

NOVEMBER 2025

Real estate observatory

Key points

The key determinants of housing demand remain strong



The economy will grow by 3.0% in 2025 and 2.3% in 2026. Interest rates will remain stable at relatively low levels, while employment and wages will continue to rise. In addition, positive migration flows and the greater appeal of buying versus renting will support demand. The relative increase in rental prices encourages buying over renting.

Residential transactions slow down



Homesales increased by 5.9% year-on-year in the first eight months of the year. Although the number of transactions is still high, there has been a recent slowdown, affecting both new and used homes — especially non-primary residences and mortgage-free purchases. The main causes appear to be the shortage of supply and the rise in housing prices, despite favorable factors such as improved employment, rising disposable income and lower interest rates.

Production is progressing but doing so at a slower pace than desired



The issuance of new housing construction permits grew by almost 7.6% year-on-year in the first eight months of the year. This progress is still insufficient to respond to the accumulated unmet demand between 2021 and 2025 (625,000 households). Until the process of land transformation is accelerated, legal certainty increases and the lack of labor is resolved, progress will continue to be slow.

Housing prices show the imbalance in the market



Housing prices grew by 9.7% year-on-year in the first half of 2025, despite a slowdown in demand. In real terms, it is still 30% below the highs of 2007.

The shortage of product also affects rentals, where rents are showing more significant increases than those of properties for sale (34% vs. 22% between Q2 2025 and 2019).

Key points

The rise in prices will continue to show the imbalance between supply and demand



Although various factors will continue to support demand growth, the lack of supply at affordable prices may limit the progress of sales: on average for the year, they are expected to grow by 1.8% in 2025 and stagnate in 2026 (-0.3%). New housing construction will increase (10% in 2025 and 12% in 2026), but not enough to prevent housing prices from rising both in 2025 (10% on average) and in 2026 (7%).

Lack of labor remains a medium-term problem for construction



The number of unfilled vacancies in the sector remains very high, despite the reduction observed in the first half of 2025 thanks, in part, to the arrival of the foreign population. The sector is facing the challenge of a generational shift due to the ageing of its workforce. Immigration, training and industrialization of processes are part of the solution.

Increasing supply means increasing profitability, especially for small businesses



Improving profitability, especially among construction SMEs, could help increase housing supply. Accelerating land development timelines and reducing operating costs are key priorities. It is also necessary to improve regulation, reduce the operating costs of companies and boost productivity.

Political and institutional consensus is needed to undertake reforms that boost the sector



While the budget allocated to the new Housing Plan 2026-2030 is welcome, the lack of consensus will be an obstacle to achieving the global objectives pursued. In the current scenario of supply shortages, it is necessary to focus efforts on measures to increase the supply of properties for purchase and rent. Greater coordination between public administrations is needed.

1. November 2025

Global Environment

The new U.S. policies will affect the global economy more gradually than estimated

Global resilience, due to fiscal stimulus, AI, looser monetary conditions, weaker dollar, preventive exports, effective tariffs, that are lower than nominal rates, etc.



Disruptive policies in the U.S.: tariffs higher than expected, pressures on the Fed and tougher than expected immigration policies, high fiscal deficits, geopolitical conflicts not yet resolved



Global growth will slow down: Rates are expected to converge to 3% in the U.S. and remain at 2% in Europe; inflation will remain high in the U.S., controlled in Europe and low in China

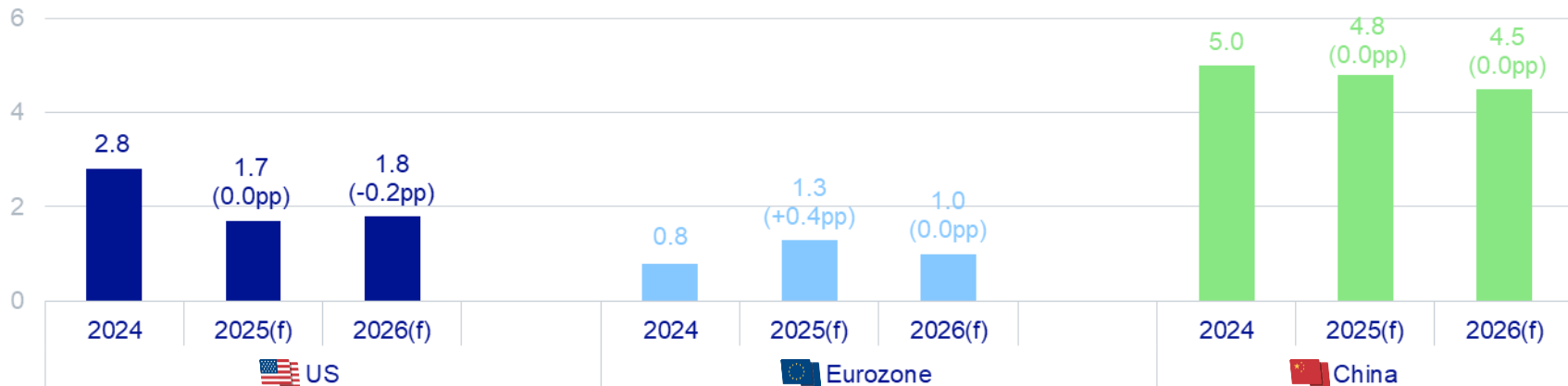


Upside risks: new negative supply shocks (tariffs, immigration policies) and tensions due to pressures on the Fed; and, as a positive risk, AI



Global growth is forecast to moderate gradually moving forward, from 3.3% in 2024 to 3.0% in 2025 and 3.1% in 2026

GDP GROWTH (% , CHANGE WITH RESPECT TO PREVIOUS FORECAST IN PARENTHESES)



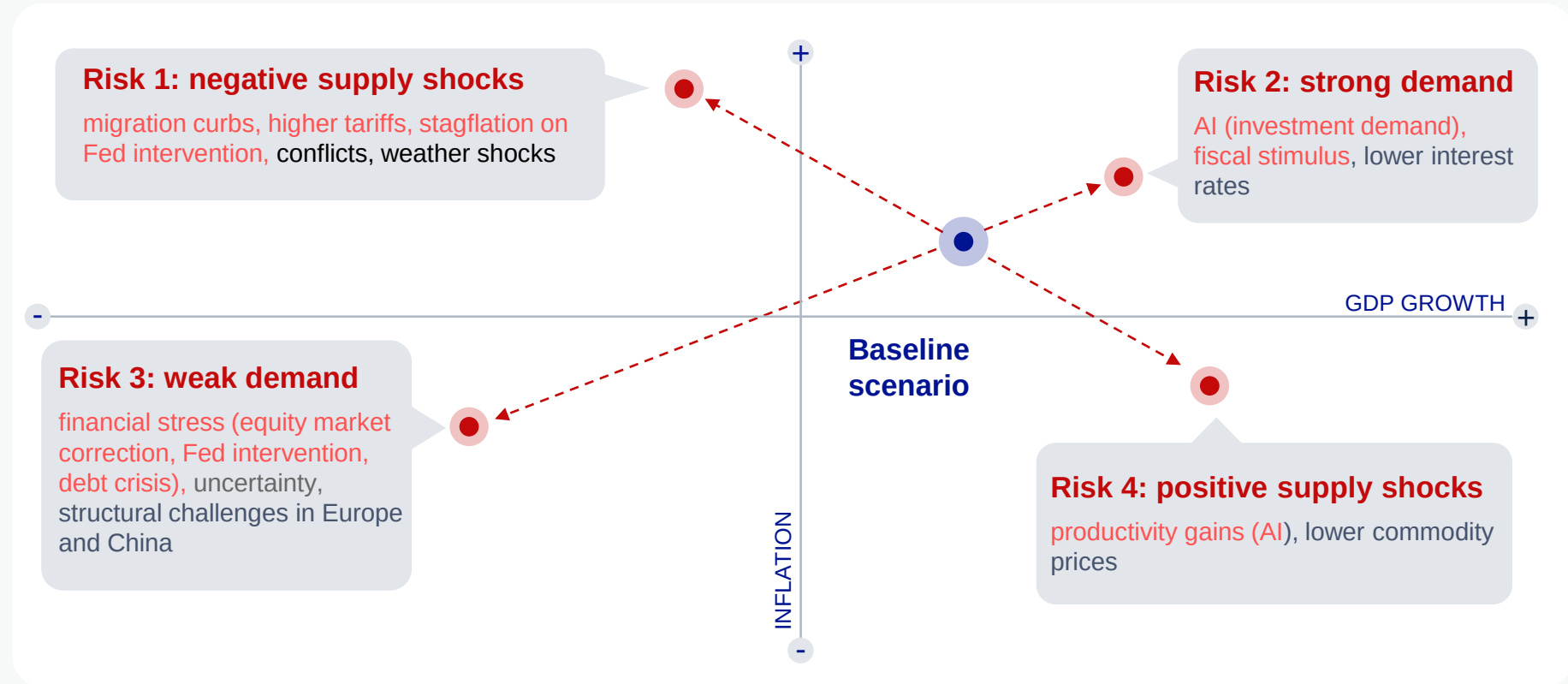
(*) Global GDP grew by 3.3% in 2024 and is forecast to expand by 3.0% in 2025 and 3.1% in 2026, unchanged in comparison to previous forecasts.

(f): forecast.

Source: BBVA Research

In the US, more disruptive policies favor weaker growth despite supportive 2Q25 GDP data and positive AI effects; in Europe, recent data support higher growth in 2025, while 2026 outlook stays unchanged: defense stimulus to offset tariff impact; in China, slowdown prospects remain in place

Risks are mounting amid heightened uncertainty, recurring shocks, weaker global cooperation and potential non-linearities



2. November 2025

Economic Outlook - Spain

GDP will grow as the economy slows



3.5%



2024

▲ +0.3 pp

3.0%



2025 (f)

▲ +0.5 pp

2.3%



2026 (f)

▲ +0.6 pp

(f): forecast.
Source: BBVA Research, based on INE data.



Outlook revised
upward



Outlook
unchanged



Outlook revised
downward



Factors that will support economic activity

Exports will grow at a similar rate to GDP, despite their slowdown

Higher household spending on services in Europe, the deseasonalization of tourism, increased investment, and the growth of the labor force underpin this momentum



Ongoing immigration and rising labor force participation

The extension of the expansionary phase of the cycle explains the increase in the employment-to-population ratio after the pandemic, driven by the rebound in the tendency to participate in the labor market



Fall in the price of energy

The decrease in the cost of transport represents a significant improvement in the competitiveness of the export sector. It also helps to reduce inflation and boost the recovery of the purchasing power of household income



Monetary policy will be moderately expansionary

While the cycle of interest rate cuts is expected to come to an end, interest rates will remain relatively low, which could continue to boost new credit growth



Factors that will support economic activity

The execution of the NGEU funds could accelerate over the coming months as the deadline approaches

A cumulative impact on GDP (until 2028) of between 5.5 pp and 6.4 pp is estimated



Defense spending could contribute to growth, especially if it ends up having a low import content

The execution data of the PGE point to a certain acceleration in defense spending from May 2025



The fiscal stimulus from the flash floods continues, although it is becoming more moderate

By the end of Sep-25, nearly €3.8 billion (0.2% of GDP) in aid and contracts had been awarded. Added to that amount is more than 3.6 billion euros as compensation from the CCS



Investment in intangible assets is revised upward

BBVA data point to strong dynamism during the first half of 2025



Bottlenecks to growth persist

Tariff hikes and the appreciation of the euro will continue to weigh on progress

Sustaining competitiveness improvements related to the cost of electricity requires additional investments

There is a labor shortage despite immigration, which could slow down

Productivity is expected to converge to its historical values

Spain faces a daunting reduction in the public deficit, with growing expenditure needs

While trade uncertainty is reducing, domestic uncertainty is increasing

3. November 2025

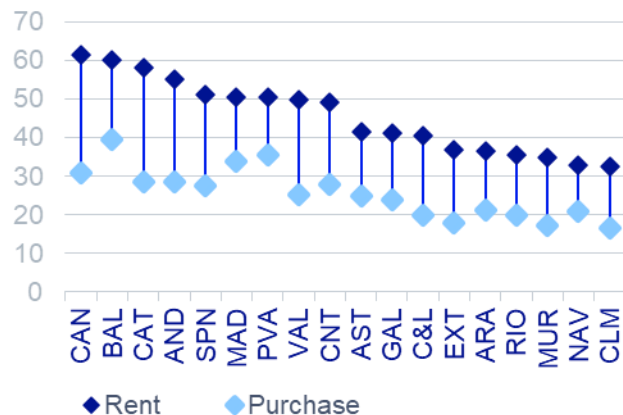
Real estate outlook

Demand

The incentive to buy versus rent is high

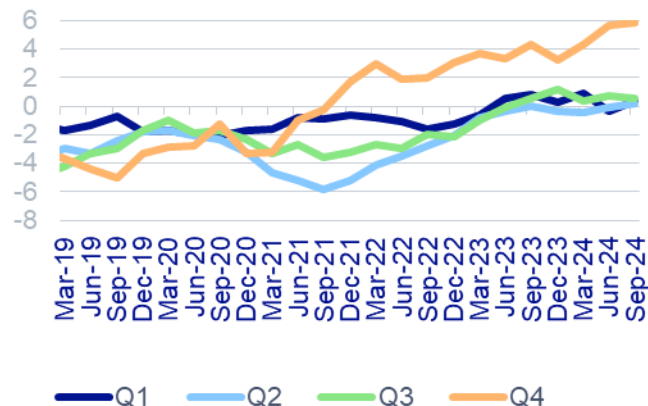
HOUSING AFFORDABILITY IN 2Q25

(% HOUSEHOLD WAGE INCOME ALLOCATED TO HOUSING PAYMENT*)



* Rental effort: percentage of wage income allocated to rent for an average 90 m² home. Purchase effort: % of the salary income allocated to the payment of the first mortgage payment of an average loan to acquire an average home of 94 m². Source: BBVA Research based on Idealista, INE, MIVAU and BdE.

HOME PURCHASE INTENT BY INCOME QUARTILE (SDWA DATA COMPARED TO THE HISTORICAL AVERAGE)



Note: the indicator refers to the intention to purchase within the next 12 months. Source: BBVA Research based on European Commission data.

