

# **/ COSTA BLANCA PROPERTY MARKET REPORT / 2017**



Fuster & Associates

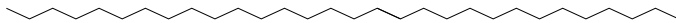
PRIME LAW



**Spanish Housing sales Increase 15% in Q2 2017 to Hit Seven-Year Highs.**

**New built property prices are certainly rocketing upwards with a 10% increase in Q2 2017.**

**Foreign buyers represent 13% of total sales, 15.995 this quarter.**



According to Spain's Ministry of Development, the housing market has shown increased transaction activity in 2017, buoyed by consistent double-digit growth. Between April and June, 141.582 property transactions were completed, representing an increase of 14,7% year-on-year and the best performance since 2010.

This rebound comes after the 18,5% year-on-year boost experienced at the start of the year, which resulted in 122.787 homes being sold. As a result, the first half of the year saw 264.369 sales, while in the last 12 months the figure was close to half a million, showing an increase of 14%.

Another notable fact is that resale property continues to take the lion share of sales recording 128.833 transactions, 90% of those completed between April and June.

### **Foreigners Account For 13% of Sales**

As far as the nationality of the buyers is concerned, 13% had foreign origin. Foreigners completed 15.995 property transactions.

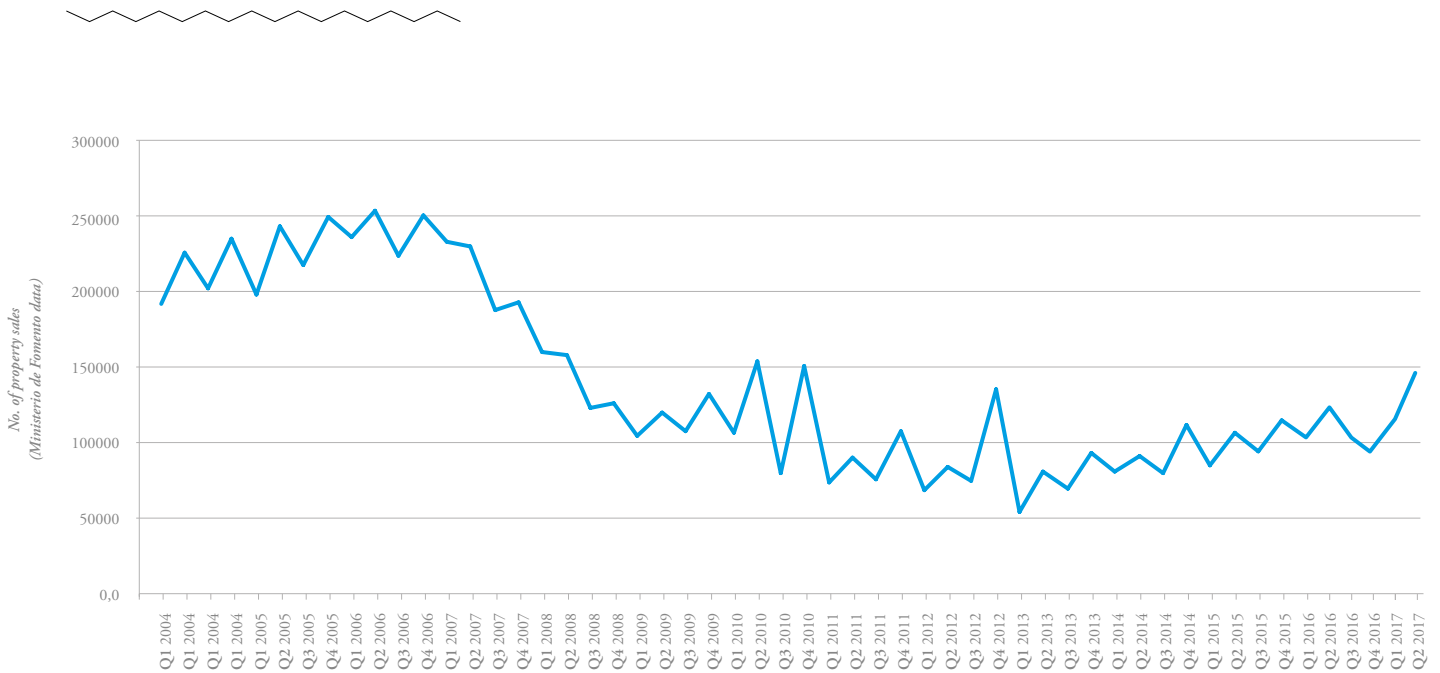
The provinces recording the highest number of sales by foreigners were Alicante (4.931), Málaga (2.863), Barcelona (2.103), Madrid (1.726), Santa Cruz de Tenerife (1,666) and the Balearic Islands (1.493). The transaction activity in these provinces reflects their increasing appeal as tourist destinations in recent years.

According to the Ministry of Development, the purchase of housing by foreign has increased over 24 consecutive quarters and is currently at historical highs. In 2016 the total property sales of foreigners was recorded at 16,2% for the year, whereas sales had risen 17% by the end of the first quarter of this year.



## National picture

Quarterly property sales in Spain Q1 2004 - Q2 2017



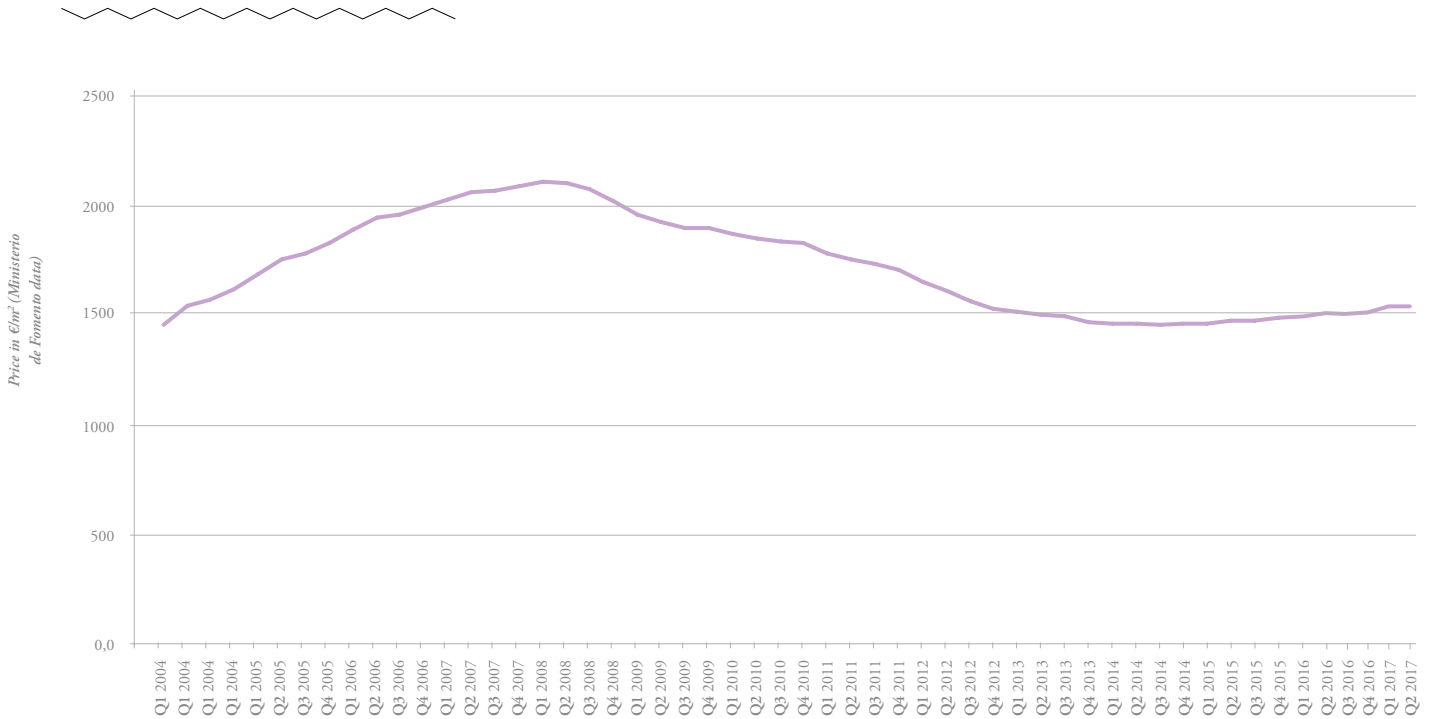
During the second quarter of 2017 there has been a 15% increase in sales compared to the first quarter, from a total of 122.787 in the first quarter to 141.582 in the second quarter. In relation to the same quarter the increase is also 15%, because in that period of 2016 consumed 123.159.

## Significant Signs of Recovery in Spain’s Housing Market

It is fair to say that there is a clear recovery of the sector as the latest statistics show the most growth in the last 7 years. There is also much more confidence in the performance of Spain’s housing market, particularly among foreign buyers.

