

Euro Real Estate To Fall In 2006

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Some areas of Europe popular with second home buyers could see property prices fall by ten per cent or more in the year ahead, according to overseas property specialists Tribune Properties.

2005 saw the first signs of a property slow down, and even the reverse of sharp gains in holiday home prices over recent years in Spain and Portugal.

With owners unable to sell their property likely to drop their asking prices in 2006 to secure a sale, buyers will be in their strongest negotiating position since the mid to late 1980's when prices dropped by nearly a third on the Spanish Costas.

Europe's worst drought in living memory had an affect on the markets in Spain and Portugal earlier this year, with many would be buyers wondering if they would be able to use their pool in years to come, with consequential rentals possibly tailing off.

'Some buyers rely on renting their holiday home out as they take out a mortgage to buy', says Roger Munns of Tribune Properties, 'and if they can't rely on this it creates doubt as to whether to buy or not. Some buyers were taking the view that they should wait to see what happens'.

But it isn't just the possibility of more droughts and unreliable rental income that is beginning to see prices drop in some areas, according to Tribune Properties.

The emergence of new European markets in the former Eastern Bloc has seen British, Dutch, Belgian and German buyers head for countries like Bulgaria where apartments and houses can be bought at a fraction of the price of Spain and Portugal.

'Second home buyers are seeing properties offered in Bulgaria at less than half the price they thought they would need to own a home overseas, and the traditional markets of Spain and Portugal are losing out.

Already we have seen villas in Menorca drop in value by around ten per cent, and they could, and probably will, go lower still.

In addition the rate of new builds on the Costa del Sol and Costa Blanca hasn't slowed down to any great degree, and before long there could be a price correction as there is going to be quite an oversupply in the market.'

European Tax Havens

In contrast to lower prices on the Spanish Costas and Menorca, Tribune forecast that prices on the Algarve and Malta are likely to stay steady or increase as their domestic markets are strong.

The two countries they see in Europe with growth potential for 2006 are the tax havens of Andorra and Monaco.

Monaco and lesser known Andorra both offer no income tax for residents, and Andorra has seen double digit property price inflation for the last two years, with the 2005 figures likely to match. After a slow start to the year Monaco has seen strong buying in the last quarter.

With the new government in Germany increasing the top rate of income tax, Tribune forecast demand continuing through to 2006.

‘Andorra and Monaco are small countries with little room to build new property’, says Tribune’s Managing Director Roger Munns, ‘Despite the German economy being slow for the last few years it remains a very important market. The raising of the top level of tax will mean more Germans seeking residency in a country with low tax levels. Andorra and Monaco are the two most likely candidates for them to buy in and take residency’.

Tribune’s advice to potential overseas property buyers is to find out how long a property has been on the market for, and to make provisional offers of between five and ten per cent off the asking price on a shortlist of three or four properties as one owner is likely to accept. Their longstanding advice is to always employ an independent lawyer to handle any sale and deposits.

Tribune properties produce a guide for Monaco and Monte Carlo, including the weather, a Monaco map, hotels and the Grand Prix at www.yourmonaco.com

For a guide to Malta, including hotels, holidays, self catering holiday villas and apartments, a map of Malta, flights, the weather, car hire and details of Malta’s main towns of Valletta, St Julian’s, Sliema, Mellieha, St Paul’s Bay, Qawra and Bugibba visit www.yourmalta.com

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