

RETURN ON REAL ESTATE INVESTMENT IN IBIZA

FIGURES AND
PROFITABILITY ANALYSIS
YOU NEED TO KNOW
BEFORE BUYING A
PROPERTY IN IBIZA





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INTRODUCTION

The real estate market in the Balearic Islands, especially in Ibiza and Formentera, has shown resilience and growth over the last decade. Despite the financial crisis of 2007 and the COVID-19 pandemic, the sector has recovered remarkably.

Home sales peaked in 2017 and came close again in 2022. The Balearic Islands have outperformed the national average in terms of house prices, due to the islands' tourist appeal and demand from foreign buyers.

Ibiza stands out as a solid and stable property market, with prices steadily growing. In addition, the rental market in Ibiza is also attractive for investors, as it offers an upward trend in rental values.



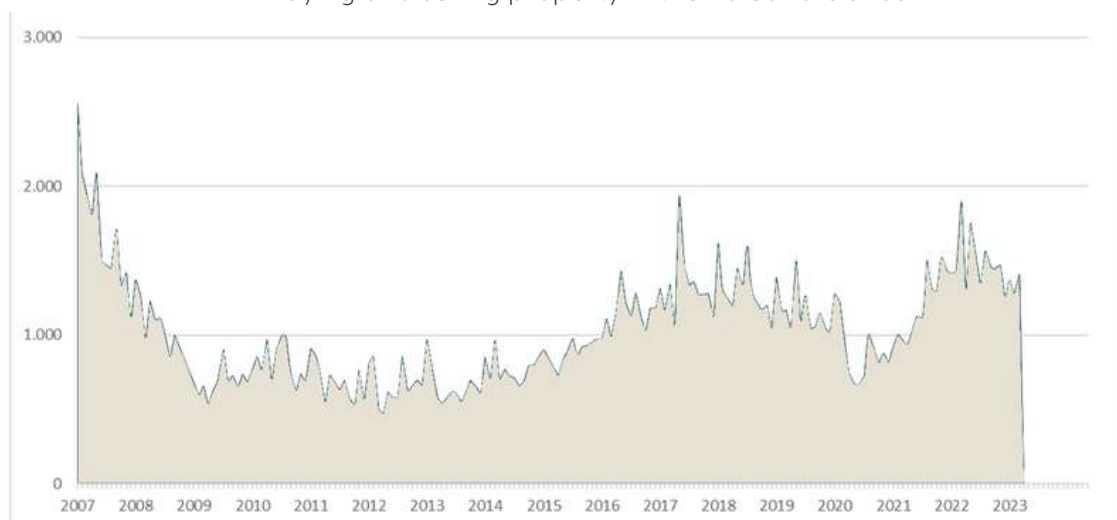


1. OVERVIEW OF THE HOUSING MARKET IN BALERES IN 2022

RECOVERY OF THE REAL ESTATE MARKET IN THE BALEARIC ISLANDS POST-FINANCIAL CRISIS

The evolution of the Balearic Islands real estate market over the last decade tells a story of resilience and growth. After the abrupt decline in 2007 due to the financial crisis triggered by the US banking crisis, the sector has shown a remarkable recovery. Specifically in the Balearic Islands, where home sales reached a significant peak in 2017 and it was in 2022 that it approached this pace of real estate sales. Thus, **the Balearic real estate market stands out as an example of strength and resilience in the face of economic challenges.**

