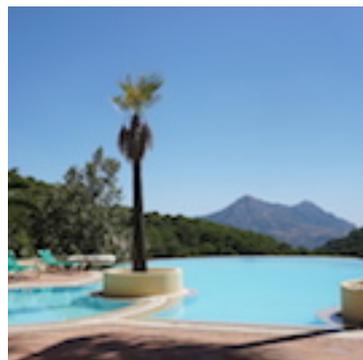




Andalucía Market Report 2022



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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. In 2021 it was 22%. In terms of overseas buyers approximately 15% market share in Andalucía can be attributed to foreigners in a normal year. However, nothing can be called normal right now and 2022 will be the 3rd consecutive year of Covid-19 related disruption. In particular, travel restrictions between March 2020 and June 2021 caused havoc and prevented many potential property buyers from abroad entering the country. In the case of UK-based visitors those travel restrictions continued until August 2021. In addition, domestic buyers were also confronted with closed borders, restricting travel between autonomous regions, provinces and even municipalities.

Against this background it would be reasonable to suppose that the Andalusian property market in 2022 might be in crisis. However, statistics recently published for the 1st half of 2021 in respect of overseas buyers show anything but a crisis scenario. Surprisingly, in spite of the problems caused by the pandemic, transaction numbers for foreigners are holding up well. In addition, there's evidence that prices have risen during the pandemic, above all at the upper end of the market in the most prime locations.

And although the Omicron variant which arrived so suddenly at the end of 2021 may slow full recovery down a bit, I believe the full-year figures, when we get them, will be even better, particularly if Omicron-related disruption is of short duration. In fact, I would go so far as to say that what we are seeing in the overseas sector of the property market is not in spite of the pandemic, but because of it.

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. These are published half-yearly. We get Q1 and Q2 in November of the same year and Q3 and Q4 in May of the following year. That means we will have to wait until May 2022 for the full 2021 picture. However, what we have so far is promising.

In addition I analyse Ministry of Development (Ministerio de Fomento) statistics for breakdown by province and municipality. However, they do not count by nationality, foreign buyers are counted as a block

In general, I will make limited reference to 2020 statistics throughout this report because I don't think they tell us much. However, I will incorporate some from 2019 if relevant as they indicate how the market was pre-pandemic.

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 was 20.6%. That's a clear indication of just how important the overseas element was to the overall market 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 2018 (18,918). Taking the average of the 3 years pre-pandemic (18,454) we see that the overseas sector had grown to be 60% larger than it was

just before the 2008 crash. In contrast the domestic market in Andalucía, excluding foreign buyers, was 44% smaller over the same period when compared with the previous peak.

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, a good question to ask is 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. Many towns, such as Ronda and Antequera, have prehistoric, Roman and Moorish remains and 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 tSpain's Mediterranean and Atlantic coasts are 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. 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 it's a very different story in winter. Even on the coasts, being outside one of the special micro-climate areas can mean a temperature drop of up to 10°C in winter. Inland in the sierras, snow often falls at 800m above sea level, sometimes even lower. Get it wrong and you could freeze.

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 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. [Read the NYT list.](#)

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 [Andalucían cities](#). And the project to link the entire 185kms of the [Costa del Sol](#) with a coastal path is progressing well.

The Missing Overseas Buyers 2020/21

The full-year 2020 statistics showed a total of 14,755 overseas property buyers in Andalucía. If we take an average count of overseas buyers in the 3 years before the pandemic arrived it shows about 4,000 foreigners went missing between March 2020 and June 2021. This covers the period when lockdowns and travel restrictions were at their peak. However, the statistics for the 1st half of 2021 indicate that overseas buyer numbers are bouncing back very strongly in Andalucía. If we take an average for the 1st half figures for the three years prior to the pandemic we see that the 2021 figure of 9,107 is down only 2.2%. That's way better than the 8% downturn shown in total overseas buyers across Spain in the same period.

Catch Up Plus New Demand

However, what these statistics can't tell us is how many of the 9,107 overseas buyers in the 1st half of 2021 were some of the missing 4,000 and how many were new to the market. Certainly the market feels very active. While compiling shortlists for clients in recent months many properties have been sold before my clients got a chance to view them. In my view that's because more people are entering the market at the same time compared with a normal year.

Some are playing catch-up from the lockdown and travel restricted periods. But for that they would have been part of 2020 statistics. Now they are showing up in the 1st half 2021 figures together with normal new demand. This is definitely creating a supply-side deficit, above all in the resale sector in prime locations. In addition, in my opinion the market is showing signs of higher than normal new demand. Some buyers tell us they are bringing forward their plans to buy in Spain. And while some are looking for a second home we are also seeing buyers looking at a Spanish property as a possible 'work from home' base.

