



European Property Hotspots 2019

Are you planning to buy property in Europe for a holiday home, lifestyle change, or as an investment in 2019? Here are Halo Financial's Top 12 predictions for European property hotspots in 2019, including favourites with British property buyers, France, Spain and Portugal. Which is your top choice?

Alan Williams, Business Development Manager, Halo Financial

With a New Year approaching, more British expats are looking to buy property and move abroad for a better lifestyle. At the same time, property investors are searching for competitive returns in Europe's top housing markets.

Spain, France and Portugal top choices

Spain, France and Portugal are the most popular countries with Halo Financial clients who are exchanging currency in order to buy or sell their property in Europe.

Demand for second home properties in the USA is also strong, despite political change, according to research from a number of top agents.

With the Brexit blues well and truly kicking in, many Brits are considering making the move to Europe, with Spain, France and Portugal the top destinations, for reasons of lifestyle, weather, ease of travel, cost of living and quality of life.

At the same time, property investors are searching for competitive returns in Europe's top housing markets.

Beware changing currency exchange rates

Louisa Northey, overseas property specialist at Halo Financial (www.halofinancial.com), says, "Often, the popular European resorts coveted by retirees and holiday home owners are valued by property investors, who know that capital gains and rental income are likely to be high.

"When buying or selling a home in Europe, it is always wise to look in to the different ways you can make the most of your international payments. It pays to speak to a currency specialist and stay on top of the latest currency exchange rates, as you can save significant amounts and protect any important currency exchanges you need to make between Sterling and Euros."

Halo Financial's Top Ten European property hotspots

Halo Financial has identified ten European property hotspots for 2019, where we are seeing expats looking to move, buy holiday homes and purchase investment property.

Spotlight on Spain

Property demand in Spain is rising – boosted by a growing number of international buyers. There were 352,768 older properties sold in Spain in the first eight months of the year, up 11% over the same period in 2017, according to data from Spain's Institute of Statistics. Funnily enough, there was a similar rise in new home sales, up 12% annually to 62,318. That is the equivalent of 18% of total sales, a similar proportion to a year ago. In addition, a record number

of foreigners are purchasing property in Spain. From January-June 2018, there were 53,359 sales to non-Spaniards, the highest figures since record began in 2007, according to Spanish notaries. Britons head demand, with 7,613 sales, up 8.8% year-on-year and a total share of 14.3%. The French are second on 4,211 sales, down 4.6% on Quarter 1 2017, with German buyers just behind with 4,138 sales, down 2.1% annually.

The top three nations showing the biggest increase in sales are Morocco on 28.8% year-on-year, Ireland on 24.7% and Denmark with a rise of 18.2%. Spain benefits from warm weather, an affordable lifestyle and cheap flights from destinations around Europe. Here are some leading property destinations.

Sandy Peterson, Independent Financial Adviser with Haven Financial Advisers¹ in Mallorca, said, "With construction only representing around half of its previous weight in the Spanish economy, exports up, and both economic growth and unemployment improving, this paints a very rosy picture for the future of the Spanish economy. Most market commentators would agree that the tide has turned and Spain is on the up."

Mallorca

Mallorca has been a long-time prime property hotspot, thanks to its wonderful weather, spectacular coastline and mountain scenery and a choice of luxury homes. In fact, the *EuroWeekly* website² calls it the perfect place for a second home. Foreign buyers are very active in the market, led by British and German buyers.



According to the *Mallorca Daily Bulletin*³, in 2017 almost 40% of the total properties sold in the Balearics went to foreign property buyers; of those property sales, around 10% were over €450,000. City life on the islands is also becoming more popular, offering home buyers the best of both worlds: the buzz of a city like Mallorca's capital, Palma, with beautiful beaches and the more laid back island lifestyle. The number of

luxury properties bought by investors in Mallorca has also gone up considerably in 2017 and 2018.

Mallorca is the main island in the Spanish Balearics. The capital of the island and the Balearics, Palma de Mallorca, is in southwest Mallorca. Property prices across the Balearic Islands rose 8.4% in the year to Quarter 2, 2018, according to the most recent data from national statistics specialist, INE⁴.

Kian Khaleghian of Von Poll Real Estate⁵ with 320-plus locations internationally and six in Mallorca, says, "You have all the amenities that come with living on an island of a million inhabitants, many of whom are English and/or German-speaking. The Island benefits from state-of-the-art hospitals, historic sites, plenty of art and cultural events, an immense variety of world cuisines and according to *The Telegraph*, the best fibre optic internet speeds in Europe.

"With many famous golf courses, numerous international schools covering the American, British, French, German and Spanish curriculums, Palma also won the Best Place to Live in the World according to *The Sunday Times* (UK) in 2015."

