



The sums are rising in the East in the East

Wizzit's resident property expert, Oliver Bennett, describes the state of the market in Central and Eastern Europe

WITH BULGARIA hardly out of the property news for the last year and prices in the more glamorous parts of Croatia eclipsing those in parts of western Europe, there's little doubt that the property market in many parts of East and Central Europe is now well-established. And elsewhere in the East, markets are moving too.



"The property markets in many parts of Eastern Europe are maturing," says Naren Cox of Churchill Innovative Solutions, a property investment company. "These countries have become one of our biggest markets over the last five or six years."

There are many factors that have made them attractive to investors. In some, membership of the European Union has increased confidence and brought their domestic housing markets onto an international stage. Then, low-cost airlines such as Wizz Air have introduced a generation to new destinations. Immigrant workers, and newspaper and magazine articles have helped western Europeans to get to know the other half of their continent.

Unsurprisingly, then, the last few years have seen the beginnings of a property boom across the East. In its recent European Housing Review, the UK's Royal Institution of Chartered Surveyors reported that Poland, Bulgaria and Romania were still experiencing major house price growth, with Poland showing the biggest increases in house prices in 2006. Its property inflation is around 33%. And as the markets have matured, a resale market is emerging which will provide a better picture of the long-term prospects for property in those nations.

So where does that leave the investor, or the second home buyer? Still with a number of options. The bargain basement days may be over, and you should always beware outlandish claims of capital growth and rental incomes. But the industry still believes that some parts of Eastern Europe have a way to go before they stabilise. "In Poland, Romania and Hungary, the feeling is there's much more room for potential growth," said Liam Bailey, head of residential research at international estate agent Knight Frank.

Nick Barnes, also of Knight Frank, adds that there is still a lot of room for movement in the East of the continent, in terms of both tourist and business ventures. "There are two main types of buyers in East and Central Europe," he says. "There are those looking for leisure properties in the sun belt - that is, on the Bulgarian Black Sea and the Balkan side of the Adriatic in Croatia and inland Slovenia. Then there are others, perhaps more business-minded, who purchase buy-to-let type properties in cities such as Warsaw and Budapest."



Poland, while not a great centre of foreign buying so far, is now on the property radar. In 2005 around 5,000 foreigners - mainly Germans, British, Dutch - bought property there. The cities are proving most attractive, says Louis Mann of Validus, an off-shoot of French specialist VEF that specialises in Polish property. "Some who can't afford buy-to-lets in the UK, for instance, have bought in Poland instead," he says. "Warsaw and Krakow are seen as having a lot of potential, and Krakow is popular, being a big tourist centre and a historic town. But the other big Polish cities are also starting to yield property investments: Wroclaw, Lodz, Katowice and Poznan." These cities are catching up with Warsaw as they gain both incoming investment and returning expat workers with investment ideas of their own.

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Most of the urban purchases in Poland are new-build, adds Mann, and they

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are making up a property shortfall. But they are also attracting the younger generation, who no longer want to live in the ubiquitous concrete Communist-era blocks. "This generation has travelled and has aspirations in line with its ambitions," says Mann. "They want to live in new apartments, and they are providing the rental base for the Polish cities." Roughly speaking, a two-bedroom flat in Warsaw costs around £75,000, still a long way under its equivalent in a western European capital.

So, where else? There are still bargains in Bulgaria, says Cox, although he adds that it has suffered over-development along the coast: "It's an emerged, rather than emergent, market." However, the Knight Frank Global House Price Index for 2007 reports that Bulgaria saw strong growth last year, "perhaps reflecting forthcoming restrictions on new residential developments in some popular resorts". The Black Sea building boom may be slowing down now, which will be good news to investors who wish to avoid the problems associated with over-supply.

