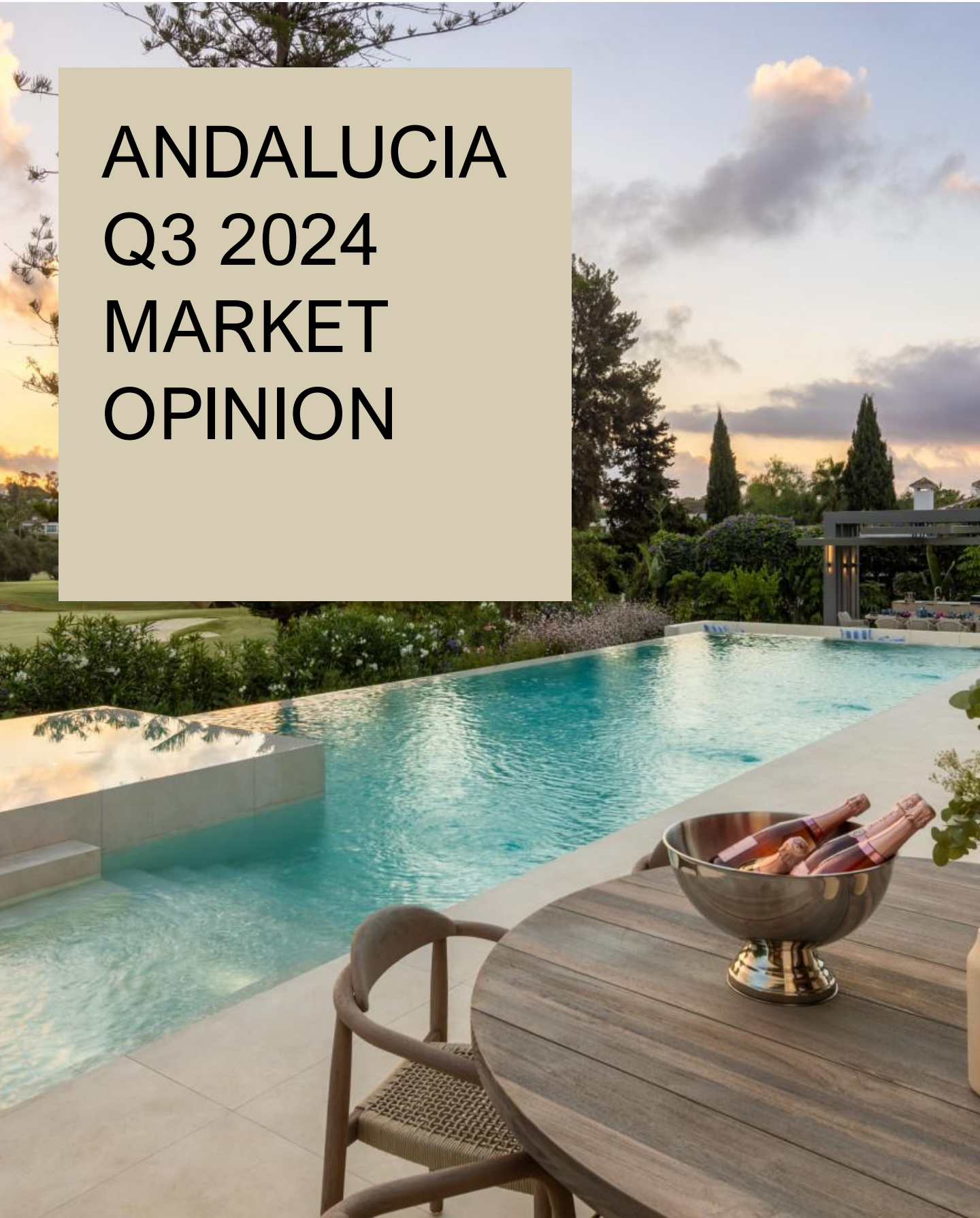




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ANDALUCIA Q3 2024 MARKET OPINION



Welcome



James Evans – Managing Partner

This quarters report confirms confidence in the Marbella real estate market and the resilience it has shown over the last few years. The number of UHNWI has risen over the last year, led by the US and the Middle East, both markets having a strong impact in Marbella. The direct New York to Malaga flights has brought many Americans to the area with a zest for Europe and in turn it has led to an increase in transactions this year, with the percentage of American buyers now matching that of Poland and Ireland.

Our objective remains to provide you with the most well-rounded picture of the Marbella real estate market and we are committed to providing you with the right advice to take advantage of the opportunities here.