The leading luxury lifestyle magazine, ABC Mallorca, refers to Puerto Portals as "the place to see and be seen during the summer where you're more than likely to catch a glimpse of a few famous faces" including Hollywood stars, business titans and sports legends. Local agent, Redhawk Real Estate International⁷, says although new construction levels remain relatively low compared to a decade ago, Mallorca and Palma, in particular, experienced a new influx in 2018, which could lead to apartment price reductions in 2019.

Managing Director, Nidya Melone, explains, "The successful undertaking of apartment complex construction in Palma's centre in 2017 targeted a niche market of non-resident buyers interested in low maintenance, well-appointed and centrally located apartment units in the range of €500,000-€1 million.

"Continuing this trend, 2018 has seen several relevant new developments in the Bonanova and Nou Llevant areas, just to mention a few. These state-of-the-art apartment complexes with amenities such pools, spa and green garden areas, add several hundred residential and commercial units to the local property market in the next five years. At the same time, developers complement the local government's plan to re-design the east end of Paseo Maritimo into a pedestrian-friendly and year-round shopping destination.

"To sum up, in the next few years visitors and residents alike will experience a new layer to Palma's real estate market and the beginning of the expansion of Palma's Old Town shopping district to the east side. The local real estate market supply side increase coupled with the new government restrictions

regarding apartment holiday rentals, will most likely encourage a market price adjustment in the city's apartment property market pricing in 2019."

Murcia

Property sales in and around the university city in South Eastern Spain have grown by almost a quarter during the first nine months of 2018, the fastest growth in Spain. Government figures show there have been 12,536 sales until the end of September, up 24.1% on the previous year and the highest rise in the country. Market experts believe the strong demand is set to continue into 2019 and the area is very popular with British buyers. Around a quarter of sales in Murcia go to foreigners and an overwhelming 57% of those home sales involve Britons. That means that one in six properties in the Murcia region was bought by Britons.



As well as having high property ownership figures, Britons have accounted for around 42% of tourism spending in Murcia in the first nine months of the year. The next highest foreign property sales go to Germans on 11%, according to figures from Spanish notaires for the first half of the year. The new Murcia International Airport at Corvera is due to open in January 2019, which is likely to open up more flight options for European travellers, including low-cost routes from the UK. Whenever new flight routes are launched, property sales usually increase.

Málaga

Málaga is a top holiday destination and so it is ideal for those looking to buy property to bring about a lifestyle change or to retire. Being a popular destination, property prices are increasingly strongly. In fact, values rose 18.8% in the year to October 2018, according to the Idealista website⁸ – and they are set to continue rising into 2019, market experts believe. In 2018, the regional capital is set to top the 19,464 sales in 2007, the last market peak before the global financial crash. Despite strong property price rises, apartments can still be found in Málaga at under €175,000. If you are

looking for rental options, then Málaga is worth consideration. Rents have risen 11% in the year to October 2018, bringing the highest returns in Andalusia with an average of €771 per month and the sixth highest province in Spain, the latest figures suggest.

Madrid

For the year to October 2018, property prices in Madrid rose 19.2%, faster than any other part of the Spanish mainland, according to the latest data from the Idealista website. Agency, Anticipa Real Estate⁹, estimates that the market will continue in that vein, increasing 11.9% in 2019. In some popular areas of the city, houses have already exceeded the previous peak of 2007.

As you would expect, Madrid is a top target for international buyers and investors. In the first six months of the year there were 4,911 property sales to foreigners, an annual increase of 5.4%. Madrid property is now close to its peak values of 2007. Property buyers also show a high degree of contentment with their purchases. According to a study¹⁰ from Spanish developer, Vía Céleres, 91% of respondents were happy with their Madrid home. There is strong demand for rental property in the capital, with the price per month rising 13.2% in the year to October 2018. The average monthly rental price for the first nine months of 2018 was €3,279, according to the Lucas Fox agency¹¹, significantly higher than in Barcelona.

Valencia

Property sales, foreign demand and rental prices are all soaring in Valencia, which is a popular choice for those who desire a sought-after Mediterranean lifestyle.



According to the Idealista website, property prices rose 16.1% in the year to October 2018. Nearly one out of every three sales in the region goes to foreigners and sales are also growing rapidly, up 16.7% year-on-year. It the same for rental returns in the city, which are up 10% at the end of Quarter 3 2018, while the sought-

after area of Puerto de Sagunto saw rental values rise by 21%, according to Idealista. Demand is rising rapidly, with agent Lucas Fox Valencia seeing an annual rise of 76% in rental transactions in the first nine months of 2018. Prices average €1,816 per month, nearly half of those in Madrid. Most foreign rental clients are either from the United Kingdom or the United States.

