



Costa del Sol, Spain

# Property Market overview 2021

Malaga | Torremolinos | Fuengirola | Marbella | Estepona



**COSTA DEL SOL**

# OVERVIEW

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## WHERE TO INVEST ON THE COSTA DEL SOL IN 2021

Unlike other sectors of the economy, real estate on the Costa del Sol fared reasonably well in 2020. Although asking prices dropped slightly, market analysts believe that they will gradually regain ground throughout 2021. Prices have gone up 36% since Q4 2014 when they fell to their lowest ever and currently stand at 13.13% below their highest in Q3 2007.

Covid-19 restrictions meant that sales also fell, although only by 18% in the year to November. Furthermore, the area registered the second highest rate of sales per 1,000 inhabitants in Spain behind just Alicante. New-build construction along the coast has its focal points in Malaga and Estepona and there are currently around 200 new developments in progress.

Population growth continues with a younger profile among new residents. Over 65% are aged between 16 to 64 and as a result, the Costa del Sol has seen an increase in new businesses. The number of self-employed people in 2020 went up by 1.9% in Malaga, ahead of the national average:

<https://www.juntadeandalucia.es/institutodeestadisticaycartografia/afiliadosSS/notaprensa.htm>.

More new and younger residents also leads the creation of new businesses in Andalusia, ranked fourth in Spain after Madrid, Barcelona and Valencia. Malaga is expected to see GDP growth of 8.6% this year, well ahead of the regional average (6.7%) so business activity on the coast has plenty of upside.

As well as a top relocation destination in Europe, the Costa del Sol is a firm favourite for second homes. It's therefore a honeypot for property investment, but where best to put your money? In this overview, we take five of the largest urban areas on the Costa del Sol and put them under the microscope for property investment.



**MALAGA**

## Property Market 2021

# MALAGA

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## THE CAPITAL OF THE COSTA DEL SOL

Malaga is a vibrant welcoming city with excellent communications, at both domestic and international level. It has a diverse economy, one of the best cultural offerings in southern Spain and a thriving real estate sector.

### **Economy and local employment**

The sixth largest city in Spain, Malaga has the highest economic activity in Andalusia. Key sectors are IT and telecommunications, based in the PTA technological park with over 20,000 employees and 640 companies. Tourism and services are also major players.

### **Culture and education**

Known as 'The City of Museums' (Malaga has over 30 including several prime art museums), Malaga stands out as a cultural hub in southern Spain.

As well as art collections by Picasso and from the Pompidou Centre in Paris and Russian State Museum in St Petersburg, Malaga boasts a Philharmonic Orchestra and hosts numerous renowned cultural events including the Malaga Film Festival and Jazz Festival.

### **Construction and Real Estate**

The capital of the Costa del Sol is currently the focal point of new-build construction with several major projects underway. They include prime real estate at Malaga Towers and La Térmica development on the western seafront plus two high-rise blocks (residential and hotel) in the Martiricos district.

According to the OMAU [http://www.omau-malaga.com/2/2/com1\\_md-3/com1\\_md3\\_cd-1722/mercado-inmobiliario-cuarto-trimestre-2020](http://www.omau-malaga.com/2/2/com1_md-3/com1_md3_cd-1722/mercado-inmobiliario-cuarto-trimestre-2020), the average square metre in Malaga in December 2020 cost €3,113, a figure that is still 2.4% below the peak price registered in December 2007. Sales in the city rose by over 22% in the year to Q3 2020.

Rental yields in Malaga (figures from Idealista) currently stand at 4.9%, second highest in the province.

## Property Market 2021

# MALAGA

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Rental rates dropped by 5.6% in the year to December 2020 when supply grew at an annual rate of 155%, ahead of the 110% rise in demand. In December, the average rent per square metre stood at €9.80.

### Tourism

Prior to the pandemic, Malaga was experiencing record figures for visitors, particularly at international level. Covid-19 has reduced activity to almost zero, but the tourist board is promoting the city internationally with the slogan “Malaga Better Than Ever”. There is currently huge investment in new hotels in the centre including two new 5-star establishments.





