

Marbella Property Market update, October 2014

While the Spanish economy has been suffering the effects of a difficult economic crisis, demand for residential property purchases in the Marbella area has enjoyed an increasing surge over the last three years. More than 85% of Marbella property purchasers are foreign and because of this, the Marbella area is not as dependent on the strength of Spain's national economy as the rest of the country is, and is therefore more buoyant in times of economic crisis.

Recent hard statistics corroborate that this indeed is the nature of the Marbella property market. The following figures are outstanding in comparison to those in other Spanish cities and towns.

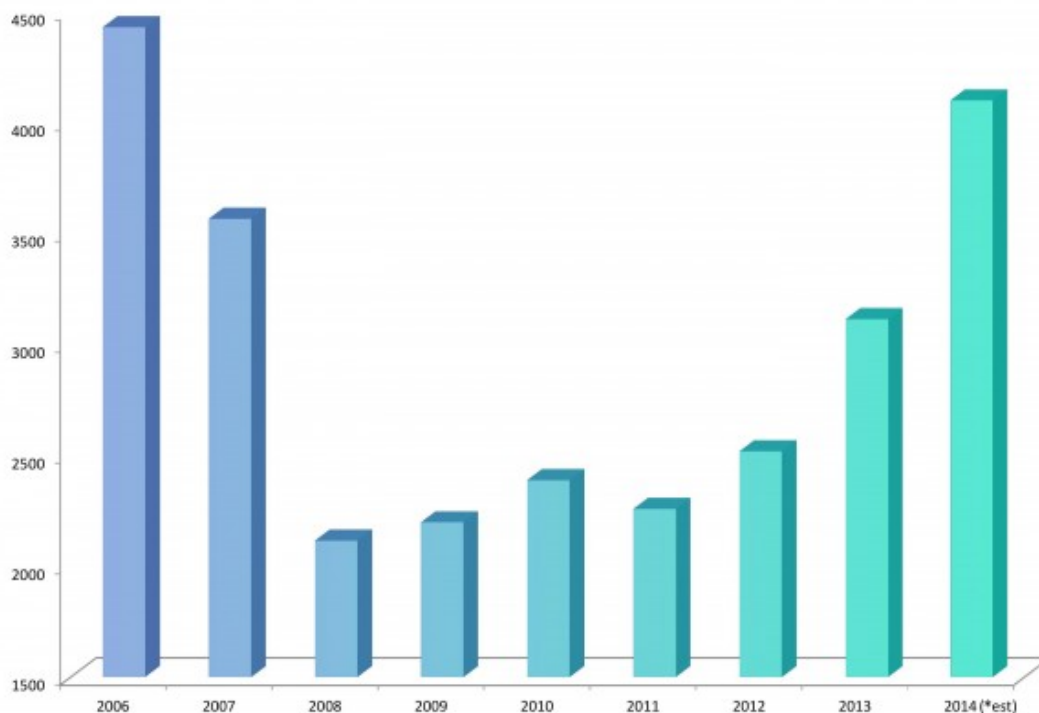
Outstanding growth figures in the sector.

The Marbella residential property market enjoyed an improved sales volume between 2012 to 2013 of 24%, but this trend already began in 2011, and the sales volume is expected to increase even more during 2014, with figures for the first half of the year indicating the yearly increase in property sales may be up by around 32%. Take a look at the table below (based on the figures published by the Spanish Ministry of Public Works) and its corresponding charts.

