Spain

By Leyre López, Spanish Mortgage Association

IN A NUTSHELL

- → Mortgage activity rebounded sharply with lower interest rates and expectations of rising
- → Strong demand and insufficient supply adds pressure on prices, especially in major cities and coastal regions
- → The Government introduced guarantees for first time buyers and developers **to improve** housing affordability

MACROECONOMIC OVERVIEW

The economy grew by 3.2% (2.7% in 2023)Household consumption and investment were key drivers, while net exports contributed to a lesser extent. The service sector continued to play an important role with tourism showing particularly strong results following a record-breaking 94 million tourist arrivals.

Job creation remained robust. The number of employed rose by 500,000, of which 200,000 were immigrants. The unemployment rate fell by 1 percentage point to 11.3%, though it continues to be the highest among euro area member states. The strong labour market performance boosted household income by around 9%.

Core Inflation fell to 2.9% (3.4% in 2023) and underlying inflation dropped sharply from 5.9% to 3.0%although energy costs increased towards year end.

Public debt increased in nominal terms but fell as a share of GPD. Reaching 101.8% it fell by 3.3 percentage points.

LOOKING AHEAD

In 2025, the economy is expected to continue outperforming other European economies driven by strong domestic demand.

The real estate market will continue to face the demographic challenges with net household creation estimated at about 250,000 units per year over the next 15 years. To meet sustainability and housing affordability goals, it will be necessary to adapt urban land planning to housing needs and promoting residential development through public-private collaboration.

HOUSING MARKETS

After the contraction in 2023, real estate activity increased to 715,000 units, 12% more than the previous year and equal to 2022 levels, partly due to the ongoing decline in interest rates and the growing household creation driven by net immigration. Foreign buyers remained robust accounting for 18% of all transactions.

Existing properties were 90% of all sales, despite the 9% growth in new property sales, which is expected to continue as housing approvals increased by 17% to28,000 units.

Despite increased supply it remains insufficient to address the affordability problems. based on household net creation estimates the market will need approximately twice as many homes as are currently under construction, and to change housing types to better align with future buyer profiles The greatest needs are in areas with structurally high demographic pressure, such as Madrid, Barcelona and certain coastal regions affected by tourism, including Malaga, Alicante and the Balearic and Canary Islands where prices have increased more rapidly. Nationally, housing prices rose by 6% in nominal terms, but in these regions, the average increase was around 8%. Since 2025, prices across Spain have risen by 30% in nominal terms and by 5% in real terms, with some provinces with more international buyers – such as the Balearic Islands, Malaga or Madrid – growing around 30% in real terms.

MORTGAGE MARKETS

Mortgage origination increased to €68 billion, 20% more than in 2023 and the highest level since 2010 largely due to the fall in borrowing costs and the strength of the labour market.

Repayments were also lower resulting in total outstanding mortgages growing for the first time since 2010, albeit at only 0.5% (-3% in 2023). Even so, the deleveraging process that began after the financial crisis is still ongoing, with residential mortgage credit currently equivalent to just 30% of GDP compared to 60% in 2010.

Due to competition between banks and the interest rate outlook there was a 40 bp fall in average interest rates to 3.3%. Fixed-rate loans were 90% of the market, within this loans with an initial fixed term over 10 years were 60% of the total. Although variable rate loans have been decreasing since 2015, they still represent half of the outstanding mortgage portfolio.

Credit standards have remained stable and prudent according to the Bank of Spain. The loan service-to-income ratio (LSTI) for new loans slightly decreased to 35%, and although the proportion of loans with a loan-to-value (LTV) rate above 80% saw a small annual increase from 6.5% to 7.7%, this does not appear concerning; among other reasons, because it is likely that most of these loans are backed by additional collateral, such as public guarantees.

Overall, delinquency remains at historically low levels, with the residential and the real estate segments performing particularly well, both recording non-performing loan ratios at 2.4%.

