



SPOTLIGHT

*Savills Research*

# SPAIN

PRIME RESIDENTIAL - 2024

The Savills logo is a yellow square with the word "savills" in lowercase white letters. It is positioned in the lower center of the page, overlapping the bottom of the Gaudí architecture and the city view.

savills



## FOREWORD

Welcome to the Savills Spotlight on Spain for 2024, where we examine the key trends in the prime and mainstream markets across the country. A top destination for tourists and international buyers, Spain continues to grow its thriving market.

The increased demand is centred around high-quality properties, but many locations are increasingly undersupplied, resulting in rising prices and producing opportunities for development. The outlook for Spain is bright, with the prime and mainstream markets expected to outperform global trends in the near term. Spain's diverse markets, long-standing global appeal, and strong fundamentals will continue to attract residents and investment.

**Pelayo Barroso Olazábal**  
National Director, Research  
Spain



# Spain in a global context

Spain, with its millennia-old history and diverse attractions from vibrant cities to serene coastlines, has solidified its status as the world's second most popular tourist destination. In 2023, Spain welcomed over 85 million international visitors, an increase of 13 million from the previous year, according to UN Tourism. This influx has significantly bolstered the nation's economy, as tourism currently accounts for around 12% of Spain's GDP.

The overall performance of the Spanish economy in 2023 has exceeded expectations, with a 2.5% GDP growth, far outstripping the forecasted 1.0% at the close of 2022. This economic vitality is mirrored in the labour market, where employment rose by 783,000 jobs, and the unemployment rate dropped by 1.1% to 11.8% in Q4 2023, down from 12.9% at the end of 2022.

These positive economic trends, alongside Spain's growing international allure, are fuelling a supportive environment for the residential property market nationwide.

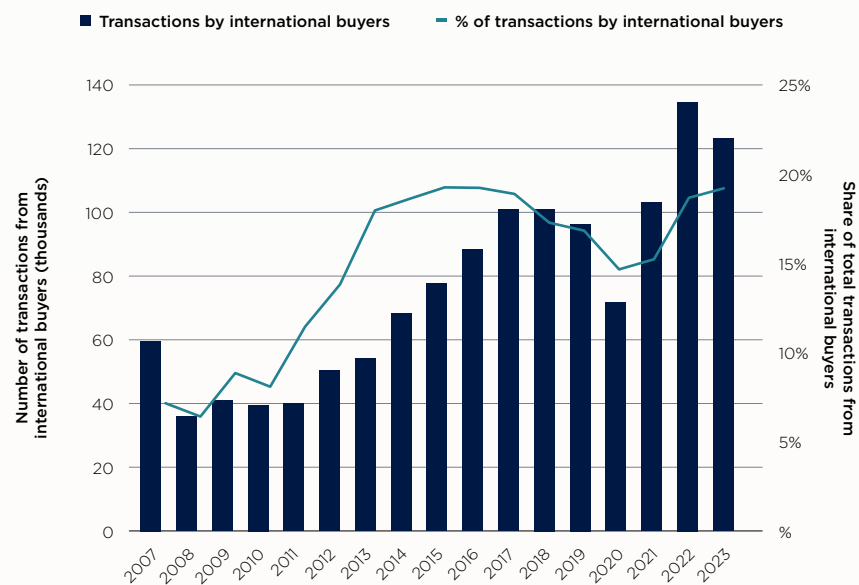
### SPANISH RESIDENTIAL MARKET

The Spanish real estate market showed resilience in 2023 despite global economic challenges. The sector was bolstered by a strong labour market, significant immigration, a mismatch between high demand and limited supply of new housing, and improved household finances. Stabilised construction costs led to a consistent number of new home construction permits compared to previous years, however, they were well below market needs.

Housing sales remained robust, with over 700,000 units sold in 2022 and around 640,000 in 2023, largely dominated by transactions of existing homes due to a significant stockpile from previous decades and a shortage of new constructions.

International buyers also played a significant role, peaking at a record 134,000 purchases in 2022. This figure dropped to 123,000 in 2023. Moreover, fewer buyers used mortgages in the higher interest rate environment, with only 45% of transactions requiring new loans in 2023, down from 55% in 2021 and 60% in 2007.