Our network here over the last 25 years, means we are well placed to help you achieve your goals.

Please do get in touch as we would be delighted to be of assistance.

Transactional Volume and Sales Activity

Marbella: High Demand and Limited Supply

Marbella, with its enviable location on the Costa del Sol, continues to see a significant amount of buyer interest, especially in its luxury real estate market. Marbella is home to an array of ultra-premium properties located in exclusive neighborhoods, and this is reflected in the transactional volume. While there has been a slight dip from the peak of 2022, it remains a strong performer, particularly in areas where luxury properties are in high demand. In Q3 2024, Marbella recorded an increase of 10% in transactions compared to the same period last year, totaling approximately 1,400 properties sold.

The scarcity of new land and development space in Marbella's most coveted areas (e.g., Golden Mile, Sierra Blanca, Puerto Banús) continues to drive up prices. Buyers are increasingly willing to pay a premium for these highly sought-after locations, further accentuating the supply constraints.

Sub-regions Within Marbella

Golden Mile: This area, known for its high concentration of luxury villas and proximity to Marbella's main amenities, is home to some of the priciest properties on the Costa del Sol. Average prices here increased by 12% in the past year, driven by the scarcity of land for new builds.

Puerto Banús: Puerto Banús, the iconic marina area, attracts both luxury buyers and investors seeking rental income opportunities. Properties in this neighborhood have seen a steady increase in transaction volumes, particularly in high-end apartments and penthouses with sea views.

Sierra Blanca: Sierra Blanca, situated on the hills above Marbella, is a prime location for buyers looking for privacy and panoramic views. The

demand for properties in this area, particularly large luxury villas, has remained strong, resulting in a significant price increase in 2024.

Nueva Andalucía: A popular choice among foreign buyers due to its proximity to golf courses and luxury amenities, Nueva Andalucía has seen a slower but steady increase in prices, particularly for townhouses and mid-tier villas.

The premium locations within Marbella have experienced sustained demand due to their status and proximity to international schools, restaurants, shops, and the beach. Despite the overall market cooling, these areas continue to be highly attractive to wealthy international buyers.

Estepona: Growing Demand and New Developments

Estepona, on the western side of Marbella, is often seen as a more affordable alternative to its glamorous neighbor. However, as a result of its increasing popularity, Estepona is becoming a significant player in the Costa del Sol real estate market. The number of transactions in Estepona has risen by 6% in Q3 2024, with a particular focus on new developments. Developers are flocking to Estepona due to its abundant land and quicker permitting processes compared to Marbella.

Estepona's real estate market has also seen more significant involvement from domestic buyers, as well as from foreign investors looking for properties that offer better value for money than in Marbella. The range of property types is diverse, from beachfront apartments to gated communities offering high-end amenities. The recent surge in new developments, coupled with the more favorable pricing, has made Estepona an attractive area for long-term investments.

Municipality	Q3 2024 Transactions	Year-on-Year Growth	Comparison to 2022 Peak
Marbella	1,400	+10%	-16%
Estepona	1,050	+6%	+3%
Benahavís	350	-19.9%	-37.5%

Foreign Buyer Influence

Buyer Demographics and Motivations

Foreign buyers continue to drive a significant portion of the property transactions in Marbella, Estepona, and Benahavís. These buyers are motivated by several factors, such as lifestyle, the region's year-round mild climate, and its status as an international hub for luxury living. Many buyers also see the Costa del Sol as a stable, safe investment destination, especially in times of economic uncertainty.

British Buyers: British buyers continue to be the most significant foreign group, representing 10% of all transactions in Q3 2024. Their primary interest is in Marbella's luxury property market, particularly in areas such as the Golden Mile and Puerto Banús.

German Buyers: German buyers, representing 7% of foreign transactions, are increasingly drawn to Estepona due to its affordability relative to Marbella and the availability of newer developments.

Scandinavia: Buyers from Scandinavian countries, especially Norway and Sweden, represent 6% of foreign transactions. These buyers are drawn to Benahavís, where the privacy and luxury of the gated communities are key attractions.

Eastern European: Over the past two years, Eastern European buyers, particularly from Poland, Ukraine, and the Czech Republic, have become a growing segment in Marbella and Estepona, representing 4% of foreign transactions in Q3 2024.

The continued attractiveness of the Costa del Sol is also due to favorable tax policies, such as Spain's Golden Visa program, which allows non-EU citizens to obtain residency by purchasing a property valued at €500,000 or more. This has been particularly popular among buyers from countries with higher tax rates or more volatile political climates.

