

SPOT THE OVERSEAS HOTSPOT

Last Updated: 12:01am GMT 09/01/2007

- ▶ [Contact details](#)
- ▶ [Top tips](#)
- ▶ [Overseas markets](#)

Property prices are booming from Australia to Zagreb. There is money to be made for those who invest at the right time, but how do you uncover the next big thing? Zoe Dare Hall talks to the international experts

A decade ago, buying a home overseas could be contemplated only by the adventurous or the well-heeled - and then it was probably somewhere like Provence or Tuscany, a location with obvious holiday home appeal. Now we are all at it, in the most unlikely of places. Disillusionment with pension schemes, combined with booming house prices at home and abroad, means that even those without a £1 million City bonus to play with are looking at foreign hotspots as a more reliable and exciting pension plan.

Pinning down precise numbers of British homeowners abroad is near impossible, with estimates ranging from 300,000 (Lombard Street Research) to 2.2 million (Barclays Bank) or as many as 3.5 million (Halifax). Whatever the figure, all agree that it has



Going up: (clockwise from top left) Istanbul, Bucharest, Marrakech and Berlin

trebled in the past 10 years and is set to double in the near future. All sources cite Spain as the number one destination, accounting for 35 per cent of the market, followed by France at 24 per cent and the US or Australia with 17-20 per cent.

But emerging destinations are catching up fast, with 100,000 Britons said to own property in Dubai, 15,000 in Turkey and at least 10,000 in Bulgaria.

Traditional holiday spots remain the favourite choices for homes abroad. But as our holiday horizons expand to take in lesser-known locations such as Cape Verde ("the new Caribbean") or Montenegro (boosted by Casino Royale fever), our thoughts inevitably turn to how we can make some money from property. Scanning resort estate agents' windows is becoming a favourite holiday pastime.

Skiing in the French Alps might be wonderful, but why not hit the Romanian slopes of Poiana Brasov instead, where property prices start much lower and are rising by 20 per cent a year? For winter sun, swap thoughts of Barbados for the up-and-coming Margarita Island nearby, where the Your Place Abroad estate agency predicts an £80,000 beachfront villa will double in value in the next two years. British investment prospects pale by comparison.

Even first-time buyers, faced with the impossibility of buying in Britain, are seeing the wisdom of getting a foot on a foreign property ladder, where just £30,000 will get you on the first rung. A YouGov survey of under-30s found that 47 per cent expect their first property purchase to be overseas, costing around £100,000 compared with an average £160,000 in Britain.

But, spoilt for choice and with a budget that will stretch to buying only in one destination, how do you choose the next overseas hotspot?

After extensive research, Lee Smelt, 36, who runs a mobile telecommunications business in Portsmouth, and his wife Alison, 33, a bank manager, have just made their first overseas investment in Bulgaria through Barrasford & Bird. The couple, who have two children, Jacob, eight, and Emily, three, have bought a two-bedroom, 90 square metre beachfront apartment in St Vlas, the upmarket neighbour to Sunny Beach on the Black Sea coast, for £85,000. They have also bought a two-bedroom apartment in the Grand Monastery in Pamporovo for £66,000, where a £200 million project is destined to turn the resort into Bulgaria's ski capital.

"It was a long drawn-out process researching where and what to buy that would provide for the future," Lee says. "I looked at Romania and still think it's a good investment, but it's about five years behind Bulgaria and I felt I was taking a big enough risk with that as it was."

By choosing ski and beach resorts where development is restricted, Lee should avoid problems of over-supply. And the arrival of a luxurious new 330-yacht marina in front of his St Vlas apartment has already pushed up the property price by 60 per cent.

"I know the proof of the pudding lies in whether you can sell," he says, "but it took so long to make up our minds what to buy that I don't want to sell it just to pay off the mortgage. We'll use our apartment for holidays and rent it out, then look at selling in about 18 months, and we'll hold on to the ski apartment longer."

Although Lee and Alison are combining investment with a holiday home, experts advise removing sentimentality from the equation. The best investment may not be somewhere you would want to live.

"The factors that must affect your choice are rental potential, current price and potential growth, not whether you like the property or not," says Gregory Lu, director of London-based overseas property agent Imoinvest International, 90 per cent of whose British and Irish clients buy purely for investment, most without visiting the destination before they buy. "When you buy an investment property, you have to rely on the numbers and facts - and instinct."

With his three key investment factors in mind, Lu's tip for 2007 is Berlin. Property prices in the German capital, which start at around £690 per square metre, are on a par with emerging Eastern European cities. Compare that with other Western capitals, with average prices of £3,440 per sq m in Paris or £9,000 per sq m in prime central London.

