> “IF SOMETHING IS CHEAP IT IS BECAUSE IT ISN'T WORTH VERY MUCH.”

Eurozone bargain hunters beware

Economic troubles in Europe do not necessarily guarantee unbeatable deals on property. Claire Brown examines the investment small print.

Bob Dylan in his slurry stoner way once famously predicted that the *Times They are a Changin'*. A bit before my time I'll grant you (although I did start fibbing about my age this year strictly between you and I – only by one year which is almost still telling the truth in my book and anyway 36 sounds SO MUCH YOUNGER than 37 doesn't it?) but he was right… even then. Just look at Europe. Times most certainly have changed there from just a few years ago when pretty much the entire continent was widely accepted as a safe bet – and South East Asia was considered a more “wild card” type of investment.

I remember buying my crumbly old village house in Languedoc back in 2006 and saying to myself, “well, I might not get the gains I can expect to get with my Philippines/ Thai/ Indonesian property investments, but its nice to have some sure and steady property in my portfolio that will be nice and reliable – sort of like a trusty old Volvo estate.…and now look! It is hardly recognisable. Below are some wake--up stats.

French property prices are down an average of 10 percent since 2008, but that's not all, the annual wealth tax for any properties valued at over 800, 000 Euro has increased to nearly 2 percent a year (which if we are in the Cote d'Azure includes most of them) and don't forget VAT is now at 19.6 percent, which really hikes up the price of your property — “Mon dieu!”

Spain is in seriously dire straits as we know – property prices have fallen by up to 65 percent on the Costa del Sol – the supposed investor “hot spot” of yesteryear. As well as high purchase taxes (budget about 10 percent) you'll pay an annual wealth tax of up to 2.5 percent during the time you own the property, plus a hefty 24 percent on your gross rental income. And don't forget that if there are any crumbs left on the table, you'll also be subject to a 21 percent rate of CGT. So whilst there maybe some “bargains” available, by the time you have finished with all these taxes your actual profit will be “Muy pequena”.

Italy is getting in on the act of bumping up taxes for expatriate home owners too, with prices down as much as 20 percent in areas such as Tuscany and Umbria, there is a new wealth tax at 0.4 percent per year just for owning a property as a foreigner, plus the income tax on rental income and capital gains ranges between 23 percent and a whopping 43 percent (if the gain is greater than 75,000 Euro). Stamp duty on purchasing is also 10 percent — “Mamma mia!”

These plummeting prices and seriously debilitating taxation measures are causing a mass exodus of expatriate buyers, which is of course having a worsening effect on property values. A further 10 percent drop in values in expected within the next 12 months.

My mantra remains very simple. Please chant it at least 10 times before delving into those distressed property supplements. “If something is cheap it is because it isn't worth very much.” If a market is distressed for wide scale issues (such as a Eurozone debt crisis of biblical proportions) then please apply some caution. Never mind the “ooh but that villa was 450,000 Euro and I can get it for 175,000” – you'll likely be stuck with a property that's impossible to rent or sell for a long time and what on earth is the sense in that (in any language)?

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formed Claire Brown Realty in 2004 having worked for various developers across South East Asia. Her roles included sales and marketing, project management, construction planning and consultancy. As well as running the business, Claire is also developing her own project in Bali, a luxury villa and spa retreat in the beautiful and somewhat undiscovered province of Tabanan. She enjoys travel, food and wine, interior design and shopping – in no particular order. *www.clairebrownrealty.com*