



MosaicRealty
HOMES • SERVICES • INVESTMENTS

Costa del Sol

Market Overview & Buyers Guide

2024

About the Costa del Sol

The Costa del Sol (Coast of the Sun) is the name given to an area of coastline in southern Spain within the province of Malaga. The Costa del Sol has been a popular destination for tourists since the 1960's and its popularity exploded further in the 1970's with the re-development of Malaga International airport. The increased capacity immediately made the area more accessible and affordable consolidating its position as Europe's favorite holiday location.

The same underlying fundamentals that have driven the popularity of the area with tourists have, in parallel, also driven exponential growth in the demand for local real estate. Initially this growth was predominantly from Northern European's seeking to relocate or own second (holiday) homes in the sun. As the tourist and real estate sectors grew so did the local infrastructure providing a myriad of bars, restaurants, shopping malls, water parks and other local attractions which further propelled its popularity.

Today the Costa del Sol is more popular than ever with (prior to Covid-19) tourist numbers continuing to grow and the property market demonstrating its resilience by recovering strongly from the 2008 economic crisis and once again showing positive growth with interest from Europe and also an increase in buyers from further afield. One of the most important factors in the sustained popularity of the area is the fact that it has naturally evolved into a number of independent towns and villages each with very different features and characteristics, allowing it to appeal to an unusually wide demographic. Whether you are looking for a tranquil and traditional village rich in culture like Mijas pueblo, a bustling beach side town like Fuengirola or Benalmadena or an exclusive shopping or marina experience like Puerto Banus the coast has it all. As you would expect, the property available is equally eclectic ranging from budget apartments to some of the most impressive luxury villas in the world nestled in the surrounding mountains, the Costa del Sol is truly an impressive and unique place.

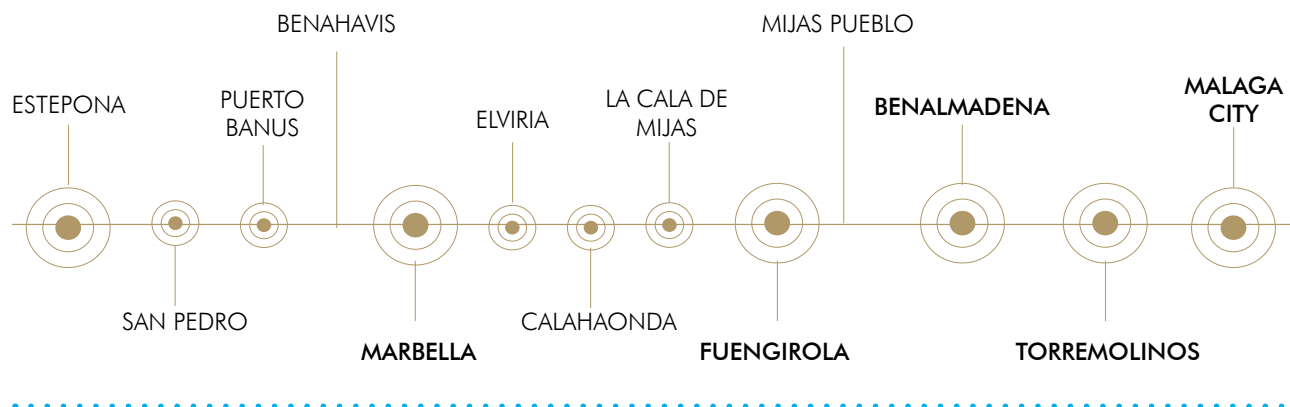
For families looking to re-locate to the Costa del Sol there are a number of advantages over many other locations both in Spain and further afield including regular and inexpensive flights, a large number of high-quality international schools and importantly a large, truly cosmopolitan population from all over the world that resides permanently on the coast creating a rich variety of clubs and social activities 12 months of the year and not, like many places, heavily subject to seasonality.

About Mosaic Realty

Mosaic Realty is the agency division of Mosaic Group. All with many years living and working within the local real estate sector our experienced, professional team is dedicated to understanding and reacting to the specific needs of each and every client, regardless of whether your interest in the Costa del Sol is driven by lifestyle or investment.

We specialise in new-build property and as such have an intimate knowledge of the current new development options within our operational area. In addition, we work with the major MLS providers meaning we also have direct access to over 20,000 resale properties. In short, we are confident that our team is perfectly positioned to help you find the perfect property on the Costa del Sol.

Key Costa del Sol Areas (Mosaic Operational Footprint)



10 Reasons to Choose the Costa del Sol....

If you are already looking for property on the Costa del Sol it is highly likely that you already know the area, but as a reminder, below are just some of the reasons why we believe re-locating or owning a holiday home on the Costa del Sol is an excellent choice.

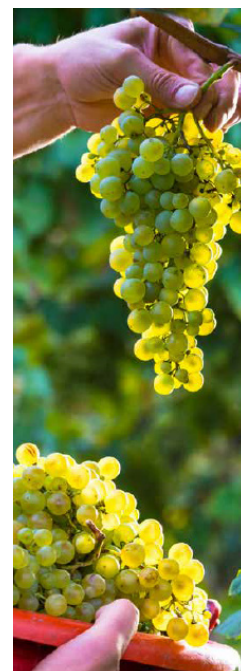
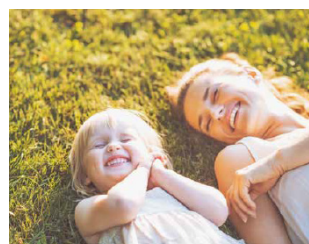
1. Health & wellbeing

According to the Bloomberg Global Health Index Spain is considered to have the healthiest population in the world achieving a score of 92.75, with it boasting a life expectancy of 83.5 years and this is projected to increase to 85.8 by 2040 to be the highest around the globe. The country may drink a lot of wine, smoke, and stay up late but their dietary choices and other lifestyle choices are what is setting them above the rest. Spain has the highest percentage of walkers with close to 40% of the population walking almost everywhere they can and following a Mediterranean diet that is loaded with healthy fats, vegetables and legumes while being very low in processed food with low amounts of red meat.

The Universal Healthcare Program in Spain is also one of the best in the World (ranked 7th by the WHO) with 4 doctors for every 1,000 people and performing more organ transplants than anywhere else in the world lowering the rate of preventable deaths to 45.4 per 100,000 residents.

Bloomberg Health Rankings

- | | |
|----------------|--------------------|
| 1. Spain | 6. Sweden |
| 2. Italy | 9. Norway |
| 3. Iceland | 7. Australia |
| 4. Japan | 19. United Kingdom |
| 5. Switzerland | 23. Germany |



2. Accessibility

Malaga Airport is only a short drive away, after further recent expansion the airport is now firmly Spain's 4th busiest airport (behind Madrid, Barcelona and Palma) and handles 85% of International air traffic in Andalucia. In 2019 this related to over 19.8m passenger movements and over 144,000 aircraft movements, in 2020 this dropped to just 5.2m as a result of Covid-19 travel restrictions. In 2023 passenger numbers hit a record high of over 21m for the first time exceeding the pre-pandemic previous high in 2019 by more than 20%.

Malaga is one of the best serviced routes in Europe providing all year-round flights from a wide variety of local airports from within Europe and beyond. The reliable demand and competition from many low-cost airlines keeps flight prices economic and ensures regularity. The coast is also serviced on a less frequent basis from Gibraltar airport.

More new routes are planned for Malaga in 2024 including the return of direct flights to the USA.



| Annual Passengers | Flight Routes | Countries | Airlines |
|-------------------|---------------|-----------|-----------|
| +21m | 156 | 35 | 49 |

3. Beautiful Beaches

In 2022 Spain once again led the world in terms of the number of beaches (621) being awarded the trademark Blue-Kite flag denoting superior quality of cleanliness, facilities, safety and accessibility for the disabled. The Costa del Sol has over 150km of coastline bordering the Mediterranean Sea offering a combination of tranquil beaches where you can relax without disturbance, busy beaches with water sports and modern services and a variety beach bars and clubs ideal for enjoying a meal or drinks with family & friends whatever your budget.



4. History & Culture

Anyone who visits the Costa del Sol can't help but notice that day to day life is typically conducted at a slower pace than is typical in most other places especially modern cities, this relaxed pace of life is often a large part of the appeal. Visitors and residents alike love experiencing the local culture and exploring the many tapas bars and traditional flamenco shows often until the early hours of the morning as life generally starts later and finishes later than is usual in other societies.

If you like history then you may be interested to learn that the settlement history of the coast spans about 2,800 years. The Phoenicians, Greeks, Romans, and Arabs all settled here and left ample remains, language, and customs.

The many historic sites and museums include the Pablo Picasso Museum (Malaga), Alhambra palace and Castle Sohail (Fuengirola) which was developed in the 12th century and later occupied by Christian armies. The castle now hosts various cultural events including the Medieval Market and annual Beer Festival.



5. Cost of Living

The Costa del Sol is remarkably diverse and caters for all budgets. Naturally if you elect to consistently visit some of the ultra-trendy restaurants and beach-clubs in Marbella the costs can be extremely high as you would expect in any other elite location. However, it is also possible to live very cost efficiently on the Costa del Sol. Many of the Spanish bars and restaurants found in and around residential areas are very reasonably priced, as are the mainstream Spanish supermarkets. Municipal sports facilities are also of a very high standard and not expensive.

