risen particularly sharply in major urban, tourist, and well-connected logistic areas, **reaching a historic record of €2,251/m²** in the

¹Fotocasa, first half of 2025

²Tinsa, second quarter of 2025

second quarter, according to the College of Registrars³.

As for second-hand housing, the average price recorded a year-on-year increase of 14.7% in July 2025⁴, **representing one of the most significant rises in the last five years**. This increase reflects sustained demand which, combined with a growing shortage of supply, continues to place strong upward pressure on prices. Although purchasing power and mortgage conditions are improving, the market is still unable to absorb excess demand. **In fact, in the second quarter, the average price of second-hand housing reached €2,215/m², after growing 2.9% compared to the previous quarter**.⁵

Meanwhile, **the average price of new housing showed a slight decline of 2.9% in the same period⁶, settling at around €2,396/m²**. This temporary drop does not alter the overall trend of the segment, which continues to face significant challenges, including rising construction and land costs, delays in the granting of building permits, and a restrictive regulatory environment that limits the ability of developers to increase supply, making it harder to achieve balance in the market.



Fuente: Tinsa

It is worth noting that the first half of the year was marked by a **clearly inflationary trend in housing prices**. If current conditions persist, it is reasonable to expect this upward pressure to continue in the short and medium term, particularly in the most dynamic markets with strong attraction for both domestic and foreign capital.

Indeed, **foreign demand for housing remained stable in percentage terms**, although absolute figures varied. **The proportion of purchases made by foreign buyers stood at 14.1%**, matching the previous quarter's result and remaining at a historically high level. The leading nationalities among these buyers were **British** (7.8%), **German** (6.6%), **Dutch** (6.5%), **Moroccan** (5.7%), **French**

³College of Registrars, second quarter of 2025

⁴Idealista, YoY growth, July 2025

⁵College of Registrars, second quarter of 2025

⁶College of Registrars, second quarter of 2025

(5.2%), **Italian** (5.2%), and **Romanian** (5.1%)⁷.

TRENDS IN HOME SALES

The evolution of home sales during the first half of 2025 has surprised even the most optimistic analysts, marking **a new milestone in the growth of the Spanish residential market**. According to the National Statistics Institute (INE), nearly 360,000 homes were sold between January and June, reaching the highest volume of transactions in a first half-year since 2007⁸. This reflects not only the **strength of demand** but also the **structural resilience of the sector** in an economic context still shaped by uncertainty and moderate growth.

Compraventa de viviendas en España 1S25

| Tipo de Vivienda | Número de Compraventas | Porcentaje del Total |
|------------------|------------------------|----------------------|
| Segunda mano | 278 000 | 78 |
| Nueva | 79 533 | 22 |
| Total | 357 533 | 100 |

Gráfico realizado por Urbanitae
Fuente: INE • Creado con Datawrapper

This figure represents not only a clear recovery of pre-pandemic levels but also a **significant acceleration compared to the past three years**⁹, highlighting **strong demand momentum, particularly in major capitals, coastal areas, and metropolitan regions**, where supply could come under even greater strain due to the high turnover of available stock.

This performance can be explained by several factors acting together: on one hand, **the stabilization of interest rates and a slight easing of mortgage lending conditions have restored purchasing capacity for many buyers**, particularly those who had been on hold since mid-2023. On the other hand, the perception that prices will continue to rise throughout 2025 has generated a **sense of urgency among buyers**, driving purchasing decisions that might otherwise have been postponed.

In addition, the entry of institutional and private investors—both domestic and international—has significantly boosted transaction volumes in the Spanish real estate market during the first half of 2025. **In this period, according to CBRE, investment exceeded €7.3 billion, an increase of 22% compared to the same period last year**¹⁰. Investment was especially concentrated in cities such as Madrid, Barcelona, Málaga, and Valencia, where the coexistence of development activity and the second-hand market has been accompanied by growing investor pressure shaping the sector's momentum. This is largely because **housing is once again perceived as a safe and profitable asset** in a context of global volatility¹¹, resulting in greater asset turnover and a higher transaction volume.