It is obvious that real estate fever has returned but nevertheless, it is still a far cry from the years immediately prior to the crisis in 2008. Although it will be difficult to reach pre-crisis levels again, particularly as banks have become more stringent with lending criteria, there are definite green shoots, perhaps even saplings of recovery in Spain’s housing market. •

Price of property in Spain: Q1 2004 - Q2 2017



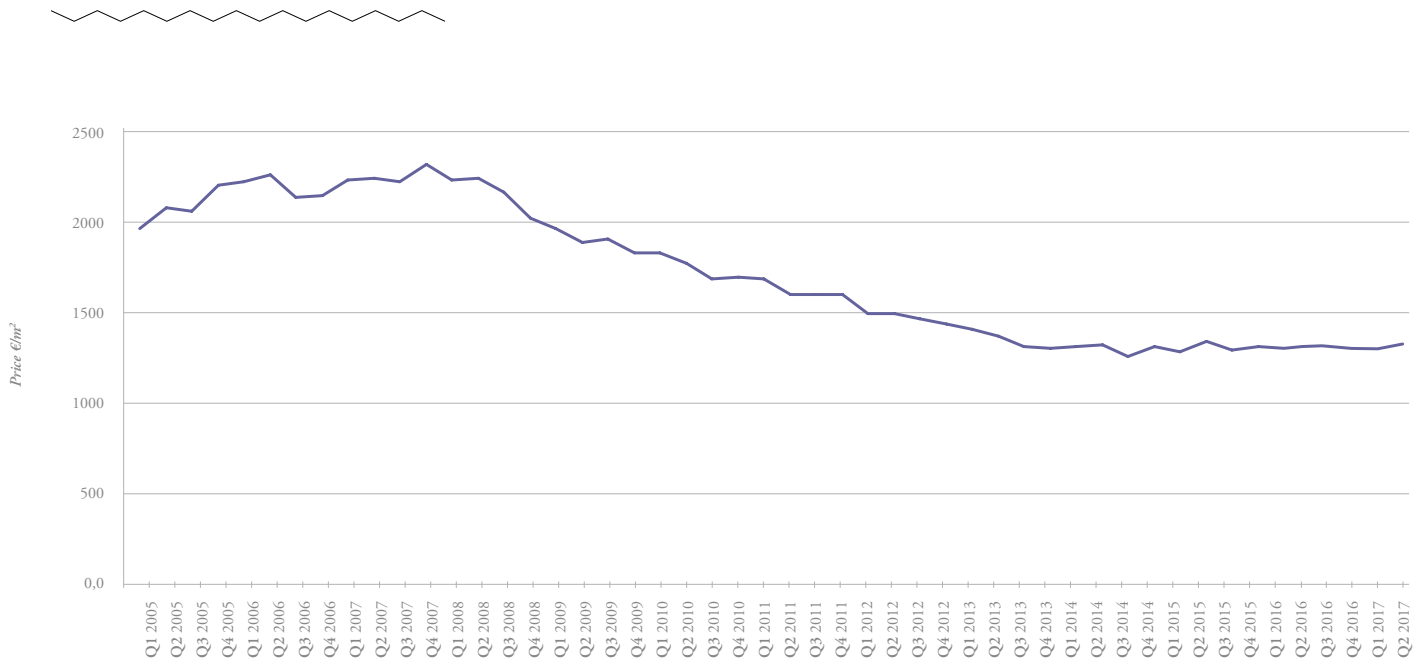
## Prices

Property prices have definitely stabilised, although there are definitely two-speeds in Spain’s property marketing. At one end of the spectrum there is Madrid, Barcelona and the Tourist Costas with double-digit growth and at the other end, the rest of Spain where transactions have either shown a marginal increase or more often, a continued contraction in sales activity.

The area in which prices have risen most has been Costa Blanca North because the region is less dependent on the British market, which means sellers are less likely to reduce prices to adjust to the devaluation of the pound, which happens frequently in Costa Blanca South. Consequently, towns like Jávea are already priced at €1607/m2, 24% above the prices they reached during the crisis. •

Area	Peak	Trough	Q2	Peak-to-present change	Trough-to-present change
Torre Vieja	2145,4	1017	1056,8	-51%	4%
Orihuela	2009,1	989,9	1071,3	-47%	8%
Santa Pola	2163,3	1153,5	1206,6	-44%	5%
Denia	2875	1241,4	1392,3	-52%	12%
Javea	2481,1	1294,1	1607,1	-35%	24%
Benidorm	2915,3	1513,6	1706,1	-41%	13%
Costa Blanca South Average	2055,2	1075,6	1111,56	-46%	3%
Costa Blanca North Average	2577,4	1423,1	1568,5	-39%	10%
Costa Blanca Average*	2296,1	1249,8	1297,06	-44%	4%
Alicante Province	1764,3	1196,9	1340,03	-24%	12%
Valencian Community	1698	1114,9	1146,6	-32%	3%
Spain	2101,4	1455,8	1530	-27%	5%

Costa Blanca Property Price Evolution Q1 2005 - Q2 2017



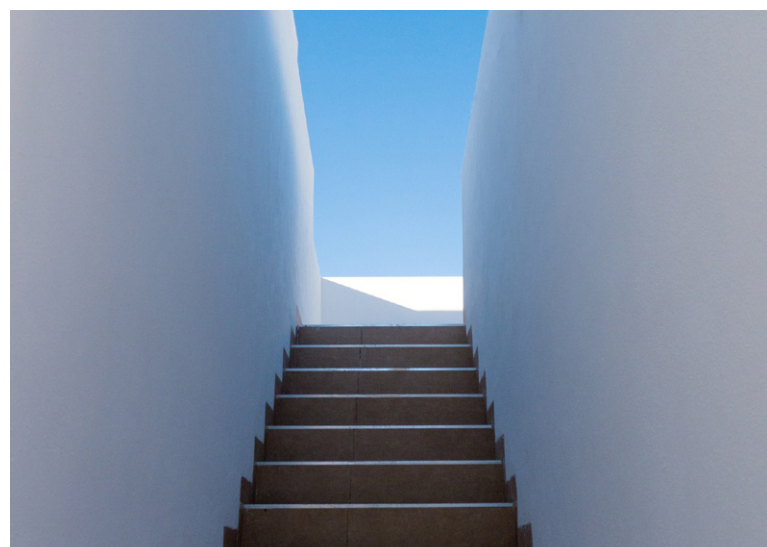
The conclusion we made in the previous report were these figures illustrate the Costa Blanca market's dynamism in comparison with the national market; for the good and for the bad. The coast's peak-to-present decrease is much more extreme than the national drop of -27% but the trough to present increase is stronger than the 5% rise registered nationally.

As the graph shows, prices are certainly not rocketing upwards but there is real stability now on the Costa Blanca, the reason that there is not a more clear positive trend is due to the disparity in price performance between different localities illustrating on a smaller scale the two-speed market that has developed in Spain.

One thing to be taken into account when looking at the average prices is that they are applicable to the built area of a property and do not take into account the value of plots associated with properties. Therefore they will be accurate for apartments and duplexes but for villas and townhouses the value of plots should be added to the cost of the property at an average of €200/m<sup>2</sup>.

An example would be a property with a built area of 100m<sup>2</sup> and a plot of 500m<sup>2</sup>. According to the formula the building would be valued at €147.050 with an additional cost of €100,000 for the plot leaving the property as a whole valued at just under €250.000. Any variations on this formula will depend on the specific property's location, whether it has sea views etc. but it can be used a general guideline.

We have included a table of the average asking prices per metre squared according to Idealista, the prices may be 5%-10% above real market prices as most sellers put their property on the market at a higher price in order to be able to give discounts if necessary. •



## Costa Blanca South

The Costa Blanca South runs from Alicante City to Pilar de la Horadada on the border with Murcia region, the area has long been extremely popular as a tourist destination for both Spaniards and foreigners and its relatively flat landscape has made it into an area ideal for extensive property development.

The epicentre of the Costa Blanca South is the city of Torrevieja which has a year-round population of approximately 90.000 which expands to 400.000 at the height of the tourist season in July and August. Demand for Torrevieja property collapsed during the crash and this coupled with a large amount of supply in the area meant prices dived.

Since bottoming out prices in Torrevieja have begun to rebound and in the latest data for Q2 2017 they were up by 4% on minimums and -0,02% year-on-year. The recovery was even more marked for the neighbouring Orihuela municipality which has become perhaps the main focus of new development on Spain's coasts since the crisis. Surprisingly prices in Orihuela Costa stabilized in the second quarter of 2017, from 1060,40 Euros/m<sup>2</sup> to 1071,30 Euros. The main reason as was forecasted in the previous report has been Brexit has provided a potential threat to prices in less sought-after areas of Orihuela municipalities due to their high percentages of property owned by British and strong reliance on British buyers. The possible simultaneous impact of a rise in supply due to Brits selling up and a drop in demand from the British have put downward pressure on prices.

