



Center for Real Estate Studies

Steinbeis-Hochschule Berlin (SHB)

CRES Deutsche Immobilien-Akademie (DIA)

Market Study Holiday Real Estate Balearic Islands 2018

CRES Discussion Paper - No. 21

Prof. Marco Wölflé

On behalf of Porta Mondial



Highlights market study holiday real estate Balearics 2018



Hotspot in the Mediterranean: Real estate sales in the Balearics doubled over the last five years.



Trend towards luxury: Over half of the current holiday real estate offers have upscale to luxurious features, and even 90% in Ibiza.



Market leader Mallorca: Out of 6,343 holiday real estate objects in the Balearics over 70% are located in Mallorca.



Ibiza, small but luxurious: The largest drop in offers in the Balearic region, luxury properties dominate the market.



Bargains in Menorca: Properties in Menorca cost on average two thirds less than in Ibiza and almost half as much as in Mallorca.



Average price on the island:
7,100 € per sqm

Holiday real estate on offer:
481 objects (Q1/2018)

Holiday real estate market share
8%

Average price on the island:
5,000 € per sqm

Holiday real estate on offer:
4,518 objects (Q1/2018)

Holiday real estate market share
71%

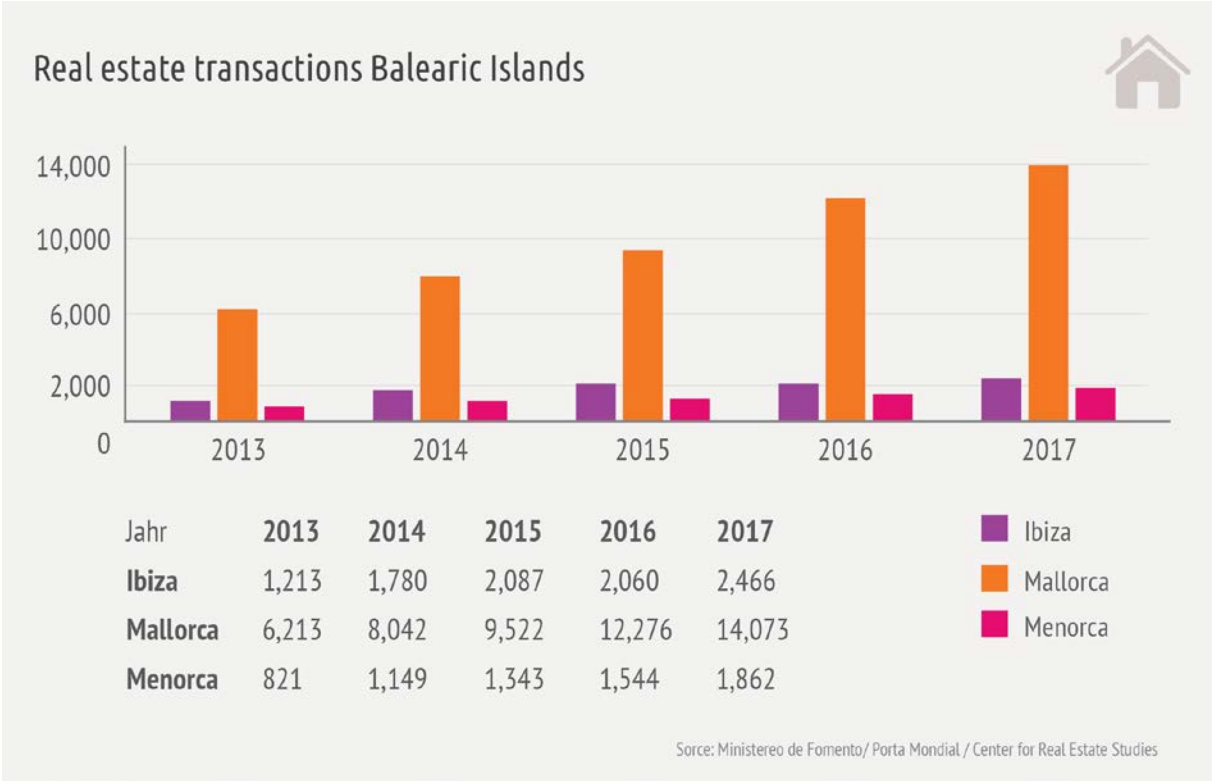
Average price on the island:
2,300 € per sqm

Holiday real estate on offer:
1,344 objects (Q1/2018)

Holiday real estate market share
21%

Property transactions in the Balearics

The property market in the Balearic Islands has almost completely recovered. Figures from property transactions have been rising steadily since 2013 and are now at about 80% of the level seen in the boom years 2006 and 2007, before the Spanish property crisis of 2009 in the aftermath of the global financial crisis.