The share of salary income needed to rent a home is higher than that required to buy one, which puts greater pressure on the home purchase market. According to the European Commission, purchase intention has recovered more among the higher-income population

Demand

Sales of homes are slowing down

SPAIN: HOME SALES

(SWDA DATA)

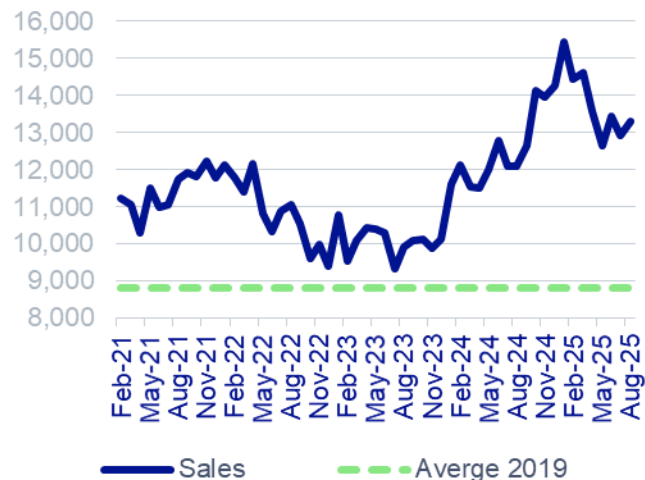


- Since February 2025, home sales have shown a slowing trend, although the level of transactions remains relatively high.
- The **shortage in the supply** of new and used products could be limiting transactions. In addition, **the high level of prices** that housing is reaching could be driving part of the demand out of the market due to financial constraints.
- In any case, in the first eight months of the year **sales rose by 5.9% year-on-year in the first eight months of the year.**

Demand

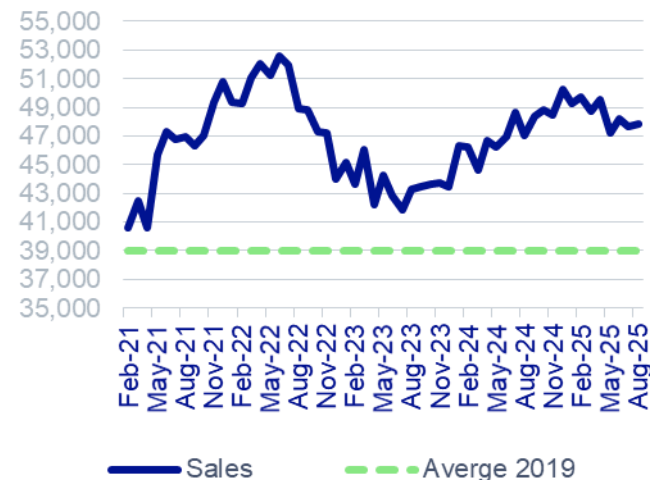
Sales are down for both new and used homes

SPAIN: SALES OF NEW HOMES
(SWDA DATA)



Source: BBVA Research from CIEN.

SPAIN: SALES OF USED HOMES
(SWDA DATA)



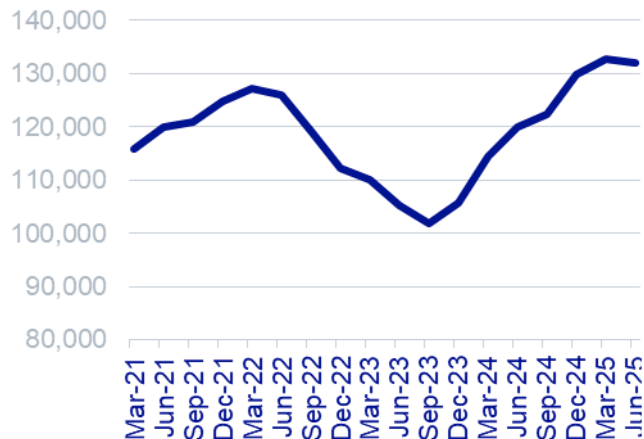
Source: BBVA Research from CIEN.

The decline in sales affects both new and pre-owned housing. In the second quarter of the year, new product transactions fell by 11% q/q SWDA. In the case of second-hand housing, the correction was by 2% q/q SWDA

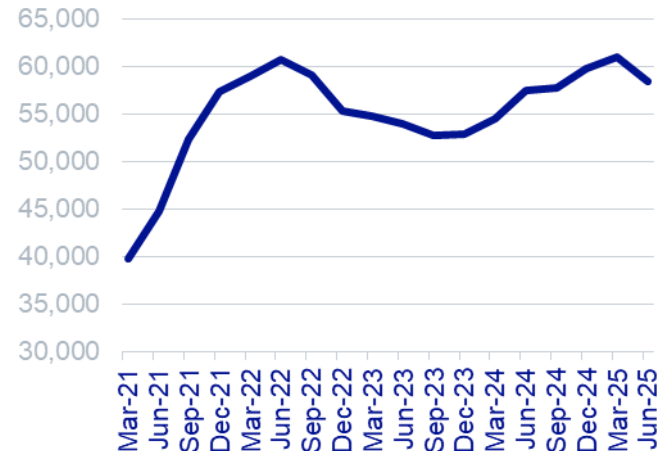
Demand

Slowdown impacts all residential segments

SALES OF PRIMARY RESIDENCES*
(NUMBER OF DWELLINGS, SWDA)



SALES IN REST OF SEGMENTS* (NUMBER OF HOMES, SWDA)



* The primary residence is considered to be that acquired by residents in the same province in which the home is located. A second home is one purchased by residents in a province different from their primary residence. Foreign transactions are those carried out by individuals who are not Spanish nationals.
Source: BBVA Research from MIVAU.

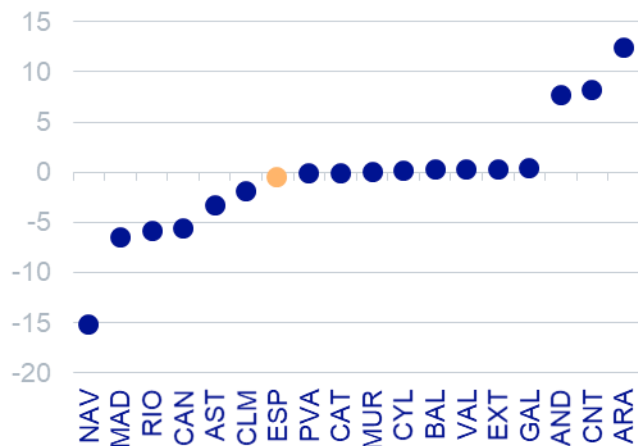
The slowdown in sales in the first half of the year affects transactions carried out with primary residences, which fell by almost 1.0% q/q SWDA in 2Q25. But above all, it has an impact on the rest of the segments, whose transactions in 2Q25 were around 5.0% lower than in 1Q25

Demand

Slowdown shows high regional heterogeneity

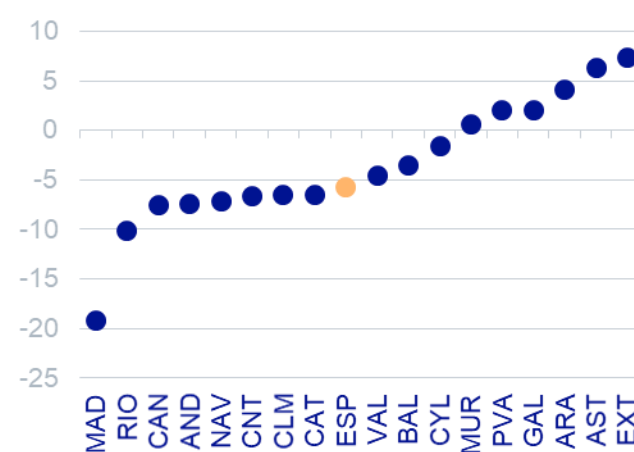
SALES OF PRIMARY RESIDENCES*

(CHANGE 2Q25 VS. 1Q25 SWDA)



SALES OF THE REST OF THE SEGMENTS*

(CHANGE 2Q25 VS. 1Q25 SWDA)



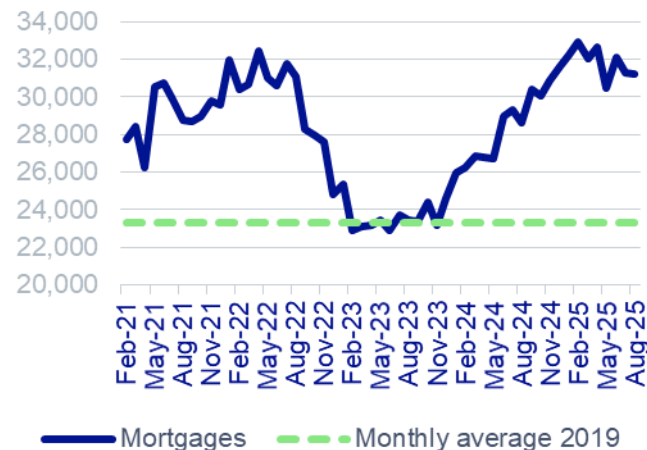
A primary residence is considered to be one acquired by residents in the same province in which the home is located. A second home is one purchased by residents in a province different from their primary residence. Foreign transactions are those carried out by individuals who are not Spanish nationals.
Source: BBVA Research from MIVAU.

Among the autonomous communities where the housing market is suffering the most, Madrid stands out, where main housing transactions are falling by around 6% and those of the rest by almost 20%. Significant declines are also seen in the Canary Islands and Navarre

Demand

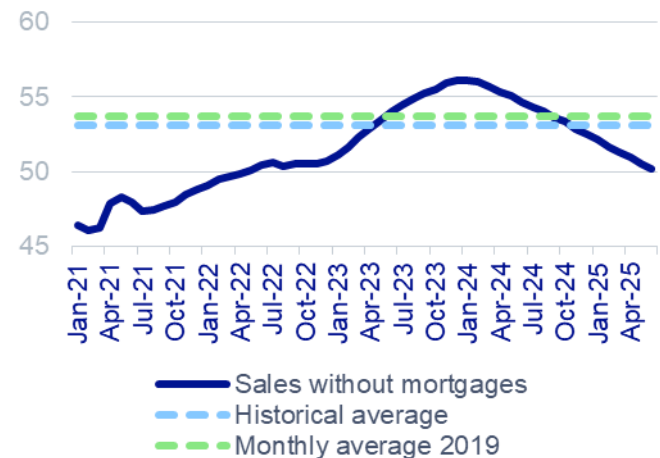
Interest rates favor the mortgage market

SPAIN: MORTGAGES FOR THE PURCHASE OF HOMES (SWDA DATA)



Source: BBVA Research, with data from CIEN

SPAIN: HOMES PURCHASED WITHOUT A MORTGAGE LOAN (AVERAGE 12 MONTHS, % OF TOTAL BUY-SALE TRANSACTIONS)



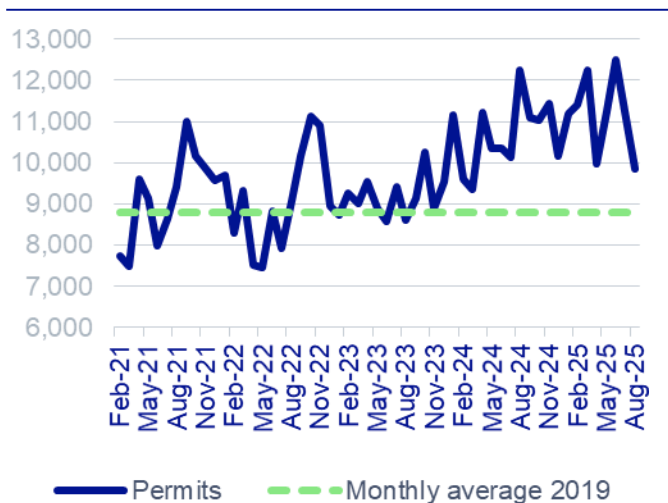
Source: BBVA Research, with data from CIEN

In the first half of 2025, mortgages also slowed down, but less so than purchases. Thus, the proportion of homes purchased without a mortgage financing has fallen from 2023 to 49% between January and July 2025, although it is still far from the 40% of 2007

Supply

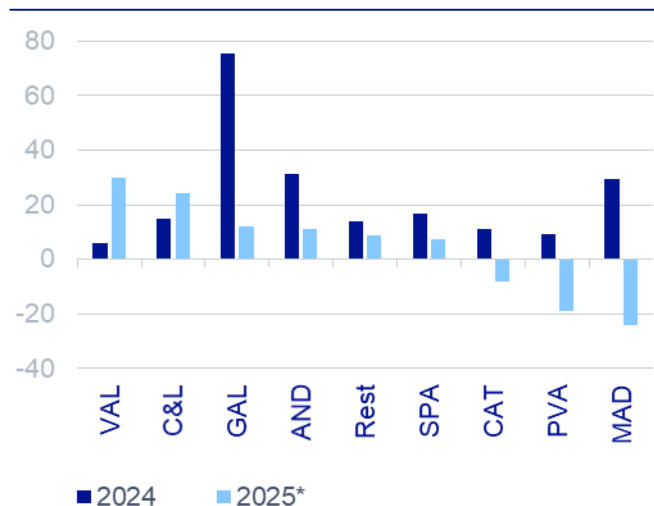
Housing production is increasing, but not enough

SPAIN: NEW HOUSING PERMITS (SWDA DATA)



Source: BBVA Research, based on MITMA data.

SPAIN: NEW HOUSING PERMITS (YEAR-ON-YEAR GROWTH IN %)



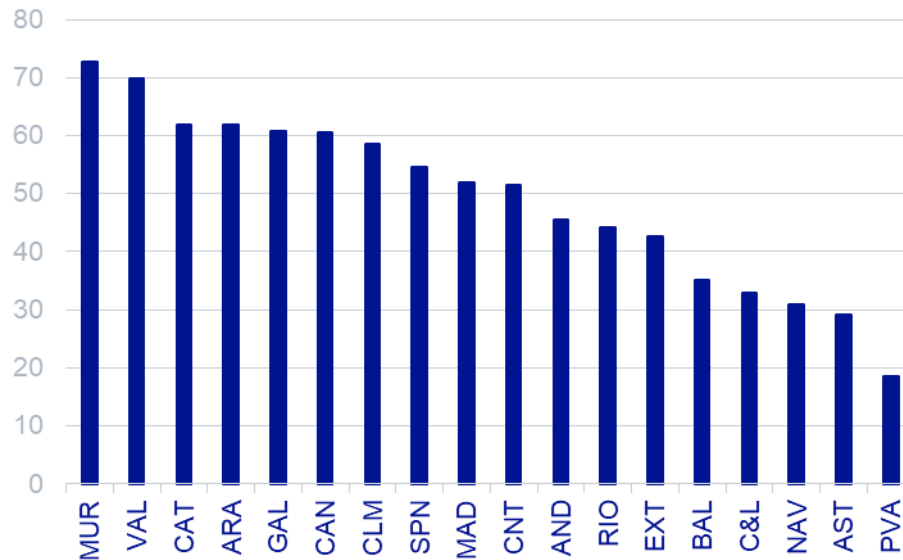
* Year-on-year growth in the January-July accumulated period.
Source: BBVA Research, based on MITMA data.

New housing permits have been trending upward (7.6% y/y between Jan-Aug 2025), but they are still insufficient to meet demand (134,000 in the last 12 months). In areas of intense demand such as MAD, CAT and PVA, the increase in permits is below average

Supply

Production is far from the required levels

**HOUSING DEFICIT BY AUTONOMOUS COMMUNITY
BETWEEN 2021 AND 2025* (% OF HOMES CREATED)**



- The homes completed between 2021 and 2025 will be around **520,000 units**, a number much lower than the almost 1,120,000 homes that will be created over the five-year period.
- With this, **the housing deficit in these five years will have been about 625,000.**
- The homes completed between 2021 and 2025 will only have served **45% of the households created.**
- At the current rate of construction, this gap will take a long time to close.

*Forecast of completed homes and households formed in 2025.
Source: BBVA Research based on MITMA and INE.

Supply

Several factors continue to hinder construction



Housing shortage

Since 2021, the number of household formations in Spain is much higher than housing starts.



1. REGULATORY UNCERTAINTY

Reverse the most damaging aspects of the rent reforms. Accelerate legal proceedings in the event of breach of contract.

26

several months to approve the Housing Law



2. SHORTAGE OF BUILDABLE LAND

Spain has a number of homes equivalent to 26% of the current residential stock still pending construction.

