



# Spanish Property Market Report 2019/2020

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Updated following Covid-19  
with predictions for 2021

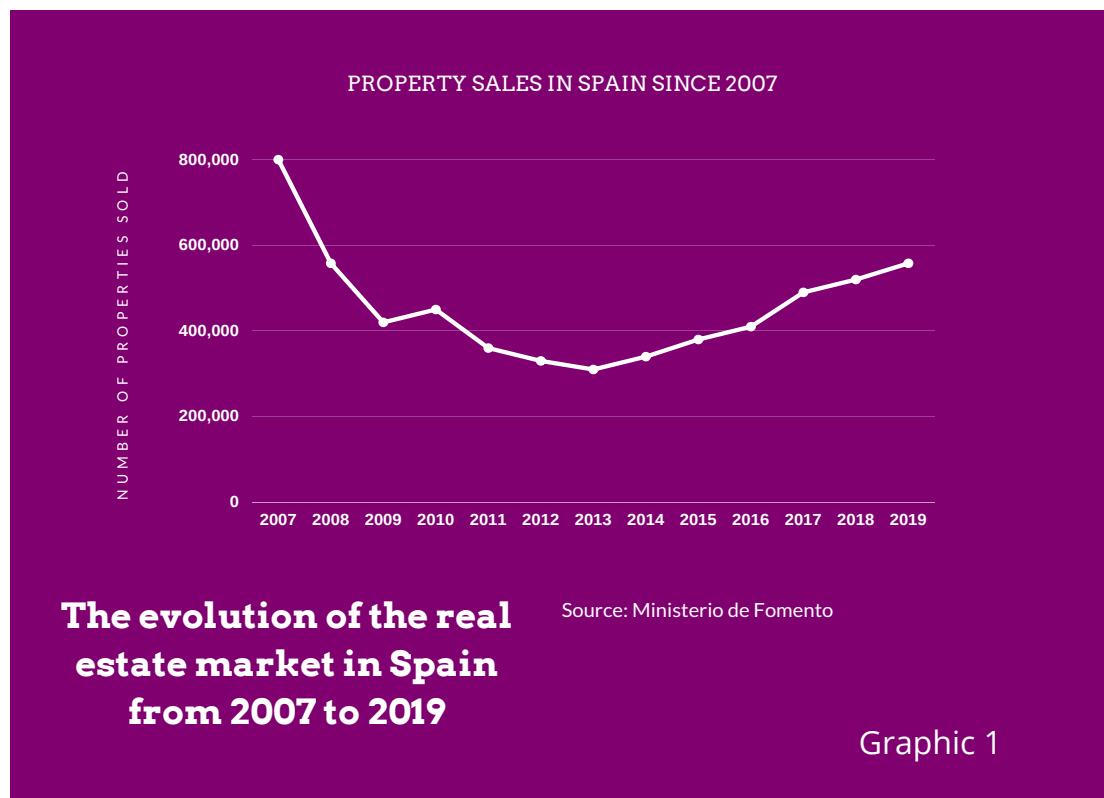
# Introduction

Following five years of moderate but sustained growth and the after-effects of the recent Covid-19 global pandemic, those of us dedicated to the real estate sector throughout Spain must consider what the future will bring to both Spanish buyers and sellers alike. For this, our proposal is simple. We want to give you a detailed report on the situation of the real estate market in Spain in 2019, with projections for the end of 2020/2021. But, before that, to gain some perspective of the market and to be able to thoroughly analyse the data, we encourage you to review the recent history (over the past five years) of the Spanish real estate sector.

