

## Spanish Property: The Fiesta's Over

**Polaris World invites you to 'live the dream' at its gigantic golf resorts. But as the market sours, is it turning into a nightmare? Miles Brignall reports from Murcia**

This article appeared in [the Guardian](#) on [Saturday May 10 2008](#) on p1 of the [Money news & features](#) section. It was last updated at 00:13 on May 10 2008.



### **A Polaris World resort**

It's the most audacious private property development Spain has ever seen. In the semi-desert scrubland of Murcia, a series of gigantic gated communities set around Jack Nicklaus golf courses accommodating tens of thousands of people - predominantly British expats - are nearing completion. The fairways are immaculate. Pine trees tower over perfectly manicured lawns. As new towns go, it's more Poundbury-by-the-sea than Harlow-in-the-sun. But are investors, who snapped up properties, now facing meltdown in the heat of Spain's worst market slump for decades?

Polaris World will be familiar to most British television viewers. Its adverts invite mockery and affection in equal measure. Last month one website, TV's Worst Adverts, hailed its joy at the return of "everyone's favourite uber-Spaniard ... Yes, José 'I'm more wooden than the Armada' Luis Hernández from Polaris World is back, continuing his starring role in their latest Spanish villas advert".

The company that built the resorts insists that its prices - which start at €119,000 - are holding firm and that new sales are as strong this year as last. The company continues to take prospective buyers on inspection flights from airports across the UK, although Brits, burned by the rising euro, now make up only half of new purchasers.

When we visited three of the Polaris World communities, we found British buyers who are now trying to offload their properties with price cuts of up to €75,000. At its own headquarters in Murcia, the company is now offering "specials" to tempt buyers - with new homes down from €178,000 to €129,000. Later, we were told similar properties could be bought privately for as little as €115,000. Forums used by Polaris

World buyers suggest that discounts of up to 50% are being dangled in front of buyers as the company finishes off resorts.

In its biggest completed resort - La Torre - around 10% of the homes have been put up for sale by owners who can no longer afford to pay for the dream, or are realising their investments.

At another, Hacienda Riquelme, a three-quarters built complex, some buyers have been forced by personal circumstances to pull out of contracts with the loss of 40% deposits, or instead have chosen to slash €60,000 from asking prices as they try to sell their home before they are forced to complete their purchase.

Polaris World itself has lowered the price of some properties in a bid to sell the last 75 homes on the Riquelme site.

Polaris World bought vast areas of agricultural land in the relatively poor area of Murcia - near the airport and 20 minutes or so from the coast. Each completely self-contained holiday resort is built around a Jack Nicklaus-designed golf course, and features shops bars and restaurants, and eventually the company plans to have a school, cinemas and a hospital.

Since 2001, Polaris World says it has sold more than 7,000 holiday homes - equal to a mid-sized town in Britain. It currently has three resorts, or "urbanisations" as the Spanish call them, (some with more than 2,000 homes) either completed, or almost so. It has bought an extraordinary 30m square metres of land and is preparing a vast 22,000-home resort in Alhama.

A spokeswoman said: "Polaris World is in a different situation to a lot of other Spanish developers in that it operates throughout Europe and, indeed, on a worldwide basis. We are still seeing interest from the UK consumer and, increasingly, from the local Spanish and other markets. Throughout Europe people are still looking to invest in Spanish property and are interested in the Polaris World offer of houses starting from €119,000, which has been held for the past three years."

In what is one of the driest regions in Europe, with frequent droughts, it is inevitable that some have questioned the scheme's environmental sustainability. When the Alhama scheme was first mooted in 2005, it brought protests from locals fearful the existing population of 17,000 would be overwhelmed by water-hungry, golf-club wielding Brits. But Polaris World says the area is served by desalination plants - one in operation and two under construction - and the company goes to huge efforts to recycle water.

Most of the British who have bought at Polaris World did so off-plan - putting down small deposits and then making staged payments. Some bought in the style of buy-to-let investors who piled into new-build flats in Leeds or Manchester. Loaded with super cheap euro loans, they frequently agreed to buy two or even three homes - in some cases hoping to profit by flipping them at a higher price before they came to completion. Today, many of those hopes look unlikely - with some buyers wanting nothing more than to get out with their money intact.

One agent said prices in the La Torre resort are being slashed to find buyers. "One place that was selling for €265,000 is now €190,000 - others who don't need the money are holding out." Like most agents we spoke to, they were happy to talk about

falling prices, but once we revealed that we were writing for the Guardian, wanted to go off-the-record - particularly in regard to any mention of Polaris World.

Without visiting the site, it is hard to comprehend the scale of Polaris World. It is just as difficult not to recall images of The Truman Show - an artificial world more akin to a film set than a place to spend a holiday or in which to retire. After driving out of the airport and past scrubland and acres of vegetables being irrigated and grown under plastic sheeting - all destined for UK supermarkets - the first thing one notices is the security.

Each car entering the site has its number plate recorded before the barrier is lifted. A large fence surrounds the resort, and numerous security guards are on hand in the unlikely event there is any trouble.

Once inside, you are met with row upon row of whitewashed houses and apartments - all virtually identical complete with car parking spot, manicured front lawn and sun terrace.

Coming across a huge whitewashed development in what is close to desert is pretty unnerving in itself. But what I found most troubling was the near complete absence of holidaymakers.