As I've already noted, the notaries' statistics are compiled half-yearly so there is always a long wait to get the full-year figures. However, when they are released in May of 2022 I'm thinking we may see the total of overseas buyers in Andalucía in 2021 right back at pre-pandemic levels. It's true 2nd half figures are usually lower than 1st half. Nevertheless, I predict they will show a surge of overseas buyers between June and December 2021 as travel restrictions eased. In particular, I expect to see British numbers up sharply because travel restrictions out of the UK to Spain were still in place until August 2021. If that is the case I won't be too surprised to see the full year statistics very close to the record set in 2018, perhaps even beating it.

The Overseas Property Market in Andalucía

In a normal year overseas market share in Andalucía is similar or slightly above the national average which, in recent years, has been around 18%. The 2021 figures show overseas buyer market share at 15.4% and 15.5% 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.

In fact, Andalucía is a good example of just how fragmented the property market is in Spain, the domestic and overseas sectors operating more or less independently of each other. Indeed, one of the most striking features of the overseas property sector during Spain's long

post-2008 recession was how little it was affected by what was going on during the domestic economic meltdown. It went from strength to strength while the domestic market floundered.

I noted earlier that 1st half year results in 2021 showed 15.4% foreign market share of the total market, with Andalucía right on the mark at 15.5%. However, Andalucía has eight provinces and it turns out that 27.5% of all foreign transactions in the period occurred in just one province, Málaga, which really means the Costa del Sol. And when you drill down to the municipal level it gets even more unbalanced. In the event, 46.1% of all transactions in the province occurred in the municipalities of Málaga city, Marbella, Benahavís and Estepona. So, nearly one third of purchases in Andalucía occurred in just 1 of the 8 provinces while nearly a half of purchases in that province happened in just 4 of the 208 municipalities in the province.

And when we count the overseas purchasers, in comparison with Málaga province's 5,026 foreign buyers in the 1st half of 2021, the inland province of Jaén saw 106. Even Granada province, whose coastline is the lovely Costa Tropical, managed only 585.

Andalucía's Prime Locations

The statistics given in the previous section clearly 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, heading up the Ronda road, and Estepona. Just these 3 municipalities accounted for 21.5% of the total market in the province in 2021. With Málaga city itself added into the mix, that rises to 46%.

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. 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 the 1st half of 2021 in Iznájar were just 8, 197 in Ronda, 9 in Gaucín, 117 in Alhaurín el Grande and 138 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 in the Andalucía Property Market

And it's not just the numbers that make foreign buyers so important to the property market in Andalucía. They spend more too. Typically, foreign buyers pay more per square metre than the average for domestic buyers. For example, the average spend by a foreign buyer in 2020 was €1,777 per m², almost 20% higher than the domestic average of €1,438.

So it's encouraging that these latest statistics show this trend is continuing. And, in fact, it seems to be accelerating. Everyone involved in the property market in the overseas sector could sense prices rising during 2021 and now we have the proof. In 2021 the average price paid per square metre by a foreign buyer in Andalucía rose by 6.3%. That was the second highest of any region in Spain. Only the Balearics registered a bigger increase, 11%. And if we make the comparison against the 2019 pre-pandemic figure we get an 13.7% increase in Andalucía in 2021.

The fact that the biggest prices rises currently being seen in Spain are in two of the most expensive locations for overseas buyers also provides evidence that much of the activity in the overseas sector is at the top end of the market. So the announcement that what had been a temporary boost for the Andalusian market in 2021 was being made permanent was very welcome. In April 2021 the regional government abolished the sliding scale of purchase tax, with rates between 8% - 10% to a flat rate of 7% but only until December 31st, 2021.

Then, with little fanfare, they gave the market an early Christmas present and made the reduction permanent. All buyers in Andalucía benefit but those benefits increase at the higher price levels. You can read all the details in this [blog. https://www.thepropertyfinders.com/property-purchase-tax/](https://www.thepropertyfinders.com/property-purchase-tax/)

The Rental Market in Andalucía

Overall, Andalucía has some of the best yields and occupancy levels in both the short and long-term sector. In spite of that, until we know if Spain will be open to tourists in summer 2022 I don't see much point in speculating about yields. However, a couple of recent reports caught my eye with some interesting figures that may impact the holiday rental market, at least in the short term.

Spain's Institute of Statistics (INE) published a report concluding that there were 321,000 properties listed for short-term holiday lets across the country. Approximately 57% are located in just 3 regions, Cataluña, the Comunidad Valenciana and Andalucía, which has the most with 67,392. Of these, 34,567 are in Málaga province.