The warm and reliable weather is also a contributing factor as the many beaches and parks are of course free meaning if you enjoy being outside with the family you always have cost efficient alternatives.

6. Exceptional Climate

The weather has always been one of, if not the, most significant factor behind the Costa del Sol's popularity. The Costa del Sol enjoys the Mediterranean climate with four distinct seasons. The region lives up to its name and receives around 325 days of sunshine in the year.

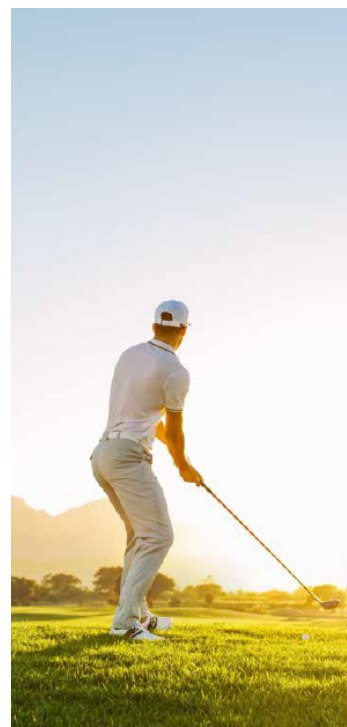
July and August are the hottest months in the region, with the average daily max temperatures around 31 °C. January is the coldest time of the year, with the average daily temperatures at around 17 °C. The mild winters and reliability of the weather with warm, long sunny days between April and October naturally encourages outdoor dominated lifestyle choices.

| Average | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec | Annual Average |
|-----------------------|-------|-------|-------|-----|-------|-------|-------|-------|-------|-------|-------|-------|----------------|
| Daily Max Temp (°C) | 17° | 18° | 20° | 22° | 25° | 28° | 31° | 31° | 28° | 24° | 20° | 20° | 23° |
| Monthly Rainfall (mm) | 73 | 56 | 52 | 43 | 22 | 3 | 3 | 3 | 32 | 56 | 77 | 112 | 44 |
| Daily Sunshine (hrs) | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 11 | 9 | 7 | 6 | 5 | 8 |
| Sea Water Temp (°C) | 16.4° | 15.7° | 15.6° | 17° | 18.4° | 21.1° | 22.7° | 23.4° | 21.7° | 20.7° | 18.4° | 16.9° | 19° |

7. Costa del Golf

There are over 70 Costa del Sol golf courses between Torre del Mar and Sotogrande, the largest concentration anywhere in Europe. Since golf first arrived in the area nearly a century ago, its popularity has grown to the extent that the Costa del Sol now ranks as a top golf destination worldwide with many of the world's top designers putting their name to golf courses in the area.

The concentration of high-quality golf courses has even now created its own tourism sector with tens of thousands of keen golfers visiting the coast every year to enjoy a game or participate in one of the many tournaments earning the coast the nickname "Costa del Golf".



Some of the most popular courses are Finca Cortesin (Casares), Aloha Golf (Marbella), El Chapparal Golf (Mijas), Las Brisas Golf (Marbella) and La Cala Golf Resort which is Spain's largest golf resort comprising of 3 championship golf courses, spa, golf academy, superb sports facilities and three superb restaurants.

8. Food & Drink

The multicultural population of the Costa del Sol along with a truly global tourist industry (ranked second in the world in terms of tourist arrivals and first in the world by the World Economic Forum for providing the most attractive all round tourist proposition) ensure that the coast has a staggering choice of restaurants and bars to suit every possible taste and budget.

Of course, there are hundreds of traditional tapas bars and beach side chiringuitos serving fresh fish, paella and other Spanish favorites but that is just the start of it. There are the highest quality Michelin star restaurants, Argentinian steak houses, Chinese, Asian Fusion, Indian, Thai, Greek, French, Dutch, German and just about any other type of foods you can think of. If its late and you just want fast food then thats here too.

When going out for drinks you have an equally rich choice and can choose to dress up and mix with the glitterati or equally dress down and just relax with the family.



9. Diversified Property Market

While everyone would love a beach front mega villa, property in the Costa del Sol, like everything in life for most of us, ultimately comes down to budget, personal preference, priorities and almost always a degree of compromise. The good news is that the Costa del Sol property market is as diversified as everything else on the coast and there is literally something for everyone.

Whether you want to design and build your own contemporary villa, prefer a more traditional Andalusian style property, want to be in the heart of the action, near a school, near the sea, near a golf course, or prefer to observe the world from a distance surrounded by nature with panoramic views over the coast and / or mountains, everything is possible.

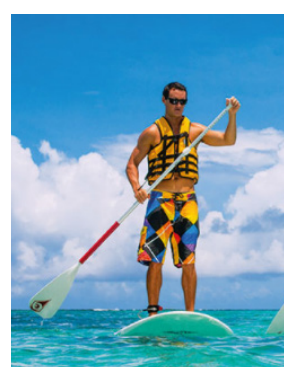
The property market is complex, and many factors impact property prices not just the proximity to the sea, in fact some of the most expensive properties are located high in the mountains.

The team at Mosaic have extensive experience working with clients from all backgrounds. This experience allows us to effectively work with potential property buyers to first identify and fully understand their needs and then pro-actively apply this understanding to find the best options available for each client based on their specific requirements and priorities.



10. Family Fun & Togetherness

By far the most important reason people love visiting and spending time on the Costa del Sol is to enjoy quality time with family and friends. For regular visitors who enjoy short breaks in the area it enables them to take advantage of the weather and spend time outside, explore, relax, visit new places, experience new things and create memories together without the day-to-day stresses of life. Even people who make the decision to move to the coast permanently typically find that although they may be physically further away from certain family and friends for long periods, on balance they tend to spend as much if not more quality time with them due to frequent extended visits than they did when they lived closer to each other.



Property Market Overview - A Truly Unique Property Market

It is important to understand that the Costa del Sol property market is very unique due to a number of factors and as a result trends and market performance does not typically correlate directly with national or even provincial averages.

While well known and generally accepted to be the coastal areas from East of Malaga to Sotogrande in the West, the Costa del Sol is not a formal geographic area and so there is very little data that can be specifically applied. Almost all official data is collected only on a national (Spain), autonomous community (Andalucia) or provincial (Malaga) basis. In some limited cases data is also available for specific larger towns within the Costa del Sol such as Marbella.

Some of the factors that impact the Costa del Sol market and make it perform differently to other areas are highlighted below:

International Purchasers

In addition to domestic demand the Costa del Sol has consistently experienced exceptionally high levels of demand from international purchasers both as second (holiday) homes and expats looking for primary residences. Historically this demand was predominantly from purchasers from other European countries but there is now also increasing interest from further afield. Undoubtedly this demand is driven by reliable fundamentals such as the warm climate, sandy beaches and mature existing infrastructure, including easy and cost efficient access by air facilitated by a multitude of airlines using Malaga airport.

Above average demand from international purchasers ultimately means that the Costa del Sol market is less impacted by domestic factors than other areas and more impacted by international influences. Historically this has resulted in the Costa del Sol proving to be highly resilient and recover more quickly and reliably than other areas of Spain after periods of financial turbulence. To date as external factors have reduced the demand from one overseas subset for any reason any subsequent void has always been swiftly filled by an increase in demand from another typically with reduced exposure to the underlying cause.

Exclusive Prime Locations

As the name suggests the Costa del Sol is a coastal area and although there are of course areas considered as prime and sub-prime within the Costa del Sol itself, such as the Golden Mile in Marbella, the entire area is generally considered as prime real estate with most properties being located within easy reach of the popular beaches and many homes providing panoramic sea and stunning mountain views. As with all property markets prime locations are generally in high demand and therefore logically attract higher prices than less sought after areas. As a result of the above it is therefore a fair assumption when looking at data for wider geographical areas (Spain, Malaga, Andalucia) that property considered to be in the Costa del Sol will be at the higher end of the demand and price spectrum and thus outperform area averages generally lowered by the inclusion of properties in less favourable locations.

Off-Plan & New-Build Demand

The significant demand for contemporary style off-plan and newly built property is another important consideration. Statistics show that the new-build market often operates very differently to the resale market due to the limited nature of supply coupled with increasingly high levels of demand for this style of home. While this demand is true for domestic, international, primary and secondary home markets it is especially applicable to overseas purchasers in recent months. As a result, this market dynamic can, and often does, mean that new-build absorption rates and prices continue to increase even when resale demand and associated prices are stagnating or declining.

