EDITORIAL

Boom and Bust: The Influence of Macroscale Economics on the World’s Coasts

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INTRODUCTION

The recent and ongoing global economic crisis and its immediately preceding boom have had profound impacts on coastlines worldwide. They provide some insights regarding the influence of macroscale economics on coastal sustainability, and here we explore the implications for coasts and the communities that use them. We conclude that the economic boom has had disastrous consequences for coastal sustainability worldwide. One of the major lessons from this period of rampant development is that current coastal management is not up to the task.

BOOM TIMES—LET CONSTRUCTION ROLL

The past decade has been a period of abundant and easy credit that fueled a massive growth in construction. Property became the central focus of the economic boom. No other investment vehicle offered returns on the scale available in property. Risk was perceived as minimal compared, for example, to playing the stock market. The lending policies of banks ensured the easy availability of cheap money. With steadily rising property values perceived as removing virtually all risk to lenders, banks abandoned their previous cautious rule of thumb of giving mortgages to about three times annual income to six to seven times income, and in many cases they offered 100% mortgages or more. The ready availability of low-interest loans both for developers and buyers, and the desire of investors to get a slice of the profitable property market, led to a surge in construction of coastal housing, especially holiday homes and apartments. Demand rocketed, causing property prices to rise to previously unimagined levels, which in turn encouraged coastal land owners to sell.

Unlike earlier phases of intensive development in Europe when tourism infrastructure comprising mainly hotels was constructed, the recent period chiefly involved the private property market. Indeed, many hotels were demolished to make way for apartments. Throughout Europe, coastal property development boomed with huge developments of single and multiunit dwellings being constructed for sale as holiday homes to those availing themselves of easy credit. The coast was effectively consumed by housing development. The effects were particularly dramatic in southern Europe (Spain, France, Italy, Greece, and the Canary Islands) with massive areas of coastal land being covered with apartments, condominiums, and houses, overwhelmingly for use as holiday homes (Figures 1 and 2). The purchasers, however, were drawn from across the continent and beyond, their travel being facilitated by the growth in cheap flights. The demand outstripped supply and prices rocketed, commonly increasing by 10%–20% per year. In Great Britain, several coastal towns saw the sale price of property rise by 90%–100% over a 2-year period. Those with a mere 25% increase over the same 2-year period were reported in the press as “relatively stable.”

The demand for coastal property was such that market prices reached levels that would previously have been unthinkable. In Wales, the price of $20,000 ($US29,000) in 2002 to £28,000 ($US45,000) in 2003 and £56,000 ($US100,000) in 2004. A 12-ft wide strip of sand dune without a hut sold for £50,000 ($US89,000). In Bournemouth, England, similar beach huts with a 25-year lease were being sold for £350,000 ($US670,000) in 2005. A seafront public toilet block in western Ireland went on sale for €250,000 ($US320,000). In Portballintrae, Northern Ireland, a 17 × 33 ft shed (Figure 3) was on sale at £200,000 ($US356,000) in May 2006.

Against interest rates on loans of 5% or less, and relaxed approaches by financial institutions to lending, the obvious result of the rush for property and the rapid increases in value was going to be rampant speculation by investors, many of whom had not previously been active in the property market. The situation rapidly arose that the footprints of houses were worth more than the buildings themselves; consequently all around the British Isles, houses were demolished and

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