Foreign Buyers' Nationality Breakdown for 2024 (Total for Spain)

- United Kingdom: 18.8%
- Germany: 5.9%
- Scandinavia: 10.9%

Pricing Trends and Market Appreciation

Price Evolution and Market Dynamics

The price per square meter for properties in Marbella has increased steadily over the past few years, driven by continued foreign demand and the limited availability of land for new developments. As of Q3 2024, prices in prime areas of Marbella have surged by 10.5%, with the most expensive neighborhoods (such as Sierra Blanca and the Golden Mile) seeing increases of up to 12%.

In Estepona, the price per square meter has grown more moderately. The average price in Estepona is around €3,000 per square meter, which makes it a more affordable option for many investors compared to Marbella. The area's growth can be attributed to the availability of land for new developments, as well as the increasing appeal of the municipality due to its beach access and family-friendly amenities.

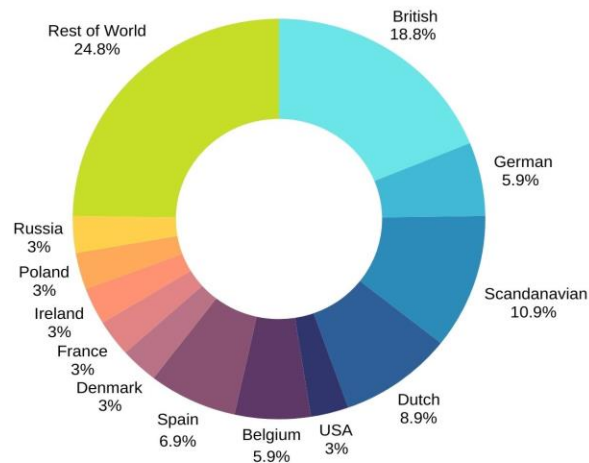
Benahavís, with its focus on luxury homes and high-net-worth buyers, continues to see prices that are comparable to Marbella's exclusive areas. Properties in Benahavís, particularly in communities like La Zagaleta, have reached up to €10,500 per square meter in some instances.

Luxury Market and Development Activity

Marbella: High-End Developments

Marbella remains one of the most sought-after luxury property markets on the Costa del Sol, and the demand for high-end homes has remained strong in Q3 2024. The scarcity of land in prime locations such as the Golden Mile and Puerto Banús ensures that property values continue to appreciate. New developments are limited, making the existing high-end properties even more exclusive and desirable.

A growing trend in Marbella is the focus on sustainability and eco-friendly features in luxury properties. Developers are increasingly incorporating solar panels, sustainable building materials, and energy-efficient designs to attract eco-conscious buyers.



Foreign Buyers in 2024

Estepona: The Development Boom

Estepona has seen an impressive growth in new developments, with 14.8% more projects underway in 2024 compared to the previous year. The town has attracted significant investment from both local developers and international buyers, drawn by the availability of land and more relaxed zoning laws. Developments include everything from affordable residential complexes to high-end beachfront properties and resort-style gated communities. Estepona's future as a key destination for investors is expected to continue expanding, with the town positioned as a more affordable yet attractive alternative to Marbella.

Benahavís: The Quiet Luxury

Benahavís, often referred to as the "dining capital" of the Costa del Sol, is increasingly becoming a sought-after location for high-end real estate. Located just inland from Marbella, this small town offers the perfect combination of privacy and proximity to Marbella's luxury amenities. The property market here is booming, with an increasing number of luxury villas and upscale developments under construction. Due to its prime location near golf courses, natural parks, and beaches, Benahavís has become a favorite for those looking for serene, luxurious living. The area benefits from a mix of residential developments and some of the region's most exclusive estates, catering to affluent buyers and investors.

Economic and Regulatory Factors Impacting Market Performance

Macroeconomic Influences on the Market

Spain's real estate market, particularly in high-demand areas like Marbella, Estepona, and Benahavís, is highly sensitive to both domestic and global economic conditions. In recent years, the market has faced the dual pressures of inflation and rising interest rates, which have somewhat cooled demand from local buyers. However, foreign buyers, especially those paying in cash, have been less impacted by these macroeconomic factors.

The European Central Bank (ECB) has raised interest rates in response to high inflation, which could affect the affordability of mortgages for local buyers. However, a large proportion of foreign buyers, particularly from the UK and Scandinavia, often purchase properties with cash, meaning that higher interest rates do not impact their purchasing power. This trend helps sustain demand in Marbella, Estepona, and Benahavís, even amid broader economic uncertainty.

