

KEY CAPITAL PARTNERSHIPS

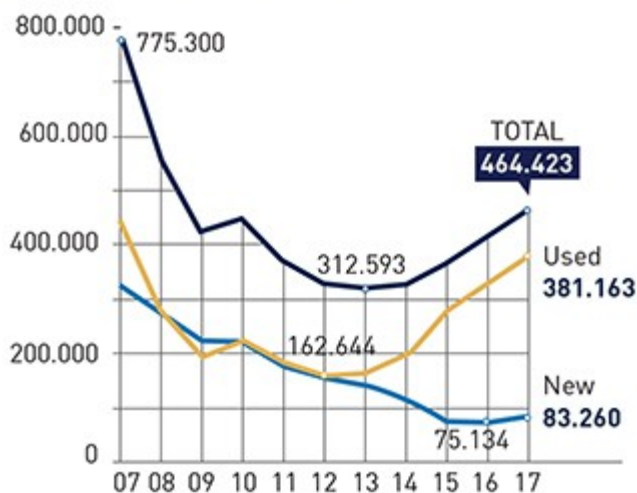
The Marbella Property Market Report 2018

The residential property market has improved significantly in the Marbella area as well as in the entire country in 2017, consolidating the trends established in prior years.

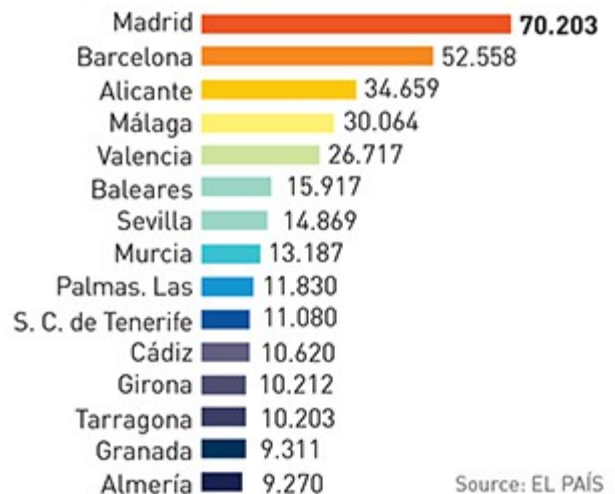
Looking first on the national level, political uncertainty on several fronts in 2017 proved itself to be insignificant in comparison to the positive impetus generated by macroeconomic factors: GDP growth above 3% (with a similar forecast for 2018), record numbers of tourists, declining unemployment, an improving international credit rating, and record low interest rates all point to a positive outlook for the Spanish economy and the property market for the foreseeable future. Property professionals, as well as the banking sector, have announced that the beginning of another Golden Age for Spain's housing sector is upon us, but this time, without excesses, until at least 2022.^{1&2}

The increase in the volume of residential property sales nationally in 2017 has been, as expected, the largest since 2007, rising 14.6% over 2016 with Málaga province leading the way.³ Annual national sales figures show a total of 464,423 properties sold in Spain in 2017, climbing from a low of 312,593 in 2013 to the highest number recorded since the 2008 property crash.⁴

