

RESIDENTIAL RESEARCH



SPAIN INSIGHT 2017

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

MARKET INDICATORS

BROADER DEMAND

RISE OF THE URBAN RESORT

Moving on up

Over the past five years Spain’s property market has undergone a radical transformation. While challenges persist, not least Brexit uncertainty, the country’s prime market now appeals to a broader mix of buyers, with investors taking advantage of the recent surge in tourist numbers.

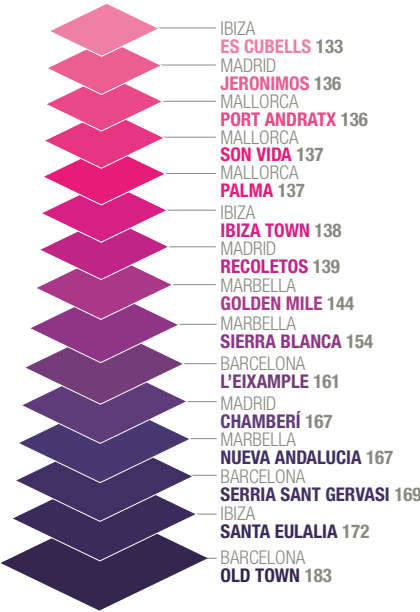
By Kate Everett-Allen

Economically, Spain finds itself on arguably its firmest footing for a decade, with GDP growth forecast to hit 2.6% this year, surpassing that of Germany, Canada and the US, according to the IMF.

Higher employment, rising disposable incomes and an upturn in consumer confidence are underpinning housing demand with mortgage lending up 20.2% in March 2017 compared to the previous year.

Prices have largely reached their floor across most regions with a lack of new supply helping to support values.

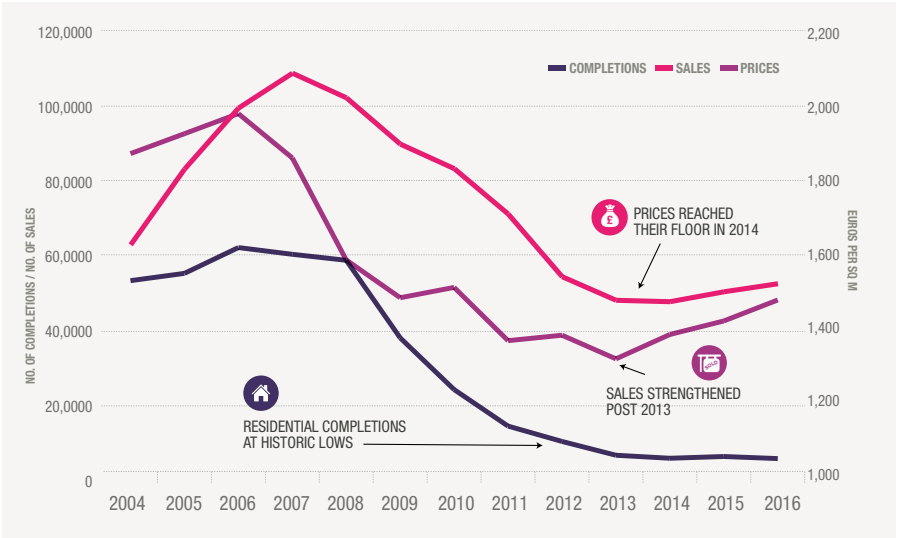
Spain’s top neighbourhoods:
How many square metres does
€1m buy?



Knight Frank Research
Prime prices are based on the typical property type in each location.

Recovery gathers pace

Mainstream prices vs residential sales and completions, 2004-2016



Spanish Ministry of Development

New housing permits fell 96% between 2006 and 2013, from around 850,000 units per annum to 34,000 units, according to Spain’s BBVA Bank. Since 2014 permits have increased by around 90% but remain low compared to pre-financial crisis levels.

For foreign buyers, Spain still represents good value. In 2017 although strengthening, the Euro is below its historical average against the US dollar and the pound, mortgages rates are competitive and tourism – for those seeking to rent their holiday home – reached a new high in 2016.

However, Brexit, lingering political uncertainty (the new government needs to address a large deficit), the future tapering of the European Central Bank’s QE stimulus programme and a vote on Catalonia’s independence in October