### NUMBER AND SHARE OF TRANSACTIONS FROM INTERNATIONAL BUYERS IN SPAIN



Source: Savills Research using MITMA

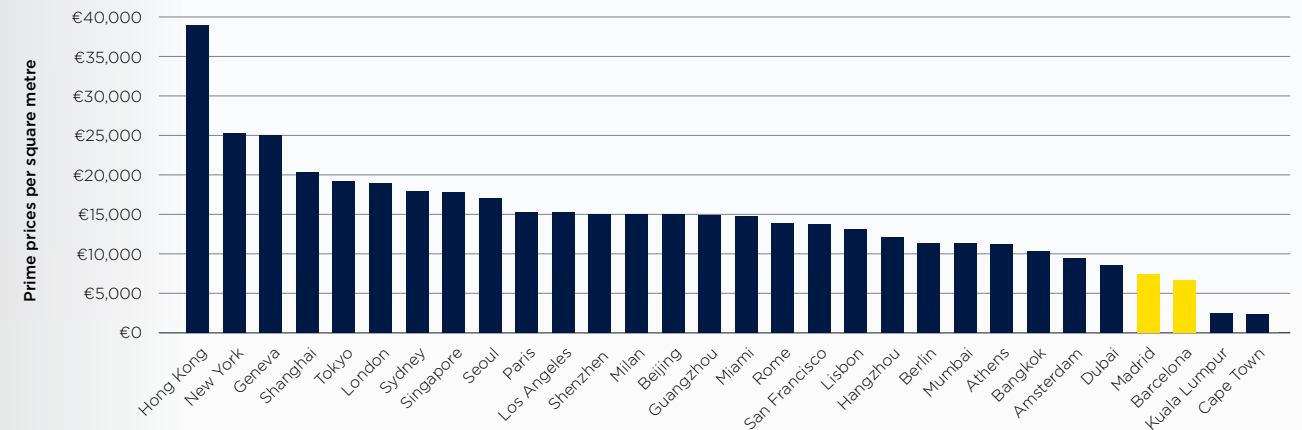
Recently, Spain joined Portugal and Ireland in eliminating the real estate investment route for their "golden visas". The Spanish government announced plans to phase out these visas, introduced in 2013 to stimulate real estate investment by granting residency rights to those who invested at least €500,000 in property. The move follows political pressures due to rising housing costs and aims to curb the soaring real estate prices.

Spain faces a housing shortage, with residential investment at 5.7% of GDP in 2023, below the eurozone average and historical national levels. Housing construction permits in 2023 were well below past averages, contributing to a shortage of 325,000 homes, which is expected to grow

in coming years. Nominal house prices have risen 56% since 2014, though still 2% below their 2007 peak, and rental prices have increased by 7-8% annually from 2015 to 2022.

The rental market has expanded since the 2008 economic crisis; 3.6 million primary residences were rented in 2023, up from 2.3 million in 2007. This market primarily serves lower-income households, young people, and foreign nationals, with private landlords dominating and a notable lack of social housing rentals. Despite a high homeownership rate of 75% in 2022, higher than the EU average, the rental market continues to grow.

### WORLD CITIES PRIME RESIDENTIAL PRICES PER SQUARE METRE



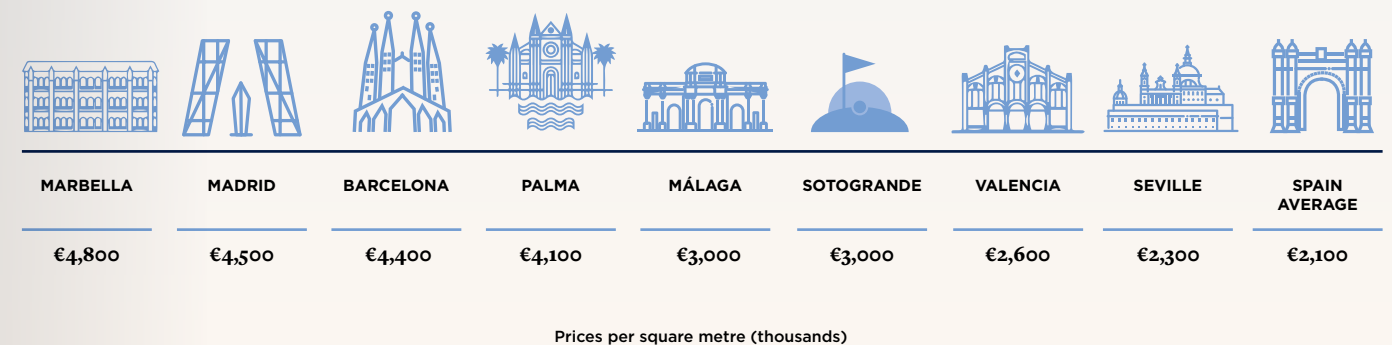
Source: Savills Research

### SPANISH WORLD CITIES

Spain's strong residential market has performed well in a global context, especially the prime market. European and Middle Eastern cities saw the highest capital value growth in the Savills World Cities Prime Residential index, driven by undersupplied markets unable to meet the soaring demand from international buyers. Lisbon topped the list at 4.2% prime price growth, with fellow Iberian cities of Madrid and Barcelona seeing capital value growth of 3.5% and 2.7%, respectively, over the first half of 2024.

Whilst the Spanish market has seen strong price and rental growth over recent years, it still remains competitively priced by global standards. The prime markets of Madrid and Barcelona offer the greatest European value across the 30 cities in the index, only beaten by Kuala Lumpur and Cape Town in terms of lowest prices per square metre. However, it should be noted that prime prices can exceed the averages quoted in the World Cities analysis for Madrid and Barcelona. For new build and trophy projects, prices can reach €20,000 per square metre in Madrid and €13,000 per square metre in Barcelona.