Evolution of Sales in Spain



The 15 provinces with the most sales in 2017

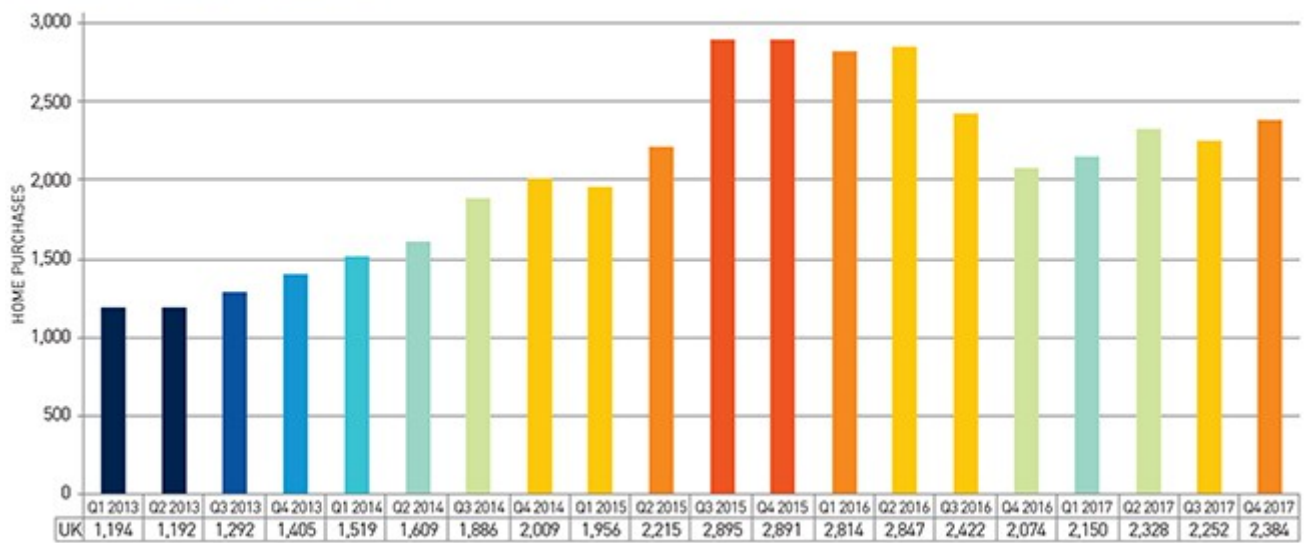


Source: EL PAÍS

Little effect of Brexit on UK nationals buying in Spain

Of the total number of residential sales made in Spain inscribed in the land registry in 2017, 13.11% representing 60,885 sales were made to foreigners. UK nationals lead the field with 9,114 purchases, in the same manner they have since the early '80's. France and Germany followed in second and third place with 5,285 and 4,731 purchases respectively, both at around half the number of UK purchases.⁵ This is clear evidence of the surprising resilience of the UK market to date, in clear defiance of the weakness of the Pound Sterling, and the woes of Brexit.

