

British Lead Charge as Cheap Spain Beach Homes Sell

By Sharon Smyth – March 03, 2015

Londoner Barry Leverington said he figures his money is better off in a Spanish home than earning next to nothing in a British savings account.

The 33-year-old bank employee is searching for a property at the Mazarron Country Club in the southern region of Murcia, where two-bedroom bungalows in gated communities near the Mediterranean can sell for as little as 75,000 euros (\$85,000). He said he wants to close a deal by this summer.

“Anyone with a little equity behind them can buy almost mortgage-free and in Spain there is potential for prices to rise,” Leverington said in a telephone interview from the U.K. capital. “I built up some savings here and, with current interest rates, it’s just sitting there doing nothing.”

Buyers from abroad are returning to the Spanish housing market, attracted by economic growth that’s beating most of Europe and signs that prices are bottoming out after years of declines. Britons are the biggest investors as near-zero interest on U.K. savings accounts and rising residential prices make it less attractive to keep money at home.

Non-Spaniards spent 6.05 billion euros on Spanish property in the first nine months of last year, up 30 percent from the same period in 2013, according to data from the country’s Ministry of Public Works. The 40,338 dwellings purchased represent a 27 percent increase from the same period a year earlier, led by the Valencia, Andalusia and Catalonia regions, the data showed.

Bubble’s Aftermath

Foreign and domestic homebuying in Spain evaporated when the economy collapsed during the financial crisis, leading to an international bailout of its banks and the worst recession in the country’s democratic history. An excess of credit-driven construction before the slump led to a surplus of more than 1 million homes, including properties in sunny southern resort areas popular with British and continental Europeans.

Average home prices in Spain fell 42 percent from their 2007 peak, while properties in coastal areas dropped 50 percent, according to Tinsa, the country’s largest home appraiser. Declines slowed to 3 percent last year from 9 percent in 2013, Tinsa said.

Purchases from abroad accounted for a record 13.9 percent of Spanish residential transactions in the fourth quarter of last year, according to the country’s registrar’s office. Britons were the largest group, followed by French and German buyers.

“People like me want to achieve some return on their savings and they wouldn’t go far right now in the U.K. property market,” Leverington said. “Properties in Spain are so undervalued right now. It just seems a win-win situation.”

Paltry Interest

The Bank of England has held its key interest rate at a record low of 0.5 percent since 2009, limiting the return on savings held in banks and building societies. Home prices in the U.K. rose 25 percent from December 2007 to December 2014, according to data from the country’s Office for National Statistics. Prices in London jumped 18 percent last year, according to the Nationwide Building Society.

The pound’s 13.5 percent rise against the euro in the past 12 months also has made property in mainland Europe cheaper for U.K. buyers.

“What is already going for a song is even more attractive when you are buying with a stronger currency,” said Jose Luis Ruiz Bartolome, author of “Adios Ladrillo Adios,” a 2010 book on the rise and fall of Spain’s property market.

While Spanish homes have been steeply discounted for years, a contracting economy and high unemployment had made the country unattractive for investors. Now, more than two years since applying for a European Union rescue of its banking system, Spain has one of the fastest growth rates in the euro area and the economy is on track to expand the most since 2007 this year.

Spanish Buyers

Domestic home sales are rebounding as well. Spanish residential purchases increased 2.2 percent in 2014 from a year earlier to 319,389 units, the first gain since 2010, according to data compiled by the National Statistics Institute. That’s still far below the peak in 2006, when 955,186 properties changed hands.

Spain has 1.4 million excess homes, according to Madrid-based property consultants R R de Acuna y Asociados. Yet cranes and builders are reappearing in areas such as big cities and coastal areas as the oversupply shrinks, according to Dario Fernandez, head of residential properties and land at Jones Lang LaSalle Inc. in Spain.

“We are basically seeing demand for first homes from Spaniards in Madrid and Barcelona and demand for second homes in coastal areas from foreigners,” Fernandez said in an interview. “People are confident that economic risks in Spain have disappeared, but prices are still very low.”

Sunny Coasts

Buyer interest is so high in coastal areas such as Marbella that international funds are now looking to buy land plots and build homes with local partners, Fernandez said. There are currently around 400 units under construction in Marbella, the most in six years, he said.

Sareb, Spain’s bad bank, sold plots of land to Minneapolis-based private-equity firm Castlake LP in June from a portfolio that includes sites ready for construction in Madrid, Barcelona and on the Spanish coast, two people with knowledge of the matter said.

NH Hoteles SA, Spain’s largest publicly traded business hotelier, in October sold its 97 percent stake in Sotogrande SA, a developer with Spanish property assets including development land, golf resorts and

hotels, for 225 million euros. The buyers were Orion Capital Managers and Cerberus Capital Management LP.

Total investment in Spanish property jumped to 17.8 billion euros last year from 4.9 billion euros in 2013, according to data compiled by Irea. The Madrid-based debt-restructuring firm has advised on 32 billion euros of refinancing and 8.2 billion euros of real estate transactions in the past two years.

Leverington said he will visit Murcia in June to get to know the area and, if all goes well, close a sale.

“I’ve already been in touch with a few estate agents and aim to hopefully come away with an offer on the table,” he said. “I don’t want to wait much longer, as soon as there is some good news, the market will gain momentum and I don’t want to get priced out.”

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