

Demand for Premium Residential Property in Spain remains Unchanged

- **Increasing numbers of Germans seek second homes on the Balearic Islands and Spanish mainland**
- **The rise in prices slows, while long-term valuations remain high**
- **Current market report produced by 49 offices in Spain**

Barcelona/Palma de Mallorca, July 2007. The level of demand for second homes in good and very good locations on the Balearic Islands and the Spanish mainland remains unchanged. Germans are increasingly looking to invest in apartments, fincas and villas on Majorca, Ibiza, along the Costa Brava and Costa Blanca, in Marbella and along the entire Costa del Sol. Since property prices climbed dramatically in many regions, prices levelled off in the early summer at a very high level. These are some of the findings published in the most comprehensive market analysis to date on the development of second home markets on the Balearics and the Spanish mainland, carried out by a total of 49 Engel & Völkers offices in Spain. The reports include analyses of all submarkets on Majorca, Ibiza, Menorca and along the entire Spanish Mediterranean coast, as well as on the Canary Islands.

“We can conclude unanimously for all markets, that a definite consolidation is being observed in Spanish submarkets, the exceptions to this being in the extremely good and certainly in the best parts of classic holiday resorts,” said David Scheffler, Master License Partner of Engel & Völkers in Barcelona. “On the contrary: We are of the opinion that the market, after the enormous upturn over the past six years and beyond, is at most pausing for breath, before continuing its upward climb.”

Examples of these enormous price increases include the Costa Brava, where villas in premium locations with at least four rooms and views rose in value by 60% between 2001 and 2005 and again by 7% in 2006; in the centre of Marbella that figure was 50% and 6% in 2006, 80% in the north east of Majorca and 10% in 2006, while 50% in Pollensa on Majorca and 12% in 2006. Price rises were strongest on Ibiza, where a large villa with four or more rooms and views increased in value by 300% between 2001 and 2005, rising a further 10% in the last year alone. The only exception here is the upmarket location of Marbella/Puerto Banus, where the top properties increased during this period by 150%, but have decreased slightly by 10% over the past year.

In contrast to property booms of the past, Spain and the Balearics have invested considerable sums in the expansion and modernisation of the local infrastructure, thereby laying the foundations for a further upturn on the real estate market. The motorway network both on the mainland and particularly on Majorca, as well as train connections and airports have been enhanced throughout the whole of Spain. More frequent fast train (TGV) connections between Spain and France and the expansion of many smaller regional airports are increasing visitor numbers and in turn boosting the demand for second homes.

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“Crucially, the quality of property has also increased significantly over the past few years,” Scheffler continues. “We are also seeing that new holiday resorts built in the traditional architecture of the Spanish coast with apartments and house-in-house units are also very popular with buyers.” The most expensive large villas by far are currently to be found along the west coast of Majorca. The average price for a property with sea views, more than four rooms and an interior of at least 350 sqm increased between 2001 to 2005 by 82% to 3.8 million euros. In the past year, prices there have risen by a further 18%, with some properties now valued at considerable eight-figure sums. “The demand remains high and we not forecasting any slumps in the market in this region,” says Scheffler.

In the ranking order of the most expensive property in Spain, the centre of Barcelona follows at 3.5 million euros for such a villa, followed by inland Majorca, where villas in sought-after country house styles and expansive estates (fincas) cost an average of 3.0 million euros, followed by Son Vida, north of Palma de Mallorca, at 2.5 million euros. Marbella/Porto Banus and Madrid then follow in the ranking, where prices for particularly luxurious villas reach an average of 2.25 million euros. The market for second homes on Gran Canaria is also characterised by high price stability. A villa with sea views in Maspalomas reaches up to 1.2 million euros on average, some 15% more than in 2005. In Las Palmas, price are stable at an average 1.5 million euros (plus 2% in 2006 and plus 20% from 2001 to 2005).

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