

ABROAD OUTLOOK



DO you want a quick snapshot of the state of European housing markets? Then look no further than the annual review from the Royal Institution of Chartered Surveyors. Its overall verdict on 2005 was that it was a strong year for EU property markets. With European house prices likely to slow this year, however, the report — written by Professor Michael Ball, of Reading University — contains some vital words of caution. Wise investors should put down their glossy brochures at once and read on:

■ The European Central Bank (ECB) raised eurozone rates last week for the second time in four months. After 2½ years of sticking at 2 per cent, the base rate now stands at 2.5 per cent. This may sound piffling compared with our own base rate of 4.5 per cent, but it is all relative. If the ECB follows expectations and raises interest rates further, the impact on European housing markets could spell the end of the boom that some EU countries have been experiencing. Professor Ball's advice is to study eurozone rates: "It sounds like small rises, but in quite a lot of countries you can get mortgages for 3.5 per cent. So when rates start to go up by 1 per cent, that is actually putting quite a lot on people's borrowing."

■ Second-home markets around the Mediterranean ran the highest risk of price falls, the report says. A weaker economy in some areas popular among British buyers — Greece, Italy and

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Portugal — meant negligible house-price growth in 2005. France and Spain had double-digit increases, but the rises were lower than in 2004. The report says that interest-rate rises and high building levels may slow further house-price rises in Spain.

■ Price rises were moderate in the UK, Switzerland, Austria and Germany, but house-price inflation accelerated in Estonia, Denmark and Sweden, where rises were in double digits (see the graph below).

■ An astounding 60 per cent of new mortgages in the Netherlands have loan-to-value ratios (LTVs) of more than 100 per cent. The average LTV ratio for new mortgages there is 113 per cent. If interest rates rise this could pose significant problems for borrowers who are already stretched.

■ Estonia had the highest rise in house prices last year. But Professor Ball says: "Should you be rushing off after the horse that won the last race? It might be tired by now."

■ Buyers should watch out for exchange-rate fluctuations. "A risk with countries in Central and Eastern Europe is exchange-rate instability: it is not just a case of taking a view on the housing market, it is also taking a view on the economy."

So where is the safest place for investors to put their money? Professor Ball's retort is unequivocal: "In a building society or a bank account. There is never a safe place in the residential property market. If you are just simply looking for capital gain on a fairly short-term basis, property is not a safe plan."

He adds: "It is very difficult to predict the future. Now there aren't those little quiet corners of Europe that haven't been touched by somebody with an eye for a return."

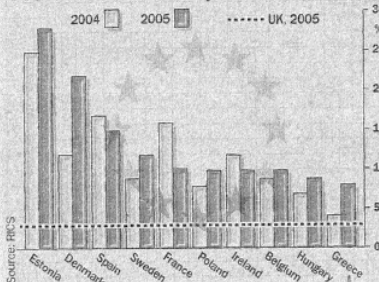
One thing that Professor Ball is sure of, however, is this: there are no signs of a crash in the property market on the horizon.

LUCIA ADAMS

RICS European Housing Review 2005: www.rics.org
www.timesonline.co.uk/overseasproperty

Broker or bank? In tomorrow's Times Money, Magnus Grimond explains how best to transfer sterling overseas

TOP MOVERS: House price rises in Europe



WHERE TO BLOW THAT BONUS

Did you get a bumper City payout this year? Mary Gold suggests a few places to splash that cash overseas

FAT City bonuses have been good news for estate agents selling expensive homes abroad. Property experts have quickly realised that there are a lot of financial workers out there with much refreshed bank balances who may be in the market for a home overseas. In some cases, they could be adding a second or third home to their property portfolios.

About £7.5 billion has been paid out in City bonuses for the 2005-06 season, with some topping £1 million. The average is £23,000, according to the Centre for Economics and Business Research.

"We're doing very well actually," admits Naomi Greatbanks, of Savills International, which has started taking out full-page advertisements in *Trader Magazine*, which goes to all the big banks and companies in the financial sector.

Barbados is particularly popular with City workers, says Greatbanks, as are the South of France and Marrakesh. "They like the weather, the year-round letting potential and the good capital returns on their investment — and a golf course is crucial."

So what kind of overseas homes do those people buy, and are they different from other buyers? The answer is yes, according to Rufus Gobat, of the London-

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based firm Prestigious Properties. "Their tastes are very simple — they like the best," says Gobat, who recently sold two £800,000 homes at Cap Maison, an exclusive boutique resort of 19 apartments on the northern tip of St Lucia, to two City fund managers. "They want the houses with the best views, top-of-the-range bathrooms and kitchens, even if they don't cook, and plasma TVs in all the rooms."

Gobat reckons the rivalry that City types enjoy in the dealing room extends to shopping expeditions when they go abroad to look at houses. "One person says, 'OK, I'll have it', and then his or her mate wants one just as good, or they will feel left out."

It was a similar story at the Duchally Country Estate at Glencraig in Scotland and at Trentham Manor in Cornwall, where nine hedge fund managers turned up on all-male golfing weekends and ended up buying nine luxury lodges from CLC Country Homes. Alida Melaragni, CLC's sales manager, said: "Three of them bought properties, then it was eight, and by the time they left all nine had bought."