However, several property portals, such as Fotocasa and Idealista, reported after the first lockdowns that many short-term listings had been withdrawn. At the same time, long-term listings increased by around 20%. In Andalucía, the number of long-term rentals on offer doubled. In fact, I have read of some landlords going from short-term to 5 year contracts just to ensure a tenant and some income. Not all will be out of the holiday sector for that long but those that are locked into 5 year contracts may have no option. If that is the case it is possible that short-term supply will be significantly reduced for several seasons to come. As a result, if demand rebounds in the meantime, as I expect it will, short-term landlords could see occupancy levels rise.

Who is Buying What

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 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, once recovery started the supply side of new properties lagged way behind demand. 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. By 2014, the total of building permits in the province was 798, a fall of 96.2%. In reality, construction industry was more or less wiped out.

Inevitably, this supply side imbalance skewed new-build prices. However, as new project numbers rose every year between 2013 and 2020, there were signs that new-build prices were coming under pressure. Indeed, even before COVID-19 arrived I thought 2020 would give some developers quite a shock. Already, there were rumours circulating of delaying the launch of new phases as sales slowed.

I think most at risk are those buyers who bought off-plan at inflated prices prior to 2020. In these circumstances even a modest price correction will mean that their property will be worth less than they paid for it by the time they move in. I accept 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 fact is that I have never seen such a discrepancy between new-build and resale prices as exists in the current market.

Resale Demand

In contrast, lack of well-priced, top quality resale properties in prime locations means buying right is more of a challenge than previously. This sector is, of course, still the largest in the

Spanish Property Market, and by quite a margin. The ratio is about 4:1 in favour of resales. Given rising demand, one big change is that increasingly there is often 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 Q4 of 2021 one of our clients succeeded in buying a property in Marbella even before it came on the market because I had done all the research in advance and he already had approval in principle for finance. Being a large property 200m from the beach there would have been serious competition once it was openly available. Instead of which, no local agent even knew it was for sale and our client got a clear run at it.

Nevertheless, I have a problem with many 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, on average, at least 20% above the eventual price achieved. When over-optimistic sellers reduce asking prices to more in line with what the market can stand, they sell. However, buyers in the resale sector should consider 3 possibilities if they see a reduced asking price. First, it was over-priced at the outset. Secondly, the location isn't the best. And thirdly, the seller may be desperate. Always make price per square metre comparisons, rather than just look at the asking price.

The Price Conundrum

Marbella, the sixth most expensive town in Spain, is a good example of the new-build versus resale price conundrum. In Q4 of 2021 I was able to find several properties for various clients, all in the very best locations, for €3,500 - €4,500 per square metre. In all cases they were resales, not new-builds. However, even at the lower level of €3,500, that represents a 25% increase on what I was able to find at the end of 2019 going into 2020, just before the pandemic struck.

In the case of brand new or a recent renovation the most expensive properties I shortlisted for clients in 2021 were around €6,500 pm². Again, these were all in the most prime of prime locations, near the beach and walking distance to everything, Yet these same prices per m², and higher, are being paid by buyers of new-builds in secondary locations. It doesn't stack up.

Even more reason then for buyers to be very cautious, particularly in the new-build market. 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.

My Predictions for 2022

Throughout the pandemic I have been surprised by just how well demand has held up. Even during the 18 months of travel restrictions enquiries for our property finding service were running well ahead of 2019, to the extent to the extent that we started a waitlist for when tSpain opened up. I've no doubt that some buyers have either put their plans on hold or abandoned them altogether. On the other hand, many people I've spoken to during the various lockdowns have opted to bring forward their plans to buy in Spain. It's almost as though the pandemic has focused their minds on future plans.

However, many enquiries indicate buyers are expecting, or perhaps hoping for, steep price falls in 2021, similar to the carnage seen post-2008. I think they will be disappointed. Looking back to the 2008 - 2013 period, it seems to me there were three conditions that amalgamated into a perfect storm. First, there was a complete collapse in demand. It just evaporated, virtually overnight. Secondly, the supply side was awash with unsold property. And thirdly, the property boom had been fuelled by cheap credit and speculation. As far as

I'm concerned, none of these conditions apply today. In fact, the statistics I've analysed in the report clearly show that demand is strong and growing and that prices have risen during the pandemic.

Getting It right in 2022

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. 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. Already, in some areas on the coast I can count 20 cranes while standing still.

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.

Foreign buyers drove the initial recovery of the property market after the 2008 crash, buying in record numbers and increasing market share from 2013. I suspect they are going to be just as important in the post-Covid recovery. And there's no doubt in my mind that with the 'work from home' option becoming a reality for people post-Covid, many buyers from overseas are deciding that home will be in Andalucía.

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For more information about locations in Andalucía please go [here](#). A report covering the property market in Spain in general is [here](#).

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