

Marbella Property Market Report 2015

It is old news that the property market in the Marbella area is now surging, as we indicated would happen in the last three editions of our Market Report – the crisis has now ended. Even the national property market has had increases in prices in the last quarter of 2014 of 2.2%, the fastest pace since 2008 (source: National Statistics Institute.)



The big news in Marbella, however, is that sales volume surged in 2014 by over 28%, compared to the previous year and represents an increase of almost 77% compared with 2011 sales volume. That's 12% higher than the sales volume for the pre-crisis year of 2007 (source: Spanish Ministry of Public Works.)

While the Spanish economy has been suffering the effects of a deep economic crisis, demand for residential property purchases in the Marbella area has enjoyed important year-on-year sales volume increases since 2012.

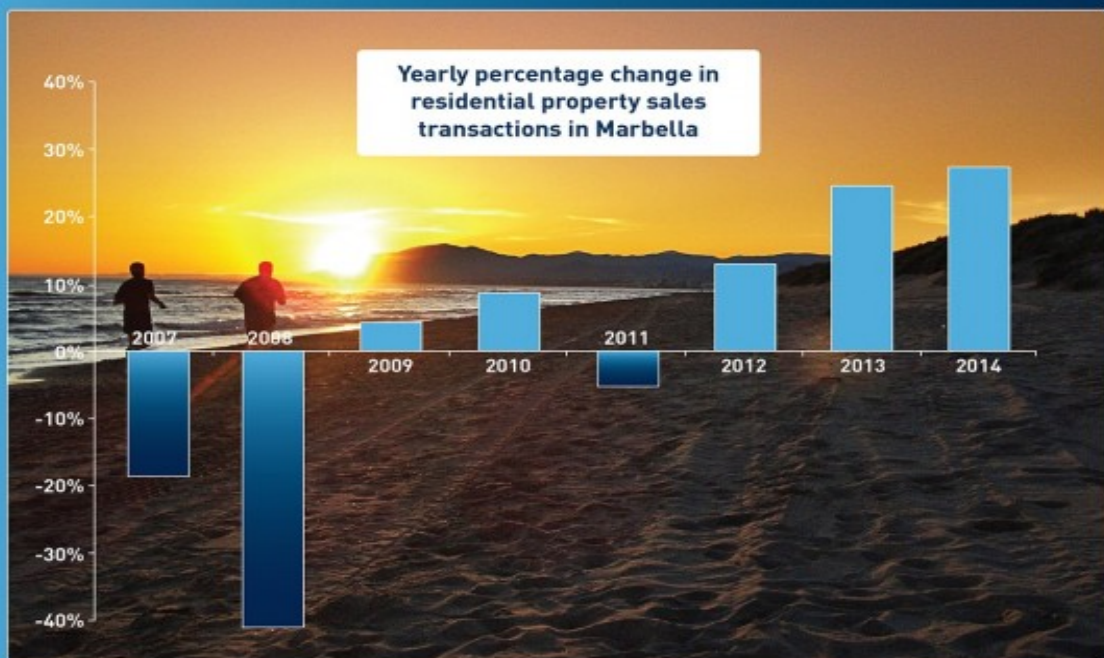
Outstanding growth figures in the sector

Take a look at the table below and its corresponding charts.

Total Number of residential sales transactions in Marbella

	2006	2007	2008	2009	2010	2011	2012	2013	2014
Marbella	4,43	3,56	2,11	2,19	2,38	2,25	2,53	3,11	3,99
Yearly % change		-19%	-41%	4%	9%	-5%	12%	24%	28%

Source: Spanish Ministry of Public Works www.fomento.gob.es



These charts and figures show outstandingly strong growth since 2012. It is this significant and consistent year-on-year improvement that has made Marbella one of the leading cities in all of Spain in residential sales volume growth.

Prices of properties are still way below market peaks

Indeed, the property crisis in the Marbella area is finally over, at least with respect to sales volume, which has been steadily increasing for three years. But the crisis is not really over with respect to prices, if you are a seller: prices are still 15-25% below market peaks even in the most consolidated areas. Prices are even lower in less consolidated areas and at the low end of the market, where there will likely to be good deals for some time to come.

One should take careful note that higher priced properties over €1.5 – €2 million, when sold, are not always replaced with similar priced properties, indicating a potential shortfall in the best-priced, more expensive properties. This, combined with increased demand, has led to many owners increasing their asking prices, something we haven't seen in years. Since the beginning of 2015 our agency has been receiving three or four price increases every week, along with price reductions by owners who are finally realizing that their property was still overpriced despite the improving market.

