

HOW IS THE MARKET?

February 2022

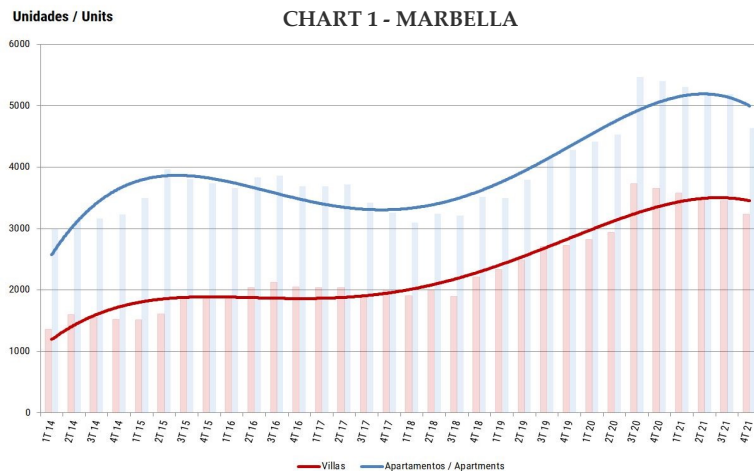
Less homes for sale in Marbella and Benahavis

Although there are no official numbers confirming the market inventory - that is the number of homes for sale - it is possible to make an estimation based on information found in real estate portals and property databases. This at least gives us an idea of what the tendency is.



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This tendency of the inventory for Marbella and Benahavis is shown on Charts 1 and 2. Looking at both charts, the tendency is clear. There is a reduction of the number of properties for sale in the market, which is directly associated with the increase of the number of sales we have been experiencing. The inventory reached historical maximums in the last years and as I mentioned before, this affected property prices. The real estate market works in the same way as other markets: more offer available, lower prices. Now we are in a situation with more demand, more sales, and less inventory, which should push up the prices as was the case in 2021.

Looking at the details, we can see that the inventory is going down for all types of properties and prices apart from villas on sale for more than 1.500.000 euros. The tendency in this range is similar in Marbella and Benahavis, staying stable rather than going down.

The conclusion is that the market is moving from a "buyers' market" to a "sellers' market" and this market change will be reinforced if the figures continue going in the same direction, that is more transactions and less inventory.

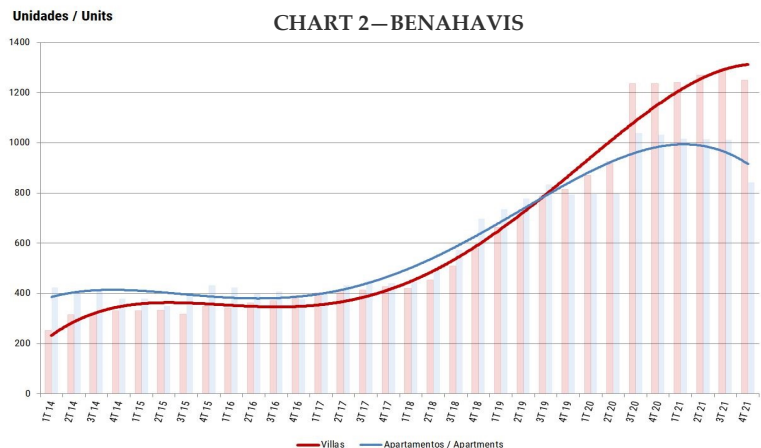
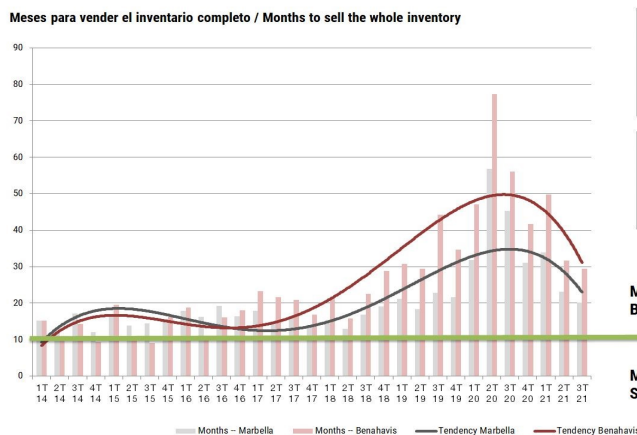


CHART 3 - ABSORTION RATE



** Cuando el número de meses necesarios para vender todo el inventario es inferior a 10 estamos en el **Mercado de Vendedores**. Si es mayor que 10, estamos en un **Mercado de Compradores**.

** When the number of months required to sell the whole inventory is less than 10, we are in a **Seller's Market**. If it is greater than 10, we are in a **Buyer's Market**.

Mercado de Compradores
Buyer's Market

Mercado de Vendedores
Seller's Market

The chart showing the absorption rate - or the number of months it takes to sell the whole inventory - attached on the left as Chart 3, shows exactly that. A reduction in the number of months to sell the full inventory means that it is easier to sell now than it was a year ago.

Source: Registradores, Ministerio de Fomento

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Can I get a mortgage for a property that does not adhere to land use regulations?

A while ago we analysed what is considered a property that does not adhere to land use regulations. But can you get a mortgage for a property in this situation?

Generally speaking, it can be difficult to get a mortgage approved for these properties because banks do not want to take any risks and as these properties can be considered “illegal”. The bank doesn’t consider them adequate collateral to grant a mortgage. However, there are cases where banks have agreed to a mortgage, depending on the reason why the property did not adhere to land use regulations. In this article we will talk about cases where this has been possible - at least in Marbella, where there are approximately 18.000 properties with this problem, so the situation is a bit different.

What properties, that don’t meet the regulations, are banks approving mortgages for?

When speaking to banks about this subject, they respond that it depends on the surveyors and the caveats they include in their property evaluations. The caveats are categorised into major issues, for which no mortgages are granted as the property is not sufficient guarantee, and minor issues, which the bank will look into in more detail and may ask for additional guarantees.

Having received this information from the banks, we contacted some surveyors with years of experience on the Costa del Sol that more or less confirmed what the banks were saying: Properties built on public domains, plots for green areas, plots planned for parks and gardens or simply not planned for residential use will receive a serious warning on the valuation report that will block the granting of a mortgage, while properties built on residential land, for which the surveyors consider that the infraction is not that serious, will receive a minor warning that will open the door for the banks to study that specific mortgage.

** Given that each case is different and being this text just a simple touch on the issue, we recommend consulting your lawyer regarding the contents of this article.

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