"Before reunification, most of the property on the West side was owned by big private institutions and property in the East was Government-owned, so German people did not have the opportunity to own homes and the market has been depressed for a long time," Lu explains.

"The city has the cheapest house prices in the Western world and the lowest rate of

home ownership at just 10 per cent," he adds. "Prices there have hit rock bottom after falling every year for the past decade, but now they are on the turn. Buy now and you are entering the market at the beginning with a chance of good capital appreciation."

Lu credits the World Cup last year with putting Berlin on the map. "People still only buy there to make money, not for holiday homes yet, but at last we are seeing the creation of a property market."

Jonty and Alise Crossick, the husband-and-wife team who run Brighton-based investment and development company Ready2Invest, rely on a principle that saw them turn £300,000 capital into an equity stake of £3.5 million in UK property in a year. That principle is to buy under market value.

"The choice of where to invest can be overwhelming, so put common-sense investment principles first and location second," says Alise. "The most important goal for any investor is to buy at under the market value in a great location and know exactly what your exit strategy is."

It sounds good, but how do you buy under market value? You could take Alise's tips for 2007, three cities with strong local rental demand: Istanbul, whose economy is booming, Marrakech, where tourist demand is rocketing but supply is restricted, and Bucharest, which is seeing a huge amount of foreign corporate investment and a growing middle class.

If you prefer to do the legwork yourself, Alise recommends comparing up to 10 similar properties. Ask local agents how to adjust the comparable prices according to factors such as the quality of views, finishes and facilities. Then calculate the price per square metre for each apartment. Take an average and compare your apartment with the average to find out whether you are really buying at under the market value.

"Choose a location with strong demand and restricted supply," she adds, citing the World Travel & Tourism Council's website (www.wttc.org) as a useful source of market information. "Look at what is changing in a given marketplace - the accessibility of mortgages, new transport links, the job market - and how this change will add to the demand."

"Emerging markets are starting from a lower base than mature markets so there is so much to profit from. But don't get anxious when you hear every report of negative news. Be prepared to ride things out for the medium term, stay the course and you will be rewarded."

Focusing on emerging Eastern European markets, Jeremy Casey, director of The Right Move Abroad, points investors to capital cities, where rental returns will be higher and void periods less likely than in seasonal ski and coastal resorts.

The Romanian capital is his top recommendation, too. "Bucharest's rental market is extremely advanced. The amazing local demand for property and the lack of quality accommodation means that certain areas are demanding rental figures on a par with London," he says. "There is also a good resale market within the capital." He is selling apartments in the Planorama development, which he claims offers good value compared to similar recent projects in the city.

Be realistic about standards in emerging capitals, he advises. "In cheaper new markets, the investment is normally in areas where there has to be an improvement in

infrastructure before large rental gains and capital gains are made," he says. "Capital cities represent the best true investment, but you may not want a two-week holiday every year in the same way that you might in a coastal resort."

Casey also advises that all his clients view the development site, use a lawyer, and "take projected returns and growth figures with a pinch of salt".

With emerging destinations come risks that are less likely in established markets, warns Amar Sodhi, managing director of Avatar International, the first UK company to market new developments in Bulgaria, Croatia and Turkey.

"Look out for the risk of title, where there is not an advanced or regulated land registry system, and check whether you can buy in your own name or if it has to be through a locally-registered company," Sodhi says. "Also check if there is a double taxation treaty between your country of residence and country of purchase. If not, you could be taxed twice."

Sodhi pinpoints Turkey, which, for the first time, is offering mortgage packages to foreign buyers, as a hotspot this year, along with Cape Verde off Africa's west coast. "Cape Verde is ripe for investment," he reckons. "The property market is immature and there are bargains to be had. Large foreign investment and direct five-hour flights from the UK are making the islands more accessible for tourism and business."

While the number of Britons buying abroad soars - a million officially living overseas, a further 500,000 planning to up sticks in the next five years and another 500,000 spending half the year here and half abroad, according to the Institute of Public Policy Research - the competition to sell us property is fiercer than ever and the choice more daunting.

Ready2Invest's Alise Crossick urges caution. "Making money out of emerging hotspots is about remaining enthusiastic while not getting carried away. We are living in a period when every emerging economy is growing and property markets are booming, and we all know someone who has built a successful property portfolio," she says.

"Make sure your research is razor sharp. It helps to understand sound property principles and to do your own thorough market research. Think about the long-term consequences of your decisions," she adds. "Buying an investment property is more like a marriage than a fling."