In the coming quarters, if inflation eases and the ECB starts to lower interest rates, it is likely that mortgage rates will decrease, increasing affordability for local buyers and potentially boosting transaction volumes.

Impact of Spain's Golden Visa and Tax Policies

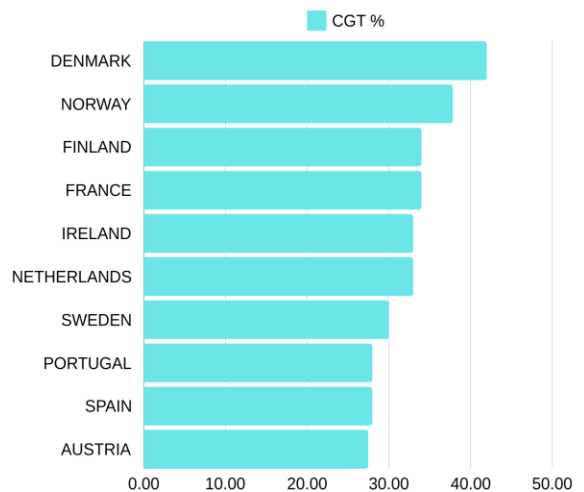
Spain's Golden Visa program, which allows non-EU investors to gain residency by purchasing property worth over €500,000, remains a powerful tool in attracting international buyers. This program has been particularly attractive to buyers from countries with unstable political or economic environments, such as Russia, China, and the Middle East. In 2024, a noticeable increase in demand from Eastern European buyers, especially from countries like Poland and Ukraine, can be linked to this visa program.

In April 2024, the Spanish government announced its decision to scrap the "Golden Visa" program, which allowed non-EU investors to gain residency by purchasing property worth over €500,000. This move is part of a broader effort to curb property speculation and rising housing prices, which have made homeownership increasingly difficult for many Spaniards. Since its inception in 2013, the Golden Visa program issued around 10,000 residency permits, attracting wealthy buyers, particularly from countries like China and Russia. However, critics argue that it fueled property price inflation, especially in prime locations like Madrid and Barcelona, without offering significant benefits to the local economy.

The government's rationale behind the abolition is to prioritize housing as a basic right rather than as an investment commodity. While some developers and foreign investors may feel the impact, the end of this program is unlikely to deter all investment in Spain's real estate market, especially given the country's continued appeal as a destination for affluent buyers.

Moreover, Spain offers a favorable tax regime for foreign buyers, including relatively low capital gains taxes compared to other European countries. Additionally, recent reforms in property registration and tax structures are aimed at making the process more streamlined for foreign investors. These factors combined with a strong regulatory framework continue to make Spain an appealing investment destination.

One of the key benefits of buying property in Spain is the relatively low property tax rate for non-residents, which makes the region even more attractive for high-net-worth individuals looking to make long-term investments.



Investment Potential and Long-Term Market Projections

Supply Constraints in Marbella and Benahavís

One of the most important drivers of long-term property value appreciation in Marbella and Benahavís is the supply constraint. Both municipalities are limited in terms of new construction due to land scarcity and urban planning regulations. This scarcity of land for new developments, particularly in exclusive areas like the Golden Mile, Puerto Banús, and La Zagaleta, ensures that the demand for properties remains strong, thus protecting the investment value of existing properties.

In Marbella, where available land is at a premium, the focus has shifted to luxury redevelopment projects. Older properties in prime locations are being refurbished and upgraded to meet the growing demand for modern, luxury living spaces. This trend is particularly evident in areas like Sierra Blanca and Puerto Banús, where established villas and apartments are being remodeled to appeal to the ultra-wealthy.

Benahavís, known for its privacy and exclusivity, is also experiencing limited new developments. The majority of new properties here are ultra-luxury villas located in the hills, offering expansive views and extensive amenities. These properties are targeted at high-net-worth individuals, many of whom seek second homes in secluded, tranquil environments.

Development Opportunities in Estepona

Estepona presents the most significant development opportunities of the three municipalities. Unlike Marbella and Benahavís, Estepona has a more generous supply of land available for residential development, which has attracted significant investment in recent years. As previously mentioned, Estepona has seen a 14.8% increase in the number of new developments year-over-year, with large-scale projects underway in both beachfront and inland locations.

