MARKETBEAT
SPAIN
PRS, BTR & FLEX LIVING Q3 2025

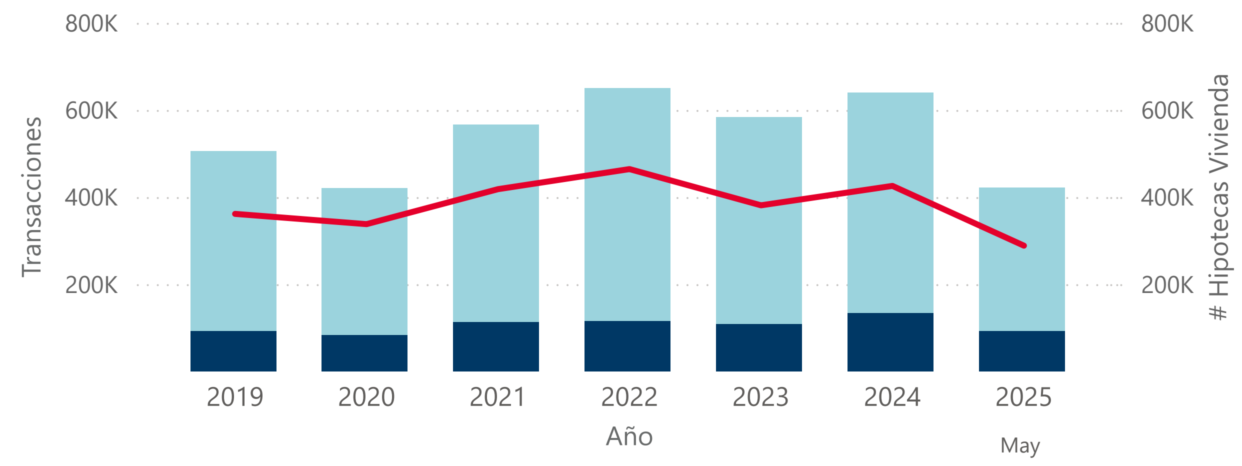
CUSHMAN & WAKEFIELD

Total Residential Transactions 2025 to July	YoY % Total Residential Transactions	PRS, BTR & FLEX Investment Volume H1 2025 €	YoY % PRS, BTR & FLEX Investment Volume
422K	**18.76%**	**875M**	**52.00%**

Prime City Centre Madrid Market Rent € sqm month	Prime City Centre BCN Market Rent € sqm month	Decentralized Madrid Market Rent € sqm month	Decentralized Barcelona Market Rent € sqm month
25.0	**23.3**	**20.0**	**18.3**

Prime City Centre Yield Madrid	Prime City Centre Yield Barcelona	Decentralized Yield Madrid	Decentralized Yield Barcelona
3.75%	**3.95%**	**4.15%**	**4.25%**

Residential Transactions (New, 2nd Hand) & Mortgages Spain



Market Context

- The number of housing transactions up to July 2025 reached 422,000, an 18.76% increase compared to the same period in 2024, reflecting strong demand driven by the significant decline in Euribor.
- Investment volumes in PRS, BTR, and Flex Living have increased notably in H1 2025 compared to the same period in 2024, with Flex Living maintaining strong momentum and a gradual improvement in BTR/PRS activity. Notwithstanding this, 2024 had a strong finish, so total 2025 activity should be similar to last year.
- The BTR delivery pace remains relatively solid, with over 8,000 units completed in 2024—in line with 2023—while Flex Living deliveries reached 6,000 units in 2024, representing growth of over 200%. This brings the total accumulated stock to approximately 25,500 BTR units and 11,900 Flex Living units (excluding public housing projects and considering only private capital).
- Despite this increase in stock and supply, given the high demand for product—which is also growing—BTR/PRS/FLEX rental prices continue their upward trend, rising by more than 10% year-on-year.
- In contrast to the sector's strong fundamentals, there has been an increase in residential rental market regulation. On the one hand, through the designation of stressed zones in several parts of Spain—particularly in Catalonia—which imposes rent controls; and on the other, through the introduction of the IRAV index for rent updates, designed to be more stable and lower than CPI, excluding energy costs.