Contact details:

Avatar International 0800 0353 537 www.avatar-international.com

Barrasford & Bird 0845 600 1871 www.barrasfordandbird.co.uk

Buy Berlin 020 8295 2345 www.buyberlin.co.uk

Imoinvest 020 7845 0700 www.imoinvest.com

Ready2Invest 01273 627900 www.ready2invest.co.uk

Savills International 020 7016 3740 www.savills.co.uk

The Right Move Abroad 01606 872288 www.therightmoveabroad.com

Top tips

1. Choose a location with strong demand and limited supply.

2. Pick a marketplace that is changing due to new transport links, job creation or availability of mortgages for the first time.
3. Rely on numbers and facts, not aesthetic judgment. The best investment may not be a place where you would want to live.
4. Buy under market value. That still leaves scope for selling at a good profit, even in a crowded market.
5. Think about the seasonal appeal of your investment: capital cities offer all-year-round potential, unlike ski or coastal resorts.
6. Have an exit strategy. How easy will it be to sell up?

Overseas markets

Berlin, Germany

After a decade's decline and no tradition of home ownership, Berlin's property prices are less than a fifth of other European capitals. Imoinvest International have resale apartments in the central Neukolln district from £18,000, offering a seven per cent net rental yield, or from £30,000 in the leafy, desirable Charlottenburg area of West Berlin. Buy Berlin is selling apartments in attractive converted houses in Charlottenburg from £26,000, with existing tenants.

There is a strong rental market and most investors prefer to buy resale properties (preferably with tenants already in place), which are half the price of off-plan properties. There is no significant market in Berlin yet for renovating old properties.

The city's East side is seeing large corporate investment, particularly around the undeveloped riverside, which resembles the early days of London's Docklands. Near the new "Media City", where Sony, Universal Music and MTV have relocated, Imoinvest is selling Germany's first leaseback apartments with studios from around £68,000 with 20-year guaranteed rental income of five to six per cent.

Prepare for high entry costs, which are a deterrent to bulk-buying speculators, including land tax that rose in Berlin this month to 4.5 per cent. In the rest of Germany it remains at 3.5 per cent.

Flight time from UK: One hour and 20 mins.

Flight cost: From £50 return with easyJet.

Property buying costs: Approx 10 per cent of purchase price.

Main selling point: Trendy city with the lowest property prices of any European capital, on the turn after a decade's stagnation.

£16,700

For sale in Berlin: Neukolln, central Berlin. Studios from £16,700; three-bed apartments, £40,000- £65,000. Imoinvest International



£39,000

For sale in Berlin: Tempelhof. Apartments in one of the best residential areas near the city centre, onebed, from £39,000. Imoinvest International



Istanbul, Turkey

With mortgages soon to be available for the first time, property prices 40-50 per cent cheaper than in Eastern Europe and the country seeing great economic growth, Turkey is attracting high numbers of investors. Many are looking at Istanbul, where there is a shortfall of 250,000 high-quality, one- and two-bedroom apartments that can be resold to the large local, first-time buyer market, according to Ready2Invest.

The company, which predicts up to 80 per cent annual capital growth, is selling apartments at Elite Park, near Ataturk international airport, from £36,800, 41 per cent below market value as the development is still finalising planning permission. The prices of apartments in The Dome, in Turkey's Silicon Valley, 25 minutes from central Istanbul, start at £61,000.

"Turkey is undervalued compared with other European markets," says Amar Sodhi of Avatar International, who also recommends investing in unspoilt areas that appeal to affluent holidaymakers such as the Bargylia Village development, 15 minutes from Bodrum airport, which offers two-bedroom duplexes from £59,900.

Developers often include buying costs for new-build properties in the purchase price. Remember you are not buying in an EU country and that Turkey is unlikely to join until at least 2015.

Flight time from UK: Four hours.

Flight cost: From £50 return with easyJet.

Property buying costs: Approx five per cent of purchase price.

Main selling point: Booming economy, property prices 50 per cent lower than Eastern Europe and mortgages available to foreign buyers for the first time.

£60,000

For sale in Istanbul: The 40 apartments available at The Dome, near the Tasdelen Ormani forest, 25 minutes from central Istanbul, start at £60,000. Ready2Invest



£36,800

For sale in Istanbul: Elite Park, a new development near Ataturk airport, offers flats from £36,800. Ready2Invest



Marrakech, Morocco

The Red City is exotic, exhilarating and easily accessible at just three-and-a-half hours' flight from the UK. Until now, foreign buyers have been snapping up riads (old houses built around courtyards) in the medina for around £100,000 unrenovated, or £400,000 renovated. A new wave of developments is cropping up on the outskirts, however. At the Samanah Country Club, large villas start at £232,000. At Dar Chmicha, a boutique development 10 minutes from the centre, five-bedroom villas start at £485,000; the ultraluxurious golf development Assoufid, with the area's only hills, has villas from £700,000, all through Savills International.

