



Market report  
**Balearic Islands 2008**

**Introduction Balearic Islands**.....04/05

**Mallorca**

- Palma Central.....06
- Palma Outskirts.....07
- The Southwest.....08/09
- West Coast.....10
- Mallorca Inland.....11
- North / Pollensa & Puerto Pollensa.....12
- North / Alcudia & Puerto Alcudia.....13
- Northeast.....14
- East / Southeast.....15
- Llucmajor.....16

**Menorca**.....17

**Ibiza**.....18/19

**Company Background**.....20

**Engel & Völkers Shops Balearic Islands**.....21



In 2007 the Balearics attracted a total of over 13 million visitors by sea and air making these Mediterranean islands some of the most successful tourist destinations in Europe.

Engel & Völkers first started its overseas operations on Mallorca in 1999 with an office in Andratx and since that time the company has grown with 26 offices on Mallorca, 3 on Ibiza and 1 on Menorca. Although the distances between each island mean that they are easily reached within hours by sea or in minutes by air, they are completely different in character and ambience. It is the highly successful tourist industry on each island which has resulted in an equally successful second home residential market.

The enduring success of The Balearics' second home market is mainly due to the fact that all three islands attract not only a strong national Spanish market but also an excellent spread of international buyers with the British and Germans emerging as the dominant European clients.

Each island reports a good 2007 and property values increased. However, indicators show that the market will be slightly slower this year, particularly at the mid to lower end of the market where buyers, in recent years, have often bought with a mortgage.

In spite of this market change, the top end of the residential second home market appears to be resilient to outside global financial factors and many offices are reporting a great deal of positive demand and sales activity for well appointed deluxe property (generally over €2 million plus).

The Balearics' reputation as a quality destination has impacted the second home property market, particularly in the last five years, with high demand for sea front locations, historic properties and traditional "finca" style.

Mallorca in particular has emerged as the most successful second home destination for the entire Engel & Völkers group. The Puerto Andratx office was the top performer of over 300 Engel & Völkers offices worldwide last year.

Although investors will not see the quick returns that were achieved in the past 10 years they can still safely invest their money here for steady capital growth. The modern infrastructure of all the islands, the wonderful climate, their strategic location within Europe - only two hours flying time away from all the major European capital cities, the secure and stable environment, their cosmopolitan feel blended with each island's traditional culture and unique character make The Balearics an irresistible destination for second home buyers.



## Palma Central

Buyers continue to “discover” Palma, which is currently enjoying a “renaissance” and market values reflect this trend. The city’s accessibility, infrastructure, cultural lifestyle, its proximity to Palma International Airport, with daily connections year round, is attracting a range of international buyers.

Engel & Völkers reported substantial price increases in the city and although prices are now not rising as dramatically as a couple of years ago, values last year were increasing 10-16% and the predictions for 2008 will be at a similar level.

Over the past year, the local town hall has knocked down 1970’s buildings to restore the historic walls of the old city. This development has created a boom for properties on the fringes of the old town, which now

enjoy uninterrupted views to the Bay of Palma. Construction of Palma’s new Congress Palace is now well underway (completion 2010) and further demolitions are planned to create an exciting area, which will launch Palma onto the international arena for congresses, exhibitions and events.

Penthouses and apartments continue to be the most popular properties in the city with an average spend for a penthouse of around €500.000 – €1 million. There is still a strong market for clients looking for properties that need renovation as Palma remains an area where clients will make an investment for a buy to let property.

Average sale periods are relatively fast - within nine months for properties which have been realistically valued and are under €1 million and the majority of vendors

are achieving their asking prices. Buyers are Spanish, British, German, Scandinavian, American, Swiss and Italian and they spend, on average, between €400.000 and €750.000.

Just over 25% of buyers fall into the 30-40 year age bracket with 60% aged over 40. Approximately 40% of buyers will use their property as a second home. A growing trend has been with buyers who are using their Palma property as their first home (about 30%).

Palma continues to offer excellent medium-long term opportunities as a safe and secure investment. According to the local office, the areas of Santa Catalina, Sa Gerriera, Terreno and the Paseo Maritimo still provide good value.



	Average price in €	Price increase 2006 vs. 2007	Average sale period in months
Villa with views, 4 bedrooms, 350 m <sup>2</sup>	2.200.000	10%	7 - 9
Villa no views, 4 bedrooms, 350 m <sup>2</sup>	1.750.000	7%	9 - 12
Apartment with views, 2 bedrooms, 100 m <sup>2</sup>	600.000	15%	6 - 8
Apartment no views, 2 bedrooms, 100 m <sup>2</sup>	450.000	8%	7 - 9
Town house, 3 bedrooms, 180 m <sup>2</sup>	900.000	7%	9 - 12

The area sees a growing interest as the need for privacy within easy reach of Palma increases. Various new highways were completed to ensure faster access outside Palma and this has opened up many areas within a 15 kilometres radius of the city.

Last year, Son Vida, enjoyed a “boom” and was being rediscovered as a luxury, exclusive residential area. It has three golf courses, two five star deluxe hotels and great views over the Bay of Palma. Other key factors are Son Vida’s proximity to Palma and its security as a gated community with 24/7 surveillance. A new project is scheduled to create a new access road into Son Vida improving traffic flow. Generally, this is a good area for families with many top schools close by.

Properties here are at the top end of the market with prices starting at around €700.000 for an apartment increasing to €2.5 million plus for a villa. In 2007, values increased by an average of 9-15% and there was an increased demand for plots with an average price of €750.000.