After the 2012 debacle that left the price of property at rock bottom, the real estate market gradually recovered at a slow but steady pace. Thus, year on year and, especially, since 2015, not only did the

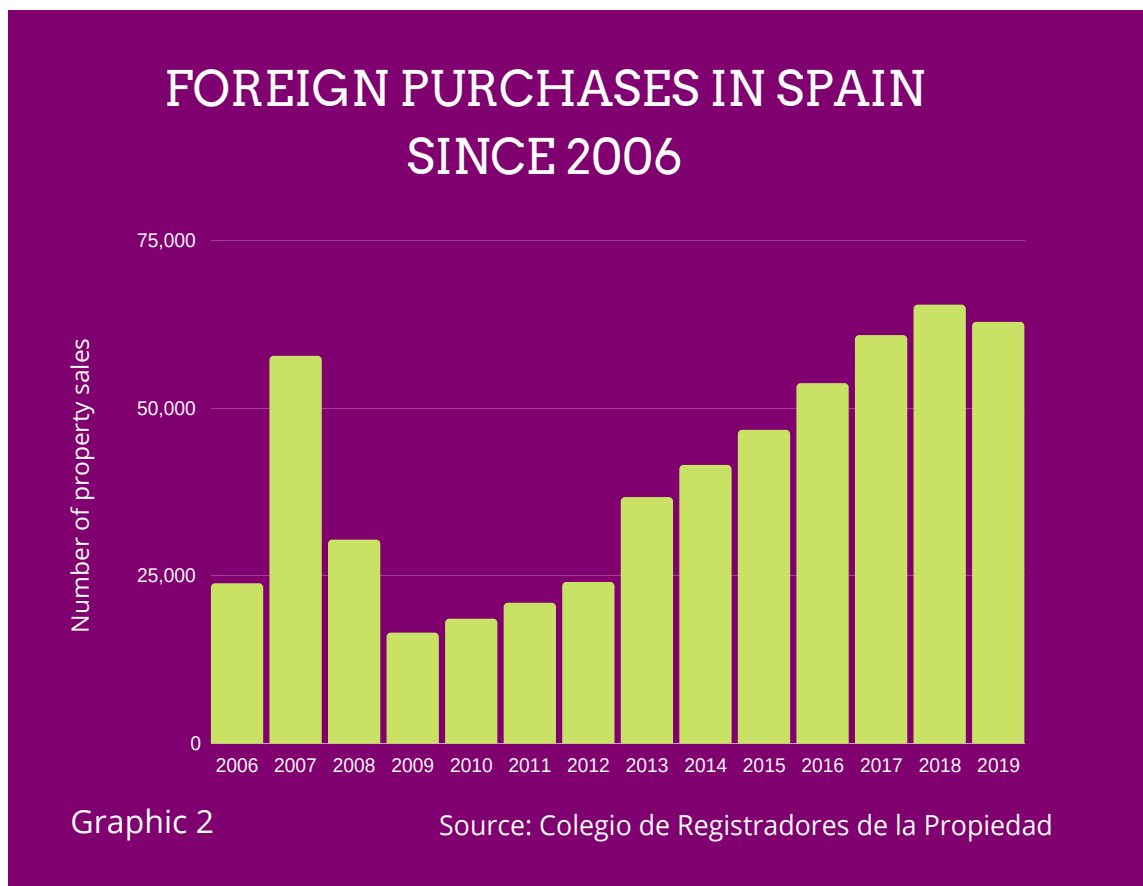
property market exhibit good health but, in addition, an incessant growth that few market experts and almost no economists predicted.

Starting from the closest reference, 2019 was a year in which sales rose 11% over the previous year. More specifically, and according to data contributed by the National Statistics Institute (INE), the number of homes sold amounted to 557,919 (not including officially protected homes 'VPO'). This is when the figure matched exactly that of 2008, which shows an authentic post-crisis recovery with solid foundation (see Graphic 1).



But there is one more important fact in addition to this: the volume of sales from foreign buyers broke all-time records in 2018 (see Graphic 2) and was 12% of the total volume. However, in 2019 we saw the first decline in foreign purchases, which we believe could have been due to uncertainties surrounding Brexit from British buyers, and that these particular insecurities will recover now that the UK has left the EU.

As you will notice, the recent evolution of the real estate market in Spain explains, in some way, the continuous progress that the sector has undergone, and how we hope this will translate into resilience to help the market break through these devastating times which the market currently finds itself in due to the coronavirus pandemic, which we aim to uncover within this report.



