

European prime property

## **Homebuyers chase their European dreams despite economic outlook**

High inflation and rising borrowing costs may have put off some, but these buyers are undeterred

For decades, actor Tony Sears and his husband Brad have dreamt about selling their home in Las Vegas and starting a new life in France's Loire Valley. When mortgage rates started climbing in the US last year and sales slumped — transactions in January were down 37 per cent, year on year, according to the National Association of Realtors — many in their position would have shelved the idea. But they pressed ahead.

To their surprise, they sold their Vegas home within a week. “We flew out to the Loire Valley in March and, after seeing 10 properties within our €500,000 budget, offered on a four-bedroom detached house on half an acre near Poitiers. It looks like a [stylish] Parisian apartment on the inside,” says Tony. The couple are paying cash and are not unduly worried about the worsening economic outlook.

“We wanted [to move to] a liberal and cultural place with the right climate — we feel that so much is headed in the wrong direction in the United States right now,” says Tony, who is planning to retire in France, while Brad will fly to and fro between Paris and the US doing stints as a federal public defender.

In the wake of Covid-era travel restrictions, property markets in many of Europe's holiday-home and retirement hotspots boomed, as demand rose for rural and coastal properties away from cramped and overcrowded cities.

Now, Tony and Brad are among a number of buyers from the US and northern Europe who, despite the economic headwinds — the higher inflation, higher borrowing costs and faltering property markets at home — are forging ahead with their dream of owning a home abroad.



Tony Sears and his husband Brad, from Las Vegas, are heading to the Loire Valley: 'We wanted a liberal and cultural place with the right climate — so much is headed in the wrong direction in the US right now'

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**It was having a place for the family to** get together in the sun and enjoy a “much lower cost of living” that made William from Wolverhampton, in the UK Midlands, decide to buy a place in Portugal last December. He bought a three-bedroom home in the Algarve’s Amendoeira Golf Resort.

“It’s not the right time to be boasting about spending €350,000 on a holiday home,” says William, who didn’t want to use his real name. “But we all worked flat out for over two years [and] are not getting any younger — there’s got to be a reason to it all.”

Back home, a sense of gloom hangs over the property market. Last week, the Bank of England increased the base rate for the 11th consecutive time to 4.25 per cent, its highest level for 15 years. In February, British lenders approved 43,500 mortgages, [down 35 per cent](#) on pre-pandemic levels and, in March, Nationwide announced the average property price was falling at its fastest rate since 2009.



Despite having a UK business to run, William says post-Brexit time limitations — non-EU passport holders are prevented from spending more than 90 days in any 180-day period in the Schengen area — won't be an issue. But this remains the “main obstacle” for most British buyers in Portugal, says Dylan Herholdt of Portugal Realty, an estate agency.

Among the Americans moving to Portugal — often on a D7 visa that allows non-EU citizens to reside and work remotely for overseas companies — is Stacey. The Californian works for an accounting start-up in Silicon Valley's Mountain View, and she and her retired husband bought a four-bedroom apartment in Portimão on the [Algarve](#) last year.



France, Portugal and Spain are popular choices for buyers from northern Europe and, increasingly, the US (pictured: a home in the Loire Valley) © Herve Lenain/Alamy

“Nearly every week I meet new Americans at expat gatherings like my book club,” she says. “Many are buying homes. The weather's great, there's low crime and superb healthcare.”

The average price in Portugal increased 0.3 per cent between January and February, according to property portal [Idealista.pt](#), but Moody's, the rating agency, predicts price falls of 1-3 per cent during 2023. Rising interest rates have hurt local families, and this is evident in the market below €500,000, says Frederico Mendoça of Cluttons Portugal but, as yet, few high-end deals have been affected.


Covid was “absolutely” behind Rudolf Philipse's decision to reserve a €1.1mn, three-bedroom villa at Ombria Resort on the Algarve in January. “The golf course was a big factor: I can work remotely for eight weeks at a time, playing golf in the afternoons,” says Philipse, the chief executive of a software company based in The Hague. He had already reserved two apartments in the development as an investment.



Back home, property prices in the Netherlands are predicted to fall by 10 per cent over two years, according to the bank ABN Amro. And with the mortgage rates for the products he was looking at currently around 4.5 per cent, he says he's relieved he didn't take out financing on his purchases.

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For Ulf Svensson from Stockholm, it was the year-round buzz and climate of the [Costa del Sol](#) that persuaded him to buy a retirement home there last week. The retired engineer paid €2,500 over the asking price of €247,500 for his two-bedroom apartment in La Duquesa to overcome competition from another bidder.

“Rather than take a mortgage from a Swedish bank at nearly 8 per cent, we decided to sell a property we own in Stockholm.” With prices predicted to fall in Sweden by 20 per cent, according to Nordea bank, he’s hoping it will prove a wise move.