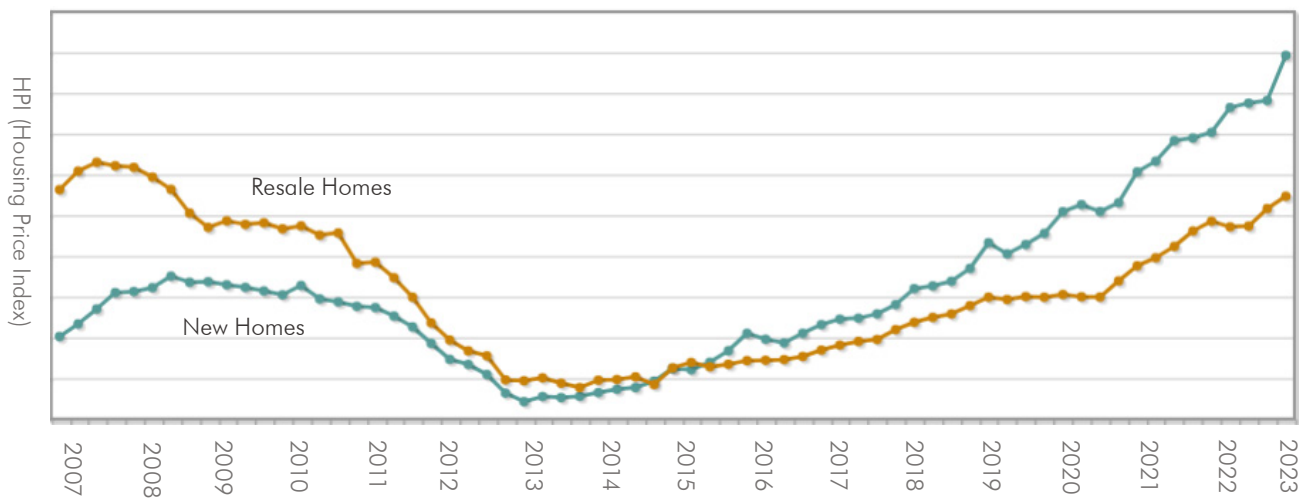
The above factors along with various other elements combined mean that statistical real estate data provided for official Spanish geographical areas need to be interpreted carefully when being applied to the Costa del Sol as the unique factors that effect property within this virtual area represent what is often an anomaly, the nature of which can be hard to isolate and even more difficult to manipulate to truly represent the Costa del Sol area(s) accurately.

As an example, while general media headlines have previously depicted “a drop in Spanish property prices” the reality has been that this was based on a national average and the Costa del Sol was significantly less impacted on average and even reflected an increase in prices when adjusted to consider only the available contemporary style new-build inventory which is generally in the highest demand and by nature has limited availability.

Property Market Overview - Andalucia

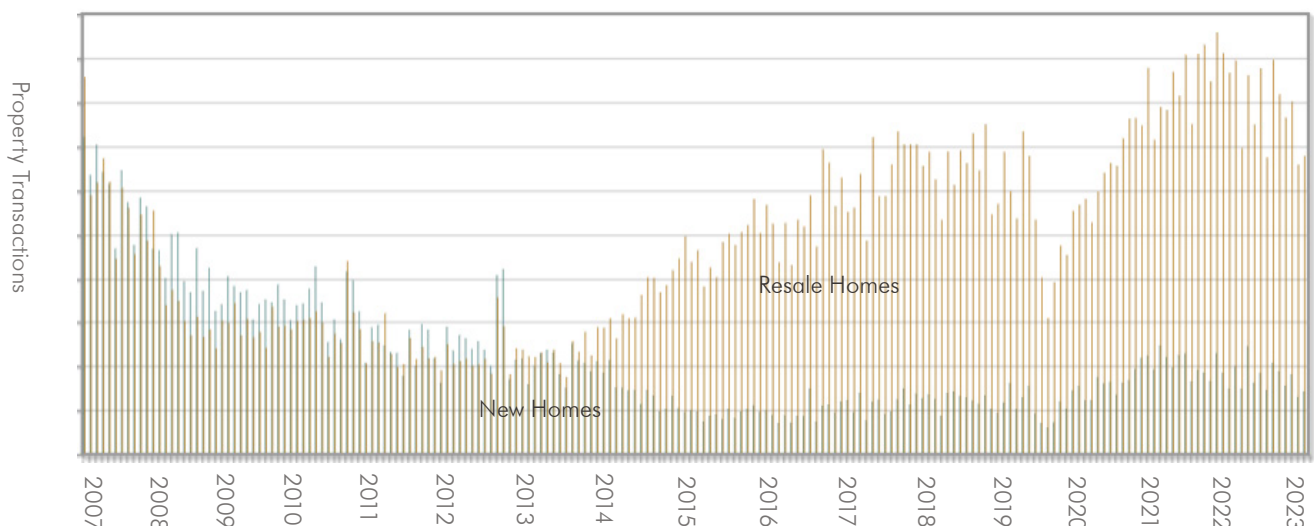
The Spanish property market was famously hit hard after the economic crash in 2008. It was generally recognised that the sustained popularity of Spanish property over time had created inflated prices that subsequently corrected over the following few years hitting a low between 2013 and 2015. Obviously the fundamentals that underpin the interest in Spanish property remain constant and demand for second homes has always remained strong with prices steadily increasing since 2015 but remaining circa 30% below peak values on average. Prior to 2015 new properties generally represented better value than older properties but in recent years since this point the market has changed with increasing demand for more modern contemporary style homes often out pacing suitable supply and as a result attracting a premium. New homes remain a major contributor to overall market price growth, limited supply versus demand even caused new-build prices to increase during Covid-19 when resale prices stagnated.

New Property Prices Vs Resale Property Prices (Andalucia)



The graph below also demonstrates how sales of new-build properties continued to decline between 2013 and 2016 as the resale market recovered strongly. This can be attributed to the slowdown in the construction of new homes during the recession while existing remaining inventory was absorbed. The recovery in the sales of resale property from 2013 triggered new construction to re-commence but with typical construction periods of 24 months registered sales of new-build homes only stabilised in 2015 and have subsequently shown growth with strong absorption rates due to the demand for contemporary new-build properties coupled in recent months with the relatively limited supply. This is despite the demand related price growth in applicable prices.

New Property Transactions Vs Resale Property Transactions (Andalucia)



The above information is in relation to data for Andalucia (from INE) but the general trends are closely mirrored by more localised data for Malaga despite having a higher reliance on overseas purchasers (ex-pats and second home buyers) especially in the popular coastal resorts such as Fuengirola, Marbella, Torremolinos, Benalmadena, Mijas and Benahavis.

Local Residential Sales Market History & Analysis

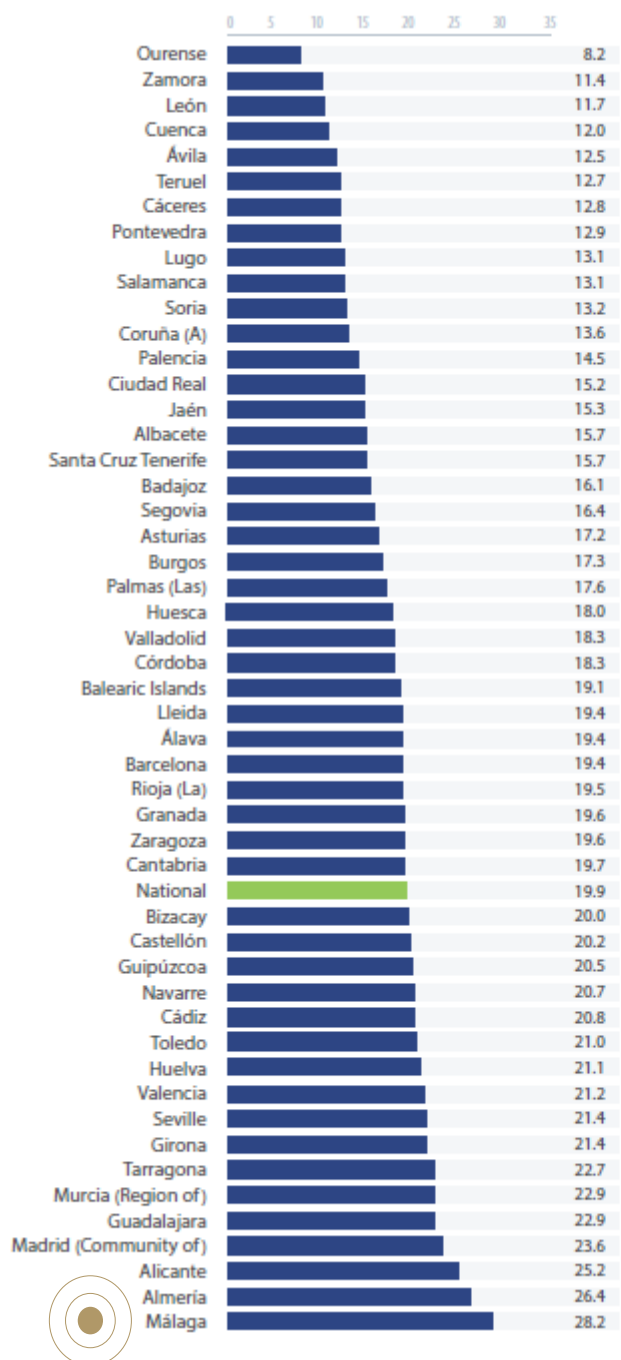
In the following section we take a look at the current real estate market in Malaga and Mijas as this helps to highlight the opportunity associated with the Project.