As I drove slowly around the resort's neat roads whole areas appeared not to have a single person in residence.

Most of the houses had the shutters down. Few people were playing golf. The odd retired couple and mothers with toddlers ambled around the estate. Cars - mostly 4x4s - came and went. The workers carrying out repairs or watering the gardens seemed to outnumber the residents; on the streets at least.

Although the number of new British buyers may be tailing off, around 60-70% of the homes built so far are owned by Britons, with the rest mostly by people from Holland, Germany, Ireland and Scandinavia.

It was rather more lively at another Polaris World community - Mar Menor. There were plenty of sites for sale, but fewer than at La Torre. In keeping with other similar schemes in Spain, only around one in eight homes are occupied at any one time. Some people live on the site permanently, but most come and go - mostly on cheap Ryanair flights.

One agent we spoke to further up the coast at Torrevieja, Henri Dovermann of [hedrealestate.com](http://hedrealestate.com), said he refuses to sell Polaris properties. "I don't know why anybody would want to buy these things, they are out in the middle of nowhere. You are a long way from the beach."

But inside Mar Menor we found lots of happy residents, despite fears of a property crash. At the company-run supermarket I met Dave from Stratford-upon-Avon catching up with a few friends. "We love it here - best decision we ever made. It's very comfortable, everything's on hand, or nearby, and the security is great - you couldn't ask for more."

He, like several others, had bought two properties off-plan and had waited several years before he was able to move in - albeit on a part-time basis.

Like others, he wasn't overly concerned that an economic downturn had possibly wiped thousands from the value of his second and third homes. "Some people are selling up because they've got to, and, like everywhere at the moment, it's certainly a buyers' market. That said, plenty of people don't need to sell and love coming here. For them, it's not going to be a problem." He was, however, very keen that I take his card in case I wanted to rent his villa - at €450 a week.

Leaving Dave I drove round to the "town centre" which turned out to be the golf clubhouse, a few bars and a restaurant. Again, few people were around - and the ones that were seemed to be working on a new five-star hotel being constructed next door.

Spending time there it was easy to see the attraction of the resorts, but hard not to conclude that this is "Spain-lite" - living in the country but having little to do with it.

As the woman filling her bag with Strongbow cider in the supermarket said: "It's just like being at home, but cheaper, and the weather's better."

### **Why the bubble has finally burst**

More concrete was mixed in Spain last year than anywhere else in Europe. More homes were built than in Germany, France and Italy combined. But as the credit crunch bites, estate agents are reporting price falls of as much as 60% and a wave of repossessions.

Fears are growing that Spain's property boom-and-bust will turn into Europe's version of America's sub-prime housing collapse and leave banks with a second wave of mortgage write-offs.

Behind the boom lay easy credit (mortgages as low as 3%), easy repayment terms, with mortgages of up to 115% of the value of a property, stretching over as many as 50 years.

But developers along the coast are now facing a triple whammy: the loss of cheap mortgages, a dramatic slowing of the British property market and, crucially, the steep fall in the value of sterling. Prospective British buyers are melting away as the pound shifts from €1.46 to €1.22.

Henri Dovermann runs [hedrealestate.com](http://hedrealestate.com), an agency in Torrevieja, an area popular with British buyers. He told Guardian Money that he has taken on 400 repossessed properties in the past couple of months alone, and that the scale of repossessions is dragging down the entire market.

"Properties making €1m six months ago are now selling for half that. Only sellers who are prepared to be realistic are finding buyers. People come into my office saying they would like to put their property on the market, but when they name their price, in most cases I now tell them to get out of my office because they are wasting my time."

His walls are plastered with property for sale, many of which have been there for several months.

Dovermann predicts the pain will continue for some time. "If you don't have to sell, don't do it. The market will bounce back, but it will take two to three years."

Another agent in Murcia told us prices are down 20-30%. "It was a bubble, and like all bubbles it had to burst eventually." She blames the unrealistic expectations of buyers who thought price increases of the past would continue into the future.

Another agent in Murcia blamed the cheap 115% mortgages for the bubble. "If you had a credit card with a £2,000 deposit you were in business," he said.

### **'It's a great investment, but I'm out'**

Rebecca Cavendish Gush bought two properties in Murcia believing that they would be a great investment. Now the gourmet caterer from Flushing, Cornwall, says she would be happy if she could get out of the one she bought off-plan without losing any money.

"I picked this area because it looked like it was only going to go up in value. At the time you could get 115% mortgages, euro interest rates were at just 3.6% and there was a lot of inward investment planned in the area. I still think in the long-term it will come good, but for now I am hoping to get out."

Before handing over her money Rebecca, who runs a small business producing gourmet frozen meals, went to see more than 80 properties across Murcia.

"No one could accuse me of not doing my homework - I really went all over the area before plumping for two properties, one a new-build which I bought off-plan."

She is currently trying to recoup a €40,000 (£31,500) deposit she's owed on a €165,000 property on a rival to Polaris World, and is now planning to complete the purchase with a view to quickly selling it.

"The developer has just sold the last house for €175,000 so I'm hopeful I will be able to either make a small profit, or not lose anything. My personal circumstances have changed and I just want to get rid of it now."

She believes that developments such as Polaris World are now looking rather "shaky". "Some people like it, but it certainly wasn't for me."

[m.brignall@guardian.co.uk](mailto:m.brignall@guardian.co.uk)