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Closing remarks at the Conference on the Spanish Economy*

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* English translation from the original in Spanish

Good afternoon.

I am delighted to deliver the closing remarks at the **5th Conference on the Spanish Economy, organised by the Banco de España together with CEMFI and the Universidad Internacional Menéndez Pelayo**. Each year, this conference seeks to bring together academics and public policymakers to discuss key issues affecting the Spanish economy. This year, we have focused on the housing market and institutional quality, two areas that have been discussed extensively throughout the conference's various sessions and panel discussions.

The organisers have, in my view, prepared **an excellent programme by selecting issues that lie at the heart of these two challenges**, such as housing affordability problems and their implications, the institutional determinants that constrain housing supply, the effects of an overabundance of legislation, and the efficiency of public administrations in the Spanish economy. I am confident that the findings of the papers presented at these sessions will help build a clearer understanding of the Spanish economy, and I hope they will prove useful for designing economic policy measures.

Allow me to **focus my remarks on one of the challenges addressed at this conference, namely the situation of Spain's housing market**. A thorough understanding of this market is essential for the Banco de España to effectively perform some of the functions entrusted to it. That is why analysing the main challenges facing this market is among the Banco de España's analysis priorities for 2025-2030.

In this context, I would like to highlight some of the findings included in the **Banco de España's Annual Report 2025**, which was published recently and devotes a **chapter to this issue.** The chapter provides a detailed diagnosis of the current barriers to accessing affordable housing, focusing on the determinants that constrain supply growth and contribute to the sustained increase in purchase and rental prices. Importantly, it documents the distributional implications of these developments, particularly for young people wishing to buy or rent a home.

In recent years, **the Spanish housing market has seen a phase of notable dynamism**, reflecting a combination of several factors: the economic recovery, employment growth, population growth – largely driven by migration flows – and financing conditions that have been relatively favourable by historical standards. Nevertheless, the imbalance between supply and demand growth has led to a **housing affordability crisis that has become an economic and social emergency**.

One of the main contributions of our report is that it documents the **housing cost burden faced by households** with the greatest possible geographical granularity. Prices have risen steadily, outpacing the average growth rate of households' real disposable income. This widening gap has meant that households will have to allocate a significantly higher proportion of their net income if they wish to purchase or rent a home.

This **increase in the housing cost burden has significant distributional implications**, as it does not affect all groups equally. Households with lower income and lower net wealth have seen their ability to access affordable housing deteriorate to a greater extent over the past decade. For instance, the average cost burden for renter households exceeds 25% of their net income. In addition, one third of these households are overburdened, as they spend more than 30% of their income on rent. Sustained housing cost overburdening leads to an increase in situations of social vulnerability.

Such high cost burdens are largely attributable to a **persistent mismatch between housing supply and demand**. On the demand side, demographic growth, the concentration of the population in large urban areas, the easing of financing conditions and non-residential demand have increased pressure on the market. On the supply side, the response has been limited despite the rise in prices. New housing construction has not expanded at the necessary pace, owing to factors such as the scarcity of available land, urban planning problems, higher construction costs, labour shortages and lower productivity in the construction and real estate sector.

This **imbalance between housing supply and demand is particularly pronounced in large cities and their metropolitan areas**, where job opportunities are concentrated. These areas have seen faster price growth and more severe affordability constraints. These dynamics also give rise to territorial inequalities, as the housing cost burden varies considerably across areas and prohibitively high house prices limit workers' mobility.

Within this overall context, **young people are one of the most affected groups**. Their ability to access affordable housing has worsened notably in recent decades, as evidenced by the sharper increase in the housing cost burden in Spain than in the main European economies. The age at which young people leave home has risen, and a growing proportion of them have no choice but to remain in the family home for longer. Those who do manage to leave do so largely through the rental market, where prices for new contracts are rising rapidly, making it more difficult for them to live independently.