Buying and selling property in the Balearic Islands



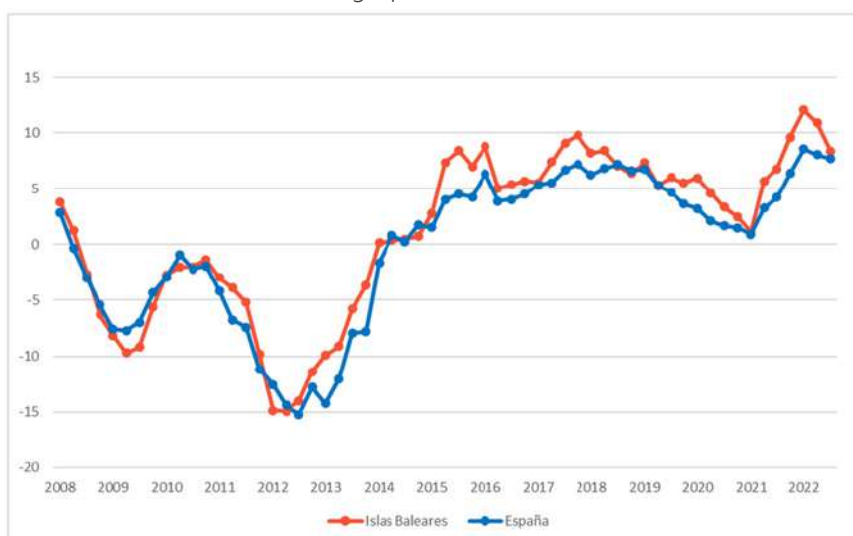
Source: INE



The Balearic Islands real estate market has shown resilience and adaptability since 2017. After a phase of stagnation until early 2020, the COVID-19 pandemic caused widespread paralysis in the sector. However, with the adoption of teleworking and mobility restrictions, the market started to revive from summer 2020, reaching a remarkable rebound in sales in early 2022.

The Balearic Islands have outperformed the national average in terms of house prices, showing a higher profitability. This performance is largely due to the tourist attractiveness of the islands, especially for nearby European countries such as Germany, France, the Netherlands, Belgium and Switzerland, which have offset the potential impact of Brexit on the market.

Average price fluctuation



Source: INE

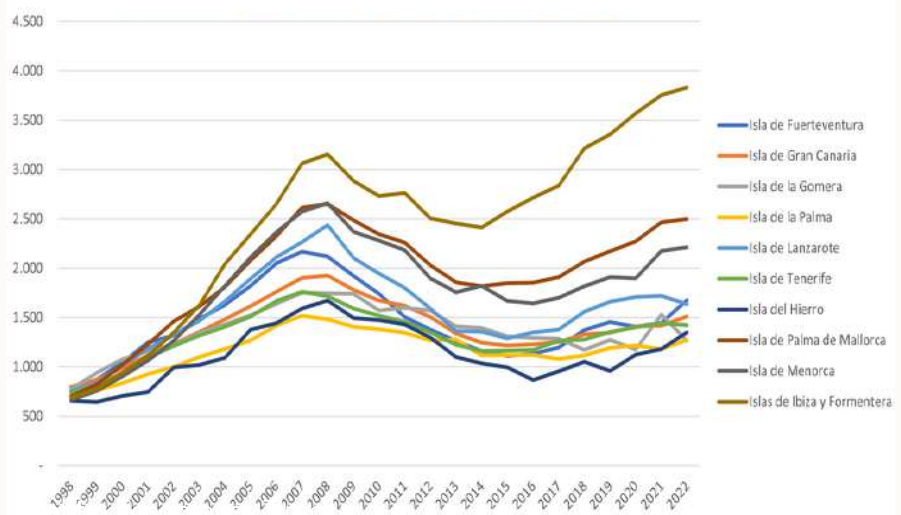




The Balearic Islands property market has maintained an upward trend, consistently outperforming the national market, according to data from the National Statistics Institute (INE) and EP Data. This trend peaked in the first quarter of 2022, underlining the resilience and attractiveness of the Balearic real estate sector.

On the other hand, the value of homes in Ibiza and Formentera has registered spectacular growth over the last two and a half decades. According to Tinsa, the price per square metre has risen from 691 euros in 1998 to 3,833 euros in the first quarter of 2022, surpassing even San Sebastian, the most expensive city in Spain. Currently, the average value of housing on these islands is 6,097 euros per square metre, an impressive 21.5% above the peak reached in 2008, making **Ibiza and Formentera the areas with the highest price per square metre in the whole country.**

Evolution of the average price in the Spanish islands (1998-2022)