60%

planned but unbuilt housing



3. REDUCED BUDGET

The public housing budget is at low levels. Since 2018, 14,000 subsidized homes per year, down from almost 60,000 between 1995 and 2002.

13th

subsidized housing



4. LABOR SHORTAGE

Construction is the sector where the number of unfilled vacancies has seen the largest increase. Between 2016 and 2024, the volume has quadrupled.

400%

more vacancies than in 2016



5. REDUCED PRODUCTIVITY

Productivity is 25.4% below the average productivity of the economy.

25%

less than average



6. INCREASE IN MATERIAL PRICES

Construction materials have become significantly more expensive following the pandemic.

33

materials rise more than the CPI



7. TOURIST HOUSING

The increase in tourist rental homes reduces the supply of rental homes for primary residence.

400th

tourist housing



8. FINANCING

Bank financing has decreased by around 80% compared to the high reached in 2008.

80%

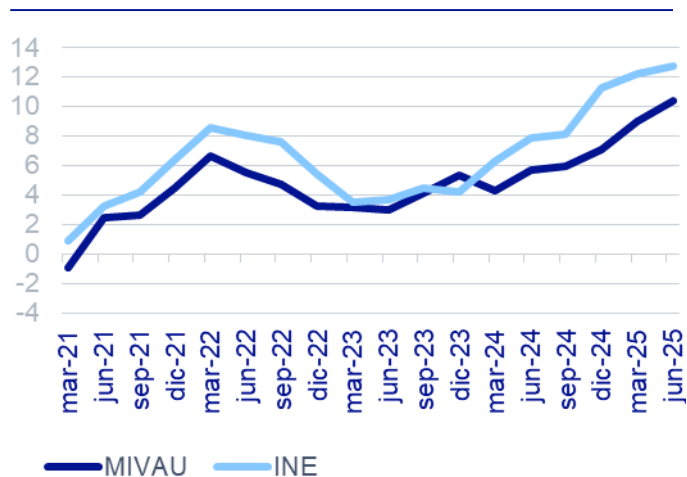
less than in 2008

Price

Lack of supply pushes prices up

HOUSING PRICES

(YEAR-ON-YEAR CHANGE, %)



HOUSING PRICE BY AUTONOMOUS COMMUNITY

(YEAR-ON-YEAR CHANGE, %)



Source: BBVA Research, based on INE and MIVAU data.

* 1H25 vs. 1H24.
Source: BBVA Research, based on data from MIVAU.

The price increase has intensified in the first half of 2025, growing at a year-on-year rate of 9.7% in Spain. By autonomous community, the change is uneven, although the price rise has accelerated in all regions in the first two quarters of 2025

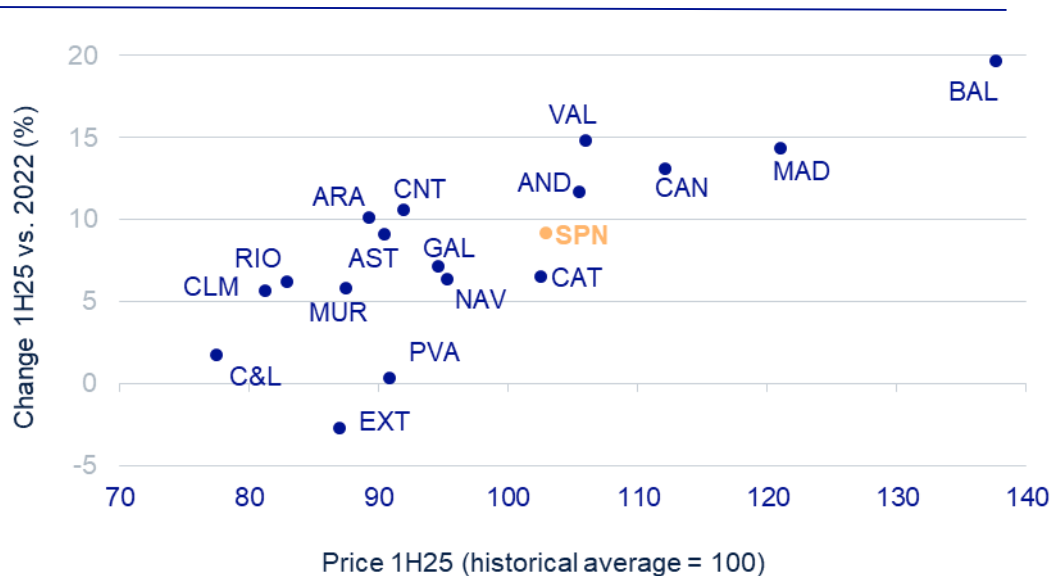
Price

In real terms the price remains below its historical peak

- Despite the sharp rises in recent quarters, the price, in real terms, has only exceeded the historical average in the Balearic Islands, Madrid, the Canary Islands, the Valencian Community, Andalusia and Catalonia.
- In the rest of the autonomous communities, the price level is still below the historical average: In Castile and León, Castile-La Mancha, and La Rioja, the price is still between 23% and 18% lower than the historical average.

HOUSING PRICES IN REAL TERMS*

(% AND AVERAGE 1995-2024= 100)



* Deflated by the CPI of each autonomous region.

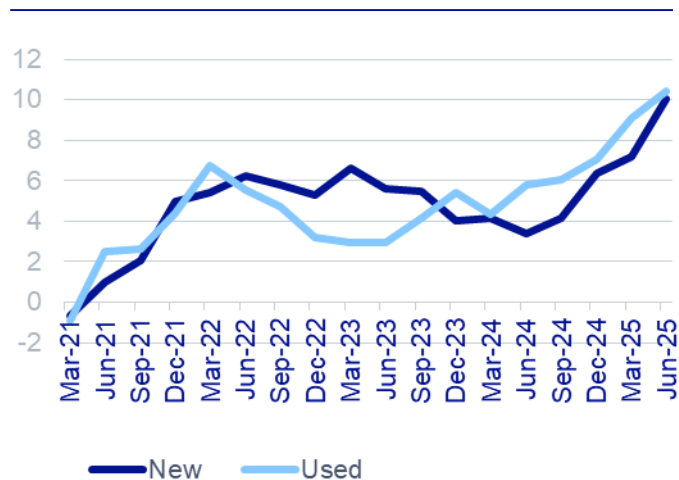
Source: BBVA Research, based on data from MIVAU and INE.

Price

Supply shortages also impact pre-owned housing

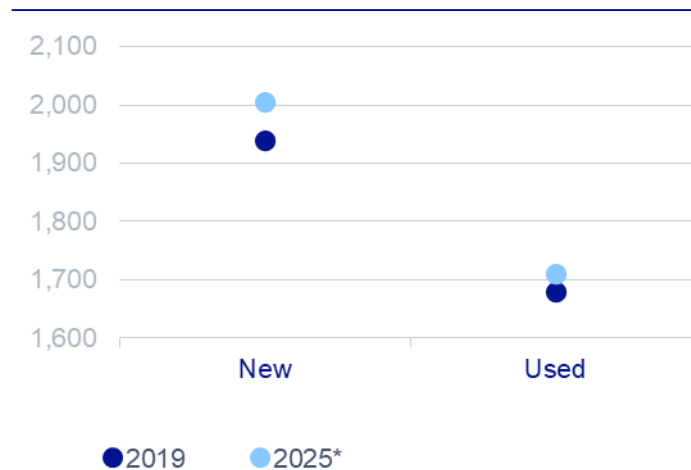
SPAIN: HOUSING PRICES

(YEAR-ON-YEAR CHANGE, %)



SPAIN: HOUSING PRICE IN REAL TERMS

(EUROS/M²)



Source: BBVA Research, based on INE and MIVAU data.

* Average 1H25.
Source: BBVA Research from MIVAU.

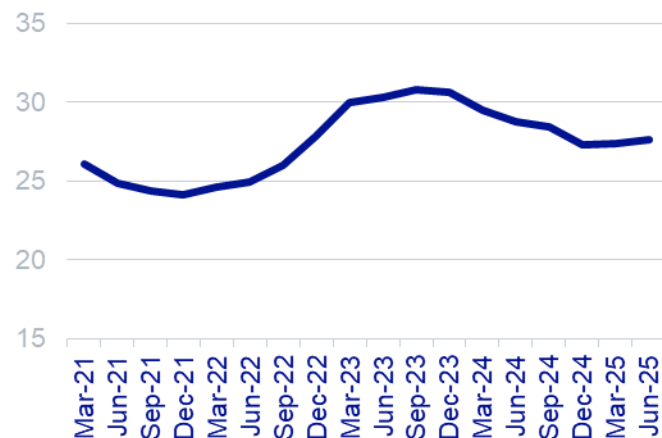
Part of the unmet demand for new housing has been transferred to the second-hand market and has pushed up prices above those of new housing. In the first half of 2025, growth in both types has been equal, but is still below 2007 levels

Price

Falling interest rates neutralize rising prices

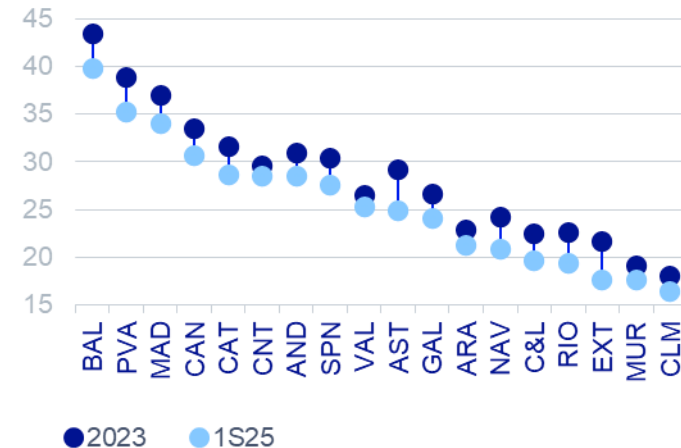
HOUSING AFFORDABILITY EFFORT

(% HOUSEHOLD ANNUAL INCOME INCOME ALLOCATED TO PURCHASING A HOME*)



HOUSING AFFORDABILITY EFFORT

(% HOUSEHOLD ANNUAL INCOME INCOME ALLOCATED TO PURCHASING A HOME*)



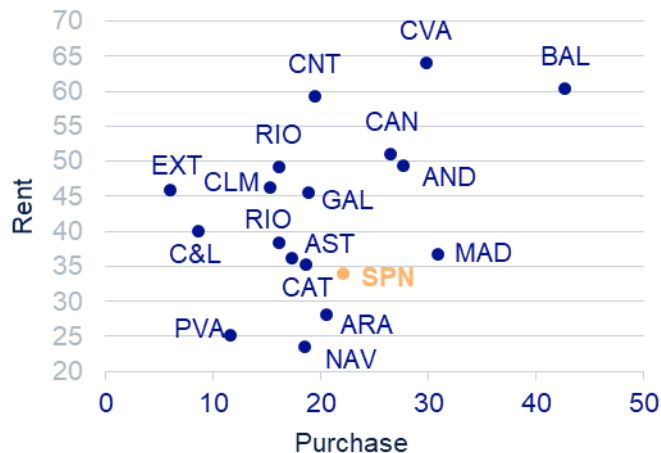
* Considers the share of the average household's wage income allocated to paying the first mortgage installment on an average loan for the purchase of an average 94 m2 home.
Source: BBVA Research, based on data from INE, MiVAU and BdE.

The effort to buy a home has dropped by almost 3 pp from 2023 to the first half of 2025. The fall in interest rates and the improvement in household wage income (growth in wages and employed per household) have more than offset the rise in house prices

Pricing

Rent is higher than the mortgage payment

RENT (€/M²/MONTH) AND PURCHASE PRICE (€/M²) IN AUTONOMOUS COMMUNITIES IN 2Q25
(GROWTH BETWEEN 1H25 AND 2019 IN %)



EFFORT TO ACCESS A HOME IN 2Q25
(% OF HOUSEHOLD WAGE INCOME ALLOCATED)



* For rent, the % of the wage income allocated to the payment of the rent of a home measuring 90 m2 is considered. For the purchase, the percentage of the average household's wage income allocated to the payment of the first mortgage installment on an average loan to acquire a typical 94 m2 home is considered.

Source: BBVA Research based on Idealista, INE, MIVAU and BdE.

Rental prices have risen more than purchase prices since 2019: 34% compared to 22% of the sale price. The percentage of salary income allocated to the monthly payment of rent for a home similar to the one purchased is 23 percentage points more (51 % vs. 28 %)

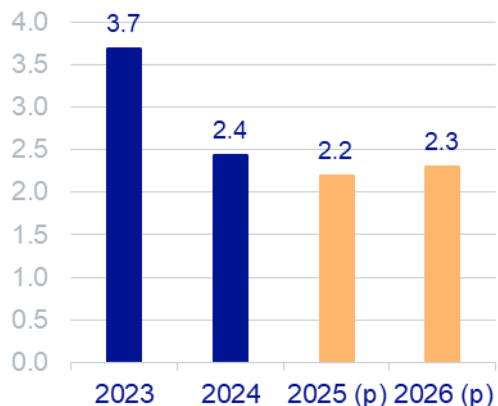
4. November 2025

Forecasts

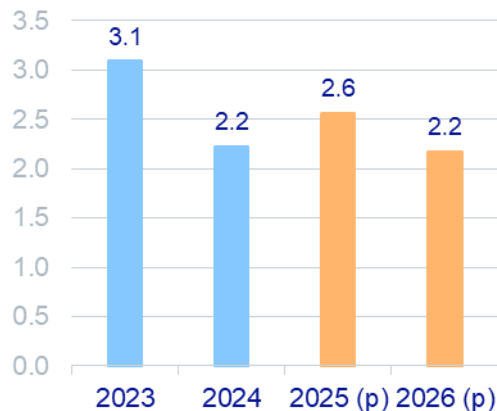
Forecasts

Demand determinants are robust

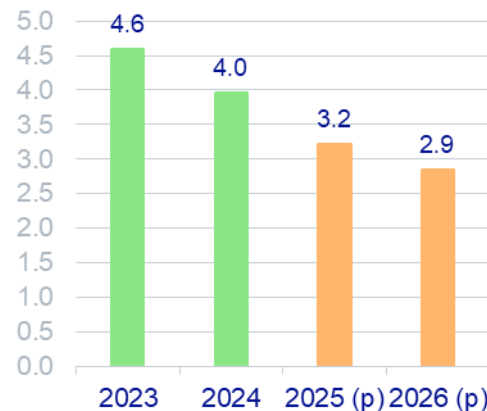
12-MONTH EURIBOR*
(%)



SOCIAL SECURITY AFFILIATES
(%, Y/Y)



**REMUNERATION PER EMPLOYEE
IN REAL TERMS** (%, Y/Y)



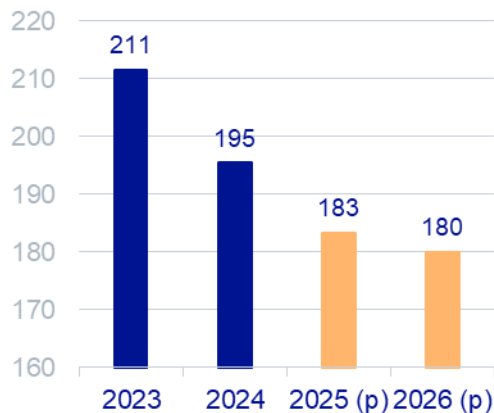
*End of period
Source: BBVA Research, based on data from BDE, MTES, EPA and INE.

