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Financial Planning

SPANISH PROPERTY – NOW IS THE TIME TO BUY!

The Spanish property market, like others, especially around the Mediterranean, is prone to 'boom and bust' due to its reliance on overseas demand for holiday homes and investment speculation. This 'bust' that we have now is not the first and neither will it be the last. In the last 30 years Spain has witnessed 5 real recessions that has had a negative impact on property values each time albeit to differing degrees.

But that does not make it always a bad risk; the surprise is that property appreciation has given rise to an annualized growth of circa 4% in that same period so it is really down to 'when' you buy rather than 'whether' you buy! The market always comes back; it's just a question of how quickly and strongly.

And the demand for Spanish property will not diminish; on the contrary recent research has shown that in the UK, as an example, an increasing number of folk are determined to move to the sun and Spain remains the No. 1 attraction. Now it is a question as to when the confidence in the global economy and property markets return to prompt the continuing stream of Ex Pats, especially from the UK, moving to better climes.

And timing is important! But not always critical, especially when you are buying long term, Sure, if you were buying today to sell in a couple of years, the possibility of continuing low values for a number of years would be a worry. But most purchasers do not buy for the short term; that is the domain of property speculators and they won't return to Spain for a while methinks.

But long term, with property prices so low and with the amount of discounting and reposessions available, it is difficult to see why now is not the time to commit. Firstly, you have the potential of buying a property today some 30-40% less than it was a year or two ago. Secondly, mortgage rates in the Eurozone are at a historical low, circa 3% only, and that trend is not going to change for a number of years. No property should really be bought for 'cash' irrespective of personal circumstances as a mortgage offers significant protection against certain risks and tax exposures that we see in Spain that, as an example, do not apply in the UK. And the concern of the Euro/Sterling exchange rate is partially overcome by borrowing in Euros. Why inject cash and take on risk when it can largely, if not totally, be avoided by taking a mortgage?

Buyers today and over the next 12 months will probably be viewed as the brave ones, but it is they who will show the greatest returns in the years to come.

Mark Mountney, the proprietor of Rose Financial Planning, is a specialist mortgage brokerage and Independent Financial Advisor. He is a fully qualified mortgage and financial adviser in the UK with some 10 years experience in managing his own firm. Mark was also a founder of The Association of Mortgage Intermediaries, the trade association for mortgage advisors in the UK with 28,000 members. See www.rosefp.com or call 0034 677 874 948.