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## Covid-19 causes a split in Marbella's holiday home market

While mainstream sales are slowing, wealthy buyers are drawn to the resort's luxury developments



Puerto Banús, south-west of Marbella; the resort has grown from a small town for the Spanish elite to an international centre © Getty Images

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Ian Mount OCTOBER 29 2020 14

Iranian-born art dealer Sholeh Abghari started coming to Marbella 15 years ago, and each visit to her family's place in the Spanish resort town evoked something like dread.

"We had a summer house in [the Marbella neighbourhood] Nueva Andalucía. I would always say: 'I don't want to go. It's only for old people,'" says Abghari, 38.

Her attitude changed in 2017, when she moved into the house and discovered a "young generation of entrepreneurs" had moved to the area. Since then, she and her husband Tarek Beshara, a hotel developer from Majorca, have had two children and, during the coronavirus pandemic, reserved a €2.5m unit in the area's first designer-branded residence development, the recently launched Epic Marbella, furnished by Fendi Casa.



Epic Marbella, the area's first designer-branded residence development, is furnished by Fendi Casa

In recent years, new holiday-home developments have boomed on Spain's Costa del Sol, with 267 projects offering about 15,000 units at the beginning of 2020, according to the Marbella-based real estate consultancy Prime Invest.

In March, the arrival of the pandemic, the ensuing lockdown and economic disruption brought back painful memories of the bursting of Spain's real estate bubble in 2008, which saw prices for new houses fall by more than 32 per cent over five years and littered the coasts with half-built skeletons of homes.



The Marbella beachfront © Solarpix.com

"January to mid-March was the best spring ever. Then things changed," says Daniel Kunz, a Prime Invest partner, whose company manages sales for 23 new residential developments on the coast. "Ninety-five per cent of our developments are sold to foreigners, so if they can't travel things get complicated."

As restrictions eased, the property market on the Costa del Sol has split between the haves and the have-mores. While middle-market projects have been hit by slowing sales as its clientele struggles with lost jobs and the inability to travel — overall sales are down 20 per cent in 2020, according to Fausto Martínez of FM Consulting — new luxury projects such as Epic Marbella have benefited from a super-rich class that has not been badly affected.

"In the first few months of the virus, activity was very low. But after confinement ended, the summer here was very happening," says Carlos Rodríguez, chief executive of Sierra Blanca Estates, the project's developer.



Units at Epic Marbella cost €2.5m-€7m

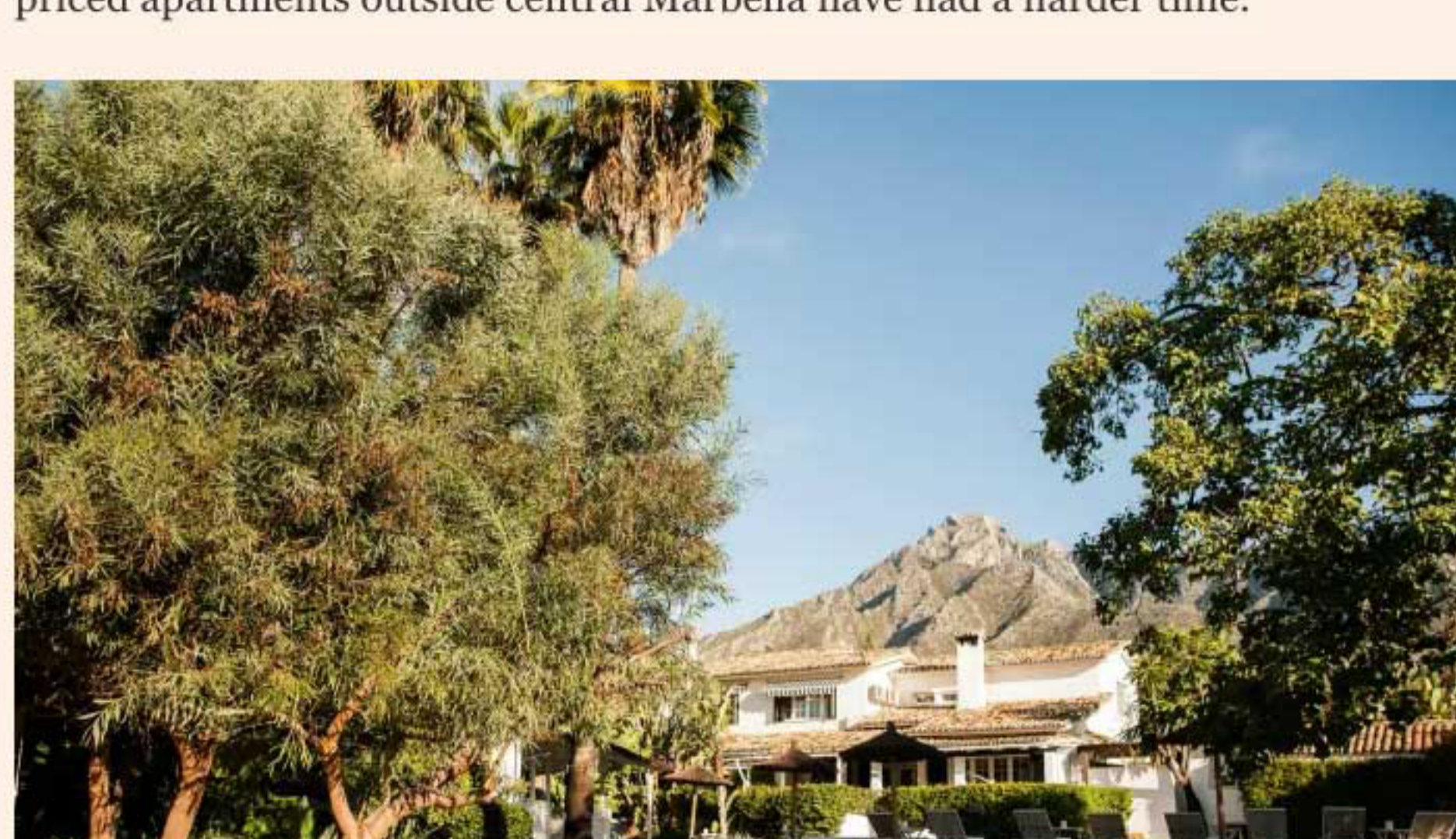
Rodríguez says deposits have already been paid for 26 of the first 46 Epic Marbella units, including 12 of the first 28 Fendi Casa units (the first phase of 18 is not decorated by Fendi). The residences, which range from 400 sq m to 1,000 sq m, are priced from €2.5 to €7m.