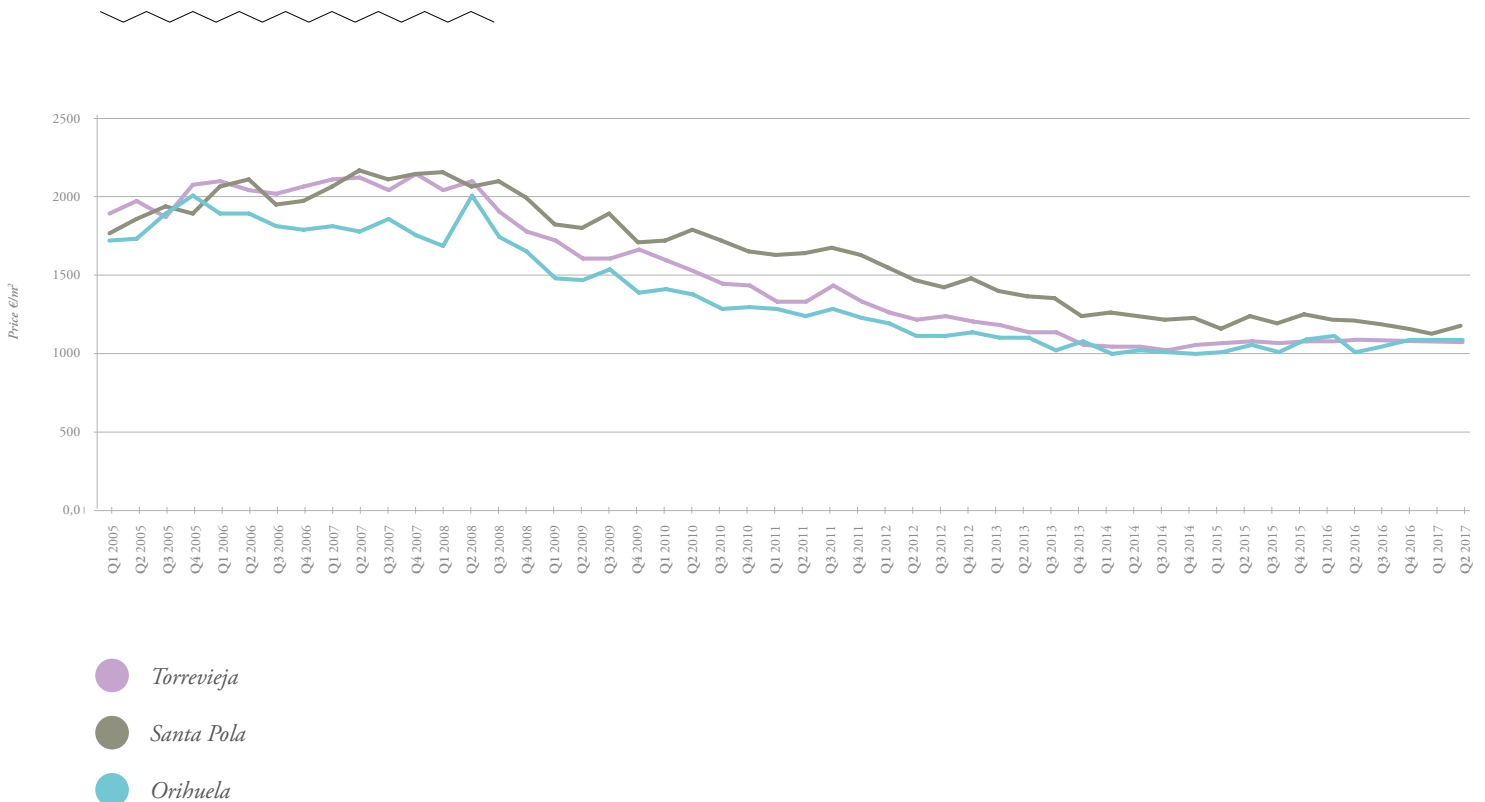


As a result the average price in Costablanca South has gone down from 1097,30 Euros/m2 to 1111,10 Euros/m2.

Prices in Orihuela, home to La Zenia, Playa Flamenca and Punta Prima, have risen 3% since reaching their minimum and 7,4% year-on-year for Q2 2016. Prices for Orihuela Costa are predicted to continue rising with increases led by prime beachside areas as well as new-build property which is being snapped up mainly by Scandinavian and Belgian buyers.

Most forecasts for the rest of the Costa Blanca South indicate stability with positive movement confined again to prime areas and locations benefiting from increases in quality new development such as Arenales del Sol and Pilar de la Horadada. •

Price evolution in three major Costa Blanca South municipalities: Q1 2005 - Q2 2017



## Costa Blanca North

The Costa Blanca North is the stretch of coast from Alicante City to the northernmost point of Alicante province, buying activity is concentrated mainly in El Campello and the towns located in the Marina Alta area; Javea, Calpe, Moraira and Denia.

The Northern section of the coast particularly the coast of the Marina Alta and area surrounding Altea are where many of the richest foreign buyers focus their attention thanks to the beautiful scenery, availability of larger properties with big plots and the mountainous geography which gives lots of properties the much-desired sea view.

Costa Blanca North prices have gone up 4.8% in the second quarter of 2017 compared to the first quarter of 2017 and as there is no strong reliance on the British Market prices will continue to grow in 2017.

The main Costa Blanca North municipalities are generally performing well with Jávea in particular showing real gains since bottoming out and prices in the town have already regained 24% of their value since hitting rock-bottom. •

Price evolution in three major Costa Blanca North municipalities: Q1 2005 - Q2 2017



Development is currently underway on the nice coastal cliffs of Cumbre del Sol which is expected to further boost the local property market with an increasing number of developers also focusing on the area such as Vapf with its impressive new development Blue Infinity.

Benidorm has also registered increases on minimums and are expected to see more sustained price rises thanks to the recovery in prices which has already seen prices up by 9% in Benidorm compared to Q1 2017.

With demand rising for the area as a whole we foresee a steady increase in prices although again the rises will be seen in the best-situated areas. The extremely limited supply of new-build property and suitable plots in many of the area's most popular towns means that prices for new property will remain on the up and that plot-build purchases will continue to prove popular. •

## IDEALISTA PRICES – October 2017

Below you will find the average price of properties by type in each and every one of the Costa Blanca's coastal areas. The data shows asking prices and comes from the popular Spanish property portal Idealista. •

	<i>ALL PROPERTY TYPES (Price/m<sup>2</sup>)</i>	<i>VILLAS &amp; TOWNHOUSES (Price/m<sup>2</sup>)</i>	<i>APARTMENTS &amp; CONDOS (Price/m<sup>2</sup>)</i>
<b>MARINA ALTA</b>			
Denia	€1.930	€2.142	€1.813
Jávea	€2.359	€2.516	€2.150
Benitachell	€1.927	€2.254	€1.537
Benissa	€2.111	€2.504	€960
Moraira	€2.952	€3.028	€2.428
Calpe	€2.034	€2.054	€2.048
Els Poblets	€1.766	€1.798	€1.632
El Vergel	€1.208	€1.431	€1.146
<b>MARINA BAIXA</b>			
Altea	€2.177	€2.348	€2.066
Alfaz del Pi	€2.103	€2.206	€1.914
Benidorm	€2.098	€2.106	€2.098
Finestrat	€1.849	€1.994	€1.713
Villajoyosa	€1.582	€2.201	€1.480
Cala de Villajoyosa	€1.724	€1.367	€1.727
<b>L'ALACANTI</b>			
El Campello	€1.864	€1.847	€1.877
San Juan de Alicante	€1.332	€1.421	€1.243
Alicante City	€1.447	€1.706	€1.411
<b>BAIX VINALOPÓ</b>			
Arenales del Sol	€1.968	€1.630	€2.039
Gran Alacant	€1.433	€1.421	€1.465
Santa Pola	€1.500	€1.620	€1.459
<b>BAIX SEGURA</b>			
Guardamar	€1.455	€1.523	€1.444
La Mata	€1.653	€1.942	€1.591
Torreveija	€1.415	€1.681	€1.324
Punta Prima	€2.408	€3.366	€1.979
Playa Flamenca	€1.571	€1.681	€1.465
La Zenia	€1.982	€2.273	€1.671
Cabo Roig	€3.425	€4.038	€1.641
Agua Marina	€2.250	€2.706	€2.194
Dehesa de Campoamor	€2.481	€3.094	€1.928
Mil Palmeras	€1.961	€2.119	€1.849
Pueblo Latino	€1.656	€1.680	€1.636
Torre de la Horadada	€1.884	€1.901	€1.857

BAIX SEGURA

El Mojon	€2.259	€2.198	€1.884
Villamartin	€1.707	€1.775	€1.609
Lomas de Campoamor	€2.523	€3.277	€2.002
Lomas de Cabo Roig	€1.986	€2.075	€1.890
La Regia	€1.963	€2.240	€1.580
Los Balcones/Los Altos	€1.555	€1.667	€1.377
Los Almendros	€1.596	€1.626	€1.543

**SALES**

The Mediterranean Coast has been one of the principal beneficiaries of the upturn in sales and the Costa Blanca South is now buoyant with sales also recovering on the Costa Blanca North. While peak to present decreases are still large, the trough to present increases are very impressive.