# Property Sales:

## Current sales levels in the Spanish real estate market

The increase in home sales suffered a significant “stop” in 2019, almost in the middle of the year. The lack of government and the waiting for the new Mortgage Law were the determining factors of certain notorious detention within the sector. Then, the new Mortgage Law calmed the waters and the elections did the same. Individuals and corporate investors finally launched into the purchase of property, culminating in this way, a mostly positive year. If this is added to the fact that the middle sectors agreed to financing after many years of waiting, the results end up being optimistic from any angle they are looked at.

Another change that was noticed in 2019 was a shift in investment in buy-to-let properties towards the purchase of homes for one’s own enjoyment. The increased competition of temporary Airbnb style rentals and the high rates of running property rentals in Spain, have discouraged the purchase for these purposes. On the other hand Spain continues to offer very interesting areas for a second home, for leisure and free time for people over 50, whose purchasing power and lifestyle allows living a part of the year in their home country and another in a much more relaxed and sunnier place.

The real estate market on the coast continued its growth with the sale of holiday-type properties, the main attraction of foreign investors. We will refer to this in the next two sections of this report.

Then, following a strong start to 2020, the coronavirus pandemic hit hard and with people no longer being able to travel from abroad or even within Spain, the lockdown put the brakes on any sales from going ahead. However, in the weeks following the worst of the virus, confidence started to return as estate agents and property sites saw a surge in traffic from interested buyers. Then in mid-May when the property market was officially re-opened, the backlog of sales could finally complete as well as new sales from those having attended virtual viewings during the lockdown. Both of these factors have provided some hope towards the future.



# The real estate market on the Costa del Sol

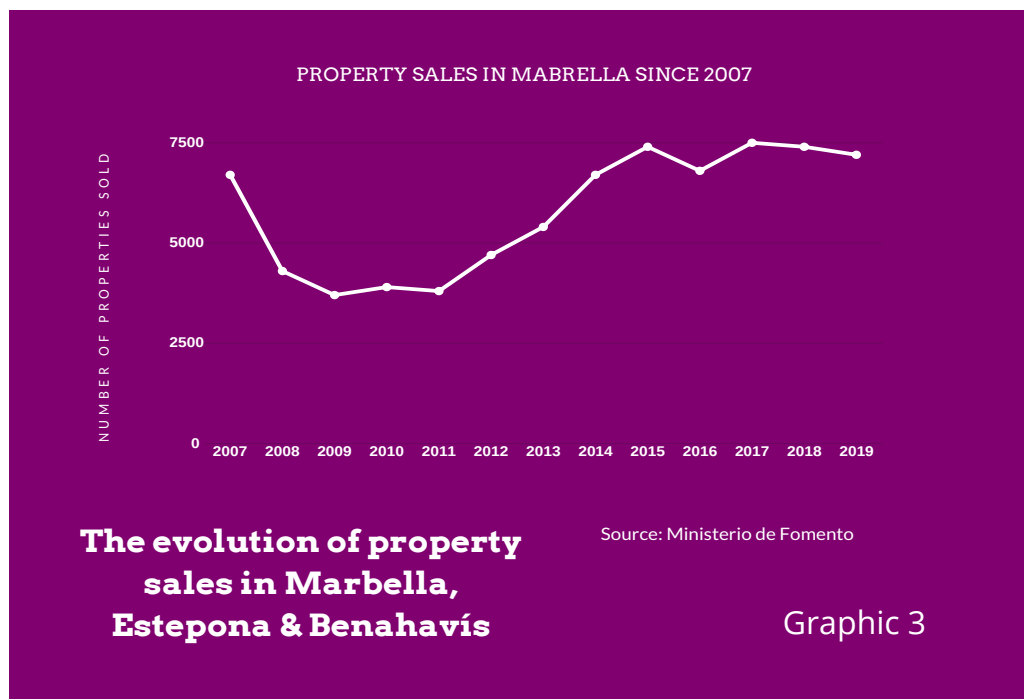
With its key areas such as Marbella, a true paradise of residential tourism, the Costa del Sol brings together high quality properties (of various categories), intended for sale and also for short and long term rentals.