Although the rate-cutting cycle has likely ended, rates will remain at relatively low levels, which could continue to boost new credit growth. The economy will continue to create jobs and wages will grow above inflation in 2025 and 2026

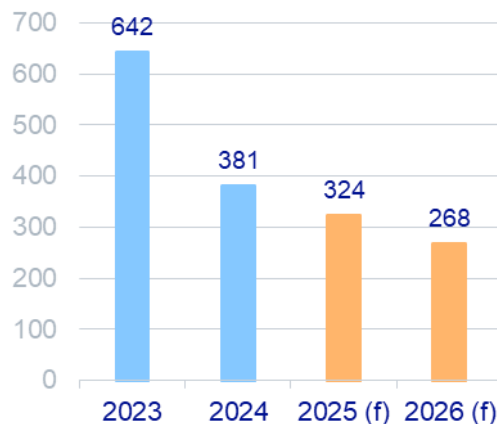
Forecasts

Demand determinants are robust

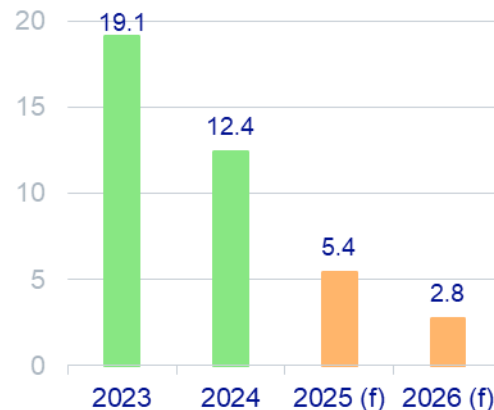
HOME CREATION
(THOUSANDS OF HOUSEHOLDS)



MIGRATORY BALANCE
(THOUSANDS OF PEOPLE)



FINAL CONSUMPTION OF NON-RESIDENTS IN SPAIN (% Y/Y)



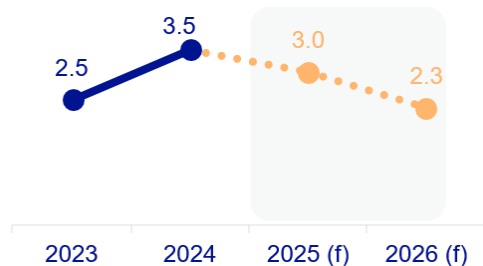
Source: BBVA Research, based on data from Idealista, INE, MIVAU, BdE and INE.

Immigration will continue to support the creation of households and thus the demand for housing. In addition, tourist arrivals remain high, continuing to stimulate second-home purchases

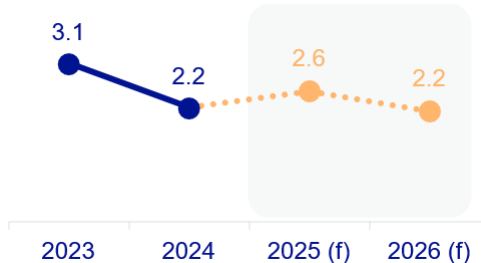
Forecasts

Demand determinants are robust

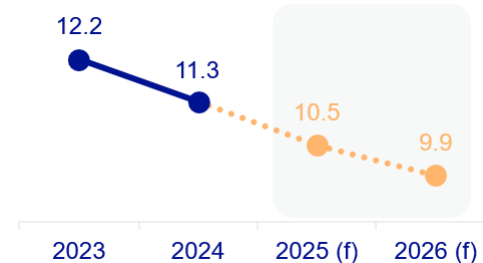
GDP GROWTH
(%)



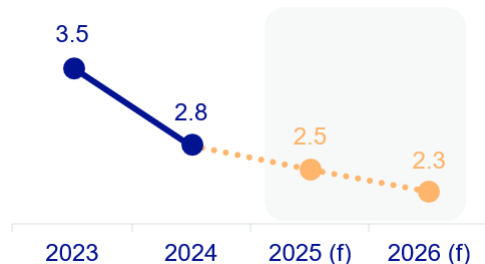
EMPLOYMENT GROWTH — EPA
(LABOR FORCE SURVEY) (%)



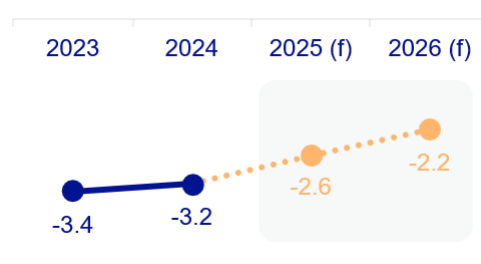
UNEMPLOYMENT RATE
(%)



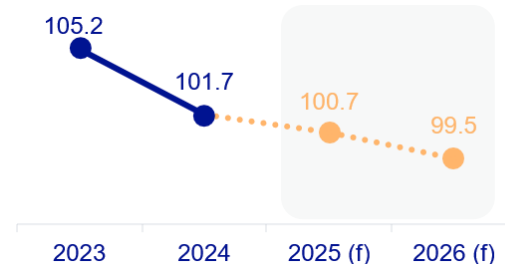
AVERAGE ANNUAL INFLATION
(ANNUAL AVERAGE, %)



PUBLIC DEFICIT
(% OF GDP)



PUBLIC DEBT
(% OF GDP)



Forecasts

Lack of consensus and measures to boost supply

Housing Policy

 Budget increases to €7 billion

 Budget lower than the European average (0.4% vs. 0.7% of GDP).

Institutional tensions hinder agreements with local governments to design housing policies better suited to local needs.

The lack of institutional consensus makes it difficult to achieve the objectives.

Public Housing Agency

 Boost the construction of social housing

 This implies significant risks. Financial (asset valuation). Operational (breaking contracts with servicers). Political (regional competencies). Social (long maturities). Executive (assets in very early phases).

Same impediments as private companies: lack of land, labor, bureaucracy.

Define the management and provide a budget to manage the public housing stock that is going to be built.

Demand-side aid

 The best form of assistance would be to increase supply.

 In the current context of a shortage of residential supply, measures aimed at boosting demand could be inflationary and raise prices even more.

PERTE for the industrialization of housing

 Strategy to reduce construction timelines, combat the labor shortage, and increase profitability

 Large investments to ensure the economic viability of production chains.

It will not solve two of the main bottlenecks in the sector: Land mobilization and administrative agility.

Refurbishing to expand the housing supply

 The housing stock needs to be improved because it is relatively old.

 It is a similar bet to that of previous housing plans and it does not seem that the supply of rentals has increased significantly.

The demands to be met make the plan unfeasible in high-price areas.

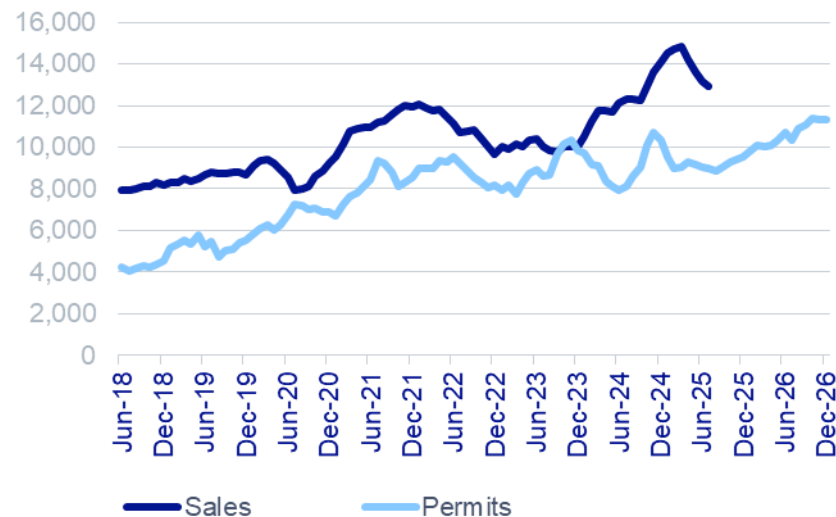
Forecasts

The sale of new housing, limited by the lack of permits

- The sale of new homes is closely related to housing starts (new building permits). **The maximum correlation between the two series is observed with a lag of 25 months, which corresponds to the average time between the start of construction and the registration of the sale.**
- In recent years, **the number of new home sales has persistently exceeded the number of permits**, even adjusting for this time lag. This may be due to the very definition of new housing and the **gradual absorption of new unsold homes** that may remain in some areas.
- However, the shortage of available supply will progressively reduce this phenomenon. As the existing stock runs out, **the sale of new housing will tend to converge with sales started two years ago.**

NEW HOUSING SALES AND PERMITS

(SALES IN MONTH T PERMITS IN T-25, HOUSING, SWDA)

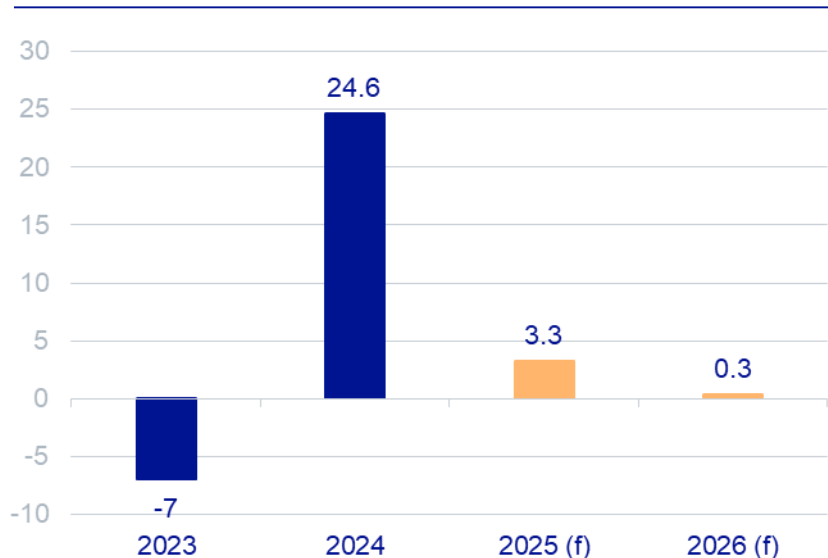


Source: BBVA Research, based on MITMA and CIEN data.

The sale of new housing, limited by the lack of permits

SALES OF NEW HOMES

(YEAR-ON-YEAR CHANGE, %)



Source: BBVA Research, based on MITMA and CIEN data.

- **New home sales gained momentum in 2024 as a result of falling interest rates.** Perhaps in that year, some of the **homes that were taken off the market due to the adverse scenario of 2023** with high interest rates were sold.
- **As this effect wears off and unsold new housing** that may exist in some areas is absorbed, **sales of new product will tend to align with housing starts from two years earlier.**
- **As a result, new home sales are expected to grow by around 3.3% in 2025 and remain virtually stagnant in 2026.**

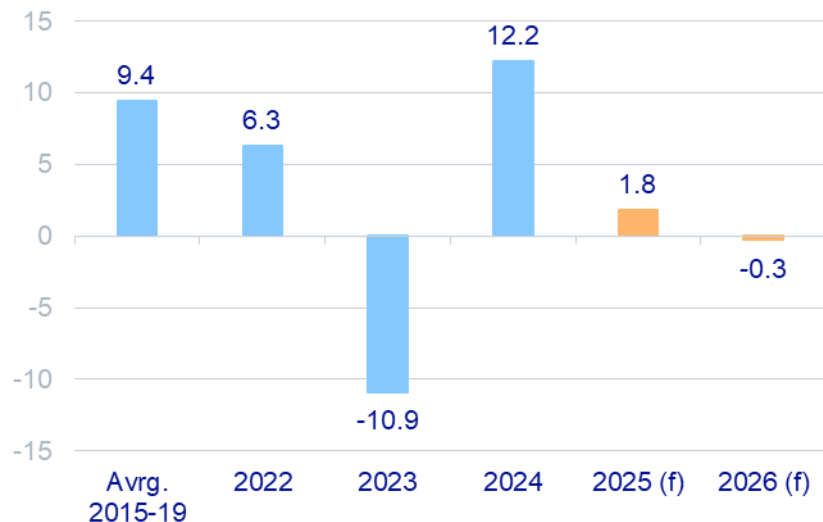
Forecasts

Sales are moderating but remain relatively high

- **The key determinants of demand are positive:** a strong labor market, positive migration flows and relatively low interest rates
- However, **there are factors that point to a moderation in sales in the coming quarters:** Prices have reached relatively high levels in the main demand areas; the product supply is scarce in some areas of interest, and the pace of home creation seems to have been contained; all this in a context of moderation in economic growth.
- After the increase in 2024 (12.2%), **home sales are expected to slow significantly in 2025, growing by 1.8%** (around 734,000 units). **In 2026, supply constraints—especially in new housing—and rising prices will keep sales virtually stagnant compared to the previous year.**

HOME SALES

(YEAR-ON-YEAR CHANGE, %)



(f): Forecast.

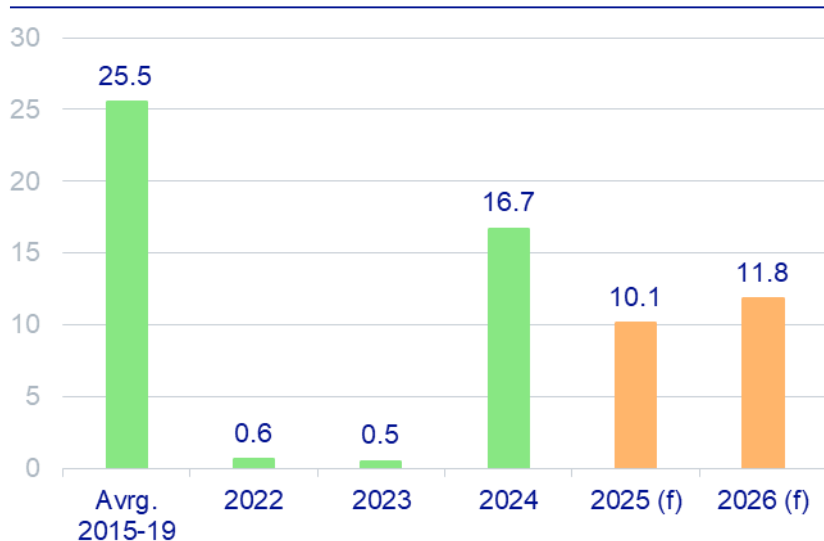
Source: BBVA Research, based on CIEN and MIVAU data.