Sales have doubled on the Costa Blanca since reaching their lowest level in the first quarter of 2009 (2,547) and in the Costa Blanca South's two main second-home municipalities (Orihuela and Torrevieja) sales have almost tripled from minimums. •

Area	Peak	Trough	Q2	Peak-to-present change	Trough-to-present change
Torrevieja	2445	529	1374	-44%	+160%
Orihuela	1570	378	1093	-30%	+189%
Santa Pola	819	146	346	-58%	+137%
Denia	1079	180	458	-58%	+154%
Javea	587	107	218	-63%	+104%
Benidorm	903	183	500	-45%	+173%
Costa Blanca South	6188	1473	3717	-40%	+152%
Costa Blanca North	4293	1074	2266	-47%	+111%
Costa Blanca	9723	2547	6559	-33%	+158%
Alicante Province	20203	4997	10905	-46%	+118%
Valencian Community	40281	8911	21236	-47%	+138%
Spain	251649	54835	141582	-44%	+158%

\*Costa Blanca South data formed from municipalities of Algorfa, San Miguel, Guardamar, Orihuela, Torrevieja, Pilar de la Horadada and Rojales

Costa Blanca North data formed from municipalities of Villajoyosa, Altea, Alfaz del Pi, El Campello, Teulada-Moraira, Jávea, Denia, Calpe and Benidorm.

## Costa Blanca South

The Costa Blanca South is the focal point of the coast's recovery with Orihuela Costa leading the way. The peak to present fall for Orihuela municipality in sales now stands at -30% with the increase on the lowest level at a huge +189%. Torrevieja is also recovering extremely well with sales down 44% on maximums but up +160% on minimums.

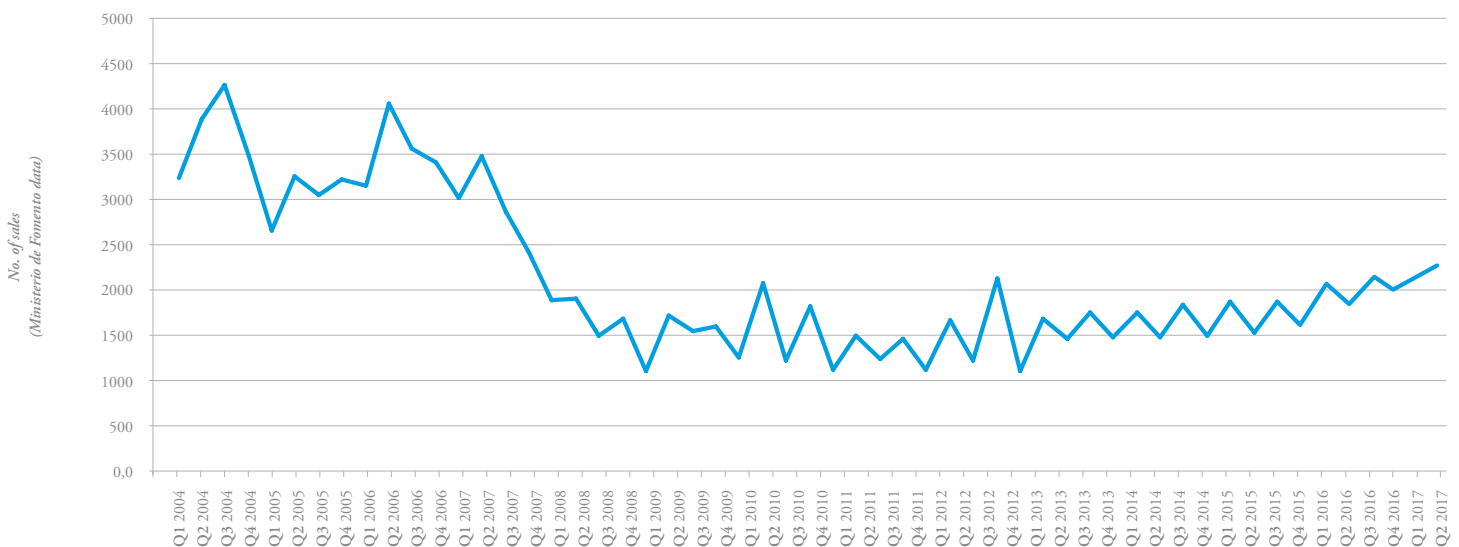
Resale property is becoming ever more dominant on the Costa Blanca South as the new wave of developments caters more towards low density, higher-quality housing. There is also now a lack of available land in the most sought-after areas and the land which is available is expensive.

This is leading many developers to invest elsewhere in places such as the Costa Cálida (Murcia) and further North on the Costa Blanca in order to acquire plots nearer the coast rather than spending the same money buying plots far from the front-line in Orihuela Costa or Torrevieja.

Looking forward sales should continue to rise as once the effect of the Brexit has been mitigated there is no real danger being presented by the Brexit and the corresponding fall in the value of the pound. First conclusions from those within the sector indicate that British interest has hit hard during the first quarters after Brexit although this quarter sales made by British have increased and therefore we consider the market will continue to stabilize and therefore the trend will be to rise. •

## Costa Blanca North

Sales on the Costa Blanca North have never been as high volume as on the Southern section of the coast but the area has still recovered well from the crisis and sales are up 111% since bottoming out. •



As with prices Benidorm is the standout performer so far and sales have risen by 173% since they reached their minimum in the first quarter of 2013. Denia is another of the major municipalities on the Northern section of the coast and has traditionally been more high-volume in regards to sales than neighbouring areas but has seen sales suffer considerably since the crisis hit. The recovery in sales is still in the phase of consolidation but with prices being significantly lower than in Moraira and Jávea the town is expected to see volume return over the next couple of years.

Jávea is considered to be one of Spain's most luxury destinations with beautiful surrounding scenery and a type of development based more on individual villas and low-rise apartment blocks making the area very popular with wealthy foreign buyers. •

## Foreign buyers

### *Brits Top the List of Spanish Property Buyers despite Brexit Fears*

According to the property registrars, Spain's housing market has shown significant signs of recovery, having increased in transaction volume by 14,7% in the second quarter of 2017 to achieve the best performance since 2010.

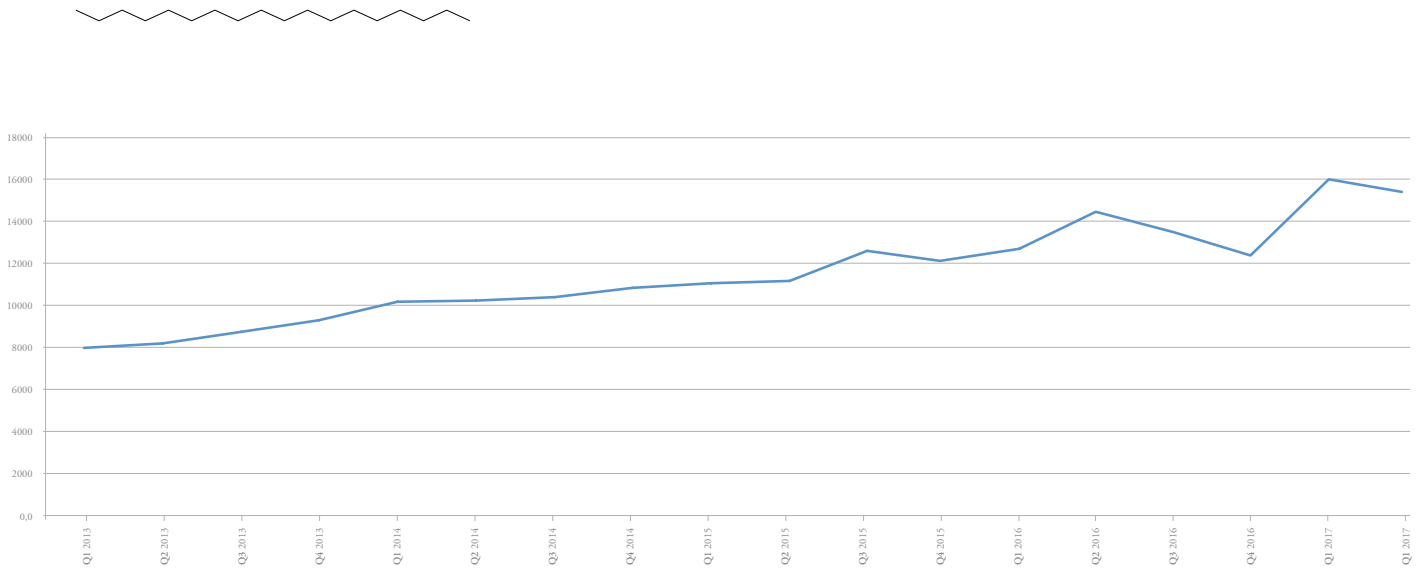
The growth in the number of housing sales has not diminished foreign demand, maintaining levels similar to previous quarters. 13,06% of home purchases registered in the second quarter of the year were made by foreign citizens, which is around the same as in the first quarter which stood at 13,07%.

The number of home purchases by foreigners in the second quarter approached 15.600, up slightly from 15.000 in the first quarter and just less than 12.700 in the fourth quarter of 2016. Consequently, it is widely acknowledged that foreign interest is one of the great strengths of the Spanish real estate market, boosting prices further as the sector's recovery continues.



