

Marbella Property Market Report 2013

An up-to-date report on the Real Estate Market in Marbella

As a real estate agency, we are constantly being asked about the variables of the local property market. Some of the most asked questions include:

Is the Real Estate Market recovering in the Marbella area? Are prices going to go down further in the near future? *Is it now the right time to buy?*

The purpose of this report is to respond as objectively as possible to these questions.

Sales volume increasing

The volume of residential sales in the Marbella area increased in 2012 a significant 21.11% over 2011 sales.

The below table, which is based on the Ministry of Public Works website statistics (www.fomento.gob.es) on sales deeds of villas and apartments signed by notaries, includes not only Marbella but also the neighbouring municipalities of Benahavis and Estepona, which feed from the Marbella market (the so-called Triangle of Gold).

Total number of villas and apartments sales per municipality	2006	2007	2008	2009	2010	2011	2012
Benahavis	650	633	438	559	422	311	592
Estepona	1,788	2,581	1,721	1,086	1,154	1,248	1,501
Marbella	4,432	3,568	2,110	2,199	2,389	2,259	2,531
TOTAL	6,870	6,782	4,269	3,844	3,965	3,818	4,624

The above is the clearest evidence yet that a recovery is underway and sales volume is headed towards pre-crisis levels. Prices have dropped enormously over the past five years and it is this decrease in prices, together with a substantial improvement in stock markets and economic activity in many areas of the world, which is the prime motor feeding the increase in demand, hence the increase in volume of sales.

Why is the Marbella area apparently beginning to recover and not the rest of Spain?

The real estate crisis throughout Spain has been caused by a speculative building boom and overbuilding, resulting in a bubble which started to burst between 2007 and 2008. The problem was aggravated by the collapse of the inflated construction sector, the Government's lavish spending in general, record unemployment rate now reaching over 27%, and the banking crisis resulting in little mortgage credit available.

The remaining surplus today of some 800,000 new, unsold homes is evident in every town throughout the country. The average is €100,000 or less, and the market for these properties is mostly an extremely limited, Spanish local market.



Villa Nagüeles

The real estate market in the Greater Marbella area is obviously a different scenario to the above. There is not only a local (and relatively wealthier) market in Marbella, but also regional and national markets. However, by far the largest market is the international market. Why?

- Marbella is a quality property market attracting people from all over the world for more than 50 years, due to the best year-round climate in Europe, relatively low density construction, three times the area of green zones compared with other coastal cities, high quality services, and a full 12 month season, with its highs and lows... enough off season residents in the city, some 250,000 to 300,000 inhabitants, to keep most of the restaurants, sporting and leisure facilities and nightlife (for those who choose it) active during the winter months.
- There are people of more than 120 different nationalities who have taken their residency in the Marbella area, which is probably the most important indicator of the international composition of the municipality.
- Marbella is constantly being pointed out in the national and international press as a “trademark” for quality tourism and an exceptional quality resort city.

The presence of a strong international market for real estate in Marbella results in a “multi-source” market. When one market drops (like the Spanish market today, with the heavy economic crisis in Spain), another

one takes its place (like that of Russia and other Eastern European countries). In Russia, the GNP increased 3.4% in 2012. No recession there!



The same rule is applicable to all quality residential areas everywhere in the world. Those areas that attract the relatively well-off and, especially, those which have an international market, survive a crisis far better than areas which are dependent almost exclusively on local, regional or national markets.

By stating the above, we do not mean to say that the Marbella area market has not also suffered from the crisis: price levels have now come down anywhere from a minimum of 20% in the highest quality properties in the best areas to almost 50% in the least desirable areas.

Taking this into account, there are thousands of people who still have a strong purchasing power, and have been waiting since pre-crisis years for prices to drop. Their children are growing up, time is passing by, and many of them have decided that now is the right time to buy their dream home in this special place. It is for this reason that the real estate market in the Marbella area, rather than continuing its fall like the rest of the country, is levelling out and improving, as evidenced in the table given above.

Simply stated, prices in any market don't keep dropping when there is a significant increase in volume of sales. It is the old law of supply and demand at work.

Real estate sales follow tourism levels

The sale of real estate in Marbella has always been intimately linked with the numbers of tourists coming here. The more tourists, and the longer the stay, the more real estate is sold.