Finally, it is worth noting that improving economic expectations—particularly in terms of GDP growth and financial stability—together with the gradual reduction in unemployment, **as reflected by various**

⁷College of Registrars, second quarter of 2025

⁸INE, first half of 2025

⁹Datos de Fotocasa, comparativa de los últimos tres años, a junio de 2025

¹⁰Datos de CBRE, primer semestre de 2025

¹¹Análisis de Metrovacesa R3search, julio de 2025

research centers¹², have consolidated a climate of confidence that directly influences household behavior and appetite for investing in primary or investment housing.

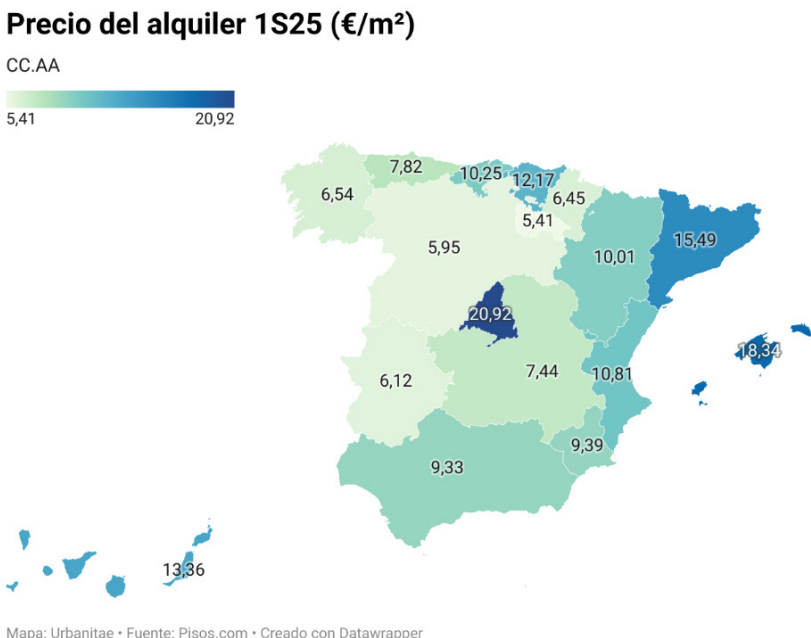
TRENDS IN THE RENTAL MARKET

During the first half of 2025, the rental market in Spain consolidated a **rising trend in both demand and prices**, in a context marked by the growing role of renting as a common option for those who cannot—or do not wish to—access home ownership. This evolution reflects, on one hand, **structural factors** such as the difficulties of accessing ownership, and on the other, **short-term dynamics** that have reduced available supply, increasing pressure on an already tight rental stock.

Currently, **one in four Spaniards—25% of the population—lives in rented housing¹³**, a proportion that has grown steadily in recent years and **reflects a paradigm shift in residential access and preferences in the country**. This consolidation of renting as a stable housing option has direct implications for **price evolution**, especially in the most dynamic urban markets.

In this regard, according to the real estate portal Pisos.com, **average rental prices in Spain rose by 9.93% in the first six months of the year, reaching an average of €13.39 per square meter**¹⁴. This increase consolidates a trend of sustained price growth that has intensified in certain high-demand areas with low stock turnover, such as Madrid, Barcelona, and Valencia.

A territorial analysis also reveals **significant disparities among autonomous communities**. At the end of June, the regions with the highest average rental prices were **Madrid (€20.92/m²)**, the **Balearic Islands (€18.34/m²)**, and **Catalonia (€15.49/m²)**, while the regions with the lowest prices were **La Rioja (€5.41/m²)**, **Castilla y León (€5.95/m²)**, and **Extremadura (€6.12/m²)**¹⁵.



