



MALLORCA

REAL ESTATE MARKET Q1 & Q2 2014



LUCAS FOX
INTERNATIONAL PROPERTIES

OVERVIEW

Lucas Fox has seen continued improvements in the Mallorca prime property market in the first two quarters of 2014. There is a great deal more confidence amongst buyers, in particular international buyers. Prices are stabilizing and the number of transactions is slowly increasing. The significant change is that sellers are being more realistic about pricing and that asking prices are coming down in line with sellers' expectations.

Sales trading in the Balearic islands (which includes Mallorca) has shown an incremental increase in sales activity for the past year, rising modestly each month. Sales have again picked up in May, indicating the start of the summer period of trading.

Average prices in Palma de Mallorca are showing strong signs of stabilizing, with no movement in the last three quarters, maintaining an average of €3,740 per m² as at end of June 2014.

Average rental prices in Palma de Mallorca have also shown signs of stability, maintaining its price for the past four quarters and ending the 2014 half-year on €14.20 per m² per month.

The majority of interest in the prime residential market properties on Mallorca continues to come from the UK, where almost a third (27.4%) of all website visitors were residing. Traditional markets with an interest in Mallorca continued to dominate. The top ten included Germany, Switzerland and the Netherlands from Northern Europe, and Sweden and Norway from Scandinavia.



MALLORCA REAL ESTATE MARKET: SUMMARY

While still muted, the Mallorca property market has seen modest growth in levels of interest and more realistic price offers being made by sellers in the first half of 2014.

Mallorca is increasingly being recognized by international buyers who are looking for a high-end destination with amazing natural beauty in Europe. It attracts a slightly older average client than its neighbor with your average Mallorca client happy to swap nightlife in favor of top class restaurants and daytime recreational pursuits including yachting and golf.

"The Mallorca property market has been shaping up well in the first two quarters of 2014," says Rafael Calparsoro, Director of Lucas Fox Mallorca. "Sales have increased compared to the same period last year, with closing prices still going down. Compared to last year, sellers are more open to negotiate their asking prices and listen to offers."

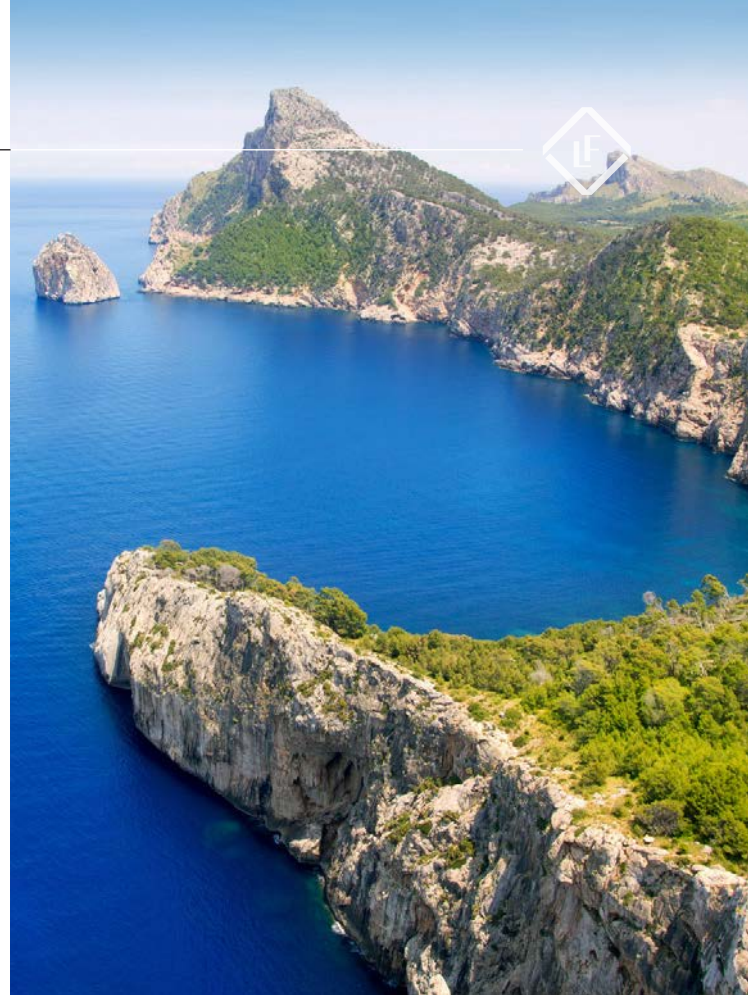
MALLORCA PROPERTY TRANSACTIONS

Sales trading in the Balearic islands (which includes Mallorca) has shown a robust incremental increase in sales activity over the past year, rising modestly each month, with a more pronounced flurry of activity at the start of the year. Sales have again picked up in May, indicating the start of the summer period of trading. In the first five months of 2014 (for which data is available at time of press), property trading across the Balearics averaged 798 sales per month.

MALLORCA PROPERTY SALES PRICES

Average prices in Palma de Mallorca are showing strong signs of stabilizing, with no movement in the last three quarters, maintaining an average of €3,740 per m² as at end of June 2014.

Average prices in the west of the island around Calvià regained some of the loss from end of 2013, rising again in the second quarter of 2014 and settling at €4,630 per m² at the half-year point, but still down from the 2013 end of year average of €4,888 per m².