Forecasts

Permits increasing but volume will remain insufficient

NEW HOUSING PERMITS

(YEAR-ON-YEAR CHANGE, %)



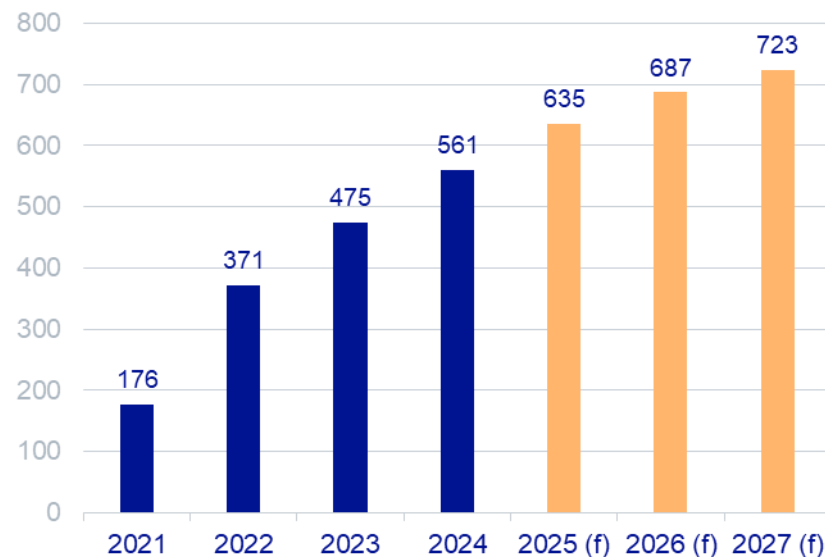
- There are several factors that will lead to an increase in housing production in the coming quarters: **demand pressure** in the face of the reduced supply of new construction and the **interest of public administrations in increasing the supply of public housing**.
- However, despite the expected growth, the level of production will be relatively low because of: the **scarcity of developable land**, the **reduced supply of labor** and **regulatory uncertainty**.
- Thus, permits are expected to grow by around 11% on average annually in the current two-year period. This means **reaching 140,000 permits in 2025 and around 155,000 in 2026**.

Forecasts

The housing deficit will continue to increase

- Despite the increase in permits in recent years and a positive growth forecast, the **volume of completed homes will continue to be insufficient** to meet the demand from household creation.
- In a conservative scenario (the creation of households in 2026 and 2027 would be similar to that estimated for 2025, around 180,000 units), compared to what is indicated by the INE's forecasts (average growth of about 350,000 households in 2026 and 2027), it is expected that **the housing deficit will continue to increase in the next two-year period**, although at a slower pace.
- **It is expected that in 2027 the housing deficit accumulated since 2020 will approach 725,000 units.** In other words, the pace of construction will have met only 48% of the housing needs of newly formed households.

HOUSING DEFICIT IN SPAIN
(THOUSANDS OF HOMES)



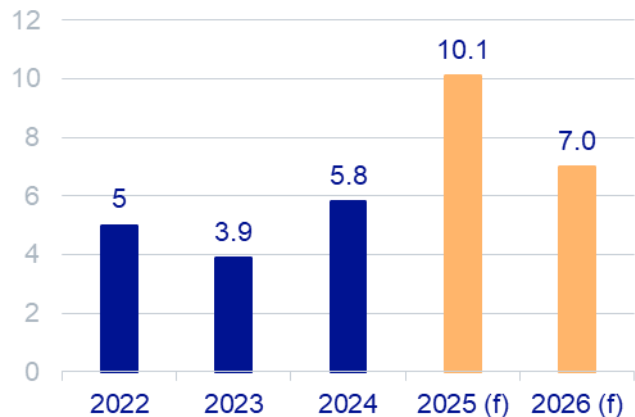
(f): Forecast.

Source: BBVA Research, based on CIEN and MIVAU data.

Forecasts

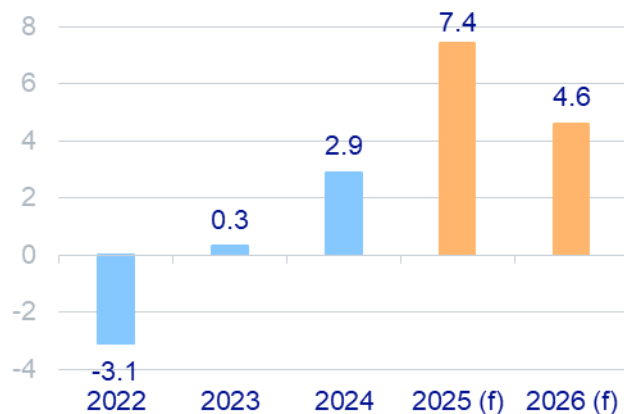
Supply shortages will continue to drive price increases

HOUSING PRICES IN NOMINAL TERMS (YEAR-ON-YEAR INCREASE IN %)



(f): Forecast.
Source: BBVA Research, based on data from MIVAU and INE.

HOUSE PRICES IN REAL TERMS (YEAR-ON-YEAR GROWTH IN %)



(f): Forecast.
Source: BBVA Research, based on data from MIVAU and INE.

The slowdown in demand will not prevent the price from continuing to grow at relatively high rates in the coming quarters due to the lack of supply. Although it is true that the lower boost in sales will lead to a moderation in the rate at which housing prices are becoming more expensive

Proposals to increase the supply



Political consensus and collaboration between administrations is key to increasing the supply of housing

- Achieving a **consensus between administrations** of the three territorial levels
- **Facilitate the conversion** of underused urban plots
- Encourage the **increase in building density**
- **Speeding up the process of urban transformation** by amending the Land Law
- Invest in resources to **reduce bureaucracy** in the construction process as much as possible (permits, licenses)
- **Update the maximum** prices of the subsidized housing modules to increase the viability of the projects.
- **Modify the most harmful aspects of the Housing Law**, especially with regard to rent: pricing controls, restrictions against large property owners, and extension of contract durations.
- Some autonomous communities, such as Madrid and Andalusia, have announced measures to reduce the time required for land development. Their effectiveness would be greater if implemented within a framework of **institutional cooperation**.

5. November 2025

Box 1

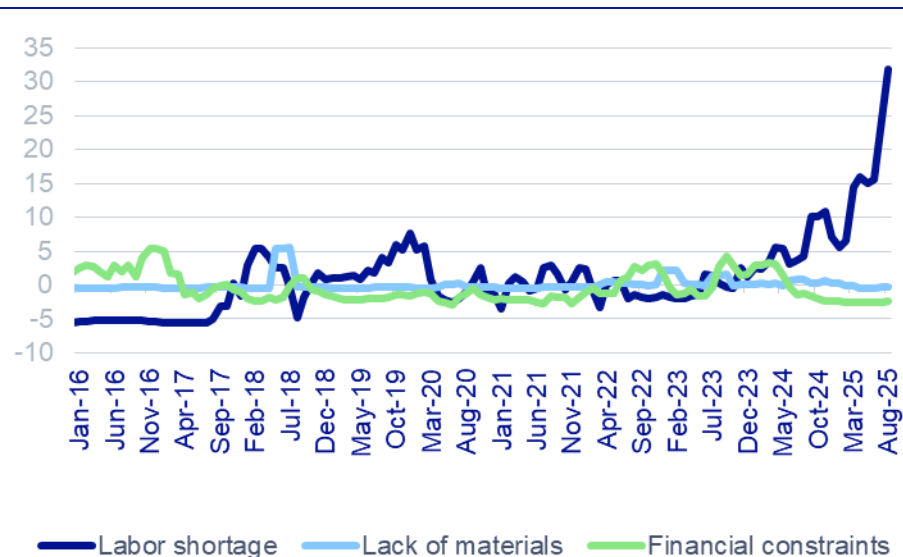
Labor shortages

Supply

Labor shortage in the sector is intensifying

- Eurostat's Survey of Consumers and Entrepreneurs identifies the **main factors limiting business activity** in Spain.
- In the housing and other building construction segment, **the lack of labor stands out as the main difficulty** that entrepreneurs encounter when executing their projects.
- **Other aspects such as the lack of materials or financial restrictions do not seem to be a problem** for the segment and the responses are not far from the average recorded between 2014 and 2025.

ASPECTS THAT LIMIT HOUSING CONSTRUCTION IN SPAIN
(RESPONSE BALANCES, DEVIATION FROM THE MEAN JAN-14 / AUG-25)

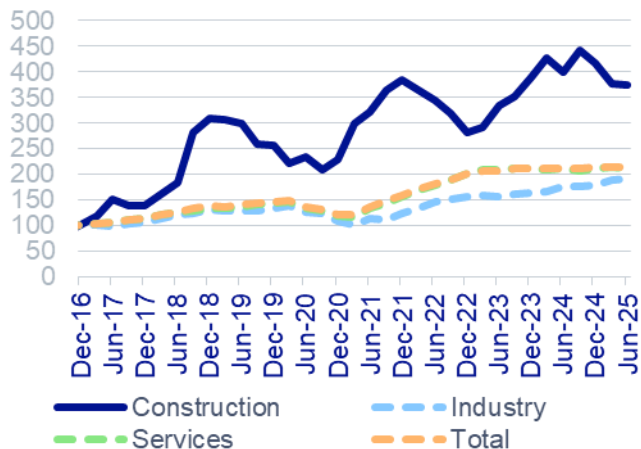


*Difference between positive and negative responses. For more information, see the methodological note:
https://economy-finance.ec.europa.eu/system/files/2023-02/bcs_user_guide.pdf
Source: Source: BBVA Research based on Eurostat data.

Supply

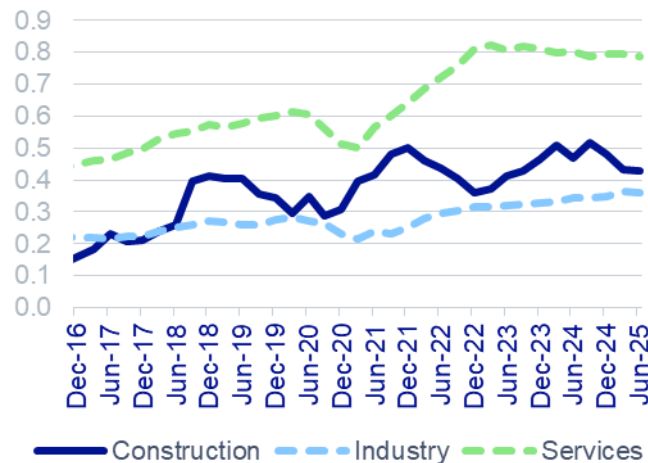
Vacancies remain high in construction

VACANCIES BY SECTOR OF ACTIVITY
(ANNUAL CUMULATIVE, 2016=100)



Source: BBVA Research based on INE (ETCL AND EPA).

VACANCIES BY SECTOR OF ACTIVITY
(% OF EMPLOYED)



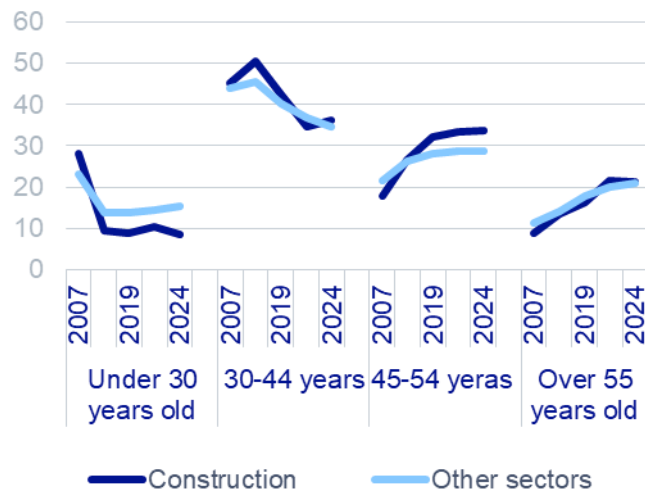
Source: BBVA Research, based on MITMA data.

Although the number of vacancies in construction would have been reduced in the first half of 2025, it remains almost four times higher than in 2016

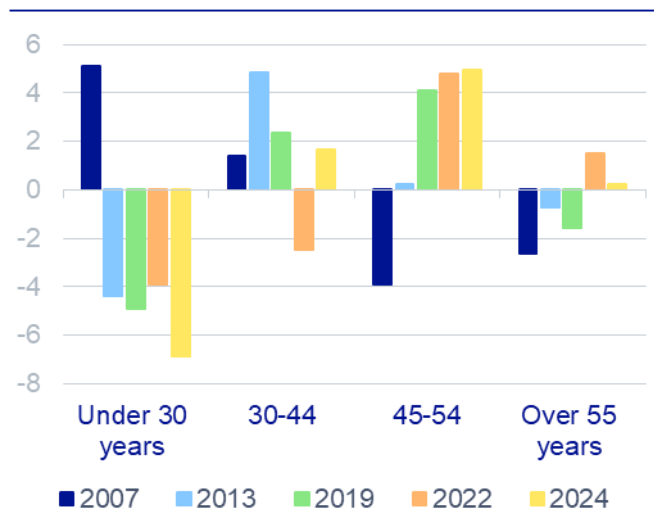
Supply

Aging labor force anticipates a future problem

DISTRIBUTION OF THOSE EMPLOYED IN CONSTRUCTION AND IN THE REST OF THE SECTORS BY AGE
(% OF THE TOTAL)



DISTRIBUTION BY AGE OF EMPLOYEES IN CONSTRUCTION COMPARED TO OTHER SECTORS (IN PP)



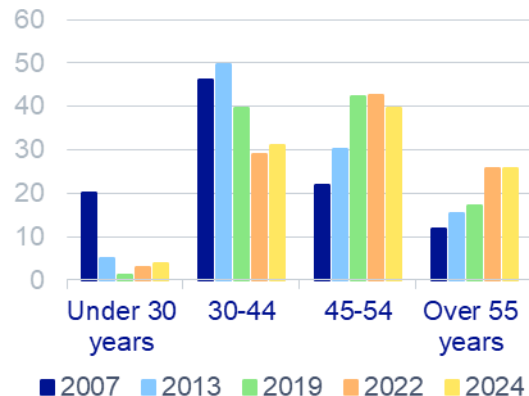
Supply

Main occupations in construction are aging

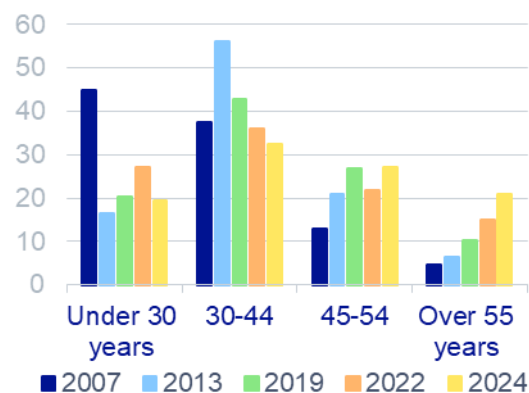
AGE OF THOSE EMPLOYED IN CONSTRUCTION SECTORS BY SEGMENTS

(PERCENTAGE BY AGE GROUP)

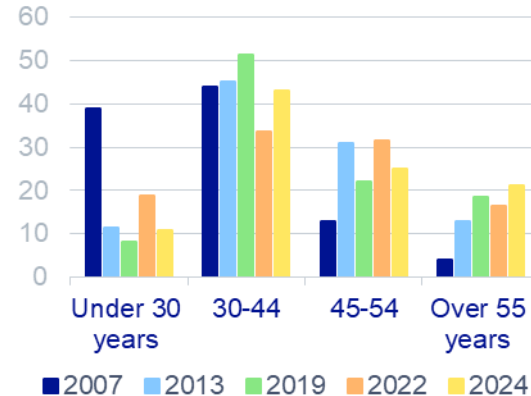
BRICKLAYERS



LABORERS



ELECTRICIANS



Source: BBVA Research, based on data from INE (Labor Force Survey).

