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RESIDENTIAL TOURISM

"ITS ROLE IN THE BUSINESS AND SOCIO-ECONOMIC DEVELOPMENT OF THE PROVINCE"

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I would like to begin this dissertation with some of the latest data on Málaga and the province. This data was offered by the Business Confederation of Málaga:

- Málaga is the Spanish province that has had the greatest amount of economic growth from 1995-2003.
- Málaga collects 29 percent of the total tax income of Andalusia.
- New constructions in Málaga make up 49 percent of the total in Andalusia.
- Málaga is the principal tourist destination in Andalusia, and is responsible for 40 percent of all tourism in the Andalusian community.
- Málaga has the fourth airport nationwide in terms of number of passengers. In 2003, a total of 11,565,735 passengers came through the Málaga airport.

Málaga leads our autonomous community in the use and development of new technologies:

- 73.6% of the families of Málaga have a cellular phone.
- 37.4% have a computer at home.
- 19.5% have an Internet connection.
- We are leaders in terms of business density in the community, with 64 companies per 1,000 inhabitants.
- For the seventh consecutive year, Málaga has been the provincial leader in terms of new enterprises.

This is owed, in great part, to the two pillars of the Málaga economy: tourism and construction, the foundations for the economy of our country. Tourism and construction are key for our Andalusian community, and essential for the socioeconomic and business development of Málaga and its province.

It is always difficult to offer an overview on any specific issue, but it is even more difficult when addressing a sector as unique as tourism. It becomes even more challenging if tourism is linked to construction, since both are dynamic sectors that are constantly evolving. In addition, both are highly influenced by social and economic changes in the world.

For this reason, I do not want to make predictions or even speculate on the future of tourism in this dissertation.

Based on the current indicators and the expected trends of the future, I would like to attempt to develop one of the most important sub-sectors of the tourist industry: Residential Tourism.

The term "Residential Tourism" is commonly used and refers to a specific type of tourist: he or she who chooses non-hotel accommodations for their stays. These accommodations usually involve an owned, rented, or lent property, or a timeshare. This type of tourist has not been sufficiently examined to determine the complexity of the activities that define this important segment of the tourist industry.

This lack of investigation juxtaposes with the importance that this type of tourist has acquired over the past few years in terms of generating wealth and reorganising territory. However, the residential tourist is accepted in all of his/her facets within the industry, since this type of tourist falls within the framework of the definition of tourism according to the World Tourism Organization:

"Tourism involves the activities of people during trips and stays in places other than their usual surroundings for a period of time of less than one year, whose purpose is leisure, business, or other."

In principal, a great number of so-called residential tourists fulfil this condition. They can thus be considered tourists, since they are visitors who stay many nights more than other types of tourists, for example, vacation tourists. They use a rented or owned property in the place chosen for spending their time off, and they come to enjoy a lifestyle that they are already used to. It is important to note that their funds come from their place of origin.

What is the space assigned to residential tourism within the tourist industry? In a general way, we can interpret this as a tourist space with a certain level of internal structure that is capable of satisfying the needs and expectations of the residential tourist. In this tourist unit, the economic activities of different productive sectors come into play in terms of construction, configuration, and later use, given that these activities involve residences, equipment, and services.

The goal of this tourist space is to satisfy the needs of the residential tourist. This involves a series of determining factors or requisites that affect the nature of the space, including:

- The construction, design, and functioning of the space, which must be oriented to offering the tourist a high quality of life. In this sense, issues related to the environment place a special role.
- This space, structure, and equipment must allow for the development of leisure activities for the tourist, and thus must include the tourist facilities and services demanded by the product.
- The structure and equipment must allow for the development of social relations and shared living.

Without a doubt, these tourist spaces constitute a tourist product in and of themselves, or part of a tourist product of the destination. In this sense, the influence on the image of the tourist destination is quite important.

Political and Administrative Policies

Tourist policies must take into account the residential tourist, due to the nature of this tourist activity and the high level of popularity of this type of tourism. The actual contents of the advanced definitions of residential tourism in terms of both demand and selection have important repercussions on tourist policy and on territorial organisation policies.

It is evident that the planning and organisation of our tourism is based on organising the physical space. This is something that our law for urban organisation in Andalusia has not yet achieved, in spite of the fact that tourism is one of the leading consumer activities in the territory.

If the coordination between territorial and urban organisation and the tourist sector does not improve – in the cases where the territory requires such coordination-, there is a risk that urban territorial organisation could become just another part of sector planning. This planning must efficiently integrate the sector in a way that will alter the configuration of the shoreline territory, thus influencing the actual tourist processes of Andalusia.

The incorporation of residential tourism in these policies must be manifested in important measures within the following parameters:

- Contribute to reinforcing integral planning of tourist policy, especially in terms of encouraging tourist activity and reorganising the territory in a rational manner.
- Emphasise that the final goal of tourist policy is to increase the quality of life, paying special attention to landscape and environmental conditions.
- In terms of tourist housing projects, strengthen the development of recreational activities, paying special attention on diversifying the tourist selection, contributing unique tourist infrastructures, and more general, developing the complimentary selection.

Based on the definition of tourism of the WTO (World Tourism Organization), it is clear that residential tourism can be identified with such a concept for the following reasons:

- Residential tourism meets all of the conditions listed in the definition of the term "tourist".
- A residential tourist is a person who travels to a place other than his/her usual surroundings for a period of time of less than 12 consecutive months.
- The principal motive of his/her visit is not to do a paid job in the tourist destination; the principal reason for travel is recreation, golf, leisure, vacation, health treatments, beaches, etc. while maintaining a certain quality of life that he/she identifies with the chosen spot.