### SPANISH MAINSTREAM PRICES PER SQUARE METRE - SECOND HAND PROPERTIES



Source: Savills Research using Idealista





# Madrid

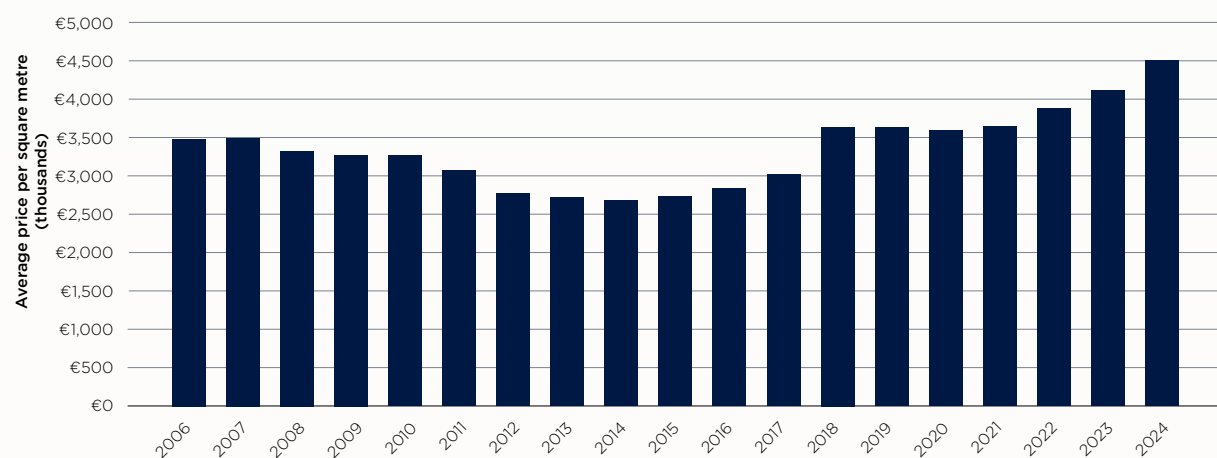
Spain's capital, renowned for its lively culture and legendary football clubs, has also emerged as a leading global business hub. Madrid's residential property market is the priciest in the nation, yet it remains relatively affordable compared to other global cities.

In the year leading up to June 2024, prime residential prices in Madrid climbed by 5.4%, driven by an influx of international buyers and a shortage of supply. A significant portion of this demand stems from Latin American investors, contributing to the tight market; in 2023, over 10% of property transactions in Madrid were by foreign buyers. Prime residential prices in the city currently stand at €7,400 per square metre. The mainstream market has seen even greater growth, with prices per square metre soaring by 9.6% as both local and global buyers flock to the capital bringing mainstream capital values per square metre to €4,500 in the city. The branded residence sector is also on the rise, with at least five projects currently underway or planned from brands such as Mandarin Oriental and SLS.

Despite the buoyant market, transaction volumes in Madrid fell by 17% in 2023, with nearly 40,000 sales across the municipality. New construction starts remain low, preventing transaction levels from reaching their pre-Financial Crisis peak. However, 2022 saw only 6,600 fewer sales than the 2004 peak of 54,600. Given the property shortage in Madrid and nationwide, developers are likely to seize the opportunity to meet the high demand with new housing projects in the near future.

The Madrid rental market is characterised by a limited supply in prime areas and the introduction of ultra-prime projects with unprecedented price points. Prime rents in the city have increased by 5.4% over the past year, reflecting the overall scarcity of residential properties. The mainstream rental market is also under pressure, with rents rising by 10.6% year-on-year as of June 2024.

MADRID MAINSTREAM AVERAGE SECOND-HAND PRICE PER SQUARE METRE



Source: Savills Research using Idealista



# Barcelona

Barcelona's post-Covid recovery has not only persisted but has transformed the city into a vibrant and thriving market. International buyers continue to be a significant force, bringing sustained growth in the property market in the city and its surroundings.

Prime residential prices in Barcelona increased by 3.3% in 12 months to June 2024, with average prime prices reaching €6,700 per square metre. The mainstream market also performed well, with prices rising by 6.3% and average prices at €4,400 per square metre, up by only 10.3% compared to 25.5% in Madrid and nearly 40% in Valencia.

