

## Falling prices for vacation homes in Portugal

Written by Administrator

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Spain, Portugal, Greece and, to a lesser extent, Italy, all immersed in the European debt crisis, are experiencing second-home property price declines. The countries' housing markets have been battered by escalating debts, recent austerity measures and deep uncertainty in the financial markets.

A glut of new homes built in boom times in many popular vacation areas is making matters worse, as rental demand falls and financing requirements become stiffer. As a result, asking prices for second homes have fallen 15% to 30% in recent months. In less fashionable areas, prices for some properties are as much as half off what they were two years ago.

“Price expectations have finally adjusted to the new reality. People are finally accepting that the game has changed,” says Joachim Wrang Widen, director of Christie's International Real Estate in Europe.

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In Portugal's ritzy Estoril, where James Bond's “On Her Majesty's Secret Service” was filmed, the price of a two-story villa with a gym, sauna, pool and separate art studio, all near the ocean and one of the area's top golf courses, was slashed 57% to \$1.3 million from its original asking price of \$3 million earlier this year.

David Hammond, a private equity investor who lives in Windsor, England, already owns three properties in Portugal. He couldn't resist recently buying a fourth, a new villa in the region dubbed the Silver Coast for under \$2 million. “It was such a good deal. The location was so good. I had to buy it,” he says, adding that he would have had to pay twice as much for that home a few years ago.

Prices may be down but the risks have also grown. Fear of a revalued euro, or even the extremely unlikely possibility of some countries losing their membership in the euro zone, continues—either of which could dramatically devalue any current purchase. Mortgage financing in most of these countries is harder to get now, and rates and requirements have gone up accordingly.

Historically Americans haven't been big buyers in Europe. Mike Braunholtz, managing director of the Prestige Property Group agency in Britain, says inquiries by Americans over the past few

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months are up more than a third from the usual level. "These prices are just crazy," he says. "The only question is whether to jump now or wait until the next bailout."  
PORTUGAL

The general consensus among real-estate agents is that Portugal currently offers the best value of the four countries for second-home buyers. It offers fewer crowds than Spain and Italy; the climate is temperate year round (though the Atlantic Ocean tends to be chillier than the Mediterranean) and it hasn't seen the rampant speculative development that occurred in Spain. Plus, prices for second homes have come down in the 15% to 50% range in the last year, says S. Rajan Sahay, founder of Atlas Property Portugal. He has a listing in the Praia D'El Rey Golf & Beach Resort, where a five-bedroom villa with views of the golf course and sea is down to \$1.6 million from its original \$2.5 million. He says the client would take \$1.3 million in cash.

Most foreign home buyers head to the Algarve along Portugal's southern coast, which has lots of golf courses and luxury resorts. In Praia da Luz, a modern, three-bedroom villa with a heated swimming pool that's 1,000 feet from the ocean is asking \$1.8 million, down from \$2.1 million.

There are also discounts on the Silver Coast, north of Lisbon, which is richer culturally than the Algarve. A new 4,349-square-foot villa overlooking the Atlantic that has a large swimming pool is down 28% to \$1.9 million since March.

Rules for foreign property buyers are fairly straightforward, says Gonçalo Figueira, a lawyer in the international department of Neville de Rougemont & Associados, which represents foreign buyers. A purchase requires a local representative and a local tax number. There's a 6% flat tax for properties over €550,000 (\$795,000) and a sliding scale below that. Before recent changes, a purchaser had to get a deed in a public notary with lots of bureaucracy; now it is possible to register for property online and get a property granted in a private document as long as it is witnessed by a lawyer. Legal fees can run about \$4,000.

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