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The Costa del Deal

The Costa del Sol in southern Spain has long been a favourite with British property buyers. The fact that it is so easy to reach by short, low-cost flights, has a gloriously sunny climate and lifestyle, sheltered beaches, top-notch golf courses and marinas, and that its authorities continue to invest in its infrastructure has been reflected in the capital growth and impressive rental yields achieved within its property sector in recent years. It is also a region that is considered politically and economically stable. However, like so many property markets around the world, the UK included, it has seen a turbulent few months with values dropping and property buyers thin on the ground largely because of the credit crunch.

However, like all property markets in unsettled times, there are winners as well as losers: the Costa del Sol is no exception. The big winners at the moment are new property buyers, especially those that might have been forced out of the market previously when property prices were high, and investors looking to the medium to long term.

Property for sale in Costa del Sol region can be found at a bargain. Prices are being discounted by as much as 30 per cent as sellers and developers aim to tempt property buyers with more realistic prices. Although new property buyers and investors may have to wait a while to see significant capital growth on their investment the market is already showing the first signs of stability. According to the Association of International Property Professionals (AIPP) in its newly released annual report on buying trends, Spain remains the number one choice of British property buyers despite the downturn of values.

In the interim, until a full recovery is made, the Costa del Sol still offers rental opportunities. It remains one of the most popular holiday regions of Spain and investors can continue to benefit from the holiday or long-term rentals market. Prime hotspots for property suitable for rentals, include Benalmadena, where a typical two-bedroom apartment near the coast and golf courses would cost around €190,000 (£150,000), and Estepona, where for example a two-bedroom apartment in a complex minutes from the sea would be around €245,000 (£194,000). Torremolinos remains popular, as does Fuengirola and Manilva, along with the two 'big guns' Marbella and Malaga.

Alexis Johannessen of Livingstone Estates, which is currently marketing a number of properties (including a new luxury development, Torre Bermeja, comprising two- to four-bedroom apartments from €800,000 (£630,000), in the coastal hotspot of Estepona) is confident that the market is stabilising. "We are seeing a steady number of enquiries and most of these are turning into sales," explains Alexis. "The key is that property for sale in Spain needs to be realistically priced and it will attract property buyers. There are bargains to be found. Many of these bargains are resales but developers of new-build properties are increasingly adjusting their prices to take into account the market too, which we feel is a good thing and sensible."

Taylor Woodrow is one of the developers currently building in the Costa del Sol, notably in Marbella and the surrounding towns. Among its new projects is the El Bosque de la Mairena, a collection of 215 new apartments located an hour or so from Malaga airport and close to Marbella. Property prices start from £142,000. It is also developing Los Eucaliptos, which comprises high-specification apartments set around pools and close to a golf course. Prices are from £252,000. Both developments are currently being offered with substantial discounts of as much as 30 per cent on selected plots and being marketed by Chesterton International.

Andrew Hawkins, head of the international department of Chesterton International, says, "We are seeing significant discounts being offered in the market, which means that there are real opportunities for securing a good purchase price. Taylor Woodrow, for instance, is taking the sensible step of pricing new plots at a realistic level. It is offering discounts on selected plots, which is good news for investors but also for new property buyers that were unable to afford to enter the market previously," he explains.

"The interest in the Costa del Sol is still strong. Although we have noticed a reduction of enquiries, those that call are serious property buyers," adds Hawkins. "Property buyers are recognising that there are real bargains to be found, and although they may have to wait a while to realise significant capital growth, it will happen as the market improves."

Along with Marbella, Malaga is a top spot for property buyers. Martin Dell of Kyero, a company specialising in statistics from the Spanish property market, says the Costa del Sol region, and especially Malaga, is still popular

with buyers, although values have dropped compared with previous years. "Average prices of property for sale in Malaga rose steadily from the end of 2005 to peak at an average of €314,000 [£248,000] at the end of 2006. Property prices fluctuated somewhat in 2007 and have now dropped to an average of €300,000 [£237,000]," he explains.

"Malaga is still the fourth-most expensive province to buy property in Spain, with average property prices being 125 per cent of the national average," he adds. The average current price for a one-bedroom property for sale is around €159,000 [£125,000] rising to around €750,000 [£592,000] on average for a five-bedroom property.

Land prices are relatively low in the Costa del Sol region at the current time, especially sizable plots overlooking golf courses or beaches. Many people are looking to buy a plot now and for a future self-build project as an alternative to buying a resale property or new-build. Two such sites, currently on the market with Carrington Estates, are Monte Mayor Golf and Country Club, near Puerto Banus, where a 3,300-square-metre plot overlooking the first and second hole of its golf course is priced at €596,000 (£470,000), and La Zagaleta, where a 6,600-square-metre frontline golf course plot is offered at €2,350,000 (£1.8 million).

While the Costa del Sol offers a great lifestyle and good rental opportunities in the short term, with so many bargains to be found the savvy investor will be sure to make a healthy return in the longer term. Barbara Wood, co-founder of The Property Finders, a company specialising in finding property for sale for clients, says property buyers are in a strong position and can secure a property at a good price but need to look to the longer term for growth. "A client has just purchased at Tarifa and the valuation for mortgage came in at 15 per cent more than we were paying for it, almost unheard of in today's market but a good sign that my client is buying at a very good price," she explains.

Barbara feels that discounts of around 30 per cent are achievable if buying off-plan, but the resale markets has the best choice of bargains. "If someone has cash or funds available then they should be looking at the resale market in prime areas, this is where the best deals are to be found." The time is clearly right to bag a bargain in the Costa del Sol.

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