

Fair trade?

In a stagnant property market, owners are increasingly happy to swap homes. By Belinda Archer

John Abbott is a 60-year-old artist who lives in a traditional stone cottage on an island near Bantry Bay in County Cork, south-west Ireland. He can see the Fastnet lighthouse from his window, while the waves crash dramatically against the cliffs just half a mile from his front door. It's wild, it's woolly and for many it is the epitome of rural escape.

But Abbott wants to move – back to England, his home country, ideally somewhere within two hours of Manchester. And instead of selling his cottage, complete with 11 acres of land, and buying a new place, he wants to swap properties – dealing directly with another homeowner interested in permanently exchanging his or her property.

"I've been trying to sell for two years but I found out about swapping a few months ago and am prepared to give it a go because it is so new," he says. "It sounds like an interesting concept and anything that can enable people to move from one place to another at the moment is worth trying."

Swapping, or permanent real estate exchange, is a rapidly growing phenomenon among property owners in today's stagnant global housing market. From Miami condominiums to Tuscan villas, Sydney penthouses to Hawaiian cabins, real estate of all sizes is now being traded rather than bought and sold in the traditional manner. The internet is not surprisingly facilitating the process, linking potential swappers from around the world via websites that cover a broad range of countries, from Australia to Greece, France to Costa Rica.

A leading example is Goswap.org, which was set up in December 2006 with just 90 listings and now has 70,000 monthly users, six times the number it had just three months ago. Co-creator Sergei Naumov says he initially conceived of the site as a way to solve his own problems. "I had my own home for sale in north-east Florida and I had a terrible time selling it. I was not getting any calls on it, so I thought: 'There has got to be a better way. There's got to be someone who wants to do a swap'."

He eventually sold the house, rather than swapping it, but still decided to pursue his idea. And he thinks the timing – about six months before world property markets began to collapse – was perfect. "People start to think of creative ways of selling their home or land during bad times," he says. "Most are simply trying to get out and find a similar property in a different location, with the same sort of dimensions and land and number of bedrooms. They are not looking for their dream home. The whole idea of finding a bigger home with a bigger garden was a boom-time thing. Now people are simply stuck and are having to relocate because of the employment situation."

Craigslist, the leading US online classified advertising website, confirms that the number of permanent house swap ads posted by its users has seen a "significant rise" over the past 18 months. And new sites, such as EasyHouseExchange.com and The-Part-Exchange.com in the UK, are now launching in an effort to seize the opportunities presented by the economic downturn.

"Our site is the product of the current malaise affecting the financial and housing market," says Richard O'Driscoll, co-creator of EasyHouseExchange.com and a former banker at Allied Irish Banks. "The reality is that 30,000 properties per month are still being sold in the UK because people have to move and we are aiming at a small number of them. The sellers are caught in the current negative property climate, possibly having to pay rent or a second mortgage."

The key thing with swapping is that it isn't necessarily just about exchanging like for like or house for house. Finding two properties that are worth exactly the same amount is, after all, virtually impossible. Instead, it is about doing a deal, usually cash-free, that suits both parties. This might involve throwing in a boat (as Abbott is willing to do with the sturdy wooden vessel he uses for trips to the Irish mainland) or some extra land and furniture or even part-ownership in a private jet. Those interested in trading down, a trend that is becoming more common, might receive a downpayment of cash to seal the deal.

Katrina Riley and her husband Adam, builders who work in the UK and France, are launching The-Part-Exchange.com with a view to facilitating these sorts of transactions. They will start with 40 property listings from Hong Kong to the Caribbean, including eight homes they renovated themselves but have recently been unable to sell. "We would take another house up to 70 per cent of the value of one of ours – which we could then rent out for a second income – plus 30 per cent capital to continue forward to another project," Riley explains.

Other sellers on the site include developers in similar situations; traditional relocators venturing to a new country or returning home; owners of holiday rental properties who want to try a new market; and people who are being forced to move as a result of the recession. The hope is that service companies, such as law firms, contractors and currency exchange specialists, will eventually participate too. "Our research showed there was definitely a large international demand," Riley says. "We are a bit like buy-to-let 10 years ago. It is only really just beginning to take off."

