

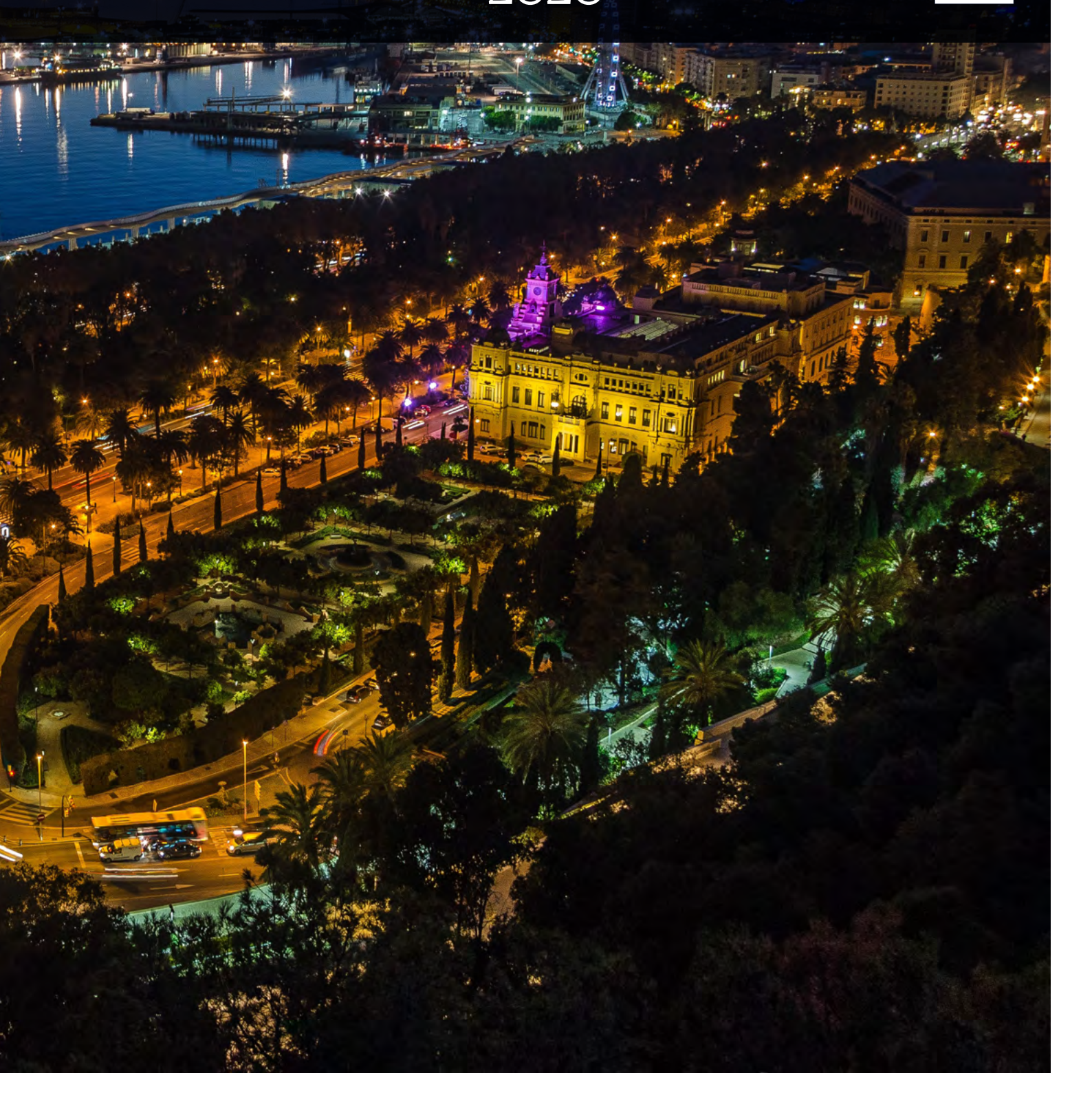
Spain Research – March 2020



REPORT


Savills Research

# Málaga Residential 2020



# Key aspects of the residential market

Factors that will determine the future of the city

 Malaga has been undergoing unprecedented transformation for several years. With good transport links by land, sea and air, the city has a wide offering of cultural activities such as museums and galleries, putting it on the same level as other major cities in Europe. Furthermore, its historic centre, which is pedestrianised, has resulted in reduced pollution alongside increased commercial and business activity.

The residential market is a good indication of all these changes, with the approval of esteemed projects such as Torre del Río, La Termica, Martiricos and Colinas del Limonar, as well as other new projects, namely the future developments of Sanchez Blanca, Santa Rosalia and the former Repsol land plots. These will breathe new life into the city, as they will not only alleviate the demand for quality housing, but also include the construction of large green areas and extensive parks, bringing a larger focus to the city.

Malaga has clearly set its sights to the future, with aspirations to grow into a great city. The new trend in the city's residential market is the development of multi-family housing projects, an ecological and future-oriented solution that aims to position Malaga among the large international cities.

The areas where the residential development is concentrated are Puerto de la Torre-Teatinos, Carretera de Cadiz and the Este district, which stand out for their good transport links and wide variety of services available to residents. In addition to these areas of expansion, the centre and its immediate surrounding areas continue to attract the interest of developers and end buyers.