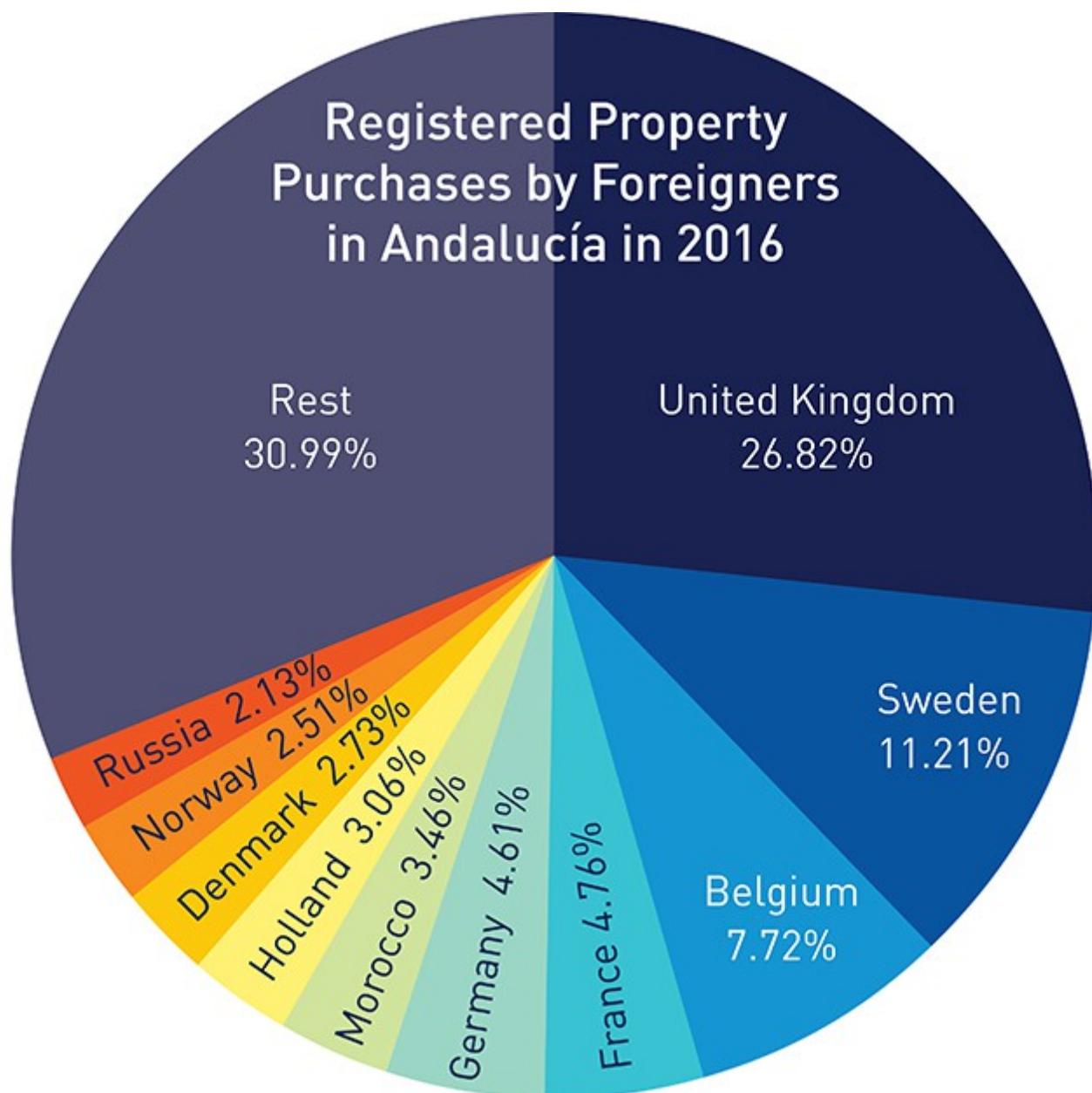
British Demand by Quarter



Nationality of buyers in Andalucía

Coming closer to home, we have included the Land Registry statistics⁸ showing the percentage of foreign purchasers in Andalucía by nationality, for which at the writing of this report, only the 2016 numbers are available

It is interesting to note, here also, the continued strength of UK purchasers, comprising 26.82% of the market in Andalucía for the year 2016 compared with 19% on a national level (same year), and almost two and a half times more than the Swedish who are in second place.



Marbella-area property market is more resilient and mature than the national market

The property market touched bottom in our city in 2011 with recovery starting in 2012, two full years before the rest of Spain. Led almost exclusively by foreign investors/purchasers from many different countries, the “multi-source” international market has always distinguished the Marbella market, as well as most Spanish resort areas, from the rest of the country.

The increase in sales volume in Marbella from 2014 to 2015 was an extraordinary 28.3%, as buyers—some of whom had been waiting for years to buy—rushed to purchase the best bargains before prices started to increase.