NON-MARKET LED INITIATIVES

In response to the challenges certain groups face in accessing credit – particularly young people and families with dependent children – the government established a credit guarantee scheme in 2023 for first time buyers. This partially secures bank financing with an initial endowed of €2.5 billion. However, by April 2025, only 18% of the allocated funds had been disbursed. This measure complements similar regional initiatives; for example, Madrid and Andalusia have launched their own guarantee programs, some of which have recently been revised to ease access.

In parallel, the government has approved a separate line of loans and guarantees for both public and private developers to support the development of social rental housing. The loan facility is expected to mobilize €4 billion – split equally between state funds and contributions from financial institutions. An additional €2 billion has been allocated to the guaranteed scheme associated with the initiative.

MORTGAGE FUNDING

Bank deposits from the private sector increased by 5% in 2024, coinciding with a rise in interest rates. There was a continued shift from demand deposits toward longer-term deposits, which typically offer higher returns. The loan-to-deposit ratio declined to historically low levels, falling below 80%, indicative of financial stability.

Outstanding covered bonds (cédulas hipotecarias) declined moderately by 0.7%, bringing the total balance to under €189 billion. Of this amount, approximately 40% is pledged in monetary policy operations. The decline was more pronounced in the case of mortgage-backed securitizations, which fell by 12% to a total outstanding volume of around €74 billion. Overall, lower funding needs driven by high-liquidity and a shift to bonds that meet regulatory requirements, have reduced the appeal of these financing instruments.

GREEN FUNDING

Approximately 80% of buildings and residential properties have a low energy efficiency rating, according to the Institute for Energy Diversification and Saving (Instituto para la Diversificación y Ahorro de la Energía, IDAE). This presents a significant challenge in light of the decarbonization targets established by the Energy Performance of Buildings Directive (EPBD), which mandates that the entire building stock must achieve zero emissions by 2050.

To meet these targets, the government has launched the National Building Renovation Plan (Plan Nacional de Rehabilitación de Edificios, PNRE 2026) which defines policies and measures to decarbonize the sector. It focuses on promoting innovation and large-scale building retrofitting through public-private collaboration, while identifying viable business models and financing mechanisms. A first draft of the plan is expected to be submitted to the European Commission by the end of 2025.

In parallel, and also within the sustainability agenda, the national government has recently approved a Strategic Project for Economic Recovery and Transformation (Proyecto Estratégico para la Recuperación y Transformación Económica, PERTE) aimed at promoting the industrialization of housing construction, based on standards of affordability and environmental sustainability. This initiative, intended to streamline construction timelines, is backed by €1.3 billion in funding from the Next Generation EU (NGEU) program. The sector calls for simplification and harmonisation of building regulation to streamline processes and enhance efficiency.

	SPAIN 2023	SPAIN 2023	EU 27 2024
MACROECONOMIC VARIABLES			
Real GDP growth (%) (1)*	2.7	3.2	1.0
Unemployment Rate (LSF), annual average (%) (1)	12.2	11.4	5.9
HICP inflation (%) (1)	3.4	2.9	2.6
HOUSING MARKET			
Owner occupation rate (%) (1)	75.3	73.7	68.4
Gross Fixed Investment in Housing (annual change) (1)	0.6	1.7	-4.3
Building Permits (2015=100) (2)	217.2	257.0	136.9
House Price Index - country (2015=100) (2)	122.6	129.7	179.8
House Price Index - capital (2015=100) (2)	145.1	156.1	171.5
Nominal house price growth (%) (2)*	3.9	5.8	4.9
MORTGAGE MARKET			
Outstanding Residential Loans (mn EUR) (2)	471,915	474,501	6,879,667
Outstanding Residential Loans per capita over Total Population (EUR) (2)	9,814.1	9,759.4	15,311
Outstanding Residential Loans to disposable income ratio (%) (2)	51.1	49.0	71.3
Gross residential lending, annual growth (%) (2)	-13.8	20.8	3.9
Typical mortgage rate, annual average (%) (2)	3.75	3.35	4.34

