THE INDUSTRY VOICE. THE INDUSTRY BODY. THE INDUSTRY STANDARD.

HOW TO BUY OVERSEAS PROPERTY SAFELY

14TH EDITION

BUY RIGHT, OWN WELL

Ever heard the saying "buy in haste, repent at leisure?" Buying a foreign property can be a great investment, offering a wonderful lifestyle. But caution should be exercised, advice taken and precautionary steps heeded to effectively deliver it.

That is why AIPP publishes this guide - now in its 14th edition - and available completely free of charge.

AIPP is a not-for-profit organisation set up in 2006 to guide and assist British buyers of a foreign property – all our services are entirely free to you, the buyer.

We focus on two key areas; 1. Consumer Education & Protection and 2. Trade Best Practice (appropriate aspects of our work are endorsed by UK National Trading Standards - Estate Agency Team).

We are funded by our 370+ corporate members from 31 countries around the world; AIPP members want you to have the best experience possible in pursuing your property dreams. Our members comprise agents, property developers, lawyers, banks, currency specialists, media and other trade professionals. Do take the opportunity to research and connect with AIPP members in your country of choice on the AIPP website; www.aipp.org.uk.

Each AIPP member abides by our code of conduct and business members offer recourse through The Property Ombudsman, should this be required. This is not available through non-AIPP members, so buyer beware! Ask non-AIPP companies to provide genuine references, take them up and, if buying off-plan, make sure you are clear about how the development is being financed.

A foreign property purchase usually touches upon significant financial, tax, legal, estate planning and other ownership-related matters. If you are unsure how to best navigate these please do contact an independent financial adviser. Make sure you use a truly independent lawyer to look after your conveyancing.

There are many, many successful and happy tales of buyers enjoying their foreign property purchase. Take a few sensible precautions, do your homework and join their happy ranks. Read on and find out how, with our compliments. | AIPP

Peter Robinson, CEO, AIPP London

AIPP does not sell foreign property, we do our best to make sure it is sold *properly*

TODAY IS NOT LIKE YESTERDAY

(THE LAST FOREIGN PROPERTY BOOM ENDED OVER 10 YEARS AGO)

Around 800,000 overseas properties were bought by British people as second and retirement homes before the global financial crisis (GFC) started in 2008. A peak of around 70,000 British buyers were active in the foreign property market in 2007, there are now around 30,000 British buyers of a foreign property each year.

Many of those buyers continue to own their properties, but some do not – having rushed into poor buying decisions. Lack of research, poor industry practices and rashness has led a significant minority of foreign property buyers into trouble.

But what these new buyers are witnessing is a landscape of foreign property opportunity transformed during the past recessionary years. Gone are the large Brit-owned foreign-based estate agents heavily marketing themselves aggressively into, particularly, the UK.
The agents who are left have proud reputations to protect, having traded successfully in showing great customer care through the lean years.

Gone too are most of the highly speculative property developers with little or no experience in land, construction, development finance or customer services, many with very unhealthy relationships with banks, agents & lawyers. Some foreign banks, as principle funders, became unwitting owners of many failed property developments and have, over the last 10 years, been completing and selling them off at discounted prices. But most of this stock has now been sold, with that remaining perhaps of little interest to foreign buyers looking for a well-located holiday home.

Plenty of property was built in highly questionable locations as cheap development, finance and speculative capital growth drove the markets. Some banks have retained choice land sites acquired from failed businesses and now, with perhaps 10 years hard-won property experience, are developing sites themselves. Such developments from banks might offer the prospect of better due diligence and an attached (conditional) buyer mortgage offer.

As the market continues to recover, there will be renewed focus on new-build property, driven by the higher and attractive margins for sales agents. Consideration of whether to buy new-build or resale is covered in page 9 of this guide.

To support British owners, AIPP has set up a sister organisation; the Alliance of International Property Owners (AIPO). Both owners & buyers should visit www.aipo.org.uk to register for our free newsletters, help and advice. Extending into all the major aspects arising in foreign property ownership, the Alliance supports British resident owners of a foreign property in 4 keys areas:

1. Knowledge & Support
(including free legal advice)
2. Representation to authority
(National & Supranational Governments)
3. Offers & Discounts
(to lower the cost of using your property)
4. Owners Community Hub.

| AIPP

To support British owners, AIPP has set up a sister organisation; *the Alliance of International Property Owners*

GETTING STARTED

So where do you begin? Ok, so you think you know which country you want to buy your property in - most people will have visited a country and region many times before deciding to buy there. Many people will be buying with a husband / wife / partner, so it is vital you two are both aligned.

Our top tips to ensure you are both 'on the same page'? Each take a blank sheet of paper and a pen and sit in separate rooms. Then answer the following questions and compare results. Both happy? Aligned? No? Then you need to talk...

