

# A Lesson in Buying Pre-Construction in the Algarve

Margaret Summerfield

I'm on Portugal's Algarve coast, in the town of Albufeira. It's my first time in Portugal. I don't speak the language. I don't have friends or family here. I'm technically homeless. After years of living in Panama, I'm in search of a new base in southern Europe. It's an adventure and a voyage of discovery rolled into one.

From a distance, Albufeira looks like a traditional whitewashed village sitting on steep hills that slope down to a golden beach. There are so many hills and slopes, that Albufeira offers multiple ways to get to the beach. Tunnels, elevators, stairs, even escalators. In the 20th century, Albufeira was a fishing village. From 1930 to 1960, factories and businesses in the town closed, and the population fell by half.

Then, in the 1960s, with the advent of cheap jet travel, Portugal's Algarve became attractive to vacationers. Northern Europeans in particular flocked to its sun-drenched coast. Albufeira went from fishing village to tourist destination almost overnight. Its market isn't fancy or high end. In season, Old Town and The Strip are normally packed with partying tourists. Not the kind of tourist I'd want to party with, either. They're a younger crowd, looking for fun...but fun that's not too foreign.

Irish and British folks often say it's cheaper to spend a month in places like Portugal in the winter than paying the heating bill back home. Old Town is awash with cheap bars and "English" breakfasts for €5 (about \$6). Menus in English are for French fries and pizza, chicken wings, and kebabs. The menus in Portuguese, on the other hand, offer traditional favorites like *cataplana* (a fish stew), *bifana* (pork sandwich) and fresh, grilled sardines.

I'm not staying in Old Town or The Strip. Instead, I'm in a small condo complex on the crest of Cerro Grande. The position means incredible views of the ocean. It also means a killer climb when returning



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from Old Town, the marina, or the beach (they're all a 10-minute walk from here).

Cerro Grande shows another side to Albufeira. There are a couple of condo complexes, and lots of very large single-family homes on big plots. The homes have swimming pools and gardeners trimming the pomegranate, lemon, and orange trees. They're a world apart from The Strip's

tacky bars and tattoo parlors. Swing a left from the marina and you can see some condos under construction. These are large and luxurious, with ocean views, and serious price tags. Amenities include landscaped gardens, pools, a spa, and jacuzzis.

A three-bedroom condo will set you back more than a million euros.

Would I put my hard-earned cash into any of these? I think not. I can't see where your future gains would come...whether on the capital front or rental returns. They're lifestyle buys, when you're buying for personal use and any gains are gravy.

I can't picture the lifestyle buyer who'll shell out more than a million for a condo in Albufeira, either. It's got a reputation for cheap vacations and must be crazy in the summer when it's packed with people. It definitely doesn't scream high-end or luxurious—or million-dollar condos.

Nevertheless, the condos look swank, high-end, with huge expanses of glass facing the ocean. Every day, workers swarm over the site. But you don't have to look too far to find a ghost of the past.

Not so far away, there's a huge abandoned project. It's fenced off, the lettering on the fence faded away. A billboard, barely legible, promises ocean-view homes. The website and phone numbers listed are no longer active.

The project looks like it dates back to the last great economic crisis of 2008. It's the worst kind of failure—only partly built. The kind of project that few want to buy. Unlike finished homes, you can't sell each unit individually. You need an investor or developer. And, sensible developers don't want to take on foundations and walls done by someone else, or foundations and walls exposed to the weather for more than a decade. Any problems would be their responsibility to put right.

This failed project flags up one of the basics of buying pre-construction property: Know your developer.

I've come across countless wannabe developers in my 15 years doing this job. In fast-moving markets, when real estate prices skyrocket, everyone wants a slice of the pie. People with no background in construction, engineering, or project management decide to become real estate developers. I've met folks who have built a couple of single-family homes back in the U.S. and think it qualifies them to do a high-rise block in Latin America. I've met others who have run from failures in other countries and are raking in cash from a fresh round of naïve buyers who don't do their research.

There are no guarantees in real estate, but you can cut the risk. One way is to go with an established developer, with a strong track record of delivering quality product, and a slew of happy customers.

