

Strong pound creates bargains in real estate

The country underwent a severe economic crisis in 2001 and 2002 when many real estate assets halved in price. Many foreign investors snapped up 'distressed assets' which have now returned to their pre-crisis values. While these bargains no longer exist, there are still many opportunities in Argentine real estate, whether in buying apartments in Buenos Aires, holiday homes in Bariloche in Patagonia, vineyards in Mendoza or farmland in the Pampa.

The big advantage for British investors in Argentine real estate is that property and land are priced in US dollars.

Paul Reynolds, owner of Argentine real estate group, Reynolds Propiedades, says: "I think to do well in the country's real estate today you have to be a bit of a black sheep – they have been maltreated throughout history but there's a lot to be said for being one.

"You have to go off and seek opportunities outside Buenos Aires in the interior of the country. That's where the real potential exists today."

He recommends an 1,980 acre ranch on the Rio Manso River in the Patagonian province, Rio Negro, near the border with Chile, which is on the market for £1.6m. This can be used as a cattle rattle but is also ideally placed for an adventure tourism development with log-cabins.

He also suggests the Poncho Moro shared ranch development in the heart of Argentina's famed Patagonian river and lake district, right on the border with Chile.

This includes more than 24,000 pristine acres of Andes wilderness with snow-capped peaks, glaciers, waterfalls, rivers and lakes. Buyers can choose from 21 sites on the river or nine pioneer sites in remote areas of the ranch. Shared facilities for horses, ATVs and recreational equipment come with miles and miles of excellent dry fly fishing on one of the best trout rivers in the world, the Corcovado River.

The 30 homestead sites and ranch interests range from £390,000 for a 50 acre lot to £730,000 for an 80 acre

lot, with complete access to the estate. Buyers can build their own log-cabins or houses.

Neil Rushen, a Briton who moved to Argentina three years and founded Mendoza Property, says: "I think there are now greater opportunities in Argentina than, for example, in France, Spain, the Greek islands, or Eastern Europe. Every one has been looking at those places but it's becoming a bit too late. I think more and more people are considering the wine-producing areas of Argentina,

ARGENTINE real estate - in all its forms - remains one of the biggest opportunities for British investors.

Mendoza and San Rafael."

He says that you can buy 27 acres of uncultivated land in La Llave, an area near San Rafael, for as little as £9,700. At the other end of the scale, he is also marketing a 740-acre vineyard in the best wine producing area of Mendoza for £7.7m, whose business produces an annual return of around 18 per cent.

"Vineyards and ranches in this region have been increasing in value by the order of 15 to 20 per cent a year, but as well as the capital gain you can get a return on the working vineyard or ranch of around 10 to 12 per cent a year; some times the profits can be much higher," he adds.

He is also marketing a 155-acre farm that produces 260,000 kilos of plums a year for £184,600. He says as well as the potential capital appreciation, the business produces an annual return of between 18 and 20 per cent.

An American, Scott Mathis, and his business partners acquired a 716-acre vineyard estate and a nine-hole golf course near San Rafael at the

start of this year, which they have named Algodon Wine Estates. The beautifully-manicured golf course was developed by Ricardo Jurado, the grandson of one of Argentina's best golf-players from the 1930s,

José Jurado, The vineyard produces high quality Malbec and Cabernet Sauvignon grapes from vines planted in 1946.

Mr Mathis and his business partners are selling one hectare- (2.47 acre-) lots of the estate for £73,000 and three hectare- (7.4 acre-) lots for £121,000. The lots have full planning permission and are being marketed to wine and golf enthusiasts around the world. The estate will help the owners to produce and sell their own wines. They

are expanding the golf course to 36 holes.

It is easy for Britons to purchase property in Argentina. They do not need residency. They must acquire a certificate of address – normally the hotel where they are staying is enough – from the police, and obtain a taxation number from the Argentine equivalent of the Inland Revenue, called AFIP, which usually only takes a morning.

Buyers need to find a reputable notary to oversee the transfer of the title deeds and a good money exchange house to carry out the transfer of the funds. Almost all purchases are made in cash and will take place in the office of the notary or money exchange.

