

HOW IS THE MARKET?

April 2022

2021, record year for closed transactions in Marbella and Benahavis



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Great surprise to see the numbers published recently by the Ministry of Housing on the numbers of closed transactions at the fourth quarter of 2021 for the municipalities of the Costa del Sol. The sale numbers are even better than expected. We knew that the fourth quarter of last year had been a good one but we were not expecting to reach those levels that are, in some cases, higher than the ones of the years before the 2008 crisis. In fact, in Marbella, Benahavis, Estepona and Mijas, this last quarter of 2021 has been the best in the number of closed sales in the history of those municipalities.

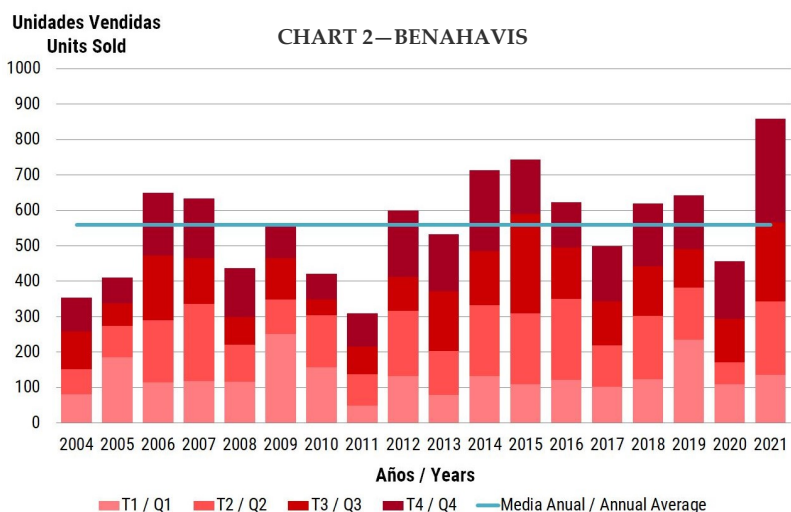
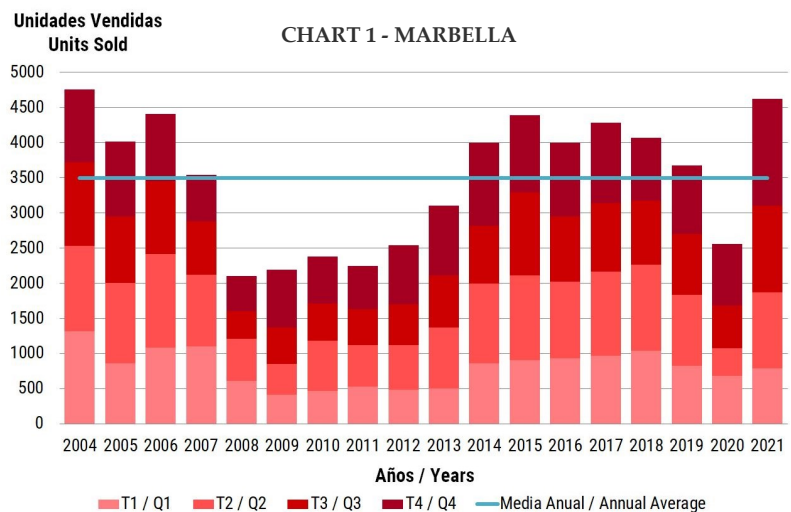
When looking at Chart 1 with the closed transactions per year, it shows that 2021 has been the best year after 2008. The tendency was showing a decline since 2017 but 2021 broke that downward tendency. A lot was said about a post pandemic recovery taking into account that people preferred to spend the time confined in a nice home in Marbella enjoying our weather than in some other places of Europe and that it is perfectly possible to work remotely for business owners while living at the coast. However, the rebound has been unexpectedly high.

If a look is taken to the data of Benahavis shown on Chart 2, it can be seen that the numbers are amazing and that 2021 has been, with a difference of a +15%, the best year ever in the history

of Benahavis when considering the number of closed transactions. That number comes from an incredible number of closed sales in the fourth quarter that has been an amazing 28% higher than the previous record year, 2014.

Although the charts for Estepona and Mijas have not been included, they show for Estepona, as in Benahavis, historical records and, for Mijas, the best year since 2008.

Having this spectacular numbers brings the next question that is for how long the market will maintain this level of activity. The best answer is who knows but we would really like to know it. In general, the predictions state that the stress on the economy caused by energy prices may continue to the summer and then will relax. That also will affect the inflation in Spain that is expected to be on 7,5%, too high for this year and not sustainable, but with a prediction to go down to at least 4% next year. That will also push the interest rates up which is not good for the sales but does not affect that much, if they stay on normal levels, to holiday homes. Therefore, although the economy in general may be stressed at least in the short term, the conditions that caused the level of sales we are having are still there so, and this a general comment I am hearing in the market, everybody expects at least another two years of high activity. Time will tell.



Source: Registradores, Ministerio de Fomento

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Did you know that the calculation of the plusvalía Tax was change in 2021?

The so-known Plusvalia Municipal or Tax on the Increase in Value of Urban Land is a tax payable to the municipalities when selling a property in Spain that taxes the increase in value over time of the land on which the property is built. Until October 26, 2021 this tax was calculated based on coefficients set by each municipality, the cadastral value of the land on which the property is built and the number of years of ownership. On that date the Spanish Constitutional Court declared illegal this tax, which in many cases had to be paid without having had capital gains on the sale of the property, and the Spanish Government, in record time due to the implications it has on the financing of the municipalities, approved a Royal Decree establishing two alternatives for the calculation of the tax.

These two alternatives are as follows:

- **Objective formula:** the tax base will be obtained by multiplying the cadastral value of the land on which the property is built by new coefficients which will evolve according to the real estate market and which will be approved by the local councils without ever being able to exceed certain maximums set according to the number of years elapsed since the purchase. This formula is similar to the one used previously.
- **Real formula:** the taxable base is calculated as the difference between the acquisition price and the sale price of the land. If the result of this calculation is lower than that of the objective formula, the seller can use this value. If a loss is incurred when selling, the taxable base is negative and, therefore, lower than what can be obtained with the objective formula, so that no tax would be payable.

In general, the selling taxpayer has the right to choose the modality that is most favorable to him, so he will not pay the tax in the case of selling at a loss.

** 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.



El Retiro de Bel-Air, Estepona
2 Bed, 2 Bath, 110 Sqm built, close to beach
239.000 €



Los Flamingos, Benahavis
7 Bed, 7 Bath, 1.744 Sqm built and sea views
2.900.000 €

Owner's Review



December 2021

"Highly professional service all round. Alfonso has higher fees than many others but in our experience with a property, that for unknown reasons had been hard to sell, he earned his fee. There is no doubt that his methods of finding buyers and following up opportunities are effective. Communication was excellent. We are very satisfied with the service and the team supporting the sales effort. We had absolute confidence in Alfonso and his skills in reaching agreement with potential purchasers and despite the market dictating a price which was a little painful to accept, Alfonso broke the log jam for us and after a few years on the market, was the one who delivered the result we wanted."



**Thinking of selling or tired of waiting for a sale?
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