



COSTA BRAVA

REAL ESTATE MARKET Q1 & Q2 2014



LUCAS FOX
INTERNATIONAL PROPERTIES

OVERVIEW

Lucas Fox has seen continued improvements in the market in the first two quarters of 2014. There is a great deal more confidence amongst buyers, in particular international buyers, as prices continue to stabilize, and this is reflected in the increasing number of transactions. The big change is that sellers' expectations are more realistic and that asking prices are coming down in line.

The Costa Brava follows national trends in property trading, although for 2014, there is a greater uptick in sales transactions in the region compared to the nation as a whole.

Costa Brava average sales prices varied from €1,147 per m² in Cadaqués in the region's far north to €2,659 per m² for properties in Platja d'Aro.

The Costa Brava prime property market has seen continued growth in sales activity each quarter for the past three quarters. The majority of prime market buyers are looking at Costa Brava as a second home and holiday destination, although there is also a number of buyers investing in the area either as a primary residence or a future retirement residence.



COSTA BRAVA REAL ESTATE MARKET: SUMMARY

There has been greater movement in Costa Brava property trading in the opening two quarters of 2014 compared with the same period at any time since the beginning of the crisis in 2006/7. Compared to 2013, there has been marginally more movement for the same time period, particularly in the coastal areas. Interest amongst national buyers has also increased, although transactions are still dominated by international buyers.

THE HIDDEN BEAUTY OF THE COSTA BRAVA

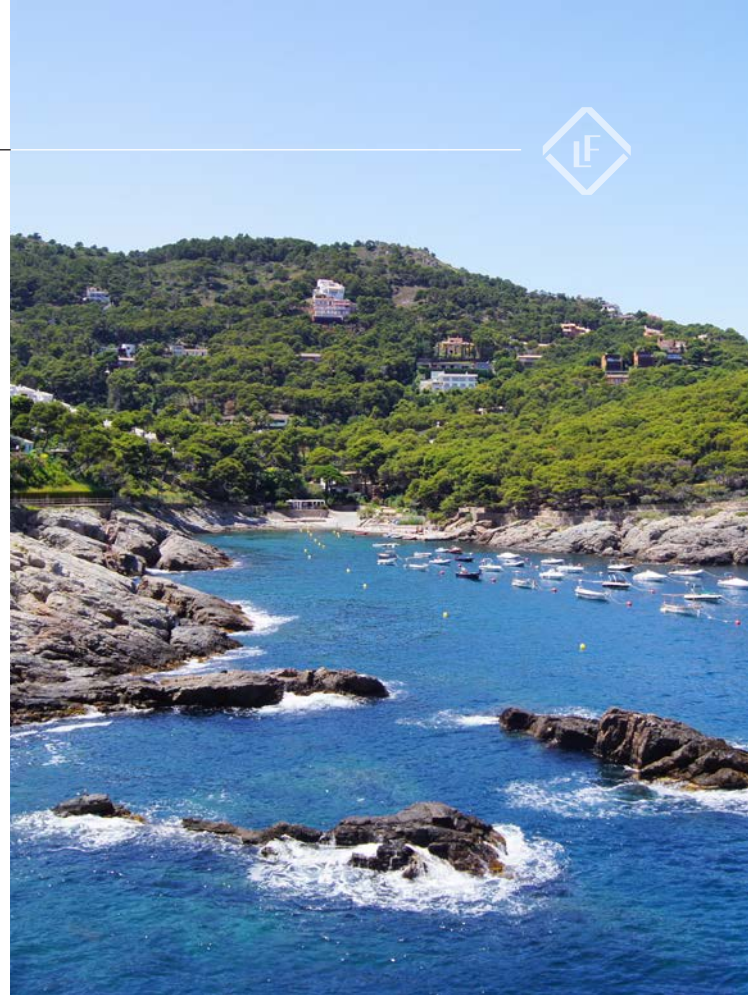
The continued appeal of the Costa Brava lies in its great accessibility, superb climate, beautiful coastal and inland landscape, wonderful gastronomy, rich cultural heritage and increasingly attractive property prices in prime coastal areas.

Following a charter signed by the coastal towns of the Costa Brava in 1998 which undertook to pursue environmental protection along with tourism, large areas of the inland and coastal areas are protected from the potential ravages of development. This gives buyers confidence that the coastal and inland landscape will maintain its natural beauty now and in the future. Specific areas include the Natural Park of Cap de Creus, the Aiguamolls de l'Empordà marshlands, the Medes Islands, the Montgrí Massif, the marine reserve of Ses Negres in Begur and Les Gavarres natural park. The country areas of the Costa Brava are building an international reputation for organic farming and boutique viticulture.

The area has some of the best restaurants in all of Spain, with a higher number of Michelin-starred restaurants than other areas, and with landmark cultural sites and events that regularly feature in the top ten lists for all of Spain.

In 2012 National Geographic Traveller included the Costa Brava in its list of the world's 20 best tourist destinations.