- Since 2013, the number of transactions in the Balearic Islands has more than doubled.
- On Mallorca and Menorca, sales have increased by 127%, while sales in Ibiza have doubled.
- The long-term trend suggests a very stable situation: more than 70% of all properties sold in the Balearics are on Mallorca. The remaining 30% are split between its two neighbouring islands.

2018 Holiday Property Market

"There is something suitable for everyone." This could be the motto of the Balearic Islands. Ibiza, for example, offers a rich selection of luxury properties and high-end holiday homes.

Mallorca offers a thoroughly usable infrastructure. The largest of the Balearics usually has connections to all major destinations on the European mainland several times a day and has long had the most sales of the three Islands.

Holidaymakers who are focused on the summer months and are perhaps looking for a little more peace and quiet will find the right offering on Menorca. When one takes the size of Menorca into consideration, it has the largest inventory, the most sales, and the most holiday properties on offer. It also offers good deals on more modest, starter properties.



A land of luxury and celebrities: about 80% of the holiday properties feature upscale or luxurious fittings.

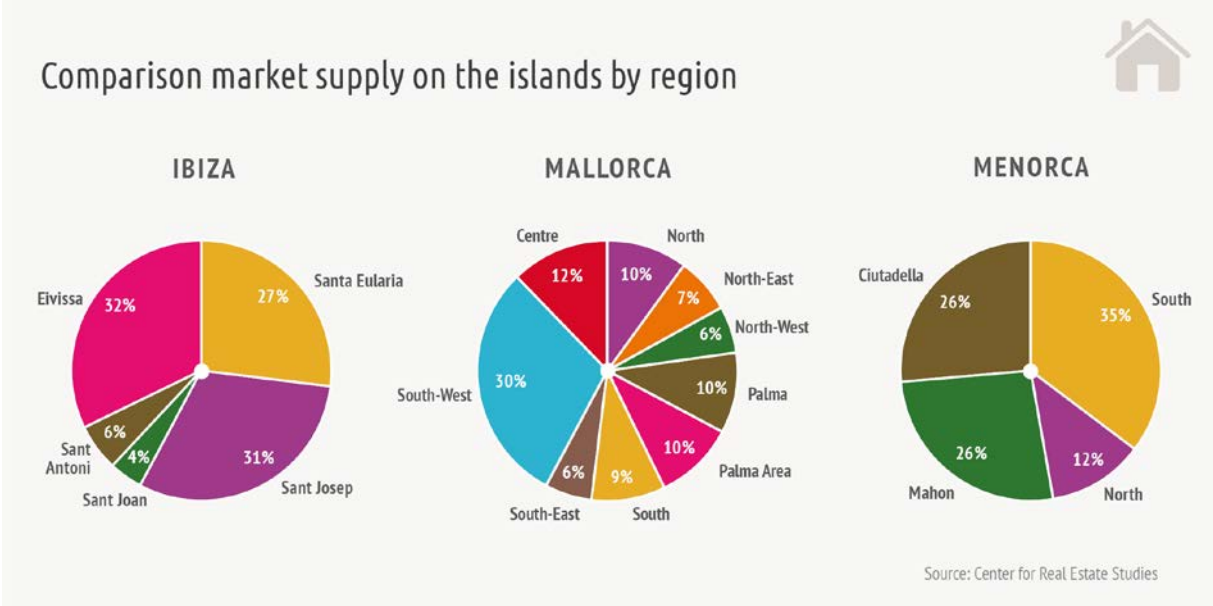
Distribution and location of holiday homes on offer in 2018

There are regional variations in the market on the three islands. At some 3,600 km², Mallorca is also significantly larger than Menorca (695 km²) and Ibiza (570 km²).



While Menorca has only about 136 inhabitants per square kilometre, its two neighbours are almost twice as densely populated at about 240 inhabitants/m² each. As a result, the property inventory differs among the three islands.

For this study, Ibiza was divided into 5 regions, Mallorca into 9, and Menorca into 4.