Home ownership, traditionally a key channel for wealth accumulation in Spain, has become almost unattainable for young people. High prices relative to income, combined with the need to provide substantial prior savings or rely on family support, reduce this possibility. As a result, the home ownership rate among young people has declined, while their capacity to save has weakened owing to the high rental cost burden. If sustained over time, these developments would have long-term implications, such as distorting the intergenerational distribution of wealth.

At the same time, **newcomers to large urban areas** – especially the immigrant population – also face considerable challenges. Immigrants have contributed significantly to the growth in housing demand, particularly in the rental market, which offers them the most accessible route into housing. This is largely due to constraints associated with their lower levels of income and accumulated savings, which make it more difficult to meet banks' prudent mortgage lending standards. Housing affordability pressures are found to be most acute within this segment of the population, as its lower-income brackets comprise a disproportionate share of socially vulnerable households and bear the highest rent burdens.

This concentration of **rental** demand among young people and recently arrived residents exacerbates affordability problems in this market segment. It may also give rise to residential segregation within urban areas, with worrying social implications. Rising prices also push these groups towards more affordable areas, which may **affect the territorial distribution of the population**. This phenomenon may lead to productivity losses by making it harder for workers with specific skills to respond to firms' demand in more economically buoyant areas, where housing prices tend to be high.

Another important aspect of the analysis concerns **developments in the mortgage market**. Although new mortgage lending grew notably in 2025, it did so with prudent lending standards and amid a gradual decline in the stock of outstanding credit, both for house purchase and for loans intended for construction and real estate development. From a **financial stability** standpoint, various Banco de España reports indicate that, for the time being, there are no macro-financial imbalances comparable to those that built up during the real estate boom of the 2000s. This is thanks to prudent mortgage lending, the sound financial position of households with mortgage debt and the limited share of the construction sector in overall economic activity.

Although these risks to financial stability are contained, **the macroeconomic implications of housing affordability problems are also significant**. An increase in households' housing cost burden may weigh on consumption in the event of economic shocks. Furthermore, high house prices shape investment decisions, human capital accumulation and even choices regarding household formation and the number of children. The effects transmitted through these channels may limit long-term economic growth and are compounded by the adverse impact on activity and productivity caused by reduced labour mobility stemming from housing affordability difficulties.

In light of this diagnosis, the Banco de España Annual Report points to the **need for a coordinated and comprehensive economic policy response by all competent public authorities.** This response should focus fundamentally on supply, increasing the availability of housing, especially in the areas where demand is highest. This entails, in particular, reforms to land-use regulation, streamlining urban planning procedures, support for renovation and for bringing vacant dwellings under public management so that they can be placed on the market, the promotion of affordable housing, especially for rent, and greater investment in metropolitan transport infrastructure to increase the potential supply of housing.

At the same time, temporary and targeted **demand-side policies** could play a complementary role in containing demand in the short term while the supply-side policies take effect. However, the report warns that such demand-side measures must be carefully designed to avoid unwanted effects. This risk is particularly relevant in areas where supply is inelastic, since direct demand-side support measures could be passed through to market prices, further increasing them. The effects on housing supply and on unregulated segments of the rental market of measures designed to mitigate affordability problems for vulnerable groups should also be monitored.

Lastly, I would like to stress that the chapter highlights that **Spain's housing problem is not confined to the functioning of an economically important market: it is also a major social challenge**. Difficulties in accessing housing are widening existing gaps between generations, income levels and territories. If these problems are not addressed properly, these dynamics may become entrenched and continue to undermine collective well-being and social cohesion.

In conclusion, **the Spanish housing market faces a complex set of challenges, in which economic, demographic and institutional factors are at play**. Current tensions in this market reflect an imbalance between growing demand and insufficient supply, with especially adverse consequences for young people and for groups with lower income and net wealth.

Addressing these challenges requires a coordinated and lasting strategy by the public authorities with powers and responsibilities in the field of housing. This strategy should prioritise structural reforms aimed at increasing supply, thereby mitigating the adverse effects, both economic and social, arising from the persistence of housing affordability problems.

I hope you found this conference useful and inspiring, and we look forward to seeing you at the next edition of the Conference on the Spanish Economy.

Thank you.