Trends

- Increasing rental demand over recent years due to:
  - (1) Increased costs of purchase making it difficult for first-time buyers to enter the market and having to resort to renting;
  - (2) Less housing in development to constrain further price increases;
  - (3) Slowdown in salary increases and disposable household income, combined with relatively persistent inflation.
  - (4) Continuous decline in the number of people per household, especially since Covid.
- Restricted rental supply and continuous increase of market rents. The gap between demand and supply is likely to continue over the coming years, continuing to drive market rental growth.
- A strong tendency for more seasonal lettings (less than 1 year) to avoid the IRAV index that applies to all rental contracts signed after May 2023.

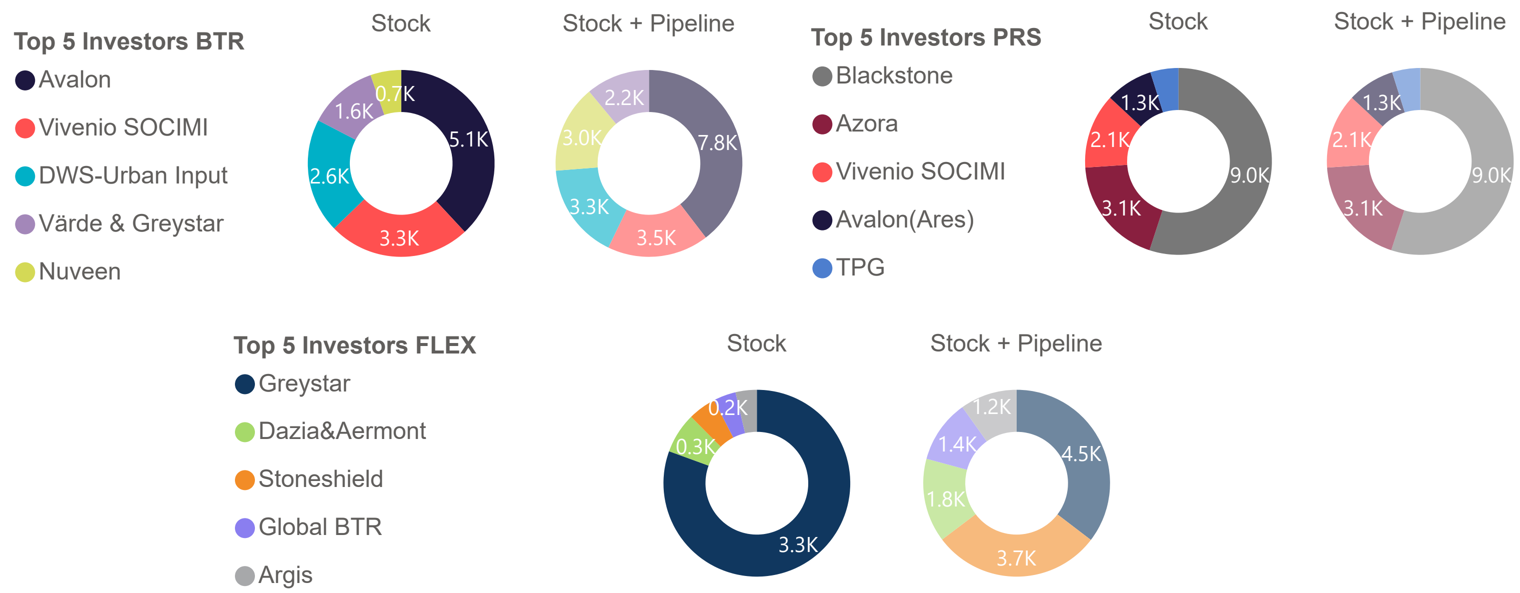
Stock and Pipeline

- Over recent years, institutional investment has driven rapid growth in the **BTR** sector adding significant stock each year in the order of 5-10,000 units annually. If we add this to the existing PRS stock of approximately 20,000 units the total PRS/BTR segment represents an important proportion of the real estate investment market.
- The most dominant investors, shown in the graphs to the right, hold significant market share, with the Top 10 accounting for 60% of the total market. Among them, Avalon is the current leader, holding a market share of 18%.
- **PRS** has remained stable, with stock consistently ranging between 20,000 and 20,600 units from 2017 to 2025. This sustained level reflects the sector's established and resilient presence in the rental market.