On Ibiza, Eularia, Sant Josep, and Eivissa each account for just under one-third of the properties on offer, where Sant Joan or Sant Antoni each only have about 5% of the island's total offerings.

The significantly larger Mallorca was divided into 9 regions for this study. In the first quarter of 2018, around 30% of all holiday properties on Mallorca were offered in the south-west region. This trend has remained stable over time, with about one-third of the properties on offer each year being found there.

One-fifth of the holiday properties on offer have traditionally been located in Palma City and its surroundings. The remaining 50% are distributed almost evenly among the six other regions, with shares ranging from 12% in central Mallorca and more than 10% in the north to 7% in the north-east.

The lowest supply is found in the north-west and south-east regions with just 6% each. It is remarkable that the south-east, which is one of the larger regions in terms of area, has the lowest amount of property available and only half of that on offer in the similarly-sized central region. The south-west, on the other hand, which is half the size, has five times as much property on offer. The transaction figures in the south-east are also low, indicating a stable, yet small market.

On Menorca, every tenth property is offered in the tiny northern region, while the south has the strongest market with 35% of all holiday properties on offer. Mahon and Ciudadella, meanwhile, had one-quarter each of the island's property offerings.

Quality and standard of fittings

Every second holiday home in the Balearic Islands is of an upscale or luxurious nature. With 80% of the properties on offer being upscale or luxurious, Ibiza has the highest density, followed by Mallorca at 46%. At just under 19%, Menorca has significantly fewer upscale and luxurious properties in all its regions.

Despite being almost the same size as Menorca, Ibiza has more than three times as many holiday homes in the €3-5 million price range and six times as many in the €5-10 range.

Ibiza:

Ibiza is clearly characterised by upscale and luxurious properties. At least 10% of each region's offerings are in the luxury class. The market in Sant Joan is particularly exclusive; one in three properties there are in the luxury segment. The great majority of the other properties on offer are upscale.

The market for simple properties on Ibiza is negligible and, in Eivissa, there are barely any simple or medium-priced properties on offer at all. If one is set on buying in Ibiza and would still like to start in the medium price segment, we recommend looking at Santa Eularia, Sant Josep, or Sant Antoni, where such properties make up between 20% and 25% of those on offer. In Sant Joan and Eivissa, on the other hand, only one in ten holiday homes fall into this category.



Around every second holiday home in the Balearics would meet a 4 or 5 star rating. Mallorca has the highest density of luxury properties in the south-west and the area in and around Palma.

Mallorca:

Luxurious and well-equipped holiday homes make up 60% to 70% of the properties on offer in the two Palma regions and the south-west. In the area immediately surrounding Palma and in the south-west, one in five properties is in the luxury segment, a share twice as high as on the island as a whole.

30% of the holiday homes on Mallorca are in medium-priced segment. At 35%, an above-average number of medium-priced properties are located in the north and south regions. The central region is just behind with 33% of properties in this segment. This stands in contrast to the two Palma regions, where just over 20% of the offerings are medium-priced. This applies almost equally to the number of simple properties on offer. Slightly more one of every ten holiday homes in these regions is of the simple category.

Nevertheless, there are many inexpensive, simple properties to be had in the centre of the island. In 2018, every other property on offer in that region fell in this category. The southern region, with 42% of its properties classified as simple, also offers opportunities for entry-level buyers.

Menorca:

Relatively few luxury properties on offer, with no more than 5% of the listings in any region.

