

# British armada

LAST YEAR, BRITONS SNAPPED UP 75,000 PROPERTIES IN SPAIN, BUT HAS THE SHIP SAILED FOR INVESTORS LOOKING FOR A BARGAIN ON THE IBERIAN PENINSULA? SONIA SPEEDY INVESTIGATES.

When it comes to buying property abroad, Spain and Portugal are still among the hottest destinations, and not just for the temperatures — the British flock there. Last year, Spanish property sales hit £12 billion, with the British buying 75,000 homes in the country at an average cost of £160,000, according to research carried out by Mintel.

Over the past five years, the number of Brits heading to Spain to buy homes went up 460%, and by 43% in the last 12 months alone. While Spain is the top destination for Brits buying homes abroad, Portugal comes in at number four.

But is this area now too overcooked for those of us from the southern hemisphere keen on buying an investment property abroad? The experts say some areas are indeed overdeveloped, but there are still opportunities out there.

Managing director of overseas property investment specialists Assetz International, Stuart Law, says capital growth in Spain is high, with projected growth of 10% a year for the next five years. He says buying off-plan at discounted rates will give buyers the best chance to maximise profits.

Year-round sunshine and the development of top quality golf courses means 30-35 weeks of annual rental income is a realistic target, with potential gross yields (the percentage of the value of the property achieved as rent) of 10% or more, he suggests.

Savills head of agency Naomi Greatbanks suggests that in cheaper parts of Spain, buyers can get a two-bedroom apartment for £100,000-£120,000, at the bottom level — but Conti Financial Services managing director Simon Conn says areas of Spain such as the

Costa del Sol have started to go a bit "stale". With so much building work going on there, some prices have started to stagnate.

"And, of course, you've got an oversubscribed rental stock, so maybe the rental returns aren't as good there," he says.

Georgina Richards says her agency, Knight Frank, is getting plenty of calls from people wanting to look at properties further up the coast from Costa del Sol, towards the Costa Blanca and Costa Brava area.

"We don't tend to get so many calls for the Costa de la Luz because it is a lot windier around that section of Andalucia," she says.

Richards says Costa Brava, Costa Blanca and Almeria are enjoying increasing popularity. High-end markets in southern Spain have slowed, Greatbanks says, while the lower end is reportedly doing well. Tenerife and the Canary Islands are buoyant, with the 12-month season pulling in plenty of golfers, she says,