Ready2Invest predicts 14 per cent rental yields and 15 per cent capital growth at its Olive Grove development, with pre off-plan apartments from £53,500. "The two factors that drive capital growth, high demand and limited supply, are both evident here," says the company's director Alise Crossick. "A modern urban infrastructure, excellent international air links and world-class golf courses means that Marrakech is developing into a desirable investment destination."

Flight time from UK: Three and a half hours.

Flight cost: From £60 return with easyJet.

Property buying costs: Approx six per cent of purchase price.

Main selling point: Exotic, chic destination with upmarket new golf resorts for a fifth of the price of Spanish or Portuguese equivalents.

£700,000

For sale in Marrakech: Assoufid is a golf resort 10 minutes outside Marrakech, with 80 villas around a golf course and views of the Atlas Mountains, from £700,000. Savills International



£485,000

For sale in Marrakech: Dar Chmica is 14 large, open-plan villas in three styles with private swimming pools, 10 minutes from central Marrakech, from £485,000. Savills International



Bucharest, Romania

Romania is witnessing a property boom, with prices in the capital, Bucharest, rising 30 per cent last year. The new member of the EU was tipped last year by financial consultants PricewaterhouseCoopers as the number one place in the world to make money.

With money pouring in and many multinational companies setting up their HQs in Bucharest, the market is booming. There is strong rental demand from the local market and a good local resale market.

"You can smell business and money in Bucharest - it's a very modern capital and a market that's ripe for investment," says Jeremy Casey from The Right Move Abroad, which is selling apartments in Planorama, a vast city-centre development of 1,400 units, from £38,000. The development includes health and leisure facilities.

The average property value of good residential areas to the north of the city is £1,420 per square metre. Investors are also buying land, available through Ready2Invest. On the downside, low-cost flights and mortgage packages for foreigners have yet to reach Romania.

Flight time from UK: Three hours.

Flight cost: From £80 return with Wizz Air.

Property buying costs: Approx four per cent of price.

Main selling point: EU membership will fuel a booming capital city that is growing on international investment and witnessing tenfold increases in property prices in two years.

£38,000

For sale in Bucharest: Planorama, 1,400 fl ats in central Bucharest. One-bed fl ats start at £38,000. The Right Move Abroad



£68,000

For sale in Bucharest: The Gafencu apartments in central Bucharest launch next month with prices from £68,000. The Right Move Abroad



Cape Verde

A former Portuguese colony, the nine Cape Verde islands off Senegal, West Africa, are widely touted as this year's holiday and investors' hotspot. The property market is in its infancy, but is being boosted by huge investment aimed at turning Praia, the capital on Santiago island, into a playground for wealthy business people.

Luxury hotels, casinos and high-quality residential developments are cropping up and a shortage of hotel rooms means good rental prospects for buy-to-let investors.

Newly-launched direct flights mean Cape Verde is only five hours from the UK, just slightly more than the Canaries.

Avatar International is selling developments near the beach in Praia, where several golf courses are under construction. Four-bedroom duplexes at Agua cost from £152,389 and three-bedroom apartments at Santa Maria cost from £83,136.

Cape Verde Property has apartments for sale on the most developed island, Sal, from £46,000. Savills International's Ponta Bicuda lifestyle resort, on Santiago island, has apartments with a freehold title from pre-construction prices of £50,000 and villas at £1.1 million. "Cape Verde offers the same conditions as the Caribbean but within one hour of our time zone, thus removing the hassle of flying long-haul, jet lag and hurricanes," says Charles Weston-Baker, head of Savills International. Portuguese property purchasing laws apply.

Flight time from UK: Five hours.

Flight cost: From £500 return.

Property buying costs: Approx six per cent.

Main selling point: The "new Caribbean" with an embryonic property market that is on the up.

£50,000

For sale in Cape Verde: Ponta Bicuda is the first five-star resort on Santiago island. Apartments from £50,000, villas at £1.1 million. Savills International



£152,389

For sale in Cape Verde: Aguia is a new development in the capital, Praia, offering four-bed duplexes from £152,389. Avatar International



[Search over 300,000 homes](#)
and find your dream home today

Information appearing on telegraph.co.uk is the copyright of Telegraph Media Group Limited and must not be reproduced in any medium without licence. For the full copyright statement see [Copyright](#)