The rental market, expanding in all major Spanish cities, is not an exception in Malaga. However, this is still a pending matter, as it is still very limited in certain areas due to the expansion of holiday housing. The city requires quality and professional rental housing stock to accommodate a demand that has been growing in recent years.



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## Contents

### 4-5

#### New multi-family

We examine in greater detail the type of residence that is growing the most

### 6

#### New single-family

We focus on the single-family home

### 7

#### Sales rate

We analyze the sales rate for the residential market

### 10-11

#### Second-hand

Growth, prices and current situation of the most traded housing in the city

### 12-13

#### Rental markets

The rise of this "lifestyle" comes into the picture. What is your position in the city?

### 15

#### Contacts

Your Residential and Analysis Team in Andalusia



Colinas del Limonar, Teatinos and the western area of Málaga are positioned as the focal points of the residential market

Málaga, the reference residential market in Spain, together with Madrid, Barcelona, Alicante and the Balearic Islands, continues to be a safe bet for buyers, sellers and investors.

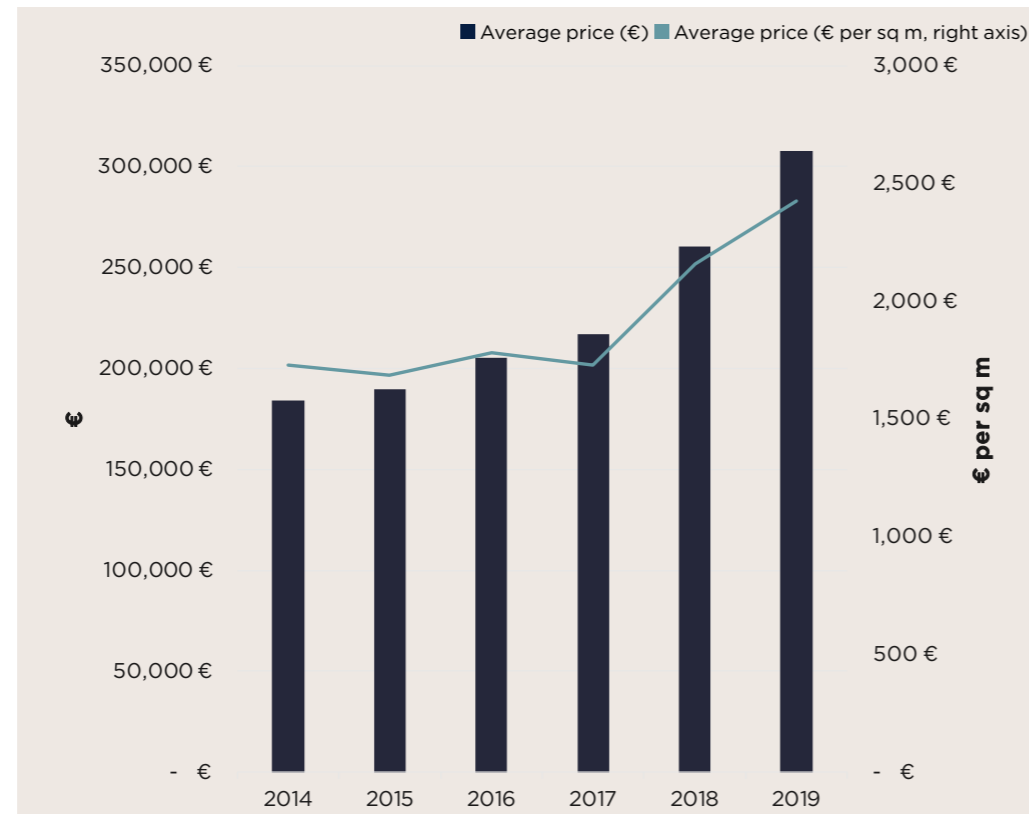
The city of Malaga is undergoing dramatic changes and is on its way to becoming one of the most significant Spanish cities at all levels. This deep transformation makes the capital of the Costa del Sol into a centre of attraction for new and ambitious real estate projects, such as Picasso Towers, Urban Sky, Malaca Delta and the future Repsol Towers, signifying the firm commitment of important developers to this city.

The new development projects in the city are concentrated in already well-established areas such as Teatinos and its new expansion zone and Colinas del Limonar. Meanwhile, of particular note are Avenida de Velazquez and its entire periphery; an area with contained high demand that is undergoing urban transformation.



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Average price Evolution of the average price of multi-family housing



Source Savills Aguirre Newman Research

## New multi-family

New luxury supply, rising prices and new residential developments

Malaga's residential market has continued to grow over the last few years, brought about by the strong economic situation, the growth in tourism and the significant cultural attraction.

2019 was characterised by the launch of large new developments that increased the residential supply, in some cases, targeting the prime market. The marketing of all the projects was aimed at both national and international buyers.

The new projects were incorporated in different parts of the Carretera de Cadiz district, the central hub of Teatinos and the area of Tomillar, along with the upper part of Colinas del

Limonar in Malaga Este.