The most significant differences of residential tourism in comparison with vacation tourism are: longer stays, the use of an owned or rented residence for accommodations, and the fact that the reason for the trip is leisure connected to a certain quality of life.

A minimal amount of research has been done on residential tourism. It arose as a business phenomenon that was imposed on us by both national and international tourists. These tourists began to acquire real estate products that promoters had constructed for locals, and these products rapidly became the star product of the tourist industry.

In the sub-sector of tourism known as residential tourism or second residence, the 1970s was the decade when this high-quality real estate product geared to tourists was launched. During this decade, the international image of the product began to grow. The changes of the coasts and islands of Spain have been owed in great part to residential tourism; this is clear in the data and statistics of the evolution of the tourist industry.

One of the indicators that most loyally reflects the phenomenon of residential tourism is foreign investment in real estate. However, this indicator does not offer an exact description of the real demand of residential tourism, given that part of this demand is comprised of Spanish owners. This type of purchase is then known as “acquisition of real estate assets by residents”, and there are no statistics that reflect the importance of these buyers.

Foreign Investments

There are four types of foreign investments that exist in Spain: direct investments, stock, real estate investments and other investments. Within these categories, investments in real estate assets by non-residents, that is, investments in residential tourism, take third place, with 25.1% of the total investments made by non-residents. This proves the importance that foreign investment in real estate has on our capital balance.

Beginning in the 1980s, this investment phenomenon sparked the interest of foreign investment analysts, who quickly incorporated it within industrial tourist phenomena. Until then, no one had taken into account the acquisition of real estate and property assets in Spain by non-residents who purchased long-lasting Spanish consumer goods with funds from abroad.

The description of the general context in which the residential tourist market is included requires an examination of foreign investment in real estate for tourist purposes.

The purchase of real estate assets by foreign tourists is more concentrated on the Costa del Sol than at other national tourist destinations. The Spanish destinations where the residential tourism segment had great importance, as could be seen throughout the 1980s, are the Balearic Islands, Alicante, and the Costa del Sol. The Costa del Sol, however, generated 75% of the total amount of non-resident investments in tourist real estate products.

Any analysis of the capital balance of Spain demonstrates the importance of the influx of investment in real estate good by non-resident foreigners. This is the opposite of what occurs in other developed countries, where the importance of this type of investment on capital balance is almost nonexistent. This is owed to the fact that tourist paradises like Spain are the destinations chosen for buying and living. This is what some officials and specialists have begun to call "white gold": residential tourism, the purchase of a lasting food that generates currency, taxes, consumption, jobs, etc. Since the good, in this case, is a property, it does not leave the country: on the contrary, it generates a continual cycle of tourists with medium-high incomes.

In 1997, the investments in real estate products made by foreigners in residential living spaces exceeded 300 billion pesetas (1.803 billion euros). It is estimated that in all of the national territory, 35,000 residences were acquired by non-residents.

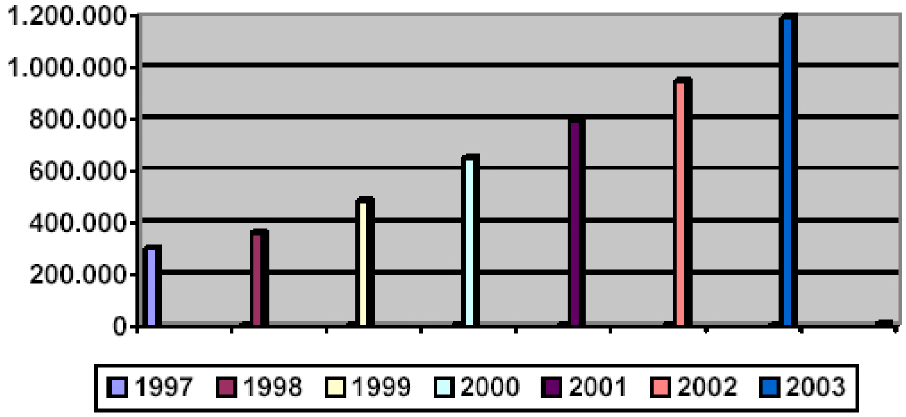
In 1998, 362 billion pesetas (2.175 billion euros) were generated; this supposes an increase of 20 percent in comparison with the previous year.

In 1999, sales of residential tourist products totalled 484 billion pesetas (2.908 billion euros). Considering these figures, the sales of residences purchased by non-residents for tourist purposes represented more than 15 percent of the residences constructed in Spain in 1999.

In 2000, this sub-sector of the tourist industry surpassed 650 billion pesetas (3.906 billion euros) in sales. The numbers for 2001 are even more promising: the volume of business that year reached 793 billion pesetas (4.765 billion euros).

2002 was another encouraging year for this sector of the industry in terms of the promotion and construction related to residential tourists.

Of the 575,000 residences constructed in Spain that year, 90,000 were acquired by non-residences. The sale of these residences involved 5.676 billion euros (945 billion pesetas), a 16% increase over 2001.



However, in 2003, all records for the sector were broken. Of the 700,000 residences constructed in Spain last year, 135,000 were acquired by non-residents, who spent 7.167 billion euros (1.2 trillion in pesetas). This represented a 15.7 percent increase over 2002, when 90,000 residences were sold to foreigners.

