

MARBELLA INSIGHT

2019

MARK HARVEY, KNIGHT FRANK'S HEAD OF EUROPEAN SALES, SHARES HIS KNOWLEDGE AND INSIGHT ON MARBELLA'S PRIME RESIDENTIAL MARKET.

HOW HAS THE MARKET CHANGED IN THE LAST YEAR?

Marbella's real estate market continues to evolve, diversify and mature. The area's latest market cycle began in 2012 when prices and sales reached their market low. Since this time, average prices have accelerated 23% and sales are up 36%.

In 2018, prices continued their upward trajectory but sales activity dipped marginally as buyers sought clarity on issues such as Brexit, the area's planning laws and currency movements.

However, with year-round tourist demand expanding and the long-term rental market performing well, investors and second home owners have seen gross rental yields strengthen to around 4%-5%.

Traditional lower-value areas such as Estepona, East Marbella and Ojén have seen some of the strongest price rises in the last year.

WHO'S BUYING?

Nationally, the number of homes purchased by overseas buyers reached 65,400 in 2018, up from 46,700 in 2015.

UK buyers remain the single largest group of overseas buyers in Spain and their market share (as a percentage of all foreign purchases) has increased from 14.8% in 2013 to 16.6% in 2018. In Marbella, it is a different story with UK buyers reducing slightly in number but increased demand from Scandinavian, Belgian, Dutch, French and Middle Eastern purchasers has offset this decline.

Across Spain, US buyers have the deepest pockets, according to the latest data from the College of Notaries, spending €2,426 per square metre on average, followed by the Swedes (€2,423 per sq m) and Germans (€2,272 per sq m).

WHICH ARE MARBELLA'S PRIME MARKETS AND HOW DO PRICES COMPARE?

Prime areas across Marbella, Benahavís and Estepona include the beachfront, the Golden Mile and La Zagaleta but for those seeking greater value areas such as La Alquería, Atalaya, El Paraíso and the New Golden Mile are proving popular.

There is significant price variation across Marbella's prime markets – The Golden Mile

and Sierra Blanca command €6,000 per sq m to €12,000 per sq m whilst Marbella East and the new Golden Mile stretching towards Estepona see values closer to €3,000 to €4,000 per sq m.

HOW IS THE NEW HOMES MARKET PERFORMING?

While Marbella solves its planning issues Benahavís, Estepona, Ojén and Mijas have become the focus of the coast's new development.

In July 2018, the Town Hall passed an amendment to the 1986 plan, which means the backlog of building licenses is being addressed and progress, after years of delay, is finally being made.

There is strong demand for new-build contemporary-designed homes but the new homes sector is at a crossroads; land prices and construction costs have increased since their low in 2012 and this is putting pressure on developers margins.

WHAT INCENTIVES ARE THERE FOR PURCHASERS?

Keen to attract new residents and stimulate the economy, the Government of Andalucía reduced the region's rate of income tax in April 2019 and cut succession tax bills to just 1% for spouses and children.

Launched in 2013, Spain operates a Golden Visa. In return for an investment of €500,000 in real estate a foreign buyer can obtain Spanish residency. The visa can be renewed every two years, after five years it is possible to gain permanent residency and after ten years, citizenship.

WHAT'S YOUR OUTLOOK FOR THE MARKET?

Commercially, Marbella is on a firm footing, the local economy is expanding and the city is embarking on a programme of infrastructural improvements and public works.

Although prices are still rising, it is likely we will enter a period of stabilisation as some buyers adopt a 'wait-and-see' approach ahead of the next Brexit deadline in October. However, we may also see some speculative investors who look to take advantage of the current political paralysis over the coming months, confident the market will gain traction in 2020.