**Supply**  
During the last 12 months, the initial supply was concentrated in the districts of Puerto de la Torre-Teatinos (2,454 residential units), Carretera de Cadiz (596 units), Malaga Este (462 units) and Rincon de la Victoria (450 units).

2019 maintained the positive growth of supply in most districts due to the start of new projects, reaching the same figures in absolute terms as in 2018.

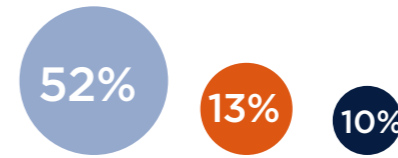
The most notable decreases in the housing supply took place in the areas of Bailen-Miraflores (-51%) and Alhaurin de la Torre (-20%).

**Prices**

In 2019, the average price in the city grew by 18% compared to the previous year's figures, reaching €307,635, with an average capital value of €2,425 per sq m.

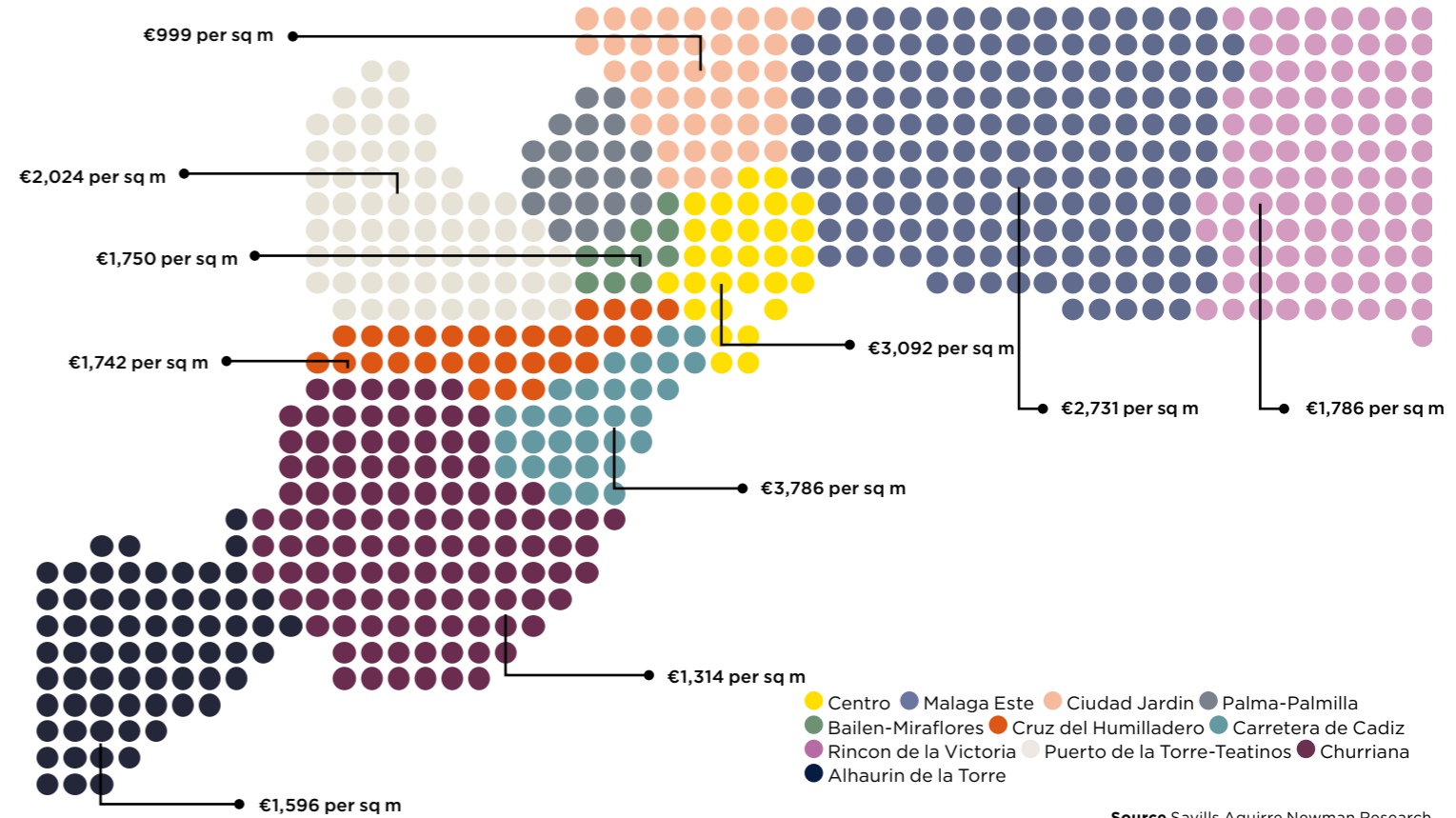
The launch of the Picasso Towers project considerably boosted the average capital price of the Carretera de Cadiz district, to €3,786 per sq m, placing it in first position in the city. This is followed by the Centro and Malaga Este districts, with €3,092 per sq m and €2,731 per sq m, respectively.

Furthermore, the districts that recorded the lowest average prices were Ciudad Jardin (€999 per sq m), Churriana (€1,314 per sq m) and Alhaurin de la Torre (€1,596 per sq m).



