

AGENTS FIX FX RATES AS THE POUND DROPS AGAINST THE EURO

currency, Euro, Galliard International, Titan Properties, Hacienda del Alamo Golf Resort, Bonnin Sanso, Martinez-Echevarria Perez Ferrero

As the Pound continues to perform poorly against the Euro, agents selling property on the continent are examining several ways of combating the problem and making their portfolio more attractive to buyers.

Last month the Pound fell against the Euro to its lowest level since the single currency's inception in 1995. It has since strengthened and currently, £1 will only buy around €1.26 compared to roughly €1.50 just 12 months ago. To put this in context, a property for sale in Spain worth €200,000 will now cost a British buyer £160,000 compared to around £133,600 this time last year.

In an effort to test the British market's willingness to buy overseas property in the current economic climate, Turkish specialist Galliard International is offering buyers a fixed rate of €1.45 to the Pound for this weekend only if they invest into phase two and three of its Horizon Sky Beach Resort in Bodrum, via its roadshow in London.

"We have sold phase one and two of this project in Euros as it seemed like the most sensible currency as it is the denomination that most of the Turkish construction industry buy its materials in and three years ago, it was looking increasingly likely that Turkey was going to join the EU," said Daniel Dias, director of Galliard International. "Nobody is quite sure where the UK buyer market is heading, so this is a way for us to take away the worries of currency fluctuations for them and see if it is that or other reasons putting them off buying in Europe at the moment," he added.

Same in Spain

Spanish-based specialist Titan Properties has also taken this approach and has fixed rates for buyers indefinitely on its properties to €1.4 to the Pound.

Andrew Benitz, director, suggested that UK buyer worries about the Euro are exaggerated and the hit taken by agencies taking this approach is negligible. "In a typical 20% - 80% payment scenario, the weakened pound would only affect that first 20% with a Euro denominated mortgage covering the final 80% and therefore no further exchange rate risk to bear, assuming rental income is in Euros and goes some way to cover the monthly mortgage payments. People are erroneously frightening themselves by adding 17% on to the full asking price falsely believing they have to find tens of thousands of Pounds more, whereas just a couple of thousand is more likely. A buyers' loss on currency exchange on a €200,000 property from €1.4 to the pound versus €1.26 is not £16,000 but just over £3,000."

Euro mortgages

In a bid to boost its flagging resale market, agents in Spain have been advising vendors to sell their property in Sterling to attract British buyers put off by the poor performance of the Pound against the Euro.

Although British buyers will face this problem anywhere that has the Euro, agents in Spain are particularly worried as the British buyer, once their biggest foreign investor, are not as active as before and some agents see this as another marketing tool to help draw them back in.

"It is something we are looking at," said Peter Whitehead, sales executive at Hacienda del Alamo Golf Resort. "However, most of the purchasers in this country have a Euro mortgage so it becomes less of a problem. For those that don't, or need a quick sale and a UK buyer is ready, then it is something to examine. It is another selling tool and it would definitely be a good sales vehicle."

One market where this is happening in greater numbers in Menorca which has one of the highest ratios of British owners across Spain. At present, 95% of transactions on the island are for resale property and 75% of the vendors are English.

"Categorically we have noticed a big increase and our last five sales in the last fortnight have all agreed to sell in Pounds Sterling," said Colin Guanaria, founding partner of Menorcan-based agency Bonnin Sanso. "It is a brilliant selling tool for agents as a lot of British buyers are unsure of the exchange rate at the moment or would just prefer to deal in Pounds."

Although it has been legal in Spain for many years to fix a contract in certain currencies before the sale, many agents are unaware of this option to give to sellers.

"It is normal procedure to fix the currency and rate of exchange before a sale and it can be specified in the contracts," said Patricia Laffitte, from Malaga law firm Martinez-Echevarria Perez Ferrero, "But there are not that many people that know this is available."