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Spanish Market Report 2024



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Introduction

With all the full-year statistics now published 2023 turned out to be the best ever year for foreign buyers in Spain, once the distorted figures from the pandemic years 2020 - 2022 are excluded. What I won't be doing in this report is making a direct comparison of 2023 with 2022 as we now know how much the statistics were distorted by a post-pandemic surge of overseas buyers, leading to an all-time record of 143,629. I pointed out in a [recent blog](#) that although 2021/22 statistics had the look of an overseas property market boom it was all a bit of a mirage. If you compare the total of foreign buyers during the 3 pandemic-affected years of 2020/21/22 with the total in the 3 years prior to the pandemic, 2017/18/19 they are very similar. In reality, if the market had just continued to grow by 2% - 3% per year, as it had been doing for several years before the pandemic, it would have been in exactly the same place in terms of the number of overseas buyers. Hardly a boom. However, with these latest, up-to-date stats we see what can actually be described as a surge. Compared with the previous record for a non-pandemic year, which was in 2018, the number of overseas buyers in Spain in 2023 was up 26.7% with a total of 131,388.

The fact is the overseas property market at the end of 2022 was more or less where it would have been if the pandemic hadn't happened and the pre-pandemic upward trend had been maintained. During 2023 I heard many people comment that the market felt much quieter. Of course it did. In effect, 3 year's worth of overseas buyers were crammed into the 18 months from July 2021, when international travel reopened, through to December 2022. However, as the statistics quoted in this report show, far from being down in 2023, foreign buyer numbers are running way ahead of the pre-pandemic years 2017/18/19 and demand has never been higher.

Therefore, I think it makes more sense to make the comparison with where the current overseas sector of the property market is relative to those 3 pre-pandemic years and ignore the pandemic affected years. So, instead of an 8.5% fall in foreign buyer numbers comparing 2023 with 2022 there is a 28.5% increase when set against 2019. It seems overseas demand is stronger than ever and growing.

Where The Numbers Come From

The Notaries are my preferred source for a straightforward count of transactions numbers, with breakdowns by nationality, autonomous regions and prices per square metre. This format started in 2007 so gives an interesting overview of international buyer patterns from just prior to the 2008 market meltdown and the subsequent recovery. These are published half-yearly. We get the 1st half year results in October of the same year and the 2nd half in March of the following year.

In addition, MITMA statistics are good for a more local breakdown by province and municipality. At these levels it is easy to spot market hotspots. Some

provinces and municipalities account for a large proportion of transactions in a region with very little happening elsewhere. However, they do not count by nationality, foreign buyers are counted as a block.

In my view, stats from the Property Registries can be ignored as they count when a property is inscribed in the registry, not when it completed in front of the notary and inscriptions may be weeks or even months after completions. As a result, the Notaries and Property Registry statistics always differ and not by a little. They are usually out of sync by 20% - 25%.

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 financial crash the highest market share attributed to overseas buyers was 8.9%. For several years prior to the crash Spain had constructed over 800,000 new units per year, more than the UK, France and Germany combined. The market was fuelled by cheap credit and speculation and the bubble was always going to burst at some stage. The global meltdown just helped it on its way.

Growth in the overseas sector got going again in 2012 while, in contrast, the domestic market continued to shrink until 2014. After 8 years of sustained growth by the end of 2019 overseas buyer market share had more than doubled to 19% of the overall market. Furthermore, in terms of overseas buyer numbers this sector of the market was 77% bigger than at the pre-2008 peak. In contrast, the domestic market experienced a much slower recovery over the same period. When Covid-19 arrived Spain's domestic property sector was still 40% smaller than it was a decade before.

The pandemic more or less wiped out the overseas sector in 2020 while 2021 was a stop-start affair as there was still uncertainty about travel and lockdowns. Then came a surge in 2022 which, as already mentioned, pushed foreign buyer numbers to the highest ever recorded in one year.

The Spanish Property Market Needs Overseas Buyers

Whether you look at transaction numbers or market share it's clear international buyers are an important part of the overall Spanish Property Market. For the three years prior to the pandemic the number of overseas buyers had topped 100,000. That barrier was broken in 2017 (100,116), the all-time record of 103,677 occurred in 2018 before falling back slightly in 2019 to 102,264. Then the pandemic arrived.

