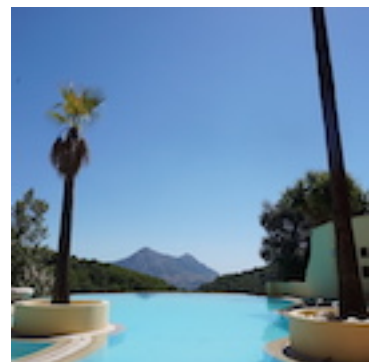


Andalucía Market Report 2023



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Introduction

In property terms Andalucía is an important part of Spain's overall property market. In normal times it accounts for at least 20% of total transactions nationally. Meanwhile, in terms of overseas buyers, approximately 20% market share in Andalucía can be attributed to foreigners in a normal year. However, post-pandemic, the overseas sector in Spain's property market is turning out to be anything but normal. It's gone from as many as 30,000 missing overseas buyers between March 2020 and December 2021, of which approximately 4,000 were heading for Andalucía, to an all-time high in 2021, only for that to be bettered in 2022.

As a result, it seems one of the key questions about 2023 is whether most of those overseas buyers who went missing due to the pandemic's travel restrictions have now entered the market and are included in the latest statistics. I think they have. If so, the recent surge may slow down and the market returns to normal. And secondly, what is the new normal going to look like because there is no doubt that demand from overseas buyers is running way ahead of where it was just before Covid-19 arrived. And it had been quite good even then. More than 100,000 overseas buyers were recorded in Spain in each of the three years before the pandemic, 2017, 2018 and 2019, setting new records in two of those three years. In addition, over that same period approximately 18% of all property transactions in Andalucía were to foreign buyers. Just how strong the overseas market has become post-pandemic in some regions is underlined by the 40% market share attributed to overseas buyers in Málaga province in 2022 which is double the national average.

Where The Numbers Come From

The most accurate statistics are those produced by the Notaries, with breakdowns by nationality, autonomous regions and prices per square metre. These are published half-yearly. We get the 1st half year in October of the same year and the 2nd half in April of the following year. In addition, I analyse Ministry of Transport, Movement & Urban Planning (MITMA) statistics for breakdown by province and municipality. At these levels it is easy to spot market hotspots. However, they do not count by nationality, foreign buyers are counted as a block.

In general, I pay no attention to statistics from the Property Registries as they don't record when a purchase is actually done but when it is entered in the Registry, which may be weeks and even months later. So, for accuracy, I stick with the Notaries.

I update this report regularly throughout the year and I also blog and post on social media with news and views so do make sure to follow us.

To understand where the property market is it helps to know where it's come from so I'll start with a brief resumé.

Where We Were

At the peak of the Spanish Property Market bubble which burst as a result of the 2008 global crash the highest market share attributed to overseas buyers was 8.9%. In 2007, 57,674 foreigners bought a property in Spain, 7.3% of the total market.

However, with foreign buyers totalling 11,898 in Andalucía that year, market share there was 20.6%, a clear indication of just how important the overseas element was in the region.

Growth in the overseas sector got going again in 2012 and buyer numbers have increased every year since. In price terms, Marbella was the first place anywhere on Spain's Mediterranean coast to register price rises after the 2008 meltdown. That was in Q1 of 2014 and prices have risen every quarter since.

The highest number of foreign buyers in Andalucía in a single year occurred in 2021 which was something of a surprise to a lot of people, including me. The total of 22,625 was up 19.6% on the previous best in 2018, and represented 20% of all foreign buyers in Spain. So, whether you look at transaction numbers or market share, it's clear that overseas buyers are an important part of the overall Andalucía Property Market. And against all expectations, the most recent statistics show that they are very resilient in the face of Covid-19, so much so that perhaps the questions to ask is if numbers are so good **because** of the pandemic, that something fundamental has changed in the market. For a start, we can ask what makes Andalucía such a magnet for buyers from overseas?

Why Andalucía?

Andalucía is not only Spain's largest autonomous region it is one of the most varied. It has both Mediterranean and Atlantic coasts, a vast, mountainous interior and some of Spain's most historic cities, such as Cádiz, Málaga, Seville, Granada and Córdoba. The pretty '*pueblos blancos*', the white villages in the hills, are a quintessential part of the Andalusian landscape.

Andalucía really does have something for everyone, with lots of options for property buyers. It's so much more than a sun 'n sand summer destination, everywhere on Spain's Mediterranean and Atlantic coasts is good for that. However, many foreigners forget that only a small part of Spain's Mediterranean mainland coast faces south and that's all in Andalucía. The rest is easterly facing and that impacts winter conditions. As a result, much of the Med goes into hibernation outside the main summer months and very few places have a genuine 12-month season.

