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# A taste of Spain



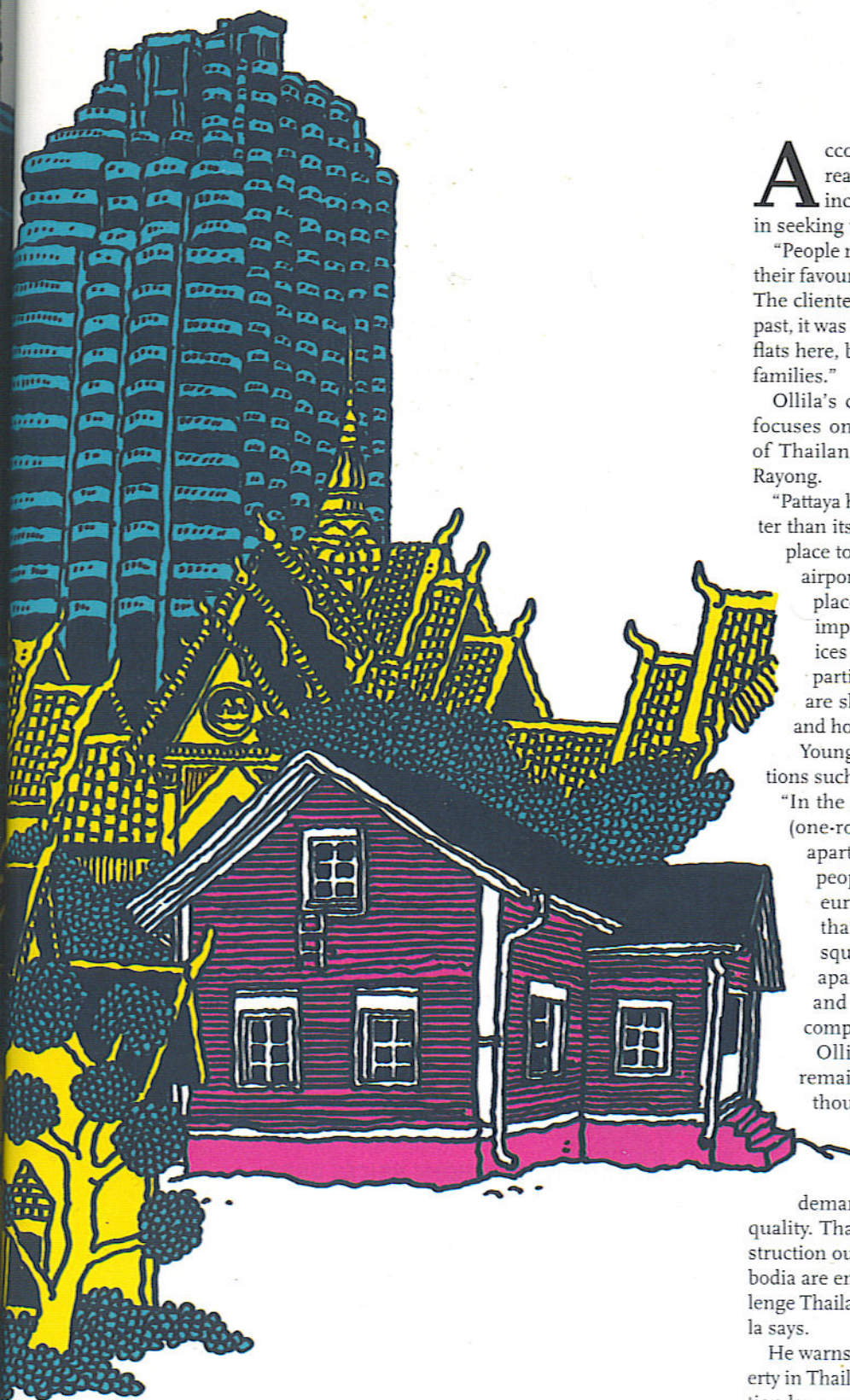
# Overseas real estate markets in flux

BY OLLI MANNINEN ILLUSTRATION BY KASPER STRÖMMAN / NAPA ILLUSTRATIONS

Finns looking to buy holiday homes abroad are now heading for Thailand, whose popularity has surpassed that of the traditional favourite, Spain. Those in the market for a second home overseas seek sunny weather, good service and easy transport connections.