# ESTEPONA

# ESTEPONA

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## THE GARDEN OF THE COSTA DEL SOL

At the west end of the Costa del Sol (92km from Malaga and 48km from Gibraltar), Estepona has become a rising star in the area particularly in new infrastructure and real estate development. The town has seen a multi-million-euro renovation and now offers one of the most attractive centres on the coast. Known as 'The Garden of the Costa del Sol' because of its thousands of plants and shrubs, Estepona ranks as a highly sought-after holiday spot and place to live.

### **Economy and local employment**

Construction in both real estate and infrastructure has increased considerably in Estepona, creating employment and improving communications and amenities. Tourism and services form the backbone of the town's economy although agriculture and fishing remain important staples.

### **Construction and Real Estate**

The town council has focused on streamlining building licences and as a result, Estepona has seen considerable new residential development over the last five years. In December 2020, average prices stood at €2,522 per square metre, just 6.5% below their peak 13 years earlier and up 4% in the year. Sales went up by 12.5% in Q3 last year, the second highest increase on the Costa del Sol after Malaga.

Analysts tip Estepona as one of the investment hotspots on the Costa del Sol because the town is still at growth stage. The ease of obtaining planning permission compared to next-door Marbella represents an advantage for developers, both Spanish and foreign. As a result, it continues to attract international investment – the latest development to arrive bears the signature of exclusive Italian designers, Pininfarina.

In December 2020, annual rental yield stood at 4.7% and the average price per square metre at €9.20, down 2.2% in a year.



# Property Market 2021

# ESTEPONA

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## Tourism

An increasingly popular holiday destination, Estepona has seen regular increases in visitor figures over the last five years. Although the pandemic reduced activity to minimal levels, there is every indication that tourism will make a strong return from the second half of 2021 onwards.



An aerial photograph of a coastal resort area. The left side shows a wide, sandy beach with rows of beach umbrellas and lounge chairs. The ocean is a vibrant blue, meeting the shore with gentle waves. To the right, a paved promenade runs parallel to the beach, lined with palm trees and modern buildings, including hotels and residential structures. In the background, a range of mountains stretches across the horizon under a clear sky. A red rectangular box is overlaid on the center of the image, containing the text 'TORREMOLINOS' in white capital letters.

# TORREMOLINOS

# TORREMOLINOS

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## THE BIRTHPLACE OF MASS TOURISM

The place where mass tourism took off on the Costa del Sol in the 1960s, Torremolinos is one of Spain's top holiday destinations. It's also one of the few resorts on the Costa del Sol to enjoy almost full occupancy all year round. Torremolinos also benefits from its proximity to Malaga (just 25km away), making it a popular place to live among commuters.

### Economy and local employment

Almost entirely dependent on tourism, the local economy has suffered considerably since the outbreak of the pandemic. However, plans continue for the construction of a giant shopping and leisure centre on the outskirts of the town with investment to the tune of €850 million.

### Construction and Real Estate

Analysts rank Torremolinos among the best places on the Costa del Sol for potential expansion in property. It certainly has one of the highest margins for growth – in December 2020, the average square metre price stood at €2,371, over 20% below the peak prices registered in December 2007.

The sector has, however, suffered during the pandemic. Sales dropped by 14.6% in Q3 last year due to international travel restrictions. Annual rental yield is the highest on the Costa del Sol and stands at 5%. In December, the average price per square metre was €10.10, the second highest after Marbella.

### Tourism

With the fourth highest hotel capacity in Spain and a tourist resort par excellence, Torremolinos has suffered the effects of the pandemic more than most resorts on the Costa del Sol. Visitors levels are expected to return but not until summer 2021.



# FUENGIROLA

# FUENGIROLA

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## THE 2<sup>nd</sup> HOME OF THE SCANDIS IN SPAIN

The smallest town in the province, Fuengirola benefits from proximity to Malaga (36km away) and excellent communications with the rest of the Costa del Sol. One of the busiest resorts in the summer, Fuengirola also has a well-established foreign population and is especially popular with Scandinavian residents.