(1) Eurostat Data
(2) European Mortgage Federation – Hypostat 2024, Statistical Tables

SPAIN FACT TABLE

Which entities can issue mortgage loans in your country?	Mortgage lending is always provided by financial institutions. Banks, savings banks, credit cooperatives, and financial credit establishments are the institutions allowed by law to grant mortgage loans and issue securities. It is worth mentioning that saving banks were especially affected by the financial crisis due to the high exposure to the real estate sector. Several saving banks disappeared through liquidation or acquisition, and most of the remaining were transformed into banks after Law 26/2013 of 27 December was passed. Since then, only small and regional saving banks operate in the market.
What is the market share of new mortgage issuances between these entities?	More than 85% of the total volume of new mortgage loans was granted by banks. Other financial institutions, like credit cooperatives and financial credit establishments, represent the remaining 15%.
Which entities hold what proportion of outstanding mortgage loans in your country?	Banks and former saving banks stand for a major part of the market, representing around 90% of total outstanding mortgage lending. The remaining 10% is covered by credit cooperatives and financial credit establishments.
What is the typical LTV ratio on residential mortgage loans in your country?	On average, in 2024, the LTV ratio on new residential mortgage loans was 63% (according to Bank of Spain statistics). However, the most common LTV for FTB is 80%, while for second houses the maximum level is normally 70%.
How is the distinction made between loans for residential and non-residential purposes in your country?	Residential loans include loans granted to households for housing purchase.
What is/are the most common mortgage product(s) in your country?	The most common mortgage loan product historically was the variable rate mortgage loan reviewable every 6 or 12 months with a French amortisation system. In variable-rate mortgage loans, the interest rate is linked to an official reference index (the most common is Euribor 12m). Since 2015, initial-fixed interest rate mortgage loans have gained momentum, representing more than 90% of gross residential lending in 2024.
What is the typical/average maturity for a mortgage in your country?	According to Bank of Spain statistics, the average maturity for new mortgage loans was around 24.5 years, with the most typical term for FTB being 30 years. As usual, the real amortisation period is usually lower, around 15 years on average.
What is/are the most common ways to fund mortgage lending in your country?	Covered bonds, RMBS/CMBS, and deposits.
What is the level of costs associated with house purchase in your country (taxes and other transaction costs)?	The main transactions cost associated with house purchase are VAT for new housing, which represents 10% of the value of the house, and the Tax on property transfer for second-hand dwellings (with a rate normally between 6-10%, depending on the geographical area). As of 2019, after the *Law 5/2019 regulating Real Estate Credit Contracts* was passed, all costs linked with the constitution of the mortgage must be covered by the bank (Mortgage Stamp Duty – "AJD" Tax; notary, registry, and agency fees), except the cost of the valuation of the property and the notarial copies requested by the client, which are the responsibility of the borrower. Another cost that is compulsory for the borrower when taking out a mortgage is the cost of fire insurance.
What is the level (if any) of government subsidies for house purchases in your country?	In 2013, the tax deduction that had been in force for years aimed at aiding homebuyers came to an end, remaining exclusively for those homebuyers who had purchased a property before that date. In 2018, a new State Housing Plan for the 2018-2021 period (recently extended until 2025) came into force, which seeks to facilitate access to housing property for vulnerable young people under 35 years old, whilst trying at the same time to boost the regeneration of urban and rural areas affected by depopulation. Eligible beneficiaries must buy a home in a municipality with less than 10,000 inhabitants and the amount granted under this scheme shall not exceed EUR 10,800 per dwelling, limited to 20% of the purchase price. In 2023, a public line of guarantees was approved through Royal Decree-Law 5/2023 to partially cover the loan for the acquisition of a primary residence for young people or families with dependent children. The guarantee has a duration of 10 years and covers up to 20% of the principal, although it can be extended to 25% if the property has a minimum energy rating of D.