The arrival of the area's first branded development is the latest shift for Marbella. Back in the 1960s, it was a small town frequented by the Spanish elite and foreign friends such as Monaco's Prince Rainier and actors Grace Kelly, Laurence Olivier and Jimmy Stewart. By 2000, it had boomed to have a population of 100,000, buoyed by second-home buyers and expats from the UK.

"It used to be English buying two-by-two [room] apartments at the lower end, but in the last four to five years a lot of young Scandinavians in their 30s have moved here and bought big villas," says Nick Bristow, 36, a real estate developer from Kent in the UK. He started visiting Marbella with his family 25 years ago — and, like Abghari, reserved a Fendi unit at Epic Marbella for €2.9m.

Christopher Clover, who has run Marbella's Panorama Properties for almost 50 years, says the increasing presence of wealthy northern Europeans, such as Swedes and Belgians, marks the culmination of a two-decade transformation of Marbella to a year-round city with a population of more than 150,000.

While high-end homes seem to be selling, second-hand properties and lower-priced apartments outside central Marbella have had a harder time.



Villa in Sierra Blanca with six cabins. Available through Panorama for €4.35m © SIMON MAXIM www.simon-photo.ru

Leo, who did not want to give his real name, says he has benefited from the situation. The UK-based property developer has owned a holiday home in Marbella for 15 years but, in August, signed the contract for a villa in the Sierra Blanca neighbourhood for which he offered €2.5m, 20 per cent below the already reduced asking price of €3m. "It was the best time for us to buy," he says.

The Spanish market was almost paralysed during the second quarter — sales in Andalucía were down 47 per cent compared to the same period in 2019, according to the country's notary union. The number of sales in Spain rebounded in August, up 6.8 per cent year-on-year, but prices per sq m were down 7.3 per cent — and Kunz says some motivated sellers have been offering discounts of between 30 and 40 per cent.

Outside Marbella, in cheaper places such as Estepona, the market is being flooded with large developments. At the beginning of the year, Estepona had 82 projects accounting for 5,430 planned units, according to data from Prime Invest, more than a third of all planned for the Costa del Sol.

"In some zones in Estepona, there was an excess of supply, and it will take a lot of effort to sell. They were selling slowly a year ago and now have almost stopped," says José Carlos León of Nvoga estate agents. "There's no demand for them."

Unlike when Spain's last housing boom collapsed, lenders have been more demanding, requiring developers to pre-sell about 60 per cent of their units before they offer financing.

As a result, builders have been turning to investment funds for loans to buy land and pay for the early development process. With funds charging annual interest rates around 15 per cent, these early-stage projects are the most likely to have problems in future, says León.

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