

## Falling property prices in Spain attracting overseas buyers

by Ray Clancy on November 14, 2011

Average property prices are still falling in Spain but in the Costas which are popular with overseas buyers they are seeing less of a decline than other areas.



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The latest figures from Tinsa, one of Spain's leading appraisal companies, show that prices fell the most in regional capitals where they are down 8.1% in the 12 months to the end of October, followed by a drop of 7.5% in metropolitan areas.

The Mediterranean coast saw prices fall by 6.9% and the Balearic and Canary Islands saw the smallest decline at 3.4%. Since the peak of the market prices are now down 30% on the coast and 20.5% on the islands.

Meanwhile, the latest Official House Price Index from the Department of Housing, not usually regarded as being particularly reliable show that prices fell 5.6% over the 12 months to the end of quarter three.

According to this index prices fell the most in the Costa Dorada where they were down 9.1% followed by Madrid down 8.5% and Murcia down 8.3%. Prices rose in just two regions. In Tenerife on the Canary Islands they increased 1.7% and in Extremadura they rose 1%.

Lower prices are attracting more international buyers with the Russians replacing British people as ardent buyers. According to Jesualdo Ros, head of the regional developers' trade body, Brits have fallen behind Scandinavian, Dutch and Belgian buyers.

The southern Spanish region of Murcia is proving popular with overseas buyers because prices have dropped and there are signs that they will rise on the back of the new Paramount branded Theme Park being built, a new international airport at Corvera and the imminent AVE train network extension.

'We are bucking the general Spanish trend here in Murcia as not only are we selling plenty of houses but we're also generating many positive headlines. As these three huge changes in infrastructure progress, our property sales will only get stronger as a wider global audience comes to hear of the grand plans,' said Chris Mercer, director of Mazarron based Mercers.

Predicted to be operational in 2015 and profitable by 2018, the Paramount branded Theme Park had been eyed with scepticism until tangible plans were unfurled throughout 2011. Groundwork is due to start in March 2012.

At the new international airport at Corvera a number of scheduled services are due to start in spring 2012 and the airport is expected to be fully operational by late summer. The airport has an initial capacity for three million passengers a year, including many who currently use Alicante's Airport. Nearby San Javier Airport will return to military use only so as not to compete with Corvera.

Spring 2012 is also mooted as the date that construction work will commence on the AVE rail link. In October, the European Commission said that the Mediterranean Corridor linking the French border to Algeciras in southern Spain was a priority and would receive financial backing.

The Regional Government has requested that the AVE stops at Corvera Airport, making it the first airport in Spain to be crossed by a high speed rail link and the third, after Barcelona and Madrid, to have a rail link at all. They also hope that the rail link will connect the Airport directly to the Paramount branded Theme Park to their mutual benefit.

'All of this exciting large scale development is creating huge momentum for the private purchase of holiday homes, especially within the Camposol Golf Resort which is ten minutes' drive from the Theme Park,' said Mercer.

'Murcia will be viewed as a secure investment, particularly for rental income with the considerable job creation in the area. Paramount alone is said to require 22,600 construction workers, great news for the Region and of course this influx of workers will require accommodation, so our investment clients are looking forward to a profitable near future unlike most other areas in Spain,' he added.