Visitors and residents enjoy an active lifestyle, from golfing and cycling to hiking and sailing, with a high level of investment having been made in the area's recreational infrastructure, including through walking trails, golf resorts, and private boat moorings in signature exclusive locations along the coast.



IN 2012 NATIONAL GEOGRAPHIC TRAVELLER INCLUDED THE COSTA BRAVA IN ITS LIST OF THE WORLD'S 20 BEST TOURIST DESTINATIONS

"MOST BUYERS ARE LIFESTYLE INVESTORS TAKING ADVANTAGE OF MARKET CONDITIONS AND PURCHASING SECOND HOMES WITH A MEDIUM TO LONG-TERM VIEW ON THE MARKET"



Tom Maidment

Partner, Lucas Fox Costa Brava



COSTA BRAVA PROPERTY SALES TRANSACTIONS

Costa Brava follows national trends in property trading, although for 2014, there is a greater uptick in sales transactions occurring in the region than seen across the nation as a whole. This matches the experience at Lucas Fox, where properties on the Costa Brava are attracting more interest from international (and national) buyers each year.

COSTA BRAVA PROPERTY SALES PRICES

Costa Brava average sales prices varied from €1,147 per m² in Cadaqués in the region's far north to €2,659 per m² for properties in Platja d'Aro. Overall, average prices for the Costa Brava properties are showing signs of increasing consolidation and even marginal increases in some areas along the coast, according to property portal, Idealista.

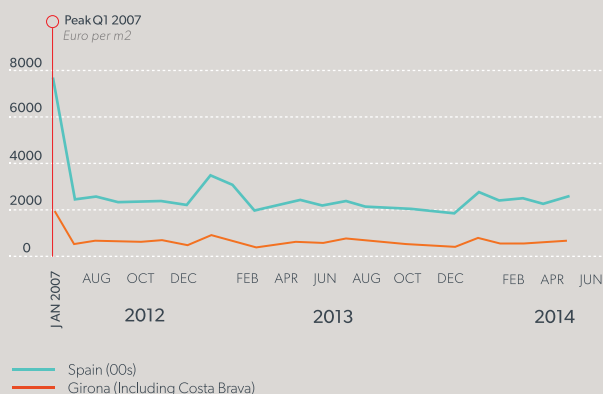
COSTA BRAVA PRIME MARKET PROPERTY

The Costa Brava prime property market is seeing continued growth in the level of sales activity each quarter for the past three quarters.

It is difficult to provide or compare average sales prices for this market as properties sold vary considerably: from multi-hectare rustic "fincas", to luxury sea view villas and apartments, to high quality detached family homes in inland villages. Each type of property has different qualities, making averages difficult to analyze in the region.

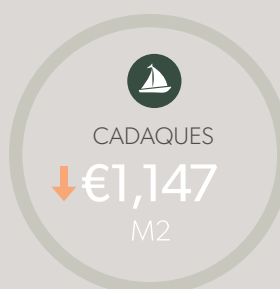
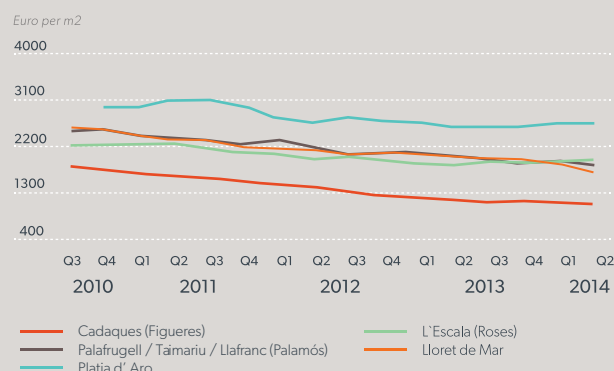
The majority of prime market buyers are looking at Costa Brava as a second home and holiday destination, although there is also a range of buyers investing in the area either as a primary residence or a future retirement residence. Buyers are predominantly between 40 and 65 years.

PROPERTY TRANSACTIONS OF FREE HOUSING FOR GIRONA INCLUDING COSTA BRAVA, PEAK (Q1 2007) AND Q3 2013 - Q2 2014 / Source: Ine.es



COSTA BRAVA AVERAGE SALES PRICES, Q3 2010 - Q2 2014

Source: Idealista.com





FOREIGN INVESTMENT

The majority of Costa Brava prime market buyers are from the UK and France, with Russian buyers showing regular interest in select areas along the coastline.

“Throughout the Costa Brava the market is almost entirely driven by international buyers,” says Tom Maidment, Partner of Lucas Fox Costa Brava. “The most active buyers are Northern Europeans (British, French, Dutch, Belgian and Swiss) and Eastern Europeans (Russians and Ukrainians).

Activity amongst Eastern European buyers has been significantly affected by the crisis in Crimea and the economic and political instability in the region. The value of the Rouble has dropped more than 20% against the Euro and many buyers are unable to get their money out of the country. We have seen a significant downturn in the number of transactions by buyers from both Russia and Ukraine in recent months.”