Malaga Property Market

Malaga consistently experiences high levels of interest from both domestic and international purchasers. The current demand is overwhelmingly for new-build, contemporary style property (where budget permits) and as such it is no surprise that Malaga has a large number of new-build projects to meet this demand resulting in the highest percentage of new-build licenses (against total supply) in Spain. There are typically around 200 new-build developments within the Costa del Sol alone at any one time. Also, unsurprisingly this supply is supported by some of the highest absorption levels in Spain.

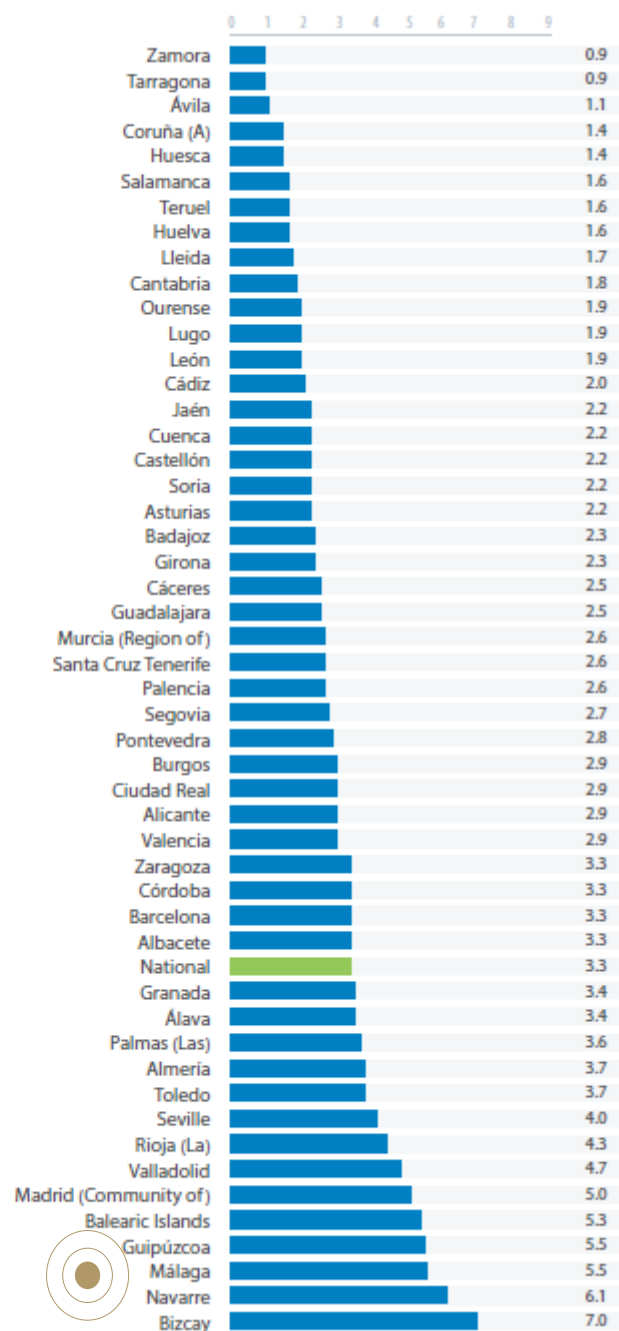
Sales (All) Against Current Supply

Per 1,000 properties available in each province



Building Licenses Against Current Supply

Per 1,000 properties available in each province



High New-Build Absorption Rates

Demand for property in Malaga during the first half of 2022 was very strong with nearly 23,300 homes sold, 41.4% more than in the same period of the previous year. New builds also topped the previous year's figure by 22%, with 3,579 newly constructed homes. New home transactions had a market share of 15.4%, slightly smaller than the previous year (17.7%).

New development activity remained strong in the first half of 2022, maintaining momentum from 2021. A total of 3,905 units were issued permits (+26%), housing starts came in at 2,900 (-20%) and 2,608 units were delivered (-21.9%). The drop in the number of housing starts reflects the uncertainties regarding construction costs seen in Q2 and attributed to various factors including the impact on costs created by the situation in the Ukraine, and the decline in homes delivered is attributable to the slowdown in development activity during 2020 created by the pandemic.

The consistently strong demand for new-build properties coupled with the limitations in supply combined to create an extremely high absorption rate of 133.5% in the first half of the year compared to 70.6% in Madrid, 72.2% in Barcelona and 79.1% in Valencia.

Malaga Market Statistics 1st Half of 2022

All Transactions

23,303 Units (+41.4%)

Average Ticket Size

€254,748 (+4.9%)

Unit Price

€2,233 /m2 (+14.6%)

Closing / Asking Ratio

71.5%

Closing Price Ratio New-Build / Resale

+26.6%

New-Build Transactions

3,579 Units (+22.3%)

Average Ticket Size

€322,623 (+6.6%)

Unit Price

€2,698 /m2 (+13.2%)

New-Build Share

15.4%

Absorption Rate

133.5%

Property Market Overview - Costa del Sol

Official Tinsa data shows that despite average prices in the Malaga province increasing by 7.4% between 2022 and 2023 they remained -23% below previous peak values. Prices in key established Costa del Sol coastal areas (Fuengirola, Marbella, Torremolinos, Malaga City) are recovering faster, now between -14% & -27% below peak values while less established locations further away from central Costa del Sol areas such as Casares and Manilva are recovering more slowly and remain further below historic values at -36% & -46% respectively although an increase in new projects and associated prices in these areas released in the latter part of 2023 will likely reduce the gap when updated statistics are released during 2024.

As expected Tinsa statistics confirm almost all areas continued to see a significant increase in sales volumes over the course of 2021 to start of 2022 albeit not as sharp as the increase experienced in the immediate aftermath of the Covid-19 pandemic.

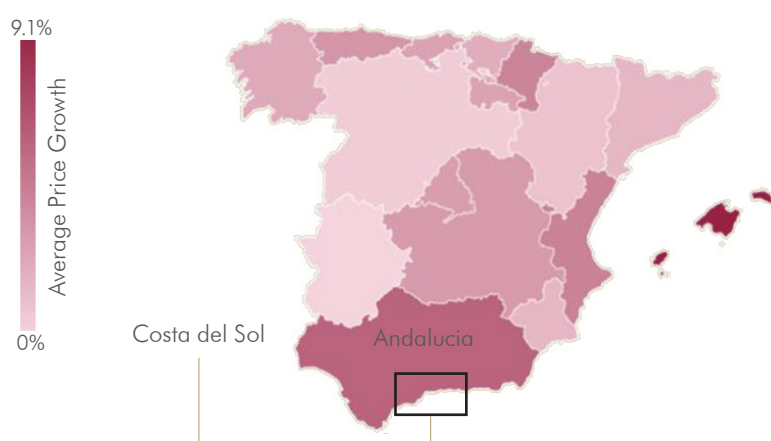
| € PRICE per m ² | | | | | SALES | | | LICENCES | | |
|--|---------|-----------------------|-------------|-------------------|------------|----------------|-------------|------------|----------------|-------------|
| MÁLAGA | Q1 2023 | YEAR-ON-YEAR % CHANGE | 5-YEAR CAGR | FROM HIGHEST EVER | TOTAL 2022 | CHANGE VS 2021 | 5-YEAR CAGR | TOTAL 2022 | CHANGE VS 2021 | 5-YEAR CAGR |
| Province | 1,973 | 7.4% | 5.9% | -23.0% | 42,206 | 11.5% | 6.0% | 8,715 | 19.3% | 6.0% |
| Coastal municipalities | 1,970 | 7.0% | 5.5% | -24.8% | 35,374 | 9.4% | 4.8% | 7,147 | 19.7% | 15.5% |
| 1 Costa del Sol (La Axarquía: Nerja to Rincón de la Victoria) | | | | | | | | | | |
| Nerja | 1,979 | 4.4% | 3.7% | -22.5% | 629 | 23.1% | -0.8% | 124 | 244.4% | 30.3% |
| Rincón de la Victoria | 1,958 | 8.2% | 6.1% | -20.1% | 961 | 7.5% | 3.7% | 383 | 18.2% | 39.3% |
| Torrox | 1,693 | 5.5% | 3.0% | -33.0% | 989 | 19.2% | 7.1% | 121 | -32.4% | -0.3% |
| Vélez-Málaga | 1,643 | 6.6% | 6.2% | -24.5% | 1,862 | 8.1% | 6.3% | 343 | -28.2% | 29.5% |
| 2 Costa del Sol (Torremolinos to Mijas) | | | | | | | | | | |
| Benalmádena | 2,193 | 8.7% | 6.4% | -24.9% | 2,740 | 18.8% | 5.0% | 295 | -25.7% | 12.9% |
| Fuengirola | 2,263 | 5.7% | 6.9% | -15.7% | 2,432 | 5.7% | 6.0% | 477 | -36.1% | 11.3% |
| Mijas | 1,938 | 8.3% | 6.0% | -27.7% | 4,166 | 26.0% | 7.5% | 958 | 121.8% | 19.9% |
| Torremolinos | 2,200 | 4.2% | 7.2% | -20.1% | 1,884 | -0.9% | 0.8% | 514 | 59.1% | 112.0% |
| 3 Costa del Sol (Marbella to Manilva) | | | | | | | | | | |
| Casares | 1,452 | 6.1% | 3.0% | -46.1% | 589 | -21.4% | -2.9% | - | - | - |
| Estepona | 2,037 | 8.2% | 6.8% | -27.3% | 3,743 | 19.0% | 6.9% | 1297 | 196.1% | 11.6% |
| Málaga, Capital | 2,111 | 10.3% | 7.0% | -12.9% | 8,351 | -5.1% | 3.5% | 2073 | 12.0% | 10.1% |
| Manilva | 1,613 | 10.3% | 5.6% | -36.6% | 1,373 | 23.5% | 8.6% | 77 | 102.6% | 107.5% |
| Marbella | 2,527 | 5.1% | 4.0% | -14.7% | 5,519 | 19.3% | 5.2% | 485 | -33.4% | 11.3% |

Mosaic expects figures released in 2024 (relating to the 2023 market performance) to confirm that the average price of coastal properties in the region continued to increase at pace during 2023 with the increase in new-build values being more significant due to the continued demand and limited supply ratio created by a prior slow-down in developer activity attributed initially to the Covid-19 pandemic and then further by uncertainty over construction & material costs as a result of the situation in the Ukraine.

