

Barclays IESE Barometer

Written by IESE-IRCO

Year 1 / Issue 1 / November 2005



IRCO



University of Navarra

Table of Contents

1 **British People in Spain: An X-ray**

4 **The British in Spain**

more...
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A total of 224,841 British people are registered in Spain, 136,766 have an EU residence card, and it is estimated that between 75,000 and 100,000 reside in the country, mainly in Andalusia and Valencia.

British People in Spain: An X-ray

By early 2005, Spanish town halls had registered 224,841 British residents, approximately 28.6% more than the year before. Changes in the municipal registers offer a reliable geographical map of the favorite destinations of the British ex-pat colony in Spain, the most plentiful and one of the eldest groups among EU citizens. With an average age of 51, the British are only beaten by the Scandinavians.

The British prefer the beach: they are mainly found on the Mediterranean coast and the Canary and Balearic Islands. Living in Spain is a trend that is on the rise. Currently, 136,766 U.K. citizens have an EU residence permit for Spain, a figure that rose 6.6% in the first quarter of the year. Yet there are also British people who come here to work. In the first quarter of 2005, 54,280 U.K. citizens were signed up with social security, the highest figure of all EU citizens, including those from the enlargement coun-

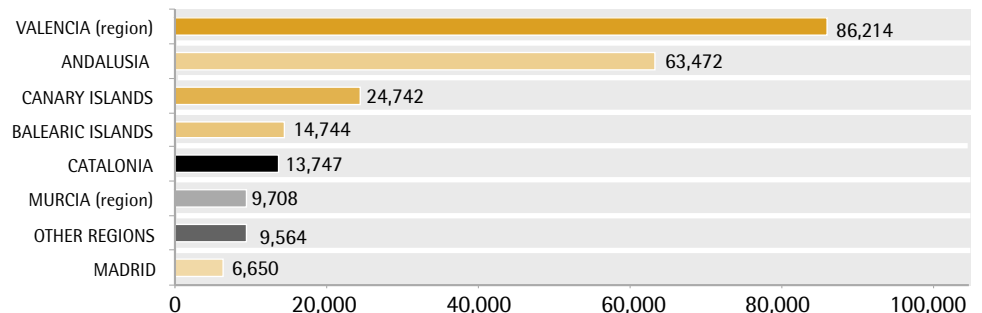
tries. The British "workers" are mainly found in the more touristy geographical areas, although Madrid makes a strong showing in this ranking with 4,180 social security affiliates.

First and Second Homes

According to economic statistics from the Banco de España, in the first quarter of 2005 foreigners invested €1,256 million in the Spanish real estate market. In the month of March alone, foreigners spent €400 million on the purchase of flats.

Foreigners from the United Kingdom, along with Germans, French, and Italians, make up 35.8% of the first-home market in the coastal area. Their weight in the domestic market is 6.4%. Fifty-three percent of the owners of the 3.8 million second homes in coastal areas are foreigners, primarily from the U.K., Germany

Location



Source: Based on data from the INE.



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By the second quarter of 2005, 54,280 British workers were signed up with social security, the majority in Andalusia, Valencia, and the Canary Islands. Currently, almost two out of every five work for themselves.

Around 53% of the owners of the 3.8 million second homes on the Spanish coast are foreign, primarily from the U.K., Germany, and France. The British are the leading foreign group looking to buy vacation homes in Spain, after the Spaniards themselves.

Spain has no fewer than 300 golf courses, and another 10 are being built.

and France. Approximately 30.8% of these residences are used as second homes, and of these, about 38.7% are vacation homes.

The number of British people with a second home in Spain registered a 20% increase in 2004, according to figures from the British Office for National Statistics. Spain leads the ranking of properties abroad. Of the 257,000 second residences owned by Brits, 69,000 are located in Spain, 51,000 in France, 5,000 in Portugal, 2,500 in Italy and 15,000 in the United States. The British Office for National Statistics calculates that the total value of these properties could be as high as 34,595 million euros, a figure that has doubled in the past four years. Rentals of these properties earned their British owners approximately 285 million euros in 2004.

The demand in 2005 is forecast to reach 117,000 vacation homes, a figure that will continue to rise steadily until it reaches 150,000 homes in 2010. The potential of the English market is high if we bear in mind that by 2020 more than 25% of English people will be over the age of 60.

According to estimates from the Institute of Foreign Trade, after the record year 2004, in which 181,000 homes were sold on the Spanish coasts, sales could remain steady at around 170,000-175,000 units per year in the period 2005-2006.

