Since Spain turned a corner in 2014, raising its head from the depths of recession to outpace most Eurozone economies last year, select pockets of its mainland and islands have taken on a momentum of their own.

Spain is far from out of the woods altogether, political deadlock persists following two general elections in quick succession and unemployment remains high. But the regions that Knight Frank specialises in – Madrid and Barcelona, Marbella and the Balearic islands of Mallorca and Ibiza – are seeing clear signs of recovery, each fuelled by different forces.

Madrid has seen property prices rise since 2011 – and although 70% of buyers are Spanish, the bulk of overseas demand comes from Latin America, whose troubled economies are driving investors to what they see as a safe Eurozone destination.

Their preferred prime locations are central neighbourhoods such as Salamanca, Chamberi and Jerónimos and they are increasingly viewing Madrid as a place to relocate their families and educate their children.

Barcelona casts its net far wider than Madrid’s. While Catalan wealth props up this powerhouse behind Spain’s economic recovery, the city also attracts an extraordinary variety of nationalities, most of whom want a reasonably-priced, central bolt-hole in areas such as the Eixample, Gothic Quarter or beachside Barceloneta for their own occasional use and rental income.

Barcelona is also embracing the luxury lifestyle with a new calibre of hotel, including the Mandarin Oriental, the arrival of brands such as Soho House and the transformation of its Port Vell harbour into a super-yacht marina.

In Marbella, Northern European, British and Russian buyers dominate demand. The market turned in 2012 and prices are rising. Northern Europeans are fuelling sales of €10m+ properties in prime areas such as the Golden Mile’s beachfront and La Zagaleta.

There is also healthy demand between the two extremes for modern, ideally newly-built villas or apartments on small gated communities. Off-plan investment is also proving popular again – a way for buyers to get the high-quality, high-tech new home they want and to finance it through stage payments.

The annulment of Marbella’s 2010 urban plan, which meant that the city now abides by the 1986 Urban Plan has brought about some uncertainty as to the future of the 16,500 properties (about 15% of Marbella’s housing stock) which do not comply with the 1986 Urban Plan. Local and regional authorities have expressed their ongoing commitment to drawing up a new Urban Plan. This will deal with the above but also provide Marbella with a set of sustainable regulations for the future expansion of the city and renovation of its housing stock. But it does not affect – nor is it deterring – most buyers and is throwing up some opportunities among older properties in well-located and well-established areas.

Ibiza is a phenomenon all on its own, more closely resembling St Tropez, Miami and Mykonos than the rest of Spain in terms of the lifestyle it offers and the young, wealthy demographic it attracts. As a barometer of Ibiza’s prestige, look no further than the unprecedented number of private jets and super-yachts that sweep in each summer – and beyond, as Ibiza’s high season becomes ever longer.

The neighbouring and larger island of Mallorca caters to all holiday budgets, but its properties are particularly sought-after by wealthy buyers in search of a city, waterfront or inland property. Palma offers all the charm and attractions of a cutting edge, cultural capital, while other buyers find their haven among the upmarket marina or golf communities or in idyllic mountain towns such as Deià and Sóller.

Their appeal may be distinct and diverse, but these are all markets on the move. They each have a sense of energy, optimism and a hugely attractive lifestyle offering – and overseas buyers are back and want to be part of it.

Mark Harvey
Head of the Spanish Department
Fuelling creativity through food

Dani García talks about his passion for traditional Andalucian food and the launch of his most personal project to date

By Zoe Dare Hall

When the Michelin-starred chef Dani García launched CALIMA restaurant at Marbella’s Gran Melia Don Pepe hotel just over a decade ago, he found an unusual partner to work with. He chose Raimundo García del Moral, a professor in pathological anatomy at Granada University, and the meeting of minds resulted in García devising a culinary way to use liquid nitrogen frozen at -196°C. Not for nothing is the 40-year-old chef considered to be leading a new wave of Andalucian cuisine.