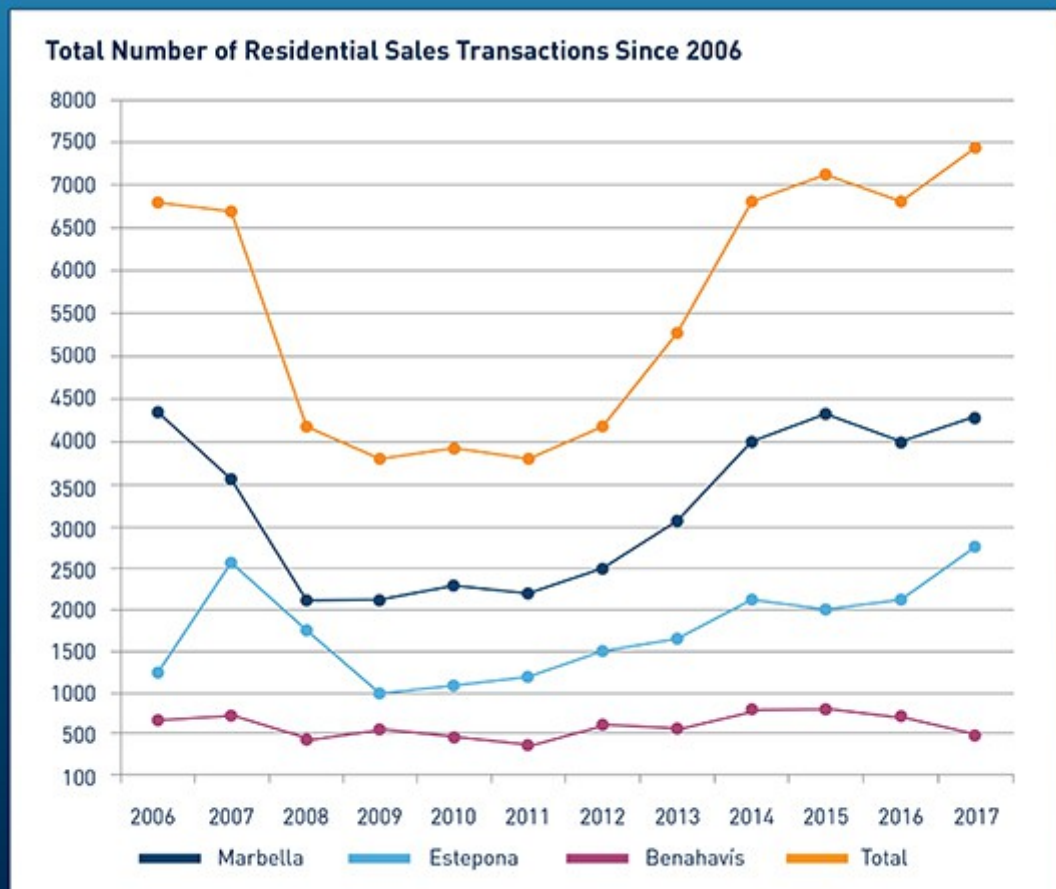
Consequently, the market recovery in the Marbella area is more mature than the national market, and percentage sales increases have begun to level off, whilst still increasing on a national level. For example, on a national level the 2017 sales volume is still 21% below that of pre-crisis levels of 2007, whilst in the Marbella-Benahavís-[Estepona](#) area, the 2007 sales volume has been surpassed by 10.4%.^z

Marbella area sales (Marbella, Benahavís, Estepona) in 2017, contrasted with prior years, can be seen on the following table. Overall one can see an increase in sales volume of the three municipalities from 2016 to 2017 of 11.15 %.

Total Number of Residential Sales Transactions per Municipality												2017 vs 2016
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	
Benahavis	633	438	559	422	311	593	533	711	733	624	499	-20.03%
Estepona	2,581	1,721	1,086	1,154	1,248	1,490	1,673	2,113	2,044	2,114	2,713	+28.33%
Marbella	3,568	2,116	2,199	2,389	2,259	2,519	3,115	3,997	4,390	3,998	4,275	+6.93%
Total	6,782	4,275	3,844	3,965	3,818	4,602	5,321	6,821	7,167	6,736	7,487	+11.15%



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



- Substantially greater availability of fully zoned development land in Estepona compared with Marbella.
- Delays in obtaining building licenses in Marbella of a year or more, pushing developers to buy land in Estepona and Benahavis where licenses are granted far more quickly.
- The relatively lower prices of properties and land in Estepona, compared with the most consolidated (and often more prestigious) residential areas of Marbella.

There were only 499 sales in Benahavís in 2017, representing 6.7% of the 7,487 properties sold in the area of the three municipalities. Notwithstanding, this municipality is of vital importance to the entire area due to the exclusivity of most of the residential estates in the municipality, such as [La Zagaleta](#), [El Madroñal](#), [La Quinta](#), [Los Flamings](#), the [Marbella Club Golf Resort](#), [Los Arqueros](#), La Reserva de Alcuoz, and others.

One must also take into consideration the important amount of development land in Benahavís, for future growth.

Additionally, as in all of the municipalities, many properties that are under construction and sold will not be reflected in the sales statistics until they are finished and title deeds have been granted. For these reasons we give little significance to the decrease in official sales figures for Benahavís.