Further out in suburbs and villages, prices start at around €350.000 for an apartment increasing to over a €1 million for a finca. Town houses are popular at around €600.000. Property values have increased everywhere by an average of 8% and most property sells within 12 months.

The main markets are German (35%) with an average spend of around €1.9 million, British (35% and average spend of €2.2 million) and Spanish (10%) spending under € 1 million. Scandinavians, Dutch,

Austrians and Swiss are also big buyers. Recently, Russian buyers have started investing.

Only 50% of buyers look for a holiday home, 30% use the property as a first residence. Approximately 20% buy to let. Investment prospects are still good. Around 60% of all buyers are aged between 40-50.

The local office reports increased demand for new residential developments in Son Vida. Establishments and Esporles provide good value and easy access into Palma where as the village of Puigpunyent and nearby Galilea have potential with one established five star hotel in the area and another due for completion at the end of 2008.



	Average price in €	Price increase 2006 vs. 2007	Average sale period in months
Villa with views, 4 bedrooms, 350 m <sup>2</sup>	3.200.000	10%	6 - 24
Villa no views, 4 bedrooms, 350 m <sup>2</sup>	2.500.000	10%	12 - 30
Apartment with views, 2 bedrooms, 100 m <sup>2</sup>	420.000	7%	6 - 12
Apartment no views, 2 bedrooms, 100 m <sup>2</sup>	350.000	7%	6 - 12
Country house, 3 bedrooms, 350 m <sup>2</sup>	1.000.000	7%	6 - 24
Town house, 3 bedrooms, 180 m <sup>2</sup>	600.000	7%	6 - 18
Plot urban m <sup>2</sup>	400	15%	6 - 18

## The Southwest

This is one of the most active regions for the second home residential market on Mallorca and one of the most expensive, where the average spend for a property is around €1 million. Last year was a good year, and prices continue to increase and are expected to achieve 5-20% this year and more for good plots, which are at a premium.

The south west has an international atmosphere and is completely geared to year round living with excellent sports facilities (there are 11 golf courses here), clubs, restaurants, luxury hotels and boutiques.

The majority of buyers here do not buy with a mortgage. Although it was anticipated that the market would start to slow down this year all the offices in this region are reporting a good start to 2008 as it appears that top end clientele are resilient to worldwide economic fluctuations.

### Portals

Clients are attracted to this area because of its exclusivity, the upmarket marina at Puerto Portals, the Royal Golf Bendinat, the beaches and its proximity to Palma (approximately 10-15 minutes drive).

Here prices are increasing around 5% and more for very scarce plots (around 10%). Recently, there has been a trend towards buying more villas and contemporary design houses, which range in average price from €1 – €3 million. The main buyers are British (40%), Germans (25%) and Spanish (10%) followed by a mix of Scandinavians, Swiss, Dutch and recently some Russians.

The majority of clients buy a property as a second home and tend to be over the age of 40 and many of them visit 4-6 times a year. For permanent family residents, there is a good selection of international schools nearby and a new private school will open

at Portals in September 2008. The local office highlights the areas of Cala Vinyas for good value and investors should look at Sol de Mallorca for well located frontline property.

### Santa Ponsa

The new extension at Port Adriano is now underway and this has renewed interest in an area which still offers good value, top sports facilities, is ideal for families and easily accessible.

There is a lot of confidence in the market here and property values increased last year from 7-17% with 37% increases for plots and property generally sells within the year. The average price starts at €400.000 for an apartment up to €1 million plus for a villa.

The main markets are British (39%), German (23%) and Spanish (20%) with a mix of Dutch, Belgian and Russians. The major



	Portals			Santa Ponsa		
	Average price in €	Price increase 2006 vs. 2007	Average sale period in months	Average price in €	Price increase 2006 vs. 2007	Average sale period in months
Villa with views, 4 bedrooms, 350 m <sup>2</sup>	2.000.000	5%	12	1.500.000	7%	12
Villa no views, 4 bedrooms, 350 m <sup>2</sup>	1.500.000	0%	18	1.200.000	9%	12
Apartment with views, 2 bedrooms, 100 m <sup>2</sup>	500.000	5%	12	440.000	10%	9
Apartment no views, 2 bedrooms, 100 m <sup>2</sup>	375.000	0%	18	400.000	7%	9
Country house, 3 bedrooms, 350 m <sup>2</sup>	n.a.	n.a.	n.a.	1.000.000	17%	18
Town house, 3 bedrooms, 180 m <sup>2</sup>	650.000	5%	12	600.000	0%	18
Plot urban m <sup>2</sup>	650	10%	12	550	38%	6

city of which buy as a second home and are aged between 40-50. The Russians and the Germans are the biggest average spenders (over €1 million). The British and Spanish tend to spend around €725.000.

The area of Son Ferrer is still well priced and Port Adriano/El Toro is worth investigating.

**Paguera/Cala Fornells/Capdellà**

Clients come to this area for wonderful sea views, peace and quiet as the area is located away from the bustle of the main resorts. Prices for apartments increased by approximately 20% in 2007 and by 5% for fincas. Average prices start at €200.000-400.000 for an apartment up to €800.000 for a finca and €1 million for a villa. The market is very active with a sale period of 9 – 18 months for property under €3 million. Apartments are the most requested proper-

ties, particularly those with sea views and close to the beaches. The market is dominated by the British (50%) with German (30%), Spanish (10%) followed by some French and buyers from Eastern Europe and the majority are buying a holiday home. The most requested area is Cala Fornells where the local office believes it is still worth investing and inland at Capdella.