We now have the relevant statistics for 2023. In total there were 131,388 foreign buyers in Spain during the year, equivalent to 20.9% market share. I've already highlighted the fact that the overseas market has rebounded at a faster rate than the domestic sector in the decade of growth following the 2008 meltdown and these 2023 statistics confirm this trend continuing post-pandemic. The overseas sector is up 26% when compared with pre-pandemic levels while the domestic sector is up only 10% over the same period.

Before starting to dig into the statistics and apply them to the property market and related issues it's perhaps worth taking a look at why Spain is such a draw for so many overseas buyers.

The Overseas Property Market - Why Spain?

For lifestyle Spain is hard to beat, it's relaxed and easy-going, safe and child-friendly. Life expectancy has increased by 12 years since 1970 and at an 83.99yrs average, it is one of the highest in the world.

The climate suits all tastes. It ranges from four seasons with a proper winter and lots of snow in the north to the sub-tropical south. The micro-climate zones on the Mediterranean coasts of Andalucía have the best winter temperatures on the European mainland. Spain's beaches, marinas and tourist boats have more Blue Flags than any other country in the world, a total of 729 in 2023. In fact, Spain has occupied the top spot every year since the scheme began in 1987.

Living well is affordable with food and drink prices below the E.U. average, (Source: Eurostat 2023). Spanish cuisine is world-class and currently, Spain has 3 restaurants ranked in the top 5 in the world. (Source: [The World's 50 Best Restaurants](#)). For the cultural tourist Spain has some of the oldest cities in the world and 49 UNESCO World Heritage sites. This puts it in third place globally, behind Italy (58) and China (56). In November 2023, Forbes magazine reported on the annual poll by InterNations, a global community of people living and working abroad, which ranks the best places in the world to be an ex-pat. For the first time ever, the first 3 positions were occupied by Spanish cities; Málaga was ranked #1, followed by Valencia and Alicante. (Source: [Forbes](#)). Then, in January 2024, the annual New York Times list of 52 places to visit during the year, ranked Valencia at number 20. (Source: [New York Times](#)).

Sports and outdoor enthusiasts are spoilt for choice. Golf, tennis, equestrianism, skiing, wind & kitesurfing, mountain biking, rock-climbing, hiking, fishing - the list goes on and on. The result is that Spain has a quality of life that's hard to beat, appealing to both foreign second home owners and permanent residents from overseas. None of what has persuaded millions of foreign property buyers to choose Spain in the past has changed. The sun is definitely still shining.

Unpicking the Statistics

There's no question, the number of foreign buyers in Spain surged as life returned to more or less normal and the pandemic died away. However, it is now clear from the statistics that, for the most part, these weren't new entrants to the market, mostly they were people playing catch up and by the end of 2022 the majority of the roughly 30,000 foreign buyers who went missing during the pandemic had re-entered the market and purchased.

It's true that during the 3 pandemic-affected years of 2020/21/22 the total number of overseas buyers was up 8.7% when compared to the 3 pre-pandemic years 2017/18/19. However, the overseas market was already registering annual increases in the region of 2% - 3% for several years prior to the pandemic's arrival and if the increase in the 2020/21/22 period is averaged out, it's no more than would be expected due to normal levels of new demand of 2%- 3% annually.

I'm looking at the 2023 statistics as an indication of what the new normal might look like. If it's the case that the Covid-19 pandemic has brought significant changes to how people want to live their lives - working from home and working from abroad are examples - the overseas sector of the Spanish Property Market may experience much higher annual growth than previously as the new normal.

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The New Normal?

A total of 131,388 foreigners purchased a property in Spain during 2023. The overseas sector market share was 20.9% of the overall Spanish property market. However, the statistics also show that the overseas market is much more important in some locations than others.