It is also easy to transfer money out of the country if the foreign owner decides to sell the property, as long as it can be proved to the tax authorities that all the relevant taxes have been paid.

Capital gains tax does not exist in Argentina but foreign owners must pay an income tax of 21 per cent on any rental income.

Real estate agents normally charge both the purchaser and the vendor a commission of three per cent. It is very difficult for Argentines to obtain mortgages, and it would be nigh-impossible for British buyers to secure a loan locally. Mortgages are also unavailable in the UK for property purchases in Argentina.

However, property prices within the Argentine capital, Buenos Aires, remain much lower than in Britain.

Recoleta, in the heart of the city and near the cemetery where Evita Peron is buried, is one of the most sought after neighbourhoods, because of its traditional French-style, classical architecture. Valuations have increased dramatically since the economic crisis but the price per sq foot is still only around £90 to £100.

A property with a large reception and separate formal dining room is being marketed for £82,700. It should have an annual rental return



of around seven per cent.

Another brand new apartment in Recoleta with a master bedroom and bathroom, a modern kitchen, a reception and powder room, 24-hour security, a solarium, and swimming pool is up-for-sale for £92,000. The price includes all the furniture and decorations so it is available for immediate rental. The predicted annual rental return of this building is six per cent.

Palermo Soho is emerging as one of the trendiest and most Bohemian districts of the city. It is not as close to the downtown area as Recoleta, but is brimming in small boutiques, bars, cafes, and restaurants. A number of stylish, boutique hotels have also recently been developed in the area, including Soho All Suites and Five Cool Rooms. Property in that area sells for around £77 to £81 per sq ft.

The other area that is most popular with foreign buyers, especially North American, is San Telmo. It is the birthplace of Tango and is full of cobbled streets and antique shops. A large number of bars and restaurants have also recently opened up there. On a Saturday and Sunday it hosts the biggest flea market in the city. The central area, around Plaza Dorrego, is seen as safe as Recoleta and Palermo Soho, but outer-lying areas

“Capital gains tax does not exist in Argentina but foreign owners must pay an income tax”



FAIRHILLS
Mendoza Vineyards



are viewed as more dangerous. Property in San Telmo sells today for around £63 to £68 per sq ft.

Peter Haller, an Austrian who has lived in Buenos Aires for more than four years and chief executive of the real estate agent, Maison Buenos Aires, says: "In my opinion the best investment today from the point of view of potential rental return remains Recoleta. I would recommend buying studios or smaller apartments in this district. You should be able to obtain a rental return of around eight per cent, which is good by international standards."

During the past ten years, Buenos Aires's main dock area, called Puerto Madero, has been transformed into a gleaming residential and office district, similar to Canary Wharf. It is host to some of the tallest buildings in the city and contains some of its most prestigious residential developments including El Faro, Le Parc and Torre Renoir. It is home to several five star hotels, including the avant-garde Faena Hotel and Universe and the trendy, Hotel Madero.

Some of the city's best restaurants are also located there, and it is seen as the safest part of the Buenos Aires, as it is protected by the highly-regarded naval police.

Alan Faena, the local fashion designer who

Characteristic coloured buildings made of metal in La Boca neighbourhood, Buenos Aires

developed the Faena Hotel and Universe in collaboration with the French designer, Philippe Starck, is now working on two major new developments in Puerto Madero: Los Molinos and El Aleph.

El Aleph, which is being designed by Norman Foster, consists of a 160-room five-star hotel and, during the first stage, 55 apartments, which are being sold pre-plan for £203 per sq ft. During the second stage, a further 55 apartments will be constructed. The apartments will have full access to all the hotel's amenities, and the hotel can also arrange for them to be rented out.

This will be the first Foster-designed building in South America and is among the most expensive real estate in Buenos Aires.

Los Molinos involves the conversion of two huge warehouses into 90 apartments of an average size of 1180 sq ft. It will be completed in the middle of next year. All of the apartments have already been sold for around £180 per sq ft. It will contain an art district, called the Laboratory of Experimentation in Art, which will showcase the work of many young artists.