If we refer to rental properties, the price of these in Marbella, for example, has a high price that amounts to € 22 per square meter and is considered one of the highest nationwide. Marbella, without a doubt, thus becomes an inexhaustible source of residential properties for rent, an activity that did not stop in 2019 and promises to continue its upward trend during 2020.

This phenomenon has increased, simultaneously, the sale of real estate in the area. Because Marbella attracts tourists with high purchasing power who, in love with the city after staying in hotels or rented houses, decide to invest in the town for a holiday or habitual residence surrounded by luxuries and well-being. As previously stated, in 2018 the national average of property sales throughout Spain matched that of 2008, but is still far from

pre-crisis levels, however within Marbella's Golden Triangle sales have increased at a much sharper rate and from 2015-2019 were higher than they've ever been (view Graphic 3 in comparison to Graphic 1).

Tourism is definitely a decisive element in the current situation of the real estate market on the Costa del Sol. Malaga airport, days before the end of 2019, reported that it had surpassed the 19 million travellers it registered in 2018. Citizens arrive from 131 different destinations which, attracted by the climate, culture and lifestyle, become potential buyers of homes in areas such as Marbella, San Pedro de Alcántara, Torremolinos, Benalmadena and other popular destinations of the Costa del Sol. To this phenomenon is added the fact that the large hotel chains are expanding their facilities or disembarking on the Costa del Sol, with proposals of high quality and price accommodation, thus promoting the arrival of high-class tourists to areas such as downtown Malaga, Benalmadena, Marbella or Estepona. This forms a virtuous circle that will remain in force once the market has yet again stabilised.







## Real estate market situation in Malaga

If we talk about Malaga, it must be said that it is a flourishing province and that its capital city is surprising however you look at it. In addition to attracting new tourism every year, it captivates investors from all over the world. This explains why some regions of Spain are still recovering from the consequences of the crisis and others, like this one, are in their most promising time. Truly, as a province and as a capital city with very strong satellite areas, one could say that the real estate market of Malaga is at its best. Not by chance, its real estate market occupies, for years, the podium of being one of the main and most dynamic capitals in Spain.



It is worth noting that the more populated areas, such as Marbella or Malaga capital, are touching their “ceiling” or growth limit due, in large part, to the lack of land suitable for new construction. These areas are giving way to others, until today in growth and in constant expansion like the Cala de Mijas, the New Golden Mile, Marbella East or Estepona West. On these sites, which are also enjoying very good press, not only is there more land available, but, fortunately, the City Councils are driving growth and granting work licenses in record time.

# Property Prices:

## Effects of the market situation on property prices and supply

The price of homes in 2018 rose for the fifth consecutive year, by 6%, although they are still 30% below their 2007 peak. There remains much to be done so that prices match those before the last major crisis in the real estate market, although it is possible that they never will. This, although it sounds like a bad prognosis, is good news. Why? More realistic prices will help to stimulate a buoyant and prosperous market, as in they have been somewhat over-inflated in Spain, which causes a long sales cycle with some properties being on the market for years. In fact, supply has grown and prices continue to be on the rise, so a buyer confined to a certain budget searches and searches without finding a viable alternative or decides to wait for a miraculous price drop, which then doesn't

happen. It is therefore imperative that estate agents educate sellers to list their properties at the price provided by the valuation, rather than the value they would like for the property.

So, what impact will the coronavirus have on property prices? So far, despite the drop in demand during the crisis, prices have not yet fallen since interest from buyers seems to have recovered faster than was ever imagined. In the medium term, some estate agents predict that prices will not drop more than 5%, which considering that property prices had already rose by 3% in Malaga province in Q1 of 2020 (according to the Tinsa Local Markets Index), it should not be too far from what they were in 2019.