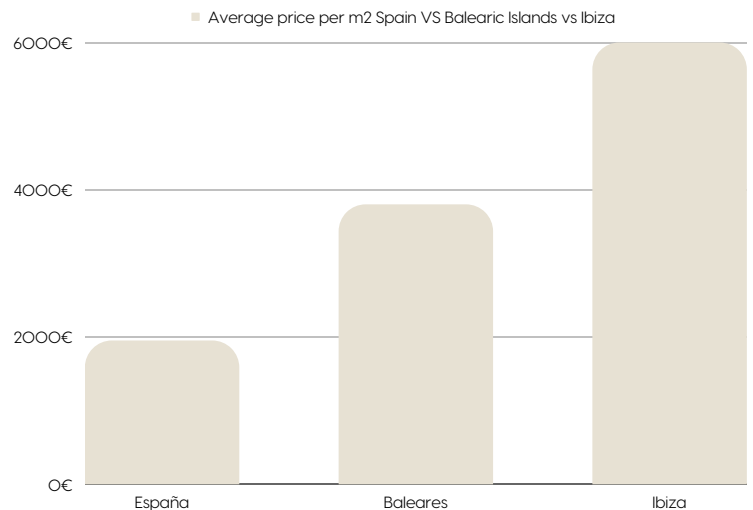
Source: INE

This is a market with a different dynamic to that of the other islands and national markets due to its niche nature, linked to a high standing segment and with a notable foreign demand.

2. IBIZA LUXURY PROPERTY MARKET REPORT 2022

PRICE COMPARISON: AVERAGE VALUE PER SQUARE METER IN SPAIN, BALEARIC ISLANDS AND IBIZA

It is important to note that, even in times of turbulence in the property market, Ibiza has demonstrated exceptional strength and reliability. **The island has performed more solidly and stably than the rest of the Balearic Islands and has consistently outperformed the national average**, reaffirming its position as a pillar of stability in the Spanish property market.