**Puerto Andratx and Andratx Town**

This is one of the most fashionable areas of the island where the rich and famous meet and continues to be the most successful sales office for Engel & Völkers worldwide. The main attraction for buyers is the area’s exclusivity, cosmopolitan atmosphere, beautiful landscape and bustling port area. The market here has remained buoyant in 2007 with price increases of 6%-15% and in some cases, up to 100% for well loca-

ted sea view plots. Most property has been selling within the year and there has been increased demand for penthouses with sea views which average €1 million going up to €2 million plus for a villa.

The majority of buyers are German (40%) or British (40%) with some Scandinavians, Swiss, Irish, Dutch and Austrians. Although the majority (80%) buy a property here as a second home, there is still a small percentage who settle with their families which is reflected in increased demand for child friendly properties.

The average spend is in excess of €1 million and asking prices are being paid for new developments with some negotiation on existing property. The most requested areas are Camp de Mar, Cala Marmacen and Montport. According to our local office there are still pockets of opportunity around Puerto Andratx and Camp de Mar.



	Paguera			Andratx		
	Average price in €	Price increase 2006 vs. 2007	Average sale period in months	Average price in €	Price increase 2006 vs. 2007	Average sale period in months
Villa with views, 4 bedrooms, 350 m <sup>2</sup>	1.600.000	0%	12	2.650.000	6%	10
Villa no views, 4 bedrooms, 350 m <sup>2</sup>	1.200.000	0%	18	1.550.000	3%	14
Apartment with views, 2 bedrooms, 100 m <sup>2</sup>	400.000	20%	6	700.000	15%	7
Apartment no views, 2 bedrooms, 100 m <sup>2</sup>	320.000	10%	12	500.000	10%	10
Country house, 3 bedrooms, 350 m <sup>2</sup>	800.000	0%	18	1.850.000	6%	12
Town house, 3 bedrooms, 180 m <sup>2</sup>	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Plot urban m <sup>2</sup>	350	0%	15	650	5-100%	8

## West Coast

The sheer beauty of the Mallorca's wild, west coastal area and magical light has been attracting artists to the region for many years and the VIPs among them have contributed enormously to gaining international publicity for the region.

Here properties tend to be traditional, in the Mallorcan style although recently there is evidence of more contemporary design property coming onto the market. There are also many grand historic houses as the region has a long history of wealth and trade, particularly with France and this influence can be seen in areas such as Soller Town.

Last year, a project to restore the Port of Soller was completed and military buildings around the port on the seafront were knocked down. In addition, a new tunnel was completed to take traffic away from

the Port's promenade area. At the same time, the Dubai based Jumeirah Group of hotels announced that it had bought the existing site of a partially constructed building high above the harbour entrance to the Port, to convert this into Spain's most exclusive hotel.

The region has always attracted a wide spread of international clientele who love its distinctive traditional Mallorcan atmosphere which is maintained by the local community made up of some of the oldest local families on the island.

The market here is very stable and in 2007 in most property categories prices stayed the same or increased slightly. The average price of an apartment is just under €400.000 rising to over €1 million for a villa. Town houses are in demand and average around €600.000.

There is also a lot of interest in restoring

old properties, which can be picked up for around €385.000.

Currently the main markets are British (40%), German (20%) and Spanish (20%), followed by a mix of Swiss, Scandinavian, Dutch, French, Irish, American and Russian. Over 80% of all clients are buying a second holiday home and the majority (60%) are aged between 40-50. The Spanish spend an average of €690.000 on a property, followed by the British €550.000 and German €430.000.

Although nothing dramatic is happening here but there is a feeling that the best is yet to come and future indicators point to the excellent potential of this region.

The local offices advise buyers to investigate in Puerto Soller and the classic villages of Deià and Valdemossa.



	Average price in €	Price increase 2006 vs. 2007	Average sale period in months
Villa with views, 4 bedrooms, 350 m <sup>2</sup>	2.250.000	5-10%	7 - 9
Villa no views, 4 bedrooms, 350 m <sup>2</sup>	1.150.000	n.a.	7 - 9
Apartment with views, 2 bedrooms, 100 m <sup>2</sup>	n.a.	n.a.	7 - 9
Apartment no views, 2 bedrooms, 100 m <sup>2</sup>	370.000	n.a.	7 - 9
Country house, 3 bedrooms, 350 m <sup>2</sup>	2.800.000	n.a.	7 - 9
Town house, 3 bedrooms, 180 m <sup>2</sup>	630.000	5%	7 - 9
Plot urban m <sup>2</sup>	350	n.a.	7 - 9

Buyers continue to discover the beauty of inland Mallorca with its mountain views, changing landscape of almond, olive, carob trees and vineyards. This is the “alternative” Mallorca and it retains its traditions, its local cuisine and culture in the villages. Peace, tranquillity and privacy are very important features to buyers in this area and these factors are also why some existing property owners from the coast and Palma are moving inland where generally they get more for their money.

The most requested properties here are traditional country fincas, villas, town houses and properties that need to be renovated. There is also demand for large plots (a minimum of 15.000 square metres is required to build on in this region, sometimes upto 50.000 square metres). Last year the market was extremely buoyant in this area with prices up to 20% for large fincas.

