



MARKET OUTLOOK 2026



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MARKET DIRECTION: FROM GROWTH TO NORMALISATION

As the Costa del Sol residential market moves into 2026, our assessment is that the dominant shift is towards normalisation rather than reversal. Following several years of exceptional growth driven by post-pandemic mobility, elevated global liquidity, and a reprioritisation of lifestyle and location, market conditions appear to be transitioning into a more mature phase characterised by slower price growth, greater selectivity, and more deliberate decision-making.

This assessment is consistent with patterns observed across a range of comparable prime international residential markets. The period immediately following 2020 represented an unusually strong phase for real assets globally, rather than a new long-term baseline. Elevated price growth was visible across many lifestyle-led and capital-preservation markets as buyers responded to low financing costs, wealth effects, and broader uncertainty. As financial conditions have tightened and growth expectations moderated, many of these markets appear to be moving from acceleration towards consolidation.

Importantly, consolidation should not be interpreted as weakness. In our view, this phase reflects a rebalancing of market dynamics rather than a deterioration in fundamentals. Price formation is increasingly influenced by structural undersupply, equity-driven demand, and long-term usage considerations, rather than leverage or speculative turnover. These characteristics tend to moderate downside risk, particularly in markets where ownership is not heavily debt-dependent.

Looking ahead, one of the principal uncertainties entering 2026 is the trajectory of global economic growth. While the risk of slower growth or regional recession cannot be dismissed, prevailing indicators point towards subdued but broadly stable conditions, rather than a deep or synchronised downturn. In such environments, prime residential markets that are less reliant on domestic credit expansion have historically shown greater resilience, often experiencing reduced transaction volumes without significant price dislocation.

Marbella, Estepona, and Benahavís appear to share many of these attributes. Demand in these markets continues to be shaped by international buyers with relatively high equity exposure, a significant proportion of whom are purchasing for lifestyle use, partial relocation, or long-term capital allocation rather than short-term resale. This composition suggests lower sensitivity to interest-rate cycles and a reduced likelihood of forced selling should economic conditions soften.

Concerns are frequently raised regarding the potential impact of economic weakness in key feeder markets such as the UK, Germany, or Northern Europe. While slower growth in these regions could temper sentiment, historical patterns suggest that periods of economic or fiscal pressure can also encourage outbound capital diversification, particularly among higher-net-worth households. From this perspective, demand for established lifestyle destinations within the EU may remain supported, even if decision-making becomes more measured.

Supply conditions further inform this outlook. Although planning reform and regulatory clarity may improve visibility for future development, delivery timelines remain extended and cost pressures persist. New supply is therefore likely to enter the market gradually and predominantly at higher price points. In our assessment, this dynamic is more likely to ease liquidity constraints selectively than to exert broad downward pressure on values, particularly in established prime locations.

Buyer behaviour also appears to be evolving in a manner consistent with market maturity. There is increasing differentiation between assets, with well-located, high-quality properties continuing to attract interest, while secondary or over-priced stock faces longer absorption periods. Such divergence is typical of normalising markets and is generally associated with improved long-term stability rather than heightened volatility.

From an advisory standpoint, this phase suggests a shift in emphasis rather than a change in direction. The environment entering 2026 is likely to favour informed, disciplined decision-making and asset-level analysis over momentum-driven strategies. While uncertainty remains a defining feature of the global backdrop, the structural characteristics of the Costa del Sol's prime residential markets lead us to believe that the adjustment underway is more consistent with consolidation than correction. As James Evans, Managing Partner of JUST Real Estate, notes:

“Our sense is not that demand is disappearing, but that it is becoming more considered. Buyers are still active, but they are placing greater emphasis on fundamentals and long-term use. In many respects, that points to a healthier market dynamic than one driven purely by momentum.”

In this context, we believe 2026 is shaping up as a year in which the extraordinary growth of the early 2020s gives way to a more balanced and selective market environment. While this may moderate headline price growth, the underlying appeal of the region – limited prime supply, diversified



international demand, and genuine lifestyle utility – continues to provide a supportive foundation for longer-term value.

DEMAND OUTLOOK: WHO IS LIKELY TO BE BUYING IN 2026

Our view is that demand across Marbella and the wider Costa del Sol in 2026 is likely to remain structurally strong, albeit more measured and selective than during the peak years of post-pandemic growth. We do not expect a material contraction in demand. Instead, we believe the market is entering a phase where buyer volumes stabilise or grow modestly, while the composition of demand continues to evolve.