- Nothwithstanding this, over the coming months we may see significant changes in ownership as some of these leading players look to exit their positions.
- Another important tendency is the **Flex Living** segment which has experienced steady growth, expanding from 2,000 units in 2021 to nearly 12,000 units in 2025. Stock tripled between 2022 and 2024, showing the dramatic growth of this asset class. A robust pipeline of 17,820 units brings total expected provision in the sector to nearly 30,000 units, signaling strong momentum and increasing investor interest.

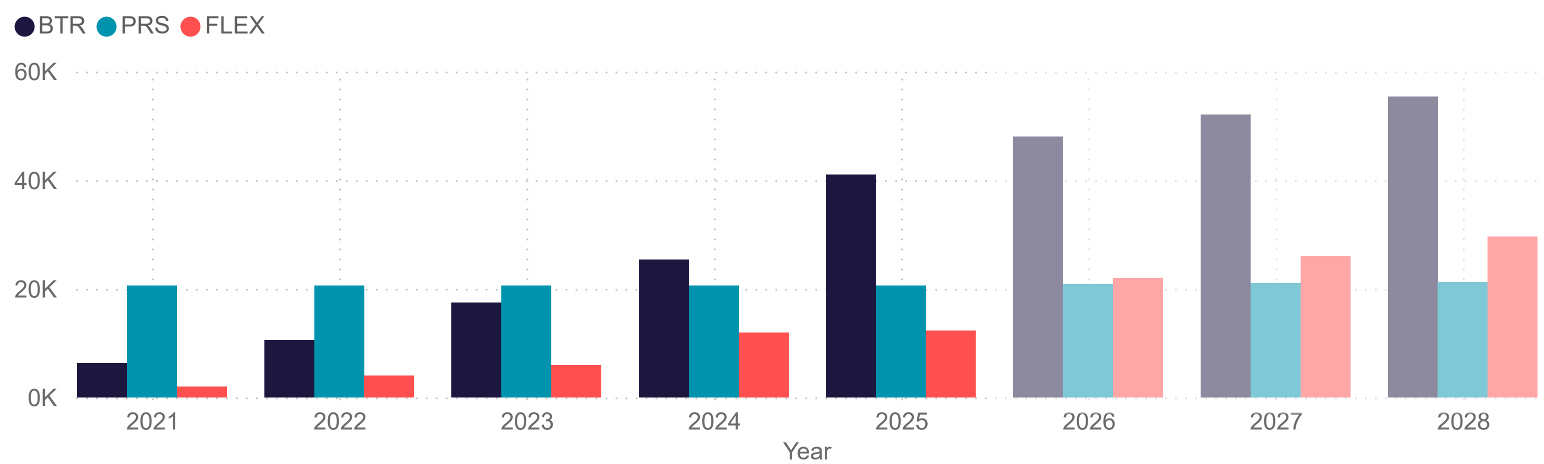
Investment Volume

- In Q3 2025, the **BTR/PRS** transactional market (including affordable housing) reached a cumulative volume of €656 million (€481 million in BTR and €175 million in PRS).
- The **Flex Living** segment continues to strengthen its position within the residential investment market, with a volume of €219 million year-to-date in 2025.
- The total accumulated investment volume up to Q3 2025 amounts to €875 million. However, the performance in the final part of the year will determine whether the total volume recorded in 2024 will be matched or surpassed.
- Finally, it is worth noting that sharp rental price increases in recent years have pushed affordability ratios to very high levels, especially in central Madrid and Barcelona. This has intensified pressure in these areas, where often only wealthy foreign residents can afford to live. Investment in multifamily (BTR & PRS) and Flex Living through public-private initiatives is undoubtedly the best approach to alleviating market tension.