There is a huge range of price in this region

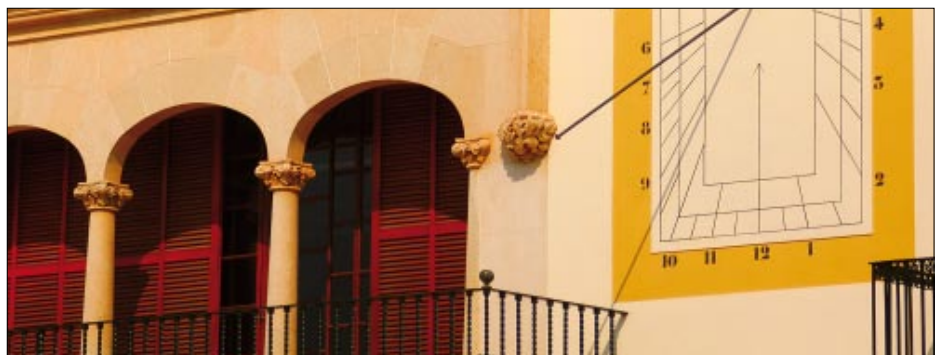
where you can expect to pay approximately €450.000 for an apartment with views up to €1 million plus for a finca and more for a luxury villa. Town houses average around €600.000, properties need renovation can be picked up for approximately €500.000 and plots for about the same. Most property sells 3-12 months reflecting the increased demand and most property is achieving its market price (if valued correctly) because of good market performance here.

With these types of properties there are different priorities. Ideally, the property should be connected to the mains water system, or have its own independent water supply, have mains electric, it must have good views and for the larger properties, separate guest/staff accommodation. The infrastructure of the area is also very important and in the past year a new motorway has created a faster link between Palma and the centre of the island with an efficient rail link. In addition,

a new hospital has been opened at Inca.

Over 50% of the market is British followed by Spanish and German followed by an International and European scattering of buyers. The average spend of the buyers is between €600.000 – €900.000. The majority of buyers are aged 40 – 50 and many of them (around 80%) are using their property as a first home. In the past 12 months the offices here have seen that clients are moving away from the coast inland mainly because they want more privacy and tranquillity.

The most requested villages are Santa Maria, which is only 10 minutes drive from Palma and Alaró, a charming, traditional village located close to the Traumuntana Mountains. There are still many possibilities for the buyer in this region and the local offices highlight villages such as Moscarí, Selva, Montuiri and Llubi which are all still relatively “undiscovered” and well priced.



	Average price in €	Price increase 2006 vs. 2007	Average sale period in months
Villa with views, 4 bedrooms, 350 m <sup>2</sup>	3.500.000	16%	12
Villa no views, 4 bedrooms, 350 m <sup>2</sup>	2.900.000	10%	12
Apartment with views, 2 bedrooms, 100 m <sup>2</sup>	450.000	12%	8
Apartment no views, 2 bedrooms, 100 m <sup>2</sup>	320.000	6%	6
Country house, 3 bedrooms, 350 m <sup>2</sup>	1.000.000	20%	12
Town house, 3 bedrooms, 180 m <sup>2</sup>	550.000	10%	6
Plot rustic/urban m <sup>2</sup>	30/350	16%	6

## Pollensa & Puerto Pollensa

### Pollensa

Set against a dramatic mountain backdrop, the historic town of Pollensa remains popular with discerning buyers who love its colourful market, boutique hotels, restaurants and bars and summer concerts. Nearby is the Pollensa Golf Course and the Relais Chateau Hotel Son Brull and Spa.

Last year the market started to stabilise for apartments with little change in values but there was a significant increase for villas of around 8% and almost 12% for plots of land. There is also demand for top end unique historic properties with land. Most property under a €1 million sells within the year and prices are holding well.

The most requested property types are country houses, villas, town houses and properties that need to be renovated. The

buyer can expect to pay around €300.000 for an apartment and up to €2 million plus for a top quality villa in a good location.

The most requested areas are Vall d'Aixartell and Vall d'en March.

This area attracts a wide age range of buyers from 30 to 50 plus. The majority are buying a holiday home whilst 25% of investors rent out their properties. Many areas remain a safe investment although S'Ubach, Sa Pobla and Crestatx are particularly interesting for potential buyers.

### Puerto Pollensa

Located a few kilometres along from Pollensa town, this traditional Mallorcan seaside resort is located north of the island and has benefitted from the new motorway, which has dramatically reduced travelling time to around 40 minutes from Palma.

Further north, via the mountain road, lies the magnificent Caribbean style beach of Formentor where one of the island's first luxury hotels was opened.

A new road is currently being completed here to re-direct traffic for Formentor away from the town centre and the front line of Puerto Pollensa. The Hotel Formentor is currently undergoing extensive refurbishment and there is much interest in the immediate area as a result. The Port is popular because of its long stretch of clean, sandy beaches, good variety of restaurants and bars, its sailing club and the picturesque Pine Walk promenade around the top end of Pollensa Bay and it is ideal for families.

