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Avoid pain when buying in Spain

By Andrea Watson

REPORTS of a potential crash in the Spanish property market are nothing new and the beginning of the month saw yet another scare following a sell-off of construction shares, led by Valencia developer Astroc Mediterraneo, which lost 60 per cent of its share value.

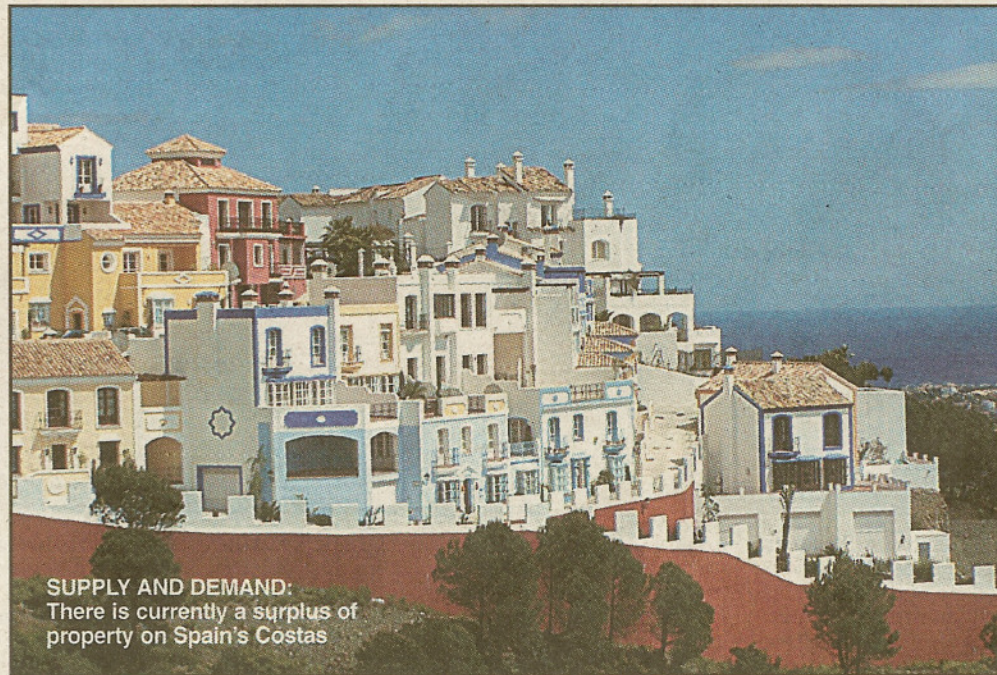
Concerns about the oversupply of homes in Spain fuelled speculation of a slump. Lombard Street Research reported that Spain built more homes – 800,000 in total – last year than Italy, France and Germany combined.

Spanish property prices have risen 270 per cent in a decade and this has attracted many investors, fuelling demand. But recently some sales have not been completed and there is a fear that unsold stock will be dumped back on the market at a discounted price.

All this bad news comes on top of the land-grab scandals and must mean that there is a real question mark in many minds over the wisdom of investing in Spain just now.

Two camps have formed, with those who work in the Spanish housing market, own property in the country or are otherwise exposed financially maintaining that it is still safe, while outsiders who fear a crash are lumping everything into the 'overdeveloped Costas' bracket.

True, there is a surplus of stock in some areas, notably the scandal-hit Marbella and Torrevieja regions but there are other areas



SUPPLY AND DEMAND:
There is currently a surplus of property on Spain's Costas

where demand exceeds supply. This is particularly true of the north-western Costa Brava region.

Alex Vaughan, a director of Lucas Fox, which has recently expanded its business operations in Catalonia, said: "In Barcelona the property market in 2007 has begun well, albeit a little slower than the same period in

2006. Prices rose last year by eight to 12 per cent and are likely to stabilise further this year to around five per cent which still represents very healthy growth.

"When the market was making double-digit increases every year, you could pretty much buy anything and make a good return. Now people realise that in order to make capital

growth they have to buy good property in a good location."

Mr Vaughan said that there was nothing to suggest that the areas covered by Lucas Fox were affected by the Astroc news. "Markets are based on supply and demand and there is high demand, mainly from local people, for good properties. And a lack of supply."

Lucas Fox Costa Brava's primary focus is on coastal villas and apartments on the stretch of coastline from Sant Feliu de Guixols to the former fishing village of L'Escala, north of the Cap de Begur. It will also offer inland options throughout the province of Girona, ranging from traditional stone country houses, Catalan townhouses and 11th-century ruins to modern golf course developments.

The province of Girona saw property values grow by up to 13 per cent last year, boosted by the new high-speed rail link from Paris to Madrid via Girona and Barcelona. Another draw is the region's proximity to the ski resorts of the Pyrenees. The average property price in Girona is now €445,000; a significantly higher figure than the national average of €249,000. This regional variation in prices, borne out by Spanish property portal Kjero.com shows that when it comes to property there is more than one Spain.

Anyone who has held property in Spain for more than five years will be untroubled by the latest news – and others believe that it is a good time to pick up a bargain. Many new properties are being sold for the same amount as those built two or three years ago.

INFORMATION: Lucas Fox: www.lucasfox.com