

# in Spain

## Catch-22 on the costas

### Behind the news

**B**ritons seeking Spanish sun have long been enticed into buying property by the Mediterranean and Marina d'Or appeared to offer it all — affordable homes on the Costa Azahar near Valencia, a world away from the concrete jungle of the Costa del Sol (Graham Keeley writes).

Alas, the name, translated as Golden Port, was all that glistened. Marina d'Or was a virtual ghost town, evidence of a building boom that went bust. Now the owners of Spain's spreading urbanisation — mostly banks and savings banks — cannot get rid of those "dream apartments" by the sea.

Marina d'Or is symptomatic of the housing glut crippling Spain's banking system. Estimates of the number of houses unsold vary between 300,000 from the Housing Ministry to 1.2 million from property analysts.

A report from the property analyst R.R. de Acuña leans towards the 1.2 million estimate and indicates that demand for houses is between 260,000 and

## €17bn

Spain's projected banking shortfall  
Source: Moody's

280,000, meaning that the remaining one million will remain unsold.

Until people start buying houses again, developers that built the homes cannot settle their debts with the banks. But with unemployment at a record 20 per cent and government cuts denting consumer spending, Spaniards and the foreigners who bankrolled the boom years are unlikely to be in the market for a villa on the costas.

Latest official figures underline this depressing picture. Housing sales fell in October — for the second month running — by 17.7 per cent on the previous October, according to INE, the national statistics agency. The decline follows a trend that began in September, when house sales fell 4.1 per cent over the same year-ago period.

The fall reverses a rise in sales for the first ten months of the year, when sales rose 8.9 per cent over the same period in 2009.

In the present economic climate, banks are reluctant to lend, even to those who want to buy. "Without credit there is nothing," Fernando Rodriguez de la Acuña, a property analyst with R.R. Acuña, said.

It is Catch-22, Spanish style. The country's economy entered recession at the end of 2008 as the global financial crisis hastened a correction already under way in the construction sector — the driver of more than a decade of economic growth.