After large increases in property values, prices have now stabilised. Recently, demand has increased at the exclusive end



	Pollensa			Puerto Pollensa		
	Average price in €	Price increase 2006 vs. 2007	Average sale period in months	Average price in €	Price increase 2006 vs. 2007	Average sale period in months
Villa with views, 4 bedrooms, 350 m <sup>2</sup>	1.800.000	8-12%	4 - 8	1.850.000	8-12%	4- 8
Villa no views, 4 bedrooms, 350 m <sup>2</sup>	1.000.000	6-8%	6 - 12	1.400.000	6-8%	6 - 12
Apartment with views, 2 bedrooms, 100 m <sup>2</sup>	300.000	6-8%	6 - 12	580.000	6-8%	6 - 12
Apartment no views, 2 bedrooms, 100 m <sup>2</sup>	220.000	2%	4 - 8	210.000	2%	4 - 8
Country house, 3 bedrooms, 350 m <sup>2</sup>	2.100.000	10%	4 - 8	2.200.000	10%	4 - 8
Town house, 3 bedrooms, 180 m <sup>2</sup>	690.000	10%	4 - 8	n.a.	n.a.	n.a.
Plot rustic/urban m <sup>2</sup>	45/380	10-12%	4 - 8	45/375	10-12%	4 - 8

of the market where clients are willing to spend large budgets on penthouses with sea views and properties close to the beach. The majority of buyers are British or Spanish and 95% of all buyers are buying a second home. Although the average spend is around €550.000, there are plenty of buyers spending €2 million plus for a large finca or villa with direct access to the sea. The most requested areas are Formentor and properties along the Pine Walk and the beachfront.

There are still some good buys for apartments in the town of Puerto Pollensa. Furthermore, with such little land available for construction, plots are potentially one of the best investments here.

### Puerto Alcudia

After years of successful tourism, this area

still retains its natural beauty. Now, improved accessibility with the faster motorway link from Inca has opened up the area and increased demand for property particularly at the top end. Alcudia is renowned for its excellent, clean, sandy beaches and family tourism. There is also an 18 hole golf course at Alcanada boasting wonderful sea views.

Values are holding well here and are increasing by around 8% with the average prices for an apartment at €300.000 and €700.000 for a villa. Fincas, which are also in demand, are reaching values of around €2 million and most property is selling within 4-8 months. The most requested properties are villas, front line property and plots of land.

The main buyers are British (33%), German (32%) and Spanish (15%). Followed by Scandinavians, Irish, French, Swiss, Dutch,

Belgian and some Russians. The average spend is around €500.000, although the Swiss spend in excess of €1 million and the Russians spend over €2 million.

The main buying market is aged from 30 to 50 plus and approximately 40% are buying a second home. About the same percentage buy as an investment in order to let. This area also attracts permanent residents (approximately 20%).

The most requested areas are Bonaire, Alcanada and all beachfront properties. Country houses and plots are highly sought after and the local office reports a “boom” in 2007 for high end deluxe property. The areas of Bonaire, Son Serra de Marina, Playa de Muro and Playa de Alcudia look to be good investment opportunities.



Puerto Alcudia	Average price in €	Price increase 2006 vs. 2007	Average sale period in months
Villa with views, 4 bedrooms, 350 m <sup>2</sup>	1.600.000	8-12%	4 - 8
Villa no views, 4 bedrooms, 350 m <sup>2</sup>	900.000	6-8%	6 - 12
Apartment with views, 2 bedrooms, 100 m <sup>2</sup>	320.000	6-8%	6 - 12
Apartment no views, 2 bedrooms, 100 m <sup>2</sup>	225.000	2%	4 - 8
Country house, 3 bedrooms, 350 m <sup>2</sup>	1.300.000	10%	4 - 8
Town house, 3 bedrooms, 180 m <sup>2</sup>	500.000	10%	4 - 8
Plot rustic/urban m <sup>2</sup>	45/380	10-12%	4 - 8

## Northeast

The northeast of Mallorca has benefited from recent infrastructure developments to the road system from Palma to Manacor and onward to Artà and Cala Ratjada, which has reduced travelling times and increased access to many areas. In addition, the marina at Porto Cristo is to be expanded and the whole area is benefitting from a general “facelift”. At the same time, there have been some interesting new top end apartment developments at Port Verd.

This region features the combination of beautiful landscape and rugged mountain areas with great beaches and little coves. Artà is a popular typical Mallorcan town which retains its character and historic traditions. The region has four golf courses and plenty of activities for all the family.

Property values here have increased in 2007 at around 5-10% and most property

under €1 million sells within 18 months. The most requested properties are apartments, country houses/fincas, villas and town houses and you would expect to pay around €200.000 for an apartment up to €500.000 for a town house and just under a €1 million for a villa. Frontline property here is still affordable compared to the southwest Mallorca.

The main market here is German (60%) followed by British (15%) and Spanish (15%) with a mix of Swiss, Scandinavian, French, Dutch, Belgian and some Russians. The majority of buyers aged 40-50 and 70% are buying a second home and 25% are buying a first residence. The average spend for the majority of buyers is around €500.000 increasing to over €1 million for Swiss buyers.

The local office reports a great deal of confidence in this area and expects to see

more buyers looking for frontline property, which is still affordable in areas such as Canyamel with frontline views for less than €1 million. Reasonably priced, elegant villas are still available in Costa de los Pinos. For town houses look at Son Servera and Capdepera. Porto Cristo is expected to boom and Port Verd is also up and coming.



