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## Steady ship ahead for Mallorcan property market in 2012

MONDAY, 07 NOVEMBER 2011



The Mallorcan property market has held up surprisingly well during 2011 with sales seeing a marked improvement over 2010 which was one of the worst on record, according to Sotheby's International Realty.

'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 have only dipped 10 to 15%,' said Stephen Dight, managing director.

He believes that two key factors have been responsible for Mallorca's spectacular resilience; 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 oversupply 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,' he explained.

'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,' he added.

Another factor is the different nationalities buying on the island. Over the years Germans have made up the majority of foreign home owners in Mallorca and their recession is behind them so there is not a huge supply of motivated sellers on the Island.

Contrast that with the Costa del Sol where over 50% of the foreign homeowners are British. 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,' said Dight.

'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,' he explained.

'Most buyers believe, as do I, that prices in Mallorca bottomed 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,' he added.

But it is only top quality, well priced homes that are virtually faultless in terms of their presentation and location that are selling. The problem is with the bottom end of the market. 'In times of economic difficulty there is considerable divergence. Anything less than desirable is not in demand. Some properties, even at huge discounts, will simply not sell. Whole swathes of substandard marginal property will continue to be ignored,' said Dight.

For 2012 he expects 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,' he explained.

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#### Outlook positive for Italian commercial real estate

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Despite on going financial concern across the euro zone region, Italian real estate investment has the potential to be a platform for growth in the medium term, according to Jones Lang LaSalle research.

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There is a vast disparity between someone buying a makeshift villa without the advice of a lawyer in Valencia and an informed buyer purchasing a luxury mansion in Mallorca. You simply can't compare. 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 Brits will return in numbers, the German buyers will return in droves and confidence in Mallorca will be restored leaving it to emerge as strong as ever. Mallorca will always be a loved destination. 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,' he added.



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