CALIMA saw him become the first Andalucian chef to earn two Michelin stars. And for a while, García was one of just three chefs in Europe – along with Heston Blumenthal and Ferran Adrià – to use nitrogen in cooking. It inspired him to create such dishes as frozen raff popcorn with raw Motril baby shrimp and liquid nitrogen frozen at -196°C. Not for nothing is the 40-year-old chef considered to be leading the way in Andalucian cuisine.

Today, García spends most of his time in Marbella. “It’s where I was born and it brings back memories of my childhood. It’s where I live now, too, in a house in Puerto Banus with spectacular views over La Concha mountain”.

Marbella is also where he works, in his two restaurants at the five-star Puente Romano hotel: the two Michelin-starred Dani García and the Andalucian brasserie and tapas restaurant BiBo. “Haute cuisine with a casual touch” is how García describes it.

One of his favourite places in Marbella is the beach and it’s where he starts each day, with an early morning run along the promenade. Heading east, his route takes him to central Marbella on the red, sandy path that sees a constant stream of joggers, cyclists and roller skaters enjoying the beauty of this stretch between the sea and mountains and lined by some of Marbella’s most opulent mansions.

His run also takes him past the beachfront Puente Romano, where he can be found most of the time. “I tend to be in the kitchens of my restaurants. I alternate cooking with the creative process in a quiet area of my restaurant,” says García.

Andalucia plays a vital role in his inspiration. His earliest memories of food, he says, are “my mother in the kitchen preparing a delicious lunch. My mother and my grandmother were my biggest influences.”

García trained at Malaga’s hospitality school, La Cónsula, before becoming an apprentice of the Basque chef Martin Berasategui – who has eight Michelin stars, more than any other Spanish chef.

The experience inspired García ready to forge ahead with his own brand of cuisine as head chef at Tragabuches in the dramatic Andalucian cliff top town of Ronda. “It’s a place that’s very special to me. It’s where I started my whole career and where I received my first Michelin star at the age of 25,” he says. He also considers it a personal triumph to have introduced the likes of cherry gazpacho and ajablanco (chilled almond and garlic soup) to the menu of an upmarket restaurant at a time when haute cuisine was synonymous with French cooking and foie gras.

García’s ambition is to show that traditional Andalucian food has a place in world-class cuisine, elevating the region’s natural produce – whether it’s tuna from Barbate or vegetables from his own garden – to a new level. “Our culture and biodiversity makes us one of the richest Spanish regions, gastronomically-speaking. The same goes for Spain at a global level. Ferran Adrià and thousands of people who passed through El Bulli are now all over the world and spreading the understanding of what Spanish cuisine is all about.”

Fantasy and magic play a big role in García’s culinary exploration. He talks often about encapsulating the spirit of fairy tales and children’s stories, and his new menu at Dani García - “My most personal project,” he says - is based on the book ‘The Little Prince’. “It’s a menu in which the flavour is the protagonist,” he explains. “The flavour is invisible to the eye. As we grow, we inevitably change our perception of things. Each dish represents a chapter and a reflection of the book where tastes, local produce and creativity are the basis of the story.”

Chefs have notoriously little chance - or ability - to relax, used to working long, anti-social hours in a high-pressure environment, but when not in the kitchens at Puente Romano, García spends time on the beach with his daughters or playing padel (a tennis/squash hybrid). Asked to recommend restaurants that the average visitor to the Costa del Sol might not discover, he suggests the fish restaurant Los Marineros José in Fuengirola, La Cosmopolita – a modern tapas restaurant in Málaga, and the Arab-inspired Noor Restaurant in Córdoba, run by his friend Paco Morales.

He would add one more place to that list – his own restaurant, BiBo. “As a diner, it’s where I love to go. It reflects my travels and everything I like,” says García. The Dani García brand may be about to see significant expansion, but the man behind it is never happier than when in Marbella.
Gaining ground

Spain has earned the title of Europe’s comeback kid but to what extent is the country’s prime property market mirroring the economy’s return to growth?