However, the micro-climate areas on Andalucía's southern Mediterranean coast are buzzing all year round, particularly in the main golfing locations. That's where you find the mildest winter temperatures on the European mainland. At the end of 2022 tourist boards and property developers in Andalucía launched marketing campaigns focusing on the region as a warm winter location with the potential for lower energy costs. Meanwhile, on Andalucía's Atlantic coast there are some of the best wind and kite surfing conditions in the world.

Head into the Sierra Nevada for Europe's most southerly and sunniest ski-resort, just 45 minutes from the coast. And it's also one of Europe's highest resorts with slopes between 2,100m and 3,300m above sea-level. These altitudes mean it is usually open by the end of November and rarely closes before May.

But this varied climate means property buyers need to think carefully about the right location for them. It's hot everywhere in summer but away from the cooling coastal

breezes the interior can be too hot for many, frequently over 40°C. Health warnings for the elderly and the very young are issued every year, it's the norm. In winter, even on the coasts, being outside one of the special micro-climate areas can mean temperatures as much as 10°C lower than the warmest locations. Inland, the snow line is around 800m above sea level and daytime temperatures are as much as 15°C lower than on the coasts. At night, it is often below freezing. If you're are considering purchase inland my advice is always to do the looking and choosing between October and April.

Sports

For sports enthusiasts Andalucía is a dream location. There's horse-riding on the coasts and in the sierras. Tennis year-round, scuba diving, wind and kite surfing, rock-climbing, hiking, cycling and mountain biking, snow skiing. They're all there, with the perfect climate in which to enjoy them. But for Andalucía the biggest sport of them all is golf.

Golf

Andalucía has 102 golf courses and 47 of those are in Málaga province. That's why the Costa del Sol also brands itself the Costa del Golf. In Cádiz province there are 7 courses in the Sotogrande area. Valderrama is the most famous, thought by many to be the the best course in Europe and one of the best in the world. Who can forget the Seve Ballesteros Ryder Cup in 1997, played on this course?

In fact, 25% of all Spain's courses are in Andalucía, bringing in more than half a million golfers between October and May. Without doubt, golf is the one of the reasons for the 12-month season on the Costa del Sol. In comparison, Mediterranean coasts without a thriving golf sector are relatively quiet and many bars, restaurants and businesses close. The golf sector currently generates around €1bn+ for the Andalusian economy. The daily spend of golfers is estimated to be about double that of summer visitors.

Culture

Some of Europe's finest and oldest cities are in Andalucía. Cádiz is thought to be the oldest continuously inhabited city in Europe, settled by the Phoenicians over 3,000 years ago. The annual New York Times list of 52 places to see had Cádiz at number 50 in 2019.

The Sunday Times has also highlighted great things to do in Andalucía that have nothing to do with lying on a beach. For example, some serious [hiking](#) or discovering the triangle of iconic [Andalusian cities](#). And the project to link the entire 185kms of the [Costa del Sol](#) with a coastal path is progressing well.

The Pandemic's Missing Buyers

I've already mentioned the missing overseas buyers due to the pandemic. To calculate what that number might be I took a count of overseas buyers in Andalucía in each of the three years before the pandemic arrived and compared it to the 14,755 who bought in 2020, the year of almost total lockdown. It shows about 4,000 foreigners went missing between March 2020 and June 2021. However, a very strong bounce back in Andalucía in the 2nd half of 2021 took that year's total to an

all-time high of 22,625 overseas buyers, only for that to increase by 25% in 2022 to 28,379.

What these statistics can't tell us is how many of these overseas were some of the missing 4,000 and how many were new to the market. Certainly, the market throughout 2022 showed signs of buyer activity way above normal pre-pandemic. Some were paying catch-up after travel restrictions were removed and but for the pandemic they would have already bought while others were new to the market. This is definitely creating a supply-side deficit, above all in the resale sector in prime locations.

As well as Andalucía, it's worth noting that all the overseas buyer hotspots, that is the Balearic and Canary Islands plus the Mediterranean coastal regions on the mainland, recorded the highest numbers of overseas buyers ever in one year.

The Property Market in Andalucía

In a normal year overseas market share in Andalucía is similar or slightly above the national average. The 2022 figures show overseas buyer market share at 20.06% nationally and 20.04% in Andalucía. What these averages mask is the high levels of foreign buyer activity in a few locations and almost none in others. As a result, when it comes to the overseas property market it's better to think about the individual provinces rather than the region as a whole.