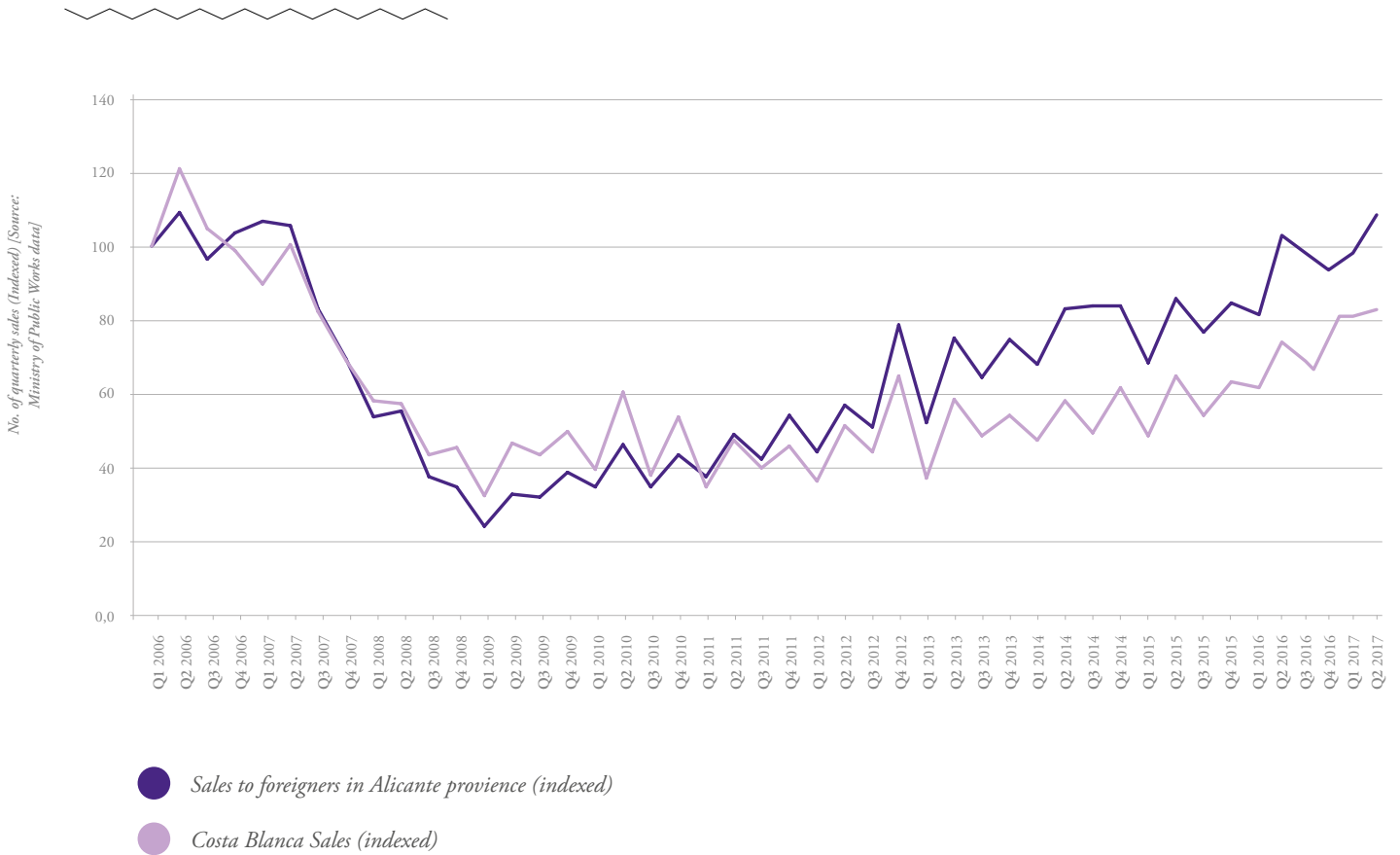
The percentage of properties bought by foreigners rises on the coast and Alicante province has the highest percentage of foreign buyers in Spain at 45,21. in Q2 2017 according to the Ministry of Public Works in Spain. •

Evolution of No. Of Spanish property purchases made by foreign buyers (Q1 2013 - Q2 2017)



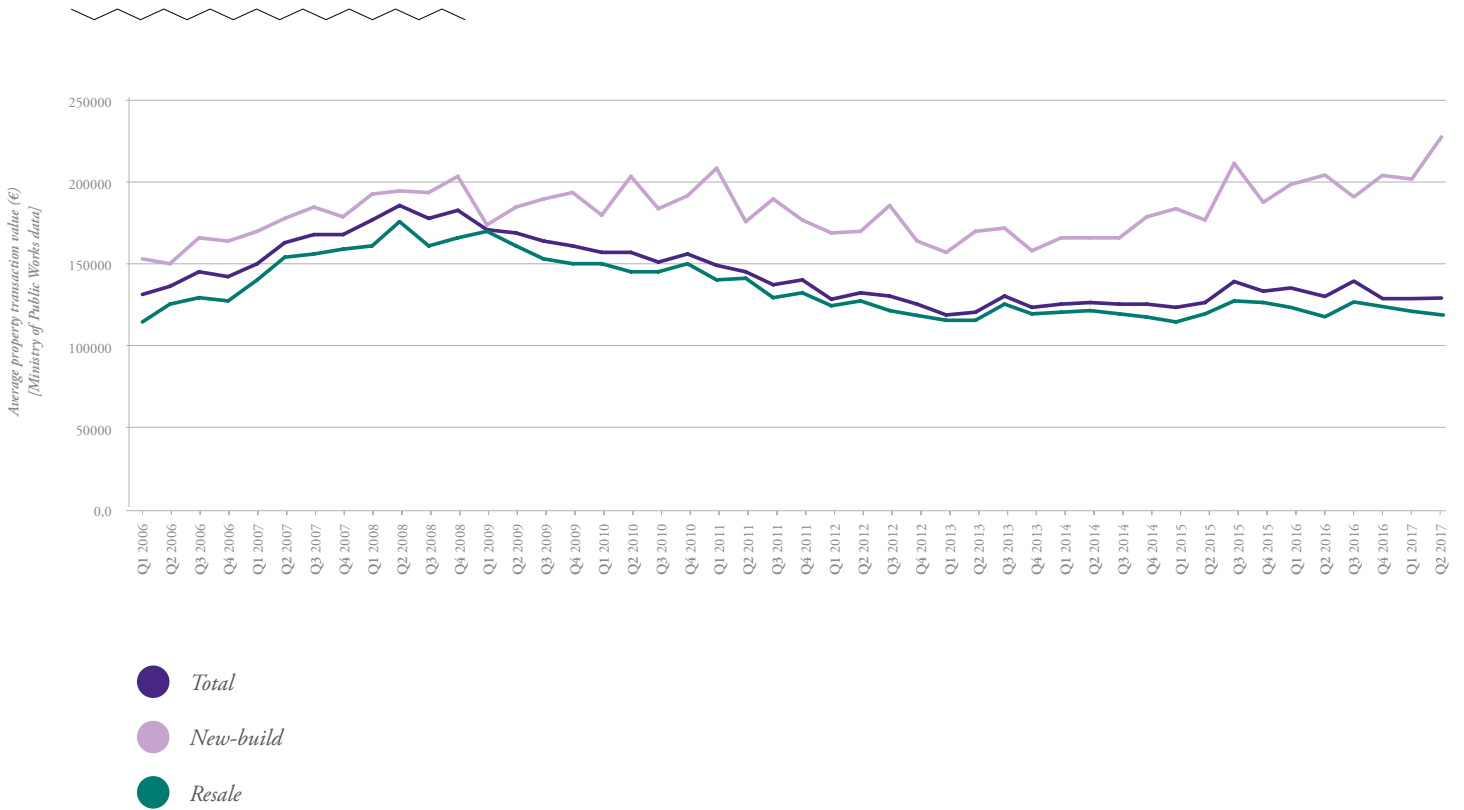
These calculations of course include the whole of Alicante province with the city of Alicante and the province's interior contributing to the figures, with this in mind it is fair to say that purchases on the Costa Blanca itself are likely currently around 70% foreign. •

Comparison: Costa Blanca sales / Sales to foreign residents in Alicante province Q1 2006 - Q2 2017



The investment made by foreigners in Alicante property during the 2nd quarter of 2017 was €644million, 52% of the total €1.247million invested. This puts the average amount spent by foreigners on Costa Blanca property at 130.609, significantly higher than the €101.100 average spent by Spanish nationals in the province. •

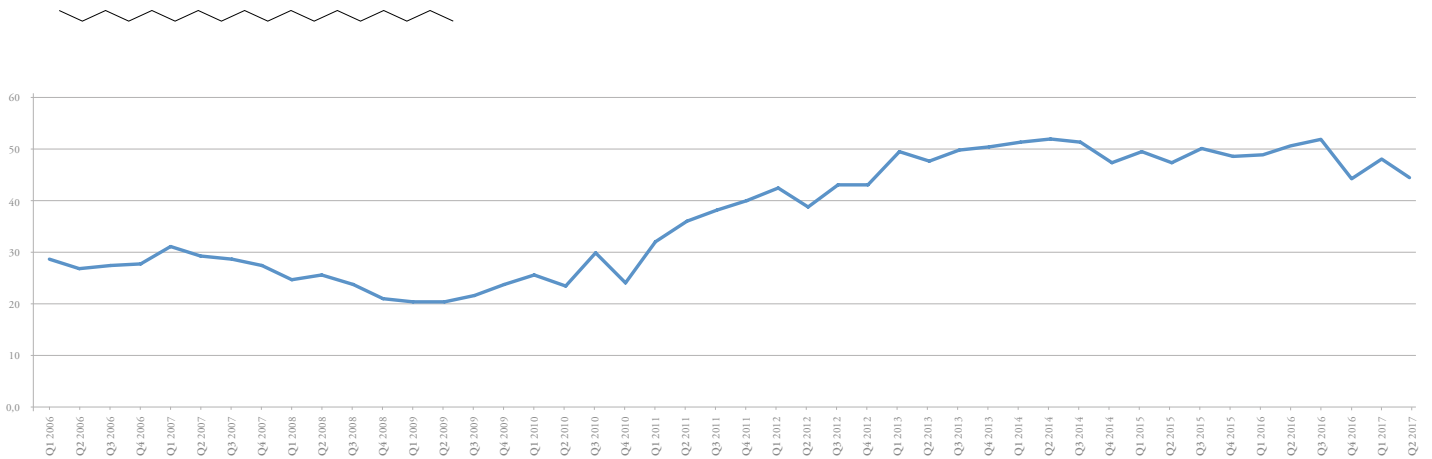
Average value of properties purchased by foreigners in Alicante province Q1 2006 - Q2 2017



