

Alarm Bells Ring For Spanish Real Estate

Owning a property in Spain - either as a holiday home or for full time living - has been an aspiration for many Europeans in the last twenty years, with Germany and the UK providing the most buyers.

But Spain's property market has hit some turbulence recently, with the Costa del Sol dropping from the favourite area to buy to least popular in just two years, leaving hundreds of thousands of holiday home owners vulnerable to a sharp drop in prices this year.

The Costa del Sol has been particularly hard hit as different negative factors came into play at around the same time - 'land grab' - where developers take land from existing owners with little recompense, world market jitters, and local corruption.

Another complication has hit the property market on the popular holiday island of Majorca. Plans have been put forward for more developments, and the local populations has successfully organised mass protest against development plans which they think will destroy much of the island's culture and heritage.

Majorca's economic base featured farming, livestock and agriculture before the 1960s. Before it became dependent upon tourism, Mallorca prided itself on being able to take care of itself without outside influence. The rising climate has made it hard to farm or raise livestock on the island. Limited water supplies make it difficult to maintain any kind of crop. The sparse amount of agriculture that is still done in Majorca is in an effort to keep up with the demand from tourists, and more development could spell disaster for the traditional way of life.

According to the 2005 census, the population of the city of Palma was 375,048. The population of the entire area was estimated to be 517,285; the 12th-largest urban area of Spain. Approximately half of the total population of Majorca lives in Palma, and it is feared that more developments will see Majorca turned into a concrete jungle.

Majorca started to develop as a holidays hot spot in the 1920's. Today, Majorca sees more than six million visitors each year, yet ninety-five percent of tourists concentrate in only five percent of its territory. Less developed areas of this elegant island are ripe for new development and prime property commands a great premium. It seems more people than ever before want to live on or invest in the island after taking their [holidays in Majorca](#) - but locals fear a doubling or trebling of the full time population in just a few years, placing a strain on the island's hospitals, schools and infrastructure, and vow to fight development plans.

A United Nations report highlights problems for both the Costa del Sol and Majorca, showing that local authorities are over dependent on new properties being built, with some city halls receiving over a quarter of their income from property related activity - a figure only sustainable by allowing more and more new developments, which eventually run contrary to the wishes of the local populations.

The report says that there has been 'uncontrolled speculation for the last twenty years' and contributes to a poor housing situation for Spain's domestic market, with many developers preferring to concentrate on holiday villas and apartments to providing good standard housing for local people.

And it's local people in different regions of Spain who might change the way the property market works in the future, more for themselves than for outsiders.

The report says that the hardest hit sections of society in the Spanish property market are the young and the elderly, women, gypsies and the disabled - and as Mallorca has seen people are pushing housing policy higher up the political agenda.

The UN report also says that some fifteen per cent of Spain's apartments lie empty, even after discounting overseas owners.

'The amount of housing that isn't occupied might look alarming', comments a Mallorca internet site, 'But this isn't unusual. The same could be said of London, or among the Mediterranean countries Malta for example.'

Real estate developers in Spain and the Spanish islands face an uncertain 2008, as new developments are scrutinised more before being given planning consent, and an economic downturn threatens to drop the number of new buyers from Germany and the United Kingdom.

About the Author

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