### **Economy and local employment**

Services particularly retail and leisure activities and tourism make up the lion's share of the economy in Fuengirola. With the exception of real estate, few other sectors make any significant contribution to local employment.

### **Construction and Real Estate**

Fuengirola is one of the most developed areas of the Costa del Sol with little room for new construction.

As a result, most real estate activity is in the resale market. The average price per square metre stood at €2,416 in December 2020, a 1.2% fall in the year. Current prices are 7.3% below their 2007 peak. Sales fell marginally (down 4.3%) in Q3 last year.

Rental yields were 4.5% in 2020 and the average square metre price for rentals was €9.20. This represents a slight rise over the year (0.2%) and Fuengirola was one of the few places on the Costa del Sol to experience an uptick in rental rates.

### **Tourism**

Fuengirola has also suffered from a dramatic drop in visitor figures since the outbreak of the pandemic, although the town's popularity among Spanish tourists helped boost numbers in summer 2020.

Snowbirds from Scandinavia have also sustained tourism, albeit far from the levels seen in winter 2019. However, as a perennial favourite, particularly with families, Fuengirola should see tourism bounce back in the near future.



**MARBELLA**

# MARBELLA

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## THE JEWEL OF THE COSTA DEL SOL

The jewel in the Costa del Sol's crown and one of Europe's prime tourist destinations, Marbella needs no introduction. Among its attractions are a renowned micro-climate (considered one of the best in Europe), three marinas including the world-famous Puerto Banús, some of the best golf courses in Spain and excellent communications. 60km to the west of Malaga, Marbella is the second largest town on the Costa del Sol after Malaga and has seen its population grow by almost 42% in the last 20 years.

### Economy and local employment

Like the rest of the Costa del Sol, the economy in Marbella centres on tourism and services, although with luxury as the differentiating factor. The resort is home to Spain's third largest luxury sector after Madrid and Barcelona. With 100% reach in 5G and fibre optics, the town has also recently positioned itself as a digital ecosystem to attract international investment in technology and innovation.

### Construction and Real Estate

The real estate sector in Marbella currently enjoys a consolidated position. Property prices are always the highest on the Costa del Sol and in December last year, stood at €3,983 per square metre. This is a 3.2% increase in the year and 23.1% more than their peak in December 2007. The resort has, however, suffered from international travel restrictions and as a result, sales dropped by 23.9% in the year to Q3 2020. Some new construction is taking place in Marbella and obtaining planning permission, traditionally a lengthy process, is becoming quicker.

Rental yields stood at 4.5% in December 2020 when rates per square metre averaged at €11.00, the highest on the Costa del Sol. Marbella also registered the highest increase in rental rates in 2020 (+1%), in a year when they fell in most parts of the Costa del Sol.

Property Market 2021

# MARBELLA

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## Tourism

Marbella experienced an unusually quiet year for tourism in 2020 when international travel restrictions kept foreign visitors away. However, the resort has continued with activity and its emblematic hotels have stayed open. High-end tourism is expected to return in summer 2021.





# RESEARCH SOURCES

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## LINKS

<https://www.metros2.com/ElmercadoinmobiliarioenM%C3%A1laga.pdf>

### **OMAU Q3 report**

[http://www.omau-malaga.com/2/2/com1\\_md-3/com1\\_md3\\_cd-1722/mercado-inmobiliario-cuarto-trimestre-2020](http://www.omau-malaga.com/2/2/com1_md-3/com1_md3_cd-1722/mercado-inmobiliario-cuarto-trimestre-2020)

### **Growth provincial economies 2021**

[https://sevilla.abc.es/economia/sevi-coronavirus-malaga-granada-y-cadiz-lideraran-crecimiento-economia-andaluza-2021-202101211344\\_noticia.html?ref=https:%2F%2Fwww.google.com%2F](https://sevilla.abc.es/economia/sevi-coronavirus-malaga-granada-y-cadiz-lideraran-crecimiento-economia-andaluza-2021-202101211344_noticia.html?ref=https:%2F%2Fwww.google.com%2F)

<https://www.thepropertyagent.es>

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