In Spain, the number of purchases by foreign buyers fell from 26,728 in Q3 to 22,086 in Q4 2022, according to land registry data. Yet 2022 was an exceptional year, with 94,481 properties purchased by foreign buyers — an increase of 50 per cent on 2019.

The Costa del Sol boom has not yet run out of steam, says estate agent James Vizetelly of Affinity Spain. “Transactions are fewer but of higher value,” he says. Now their average buyer spends €400,000. “We have many fewer buyers from the UK, but many still from Germany, Benelux, Sweden and Poland,” he adds.

British buyers bought nearly 10,000 properties in Spain during 2022 — the largest group of foreign buyers — yet some are also selling up. Fed up with the 90/180-day rule, Robert Walker from Maidenhead in Berkshire was sitting in his four-bedroom penthouse apartment in the Nagüeles district of Marbella when an estate agent knocked on the door. “She said she had a Swedish buyer, so we decided to sell — for €1.2mn. After paying €600,000 for it in 2013, we were gobsmacked,” says Robert, who runs an interior design company and has three children.





Christian Clarke and his wife Maria, who left Florida's Fort Lauderdale for a 200-year-old house in Normandy, where there is 'better food, better wine, rolling hills and solitude'



The British were the largest group of foreign buyers in Spain last year but Robert Walker (pictured with his daughter) is selling his Marbella apartment after its value shot up

Georg Mehring-Schlegel, an adviser with Ernst & Young from Düsseldorf, already owned a three-bedroom holiday home in Santa Ponsa in Mallorca but has invested in six properties worth a total of €13mn on the island in the past year.

“For the first time in my life I began to question whether I was right to keep all my money in Germany,” says the 57-year-old, referring to the political and economic landscape in his homeland. The [German property market](#) has faltered in recent months. The number of mortgage applications fell more sharply in the fourth quarter of 2022 than any period since 2003, according to the Bundesbank.

“There are so many flights from Germany to Mallorca it’s like taking the bus, the infrastructure is amazing — I am looking to buy another property there — to also renovate and resell,” he says.

There’s now a shortage of properties on the market in Mallorca, according to Hans Lenz, MD of Engel & Völkers Southwest Mallorca. “The boom is over but worries about the energy crisis have receded and buyer activity is back to a more sustainable level,” he says.



In the Balearics, the average property price rose by more than 20 per cent in the two years to the final quarter of 2022, the steepest rise across any Spanish region, according to the land registry. Yet the number of foreign transactions in January was down 28 per cent year-on-year, according to Notaries data. Housing affordability for locals has become an acute problem and there's currently a moratorium on the issuing of new holiday rental licences.



Cala Esmeralda beach, Cala d'Or, Mallorca: property prices have risen sharply on the Balearic island, worsening housing affordability for locals © Shutterstock

For yacht managers Christian Clarke and his wife Maria it was the “better food, better wine, rolling hills and solitude” of northern France that persuaded them to move there from Florida’s Fort Lauderdale. They’ve just bought a 200-year-old four-bedroom house in Tinchebray-Bocage in Normandy.

“We fell in love with the 200-year-old stone house with blue shutters and a vegetable garden that we can’t wait to get started on . . . Both hovering close to 50, we decided to retire sooner rather than later,” says Christian. “South Florida is now overcrowded.”

American buyers have become the fourth-largest group of buyers for Leggett Immobilier, a French estate agency, after French, British and Dutch. “Country properties with land and fast broadband are most in demand,” says Graham Downie, managing director — especially in Brittany, Normandy and the Loire.

Overseas buyers helped keep transaction levels in France during 2022 close to 2021’s all-time high, according to data from INSEE, with 1,116,000 second-hand sales in the 12 months to November 2022. But the French Federation of Estate Agents (FNAIM) has predicted a 5 per cent average decline in 2023.



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It is the stalling UK market that is the main problem for British buyers getting long-stay visas for France, says Tracy Leonetti of LBS, a relocation agent: “If they can’t sell their UK home, or the sale falls through, their visas will expire.”

It was the burgeoning cost of renting a holiday villa in Provence every year that persuaded

lawyers Kim and Alex, from Fulham, south-west London, to buy a three-bedroom farmhouse in the pretty Luberon village of Lourmarin last month. “We considered Cornwall, but it is so overpriced now,” says Kim, who has three children. “We can let it out to help cover the mortgage.”

British buyers who cannot service the debt on their mortgage are selling up, says Alex Balkin of Savills’ French Riviera office, referring to a five-bedroom villa in Villefranche for sale at €10mn (off market), because the British vendor’s floating (variable) rate mortgage payments have doubled. “There are more British sellers than buyers.”

A British cash buyer last week spent €10mn on two plots and a villa in St Tropez, according to Tim Swannie of Home Hunts, a buying agent. “He had been waiting a year for the right property. The markets has slowed but there are still buyers around [like him] who are not impacted by interest rate rises,” he says.

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