The districts with the highest initial supply are Puerto de la Torre-Teatinos (52%), Carretera de Cadiz (13%) and Malaga Este (10%)

Distribution of average prices Average new multi-family housing prices by district



Source Savills Aguirre Newman Research

## New Projects

What can we expect from the residential in Malaga?



**1 La Termica Project**  
An innovative project designed by the prestigious French architectural firm Francois Leclercq. It includes various uses alongside the residential, such as retail and offices, within an island design with large open areas facing the sea.



**2 Repsol Project**  
The central focus of this project is a large park which includes VPO housing, open market housing and commercial spaces. There is a plan to construct a massive office park, making it not only the driving force of the city, but also the office centre of the Costa del Sol.



**3 Sanchez Blanca Project**  
Located in one of the city's natural expansion areas towards the Guadalhorce valley, it will have a public green area of 73,646 sq m. The Sanchez Blanca project intends to become a technological, social, mobility and environmental reference point.

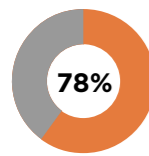


**4 Santa Rosalia Project**  
This project comprises 2.6M sq m, which includes housing, business and commercial uses. A significant development made up of three sectors that promise to bring a new area of expansion for the city.

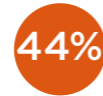
Images are representative and contain no contractual value

+10.645<sup>\*</sup> Housing units that make up the major residential projects in the city

\*Rough estimate

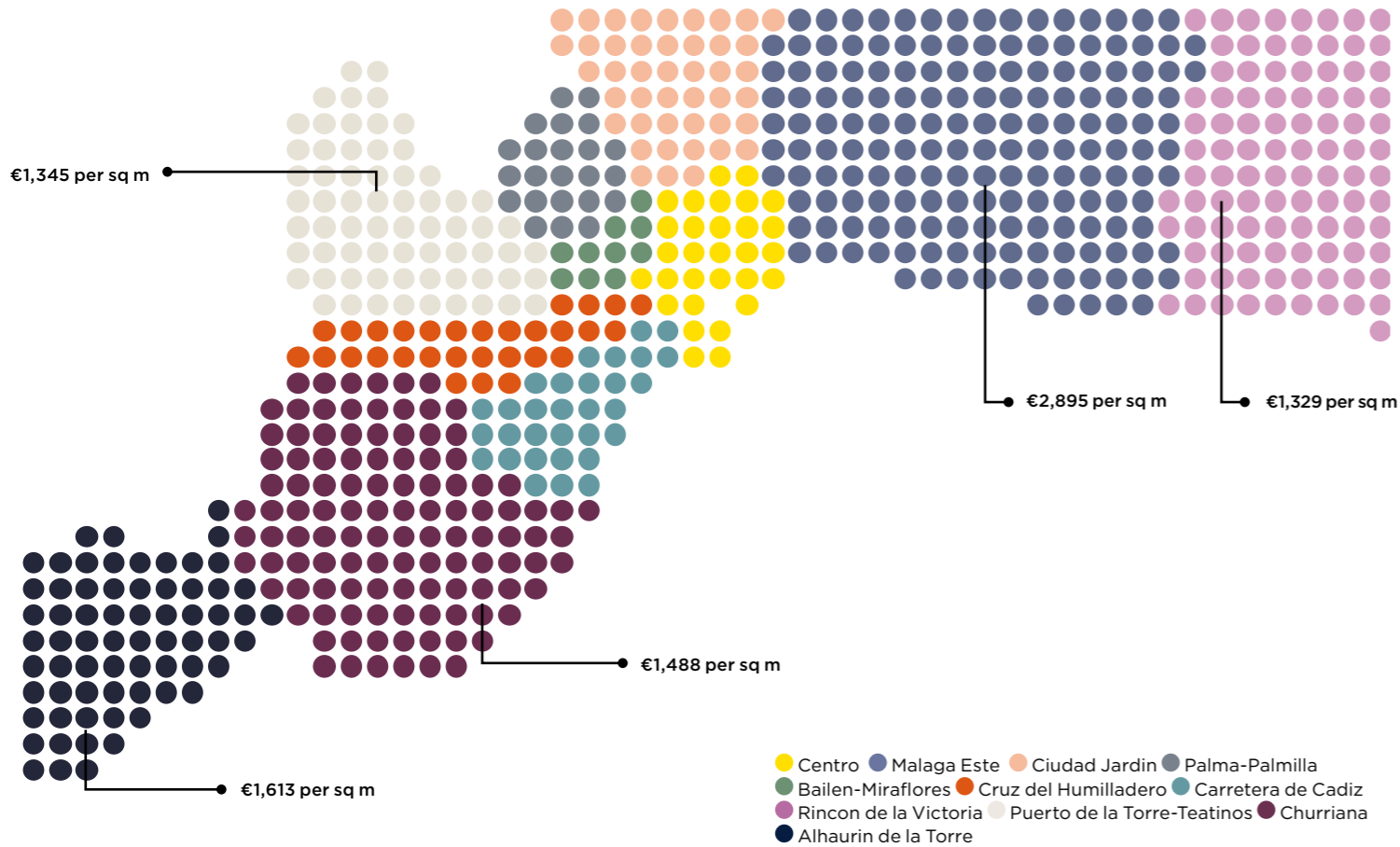


78% of the new single-family housing supply in the city is attached



The districts that registered the highest initial supply were Alhaurin de la Torre (36%), Churriana (44%) and Puerto de la Torre-Teatinos (14%)