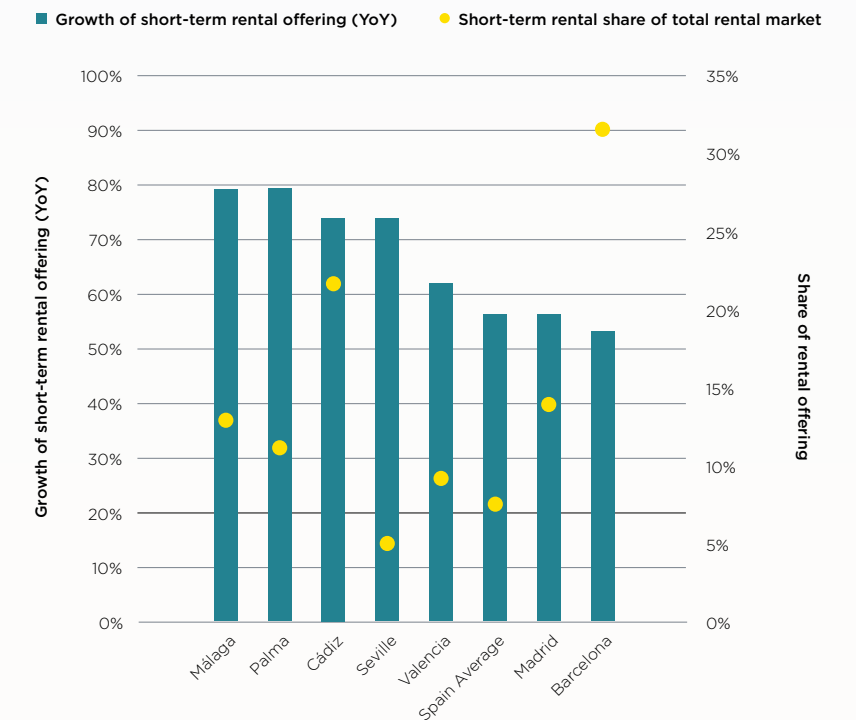
The primary driver of rising prices is the limited supply of new construction in prime areas. Demand, mainly from Barcelona and central and northern European countries, focuses predominantly on second-hand properties. Recently, there has been growing interest from Latin American and US buyers in Barcelona's prime market.

The rental market in Barcelona has experienced significant price increases over the past five years, surging by more than 50%. Increased demand from both domestic and international renters, coupled with a declining rental stock, has pushed average rents to €22.10 per square metre per month, the highest in Spain. Short-term rentals have also gained national and

international attention. In 2023, Catalunya welcomed 26 million tourists, 4.7 times the region's population. Supplementing the supply of hotel rooms, short-term rentals have become increasingly popular, both for tourists and for short-term corporate visits. The supply of these properties has

increased by more than 50% in the past year. In response to recent protests regarding over-tourism, Barcelona's mayor announced that the city will eliminate these short-term rentals by 2028.

SHORT-TERM RENTAL OFFERING



Source: Savills Research using Idealista





# Valencia

With its history and culture, pleasant climate, and extensive range of services, Valencia has become a highly attractive destination for both national and international buyers. The city's commitment to sustainability has earned it the title of European Green Capital 2024, recognising its efforts to enhance the environment and residents' quality of life. This continues to draw people to Valencia, contributing to the high demand and limited supply in both the purchase and rental markets.

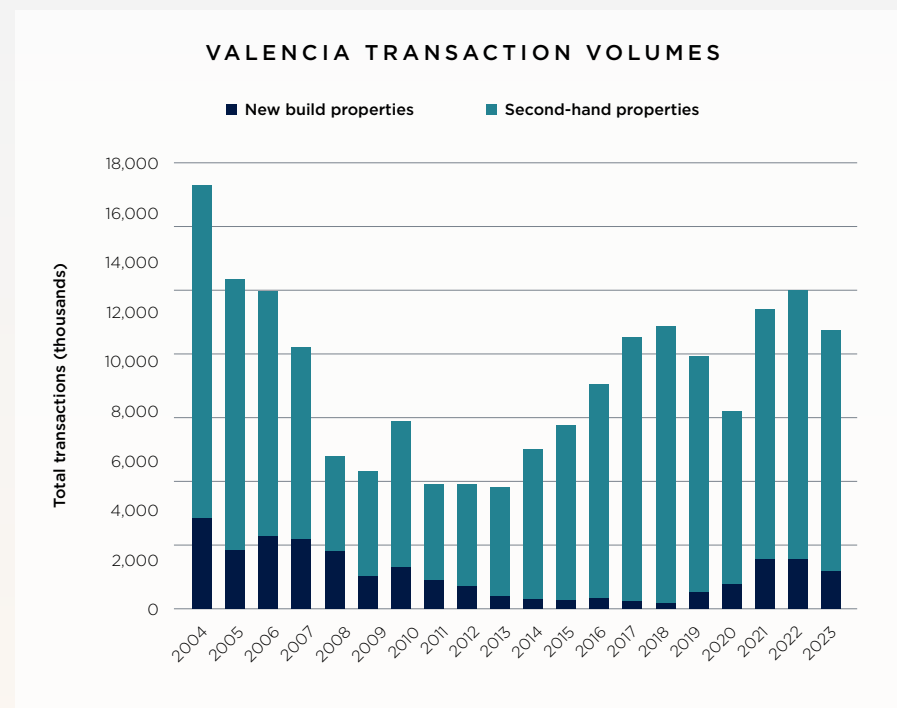
Current mainstream prices in Valencia average around €2,550 per square metre. Prices have risen by more than 11% since 2023 and nearly 40% over the past five years as more Spanish and international buyers discover the market. Valencia is emerging as a prime location for buyers, with nearly 40,000 transactions in the province in 2023, 21.4% of which involved international buyers—the highest share among Spain's three largest cities.

