

Eurozone housing: Consolidation, complexity and nuance

After two years of steady recovery, the eurozone housing market enters 2026 in consolidation mode. The rebound that began in 2024 and extended through 2025 is losing momentum, but prices aren't falling. Growth is slowing, yet values continue to edge higher



Energy-efficient homes being built in North Rhine-Westphalia, Germany

Momentum is slowing, but prices kept rising

Housing markets move differently than other asset classes; they're slower, stickier, and often defy simple cycles. This is what we saw in 2025. While general economic activity cooled, prices continued to rise.

After having surged by nearly 50% Year-on-Year in the first quarter in the entire eurozone, new lending growth slowed to around 20% YoY by the third. Early data for Q4 suggests the deceleration continued. Part of this is down to base effects, but affordability played a big role too. Average mortgage rates in the eurozone edged up: while they remained roughly 35 basis points below their annual average for 2024 during the second half of 2025, they stood some 5 basis points higher than the average for the first half of 2025 at the same time.

At 10 and 20 basis points, respectively, Germany and the Netherlands saw the sharpest increases.

In Germany, expectations of higher government debt pushed up bond yields, while in the Netherlands, pension system reforms rippled through capital markets. With mortgage lending rates closely tied to government bond yields, financing costs rose accordingly. Yet prices didn't flinch. In the third quarter, Dutch house prices rose 7.8% YoY, and German prices posted solid gains of 3.3% YoY as well.

Spain, however, was the outlier. Lending rates continued to fall, fuelling demand and accelerating momentum. At 12.8% YoY, house price growth there outpaced other major eurozone countries, driven by a persistent mismatch between supply and demand, a gap that's set to widen as household formation outstrips new construction.

Belgium's story was different. Tax changes in 2025 – lower registration fees for the main residence in Flanders and Wallonia – boosted demand despite rising interest rates, and house prices were up by 4.4% YoY in the third quarter of 2025 as a result. But the tax effect seems to be only temporary. With interest rates set to rise further in 2026 and affordability declining, Belgium's market looks set to moderate.

Cyclicals may contain momentum, but structural factors will sustain recovery in 2026

Regional differences will remain stark in 2026. In Germany, elevated uncertainty, weak consumer sentiment, and affordability constraints will temper momentum, whereas in the Netherlands, slowing wage growth is a key headwind. Structural factors – supply shortages, high rents, and, in the case of Germany, low homeownership ratios – will be strong enough to keep both markets on a growth path, albeit at a slower pace. Spain will continue to lead the pack, while Belgium appears poised to shift towards moderation.

Across the eurozone, the decisive question is how structural forces weigh against cyclical ones, and how timing shapes the outcome. One-off effects will fade, but imbalances won't disappear overnight. 2026 won't be a year of boom or bust; it will be a year of diverging growth trajectories. The housing market tends to mirror the broader economy. And in today's eurozone, that means complexity, nuance, and plenty to watch.

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