

Marbella Property Market Report 2017

It is fascinating to see yet another property market cycle commencing in Marbella and the Costa del Sol in general, known for decades as the California of Europe. Marbella is unquestionably the most sophisticated city on the Coast and one of the highest quality environments of the entire Mediterranean Basin.

Residential tourism, that is, tourism based on the purchase and occupancy of second or retirement homes, is one of the many important factors behind the evolution of southern Spain's most famous stretch of coastline over the last 70 years.



Recent Market Evolution

When the bubble burst towards the end of 2007, most buyers were already wary of prices that had become unrealistically high. During the following years, most waited year after year for the market to touch the bottom. As a result, a strong bottled-up demand from international buyers developed.

The Market touches bottom in 2011

In 2012 and 2013 increasing market activity made it clear that the market had indeed reached its lowest point in 2011, and there was an influx of bargain-seekers rushing to secure properties before prices started to rise. This resulted in a dramatic increase in sales in the subsequent years as reflected in the chart below, with the peak of a 28% increase occurring in 2014 over 2013 sales.

Sales leveling off

This year-on-year increase started to taper off in 2015, reaching only 9.83% in Marbella that year. In 2016, this trend continued and there was even a decrease in sales volume of 8.97% over the 2015 sales. Taking the three municipalities of Marbella, [Estepona](#) and Benahavís together, there was a drop of 5.97% on the official index of number of sales in 2016 compared to 2015.

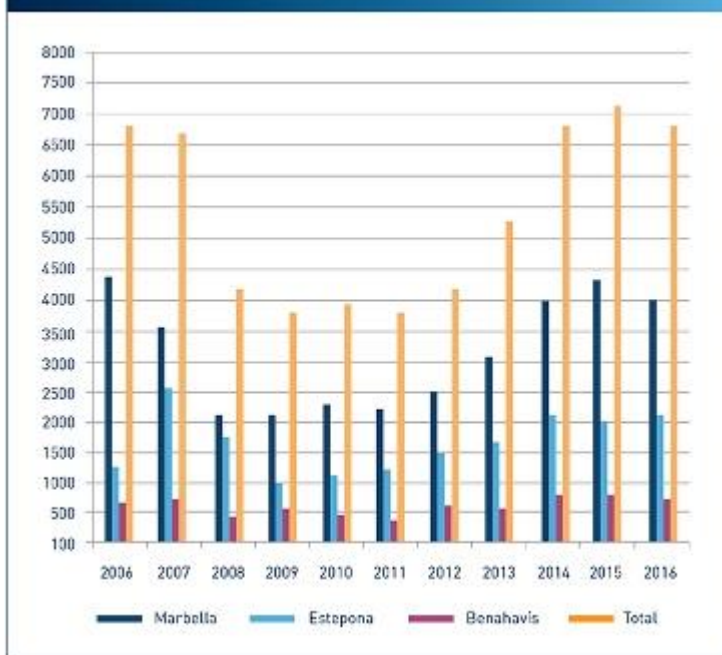
Total Number of Residential Sales Transactions per Municipality

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Benahavís	650	633	438	559	422	311	593	533	711	733	624
Estepona	1,788	2,581	1,721	1,086	1,154	1,248	1,490	1,673	2,113	2,044	2,119
Marbella	4,432	3,568	2,116	2,199	2,389	2,259	2,519	3,115	3,997	4,390	3,996
Total	6,870	6,782	4,275	3,844	3,965	3,818	4,602	5,321	6,821	7,167	6,739