**Distribution of average prices** Average new single-family housing prices by district



Source Savills Aguirre Newman Research

## New single-family

### Concentration of supply and price growth

Development of single-family housing was concentrated in the same areas as in previous years. The districts of Malaga Este, Puerto de la Torre, as well as those surrounding the city (Churriana, Alhaurin de la Torre and Rincon de la Victoria) accounted for the housing supply of this type.

#### Supply

Worth noting is the decline in single-family housing development in the districts of Puerto de la Torre (-85%), Rincon de la Victoria (-79%) and Alhaurin de la Torre

(-38%). In contrast, Malaga Este posted a growth in supply of 87%.

The pronounced drop in the supply (number of houses) was mainly due to the complete sale of the projects marketed during previous years, which were not offset by the new projects on the market.

The largest volume of initial supply was concentrated in the districts of Churriana (145 housing units) and Alhaurin de la Torre (119 units).

#### Prices

The limited supply of single-family housing units led to an increase in the average price, which stood at €344,011, 25% higher than that registered in 2018. The average capital value amounted to €1,800 per sq m.

The highest average capital values were registered in the districts of Malaga Este (€2,895 per sq m), Alhaurin de la Torre (€1,613 per sq m) and Churriana (€1,488 per sq m).

“During the last year, the initial supply was centred in the districts of Churriana, Alhaurin de la Torre and Malaga Este”

“The sales rates have stabilised but remain moderately healthy. Between 2019 and 2020, a total of 31 projects have been completely sold”

### Multi-family housing



3,8 The average percentage sold per month

26 The average marketing period (months)

### Single-family housing



3,4 The average percentage sold per month

29,4 The average marketing period (months)

## Stabilised sales rates

### The sale of new housing units continues to be stable

#### Multi-family housing

In 2019, positive figures were registered in terms of number of sales in multi-family housing. A total of 31 projects reached sales figures of 100% (two less than in 2018).

The average marketing period for a residential

project with an average number of 51 units was 26 months, higher than that recorded in 2018 (19.1). This sales rate, which already tended towards stability, is nevertheless being maintained within a moderate and reasonable time frame. For the same size of development, the average

monthly percentage of units sold stood at 3.8%.

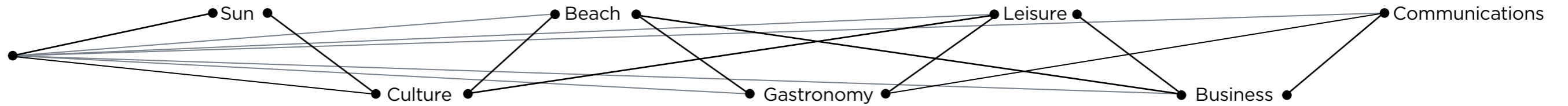
#### Single-family housing

The average marketing period for single-family housing was 29.4 months for a standard development of 16 units, placing the percentage of units sold per month at 3.4%.