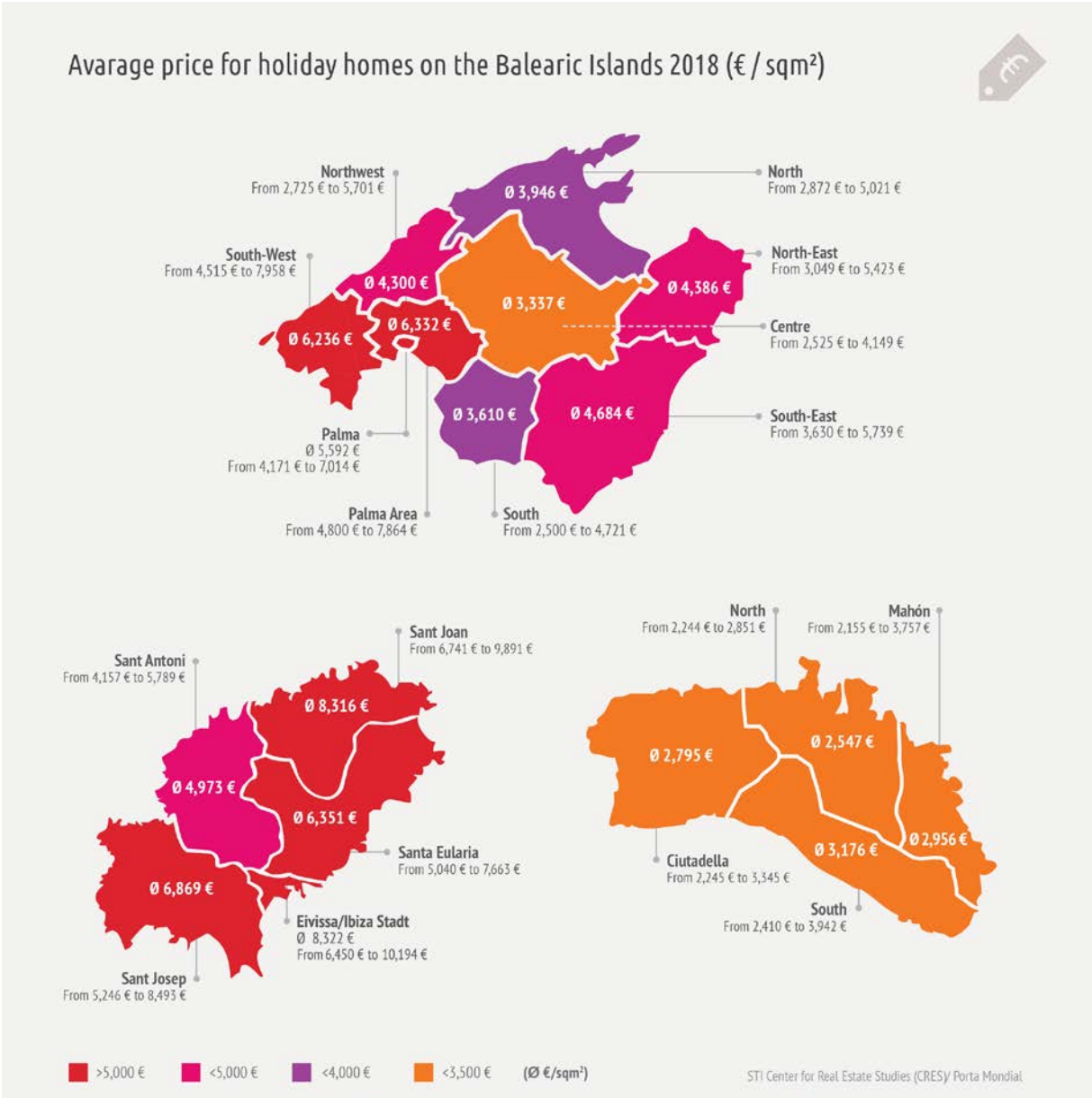
As a result, the rare luxury property that does come up for sale on Menorca is comparatively expensive at €10,000 or more per square meter.

The island is perhaps best suited for entry-level buyers seeking holiday homes or for those who would rather holiday in the summer months. If you are in the market for a luxury or upscale home and have decided on Menorca, you should schedule some time to hunt for available properties and actively approach local experts. After all, only one in ten properties on offer on Menorca falls into these two higher-priced market segments.



Menorca has four times as many holiday homes in the simple and medium-priced categories as Ibiza.

2018 Property Prices in the Balearic Islands



Balearic Islands:

There are clear differences among the three islands, not only in terms of fittings, but also home prices. Depending on the fittings and location, average prices can range from €2,200 to over €8,300 per square metre. The largest range in prices can be seen in Mallorca, while Ibiza's market is characterised with a high number of luxury properties and Menorca's by more medium-priced and simple properties. As a rule of thumb, a higher price on Menorca is roughly an entry-level price on Ibiza.

Ibiza:

Island average: €7,138 per square metre

Lowest and highest average regional prices: €4,973 and €8,322

The island even has properties priced at more than €10,000 per square metre, especially in the exclusive Eivissa region.

Average prices at €6,800 and €6,300 in Sant Josep and Santa Eularia respectively are closer to prices in Munich.

