

A view of what is really happening in the Spanish property market

For the European second home investor Spain has long been the destination of choice. Over recent years the proposition has got even more attractive as house prices across Spain have steadily fallen. Property is now the cheapest it has been for a decade and every major international property portal is reporting a marked rise in 'searches' for Spanish real estate. Here Chris Mercer gives his personal view of the current market in the region where he is based and explains why there's no better time to buy.

At Mercers, headquartered in Mazarron on the Costa Cálida, we have seen a small but steady increase in sales over the past 18 months. Prices do seem to have finally bottomed out as people either cannot or will not go any lower. Yet there is no strong indication that they're going to rise either. Until demand picks up in a stronger manner, there is no reason for values to increase unless there is a significant external factor applying upward pressure.

In Murcia, the proposed Paramount branded Theme Park could be that significant external factor. Predicted to attract up to three million tourists each year and located literally ten minute's drive from Mercers' head office, this park is creating a lot of interest and excitement. However, this is not being filtered back to property prices. I think the reason for this is that until work actually starts on the site, people are wary of these grand ideas coming to nothing.

If the Paramount branded Theme Park does happen, and indications are certainly encouraging judging by the number of press conferences and official visits by US based Paramount Licensing personnel, then a 'Disney effect' is certainly expected for both demand and property prices in the catchment area. In fact, we're already handling a number of clients who have decided it is time to buy a holiday home because of Paramount. Some had been toying with the idea but the theme park announcement pushed them ahead.

Whilst Spanish property is still the most searched for on the major real estate portals, all this tells us is that the interest is still there but not necessarily the conviction to actually buy. We

know that Spain offers Northern Europeans guaranteed winter sunshine, is easy and cheap to get to and at the moment has some very good property deals on offer, so where are the buyers?

At Mercers, the answer is 'across the board'. All nationalities, including a proportionally high number of Spaniards, have been snapping up homes from our portfolio priced from €55,000 for two bedrooms on a golf resort just 15 minutes from the beach. In 2010 we found that 40% of our buyers were British and the remaining 60% made up of Spanish, the largest group, French, Dutch, and Germans. This is remarkable as previously 95% of our sales would have been to British buyers.

Spanish banks are once again starting to lend on Spanish property, however the loan to value ratio has been slashed to around 60% to 70% loan to value for non Spanish buyers and approximately 70% to 80% for Spaniards. In reality that means 'normal' lending practice has been resumed.

On the flipside, many banks are putting a spanner in the works of the Spanish property market by carrying large portfolios of unsold or repossessed properties. Rather than put these in the hands of property professionals, they are attempting to sell direct. This is all well and good but it confuses people and the market. Bankers are not estate agents and Spain should conform to most westernised countries and put their property in the hands of the professionals. Do bear in mind, however, that the majority of these repossessed and unsold homes are in big city locations, are not particularly desirable to foreign buyers and have no relation to or effect on the second home market.

It is indeed tricky to get a good handle on what's going on in the Spanish property market due to the fact that Spain's official figures are notoriously unreliable. And what many commentators fail to grasp is that the Spanish market is fragmented and regional, prices in Madrid may rise, whereas in Marbella they may fall.

Official figures from the Ministry of Housing and Institute of National Statistics, for what they're worth, do indeed show house price rises in some areas for the first time in three years, demand is said to be on the up and the volume of sales is increasing. Following a similar path is the Spanish economy that has returned to growth, despite the fact that industrial output, retail sales and unemployment all have more negative scenarios.

One of the biggest turn offs for many British

buyers is the scare stories that the British media love to pump out about illegal houses being demolished. While undoubtedly there have been some high profile cases of this happening, I am confident that 99% of buyers are not affected and have perfectly legal properties.

I think the idea of a planning amnesty is a good one but I think what the Spanish authorities need to focus on is implementing proper planning procedures that are actually adhered to. One of the problems here is that the Spanish have an inherent dislike of authority (think Franco) and this manifests itself in modern day life. If a Spaniard can get away with beating the system, whether it be a planning issue, tax issue or anything legal, they have won and beaten the system. I am hopeful that the younger generations have a different mindset and many of these issues will not be a problem in the future.

In conclusion, the market is bouncing along the bottom at the moment. This year we have seen our own sales increase to a respectable 7.2 homes per month, this is up from 5.4 per month in 2010, an overall increase of around 35%. Mercers continues to look at other countries for sales as the British market will not be as important as it once was.

Having said this, I still think that the British have not lost their love affair with Spain and that this segment of the market will bounce back, not to the heady days of 2000 but to a more organic sustainable growth. After all, there is nowhere as welcoming, close, safe, cheap and easy to get to with such good weather as Spain. ♦



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