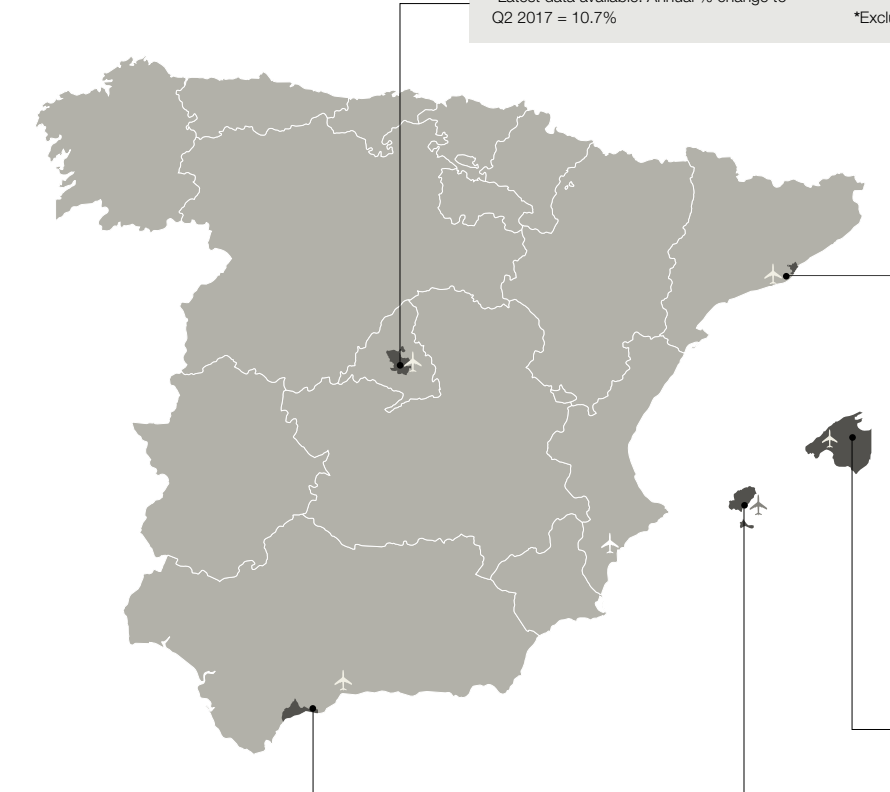
present their own challenges, but newly energised price growth is likely to be sustained at least in the short term.

In 2017, two key trends merit the attention of second home buyers. Firstly, the diversification of demand. British buyers (down 28% in the year to Q4 2016) are being replaced by Dutch purchasers (up 58% during the same period) along with Belgian, Scandinavian, Latin American and Turkish buyers. according to the Spain’s General Counsel of Notaries.

Secondly, Spain is witnessing the rise of the urban resort. Both Mallorca’s capital, Palma, along with Barcelona, Valencia and Malaga are undergoing a renaissance as buyers seek to combine a vibrant city centre and all it offers in terms of culture, cuisine and retail with the benefits of a beachfront and marina.

Spain’s prime markets

Knight Frank’s Spanish network extends across five of the country’s key second home destinations, below we provide a snapshot of the current market conditions in each.



Madrid

- Annual % change in prime prices to Dec 2016: 3%*
- Prime areas in demand: Jeronimos, Chamberí, Salamanca, El Viso and Centro
- Key buyer nationalities: Venezuela, Mexico, Switzerland and France

Source: Knight Frank Research
*Latest data available. Annual % change to Q2 2017 = 10.7%

Buyer diversity

Breakdown of Knight Frank’s prime buyers (%)

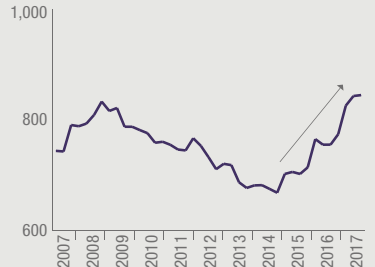


*Excluding Spain

Barcelona

- Annual % change in prime prices to Dec 2016: 6.6%
- Prime areas in demand: The Old Town, Eixample and Serria Sant Gervasi.
- Key buyer nationalities: France, Turkey, Switzerland and US

Barcelona records 25% increase in average rents in three years
Average rents € per pcm

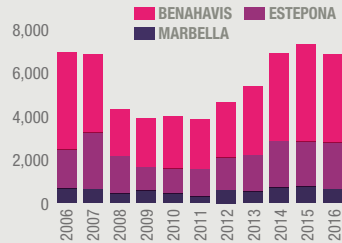


Source: Barcelona City Council

Marbella

- Annual % change in prime prices to Dec 2016: -2.9%
- Prime areas in demand: Golden Mile, Nueva Andalucia, Sierra Blanca, Ojén and Benahavis.
- Key buyer nationalities: Netherlands, Germany, Russia, Morocco and Scandinavia

Buoyant sales in Marbella
Number of sales by municipality



Source: Spanish Ministry of Development

Ibiza

- Annual % change in prime prices to Dec 2016: 2.5%
- Prime areas in demand: Ibiza Town, Es Cubells, Santa Eulalia and Cap Martinet
- Key buyer nationalities: Netherlands, Germany, France, UK and Italy

Ibiza sees 25% increase in flights by private jets
Year to June 2017

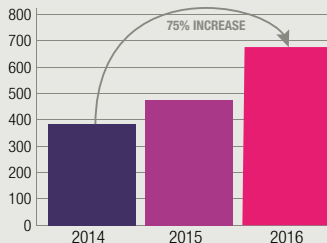


Source: WingX

Mallorca

- Annual % change in prime prices to Dec 2016: 2.0%
- Prime areas in demand: Palma, Port d’Andratx, Sóller, Deiá and Son Vida
- Key buyer nationalities: Germany, Netherlands, Belgium and UK

Rising sales volumes in SW Mallorca
No. of €2m+ sales



Source: Mallorca Gold



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