If we examine this phenomenon in terms of the different communities within Spain, we see the following:

Málaga / Costa del Sol	38,500 units
Rest of Andalusia	15,500 units
Community of Valencia	25,000 units
Catalonia	15,000 units
Canary Islands	21,000 units
Murcia	10,500 units
Balearic Islands	10,000 units

Málaga / Costa del Sol has thus captured 45% of these investments, for a whopping 3.225 billion euros.

In addition to these investments, it is important to keep in mind the national market. These investments can only be estimated, given that there are no statistical references. We estimate that the total of these two groups of investors, the residents and non-residents, acquired 25% of the total number of residences constructed in Spain during 2003 for residential tourist purposes.

In terms of the nationalities of non-resident investors, the British were at top of the ranking with 52% of the investments. The British are followed by the Germans, whose percentage fell last year to 22%; however, this is still a significant amount of the total. The remaining investments are divided among the French (8%), Italians (6%), Belgians (3%), Scandinavians (6%), etc.

In order to understand the importance of this tourist sector, and to analyse the economic effects of the investments in residential tourism at the national level, it is important to note the financing effect of the currencies that are brought into the country to make such investments on Spain's commercial deficit.

If we compare the total volume generated by residential tourism from 1962-2000 (6 trillion pesetas, 36 billion euros) with the commercial deficit of the same period, we find that this type of investment financed 15% of the commercial deficit.

No economic study on the generation of riches in the tourist industry in Spain – which is the second largest tourist industry in the world – can ignore the importance of foreign investment in residential tourist goods. These investments offer added value, generating currencies and jobs, and they involve middle-high class consumers. It is critical to keep in mind that we are dealing with something that can only be offered by this product in the tourism industry and its industrial segments: a lasting tourist product that has significant influence on income from tourism in real terms. In addition, this product offers positive results in both the short and long term, given its strong potential.

In terms of the latest indicators, the following data based on the Costa del Sol is quite telling:

- The 3,000,000 tourists that utilised their owned apartments (there are 750,000 family units that have invested on the Costa del Sol), have opened and maintained 850,000 checking accounts to handle maintenance costs, electricity, telephone, supermarkets, community fees, etc.
- These tourists keep 900 billion pesetas in circulation – 5.409 billion euros – in addition to their spending capacity of 6 billion euros (1 trillion pesetas) during their stay with us.

According to a market report on Vacation Residences in Spain (VIVE) conducted by the "I" Group, a total of 2,550,000 real estate units are used to accommodate the visitors to the VIVE area; this represents 12.2% of the total number of national residences.

The VIVE area is comprised of 116 towns and villages distributed along the coasts of Andalusia, Catalonia, Valencia, Murcia, and the Balearic and Canary Islands. This area has room to accommodate a total of 12 million tourists, whose spending and generation of gross added value (GAV) is astounding.

In addition, it is important to note that the total value of terrain and real estate properties for residential tourists nationwide is valued at 20 billion pesetas (120.000 millones euros).

In terms of fees, taxes, etc. paid to the treasuries of tourist villages, this asset generated 750 billion pesetas (4.507 million euros) per year.

Different governmental offices are becoming increasingly aware of the real estate tourist phenomenon. A report that we discovered in January by the Ministry of Economy reveals that 44% of non-financial incomes of local corporations come from the land and from residences. In tourist villages and towns, 65% of these resources are collected via taxes on real estate goods and taxes on the increase in value of urban properties.

If we evaluate indirect taxes, the taxes related to construction, installations, and works comprise 95% of these numbers. Note should also be taken of municipal income generated by fees for work licenses, land transfers by promoters, and the "special contribution" that must be considered in terms of fiscal collections of tourist villages and towns.

Urbanism versus Tourism

Residential tourism goes hand in hand with vacation tourism; in November 1987, the European commission organised a conference titled "Residential Tourism, Prospects for 1992". This conference, whose name speaks for itself, was an important focal point for information and exchanges that allowed for a wide consensus on the goals and the work of the commission.

The new residential-tourist urbanism must be oriented around the same strategies as vacation tourism:

- Ecological tourism.
- Sports tourism.
- An increase of green spaces.
- Variety and quantity of sports complexes.

In addition, this urbanism should involve taking into account tourists who are interesting in historic attractions and monuments.

We cannot forget that the tourist sector makes up 10% of the GNP. It also makes up 12.5% of the total jobs in the EU, in order to give an idea of its importance, with profits that involved $620 billion US dollars worldwide in 2003.

The Position of Spanish Tourism

The following offers insight into Spain's share in the influx of world tourists:

- Physical demand (in terms of number of people): 7.5% of the world total
- In currencies: 7% of the world total

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At the beginning of the 1950s, there were 15 tourist destinations that attracted a maximum of 25 million tourists. In 2003, 70 countries with tourist destination received 710 million tourists. According to the predictions of the World Tourism Organization, in the next 10 years, one billion tourists will travel to their favourite destination.

The future of residential tourism has only just begun. In the next few years, thousands of European citizens will join those who have already chosen our shoreline to purchase their residences for tourist purposes. This type of tourism will thus surpass hotel, or vacation tourism, on many levels.

According to data taken from a study conducted at the University of Málaga, the expected growth of Málaga/Costa del Sol over the next ten years will lead the area to double its population in this period.

Loyalty of the Investments in Residential Tourism

It is well-known that investments often are strongly linked to income. However, within investment, that which is aimed at purchasing a second residence is quite erratic. If, in addition, this investment will be made in a foreign country and its purpose is mainly for vacations or for a second residence, the correlation between the demand itself and the evolution of the income of possible investors is nearly impossible to establish.

