

RESIDENTIAL RESEARCH



SPAIN INSIGHT 2016

ASSESSING MARKET CONDITIONS ACROSS
SPAIN'S PRIME SECOND-HOME DESTINATIONS

ACTIVITY BY PRICE BAND

RISE OF THE NON-EU BUYER

RECOVERY IN SALE VOLUMES

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.



Madrid

Madrid has been back on the radar of both residential and commercial investors for two to three years. Nationally, house prices fell 31% on average from peak to trough but Madrid’s prime markets recorded declines closer to 20%. Typical prime prices now range between €5,000 per sq m and €7,000 per sq m.

The key districts of Salamanca, Jerónimos and Chamberí account for around 70% of prime property searches in Madrid, with the areas of El Viso and La Habana also on the radar of wealthy buyers.

A third of Madrid’s prime buyers are now from abroad. Since 2012 Latin American buyers have increased their presence, accounting for 30% of all sales agreed in 2015 by our Madrid sales team. Venezuelan developers are also behind a number of key prime residential developments in the city.

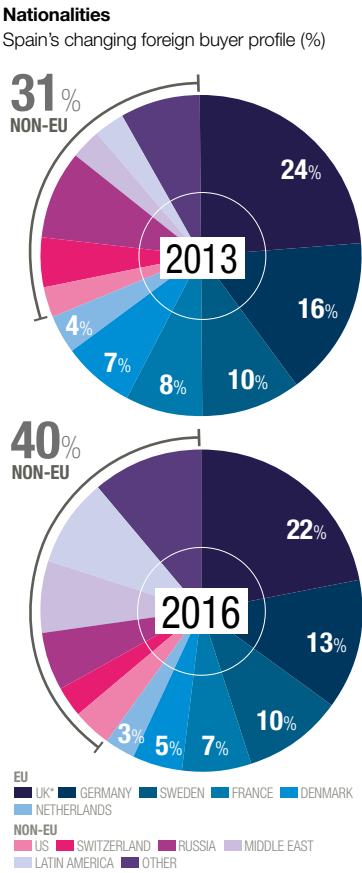
Barcelona

Prices in Barcelona levelled out in 2015 and the prime areas of the city such as Eixample and Zona Alta have seen a small uptick in prices.

Confidence is returning. The number of residential sales in Barcelona increased 86% between 2012 and 2015.

Local buyers, buoyed by positive economic indicators, are active once more but foreign buyers continue to dominate the luxury end of the market.

The strength of sterling reignited interest from British buyers in 2015 as the GBP/EUR rate reached 1.4, interest amongst French, Belgian and Dutch buyers has also strengthened.



