

"Happy days are here again" is what estate agents are singing in Hong Kong, South Korea and Switzerland where property markets are booming, but there's a still lot of pain around. TEXT: RICHARD WARREN



PUTTER PAD

From the 1970s to the 1990s, Boracay island in the Philippines was a backpacker's paradise – all bamboo huts, empty beaches and long-haired Europeans windsurfing. Since then, the seven-kilometre-long, dog bone-shaped island has become one of the planet's top holiday destinations and was voted by Yahoo to have the world's best beach in 2007. Hotels and a golf course have appeared, causing backpackers to mourn the loss of Boracay to mainstream tourism and find another pristine utopia to call their own. Golfers, however, may decide to stay in Boracay – those who want a permanent base on the island can buy homes at Continent Fairways, a new golf apartment-hotel being built by Paradisya Land, where prices start at Dhs404,000 for studios. As corporate members, residents can play on the 18-hole golf course and use club facilities.



SPAIN'S GROWING PAIN

Holiday home buyers who pull out of buying a Spanish property are being pursued in the courts by the developers. Even though sales contracts allow buyers to withdraw, Spanish developers are trying to use a local law to make them complete the deal. Some Spanish builders are threatening to pursue overseas buyers in their home countries too, but British lawyers DWF assures buyers they cannot do this until the Spanish legal process is completed. The firm says it could be four years before the Spanish courts pass judgment, by which time many struggling Spanish developers could go bust. And holiday home buyers may have good reason to dip out of deals. Spain's Ministry of Housing says prices are 8.2 per cent below their spring 2008 peak and consultancy Capital Economics forecasts further falls of up to 30 per cent, because of the country's huge oversupply of empty homes.



SWISS PLEASED

According to The Top Ten Most Expensive Streets in the World, a survey by Wealth Bulletin, Via Suvretta, in the Swiss ski resort of St Moritz was the only street listed where prices rose for top properties over the past 12 months. Ranked sixth on the list, a home on this street costs at least Dhs165,000 per square metre, an 18 per cent increase on this time last year. Prices have been pushed up by an influx of tax exiles from London, including so called non-doms – wealthy foreigners who have lost their privileged low-tax status in Britain. Many Britons are joining them since the British Government started raising taxes for all wealthy individuals, says estate agency Chesterton Humberts and London property consultant Charles McDowell. As for the world's most expensive street, that's in Monaco – a home on the principality's Avenue Princesse Grace costs Dhs441,000 per square metre.



REDUNDANT LANDLORDS

Well-to-do individuals losing their jobs in Britain are increasingly investing redundancy payments in property. A survey of finance professionals shows one-third of them would invest their redundancy money in property if they lose their job. Also, the Young Index shows a growing number of existing buy-to-let investors will pour more money into property over the next year, while pension funds are planning to build entire blocks of build-to-let homes to cater for Britain's growing army of tenants. That tenants are able to pick and choose between large numbers of empty rental properties at the moment and that rental returns continue to fall does not appear to faze investors. Neither does a warning from tenant referencing agency HomeLet, which says that the number of tenants defaulting on their rent is likely to "soar", because of Britain's growing unemployment problem. Jobless landlords chasing jobless tenants for unpaid rent could be a new phenomenon in 2010.



BUYERS' BARGAIN

Buying agents are becoming cheaper. Unlike estate agents, who represent the interests of sellers, buying agents help purchasers. Buying agents are already widely established in the United States and Australia, but in Britain, they have previously been a luxury only the rich can afford. To widen their appeal, a new service called The Buyers Edge has been launched. Under this scheme the usual upfront fee, sometimes as much as Dhs4,250, is waived and a finders fee is paid only if the agent negotiates a lower sales price on a property – this fee would be one per cent of its value and a percentage of the saving made. Meanwhile, the international reach of buying agents continues to grow: Quintessentially Estates, which helps clients buy and sell property at the top end of the market, opens branches in Greece, Turkey and Japan this month to add to its six existing offices across the world.



THE TROUBLE WITH BUBBLES

Property cycles in many parts of the world may be J-shaped, V-shaped or W-shaped, but in Hong Kong it defies all letter structures. Here, the zig-zag lines that appear on an earthquake detector graph are more apt, because its property market goes up and down so fast and to such extremes. The 20 per cent rebound in property prices since the start of the year has wiped out the losses incurred in 2008. Some commentators are sanguine about this, but others fear a bubble may be forming. Mortgage brokers say demand is being fuelled by investors with unrealistic expectations of future gains who have ignored Hong Kong's deep recession and unemployment problems. Its economy is forecast to contract by nine per cent this year. Should that become 10 per cent, then Hong Kong would officially be in an economic depression. Expect more fluctuations.



FROM BUST TO BOOM

Korea's bust has turned to boom. Property values in Seoul leapt by as much 55 per cent in the first half of this year as Koreans rushed to buy homes again. The turnaround is all thanks to a Dhs315 billion government stimulus package, lower capital gains tax and new rules to encourage reconstruction of older buildings, combined with record-low interest rates. Speculators are targeting older, low-rise blocks that may be bought by a builder for redevelopment. This follows the government's decision in November 2008 to raise the floorspace-to-land ratio to 2.5 times from 1.9 times, allowing developers to replace older buildings with more profitable high-rise blocks. Boosting confidence is news that the economy started growing again this year, albeit by only 0.1 per cent in the first quarter, after contracting sharply by a 5.1 per cent in the last quarter of 2008.



NEW ANCESTRAL HOMES

It's not all bad news in the United States. Construction projects may be on ice in many places and homes may be being repossessed and sold for a pittance, but there are still some people around with money to burn. In Chicago, British-based architects and project managers Janine Stone will build a Palladian-style mansion overlooking a golf course for a Bulgarian businessman who has made millions from the Nigerian oil trade. Costing in the tens of millions of dollars to build, the architects call this house a "legacy home", as it is intended to be passed down to future generations of the owner's family – a modern-day version of an ancestral home. Other projects in Chicago have not been so lucky. The 'Chicago Spire', which, if built, would become the world's tallest residential tower, remains a hole in the ground nearly two years after sales marketing started.