	Average price in €	Price increase 2006 vs. 2007	Average sale period in months
Villa with views, 4 bedrooms, 350 m <sup>2</sup>	1.800.000	10%	16 - 24
Villa no views, 4 bedrooms, 350 m <sup>2</sup>	1.160.000	12%	12 - 20
Apartment with views, 2 bedrooms, 100 m <sup>2</sup>	380.000	5%	8 - 10
Apartment no views, 2 bedrooms, 100 m <sup>2</sup>	245.000	3%	8 - 12
Country house, 3 bedrooms, 350 m <sup>2</sup>	1.800.000	10%	16 - 24
Town house, 3 bedrooms, 180 m <sup>2</sup>	380.000	10%	8 - 12
Plot urban/rustic m <sup>2</sup>	280/30	5%	14 - 24

This part of the island still holds many surprises for the visitor. The new motorway means easy access to Palma and the airport is only 35 minutes away. Here you'll find tempting beaches, peaceful coves, traditional fishing ports, rolling landscape and typical picturesque island villages in which Majorcan traditions and customs are kept alive. Also of interest are the high class restaurants, the marina and the Vall d'Or golf course.



Last year has been exceptional for the southeast and most types of properties have experienced a substantial increase in value. The properties which are in highest demand are those on the beach front, country houses with views and contemporary designer homes. The price of building plots has also increased by up to 20%.

A modernised house costs approx. €800.000. It is virtually impossible to find a "finca" for under €1 million. Exclusive villas and country houses with views often achieve over €2 million. Authentic "fincas" which are renovated to a high spec and beach front mansions achieve top end prices for wealthy buyers. The market is booming and all sectors are experiencing an increase in demand.

The most important markets are the German (40%) and the British (40%), followed by 20% made up of the Spanish,

Scandinavians, Swiss and Austrians. The majority of the properties are bought as holiday homes. Clients are attracted to the area because of its tempting beaches, romantic ports, picturesque rolling countryside and good access to the island's capital.

The traditional villages and fishing ports such as Santanyí, Cas Concos, Porto Colom, Porto Petro, Cala Figuera, Ses Salines and S'Horta lie between the most popular areas. The areas of Felantix, Porreres, Cala Murada and Sa Ràpita are also highly regarded and offer more affordable prices. In comparison with other areas, the southeast, thanks to its wide range of properties, is an attractive prospect for lovers of this island.



	Average price in €	Price increase 2006 vs. 2007	Average sale period in months
Villa with views, 4 bedrooms, 350 m <sup>2</sup>	1.400.000	15%	8
Villa no views, 4 bedrooms, 350 m <sup>2</sup>	1.000.000	7%	12
Apartment with views, 2 bedrooms, 100 m <sup>2</sup>	350.000	7%	8
Apartment no views, 2 bedrooms, 100 m <sup>2</sup>	240.000	0%	12
Country house, 3 bedrooms, 350 m <sup>2</sup>	1.400.000	10%	12
Town house, 3 bedrooms, 180 m <sup>2</sup>	380.000	0%	12
Plot m <sup>2</sup>	n.a.	20%	6

This is an exciting area southeast of Palma, which is ripe for further investment with improved infrastructure and new highways. Recently, the area has attracted investment by hotel groups with the established Son Antem Marriott Resort and the luxury Son Julia Hotel. This spring, Hilton will open its first hotel here in the Balearics.

In 2007 prices increase in all categories by 3-10%. The most requested properties are any first line penthouses or villas and properties that need renovation. Prices of villas start at around €500.000 up to €2 million and apartments will average €300.000. Fincas can range from €850.000 to €1.6 million depending on plot size and location.

Here the Spanish dominate the market

(65%) followed by Germans (25%) and the British buyer is just starting to discover the area and accounts for 5% of the current market. The rest of the market is made up of a mix of Scandinavians, Swiss, Austrian, Dutch and Belgian.

The majority of buyers are aged over 50 and 65% are buying a first home with 30% of buyers looking for a holiday home. The Spanish will spend an average of €350.000, the German buyers spend an average of €1 million reflecting the fact that many of them will use this property as a first home. British buyers spend an average of €650.000.

The most requested areas are: Son Veri Nou, Cala Blava, Vista Alegre and Son Monserrat. However, the local office reports that the entire region is still well

priced bearing in mind its close proximity to Palma, it is an interesting area for investors particularly for front line seaside properties and historical houses.



	Average price in €	Price increase 2006 vs. 2007	Average sale period in months
Villa with views, 4 bedrooms, 350 m <sup>2</sup>	1.200.000	10-15%	6 - 18
Villa no views, 4 bedrooms, 350 m <sup>2</sup>	750.000	5-8%	6 - 18
Apartment with views, 2 bedrooms, 100 m <sup>2</sup>	475.000	10-15%	6 - 18
Apartment no views, 2 bedrooms, 100 m <sup>2</sup>	265.000	5-10%	6 - 18
Country house, 3 bedrooms, 350 m <sup>2</sup>	1.100.000	8-12%	6 - 18
Town house, 3 bedrooms, 180 m <sup>2</sup>	375.000	5-8%	6 - 18
Plot rustic/urban m <sup>2</sup>	15/600	5-8%	6 - 18

This is the second largest island of the Balearics and only a half hour plane ride from Mainland Spain which is why it has always been popular as a holiday hideaway for the Spanish. The island has its own airport at Mahón, which is currently being extended.

The island's beauty, beaches and pretty coves also make it a popular location for yachts. In 1993 UNESCO declared the whole island a Biosphere Reserve due to the island's historical and environmental importance in the Mediterranean. There are some really remarkable archaeological sites and settlements from the Talaiot age.

Although a popular island for tourists the local government has taken great care to develop its tourism industry in a sustain-

able way. The main port of Mahón is picturesque and dotted with restaurants and bars. There are projects planned to extend the sports harbour of Cuitadella.