Most leading Marbella agents are offering properties in all three municipalities.

Urgent action being taken to accelerate granting of Marbella building licenses

The Mayor and her team have taken decisive action to reorganize the Planning Department since their return to leading Marbella's local government in September of 2017. Unprecedented measures have been applied in order to resolve the bottleneck in the procedures leading to the issuance of planning permission and licenses of all types.

Long delays over the past couple of years in issuing these licenses have penalized investors wanting to build new properties or refurbish older ones, and delays frequently lasted more than a year.

Procedures have been streamlined with the objective of reducing the time of issuance of a building permit to nine months or less, as a first step, aiming for less than half of that time in the near future.⁸

Please see the Mayor's introduction letter to ["The Marbella Property Magazine", volume 10](#), where she elaborates on the steps being taken [here](#).

Prices starting to increase

According to the land registries of Spain, prices of residential property rose in 2017 by 7.6% across all of Spain.⁹After the sharp downturn in the property market and the economy itself during the crisis and with distress properties now drying up in most areas, such a price increase is no surprise.



José Antonio Pérez is the CEO of the prestigious *Instituto de Práctica Empresarial* (Institute of Business Practice) (the only Business School that specializes in the Real Estate and Building Sector, established 20 years ago and with more than 10,000 students in Spain and Latin America). He and his team anticipate that prices will continue to rise along the whole coast and especially in the Marbella area in 2018 due to the lack of buildable urban land, and although he estimates conservatively the increase in prices at 6.7% overall, he also advises that increases might even reach double digits in some areas.¹⁰

A careful study of the hard market evidence at hand, much of which is included in this report, should illustrate that it is far from “too late” to get into this growing market.

Market demand greater than supply in ultra-prime areas

Demand in the very best areas of Marbella is outstripping supply, due to the fully consolidated nature of the most popular areas of the city, such as the beach side of the [Golden Mile](#), resulting in a significant upwards push in prices in these areas.

A perfect example of this is the area of [Puente Romano](#) where some prices have as much as doubled since the bottom of the market in 2011. A typical two-bedroom apartment which sold for €600,000 in 2011 sold again at the end of 2017 for €1,150,000. Another one-bedroom apartment within the Puente Romano Hotel, bought in 2012 for €375,000 and completely refurbished, just sold for €825,000.

Another hot spot is the urbanization of Casablanca just west of the Meliá Don Pepe Hotel, walking distance to Marbella town and the beach, where prices have almost doubled since 2011. Here, the remnant value of the construction of old houses built on these parcels is often discounted entirely. Yet another example is a Golden Mile beachside villa of about 4,800 m² plot with a beautiful home of over 1,000 m² where a sales contract has been signed at a price of €16 million to an investor intending to build three ultra-modern homes in its place.

These examples are illustrative of what happens when there is no more land for development in a high-demand area and, as well, of the consolidation and maturing of the Marbella property market in general.

Fortunately for those who now can't afford to buy in the few ultra-prime areas of Marbella (and many who never wanted to be there in the first place), property prices in many residential areas are still below their 2007 highs.

Demand for villas of €4 million or more

Despite the notorious lack of reliable statistics, our best estimates of sales of residential properties with a price over €4 million have shown a substantial improvement in 2017 over 2016, increasing from between 20 and 25 in 2016 to between 40 and 45 in 2017. This number was obtained by means of a survey of leading agents in the area, added to our own market knowledge and records.

A substantial number of newly-built or refurbished properties in this price range have come on the market during 2017 and 2018, built for carefully targeted buyers that demand top qualities and are willing to pay for them.

Most active market activity

The greatest strength of the current residential market lies with properties priced between €200,000 and €1,500,000 for apartments, and €700,000 to €2,500,000 for villas.

Many properties in the best residential areas which are between 20 and 50 years old are being bought and either torn down and rebuilt, or totally refurbished, some by end users, others by professional developers.