¹²Funcas forecasts for Spain in the second half of the year, as of July 2025

¹³Fotocasa, first half of 2025

¹⁴**Pisos.com**, first half of 2025

¹⁵Pisos.com, first half of 2025

The combination of **structurally high demand, scarce new supply, and growing demographic pressure** in certain urban areas is creating a persistent imbalance in the rental market. Its impact translates into **lower residential mobility, higher household financial strain, and greater difficulty for young people to achieve independence.**

As the Tax Agency already noted in June, Idealista¹⁶ highlights in a recent analysis that **more investors are turning to the outskirts of major cities**, where rental yields are growing strongly. These areas, with more affordable prices than city centers, attract both those seeking cheaper housing and investors looking for higher returns. This shift diversifies the market but also poses new challenges in planning and urban service management, as some suburban areas are not yet prepared to absorb a large influx of residents.

At the same time, these tensions are drawing **increasing interest from institutional capital**, which views the rental segment as a strategic investment avenue offering **stable returns and long-term potential**. In fact, the **living** sector—which includes **build-to-rent (BTR)**, student residences, and flex-living—**led real estate investment in Spain during the first half of 2025, mobilizing more than €1.72 billion**, 14% more than in the same period of the previous year, according to CBRE¹⁷.

PRICES AND THE CITY TRAFFIC LIGHT: WHAT'S RISING AND WHAT'S FALLING

To provide a clear and visual understanding of how housing prices evolved in different regions of Spain during the first half of 2025, this report includes a “traffic light” analysis.

Red light: Provinces where prices keep rising

In the second quarter of 2025, several Spanish provinces recorded significant increases in average housing prices. This trend is especially present in areas with strong economic or tourist appeal. The provinces with the largest increases include Madrid, the Balearic Islands, and Santa Cruz de Tenerife.

Madrid: The capital sets the pace for the Spanish market. The average price per square meter stands at €3,489 after rising 16.1% over the past year. Strong demand, driven by incoming residents and a very active labor market, continues to push prices higher.

Balearic Islands: Here, the price per square meter has already reached €3,417, 14.4% more than a year ago. Demand linked to tourism and foreign purchases maintains pressure on a limited supply.

Santa Cruz de Tenerife: This Canary Island province is approaching €1,927 per square meter, up 14.2% year-on-year. Tourism demand and the appeal of a stable year-round climate sustain this growth.

Amber light: Stability or moderate growth

Although the overall market is moving forward, some provinces show minimal movement. These are areas where prices hardly shift, reflecting a balance between supply and demand or limited buyer pressure.

Melilla: The average price per square meter is about €1,834, only 1.4% higher than a year ago. Limited real estate activity and its unique geography contribute to stable prices.

¹⁶[Idealista](#), second quarter of 2025

¹⁷[CBRE](#), as of July 2025

Teruel: Stands out in this group with an average price of €972 per square meter and a modest 1.2% increase. The province maintains a calm, rural market with little volatility, stable but limited demand.

Burgos: Prices are up slightly by 1.2%, reaching €1,274 per square meter. A mature market, with no alarms and far from the tensions seen in other territories.

Green light: Provinces where prices are falling

In a context of general growth, some provinces stand out for registering declines in average housing prices. Although the drops are not dramatic, they reflect weaker local dynamics, possibly linked to demographic, economic, or supply factors.

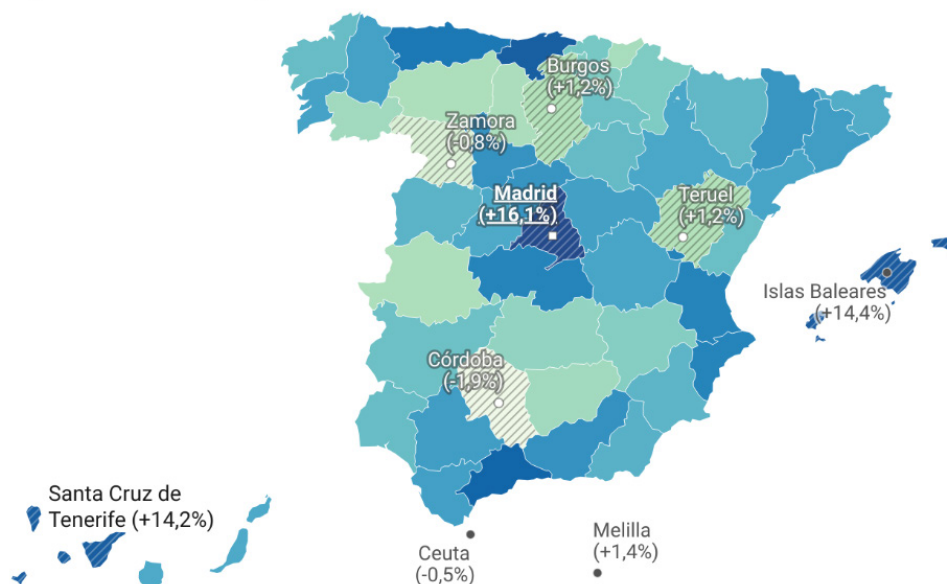
Córdoba: The province with the largest decline, down 1.9%, with an average price of €1,160 per square meter. The fall is due to moderated demand and a local market adjusting to fewer buyers and more available stock.

