

# MALLORCA INSIGHT

## 2019

MARK HARVEY, HEAD OF KNIGHT FRANK'S EUROPEAN SALES TEAM, SHARES HIS KNOWLEDGE AND INSIGHTS ON MALLORCA'S PRIME RESIDENTIAL MARKET



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### WHAT IS DRIVING INTEREST IN MALLORCA?

Mallorca has successfully positioned itself as a premier second home destination located within a two-hour flight of most major European cities, and offering a Mediterranean lifestyle in a secure and private setting.

The island is attracting new residents as well as second home buyers. It now boasts 14 international schools, good IT infrastructure and enjoys a reliable winter flights schedule making the island, in particular, Palma and the South West, a viable weekly 'commuter' option for locations such as London, Barcelona or Frankfurt.

### WHICH AREAS AND PRICE BRACKETS ARE IN MOST DEMAND?

Mallorca's south western corner represents the island's most upmarket enclave and stretches across five distinct markets, from Bendinat in the east to Portals, Son Vida, Santa Ponsa and Port Andratx in the west.

New-build properties with sea views generate strong demand, particularly those priced between €5 million and €7 million.

Those seeking value usually target the South East of the island, here values are lower but there are fewer amenities such as marinas, good roads, restaurants etc.

### HOW ARE PRICES PERFORMING?

Prices across the Balearics have been rising since the final quarter of 2014. Although average prices have risen 23% above their financial crisis low, they are still 9% below their peak in the second quarter of 2008.

Average prices across the exclusive South West region increased 8% in 2018 according to the Center for Real Estate Studies, with average values now close to €6,250 per sq m, whilst prime values are excess of €10,000 per sq m.

Mallorca's property cycle is two or three years ahead of that on mainland Spain. We expect

prices to continue rising in 2019 but we may see sales volumes weaken due to a degree of uncertainty in the run up to the UK's exit from the European Union in March.

Only 1,842 residential units were completed across the whole of the Balearic Islands (Mallorca, Menorca and Ibiza) in 2017, down from 12,162 a decade earlier and this lack of new supply is insulating prices. A building license moratorium remains in place until November 2018 and affects large parts of Mallorca's prime South West market.

### WHO IS BUYING?

Mallorca has long been a favoured haunt of German and British buyers. In recent years, we are witnessing more Austrian and Swiss buyers as well as Scandinavians, in particular those from Denmark and Norway.

Tourism is strengthening, the island attracted more than 27.9 million arrivals in 2018, a 22% rise compared with 2008 and this is a good lead indicator of demand with German and British representing 65% of arrivals.

Hosting 23 golf courses, the Rafa Nadal Tennis Academy, 400km of hiking trails which take in the UNESCO heritage site of the Serra de Tramuntana, the island is now attracting an increasing number of sporting enthusiasts.

### WHAT ARE THE RULES SURROUNDING SHORT-TERM RENTALS?

In July 2018, the city of Palma banned the short-term rental (less than a month) of apartments, although long-term rentals of a month or more are still permissible and do not require a licence.

Outside Palma, short-term lets are still allowed but a license is needed and all rental income has to be declared. The Council of Majorca plans to introduce a holiday rental-zoning scheme for those areas that attract the greatest volume of visitors.

FIGURE 1  
MALLORCA IN NUMBERS

# 13.8%

RISE IN SALES ABOVE €2M  
IN SW MALLORCA IN 2017

# 27.9mil

ARRIVAL NUMBERS AT  
PALMA AIRPORT, 2017

# 1,842

RESIDENTIAL COMPLETIONS IN  
2017 (BALEARIC ISLANDS)

# 24%

SECOND HOMES AS A  
PERCENTAGE OF HOUSING  
STOCK (BALEARIC ISLANDS)