Towards the end of 2023 there were indications that construction costs were stabilising and as a result an increase in the launch of new projects creating additional supply which reduced the rate of price growth associated with many new-projects although values did continue to rise at a slower more sustainable rate and there was certainly no sign of developers reducing price points in general.

New-Build Price Variation by Region

Q2 2023 vs Q2 2022



Information showing the New-Build Price Variation by Region between Q2 2023 and Q2 2022 is provided by the Ministry of Public Works and shows that the largest average increase of 9.1% during this period was experienced in the region of Andalusia.

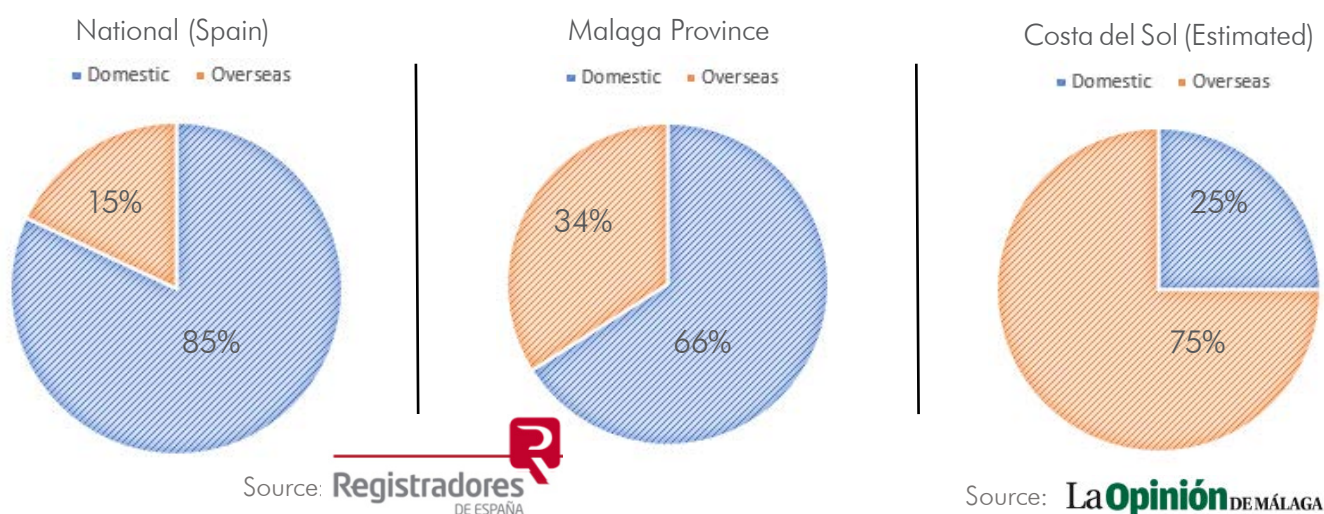
Within Andalusia is the province of Malaga which is home to the Costa del Sol, considered a prime location where average property values peak and are likely responsible for driving the statistical growth value for the wider Andalusia region.

Property Market Overview - Buyer Demographic

Property sales in the Malaga area and specifically the Costa del Sol have traditionally been predictably more dominated by International buyers than other areas of Spain. Whether relocating permanently or purchasing a second (holiday) home the driving force is typically a combination of the exceptional weather, beaches, culture and established infrastructure offered by the area and the fact that (under usual circumstances) it is all accessible by a short and relatively cost-efficient flight from so many destinations.

The demand from overseas purchasers is highly significant and creates some important variations from the national property market in terms of demand, price point and absorption.

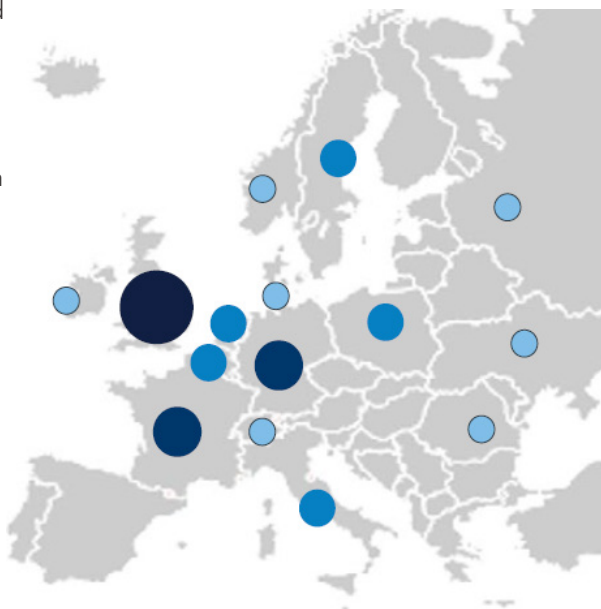
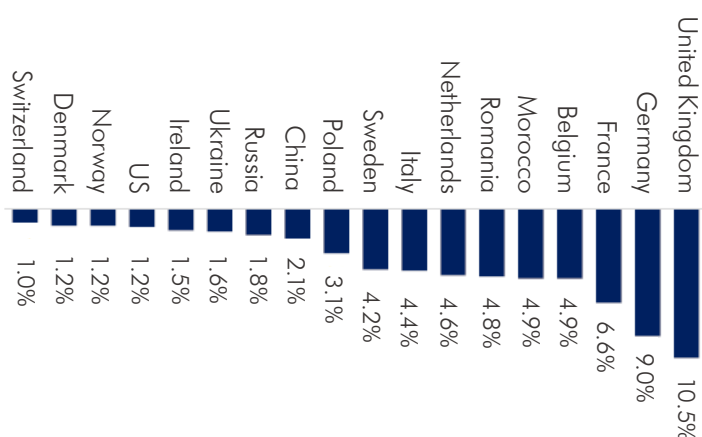
Overseas Property Purchaser Volume Share (Approx) by Location in 2023



Overseas Property Purchasers in Spain by Country

The graph below shows the composition of foreign property purchasers by country on a national level across Spain during 2022. Despite Brexit purchasers from the UK still represented the largest share although this dominance has reduced with increasing volumes from other countries, notably Germany and France. Importantly while purchaser volumes from all countries have increased significantly since the pandemic the volume from UK purchasers recovered more slowly to pre-pandemic levels and remained below previous peak while purchaser volumes from other locations recovered faster to exceed both pre-pandemic levels and create new highs.

When formal figures for 2023 are released during 2024 it is expected that the statistics will remain similar although Mosaic considers that there is likely to be a reduction in purchasers from Russia and a significant increase from neighbouring and nearby countries (Poland, Estonia, Ukraine, Lithuania). Additionally, the increase in purchasers from the US and Canada during 2023 is likely to further increase with the re-introduction of direct transatlantic flights to Malaga from May



A Changing Age Demographic

There is a new generation of younger buyers who until recently were not seen buying multi-million euro properties. Nowadays, we regularly see 30-45-year-old purchasers with financial means to purchase high-end properties, mostly coming from entrepreneurial, IT business, cryptocurrencies and online industries.

The Remote Working Impact

In the Costa del Sol area, traditionally a second home market for international buyers, the line between primary and secondary residences is becoming blurred and this is largely attributable to the growth of the remote working concept.

For many younger entrepreneurs from Northern and Western Europe, what would have previously been a holiday home purchase in Spain which they would typically visit during weekends and holidays when work commitments in their home country allowed is now often viewed as a primary residence, with the purchasers choosing to relocate their families to the Costa del Sol, while working remotely and as a result justifying an increased property budget.

At the higher end of the spectrum, a growing number of wealthy business owners are also opting to run their companies from the Costa del Sol, working remotely and commuting to the country where their operations are based only as and when required. This is not new but has increased significantly during the last few years and exponentially since the Covid-19 pandemic.

Why is the Costa del Sol's Remote working community on the rise?

- High Speed Internet

Marbella is Spain's first 5G city. In 2020, Marbella became the first Spanish city to gain 5G network coverage meaning Marbella enjoys broadband speeds 52% above the national average according to "Fair Internet Report". Although Marbella is a clear leader the rest of the Costa del Sol also enjoys very reliable high speed internet more than adequate for remote working in the majority of instances.