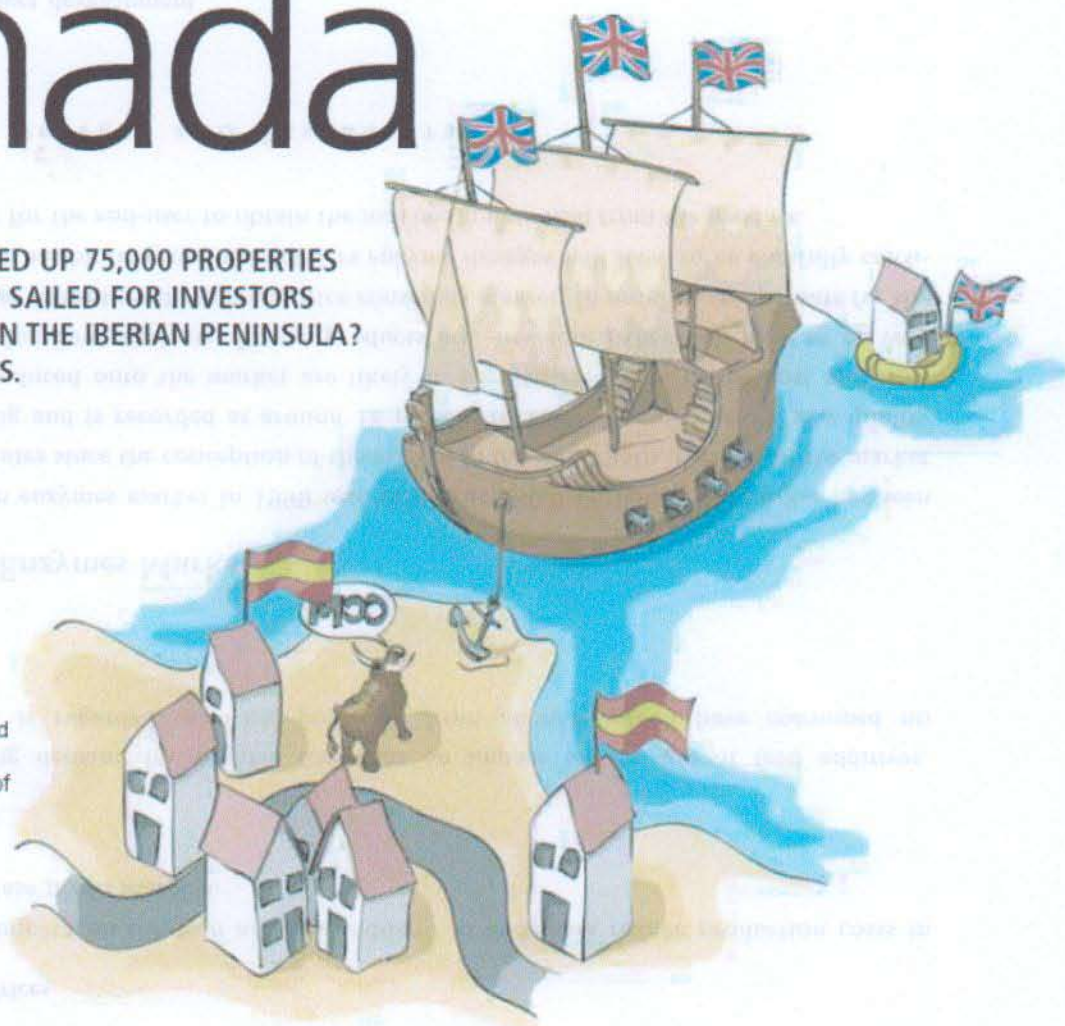
and lists the area west of Gibraltar, heading up towards the Portuguese border as up-and-coming, particularly Cádiz and Seville.

"They're lovely old Andalusian towns. Cádiz is coastal and Seville is inland a bit, but around that area there is a lot of new development coming up, because it's comparatively undeveloped. It's more like the real Spain and not so touristy," Greatbanks says.

Portugal is described as the quality end of the market and Conn says prices are generally higher than in Spain. Along with the Algarve, he says Estoril is getting popular.

Greatbanks says the market is quieter towards the Western Algarve, but prices are cheaper. "But it's that much further to drive from the airport and it gets very windy along at the far end at the western point, so it's got to be a certain person who doesn't mind that," she says.

Fiona and Barclay Sheffield's business Laps ▶



Lazuli Portuguese Properties, is based in central Portugal, a half-hour from the university town and former Portuguese capital, Coimbra. It is not the typical beach resort that some buyers look for, rather an area featuring forests, lakes and rivers.

An example of the deals on Lapis Lazuli's books is a five-bedroom house, situated in a village 20 minutes from Arganil, with an asking price of €40,000 (£27,530). The property requires little or no work. The company has houses on its books for as low as €15,000 (£10,141), but those sort of properties are likely to be in ruin and in need of plenty of work.

"Basically, if it's cheap, you're going to have to do some work on it. Put a new bathroom in, a new kitchen, because these will not be up to our standards. But that isn't really an expensive thing to have to do," Sheffield says.