Zamora: Prices fell to €869 per square meter, down 0.8% from the previous year. One of the cheapest provinces in Spain, with very limited real estate activity.

Ceuta: Also part of this group, with a 0.5% adjustment and an average price of €1,972 per square meter. A mild change consistent with its usual stability and slight downward trend.

Precio de la vivienda por provincias en el 2T 2025

Variación interanual (%)



Mapa: Urbanitae • Fuente: Tinsa • Creado con Datawrapper

OUTLOOK FOR THE REST OF THE YEAR

Looking ahead to the second half of the year, **the Spanish real estate market finds itself at a crossroads shaped by several factors that will decisively influence its evolution**, both in terms of prices and in transaction volumes and rental dynamics—two essential aspects for understanding the sector's overall performance.

However, imbalances persist, such as the mismatch between supply and demand and the increasing pressure on the rental market. Added to this are global economic uncertainties, recently fueled by rising trade tensions and new tariffs imposed by U.S. President Donald Trump. These tariffs **could raise the cost of key materials such as steel, aluminum, and wood**, likely passing these surcharges on to final housing prices and conditioning market evolution, making joint action from all stakeholders necessary.

To ensure the long-term sustainability of the real estate sector, many market players believe it is **essential to tackle two major challenges**: first, **significantly increasing the construction of new housing¹⁹ to meet current and future demand**; and second, **decisively promoting investment in affordable rentals**, thereby facilitating access to decent housing for more people.

Meanwhile, industry analyses **point to accelerating activity in the Spanish residential market, supported by stronger sales and price indicators**, though they also warn of the importance of monitoring inflationary pressures that could undermine medium-term stability. CaixaBank specifically notes that **despite tighter financial conditions and rising interest rates, housing demand remains solid, driven by demographic factors and shifts in housing preferences**. This dynamism, however, is challenged by a pace of construction and renovation that fails to keep up, intensifying pressure on prices and affordability.

In line with this scenario, sector estimates²⁰ suggest that average housing prices in Spain in the second half of 2025 **could rise by around 7%, surpassing €1,900/m²**, while in major capitals they could exceed €3,900/m². Likewise, annual sales are expected to reach 800,000 transactions, reflecting notable market dynamism despite ongoing structural tensions.

In this context, it is essential for developers, investors, public authorities, and other stakeholders to work together to achieve a sustainable balance that increases housing supply without generating further market tensions or undermining affordability. In line with this goal, **the Spanish government has implemented various measures to regulate and support the real estate sector**, including the creation of a public housing company to manage a stock of affordable rental homes, as well as the introduction of a system of public guarantees to ensure rent payments under regulated-price contracts, providing greater security for both landlords and tenants. In addition, a 100% income tax exemption has been established for landlords renting properties under the State Price Reference System.

Therefore, over the next six months of 2025, **a phase is expected that will be marked by a complex balance of opportunities and challenges**, where strategic planning, cross-sector cooperation, and institutional support will be key to consolidating a more stable, accessible, and socially responsive Spanish real estate market.

¹⁸[Sociedad de Tasación](#) forecasts for the second half of the 2025

¹⁹[CaixaBank Research](#) forecasts for the second half of the 2025

²⁰[Donpiso](#) forecasts for the second half of the 2025

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