According to Jouni T. Ollila, a Finnish real estate agent in Thailand, Finns are increasingly joining the other Nordics in seeking vacation homes in Thailand.

"People now want to have their own home in their favourite holiday destination," says Ollila. The clientele is becoming more varied. In the past, it was mostly lonely bachelors who bought flats here, but now it's also couples and young families."

Ollila's company, Hans Lankari Co. Ltd., focuses on homes in towns along the Gulf of Thailand such as Pattaya, Hua Hin and Rayong.

"Pattaya has been cleaned up, and is now better than its reputation – and a more attractive place to buy a second home. Pattaya's new airport makes it an even more desirable place. Local transport links have also improved. All of the Western-style services are available nearby. Older people in particular appreciate the fact that there are shopping malls, golf courses, gyms and hospitals are all close by," Ollila says.

Younger couples often seek quieter locations such as Jomtien, Hua Hin and Rayong.

"In the past, Finns bought studio condos (one-room flats), but now larger family apartments are also popular. Typically people invest about 20,000 to 30,000 euros in a holiday home. In Thailand that will get you a good-quality 30-square metre flat. The priciest luxury apartments cost half a million euros and up. They are usually bought by companies or big investors," Ollila says.

Ollila notes that Thai price levels remain low by Finnish standards, even though prices for many flats have tripled in recent years.

"As prices have risen, customers have also become more demanding. They pay more attention to quality. That also puts pressure on Thai construction output. Malaysia, Vietnam and Cambodia are emerging destinations that will challenge Thailand's popularity in the future," Ollila says.

He warns those thinking about buying property in Thailand that the local consumer protection laws are weaker than in the Nordic countries. An unsuspecting buyer can end up in





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a difficult situation if there are differences of opinion over a deal.

"No matter how inexpensive a flat is, you should get an independent second opinion on its value. Don't sign any foreign-language document until you are certain as to what it says. Only deal with reliable estate agents. Check the background of both the agent and the property before making a final decision," Ollila advises.

### **COSTA BLANCA OUTSHINES COSTA DEL SOL**

Markku Tamminen, a lawyer who represents the global real estate chain Atlas International in Finland, says that his company also has high demand for holiday homes in Thailand, although Spain has traditionally been the number one choice for Finnish buyers.

"Finns visit Thailand a lot, fall in love with it and want to have their own vacation homes there," he notes. "Thailand is a safe, inexpensive and service-friendly country. During the first half of this year, we sold more properties on or near Thailand's east coast than we did altogether last year."

The area east of Bangkok has become a popular area for holiday homes, partly because of excellent golfing opportunities.

"There are 50 golf courses within an hour's drive, whereas in Phuket there are only ten."

Thanks to its low prices, Thailand has surpassed Spain as the favourite place for overseas Finnish vacation properties, but Spain remains popular.

"Right now, there's a real buyer's market in Spain, since real estate prices collapsed a couple of years ago," Tamminen says.

Only a few years ago, prices on the Spanish housing market were shooting up by as much as 18 per cent annually. Nearly all new flats were snatched up before they were even built.

"A couple of years ago the market overheated as prices soared sky-high and there were too many new flats available. Buyers put the brakes on," explains Tamminen. At the same time, many older apartments flooded the market as many Britons and others decided to sell their properties and move on.

"Prices on the Costa del Sol fell first, then on the Costa Blanca," he says.

So far Finns have mostly bought on the Costa del Sol near Málaga, but now the Costa Blanca on the Mediterranean side is more in demand.

According to Tamminen, Spain still interests Finns looking for a warm comfortable place to retire.

"It's nearly always sunny in Spain and it's relatively close to Finland. Prices are quite high, but still within reach for many. Most of the properties we handle are two-bedroom flats or semi-detached homes priced in the 130,000 to 250,000-euro range."

