

Spain real estate sell-off eases

The sell-off in shares of Spanish real estate companies has eased after three days of falls that fanned fears of a possible property crash.

Investors had been selling shares amid worries of rising bad debts and speculation that one firm was buying its own properties to keep prices high.

Leading building firms Fomento de Construcciones and Sacyr saw their shares regain ground on Thursday.

But shares in leading builder Astroc continued to fall, dipping by 1%.

The concerns over the property market has raised concerns that overseas investors in Spain's property market, many of them Britons, could lose money.

Overvalued market?

Spain is one of the main destinations for Britons looking to move abroad or buy a holiday home as an investment.

"The real losers will be buyers who were after a fast buck and bought before properties were built, on overheated Costas as a short term investment," said Andrew Benitz of Titan Properties.

"The large national developers are going to have to respond by tightening their considerable margins and be more realistic when pricing their new developments."

Some companies have been offering a free car to those buying a property to try and lure buyers said Tim Hodges of County Homesearch - a firm working for would-be buyers.

He agreed that investment apartments bought "off-plan" were particularly vulnerable.

"I've seen people selling investment homes they have bought for 180,000 euros (\$245,000; £123,000) for just 120,000 euros, even before they are even completed," he said.

"The owners have bought them thinking they were going to be Alchemists, but have realised they have to either live in the property or take the hit."

Yet Mr Hodges added that he did not expect general prices to drop dramatically.

And Jamie Liddell, a property expert at Homes Overseas Magazine, said there were signs of panic as investors off-loaded properties for less than they had paid for them.

"A few years ago you had people being advised to buy three homes in Spain," he explained.

"They were told that by selling two of them, they'd be able pay for the third but this hasn't always materialised."

Worry

The Spanish economy has been growing strongly in recent years - the government recently raised its forecast for this year to 3.5% - driven mainly by expansion in the construction industry.

Strong demand for housing, helped by low interest rates, have also underpinned consumer spending and allowed households to take on increasingly large amounts of debt.

However, in recent months cracks have started to appear and mortgage demand has slowed as homeownership levels topped 85%.

Spanish households also have some of the highest debt levels in the eurozone, much of which is based on variable lending rates leaving consumers open to sudden increases in borrowing costs.

The worry is that should the property bubble burst, and some analysts estimate that house prices are overvalued by 30%, then many other industries such as banking and retail could also suffer.

Spain's government and construction industry leaders tried to calm fears on Wednesday, stating that the fundamentals of the property market remained solid.

Economy Minister Pedro Solbes said on Wednesday that the country was not in a "worrying situation".

He said that the outlook for household earnings, and as a result their debt repayments, was steady because there "are good prospects for employment".

And Jose Lizan, a fund manager with Nordkapp Inversiones in Madrid, told Bloomberg that the market had "overreacted".

Do you have a property in Spain? Are you worried about a possible housing crash?

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