

NEWSLETTER

How is the Real Estate Market?

ALFONSO LACRUZ'S NEWSLETTER, YOUR LOCAL EXPERT IN BENAHAIVIS AND MARBELLA

WHAT ARE THE PRICES DOING IN THE REAL ESTATE MARKET OF MARBELLA AND BENAHAIVIS?

After the publication of the information on prices by the Ministry of Housing, the Land Registrars Association and the real estate portal Idealista for the first quarter of 2023, the first conclusion is that prices keep on with the same upward trend with several key points that are worth noting:

1. Firstly, in Marbella, **the asking prices continue to rise** at a quarterly rate of 4.0% and a yearly rate of 18.6%, showing no signs of slowing down. Prior to the pandemic, yearly increases in asking prices remained below 10%. However, the current increase has reached nearly 20%, which I believe is unsustainable in the medium term and may negatively impact the market. Although the market is performing well and inventory remains limited, further increases in asking prices may reduce the demand.

2. On the other hand, **the closing prices of properties in Marbella during the first quarter of 2023 did not increase compared to the previous quarter**. Whether this is merely a conjunctural fact or an indication of a deceleration in price increases will become clearer when the information for the second quarter is released.

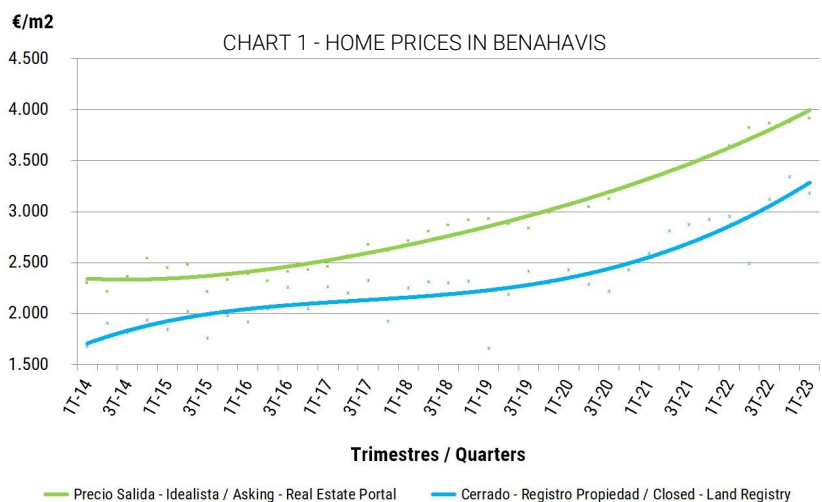
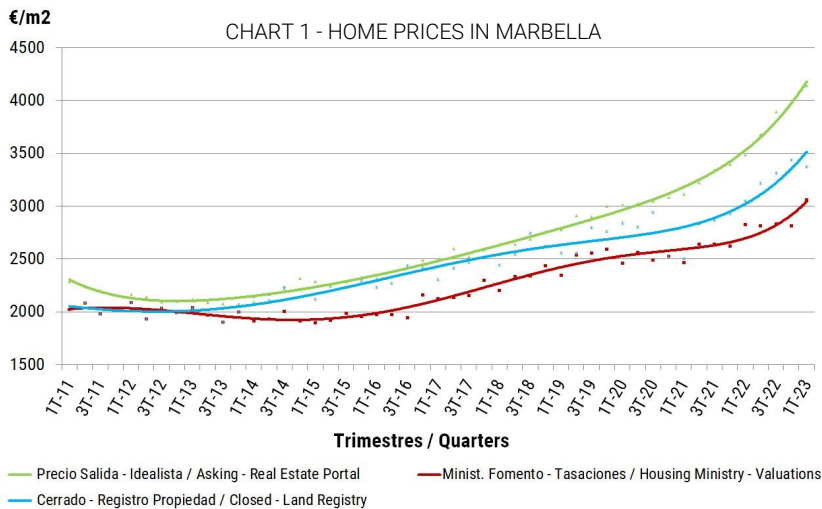


3. **A similar trend can be observed in Benahavis**, albeit at different rates. The asking prices are still rising, but at a more moderate quarterly rate of 1.0% and a yearly rate of 7.5%. While closing prices for homes are still increasing on a yearly basis, they experienced a notable decrease of 4.8% in the last quarter. I believe this reduction may be circumstantial, and we can expect a stabilization of closing prices when data for the second quarter, which had increased activity, is released. Therefore, an eye should be monitoring those numbers.

