EXECUTIVE SUMMARY

Real Estate Market Outlook 2026

Annual report with the keys to the real estate market for 2026

ECONOMIC KEYS AND THEIR IMPACT ON THE SECTOR

The Spanish economy will maintain its expansionary cycle in 2026, driven by domestic demand, with GDP growth expected to double the Eurozone average. After years of volatility, interest rates are expected to stabilise at around 2%, favouring the cost of financing. In this context, real estate investment will benefit from current macroeconomic momentum, driving increased activity during the coming year. In a market impacted by macro trends and certain structural imbalances, geopolitical and macroeconomic dynamics will continue to reshape the sector, opening up new opportunities for growth and investment.

Adapting to the transformation of the real estate sector requires reimagining growth, interpreting the trends that will shape the future of the sector

REAL ESTATE KEYS

- The Spanish economy was the fastest growing among the major economies of the eurozone. A dynamic that is expected to continue to occur throughout 2026, with growth rates above 2%. The gradual easing of inflation, although above the European average, will favour domestic demand, which is becoming the main contributor to Spanish growth driven by the labour market.
- Global geopolitical instability contrasts with the certainty with which European monetary policy faces the year 2026. The last five years have been marked by several phases: negative rates, a rise to 4% and subsequent relaxation to the current 2%, with no expectations of changes in the current year. This scenario, together with an expansive fiscal policy, improves the growth expectations of the euro area as a whole for the coming years.
- Real estate investment closed 2025 exceeding 18.4 billion euros, a year-on-year increase of 31%, thus exceeding the expected forecast by 11pp and becoming the best year since 2018. Looking ahead to 2026, we anticipate that the positive outlook seen this year will continue, with growth expected to be above 5-10%. We also expect M&A activity to remain strong, with a sustained flow of corporate deals continuing to drive the market. Institutional investors with strategies aimed at income and value creation will predominate. Core investors, until now led by national private or institutional capital, will play a relevant role.
- Prime yields will remain stable, with one-off adjustments in core assets and prime locations. A shortage of output and persistent macroeconomic volatility will continue to condition the pace of market recovery.
- Spain will continue to consolidate itself as a key focus for investment and financing in Europe. Both local and international banks show greater activity, with reduced costs and greater leverage. This dynamic of margin contraction extends to alternative financing providers, mainly due to the increase in back leverage and the increase in funds with insurance capital. All this means that in each financing process there is more and more competition between bank and non-bank lenders, which improves returns to sponsors. Today, there is a lender for every risk.
- The leasing of offices in Spain totalled more than 810,000 sqm during 2025. While Barcelona increased levels by 15% to reach 316,000 sqm, Madrid was close to 2024 levels, with a slight drop of 6%. The expectation for 2026 is that hiring will improve on the levels of this last year. In both cities, there is a CBD with availabilities below 4% and with rent growth in the highest quality buildings. The saturation of central areas is allowing certain areas to gain dynamism (the case of 22@ in Barcelona or the edge of the M-30 in Madrid). Offices have established themselves as a pole of attraction for talent and an environment in which workers interact and are more innovative.

- After a record 2025 for the Spanish residential market, driven by economic growth and favourable financial conditions, the sector faces 2026 with solid fundamentals and a more balanced pace. The structural housing deficit – which exceeds 700,000 units and will continue to grow between 150,000 and 200,000 per year over the next three years – maintains pressure on prices, although a more moderate single-digit growth is expected in 2026. This scenario reinforces the attractiveness of transformation strategies, such as the conversion of rental assets to unit sales (privatisation), in a context marked by land scarcity, regulatory complexity and tensions in costs and labour.
- The Living sector maintains its position as the main destination for real estate investment in Spain, supported by the growing demand for rental housing and the strong interest of institutional capital. In the Build-to-Rent model, the investment is mainly oriented towards projects with an affordable component, while alternative solutions (student housing, flex living and senior living) lead the expansion and diversification of the market. Added to this dynamism is the attractiveness of the prime residential, which accentuates the polarisation between affordable and high-end products. With the expected delivery of new projects in 2026, the sector will move towards a wider and more adapted supply, key to improving accessibility and responding to new housing preferences.
- Spain reaffirms itself as one of the most attractive hotel markets in Europe, with four destinations in the Top 10 of the *European Hotel Destinations Attractiveness Index*, a ranking that evaluates investment potential by combining structural and macroeconomic factors. This leadership translates into a positive outlook for the hotel sector in 2026, in a context of more moderate growth in tourist arrivals after years of strong expansion, offset by higher spending per visitor. Investor appetite remains solid, and interest in less mature destinations, conversion projects and mixed-use is expected to continue, along with a growing polarization between luxury and economic product segments.

