

Second Home Residential Market Mallorca

- **Island highlighted as safe place to invest in 2009 by Financial Times**
- **Market starting to move once more as owners more willing to negotiate**
- **British vendors can be competitive if taking Euros back to UK**

Mallorca, February 2009. - The last quarter of 2008 represented one of the most challenging yet for the island's largest network of international estate agents, Engel & Völkers, specialising in the luxury second home market. Most areas reported sales down between 30-35% in the last quarter of 2008 compared the same period in 2007. Furthermore 2009 is set to remain difficult with anticipated sales down around 20% over 2008. The only area which has proved to be the exception is the south east which has had its best year yet.

This year started with more market movement than at the end of 2008 and now owners are more willing to negotiate to close deals. British owners, in particular, are in a strong position to negotiate if they are taking Euros home and *some* will discount up to 20% and still make a profit on their sale.

According to the Financial Times*, Mallorca was highlighted as one Spanish area to safely invest in 2009 because of the island's balanced supply and demand situation which is driven by strict controls on new development, easy access and a sophisticated infrastructure.

By Region...

In the south west, which includes some of the island's most popular areas to own a second home, there is little interest in apartments and most recent sales (over 50%) are for villas, which is why the average purchase in this area is around the €1 million mark. British buyers have dropped by 50% and the main buyers at present are German, Scandinavian, Swiss and Spanish.

In Palma, the market slowed right down at the end of last year and prices started to readjust to the market conditions by approximately 10-20% below the original asking price. As a result the market is moving again. According to Terence Panton, Managing Partner of E&V Palma; "January has started to look more positive with some recent sales to Swiss, German, Russian and Scandinavian clients. The main vendors tend to be local or foreigners that need to sell, British vendors can be very competitive at present when converting euros back into pounds sterling"

Nils Haase, Managing Partner in the south east says; “2008 was our best year yet with sales up by approximately 20% selling mainly fincas and villas. To date, our area has not been affected by the global financial crisis. We’ve had a busy period between Christmas and New Year with lots of viewings and our last sale of 2008 went through on December 30th “.

In the north they are currently receiving many inquiries. In this area those vendors who want to sell are now more realistic and are willing to negotiate at anything between 10-30% below the asking price. Christian Czarnetzki, Managing Partner for E&V North says; “I suspect we are nearing the bottom of this crisis and I feel confident that the market will start to move again by mid 2009”.

Dieter Funk, Managing Partner in the north east, says; “In the latter half of 2008 the market died in this area and the New Year has started with a small trickle of activity. Although property prices have come down by approximately 10-25% since last year, owners here are reluctant to negotiate well below the asking price. “

Says, Managing Director E&V South West, Daniel Chavarria Waschke; “Although its too soon to predict exactly what will happen this year *if* we have passed through the worst of the global financial instability, clients will start to look once more for safe investments in bricks and mortar.

We are working hard with owners to sell their property at the right market price and although it is a buyer’s market, vendors will not sell here at silly prices, they would rather wait”.

*Source: Financial Times, December 27th, 2008.

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