4. Regarding **the gap between asking prices and closing prices, the difference remains around 20%**, with slightly higher values in Benahavis, representing the highest level since 2016.

5. Just to be noted that the valuation prices, indicated in red on the chart for Marbella, are another 11% below the closing prices and on an upward tendency.

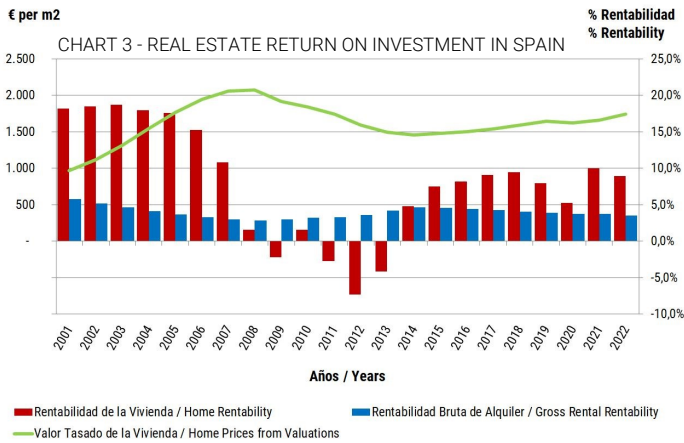
In summary, the tendency shows prices going up, maybe too much when considering asking prices, although with some moderation in the last quarter. The data for the second quarter will reveal whether the slowdown in price increases observed in the first quarter is merely circumstantial or a necessary trend towards moderation.



WHAT IS THE RETURN OF A REAL ESTATE INVESTMENT IN MARBELLA?

Every investor is constantly seeking this figure to calculate their return on investment when contemplating the purchase of a property in Marbella.

This return is obtained by combining the rental income generated by the property and the real estate appreciation in the asset's value. It is widely recognized that the return is influenced by market conditions, fluctuating between periods of positive returns and others where investors may experience capital losses. The graph below illustrates this trend for Spain, revealing negative returns between 2009 and 2013 due to the inability to offset the decline in real estate prices with rental income. However, for a more cautious approach, it is advisable to analyze the numbers over the long term in order to make informed



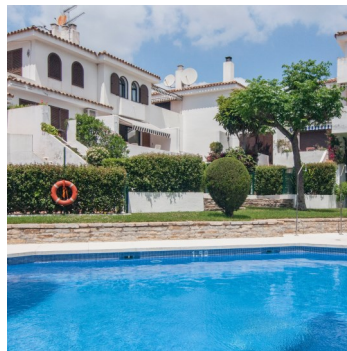
decisions.

Getting into the details for Marbella and taking into account the two factors intervening: the average long-term rental profitability of 3.8% (as depicted in Chart 1) and the 20 years' average increase in real estate prices, also at 3.8% (shown in Chart 2), **the long-term return on a real estate investment in Marbella amounts to a relevant 7.6% per year.**

Higher short-term returns can be achieved in periods such as the current one, with higher price increases and a shortage of rental inventory, but it is always advisable to understand the long-term figures to have more control over the investment.



Plot in Montemayor Benahavis
Residential building
Area: 698 sqm
Land: 4.648 sqm for 399.000€



Townhouse in Albayalde Estepona
3 bed, 2 bath, 198,96 sqm built
Pool & beach to 5 minutes
320.000 €



Rustic finca Benahavis
6 bed, 4 bath, 286 sqm built & 10.005 sqm plot for 749.500 €

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