Here the property market has seen the huge increases in the last five years and 2007 was still extremely buoyant with increases of up to 20% for top properties. However, as many vendors are not in a hurry to sell, the market has slowed down and most property is taking around a year to 18 months to sell. Villas, apartments and town houses are the most requested properties with an average cost of a villa of around €1 million plus.

The main buyers here are Spanish (55%), although recently this market has tailed off and there has been more interest from the British, Germans and Italians and the

market appears to becoming more international. What buyers spend varies but most will spend from €500.000 up to €1 million and the majority are looking for a holiday home.

Generally the coastal areas are the most requested, especially in the southeast with easy access to the island's capital of Mahón. Inland prices are lower and because you are never far from the coast on the island, this area becomes interesting for prospective buyers. In addition, the north of Menorca is still less developed than the south and could be an interesting area for secluded country fincas.



	Average price in €	Price increase 2006 vs. 2007	Average sale period in months
Villa with views, 4 bedrooms, 350 m <sup>2</sup>	1.995.000	15%	10 - 18
Villa no views, 4 bedrooms, 350 m <sup>2</sup>	1.050.000	15%	10 - 12
Apartment with views, 2 bedrooms, 100 m <sup>2</sup>	395.000	5%	6 - 10
Apartment no views, 2 bedrooms, 100 m <sup>2</sup>	310.000	10%	6 - 10
Country house, 3 bedrooms, 350 m <sup>2</sup>	1.800.000	20%	10 - 20
Town house, 3 bedrooms, 180 m <sup>2</sup>	470.000	15%	10 - 12
Plot urban m <sup>2</sup>	550	15%	12

## Ibiza

Ibiza is a compact and beautiful island covering just 572 square kilometres. It continues to attract a cosmopolitan and diverse international buyer. The combination of its mild climate, wonderful beaches and countryside, traditional Mediterranean lifestyle together with its world renowned social and music scene has converted this island into one of the most fashionable locations to own a second home.

Ibiza offers something for everyone. The local people are tolerant and welcoming and the island is understated and therefore popular among high profile visitors because they can blend in and can go about their business and be relatively anonymous. There are many “hideaway” locations offering privacy and security, which is why so many of the international “jet set” own homes here.

The island is easily accessible with direct flights from all over Europe year round with a reduced schedule in winter.

Recently, the new highway from Ibiza Airport to Ibiza Town has been completed reducing drive time down to 10 minutes. A wide range of property is available from traditional country style houses to modern contemporary design houses and it remains a favourite destination with leading international architects.

Engel & Völkers has three offices covering the whole island, one of which specialises in rentals. Investing in property here continues to be regarded as a safe and secure investment, which appears to be impervious to outside influences. All the offices report an increase in sales in 2007 with excellent prospects for 2008 where top quality luxury property of over

€2 million plus are much in demand.

Clientele on Ibiza are very international and come from all over Europe and beyond. However, the main markets are British (35%) and Spanish (30%) and over 70% of all buyers are buying a second home.

In the southwest the average price for an apartment comes in at around €350.000 rising to €1.5 million for a villa and more for a top luxury designer property. The majority of clients spend more than a €1 million and they are generally younger than you might find on the other islands, but they are also looking for peace and privacy with good orientation – south facing. Recently, more potential buyers have been looking for super luxury properties in prime locations.



	Ibiza City			Southwest		
	Average price in €	Price increase 2006 vs. 2007	Average sale period in months	Average price in €	Price increase 2006 vs. 2007	Average sale period in months
Villa with views, 4 bedrooms, 350 m <sup>2</sup>	1.600.000	5%	12	1.500.000	5%	12
Villa no views, 4 bedrooms, 350 m <sup>2</sup>	1.200.000	4%	12	1.000.000	4%	18
Apartment with views, 2 bedrooms, 100 m <sup>2</sup>	550.000	3%	6	380.000	3%	6
Country house, 3 bedrooms, 350 m <sup>2</sup>	1.400.000	5%	12	1.200.000	5%	12
Town house, 3 bedrooms, 180 m <sup>2</sup>	900.000	3%	6	480.000	3%	12
Plot rustic/urban m <sup>2</sup>	50/450	0%	12	50/380	0%	12

The north of the island is more peaceful in summer and features picturesque, wilder landscape than in the south and tends to attract a different clientele. Here the client is likely to be looking for a more permanent residence and will spend longer periods of time in the property year round. Typical country style houses “fincas” are the most requested, with an average price of around €1.25 million. The market here is also very international.

According to the three Engel & Völkers offices around the island, any location in Ibiza is worthy of investment. In the north of the island, which is less populated, property is potentially more likely to increase in value over the next couple of years.



	North/San Juan			East/Sta. Eulalia		
	Average price in €	Price increase 2006 vs. 2007	Average sale period in months	Average price in €	Price increase 2006 vs. 2007	Average sale period in months
Villa with views, 4 bedrooms, 350 m <sup>2</sup>	1.625.000	5%	12	1.700.000	3%	12
Villa no views, 4 bedrooms, 350 m <sup>2</sup>	800.000	4%	18	1.350.000	3%	12
Apartment with views, 2 bedrooms, 100 m <sup>2</sup>	290.000	0%	6	430.000	4%	6
Country house, 3 bedrooms, 350 m <sup>2</sup>	1.000.000	5%	12	1.250.000	5%	12
Town house, 3 bedrooms, 180 m <sup>2</sup>	n.a.	n.a.	n.a.	650.000	3%	12
Plot rustic/urban m <sup>2</sup>	40/n.a.	0%	12	40/350	0%	12

### Engel & Völkers Worldwide

Engel & Völkers is a global network of licence partners with 343 offices worldwide in 23 countries on four continents. It is the leading estate agency in Germany and is fast becoming one of the leading names in international real estate. In 2007 the company turn over increased by 30% to €160,7 million euros representing its' most successful year since it was established in 1977. Overall, the Group completed real estate transactions worth an estimated total of €5 billion euros in 2007.

