

# NEWSLETTER

## How is the Real Estate Market?

ALFONSO LACRUZ NEWSLETTER, YOUR LOCAL EXPERT IN BENAHAIVIS AND MARBELLA

### ARE WE CLOSE TO ANOTHER 2008's, REAL ESTATE BUBBLE BURSTING?

We would say that we do not think so for five reasons: much less construction, what is being built is being sold, much less inventory, credits much more controlled, reasons for the growth are still there—lifestyle. We are going to base the reasoning on the information provided recently by the Ministry of Housing for 2022 on the number of homes being initiated and finished and the rate of sales of new units.

1. As it can be easily seen with Chart 1, in 2004 42.000 new properties were initiated in the Malaga province while in 2022 only 6.891 were started which represents only 16% of what was happening in 2004. Although the chart only covers from 2004 onwards, the peak of new construction was reached in the province of Malaga in 2003 with 83.274 units that means 12 times more than now. **We have heard that there is a lot of construction now but it is nothing compared to what we had on the boom years.**

2. Independently of the number of homes being built, the important number is how many of those are being sold. The green line on Chart 1 shows the number of new units sold versus the ones finished. In 2021 and 2022 the number is over 100% so more new units are sold than the ones being finished so

**the stock of new homes is being reduced.** If we check that line in the boom years, between 2004 and 2007, only 40% of the new built were being sold so, with the levels of construction mentioned on the above paragraph, the stock of unsold new homes was growing and growing crazily until the bubble burst in 2008.

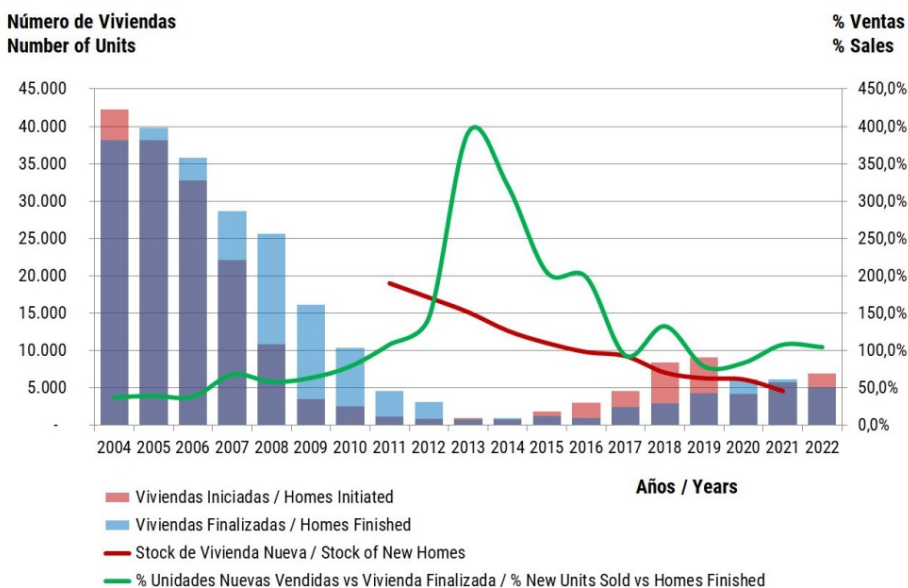
3. As said, with lots of unsold inventory in 2008, what was the consequence? Massive reductions in price to be able to sell that collapsed the market and forced the bankruptcy of many developers that had been attracted by the fast growth of the market and left leaving those properties to be repossessed by banks. **The situation of the inventory is completely different now.** That situation is shown by the red line on the chart.

4. These developers were extremely active because of the easy access to loans that the banks were promoting that was really the main cause of the problem. Nowadays, having learned the lesson of 2008, **banks are much more restrictive with the credits to developers** and they have created special departments for these operations.

5. We have seen in the last years that the Costa del Sol has become a destination not only for those looking to enjoy a deserved retirement after a long

working life but also to people looking for the great lifestyle that Marbella & Benahavis are offering.

In summary, for the reasons we have exposed we don't think the situation is right now even closer to what happen in 2008. We are feeling a cooling down of the market caused by the macro economic situation and the increase in interest rates but we are facing a "normal" year after an extremely active and record year 2022.



Source: Colegio de Registradores de España

## THE 3% RETENTION TO NON-RESIDENTES WHEN SELLING IN SPAIN

Are you aware that if you are a non-resident in Spain and you are selling a property, the buyer will have to retain 3% of the agreed price to deposit it at the Spanish Tax Office?

1. Why is that? Every seller in Spain will have to pay taxes for the profit generated when selling a piece of real estate, i.e. a property. The taxes vary depending on your fiscal residency, that is if you are a tax resident in Spain or not, the profit obtained and should be calculated by your lawyer or tax advisor (check my previous article on that subject).

If you are tax resident in Spain, which shall be proved by a certificate of the Spanish Tax Office to be presented to the Notary that prepares the selling deed, you will pay the taxes on the profit generated in June of the year following the one when the profit was generated.

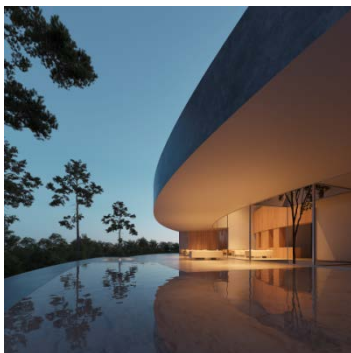
If you are not a tax resident in Spain, the Spanish Tax Office considers that it may be more difficult to clear the tax once the transaction is fully closed so it established the 3% retention that the buyers are obliged to deposit at the Tax Office in thirty days after the closing and derives the liability on

depositing that amount to the buyer. That avoids non-paid taxes and future problems with non-residents that may have left already the country.

2. What if the amount deposited is higher than the profit tax to be paid? In this case, the seller has to present a tax declaration, in three months after the one month period the buyer has to deposit the 3% retained, informing the Tax Office about the profit generated or even if there is no profit. Once the Tax Office checks the Tax declaration and that there are no other non-paid taxes by that individual, it will refund the difference between the amount deposited and the actual tax. In our experience those refunds are taking between six months and one year.

3. What if the 3% retained is not enough to cover the profit tax generated? In this case, the seller also has to present a profit tax declaration in the same period as before and pay the additional amount to cover the full tax amount.

*\* Since each particular case is different, it is highly recommendable that you check your own tax situation with your lawyer or tax advisor.*



Brand New Villa, Benahavis  
6 bed, 8 bath, 1.004 m2 built  
2.400 m2 plot for 4.990.000 €



Apartment, Pto. del Almendro,  
Benahavis  
2 bed, 2 bath, 116 m2 built  
Sea views for 259.000 €



Brand New Apartment, San  
Pedro de Alcántara  
3 bed, 2 bath, 125 m2 built  
Fully refurbished for 375.000 €

