

Market Report Costa Blanca North –2011

To say that right now is not the best of times for property sellers within the region I cover would be an understatement. 2010 has seen a massive change take place, not just within the holiday home property market but also within the mainly British expat market. I don't think at the beginning of 2009 anyone had realised exactly how hard the recession was going to affect the property owners relying on an income from their Spanish homes.

Price Reductions – are they really at the right price?

Let us take a look first of all at the types of properties thousands of people bought during the boom as holiday homes or as investment properties to let out. At the time they bought, demand was higher than the supply, and developments were springing up all over regions such as Murcia and the Southern Costa Blanca. The majority of developers were greedy, building as many properties as they possibly could on limited land in locations being marketed as the next best thing.

As an example in the Southern Costa Blanca, in the Torrevieja area, a development of apartments was constructed on land surrounded by orange groves. The location is a 15 minute drive to the nearest beach, a 10 minute drive to the nearest town, a 10 minute drive to the nearest golf course and about a 40 minute drive to the nearest airport. The apartments are all exactly the same give or take a few square metres difference in garden size for the ground floor apartments or roof terraces on the top floor. Sections reserved for commercial units were allocated and built and buyers paid between €95,000 for a 2nd floor apartment to €145,000 for a ground or 3rd floor apartment with roof terrace / garden. At the time of construction, the developers were marketing the development as lying within an idyllic location away from the hustle and bustle of busy towns with amenities on hand and providing wonderful countryside views and even now, people trying to resell their properties are sticking to this line.

Today's reality is a little different. The development is not finished, there are no shops, you need a car to get anywhere at all, the views (unless you have a roof terrace in which case you look over scores of roofs towards the sea) overlook a multitude of other identical apartment blocks.

That particular development is just one example. There are dozens of similar developments dotted around that now have For Sale signs instead of bougainvillea decorating their terraces. As an example of price drops, one vendor I know bought a top floor apartment with roof terrace at the development mentioned above for €135,000 which he is now trying to sell for €69,000 but he hasn't had one viewing in 7 months. Even at that greatly reduced price, he is now competing with property in far better locations (on a completed golf course as opposed to near to) and with facilities just a few minutes walk away. So is his property a good buy at €69,000? Well actually no; a property is only ever worth what someone is willing to pay for it and if the price is not even attracting viewings what does that tell you?!

Mid range property

It is not just property at the lower end of the market that has been affected. Over the past few years, many buyers were young families moving to Spain in search of a better quality of life where their children could attend International or local schools, become bilingual and spend more time outside rather than in front of a TV or a computer! Substantial family homes were bought and parents found employment locally enabling them to maintain a comfortable standard of living. Towards the latter end of 2008 and throughout 2009, as jobs have diminished, those families have had no choice than to return to their home country. Some, unable to keep up their mortgage, have walked away from their property and left it to

the bank and others have let their homes go at a loss.

As an example, a completely renovated 3 double bedroom, 2 bathroom detached family villa, not overlooked and with private pool and garage, within walking distance to the beach in Javea, in the Northern Costa Blanca, was recently sold for €295,000. The property was being marketed at €365,000 and 3 years ago would have sold for around €430,000. This example shows how much property – even in excellent locations - has come down.

But not all sellers are going to reduce 100.000 € or more. Each vendor and circumstances are different.

Top End Property

Whilst the top end of the market, in the main, has not suffered as acutely as the mid to lower level, there is no denying the fact that front line property or property lying on private land of 5000m² or more has been greatly discounted. On offer today is a modern 4 bed 3 bath villa, 480m² build on a 5,000m² plot 10 minutes drive from the beach and just a 5 minute drive to a popular 18 hole golf course. The villa is surrounded by woodland making the location very private, has sea views and is on the market for €1.1m. Moving 15 minutes inland a finca style property is for sale for €885k. Built in 2003 on a plot of 17,000m² providing total privacy, the finca has been built externally in traditional Spanish style, although it is totally modern on the inside. 5 bedrooms, 4 bathrooms and a tennis court are some of the features making this property extremely good value.

My point with all the above information is to demonstrate how cruel the market has become for sellers. It is not just a case of vendors having to 'get real' with their prices in order to sell, because as you can see with the example of the apartment, dropping a price by nearly 50% is being quite real. The problem for sellers today who own property in locations not deemed as prime, is finding that their homes are not even getting a look in as prices of property in superior locations have also plummeted.

Not only has the lack of work and demand for property fallen, but for British home owners in Spain the weak pound has meant that many surviving on their pensions are struggling to make ends meet as the cost of living for those converting sterling to Euros has risen significantly. For this region, the harsh reality of the current economic climate has driven an exodus of British home owners back to the UK or trying to sell, and this, as a result, has left literally hundreds of properties on the market.