### **DOLLAR STRENGTHENS, HOME PRICES DROP**

Nordea Bank's chief economist, Leena Mörttinen, stresses that the United States' mortgage crisis and the global finance crisis are having a strong effect on the housing markets.

"According to our forecasts, new housing starts in the US have dropped by more than 20 per cent this year," she says.

The next few months could be the right time to buy a home in the US for anyone who is seriously considering it, she says, adding that "there have been such dramatic fluctuations in housing prices that the US is now a buyer's market from a foreigner's point of view."



However, it's difficult to compare US housing prices with those in Europe because of differences in quality levels, income levels and various social security systems.

"Prices in the most desirable US areas may still seem very high to us, since the US middle class earns more on average than we do. Still, prices vary greatly from one area to another."

According to the credit rating agency Standard & Poor's housing index, prices dropped by an average of 15 per cent from June 2007 to June 2008.

"In Miami, prices sank by as much as 28 per cent compared to a year earlier," says Mörntinen.

Along with Florida, home prices have also dropped sharply in Phoenix, Las Vegas and Detroit.

Along with price declines, the weak dollar has also attracted foreign buyers to the US housing market. However the greenback has begun to recover in recent months.

"According to our projections, the euro will come under increasing pressure as economic conditions weaken in the euro zone. The US Federal Reserve has made its interest rate cuts within a few months, whereas the European Central Bank will keep making them far into next year. This will reduce the difference in interest rates between the euro zone and the US, which in turn will bolster the dollar against the euro."

EYES EASTWARD

The commercial real estate market is naturally growing fastest in areas where the economy and population are rapidly increasing, bringing speedy urbanisation. New office space, business properties and logistics centres are now sprouting up in Russia, Asia and Latin America. The Middle Eastern markets are now an interesting wild card.

The sub-prime mortgage crisis that began to spread from the US last year has not so far, at least, shaken commercial real estate

markets as much as housing markets, says **Pertti Vanhanen**, CEO of Aberdeen Property Investors Nordic and Eastern Europe.

"The commercial real estate market has plunged in the US, while in Britain the sharpest drop was late last year and early this year, but in Germany they have remained steady. The office market in France has taken off a bit, but in the Nordic countries there has been a moderate correction, except in Norway."

It is still hard to say how strongly the global finance crisis will affect the commercial real estate market in Finland and elsewhere. In the Helsinki region, there are about 200,000 square metres of new office space under construction, while the annual demand is only some 60,000 square metres.

"Companies have grown, added staff and sought more workable office solutions. There has been a bit of overkill in the Helsinki area, but construction is now clearly calming down."

Positive development has continued in Russia, elsewhere in Eastern Europe and particularly in Asia.

"In these areas, economic growth remains rapid and urbanisation is progressing. This translates into more demand for new office space and logistics centres. The demand for new properties is also being accelerated by construction of infrastructure in various areas, although there have been signs of slowing growth recently," Vanhanen says.

It's still hard to say how strongly the global finance crisis will affect real estate.



# Besides Russia, Asia, Latin America and the Middle East are markets worth watching.



According to the "Emerging Trends in Real Estate 2008" survey commissioned by the Urban Land Institute and PricewaterhouseCoopers, Moscow, Istanbul and Hamburg will be the most interesting growth spots in the European economic region from a real estate investor's point of view in the near future.

From the Finnish business community's perspective, St Petersburg is more important as a regional growth area than Moscow, says Vanhanen.

"This economic area of eight million people is as close to Helsinki as Jyväskylä. When St Petersburg was the Russian capital and the imperial court there was strong, this had a positive influence on all of Finland. So why not in the future as well?"

Besides Russia, Vanhanen is keeping an interested eye on markets in Asia, Latin America and the Middle East.

"There are six times as many people in Asia as in Europe. There are many interesting sub-markets in Asia. Urbanisation has taken off, and the economic structure is generally healthy, which boosts consumption. In Latin America, for instance, Brazil has bigger oil reserves than was previously thought, which is bolstering its competitiveness. There are also interesting but more closed markets in the Middle East. In Saudi Arabia, Dubai and Bahrain, there is plenty of capital and wealth – as well as interest in international cooperation projects." ■