



Discount or divide | Almazora (main pic) has been heavily discounted while Taylor Woodrow de Espana opted to fractionalise 16 of its unsold properties in Las Encinas de los Arqueros and Los Robles de los Arqueros projects in Andalucia (inset)

other ways. In London, estate agency Townends launched a 'hands-off' rental service for developers looking to lease out their vacant stock to private and corporate tenants. "There are literally thousands of unsold new homes on the market where the developer is either unwilling or unable to accept the true current market value or where buyers are simply unable to secure a mortgage or the sale of their own property to purchase a new one," claims Caroline Kavanagh, Townends residential lettings operations director. "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".

Divide and conquer

Spanish developer Taylor Woodrow de Espana recently converted 16 unsold properties on its Las Encinas de los Arqueros and Los Robles de los Arqueros projects in Andalucia into fractional units, in partnership with the Fractional Ownership Consultancy (FOC). However, this option is not open to everyone. "If developers have

existing stock that is not selling, it is not advisable to take the worst properties in the resort and offer to fractionalise them," says Les Milton, chairman at the FOC. "Any property sale is difficult at the moment but the fractional offer cannot help sell the unsaleable."

Brad Lincoln, CEO of fractional consultancy The Best Group, claims to have been approached by an average

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Les Milton, Fractional Ownership Consultancy

of two developers per day since Q2 2008 to help them structure a fractional product, but says it has turned down 85% because they and their projects do not match the necessary criteria – whether it's the amenities, location, quality, or track record on delivery.

A variety of new investment consultancies have also emerged to source distressed bargains for its investors via property funds. One

company specialising in this area is Property Portfolio Rescue. "We would recommend that a developer contacts us before becoming insolvent as the process is much easier," says director Nick Hopkinson. "As long as the specifications, ownership documents and debt situation is clearly communicated, we can exchange within 48 hours, subject to due diligence checks."

Agents can also do more than merely sell units to help developers. In Malta, Frank Salt Real Estate has approached HSBC with a plan to negate the effect the Euro is having on British buyers. Its scheme allows cash-rich investors, through HSBC, to live in the Maltese property for five years before choosing a time that suits them to change over their Sterling into Euro. For buyers that can't sell their UK property to fund the purchase, the same five-year grace period applies, by which time they must sell their British home. "We wanted to help local developers bypass one of the main objections to buying at present," said Frank Salt's Vanessa Lupi.

Increasingly seen as part of the problem, banks can sometimes be part of the solution. Several Bulgarian developers are helping customers buy via a mortgage coupled with leasing. In this 'leasing finance' structure, the bank holds the projects' deeds as security, and the buyer leases the property

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How likely are banks to provide further funding to restructure a project?

There are options out there for developers looking to tweak and rebuild their projects, be it through rebranding, leasing options, redesign of a unit's interior or by forming strategic alliances. It can be hard to obtain funding to make these changes, for a potential funding partner the only exit strategy is sales-based, but fortunately a lot of this re-packaging doesn't take considerable expense, just a certain mindset, a willingness to evolve and taking a longer-term view to risk. With a defined exit strategy, or strong enough story, our partners have been able to raise over £850m in real estate funding over the last 18 months."

Guy Tolhurst, Intelligent Partnership

from the bank until the mortgage is discharged. "Developers need to reinvent themselves and not be bound by past processes; there are multiple routes to market and re-packaging techniques that need to be considered," says Guy Tolhurst, managing director of consultancy Intelligent Partnership, which recently secured leasing finance for a Hungarian developer.

"Developers can also partner with an apart-hotel operator, target pension funds, and look to partner with major brands in a sector to bring a value to a project and help it to sell. Buyers will not just take on any off-plan property anymore. They want to know that there is an exit-strategy, a significant brand name behind it, or added-value that will help it sell. Developers have to forget what they have learnt in the past. It is a different market now. Those that continue to churn out shoe-box style properties will find it nearly impossible to sell going forward, even if offering discounts and added extras." opp

Unsold/empty stock around the world

Spain	1,000,500 – Pompeu Fabra University
USA	19,000,000 – US Census Bureau
UK	900,000+ - Empty Homes Agency
Malta	53,000+ - Malta Census
Turkey (Alanya)	16,000 ARBA

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