

## **Balearics: Sustained interest in prime residential real estate**

- **25 percent rise in demand for second homes at premium end of market**
- **International buyers give market activity a boost**

**Hamburg, 08 November 2011.** The strong level of demand for second homes in exclusive locations on the Balearic Islands continues unabated. “All shops are currently registering animated activity and growing interest in residential property on the Balearics,” is how Marcus von Busse, Regional Manager of Engel & Völkers in Spain, summarized the current market climate. “This high level of interest, particularly from buyers based abroad, is focused mainly around a scarce supply of high-quality properties at premium addresses with price tags upwards of 1 million euros,” Mr. von Busse continued. Over the first nine months of 2011, Engel & Völkers has witnessed a 25 percent growth in demand for top residential real estate in desirable locations on all three Balearic Islands.

### **Stable prime locations**

In 2008 and 2009, repercussions from the financial crisis saw house prices in average locations without sea views on the Balearics fall too by as much as 20 percent in some places. That said, there was no time at which the Balearics could have been described as a bargain market. Prices in prime locations remained stable, even during the financial crisis, due to strong demand from abroad. Investments in prestigious second homes in desirable locations such as Puerto de Andratx in the southwest or Santanyí in the southeast of Majorca continue to offer attractive potential for appreciation in value, with high demand meeting here with a comparatively short supply of properties.

A first-class home with sea views on Cap de Formentor, the northernmost tip of Majorca, reached 12,200 euros per square metre in the past year. In a ranking list published by Engel & Völkers in June of this year, this top valuation places Majorca in 15th place in the table of Europe’s most expensive residential addresses. Engel & Völkers on Majorca has also seen a growing interest in rural areas at the centre of the island such as Inca and Santa Maria del Camí, especially amongst new clients. During the first nine months of 2011, sales in this region have more than doubled over the same period in the previous year.

In popular and trendy regions like Ibiza, Engel & Völkers has even witnessed price rises of ten percent for premium properties of 1 million euros and upwards – e.g. for refurbished finca homes directly by the sea. On Menorca, there is growing interest in residential properties in direct beachfront locations with access to their own bays, such as in San Mezquita and near the capital Mahón.

### **Buyers from abroad**

“Confidence in the stability of the Balearic real estate market appears unaltered amongst foreign buyers. They value the quality of life that the islands have to offer and are willing to

invest in high-end property. In light of the economic stability of their countries of origin, we are regarding this as a sustained trend,” Mr. von Busse said. Up until now, the market on the Balearics has traditionally been dominated by the Germans, English and Scandinavians, although interest from Austria and Switzerland is now on the rise.

#### **Increase in average price level**

As per the end of the third quarter of 2011, Engel & Völkers on the Balearics had registered a 16.6 percent increase in the average price of premium residential property. Whilst the average price of such houses brokered by Engel & Völkers during the first six months of 2010 was 772,745 euros, this figure totalled 900,827 euros during the same period in 2011. The real estate company has a network of 19 residential property shops on Majorca, Menorca and Ibiza, which together currently have around 3,200 properties on offer in their portfolio.

#### **Additional upgrading of Majorca itself**

In June of this year, UNESCO accorded the Tramuntana mountain range in the northwest of Majorca the status of World Natural Heritage Site. The *Serra de Tramuntana* stretches more than 90 kilometres from Puerto de Andratx in the southwest to Cap de Formentor in the north. This significant decision will cater for even more quality of life in this region, as it means that the government will grant less permission for future planning work. This in turn will lead to a disproportionate increase in the value of properties already built. Moreover, a short-term decrease in the VAT rate applying to the purchase of new buildings from eight to four percent may well enliven the Majorcan property market still further.



**Caption:**

(Source: Engel & Völkers)

Prestigious homes in prime locations are in particularly high demand amongst foreign buyers. A current highlight on the market on the Balearic island of Majorca is a 435 sqm finca property in Santanyí being brokered by Engel & Völkers for an asking price of 2.95 million euros.

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## Press Information

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**About Engel & Völkers:**

Engel & Völkers is one of the world's leading service companies specialised in the sale and leasehold of premium residential property, commercial real estate and yachts. More than 420 residential property shops specialised in high-class real estate and 37 commercial offices brokering retail, office and industrial space, investment properties, multi-purpose apartment and office blocks and property portfolios offer both private and institutional clients a professionally tailored range of services. Leasing, sales, consultancy and valuations form the core competences of the staff of around 3,700 employees, specialised in all aspects of real estate transactions. The Company is currently operating in 37 countries on five continents.

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