Based on observed trends through 2024 and 2025, and the current macroeconomic backdrop, we believe overall buyer demand in the Golden Triangle is likely to increase in the low single digits, broadly in the range of 2-5% year-on-year in 2026. This growth, if realised, is unlikely to be evenly distributed. It is expected to be concentrated in specific buyer segments, property types, and price brackets, rather than across the market as a whole.

International buyers are expected to remain the dominant source of demand. We believe foreign purchasers will continue to account for a significant majority of activity in Marbella,



Benahavís, and prime areas of Estepona. The fundamental drivers behind this – lifestyle appeal, climate, legal certainty, and relative value versus other prime European destinations – remain intact. While decision-making may be slower, there is little evidence to suggest a withdrawal of international interest. On the contrary, we believe demand from Northern Europe and the UK is likely to remain broadly stable, with volumes fluctuating modestly rather than declining meaningfully.

In the case of UK buyers, our view is that activity is likely to remain resilient, supported by a well-established expatriate base, familiarity with the region, and ongoing lifestyle-driven relocation. While economic conditions in the UK may continue to influence sentiment at the margins, we believe this is more likely to affect price sensitivity and negotiation behaviour than overall participation. In practical terms, this suggests steady demand, with buyers taking more time and focusing more closely on value.

Northern European demand, particularly from Scandinavia, the Benelux countries, and Germany, is also expected to remain an important pillar.

We believe this group may show modest growth in 2026, potentially at the upper end of the overall demand range, driven by demographic factors, long-term wealth accumulation, and a continued preference for Southern Europe as a lifestyle base. For many of these buyers, Marbella functions less as a discretionary purchase and more as part of long-term life planning, which tends to reduce sensitivity to short-term economic noise.

One of the areas where we expect incremental growth is among younger, working-age international buyers. The continued normalisation of flexible and remote working arrangements suggests that Marbella's appeal as a year-round base is likely to strengthen further. We believe demand from buyers in their late 30s to early 50s – particularly entrepreneurs, business owners, and internationally mobile professionals – could grow by 5–10% in 2026. This group is typically focused on modern, efficient properties that support full-time living rather than seasonal use, and their presence continues to reshape demand towards turnkey homes and well-connected locations.

High-net-worth individuals and family offices are also expected to remain active, though with a more cautious and selective approach. For this segment, we believe residential property on the Costa del Sol will continue to be viewed primarily as a capital-preservation and



lifestyle asset, rather than a yield-maximisation play. Allocation decisions are likely to remain conservative, with buyers prioritising jurisdictional stability, asset quality, and long-term holding potential. We do not expect a surge in this segment, but we do believe it will provide a stable underpinning of demand, particularly in the upper end of the market.

Purely speculative demand is, in our view, likely to remain limited in 2026. The conditions that previously supported short-term trading – rapid price appreciation, abundant leverage, and compressed holding periods, are no longer present. This is not a negative development. In fact, we believe the reduced presence of speculative buyers contributes to greater market stability and more sustainable pricing dynamics.

Financing conditions are unlikely to be the primary driver of demand. The Costa del Sol market remains largely equity-driven, and we believe this will continue in 2026. Any easing in borrowing costs may marginally broaden the buyer pool, particularly among domestic purchasers or younger international buyers, but we do not expect financing to materially alter demand volumes. Instead, its influence is more likely to be felt in buyer confidence and transaction timing rather than participation itself.

Overall, our assessment is that demand in 2026 will be less urgent but more intentional. Buyers are likely to be present, informed, and active, but increasingly selective. We believe this will reinforce a market dynamic where quality, location, and realistic pricing are rewarded, while secondary or poorly positioned assets face longer decision cycles.

From an advisory standpoint, this environment suggests that the question for 2026 is not whether demand exists, but which buyers are most likely to act, and on what terms. In our view, demand remains structurally supported, but increasingly discriminating, a pattern consistent with a mature and internationally integrated residential market.

SUPPLY & DEVELOPMENT OUTLOOK: WHY SUPPLY IS UNLIKELY TO RESET IN 2026

Our view is that supply will remain the principal structural constraint on the Costa del Sol residential market in 2026. While there is increasing visibility around planning frameworks and future development pipelines, we do not believe this will translate into a material increase in deliverable housing stock within the year ahead.

We believe net new residential supply across Marbella, Benahavis, and prime areas of Estepona is likely to increase modestly, but remain below the level required to materially rebalance the market. In practical terms, our assessment is that completed new-build supply in 2026 may rise in the region of 3–6% year-on-year, driven primarily by projects already under construction rather than new planning approvals moving into delivery.