- Connected to Europe and the World

Easy connections to global business hubs. Whether London, Geneva, Paris or Dubai, Malaga Airport offers easy access to over 35 countries with 156 flight routes and from May 2024 will again include direct flights to the USA (New York).

- Property choice

The quality and offer of properties in the Costa del Sol, with specs and finishes coming a very long way in recent years, make homes in our region comparable to those in most tier-one cities. US, French and German REITS are turning their attention to the region, further evidence of the market's maturity and growth potential.

- World-class education

Excellent international schools. The Costa del Sol area offers 15 international schools, several offering the British curriculum or International Baccalaureate. Plus German, Swedish, Norwegian and Finnish schools as well as an École Française Internationale and a Lycée Français.

- Language

Being an international resort, there is no shortage of amenities and services for foreigners who do not speak Spanish. The common non-Spanish language here is English, and there is no shortage of services to cater for other nationalities.

- Climate and lifestyle

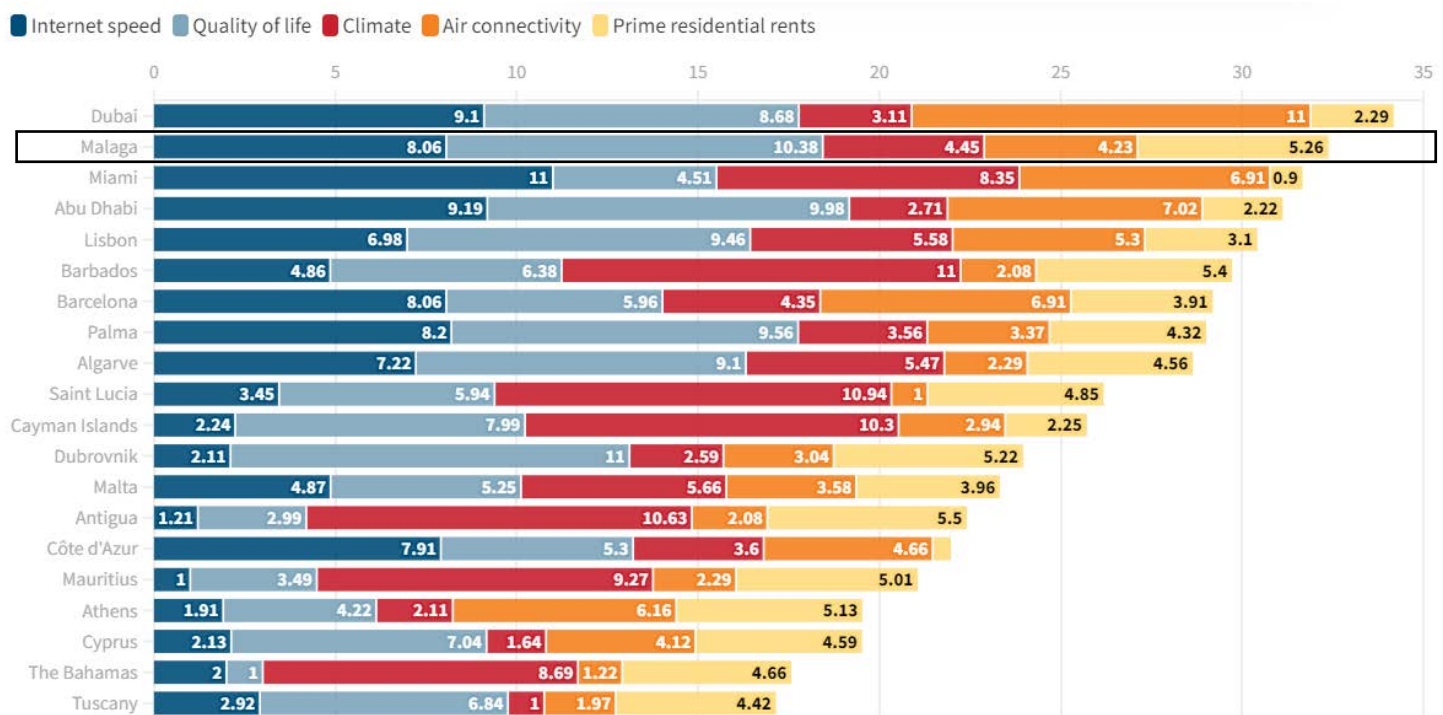
It's no secret that the area enjoys an extremely favorable climate. For those professionals who can now work from anywhere in the world, many are prioritising health and wellness, seeking proximity to golf courses, tennis academies, marinas and spas, all on tap.

Coastal areas are naturally also popular with Spanish nationals purchasing second-homes although the most popular areas are often different to that of the foreign buyers. Most of the domestic demand is understandably from Madrid, the Basque Country and northern Spain.

Malaga Rated 2nd Best City in World for Remote Workers

In 2023 global consultancy firm Savills rated Malaga as the second most attractive city for Digital Nomads (remote workers) based on a number of factors including climate, internet speed, quality of life, air connectivity and prime residential rental prices.

In recent years, especially post Covid-19, the remote working concept has exploded and has been highly noticeable in Malaga and the surrounding areas with an increasing number of property purchasers looking to reverse the traditional 2nd home (holiday home) dynamic and make Spain their permanent home while remote working back into their own countries. The result of this has been increasing property budgets being made available for homes considered as primary residences.



Source: Savills Research

Growth in Popularity of European Golden Visa Schemes

Despite often being unpopular with governments and some countries ending the schemes entirely record numbers of people are taking advantage of the various European Golden Visa Schemes with a reported 127% increase in enquiries reported for some in the first half of 2023. Spain is the second most popular country for such schemes after Portugal and is now considering doubling the property acquisition value entry requirement from €500,000 to €1,000,000. With Portugal cancelling real estate as a qualifying asset class in Q3 2023 it is expected that the Spanish scheme will further increase in popularity.

Top 10 Countries Granting Golden Visas in 2023

Portugal
Spain
 Greece
 Italy
 Netherlands
 Cyprus
 Malta
 Bulgaria
 Montenegro
 Luxembourg

Countries That Ended Their Programs

UK
 Ireland

Source: News reports

Note: By "golden visas" we mean citizenship-by-investment and residency-by-investment programs.

UK Property Market Overview - Brexit Impact

The impact of the UK decision to leave the EU has in general had a negative impact on the volume of UK purchasers buying second homes within the Spanish market since the result of the referendum in 2016. However, the impact has not been as significant as expected by many and statistics still regularly show that UK purchasers remain one of the largest subsets of international purchasers.



Statistics suggest that, as expected, it was the popular coastal areas that were initially most effected by the reduction in UK purchasers due to the increased dependence on the overseas purchaser demographic but also that subsequently any void was swiftly filled by an increase in purchasers from other countries with overall acquisitions by foreigners in 2022 easily exceeding pre-brexit levels and increasing again to record levels in 2023.

Visiting & Living in Spain After Brexit

UK citizens by default remain able to freely travel within the EU without the need for a visa but for a maximum period of 90 days within every 180 days. This can be in a series of short stays or longer periods up to the maximum of 3 months after which they are no longer deemed a “short stay visitor” and will need to wait 90 days before re-entry to the EU. To stay in Spain for longer than this period they will currently need to apply for one of the available residency options.

It is also a possibility that after a yet to be specified date UK citizens will need to purchase a visa waiver to enter the EU. This is not a visa but a permission to enter the EU and will be issued by the ETIAS (European Travel Information & Authorisation System) with a cost of approx €7. It is expected that this will be a simple on-line process similar to the ESTA required by UK nationals when visiting the USA.

While the above represents the base EU position for entry to the bloc each EU member state is able to set their own entry rules and although nothing formal, there is speculation that based on the economic importance of UK visitors, Spain may elect to maintain tourist volumes and real estate transaction volumes by implementing a simplified extended visa scheme in the future.

Driving in Spain

UK driving licenses continue to be valid in Spain for visitors. If UK nationals are bringing their own car or another vehicle into Spain, they will need to ensure they have a green card issued by their insurer to evidence cover. There is typically no cost (or in some instances only a small admin fee) associated with obtaining the green card from most reputable insurers. It is possible that the green card requirement may be discontinued in the future but currently it remains.

Mobile Roaming

Despite UK nationals no longer having the legal right to use their UK phone allowance in the EU after Brexit many providers, including the main 4 (EE, Vodafone, O2, Three) have stated that they have no intention of re-introducing roaming charges and as part of the agreement the UK and EU have agreed to co-operate and ensure “fair and transparent” rates.

Renting Spanish Property

UK nationals retain the right to use and rent (long term & short term) their Spanish property as they wish and without restriction, however they will now be classed as non-EU residents with regards to taxation on income, see buyers guide.

Spanish Residency Options for Non-EU Citizens

After Brexit there are a number of options available for non-EU citizens wishing to live and / or work in Spain. The most appropriate option depends on the specific requirements and situation of the applicant.