In the city of Valencia, there were just over 11,000 transactions in 2023, with only 1,500 being new build sales. This total is 13% below the 2022 peak, yet the market remains undersupplied relative to demand. The number of building permits issued is also low, indicating that housing supply will not increase rapidly in the coming years.

The Valencian market is particularly appealing to buyers from the United Kingdom, Belgium, and the Netherlands. According to Valencia's municipal register, 18.5% of the city's inhabitants are foreign-born, two percentage points higher than the previous year.

The rental market in Valencia is also experiencing a significant surge, with current prices at €14.10 per square metre per month, a 6% increase from 2023. Over the past five years, rental prices have soared by more than 60% as

more residents are drawn to the city. The short-term rental market has received increasing attention in recent months. The short-term rental offering in the city has grown by 62% year-on-year, and now accounts for 13% of rental stock in the city. However, mirroring announcements from Catalan officials, the Valencia government has recently announced that it is seeking to limit short-term holiday rentals and fine non-compliant landlords but stops short of a Barcelona-style ban.



Source: Savills Research using MITMA



# Málaga

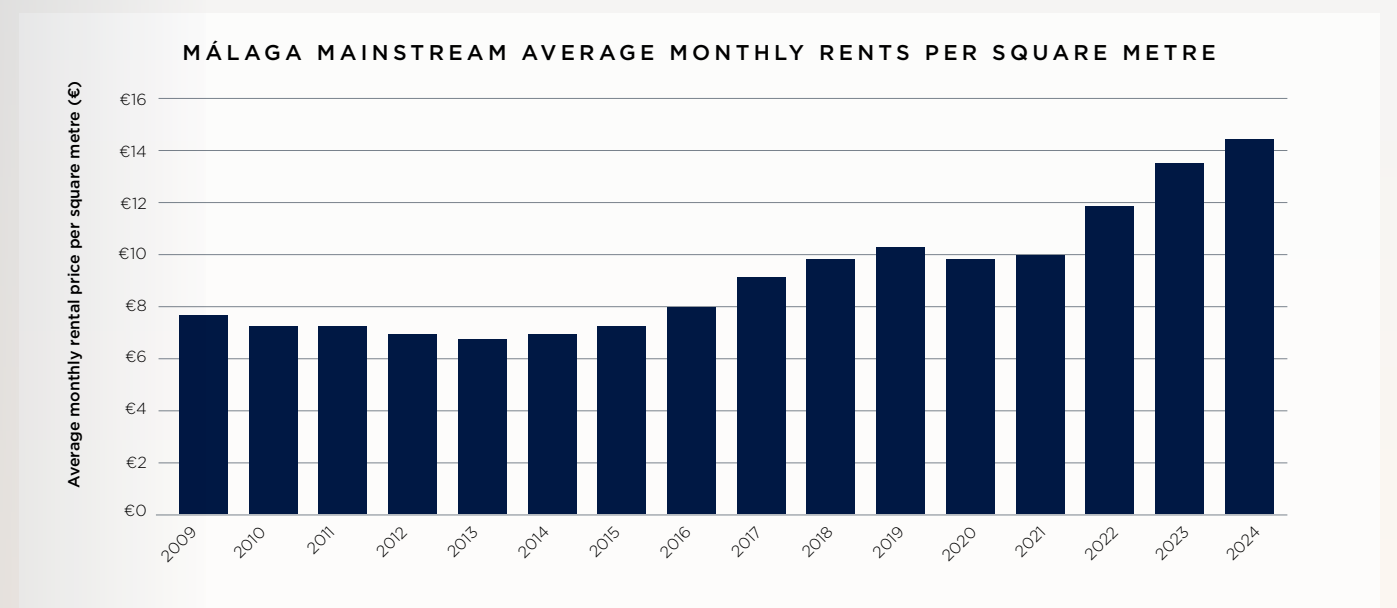
Málaga, one of Europe's oldest continuously inhabited cities, has seen strong growth in its real estate market. With its Mediterranean climate, and cultural, gastronomic and leisure offer, Málaga has attracted investors and buyers from across Spain and around the world.

Current prices in Málaga average just over €3,000 per square metre as at June 2024 for the mainstream market, marking a 13% increase from 2023. The city has benefited significantly from buyers seeking quality of life, space, and access to nature in the post-pandemic era, with prices per square metre rising 43.4% over the past five years, second only to Marbella among the markets analysed in this report.

