

Viva España! A Magnet for Property Investment

How Spain became Europe's hotspot for Economic growth and real estate investment

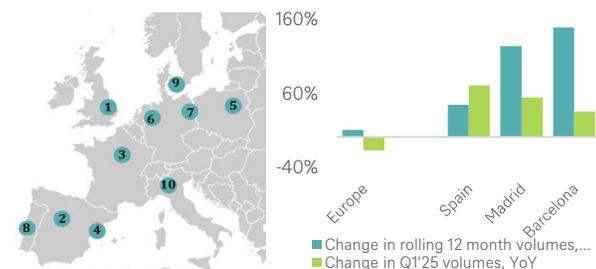
Spain is on a roll! Hardly a day goes by without headlines celebrating the country's remarkable economic momentum. Over the past two years, Spain's economy has delivered an exceptional performance, earning it recognition as one of Europe's most impressive success stories. According to Oxford Economics, Spain grew by a robust 3.2% during 2024, four times the eurozone average and more than the US which also performed strongly. Growth was driven by domestic demand and a strong boost from tourism.

Madrid and Barcelona have rapidly climbed the ranks in investor sentiment, now standing among the top European cities for real estate investment. According to CBRE's latest investment survey, Madrid has risen to second place overtaking Paris, while Barcelona secures fourth spot. This is no easy feat, particularly for a country that was among the hardest hit by the pandemic. Madrid's swift rise, from eighth to second place in five years, highlights its emergence as a key player on the investment stage.

increase. Prime yields stabilised across most asset types after reaching their peak earlier in the year; we now expect slight compression in most products during the course of 2025, including living, hotels, logistics and retail high street. At city level, transactional activity accelerated at a much faster rate in Madrid and Barcelona than at national and European levels. This strong momentum continued into Q1 2025, with strong growth recorded in both of Spain's major cities, whilst investment activity across the wider European region fell compared to the same quarter last year. In particular, investment in the living sector continued to show remarkable strength, with significant operations contributing to this solid performance.

Recent population flows have boosted domestic demand and rejuvenated the workforce. As such, unemployment is at its lowest since 2007. Another factor acting in Spain's favour is the effective use of the EU recovery funds. Looking ahead, we think Spain will continue to be one of the fastest-growing economies in the eurozone in 2025. Whilst tourism spending is slowing, it remains a key support for growth in the short term, alongside consumer spending. Whilst perceived risks have tilted to the downside in recent weeks due to global economic headwinds, Spain is well positioned to navigate some of these obstacles.

'Most attractive cities for cross-border investment' & Change in investment volume (offices, logistics, retail)



Source: CBRE, RCA, DWS, May 2025

According to CBRE, investment into Spanish real estate reached approximately €14 billion in 2024, exceeding the five-year average of €12 billion and representing a 20% y/y

To conclude - there is no doubt that Spain's robust economic growth and thriving tourism industry have solidified its standing in the European commercial real estate market. We see attractive opportunities across multiple sectors, particularly in prime locations. Our preference remains focused on the living and logistics sectors, which continue to offer resilience and strong returns. While retail still faces structural challenges, signs of recovery are emerging, especially for those looking to tap into Spain's evolving consumer dynamics. Of course, our investment decisions will be guided by heightened scrutiny - tracking the country's macroeconomic trajectory, market responses to prospective tariffs, and any sector-specific vulnerabilities.

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