If one considers the spreads in each region, great differences become apparent on Ibiza. In Sant Antoni, prices are closer to the average (\pm €1,600). In Sant Josep and Eivissa, the price structure is significantly different (\pm over €3,200).

Mallorca:

Island average: €5,031 per square metre

Lowest and highest average regional prices: €3,337 and €6,332

The south-west, Palma city, and the area immediately surrounding Palma have higher-priced properties.

In addition to an average price of €3,610, the generally less expensive south also offers very good opportunities for starter holiday homes. There are properties here priced around €2,500. Similar entry-level prices can also be found in the centre of the island and in the north.

Menorca:

Island average: €2,912 per square metre

Lowest and highest average regional prices: €2,547 and €3,176

Menorca is a good entry-level island, especially for those who do not want extensive tourism-orientated infrastructure, but instead simply want to enjoy the summer months.

Menorca has the most uniform price structure of the three islands. The gap between top- and entry-level priced properties on Menorca is the closest of the three. This is especially true in the north. More upscale properties can be found here at comparatively lower prices here.

Entry-level prices and premium properties

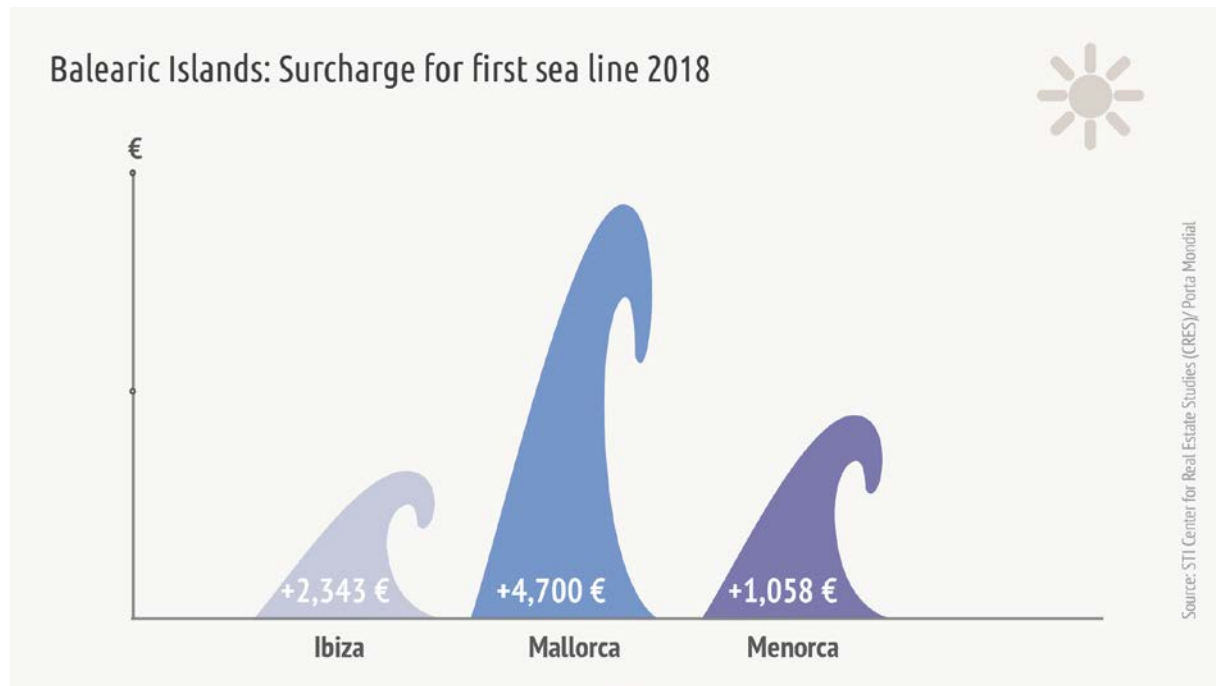
- Bargains (the lowest priced 5% of the market) top out at €350,000 on Ibiza, €300,000 on Mallorca, and €103,000 on Menorca.
- The top end of the market (highest priced 5%) starts at €6,250,000 on Ibiza, €5,950,000 on Mallorca, and €1,960,000 on Menorca.
- The average property on Ibiza is three times more expensive than on Menorca.
- Land is becoming scarce, especially for expensive properties on Ibiza. The largest properties on Menorca are more than double the size of those on Ibiza. This effect is particularly noticeable with luxury properties.



