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How long can Mallorca's luxury property boom continue?

Prices have soared but a fall-off in sales suggests values have hit a ceiling



At his holiday home in Mallorca, Andrew Moore likes to train for triathlons. Located in Pollensa, in the foothills of the Serra de Tramuntana mountains, the villa provides a perfect base for runs and cycle rides. Moore likes visiting out of season, with his next trip planned for November. It is “very un-touristy” then, he says. “The last few years we’ve been blessed with really good weather, so it’s been 18C or 19C [and] blue skies,” says Moore, 54, a dentist from Essex. “It’s quite a nice time to get away from the rain in the UK.”

People seeking a similar escape will find prices for holiday homes on the largest Balearic island have risen sharply — up 34 per cent since 2015, according to a report commissioned by estate agency Porta Mallorquina. In January, the average price per sq m was €5,429, 8 per cent higher than the year before.

At the top of the market prices have risen even faster, says Roddy Aris, partner at Knight Frank, estimating that above €3m property prices have jumped 20 per cent in the past 12 months. The number of sales has been falling though, he adds, with transactions of second homes across the island down 10 to 15 per cent on last year.

There is a limited supply of quality homes and land with sea views, agents say. Even when a plot is available, it can take years to navigate what Timo Weibel, managing director of Porta Mallorquina, describes as an increasingly restrictive planning system.

Vicki Wernick moved to Mallorca from the UK with her two daughters in 2007 while her husband remained in England for work. The family is selling the Sa Muntanya estate — nine years after obtaining permission to develop the plot — and are looking for €24.5m. The property, being marketed by Quintessentially Estates, has a main house with three bedrooms and two guest houses offer a further four bedrooms.

“Originally, we had planned that we would move in there but because it’s taken so long the girls (now 21 and 19) have moved back to England,” says Wernick, 47. “I wouldn’t want to live there on my own a lot of the time.”

She describes the red tape around planning as the only drawback to life on an island that “offers something for everybody”, including beaches, culture, Michelin-star restaurants and golf courses. “It’s very safe, it’s unspoilt, [has a] beautiful climate, strong family traditions,” she says.



Sa Muntanya overlooks the south-west coastal resort of Port Andratx, where the average price for a villa was €4.5m last year, and apartments cost around €800,000, according to Engel & Völkers. The agency is marketing a five-bedroom new-build villa close to the Beach Club Gran Folies for €13.7m.

The south-west of Mallorca has the highest proportion of high-end property on the island. In January, the average price of a holiday home was up 16 per cent on the previous year to €7,222 per sq m, making it the island's most expensive market, overtaking the area around the capital, Palma. In Son Vida near Palma, Knight Frank is marketing an 11-bedroom villa, once home to former Spanish prime minister Adolfo Suárez, for €13m.

Germans account for the highest proportion of foreign purchasers in Mallorca, making up 56 per cent of E&V's buyers last year. Brits followed, on 13 per cent, but Christina Deutsch, a managing partner at the estate agency, describes a drop-off in demand from the UK which she attributes to uncertainty over Brexit and the weaker pound.

Mallorca is seen as "a safe bet", says Christian de Meillac, international sales manager at Quintessentially Estates. "It's a place that gives people confidence; it's

an island that's well established, there's good infrastructure, it's well connected to [mainland] Europe."

How long it can continue to be a safe bet is debatable. "Prices have reached the ceiling," says Natalia Bueno, president of the Association of Real Estate Agents of the Balearic Islands. She estimates that prices will need to come down — and in parts of Mallorca they are already 5-10 per cent lower than a year ago. "There is no demand that can absorb the high prices," she says. In July, sales across the Balearic region were 22 per cent lower than the same month in 2018, according to the National Statistics Institute (INE).



While Aris describes the growth in value of homes priced above €3m as "unsustainable", for properties priced below that he believes further gains are likely. "It's 'affordable' for those who are looking for an aspirational second home on a Mediterranean island," he says.

Those who do buy on the island feel like they are in a "safe bubble", says Deutsch, who moved from Frankfurt 27 years ago. "It's like you're protected a little bit from the harsh world around."

Buying guide

- Overseas buyers need a Spanish tax number before purchasing property

- Allow 13 per cent of the purchase price to cover costs including stamp duty, taxes and legal fees
- The average discount negotiated on a sale price is 8 per cent, according to Engel & Völkers

What you can buy for ...

€3.25m A four-bedroom 18th-century finca estate near Artà

€4.5m A four-bedroom sea view villa at Son Vida

€10.9m A six-bedroom seafront villa with separate apartment at Port Andratx