

INVENTORY SOLUTIONS

WORDS | Ben Dahlstrom

Everything must go

Buyers and investors are on the lookout for the best deals but, with so many unsold properties to choose from, developers must get creative if they want to shift their inventories

➤ In the midst of what appears to be a sales drought in some markets, developers have been forced to re-examine their business model to shift stock. In Florida, there is a reported excess of 75,000 – 100,000 completed, unsold properties on developers' books; and varying reports estimate 600,000 to 1,000,000 on Spain's costas (with prices needing to fall by a further 50% in 2009 before levelling out, according to a new survey from Pompeu Fabra University).

Despite concerns that large price cuts could devalue the wider market, some developers are taking advantage of the discount exhibitions that have sprung up in recent years. In the USA, the Orlando Foreclosures Expo took place last month, while in Europe the first Low Cost Exhibition for Discounted Properties, due to take place in Barcelona in June, was launched - with exhibitors having to prove a minimum 30% discount on their properties before being allowed to exhibit.

Auctions are also proving popular for developers ready to bite the bullet and slash prices. In Ireland, estate agency Ann Collins Properties held the country's first overseas property auction in late January, attracting over 200 potential buyers, resulting in nearly 15 sales enquiries. "When a lot of developers have no idea what to do and how to make sales, this is working," said owner Ann Collins. "We have had 1,000 hits per day on our site, so the interest is there and the properties will have a good chance of selling if discounted correctly."

However, capital-hungry and cautious banks are shoring up their finances and will not allow heavily leveraged developers to offer large discounts on their stock. As a result, many are being forced to get creative to clear their inventories – with one Spanish developer raffling off 31 of its



Funding a lifestyle | Bacolet Development Finance is offering to pay an investor's mortgage for the life of its project in Bacolet Bay, Grenada (main picture), while UK developer Ipsus is offering to help first time buyers live free for a year (inset).

vacant apartments in Barcelona for €50 each, offering 7,000 tickets with a view to raising €350,000 per property.

Also addressing affordability concerns, the developer of the Bacolet Bay resort in Grenada, Bacolet Development Finance (BDF), is offering to pay an investor's mortgage for the life of the project – as long as they submit the unit into the resort's rental pool. "At the moment, lifestyle buyers want security and are nervous, particularly about mortgages, so we created this product to alleviate fears," said David Cox, sales and marketing advisor for BDF. "Those wishing to take advantage of the 'lifetime mortgage'

those that have access to finance, they can have a 50/50 rental commission split with us which can also prove lucrative for the pure investor."

Lifestyle incentive

Focusing on a lifestyle finance incentive, UK builder Ipsus is offering to help first-time buyers live 'free for a year' by paying for supermarket, mobile phone, video rental and cinema vouchers; a travel card for the London Underground; and even local council tax payments. In a similar scheme, Spanish agency 1Casa has approached 250 private owners and developers with its X Factor model, with the owner

Letting the property for a period of time offers the developer an alternative solution and the ability to get some cash flow into their business.

Caroline Kavanagh, residential lettings operations director, Townends

offer, will have to put a 30% deposit down and lease it back to the hotel. They would own the freehold, but all income over and above the management costs come back to us and this is how we make our money. It is a sign of confidence to the buyer that we are in it for the long-term. Also, for

paying for the buyers' transfer tax, legal and administration fees, utility bills, flights and temporary accommodation. "In Spain, added costs are around 12% on top of the listing price," said general manager Cristina Sanchez.

Some developers are opting to capitalise on their unsold stock in

VOX POPS



What are some of the better solutions you have seen for struggling developers?

It depends on a number of factors and of potential business objectives. The timeshare industry has traditionally benefited from these times as they have been able to intervene in certain projects and kick start the sales process utilising a different method that offers more flexibility at a more moderate price. Onward from there are the fractional options that seem to be prospering at the moment due to also allowing developers to offload units for a lesser price and offering more flexibility. Another option is to convert the unsold units into an apart hotel product, which offers income and flexibility.

Mark Lawson, MDCL Project Managers

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