Reasons for the growth of the Marbella property market

A diversified source of buyers. The property market, as well as the economy in Marbella, is not strictly dependent on the national economy. At least 85% of buyers of Marbella property come from outside Spain, especially other European countries, where their economies are relatively strong compared to Spain, and their businesses are prospering. Whilst Spanish property buyers have been virtually absent due to the severe economic crisis throughout Spain, the foreign market has more than compensated for this.

Naysayers are silent. There are thousands of potential buyers who have been waiting for years for the right time to proceed with a purchase in Marbella and the major lifestyle change that owning a property here implies. News that the crisis is over in the property market in Marbella has now convinced even the most diehard predictors of continuing market crisis that they had better move quickly before prices increase significantly. With the year-on-year sales volume increases in Marbella, the perceived risk of buying property now at current market prices has been eliminated.

A weak Euro. The weakness of the Euro has provided an additional incentive for purchase in Marbella for non-Euro zone based buyers. The Pound, for example, increased 14% over the past year, reaching levels not seen since 2002. The Euro has also dropped to levels not seen against the US Dollar since 2002. The Swiss Franc, with its revaluation in 2014, has also attained a record level against the euro.

Still low mortgage rates. With interest rates at record lows coupled with fierce competition among Spanish banks, there is plenty of motivation for purchasers desiring a mortgage. Typical 20-year variable rates as of April 2015 are euribor (nominal rates) +1.70%, and fixed rates from 2.75%.

Relatively high yields compared to other types of investment. The percentage return on bank deposits, especially for Euro and Dollar-based clients, is so low (even negative, for example, in Switzerland) that many are turning to alternative investments, even though not as liquid, which will provide higher medium-term returns. Of this larger group, many are turning to an investment in life-style which, combined with a well-timed investment in property, solves two problems at the same time.

A safe location, a safe investment. Marbella is regarded as a safe, quality haven within the protection of the European Union when compared to many other destinations today. There are literally hundreds of press articles published in the last six months touting good news about the strong recovery in Marbella and further evidence of the overall economic recovery of Spain itself.



Tourism statistics reach record for 2014

It is a well-established fact that in resort cities such as Marbella, tourism is the principle source of quality real estate clients. With this in mind, consider the following:

Tourists choose Spain. According to the Ministry of Tourism's annual statistics, Spain achieved a record-breaking number of tourists, increasing to 64.9 million international visitors in 2014 or 7.1% more than 2013. Spain is now the third most visited country in the world, behind France and the United States. Spain's Prime Minister Mariano Rajoy announced at the inauguration of the Spain Global Tourism Forum on 27 January 2015, that tourism now represents 12% of the Spanish GDP.

Marbella tourism broke records in 2014. According to the National Statistics Institute, in 2014 Marbella broke its previous record set in 2006 of number of hotel room overnight stays, reaching a total of 2,569,125 room nights. Of course, this figure does not include those staying in rental accommodation, which would easily increase this figure by at least 25%, nor does it include the hundreds of thousands of people considered "residential tourists" (tourists that own properties and live in them for part of the year).

Who is buying?

The table below, provided by the national organization of property registrars, shows recent Spain-wide statistics that place the British market at the head of foreign buyers of property in Spain.

The UK market is still far in the lead, strongly recovering from prior years' numbers, even though it has led the market solidly during the last decade (and ever since Thatcher lifted the dollar premium in 1978 and 1979).

The French market is probably, from our experience, the last European market to discover Marbella in significant numbers. Although they have been present for years on the Costa Brava, in the past the French were reluctant to drive much further south. With an excellent motorway

system now in place throughout Spain, and many direct flights from France daily, the French market for purchasing properties in Marbella has gradually improved, making the French major market players for the foreseeable future. The present fiscal situation in France is an added motivational factor for the purchase of a property in Spain.

The German market moved up to third place in the last quarter of 2014, ahead of the Russian market. This consistent market for Spanish property is due to a healthy economy and lousy winter weather, as in most of the northern European countries.

The Russian market has been seriously damaged by the recent collapse of the Ruble and the Russian oil-dependent economy. But demand will still continue for the higher priced properties by the many wealthy Russians who already have their fiscal residency outside Russia.

The Chinese market is buoyant in the rest of Spain and much of Europe, but Marbella has not yet seen an influx of more than a handful of Chinese purchasers, who so far have preferred, for the most part, either straight investments that don't take into account life-style factors, or to purchase in a big city where they can step right outside and go shopping.