A Norwegian family company has had outstanding success in purchasing homes, refurbishing or rebuilding them with the very best architecture and exceptionally high-quality finishes and decoration, and then reselling them. Between 2015 and 2017 they have refurbished and sold 15 homes in an average sales time of, incredibly, only four weeks from the time the finished home was put on the market (compared with, often, up to a year or more in the normal resale market).

Their selling prices have been from €3 million to under €7 million, and all but one located in [Nueva Andalucía](#). This is a perfect example of providing “*the right product*” for a highly demanding clientele looking for the most modern and elegant properties on the market today, at realistic prices.

Another eight projects are underway and coming on the market gradually starting in summer, 2018, all of which will be available through Panorama.

There are many other seasoned professionals undertaking the same business activity.

New property developments

There is high activity in the Marbella area in new construction and off-plan sales.

The number of new developments launched and the number of units built in 2017 is slightly lower than in 2016, but the number of investors and end-user clients is growing, especially motivated by the exciting new projects launched at the end of 2017 and first quarter of 2018.

We have compiled a list that we believe to be representative of the current market, of 61 new developments being built in Marbella, Estepona, Benahavís and [Ojén](#) which are for sale since 2016. These new projects offer properties in the price range of €200,000 to €4,000,000 and represent a total of 2,657 properties.

Of these properties, 61% of them have already been sold or are under contract, with a significant proportion still under construction. Many of these projects have future phases, not yet on the market.

This stock of properties, plus the new projects coming on line, provides today's buyer with a very wide variety of contemporary and modern homes. This includes villas and apartments to purchase "off-plan" at competitive prices, and those under construction (with the clear advantages of stage payments in both categories), and others already finished, ready to move in.

To illustrate how the construction cycle is still at the beginning, one has only to look at the number of properties for which projects were approved by the *Colegio de Arquitectos* of Málaga in 2017 of only **4,895 living units**, compared with the **45,000 units** approved in 2007.¹¹



Tourism reaches record for fifth consecutive year

In an area well known for residential tourism, that is, tourism based on the purchase and occupancy of a second or retirement home, real estate sales are intimately related to the number of tourists, and even more so, given the high quality of tourist who is attracted to Marbella and its world-famous lifestyle.

For the first time ever Spain has surpassed the United States when it comes to international visitors. Spain has set a new record of 82 million international visitors in 2017, now taking second place worldwide after France.

This continuing surge is due in part to security concerns in previously popular holiday destinations such as Egypt, Turkey and North Africa, but also due to the excellent hospitality industry infrastructure in Spain. Nearly 18 million British tourists travelled to Spain in 2017. German tourists at 11.4 million and French tourists at 10.7 million complete the top three.¹²

The same is true for the Costa del Sol, with a record number of arrivals at the Málaga airport in 2017 of over 18.5 million passengers, representing an increase of 11.7% over 2016 arrivals.¹³

The entire Costa del Sol and especially Marbella are prime beneficiaries of this increase, especially for the upper end of the market. The rise in the number of hotel visitors in 2017, in accordance with the National Institute of Statistics (INE), was 6.61% over 2016.



More visitors in the winter months

Unlike most Mediterranean resort cities that roll up their sidewalks at the end of September and gradually come back to life in the spring, Marbella is “open” the full 12 months of the year. The increasing number of tourists outside the months of July and August is making the peak and shoulder seasons longer, resulting in a shortening of the winter season.

An impressive figure was just published by the Town Hall of Marbella: in January, 2018 Marbella received a total of **28,630 visitors**, representing an increase of **18.49%** compared to January 2017.¹⁴ According to INE, more than 74% of the registered visitors came from foreign countries, showing an increase of more than **24.5%** compared to last year's figures.

Indeed, for those of us who live year-round in Marbella the activity in general during autumn months feels more like the peak season used to be, and the winter months, more like the spring.

It is this increasing off-season activity that is just one more sign of Marbella evolving in its popularity, as more and more people want to escape the cold winter months of the rest of Europe to visit this southernmost high quality Mediterranean destination.