Andalucía has eight provinces and it turns out that 30% of all transactions in 2022 occurred in just one province, Málaga, which really means the Costa del Sol. Of the 42,206 property transactions in 2022 that occurred in Málaga province, 16,818 were by foreign buyers, that's a 39.8% market share, double the national level. As regards the other 7 provinces in Andalucía the two inland provinces of Córdoba and Jaén had 302 and 278 overseas purchasers respectively. Granada province, whose coastline is the lovely Costa Tropical, managed 1,785 and Cádiz, with the prime areas of the Atlantic coastline and Sotogrande counted 1,752. (Source: MITMA). As a result, it's quite clear that Málaga province is in a league of its own and is the engine of the Andalusian overseas property market.

Andalucía's Prime Locations

The statistics given in the previous section show that Málaga province leads the way in Andalucía. Within the province, the prime areas are the Marbella municipality, the Benahavís municipality which takes in the hills just behind the coast and Estepona. Just these 3 municipalities accounted for 27% of the total market in the province in 2022. With Málaga city itself added into the mix, that rises to 46.7%.

The Costa Tropical in Granada province is where buyers can find superb panoramic sea views, very close to the water. Some frontline properties even have steps right into the sea. Its proximity to the Sierra Nevada mean it is one of the few places where it is possible to sunbathe on the beach in the morning then head into the mountains for an afternoon of skiing. In Cádiz province, Sotogrande is the star turn, with a property range that goes from holiday apartments to the most palatial mansions.

Inland, the prime locations include Iznájar, Ronda, Gaucín, Coín and Alhaurín el Grande. However, after the 2008 crash the rural market returned to more of a niche market, appealing to a certain type of foreign purchaser, perhaps about 5% of the total overseas sector. Typically, they are looking for a country property with some land or a character village house. The figures tell the story. The total number of purchases in 2022 in Iznájar were just 39, 372 in Ronda, 4 in Gaucín and 376 in Coín. There is no domestic/overseas split at the municipal level, these numbers are the total. As you can see, the rural market is very small..

Foreign Spending Power

And it's not just the numbers that make foreign buyers so important to the Spanish Property market. They spend more too. Typically, foreign buyers pay more per square metre than the average for domestic buyers and these latest statistics show this trend continued in 2022. As a result, the average spend by a foreign buyer in 2022 was €2,073 per m², 33.5% higher than the domestic average of €1,553, and the first time the average spend has broken through the €2,000 barrier.

In addition, all the overseas buyer hotspots saw substantial increases in the average amount paid by foreigners per square metre. In the case of Andalucía it was up 6.5% to €2,139 pm², the first time it has broken through the €2,000 barrier. And if we make the comparison against the previous high in 2019, just before the pandemic, we see that, on average, overseas buyers are paying 20% more per square metre in Andalucía post-pandemic.

New-Build Demand

For reasons I have never quite understood, foreign buyers are like moths to a flame if new-build is available, even when the location is inferior, the size is smaller and the price per square metre is double. The fact is there is very little raw building land available in the very best locations, it was built on years ago. Consequently, it follows that much of the new-build activity is not in prime locations. In addition, plot sizes and constructed square metres are becoming even smaller in comparison with resale product. In fact, I've seen some new-build villas on such small plots that they are hardly detached and have very little privacy.

Once recovery started after the 2008 crash, the supply side of new properties lagged way behind demand. In reality, there was no supply side as the construction industry was more or less wiped out. At the height of the building frenzy in 2006, Spain approved building licences for 735,000 units, of which approximately 21,000 were in Málaga province. However, in 2014, the number of building permits granted in the province was a total of 798, a fall of 96.2%. Demand, particularly from overseas buyers, started to recover from 2012 onwards and rapidly overtook supply. Inevitably this skewed new-build prices.

However, building licences and project starts have risen every year since 2013. Consequently, the demand/supply ratio has improved and I will be looking to see if too much new-build supply becomes the issue in this sector in 2023. Looking around, I can see unsold units in new developments finished before the pandemic that still

haven't found a buyer. I reviewed a property for clients in 2022 that was bought as an off-plan investment in 2018 and has been for resale ever since.

Resale Demand

In contrast, lack of well-priced, top quality resale properties in prime locations means demand is running way ahead of supply in this segment of the market in Andalucía. Given rising demand, it is now very common for there to be competition between buyers for a good property in the right location. In addition, whereas in 2019 I would have said buyers were more likely to walk away from a purchase than overpay lack of stock is ramping up the pressure on buyers.

