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Property overseas: Where's hot, where's not, where's next

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Going somewhere? Zoe Dare Hall looks back, and forward, at the best investment options

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This time last year, we didn't even know what a credit crunch was. Now, the term laces every property conversation, along with widespread apprehension over just how far its insidious tentacles will stretch. But the year began optimistically, with the European Union's two newest members, Bulgaria and Romania, expecting to enjoy the boom that this seal of approval brings. As it has turned out, prices for off-plan properties in Bulgaria haven't soared as expected, says Robin Barrasford, of Barrasford and Bird. Currently, they remain stable. However, the resale market is seeing bigger leaps in value, with demand for resale properties up 70 per cent on last year and sellers making profits of about 45 per cent.

"EU membership has brought about a measure of confidence and stability that had been absent from the Bulgarian market before 2007," says Mr Barrasford. He sees greatest potential in the ski resort of Pamporovo, which benefits from proximity to Greece by a new highway.

Romania has also prospered. Bucharest, the capital, saw city-centre prices rising by 27 per cent to an average £1,300 per square metre in the first six months of this year, buoyed up by strong local demand and new interest from foreign speculators. "Joining the EU means foreign investors now have confidence to enter the Romanian market," says Alex Pintea, from Anglo-Romanian Development (www.anglo-romaniandevelopment.co.uk; 08701 453 853) "But in Bucharest, increases in value of new apartments have ranged from 7 to 65 per cent, so it's important to find an agent who can identify the really high growth schemes in the best locations."

For eastern Europe, in general, it has been a good year, with fast-growing economies, increasingly wealthy populations, more accessible finance and demand for better-quality accommodation all combining to fuel local property booms.

Poland has led the field with prices up 58 per cent in Krakow and 33 per cent in Warsaw. "Poland is one to continue to watch next year, with big infrastructure improvements," says James Hickman, from currency exchange company Caxton FX. "Many Poles who have moved here send money back to invest in property."

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Further afield, Brazil, which is one of the four largest developing world economies, along with China, India and Russia, has tempted investors to look long-haul this year. Natal - the nearest point to northern Europe - is attracting several foreign developers and investors to its largely undeveloped coastline.

Even though prices there have risen by up to 50 per cent, you can still buy beachfront properties for from £800 per square metre, with high demand from holidaymakers from São Paulo and Rio. With Latin America's biggest airport opening in Natal in 2009, the region expects to see good continued growth.

Morocco, too, has grabbed Britons' attention in 2007, with Marrakech now a mainstream city-break destination, thanks to Easyjet's arrival and King Mohamed VI's drive to turn his country into a major tourism destination by 2010. Prices have risen by 15-20 per cent this year and the tourism push is also seeing secondary cities such as Fez and Tangier benefit from big investment and fledgling foreign interest.

"Marrakech's market is underpinned by domestic demand from wealthy Moroccans in Casablanca or Rabat who want weekend homes there, so it is not solely reliant on tourists, as

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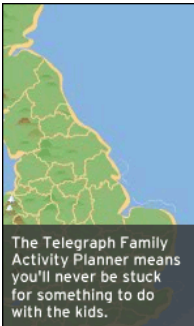
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the coastal resorts are," says Jonathan Salsbury, from Colliers CRE (www.collierscre.com/residential; 0207 487 1978). Colliers is selling riad-style, three-bedroom villas at Domaine De L'Akhdar on the outskirts of Marrakech for £250,000 upwards and at Al Maaden, a new golf resort 10 minutes from the city's medina, from £286,757.

One place largely overlooked until recently is Cape Verde, the West African islands an hour's flight from the Canaries. It has responded quickly to demand from investors and relocating Brits with more direct flights, new international airports and mortgage products. Prices are up 20 per cent this year, with the same expected of 2008. The quality of the properties is improving but the islands still offer great value for money, with Savills International (www.savills.co.uk/abroad; 0207 016 3740) selling apartments on Santiago from £50,000.

The year has been less than rosy for Spain, whose money-laundering mayors, land-grabbing developers and coastal over-pricing and over-supply have dented confidence and brought the property market to a near standstill. Prices generally are rising by 5 per cent, only just above the rate of inflation, and with April's stock market correction and now rumours of coastal demolition, Mark Stucklin, from Spanish Property Insight, says: "Spain is in a negative loop. Once word gets around that the country is doing badly, it is self-perpetuating.

"Big developers reported sales down 40 per cent or more, transactions in the last quarter down 12 per cent and, in areas such as the Costa Blanca, up to 70 per cent of estate agents are said to have closed down."

That said, high-quality destinations such as the Balearics, Costa Brava and Sotogrande, are likely to remain safe, long-term bets, he adds: "For the first time in years, the Spanish market will price good quality appropriately."

The United States has had a similarly bleak year, its sub-prime lending disasters sending shockwaves around the nation. However, high-end New York property is always in demand and Chicago, too, appears to be defying the blip: September saw the launch of the landmark Chicago Spire, the world's tallest residential building, with apartments available from Savills from about £375,000. A sales drive will begin next month with a road show to 14 cities in Europe, Asia and South Africa.

The worst of the downturn has been experienced in Florida, with prices falling up to 40 per cent. Mr Hickman doesn't see it as all bad, though: "The weak dollar means we'll see some interest returning in the US if people are willing to sit on their investments for a few years."

For those looking ahead, Cyprus - which, along with Malta, adopts the euro next month - has good growth potential. When Slovenia adopted the currency last January, it saw demand for property rise by 300 per cent. Cyprus hopes for something similar, with prices predicted to rise by 35 per cent in 2008. Or get ahead of the pack and look to Slovakia, which is set to ditch its korunas for the euro in January 2009.

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