In occupations that are decisive for the sector, such as bricklayers or laborers, the proportion of employed people over 55 years of age has increased considerably in recent years. In 2024, more than 65% of masons were over 45 years old (32 pp more than in 2007)

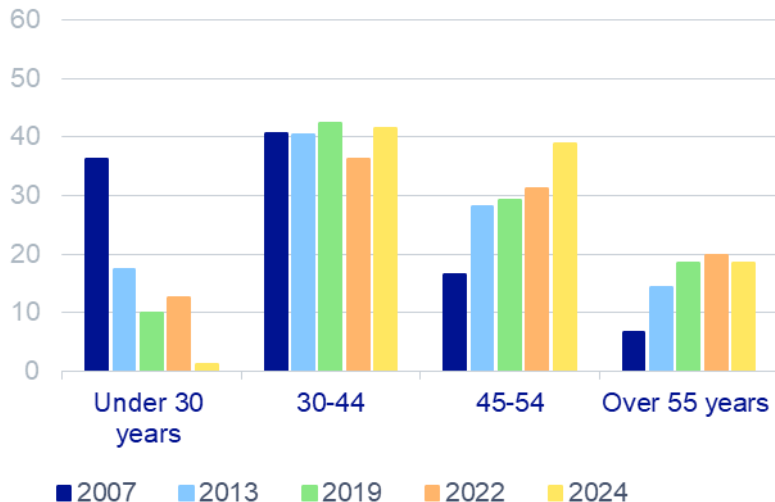
Supply

Main occupations in construction are aging

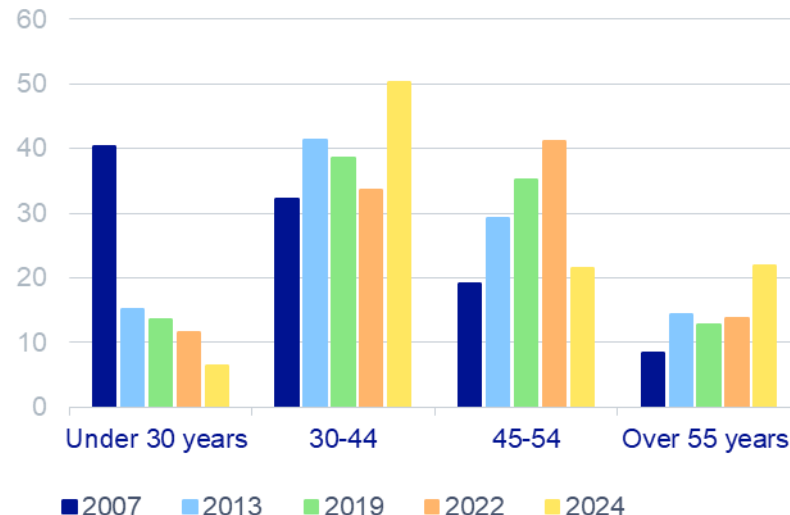
AGE OF THOSE EMPLOYED IN CONSTRUCTION SECTORS BY SEGMENTS

(PERCENTAGE BY AGE GROUP)

PLUMBERS



PAINTERS



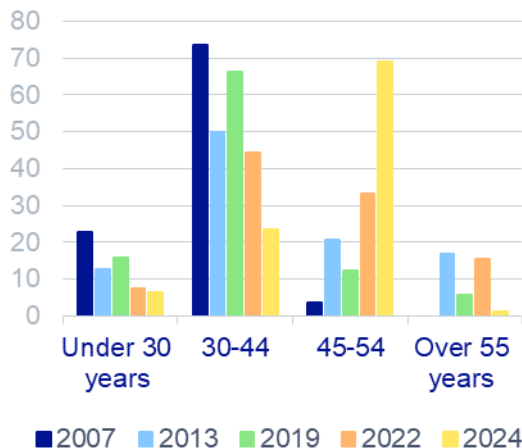
Supply

Main occupations in construction are aging

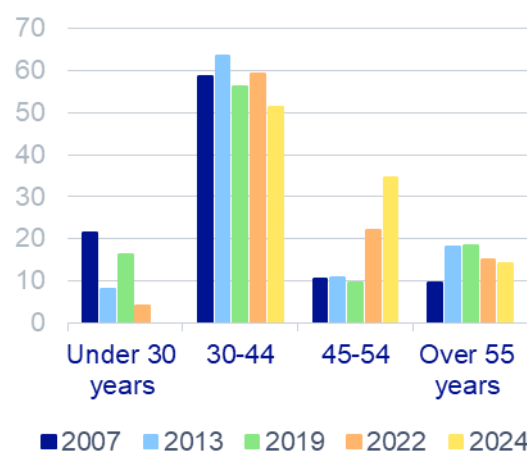
AGE OF THOSE EMPLOYED IN CONSTRUCTION SECTORS BY SEGMENTS

(PERCENTAGE BY AGE GROUP)

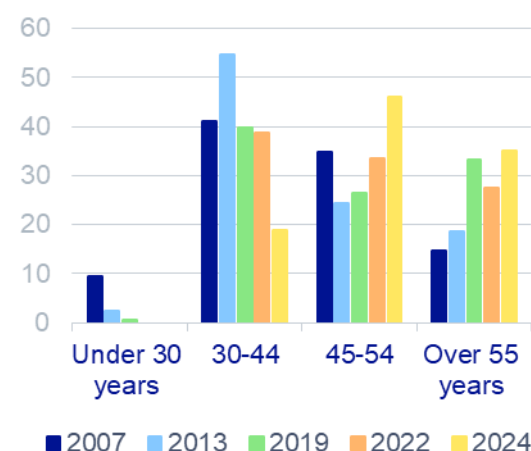
ENGINEERS



TECHNICAL ENGINEERS



SUPERVISORS



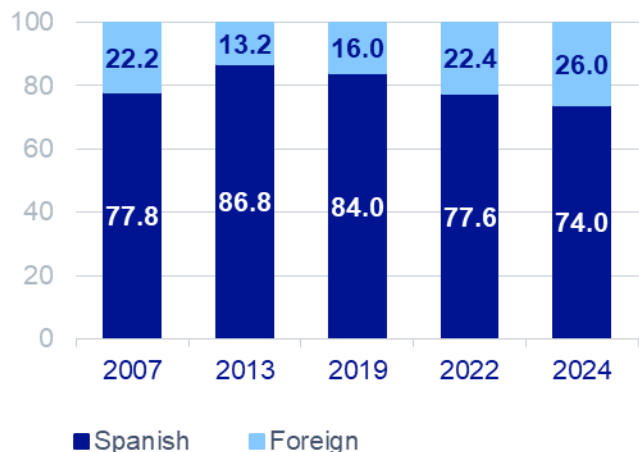
Source: BBVA Research, based on data from INE (Labor Force Survey).

This trend is also evident in more qualified occupations, such as engineers

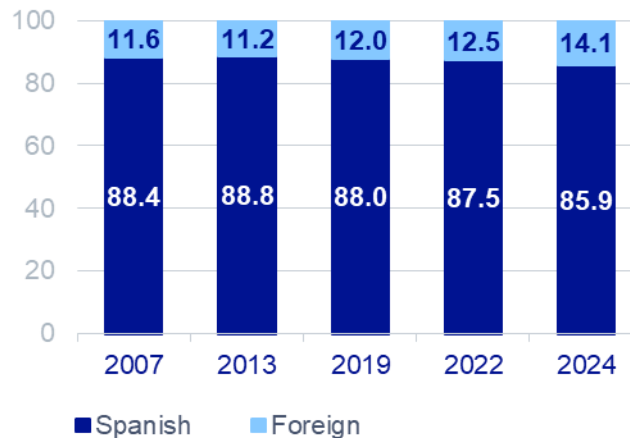
Supply

Since 2022, the proportion of immigrants among the employed has risen

NATIONALITY OF THOSE EMPLOYED IN THE CONSTRUCTION SECTOR % (EMPLOYED)



NATIONALITY OF EMPLOYEES IN OTHER SECTORS (% EMPLOYMENT)



Source: BBVA Research based on INE data (Labor Force Survey).

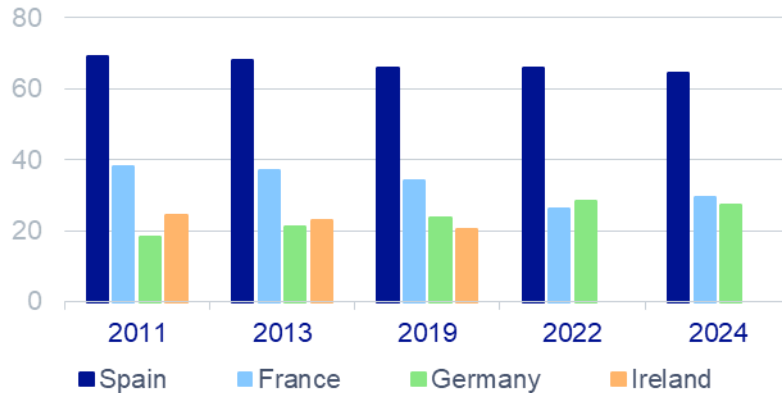
The positive migratory flows in recent years have made an impact in the labor market. In particular, immigrants in construction have gone from representing only 13% of the workforce in 2013 to 26% in 2024, an increase greater than that of other economic sectors

Supply

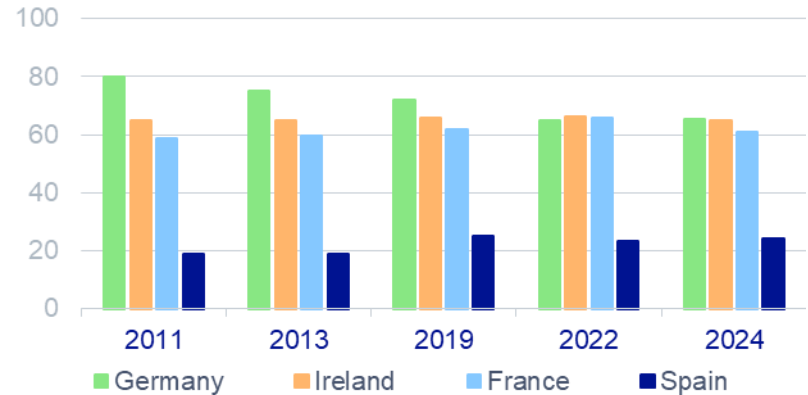
Training in construction is scarce

EMPLOYEES IN CONSTRUCTION AND RELATED INDUSTRIES BY LEVEL OF EDUCATION (% TOTAL BY YEARS)

LESS THAN LOWER SECONDARY EDUCATION



UPPER SECONDARY AND POST-SECONDARY EDUCATION



Source: BBVA Research based on INE data (Labor Force Survey).

The educational level in construction in Spain is below the average of neighboring countries. The proportion of workers with less than upper secondary education is higher than in other European countries. In addition, no significant improvements are observed in higher education levels

6. November 2025

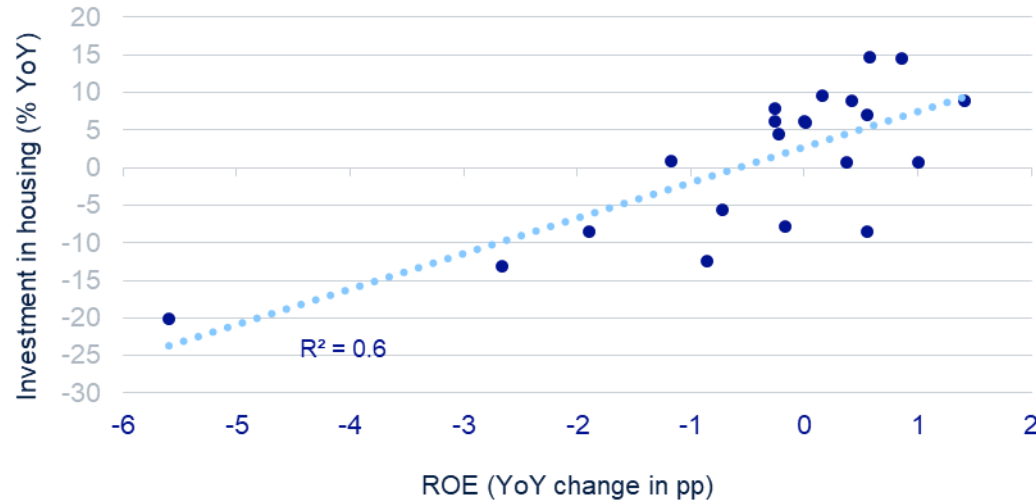
Box 2

Low profitability in the sector

Profitability

Low profitability limits the housing supply

INVESTMENT IN HOUSING AND PROFITABILITY OF BUILDING CONSTRUCTION (YEAR-ON-YEAR INCREASE OF INVESTMENT IN (T-1) AND CHANGE IN ROE IN T IN PERIOD 2000-2023, ANNUAL DATA)



- The economic literature points to a **close relationship between profitability and the rate of investment** in productive activities*.
- In the case of housing construction, **the shortage of housing supply could be explained, in part, by the low profitability** that has affected the sector since the bursting of the real estate bubble.
- **Improving the profitability** of construction companies could be another tool to **increase housing production**.

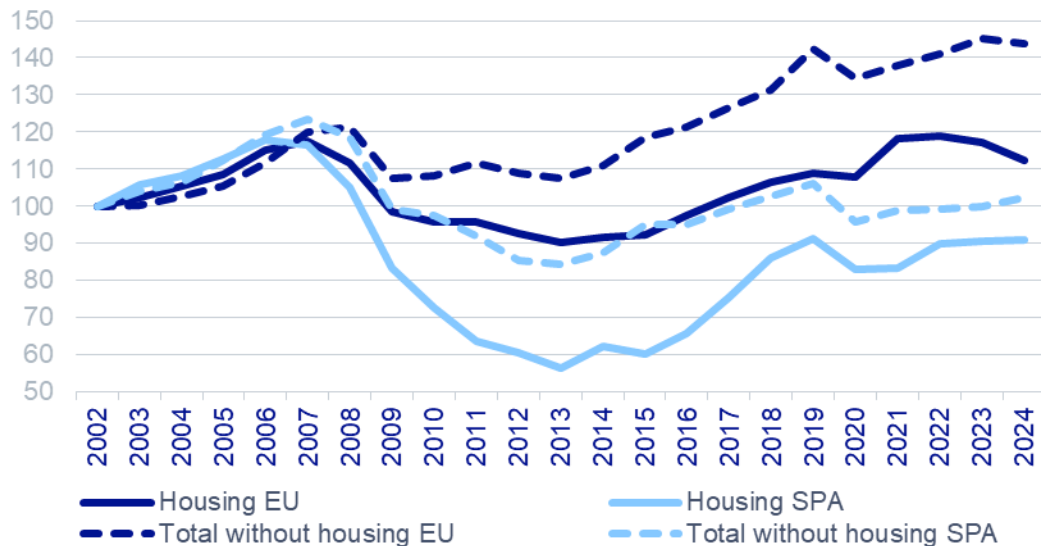
Source: BBVA Research based on INE and BACH.

*See Glaeser and Gyourko (2018) or Somerville (1999). These studies have shown that reduced margins and rising costs limit the responsiveness of the housing supply, aggravating price volatility in markets with urban or institutional constraints.

