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Stephen Lahiri
Director Lucas Fox Marbella

MARBELLA REAL ESTATE MARKET: OVERVIEW

- Lucas Fox enjoyed its most successful year to date in 2013, ending the year with several major high value sales, ensuring the company's healthiest sales revenue since the company was founded 9 years ago and indicating another busy year ahead.
- The prime Marbella residential property market is still being driven by international clients who are attracted by low sales prices.
- This interest from international buyers has also been driven by the new Residency Law which enables non-EU buyers to acquire residency via property investments over €500,000.
- In 2013, Spain became the third most popular tourist destination in the world, with over 60 million visitors visiting the country over the course of the year. At

its peak summer month of August, the Malaga-Costa del Sol airport welcomed over 1.589 million airline passengers, and across the year airport arrivals grew 2.7% over 2012 total passenger arrivals.

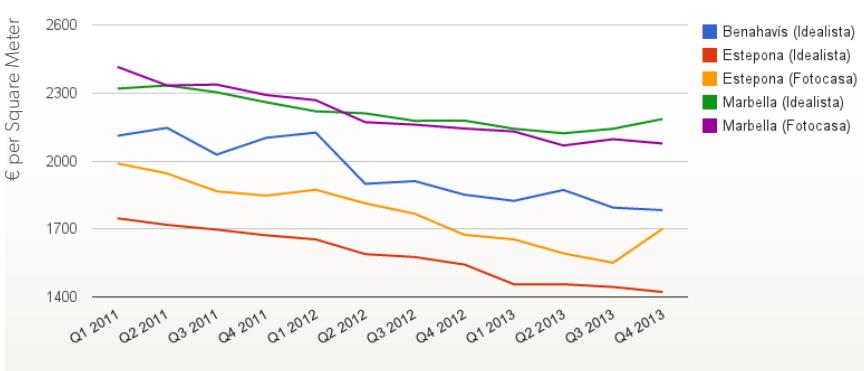
- Across 2013, average sales prices for luxury properties in Marbella averaged between 4,500 Euros per square metre to over 6,000 Euros per square metre.

SUMMARY

Property prices continue to be heavily discounted across the market, with average sales prices 40-50% lower than during their peak in 2007.

Average sales prices in the broader market and in the prime property market are beginning to stabilize in the Marbella area, and there appear to be signs of less variation between asking and sales prices. This trend is also due to sellers being better informed on market activity thereby pricing their properties to sell with less





It is important to distinguish between the Districts and Towns of each location. Estepona Town for example, has a lower average sales price per square meter than the prime and popular location of the New Golden Mile which is located in the Estepona District. The same can also be said for the District of Benahavis, where La Zagaleta and other urbanisations such as La Alqueria & El Puerto del Capitan are located.

room for negotiation. In Marbella, however, prime located properties in locations including Puerto Banus and Marbella's Golden Mile within walking distance to beaches and amenities and with sea views, retained their sales values substantially better than the secondary market.

Overall, Malaga region ended the year with an average asking price of €2,131 per square metre. Turning again to Marbella's prime real estate market, which is where demand is highest, average quoting prices range from €4,500 per m² up to, and, in some instances, over €6,000 per m².

While the Spanish market overall remained subdued in 2013, sales transactions in the Malaga (including Marbella) region increased across the summer months as more visitors were prepared to close property deals during their annual visits to the area. Across Q3 and Q4 2013, property transactions for all of Malaga, including Marbella averaged 1,483 per month.

Tourism continues to increase year-on-year in Marbella, with hotel occupancy rates at their highest during 2013 according to the Andalucian Tourist Authority, resulting in greater demand for short-term rental

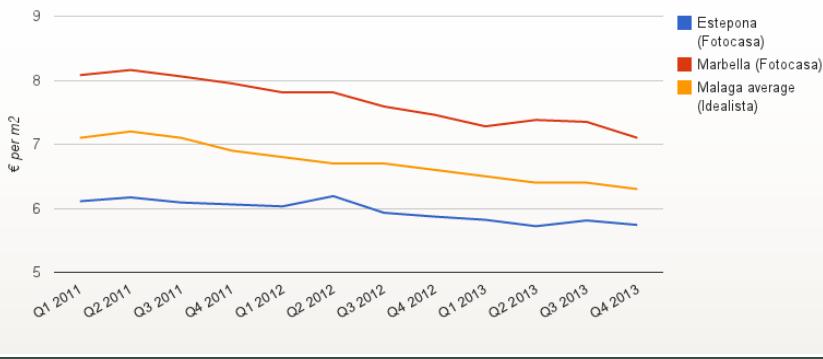
across the long summer months from April to October. The attractive rental market also sustains a good majority of property owners from the need to sell quickly and therefore permitting them to hold until the sales market strengthens.

