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Can you still buy a home abroad?

Restrictions are starting to ease in Europe, but lockdown will affect the sales of second homes, says Emanuele Midolo

Italy, Spain, Portugal and France — historically our locations of choice for second and holiday homes — have been among the nations hardest hit by the Covid-19 pandemic. In the French capital daytime outdoor exercise has been banned, soldiers patrol the streets in Italy, and in Spain it is illegal to leave home without a specific reason. These draconian measures, considered necessary to stop the spread of the virus, could have catastrophic consequences for these countries' economies — including their housing markets.

We spoke to experts and agents in each of four the countries to find out what the prospects are for the UK's favourite destinations once the lockdowns are lifted.

Italy

Italy became the worst-affected country in the world after China. The death toll has exceeded 20,000 and the number of confirmed cases has reached more than 150,000. It was the first country in Europe to impose a nationwide lockdown, on March 10, banning public gatherings and closing shops and schools. The lockdown has brought the country's economy to a halt, threatening to drag Italy into its fourth recession in a decade.

Luca Dondi, the chief executive of the research institute Nomisma in Bologna, warns that the country is particularly fragile because it didn't start to recover from the global financial crisis until 2015. "We've had seven or eight years of low levels of property sales, with last year being the first strong year on record, particularly in Milan," he says.

Nomisma expects the country's property sector to make an estimated €22 billion (£19 billion) less in transactions than last year. This 20 per cent dip is likely to continue next year too, and Italy's housing market could lose up to €113 billion of sales in three years. However, Dondi says that this loss isn't likely to be matched by a reduction of prices. "It's a cultural barrier — Italians won't sell at a discount," he

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This six-bedroom villa with sea views on the bay of Formentor in Mallorca is on the market with Savills for £7.8 million

says. “They consider their homes their last refuge.” Which perhaps explains why a bargain hunter from Austria wasn’t well received when this month he asked an estate agency in Italy for a 55 per cent discount on a country home in Tuscany. The agency declined his offer, saying that it didn’t deal with “jackals and vultures”.

“This type of buyer is seen as callous and has been criticised by the Italian press,” says Gemma Bruce of the Italian estate agency Casa & Country. “However, to some sellers, who now find themselves in dire need of selling, these offers could be a lifeline.”

Dondi concedes that homeowners in financial distress may be forced to sell their properties quickly, enabling lucky buyers to secure a good deal.

Casa & Country is receiving serious inquiries from buyers of various nationalities, including British, American, Dutch, German and Belgian. “It appears that while buyers realise that in the short term viewings in person are not possible, the long-term lifestyle appeal of Italy is unchanged, so we remain confident that the market will bounce back,” Bruce says.

> Buyers are using this time to do their research

She adds that the fact that Italy was in the media so much — for all the wrong reasons — has perhaps reminded people “what an amazing destination it is. People realise that the virus will pass and the Italian lifestyle and cultural attractions will still be there.”

Technology is helping estate agencies to promote their properties. A British buyer recently approached Savills after seeing a photo of a country home in Tuscany on the agency’s Instagram account (hashtag: why I love Tuscany). “They plan to visit as soon as they can,” says Jelena Cvjetkovic, the director of Savills’s global residential team. “Buyers are using this time to do their research. Those that are looking are keen to arrange viewings for as soon as the travel restrictions are lifted.”

This villa in a gated community in Marbella, Spain, has eight bedrooms, a lift, a sauna and a gym, and is on the market with Engel & Völkers for £17.3 million

Spain

Last week Spain announced that it was easing its lockdown measures, with millions of workers in manufacturing and construction set to return to work. Loosening the restrictions will offer relief to Spanish citizens and businesses — as in Italy, the tough regime has brought the economy to a standstill. The country is thought to be heading for an 8 per cent economic slump, which would draw it into a deep recession.

Alex Vaughan, a co-founder of Lucas Fox, an estate agency based in Barcelona, says that one encouraging aspect is that buyers, it seems, don’t want to change or cancel their plans, but are “putting them on hold”. What’s unknown, he says, is how quickly sales will pick up.