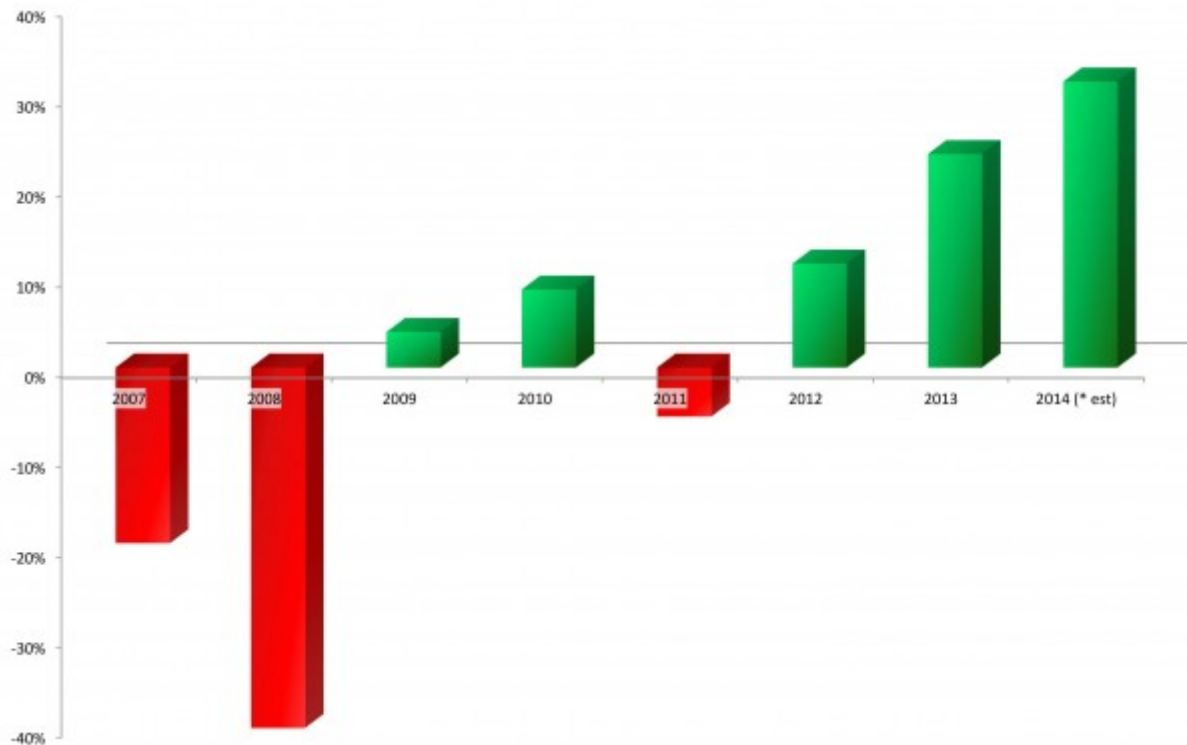
Total number of residential sales transactions in Marbella

		Source: Spanish Ministry of Public Works www.fomento.gob.es									TOTAL NUMBER OF RESIDENTIAL PROPERTY SALES	
	2006	2007	2008	2009	2010	2011	2012	2013	2014 (Jan-Jun)	2014 total (*est)		
Marbella	4,432	3,568	2,116	2,199	2,389	2,259	2,519	3,115	2,051	4,102*		
Percentage change		-19%	-41%	4%	9%	-5%	12%	24%	-	32%*		

Total number of residential property sales transactions in Marbella



Yearly percentage change in residential property sales transactions in Marbella



These charts show outstandingly strong growth since 2011. It is this tremendous year on year improvement that has made Marbella the leading city in all of Spain in residential sales volume growth.

The Marbella property market crisis is over.

The market probably touched bottom in Marbella towards the end of 2011. The market in the rest of Spain also appears to have touched bottom, but only just recently during the first months of 2014. Banco Sabadell recently announced “The property market crisis is over”, and will not be further reducing the prices of the properties they are selling. Tourism, which is the principle source of quality real estate clients, has already broken records in the first half of 2014, and is set to increase even more in the last half, as compared with many other destinations today, Marbella is regarded as a safe, quality haven within the protection of the European Union. There are literally hundreds of press articles published in the last six months touting good news about the strong recovery in Marbella and the beginning of recovery in Spain itself.

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 over two and a half 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 than that in less consolidated areas and in the low end of the market, where there will 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 that there will be a shortfall in the best priced, more expensive properties in a very near future.

Spanish buyers yet to 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 clearly absent due to the economic recession in Spain. We estimate that this will not happen for another two to three years.

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 the first major developers to descend here over 50 years ago, of 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, golf courses and other sporting facilities, leisure ports, and great restaurants, add together to make Marbella the only resort area on the Mediterranean with an active 12 month season. And the reason 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: there is a virtually universal opinion of those who have watched and measured the evolution of this area for many years, that Marbella is, right at this moment, at the dawn of a new Golden Age, which, all other factors being equal, will last for many years to come.