Country	2010	2011	2012	2013	2014	1 yr +/-%
UK	4,649	4,294	4,469	5,504	7,023	27.6
France	1,627	2,110	2,675	3,634	4,209	15.8
Russia	1,278	1,740	2,585	3,163	3,106	-1.8
Belgium	881	1,111	1,750	2,666	2,876	7.9
Germany	1,533	1,814	2,127	2,570	2,963	15.3
Sweden	865	1,259	1,253	2,069	2,469	19.3
Norway	782	1,111	1,540	1,935	1,732	-10.5
Italy	1,130	1,259	1,325	1,345	1,960	45.7
China	811	851	1,156	1,126	1,510	34.1
Holland	874	814	789	963	981	1.9
Switzerland	227	333	426	484	557	15.2
Denmark	298	333	348	478	462	-3.2
Finland	238	296	235	446	430	-1.7
Rest	4,546	5,036	6,193	9,355	10,762	15.0
TOTAL	19,837	22,360	26,871	36,226	41,493	14.5

Source: Registradores

What are the types of properties in demand?

Fortunately there is a demand once again for properties of all types, especially for the property to refurbish and also for the more contemporary design, very well finished, fully-equipped home with all of the modern, electronic elements which were not available ten years ago. Gated communities are very popular. And referring to apartments and townhouses, communities with great common facilities (gym, heated pool, good security and administration) are also in demand.

What are the other indicators of the future of the property market, aside from sales volume increases?

Short supply of new or fully refurbished properties. The absence of new construction for the last 8 or 9 years, coupled with issues in planning permissions of the first decade of the century now behind us since the approval of the new General Plan of Marbella in 2010, has led to there being very few new products on the market in recent years.

New developments and projects. With the market having come back to life, not far behind are property developers who, in 2014, have snapped up most of the bargain prime development sites remaining in Marbella. There are scores of new projects, large and small, currently being prepared to offer to a market which is, once again, beginning to buy properties "off plan". These range from individual villa projects to entire apartment complexes. Several smaller projects of this nature which started offering properties in 2014, have already sold out, just as they are commencing construction. Many international developers and funds are also teaming up with local partners in Marbella to take advantage of the substantial market growth which economic indicators predict. Building cranes are now once again appearing on the horizon. The wheel has turned, the cycle recommences.

Building licenses. Solid evidence of the above is the increase of new building licenses issued by the Town Hall of Marbella, which have increased by 77% comparing 2009's full figures to the first 8 months of 2014 alone (the latest statistics published by the Town Hall at the writing of this report.) This figure includes licenses with multi-unit projects counting only as one license. And it does not count the many projects where building licenses have been requested but not yet issued.

Large scale acquisitions. A further indication of the expectations with respect to the national market is that 2014 represented a record year for large scale real estate acquisitions (source: www.irea.com), increasing 330% over 2013 figures to reach a staggering €23.03 billion. Most of these sales were made to investment funds looking for potential investment yields far greater than those obtainable elsewhere, and most of the sellers were either banks or property companies in crisis. 78% of the sales were made to foreign entities, including many investment funds.



Spanish buyers yet to fully join the recovery

There is still some time to come before the recovery of the property market in Marbella can be considered complete, as an essential ingredient to full recovery will be the return of the Spanish buyers, who have been mostly absent due to the economic recession in Spain, and have been the foundation of the market in Marbella since its beginning, representing easily 35% of the market share in the years up to 2006, and today less than 15%. We estimate that this will not happen for another two to three years. We should note, however, that this process has already begun, with an increase in Spanish tourism of 20.5 % in Marbella in 2014, after years of decline, as announced by the Town Hall of Marbella in early 2015. There are also many other indications that the Spanish economy is recovering faster than most have anticipated.

There really is no place like Marbella

This southernmost point in Europe provides the best climate of the whole Mediterranean Basin. Marbella has had no-nonsense, sensible development policies fostered by its founding fathers and first property developers over 60 years ago, comprising relatively low building volume and density, compared with the concrete jungles in most of the other coastal resorts of Spain. These factors coupled with excellent municipal services and security, its wonderful infrastructure, over 40 golf courses within a 20 minute drive, tennis clubs, other sporting facilities of all types, 3 leisure ports, and great restaurants, all combine together to make Marbella the only resort area on the Mediterranean with an active 12 month season, within which it has its high summer season, shoulder season in the spring and autumn, and low season in the winter. This is why Marbella attracts quality people from all over Europe and the rest of the world.

A new era of Marbella property growth

There is an important conclusion with respect to the Marbella of today: those who have watched and measured the evolution of this area for many years believe, almost universally, that Marbella is at this very moment at the dawn of a new Golden Age. All other factors being equal, it will last for many years to come.