France still a favourite

French house prices have been strengthening during the last few years, with 11 consecutive quarter of year-on-year price increases. They are now at their highest level for seven years, according to National Institute for Statistical and Economic Studies (INSEE) figures. What is more, they are set to rise from 2%-3% in 2019, the real estate agent body, FNAIM¹² predicts.



Ratings agency Standard & Poor's makes a similar estimate of around 2%. In 2017, one in four foreign property sales went to Britons, followed by Belgians on 18.4%, the Swiss on 8.1% and the Germans on 7%. That is according to data¹³ from mortgage specialist, BNP Paribas. What is interesting is that the Brits tend to look for more bargains. The average foreign buyer spends around €300,000 on their home in France. However, Lebanese buyers fork out more than double that at €726,476, while Norwegians spend €546,609. Britons, by comparison, spend €252,219. With France expected to attract a record 90 million tourists in 2019 and 100 million the year after, there is plenty of demand for holiday home rentals. According to French Notaries¹⁴, based on pre-contracts, apartment prices are estimated to be rising at 3.9% and houses by 3.3% in November 2018.

Paris values are predicted to be up 3% to €9,570 per square metre. The national annual increase in prices is expected to remain unchanged at 6% in November 2018. The annual rise in prices should then level off at around 5% or apartments in Greater Paris, and 5.6% in the nearby suburbs.

In the French provinces, there is a predicted rise of 2.8% for apartments market and 3.2% for houses. In

the biggest cities, prices of older apartments should continue to rise by between 5% and 10% in Rennes, Bordeaux, Nantes and Lyon. They are expected to level off in Montpellier and Toulouse.

Ski properties soaring

French ski resorts remain ever popular with British buyers, with some exciting new property developments in up and coming resorts springing up and providing value for money¹⁵. Ski specialists, Erna Low Property¹⁶, have recently launched a number of new developments in three small village resorts that tap into the demand and amenities of the bigger, surrounding areas.

The resorts are Chatel, which links in to the Portes du Soleil – 650km of slopes; Vaujany, which links to Grand Domaine, including Alpe d'Huez and soon to be linked Les 2 Alpes – 475km of slopes; and Montalbert, which links to the Paradiski area of La Plagne and Les Arcs – 425km of slopes.



James Ross, Sales Director at Erna Low Property comments, "We are seeing interest in these three ski resorts from savvy investors who want a more discreet village base, where the properties are excellent value and still offer great doorstep skiing."

Nantes

Nantes is called the 'Venice of the West' due to its many islands and waterways. It has a rich culture, history and art, including the 12km-long urban trail, Le Voyage à Nantes¹⁷. Voted one of the best cities in France for lifestyle, family and student living, Nantes is a popular choice for house hunters. It also has excellent rail and direct flight links with the UK, including budget airline deals. House prices average around €268,000, an annual rise of 0.8% to the second quarter of 2018, according to the French Notaries¹⁸. Meanwhile, average apartment prices are at under €2,830 per square metre, up 5.4% a year. Nantes has been named among the best French cities for investment property by the Figaro Immoneuf website¹⁹.

Lyon

France's third largest city and a top target of executives looking to move from the hustle and bustle of Paris, according to research²⁰ from the Cadremploi recruitment website. It is also one of the employment hotspots in France. In turn, property prices are rising strongly, with apartment values up 8.5% year-on-year to €3,840 per square metre, according to Notaires de France data for Quarter 2, 2018. This is less than half the price in central Paris. The average price of older houses in €324,300, an annual rise of 4.6%.



With a population estimated at over 500,000 in the city and continued population growth, property is set to continue to be in demand in 2019. Lyon is popular with students, having been voted the top study destination. It already attracts 150,000 higher education students, which brings rental property opportunities. The city's Lyon-Saint Exupéry Airport plans to double its runways to four and already handles more than 10 million passengers a year. It was named among the world's most beautiful airports by the BrightSide website²¹. Lyon's train station is set to almost double its capacity by 2030. Lyon has been included in the list of best French cities for investment property, published by the figaro immoneuf website²².

Grenoble

Grenoble – the capital of the French Alps – somehow gets missed out on lists of the best cities in which to live in France – until now. It has just been named by real estate website MeilleurTaux.com and jobs site Jobijoba²³ as the number one city for living and working. The study examines permanent contracts, population and real estate prices in 20 large French cities.