As for the future, if low interest rates hold in the Euro Zone, the strength of the real estate market might also hold, although the economic stagnation in France and Italy and the quick pace of home construction Spain and Portugal might undercut it.

What do they buy?

The British prefer single-family dwellings on a plot of land, with prices that range between €120,000 and €140,000, according to the Spanish Embassy in London. The homes are usually located on the coast, though not necessarily right on the sea, and near an important tourist complex. Up to 19% of the

The United Kingdom, Spain's Second Economic Partner

The United Kingdom is Spain's second most important economic partner. According to data on the balance of payments, the United Kingdom spent €50,163 million on direct investment in Spain in 2003, a figure that rose to €52,526 million in 2004. According to the Foreign Investment Registry, the United Kingdom is in third place in the worldwide ranking of foreign direct investment in Spain and comes in first if the country which is the ultimate investment source is traced, with 2,013 million euros, thus coming in ahead of other countries such as the United States, Mexico and France.

English people that purchase a second home in Spain spend less than €120,000; 17% spend up to €150,000; 11% invest up to €180,000, and approximately 23% spend up to €240,000.

What are they like?

There are different types of English people who invest in coastal homes in Spain:

- Short-term private investors aware of market dynamics, who are not concerned about the type or design of the home.
- Long-term private investors seeking an attractively-designed home and an attractive return on investment through rental, and who analyze the upkeep expenses.

Where do they buy?

When looking for a home, the Internet is the information source most often used by the British (73.9%), while 59% use word-of-mouth among friends and acquaintances. Around 56% prefer local real estate agencies, and 47.3% look at magazines in the real estate sector. Indeed, only 4.6% purposely come to Spain to buy their home after having visited Spain at some point, mainly to spend their vacation.

For this reason, trends in tourism from the United Kingdom to Spain are crucial. Many

of today's residents were tourists in the past. Last year, the United Kingdom solidified its position as the leading market sending tourists to Spain. Around 16.4 million English people chose to spend their vacation in Spain, a 2.9% increase over the year before, although a smaller rise than that recorded in previous years.

It should be noted that the average stay of British people in Spain is 10.2 days, slightly lower than the average for other foreign tourists (10.7). For the first time last year, the percentage of who planned their vacation in Spain without a package tour was higher (51.6%).

The dramatic increase in the influx of British tourists has had a major impact on budget airlines, which in 2004 transported around 23.6% more passengers than in 2003. These airlines already account for 35% of all the air traffic between the United Kingdom and Spain. Nevertheless, although the number of passengers on traditional airlines fell 4.7% in 2004, these airlines still bring the majority of passengers to Spain.

In any event, during the first quarter of 2005 the number of British tourists arriving in Spain rose 2.1%, and a total of 7.2 million British tourists visited Spain. In the Canary Islands, British tourists' main destination, this figure fell 6% as fewer people purchased package tours (airfare plus hotel plus meals). Despite this, figures continue to rise in Andalusia (10.8%), Valencia (8.4%), and Catalonia (8.2%).

Although non-hotel accommodations have not been the top choice of English tourists up to now, this market is gradually gaining ground. In fact, in 2004, one out of every three international tourists staying in privately-owned property was British. What is more, they make up 39.1% of the tourists who choose to rent a home, and 59.4% of those that choose to take out a timeshare.

In short, last year, 66% of the British tourists who came to Spain stayed in hotels (10.8 million tourists) compared to 33.9% who chose non-hotel accommodations (5.6 million tourists). However, while the hotel growth

Table 1: Why the British Choose Spain to Set Up a Second Home

Spain's climate	42.3%
Personal or cultural reasons	30.6%
Better quality of life in Spain	14.9%
Usual summer vacation destination	12.2%

Of the 257,000 second homes that English people own abroad, 69,000 are located in Spain, a figure that rose 20% in 2004.

rate is 1.8%, the increase in non-hotel accommodations checks in at 4.9%. Within the latter, the most significant growth has been in homes where the visitors did not have to pay, either the tourists' own home or one owned by family members or friends. The figure for this type of accommodation rose 15.7%, and a total of 3.4 million English people (21%) spent their vacation in non-paying homes. In contrast, rental homes fell by 13.5%.