There has been some talk in the Argentine media that the property market in Buenos Aires has become a bubble, and this has caused a plateauing out in property prices this year. Some 500 new residential towers are currently being constructed throughout the city and several hundred more have planning permission.

Mr Haller adds: "I don't think what has been happening is a bubble because there is just no credit available to Argentines. It is not mortgage-driven. I don't think mortgages will be available for many locals soon, but when they do become so, that can only have a positive effect on property prices."

The other big opportunity in Argentine real estate lies in office space. There is almost zero vacancy for AAA offices in Buenos Aires. Part of the problem lies in the fact that developers have had problems securing long-term financing to construct offices. In the case of residential developments, many apartments are sold pre-plan and the funds raised have been used to finance the construction; this is not normally possible for office space.

According to Reynolds Propiedades, AAA office space sells at £86 per sq foot and rents out at between £0.95 and £1.2 per sq foot per month.

The northern suburbs of Buenos Aires – including San Isidro and Vicente Lopez – are becoming the most popular destination for new office space, because there is sufficient land available for large developments and many executives live nearby.

Argentine group, Pegasus Capital, which has an offshore real estate fund of £125m and has attracted investors from around the world, recently announced a £26m, 538,200 sq ft office development in Vicente Lopez. It will be rented out for £0.8 per sq foot.

Argentine real estate has been one of the country's most thriving sectors during the past three years, attracting investors from all around the world. This success story looks set to continue, as the local economy carries on expanding and growing worldwide demand for food and bio-fuels pushes up land prices.

Algodon Wine Estates

(www.algodonwinestate.com)

Faena Group

(www.faenagroup.com)

Maison Buenos Aires

(www.maisonbuenosaires.com)

Mendoza Property

(www.mendozaproperty.com)

Pegasus Capital

(www.pegasusvc.com)

Poncho Moro

(www.ponchomoro.com)

Reynolds Propiedades

(www.reynoldspiedades.com)

OPINION

BY JOSÉ ROZADOS

Argentina is the eighth biggest country in the world in terms of geographical size, but with a population of just 40 million people. During the last five years, annual GDP growth has been about nine per cent. Within the country's large and unique geography, the opportunities for real estate investment are becoming ever-more present.

Apartments of high quality and in excellent locations can be acquired for £67 per sq foot and be rented out, on a temporary, furnished basis, with an annual return of ten per cent. Offices of high quality can be rented out for £1.35 per sq foot per month, allowing the landlord to attain an annual profit of more than 12 per cent, while the construction of residential property for sale provides an annual return of around 18 per cent on invested

capital.

"Argentina's best feature is still its land and the huge availability of farmland"

Argentina's best feature is still its land and the huge availability of farmland.

There is more than 1.08m sq

miles of land suitable for agriculture and cattle ranching, as well as for tourism projects. For example, the beautiful natural landscapes and the pollution-free air of Patagonia offer much potential. Rural areas can be purchased for less than £19.55 per acre, reaching £1,955 per acre in the most productive farm land on the planet: the Pampa region.

Undoubtedly, it is well worth forgetting about the distance, taking the trip, and getting to know first hand these regions that remain underdeveloped and apt for very good real estate business.

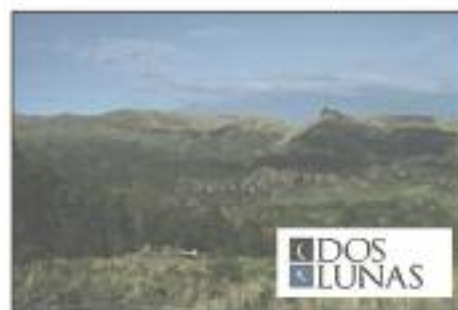
José Rozados, director of *ReporteInmobiliario*, best source of information on Argentine real estate

someplace else
emerging market investment property

Someplace Else UK LLP
91 Munster Rd, Fulham,
London SW6 5RF
T: +44 (0)207 731 2200
someplaceelse.co.uk

Argentina

Dos Lunas Hotel & Residences Prices from £54,950



Argentina
Belize
Brazil
Croatia
Lithuania
Romania
Montenegro
Serbia
Uruguay