Grenoble takes top spot mainly due to the strength of its employment sector, with 12.2 permanent contract offers per 100 inhabitants. But its competitively-priced real estate, at €2,615 per square metre, is also a major draw. Low-cost flights are available from the UK and if you enjoy skiing there are plenty of opportunities to

enjoy the slopes. Grenoble is just three hours away from Paris by high-speed train. It is also a 'green' city, with an eco-friendly transport system and over 40 parks and gardens.



Portugal a top pick

Portugal is the second-best country in the world for quality of life²⁴, according to the InterNations website. It calls Portugal "a family paradise with an excellent quality of life." Portugal is also ranked as the top European country and sixth worldwide for foreign nationals to live in. It's no wonder that Portugal attracts growing foreign real estate sales, boosted by the Golden Visa residency-for-property scheme.



Portugal is one of the top targets for overseas home buyers. In fact, its property market is currently the strongest in Europe. Property prices in 2018 are due to rise around 9.5%, according to data from the Standard and Poor's rating agency.

Strong rises are set to continue in future, with prices set to rise 7% next year, 6% in 2020 and 5% in 2021. Around 1 in 12 home sales go to foreigners, according to data from the Office of National Statistics (INE)²⁵. Non-nationals spent an average of €160,000, around 50% more than local buyers.

The leading foreign buyers are from France, Britain, Sweden, Brazil and China, although studies do not agree about which nationality leads the way. Around three-quarters of purchasers are over 55 years old. The majority buy apartments, according to data from Rightmove.

The Golden Visa scheme offers residency options to buyers of properties from €350,000 in rural areas or €500,000 in cities. In the first nine months of 2018, the programme has attracted almost €593 million in investment. Most permits have gone to Chinese applicants, followed by Brazilians and South Africans.

Porto

Portugal's second largest city has seen international investment grow over the last few years – helped by its thriving jobs sector, tech industry and student housing demand. In the three years to 2016, the number of jobs created by foreign investors has tripled, according to the PortugalProperty.com website. The University of Porto, which has been named among the best 150 universities in Europe, hosts more than 4,000 international students among nearly 32,000 studying there. As a result, there is a shortage of accommodation, which provides rental investment opportunities.



According to the latest market survey from RICS/Ci, house prices in Porto are still rising faster than in Lisbon and the Algarve. Standard & Poor's global ratings says prices rose 23% in 2018 to €1,379. "Nevertheless, the market overall remains affordable, with the price-to-income ratio still 7% below its long-term average." Returning to the RICS/Ci report²⁶, at the same time, a net balance of 60% of contributors expect house prices will be higher in twelve months' time.

The Algarve

This long-standing favourite destination for property buyers and retirees attracted for four in ten of all foreign purchases in the last year, according to INE data.

Reports from the Portuguese Association for Construction Companies, Public Works and Services (Associação das Empresas de Construção, Obras Públicas e Serviços or AECOPS)²⁷ agree. Demand from property often exceeds supply, so much so that buyers have been known to line-up to buy, according to the *Algarve Daily News*²⁸. There is currently a lack of supply.

British buyers lead the market, although purchases from Ireland, Holland, France, Germany and Sweden are also increasingly active. In the third quarter of 2018, Algarve property prices rose 6% according to the price index tracker from the Idealista website. The average price per square metre is €2,031.

Lisbon

Foreigners spend more on property in Lisbon than anywhere else in Portugal. The average spend is €276,000, which is more than €100,000 up on the national average, according to INE figures²⁹.



According to international agent, apartments typically fetch around €1,500 a square metre, according to the latest bank appraisals³⁰. But the increase is not putting off foreign investors. Prices still have some way to go to reach their peak values and are still 9.5% lower than in May 2010. European investors are looking afresh at Lisbon as one of the current investment hotspots, says a report from financial services company, PwC³¹. At the same time, property investors are searching for competitive returns in Europe's top housing markets.

Middle East investors are also interested in the Lisbon market, thanks to its strong record of innovation and trade, according to *Arabian Business*³². The additional spend is also reflected in soaring rental values. In the second quarter of the year, rental prices in Lisbon rose 17% year-on-year and 1.8% over the previous quarter, says the Confidencial Imobiliario website³³. Incredibly, this was the eighth consecutive quarter that annual

rates rose by double-digits. "This series of intensive rises in the last two years has put rents at an eight-year high, with the levels now reached 38% above those observed in 2010," says a Ci spokesperson. Lisbon property prices reached €3,067 per square metre in the third quarter of 2018 according to the Idealista website.

Buying your property in Europe

As with all international property decisions, it is wise to carry out detailed due diligence, consult with real estate and financial experts in both your home country and your target markets and consider currency exchange options.

Speak to a Halo Financial Currency Consultant for recommendations of trusted advisors to help you find and buy the perfect property, call today on +44 (0) 20 7350 5473.

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