Questions to ask yourself:

- What are you PRIMARILY buying this property for:
  - Holiday home
  - More of a financial investment – to be mainly rented out
  - To retire to now
  - To retire to later with some mixed holiday / rental use

- What do you each see yourselves doing in the region, facilitated by your property?
  - 100% time together relaxing
  - Boys golf trips (how often..?)
  - Girls weekends away (how often..?)

- **How often do you think you will visit your property in the first year,** 3rd year, 5th year, 10 years+?

- When your property is not occupied by your friends and family will you rent it out?

- How long will you rent it for and for how much?

- What NET rental income must your property realise after cost of servicing, agent fees, taxes, running costs and other deductions? (Note. You know you always underestimate how much money you will spend whilst on holiday? yep, owning and running a foreign property is pretty much like that too. Put a comprehensive budget together, pronto!) There are no right or wrong answers - just the answers that give you both clarity of purpose and direction as to what is the right property that meets your own individual needs. | AIPP

TOP TIPS...

- You may not intend to rent your property out but circumstances can change - a property you personally fall in love with but is out of the main tourist areas can be difficult to rent / manage should you later wish to do so.

- The likely rental value that you may achieve should be considered before purchase - also who you might rent through. Have a look at www.Holidaylettings.co.uk to get an idea of the market. A local agent has some advantages although income will be in the local currency (not Sterling) and the quality of service can be highly variable - in some instances, fraudulent accounting of what the local agent says they have let the property for in value and time being less than they have realised.

- One way to beat both currency and fraud issues is to contract with a UK holiday company who could offer you a fixed contract (regardless of number of weeks used) in Sterling. Have a look at the likes of Villa Plus and James Villas etc for typical market values and to perhaps make an enquiry as to whether they are looking to add properties to their portfolio in the area you are interested in buying.

WHERE IN THE WORLD

Most people who buy a property abroad will have a pretty good idea of where they want to buy, whether a specific country, region, or even resort. Holiday-home ownership is often referred to as the "final stage of tourism" and indeed the story behind a good many property purchases will involve owners being drawn back to the same place year after year and then finally deciding to commit more fully by buying their own home there.

But maybe you don't know where to buy for sure? It's all too easy to get bamboozled with tempting landscapes, persuasive arguments and alluring prices but usually the best place to start is asking yourself why you want to buy abroad.

Knowing what you want your property to do for you is explored more fully on page 7 but if we take the most popular current locations for residential property hunters (we are not talking about commercial property investment in this guide), it's a useful snapshot.

Why Spain?

Spain is the stand-out favourite, according to multiple sources, because it ticks so many boxes. We are not only talking about the perennial issues of accessibility, climate, beaches and quality of amenities that have kept its tourism numbers swelling year after year, but the fact that properties are so affordable there currently. In 2014 Spain began to emerge from its worst ever property crash so that whilst prices are still well down on their 2006/07 peak, investors have the confidence of putting their money into a market capable of recovery.

So, to summarise: Spain's an established, relatively familiar market for the British with buoyant tourism promising reasonable returns for property hunters seeking to cover their running costs; with a decent chance of some capital growth too.

...or why not?

Of course the flipside of the coin is that some of Spain's coastal areas might already offer too many British, or indeed foreign, owners for some people's liking, so for a more "authentic" experience of owning abroad they might head to less familiar locations such as Turkey, Greece, Italy or Croatia.

With property prices still well down from their peak in many Eurozone countries outside Spain, affordability – is good although Sterling value to the Euro has suffered. But if you have always hankered after a home in Portugal, France, Italy, Greece or Cyprus, then now is arguably the best time in over a decade to buy it – if you have cash. Note that lending options have narrowed although a 75% LTV is readily achievable.

Climate factor

For those seeking year-round sun, Florida remains the popular choice, again with fast-growing tourism and property prices down from their 2006 peak – though rising again in many hotspots such as Orlando and Miami.

The sugar-sand beaches and laid-back vibe of the Caribbean is often high on many people's wish-list but generally require deeper pockets, as are other bucket-list locations such as the Indian Ocean, South Africa's Western Cape or the Maldives.

Your money will go much further in Thailand, however affordability must be weighed against ownership complications for foreign buyers and the varied risks of buying in an emerging market. Since the global downturn the horizons of British buyers have certainly narrowed and focused on the "safe" and close to home. Yes, there's still an interest in Eastern Europe, the Balkans and North Africa for the intrepid, but "new" destinations are regarded with an entirely healthy dose of caution. | AIPP

THE KEY PLAYERS

WHO DOES WHAT?

It is often said that the biggest mistake British buyers can make abroad is assuming that things work the same as they do back home. But there's truth in this, and one of the biggest pieces of advice one can give is to somehow find the right person to hold your hand through an alien buying process.