In 2023, transaction volumes in Málaga were nearly 20% lower than in 2022, affected by higher interest rates and limited supply. International buyers accounted for 38.7% of all purchases in the region, the third-highest in Spain. Following Alicante and Santa Cruz de Tenerife. British buyers, in particular, have been prominent among those seeking the coastal lifestyle of Málaga

While 79.9% of properties in Málaga are owner-occupied, the city maintains a very active rental market for both long- and short-term lets. Long-term rental prices now average €14.50 per square metre per month, a 6.6% increase from 2023. Over the past five years, as more residents have sought coastal access and more space but have been hesitant to buy due to rising interest rates, rental prices in Málaga have risen by 49.5%, one of the highest increases in the country.

The short-term rental market has also expanded significantly, with a 79% increase in available properties according to Idealista. Despite this sharp rise, only 13% of rental properties in Málaga are classified as short-term rentals, just slightly above the national average of 11%.



Source: Savills Research using Idealista





# Marbella

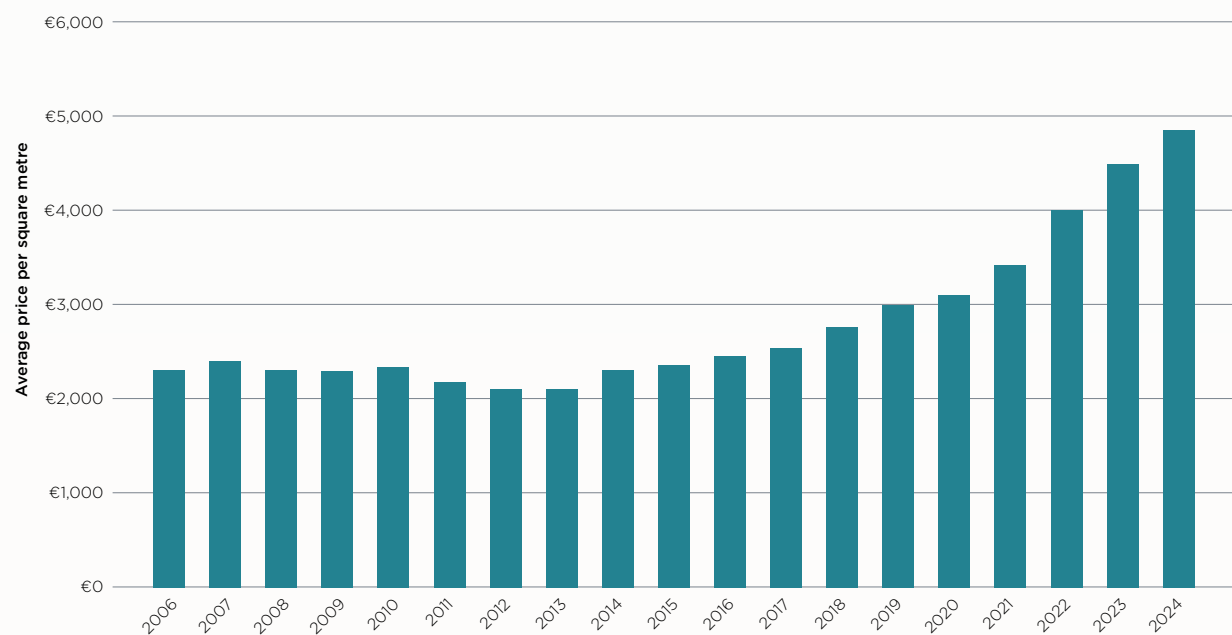
Marbella has evolved from a small coastal village into a top destination for global buyers and high-net-worth individuals, making it one of Spain's most active markets. With robust luxury offerings, infrastructure, amenities, as well as access to nature and sporting pursuits, the market offers truly international appeal.

The rise in Marbella's luxury housing market has notably impacted real estate prices. Overall, prices in Marbella increased by about 7.9% from 2023, with the average asking price reaching €4,800 per square metre in June — 56% higher than five years ago. In prime areas such as the Golden Mile, prices can far exceed this average.

Despite rising prices, the number of transactions has decreased by 18% since 2022 due to higher interest rates and limited supply. International buyers accounted for 38.7% of all purchases in the Málaga Province, which includes Marbella, highlighting the region's global appeal. Northern European and Middle Eastern buyers are key buyer groups in Marbella.

Marbella's popularity among international visitors supports a strong rental market for both long-and short-term lets. While about 74% of homes are owner-occupied, the long-term rental market sees average rents of €18.20 per square metre per month, making it the third most expensive rental market in Spain, behind Barcelona and Madrid.