This is an important distinction. Planning progress improves long-term clarity, but it does not equate to short-term volume. Development timelines remain extended, and the pathway from zoning or licence to completed, market-ready property continues to span several years. As a result, we believe any additional supply entering the market in 2026 will be incremental rather than transformative.



Cost dynamics reinforce this view. Land values in established prime areas remain elevated, while construction costs, professional fees, and compliance requirements continue to exert upward pressure on development viability. In our view, this makes large-scale price-led expansion unlikely. Developers remain selective, favouring smaller, higher-quality schemes where pricing can absorb input costs, rather than volume-led projects aimed at rapid absorption.

As a consequence, new supply is likely to remain concentrated at higher price points, particularly in Marbella and Benahavís. This limits the extent to which new development competes directly with existing resale stock, and we believe it will continue to reinforce segmentation within the market rather than exert broad downward pressure on values.

Resale supply is also expected to remain constrained. A significant proportion of existing owners purchased prior to recent price appreciation and hold properties with low or no leverage. In the absence of financial pressure, we believe many owners will remain reluctant to sell unless pricing expectations are met. This dynamic is particularly evident in prime locations, where replacement costs and scarcity reduce incentives to transact.

We therefore believe resale stock is unlikely to expand meaningfully in 2026. While transaction volumes may fluctuate, the underlying availability of quality properties is expected to remain limited. This has two important implications. First, it supports price stability even in periods of slower demand. Second, it increases competition for well-located, correctly priced assets when buyer sentiment improves.

From a regulatory and planning perspective, while there is cautious optimism around improved clarity and long-term urban planning, we do not believe this will materially alter near-term supply conditions. Even where planning frameworks become more predictable, execution risk, infrastructure sequencing, and administrative timelines mean delivery remains gradual.

Taken together, these factors lead us to believe that supply in 2026 will continue to lag underlying demand, even if demand itself becomes more selective. Rather than triggering a reset, incremental supply is more likely to smooth volatility at the margins, improving choice without undermining pricing in established locations.

From an advisory standpoint, this reinforces the importance of asset-level analysis. In markets where supply does not reset, pricing outcomes are increasingly driven by quality, location, and realism rather than broader market averages. We believe 2026 will reward properties that align closely with identifiable demand profiles, while



poorly positioned or optimistically priced assets may face extended absorption periods.

While supply conditions may show gradual improvement in visibility, we believe the Costa del Sol will remain a structurally undersupplied market in 2026. This does not preclude negotiation or selectivity, but it does, in our view, continue to underpin long-term value in prime residential locations.

PRICING & VALUE OUTLOOK: FROM MOMENTUM TO DIFFERENTIATION

The view of JUST is that pricing across Marbella and the wider Costa del Sol in 2026 is likely to be shaped less by broad market momentum and more by asset-level differentiation. Following several years of rapid appreciation, we believe the market is transitioning into a phase where price growth moderates, dispersion increases, and outcomes vary significantly by location, quality, and pricing realism.

We believe average pricing across the Golden Triangle in 2026 is likely to remain broadly stable, with headline price movement in the range of -1% to +4%, depending on segment and micro-location.



This range reflects our view that while structural supports remain in place, the conditions that previously drove double-digit growth are no longer present.

Importantly, we do not expect price behaviour to be uniform. In our assessment, well-located, high-quality, turnkey properties – particularly those aligned with year-round living and modern buyer expectations – are likely to continue seeing modest positive price pressure, potentially towards the upper end of this range. These assets benefit from constrained supply, consistent demand, and a broad international buyer base.

By contrast, secondary stock and properties priced optimistically relative to their condition, layout, or location are likely to face downward pricing pressure in real terms. This may not always manifest as headline price reductions, but rather through longer marketing periods, increased negotiation, or seller incentives. We believe this divergence will become more pronounced in 2026 as buyers continue to exercise greater selectivity. The influence of financing conditions on pricing is expected to remain limited. Given the equity-driven nature of demand, we believe interest rates will have a greater impact on buyer psychology and timing than on absolute pricing levels. Any marginal easing in borrowing costs may support confidence at the edges of the market, but we do not expect it to trigger renewed price acceleration.

New-build pricing is likely to remain firm, though growth is expected to be modest. Replacement costs, land scarcity, and regulatory requirements continue to underpin pricing for new developments. In our view, developers are unlikely to reduce pricing materially in 2026, but may increasingly focus on phased releases, incentives, or specification adjustments to support absorption. This reinforces a market where nominal prices hold, while effective pricing becomes more nuanced.