For example, in Andalucía as a whole, the foreign market share of 19.3% is in line with the national average but in Málaga province, which really means the Costa del Sol, it is now 39% and it's even higher in the Balearics at 38.4%. In the Comunidad Valenciana as a whole the foreign market share was 38.5%. But there are 3 provinces in this autonomous region and in 2 of them, Castellón and Valencia the foreign market share is very close to the national average, 22.9% and 23.6% respectively. Meanwhile, in Alicante province it's on another scale altogether as overseas buyers registered an astonishing 51.4% share of the property market in 2023.

In reality, when we unpick the overseas buyer sector we are really only looking at 6 regions. These hotspots are so dominant that the 2023 statistics show that 83% of overseas buyers bought in one of them; the Balearic and Canary Islands plus the Mediterranean coasts of Cataluña, the Comunidad Valenciana (the Costa Blanca), Murcia and Andalucía on the mainland.

The Nationality League Table

The MITMA statistics don't count by nationality, foreign buyers are split into resident or non-resident foreigners groups, no further details. However, the notaries started counting foreign buyers by nationality in 2007. Prior to that we didn't know much other than that there were lots and lots of Brits compared with other nationalities. In fact, starting in the 1960s, the British made up about 80% of all foreign buyers in Spain until around the mid-1990s when other nationalities began to enter the market in greater numbers. However, we didn't have an official count until 2007 and in every year since then the British have been the nationality league leaders.

Although I keep expecting to see the British knocked off the top spot they are hanging in there. The nationality breakdown for 2023 left them in 1st place with 12,470 purchases, 9.5% of the overseas sector, followed by Germans (9,611) and the French (8,647) and these 3 nationalities accounted for 23.4% of all foreign buyers in the period.

What really stands out about the nationality statistics now is just how much the German and French markets have expanded in the 16 years since the nationality count began in 2007. For example, in that year there were just 1,003 German buyers and the number of buyers from the United States has also shot up; just 330 in 2007 but 2414 in 2023. In fact, the U.S market was the only nationality to show an increase on the 2022 total, which as I've already explained, was distorted in an upward direction by the pandemic and, in my opinion, was artificially high. More indicative of where the US market is heading is the fact that the 2023 number (2,414) was more than double what it was in 2019, in fact it's up 121.77%.

Foreign Spending Power in The Spanish Property Market

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. As a result, the average spend by a foreign buyer in 2023 was €2,175 per m², 37.6% higher than the domestic average of €1,580.

However, some nationalities pay a lot less than this figure, most notably Moroccans on €723 per m², Romanians on €1,094 and Bulgarians on €1,219, some of the nationalities most likely to fall into the category of resident foreigners. When we look at just non-resident foreigners, the average price paid shoots up to €2,715 per m², 71.8% more than the domestic average. But some nationalities pay even more than that. Swedish buyers averaged €3,077

per m² followed closely by buyers from the US on €3,066 per m². And the most expensive region? That would be the Balearics, breaking the €4,000 barrier for the first time with foreign buyers paying an average of €4,051 per m². In contrast, there is one Mediterranean region where the average price paid by foreign buyers was even below the domestic buyer average and that was Murcia, on €1,219 per m².

In terms of overseas buyer spending power all the overseas buyer hotspots saw increases in the average amount paid by foreigners per square metre in 2023. And to get a sense of just how much price have risen recently, I've compared 2023 per m² prices with pre-pandemic 2019. In the case of Andalucía it's up to €2,252 pm², a rise of €26.3%. The Balearics became the first region to break through the €4,000 barrier and increased to €4,051 pm², up €30.1%. Cataluña was up 19.4% to €2,470. Meanwhile in the Comunidad Valenciana, the increase to an average of €1,692m² meant a price rises of 24.1% since 2019.

The Regional Hotspots

I've already commented on the statistics which show how the overseas sector of the Spanish Property Market is concentrated in just a handful of regions. And within those regions it is further fragmented at the provincial and municipal levels. A good example of this is Andalucía. Not only is it Spain's largest autonomous region it is one of the most varied. It has both Mediterranean and Atlantic coasts, a huge, mountainous interior and 5 of Spain's most historic cities; Cádiz, Málaga, Seville, Granada and Córdoba. In addition, this one region accounts for 20% of all property transactions in Spain. So, in property terms it really has something for everyone but foreign sector activity is far from evenly spread. In reality it is actually concentrated in just a few locations.