In spite of this difficulty, given the fact that this foreign investment is so critical to our sector, I will attempt to offer a qualitative analysis of the factors and circumstances that could have either a positive or negative influence on buying decisions.

According to data from the Ministry of Economy offered by the Government Secretary of Tourism, a total of 710 million tourists were involved in world tourism in 2003. This represents a 4% annual growth over the last 10 seasons, and thus it could be said that 2003 was the greatest year for tourism in history.

During the next ten years, we will witness the way in which tourism will help develop this industry, and thus it is necessary for us to think globally and act locally.

All research – from the surveys promoted by the Government Secretary of Tourism to the surveys carried out by autonomous communities and private companies – points to the fact that the tourist sector will have to redefine all of its segments. In other words, the small changes that have been made over the past few years have not achieved the profound changes necessary.

In order to achieve this globalising objective, the sector must be diversified. Tourists no longer are content with simply sun and beach: they want to enjoy other activities, such as cultural tourism, museums, archaeology, sports, golf, marinas, theme parks, aquatic parks, etc. At the same time, a higher quality of service must be offered: this involves caring for the environment, maintaining the area, and especially offering professional services and specialisation at both the public and private levels of the sector.

It is very important to focus on the need for awareness in terms of government offices, businesses, and the general public: all must be conscience of the importance of tourism on the national economy.

It is a key product within the market, and it is often not taken seriously enough: until it is taken seriously, tourism will not be renewed nor will it evolve in our country.

Redefining the tourist sector is, today, truly essential in order for our tourist destinations to continue to be ranked at the top of the list worldwide. In addition, this redefining will be necessary for us to absorb the quota of tourist growth that is going to occur within the next few decades, according to all estimates.

It is necessary to create a modern tourist model that guarantees our current level of growth and takes into account our long-term growth, without endangering the needs of the generations to come. This involves planning and generating sustainable growth of our tourist industry, since we understand that sustainable tourism is that which is viable from both an economic and social point of view, without endangering either the environment or local culture.

Thus, sustainability equals business and financial succession; it means protecting, conserving, and developing the environment, and it also involves social responsibility.

Our challenge is to resolve how to manage the estimated growth in a way that allows for favourable economic results without having a detrimental affect on local environment and culture. This is necessary for us to participate in the process of modernisation that tourism will involve in regional and local planning. The sustainable development of our tourism – both vacation and residential tourism – must be a priority for our regions.

Tourist policy must be based on two fundamental goals: redefining the tourist product, and communicating the "new image" of tourism. Redefining the product involves offering new characteristics that differentiate us from the rest of the competing destination. The "new image" of tourism involves creating optimal conditions for communicating and placing the tourist products, based on the parameters mentioned earlier.

Tourism that corresponds to the characteristics that we are referring to cannot take place in deteriorated areas of the country. When we refer to "deteriorated areas", we refer to both environmental deterioration and human deterioration. This requires the self-discipline that means that we, as a country that receives tourists, will not be rejected, especially taking into account the international selection that exists, and that which is continually emerging.

We must offer our visitors an infrastructure that corresponds to the leisure products a tourist looks for:

- Clean beaches.
- The solution to the serious problem of the water cycle.
- Natural spaces that remain intact.
- Watching out for environmental impacts, in terms of both visual impacts and noise factors.
- Avoiding mass urbanisation.
- Studying, measuring, and agreeing on the urbanism that we would like to develop.

Above all, we have to mend the chronic deficiencies of our road network.

According to data from Eurostat (The National Institute of Statistics of the European Commission), Spain is the second country in terms of the fewest number of highway kilometres per 1,000 inhabitants. The only country with less road infrastructure is Greece.

In comparison, Germany has double the amount of kilometres of highway per inhabitant than Spain; Australia, triple the amount, and neighbouring country France has four times the amount.

The chronic deficiencies of our road network demand that investments be made more quickly and collectively, with a vision that takes into account the long term. This means that we cannot limit such planning to resolving problems inherited from the past.

To follow up on the "Initial Orientations on a Community Tourist Policy" from January 1986, the European Commission presented a report on "Community Actions in the Tourist Sector" in April 1996.

In this report, the commission outlined the main objectives for the sector:

- Facilitating and encouraging tourism in the European Community.
- Improving the geographical share and reducing seasonal bias of tourism.
- Improving information and protection of tourism.
- Improving working conditions in the tourist industry.
- Achieving more substantial growth in terms of the information from the sector, especially in terms of statistics, and in utilising the financial instruments of the community in a more appropriate manner.

All of these items have been extended and organised, when the 21 Agenda, developed by the European Tourism Fund, was put into practice:

- Confront the demand to deal with the issue of sustainable tourism.
- Confront the volume of growth along with public transportation and the seasonal bias; these are both main challenges outline in Agenda 21.
- Sustainability, as the main issue in terms of quality.
- Employment and professional treatment.

Spain as an Example

The advantageous condition for tourism of the Spanish coasts gave our country the opportunity to create an engine for economic development. This has become the main offer for other countries of the European Union.

However, it is not enough that we have created tourist infrastructure if we are not able to conserve this infrastructure and constantly improve it. The increase of the number of tourist establishments in other countries makes it necessary for us to offer “something more”.

We have a market with 320 million Europeans in the community; we have a unified monetary system in Europe, that is, the basis for an integrated internal market. This all was approved in a single act that entered into force on 1 January 1993, and which modified the rhythm of the economic process.