Premium for first line to the sea

In holiday destinations, even a special pool will not replace a sea view. Together, the Balearic Islands have more than 1,100 km of coastline. As the smallest island, Ibiza only has 210 km of shoreline, making a sea view there more expensive and scarcer than on Mallorca, which has 550 km of beaches, more than half of the islands' total. A good quarter of the three islands' available coastline is on Menorca.

In general, even near the beach, a special sea view in rare locations and near local highlights can mean price premiums of between 20% and 90%.



Ibiza:

Top premium in Sant Josep: +67% for first sea line

Island average for first sea line: +33%

Premium for a pool: +12% on average

Premium for a high-end pool: +24%

Mallorca:

Top premium in the north-west: +145% for first sea line

Island average for first sea line: +94%

Premium for a pool: +20% on average

Premium for a high-end pool: +44%

Menorca:

Top premium in Mahon: +81% for first sea line

Island average for first sea line: +46%

Premium for a pool: +3% on average

Premium for a high-end pool: +23%



Conclusion:

Holiday homes in the Balearic Islands remain in demand. There is a wide selection that appeals to different buyer groups. The widest range of properties on offer can be found on Mallorca, which is particularly attractive due to its year-round accessibility and existing infrastructure. But the somewhat quieter Menorca is also attractive with low entry-level prices. Pure luxury and upscale holiday properties can especially be found on Ibiza.



Even if the range of available prices is becoming tighter, those who are not tied to a specific island will find holiday homes for every taste and budget in the Balearic Islands.

Data information

Data basis and data collection period:

- Mallorca: Around 6,300 individual properties (plots of land, properties in need of renovation, and double listings) were listed on the homepages of the following estate agents: Porta Mallorquina Real Estate, Engel & Völkers, First Mallorca, Kühn & Partner, and Minkner & Partner. The data was collected in the first quarter of 2018 on an individual property basis.
- Ibiza: Around 600 individual properties (plots of land, properties in need of renovation, and double listings) were listed on the homepages of the following estate agents: Porta Ibiza, Engel & Völkers, Prestige Properties, Las Anclas, Ibiza Sotheby's Realty, and First Inmobiliaria. The data collection was carried out on an individual property basis in the period from 15.01.2018 to 15.04.2018.
- Menorca: Around 2,100 individual properties (plots of land, properties in need of renovation, and double listings) were listed on the homepages of the following estate agents: Porta Menorquina, Engel & Völkers, Bonninsano, Fincas Armengol, and Ses Moreres. The data collection was carried out on an individual property basis in the period from 15.01.2018 to 15.04.2018.

It can be assumed that between 90% and 95% of the holiday homes currently available on Mallorca, Ibiza, and Menorca were included, making this survey a neutral reflection of the overall market.

Regional breakdown:

In order to ensure that the properties were marketable in the region and to facilitate comparison with the client's data, the properties surveyed were divided into various regions.

- 9 regions on Mallorca: north, north-east, north-west, Palma, Palma environs, south, south-east, south-west, centre.
- 5 regions on Ibiza: Eivissa, Sant Antoni, Sant Joan, Sant Josep, Santa Eularia.
- 4 regions on Menorca: Ciutadella, Mahon, North, and South.

Standard of fittings:

On the basis of the text descriptions and photographs of the properties provided by the listing agents, the properties were classified according to four furnishing standards (simple, medium, upscale, luxury). In case of doubt, the assessment of the property based on the images was given a higher priority over potentially exaggerated text. The classification was based on the normal building costs used in the valuation of residential properties and the current standards for the valuation of residential properties.

Area:

The term "total area" or "construction area" is not uniformly defined. This is due in particular to the fact that in Spain, all built-up areas including cellar rooms,



balconies, and terraces are included in the building size. In case of doubtful statements or problems, telephone inquiries were made to the listing agents to obtain correct data for this analysis.

Quality control:

In order to collect the data, each property was examined individually in order to record the homepage information of the various listing agents on a comparable basis and to check for plausibility.

For example, we found listings indicating sea views even though the properties were in the central regions of the islands. Such entries were either removed or corrected in our data set. Properties that were listed with completely implausible information were completely removed from the record. Properties that were managed by several suppliers were also only entered once in the data record in order to avoid double counting. In the case of these duplicates, contradictory statements may have been made by the various suppliers. Here, too, corrections were made on an individual basis.