Andalucía has eight provinces and while the overseas market share across the whole region was in line with the 20.9% national average it turned out that in Málaga province, which really means the Costa del Sol, this market share was 39%. And when you drill down to the municipal level it gets even more unbalanced. Although there are 208 municipalities in Málaga province, just four (Málaga, Marbella, Estepona & Benahavís) accounted for 43% of all transactions in the year.

The dominance of just one province is even more extreme in Cataluña with 63% of all 2023 purchases in the autonomous region occurring in just one province, Barcelona. And looking at the Comunidad Valenciana, 71.7% of all 2023 foreign buyers in this region bought in just one province: Alicante. (Source: MITMA)

Tourism and Rental Demand

Pre-Covid, Spain's tourism industry was continuing its seemingly unstoppable upward trajectory. 2019 finished with an all-time record of overseas visitors at

83.7m, making it once again the 2nd most-visited country in the world. Tourism contributed about 14.5% to Spain's GDP in 2019 although in some regions it was much higher than the national average. Inevitably, Mediterranean regions and the islands depend even more on a healthy tourism sector. For example, the 45% of GDP generated by tourism in the Balearics makes it the most dependent, and vulnerable, region, followed by the Canary Islands, Andalucía, Murcia, the Comunidad Valenciana and Cataluña.

There is a link between visitor numbers and the property market and that's due to rental demand from the approximately 35% of Spain's foreign visitors who do not stay in hotels. Obviously, some will have their own homes, or stay with family and friends, but that leaves a serious number of people renting privately. In addition, many domestic tourists from within Spain rent privately. And, of course, property buyers in Spain have usually been tourists for years before they decide to purchase.

It turned out that 2023 was another record-breaker with a final total of 85,056,528 tourists counted and I think this was way better than predicted. I thought the 84m barrier would be surpassed but not 85m. What seems to be happening is that there are many more visitors out of the high season summer months. For example, the December 2023 total of 5.2m was 21% higher than the same month in 2019 which, at the time, was the highest December total on record. Another factor behind the big numbers is the wider spread of nationalities, with strong growth from newer markets while the traditional, long-established markets, such as the British, Scandinavian and German markets remain the leaders.

As a result of these visitor numbers, rental yields make letting a property in Spain an interesting option. And not just for the buy-to-let investor because although not all foreign owners are part-time landlords many are. They look for rental income to cover essential maintenance and running costs and taxes. Obviously there are many variables but the best gross yields can be as high as 10% and sometimes even higher for a large, top quality detached house in a prime location. Apartments and townhouses near the beach can return 6% - 8% gross, assuming a luxury interior. Typically, a quality property in a prime location will generate a higher yield in the short-term holiday market than the same property let long-term, in the region of 3% - 5% better.

However, there are always exceptions to the rule and growing demand for long-term rentals at the top end of the market can produce a gross yield similar to the short term yield. One of The Property Finders clients is seeing a 2019 purchase generating a gross yield of 8% for a one-year let. Just as the highest activity levels are at the top end of the property market so it is in the rental sector. Properties priced at €10,000 - €20,000 and up per week had no trouble finding takers in 2023 and high season weeks were fully occupied.

Who Is Buying What - New Build v Resale

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 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, plots and constructed square metres are being squeezed in comparison with resale product.

I realise many buyers are not looking to make a huge profit in the short-term, they've made a life-style purchase. However, I've yet to meet one who is happy with the idea of a loss even before they've got the keys. In fact I think some buyers have been paying such inflated prices for new build properties that they may never see a return on their investment no matter how long they hold it. The discrepancy between new-build and resales prices in the current market is as extreme as I have ever seen.

The current market in prime locations is one with a serious lack of supply, above all in the resale sector. People can't buy what isn't there. Even before Covid-19 arrived there was a supply side deficit in the quality resale sector in prime locations and this has been exacerbated by the increase in international buyers entering the market over a short time period without a similar surge in supply. And what they are looking for, that is, high quality properties in top condition in prime locations is precisely what is in such short supply and I don't see the demand/supply imbalance changing any time soon.