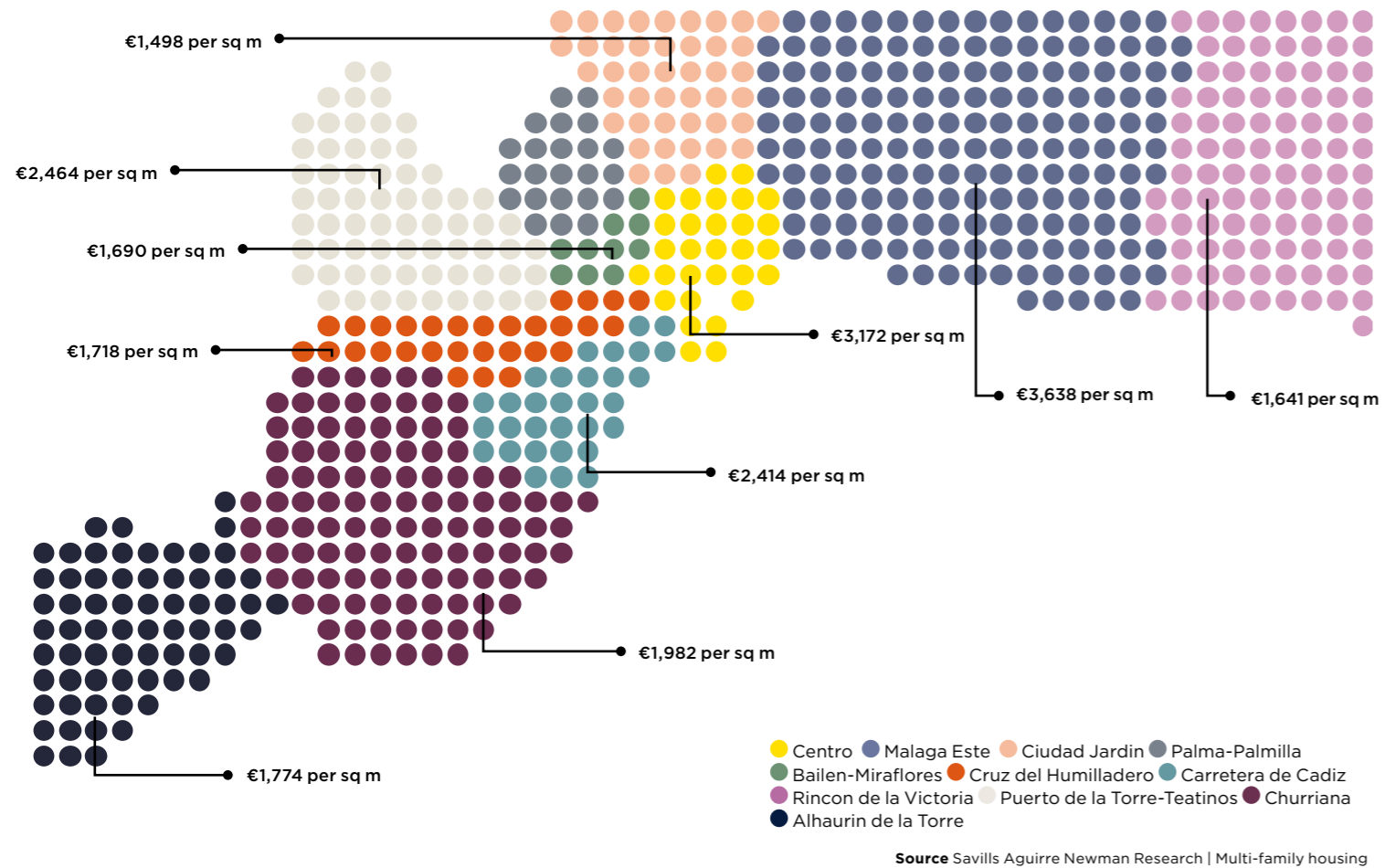


# Málaga





**Distribution of average prices** Average second-hand housing prices by district



# Second-hand

New housing developments gain ground over second-hand housing in the city

Historically, second-hand housing has been the market driver in the Malaga residential market. It was only during 2008 and 2009 when new developments surpassed this housing type in terms of number of transactions.

According to the Q4 2019 data published by the Ministry of Public Works, the number of transactions for second-hand units slightly dropped last year reaching 5,738 deals, representing a -49.1% y-o-y decrease, while new developments rose by 20.9% compared to 2018.

In January 2019, Savills Aguirre Newman identified a supply of second-hand homes from 5,500 to 6,000 in the districts analysed in line with previous years.

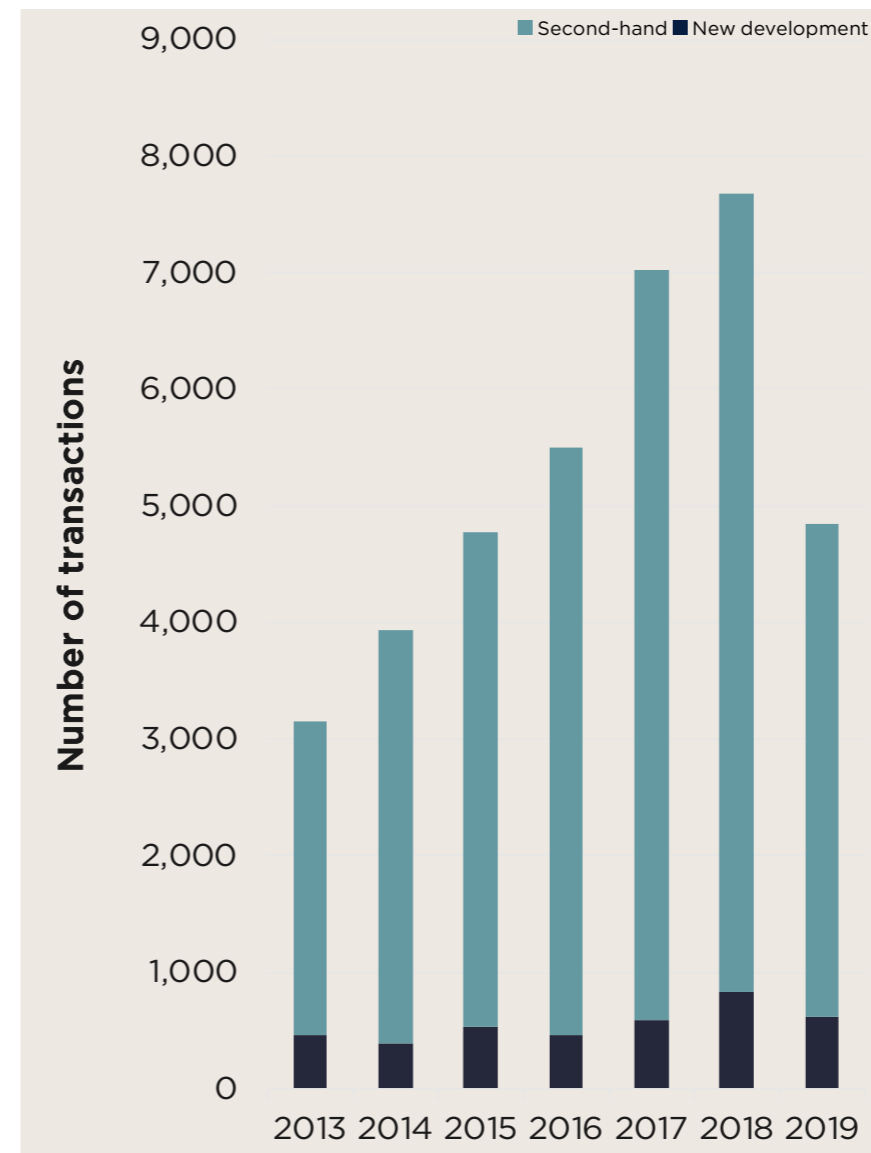
**Prices**  
Malaga Este, the Centro (old town) district and the Puerto de la Torre-Teatinos topped the ranking of the areas with the highest capital values in the city (€3,638 per sq m, €3,172 per sq m and €2,414 per sq m, respectively).

