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## Five sunny island getaways to hide from the UK property crash

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### Mauritius property

For decades Mauritius made so much money from sugar and the odd luxury hotel that it didn't need, or want, foreign investment and so didn't allow foreign property ownership.

But then the EU ended its special trading status with former colonies and Mauritius had to think how to regain its lost revenue. It rapidly realised that foreign property investment was a money spinner and thus the Integrated Resort Scheme (IRS) was born.

This allowed former sugar estates to develop luxury packages for foreign buyers and has turned the island into "one of the most sought-after and exclusive overseas property development markets worldwide", says Jane Slade in the Sunday Express. The first of these IRS resorts went on sale in November.

Now, owning your own slice of tropical heaven doesn't come cheap, but the good news is that most properties are priced in dollars, so if you time it right you can make the price a lot more palatable, thanks to the weak dollar. And as there will only be a limited number of properties built under the scheme, the resale market is likely to perform well.

Of the islands featured on this page, Mauritius certainly offers the most for your money. The weather is hot year round – July is the coolest month, with average temperatures of 24 ° C –

and for those thinking of emigrating, the tax system is very generous: there is no capital gains tax, no inheritance tax and income tax is a low 15%.

The east coast Anahita resort has sold out of completed villas, but a third phase of construction is due to be completed at the end of 2008, with prices between \$1.5m and \$4m. For more information, visit [Erna Low Property](#). The Daily Telegraph recommends Les Salines on the west coast, where prices between e800,000 and e4m "reflect the spacious scale of the plots". Go to [Lessalines.mu](#) to learn more.

## **Sardinia property**

Closer to home the town of Alghero in Sardinia looks a good choice for 2008. In the past, the port in the northwest of the island was overlooked in favour of Costa Smeralda due to the difficulty of getting there. But now 19 airlines fly into Fertilia, just outside Alghero. As a result, residential property prices are now twice what they were in 2000, but there could be more growth to come as word of Alghero's attractions spreads.

The best thing about Alghero is that it is a working port, so it doesn't become a ghost town out of season. "The restaurants stay open 12 months a year. It's quieter in the winter, but the town still manages to put on a party on New Year's Eve with a huge fireworks display," says Stephen Wright in the Financial Times.

Another benefit is that Alghero has lots of history. The old town is made up of narrow, winding streets full of boutiques and bars and fantastic architecture. There are also many apartments available in the area, for those who want a holiday home that isn't based in a sanitised resort.

The number of tourists visiting Alghero has leapt over the past few years, with foreigners making up 60% of the tourist total in 2007 from 20% in 1999. There aren't anywhere near enough hotels to cope with the influx, so rented property is booked solid in the summer months, almost guaranteeing good rental income during peak season.

But it's not all good news – the president has decided to make some money from tourists with a new tax regime. The unpopular new taxes came into effect this summer and include a sliding

scale tax on coastal properties and a 20% sale tax on homes owned by foreigners for over five years. For more, visit [Alghero Estates](#).

### **St Lucia property**

After Mauritius, the next best long-haul island to buy a home on is St Lucia. In the past, it has been overlooked in favour of better-known Caribbean destinations, but the new government is determined to bring in more tourists.

More flights will now service the island, plans for six new golf courses have been announced and several hotel chains are looking into developing resorts – Ritz-Carlton is building a resort in the south west of the island at Half-Moon Bay.

St Lucia is also a good option within the region because it is positioned on the edge of the main Caribbean hurricane corridor, making August's hit from Hurricane Dean a very rare event – prior to that the island hadn't been affected by a hurricane since 1980. But bear in mind that properties built there do have to meet certain hurricane-standard building codes and you will need to check your insurance covers hurricanes.

Property prices are rising, but are still around 65% less than on neighbouring Barbados. And another major attraction is that the east Caribbean dollar is pegged to the US dollar, which is still weak against sterling, although perhaps not for long. Savills is currently selling land on the Cap Estate with prices starting from £136,455. See [Savills](#) for more information.