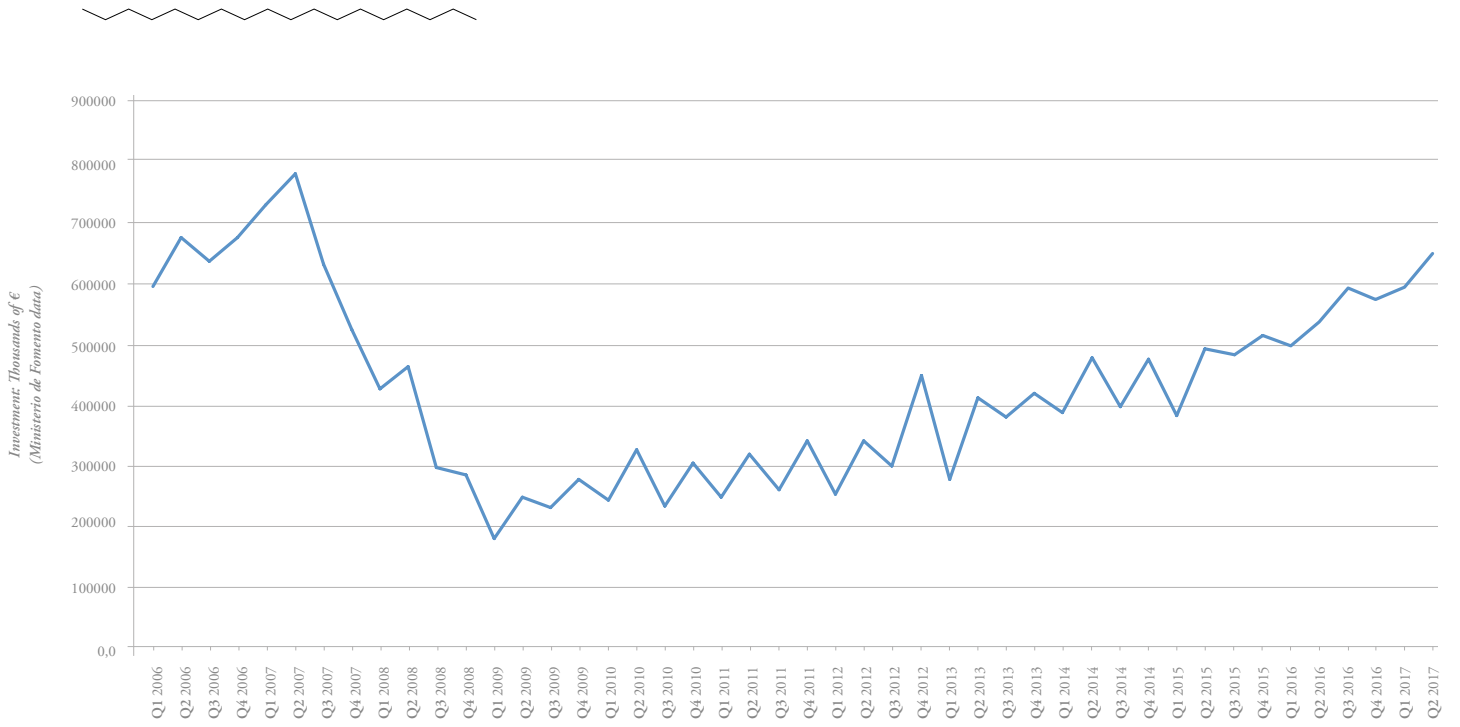
New built property prices are certainly rocketing upwards with a 10% increase in Q2 2017 compared to Q1 and a 27% increase from Q2 2017. On the other hand resale prices are quite flat , showing the disparity in price performance between new built vs resale. •

Investment by foreign residents is down 17,5% on the peak level reached in Q2 2007 but has been rising steadily since bottoming out in the first quarter of 2009. Q2 2009 saw the lowest percentage of foreign resident buyers in Alicante province for our data set at 20%, the foreign market has since recovered extremely strongly and since the beginning of 2013 has accounted for approximately 50% of total Alicante province sales. •

% of foreigners among resident buyers in Alicante province (Q1 2006 - Q2 2017)



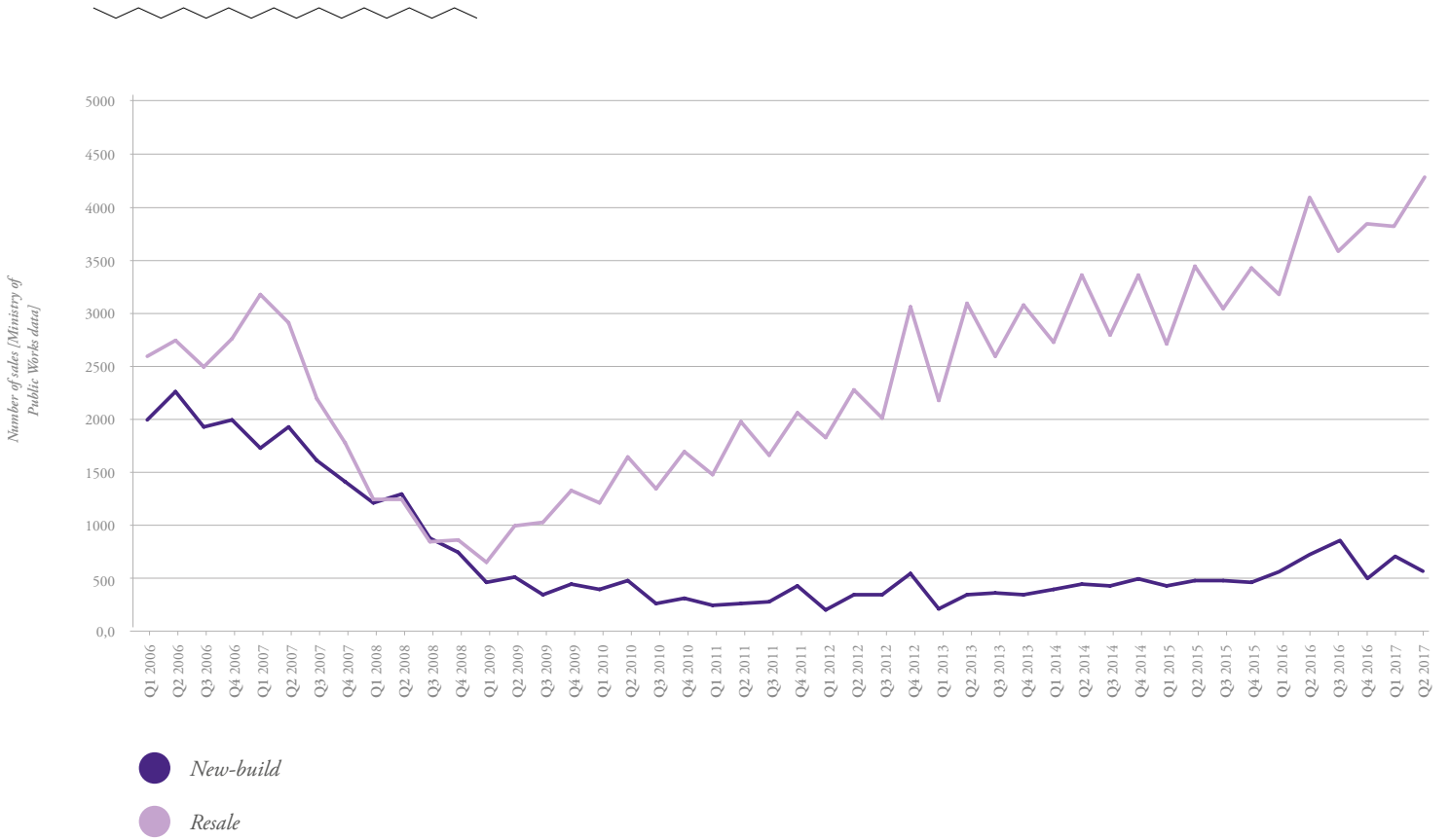
Investment by foreign residents in property in Alicante province (Q1 2006 - Q2 2017)



As the data clearly illustrates, the rise in sales to foreigners on the Costa Blanca has been made almost entirely on resale property with new-build having recovered from lows of around 250 a quarter but still sitting at about 600 a quarter a long way from the pre-crisis highs of 2.500 – 3.000 per quarter.