Resale pricing is expected to be influenced primarily by seller motivation. In the absence of widespread financial pressure, we believe many owners will remain disciplined on price.

However, where expectations are misaligned with current market conditions, properties are likely to face longer absorption periods. This environment tends to reward realistic pricing strategies and penalise those anchored to peak-cycle assumptions.

From a value perspective, we believe 2026 is likely to favour selective opportunity rather than broad-based appreciation. Buyers prepared to act decisively on correctly priced assets may find value in markets where urgency has diminished, while sellers offering quality and realism continue to transact efficiently. In this sense, pricing outcomes are likely to be driven as much by behaviour as by macro conditions.

This pricing environment reinforces the importance of micro-market analysis. Average price indices risk obscuring the reality on the ground, where two superficially similar properties can experience very different outcomes. In our view, 2026 will increasingly reward pricing discipline, product quality, and alignment with identifiable demand profiles.

In summary, we believe pricing in 2026 will be characterised by stability rather than acceleration, and by dispersion rather than uniformity. While this may feel less dynamic than previous years, it represents a more sustainable phase of the market cycle, one in which long-term value is more clearly distinguished from short-term momentum.

RENTAL MARKET & YIELD OUTLOOK: STABILITY, REGULATION, AND STRUCTURAL IMBALANCE

Our view is that the rental market across Marbella and the wider Costa del Sol is likely to remain structurally tight through 2026, with demand continuing to exceed available supply in both the long-term and short-term segments. While regulatory and affordability pressures are increasingly shaping market behaviour, we do not believe these forces are sufficient to resolve the underlying imbalance.

In the long-term rental market, we believe demand is likely to remain elevated, driven by a combination of semi-relocation buyers, international professionals, and households priced out of ownership in prime areas. Based on current trends, we believe long-term rental demand is likely to increase modestly, potentially in the region of 3-6% in 2026, reflecting continued population inflows and limited alternatives.

Supply in the long-term segment, however, is unlikely to expand meaningfully. Regulatory uncertainty, combined with strong demand for owner-occupation and short-term use, continues to discourage some owners from committing properties to the long-term rental pool. As a result, we believe availability will remain constrained, particularly for quality properties in central or well-connected locations.

From a pricing perspective, we believe long-term rental rates are likely to continue rising, though at a more moderate pace than in recent years. Our assessment is that rental growth in 2026 could be in the range of 2-5%, with stronger performance for modern, energy-efficient properties and family-sized units. Affordability constraints are expected to limit more aggressive increases, but downward pressure on rents appears unlikely given persistent undersupply.

In the short-term and holiday rental market, we believe demand will remain resilient, supported by sustained tourism flows and Marbella's position as a year-round destination. However, this segment is increasingly

shaped by regulation, professionalisation, and selective enforcement. In our view, 2026 is likely to favour compliant, well-managed properties rather than casual or marginal operators.

Short-term rental yields are expected to remain attractive in relative terms, but we believe growth will be incremental rather than exceptional. Occupancy rates are likely to remain healthy, but increased competition and regulatory costs may limit net yield expansion. We believe gross yields for well-located holiday rental properties are likely to remain broadly stable, with net yields increasingly dependent on operational efficiency rather than pricing power alone.

Across both rental segments, yield compression remains a consideration. Capital values have risen faster than rents in recent years, and while rental growth continues, we believe yields in 2026 are likely to stabilise rather than expand. This does not undermine the rental case, but it does reinforce the importance of realistic expectations and professional management.

From an investment perspective, we believe rental property on the Costa del Sol in 2026 is best understood as a hybrid asset. For many owners, the value proposition lies not solely in yield, but in a combination of income generation, personal use, and capital preservation. In this context, modest yields may be acceptable when offset by long-term appreciation potential and lifestyle utility.

Regulatory developments remain a key variable. While further tightening cannot be ruled out, we believe outright disruption to the rental market is unlikely. Instead, the trend appears to be towards greater clarity, enforcement, and professional standards. Properties that meet regulatory requirements and are structured appropriately are therefore likely to remain viable and competitive.

From an advisory standpoint, this environment suggests that rental performance in 2026 will increasingly depend on asset selection and strategy rather than market-wide tailwinds.



Well-located, well-specified, and well-managed properties are likely to perform reliably, while marginal assets may struggle to achieve expected returns.