Kate Everett-Allen, the head of international residential research at Knight Frank, says that the recovery in Spain and other European countries could be V-shaped — a sudden fall followed by a sharp rebound. This is thought to be the case in Austria, which was the first country in Europe to relax its lockdown restrictions.

“Vienna is a good example — the government was quick to act and to help and support the market’s sentiment,” Everett-Allen says. “It’s an accessible and green city, and it should be quite resilient.”

Similarly, the fact that construction workers in Spain can start building again is good news, she says, and will help the recovery of the housing market. The domestic market will be the first to bounce back, led by the capital, she adds.

Vaughan says that the housing market in and around Madrid is almost 90 per cent domestic, while in resorts such as Marbella and Ibiza the buyers are almost exclusively international.

What remains to be seen, Vaughan says, is how property prices will be affected in Spain. “The logical thing is that people who need to sell quickly will discount, but we’re not quite sure yet what discounts we’ll be able to offer.”

“Interest [for resort markets] is still coming in,” says Mark Harvey, a partner and the head of European sales at Knight Frank. Harvey mentions the case of an unnamed famous sportsman who has put in an offer on a villa in Marbella after taking a virtual tour arranged by the owner. “Buyers and vendors have a bit more time on their hands and they are happy to engage more,” he says.

France

Last year was a record for the French housing market, with more than a million properties sold. However, after enduring one of the strictest lockdowns in the world — expected to continue until at least mid-May — France is

Above: This nine-bedroom château in Mougins, on the Côte d’Azur in France, is on the market with Knight Frank. Left: this farmhouse in Cala San Vicente in Mallorca has three guest houses and is for sale with Engel & Völkers for £4.8 million

This manor house in Cascais, near Lisbon in Portugal, was built in 1873 and has 17 bedrooms. It is on the market with Fine & Country

Villa Constance, on the outskirts of Florence in Italy, which has eight bedrooms and is on the market with Casa & Country for £1.2 million

poised to enter its worst recession since the Second World War.

And the Covid-19 crisis is not sparing property prices. In the Île-de-France region around Paris, prices could tumble by 5 per cent, according to Henry Buzy-Cazaux, the president of the country's estate agents body the Institut du Management des Services Immobiliers. "I expect a reduction in prices of about 5 per cent for the large cities, including Paris, with 10 per cent for the medium-sized cities and the rural areas," he says.

However, Bertrand Gstalder, the chief executive of the property portal Se Loger, is more optimistic and expects prices to dwindle nationwide by 5 per cent at the most. "I don't think we'll see such a crude contraction," he says.

Are lower house prices going to boost the country's recovery? As in Spain, Everett-Allen says that the French domestic market will lead the way, while international buyers may then return "a quarter or two later in stronger numbers".

There is evidence of pent-up demand building already. "There has been a notable pick-up in online viewings activity for France, Italy and Spain," Everett-Allen says. Potential buyers from the US, encouraged by a strong dollar, are targeting the south of France and Provence, while buyers from Asia have been more active than usual.

Technology is coming to the rescue of international buyers too. Everett-Allen says that an Italian businessman who wanted to buy a six-bedroom chalet in Verbier, Switzerland, near the French border, was helped by a drone to make up his mind. The buyer was stuck in Milan, but a video shot by the drone enabled him to check the distance between the chalet and the piste.

Portugal

The first three months of the year were the second best to date for the Portuguese property market, but the virus is going to take its toll. "We had an amazing start of the year, but that dropped off a cliff within a week," says Charles Roberts, a managing partner of the estate agency Fine & Country in Lisbon. "I can't overstate the gravity of the situation."

The market is frozen. "Our business is selling mid to high-value properties to foreigners. In their opinion, that can wait," Roberts adds.

Estate agents in Portugal are receiving inquiries, he says, although they are not being converted into sales. "Nobody is going to buy a holiday home just via virtual viewing," he says. "So we're busy securing the deals that are already in the pipeline."

Harvey agrees. "There is an appetite, but people will be driven by their needs. We'll have a clearer picture once the dust has settled."

Will the market bounce back after lockdown is over? "Certainly not until we have planes flying again," Roberts says. "If you want an apartment in the sun you'll still want that in three months' time."

Or at least that's what every estate agent in Portugal, Spain, France and Italy is hoping.