My search for a base continues. Albufeira, the wild card, doesn't make the cut. Will anywhere on the Algarve fit the bill? I'm off to Lagos next, a much more tempting prospect. Time will tell... ■



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# "We Created Our Own Paradise on the Pacific"

Sharon McDonnell

An infinity pool, a private beach, and a covered outdoor living room and dining area. A creek with waterfalls spilling down to the ocean, and magnificent tropical gardens which toucans and parrots visit daily. It took three years of driving around Central and South America, Mexico, and 22 U.S. states for John Korte and Anita Rogers to find their "dream" property, but find it they did, back in 2012.

On Panama's Azuero Peninsula, where the sun sets every evening into the Pacific Ocean, their beachfront home has panoramic ocean views from every room.

The Texas couple are expats with a capital E. Over the past 20 years, they've lived in Roatán, Antigua, Guatemala; and Argentina as well as their current sojourn in Panama. John is a retired financial planner. Anita owned an import-export business selling high-end Guatemalan handicrafts to the U.S., as well as a florist's and three handicraft shops in Guatemala, where her mother owned Hotel Atitlán, near Panajachel.

The duo own a specialty tour operation, *ExploreAmazingPlaces.com*, which takes groups of artists to art workshops in Panama, Guatemala, Ecuador, and Cuba. They run it part-time with a younger partner in Arizona, by finding and paying instructors to bring painters, photographers, and textile artists on tours. John and Anita started the business when they married, 20 years ago, as an interesting way to supplement their existing incomes (John has a pension and Social Security income, while Anita has investments from her years in business).

The couple purchased their three-and-a-half-acre property and house for under \$500,000. "We fell in love with it and saw the potential," says John, describing their many additions and improvements. "Anywhere else in the world, it could have easily cost \$1 million or more." It's now a rare example of titled beachfront property in Panama. They bought it untitled,

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which is a bit of a gamble. Securing a title took five years and \$30,000—but it paid off.

Why Panama? The couple warmed to the congenial expat community near their home, which is a five-minute drive from Torio, a small fishing village. It's also just 20 minutes to Mariato, a town with three grocery stores, a bank, two hardware stores, a gas station, and a medical clinic. "We'd seen just about every expat community in Central and South America. People here were like us, which attracted us to it."

Anita created their home's tropical garden of hundreds of varieties of plants, such as orchids, heliconias, gingers, and bamboo. She was born with a green thumb, probably inherited from her mother, whose lakefront botanic garden at Hotel Atitlán is a wonder to behold. "Anita's out there eight hours a day, almost every day," John notes. "We also have a full-time gardener, and sometimes a second, to keep up with what she's created. Our most stunning addition, besides



Panama's Azuero Peninsula, where Anita and John set up home, is the stuff of fantasy.

**"Anywhere else, it could have cost \$1 million or more."**

the garden, is the 40-foot-long infinity pool, which fades into the Pacific. We also added a thatched Balinese-style roof covering a 700-square-foot deck, and an outdoor bar made from local wood, two carved Easter Island moai-style statues, and a tropical jungle mural by a local artist next to it."

Another addition: an open-air, covered chef's kitchen with lots of storage. "We could probably live three months on the food we have—we're set up so we don't need to go buy food every week," John says. They're a 90-minute drive from

Santiago, a city of 70,000, which has large well-stocked supermarkets, PriceSmart (like Costco), banks, hardware, building supply and electrical stores, restaurants, and bars. (A new road being built will cut the drive to 45 minutes.) Panama City, where the airport is located, is a five-hour drive away.

John and Anita also enjoy another Panama perk: the *Pensionado* visa for expats who have a pension or Social Security income of at least \$1,000 a month, and which entitles its holders to big discounts on airfare, in-country transportation, entertainment, restaurant meals, professional/technical services, even home loan closing costs.

Expatriate life takes a little adjustment, John says. "Rent first, try things out, get a feel for a place," he recommends. But he and Anita are addicted to the global lifestyle. So much so that they're selling up and moving on. The open road beckons them once more.

"We've been here for eight years of designing, planting, and manicuring. At our age, it's becoming more than we want to manage," says John. He and Anita haven't yet decided on their next location. They may travel to parts of the world new to them, and rent for three to six months in each.

Or, they may buy a boat to cruise the Great Loop, a 6,000-mile system of waterways in the eastern U.S. and Canada that ranges from the Atlantic and Gulf Intracoastal Waterways to the Great Lakes. They're open to what comes up. "We're both adventurers and explorers who look forward to the 'next place,'" John says enthusiastically. ■