

Real Estate Strategic Outlook: Iberia

Continued Momentum in Iberia

Economic growth persists across Iberia, led by Spain

Spain's economy continues to outperform the European average, underpinned by strong service sector growth, rising migration, and solid job creation that is bolstering household incomes. With minimal exposure to US trade risks and ongoing strength in tourism, Spain is expected to remain one of the Eurozone's fastest-growing economies, with GDP growth projected at 2.2% in 2025, moderating slightly to 2.0%¹ in 2026. In contrast, Portugal's economy underperformed in Q1 2025, prompting Oxford Economics to revise its GDP forecast down to 1.7% for 2025, but raise it to 2.1% for 2026.

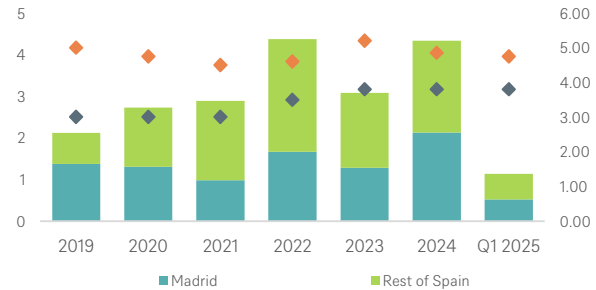
Unlocking potential with new strategies

Residential sector in top spot

Spain's living sector continues to gain momentum, supported by economic growth, record employment, and a rising emancipation-age population. The sector drew €1.1² billion in investment in Q1 2025, representing 35% of total transactions, with a focus on niche and value-add segments. Madrid strengthened its position as the top investment destination, accounting for nearly half of total volume. A notable shift is the surge in affordable housing, which grew from one-third of the previous year's multifamily volume to 72% in Q1. In parallel, value-add strategies - especially in Madrid and Barcelona - are unlocking potential through ESG-led initiatives.

Madrid's housing market has become increasingly unaffordable, pushing residents towards alternative housing solutions. This has driven investor demand in commuter towns like Seseña and Valdeluz, supported by improved infrastructure and greater affordability. At the same time, purpose-built accommodation (PBSA) is gaining traction in university hubs such as Valencia, Seville and Madrid, offering potentially attractive yields and institutional-grade opportunities amid limited supply. In Q1, prime multifamily yields in Madrid stood at 3.8%³, whilst PBSA yields compressed to 4.75%⁴. We expect continued yield compression in both sub-segments over the five-year forecast period, driven by strong investor interest.

Spanish Multifamily Investment (€bn, bar charts, lhs axis) & Madrid yields for Multifamily & Student Housing assets (% , diamond, rhs axis)



Source: CBRE, as of 3/31/2025

Logistics drives consistent growth

The Spanish logistics market continues to perform strongly, underpinned by sustained e-commerce growth, solid economic fundamentals and ongoing infrastructure investment. We forecast stronger rental growth in Barcelona than in Madrid, driven by high demand and structural supply constraints. In Lisbon, take-up has been robust as occupiers upgrade to higher-quality space, leaving behind obsolete warehouses that account for much of current vacancy. Rent growth in Lisbon has also been strong and is expected to remain above 3% annually over the five-year period to 2029, supported by the significant improvement in the quality of available stock.

Combination of liquidity and price stability

We continue to see compelling investment opportunities across multiple sectors in the Iberian region, particularly in prime locations. We like the living and select logistics segments, which have demonstrated resilience and attractive risk-adjusted returns. In addition, value-add investors are increasingly targeting office assets for residential conversion, especially in markets with strong rental demand such as Madrid and Barcelona. In summary, the combination of stable pricing and healthy liquidity across Iberia is beginning to shift sentiment, encouraging investors to move from a wait-and-see approach to more active deployment strategies.

¹ CIO View, DWS

² CBRE Research

³ CBRE Research as of 3/31/25

⁴ CBRE Research as of 3/31/25

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