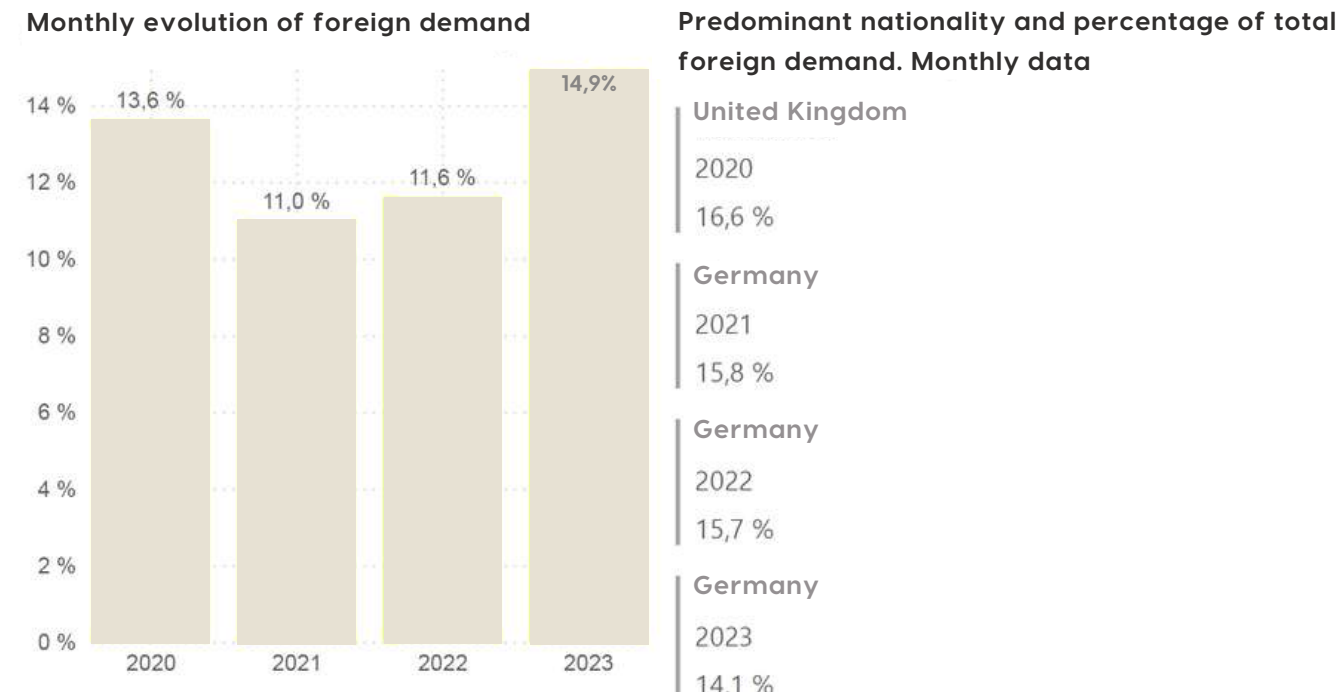
Source: INE



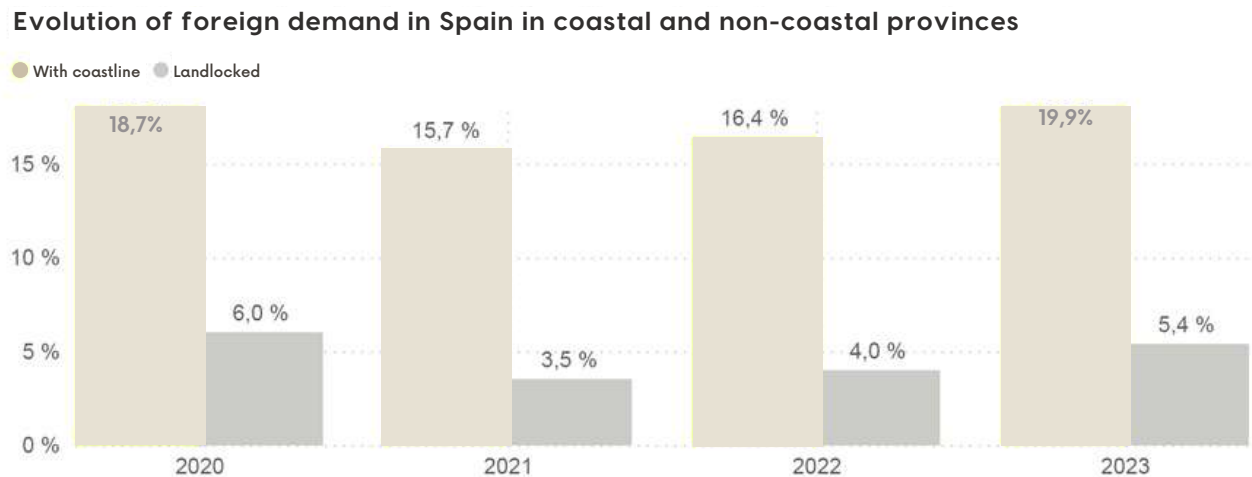
Source: Idealista Data



According to data from Idealista, in April 2023, the average price per square metre of homes for sale in Ibiza reached 6,097 euros, reflecting a robust year-on-year growth of 15%. This figure reaffirms Ibiza's position as an undisputed leader in the property market in the Balearic Islands and Spain in general.



