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Colordarcy shames the five worst property markets of 2011

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"2011 will not go down in history as one of the more successful years for residential property investors," Colordarcy managing director Loxley McKenzie told OPP this week. And to underline the point he has compiled a list of the 5-worst places in which to invest.

Ireland is his number one disaster zone. "It seems that 'the luck of the Irish has finally deserted them,'" says the investment consultancy boss.

"Once the envy of the world, when the Irish property market boomed between 2000 and 2006, the sheer scale of their downward spiral becomes apparent when you recognise that apartment prices fuelled by yet another painful 15% fall in 2011 are now down by a massive 60% from their peak."

McKenzie cannot see things turning around quickly there either. "For a property market to be of interest to savvy investors," he told OPP, "it needs certain qualities in order to make it viable such as a stable economy, good capital growth prospects, a reliable rental market and accessibility to mortgage finance."


"Ultimately, property should be an investment that pays for itself. However, anyone investing in any of my 5 featured countries will probably have ended up losing money in the last 12 months. It is significant that all five countries are from Europe and it is no surprise following the recent rekindling of the debt crisis in the Eurozone and the impact this has had on those countries struggling to recover from the economic slowdown within its borders."

In second place was Cyprus. Even though the island is "a long-time favourite with British investors, even its biggest advocates are losing interest," says McKenzie. "A stagnant economy and its vulnerability to the Greek crisis with two of its largest banks exposed to a total of €5 billion really doesn't bode well."

And close behind as the third worst basket-case was Greece. "With a debt to the tune of 340 billion euros and property prices falling by 10% in the first half of 2011 alone, it is deserving of its podium placing," says Colordarcy.

Next comes Bulgaria, which "was once regarded as the 'the new Spain' for overseas investors, but not any more! Property prices are in freefall and with the exit of British and Irish buyers, Russian investors now dominate the market and their strong bargaining skills result in continued falling prices," says the company.

And finally, in fifth place, was the Czech Republic "where annual property price increases of between 20 to 30% are a distant memory and now a combination of high prices,



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oversupply and some of the lowest rental yields in Europe have made this a property investor's bohemian nightmare."

All in all, says McKenzie, "the current market conditions pose a challenge for the portfolio property investor in 2012 and on the flipside, opportunities. With uncertainty still a major factor in Europe it is no longer the case that focus can be switched to other countries and markets that show signs of growth without doing the research."

"The interesting thing about this current property slump in Europe is that it has spread to all areas from the emerging capitals of Central and Eastern Europe, to popular coast and ski resorts. Some are showing signs of recovery, but the property markets within weak economies are still sliding, which is why it is no coincidence that those who have struggled most in 2011 are all in our top five."

Don't despair though, says McKenzie. "There are now unprecedented opportunities to invest in the types of housing that would have been unthinkable back at the peak of the market in 2008. These kinds of opportunities also exist beyond Europe's borders in the US."

"Understanding the market you invest in is now more important than ever. Bulgaria, Ireland and Cyprus should provide a warning for those who don't consider the underlying fundamentals of a property market before investing. In a market where some of the old rules don't apply, we still believe it is still important to ask yourself one basic question before you invest; will this be a property that pays for itself?"

Colordarcy is a property investment advisor that, it says, seeks "to provide clients with properties that offer strong growth returns and positive cashflows."

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Yen	118.6645		-18.04	-0.152	
Swiss Franc	1.4696		-0.20	-0.136	
Canadian \$	1.5837		-0.05	-0.032	
Australian \$	1.5109		-0.23	-0.149	
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