Spain

By Leyre López, Spanish Mortgage Association

IN A NUTSHELL

→ The economy grew by 2.8%.

→ Housing demand and mortgage activity remained robust, albeit they gradually slowed down.

→ The 2026–2030 National Housing Plan (Plan Estatal de Vivienda 2026-2030) was approved, including various support measures primarily aimed at rental housing and, to a lesser extent, home purchase.

→ Housing prices accelerated their upward trend in nominal (+13%) and real (+10%) terms, although with regional disparities, with the main regions recording increases above the average.

MACRO-ECONOMIC OVERVIEW

The Spanish economy maintained strong momentum in 2025, growing by 2.8%, nearly double the rate recorded across the euro area. This performance was underpinned by robust private consumption and investment, while external demand detracted from economic growth, in contrast to previous years, reflecting the increasingly challenging international environment. Employment creation remained solid supported by strong investment, easing interest rates and continued population growth. Spain's population increased by half a million people over the year, reaching 49 million inhabitants, with foreign nationals accounting for 80% of this growth. Unemployment fell from 11.4% at year-end 2024 to 10.4%, 12 months later.

Inflation (HICP) moderated slightly to 2.7% compared with 2.9% in the previous year. Although 2026 began positively, the energy shock stemming from escalating tensions in the Middle East is already beginning to feed through into the latest available data.

Household saving rates remained at historically elevated levels, although they declined somewhat towards the end of the year, averaging 12% of gross disposable income.

Public debt continued to improve in relative terms, supported by sustained economic growth, allowing it to move closer to pre-pandemic levels. Despite this progress, the debt-to-GDP ratio remains high at 101%, still representing a potential source of vulnerability that could put upward pressure on the sovereign risk premium in the event of an economic slowdown. Nevertheless, the sovereign risk premium remained at historically low levels, closing the year at around 40 basis points.

LOOKING AHEAD

The first months of 2026 point to a moderation in transaction activity following the exceptionally strong performance recorded in 2025. This slowdown could intensify should interest rate conditions tighten further, reflecting the increasingly complex international environment. Nevertheless, the impact on households may be mitigated by their relatively strong financial position.

HOUSING MARKETS

The real estate market remained strong in 2025, both in terms of activity and prices, despite housing affordability continuing to represent a key structural challenge for a significant share of households. Over the year, transactions increased by 5%, although momentum gradually moderated, a pattern particularly evident in regions facing stronger demographic pressures. In total, the year closed with 753,000 transactions, significantly narrowing the gap with the boom years, when an average of around 850,000 homes were sold annually. However, the underlying market composition is substantially different from that period.

Foreign buyers now account for 17% of total transactions, while second-hand properties represent nearly 90% of activity, well above the levels recorded during the previous boom cycle. This shift reflects the limited capacity to expand new supply, particularly in high-demand areas. Although new-build permits continued to increase throughout the year – reaching approximately 140,000 dwellings (+9%) – this level remains insufficient to fully absorb underlying demand, especially in market segments facing greater affordability constraints and in a context of limited availability of subsidized housing. The number of completions fell by 10% to 88,000.

Strong demand, combined with more subdued supply growth, continued to exert upward pressure on the market, driving a 13% nominal increase in house prices by year-end. In contrast to transaction trends, price growth was led by some of the most dynamic labour- and tourism-driven regions, with the Community of Madrid and the Balearic Islands standing out as the markets recording the strongest cumulative price increases since 2021, in both real and nominal terms.

MORTGAGE MARKETS

MARKET DYNAMICS

Throughout the year, new mortgage lending for house purchases remained robust, posting double-digit growth in every month. In total, financial institutions originated approximately €83 billion, 22% above the previous year and the highest annual volume in 17 years. Activity was supported by a favourable macroeconomic backdrop, alongside the downward trajectory in interest rates. The weighted average interest rate declined progressively to 2.6% in December, from levels above 3.3% in December 2024, within a context of relative monetary stability following the sharp increases observed in 2023. Credit standards for new lending remained prudent overall, although there was an increase in the proportion of loans with higher loan-to-value (LTV) ratios, still well below historical averages.