Main Investors Share & Units

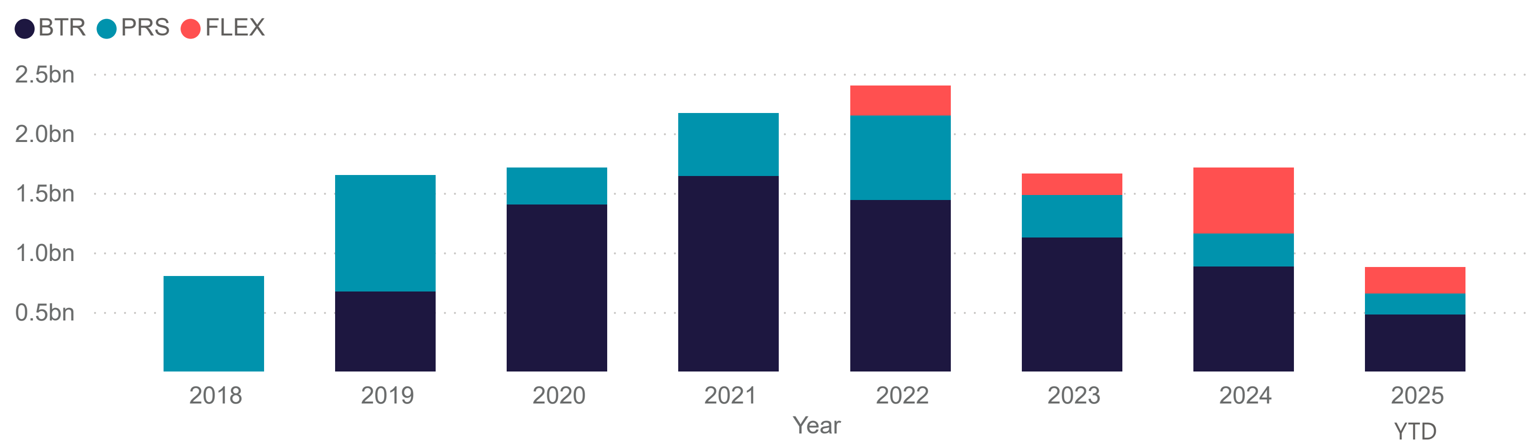


Stock Evolution and Forecast



Investment Volume (Bn€)