### **St Vincent property**

For an even cheaper Caribbean home, check out next-door St Vincent. It offers all the beauty and adventure of St Lucia, but without the direct international flights. As a result, property prices are still very low by Caribbean standards (around 50%-60% cheaper than on St Lucia), but should rise considerably as an international airport is due to open in 2011. One-bedroom apartments are available from £115,000.

### **Madeira**

A sunny climate year-round, combined with the political stability of being part of an EU member, makes Madeira an excellent second-home destination, says the Sunday Express -- and it's only a four-hour flight away. Forget preconceived notions of the Portuguese archipelago as a holiday resort for older tourists. Madeira has shrugged off that reputation and has plenty to offer visitors of any age.

There are no restrictions on international buyers and the tax regime is fairly benign – sales tax is 8% and capital-gains tax for non-residents is 25%. While the island lacks any sandy beaches, its hilly coastline means most properties offer a sea-view. The mountainous topography also means that there are only a limited number of properties – only 27% of the archipelago is occupied, with the rest either national park or unsuitable for buildings.

As a result foreign investors have only recently been able easily to buy property; the first development aimed at foreigners opened this year, with prices rising 15% since lots first went on sale in November 2005.

Palheiro Village enjoys a great location on the hillside close to capital city Funchal and offers residents tennis courts, a pool, a well-established golf course and a spa will be opening mid-2008. And the resort is only ten minutes from the airport. Savills has several properties for sale in the estate, costing from £220,000. See Savills or [Palheiro Estate](#) for more.

### **UK housing market: doomsters go mainstream**

Following this year's credit crunch, here at MoneyWeek we suddenly find ourselves catapulted into the mainstream in forecasting misery ahead for the UK property market.

Although house prices rose by 6.9% in 2007, according to the latest Nationwide figures (for the year to November), with the debt crisis still mutating and claiming new victims, it's getting harder and harder to find anyone who thinks that house prices will rise much, if at all, next year.

Naturally, the remaining bulls are to be found amongst the lenders and estate agents who have much to lose from falling prices. Upmarket estate agency Savills is pencilling in 5% growth for the UK as a whole, while rivals Knight Frank, seemingly oblivious to falling City bonuses and

rising redundancies, see central London rising by as much as 10%.

Representing banks and building societies as a whole, the Council of Mortgage Lenders has settled for a more cautious 2%-3% national increase, while the UK's biggest building society, Nationwide, expects a rise of "no more than inflation". At the bottom end of the bullish spectrum sits Rightmove, which expects 0% growth, even after its December survey revealed a 3.2% nationwide decline in asking prices – and double that in London.

As for the bears, consultancy Capital Economics – having had its fingers burned in the past – is predicting a decline of up to 3% for next year, although risks to that view are "on the downside".

That certainly seems to be the case. The buy-to-let market is drying up (the Royal Institution of Chartered Surveyors this month reported that the number of landlords selling up has hit a three-year high). There are mortgage rate resets on the way for millions of borrowers, just as banks are becoming far more reluctant to lend and, to cap it all, Lombard Street Research (LSR) concluded earlier this year that house-price affordability had reached its lowest level in 15 years.

LSR sees the potential for a "severe correction" in 2008 – a view supported by none other than Gordon Brown's former advisor David Miles, now working for Morgan Stanley. He has voiced concerns that recent sharp rises in house prices have been underpinned by nothing other than "rampant speculation".

As for how large any correction might be, James Ferguson, writing in MoneyWeek's last edition, [expects a fall](#) (from peak to trough, not just in 2008) of "30% to 40%", a view echoed by Jonathan Davies of [Housepricecrash.co.uk](http://Housepricecrash.co.uk), who plumps for a 35% drop. Given that the past three UK 'crashes' all saw prices fall by 30% in real terms, these grim-looking predictions appear more than reasonable.

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