Rental prices rising by an extraordinary 20.8% in one year

The rental market is enjoying a strong upturn in Marbella, with an increased demand and higher prices being paid than ever before, especially for luxurious, modern and secure properties. The rental price increase in Marbella from January 2017 to January 2018 was estimated by the property portal enalquiler.com to be 20.8%.¹⁵



The property portal idealista.com confirms an increase of the rental prices for the whole of the province of Málaga of 15.4%.¹⁶

The short-term market has also become equally dynamic, with new regulations from the regional government which should provide a more structured and standardized rental market.

The Marbella economy is buzzing with activity

Money attracts money. New businesses are being opened everywhere: in 2017 there was a net increase of 924 companies formed in Marbella.¹⁷

Among the 5-star hotels of Marbella, five of them have been reported to reach record occupancy and profits in 2017. The influx of quality tourists and increasing popularity of Marbella has encouraged the refurbishment of old hotels as well as the building of new ones:

- The emblematic 486 room **Don Miguel**, located directly behind Marbella town and closed for well over a decade, is undergoing a €65 million renovation, scheduling to open its doors in the Spring of 2019, operated once again by Club Med as before its closure.
- **Four new boutique hotels are planned in the Old Town of Marbella**, two of which will be finished by mid-2018, by Swiss owned company Rhône Property together with British partners, aimed for the sector of the market which wants to discover, in the words of Rhône's CEO Miguel Cerván, "the 'real' Marbella, the traditional, typical town which few people know".¹⁸
- **The fabled hotel-restaurant La Fonda** in the Old Town has finally been sold to a Qatari group who are about to start a complete refurbishment which will surpass its former splendor. The new hotel will be comprised of some 21 rooms and aims to open for Easter 2020.
- A new boutique hotel called **The Touch Puerto Banús** opened in [Cortijo Blanco](#) late last year offering 11 sumptuous rooms and suites.
- Platinum Estate's plans for a new beachfront **W Hotel** with 240 rooms, of which 140 will be "touristic apartments", are proceeding, according to the Town Hall and the developer Platinum Estates. The project is being designed by the US-based Rockwell Group and is scheduled for opening in 2021. This is an amazing avant-garde project which is one of many examples of the rapid and favorable evolution of Marbella.¹⁹
- This year the big news is the opening at Easter of the exclusive, adult-only **Nobu Hotel in Puente Romano**, co-owned by the legendary actor Robert de Niro and the world-famous chef Nobuyuki Matsuhisa, making it the 16th hotel opening in their worldwide chain. This exclusive hotel, with its entrance right next to Panorama's Puente Romano office, consists of a totally refurbished part

of the iconic 5-star Puente Romano hotel, a hotel within a hotel, with 49 rooms and suites surrounding the Puente Romano Plaza where Nobu already opened a restaurant last year.



Aside from extraordinary hotel activity, there are many other factors currently at play which are essential to take into consideration when contemplating the full spectrum and impact of the positive evolution and activity of this area.

Although the list is far too long to include in this report, a few examples follow: Marbella's extraordinary culinary offer with more than 500 restaurants and 5 Michelin stars, the city with the highest number of Michelin stars in Andalucía,²⁰ the many events that Marbella is celebrating: golf tournaments, the Davis Cup, the Starlite Music Festival confirming it will continue in Marbella with an outstanding summer schedule, as well as many other shows and events of all types.

What does the future hold?

- In general, the property market is in a good state of health: all of the indicators of an improving market are present along with an improving economy on a national, regional and local level.
- Looking at the year-by-year chart of the evolution of the volume of sales, the Marbella property market is unquestionably progressing little by little but by no means represents a "boom", even though prices have begun to increase once again.
- 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 multitude of countries whose citizens comprise the markets for luxury Marbella-area real estate.
- The actual increase in the number of sales of Marbella's real estate market will no doubt be tempered until:
 - The Town Hall achieves its goals of granting building permits within a reasonable time of a few months, and

- A new General Plan of Marbella is definitively approved, resolving the zoning difficulties Marbella has been suffering since the mid-1990's, and catalysing the release of more fully-zoned development land.
- Notwithstanding the above, a 6.93% increase in sales volume last year, compared with 2016, remains a very healthy market growth rate.



