



COSTA BRAVA REAL ESTATE MARKET REPORT

Q1 & Q2, 2011 RELEASED AUGUST 2011

Lucas Fox provides regular updates on local property markets. This Costa Brava real estate market report summarizes the state of the Costa Brava real estate market in the FIRST half of 2011. To prepare this report, we have drawn on national and local data, our business analytics, and the week-to-week experiences of our sales staff in the luxury property market of Costa Brava. This report shows that there is a continuing strong demand from international clients for luxury properties for sale and rent in the Costa Brava.

You can keep receiving up-to-date market reports from the Lucas Fox International Properties team. Subscribe to future updates at our website (www.lucasfox.com) or bookmark our blog (www.blog.lucasfox.com) for the latest news on Costa Brava real estate. For any questions about Barcelona real estate, please contact one of our sales staff on +34 933 562 989.

The Barcelona Real Estate Market

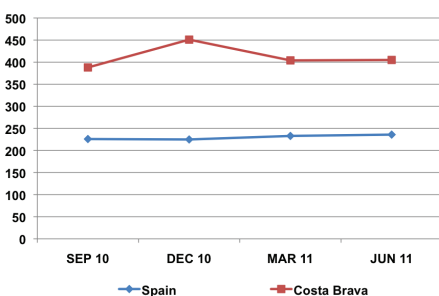
The official figures show that Costa Brava property prices increased slightly in the final quarter of 2010, and that prices dropped back in the first half of 2011, although they are slightly higher than at the same point in 2010.

Average property prices are now €405,000, up €17,000 on this time last year (see **Figure 1**). The luxury property segment of the Costa Brava property market performed well in the first half of 2011, with continued demand for quality properties.

The Costa Brava is an ideal location in which to own luxury property. The pristine beaches, magnificent countryside and access to a wide range of leisure, and cultural activities, including the cities of Barcelona and Girona, make it an ideal holiday home location. Many new international buyers are recognizing the convenience, accessibility and beauty of the area

Figure 1: Average Property Prices between September 2010 - June 2011

(Source: National Institute of Statistics)



“ Demand for luxury properties continues apace, mainly driven by international clients from the Eurozone and a high level of demand for sea front villas from buyers from Russia and former Soviet states ”

Tom Maidment, Director
Lucas Fox Costa Brava

and the range of flights to international destinations from nearby airports.

In the last few years International property buyers have started to become more interested in an investment that they can rent out for part of the year and use themselves during holidays.

They want to buy in areas that are accessible, and that have good amenities and infrastructure in order to make their holiday stay convenient and enjoyable.

The Costa Brava ticks all of the boxes for these luxury buyers:

- ✓ It is close to Barcelona's international airport that links the city directly to a growing number of cities around the world, and is also serviced by Girona airport.

- ✓ It has a vast range of leisure activities, including marinas and high quality golf courses.
- ✓ The Costa Brava is extremely beautiful, largely unspoilt, with many traditional villages and is one of the jewels of the Spanish coastline.
- ✓ The nearby cities of Barcelona and Girona are fantastic cultural centres with world-class gastronomy; Girona is home to two of the top 25 ranked restaurants in the world.
- ✓ There is a thriving holiday rental market in the summer months.

Tom Maidment, Director Lucas Fox Costa Brava, comments: "Our clients have noted that there has been significant negative speculation surrounding the Spanish property market in the international media. What the press has largely overlooked is that the Spanish property market is very diverse, and that each region of Spain is different.

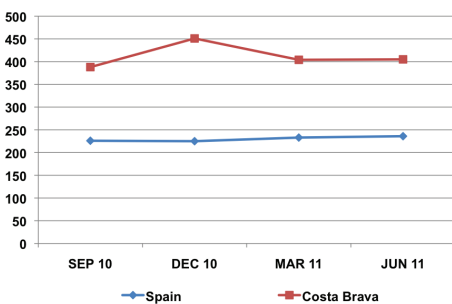
The limited supply, yet high demand, for high end luxury properties in the Costa Brava region make these properties more price resilient than those in other parts of Spain. Demand for luxury properties continues apace, mainly driven by international clients from the Eurozone and a high level of demand for sea front villas from buyers from Russia and former Soviet states."

Costa Brava Property Market

While average property prices have improved on last year's second quarter figures, they are down from property values recorded at the end of the fourth quarter in 2010. At that time, house prices had increased to an average of €451,000, according to real estate webportal Kyero's Housing Property Index.

By the end of the second quarter 2011, average prices had dropped to €405,000. While lower than the high point at the end of 2010, the average still had some advancement on the price 12 months ago. At that time, prices averaged €388,000.

Figure 2: Property Sales Transactions: Girona Including Costa Brava January 2011 – June 2011



Sales transactions (see **Figure 2**)ⁱⁱ for the Girona area, which includes Costa Brava, shows a sales trend consistent with the national picture for the first quarter of 2011. Changes to mortgage taxes and the lack of access to finance for property purchases depressed the sales market. Uniquely for Costa Brava, this trend has been short-lived as the number of transactions in the area traditionally peak in the summer and autumn.

Costa Brava Property Market: Short-term Rentals

Demand for short-term summer holiday rentals remains very strong. The coastal area around Begur (including Tamariu, Aiguablava, Sa Tuna and Llafranc) remains popular with UK and European clients. In the Playa d'Aro and S'Agaro areas there is significant demand from Russian clients looking to rent luxury villas for the whole summer. We have also noted an increasing demand from US clients.

Foreign Investment

The main international groups of clients interested in Costa Brava property are from the UK, northern Europe, Russia and the USA. Demand from Russian and former Soviet buyers has been strong. Figures show that the large number of Russian households with a high level of cash assets and a small amount of borrowings has resulted in a 30% increase in demand for purchasing overseas properties. Buyers have shown a particularly interest in second homes in the Costa Bravaⁱⁱⁱ.

Russian property investment is set to be replicated by affluent consumers in other emerging markets, including Mexico, China and Brazil.

Within Europe, Lucas Fox have noted growing interest in Barcelona property amongst Swiss and Netherlands residents. This interest in Costa Brava property market has been matched by increases in tourist numbers from these same countries in the first half of 2011.

Lucas Fox Analysis and Prediction for the Second Half of 2011

While the first half of the 2011 has seen further drops on key housing indicators through Spain, the luxury end of the market has held steady. The relative lack of supply and high level of demand for quality luxury properties in the Costa Brava houses should mean that prices in this segment of the market will remain stable.

We predict that for the immediate future buyers will be able to continue to negotiate on asking prices and secure Costa Brava properties at competitive prices. Given the current economic conditions and lack of finance available to local buyers, international clients should be willing to hold on to their properties for longer as it will be several years before the next growth cycle.

ⁱIdealista Evolution of monthly sales prices 2010 & 2011

ⁱⁱNIE Statistics on property transfer rights, monthly provisional data

ⁱⁱⁱ<http://blog.lucasfox.com/commercial-property-2/spain-retail-european-property-market/>



PGA de Catalunya – Villa

Spain» Costa Brava

€2,100,000



Tamariu – Villa

Spain » Costa Brava

€3,100,000



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Director



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