Non-Lucrative Residency

Non-Lucrative Residency must be applied for at the Spanish consulate in the applicant's country of origin and is initially granted for 1 year. The residency can subsequently be renewed subject to demonstrating that the applicant has lived in Spain for at least 6 months prior to renewal. With this type of residency it is possible to live in Spain but not possible to work.

The requirements for Non-Lucrative Residency are as follows:

- * Be able to demonstrate sufficient financial resources for supporting themselves in Spain. In 2021 this requires the main applicant to demonstrate cash reserves of at least €27,200 and an additional €6,800 for each family member.
- * Not have a criminal record
- * Obtain Spanish health insurance with full coverage
- * Provide a medical certificate showing the applicant does not suffer from any condition that may be a risk to public health.
- * Proof of residence evidenced by registration in the "padrón municipal" at the appropriate Town Hall.

European Family Member Residency

European Family Member Residency must be applied for in Spain and is granted for 5 years. Successful applicants have the same rights and obligations as a European Citizen and as such are able to both live and work in Spain and enter / exit the country freely.

The requirements for Non-Lucrative Residency are as follows:

- * To be the spouse, civil partner or child of a European Citizen or be a family member dependent on the European Citizen which is Spanish Resident
- * Obtain Spanish health insurance with full coverage
- * Be able to demonstrate available financial resources of at least €6,800 (applicable in 2021)
- * Be able to evidence the qualifying family connection.
- * Proof of residence evidenced by registration with the EU citizen in the "empadronamiento colectivo" at the appropriate Town

Lucrative Residency

Lucrative Residency is required to work or establish a company and conduct business in Spain. Lucrative Residency requires the applicant to meet the various requirements below in relation to establishing and maintaining any business activity. Applicants will not be obligated to pay taxes in Spain if they spend less than 183 days in the country.

The requirements for Lucrative Residency are as follows:

- * Demonstrate necessary professional qualifications and experience required to undertake the proposed business activity.
- * Evidence the availability of all resources required to initiate, develop and sustain the business activity.
- * Obtain all relevant authorisations and licenses required to undertake the proposed business activity.
- * Submit a business plan for approval by the Spanish authorities.

or (as an employee)

- * Have a valid employment contract in relation to a job included within the "catalogo de ocupaciones de difícil cobertura" which is an official list highlighting occupations for which there is currently an insufficient supply of suitable workers.

Note: In this instance the residency is applied for by the employer and approved by the Spanish authorities.

Special Cases (Students, Research etc)

There is also some scope for special and specific situations. These are considered on a case-by-case basis.

Spanish Residency Options for Non-EU Citizens

Golden Visa

The “Golden Visa” provides the successful applicant with permission to both live and work in Spain for the duration of the visa and the ability to renew and in some cases apply for long-term residency or Spanish Nationality. The Golden Visa also enables the investor to bring a spouse, civil partner and any children under the age of 18. Children over the age of 18 and parents may also qualify on the condition that they remain financially dependent on the visa holder and have not constituted an independent family unit.

Note: Applicants who apply from Spain are able to obtain residency initially for 2 years with the ability to renew for 5 year periods thereafter. Applicants who apply for the visa from their country of origin are initially granted 1 year with the ability to then apply for 2 year residency and subsequently renew for 5 year periods thereafter.

There are several routes to obtaining a Golden Visa with general requirements as follows:

- 1) To acquire one or more Spanish real estate assets with a total value in excess of €500,000. To qualify the real estate investment must be from the applicant's own funds and the minimum investment excludes any associated fees, taxes and encumbrances (mortgage or other debt etc).
- 2) To invest €2,000,000 or more in Spanish government bonds.
- 3) To acquire shares in one or more Spanish companies or position bank deposits with Spanish financial entities with a value equal to or greater than €1,000,000.
- 4) To invest at least €1,000,000 in one or more investment funds or venture capital funds which is incorporated in Spain.
- 5) To develop a business project in Spain which is considered to be of general interest to society and which fulfills one or more of the following requirements:
 - a) create work positions within Spain
 - b) facilitates a positive socio-economic impact
 - c) contributes to scientific or technological innovation



Important Information for Buyers - Process

When buying a property in Spain Mosaic always recommends using a reputable Spanish law firm to advise and guide you through the process. This is important as many aspects can change depending on your specific situation and the type of property you are purchasing. You are of course free to select your own law firm, but Mosaic usually recommends Martinez-Echevarria with whom we have established trust over a long standing relationship and are a large and established firm with offices throughout the Costa del Sol.

Buying a property in Spain is extremely safe, but like buying a property in any market there are important checks that need to be carried out prior to any commitment. Any historic problems experienced by domestic or overseas purchasers in Spain are almost always linked to the purchaser electing not to appoint a reputable law firm.

Laws and regulations associated with property purchases do change from time to time and your appointed law firm will advise you of the current applicable situation, the information in this section is intended to be a general guide and does not replace the need for legal representation and advice. The law firm will guide you through every step of the following process:

1. Reservation Deposit

Once you have found your ideal property you will be required to sign a Reservation Agreement and pay a Reservation Deposit in order to secure the property and remove it from the market. The Reservation Deposit is typically between €6,000 & €10,000 depending on the value of the property.

While it is common for the Reservation Deposit to be paid to the real estate agency Mosaic recommends that this deposit is paid to the client account of your law firm, this provides the purchaser with an increased level of security and ensures the return of the deposit in the event that the purchase does not proceed due to any issues discovered during the lawyers due diligence procedure.

2. Legal Due Diligence & Searches

After you have paid the Reservation Fee the law firm will contact the vendors lawyer to inform them of their appointment in relation to the transaction and request that they provide all the applicable documentation to allow the law firm to conduct their due diligence process on behalf of the purchaser. The lawyer's due diligence will include (but is not limited to) the following:

- a) the legal ownership of the property
- b) that the property is correctly registered within the applicable Land Registry
- c) any legal charges (mortgages, liens & encumbrances)
- d) the property is in compliance with all the local planning regulations and has been issued the required licenses
- e) the study, preparation or review of all applicable contracts and other documentation necessary to complete the purchase.
- f) any other existing debts and calculation of all fees and taxes applicable to the purchase

If the property is off-plan or direct from a developer, then there are some additional checks as follows:

- g) that the property has been granted the correct building license
- h) that the quality specifications and construction specifications correctly reflect the project and are annexed to the contract.
- i) that there is a Bank Guarantee or Insurance Policy to protect the purchaser's payments during the construction process*
- j) verification of the required 10 year construction guarantee to cover any structural defects

* Note - It is now a legal requirement for developers to obtain a Bank Guarantee or Insurance Policy that will ensure the return of any monies paid by a purchaser during the construction period in the event that a property under construction is not delivered within the agreed time-frame as expected and issued the required licenses for the purchaser to take legal ownership.

3. NIE Number

All purchasers of Spanish property are required to register and obtain an NIE number. The NIE is a Spanish tax registration number and required to register your purchase within the Land Registry and pay any taxes associated with your property. It is also required to arrange the supply of utilities to the property (water, electric, telephone etc). Your law firm will typically arrange for this on your behalf.

Important Information for Buyers - Process

4. Power of Attorney

Many purchasers decide to grant POA (Power of Attorney) to their appointed law firm providing them with the ability to act on behalf of the purchaser during the buying process. POA allows the law firm to execute the various contracts on behalf of the purchaser and prevents the need for the purchaser to travel to Spain to sign the agreements in person at the public notary.

Granting POA is common and if executed in Spain at a public notary generally costs less than €100 but this is more for convenience and entirely at the discretion of the purchaser. Even with POA your law firm is obliged to explain every document and obtain your approval to execute.

POA can also be granted at a notary in your country of residence but must be formally legalised with the Apostille of the Hague.

5. Private Purchase Contract

After your law firm has conducted their due diligence and is sufficiently satisfied a date will be arranged to execute the Private Purchase Contract (PPC). The PPC contains all the terms and conditions associated with the purchase as agreed between the law firms acting for the purchaser and the vendor. PPC signing generally occurs 2 - 6 weeks from the signing of the Reservation Agreement but can be longer if agreed by both parties. For off-plan properties there can be a significantly longer delay between Reservation Agreement and PPC as this can only occur once the developer has been issued with the required building license which in some instances can take several months.

The signing of the PPC is done at a selected public notary. If your law firm has POA they may attend and sign on behalf of the purchaser but if not, then the purchaser must attend in person. At PPC it is normal for the purchaser to pay the vendor an amount equal to 10% (to include the Reservation Deposit already paid to secure the property). For off-plan purchases the amount paid at PPC is typically considerably more and can be 30%-40% as agreed within the Reservation Agreement between the parties.

