



IBIZA REAL ESTATE MARKET REPORT

Q1 & Q2, 2011 RELEASED AUGUST 2011

Lucas Fox provides regular updates on local property markets. This Ibiza property market report summarizes the state of the Ibiza real estate market in the first half of 2011. To prepare this report, we have drawn on national and local data, our business analytics, and the week-to-week experiences of our sales staff in the luxury real estate market Ibiza. This report shows that there is a strong demand in the luxury property market in Ibiza. Demand is largely being driven by strong international interest in holiday properties to own and rent.

You can keep receiving up-to-date market reports from the Lucas Fox International Properties team. Subscribe to future updates at our website (www.lucasfox.com) or bookmark our blog (www.blog.lucasfox.com) for the latest news on Ibiza real estate. For any questions about Ibiza please, contact one of our sales staff on +34 971 562 590 630.

The Ibiza Real Estate Market

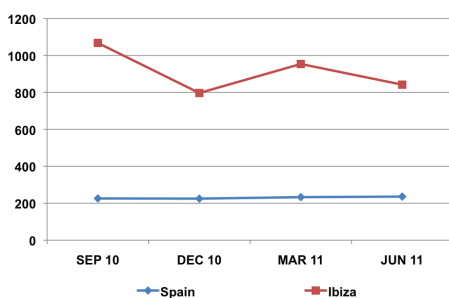
While average prices for Ibiza real estate are slightly higher than at the start of the year, they are lower than their peak at the end of the first quarter for 2011. Meanwhile, the luxury property market segment has had a good first half of 2011.

Average property sales prices in Ibiza have bounced up and down over the past year from €1,070,000 to the current €842,000. Ibiza's average property price is 257% higher than the national average of €236,000 (**Figure 1**).

Amongst more exclusive properties, demand has been strong. There has been an increasing demand for high quality homes in the €1 to €5 million price bracket. Sales of the best properties are being made well within a year, twice as quickly as was the norm.

Figure 1: Average Asking Prices for House Sales (in '000s): Spain and Ibiza July 2010 - June 2011

(Source: Kyero Housing Price Index)



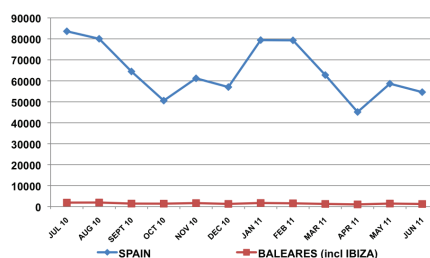
“ So far 2011 has seen high net worth international clients for luxury Ibiza villas for sale. The decreasing popularity of destinations such as Sant Tropez has definitely been positive for the Ibiza market ”

Alex Vaughan, Director
Lucas Fox

Alix Bond from Lucas Fox Ibiza sums up the local luxury property market:

Figure 2: Urban Property Transactions for Barcelona and Balearic Islands including Ibiza (July 2010 - June 2011)

(Source: National Institute of Statistics)



“In recent years, Ibiza has focused on attracting more luxury tourism to the island and the positive news for the property market on the island is that many of these holiday makers will go on to buy property on Ibiza. The high level of interest in renting villas is definitely helping to make Ibiza property an interesting investment with great rental potential and the possibility of capital growth in coming years.”

The purchasing motives of many international clients have changed. As well as looking for a holiday home buyers are also looking for a rental investment that they can rent for holiday lets when they are not using it. We have reports of some owners of luxury properties on Ibiza making as much as a 10% return on their property.

Alexander Vaughan, Director of Lucas Fox, says: “So far 2011 has seen high level of interest from high net worth international clients for luxury Ibiza villas for sale. The decreasing popularity of destinations such as Sant Tropez has definitely been positive for the Ibiza market. We have also been surprised by the high level of demand for building land with projects.”

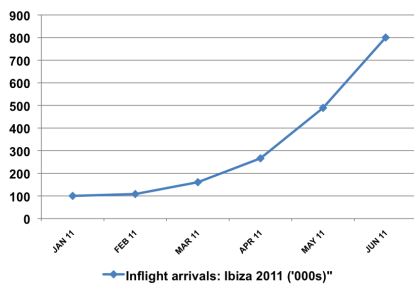
Reflecting the same trends as average prices, the number of Ibiza property sales transactions also varied across the first half of 2011 (**Figure 2**). There were an average of 1,400 monthly property sales in the whole of the Balearic Islands for the first half of 2011.

Ibiza Property Market: Short-term Rentals

For short-term holiday rentals, Ibiza has seen stronger demand this year than in 2010. Luxury villas in the Cala Jondal and Es Cubells areas were keenly sought after by international clientsⁱⁱ.

The increased seasonal demand for short-term rentals is mirrored in airport arrival figures for the first half of 2011 (Figure 3)ⁱⁱⁱ.

Figure 3: **Ibiza Flight Arrivals (July 2010 - June 2011)**
(Source: AENA aiprot statistics)



Foreign Investment

International buyers have shown strong interest in investing in Ibiza property this year. It has become well-known as a convenient luxury paradise destination. Modern properties with minimalist design and magnificent views by the sea or in the country are the most popular.

The key international markets for luxury Ibiza property are the UK, Netherlands, France, Italy, Switzerland and the Middle East, many of these clients buy without financing.

Lucas Fox Analysis and Prediction for the Second Half of 2011

The outlook for the luxury end of the Ibiza property market is considerably brighter than it was 12 months ago. Ibiza's current popularity amongst the international jet-set and the growing demand for holiday rentals will boost the sales market.

We expect a very positive second half of 2011 with a large amount of transactions in the €1m plus segment of the market.

The slow Spanish economy and lack of finance available continuing to have a negative effect on apartment sales, and we think that property developers will struggle to sell their stock of properties in the short term.

The overall economic climate has not affected Ibiza, largely due to the huge diversity of property owners on the island, but it remains a good time to buy with the possibility to negotiate on sales prices.

We believe that the luxury property market in Ibiza has great potential, and that there will be a return to annual capital growth from next year.

ⁱKyero Housing Price Index

ⁱⁱ<http://blog.lucasfox.com/ibiza/tourist-numbers-stabilize-ibiza-real-estate-market/>

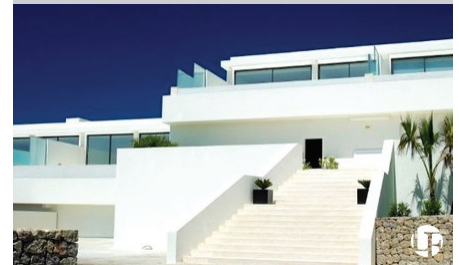
ⁱⁱⁱhttp://www.aena-aeropuertos.es/csee/ccurl/899/599/07.Estadisticas_Junio_2011.pdf



Cala Conta – Luxury villa

Spain » Ibiza

€1,600,000



Cala Carbó – Luxury villa

Spain » Ibiza

€720,000



Alex Vaughan
Director



Stijn Teeuwen
Director



Anthony Leaton
Marketing Director