The future of real estate lies in rehabilitating, reusing and combining uses, aligning efficiency and sustainability

- The Spanish logistics market closed 2025 with an exceptional performance, reaching an absorption of more than 2.7 million sqm, a new all-time high and an annual growth of 7%. Madrid once again exceeded one million square metres, while Barcelona was around 600,000 sqm, limited by very tight availability. Activity in built to suit and self-promotion XXL projects played a prominent role in the exercise. By 2026, stable demand is expected in the main hubs, although conditioned in certain markets, such as Barcelona, due to the lack of supply. In this context, the combination of resilient demand and reduced availability is leading occupiers to rethink their expansion strategies, prioritizing more efficient and adaptable solutions.
- The retail sector is expected to extend the positive trend seen in 2025, supported by moderate retail sales growth, driven by robust private consumption, a gradual reduction in the savings rate, and the expectation of maintaining record levels in tourist arrivals. These conditions, together with strong asset operations, with sales and footfall steadily increasing since 2021 and high occupancy levels, suggest that retailer and investor activity will continue to be dynamic across all retail sub-segments. In this context, the most competitive assets that generate the greatest interest will be those that offer renovated spaces, prioritise differential experiences and adapt to consumer habits and preferences.

- The Data Center sector in Iberia is moving towards a stage of greater scale and maturity in 2026, driven by the growing demand associated with AI. The need to ensure the availability of energy and adequate land is consolidated as the central axis in decision-making, in an environment marked by increasing complexity for grid connection. While Madrid reaffirms its role as a strategic location and new hubs with good energy access emerge, the sector accelerates the incorporation of solutions aimed at efficiency, advanced thermal management and ESG standards, reinforcing Iberia's positioning on the European digital map.
- A greater maturity of the real estate sector, together with a greater sophistication of people's needs, has caused alternative sectors to gradually gain weight in real estate investment in recent years. If 2025 was its confirmation with 14% of total investment, 2026 predicts that it will be the year of its consolidation.

Data Centers, Healthcare and Agribusiness are consolidated as new sources of value, driven by AI, aging and agri-food demand, turning infrastructure into a sustained investment opportunity

- The flow of food is increasingly global. Six out of every ten almonds produced worldwide are exported to another country, which is why Agribusiness is positioned as a strategic sector. In an increasingly populated planet with a greater need for food, investment opportunities appear in Iberia, arousing the interest of foreign investors.
- The progressive aging of Western populations (especially Spain) will require an adaptation of health infrastructures. For this reason, it is expected that the Healthcare sector will continue to gain presence in Spanish real estate. The type of product linked to care (Geriatrics) as opposed to cure (Hospitals) will continue to dominate in investment, although dynamism is expected in the latter. Research linked to Life Sciences, a key pillar in the healthcare sector, is gaining weight in cities such as Madrid and Barcelona with operators specialising in the provision of laboratories and with prospects that in the coming years the presence of this type of asset will increase.
- Could higher work productivity due to the use of AI lead to more leisure time? This would lead to greater consumption of Sports. Investment funds have been investing in the sports industry for years and the weight of the real estate sector in clubs is increasing. Not only to optimize the use of stadiums, the goal is to mix different uses creating communities that vibrate not only during sporting events.
- Infrastructures such as car parks are key in the cities of the future and their impact on urban mobility. With more sustainable (including electric charging points) and smart (thanks to digitalisation and its impact on operations and user experience) models, they are expected to play a growing role in the Spanish real estate throughout 2026.

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