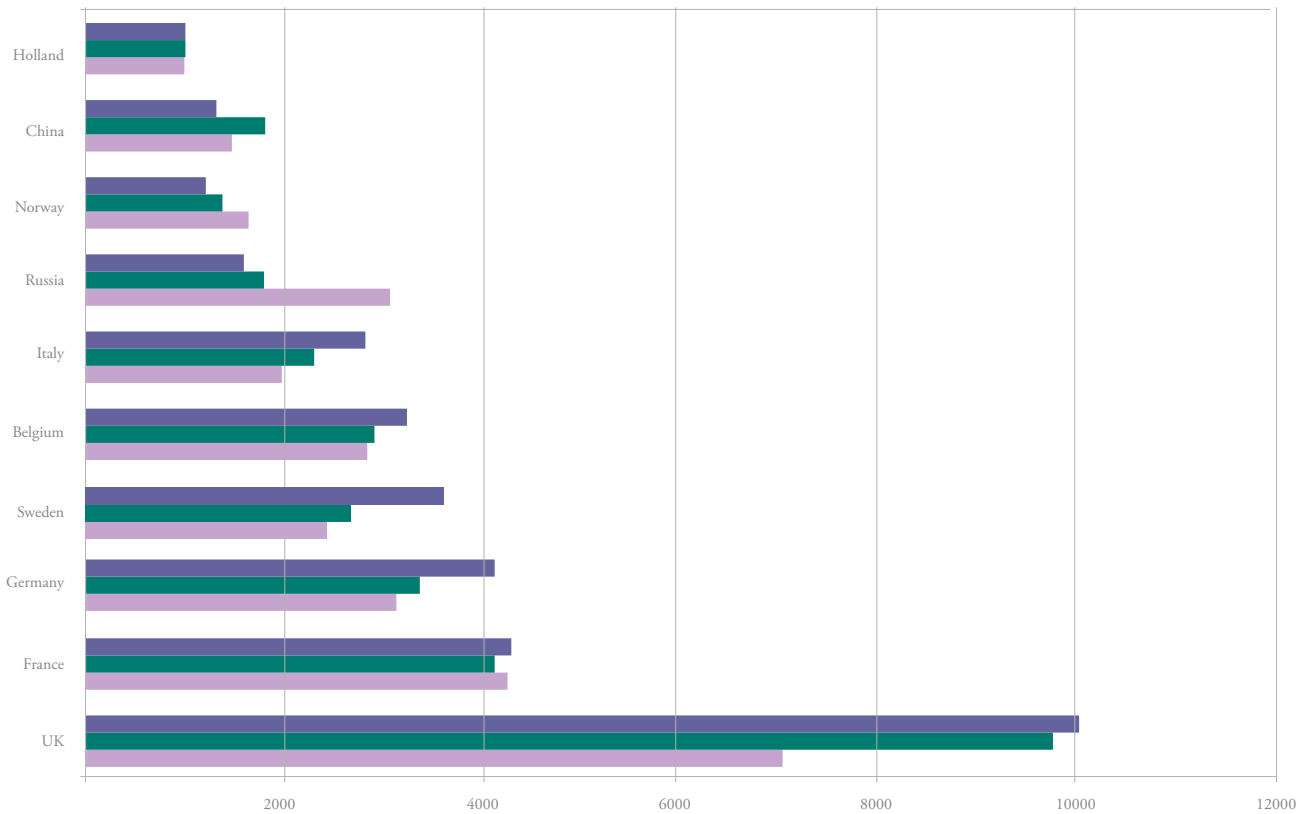
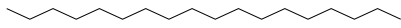
The total amount of new built properties will increase, however this picture will probably stay the same in the near future as focus has moved away from the macro-developments including golf courses and settled on smaller boutique developments and the sale of already existing stock, of which there is a lot. •

Number of sales to foreign residents in Alicante province by property type



## The main players

Comparative graph: Spanish property sales to top 10 foreign buying nations

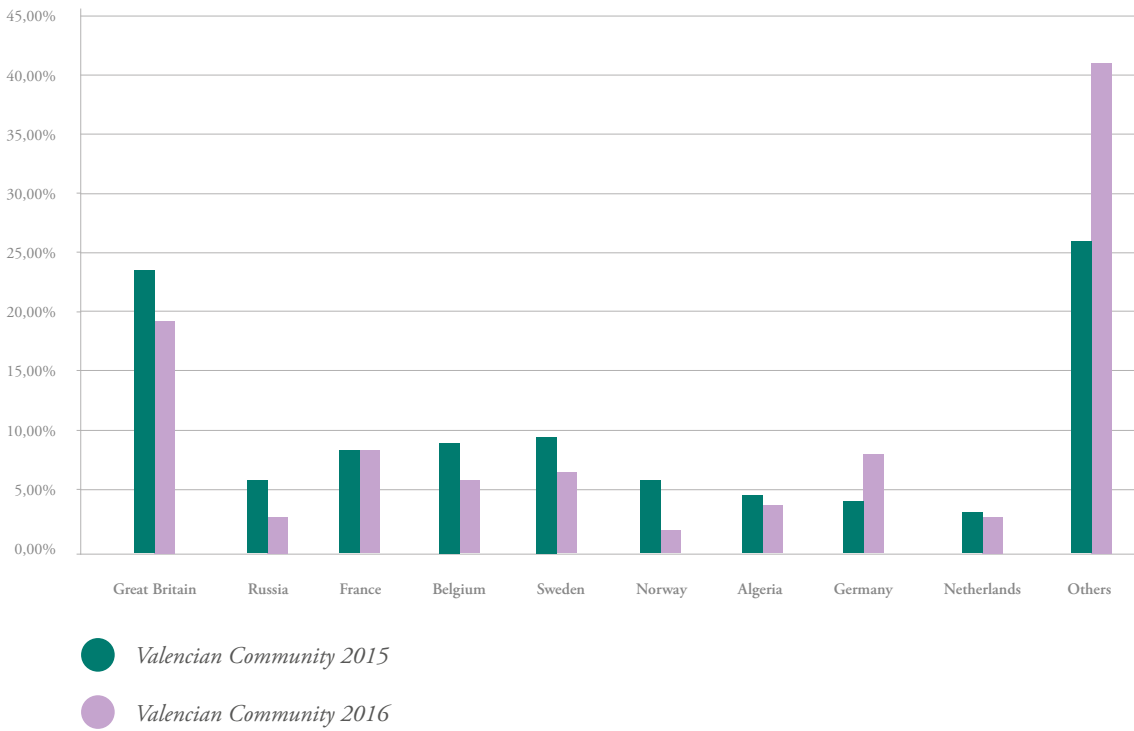
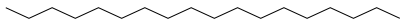


Number of sales (Spanish Property Registrars data)

- Total sales 2016
- Total sales 2015
- Total sales 2014



### Foreign sales comparison 2015 | 2016 in the Valencian Community

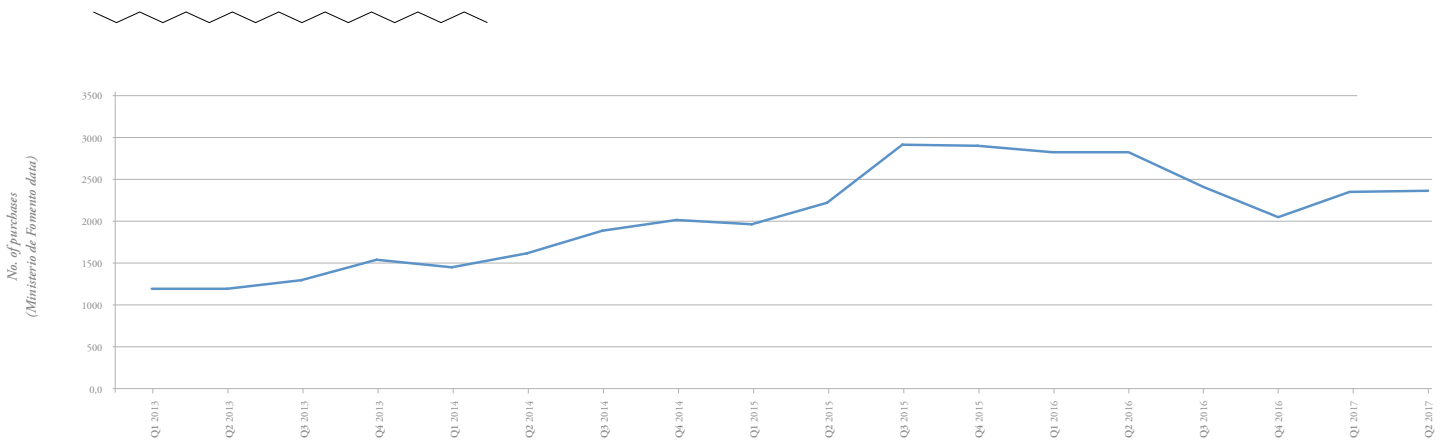


### British Buyers Show Renewed Appetite for Spanish Homes

Research shows that British buyers had held off from buying Spanish property, with figures showing declining interest, which is almost certainly as a result of a looming Brexit. However, interest in Spanish property has picked up considerably among British in 2017 to represent 14,9% of foreign property purchases in the second quarter of the year.