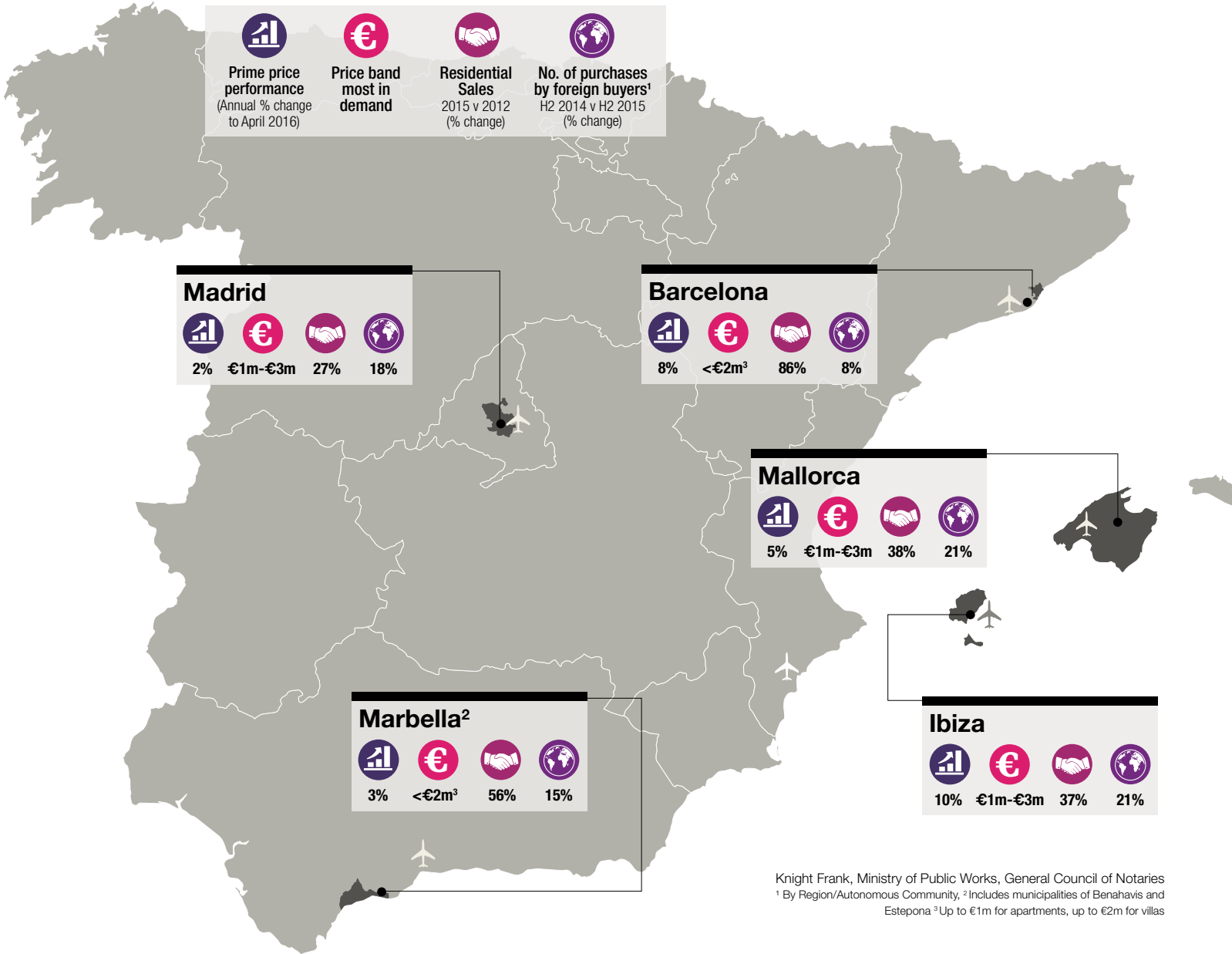
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Marbella

Rising sale volumes in Marbella suggest confidence is returning to the market. Price growth is slowly shifting into positive territory with newly-built modern villas in good locations, beachfront properties along the Golden Mile and gated communities such as Sierra Blanca, Camojan and La Zagaleta outperforming the wider market.

Interest from Middle Eastern buyers has increased significantly. The number of online property searches undertaken by Middle Eastern buyers looking at properties in Marbella surged 164% on Knight Frank’s website between 2014 and 2015.

The recent ruling regarding Marbella’s 2010 Town Plan, which affects around 15% of Marbella’s housing stock, has led to some



caution for those properties affected, but it has also refocused attention on properties in established areas which comply with the 1986 Urban Plan, as well as those which sit beyond the municipal boundary in areas such as Benahavis and Estepona.

Mallorca

Mallorca’s prime market, having reached its trough in the winter of 2014, has entered a new cycle of growth. The island’s prime markets of Andratx, Son Vida and Deià remain firm favourites with British, German and Scandinavian buyers.

Not only has foreign demand strengthened (sales to foreign buyers increased 21% in

2015 year-on-year) but sentiment among local buyers has also improved. Mortgage lending across the Balearics jumped 20% in the 12 months to January 2016.

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 inland markets and the northern coastline. The new road to San Juan in the north east will reduce travel times significantly.



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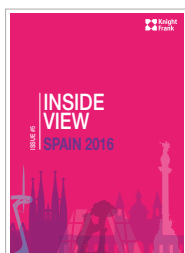
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The Research data provided in this report was originally published within **Portugal: Inside View**

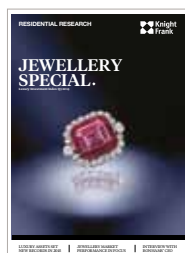
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