6. Public Deed of Purchase

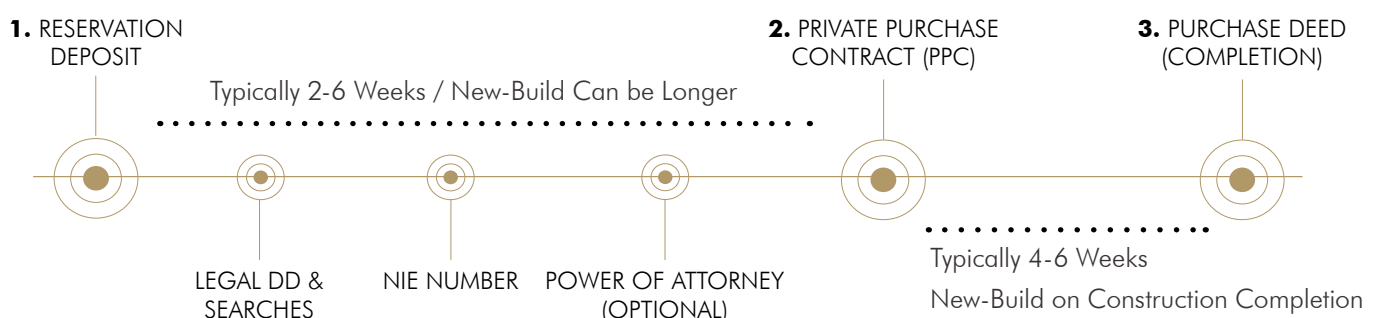
The final stage required for a purchaser to take legal ownership of the property is the signing of the Public Deed of Purchase, often referred to as "completion". For resale properties this typically occurs around 4 - 6 weeks after signing the PPC (can be shorter or longer if agreed between the parties) and in the case of off-plan properties is only signed once construction is completed and the property has been delivered and issued with the required habitation license.

The Public Deed of Purchase is also signed at a public notary and can be signed by a law firm with POA on behalf of their client or by the purchaser directly. At this stage, the remainder of the contractual property price must be paid by the purchaser to the vendor (often via a mortgage facility) and the purchaser takes legal possession of the property.

7. Payment of Various Bills & Taxes

Your law firm will help you arrange contracts with all service providers and tax authorities (utilities, rates, community fees etc) and establish direct debit payments. This will generally require a Spanish bank account which can be established easily with the NIE number.

Typical Purchase Process & Time-frame



Important Information for Buyers - Taxes & Expenses

The below gives an overview of the various taxes and expenses associated with purchasing a residential property in Spain. It is important to note that while this overview covers most of the typical expenses they are dependent on a number of factors and subject to change. It is important that you engage with a reputable law firm who can advise on the definitive taxes & expenses associated with any specific purchase taking into account all available information and variables.

Most Spanish property residential purchases fall into 1 of 2 categories, the purchase of a previously owned existing property (second transmission) "Resale" or the purchase of a new property directly from a developer (first transmission) "New-Build". The below provides information for both Resale and New-Build purchases.

Resale Property Purchase Fees (Second Transmission)

| Purchase Costs | |
|---------------------------|---|
| Transfer Tax: | 7% (of Property Purchase Value) |
| Notary Fee: | Variable (typically between €500 - €1,800) |
| Land Registry Fee: | Variable (between 50% - 80% of Notary Fee) |
| Legal Fees: | 1% (of Property Purchase Value + IVA @ 21%) |
| Bank Fees: | Variable (typically €300 - €700) |

New-Build Property Purchase Fees (First Transmission)

| Purchase Costs | |
|---------------------------|--|
| IVA (VAT): | 10% (of Property Purchase Value) |
| Notary Fee: | Variable (typically between €500 - €1,800) |
| Land Registry Fee: | Variable (between 50% - 80% of Notary Fee) |
| Stamp Duty: | 1.2% (of Property Purchase Value) |
| Legal Fees: | 1% of Property Purchase Value + IVA (21%) |
| Bank Fees: | Variable (typically €300 - €700) |

Mortgage Costs (If Applicable)

| | |
|---------------------------|--|
| Stamp Duty: | 1.2% (of mortgage value) |
| Notary Fee: | Variable (typically between €500 - €1,800) |
| Land Registry Fee: | Variable (between 50% - 80% of Notary Fee) |
| Bank Fees: | Variable (typically €300 - €700) |
| Arrangement Fee: | Variable (typically 1% - 1.5% of mortgage value) |
| Home Insurance: | Variable (typically €300 - €700) |

Mortgage Costs (If Applicable)

| | |
|---------------------------|--|
| Stamp Duty: | 1.2% (of mortgage value) |
| Notary Fee: | Variable (typically between €500 - €1,800) |
| Land Registry Fee: | Variable (between 50% - 80% of Notary Fee) |
| Bank Fees: | Variable (typically €300 - €700) |
| Arrangement Fee: | Variable (typically 1% - 1.5% of mortgage value) |
| Home Insurance: | Variable (typically €300 - €700) |

****Mortgage Note** - If a property purchase requires a new mortgage to be constituted then in addition to Stamp Duty there will be additional Notary Fees and Land Registry Fees as the mortgage has its own public title deed that also needs to be registered.

Important Information for Buyers - Taxes & Expenses (Examples)

1.

| | |
|--------------------------------|------------------------------|
| Property Purchase Type: | Resale (Second Transmission) |
| Property Value: | €500,000 |

Purchase Costs (Approx)

| | |
|------------------------------|----------------------|
| Transfer Tax: | €35,000 |
| Notary Fee: | €1,200 |
| Land Registry Fee: | €900 |
| Legal Fees: | €6,050 (inc 21% IVA) |
| Bank Fees: | €650 |
| Total Purchase Costs: | €42,900 |
| % of Purchase Price: | 8.6% |

70% (€350,000) Mortgage Costs (Approx)

| | |
|--|-------------------------|
| Stamp Duty: | €4,200 |
| Notary Fee: | €1,200 |
| Land Registry Fee: | €900 |
| Arrangement Fee: | €4,375 (assuming 1.25%) |
| Bank Fees & Home Insurance: | €1,250 |
| Total Purchase Costs: | €11,925 |
| % of Purchase Price: | 2.38% |

In the above example the approx. total costs associated with the transaction (Purchase Costs + Mortgage Costs) are €54,825 which equates to approx. 11% of the property value.

2.

| | |
|--------------------------------|--------------------------------|
| Property Purchase Type: | New-Build (First Transmission) |
| Property Value: | €250,000 |

Purchase Costs

| | |
|------------------------------|----------------------|
| IVA (VAT): | €25,000 |
| Stamp Duty: | €3,000 |
| Notary Fee: | €600 |
| Land Registry Fee: | €450 |
| Legal Fees: | €3,025 (inc 21% IVA) |
| Bank Fees: | €450 |
| Total Purchase Costs: | €32,525 |
| % of Purchase Price: | 13% |

60% (€150,000) Mortgage Costs (Approx)

| | |
|--|-------------------------|
| Stamp Duty: | €1,800 |
| Notary Fee: | €600 |
| Land Registry Fee: | €450 |
| Arrangement Fee: | €1,875 (assuming 1.25%) |
| Bank Fees & Home Insurance: | €850 |
| Total Purchase Costs: | €5,575 |
| % of Purchase Price: | 2.2% |

In the above example the approx. total costs associated with the transaction (Purchase Costs + Mortgage Costs) are €38,100 which equates to approx. 15.2% of the property value.

Important Information for Buyers - Income Tax

Many Spanish property owners elect to rent their properties in the Costa del Sol to capitalise on the popularity of the area and of course generate income. Some owners choose to rent on a short-term basis to maximise the weekly income and allowing them to use the property personally between bookings, others prefer the security of a long term tenant.

Regardless of the rental strategy you select you will need to pay tax on the income generated. In fact, in Spain even if you do not rent out your property you will still need to pay income tax as per the overview below unless the property is your permanent residence.

Non-Resident Income Tax - Property Not Rented Out

If you do not declare any rental income from your second home in Spain, then the Spanish government will assume a default level of income is generated from the property "Deemed Rental Income" which is subject to annual non-Resident Income Tax.

Deemed Rental Income is calculated at 1.1% of the cadastral value (rateable value) of the property. The cadastral value is calculated by the applicable town hall and listed on the IBI (council tax) invoice and is typically significantly less than the market value of the property. You will then pay non-Resident Income Tax at the applicable rate on the Deemed Rental Income depending on your status. Currently European Union citizens pay 19% and non-European Citizens (including the UK post Brexit) pay 24%.

Example:

| | |
|---|----------|
| Property Market Value | €300,000 |
| Estimated Cadastral Value (70%) | €210,000 |
| Deemed Rental Income (1.1%) | €2,310 |
| Applicable Non-Resident income Tax | |
| European Union Citizen (19%) | €439 |
| Non-EU Citizen (inc UK) (24%) | €554 |

Non-Resident Income Tax - Property Rented Out

If you do rent out your property (either long term or short term) then you will pay non-Resident Income Tax at the same applicable rate (EU citizens 19% & non-EU citizens 24%) on the actual rental income received.

EU citizens are able to deduct the costs incurred during the period the property was rented out (electricity; water; community fees; home insurance; interests on mortgage; Council Tax Rates (IBI) & waste collection; maintenance; cleaning services; legal fees for dealing with the income tax returns etc) and pay non-Resident Income Tax on the net income.

Non-EU citizens (including UK post Brexit) are currently unable to deduct the applicable costs and must pay non-Resident Income Tax on the gross income.

Note: Despite not being able to deduct the costs incurred during the rental period non-EU citizens from countries that have a double taxation treaty with Spain (such as the UK) are able to deduct the tax paid in their home country declaration as the nature of this agreement prevents them from having to pay tax twice on the same income.



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