

Real Estate Strategic Outlook: Iberia

Economic Outlook

Iberia's economy holds strong, with Spain driving momentum

Iberia's economy is forecast to grow moderately over the coming years, supported by resilient domestic demand and a steady labour market. Spain is expected to continue to lead growth across the region, with GDP projected to rise 2.9% in 2025 and 2.3% in 2026, while Portugal is projected to grow 2.0% in 2025 and 2.3%¹ in 2026. Inflation is expected to ease towards 2%², and public debt is gradually declining, providing a solid macroeconomic backdrop. That said, external risks and demographic pressures could temper growth, underscoring the importance of structural resilience in the region's economy.

Seizing Opportunities in Iberia's Real Estate

Strong logistics prospects in Iberia

Logistics in Iberia continues to offer potentially strong growth prospects. Lisbon currently leads rental growth, driven by ongoing modernisation, low vacancy, and relatively affordable rents. Barcelona follows closely, benefitting from strong fundamentals, pre-let construction and limited prime stock. Madrid appears to deliver solid returns, supported by broad demand across sectors and size bands. All three cities are expected to be top logistics performers through 2030, with rental growth potentially above the 3%³ mark.

Student Housing Growth in Iberian Markets

Student housing (PBSA) mirrors this strength in core markets. Madrid maintains strong demand, with enrolment standing at around 380,000⁴ students in 2025 and continuing to rise, supported by growing international inflows. Valencia and Seville also offer potentially attractive opportunities, with growing student populations and a significant shortfall in purpose-built accommodation supporting rental growth. With supply struggling to keep pace with demand, PBSA is expected to remain a resilient, high-performing segment through 2030. Portugal is emerging as a market, with Lisbon and Porto showing strong unmet demand and attractive growth potential, though the market remains behind Spain.

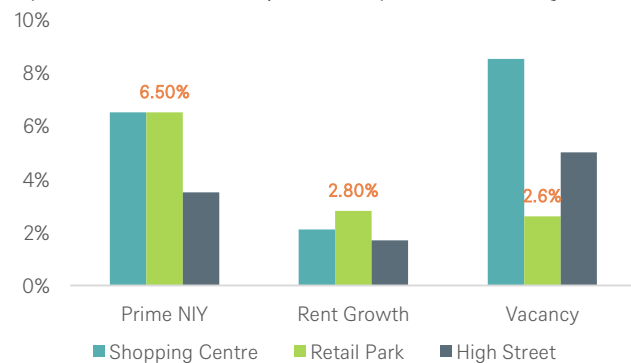
A growing investment opportunity in Retail Parks

Within retail, we anticipate some of the best opportunities in retail parks. Investment is picking up as parks dominate new

development in Spain and expand beyond Madrid and Barcelona into secondary cities. Schemes are increasingly compact, urban-oriented and integrated with residential areas, often featuring multiple supermarkets to enhance shopper choice. Rents are projected to rise due to strong retailer demand and limited quality stock, while yields have started to compress in 2025 and could follow a similar pattern in 2026, a potential 'double win' lifting capital values⁵. Driven by ongoing growth in private consumption and retailers' adoption of omnichannel strategies, retail parks may offer relatively resilient income and potentially long-term upside.

Iberia Retail Yields, Rental Growth, Vacancy Rate (All Prime)

NIY; Forecasted Rent Growth p.a. ('26-'30); Estimated Vacancy



Source: CBRE, JLL, DWS, November 2025

Outlook

Iberia's real estate market appears well positioned for steady growth, supported by a resilient economy and firm sector fundamentals. Logistics continues to look strong across Lisbon and Barcelona, supported by strong demand and limited prime supply. In student housing, we favour Madrid, Valencia and Seville, where rising enrolment and a shortage of modern PBSA may provide stable income and scope for active management. Retail parks also appear to be gaining momentum in Spain and Portugal. Overall, robust rental growth is to be projected to be a key driver of investor returns across all sectors, underscoring the potential resilience and long-term potential of the Iberian region.

¹ GDP figures from Oxford Economics, November 2025

² Oxford Economics, November 2025

³ DWS Research Forecasts, November 2025

⁴ Comunidad de Madrid, November 2025

⁵ JLL, November 2025

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