Profitability

Lower investment in housing than in Europe

GROSS FIXED CAPITA FORMATION PER WORKING-AGE PERSON
(2002 = 100)

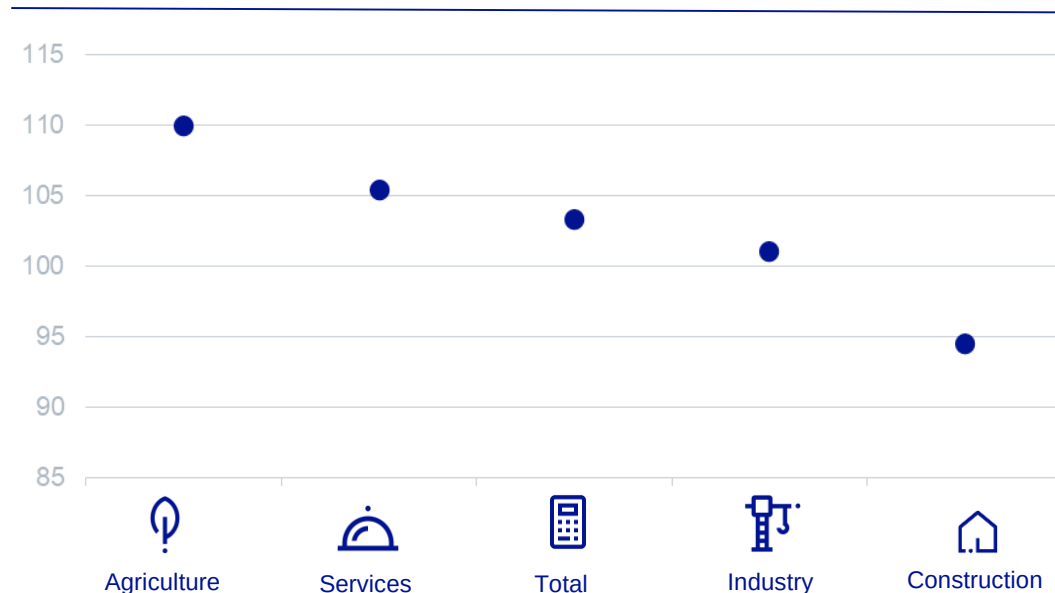


- Spain's overall productive investment has lagged behind the European average.
- This investment gap is even greater when excluding residential housing, suggesting that the low investment per employee extends to capital formation in productive sectors.
- The capital intensity (machinery, equipment and technology per worker) in Spanish construction is modest compared to other branches (e.g., manufacturing or transport), weighing on the sector's productivity.

Construction productivity is relatively low

PRODUCTIVITY PER HOUR WORKED IN REAL TERMS IN 2025*

(2020 = 100)



* Average for the first and second quarters of 2025.

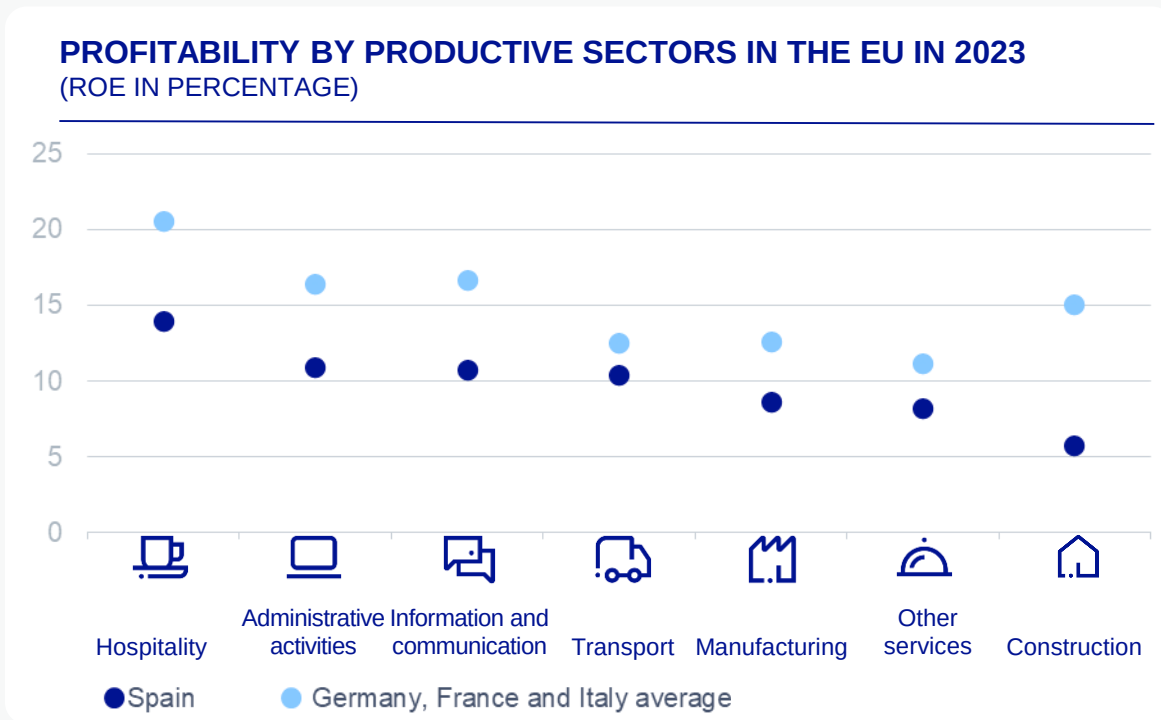
Source: BBVA Research, based on INE data.

- **Construction** is the main economic sector with the **lowest productivity**, almost 9% below the average.
- **The low renewal of physical and human capital translates into poor productivity**, which limits business margins.
- A highly fragmented business fabric makes it difficult to achieve economies of scale and organizational innovation. This, together with the limited investment in equipment per worker, creates a **vicious cycle of low productivity and weak investment**.

Profitability

Spanish companies are less profitable than European companies

- In most of the major activities of the economy, **Spanish companies show lower profitability levels than European companies.**
- **The economic literature identifies several factors behind the low profitability of Spanish companies** such as the predominance of SMEs, a greater weight of less productive sectors, less training and qualification of workers and entrepreneurs, less investment in innovation.



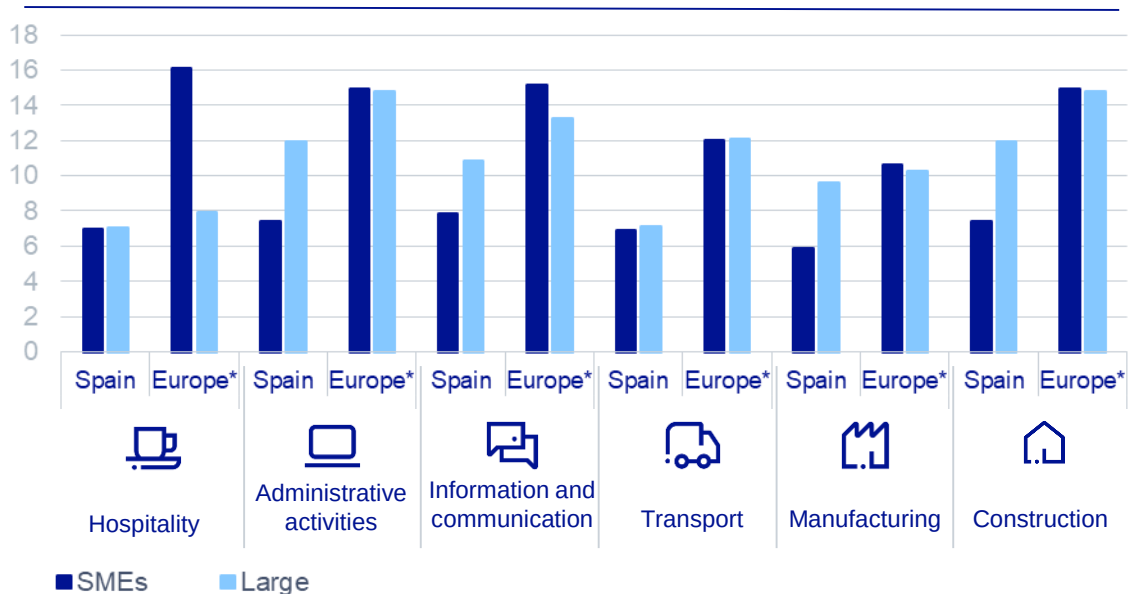
Note: the median RoE (return on equity) of each sector in each of the countries in the sample is analyzed.

Source: BBVA Research, based on BACH data.

Profitability

Profitability of SMEs is lower than that of large companies

PROFITABILITY BY PRODUCTIVE SECTORS IN THE EU AND COMPANY SIZE (ROE IN PERCENTAGE, AVERAGE 2000-2023)



- In Spain, the return of large companies is higher than that of SMEs in most sectors of activity.
- The return of European companies is higher than that of Spanish companies across all company sizes.
- However, the profitability of large companies in Spain is closer to that of their European counterparts. In the case of SMEs, the negative differential is higher.

Note: the median RoE (return on equity) of each sector in each of the countries in the sample is analyzed. Size is considered by turnover: less than 50 millions of euros is considered an SME, greater than that is considered large.

*Europe: Average for Germany, France and Italy

Source: BBVA Research, based on data from BACH.

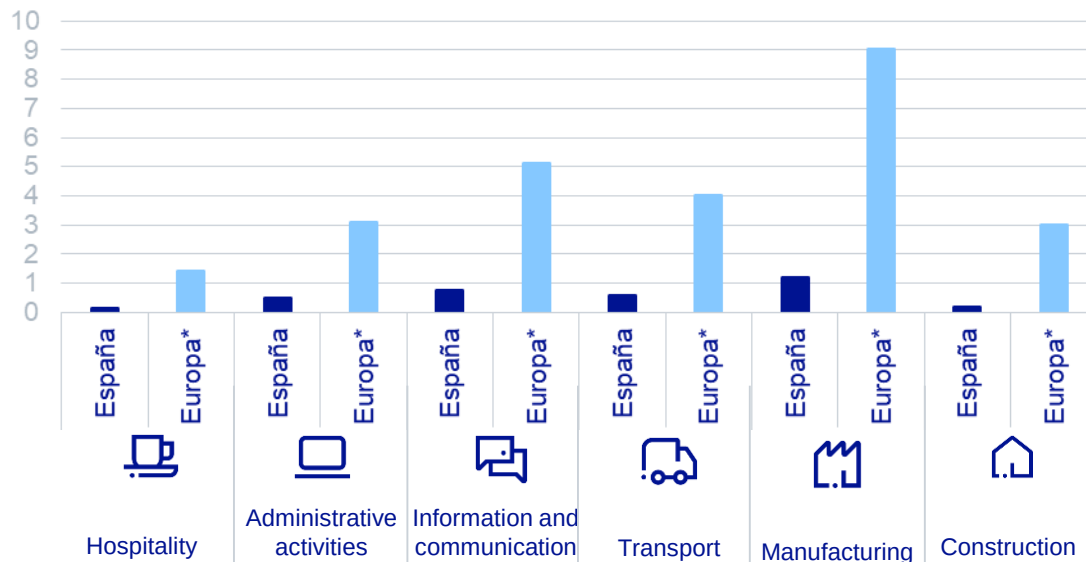
Profitability

Large companies have less influence than in Europe

- The Spanish business fabric is characterized by a **greater weight of small and medium-sized companies** than of large corporations.
- In all the major branches of activity, **the proportion of SMEs in Spain is higher than the European average.**
- The existing differences in manufacturing stand out, where large companies represent 9% in Europe and barely 1% in Spain. In building construction, the difference is also significant (3% in Europe vs. 0.2% in Spain).

WEIGHT OF LARGE COMPANIES IN EACH ECONOMIC SECTOR

(% OF THE TOTAL NUMBER OF COMPANIES IN EACH SECTOR, AVERAGE 2000-2023)



Size is considered by turnover: less than 50 millions of euros is considered an SME, greater than that is considered large.

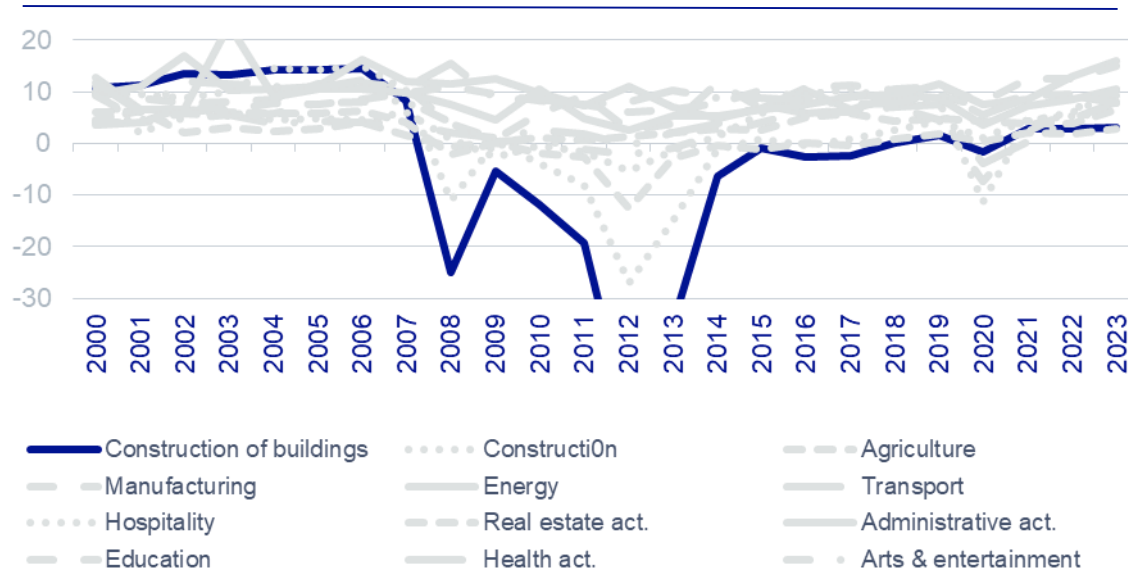
*Europe: Average for Germany, France and Italy

Source: BBVA Research, based on data from BACH.

Profitability

Construction, one of the sectors with the lowest profitability

PROFITABILITY BY SECTORS OF ACTIVITY IN SPAIN
(ROE IN PERCENTAGE)



Note: the median RoE (return on equity) of each sector in each of the countries in the sample is analyzed.

*Europe: Average for Germany, France and Italy

Source: BBVA Research, based on data from BACH.