Buyers should be prepared to move quickly to secure properties in prime locations. In two recent cases our clients succeeded in buying beachside properties even before they came on the market because I had done all the research in advance. There would have been serious competition once they were openly marketed. Instead of which, no local agent even knew either was for sale and our clients were first through the front doors and got a clear run at them.

Nevertheless, I have a problem with some asking prices. I feel sellers assume that just because new-build prices have gone through the roof they can ramp up their asking prices to similar levels. Interestingly, a report from Tecnocasa, one of the big valuing companies in Spain, suggests resale asking prices are still, on average, at least 20% above the eventual price achieved. In fact, clients of The Property Finders recently bought a frontline golf course house, detached with five bedroom suites and lots of extras, with a 14% reduction from the original asking price. That had been way too much but an interim reduction brought it into the frame and we still got another 8% off.

The Price Conundrum

When I am assessing the right price for my clients I prefer to work with prices per square metre and pay less attention to asking prices. It's then much easier to make comparisons between similar properties. Marbella, the sixth most expensive town in Spain, is a good example of the new-build versus resale price conundrum. In the case of new properties, in the period before the pandemic the new-build premium per square metre was as much as 50% above the resale price of an equivalent property. And almost certainly, the resale property would have been better located and larger.

I've worked in the Spanish property market for many years and been through a few high/low cycles. There's always been a new-build premium but I can't recall such a discrepancy between new and resale prices per square metre. However, my sense is that this discrepancy might be narrowing. For example, I was able to find top quality resale detached villas for clients in 2022 in a range between €4,000 pm² and €5,000 pm². However, in the case of new-build the most expensive properties I shortlisted for clients in 2022 were around €6,500 pm².

It is essential to do the research and compare asking prices for new property with comparables in the resale sector. Buyers in the new-build sector should be cautious and ignore what an agent friend of mine calls 'candles and cushions' marketing. Lots

of soft focus life-style images, very seductive, but better to check the price per square metre and ask if it makes sense.

Getting It right in 2023

If you buy at the right price, property in Andalucía is still relatively affordable. There's potential for substantial capital growth in the medium term and excellent rental yield potential. One of The Property Finders clients is seeing a 2019 purchase generating a gross yield of 8% for a one-year let. The sun continues to shine and the quality of life is rated one of the best in the world. What's not to like?

My advice is always the same. Don't buy anything that is blighted. Roads tend to get busier over time so if it's noisy now it will only get worse. If there is a mobile mast in view assume there will be more as the tendency is for them multiply. High-tension electricity pylons are also a big no-no. We can assume new housing will increase in the medium term, so it's essential to be aware of local planning issues and what might be in the pipeline.

And finally, when I am assessing properties for my clients I always ask the following questions. If circumstances change and they need to sell quickly is the price right to enable them to do that? Secondly, is this a property for which there will always be demand irrespective of market conditions? The fact that it is quality property in the most prime locations driving the current market shows there will always be demand for top quality in prime locations. It always has been, still is and always will be about location. Do not compromise on location, it must always be the key consideration.

Conclusions

Throughout the pandemic I was surprised by just how well demand held up. And in post-pandemic 2022 demand from overseas buyers just kept on growing to record levels. However, I think 2023 will tell us if the surge that followed the removal of travel restrictions has been absorbed and we can expect to return to normal but slower annual growth. If that's the case then I would expect to see upward pressure on prices to moderate, particularly if recent price rises tempt more sellers into the market and the supply side deficit becomes less acute. On the other hand, if demand continues to rise then 2023 may just be a continuation of 2022 - high demand, low supply and rising prices.

So, there are a lot of 'ifs' and I can't remember being as uncertain about prices as I am now. Half the time I can't believe they will go on rising and the other half I can't see them stopping while demand is so high with the supply side in deficit. According to a report from Spain's Institute of Statistics (INE) in December 2022, prices are within 5% of the highs last seen just prior to the 2008 meltdown. The report was referring to national averages and not the overseas sector. In fact, in many of the prime locations where most foreigners buy, prices have long since topped pre-2008 levels, above all in the new build sector.

Foreign buyers drove the initial recovery of the property market after the 2008 crash, buying in record numbers and increasing market share from 2013. And now it seems they are doing the same in the post-Covid recovery period, with record numbers and increasing market share. And there's no doubt in my mind that with the 'work from

home' and 'work from abroad' options becoming a reality for more people post-Covid, many buyers from overseas will be deciding that home will be in Andalucía.
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