We believe the rental market in 2026 will remain supportive but selective. Demand is likely to stay strong, supply constrained, and pricing stable to modestly positive. While yields may not expand meaningfully, rental property continues to play an important role within a broader ownership and investment strategy on the Costa del Sol.

KEY RISKS, MITIGANTS & STRATEGIC IMPLICATIONS

As with any forward-looking assessment, the outlook for 2026 is subject to a number of risks. Our view is not that these risks are absent, but that their probability and impact are often misunderstood, particularly in the context of prime, internationally driven residential markets such as Marbella and the wider Costa del Sol.

One of the principal risks remains a sharper-than-expected slowdown in global economic growth. While this could dampen sentiment and slow decision-making, we believe the direct impact on this market would more likely be felt through

lower transaction volumes rather than widespread price correction. The equity-driven nature of demand, combined with limited forced selling, suggests resilience even in less supportive macro conditions.

A related risk is economic weakness in key feeder countries, particularly in Northern Europe or the UK. However, our assessment is that this risk cuts both ways. Periods of fiscal pressure, political uncertainty, or lifestyle dissatisfaction in higher-cost jurisdictions have historically encouraged capital diversification and relocation, rather than suppressed it entirely. In this sense, external economic stress may alter the profile of buyers more than the presence of demand.



Financial market volatility is another consideration. Sudden corrections in equity or bond markets can temporarily slow high-net-worth decision-making. That said, we believe this market benefits from being viewed not as a speculative allocation, but as a real asset with intrinsic use value. For many buyers, property on the Costa del Sol serves both as a lifestyle anchor and a long-term store of value, which tends to reduce sensitivity to short-term financial market movements.

Regulatory risk, particularly around rentals and planning, remains a factor to monitor. While further tightening or enforcement changes cannot be ruled out, we believe the overall direction is towards greater clarity rather than abrupt disruption. In our view, properties that are compliant, professionally managed, and aligned with local regulations are unlikely to face material impairment, while poorly structured assets may face increased friction.

On the supply side, execution risk around planning reform and development delivery remains. Delays, cost overruns, or infrastructure constraints could further limit effective supply, reinforcing existing imbalances. While this may constrain choice, it also supports value stability in established locations. Taken together, these risks suggest a market that is not without uncertainty, but also not structurally fragile. Importantly, we believe the most realistic downside scenario for 2026 is one of extended decision cycles and selective price adjustment, rather than abrupt market dislocation.

From a strategic standpoint, this environment has clear implications.

For buyers, we believe 2026 is likely to reward clarity of intent and decisiveness at the asset level. Reduced urgency may create opportunities to negotiate, but scarcity of quality stock means hesitation carries its own risk. In our view, buyers with long-term or lifestyle objectives may find greater risk in waiting indefinitely than in engaging selectively.

For sellers, the market increasingly favours realism. Properties that are well-presented, well-located, and correctly priced are likely to continue attracting demand, while those anchored to peak-cycle expectations may face longer absorption periods. Strategic pricing and positioning will, in our view, be more important than broad market direction.

For investors, the outlook suggests a shift from momentum-driven strategies to selective, fundamentals-led allocation. Yield, capital preservation, and optional personal use should be evaluated together rather than in isolation. We believe disciplined investment strategies remain viable, but require a more granular understanding of micro-markets and regulatory context.



MARKET OUTLOOK 2026 FAQ

Is a market correction likely in 2026?

We believe a broad-based correction is unlikely. The more realistic scenario is price stability with greater selectivity and longer decision cycles.

Is global economic uncertainty a concern?

Yes, but it is more likely to affect transaction speed than pricing. This market is driven by equity-based demand rather than credit expansion.

Will international buyers remain active?

We believe so. Demand remains diversified across multiple countries, reducing reliance on any single economy.

Is now a risky time to buy?

The main risk we see is waiting indefinitely in a supply-constrained market. Asset-level opportunities still exist for informed buyers.

Will interest rates change the market?

Rates influence confidence and timing more than demand itself. The market remains largely insulated from financing cycles.

What about rentals and regulation?

Rental demand remains strong, but performance increasingly depends on compliance, quality, and professional management.

Who is best positioned in this market?

Buyers and investors with long-term objectives, realistic expectations, and a clear understanding of micro-markets.

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🌍 Local Knowledge, Global Reach

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- A curated network of collaborating agents, vetted for professionalism and client quality
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Sir Noel Quinn,
Former Global CEO, HSBC

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