

Engel & Völkers Mallorca

Marketinformation - second home market

- Top end market (over €1million plus) now slowing down
- Fewer sales but higher value
- Lower end market slow/depressed and little demand for apartments
- Correct pricing is now essential to sell
- Market shift – now German buyers dominate over British (3 to 1)

On Mallorca as a result of the worldwide global recession, the strong Euro, the Spanish banks' strict demands on non resident buyers and a downturn in the British home market, the last six months has registered a slow down in the lower end of the second home residential market in throughout the island. Those areas that have been traditionally popular with the British market and have a high concentration of apartments such as, for example, Santa Ponsa (southwest) are now seeing price reductions from the original selling price of 10% to 20% at the lower end of the market (under € 1 million) offering new opportunities for investors.

In Palma the market is slower for apartment sales under € 500,000 where buyers traditionally bought with a mortgage. However, recently, as vendors have adjusted prices to a more realistic level with current market conditions, a new "breed" of cash buyer has entered the market and is taking advantage of some good opportunities particularly for buy to let investors as the rental market is strong and growing.

In the southwest region (from Palma to Puerto Andratx) the situation has now started to change and even the top end market is now slowing down as wealthy owners decide to hold onto their investment and wait. The average sale value in this region is currently just under a million euros with the highest average of € 2 million in the exclusive Son Vida residential area on the outskirts of Palma to the lower average sale of € 300,000 in Santa Ponsa. The construction of new apartments has now stopped in this region of the island and it is anticipated that demand will revive within the next few years.

In the north of the island around Pollensa, where traditionally the most expensive properties on the island tend to be located, the average sale is currently just over € 1 million. However, this area also has a high supply of holiday home apartments, which have traditionally been popular with British buyers.



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Although this end of the market is slower than in previous years there are still some canny cash buyers around that are in a strong position to get a good buy.

In the northeast, sales turnover has increased this year. The completion of the new faster highway from Palma to Manacor has opened up this region and brought new higher spending clients, who are mainly looking for villas and larger properties but there is hardly any interest in apartments.

Along the east and southeast coast the Engel & Völkers office the situation remains positive. Although the number of sales is around the same as this time last year each sale is of a higher value. There is more demand for property of over €1.5 million - € 4 million. This year there are less British clients but they have been replaced by more German speaking clients.

The Spanish banking sector continues to impose strict regulations on its customers, particularly foreign customers and will now only lend a maximum of 50% to non resident buyers. Furthermore, they will not grant mortgages on plots of land or new build promotions. The picture was very different two years ago when foreign buyers could obtain mortgages of up to 100%.

To date, German buyers account for 50% of the market and British buyers now account for around 20%. However, those British buyers who are still coming tend to be the biggest spenders.

Says Daniel Chavarria Waschke, Managing Director for Engel & Völkers Southwest; "One of the great strengths of the islands is their international appeal which means that when one market decreases, another takes its place.

However, the last couple of weeks has seen unprecedented crisis in the financial markets and we are now beginning to see the affects of this even on high value property. Most price adjustments of around 20% have been made mainly at lower end but this is more an indication of vendors' over inflated expectations. Even though demand for high quality, well located property remains, there is no doubt that it's a buyers market and owners are much more willing to negotiate than ever before".



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