

Mallorca Sotheby's International Realty's Market Report on the biggest Balearic Island



Mallorca has been an international star for many years among those seeking homes in the sun

Stephen Dight, Managing Director of Mallorca Sotheby's International Realty, looks back on 2011 and looks forward to 2012.

2011

During 2011 the Mallorca property market has been exceptionally good and has held up surprisingly well. This year has seen a marked improvement over 2010 in terms of sales, a year I would cite as being the absolute bottom, albeit still far off the volumes seen in the peak years of 2007 and 2008.

Correctly priced villas in near-perfect condition in coveted locations will sell comfortably. They not may sell at a huge premium but neither will they sell at a huge discount. From the 2007 peak to the 2010 bottom, prices in this sector only dipped 10 or 15 per cent.

Two key factors have been responsible for Mallorca's spectacular resilience and they are a lack of product and a vast mixture of nationalities participating in the property market. Especially at the top end of the market, there is simply not the same over-supply as you would find on, for example, the Costa del Sol.

Once we have a buyer's specific requirements we can pretty much show them every house that fits that criteria in a day or two – there just isn't an abundance of quality property on the market and therefore any need for huge discounting. I would argue that Mallorca is crying out for top quality apartment communities with on-site facilities such as tennis courts, indoor pools and spas, landscaped gardens, gymnasiums and concierge services – these are few and far between on the island yet in enormous demand.

Hugely motivated

Another factor is the different nationalities participating in real estate here. Over the years Germans have made up the majority of foreign homeowners in Mallorca and their recession is behind them so there is not a huge supply of interested sellers on the island.

Many of them are now hugely motivated to release the capital tied up in their second homes in order to fund their businesses and their interests back in the UK at a time when the British banks have effectively stopped lending. As sterling has depreciated, these vendors are prepared to slash prices in the knowledge that the exchange rate will protect them against huge losses. This scenario has not existed in Mallorca. And, interestingly, more British buyers are participating in Mallorca real estate than perhaps people realize.

At Mallorca Sotheby's we're receiving many British buying clients, especially those who converted their assets into cash before the recession hit or those entrepreneurs who have been able to profit from the recession. One notable sale in 2011, although not one Mallorca Sotheby's can claim responsibility for, was the so-called most expensive property in Spain, the 232 acre estate of La Fortaleza near Pollenca, changing hands from one Brit to another at an alleged sales price of €40 million.

As I said, most buyers believe, as do I, that prices in Mallorca bottomed out in 2010 and will fall no further. If a suitable property becomes available there is no reason not to buy. There is no benefit to be gained from waiting – in fact that property is likely to have sold.

2012



C'an Amengual at Fornalutx, Mallorca

For 2012 we expect a top down recovery, that is to say continual improvement in the top quality end of the market with a trickledown effect spreading to the lower priced property. I also expect the European printed press and television media to bring closure to their antagonistic approach to Spanish property, an approach that has been very scattergun, painting all of Spain in a bad light regardless of quality or region.

The Spanish Government is also taking positive steps to restore confidence in its property market, to stimulate growth whereas before, it at best ignored problems or at worst positively damaged the market with inconsistent and questionable practices. These practices are firmly in the past.

I don't have a crystal ball, but every recession is cyclical and as it comes to its inevitable end the British will return in numbers, the German buyers will return in droves and confidence in Mallorca will be restored leaving it as strong as ever. Mallorca will always be a loved destination for many people. It's easily accessible from across Europe with direct low-cost flights, has that indefinable island vibe and is simply beautiful from coast to mountain.