The long-term fixed-rate mortgage segment continued to gain market share, accounting for close to 80% of the new lending. Together with short-term and medium-term fixed-rate mortgages, these products represented more than 90%

of new origination. By contrast, the composition of the outstanding mortgage portfolio still reflects past trends, when variable-rate lending predominated, although decreasing gradually. Nearly 45% of outstanding balances remain linked to an external benchmark index. This change, which has been occurring since around 2015 has accelerated recently due to the normalization of the monetary policy, highlights a transfer of interest rate risk towards financial institutions, thereby providing households with greater stability in their financial flows.

For the second consecutive year, the outstanding credit for housing purchase grew, reaching 3.6%. Despite this upturn, leverage relative to GDP continues its downward trend and remains below historical levels. Outstanding credit to real estate and construction activities also grew, jointly rising 1.8%, although – in contrast to residential lending – momentum slowed toward year-end. NPL exposures continued to decline across both portfolios, falling sharply by approximately 20%. Combined with credit expansion, this drove NPL ratios down to 1.8% and 3.0%, respectively – the lowest levels since 2008.

Lower credit-risk costs, coupled with rising profits and improved operational efficiency, are enabling institutions to strengthen profitability, offsetting the negative impact on net interest margins from declining interest rates. The Spanish banking system ranks among the most profitable in Europe. At the same time, it maintains solid solvency levels above regulatory minimums, though still below those of its European peers.

NON-MARKET LED INITIATIVES

In 2025, the Ministry of Housing and Urban Agenda (MIVAU) launched the public consultation for the draft Royal Decree regulating the 2026–2030 National Housing Plan. Approved early in 2026, the Plan establishes three main lines of action ranging from supporting youth emancipation through rental and home-purchase assistance to promoting urban rehabilitation and regeneration and expanding the supply of social housing via incentives for owners of vacant properties and developers. Endowed with €7 billion, the Plan is framed within a context in which housing affordability has gained significant importance due to the persistent increase in residential prices amid constrained supply.

Against this backdrop, the government intends to adjust certain features of the public guaranteed scheme – introduced in 2024 – for young people and families with dependent children, as it is not achieving the expected impact. From its launch through the end of 2025, only 10,450 mortgage arrangements have been guaranteed, representing barely 1% of new mortgage originations granted over the past two years.

Regarding property valuations, Order ECO/805/2003 was amended, regulating valuation standards for real estate serving as mortgage collateral. Among other measures aimed at streamlining developers' access to financing, it is now permitted to use a basic license or a prior administrative authorization to value a project on the assumption of a completed property. This allows construction to commence without waiting for the building permit, subject to compliance with certain technical requirements. In addition, the Energy Performance Certificate has been established as a mandatory document required for the issuance of any mortgage valuation report.

MORTGAGE FUNDING

Consistent with prior years, outstanding mortgage-backed securitisations declined (–10.1%), closing the year at €66.33 billion. Outstanding covered bonds (cédulas hipotecarias) stood at €186.27 billion, of which approximately 70% were retained by the issuing institutions, with a significant share pledged as collateral in monetary policy operations.

While total outstanding covered bonds declined by 1.2% on a net basis, retained issuances increased by 12%. This pattern suggests a greater reliance on these instruments as collateral in funding operations following the ECB's withdrawal of liquidity, as well as the continued development of balance-sheet optimisation strategies to comply with regulatory liquidity requirements.

GREEN FUNDING

In response to the transposition of the EPBD, the Ministry of Housing and Urban Agenda (MIVAU) is developing the National Building Renovation Plan to support the transformation of the residential and tertiary building stock towards zero-emission buildings by 2050. At the end of 2025, the first draft was submitted to the European Commission, and a call for best practices has been launched to identify, assess, and disseminate exemplary initiatives that contribute to the decarbonisation of the existing building stock.

