



IBIZA

REAL ESTATE MARKET Q1 & Q2 2014



LUCAS FOX
INTERNATIONAL PROPERTIES

OVERVIEW

The first two quarters of 2014 have seen the Ibiza prime residential market continue to perform strongly. There is a great deal more confidence amongst buyers - in particular international buyers - and this is reflected in the increasing number of transactions.

The Balearic islands (which includes Ibiza) have seen an overall increase in sales activity in the past year, rising modestly each month. The number of transactions picked up substantially in May, indicating the start of the summer period of trading.

Average property prices in the island's capital of Eivissa averaged €2,922 per m² by end of June 2014, up from €2,736 per m² at the end of 2013. As at the end of the half-year, average prices in Ibiza were €1,234 per m² above national averages.

Overwhelmingly, prime residential market buyers over the past eighteen months in Ibiza were motivated by the desire for a holiday home/second property that they can visit throughout the year. There was also a small amount of private investment.

Buyers tend to be younger than in other luxury markets across Northern Spain, usually aged in their 40s.

Average rental prices in Ibiza's capital of Eivissa averaged €12.67 per m² per month by the end of May 2014.

Interest in Ibiza properties on the Lucas Fox website grew by 60% in the first half year of 2014 when compared with website visitors looking at Ibiza property for the same time period in 2013.

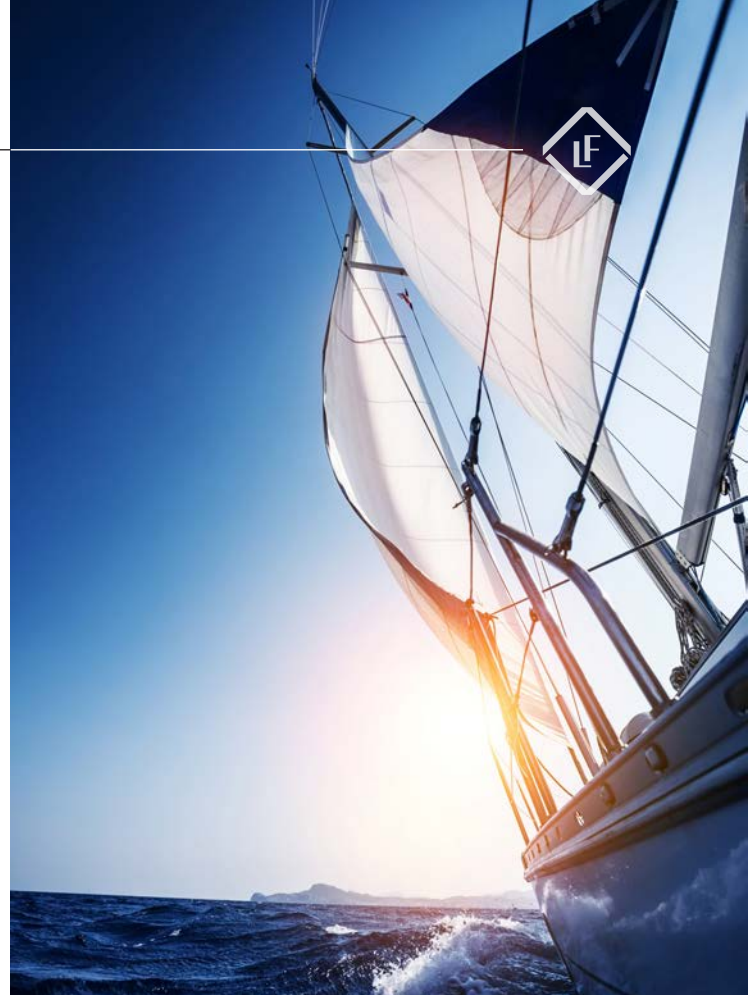
IBIZA REAL ESTATE MARKET: SUMMARY

Ibiza continues to attract HNW international clients due to the unique lifestyle it offers. More people are choosing to relocate to the island due to its good schools (including international schools), spectacular properties and the excellent quality of life. The island now offers stronger internet connections (4G) and has increased flight connections throughout the whole year.

"In the first two quarters of 2014, the property market has been very active with lots of enquiries. Many clients have come to the island to view properties during the winter, and since March, we have been considerably busier than this time last year," explains Amanda Martí, Director of Lucas Fox Ibiza. *"Clients seem to be more certain of what they are looking for and are ready to buy. Demand for quality properties in the best locations still outstrips supply, so we are expecting some strong trading across the summer months."*

Although still renowned as a party destination, Ibiza's reputation and appeal has matured beyond the nightlife in recent years. It is now also recognized as an island paradise and tranquil getaway as well as an active sports and recreational playground. Beaches all around the island offer crystal clear waters and are surrounded by untouched natural wilderness. A golf course, yachting marinas, horse-riding and a full range of recreational activities are on offer in addition to the nightlife and excellent restaurants.

With regular flight and ferry connections available to Barcelona and beyond, and an increased diversity of residents settling on the island bringing in new businesses and economic development, there are now more opportunities to live year-round on Ibiza.