One of the results of this dynamic is that the Northern Europeans who wish to reside either temporarily, partially, or definitively on the Mediterranean shore no longer face any obstacles. This alone justifies the need to stimulate the demand for "a second residence, or an owned property for tourism."

In this context, we should not forget that the Nice Treaty, which entered into force on 1 February 2003, has the objective of adapting the institutions of the European Union to the incorporation of new member states. In May of this year, there will be 25 states, and some of these new members have an interesting number of tourists. One such market is that of Croatia.

This study does not attempt to confront the issue of promoting and encouraging the second residence for non-residents as the panacea of the future of tourism. However, it does propose that this is a necessary and interesting alternative, because it constitutes a clear tendency towards high-quality, continuous tourism. If this type of tourist returns to his/her tourist destination once or several times each season, his/her stay is ensures, and there is a tendency towards dwelling that is becoming increasingly evident.

On the other hand, this is not a mass tourism; it constitutes a work alternative for other sectors of economic development that depend on the number of visitors that the tourism industry generates.

The importance of tourism as a factor that contributes to economic development, to the creation of jobs, and to increasing the mutual understanding of citizens from different countries of the EU, has been proven by the institutions of the community.

The act that entered into force on 1 January 1993 has modified the rhythm of the economic process, and has created the necessary framework for the unified market. Thus we believe that it is necessary to list the reasons justifying why we must stimulate the demand for a 2nd residence or permanent tourist accommodations, given that this would help to:

- Avoid seasonal mass tourism.
- Avoid that, due to this type of mass tourism, the selection be reduced to a low-quality tourism.
- Ensure that, but acquiring a property, the tourist will visit our coast year after year.
- Create a complimentary tourism constituted of friends or family members of those who own the residential tourist residence.
- Make possible the economic development of all activities that depend either directly or indirectly on tourism, thus avoiding the depending on the level of occupancy of the hotel sector (Seasonal bias).
- Increase tourism in the off season.
- Adapt our selection to the reality of Spain's incorporation within the European economic community, and to the demand for 2nd residences in the tourist zones of Spain on behalf of other citizens of the European Union.

Without a doubt, the second residence, our residential living spaces to accommodate permanent tourists, require the launch of a new economic, social, and tourist model that is reactivating the country's economy. This constitutes one of the few valid alternatives in terms of what Spain has to offer the European common market.

The Dwelling Model

In the last 40 years, there have been more constructions than in the last 150 years. According to the latest predictions, in the next 30 years, the market will involve more constructions than in its entire history.

One unique aspect of our current economic society is that it involves creating the unknown. In this sense, it is quite different from traditional societies, which constantly worked to reproduce the past. Of every four dwelling models that will be usual by 2020, two do not yet exist. This gives us an idea of the scope of the ceaseless transformations that will occur in our business segment. Today, demand is not directed only at the real estate product in itself, but to all that surrounds it: theme parks, sports centres, golf courses, tennis courts, etc.

Our client does not just acquire a certain number of square metres in a residence: he/she buys a group of new products that somehow satisfy his/her habits and customs.

Our generation has already been called "the leisure generation". This term is owed in great part to:

- The reduction of hours in the work day.
- Early retirement.
- Improved physical and intellectual conditions.
- The demand for better services.
- An increase in acquisition power.
- An increase in pensions.
- The development of private pension funds.
- Additional capital income, etc.

Quality

According to our estimate, we can only compete in terms of the quality of the product and the surrounding environment. We need to manage the existing tourist product in an excellent way, in addition to supervising our capacity for receiving tourists. The performance, development, and expansion of our products must be executed while keeping these two factors in mind. Our consumers are increasingly aware of the sustainability issue.

It is necessary for our visitors, tourists, and tourist residents to encounter a high-quality product. This involves a high level of personal safety, public transportation, shows, sports complexes, etc. All of these things represent the quality of life that our residential tourist wants to maintain during his/her stay with us.

We must have a higher level of preparation in terms of our services. In the EU, 9 different languages are spoken by 320 million people who want to get to know one another.

We live in a civilisation of automobiles. According to a study on tourist movements on borders presented by Frontur, 46% of tourists who visited us in 2002 came by highway. This implies a total of 24 million people.

When taking into account the improvement of services to attract more visitors, we must not limit ourselves to increasing the number of charter flights. We must also construct better highways, in order to improve the number of entrances from Europe to our territory. In addition, we must extend the high-speed railway network. It is important to keep in mind that a high number of Europeans do not want to forsake their car, not even while on vacation.

According to the Institute for Tourist Studies, there is no reason to think that the consolidated tourist destinations will have a set demand in the future, except under a few circumstances. This demand, however, is going to increase, and thus we will confront the problem that our visitors and futures clients could decide on other vacation spots from the long list of possible destinations that exist across the world.

In terms of demand, the tourist market acts and reacts like any other market. Thus the tourist destination that is not popular and does not present the product desired by tourists in the exact moment in which this product is desired will have many difficulties in terms of business management.

Residential tourism, that is, a second residence, always went hand in hand with vacation tourism.

When looking towards 2010, the Spanish tourist model must examine the economic and social factors that its evolution will depend on in the new context that is expected to arise in this sector of the Spanish industry. This tourist model must be oriented towards other ways of guaranteeing our ability to compete, such as:

- Developing a complimentary selection that is increasingly sophisticated and adapted to the preferences and needs of our consumers.
- Improving our infrastructure and equipment to guarantee quick accessibility and an increase in the well-being of our visitors.
- Efficiently organising the tourist space in a rational way, focusing on the enjoyment of natural spaces and avoiding a negative image of our tourist destination.

