

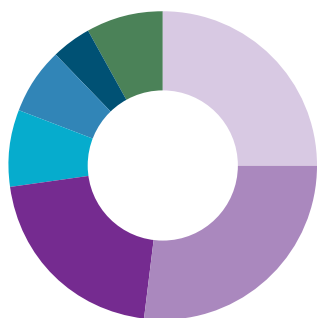
LUXURY RESIDENTIAL MARKET INSIGHT MALLORCA 2011

Knight Frank



“We believe the renewed demand in the prime Mallorcan market could lead to prices stabilising towards the end of 2011.”

Where do buyers in Mallorca come from?



UK	25%
Germany	27%
Sweden	21%
Spain	8%
Denmark	7%
Belgium	4%
Rest of the World	8%

Source: Knight Frank Residential Research

Market overview

Mallorca's climate, accessibility and stunning landscapes have long made it a favourite with British second-home owners. Tight planning controls and rising demand from Europe's affluent elite have meant prices – particularly in the more exclusive enclaves such as Deià, Son Vida and Puerto Andratx – have been better insulated than those on mainland Spain.

Far from the stereotypical image of 1960s beachside apartment blocks, Mallorca offers an array of luxury properties to suit all purchaser requirements. With mountainside villas in Deià, century-old fincas in the lush interior, and contemporary-designed homes overlooking immaculately-tendered golf courses, the choice is vast.

There are now 27 airlines offering access from 45 countries to this, the largest of the Balearic islands. Although Mallorca is a Mecca for second-home owners it is also home to a large and expanding expatriate population who reside here year-round. Most foreign residents are attracted by the 300 days of sunshine on offer, its reputable international schools, quality healthcare provision, and strict building regulations, which have prevented the planning disputes and demolitions seen elsewhere in Spain.

Resorts in the south-west of the island such as Puerto Andratx, Santa Ponsa and Son Vida continue to be favoured by German and Scandinavian buyers. Both nationalities have remained active in the Mallorcan market since the global recession (see left), with many continuing to target the €1m+ market.

In spite of the weak sterling, tight lending conditions and the ongoing economic uncertainty at home there has been renewed confidence among British buyers and an increasing number have opted for euro denominated mortgages to avoid fluctuating exchange rates.

The northern coastal areas of Deià, Valldemossa, Sóller continue to top the wish list of wealthy British buyers. For many the dramatic mountain scenery, pine tree seclusion and first rate restaurants prove hard to beat.

Inevitably, it is the prime locations where prices have fared best since the economic turmoil of 2008-09. In these luxury markets, new supply is often limited either due to strict planning controls or because vendors in this price bracket are rarely forced sellers. Second homes are a discretionary purchase which by the same token makes them, in most cases, a discretionary sale and many will await a market recovery.

Looking forward, the newly-elected Balearic government is expected to announce the resurrection of a number of infrastructure and investment projects. There is even discussion that Mallorca could be included in the Formula One circuit with the track sited at Lluçmajor to the east of Palma. This could boost both rental and sales demand on the island further.

Key Facts

Flight time from London: 02.10 hrs

Average days of sunshine per year: 300

Activities: Golf, sailing, windsurfing, scuba-diving, tennis

Michelin-starred restaurants: 5



Christian de Meillac
International Residential
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Expert insight

In our view prices for prime property in Mallorca are still 15-20% below pre-recession levels, but this compares to discounts of 30%+ in some of the oversupplied markets of southern Spain.

Confidence is undoubtedly returning to the market and realistically-priced properties in the best locations continue to change hands. Once confidence builds, the upturn could occur relatively quickly in the most undersupplied of markets.

We believe the renewed demand in the prime Mallorcan market could lead to prices stabilising towards the end of 2011.

Buyers are increasingly focussed on securing the best quality property, in the best location and with the best views as a means of protecting their second-home investment. Shrewd investors are conscious that on an island where supply is limited, new development is restricted and global wealth is rising, particularly in Russia, the CIS countries and the developing nations, their purchase could potentially reap significant rewards.

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PRIME PROPERTIES

SON VIDA



Asking price of €10.5m

LLUCALCARI



Asking price of €6.5m

SANTA PONSA



Asking price of €3.25m

DEIÀ



Asking price of €4.5m

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