The below numbers, sourced from the Instituto Nacional de Estadística INE (National Institute of Statistics www.ine.es) give a clear idea of the evolution of tourism in the Marbella area from 2007 to 2012:

Overnight Hotel stays in Marbella	2007	2008	2009	2010	2011	2012
National	823,525	834,978	768,161	820,073	766,975	641,730
Foreigners	1,528,841	1,639,672	1,391,129	1,447,864	1,642,881	1,801,147
Total	2,352,366	2,474,650	2,159,290	2,267,937	2,409,856	2,442,877

These are the total room night figures, showing clearly the severely declining national market as a direct reflection of the economic crisis in Spain and, at the same time, the strongly increasing foreign market, which is today almost three times the national market. According to these figures, foreign occupancies more than compensate for the drop in the national market resulting in total room night figures which surpass the 2008 high by 9.85%.

What other agents say

We have surveyed key agents who are frequent collaborators and great competitors of ours. Of the 12 agents we talked with:

- About half of them remark that the market has improved significantly since mid-2012 in all price categories.
- The other half reported a more gradual, year by year, increase in enquiries and sales in all price categories, including the more expensive properties.
- Two of the smaller sized agencies, indicate that for them the market activity is about the same as last year.
- All of the agents surveyed agree that negotiating and closing a sale is far more difficult than in the past. See our comments below relating to this point.

Our own internal statistics

The strong present-day demand is highlighted also by our own internal statistics of the total number of sales enquiries from all sources (internet, referrals, walk-in clients, telephone calls, signs, etc.).

During the winter of 2012-2013 (December through March, which are normally the quieter months in our business), we have experienced record interest and client activity for this period of the year, with an increase in new sales enquiries of 36.4% (420 enquiries) compared with the same four months of 2011-2012 (308 enquiries). Some other leading agents report similar increase in activity.

Banks starting to lend again

A further encouragement to buyers is that some Spanish banks have started lending again, and mortgages are now being granted to qualified resident and non-resident purchasers.

The time to process mortgage applications has been substantially reduced and, from the time a completed mortgage application is submitted, a mortgage can be approved within two to three weeks, sometimes less.

Who is buying?

The Russian and Eastern European markets, as indicated previously, are becoming more and more important as time goes by. There have been many small Russian owned agencies opened in Marbella in the last two to three years who collaborate frequently with the larger agencies. Many of the larger agencies have added a Russian speaking sales person to their staff. The Russian magnates buying large and expensive estates at the top end of the market are less important in overall market impact than the client looking for a property from €300,000 up to, for example, €2,000,000.

The Scandinavian market has revitalized: there is great activity from Swedish, Danish and Finnish clients. The Norwegian market, where the economy is oil-based, has not experienced any kind of recession, is becoming strong as well, due primarily to the attractive, present day prices.

The Netherlands and Belgium have always been strong markets for buying property in Marbella, and they continue to be even more so today, again because of the decreased price levels.



The French market is probably the most recent important European market to discover Marbella. Times have evolved from the days where the Frenchman wanted a holiday home “à la campagne”. With Spain’s excellent road network, the French can now drive to Marbella! Perhaps the most important reason for the activity of the French market is the recent change in government, and consequent increase in taxes, with many seeking to become Spanish residents to achieve a lower taxation level, and at the same time enjoying our special Marbella climate and international community.

The United Kingdom and the German markets have not increased substantially in recent months, but still remain among the most important markets in the Marbella area.

What is selling?

At the beginning of the crisis in September 2008, the market in general remained static for several months. Then sales started again in 2009 with substantial price decreases. What continued to sell, in a substantially lesser volume, were properties priced, let us say under €800,000. However, there was little interest in properties much over €1,000,000.

But gradually, year after year, this threshold price has crept up. The larger and more expensive properties have started to sell in the last year, which is yet another important sign of a market under recovery.

In La Zagaleta, perhaps the most exclusive gated community in Europe, there have been at least 12 sales, at prices ranging up to €13,500,000, and an average sales price of around €5,500,000 since October 2012. We are also aware of 15 new construction starts and renovations in the last year in this urbanization.



Marbella's other prime residential areas, including the Golden Mile, Los Monteros, Guadalmina, El Madroñal and many others have also experienced strong sales activity in the more expensive price ranges. To give another example, at least seven Golden Mile beachside homes, some of which have been on the market for some time, have recently sold and are not being replaced by similar ones.

There are no reliable overall statistics of the number of homes on the market for sale and the prices of the properties sold. However, according to our own calculations, there is little doubt that the vast majority of the properties for sale, perhaps in the area of 75% or 80%, are those priced under €1,000,000.

There is a wide variety of villas, townhouses and apartments for sale belonging to serious sellers in the €250,000 to €1,000,000 price range in great residential areas and at highly competitive prices. The market

is extremely active with sales taking place every single day. In fact there are more villas for sale today under €1,000,000 than ever before, most of them substantially reduced in price and ready to negotiate further, many of them great alternatives to an apartment or townhouse.