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

Total Number of Residential Sales Transactions Since 2006

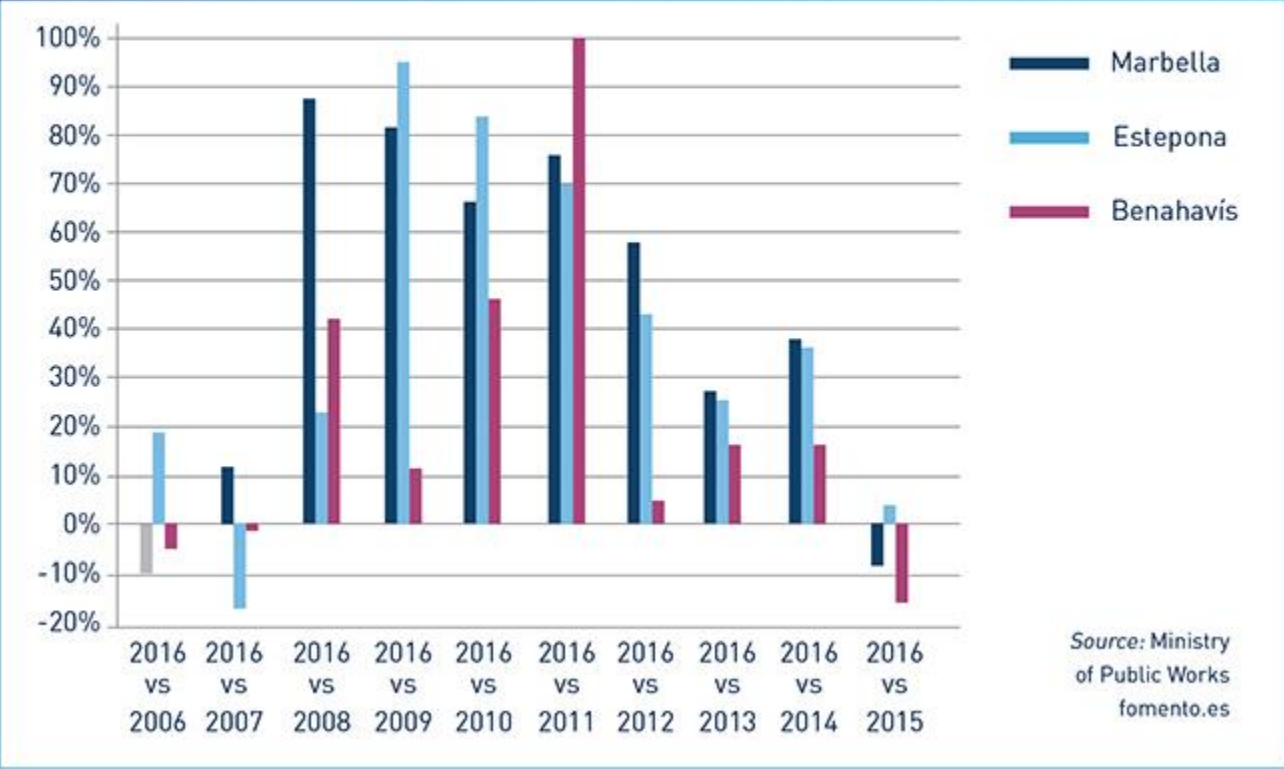


Careful analysis shows that an adjustment in the sales volume after such a deluge of purchases is perfectly normal. Since 2012 most of the distressed properties have been sold even though there remain some excellent bargains in all price categories and most areas. The majority of buyers who had waited so long were finally able to buy confidently at exceptional prices. Now that the dust has settled, the volume of sales has naturally readjusted to the figures we saw in the pre-crisis years of 2007 as the enclosed graphs illustrate.

Purchases off-plan or under construction not included in official statistics

Officially, "sales" do not occur until the title deeds (escrituras) are issued. The sales of hundreds of properties off-plan or under construction during recent years are consequently not included in the official statistics of the year in question but at the same time, represent an integral part of an analysis of market activity. See the section "New Properties" below.

Year on Year Comparison of Number of Residential Sales Transactions in Marbella, Estepona and Benahavís



Brexit
Perhaps the most important factor affecting the property market in the Marbella area and Spain itself in 2016 was Brexit.

Many UK nationals took an understandably cautious “wait and see” view, after the unexpected majority vote for Brexit on June 23, 2016. Comparing the fourth quarter figures of 2015 with those of the fourth quarter of 2016 (the full 2016 figures include the half year before Brexit and are therefore not representative), 23.95% of the sales made to foreign citizens in Spain in the last quarter of 2015 were made to citizens of the UK compared to 16.40% in the last quarter of 2016, a decrease of 31.52% which one can fairly attribute to Brexit¹.