Buying Right in 2024

My advice to potential buyers in Spain is the same as ever. The location must always be key. Shiny new stuff, whether it's a house or an apartment, something on the coast, the city or in the country, never trumps location. Always get the location right and then do the best with the available budget even if that means adjusting expectations. For example, several recent clients of The Property Finders have chosen a semi-detached property in order to stay in a really prime location. In my view, that is always the best decision. If they had stuck with their preference for detached they needed to accept an inferior location to stay in budget. Never compromise on location.

My advice to buyers in 2024 is do not obsess about new-builds, especially if not located in prime positions. Many are not. Consider equivalent resales, calculate the price per m² to include any renovation if it's needed. Then you can take an informed view on what makes the best financial sense. The result will almost certainly be a lower price, a bigger property and, most important of all, a superior location. 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.

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. Electricity pylons are also a big no-no. We can assume new housing will increase in the long term. So it's essential to be aware of local planning issues and what might be in the pipeline. Already, in some areas I can count twenty cranes while standing still. If there is vacant land nearby find out with absolute certainty what, if anything, can be constructed. The selling agent saying it is green zone is just not good enough. Why risk losing a fabulous view?

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? One thing is certain; there will always be demand for top quality in prime locations. It always has been, still is and always will be about location and that will be more important than ever after the disruption of the pandemic.

Conclusions

The idea that the Spanish property market would experience a post-pandemic meltdown, similar to the market crash of 2008, was, quite clearly, wrong. In contrast, it has enjoyed a surge of interest, not just from the long-established markets of British, Scandinavian and other European nationalities but from all over the world. As already mentioned, overseas demand is pushing market share in the most prime locations way beyond the national average of 20%. The Spanish property market would certainly be in a very different place without overseas buyers.

The overseas property market is most active at the higher price levels and the 2023 statistics indicate that it does not seem to be unduly affected by global inflation, higher energy prices and interest rates. If anything, I would say there is a sense that Spain is seen as something of a safe haven for property investment at the present time. Interestingly, tourist boards and property developers in southern Spain recently started marketing campaigns focusing on the region as a warm winter location with the potential for lower energy costs.

The domestic and overseas property markets in Spain have always been disconnected. This became even more evident during post-2008 recovery. The overseas sector was already growing again while the domestic sector was still declining. The near-collapse of the Spanish banking system and consequent mortgage drought brought the domestic market to a virtual standstill. In contrast, overseas buyers were cash-rich and no bank was going to lend to them anyway.

I see this disconnect will differentiate between the two sectors for the foreseeable future. Spanish buyers are more mortgage dependent and, therefore, exposed to higher interest rates. Foreign buyers at the upper levels of the market rarely need a mortgage. It's true that many opted for a fixed-rate,

long term loan in recent years but not because they needed it. They were just such good deals and made financial sense. However, for the time being, the higher Euribor interest rate, around 4% at the end of 2023, in contrast to being negative between 2015 and 2021, make them less attractive. In addition, Spanish banks are currently less keen on lending to borrowers whose earnings are not in Euros.

And as to where prices are going in 2024, it really comes down to the demand/supply imbalance. The current market in prime locations is one with a serious lack of supply, above all in the resale sector. Even before Covid-19 arrived there was a supply side deficit in the quality resale sector in prime locations and this has been exacerbated by the increase in international buyers entering the market over a short time period without an increase in supply. And what they are looking for, that is, high quality properties in top condition in prime locations, is precisely what is in such short supply and I don't see the demand/supply imbalance changing any time soon. I had hoped that the higher prices being achieved in the resale market would tempt more sellers into the market, alleviating the supply-side deficit somewhat, but that doesn't seem to be happening so far.

Nevertheless, if you buy at the right price in a prime location, Spanish property is still relatively affordable. There's potential for substantial capital growth in the medium term and excellent rental yield potential. The sun continues to shine and the quality of life is rated one of the best in the world. And there's no doubt in my mind that with the WFH and WFA options becoming a reality for many more people post-Covid, that home will be in Spain.

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