**land transactions not included*



Prime Yields

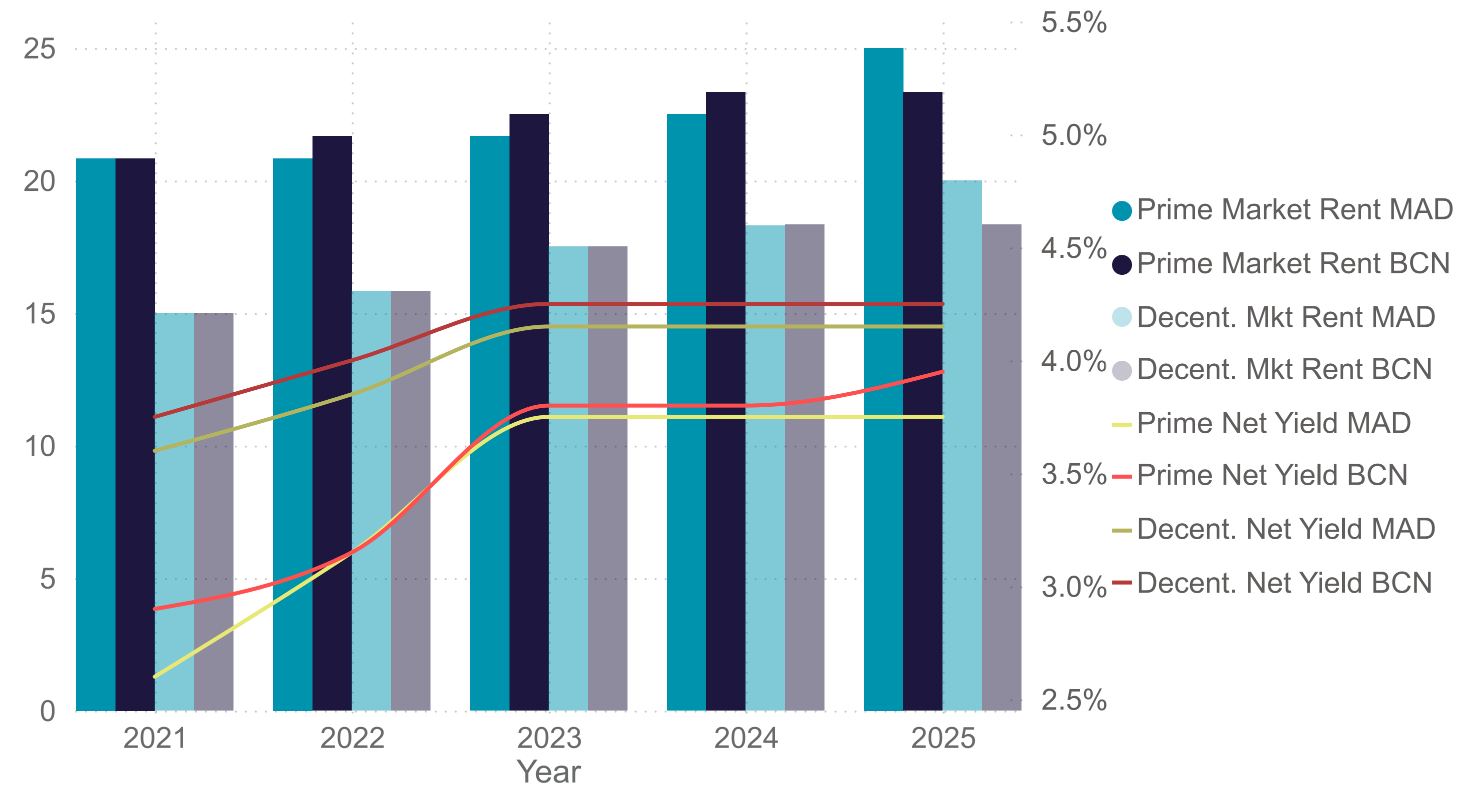
- The current net yield for established prime city center PRS is 3.75% in Madrid and 3.95% in Barcelona. For the best decentralized product the current yield is 4.15% in Madrid and 4.25% in Barcelona.
- The outlook for future yield evolution is currently stable although we will need to observe closely a number of importnat sale processes that are being launched to the market and the category of buyer that closes on these deals (see further comments below).

Transactional Activity

- In the first half of 2025, transactional activity has been steady, maintaining the same trend observed during 2024. The outlook for Q4 and next year is similar, possibly with increased volumes being achieved in the event of the successful sale processes being initiated by Ares, Blackstone/Fidere and Azora. In the case of Ares 50% of their portfolio (held freehold) is in advanced negotiations with the Healthcare of Ontario Pension Plan.
- The most notable transactions of Q3 2025 include: the purchase by Hines of 531 residential units in Cuatro Vientos (Madrid) from the Stay brand for €155 million; the sale by Tectum to Vivenio of 200 residential units in Villaverde for €50 million; the acquisition by Impar Capital from Telefónica to create 67 short- and medium-stay units in Madrid with an investment of €30 million; the acquisition of 480 affordable homes in Seville by Blue Coast Capital, managed by Bialto; and the sale by AP67 of two residential buildings in Leganés for €13 million;

YEAR	TYPOLOGY	LOCATION - CITY	BUYER	SELLER	Nº OF UNITS	Price (€Mn)
2025 Q3	BTR	Leganes, Madrid	Conf.	AP67	Two buildings	13
2025 Q3	BTR VPO	Entrenucleos, Sevilla	Blue Coast Capital	BTR Hispalis	480	Conf.
2025 Q3	BTR	Skypark, Madrid	Meridia	Hines	395	160
2025 Q3	BTR	Edif Elecnor, Arturo Soria	Losantos	MERLIN Properties	6000 sqm	32
2025 Q3	BTR	Stay, Cuatro Vientos, Madrid	Hines	Nuveen+Kronos	531	155
2025 Q3	BTR Afford	Villaverde, Madrid	Vivenio Residencial	Tectum	74	17,98
2025 Q3	BTR Afford	Villaverde, Madrid	Vivenio Residencial	Tectum	131	31,8
2025 Q3	Short Stay	Palacio, Madrid	Impar Capital	Telefónica	67	Conf.

PRS/BTR Prime Net Yields and Market Rents



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