Prices of new homes by m2 in the coastal provinces during the first two quarters of 2005 (euros/ m2)

Provinces	YEAR 2005		CHANGES	
	Quarters		Quarterly	Annual
	1º	2º		
Andalusia	1,391.2	1,463.5	5.2	16.0
Almeria	1,272.1	1,343.3	5.6	17.7
Cadiz	1,446.8	1,529.3	5.7	20.1
Cordoba	1,164.8	1,183.4	1.6	20.7
Granada	1,148.1	1,218.1	6.1	16.2
Huelva	1,281.1	1,414.3	10.4	15.4
Jaen	799.5	889.0	11.2	18.4
Malaga	1,909.2	1,985.6	4.0	12.4
Asturias	1,424.1	1,435.5	0.8	10.3
Balearic Islands	1,890.2	1,969.6	4.2	15.1
Canary Islands	1,526.5	1,570.8	2.9	14.1
Las Palmas	1,540.4	1,588.2	3.1	13.7
Tenerife	1,510.3	1,551.1	2.7	14.4
Cantabria	1,623.3	1,707.7	5.2	18.6
Catalonia	1,929.1	1,992.8	3.3	11.4
Barcelona	2,177.2	2,242.5	3.0	10.3
Girona	1,646.9	1,735.8	5.4	18.4
Tarragona	1,541.4	1,607.7	4.3	13.9
Valencia (region)	1,349.8	1,428.1	5.8	20.1
Alicante	1,495.2	1,590.9	6.4	16.5
Castellon	1,365.3	1,473.2	7.9	19.6
Valencia (city)	1,236.0	1,292.9	4.6	21.9
Galicia	1,143.9	1,175.9	2.8	14.3
La Coruña	1,164.4	1,200.5	3.1	11.5
Lugo	837.6	770.6	-8.0	9.5
Pontevedra	1,248.3	1,314.5	5.3	17.9
Murcia (region)	1,241.8	1,326.2	6.8	18.9
Basque country	2,444.6	2,486.2	1.7	11.9
Vizcaya	2,445.1	2,491.6	1.9	11.7
Guipuzcoa	2,492.9	2,540.3	1.9	14.4

Source: Spanish Ministry of Housing

Barclays-IESE Barometer

Year 1 / Issue 1 / November 2005



IRCO



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More than three out of every five British people planning to purchase a home abroad choose Spain as their preferred place for a second residence.

Along the same lines, the Survey of Apartment Occupation performed by the INE for 2004 revealed that 2,880,512 British people stay in apartments when they travel to Spain, compared to 6,803,960 who choose to stay in hotels. The English make up 45% of foreign tourists that stay in apartments, and almost half (49.3%) of those from the EU. By autonomous communities, the Canaries comes in at the top of the list once again, with 1.8 million British tourists staying in apartments, followed by the Balearic Islands (513,647), Valencia (284,481), and Andalusia (160,781). Around 85% of English tourists coming to Spain last year had been here before, which, along with

the increasing number of stays in apartments, might motivate them to purchase homes in the middle term.

In terms of British tourists' expenditures during their vacations in Spain, according to the 2004 Survey of Tourist Expenditures conducted by the Institute of Tourist Studies, the British spent €13,073.3 million, and along with the Germans they account for 49% of expenditures made by tourists in Spain. The average expenditure by British tourists was €844.6, which means that they tended to lay out 80.8 euros per day. During the first quarter of 2005, total expenditures by British tourists decreased by 1%.

The British in Spain

	LAST PERIOD	ANNUAL CHANGE (2004-2005)	LATEST FIGURES 2004-2005	TREND
Registered	January	28.6	224,841	On the rise
Residence cards	March	16.5 (2)	136,766	On the rise
Registered with social security	June	13.3 (3)	54,280	On the rise
Gross direct investment (RIE)	December (1)	-43.7	1,319 (4)	Decrease due to increase in foreign investment
Gross direct investment (ultimate investment source) (RIE)	December (1)	-16.5	2,013 (4)	Decrease due to increase in foreign investment
Net direct investment (RIE)	December (1)	-46.2	1,127 (4)	Decrease due to increase in foreign investment
Direct investment (Banco de España)	2004	4.7	52,526 (4)	On the rise
Tourists	January-July	1.6	9,143,652	Slow-down in growth
Tourist expenditures	January-July	3.6	7,573 (4)	On the rise
Real estate investment in Spain (second homes)	2004	20	69,000 (5)	On the rise

(1) Data as of December, 2004

(2) Compared to June, 2004

(3) Compared to December, 2004

(4) Million euros

(5) Number of homes

Source: Based on data from the INE, the Secretary of State for Immigration, the Secretary of State for Social Security, the Registry of Foreign Investment (RIE), IET, the British Office for National Statistics, and the Banco de España.

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Legal registry: xxxxxxxx Published by: IESE Publications Division Avda. Pearson 21 08034 Barcelona, Spain. Tel.: +34 93 253 42 00, Fax: +34 93 253 43 43, www.iese.edu

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