However, interestingly, of the 436,537 properties sold in Spain in 2016, sales to foreigners in 2016 represented 13.25% of the whole, slightly higher than the 13.18% of 2015: the increase of other international buyers in Spain more than compensated for the drop in UK buyers (see the comparative chart opposite).

This is just another example of the special strength of a multi-source market that has always been prevalent in Marbella and other resort areas of the world with buyers from many different countries and economies: when the market of one country cools off, others step up to take its place, just as in 2015 when we witnessed a sharp decrease in the Russian market and a simultaneous sharp increase in the British market before Brexit.

Further market observations relative to Brexit:

Market Composition in Spain of Foreign Buyers by Nationality and Percentage Change			
Nationalities	4th Qº 2015	4th Qº 2016	4th Qº 2016 vs. 4th Qº 2015
United Kingdom	23,95%	16,40%	-31,52%
France	8,17%	8,5,%	4,41%
Germany	7,79%	9,16%	17,59%
Sweden	6,00%	6,40%	6,67%
Belgium	5,66%	6,25%	10,42%
Italy	4,19%	5,72%	36,52%
China	3,88%	4,23%	9,02%
Romania	3,81%	4,49%	17,85%
Russia	3,00%	2,90%	-3,33%
Norway	2,71%	2,42%	-10,70%
Morocco	2,44%	3,43%	40,57%
Holland	1,82%	2,74%	50,55%
Ukraine	1,71%	1,51%	-11,70%
Switzerland	1,41%	1,47%	4,26%
Ireland	1,41%	1,25%	-11,35%
Algeria	1,10%	1,36%	23,64%
Rest	20,96%	21,73%	3,67%

- The drop in the value of the pound sterling, a direct result of Brexit, makes buying property more expensive for those counting their assets in that currency. We are seeing buyers today who can perfectly afford to pay the full price in cash without bank financing who are now reverting to mortgages to hedge the exchange rate issue, as well as to take advantage of historically low interest rates in Spain.
- On the other hand, UK vendors are more ready to negotiate their sales price since euros buy more pounds today.
- Health care reciprocity is a concern for some UK citizens thinking of buying Spanish property as well as some who already own properties here who depend upon the public health services.
- Clearly the evolution of the UK economy will be a major factor affecting demand for properties in Spain, in particular, with prices under €500,000.
- Some UK buyers of larger homes intending to settle here permanently and perhaps run their businesses from their home may delay their purchase, even though many others will proceed with confidence with their plans.
- It is important to note that UK citizens will have exactly the same rights to buy properties in Spain after Brexit as before, and procedure for obtaining residency permits for stays longer than three months will be the same as that which applies to over 1,400,410 other non-EU country citizens with residence permits in Spain?
- In summary, the evidence would suggest that even though citizens from the UK will continue to be the largest single nationality purchasing Spanish and [Marbella real estate](#) for the foreseeable future, Brexit will obviously continue to influence the market and numbers of UK buyers will diminish in the short and medium term, compared to prior years.

Further reflections on the Marbella area property market in 2017:

Nationalities of buyers in Andalucía

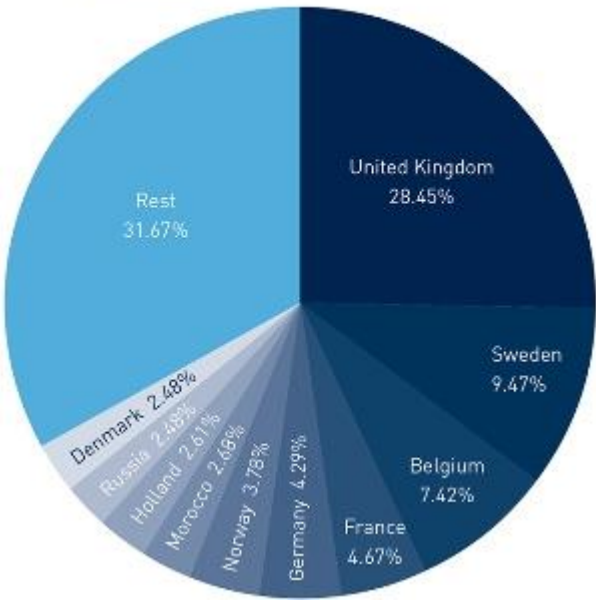
Different regions of Spain are attracting different foreign markets. It is interesting to see the summary of nationalities last published in 2015³. In Andalucía as a whole, the Swedish market is second to the British, with the Belgian market running third, whereas in the Balearic Islands, for example, the German market is first, the UK market second and the Swedish market is third.