Nat Milana is in the throes of a typical exchange. A builder with a \$500,000 lake-front estate in Nicholson, Georgia, in the US,

he is negotiating to swap it for 78 acres of land in Gatlinburg, Tennessee. The other owner "wants a home in the south; we want acreage. His land is paid for; so is ours," says Milana. "This scenario shows that not everyone is looking at 'house for house' or 'land for land' and that there is a swap for everybody. It shows that any kind of swap can happen."

Peter Hughes, a British entrepreneur from Weybridge in Surrey, south-east England, is considering various novel offers of swaps for his meticulously converted 500-year-old water mill in Andalucia, Spain. "We have been offered a flat in London, a whole island near Manaus in the Amazon, some land in Los Angeles, a bottling plant in the US, a house on the Bahamas with cash and even a 70ft yacht moored in Malaysia," he says, adding that the process has not only provided a practical solution for trading out of his property but also proved "entertaining".

Ron Harris, the owner of a deluxe penthouse condo with giant glass walls and "the best views of Lake Michigan" in Park Place Towers, Chicago, is similarly flexible. "With the economy the way it is, I'm just trying to lessen the load of my real estate holdings [and] I'm not ruling anything out. If someone has a condo that's worth less, then we'd simply switch and they'd give me the difference in cash. I want to downsize."

Experts say this is the right attitude. To swap successfully, owners must be open-minded, rather than targeting, say, a particular zip code in San Francisco. As O'Driscoll says: "A trade requires compromise at the end of the day. Swapping relies on the two individuals being sensible and grown-up about it."

Interestingly, there are more than 700 listed members on Goswap.org who have clicked the "Any State" box, reflecting how relaxed they are about where they relocate. Other data show that the typical swapper is likely to be 45 or older, possibly approaching

Flexibility The two houses in France, above, both listed on EasyHouseExchange.com, could be traded in a cash-free deal, with extras such as furniture thrown in to account for any difference in value. Below, the Irish cottage John Abbott is hoping to trade

retirement, financially independent and well-versed in the property market.

The potential advantages of trading over the more traditional sales method are clear. Swappers deal directly with other owners, saving on estate agents' commission or brokers' fees, and they can avoid timing hiccups, such as double mortgage payments, since "the deal works out simultaneously on both sides", says Harris. Trading is attractive to "anyone who might not be interested in going through two different transactions", he adds. It "prevents you having to store all your worldly possessions if you can't sell your old home" and "widens your pool of buyers".

According to Naumov, financing is often less difficult as well. "It is easier to secure a loan when swapping because you are selling and buying on the same day," he explains. "You pay off your loan straight away. Selling in the traditional way means that if you have a current mortgage, you have to qualify for a new mortgage that takes the current mortgage into consideration."

Hughes argues that the market is also more transparent and accurate. "The completion of our renovation coincided with the property crash and this made valuation difficult," he says of his Spanish water mill. "We spoke to various estate agents who said it was difficult putting a price on our property because it was one of the finest historical buildings in the area. So we were interested to see what people would be prepared to offer us and there has been far more interest generated by this method."

There are disadvantages too, of course. To facilitate a swap and pull it all together is complicated. Closing the deal often takes longer than the traditional 30 days for a sale in the US, extending to 45 days in many cases. And there is no sidestepping real estate lawyers or conveyancers to make sure any deal is legally binding and registered with the relevant government bodies.

But those people who have traded successfully sing the praises of the process. Take Alice McLaughlin, who watched her stunning New Hampshire log home languish on the traditional market for six months. When she posted the property on a swapping site, "we immediately had interest and have now made an agreement with a swapper [in] Hawaii, our ultimate destination. This has been a very easy way to achieve a win/win situation, save money and get our house sold in a timely manner. House swapping has allowed us to sell our home without all of the hassle."

So if you fancy the idea of trading your home for Abbott's Irish cottage, complete with boat, you can reach him via EasyHouseExchange.com. "I'm open to offers," he says, in the true spirit of permanent property exchange.



SAFE SWAPS

Legal tips

Home exchange experts say that any transaction should be dealt with in the same way that a traditional sale or purchase would be. In the UK, for example, stamp duty is still payable based on the market value of the property and, where applicable, any outstanding mortgage would need to be paid off and a new one taken out before a swap could go through.

EasyHouseExchange.com

recommends the use of a lawyer to conduct the transaction. He or she will establish ownership and restrictions, liabilities, disputes, boundaries and charges such as council taxes, as well as registering the new owners' titles with the appropriate authorities, arranging to pay fees and advising on insurance coverage.

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