Source: Idealista Data



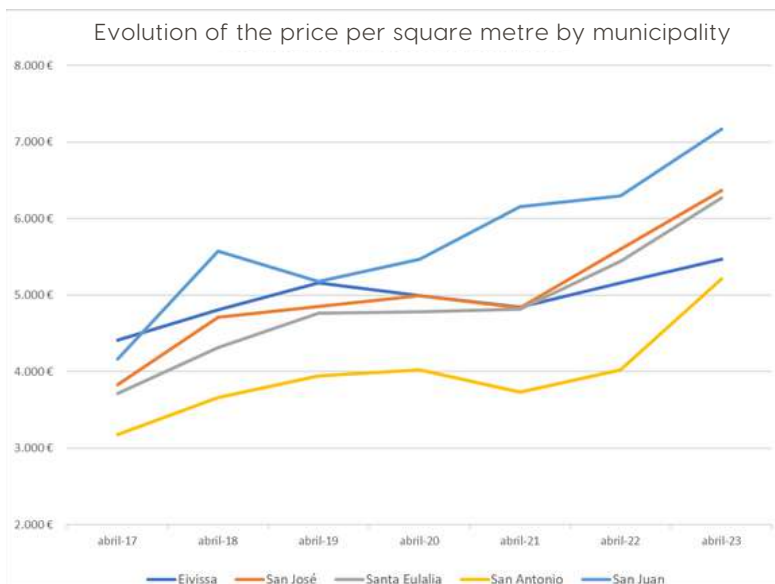
Source: Idealista Data

PRICE COMPARISON: AVERAGE VALUE PER SQUARE METER IN SPAIN, BALEARIC ISLANDS AND IBIZA

When breaking down the island of Ibiza by municipality, an increase in house prices can be observed in all areas between 2020 and 2022. Two municipalities stand out in this panorama: Santa Eulalia, which managed to maintain price stability despite the arrival of the pandemic, and San Juan, which has maintained an impressive growth trend.

With regard to the typology of housing, Tinsa's annual Housing on the Coast 2022 report provides a detailed overview. Multi-family holiday homes in Ibiza and Formentera have an average price of 5,000 euros/m². However, single-family homes on these islands far exceed this figure, reaching a value of more than 10,000 euros per m², demonstrating the high value and demand for this type of property in Ibiza and Formentera.

WE HELP YOU FIND YOUR HOME



ANALYSIS BY MUNICIPALITY

We now look at the most important figures for each municipality on the island:



EIVISSA

The city continues to be in high demand, as it offers its residents a rich cultural and gastronomic offer. The price **per m2** of properties for sale in April 2023, according to Idealista Data, is **5,472€, +6% compared to the same period last year.**



SAN JOSÉ

It is Ibiza's largest municipality and boasts some of the island's most stunning beaches and scenery. **The price per m2 in April 2023 stands at €6,367, +13.7% year-on-year** and close to the island's average growth rate.



SANTA EULALIA

Santa Eulalia del Río is the third largest municipality of Ibiza, located in the eastern part of the island. It combines the tranquillity and charm of a Mediterranean village with all the amenities and services necessary for a modern and comfortable life, which attracts both local and foreign residents. **The average price per m2 is very much in line with San José, at 6.269€, +15,2% over the previous year.**



SAN ANTONIO

Sant Antoni de Portmany, located on the west coast of Ibiza, is one of the most popular and visited towns on the island.

In April 2023 the price per m2 reached 5.208€ with the highest growth compared to the previous year with +29,6%.



SAN JUAN

San Joan, or Sant Joan de Labritja in Catalan, is a charming municipality located in the north of the island, where you can still experience the essence of traditional Ibiza.