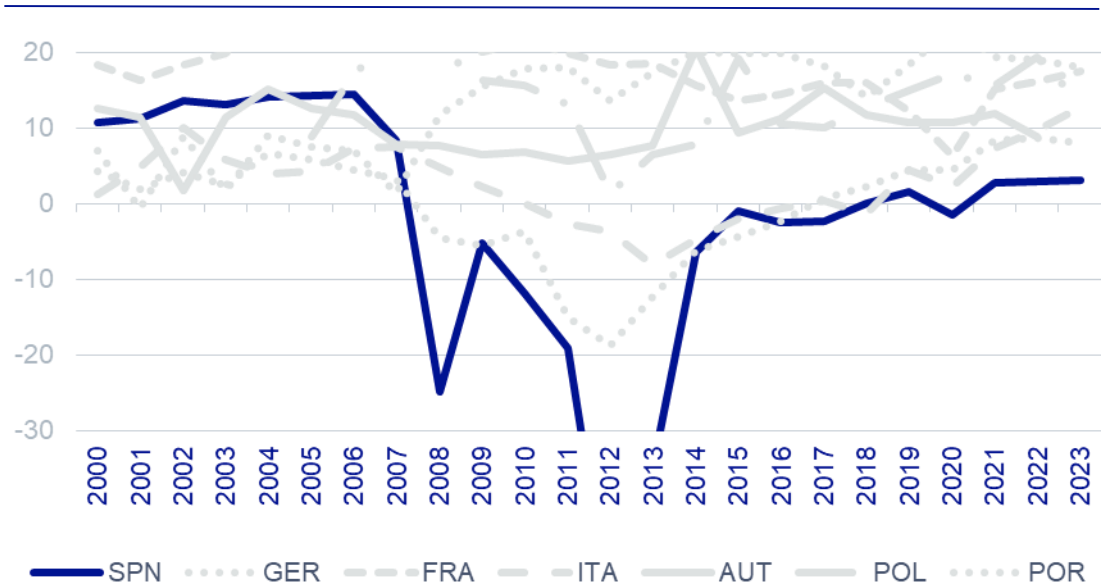
- In Spain, **the profitability of the construction sector has varied significantly over time.** Between 2000 and 2006 it was one of the sectors with the highest profitability.
- **From the bursting of the real estate bubble,** construction has become the sector with **the lowest profitability in the economy.**
- Despite the recovery that has been observed since 2015, construction **is one of the economic activities that registers the lowest RoE.**

Profitability

Construction is less profitable than in Europe

- Before the bursting of the bubble, the Spanish building construction sector was one of the most profitable in Europe.
- Since 2008, the profitability of the sector fell significantly.
- Since then, **the profitability of construction in Spain has been among the lowest in neighboring countries.**

PROFITABILITY OF THE CONSTRUCTION SECTOR
(ROE IN PERCENTAGE)



Note: the median RoE (return on equity) of each sector in each of the countries in the sample is analyzed.

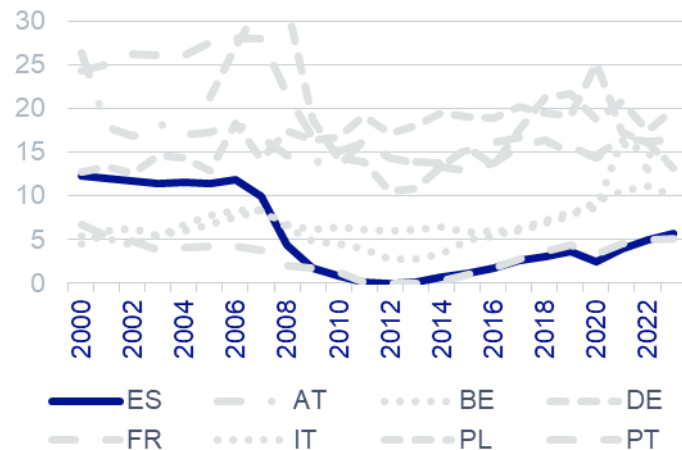
*Europe: Average for Germany, France and Italy

Source: BBVA Research, based on data from BACH.

Profitability

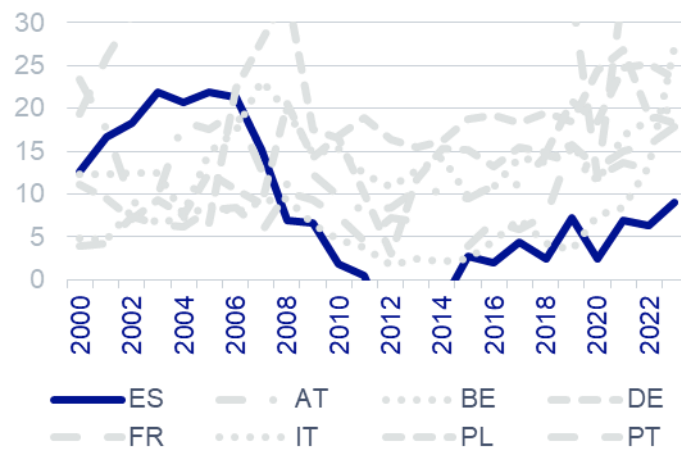
Large construction companies are more profitable than SMEs

SMES. PROFITABILITY OF BUILDING CONSTRUCTION (ROE IN %)



Source: BBVA Research, based on BACH data.

LARGE COMPANIES. PROFITABILITY OF BUILDING CONSTRUCTION (ROE IN %)



Source: BBVA Research, based on BACH data.

In construction, the profitability of large companies is higher than that of small ones, although the gap has narrowed since the early 2000s. Both segments are less profitable than those in most European countries

Analysis through the Du Pont framework

ROE

Profit on equity

=

Profit margin

Net profit
on sales

X

Asset turnover

Sales over
total assets

X

Financial leverage

Total assets
over equity

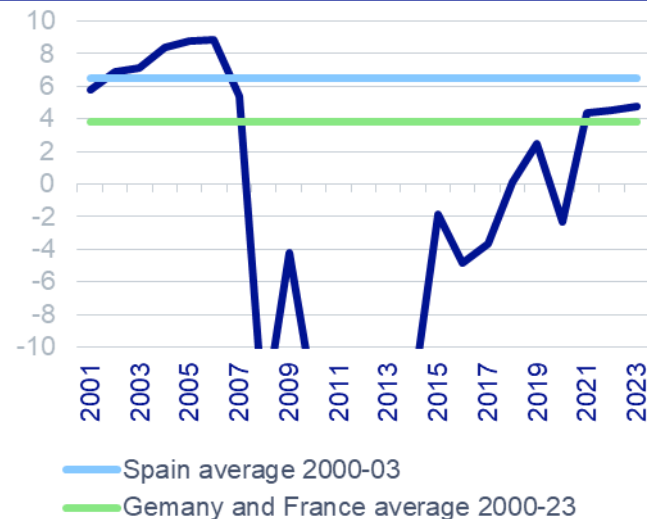
Profitability

Profit margin is lower than at the beginning of the century

- The profit margin for building construction in Spain is almost 2 pp lower than that recorded between 2000 and 2003.
- Several factors can negatively influence this ratio. **High material costs, labor shortages**, lack of efficiency in production due to **regulatory uncertainty**, difficulty in passing on the cost increases to the final price.
- Among the risks that threaten this ratio: the **volatility of material costs** and **delays** in the works.
- **Industrialization is one of the main strategies to improve the profit margin.** It is also important to carry out an in-depth study of the cost of land and the urban planning charges in each project.

PROFIT MARGIN OF BUILDING CONSTRUCTION

(NET PROFIT / SALES, %)

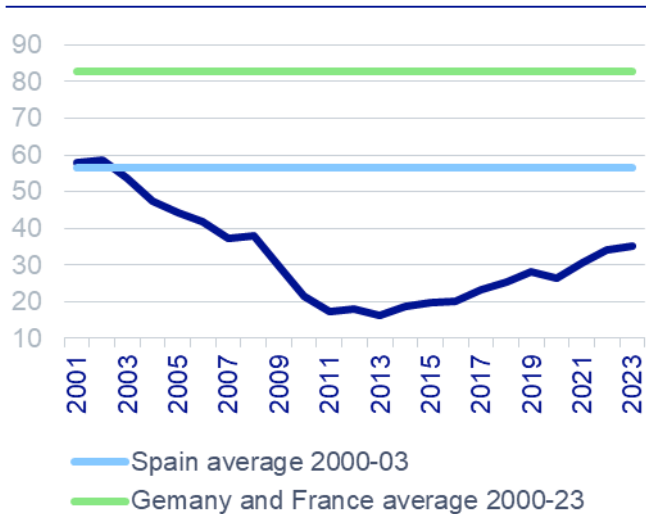


Source: BBVA Research, based on data from BACH.

Profitability

Asset turnover, at relatively low levels

BUILDING CONSTRUCTION ASSET TURNOVER (TOTAL SALES/TOTAL ASSETS, %)

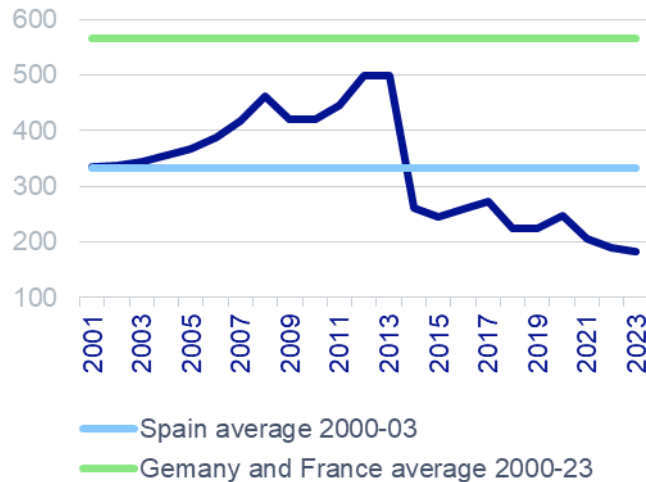


- Currently, the rotation of building construction assets in Spain (which tries to measure operational efficiency), is much lower than the 2000-2003 average and the historical average recorded in Germany and France.
- This ratio is affected by the **execution timelines of the works**, the **level of fixed asset**, especially land, and the **speed of commercialization**.
- The main risks affecting the ratio are **delays in projects** (delay in licenses and urban planning procedures), which lead to a reduction in turnover and the **accumulation of idle assets (land)**. Long sales cycles are also a risk, but they could currently be ruled out in the case of homes.

High levels of equity tied up in fixed assets

- **Financial leverage has been declining in recent years** and in 2023 it was significantly below the average recorded in 2000–2003 and the German and French historical average.
- **This is in line with the necessary process of debt** reduction to which the sector was subjected after the global financial crisis.
- In recent years, **regulatory uncertainty and the slow pace of land development have been weighing on project financing.**

FINANCIAL LEVERAGE IN BUILDING CONSTRUCTION (TOTAL ASSETS / EQUITY, %)

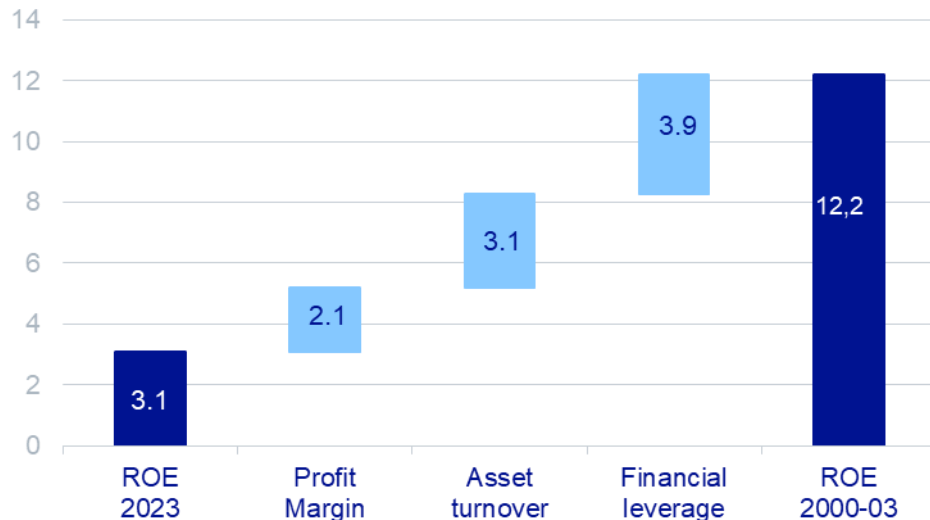


Source: BBVA Research, based on data from BACH.

Profitability

Asset turnover and legal certainty, keys to increasing ROE and increasing the housing supply

RETURN ON EQUITY OF BUILDING CONSTRUCTION
(CONTRIBUTIONS IN PP AND %)



- The RoE in 2023 was about 9 percentage points lower than the average recorded between 2000-2003.
- To reach that ratio in the building construction sector, the sales-to-assets ratio would need to increase by just over 2 pp and asset turnover would need to increase by around 3 pp above current levels in the sector.
- However, the greatest increase should come from the ratio of assets to equity. Thus, financial leverage should increase by almost 4 pp.
- Eliminating idle land from the balance sheet would increase profitability.

Source: BBVA Research, based on data from BACH.

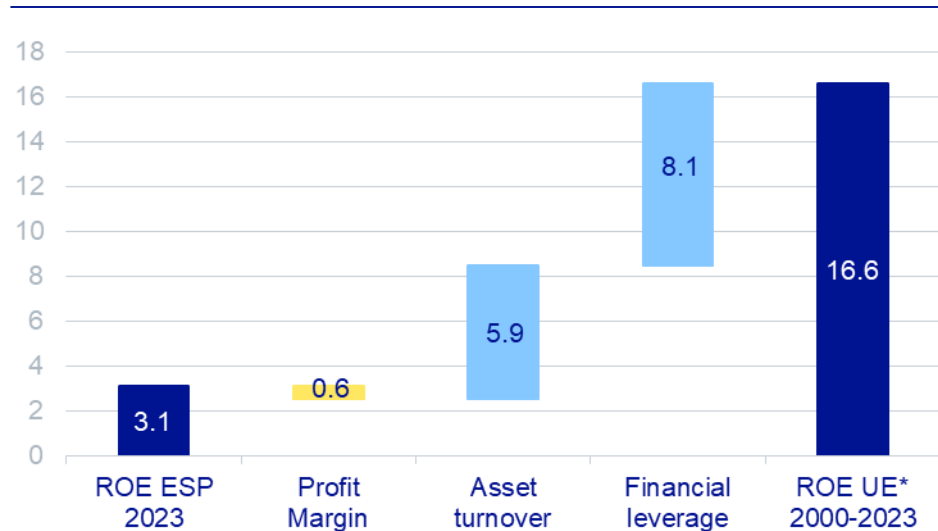
* These conclusions are aligned with the literature on the determinants of business investment (Blanco, Menéndez, & Mulino, 2022; Puente & Mulino, 2024), which highlights the positive relationship between profit margins and productive capital accumulation.

Profitability

Asset turnover and legal certainty, keys to increasing ROE and increasing the housing supply

- In 2023, the RoE of the building construction sector was 3.1%, about 13.5 pp less than that recorded by the sector in the historical average of France and Germany.
- To achieve the average profitability of these countries between 2000 and 2023, building construction would have to significantly increase asset turnover. But the greatest effort should be made to increase financial leverage.
- As for the profit margin, it turns out to be very similar to the historical average recorded in both countries.
- Increasing certainty and reducing land transformation timelines would result in a reduction of the risk of financing the activity.

RETURN ON EQUITY OF BUILDING CONSTRUCTION VS. GERMANY AND FRANCE (CONTRIBUTIONS IN PP AND %)



Aspects that contain profitability in construction

High bureaucracy

The lengthening of construction timelines means greater uncertainty and complexity when carrying out financial planning, which translates into an increase in costs

Labor shortages

This can lead to a slowdown in projects, lower production volumes, and inefficient use of physical capital, as well as higher production costs

Reduced productivity

The capital intensity (machinery, equipment and technology per worker) in Spanish construction is modest, weighing on its productivity. In addition, the sector is mostly made up of SMEs, which show a lower profitability than large companies

Asset accumulation

The land transformation process is very complex and lengthy over time. The land transformation procedures are associated with complex administrative processes that should be simplified to streamline projects. It is necessary to pass laws such as the reform of the Land Law to reduce idle assets on balance sheets

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