No one disputes that Spain is a leader in receiving tourists, but this issue could be debated if we wished to extend this leading position to all the complex factors that accompany the tourism phenomenon. In spite of some noteworthy advances, our model has atrophied in terms of the complimentary selection.

Even today, after thirty years, we basically attract tourists seeking sun, beaches, accommodations, and food.
A fact that could differentiate us from our competitors could be to increase the number of tourist attractions of the regions.

The complimentary selection of the future must involve the traditional angles of the sector:
- Golf.
- Nautical sports.
- Shows, attractions.
- Museums.
- Congresses, etc.

In addition, imaginative new projects that increase a tourist's satisfaction in terms of recreation are also included.

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At the end of 2002, Málaga and the Costa del Sol had 49 golf courses and 11 marinas. Without a doubt, golf has been the engine for housing developments for residential tourists over the past few years. In fact, nowadays real estate promoters are taking this promotional model within the province, and promoting housing developments around gold as the principal attractions.

Golf courses and marinas have assisted in the residential tourist promotion developed over the past few years on the Costa del Sol in an extraordinary way. However, we must not forget that real estate promotion has led to the construction of a great percentage of golf courses and marinas; without such promotion, such a selection of recreational activities would not have come about.

The example of certain regions and countries that are quite developed in terms of tourism is evidence of their ability to retain their tourists and attract important quotas of international tourists. This is based on the development of the complimentary selection. One paradigm, in this sense, is the United States, where profits from tourism reached 15.3 trillion pesetas (92 billion euros) in 2003, in comparison with Spain, whose income from tourism totalled 5.5 trillion pesetas (32.5 billion euros).

Spain is no longer the exotic destination of the 1960s and 1970s: today it is a country with a high level of urban development, and a population with the same habits and lifestyle as the rest of Europe.
Evidently, when it comes to exploiting our tourist resources, we cannot remain in the phase in which we must assume the costs of this development without reaping its benefits.

In this sense, the weight and benefits of tourist activities on our economy and the growing demands require a sufficient level of infrastructure and equipment in order to confront the deterioration of a whole series of aspects that our tourists constantly complain about:

- Roadways.
- Noise.
- Hygiene.
- The water cycle.
- Dirty streets and beaches.
- Personal safety (one of the biggest complaints of our visitors).
- Road kill on our highways.

- Contaminated and biologically dead beaches.
- Beggars, etc.

If the deterioration of certain private services is worrisome, the state of some of the public services is simply embarrassing, especially in a region of the Schengen Space that aspires to maintain its leading position in the ranking of world tourism.

Over the next few years, the Spain tourist model must develop with an eye on the future. This will allow us to adapt to the new demands in advance - new demands that are continually arising in this sector of the tourist industry.

The Demand

After more than 25 years of residential tourism strategies, experience has proven that the preferences of demographic flows lead to islands and shoreline areas. We believe that we can identify the demands of these groups, based on the following factors:

- Areas with benign weather conditions. It is evident that people tend to abandon regions with extreme, cold climates and head towards fair areas with warm climates.
- For reasons of safety and economic availability, the demand is directed towards countries with stable economies with a cost of living that is lower than that of their country of origin.

These population movements tend to areas with infrastructure capable of meeting their demands. These people want to receive the same services that they are accustomed to in their country of origin.

In the Andalusian community, the level of tourist accommodations in owned residences is 17.8% of our foreign visitors and 25% of our Spanish tourists. These visitors pay 6 million euros (1 billion pesetas) per year in taxes.
In the world tourist ranking, Spain is ranked second in terms of the number of vacation tourist it receives. However, Spain takes the top spot in real estate tourism, that is, residential tourism. In terms of vacation tourism, we drop to 18th place in the tourist/income relation, while maintaining 1st place in residential tourism.

Timeshare Residences

When we speak of residential tourism, it is necessary to mention another type of real estate tourism: multi-properties, or timeshare residences. This tourist-real estate product has experienced a true boom over the last two decades.

In 2003, worldwide sales of rights to timeshares exceed $9.5 million US dollars (1.6 billion pesetas), with 5,250 vacation complexes distributed across 90 countries and 5 million owners.

According to a report by the WTO (World Tourism Organization), this sector grew an average of 13% per year between 1987 and 2003.

The indisputable leader in this sector is the United States with 1,670 vacation complexes, 32% of the world total. The United States is followed by Europe, which has 1,355 housing developments utilized as multi-properties or timeshares, in a residential tourist sector that just keeps growing.

At the end of 2003, there were 552 tourist complexes in Spain with a total of 36,900 apartments used for this type of tourism.

Sales in this category reached 950 million euros (158 billion pesetas). The levels of tourist incomes in multi-properties are quite elevated: 44% make more than 500,000 pesetas (3,000 euros) per month; 34% make between 300,000 and 500,000 euros per month (1,800 and 3,000 euros), and the remaining 22% makes more than 700,000 pesetas (4,200 euros) per month.

The average monthly spending of this type of tourist is 287,000 pesetas (1,725 euros).

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Generating Cash Flow

The vacation tourist, also known as the sun-and-beach tourist, spends an average of 5,000 pesetas per day (€30), with an average stay of 4.84 days per tourist. However, if we examine the daily spending of the residential tourist (taking into account investments and general expenses, both direct and indirect), we find that this tourist spend 50,000 pesetas per day (€300) and spends 8.3 days on average. We have thus discovered a segment that involves tourist/investors, citizens of the EU (91%) who demands a real estate tourist product and who will never lose their acquisition power.