Across Malaga (which includes the exclusive zones around Marbella) there was a dip in sales transactions during the mild winter months of February and March, activity began to climb quickly from April, with the majority of properties changing hands from July to October. In Q3 and Q4 2013, property transactions for all of Malaga, including Marbella averaged 1,483 per month.

Average asking property prices began to stabilise in Q3 & Q4 2013 in Benahavis District, with an overall average price of €1,783 per square meter by Q4 2013, down €68 per square meter from 12 months prior. Sources of data for the high-end markets of Estepona and Marbella contradict each other: Spain's largest web portal Idealista shows increases in property asking prices in the final quarter of 2014 for Estepona District and Marbella, while Fotocasa shows slight decreases. The averages between the two sources suggest that at Q4 2013, average asking prices in Estepona District were €1,561 per square metre and ended the year at €2,131 per square metre in Marbella.

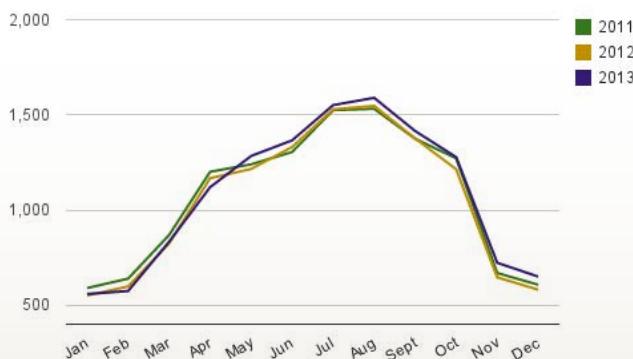
Average rental prices ended 2013 at €7.10 per square metre. Estepona averaged the lowest of the selected Malaga areas at €5.74 per square metre, while overall both areas reflected the Malaga market's overall continued slight decreases in average rental prices per square metre, with the region's average rental prices dropping €0.30 from Q4 2012.

Tourism arrivals continued to strengthen in the region in 2013, with continued year-on-year growth over previous years' airport passenger arrivals. At its peak summer month of August, the Malaga-Costa del Sol airport welcomed over 1.589 million airline passengers, and across the year airport arrivals grew 2.7% over 2012 total passenger arrivals.



Average Marbella rental prices (selected areas), Q1 2011 – Q4 2013

Source: Idealista.com, Fotocasa.es



Passenger arrivals to Malaga/Costa del Sol airport, 2011 - 2013

Source: Aena.es

ANALYSIS AND FORECAST

"We continued to see increased interest from international buyers in the second half of 2013," says Stephen Lahiri, Director of Lucas Fox Marbella. "This became more pronounced with the introduction of the Golden Visa Spanish residency permit for property purchases of greater than €500,000. While demand from UK buyers for luxury properties has reduced, we are seeing a significant growth in interest amongst Scandinavian, Asian, Middle

East and Russian buyers who recognize the long-term value of many of our best properties at the luxury end of the market.

The consistent rental rates, discounted property prices, and access to quality lifestyle and recreational amenities are spurring buyers on to take advantage of the market in Marbella at present. We expect this to continue to grow in 2014, as we see further signs of the market bottoming out, and greater competition for the quality properties at the prime end of the market.

It is also clear that the local demographics are changing. Marbella is still a popular second home location for retirees and more mature buyers, but the market is now being dominated by buyers aged between 30 to 45 years who want modern properties in prime locations. Their focus is on quality contemporary holiday homes. This is creating a two tier market as the older, more traditional properties are harder to sell unless they are heavily discounted to facilitate renovation and modernization works to be undertaken.

Taylor Wimpey, an established British developer with a track record spanning over 50 years in Spain, once had over 70% of their buyers sourced from the UK. Today's market shows very different statistics as demand from overseas countries has increased with 25% of buyers now originating from Russia, 25% from the Middle East, 25% from Northern Europe, in particular France, Belgium and Scandinavia, and 25% from the UK."

“In 2014, we expect the trend to continue with high demand for designer villas and contemporary luxury apartments in the exclusive areas around Marbella, from La Zagaleta and the Golden Mile to Los Flamingos and Puerto Banus. ”

Stephen Lahiri
Director Lucas Fox Marbella

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