In line with this framework, the new 2026–2030 National Housing Plan includes a dedicated funding line to improve the energy efficiency, safety, and accessibility of the existing housing stock. This measure, which accounts for 30% of the total budget, supports the renovation of both multi-family residential buildings and single-family homes.

In the area of green finance, there are no material new developments. Institutions providing green mortgages or loans continue to rely on their own internal standards. In general, banks offer some degree of interest rate discounting for properties with energy ratings of A or B, as well as for renovation works that reduce energy consumption.

	SPAIN 2024	SPAIN 2025	EU 27 2025
MACROECONOMIC VARIABLES			
Real GDP growth (%) (1)*	3.5	2.8	1.5
Unemployment Rate (LSF), annual average (%) (1)	11.4	10.4	6.0
HICP inflation (%) (1)	2.9	2.7	2.0
HOUSING MARKET			
Owner occupation rate (%) (1)	73.7	73.3	68.5
Gross Fixed Investment in Housing (annual change) (1)	2.1	3.4	2.8
Building Permits (2015=100) (2)	257.0	n/a	86.9
House Price Index - country (2015=100) (1)	129.7	144.22	161.92
House Price Index - capital (2015=100) (2)	156.1	177.63	n/a
Nominal house price growth (%) (1)*	5.81	11.18	5.5
MORTGAGE MARKET			
Outstanding Residential Loans (mn EUR) (1)	474,501	491,547	5,617,435.11
Outstanding Residential Loans per capita over Total Population (EUR) (2)	9,759.4	9,910.24	12,472.10
Outstanding Residential Loans to disposable income ratio (%) (1)	49.15	46.15	81.39
Gross residential lending, annual growth (%) (1)	20.5	21.8	2.8
Typical mortgage rate, annual average (%) (2)	3.35	2.73	3.31

(1) Eurostat Data
(2) European Mortgage Federation – Hypostat 2026, Statistical Tables
** Eurostat Reviewed*
*** EU 2025 to be confirmed*

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 savings banks were especially affected by the financial crisis due to the high exposure to the real estate sector. Several savings banks disappeared through liquidation or acquisition, and most of the remaining ones were transformed into banks after Law 26/2013 of 27 December was passed. Since then, only small and regional savings 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 savings banks account 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 2025, the LTV ratio on new residential mortgage loans was 65% (according to Bank of Spain statistics). However, the most common LTV for first-time buyers (FTB) is 80%, while for second homes 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 a variable-rate mortgage loan, with the interest rate reviewed every 6 or 12 months, using a French amortisation system. For variable-rate mortgage loans, the interest rate is linked to an official reference index (the most common is 12-month Euribor). Since 2015, mortgage loans with an initial fixed interest rate have gained momentum, representing more than 90% of gross residential lending in 2025.
What is the typical/average maturity for a mortgage in your country?	According to Bank of Spain statistics, in 2025 the average maturity for new mortgage loans was 25 and a half years, with the most typical term for FTBs being 30 years. As usual, the real amortisation period is usually shorter, 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 transaction costs associated with house purchase are VAT for new housing, which represents 10% of the value of the house (4% in the case of social housing), and the Property Transfer Tax for second-hand dwellings (with a rate normally between 4% and 10%, depending on the geographical area). Since 2019, following the adoption of Law 5/2019 regulating Real Estate Credit Contracts, all costs linked to the establishment of the mortgage must be covered by the bank (Mortgage Stamp Duty – AJD Tax, notary, registry, and agency fees), except for 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 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 to support homebuyers came to an end, remaining available exclusively for those who purchased a property before that date. From 2026 onwards, under the State Housing Plan (2026–2030), some support measures have been approved to facilitate home purchase by young people up to the age of 35, subject to certain conditions. The plan builds on the previous programme by increasing support to up to €15,000 (compared to €10,800 previously) for those who build or purchase their first home in rural areas. This amount is limited to 20% of the construction or purchase price. In addition, the plan provides for aid of up to €60,500 for young individuals participating in rent-to-buy schemes to purchase social housing, whereby the rent paid can be deducted from the final purchase price. The purchase option must be exercised between one and four years after the execution of the lease agreement.