On the other hand, the districts of Ciudad Jardin, Rincon de la Victoria and Bailen-Miraflores registered the lowest average prices (€1,498 per sq m, €1,641 per sq m and €1,690 per sq m, respectively).

**Number of transactions**  
The number of real estate transactions disrupted the upward trend of the second-hand housing market, keeping prices stable and slightly reducing the number of deals that were carried out.

“The number of second-hand real estate transactions has decreased, continuing the stable trend”

**Transactions** New development vs Second-hand



Over the last six years, the purchase and sale of housing units has continued to grow. Compared to 2013, the number of transactions completed in this type of housing remained at 114%.

In 2019, second-hand housing accounted for 85% of the units sold in the city, marking a reduction of four percentage points compared to 2018.

With regards to new developments, 2019 registered growth figures. There are currently numerous projects underway that are already in the pre-marketing phases and

which are getting an excellent response from demand.

However, the economic scenario derived from the COVID-19 health crisis leads us to predict a temporary reduction in the number of deals and a decrease in prices of both new developments and second-hand units. This unprecedented situation will affect both markets, which in recent years have shown great strength and a tendency towards stability.



# Rental markets

## Renting, the new front runner in the Malaga residential sector

Over the past few years, the long-term rental housing market has undergone major changes. The emergence of holiday homes continued during 2019, shifting demand from the city centre to peripheral zones and districts of the city's metropolitan area.

The enormous imbalance between supply and demand, as well as the poor quality of the available product, are the main characteristics of the rental market in the city.

Factors of transformation already detected years ago, such as the change in mentality among young people, job expectations, problems of accessibility, globalisation, together with the flow of information and people, are changing the culture of housing ownership, which prevailed until a few years ago.

The new reality of the city's residential

market is the construction of a wide range of rental housing stock, with competitive and reasonable prices. This model is already being replicated and implemented in other large Spanish and European cities and is the future of Malaga. Despite the clear differences found between these cities, the rental levels are relatively similar.

The city's market continued the trend observed nationwide during 2019. An increasing number of households opted for rental housing, although the limited supply makes it extremely difficult to access this format.

On the other hand, the market is not professionalised, as the majority of the supply is in the hands of private individuals. The scarcity of new developments allocated for long term rentals is one of the key

aspects of this market, with only eight buildings dedicated to this activity in the city of Malaga.

**Supply**  
The supply of rental housing is mainly focused on multi-family units (used as a reference to carry out the analysis).