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FIGURE 1 MARBELLA IN FIGURES

141,163

POPULATION OF MARBELLA

77

NO. OF SQUARE METRES
€1 MILLION BUYS ON THE GOLDEN
MILE (FRONTLINE BEACH)

23.4%

PRICE INCREASE SINCE MARKET
LOW IN Q3 2013

7,216

NUMBER OF SALES ACROSS BENAHAVIS,
ESTEPONA AND MARBELLA IN 2018

16.6%

UK BUYERS AS A % OF ALL FOREIGN
PURCHASERS IN SPAIN IN 2018

MARKET INTELLIGENCE

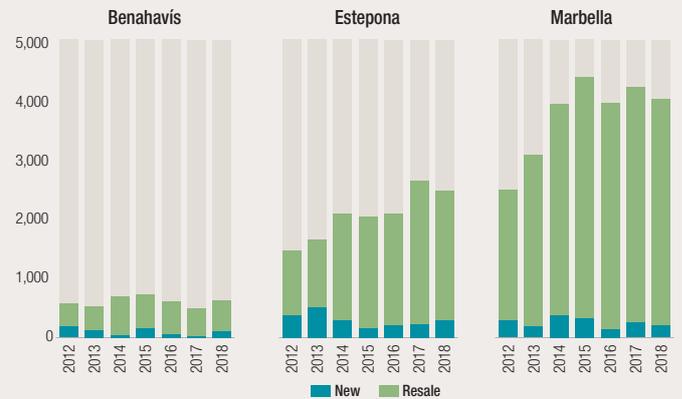
Knight Frank's Research team takes the pulse of Marbella's residential market by handpicking the latest data, indicators and trends to help buyers and vendors gauge current market conditions.

FIGURE 2
AVERAGE PRICES: SPAIN VS. MARBELLA
€ per sq m



Source: Spanish Ministry of Development

FIGURE 3
MARBELLA: NEW-BUILD VS REALES No. of residential sales



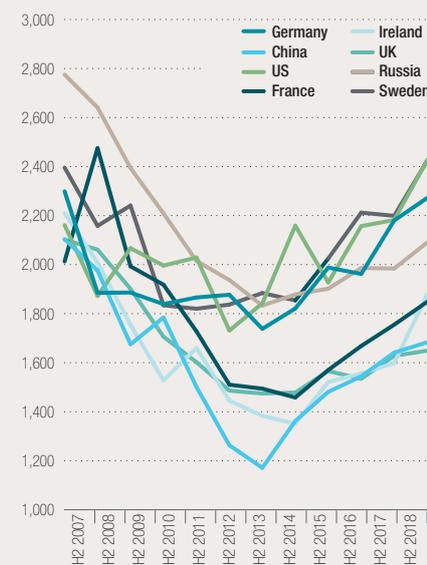
Source: Spanish Ministry of Development

FIGURE 4
TOP TEN INTERNATIONAL BUYERS BY NATIONALITY IN SPAIN
2018 VS 2013

Rank	2013	% of foreign buyers	2018
1	UK	14.8%	16.6% UK
2	FRANCE	11.5%	7.4% GERMANY
3	RUSSIA	9.4%	7.4% FRANCE
4	BELGIUM	7.3%	5.8% BELGIUM
5	GERMANY	6.9%	5.0% ITALY
6	SWEDEN	5.9%	5.0% SWEDEN
7	NORWAY	5.2%	5.0% ROMANIA
8	ITALY	3.6%	4.7% MORROCCO
9	CHINA	3.3%	4.2% CHINA
10	NETHERLANDS	2.8%	3.1% NETHERLANDS

Source: Registradores

FIGURE 5
AVERAGE SPEND BY NATIONALITY
€ per sq m



Source: Consejo General del Notariado

FIGURE 6
MARBELLA'S NEIGHBOURHOODS COMPARED
How many square metres €1 million buys in...



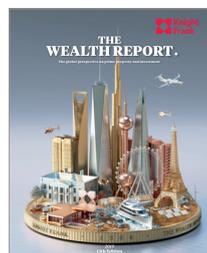
Source: DM Properties/Knight Frank Research

FIGURE 7
THREE THINGS TO CONSIDER

1 **Hotel investment:** With Nobu, W and Four Seasons entering the market, we expect other high-end hotel brands to follow

2 **Lower taxes:** In April 2019, Andalucia reduced income tax rates and cut succession tax bills to just 1% for spouses and children.

3 **Accessibility:** Malaga Airport has direct flights to 148 airports including New York. New routes from Casablanca, Bordeaux and Muhurraq (Bahrain) started in 2019



The Wealth Report – 2019

Get in touch

If you're thinking of buying or selling, or would just like some property advice, please do get in touch.

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If you would like further insight into prime residential markets please do get in touch.

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