- Estepona, Benahavís and even Ojén, will continue to enjoy a market with added buoyancy due not only to these issues in Marbella but also to the many outstanding features intrinsic to these municipalities that attract buyers of all nationalities.
- In the meantime, however, even more amazing newly built and totally refurbished properties will soon be coming on the market in Marbella, with record high levels of construction quality and design, and achieving prices surpassing the 2006-2007 highs.
- Resale activity in the most consolidated residential areas will continue to be as good as at any time in Marbella's history.
- Major improvements being considered by the authorities are the elimination of the toll from the motorway, the possibility of a rail service arriving to Marbella, the only town of its size in the country without a train service, the possible new leisure port in Marbella, and many others. ²¹

Is today a good time to buy property in Marbella?

Any time is a good time for those buying with lifestyle objectives in mind, which has always been the single most important factor influencing buyers in Marbella.

From an investment standpoint, even though prices have started to rise again, they have not yet reached the 2006 and 2007 highs in most of the municipality. Historically low variable and fixed rate interest mortgages are becoming commonplace, and tourism is breaking records year after year.

The national and local economies are improving significantly and the Spanish market itself is beginning to buy in Marbella again. Not to forget the big money – many major investment funds – that previously ignored Marbella but from 2012 have invested hundreds of millions of euros buying

development land on the whole of the Costa del Sol, betting on the medium and long-term success of residential tourism in this area, often referred to as the “California of Europe”.

For many, the hard evidence of the positive evolution of the Marbella property market, will no doubt lead them to conclude that 2018 and the coming years represent an outstanding time, perhaps even a historic opportunity, to purchase property in this area, while Marbella is just entering its New Golden Age.

Footnotes:

1. El País Economía: [“La vivienda enfila otro ciclo dorado pero sin excesos”](#) February 26, 2018
2. El País Economía: [“Promotores y banca prevén un ciclo inmobiliario alcista hasta 2022”](#) February 26, 2018
3. El País Economía [“La compra de viviendas creció un 14,6% en 2017...”](#) February 13, 2018
4. ABC Economía [“La compra de viviendas se dispara el 14,6% en 2017...”](#) February 13, 2018
5. Registradores En Espan a [“El precio de la vivienda sube un 7,6% en 2017”](#). February 19, 2018
6. [Land Registry PDF document](#) (page 76)
7. SUR Vivienda [“La vivienda se encarece más del 7% en 2017...”](#) February 20, 2018
8. SUR Marbella-Estepona: [“Marbella se plantea reducir a tres meses...”](#) January 3, 2018
9. AURA [“Registrars: House Prices Rose by 7.6% in 2017”](#) February 19, 2018
10. SUR Málaga: [“¿Estamos ante una posible nueva burbuja inmobiliaria?”](#), January 22, 2018
11. SUR Málaga: [“Los proyectos de nuevas viviendas crecen un 60% en la provincia”](#) January 24, 2018
12. REUTERS: [“Spain international tourism breaks records for fifth straight year”](#) January 11, 2018
13. AENA: [Departamento de Estadísticas, Datos Provisionales 2017](#)
14. Excmo. Ayuntamiento de Marbella: [“Marbella registra en enero un incremento de viajeros...”](#) February 25, 2018
15. Enalquiler: [“Evolución del alquiler en Marbella \(Málaga\)”](#)
16. Idealista: [“Evolución del precio de la vivienda en alquiler en 2017”](#)
17. Málaga Hoy: [“Marbella cierra 2017 con más de 900 empresas de nueva creación”](#) January 29, 2018
18. EuroWeekly News: [“Four new luxury hotels to open in Marbella”](#) January 21, 2018
19. SUR Málaga: [“La cadena hotelera W presenta su proyecto para Marbella, que abrirá en 2021,”](#) March 13, 2018
20. Marbella Directo: [“Marbella apuesta en Fitur por la innovación y los grandes eventos para consolidar su liderazgo turístico,”](#) January 17, 2018
21. SUR Marbella-Estepona: [“El ministro de Fomento presenta hoy el estudio para el acceso ferroviario a Marbella,”](#) January 27, 2018