Prices are going up again

According to data published on March 8, 2017 by the Spanish Instituto Nacional de Estadísticas, the price of private (unsubsidised) housing rose in Spain by 4.7% on average in 2016, which represents the third consecutive annual increase following six years of decreases and the highest rise since 2007.

Prime land prices are rising as availability diminishes. Construction costs in the Marbella area are conservatively estimated to have increased at least 10% in the last three years.

Registered Property Purchases by Foreigners in Andalucía in 2015



Buyers are in general more sophisticated and demanding

As the fame of the incredible lifestyle in the Marbella area continues to spread, new buyers entering the market are finding an amazing number of new projects and individual new-build properties for sale of a substantially higher quality than in the past. We have also noted that buyers are prepared to pay a premium for refurbished or immaculate new properties where they can move in right away, and many are more reluctant to undertake refurbishment of older properties, leaving that job for the many investors who are specializing in that field.

Over-optimistic pricing by some vendors of resale properties

Now that there is once again a healthy market, even if it is, as in most resort areas, slow compared to big city property markets, an over-optimistic attitude has developed with some vendors of resale properties who have priced their properties at such a level that they are not enticing potential buyers even to view them. Consequently, their properties may not be reaching the market place.

Sellers who really want to sell within a realistic time frame are seeking out qualified agents who will provide real market comparables, either for sale or already sold and work together to establish a realistic asking price of their property along with a sensible marketing strategy.

New property developments

After the virtual absence of new developments since the middle of the last decade, savvy developers started snapping up prime development land in 2012 and 2013 and quickly applied for their building licenses, resulting in hundreds of new properties, in many different projects, being sold off plan or under construction and already "sold out" in 2015, 2016, and the first part of 2017.

To put an approximate number to the above, and help gauge sales activity of new builds, Panorama surveyed 20 new developments in Marbella and adjacent municipalities comprising apartments, townhouses, or groups of villas, that were under construction and have either sold out or have phases which have been sold out, in the years 2015, 2016 and early 2017. 705 units were reported as sold at prices ranging from €156,000 to €2,500,000. This figure does not include the sale of dozens of newly built or renovated individual villas under construction or remodeled during these years.

In addition to those properties, we have compiled a list (intended only to be indicative of trends and not all-inclusive) of 53 new developments in Marbella, Estepona, Benahavís and [Ojén](#) which are for sale as of April 2017 and either being sold off-plan, under construction or completed. These new projects offer properties in the price range of €199,000 to €3,800,000 and represent a total of 1,944 properties, many of which are already under contract for sale.

If one adds new projects in [Mijas](#), Fuengirola and Benalmádena, the figure jumps to 77 new developments and 2,626 properties with prices starting from €167,000.

Scrapping of the 2010 General Plan

The annulment of the 2010 General Plan and reversion to the old 1986 General Plan (PGOU) has certainly influenced the Marbella property market. Among the many repercussions has been a reduction of development land and single family plots qualified for building, even though there is still land available for the development of approximately 17,000 living units, according to the Town Hall (Diario Sur, March 13, 2016). So it's unlikely that Marbella will run out of development land in the next three or four years.