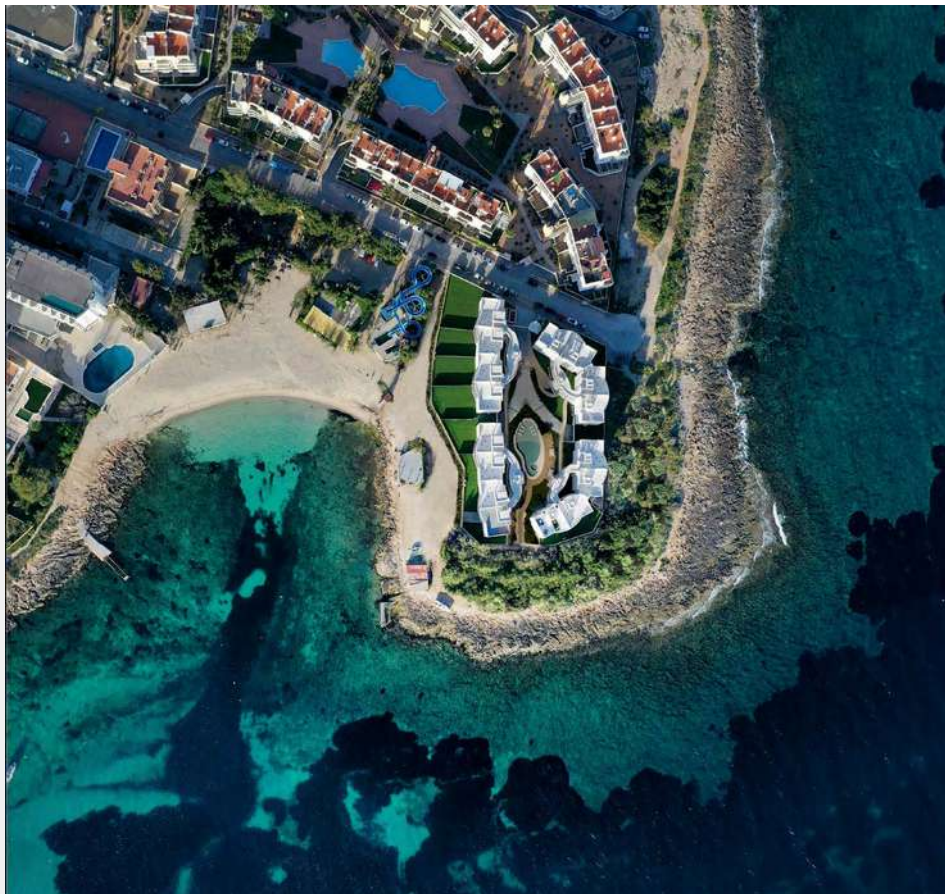
It is here that the price per m2 reaches its highest price on the island, €7,167, +13.9% higher than the previous year. It is worth noting that it is the only municipality that, despite the COVID, its prices at the beginning of 2021 showed a year-on-year growth of 12.5%, while the average price per m2 in Ibiza remained stable with a variation of +0.5%.

WHY IBIZA IS THE PERFECT PLACE FOR PROPERTY INVESTMENT

1. Ibiza, a booming destination with stable growth for property investment.
2. Shortage of supply, the key to the revaluation of properties in Ibiza.
3. Increasing interest from new foreign markets.
4. High demand for rental properties, for rent.
5. Ibiza is a real estate investment destination with high levels of profitability.

BARRIERS AND CHALLENGES TO BUYING A HOME IN IBIZA

1. Uncertainty regarding urban planning regulations in some locations.
2. The high tax effort: a challenge to consider when investing in property in Ibiza.
3. Moratorium on new tourist licences which implies a temporary suspension of authorisations for tourist activities.
4. Shortage of product.
5. Need to be accompanied by a knowledgeable local agency is key to a successful investment.





3. PROFITABILITY

ANALYSIS OF RENTAL PROFITABILITY IN IBIZA ACCORDING TO THE IZARE CONSULTANCY FIRM

As we have seen, housing in Ibiza is interesting from an investment point of view, as its value maintains an upward trend year after year.

WE HELP YOU FIND YOUR HOME

In an internal study carried out by **the consultancy firm IZARE**, which studied in April 2023 the rental market for new or semi-new product in the best locations in the municipality of Ibiza, concluded that **the average rental price for properties of:**

- One bedroom is 2.395€/month.
- Two bedroom is 2.886€/month.
- Three bedrooms is 3.627€/month.

In residential rentals, this implies that a **2-bedroom property could be generating around €34,600/year**. For a €500,000 property **this is a 6.92% gross annual return**.





4. FORECAST FOR 2023

RISE OF 8.34% IN HOUSE PRICES IN THE BALEARIC ISLANDS

According to the housing price index (IPV) published by the INE, the Balearic Islands in the third quarter of last year was the region with the highest housing prices, increasing by 8.34% compared to the same period last year.

The real estate market, especially in the luxury segment, is expected to continue to grow in the current year due to its international appeal and the relative insensitivity of luxury property buyers to credit conditions. Ibiza stands out as an increasingly attractive destination, both for vacations and for residence, as properties purchased on the island have a high probability of appreciating in value to higher levels than other European destinations.



WHY 2023 IS A GOOD TIME TO BUY?

Rising interest rates have tightened the conditions for accessing mortgage credit, which is expected to generate a temporary reduction in demand. This opens up the opportunity to find advantageous buying conditions, especially for those who can acquire properties without financing, before prices rise again.

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THE RETURN OF REAL ESTATE INVESTMENT IN IBIZA