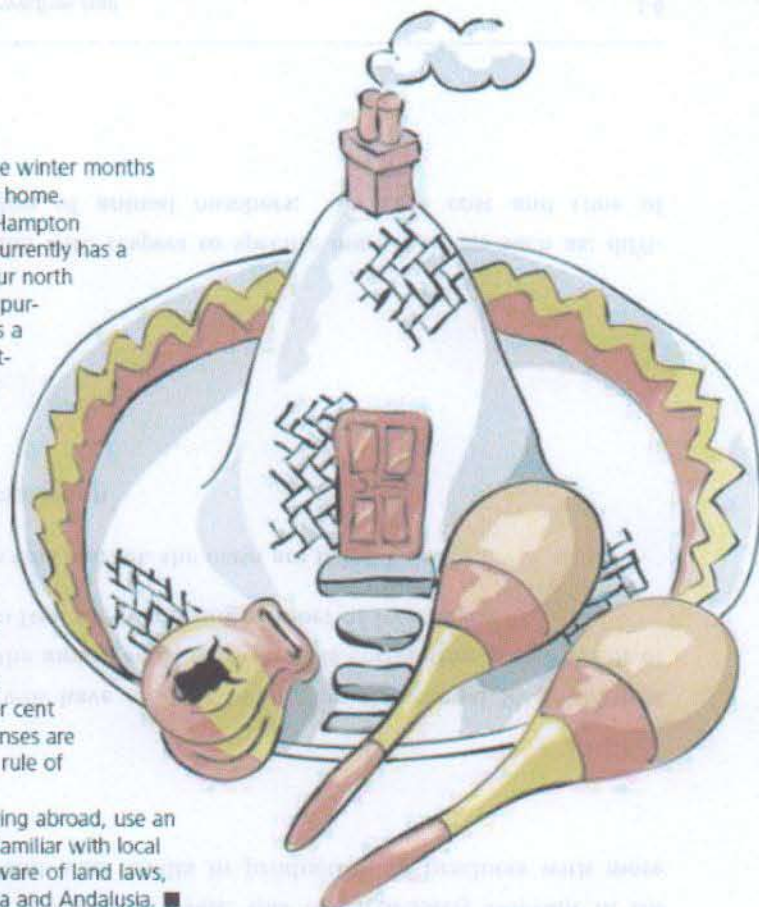
It's not uncommon for these firms to have teams of builders on hand to oversee and carry out such works for overseas-based owners. Sheffield says rental prospects are good in the area, with some tourists coming from colder

climates to live for the winter months to escape the cold at home.

A spokesman from Hampton International says it currently has a development one hour north of Lisbon. It includes purchase options such as a hotel-managed investment where you can own the freehold of the property, which is then managed for 46 weeks a year by the hotel. A net return of 5% on capital investment is guaranteed for three years.

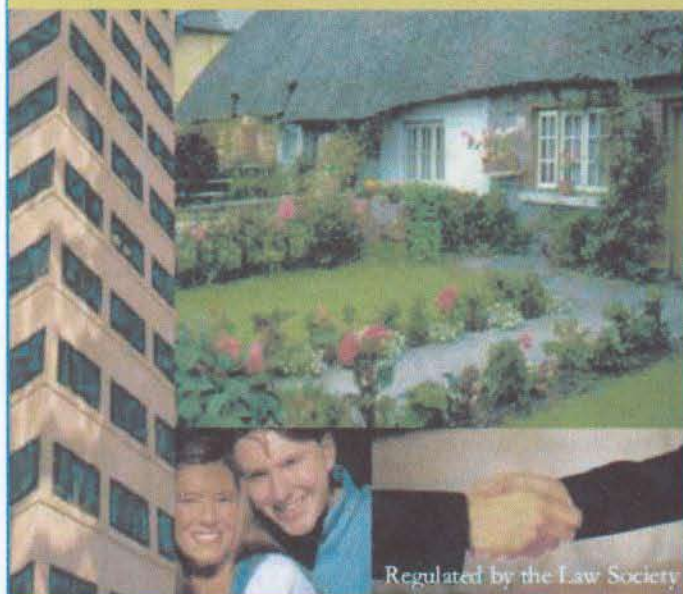
In the Algarve rental yields of around 8 per cent in fair years less expenses are considered a general rule of thumb.

As always when buying abroad, use an independent lawyer familiar with local regulations and be aware of land laws, particularly in Valencia and Andalusia. ■



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