Delays in issuing building licenses

Although the Town Hall is doing a good job in many areas such as security, rubbish collection, cleaning, roads, beaches etc. and despite the fact that there is enough qualified development land under the 1986 General Plan, the department of Urban Planning that grants building permits (Urbanismo) which in turn has to recommend them to the Town Council for approval is suffering serious delays – some are even calling it a paralysis⁴.

Property developers, and those wanting simply to build their own home on their own plot, agree that these delays are punitive in nature. This has encouraged buyers to purchase land in the neighbouring municipalities of Benahavís and Estepona where the process is quicker: in these municipalities building licenses can be issued in around three to four months from the submission of the project, whereas right now in Marbella we are told the procedure can often take more than a year.

The serious delay in the concession of building permits in Marbella is causing incalculable damage to investors who bought development and building land in good faith, and indeed, to the very image of Marbella itself and is a separate issue to the annulment of the 2010 General Plan and the urbanistic chaos in Marbella suffered over the last fifteen years.

Whatever the cause of the blockage and delays in the concession of building permits, and irrespective of internal problems in the Town Hall, those who apply for building licenses have every right to expect a rapid and efficient procedure leading to the issuance of building licenses on qualified building sites within a time frame similar to adjoining municipalities and others throughout Spain. The Town Hall has the obligation to provide strong and effective leadership to achieve that end.



Major funds are buying residential development land

Major international funds are for the first time investing hundreds of millions of Euros into the purchase of development land on the Costa del Sol, with emphasis on the quality end of the market between Marbella and Sotogrande. With historically low interest rates, investment in land and development promises investment yields far greater than that obtainable elsewhere.

These investments are a major indicator of confidence in the future of the market for second and retirement homes in this unique area renowned for its incredible year-round weather, healthy lifestyle and high quality environment. As a result, virtually all of the prime development sites in Marbella have been sold, with new projects currently in the planning stage.

Quoting from an original article published in Diario Expansión on March 10, 2017: “The recovery of the residential market is starting to take shape in certain autonomous regions and international investment funds are positioning themselves to benefit as the boom takes hold (...) and as they await the reactivation of the sector, several of the funds have made in-roads. Värde, Lone Star, Castl lake, Texas Pacific Group, Apollo, Cerberus and Kennedy Wilson are just some of the stars of the new residential market. These funds maintain their presence in the residential market in several ways: as holders of debt, as servicers and as owners of the new generation of property developers, which are much more professional than their predecessors.”



Tourism is again breaking records

The number of tourists coming to Spain rose in 2016 by 10.3% from 2015's record high, to reach yet another high of 75.6 million visitors, of which 23.6% were from the UK.

Press reports have shown that arrivals in Málaga airport increased by an impressive 15.7% over 2015, to 16,672,776 passengers, highlighting the primary importance of the province of Málaga and the Costa del Sol in tourism in Spain and in Europe.

Clearly, Spain is benefiting from security concerns in other parts of the world such as the Middle Eastern countries, where many or most are not prepared to travel, in addition to the classic reasons of safety and quality of environment which Spain, and Marbella in particular, represent.

In Marbella, the fact that a major hotel group owning two important beachside hotels in Marbella, is said to have had a record year for occupancy and income in 2016 speaks for itself. Marbella is receiving record numbers of foreign tourists, with the Spanish tourism level still well behind the level of 2006.

Marbella has never looked better than it does today and the optimism in the air is contagious. Historically, we have witnessed for more than a half a century how real estate investment is a direct beneficiary of quality tourism.

Demand for villas over €4,000,000

A brief survey of the owners of the major estate agencies in the Marbella area came to the unanimous conclusion that the market for properties over €4,000,000, instead of increasing in 2016 as everyone (including ourselves) had predicted, actually decreased in 2016 even though it is showing very good signs of strength in 2017. Estimates by main agents in Marbella of the number of these properties sold in 2016 are in the area of only 20 to 25 properties, even when leaving a margin for units that changed hands privately.

There are some amazing properties built for the top end of the market today, built by outstanding architects showing more stylistic influences from beyond Spain than ever before, with a strong contemporary trend having firmly taken root. We have always believed that an important element of the future of the Marbella area market is the top end of the market and that eventually prices will climb toward the levels of the Côte d'Azur. This will come in time, and also as the exceptionally high quality, luxurious properties currently reaching the market attract new top-end clients who were unable to find this type of property in the past.