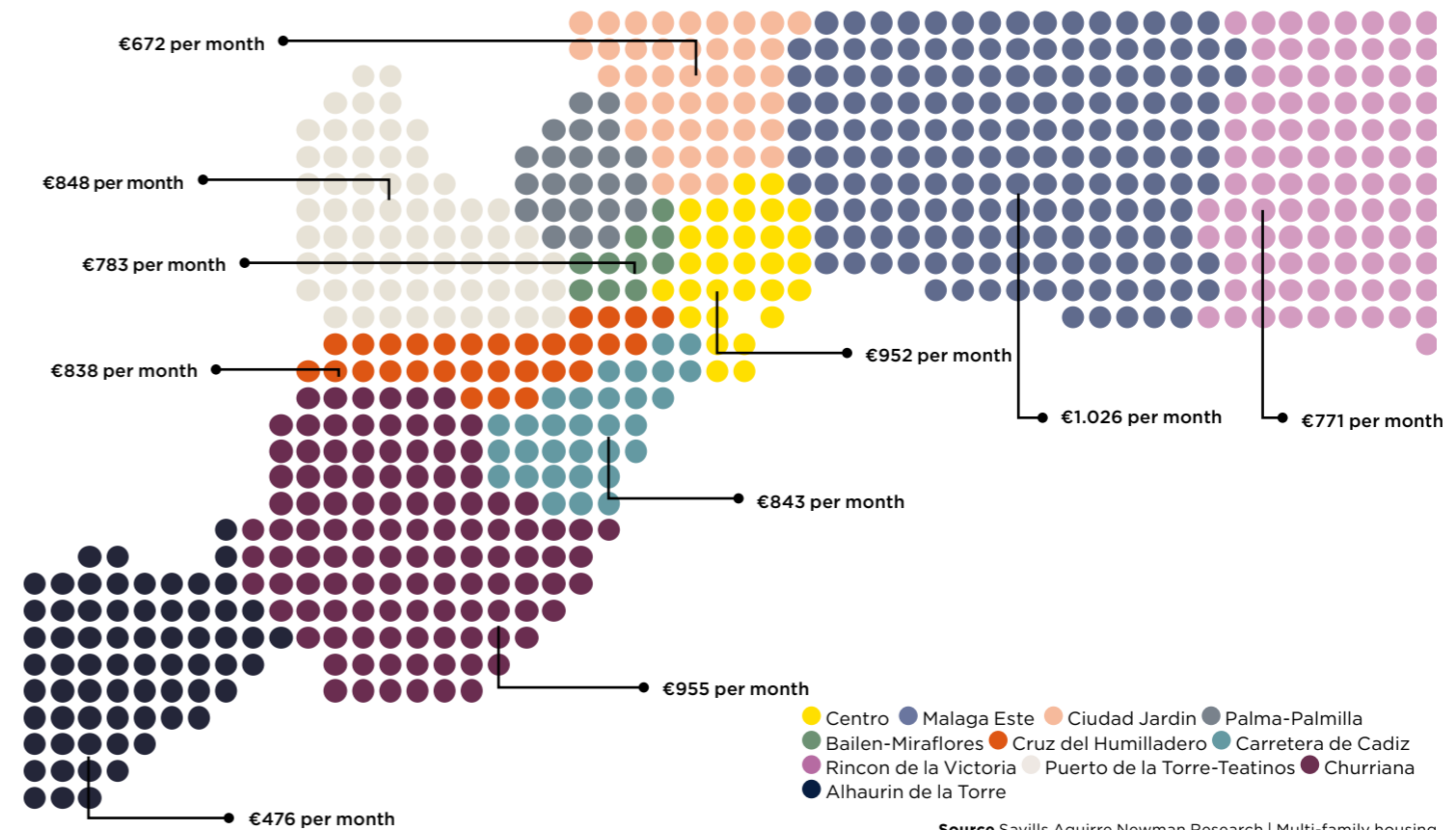
Savills Aguirre Newman estimates the supply of long-term rental housing (including exclusive buildings for rent) is between 1,000 and 1,300 homes, maintaining 2018 levels.

In 2019, the most sought-after areas were the Zona Centro and its surrounding areas, Carretera de Cadiz and Puerto de la Torre-Teatinos.

The trend of relocation from the centre continues, with the demand looking to move



## Distribution of average prices Average rental prices by district



Source Savills Aguirre Newman Research | Multi-family housing

closer to the sea or the surrounding vicinity. In spite of this, more people, mainly families with children, are seeking the comfort of areas such as Puerto de la Torre-Teatinos, Churriana or Alhaurin de la Torre. These areas are primarily residential and have a wide range of services and transport links to other points of the city and the province, as well as wide avenues, parks and quality public/private schools.

The boom in tourist housing in the historic centre and the subsequent decline in long-term rentals have largely led to an exodus to other areas of the city. The greater profitability on tourist rentals continues to be the reason for this change.

**Rents**  
The shortage of quality supply suited to the needs of demand and the boom in tourist housing have contributed to the increase in rental price in recent years. Overall, the average rent has grown steadily between 2-3% per year. However, between 2018 and 2019,

it remained stable due to the emergence of demand in even more peripheral areas such as Alhaurin de la Torre and Churriana.

During 2019, Malaga Este (€1,026 per month), Centro (€952 per month) and Churriana (€955 per month) were the districts with the highest rents. Churriana has also recorded the highest rise by 20% compared to 2018 due to an exponential increase in demand and a very limited supply.

On the other hand, the most affordable areas were seen in the districts of Alhaurin de la Torre (€476 per month), Ciudad Jardin (€672 per month) and Rincon de la Victoria (€771 per month). In all of these areas there is a need for a greater supply of quality rental housing with less pressure from demand.

**Exclusive buildings for rent**  
This long-term rental housing type, which is more common in cities like Madrid and Barcelona, is still in a phase of growth and consolidation. The excellent profitability of

tourist rentals (short stay) is directing the interest of investors towards this business model. Although there is a high level of interest from the demand side for the supply of buildings dedicated exclusively to rent (long-term rental), during the last year no building with these characteristics was incorporated into the city. However, it is true that small local owners have carried out the construction or refurbishment of buildings of 3 to 5 housing units intended for long term rentals in the areas of Alhaurin de la Torre and Churriana.

In the city we find only eight buildings of this type, with close to 100% occupancy, and with waiting lists that, in some cases, exceed a year.



## What can we do for you?

¿Qué podemos hacer por ti?



### Savills Aguirre Newman Andalucía

We carry out a rigorous and objective analysis of the real estate market in order to be able to provide our clients with information on the real situation in each of the sectors, thus helping them to make the most appropriate decisions at each moment.

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