By Kate Everett-Allen

Spain’s economy has recovered strongly following the Eurozone crisis. In 2016, Spain’s GDP growth (2.6%) is forecast to exceed that of both the UK (1.9%) and Germany (1.5%) and remain well ahead of the Eurozone average over the next three years.

Ultra-loose monetary policy by the European Central Bank and low oil prices have led to an increase in consumer spending, higher employment and rising household incomes. The market fundamentals are improving but there remains a backdrop of global uncertainty.

Two key property market trends stand out in 2016. Firstly, the rise of the non-EU buyer – Latin Americans now have a strong presence in Madrid. Middle Eastern buyers are active in Marbella plus Swiss purchasers in Ibiza. The profile of Spain’s luxury buyers is shifting. The second key trend is the strength of the €1m-€3m price band; nearly all of our prime markets now consider it their most active market segment.

Economics

GDP growth (annual % change)

<table>
<thead>
<tr>
<th>Region</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Spain</td>
<td>1.5%</td>
<td>1.9%</td>
<td>2.6%</td>
</tr>
<tr>
<td>Germany</td>
<td>1.5%</td>
<td>1.5%</td>
<td>1.5%</td>
</tr>
<tr>
<td>UK</td>
<td>1.9%</td>
<td>1.9%</td>
<td>2.6%</td>
</tr>
<tr>
<td>France</td>
<td>1.6%</td>
<td>1.5%</td>
<td>1.5%</td>
</tr>
<tr>
<td>Denmark</td>
<td>1.0%</td>
<td>1.0%</td>
<td>1.0%</td>
</tr>
<tr>
<td>Russia</td>
<td>0.3%</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Other</td>
<td>2.7%</td>
<td>2.8%</td>
<td>3.0%</td>
</tr>
<tr>
<td>EU</td>
<td>1.5%</td>
<td>1.5%</td>
<td>1.5%</td>
</tr>
<tr>
<td>Non-EU</td>
<td>2.7%</td>
<td>2.8%</td>
<td>3.0%</td>
</tr>
<tr>
<td>Non-EU</td>
<td>2.7%</td>
<td>2.8%</td>
<td>3.0%</td>
</tr>
</tbody>
</table>

Prime price performance

<table>
<thead>
<tr>
<th>Market</th>
<th>H2 2014 v H2 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Barcelona</td>
<td>1%</td>
</tr>
<tr>
<td>Madrid</td>
<td>2%</td>
</tr>
<tr>
<td>Marbella</td>
<td>4%</td>
</tr>
<tr>
<td>Ibiza</td>
<td>5%</td>
</tr>
</tbody>
</table>

The construction of new homes on the island virtually came to a standstill post-2008, but the first two months of 2016 saw a 55% increase in the number of applications for new residential projects compared with the same period in 2015, the largest rise in the last 10 years according to the Balearics Statistics Office, IBESTAT.

Ibiza

The top-tier of Ibiza’s property market has become uncoupled from the wider market and is witnessing strong price gains as demand outpaces supply.

The number of sales on the island increased 37% in the three years to 2015 and foreign buyers have become more active. Ibiza attracts more than 8,000 private flights a year and according to NetJets, London to Ibiza and Palma de Mallorca are some of its most popular routes.

As the southern coast becomes more developed so attention is turning to island markets and the northern coastline. The new road to San Juan in the north east will reduce travel times significantly.
The purchase of real estate in Spain

Buying property in Spain should be relatively straightforward, but we would always recommend that you engage the services of a reputable agent, lawyer and notary.

Buying process
The property is selected and the terms agreed on. The property must then be secured. This can be done through a private contract between the two parties. It is customary that 10% of the purchase price is paid at this time. On completion, a deed of conveyance, the ‘escritura pública’, must be signed by both parties at the office of a Spanish public notary. The notary’s duty is to certify the deed of conveyance as a registered public document.