14.8 %

Increase in the number of new developments in Estepona Year on Year

One of the key factors driving Estepona's appeal is its affordability compared to Marbella. While prices in Estepona have increased, they are still significantly lower than in Marbella, especially when considering properties with similar features, such as proximity to the beach or access to golf courses. This price difference makes Estepona an attractive alternative for both domestic and foreign buyers looking for better value.

In addition to residential projects, Estepona is also becoming a popular location for resort-style developments, which cater to retirees and second-home buyers looking for luxury but at more competitive price points. Developers are responding to this demand by creating communities with full-service amenities, including spas, gyms, and golf courses.

Market Projections for 2024 and Beyond

Looking ahead, the real estate markets in Marbella, Estepona, and Benahavis are expected to remain robust despite broader economic challenges. The primary drivers of this stability are the ongoing foreign demand, the scarcity of new properties in prime locations, and the appeal of the Costa del Sol as a lifestyle destination.

Marbella: Marbella will continue to benefit from its status as a luxury destination. While transaction volumes may not return to the levels seen during the post-COVID boom of 2022, prices are expected to appreciate in the long term due to supply constraints in premium areas.

Benahavis: Benahavis will maintain its position as a niche market, attracting high-net-worth individuals looking for privacy, exclusivity, and luxury. However, due to limited new construction and the high cost of land, transaction volumes may remain lower than those in Marbella.

Estepona: Estepona's real estate market will continue to grow as more developments are completed, and more international buyers seek affordable luxury. The rapid increase in new construction, along with the continued demand for coastal properties, makes Estepona a key area for investors.

Foreign Investment Trends

Foreign investment remains a central pillar of the Costa del Sol's real estate market. The region continues to attract wealthy buyers from across Europe, the Middle East, and beyond. As mentioned earlier, the Golden Visa program has been a significant draw for non-EU investors, and this trend is expected to continue.

In addition to individual property purchases, there has been a noticeable increase in corporate investment in the Costa del Sol. International real estate funds and developers are increasingly eyeing the region for large-scale residential and mixed-use developments. This shift toward corporate investment is partly driven by the area's proven ability to offer stable returns, as well as its appeal as a lifestyle destination that continues to attract high-net-worth individuals from around the world.

Key Sources of Foreign Investment in the Costa del Sol

Middle East: Investors from the UAE, Saudi Arabia, and Qatar have shown a growing interest in the Costa del Sol, particularly in luxury real estate and golf resorts.

Eastern Europe: Following the geopolitical unrest in Eastern Europe, buyers from countries like Russia, Ukraine, and Poland are increasingly turning to Spain for investment opportunities.

Asia: The Costa del Sol is becoming a more appealing option for buyers from countries like China and India, where the high-net-worth population continues to grow.

United Kingdom (10%)

British buyers remain the largest foreign demographic, driven by a combination of lifestyle motivations and investment opportunities. Despite Brexit, the allure of Spain's climate, healthcare system, and Golden Visa program has sustained British interest.

Germany (7%)

German buyers favor sustainable properties and beachfront villas. Their preference often leans toward secure, upscale neighborhoods like Nueva Andalucía in Marbella and modern developments in Estepona.

Nationality	% of Foreign Buyers in Costa del Sol
United Kingdom	10%
Germany	7%
Scandinavia	6%
France	5.5%
Eastern Europe	4%
Middle East	3%
China and Asia	2.5%
Other EU Nations	12%

Scandinavia (6%)

Buyers from Sweden, Norway, and Denmark value Costa del Sol's mild winters and strong lifestyle appeal. Marbella and Estepona are particularly popular due to proximity to international schools and golf courses.

France (5.5%)

French investors are increasingly active, drawn by the high-end property market and the proximity to France, allowing for second-home usage and rental income potential.

Eastern Europe (4%)

The largest growth in recent years has come from Eastern Europe, including buyers from Poland, Ukraine, and the Czech Republic. Many are drawn by Spain's stability, Golden Visa opportunities, and comparatively lower property prices compared to other European hotspots.

Middle East (3%)

Wealthy buyers from the UAE, Saudi Arabia, and Qatar have been investing in luxury villas and apartments. Marbella's reputation for high-end properties with privacy, such as those in La Zagaleta, appeals strongly to this demographic.

China and Asia (2.5%)

Chinese investors have shown growing interest in Spain due to its Golden Visa program and the long-term appreciation potential in prime markets like Marbella.

Other EU Nations (12%)

Buyers from countries like Belgium, the Netherlands, and Italy also represent a significant share, often looking for second homes or rental investments.

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