

finance

HOME *from* HOME



Many of us have been on holiday and walked into a local estate agent, not just to compare prices but also to see what we could actually afford and recent figures from the Office for National Statistics show that 200,000 Britons travel abroad each year in search of buying a property

ACCORDING TO RECENT research by estate agency Savills International and HomeAway.co.uk Britons now own around 430,000 foreign homes worldwide. The research was conducted across five continents and although the figures show a steep decline in new buyers, buying abroad remains an attractive prospect to many.

The trend in buying properties abroad in emerging economies, to cash-in on rising property values, has given way to buyers investing in a second home abroad. World travel has become far more convenient in the last decade and buyers are more aware of foreign exchange differences around the globe.

WHAT TYPE OF HOME

There are many reasons for wanting to purchase a property abroad, as a holiday home in a favourite location, a property to appreciate as an investment, a retirement home, a property to share with your family and friends or as a rental property.

Buying abroad, though, can be a complicated process and the key to success lies in thorough research at each stage of the buying process, from finding the right property to choosing the right international mortgage. For an informed investor, buying overseas can be extremely profitable both in terms of return on investment from letting and the property value appreciating as an asset.

When thinking of buying an overseas property, the most important consideration is what you want the property to do for you. In deciding where to buy you should consider whether you're looking for short or long-term income or for a family holiday home. Many people buy homes with the intention of earning rental income, yet research by HiFX foreign exchange specialists found that 70% of foreign property owners don't rent their property and of those that do, 40% only rent to family and friends. The main reasons for this are perceived problems with property management companies and the possibility of damage to furnishings.

As well as where to buy, it's also important to have a good idea of what type of property you're looking for. Will it be an apartment, villa, house, new building and consider how many rooms you'll need. It's also important to consider what local amenities and facilities are available, including shops, restaurants and local transport infrastructure.

It's also advisable to contact a reputable local estate agent and ensure you've all the necessary information on the property you intend to purchase - including local tax and building regulations, planning permissions, local customs or laws - and assess what transaction costs and ongoing expenses you'll be liable for. Independent lawyers, who are familiar with the purchasing process of the country

you're buying in, can check the title deeds to make sure the seller owns the property and that there are no outstanding debts associated with the property. There are many horror stories of investors discovering that planning permissions haven't yet been granted after they've invested their money, so avoid lawyers representing solely the interests of the developer or seller.

When budgeting to buy a property abroad, you should also consider what additional costs will accrue after you've bought. Maintenance costs, property management fees, insurance and

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furnishing costs all need to be calculated beforehand. You should research average rental income and rental capacity in the area you're buying in and work out if these will cover all the associated costs.

INTERNATIONAL MORTGAGES

Financing your property is much easier than it was years ago and a number of well-known British banks offer financing through international mortgages. Most international banks have mortgage calculators on their websites to help but availability of choice and cost of the mortgage are key to choosing the best mortgage.

Fees and penalties associated with the mortgage should also be looked at closely. Some banks may charge fees for early repayment on buy-to-let properties and there are often hidden costs, such as valuation and insurance charges.



BUYING A PROPERTY ABROAD

- Beware of impulse buying and allow yourself a cooling off period before paying any deposits.
- Be prepared for a drawn-out process, buying property abroad can easily take up to a year.
- Ensure there are no debts associated with a property before you sign any agreement.
- Think about first renting a property in the area where you're thinking about buying.
- Calculate additional costs such as lawyer's fees, insurance and taxes before buying.
- Make sure you seek advice, where necessary, from specialists such as surveyors, architects, lawyers and estate agents.
- Consider opening an international bank account to make transactions easier.
- Try to arrange a 'mortgage in principle' before agreeing to purchase the property.
- Shop around for best rates, service and choose a mortgage that best suits your personal needs.
- Think about jointly purchasing a property with family or friends to strengthen your purchasing power.
- Beware of local planning permission rules, regulations and restrictions and ensure you're aware of Government fees.
- Where possible, speak with expats who've already bought property in the same area and seek local expertise in English –language or local newspapers.

You'll also need to take out your mortgage either in the local currency where your property is located or the currency of your main income and some banks offer international mortgages in a range of currencies. As you'll most likely receive any rental income in local currency it's also worth considering opening an international bank account.

Many banks also apply age limits to their mortgages so you should check what age limit is applied to the longest loan term. Mortgages are not always available for every country so check each bank's list to ensure you can actually get a mortgage in the country you're interested in. Shop around, as some banks will also offer customers additional help in dealing with local legal or tax advisers and you'll also find that most banks have personal mortgage advisors - so it's worth talking with them during the early stages to see exactly what's on offer.

Whilst a lot to consider, Britons have not been put off. The Savills report says, "A fifth of all respondents reported that they are considering or planning additional holiday property purchases in the future, demonstrating that despite the climate, the attraction of overseas investments has not disappeared. However, it will be essential for market conditions and mortgage availability to improve, in order to support any volume of future purchasing activity."

Buying a property abroad takes time and is fraught with potential pitfalls but is worth taking time over. Getting it right can be very profitable and owning a holiday home abroad ends up as a life-transforming experience for many people.