It is understandable that the vacation tourist spends very little during his/her stay. Such a tourist usually purchased a complete hotel package before leaving, and this package included room and board, excursions, etc. Thus there is little reason for this tourist to spend in the destination, not to mention the added problem of the seasonal bias that is created by this type of tourism.

Often hotels have just a short period of time to generate income. This period is marked by intense activity as the hotel works to satisfy the needs of maximum demand, and often the destination's capacity to receive tourists is pushed to its limit. In contrast, during the so-called "off season" (which lasts much longer than the "high season"), the capacity of hotels is excessive, as are the tourist business infrastructures. This does not occur with residential tourism.

In 2003, Spain received 51.7 million tourists, 20 million more than in 1993. This represents an average growth of 10% per year. At the same time, income from tourism rose 13% per year, which proves that we are on the right path for our tourist industry: the path to quality and specialisation.

Within this industry, the tourist segment that has generated the greatest amount of resources is our residential tourism, which has evolved positively in 2003, as expected. Last year, the total investment of non-residents in real estate products in Spain reached 7.167 billion euros (945 billion pesetas).

In Andalusia, residential tourism – that is, non-hotel tourism, visitors who stay at rented, owned, or lent apartments – comprises 56% of our tourist industry. This allows us to speak of this sub-sector of tourism as the most important segment in the industry, surpassing hotel tourism, whose market share in 2003 did not exceed 42.2%.

In the autonomous community of Andalusia, 7.5 million Andalusians received more than 17 million tourists in 2003. These tourists spent 2 trillion pesetas (120 billion euros) in our community, placing tourism ahead of both agriculture and the rest of the industries in Andalusia.

In 2003, a total of 8,600,000 tourists visited the Costa del Sol; 5,133,000 of these tourists were foreigners and 3,178,000 were Spaniards. 56% of these tourists chose an apartment for their tourist accommodations, be these rented, owned, or lent by friends/family. Thus 2,000,000 tourists utilised properties owned by 750,000 family unites that have invested in a real estate tourist product in our province. We can compare this number with the existing hotel capacity on the Costa del Sol (68,000), which captured 41.8% of all accommodations.

A Promising Future

Renovation and innovation is vitally important to tourism, as it is to any other industry. Given the current level of competition in the tourist industry, the destinations, models, and tourist companies that offer leisure, dwelling, and complimentary activities but which have not developed new products are exposing themselves to a high level of risks. Their products will be subject to the needs, tastes, and motivations of their clients. It goes without mentioning that this must involve adapting to the accelerated development of new technologies and to a growing level of competition.

The future is promising, and thus we can predict that our residential tourism is truly “A sector on the rise, and one of the most important keys for the socioeconomic and business development of the province of Málaga.”

Residential tourism has only just begun as a channel for commercialising tourist residences. Its future is extraordinary as a model thanks to its economic and social elements, which make up a large segment of the tourist industry and show a level of occupancy that is continually increasing.

Large tourist companies are also seeking to diversify their investments, channelling these within a real estate market that is increasingly extensive and heterogeneous. This is owed to the continual drop of stock markets, and thus for the next few years, large investments are expected in areas that were previously ignored: hotels, multi-properties, residential tourism, commercial centres in tourist areas, old people's homes, etc. in areas with favourable weather conditions.

For all these reasons, we believe that no one can dispute the importance of the tourist real estate segment.

Real estate promotion in a tourist destination is an activity that sparks the economy of our regions. It is also essential for creating jobs, and it has arisen in response to the pressures of a rising demand that it increasingly stable, especially in terms of citizens of the EU who head to the Spanish Mediterranean. This has meant that today, a tourist village is synonymous with an urbanised, modern, structure village.

Residential tourism, once called "the white gold of the tourist industry" is now called "life insurance in times of crisis", especially in critical sectors such as:

- Construction and all of its collateral industries.
- Airlines.
- City restaurants.
- Beach restaurants.
- Rent-a-car.
- The local governments of our tourist villages and towns.
- Lawyers.
- Notary publics.
- Land registrars.
- Bank appraisers.
- Banks and other credit institutions, etc.

Due to the level of loyalty and to the elimination of the seasonal bias that is created by this segment of the tourist industry, we can unquestionably say that we are before one of the most important elements within tourism, due to the generation of income that it implies, both directly and indirectly.

The Impact of Residential Tourism on the National Economy

The traditional image of a tourist staying at a hotel is making way for a more pluralistic image, in which the second residence, tourist apartments, is playing a more important role within tourism.

This fact has led to the need for contemplating new elements that were previously ignored when it comes to evaluating the economic effects of tourism. These elements include modifications in the spending patterns of tourists (modifications owed to the change in the type of accommodations), in addition to the critical changes in the economic development of the zone.

Determined to include in this study estimates on the impact of residential tourism, and having established the operational concept of this term, the methodology to be applied is that which has arisen in tourist marketing planes for Málaga-Costa del Sol. These estimate a volume of spending of residential tourists based on three elements:

- Determining a volume of spending by tourists.
- Estimating the number of tourists who can be considered residential.
- The independent estimates of a few concepts that can be considered part of tourist production.

Based on these three elements, the next step was to establish a distribution of spending according to sectors, in order to obtain the gross added value.

One final step consisted in evaluating the effects caused by the production begun to confront the demands of residential tourists.

We believe that these parameters have allowed us to understand the magnitude of residential tourism.

The estimate is concluded by calculating the number of jobs created by the economic activity produced by residential tourists.