# Property Types:

## Which types of properties are in most demand?

Following the real estate recovery since 2015, demand has become somewhat more sophisticated. Buyers have stopped focussing only on the sale price of properties and again put special emphasis on characteristics such as modern style, comfort, quality of finishes and technology applied to the construction. This indicates that, evidently, the market has turned its course and has changed notably throughout Spain, especially, in Madrid, Barcelona, the Costa del Sol and Valencia, where properties tend to have superior quality and design.

Furthermore, the resale of second-hand properties, recovered during 2019, mainly, thanks to the fact that the Spanish banks reopened the tap on mortgage loans. Which, without a doubt, made it possible for many homebuyers and investors to gain access to the Spanish property market, which was before mainly accessible to cash-only buyers. Likewise, many buyers of new promotions have returned to the resales market, which offers a better price per square meter and that, in recent years, there has been an increased trend in property renovations to add value, factors that have “motorised” the sale of properties more than 20 years old and more.

Nevertheless, new construction continues to grow. On the Costa del Sol, for example, where there is still a lot of land suitable for construction. There, in the so-called Golden Triangle made up of Marbella, Estepona and Benahavis, where new proposals and developments spring up

like mushrooms. According to data provided by the College of Architects of Malaga, in 2018 Marbella registered 587 new housing projects (252 in 2017) and Estepona 1,107 (compared to 800 the previous year).

Another factor that is positively affecting the launch of new construction properties to the market, is the granting of building licenses, which in most circumstances, are much shorter than before. In Marbella, for example, delays used to be so long that they put the real estate project at risk and, in addition, also caused the real estate product itself to lose interest in the eyes of buyers. Even now, following the pandemic, interest in new-build and off-plan properties have risen due to government assistance for new housing promotions and flexible deposit payment options from developers.





# Property Buyers:

## The average buyer's profile in Spain

The profile of the average Spanish property buyer is that of a citizen between 25 and 45 years of age with an indefinite employment contract. They are the ones who buy a house to reside in and needs to obtain a mortgage. If we talk specifically about the foreign buyer, in 2018, as we have already indicated, 12% of homebuyers in Spain were foreigners. The citizens of the United Kingdom (13%) lead the podium, followed by French and Germans (7%), Moroccans and Romanians (6%), and Belgians and Italians (5%) (see full statistics in Graphic 4).

Specifically in Andalusia, foreign buyers in 2018 accounted for 13% of the total, of which English accounted for 22%, followed by the Swiss (10%) and Belgians (8%). And what about

Malaga? This capital, with its development which has increased the true value and price of properties, registered 28% of foreign buyers last year.

So, what can we summarise? That the British market is very important throughout Spain and, more specifically, on the Costa del Sol. But attention, as a result of Brexit, the level of purchase from citizens of the United Kingdom has fallen slowly but considerably. In particular, potential homebuyers with an approximate budget of € 800,000. We will have to continue waiting for possible shocks of this year and how the "uncertainty effect" impacts the future plans of potential buyers of houses and flats in Spain.




# What's Next?

## Trends and predictions for 2020 and 2021

Within these unprecedented times, even with a full and detailed analysis of the data provided on the real estate market within Spain over the past 5 years, it is very difficult to predict with any certainty what will happen over the coming months, next year or beyond.

However, as we have uncovered in this report, up until the beginning of 2020, the Spanish property market had undergone sustained and measurable growth with both house prices and sales rising steadily across the country.

Furthermore, with the Costa del Sol and Marbella proving to be one of the most resilient areas in Spain, perhaps even Europe, due to its tourism, sought-after locations and exclusive resorts, we believe that the local property market here has the highest chance of riding out the storm and stabilising much sooner than one would think.



It is evident that 2020 will record a decline in property transactions as a result of Covid-19, and of course we cannot predict the future, but if the current situation remains and both online interest and property sales continue as we have witnessed since the re-opening of the market, by 2021 we expect the market to be fully 'back to normal' and see levels return to those of 2019.



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