A GOLF COURSE, YACHTING MARINAS, HORSE-RIDING AND A FULL RANGE OF RECREATIONAL ACTIVITIES ARE ON OFFER IN ADDITION TO THE NIGHTLIFE AND EXCELLENT RESTAURANTS

"DEMAND FOR QUALITY PROPERTIES IN THE BEST LOCATIONS STILL OUTSTRIPS SUPPLY, SO WE ARE EXPECTING SOME STRONG TRADING ACROSS THE SUMMER MONTHS"



Amanda Martí
Director Lucas Fox Ibiza



IBIZA PROPERTY TRANSACTIONS

Sales trading in the Balearic islands (which includes Ibiza) 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 Balearic islands averaged 798 sales per month, the majority in Ibiza.

IBIZA PROPERTY SALES PRICES

While national averages of property prices continue to decline, seeking the market bottom, average prices in Ibiza have risen for the first half of 2014. According to the two top property portals in Spain (Idealista and Fotocasa), prices in the island's capital of Eivissa averaged €2,922 per m² by end of June, up

from €2,736 per m² at the end of 2013. As at the end of the half-year, average prices in Ibiza were €1,234 per m² above national averages.

IBIZA RENTAL MARKET PRICES

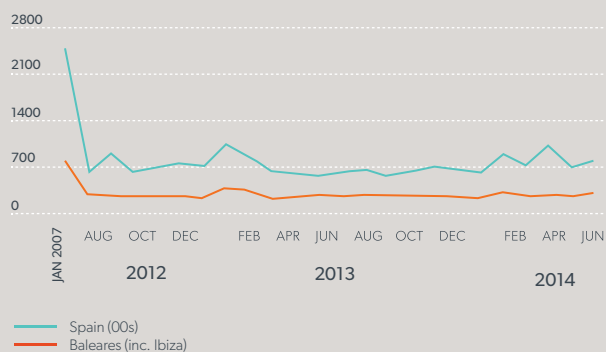
While data has only recently become available for rental averages in Eivissa, they point to a strong upsurge in interest over the first half of 2014. Average rental prices in Eivissa averaged €12.67 per m² per month, by the end of May 2014.

IBIZA PRIME MARKET PROPERTY

Ibiza is seeing greater activity in the number of enquiries in the first half of 2014, and while this has not yet translated into increases in sales volumes, it is expected that summer will increase transactions for prime market properties above last year's numbers.

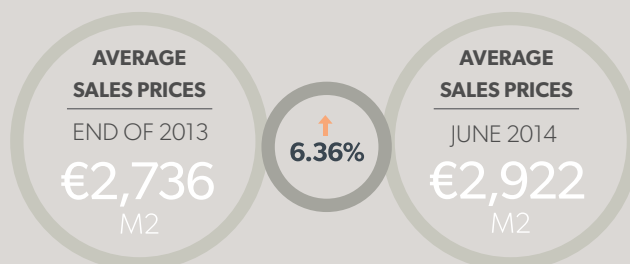
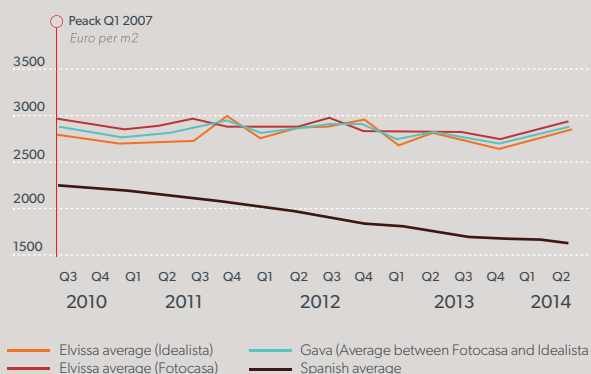
PROPERTY SALES TRANSACTIONS ACROSS THE BALEARIC ISLANDS, INCLUDING IBIZA, PEAK 2007 & Q3 2012 - Q2 2014

Source: Ine.es



IBIZA AVERAGE SALES PRICES, Q3 2010 - Q2 2014

Source: Idealista.com and Fotocasa.es





Overwhelmingly, prime market buyers over the past eighteen months in Ibiza were motivated by the desire for a holiday home/second property that they can visit throughout the year. There was also a small amount of private investment. Buyers tend to be younger than in other luxury markets across Northern Spain, usually aged in their 40s.

Ibiza prime properties averaged 350m² in size, with a land plot average of 10,054m², but this varied considerably across purchased properties from an interior size of 168 to 650m², and from no external space to land plots of 55,550m². As a result, it is difficult to calculate average prime market prices with such a varied stock, although properties sold in the first half of 2014 commanded over €3 million each, comprising both substantial villa properties and large land plots.