MARBELLA MAINSTREAM AVERAGE SECOND-HAND PRICES PER SQUARE METRE



Source: Savills Research using Idealista



# Seville

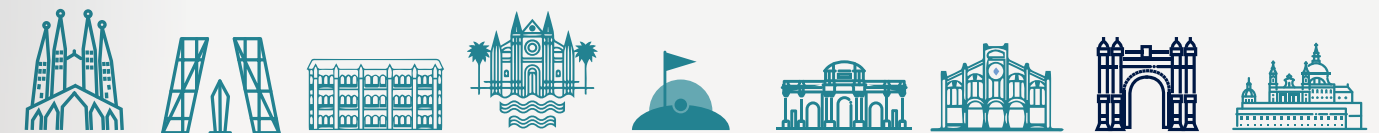
Seville, the capital of Andalusia and the most populous city in southern Spain, is renowned for its rich history and vibrant culture. In recent years, it has experienced an impressive economic growth, which has generated an increase in the demand for properties in the city.

This demand is translating into rising prices for residential property across the city, with mainstream average prices up 6% over 2023, at €2,300 per square metre. Price increases in Seville have been more moderate over the past five years, increasing just 17.4% over the period. This is the second-lowest of all of the markets studied for this report, with only Barcelona seeing lower levels of price growth at 10.3% over the same period.

Though the city has a large tourist market, with more than three million visitors a year, international buyers make up a small percentage of the transactions in Seville. According to MITMA, just over 4% of the 22,000 transactions in the province of Seville were by international buyers.

The rental market in Seville still offers comparative value with monthly prices of €11.60 per square metre, the lowest of all of the markets studied for this report. Rental prices in Seville have risen by 5.5% over the past year and by 16% over the last five, demonstrating that the value of the market has not gone unnoticed.

SEVILLE AVERAGE RENTS COMPARED TO SPAIN



| BARCELONA | MADRID | MARBELLA | PALMA  | SOTOGRANDE | MÁLAGA | VALENCIA | SPAIN AVERAGE | SEVILLE |
|-----------|--------|----------|--------|------------|--------|----------|---------------|---------|
| €22.10    | €19.80 | €18.20   | €17.00 | €15.10     | €14.50 | €14.10   | €13.40        | €11.60  |

Average rental price per square metre per month

Source: Savills Research using Idealista





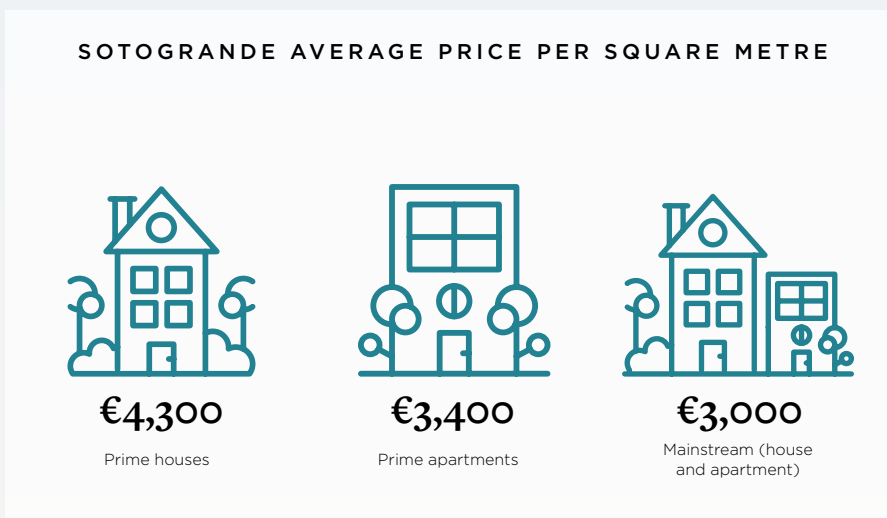
# Sotogrande

What started as a small golf development along the Costa del Sol in the 1960s has become a true prime residential destination in its own right combining natural beauty with top amenities and lifestyle. Sotogrande remains a top destination for global high-net-worth individuals and is on an upward trend as it becomes ever more a year-round destination with its facilities continually improving.

Sotogrande is primarily a prime market, with houses within the community seeing average asking prices per square metre of €4,300 and apartments seeing an asking price of €3,400 per square metre. Current mainstream sales prices in Sotogrande sit at approximately €3,000 per square metre. Prices have increased by just 2% since 2023, but are up nearly 40% over the past five years.

Development is limited in Sotogrande, with few available plots of land for new construction. Many buyers and indeed developers will purchase older properties for the land and will build new residences in place of the older house. The resort also has a low-density planning programme which further limits the quantity of properties which can be built and supports pricing in the area.

Rents in Sotogrande are currently €15.10 per square metre per month, an increase of 7.1% over 2023 values and 40% above prices from 2020. However, these rental prices remain accessible from a national perspective.