Georgina Richards, of Knight Frank International, says the big hitters tend to fall into two categories — those who want to be seen and those who don't — and choose their place in the sun accordingly. "They either want to eat and be noticed in all the right places and the right restaurants, in resorts like St Tropez, or they want total privacy for themselves and

their families somewhere like Mustique, an island which is always at a premium."

Richards says that the Algarve, which has fallen out of fashion except for golf nutters in recent years, is back in again, but only along the west coast.

She also says that workers in the financial sector, unsurprisingly, are careful about where they invest. "They don't buy in Africa or in Eastern Europe because they see those places as politically unreliable. The younger buyers also tend to spread their investment, buying a few smaller properties instead of one huge expensive one."

So what's around to buy if you've got big bucks? Bricks and Mortar offers a few suggestions:

ST LUCIA: FIREFLY (£3.5m)

Tiny St Lucia, once a poor relation to Barbados, is one of the rising stars of the Caribbean property market. It has low crime rates, good restaurants, friendly people and excellent beaches.

This striking turquoise and white villa, built only five years ago, has six bedrooms and air-conditioning throughout. There's a huge atrium inside, which seats 12, a good-sized pool tiled in Italian mosaics, and a vast wraparound outdoor terrace, where you can sit and admire the view of Pigeon Island. There's also a good hotel near by — Le Sport — which is handy if you cannot be bothered to cook.

Details: [Prestigious Properties](http://PrestigiousProperties.com)
020-8812 4734,
www.prestigious-properties.co.uk

MAJORCA: CASA DOURO (£2.69m)

The island is a perennial favourite with British buyers, although an estimated third of all properties on the island are German-owned. We like Majorca because it is only a short flight away — great if you have small children.

Casa Douro is a restored finca in landscaped gardens overlooking the Santa Ponsa golf course. It has a large beamed sitting room, five bedrooms, five bath-

rooms and a large guest or staff annexe. There is also a lovely courtyard at the back, with a fountain, a large barbecue and private access to the golf course. Details: [Knight Frank International](http://KnightFrankInternational.com), 020-7629 8171, www.knightfrank.com

SWITZERLAND: SUN BROOK CHALET (£417,000)

These wooden houses are terribly pretty — they look like one of those music boxes we brought home from Switzerland as children. There are only 12 of these lodges being built in the village of Zweisimmen, in the heart of the Bernese Oberland, which has plenty of tempting shops, bars and restaurants.

The company behind the project is At Home in the Alps, and it says that every house will be different, according to what each buyer wants. Work begins this month, so you will have to buy off-plan, but they will be ready in time for next year's snow. There's also an outdoor swimming pool. Brrrrr...

Details: [Chesterston](http://Chesterston.com) 020-7201 2070,
www.chesterston.co.uk

THAILAND: TRISARA VILLA (£1.4m)

Thailand is a fair old slog, so this house is probably more suited to couples without children. It is on a development of 18 houses, built in traditional Thai style in a tropical forest, overlooking a white sandy beach and the Andaman Sea. The layout is unusual, but imaginative, with a large living room, dining room and four bedrooms, all with sea views and linked by garden walkways. There is a large deck, a private pool and a five-star hotel near by. Details: [Indigo Real Estate](http://IndigoRealEstate.com), 020-7095 8702, www.indigore.com

FRANCE: VILLA PROVENÇAL (£352,000)

This should not dent the bonus too much, should it? These very pretty hespoke villas, built in traditional Provençal style, are dotted around the Var region, which is in the hills behind St Tropez. You choose how many bedrooms you want, go and look at a few villas that have been built already, and then place your order. Bricks and Mortar has seen these properties and the finish is good — wrought-iron balconies and stone staircases, and the price includes landscaping.

Details: [Place In France](http://PlaceInFrance.com), 023 92832949,
www.aplaceinfrance.co.uk

BARBADOS: VILLA ST LUCY (£4.37m)

This is an amazing house that stands, appropriately enough, on Flamboyant Drive, overlooking the 18th hole of the Royal Westmoreland golf course. It has seven bedrooms on three floors, a glass atrium over the entrance hall, a very large sitting room and a dining room with a pickled pine ceiling. All the bedrooms are en suite and three have balconies overlooking the sea. There's a 55ft oval swimming pool, landscaped gardens and a waterfall. Details: [Savills International](http://SavillsInternational.com), 020-7016 3740, www.savills.com

FACTFILE

These companies also specialise in homes overseas:

- **Premier Resorts** has new homes and shared ownership properties in the Caribbean, Canada, Portugal, Spain, Marrakesh, Cyprus, France and Italy (020-8940 9406, www.premierresorts.co.uk).
- **Erna Low** sells ski homes in America and Canada as well as luxurious beach spa properties in Mauritius and the Caribbean (020-7590 1624, www.ernalowproperty.co.uk).
- **Collier CRE** offers properties worldwide, including Australia, New Zealand, Canada and Europe (020-7457 1978, www.collierinternationalsales.co.uk).