Notary’s Fees
The notary’s fees are paid as stated by law, 80% by the vendor and 20% by the purchaser unless otherwise agreed, although in practice it is customary that the purchaser pays for the full amount. The fees are fixed by law on the basis of a sliding scale. It is advisable to appoint a local lawyer, who speaks the purchaser’s language; the lawyer will carry out a title search, and advise the purchaser on all aspects of the investment. Lawyer’s fees are around 1% of the purchase price of the property.

Purchasing Costs/Taxes
Overall, taxes, legal fees and expenses directly related to the purchase of a completed residential property amount to between 10%-11% approximately.

Notary and registry fees are set by law and according to a sliding scale. Together, both fees amount to approximately 1.5% of the purchase price.

On new residential properties purchased direct from the developer or builder, there is VAT (IVA in Spanish) charged at 10% of the value, plus 1.5% Stamp Duty, these are both paid by the purchaser. Whereas on commercial premises and garages, not annexed to a home, and parcels of land purchased directly from a developer or builder VAT is 21% plus 1.5% Stamp Duty.

On resale properties there is a property transfer tax according to a sliding scale depending on location and sales price. However, there are certain exceptions:

- 3.5% when transferring properties whose real value exceeds €130,000 as long as it is used as the purchaser’s permanent home and if the purchaser is not over 35 years old, or €180,000 when the property is to be used as the purchaser’s permanent home and the purchaser is certified as having over 33% disability.
- 2% when a property is purchased by an individual or company whose business activity is classified within the real estate sector for further resale, and it is specified in the purchase title deed. The new owner will have a period of five years to sell the property. If not sold within this time frame, the owner will have to pay the difference to compensate up to the normal rate applicable.
- If both vendor and purchaser are companies or self-employed individuals subject to IVA (VAT), and they waive their right to IVA exemption, there will be a ‘Taxpayer investment on VAT’, and in this case there will be 0% IVA and 2% Stamp Duty.

In all cases there is also a municipal tax, ‘Plusvalía’ (which should not be confused with Capital Gains Tax which the seller is liable for when the property is sold). This ‘Plusvalía’ is paid by the seller, unless otherwise agreed. It is a municipal tax on the increase in value on the land, from the date when it was purchased until it is sold. From January 2013, proof of payment of the ‘Plusvalía’ must be provided in order to register the new ownership.

Office. This inscription is the final step in assuring your legal title to the property.

Ownership
Apart from individual ownership, a property can be owned by a company. Owning companies can be Spanish companies or foreign companies.

Residence Permits
It is not necessary to have a residence permit to buy a property in Spain unless you are planning to live in Spain for over 183 days per calendar year. In that case, you need to apply for fiscal residence in Spain.

Non-European Union citizens who want to reside permanently in Spain must obtain a special residence visa from the Spanish Consulate in their home country. With this visa, they can apply for a residence permit.

Golden Visa
With the aim of enticing investment into Spain, the government decided in 2013 to give the promise of a residency permit valid for two years (extended to five years in 2015 and including the right to work in the country) and a path to citizenship in the longer term, to anyone willing to invest at least €500,000 in Spanish property. Alternatives to real estate investment include depositing one million euros in a Spanish bank account, investing in Spanish company shares to the same amount or two million euros in Spanish public debt, or indeed bringing a job-creating project to the country.

N.I.E. (Foreigners’ Identification Number)
Any non-Spanish buyer must apply for an NIE number from the local police authorities. This number is required for any property transaction (buying, selling, utilities, insurance, etc.). For more information please consult our Guide to buying Property in Spain, prepared for us by Diana Morales Properties.

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The London team works closely with our network of local experts in Spain and the Balearics. Our local agents have been carefully selected for their integrity, experience and professionalism, and speak English as well as Spanish.

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