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Director of Lucas Fox Mallorca



The eastern area of the island around Manacor saw some increase, ending the half-year on €2,008 per m², up from €1,920 per m² at the end of 2013.

To the south around Lluçmajor, prices are still trending slightly downward, ending the second quarter of 2014 on €3,182 per m².

MALLORCA RENTAL MARKET PRICES

Average rental prices in Palma de Mallorca have also shown signs of stability, maintaining its price for the past four quarters and ending the 2014 half-year on €14.20 per m² per month.

The western village of Calvià shows the greatest increase in rental prices across the island, rising to €18.94 per m² per month, returning to the same level as the mid-year point in 2013.

FOREIGN INVESTMENT

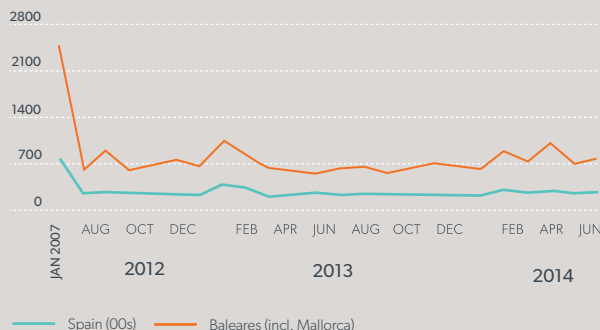
Airport passenger arrivals data is a strong indication of international interest in Mallorca. In May 2014, the Balears was the second most visited destination for all foreign travelers, accounting for one-fifth (22.6%) of all foreign tourists coming to Spain. The first five months of 2014 have seen an increase of 8% in international travel to Balears, which includes Mallorca.

Passenger arrivals to the Mallorca airport matched previous strong years of tourist travel, with continued growth in April to June, with June passenger arrivals recording a 3% increase over the same period last year.

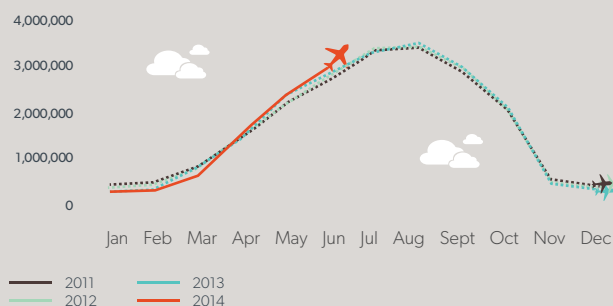
Interest in Mallorca properties on the Lucas Fox website grew by 14% in the first half-year of 2014 when compared with website visitors looking at Mallorca property for the same time period in 2013.

The majority of interest in prime market properties on Mallorca continues to come from the UK, where almost a third (27.4%) of all website visitors were residing. Traditional markets with an interest in Mallorca continued to dominate. The top ten included Germany, Switzerland and the Netherlands from Northern Europe, and Sweden and Norway from Scandinavia. Interest amongst buyers is growing fastest amongst German, Swedish and South American (Argentinian and Colombian) buyers, while interest decreased from levels recorded in the first half of 2013 for French, Russian and Canadian website visitors.

PROPERTY SALES TRANSACTIONS ACROSS THE BALEARIC ISLANDS, INCLUDING MALLORCA, PEAK 2007 & Q3 2012 - Q2 2014 / Source: Ine.es

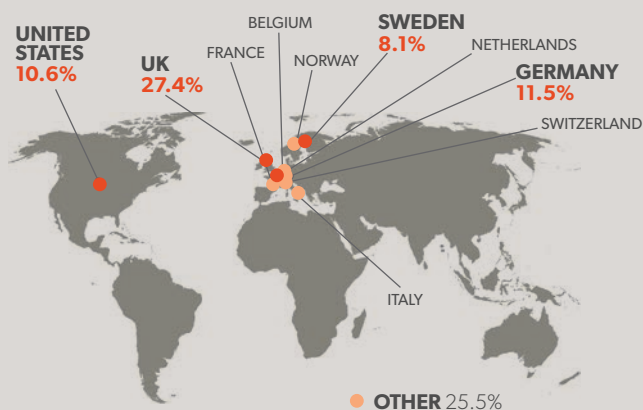


MALLORCA AIRPORT PASSENGER ARRIVALS, 2011 - Q2 2014 / Source: aena-aeropuertos.es



INTERNATIONAL VISITORS LOOKING AT MALLORCA PRIME MARKET PROPERTIES ON THE LUCAS FOX WEBSITE, Q1 - Q2 2014

Source: Lucas Fox website analytics





LUCAS FOX ANALYSIS AND PREDICTIONS

"The most popular types of properties on the island are still apartments in Palma (with Scandinavian buyers leading purchases in all Palma areas)," says Rafael Calparsoro, Director of Lucas Fox Mallorca. "Not only those with sea views and terraces which have become scarce, but all other city apartments as well. Generally, apartments are selling between €300,000 and €900,000.

We are also experiencing an increase in demand for small country houses. Many buyers and investors purchase property with the intention of renting their detached country houses in the holiday rental market. Summer villas in developed areas in South West Mallorca are also selling well: mostly between €1.5 million and €2.5 million.

Demand for commercial properties is equally on the rise. With many investors searching for boutique hotel projects in Palma City center but also in other villages like Sóller, Pollensa and Artà."

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MORE INFORMATION:

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