# 14

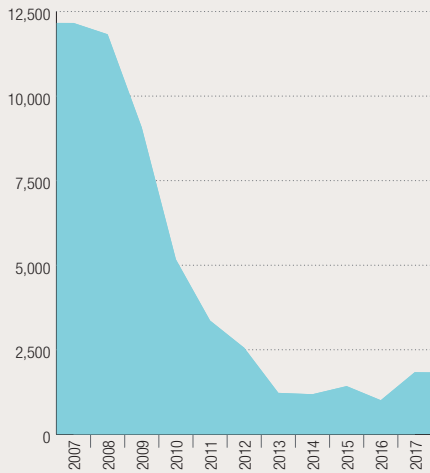
INTERNATIONAL SCHOOLS

Source: Knight Frank Research, Mallorca Gold, Aena, MIFOM

## MARKET INTELLIGENCE

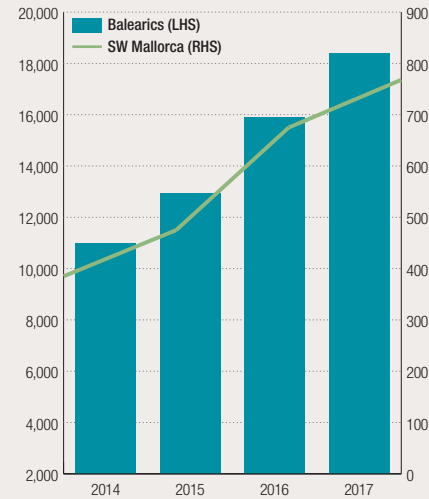
Knight Frank's Research team take the pulse of Mallorca's residential market by handpicking the latest data, indicators and trends to help buyers and vendors gauge current market conditions.

**FIGURE 2**  
**BALEARICS: NO RISK OF OVERSUPPLY**  
Number of residential units constructed



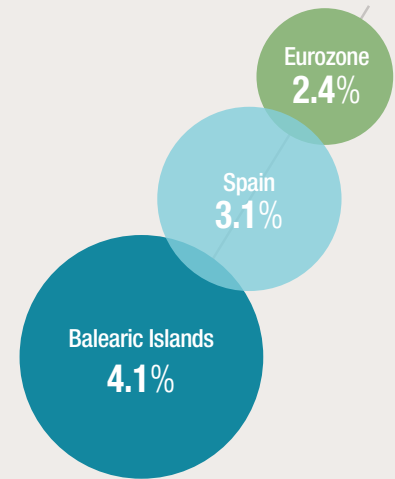
Source: MFOM

**FIGURE 3**  
**ANNUAL RESIDENTIAL SALES**



Source: Knight Frank Research, Mallorca Gold, MFOM  
Note: SW Mallorca sales reflects all villas above €2m

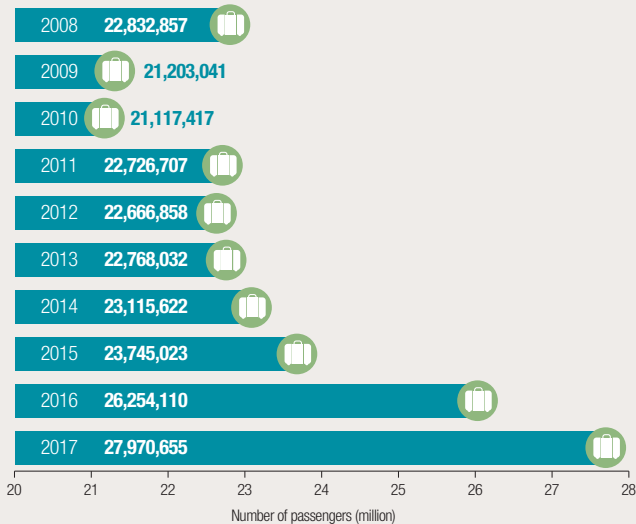
**FIGURE 4**  
**ECONOMIC EXPANSION**  
GDP growth, annual % change 2017



Source: BBVA Research, Eurostat

**FIGURE 5**  
**TOURIST BOOST**

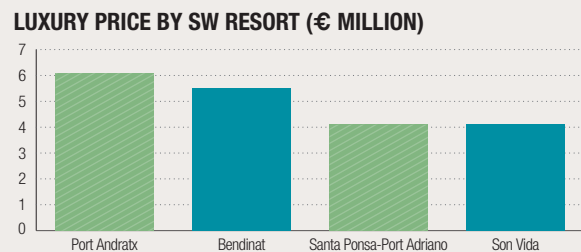
No. of passenger arrivals at Palma Airport



Source: Aena

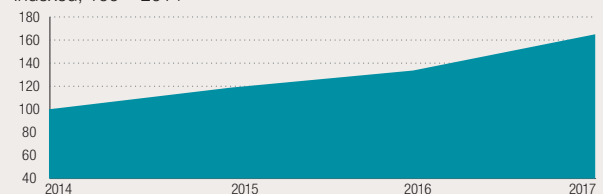
**FIGURE 6**  
**SW MALLORCA: PRICE FOCUS**

Based on all villa sales above €2m



**LUXURY PRICE PERFORMANCE**

Indexed, 100 = 2014



Source: Mallorca Gold

**FIGURE 7**  
**THREE THINGS TO CONSIDER**

-  In July 2018, Palma banned all short-term apartment rentals. A holiday rental zoning scheme is expected island-wide.
-  The island is seeing a broader mix of buyers with interest from Scandinavian and Benelux alongside traditional buyers from Germany and the UK
-  Significant road improvements are planned, including a new dual carriageway from Llucmajor to Campos



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