According to a study conducted by SOPDE, S.A. (Society for Planning and Development of Málaga) on the economic impact of residential tourism for Málaga and its province, the relevance of this tourism can be easily appreciated. The study takes into account data from 1995, and analyses the gross added value (GAV) generated in Málaga by the sector:

- Spending of residential tourists in Málaga and in the province:
190 billion pesetas -1.142 billion euros.-
- Total spending of the residential tourist per sectors: 250 billion pesetas. -1.502 billion euros-.

Direct and indirect production to satisfy the demands of residential tourists in Málaga and in this province: 397 billion pesetas. -2.386 billion euros-.

Indirect effects on the residential tourist production on the Costa del Sol: 164 billion pesetas. -986 million euros-.

Total gross added value generated by residential tourism in Málaga and in the province:
222 billion pesetas. -1.334 billion euros-.

And to crown off the precise data generated by residential tourism, the study shows that in 1995, the relative participation of the gross added value (GAV) of residential tourism on the Gross National Product (GNP) of Málaga was:
1.6 trillion pesetas per year, -96 billion euros-, which means 10.59% of the GNP of Málaga, involving the creation of 31,000 jobs.

At the national level, if we take into account the number of residences listed in the study conducted by Editur (3.6 million residence utilised by residential tourists, with a capacity for 12 million tourists), the direct impacts on the production, income, and employment derived from the expenses attributed to residential tourism involve the following:

- 800 billion pesetas (4.808 billion euros) in annual production of new buildings.
- 500 billion pesetas (3.005 billion euros) in income.
- 220,000 direct jobs.
- 180,000 indirect jobs.

- 312.5 billion pesetas (1.878 billion euros), in direct consumption of production in the sectors of industry and energy.
- 145 billion pesetas (871 million euros) in expenses in restaurants and shops.

In addition to these numbers, we must include the municipal taxes, which we have dealt with in another chapter, which finance a great part of the annual budget of local towns and villages. These are estimate at one trillion pesetas (60 million euros) per year.

Within this parameter, it is important to note the fact that due to the structure of expenses of residential tourists, these tourists are sparking not only the service sector (like vacation tourism), but also the industrial sector. This is an important factor when designing the future strategy for the economic development of our tourist territories, given the clear influence of residential tourism on production, income, and employment.

The samples taken to get an idea of the real gross added value of this industry of tourism and construction has allowed us to establish a few cannons for all residential zones where residential tourism has been developed over the past 25 years. These cannons were established by estimating the influx of tourists, the estimates of their spending, and all of the other parameters of this study. The cannons were quite similar in terms of percentages for all of the tourist areas.

Influx of Residential Tourists

By examining the nationality of the consumers of this tourist product, we discover the following:

- 52.6% are nationals and 47.4% are non-residents.

Estimates of the Spending of the Residential Tourist

The average spending per stay takes into account the following expenses:

- Direct expenses, residence
- Regular expenses of the house
- Spending outside the house.
- Additional expenses
- Extra expenses

The spending of tourists who own their apartments is estimated at 1 trillion pesetas (60 billion euros) per year.

Sector distribution of the demand of the residential tourist:
- 57% services
- 25% construction union
- 18% industrial products
- 10% agricultural products

Indirect Effects of the Production of Residential Tourism:

The total indirect effect is estimated at 1 trillion pesetas (60 billion euros), divided among the following segments:

- 4 % in construction.
- 34% in services.
- 13% in industrial products.
- 12% agricultural products.

Relative Participation of the GAV of Residential Tourism in the GNP of Spanish Tourist Communities.

By utilising the estimates of production destined to residential tourism, it is necessary to refer to the specific weight of this sector in the consumption of its four most relevant products.

The participation of the GAV of residential tourism on the GNP of the different communities is the following:

- In agriculture, 4% .
- In industry, 9%.
- In construction, 24%.
- In rendering services, 10%.

Tourism, and thus the service sector, has become one of the principal generators of richness of the shoreline villages and towns of the Iberian Peninsula and surrounding islands. Tourism has thus served as a point of reference for organising the territory, and thus we agree with the recommendations made by the Council of Tourism and Sports of the Board of Andalusia with regards to the tourist industry:
"...The design and content of tourist policy and the designs for urban planning must be adapted to the new market trends, and they must be modified and perfected based on the years of experience in developing tourist activities..."
"...From the point of view of territorial construction, the developments of residential tourism (the second residence), when well-structured, can and should improve the value of the terrain.

But this requires, among others, that the territory become the principal criterion for organizing the territory, and that tourist planning be based not so much on increasing the selection of accommodations, but on improving aspects related to the qualification of tourist products, and their diversification..."

"...The urban development of these areas must be oriented towards fully satisfying our tourists..."

The application of these new tendencies will surely not be easy, especially in certain areas that are highly developed, that is, on the urban terrain of consolidated tourist areas. In these zones, all measures taken (based on a similar proposal) must be directed to reorganising and making new urban qualifications for the urban landscape and remodelling the tourist selection. In contrast, it could be more realistic if the tourist planning were extended from the coastal strip within the province (even incorporating natural spaces as part of the new tourist products) to the less-consolidated tourist areas of our shores. In both cases, the capacity for implemented such measures are different, and each territory must be treated as a unique case.

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All of us who are involved, both government officials and business people, are facing a true challenge. A challenge that we must take seriously, based on what the tourist industry has meant to date, in all its casuistry, and based on its promising future, which we must be prepared for.

José Prado Seseña
Provincial Association of Constructors and
Real Estate Promoters of Málaga.
Málaga, February 2004