In order to make it comparable with the common practice of property evaluation that only properties that have been inspected can be assessed under load, the present study excluded properties that were only photographed from the outside. In these cases, it is not possible to make reliable statements about the equipment standard. A verification of the number of rooms is also not possible. The use of these properties could have distorted the results.

In the previously corrected data set, all extreme values were removed according to common statistical practice for the calculation of averages and premiums, when they deviated so far from the local standard that, according to statistical probability, they would occur less frequently than in 5% of all cases in a typical sample.

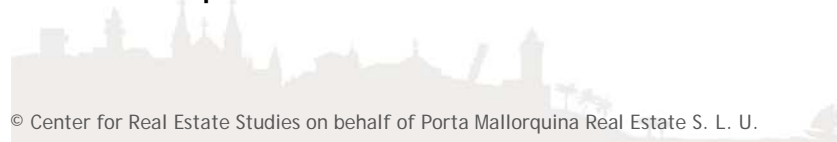
Property classification:

On the homepages of the respective listing agents, property classifications were also given, but were sometimes rather implausible. For example, plots of land were sometimes found in search results for apartments and vice versa. In addition, listing classifications may vary from agent to agent, so we used our own classification system based on the dwellings on each property and property sizes.

Duplicates:

In Mallorca, the so-called multi-broker system prevails, in which a property can often be offered by several estate agents. Properties listed by different agents with identical or slightly different prices were therefore examined in more detail. If it was obviously the same property, the second listing was removed. In addition to price information, individual comparisons were also carried out in regions or on partial data records using only a small number of properties, independent of the price information.

Mallorca sample:



Total data set after a manual check for duplicates: 5,284
After corrections due to incorrect or missing price and area information: 5,108
After mathematical check for duplicates: 4,966
After removal of outliers at local level (statistical confidence interval: 95%): 4,518
Data collection period: 15.01.2018 - 15.04.2018.

Audit report

The collection, quality control, and calculations of the data in the survey were carried out without the participation of or special weighting given to the client's properties.

Freiburg, July 2018



Professor Dr Marco Wölfle
Director of Research
Steinbeis Transfer Institute (STI)
Center for Real Estate Studies (CRES) Freiburg

Information on Porta Mondial

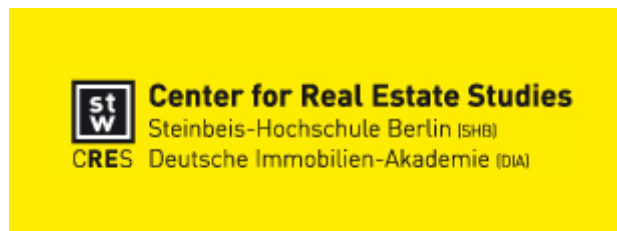
The real estate agency chain Porta Mondial AG is a subsidiary of the Homes & Holiday AG, Munich. Homes & Holiday AG is the first franchise system to specialise in holiday properties. The system is unique on the market, as no other franchisor offers the combination of classic brokerage (Porta Mondial/Porta Mallorquina), holiday rental (Porta Holiday) and property management (via external cooperation partners) as a system service. The Porta Mondial Group is currently active in Andalusia, Ibiza, Mallorca and Tenerife as well as in Germany (9 locations).

See more at: <https://www.portamondial.com>
and: <https://www.homes-holiday.com>



Information on CRES

The CRES (Center for Real Estate Studies) is one of the leading institutes for dual and part-time courses of study in the real estate sector. It was founded on the initiative of the Deutsche Immobilien-Akademie (DIA) at the Steinbeis-Hochschule Berlin (SHB). In addition to part-time and dual courses of study leading to a Bachelor's degree in Real Estate Management and Real Estate Valuation, a part-time Master's programme is offered. Another focus of the CRES is scientific research. Current practice-relevant questions are examined here using scientific methods and instruments in order to transfer new findings into practice on the one hand and to keep the contents of the study programmes always up to date and to further develop them, on the other.



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Contact: Prof. Marco Wölfle
Center for Real Estate Studies (CRES)
Eisenbahnstraße 56
D-79098 Freiburg
www.steinbeis-cres.de
E-Mail: woelfle@steinbeis-cres.de
Tel: 0761 20755-50

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