Meanwhile, Hungary has come into its own, most notably its capital. "People tend to buy in Budapest, and refurbished city centre apartments are doing well," says Nicholas Leigh-Wood of Midas European Property, a central Budapest specialist. He says that the sturdy older properties in the centre of the Hungarian capital are currently proving most interesting to investors. "We believe they are better investments than the new-build properties," he says. "They are built to a higher standard, for one thing, and they're usually in city centre locations for another. Budapest is becoming a popular outsourcing destination, and yields are high." The city centre locations also suit mobile young professionals.

While Churchill has a development in a golf and country club in Hungary, the Hungarian countryside doesn't seem to have come onto the radar, at least as far as investors are concerned.

Foreign investors may be about to refurbish old rural properties in Poland. Pawel Madela of Buypalaceinpoland.com is marketing historic properties in Poland: grand but dilapidated piles in need of a new owner prepared to spend time on them. They appeal to the British, says Madela, citing regions such as Lower Silesia, with its castles and manor houses.

Further south, the Balkan states have matured, particularly for the holiday market, and the consensus is that the days of bargain basement Slovenia and Croatia are over. But Croatia in particular shouldn't be dismissed, particularly as the market expects a price hike when it joins the EU and the property laws are brought into line with the rest of the Union. Accession is unconfirmed but is expected in 2009: meanwhile, watch out for the villa prices in Istria, the peninsula in northern Croatia, which supports a massive holiday market.



Finally, don't ignore Germany - or at least, the old East Germany. It is currently proving one of the most attractive markets in Europe, not just in the historic towns such as Leipzig and Dresden, but the capital itself. "Berlin is on the up," says Cox. "Apartments start at €40,000, and there are currently four to 10% returns. East Germany is one of the last underestimated markets in Europe." It's helped by the fact that only 12% of Berliners own their own homes, as Norbert Klink of estate agents Norenva says, so most properties are sold with tenants, which provides a degree of stability. As with Budapest, it is the well-built, turn-of-the-century urban blocks that are the main draw. And as more people discover the "new" Europe, they are inexorably returning the continent's centre of gravity back towards the East.

Contacts

Churchill Innovative Solutions www.cisoverseas.com

Validus www.vefuk.com

Buy a Palace in Poland www.buypalaceinpoland.com

Savills www.savills.com

Knight Frank www.knightfrank.com

Hungary Property www.hungaryproperty.net

Warsaw Property www.warsawproperties.pl

Norenva (for East Germany) www.norenva.com

Letterstone (for investments including East and Central Europe)
www.letterstone.com

Mimo że czas największych okazji na wschodnioeuropejskich rynkach nieruchomości jest już za nami, ciśnie się tu spore możliwości inwestycyjne. Część inwestorów szuka nieruchomości w miejscowościach wypoczynkowych nad Morzem Czarnym i nad Adriatykiem. Inni są nastawieni bardziej biznesowo i kupują nieruchomości pod wynajem w dużych miastach, takich jak Warszawa czy Budapeszt. Na celowniku zagranicznych inwestorów jest teraz Polska. Sporą grupę stanowią ci, którym nie stać na zakup pod wynajem na przykład w Wielkiej Brytanii.

Ciśnięcie jeszcze powrotem cieszy się Bułgaria, chociaż wybrzeże staje się już przeinwestowane. Boom budowlany nad Morzem Czarnym powoli się kończy.

Rynek węgierski jest już stosunkowo dojrzały. Inwestorów najbardziej interesuje teraz stare, solidne budownictwo w centrum Budapesztu.

Póki co zagraniczni inwestorzy nie wkroczyli jeszcze na rynek zabytkowych zamków i dworców we Wschodniej Europie, ale są sygnały, że już wkrótce może to nastąpić.

W krajach bałkańskich czas okazjnych zakupów już przeminął. Przewiduje się jednak, że ceny w Chorwacji podskoczą po jej wejściu do Unii Europejskiej.

Jest jeszcze jeden kraj, którego inwestorzy nie powinni ignorować. Dawne Wschodnie Niemcy to obecnie jeden z najbardziej niedoszacowanych rynków w Europie. Wraz z odkrywaniem „nowej” Europy, środek ciężkości na kontynencie nieuchronnie przesuwa się na wschód.