However, since the region has become far better connected internationally, Spain is no longer reliant on the British purchaser. From Alicante airport, currently undergoing an expansion plan which will see passenger numbers increasing from 12.2 million to 20 million per year, there are now direct low-cost flights from Denmark, Germany, Italy, Slovakia, Belgium, Holland, Morocco, Iceland, Moscow, Poland, Sweden and Norway, and from Valencia to Italy, Germany, Norway, Belgium and the US. As a result of easier access to the area, buyers are now far more international and taking full advantage of the market situation.

So what has been happening to these properties in 2010 and what will happen to them in 2012? Well, the simple fact is that the good ones are selling, they have been selling for the last 6 months and they will continue to sell throughout 2012.

When I say the good ones, I am referring to property in good locations priced to sell. I read recently in the property press that it takes over a year to sell a property in Spain; well, if it is in a second rate location and not realistically priced, then yes, it probably would. However, I could give plenty of examples of property that has sold in the last 6 months, in under a month. The plain fact is that there are a lot of well priced, well located properties on the market right now and, perhaps contrary to what you might have heard, there are buyers

buying them! With prices being slashed, buyers are getting far more value for their money in far superior locations.

Repossessions

The amount of resale property listings are increasing and repossessions are also on the rise. This is very true; there are thousands of resale properties on the market and repossessions in 2011 have sadly multiplied. I want to make something very clear regarding repossessions. It does not work in the same way as in other countries such as the UK. Repossessions in Spain are more often than not, more expensive than they would have been if they had been bought just before the banks came in to reclaim. The majority of repossessions are dealt with by the individual branch of the bank and often the property is sold to the first bid high enough to clear the debt on the property. However, this debt is NOT just the mortgage, it also involves all the legal costs and relevant taxes and notary fees – making the price to clear the debt higher than before the property was reclaimed. So, the word repossession does not necessarily mean you are going to find a bargain. The key to finding a bargain is getting there before the banks do.

And even though the Spanish Banks have once again become the largest Estate Agents in the country, they are still not yet prepared to offer the best value properties from their portfolios to members of the public. What they tend to be offering are properties in peripheral locations in mediocre condition, whereas the better properties are being held back in the hope that they will get a bigger return when the market improves. This happened in the last recession though it is doubtful whether they will be able to hold on to these properties for too much longer. As an example, a large Spanish bank has taken possession of a new development of luxury apartments in Central Valencia. Currently the bank is not taking any offers at this development, yet is offering up to 40% discounts on its low end property.

It's not just the banks that are holding on to top properties, even some developers are remaining inflexible on prices on their more exclusive villas but they are offering discounts on less desirable properties. One developer I work with told me recently that until the surplus of resales is sold, new builds just can't compete and until developers drop their prices on quality new build property, I completely agree with him. Why would you pay more for a brand new property when a second hand one, probably only a few years old is just as good if not better, there is no snagging to contend with and it will more than likely include most of the furniture?

Northern Costa Blanca – an area overlooked?

Focussing on the Costa Blanca for a moment, I would just like to explain how varied this region is. Many people perceive the region as being one area encompassing Benidorm and a mass of overdevelopment. Well yes, this is true, Benidorm does belong to the Costa Blanca and yes, there is a lot of overdevelopment in the SOUTHERN Costa Blanca. The same could be said for the Costa del Sol, where Torremolinos is the mass tourism resort and it is well reported how overdevelopment has affected the area. In Mallorca, Magalluf doesn't exactly have the best reputation but the Island is also well known for it's beautiful coves and exclusive residential areas. The Costa Blanca is no different in that respect. There are less appealing areas within the region, but the Northern Costa Blanca more than compensates for those. The region is quite mountainous, has a number of cosmopolitan towns dotted along the coast line each boasting their own marinas and traditional Spanish villages just 20 minutes from the coast remain untouched by large developments. In fact, after 4 years of campaigning, the village of Parcent in the stunning countryside of the Jalon Valley, has managed to beat off developers wanting to build a controversial new development of 1,800 homes. The Regional Government of Valencia has rejected the plans after objections from local residents and the forestry department and the story has been compared in the 'El Pais' newspaper as being a victory of David over Goliath.

Front line, exclusive properties in the Northern Costa Blanca are available at a fraction of the cost of a Marbella equivalent. For example currently for sale in one of the more exclusive residential areas of Javea is a front line detached villa with panoramic views over the bay towards Ibiza, 4 bedrooms, 4 bathrooms, heated pool, garage & work shops, built on 3 levels with internal lift, 2 floors are currently split into 2, 2 bedroom separate apartments and the property is on the market for €950,000. There is a recent bank valuation on the property of €1.8m. It does need updating, but these properties once updated, sell for around €2m. This is an excellent example of what a property in a truly prime location can be acquired for in the Northern Costa Blanca at the moment.

Conclusion

To summarise, I think that 2011 will continue to see well priced property selling, though I believe that within the first quarter, perhaps at a push through to the beginning of summer, the really distressed sales will begin to dry up. Once the distressed sales are repossessed, the majority will no be longer the excellent value they were.

For buyers, it means that you can find incredibly well priced property in fantastic locations if you have time, patience, knowledge of the area and the right contacts, but then that's what we are here for.

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