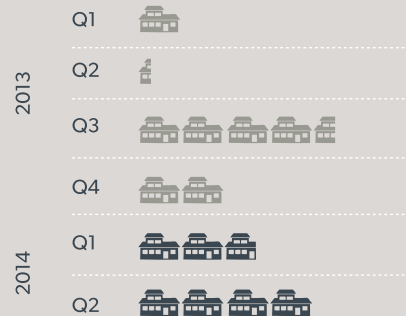
LUCAS FOX ANALYSIS AND PREDICTIONS

“Interest in first line properties and quality high-end properties in prime locations remains high,” says Tom Maidment. “There is always a strong demand for high-end, new build, first line properties though a lack of supply in the Costa Brava where first line properties tend to be older properties requiring renovation. There is also continued interest in heavily discounted detached villas priced between €500,000 – €750,000 and building plots up to €500,000.

Most buyers are lifestyle investors taking advantage of market conditions and purchasing second homes with a medium to long-term view on the market. The new “Golden Visa” scheme has attracted interest from non-EU buyers but perhaps hasn’t generated the level of sales transactions that had been anticipated. This is partly due to the lack of construction in recent years and the limited supply of suitable new build product around the €500,000 mark.

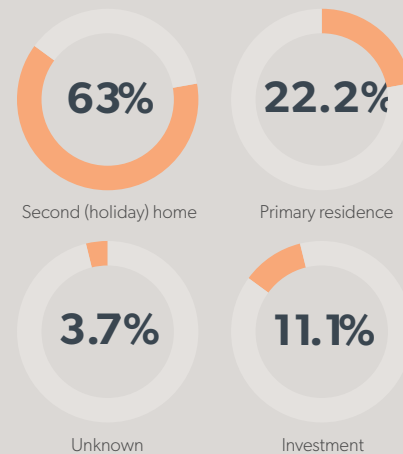
The best areas to invest include the coastal area between Calella de Palafrugell and Sa Riera, which remains a standout, upmarket stretch of coastline of the Costa Brava. This area has always been highly sought-after by both international and local buyers and investors purchasing now should see reasonable medium to long-term returns once the local market recovers.

COSTA BRAVA PRIME MARKET SALES VOLUME, Q1 2013 - Q2 2014 (Source: Lucas Fox sales data)



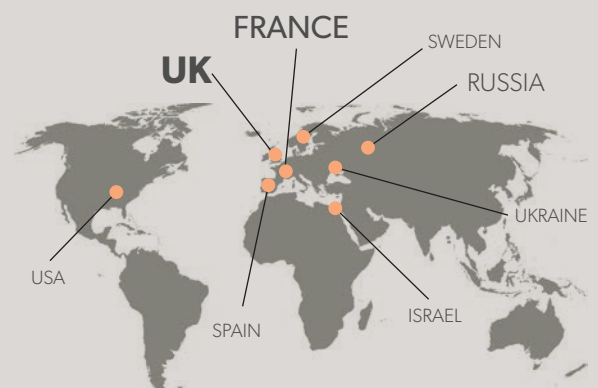
ABOVE: COSTA BRAVA PRIME MARKET BUYER MOTIVATIONS, 2013 - Q2 2014

Source: Lucas Fox sales data



COSTA BRAVA PRIME MARKET BUYERS: SALES BY COUNTRY OF ORIGIN 2013 - Q2 2014 /

Source: Lucas Fox sales data



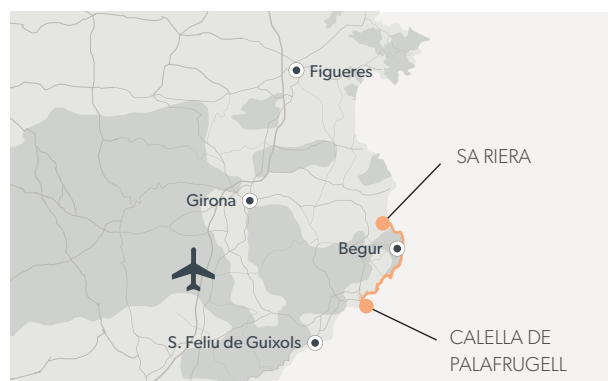


"IN THE SECOND HALF OF 2014, PRICES IN PRIME COASTAL AREAS SHOULD REMAIN STABLE AND WE EXPECT THE GAP BETWEEN ASKING PRICES AND SALES PRICES TO CONTINUE TO NARROW"

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In the second half of 2014, prices in prime coastal areas should remain stable and we expect the gap between asking prices and sales prices to continue to narrow. Prices inland should fall further given the lack of movement in the rustic sector and the current lack of activity amongst local and international buyers at the mid to high end of the market.

In terms of opportunities for investors, competitively priced properties in prime locations are always high in demand and low in supply. These properties turn over very quickly so buyers need to move fast to take advantage of the opportunities as and when they arise."



MORE INFORMATION:

If you are interested in knowing more about the property market in this region, please contact Lucas Fox on:

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Tom Maidment
Partner Lucas Fox Costa Brava