This increased confidence from the British in Spanish real estate is likely to be as a consequence of the poor performance of sterling to the euro in recent months, which makes Spanish property more attractive over the long term. There also exists a critical affordability issue for people looking to buy property in the UK which is forcing more Britons to look to purchase in the Eurozone, where they are able to get much more value for money. •

Evolution of No. Of Spanish property purchases made by UK buyers (Q1 2013 - Q2 2017)

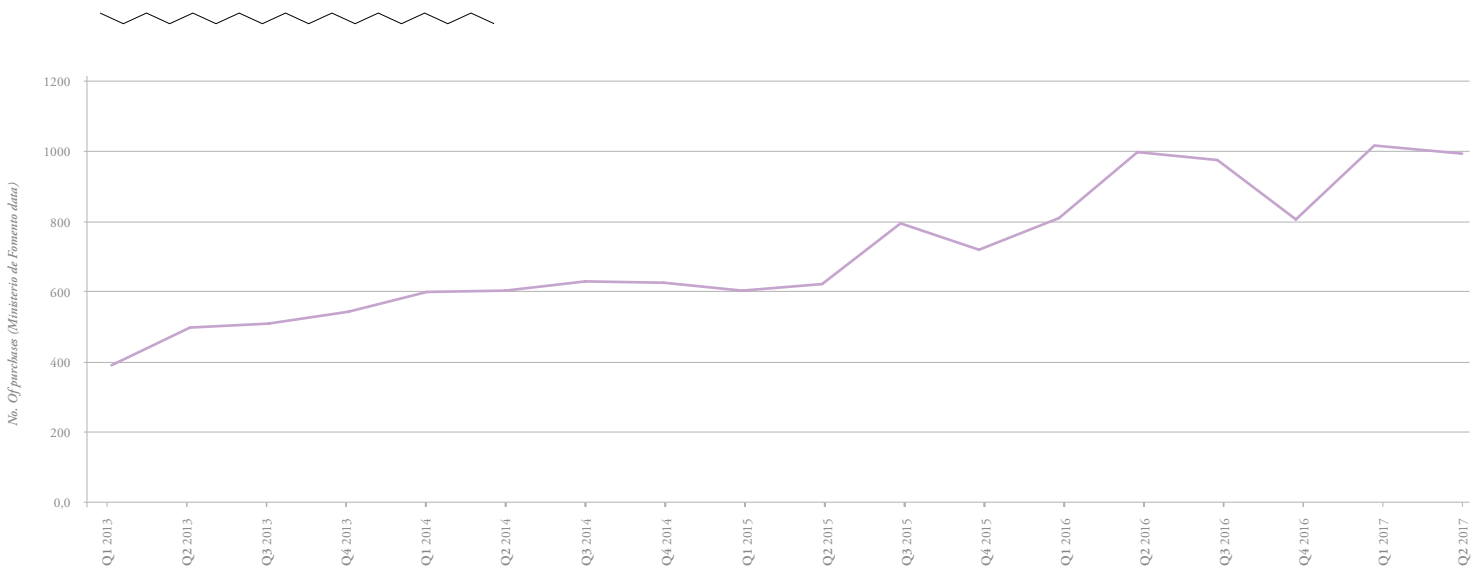


### Spike in Swedish interest

By the end of 2016 Swedes were the fourth largest foreign market for Spanish property and one of their favourite destinations is the Costa Blanca South with Torrevieja and Orihuela Costa attracting large numbers of Swedish buyers as well as areas close to Alicante airport such as Arenales del Sol. The positive trend has continued into 2017 with the quarterly number of Swedish buyers just below the 1000 mark.

In sixth place come the Swedes, with 6,17%, representing an increase in total numbers of sale although a decrease in relative weight with respect to the previous quarter (6,33%). Despite the increase in number of sales they have not retained their fourth place slot in the property purchase ranking now for several quarters, making this nationality one of the most active in the Spanish property market over the last few years. •

Evolution of No. Of Spanish property purchases made by Swedish buyers (Q1 2013 - Q2 2017)

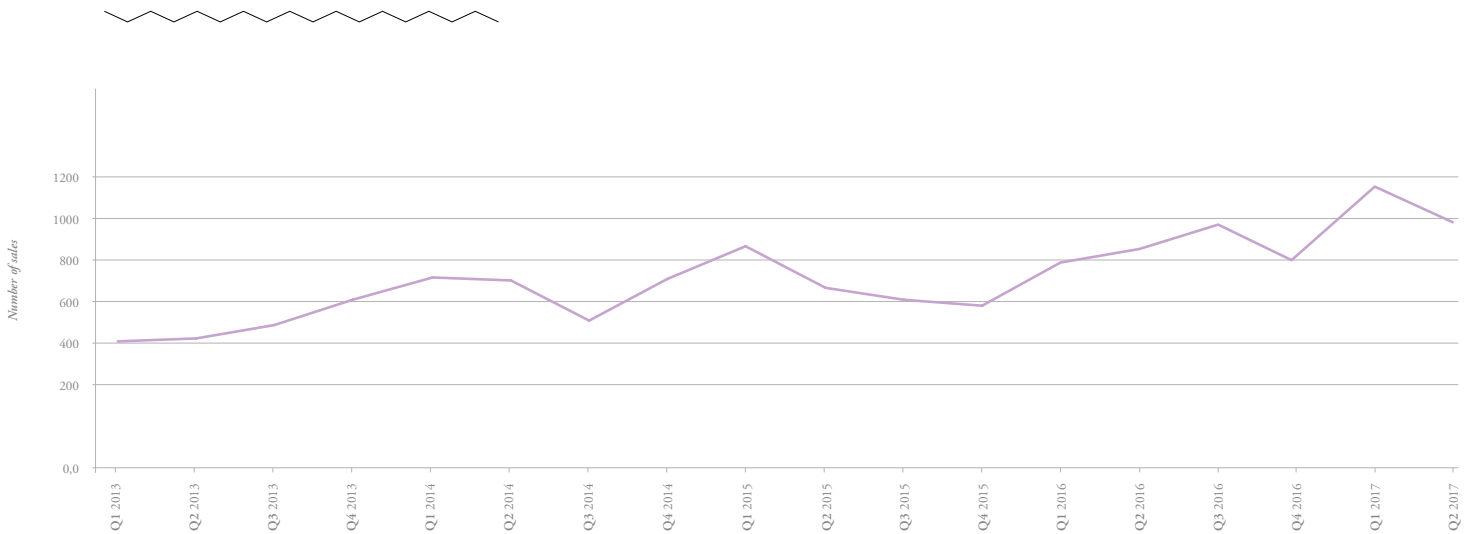


## Influx of Belgians

Belgian buyers have become extremely important to the Costa Blanca’s property market after 4 years in which their numbers have grown exponentially. The average number of Belgian buyers of Spanish property is now at between 900 and 1000 per quarter with a total of 3.244 in 2016. Many of these buyers invest on the Costa Blanca with large numbers of Belgians buying the area’s new-build property particularly on the south of the coast.

The Belgians rise to fourth position with 6,37% of accounted sales during the second quarter, making them, along with the Italians, the French and the Swedes, one of the fastest growing nationalities during the last quarter. The Belgians are also starting to become a growing force in the Spanish housing market. •

Evolution of Spanish property purchases made by Belgians (Q1 2013 - Q2 2017)



### Other nationalities

The second most active nationality in Spanish real estate markets is the French, who made 8,48% of foreign purchases in the second quarter. This is a slight decrease compared to 9,64% in the first quarter, although French interest remains relatively consistent in recent years.

In third place are Germans, who took 7,79% of the market share, consolidating the slight upward trend of recent years to bring levels close to historical highs. Belgians (6,37%), Italians (6,17%) and Swedes (6,17%) followed, with results similar to those achieved in recent years although there is now growing interest among Italians in the Spanish housing market.

The profile of foreign buyers shows their demand is in housing for tourism purposes, either for holiday rentals or second properties. Foreigners from countries with a high per capita income level have shown an increased appetite for Spanish property in recent months, showing that affluence has returned in most parts of Europe this year. •

New-build vs Resale Spanish property sales by nation 2015 - 2016



## A Bright Outlook for Spain's Property Market

Increased transaction activity among foreign buyers combined with more domestic purchases has boosted the housing market considerably. The outlook for the future is considered to be extremely bright on the back of increased activity from both foreign and domestic buyers and the construction sector has already begun to reap the benefits, with more building projects being restarted that had previously been abandoned.

Interest in Spanish property for second home investments has also increased in response to the consistently rising tourist visitor numbers Spain has enjoyed in recent years. Now officially the most popular tourist destination in Europe, Spanish housing also represents significant value to foreigners in comparison with their native countries, either due to affordability or supply. The opportunity to earn significant rental income while seeing capital appreciation is a compelling argument for foreign purchases in Spain that will continue to attract buyers for the foreseeable future. •

If you have any questions on any aspects of the report or would like to enquire about how to invest in Costa Blanca real estate please contact us directly at [info@fuster-associates.com](mailto:info@fuster-associates.com) or call us on +34 965 271 505.





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