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MARKETSTUDY HOLIDAY REAL ESTATE MARKET MALLORCA 2018

PALMA DE MALLORCA, 2018/03/02

Since 2015 the STI Centre for Real Estate Studies (CRES) has been investigating the holiday property market in Mallorca on behalf of Porta Mallorquina Real Estate. For the annual market analysis the researchers analysed around 4.500 holiday-property offers from the five biggest brokers on the island.

Every third property offered for sale is situated in the south-west, a fact which has not changed for years. Significantly higher is, however, the number of real estate offers in the middle of the island – around 12% of properties are located in the centre of Mallorca, one of the few regions of the island not so effected by the selling boom of the previous year. The lover of the rural, rustic Mallorca can still find a bargain here and there.

Price differential from south to north

The holiday property market is traditionally characterized by above-average and well-equipped objects, and the south-west, the south-east and the capital of Palma and its surrounding areas command a very large supply of luxury real estate which has an effect on the average prices. Just about every tenth property in this region is offered for a price in excess of 6.000 euros per square metre.

That which was indicated last year manifests itself with the evaluation of the offer prices in 2017/18: Apart from in the north-west the prices in all regions have risen significantly while island-wide the price increase was 12% on average. The greatest price increase was determined by the Freiburger researchers in the area surrounding Palma with hotspots such as Son Vida and Genova, where the average prices for high-end holiday properties rose to around 6.632 euros per square metre, corresponding to an increase of 36%.

Also in the capital the price niveau of properties on offer has risen drastically by 17% and ranges between 4.171 euros with normal to average equipment as far as 7.017 euros per square metre in the luxury category.

In 2018 the centre of the island will, for the first time, replace the south as the cheapest region in Mallorca. On average holiday properties are offered



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there for 3.337 euros per square metre whereas in the south the prices rose by 11% to 3.610 euros.

First sea line can double the price

The biggest value-driver for a holiday property is the sea view – across the island the desirable views of the Mediterranean justify surcharges of around 43% whereas a few years ago this surcharge was 'only' 23%. Due to the strict building regulations and the coastal protection laws particularly properties on the first sea line have become rare and accordingly sought-after. The largest price difference was established in the north-west by the Centre for Real Estate Studies, where a first sea-line home costs just under 9.000 euros per square metre, 145% more than the average offer with no sea view. Also in the south-west, however, a house in a desirable coastal or beach location will cost double that amount.

The cheapest area for a dream-house by the sea is the north-east, where the first sea line costs only around a fifth more than equivalent properties without the view.

Big new-property offers in the south-west

The high real estate demand and the general economic increase in Spain have caused an increase in new constructions which is what has caused the Centre for Real Estate Studies, for the first time this year, to take a closer look at this segment. With a participation of 8.5% of the market almost every tenth object is a newly-built property offered for sale. The average price in this segment at 6.607 euros per square metre is around 35% over the value of comparable existing properties.

In the new-construction sector the supply is concentrated, with around 70%, on the region south-west (38%) and the capital Palma and surrounds (29%). The surcharges vary greatly depending on region, particularly in Palma where the effects of the renovation of luxury properties show themselves with surcharges of up to 50%. The sometimes very high price differences between newly-built and existing properties are explained by the researchers as being caused by better equipment and a higher construction quality. The study explains: "In order to evaluate the price surcharges it must, however, be considered that new constructions are concentrated on objects in the highest equipment-categories. 80% of all new holiday properties are designed as luxury objects or with sophisticated equipment levels".

No danger of a bubble forming



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In spite of the very dynamic price development the researchers see no signs of the holiday property market overheating. "The price increases we have determined in eight from nine regions are still healthy considering past history. It should not be forgotten that Spain, during the years 2009 to 2014, suffered extremely under the nation-wide real estate crisis and that prices during this period hardly moved", confirms study leader Prof. Marco Wölfle.

Market study 2018 to download

The market study holiday properties 2018 is available for download free of charge on the Porta Mallorquina website:

<http://www.portamallorquina.com/blog/market-study-property-market-mallorca-2018/>

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