Has the market fully recovered?

No, not fully, despite healthy market activity and having left the market crisis behind years ago. New developments, carefully planned and designed for their target market are selling very well. Resale activity in the most consolidated, prime residential areas has been as good as at any time in Marbella's history, with new or refurbished properties sometimes achieving prices above the 2006-2007 highs. In most other areas of Marbella and adjoining municipalities, the market has progressed well, there is solid market activity, but there are still many exceptionally well-priced resale properties waiting for the right buyer.

One of the many big differences in the market today, compared with that of 2011 and the years preceding, is that there is a good market demand in all price categories and property types. Selling any property today is therefore only a question of price. Before, when vendors dropped their prices, often no offers were forthcoming. Now, when vendors fix their asking price to the right level where their properties are perceived as very good value for money, there is an almost instant response in the marketplace.

What does the future hold?

- Big money speaks, and money attracts money: the vote of confidence represented by the investments of important international funds and developers in the Marbella area serves not only to ensure future, well-planned, higher quality property developments but also to attract further investors and individual buyers, generating market confidence all around.
- Market analysis would lead us to conclude (all other factors being equal) that the next few years will probably be characterized by a gradual development and growth of the area rather than a market heading for overheating as before, all depending of course on the economic evolution of the world and the different countries whose citizens comprise the markets for Marbella area real estate.
- The last three to four years have witnessed an expansion of the Marbella area's touristic "shoulder seasons" where the autumn activity is lasting longer, and spring activity is starting earlier. With a core population of around 300,000 in the low season months, Marbella's restaurants, most hotels, sporting facilities (including more than 40 golf courses in Marbella and nearby) and nightlife remain open and active, creating a 12-month season unlike any other resort city in the Mediterranean Basin. The tendency towards the lengthening of the shoulder seasons will no doubt continue as it has very gradually for the last fifty years, and will serve to fuel the growth of property sales in the coming years.
- The old model of property development of the boom days, where developers would build almost anything and it would sell quickly, moving on rapidly to the next promotion is, thankfully, buried. A more sophisticated, experienced and caring developer has taken its place, truly keen to give excellent value for money to its purchasers, investing far more time and effort into producing properties of higher quality construction than in the past, tailored to a more refined, varied market requirements and demand. The rewards are already becoming apparent: rewards for the developers with projects already underway who are enjoying substantial success in sales, and rewards to purchasers who are finally receiving an increasingly broad choice of new quality properties with different characteristics, prices and locations.
- The growth of sales in neighbouring municipalities of Marbella will continue unabated and Marbella's growth will continue, perhaps at slightly more leisurely rate than its neighbours until the delays in the issuance of building licenses in Marbella are resolved, which might take another two or three years if appropriate steps are taken.
- The Spanish national market share, easily 35% before 2007, now probably around 20%, historically, comprised the foundations of Marbella's property market. As the Spanish economy continues its recovery, so this sector of the market will increase.
- The "top end" of the market will show increased activity as new, beautifully designed and very well-equipped properties are completed and put on the market.
- Those resale properties that are sensibly priced and well-marketed in all residential areas of Marbella and its outskirts, will sell more quickly than in past years, as the demand for properties increases.

**There really is no place like Marbella**

Panorama targeted the Marbella area already in the late 1960's as a "special place for special people" (our slogan at the time) which is precisely why we opened our office here in 1970.

In addition to its incredible climate, 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 ample green zones, compared with the concrete jungles in most of the other coastal resorts of Spain.

These factors, coupled with excellent municipal services and security, good 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 to make Marbella the only resort area on the Mediterranean with an active 12-month season. 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 greater Marbella area of today, including the adjoining municipalities Estepona and Benahavís: those who have watched and measured the evolution of this area for many years believe, almost universally, that this part of the Costa del Sol is at this very moment at the dawn of a new Golden Age.