Source: Savills Research using Idealista and JS Sotogrande



# Balearics

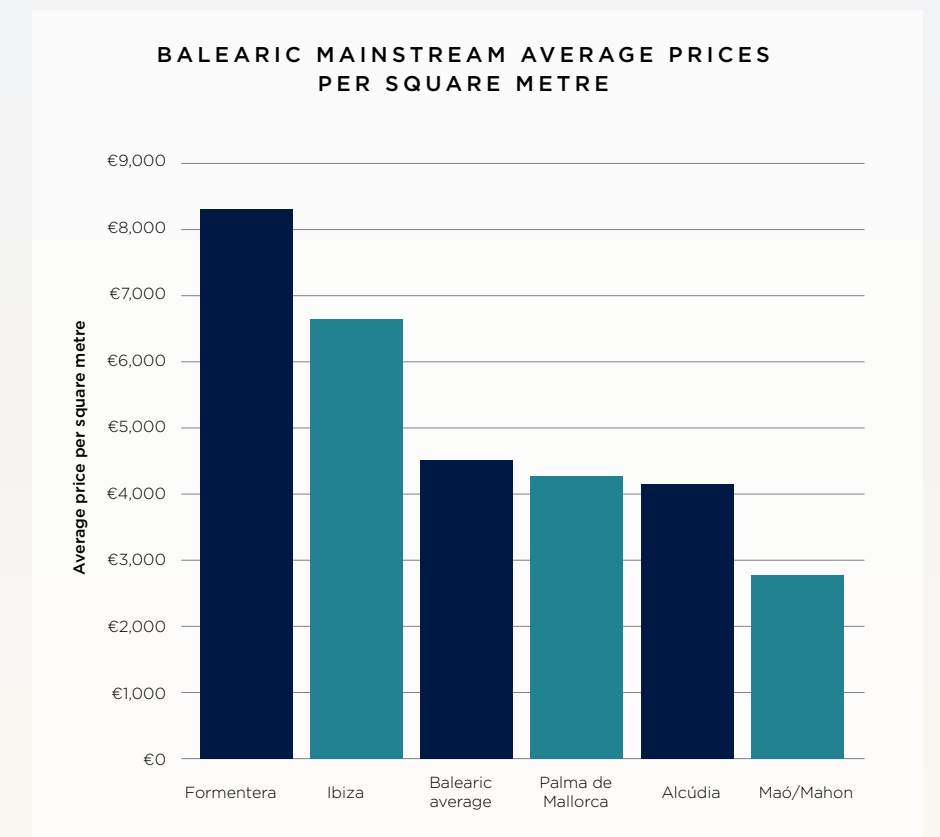
The Balearic Islands of Mallorca, Menorca, Ibiza and Formentera form their own autonomous community in Spain. Each of the islands are top global tourist destinations and the allure of the region's picturesque landscapes, vibrant culture and nightlife, and quality of life has consistently positioned it as a desirable destination for Spanish and global buyers. Across the archipelago, prices average €4,400 per square metre, and as buyers are increasingly attracted to the lifestyle found on the islands, prices have increased by 12% over the past year.

The city of Palma has the largest and most robust residential property market of the islands. Current prices in Palma stand at €4,100 per square metre for the mainstream market, an increase of nearly 7% over the past year and 41% over the past five as more buyers take an interest in the city.

Across the Balearic Islands, international buyers accounted for 38% of the 15,000 transactions across the community in 2023, demonstrating this truly global appeal. Within Palma itself there were 4,900 transactions in 2023, which represents a 13% fall in a higher interest rate and low supply environment.

The rental market in Palma is robust, with average monthly rents of €17 per square metre. Sustained demand across the city has pushed up these rental figures by 10.4% over the past year and by more than 51% over the past five years.

Ibiza, with its well-known nightlife and natural beauty, has one of the highest average prices per square metre in the Balearics. Prices in Ibiza average €6,600 per square metre, and have increased by 16% in the past year as Spanish and international buyers are attracted to the island.



Source: Savills Research using Idealista



# Outlook

Spain's perennial global appeal for tourism and for residency will likely continue for many years to come. The market's strong fundamentals, robust – if undersupplied – housing markets, culture, climate, and infrastructure make the country a top destination for permanent residents and second-home buyers.



In Madrid, the outlook remains positive, with prime property prices continuing their upward trend. The market is notably influenced by a high level of interest from Latin American buyers and domestic buyers are in the city's prime areas. This sustained demand underscores Madrid's appeal as a top destination for high-end real estate investment.



Barcelona's market is expected to maintain its current trajectory, characterised by low supply and rising price pressures. The limited availability of properties continues to support price increases, reflecting the city's attractiveness and the high demand for its unique lifestyle and amenities.



International buyers will remain crucial to the prime and mainstream Spanish housing market, although domestic buyers will continue to dominate. The constrained supply in many areas means prices are likely to stay elevated, presenting opportunities for developers to introduce new stock into these key markets.



Even with strong residential price growth, Spain still represents considerable value in a global context. Over the coming years, it is likely that international buyers will continue to recognise this and look to purchase property in Spain.



In a higher interest rate environment, though rates are forecast to decrease slightly over the coming year, we expect that the rental market will continue to outperform residential price growth across the Spanish prime and mainstream residential markets.

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