The strongest growth last year was recorded in the residential property division operating outside of Germany where revenues rose by 41.1% to a total of €51,5 million. In the past year, 65 residential offices opened in foreign markets with more than 100 further offices scheduled to open in 2008. Engel & Völkers has a major presence on

the Spanish Mainland, The Balearic and Canary Islands and by the end of 2008 the company will have a total of 57 residential property offices, which will feature approximately 4000 properties at any one time. In 2007 Engel & Völkers Spain recorded an 89% growth in turnover over the previous year. Furthermore, 20-25 new licences are expected to be signed this year in Spain.

### Networking Worldwide

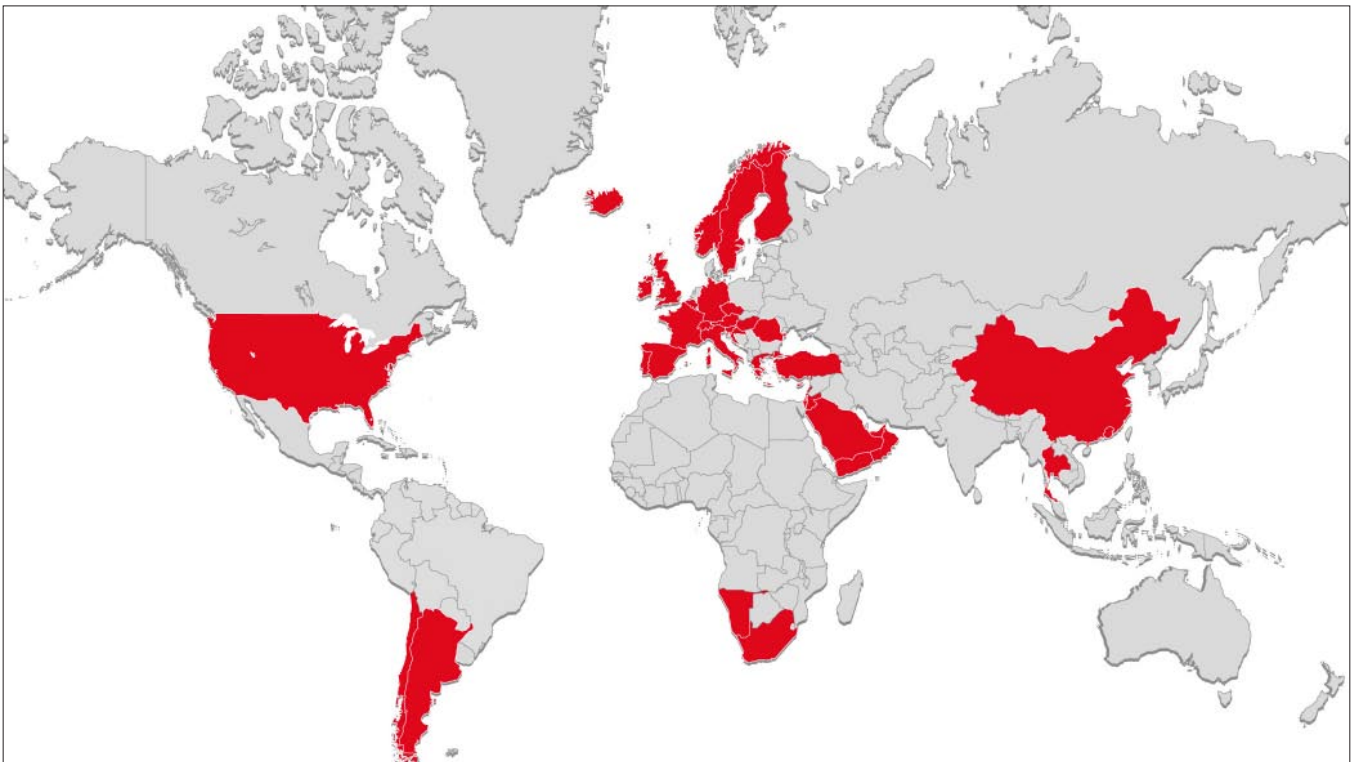
One of the key strengths of the company is the power of its global network. The Engel & Völkers shops in the Balearics and the Spanish Mainland all benefit from the network the company has in the major home markets of Germany and Britain. Cross selling with Engel & Völkers throws the "net" wide for potential buyers and for the vendor this means a shorter marketing period to completion of sale.

### Engel & Völkers Working Practice

Much of the success of the brand can be attributed to the way in which all the Engel & Völkers shops treat their buyers and vendors and the high level of service and after sales service which is provided throughout the organisation.

Each sales person is trained to follow a set procedure for preparing a property for sale to ensure that the property has all the correct paperwork and licences in order, that all property details are correct, and that a full briefing has been given by the vendor, or the buyer, so that everything regarding the transaction is legal and crystal clear to both parties.

This is a key aspect of the company philosophy and one that is strictly adhered to in order to maintain trust and confidence that the brand gives the customer worldwide.



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