Asking prices severely adjusted

We have seen “asking prices” being dropped year after year until: Bingo! The asking price of a given property has been reduced to a point that starts generating viewings, since it has become perceived by the market as “worthwhile seeing”. And when more and more clients view a property for sale, a real marketplace is created where owners will eventually receive offers that they can freely take, reject or negotiate.

More and more sellers have now accepted that their properties are not really worth what they thought they were, and, consequently, are doing what is necessary to adjust their prices to encourage viewings. Many owners are realizing that it makes sense to invest a little to make their property “objection free” and attractive enough to the buyer to make an offer on a “ready to live in” property.



But the outstanding characteristic of the market is that no seller is achieving a sale today unless the property is perceived as “very well priced” and he or she is open to negotiate and make a deal. An example is a property in Las Lomas del Marbella Club, opposite the Hotel Puente Romano on Marbella’s Golden Mile, a townhouse of 160m² in a gated complex with an original asking price three years ago of €500,000, reduced gradually over time, has sold recently for €275,000. A villa in Nueva Andalucía, on the market for two years, initially asking €1,750,000 and gradually reduced over this time to €1,175,000 sold recently for €1,000,000. There are literally hundreds of similar examples.

There is the exception of some top end properties which are unique and therefore not reproducible and the owner, being aware of this says: “if a buyer wants the property, he has to come close to my price”, and if the price is not ridiculous, he will end up selling. For example, one of the most sought after and exclusive

waterfront buildings on the Golden Mile recently saw one of its few beachfront apartments, (4 bedrooms, 350m² plus terraces) sell for €3,750,000. This is not much below the sales price the property would have achieved six years ago.

There are other properties where the owner has already lowered the asking price considerably, and has little or no further room for negotiation. A large two bedroom apartment in Monte Paraíso, on the market for a year and a half at the reasonable price of €570,000 lowered the asking price to €530,000 and again earlier this year to €495,000 and sold at the full asking price to a couple from Finland who, through their research, quickly recognized the great value represented by this property, and did not want to lose it to another buyer. The lesson: the real value of a property is not necessarily determined by the percentage discount achieved in a negotiation. If through good market research, a prospective buyer recognizes a great potential buy of a property which fits his or her requirements, in this improving market one should not hesitate to move quickly to secure the property.

Any good agent will have or can obtain excellent examples of properties recently sold in the different residential areas of Marbella and in all price categories.

Properties sold, are not always being replaced

Agents as well as potential buyers are finding that when a property is sold in a given urbanization at an amazingly good price (for the buyer), it does not necessarily follow that other owners of similar properties for sale in the same area will match that price. What does that indicate about the market? It does not mean that the other property owners are not hearing what is being paid in the real market. But it does indicate that there is a tight market (supply) for properties in quality areas, and a larger demand factor than in the preceding years. So those who resist taking the last sale as a barometer for their own pricing are confident that their property will sell for its a) location b) quality and c) general lack of supply of similar properties on the market. This is yet another sign of the market touching the bottom and lifting off.

Negotiation much more difficult

As indicated earlier, there is a consensus among agents that a sales negotiation today is far more difficult than in the past and, therefore, even more difficult for those lesser experienced agents. Buyers often have second thoughts once they verbally make an offer, sellers often hesitate to accept an offer thinking that they might get a better price from another client in the next few days or weeks, if their property is getting good market exposure. It takes real skill and experience to bring a deal together, more than ever before.



The most successful agencies today are those with strong experience in negotiation; who have their properties fully documented and know almost all of the issues related to the properties being negotiated, including any possible urbanistic issues; and who will have established a good working relationship and confidence not only with the buyer, but also with the seller.

In summary

We are living in an uncertain world today. Within that uncertainty, however, lies the fact that there are still many people, mainly in Europe but in other countries as well, who want to live in the Marbella area, as it is a unique place not only in Spain, but on the entire Mediterranean Basin. Many of these potential buyers

have been waiting for the right moment for prices to drop sufficiently to move on with their major lifestyle change, and buy a permanent or second home in this area.

Coming back to our original question: is it now the right time to buy? Certainly, there is hard evidence indicating a significant improvement in the market. For those who have already decided that they want to buy in the Marbella area and have, until now, been reticent about the timing of their purchase, it would appear that we are reaching, after over five long years, a bottoming out of the market cycle, and the beginning of an appropriate time for them to start to refine and conclude their property search. For those who are unsure whether to buy in this special part of the world, now would certainly be an appropriate time to start with their market investigation.

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