FOREIGN INVESTMENT

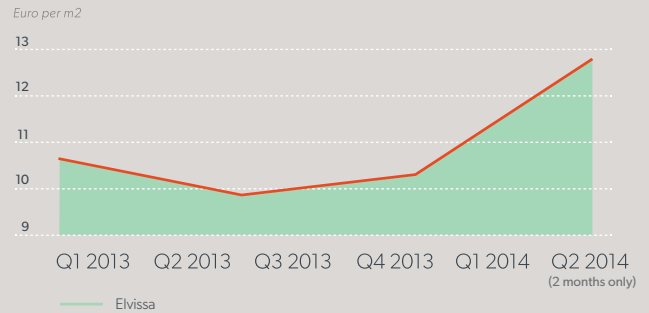
Airport passenger arrivals data is a strong indication of international interest in Ibiza, as almost all travelers to the island arrive from international destinations. In May 2014, the Balears was the second most visited destination for all foreign travelers, accounting for one-fifth (22.6%) of all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

"The main international interest in Ibiza is still mostly for residential properties but the commercial market is waking up strongly," shares Amanda Martí, Director of Lucas Fox Ibiza. "Demand has very much increased from the Asian market, namely from Korean and Chinese buyers, as well as American. There are still many Europeans, especially Dutch, but based primarily out of London."

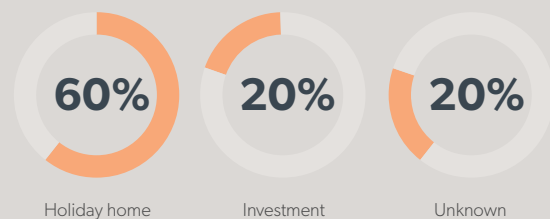
Interest in Ibiza properties on the Lucas Fox website grew by 60% in the first half-year of 2014 when compared with website visitors looking at Ibiza property for the same time period in 2013.

The majority of interest in prime market properties on Ibiza continues to come from the UK, where a quarter of all website visitors were residing. Traditional markets with an interest in Ibiza continued to dominate. The top ten included France, Germany, Switzerland and the Netherlands from Northern Europe and Sweden from Scandinavia. Interest amongst buyers from the United States has jumped over 50% on levels of interest from the equivalent period in 2013, while outside of the top ten, interest from Brazil grew by 220% and website visitors from the Middle East grew 160%. Interest from Eastern Europeans, including Romania and Poland, jumped by around 200%.

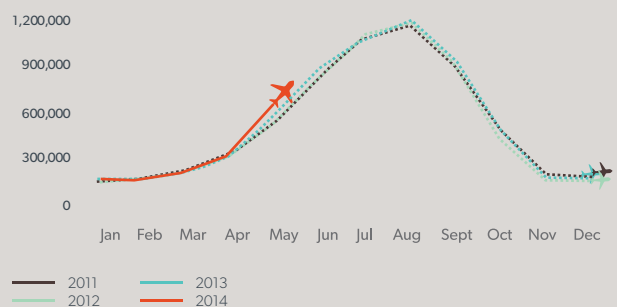
IBIZA AVERAGE RENTAL PRICES (FOR EIVISSA), Q3 2013 - Q1&2 2014 / Source: Fotocasa.es



IBIZA PRIME MARKET BUYER MOTIVATIONS, 2013 - Q2 2014 / Source: Lucas Fox sales data

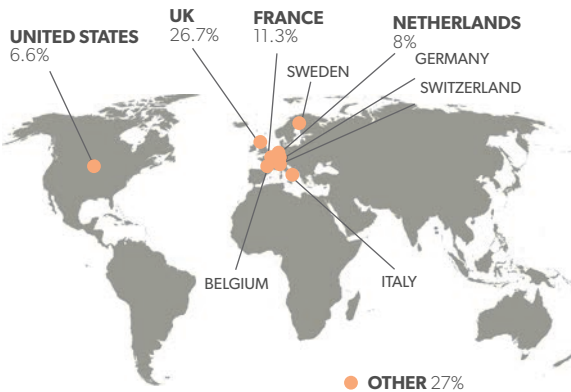


ABOVE: IBIZA AIRPORT PASSENGER ARRIVALS, 2011 - Q2 2014 / Source: aena-aeropuertos.es



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

Source: Lucas Fox website analytics



remains minimalist, contemporary (preferably new) and turn-key with sea views (sunset views in particular are always a bonus). Refurbishment properties are also interesting to many, but are snapped up very quickly when reasonably priced. Apartments overlooking the marinas are also popular.

Compared to last year, we are seeing more buyers looking for second homes for investment purposes. These tend to be clients in their mid-thirties buying to entertain their work colleagues or clients, and to show and enjoy the lifestyle the island has to offer.

The most popular areas to invest in Ibiza are still the areas of San José, the marina and properties in Ibiza Old Town. The bigger estates, especially in the north, are also proving very interesting to clients who are looking for a larger investment and who cannot find what they desire in San José, or, even at the €2 million-plus bracket, can get a lot more for their money in the north and choose to invest there.

In the second half of 2014, we expect prices will start to rise very slowly, particularly for truly unique properties in prime locations."

LUCAS FOX ANALYSIS AND PREDICTIONS

"Buyers are mostly interested in second homes, priced from €800,000 villas to €2 million," says Amanda Martí, Director of Lucas Fox Ibiza. "Traditional Ibicenco Fincas are becoming increasingly popular, though the favourite type of property



MORE INFORMATION:

If you are interested in knowing more about the property market in this region, please contact Lucas Fox on:

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Director Lucas Fox Ibiza