So whilst all countries have their own quirks and foibles, let's kick off with the key person in your search: the agent.

Agents

At the risk of stating the blindingly obvious, agents exist to sell property for a client – whether a private vendor, a particular complex or a developer. They might market this property in the locality, or they might travel around promoting it at trade fairs and exhibitions, or they could be based in one of the key markets for their project, be it the UK, China or Sweden.

In return they of course receive a commission, and that commission will vary on the country and whether the property is resale or new-build.

Commissions tend to be higher abroad – and do check your liability at the outset of your search as it's not always the seller who pays it all – because the agent's role is usually more comprehensive than that of one in the UK.

In the UK, estate agents perform a relatively straightforward hand-holding role, showing you properties and then being the middleman between buyer and seller on a purchase. When you buy abroad agents will usually have to do a lot more legwork: picking you up at the airport, driving you around areas for comparison, fielding questions about amenities and transport routes as well as frequently translating everything you encounter.

So when choosing an agent you are going to need to know whether the person is going to be capable, and prepared, to do all of the above – if you require it. It's a sensible idea that you meet a prospective agent face to face and clarify their knowledge and role from the word go.

How to find an agent?

Do your own research first and online is where you might start looking for an agent. Going to a property exhibition and meeting people face to face is a great way of finding an agent too, although not all agents attend these. Either way, look on the big overseas property portals such as *rightmove.com, zoopla.co.uk* or *aplaceinthesun.com* and see who is selling a good choice of the type of property you are seeking. A professional and user-friendly website with all sorts of extra useful advice is a good starting point for finding a professional and user-friendly agent. Equally, Googling an agent's name can throw up all sorts of useful

information, good and bad (are they members of AIPP? Are they mentioned positively in buyer forums?)

As in the UK, agents are not always regulated or accredited in any way – this differs hugely from country to country – and quality is also widely divergent. If they are a member of the AIPP you can at least have the reassurance that they are bound by a professional code of conduct and disciplinary process with some recourse to compensation if things go wrong

When you meet your prospective agent, don't be afraid to test their local knowledge. What is your gut reaction, do you feel that this agent will best represent your particular interests? If you don't get a →→→

THE KEY PLAYERS
WHO DOES WHAT?... CONT.

sense that they are willing to spend time getting to know you and are properly listening to your requirements, look elsewhere.

A good agent should carry out their own due diligence before agreeing to sell a property – to save wasting everyone's time. The bad ones will leave the buyer (or their solicitor) to find out whether the property is legal or legitimately owned. He or she should also offer advice on elements related to the buying process such as obtaining a tax number, opening a bank account or introducing the buyer to mortgage advisors.

But beware of two things that agents are not. They are not there to act as your lawyer – you'll need your own independent lawyer to represent your interests only; and they are not there to take responsibility if things go wrong. Remember they are always - and just - the middleman.

Direct from the developer

If you are buying off-plan or something in the process of being constructed, you may buy direct from a developer. The developer owns the land, obtains the relevant building licenses and planning permission and then builds the project.

When buying a new property, buyers (or their lawyers) should question everything the developer claims. Has the developer got the building licences? How are they financing the project? Are the buyer's stage payments secured by bank guarantees?

Look at their track record. Have they completed previous projects successfully? Can you go and look at the quality? Are the current owners happy two years on? As with agents, ask them to prove everything. Don't just take their word for occupancy rates or monthly homeowner fees or the quality of the development's management committee, ask to see the relevant documents. If they have a contract with a hotel operator such as Mark Warner, ask to see it.

In the same vein, treat so-called 'rental guarantees' with a healthy dose of scepticism. It is important to realise that in order for the rental guarantee to be covered (assuming that it is), the developer may have marked up the property to begin with - only to then pay you back your own money as 'rental'. Genuine rental guarantees are only as good as the organisation offering them so find out what happens if they are not realised – before you buy.

Once you are beginning the buying process – of a new-build or resale property – you may deal with a notaire as well as your lawyer (see page 14).

New for UK buyers: the notary

A notary or notary public is a public official with legal training who is licensed by the government to carry out legal affairs such as witnessing the signing of property purchase documents and wills. Whether French notai, Spanish notarios or Italian notai their job is to see that the property purchase process is carried out correctly – and ensure that the related taxes are paid.

Notary fees are fixed and payable by you, the client and although not generally too onerous, should be factored into buying costs. Impartial overseers, notaries may give you useful legal advice but they should not be confused with lawyers, because they are not there to represent you and you only. | AIPP

Commissions tend to be higher abroad because the agent's role is usually more comprehensive than that of one in the UK

WHAT DO YOU WANT YOUR

FOREIGN PROPERTY TO DO FOR YOU?

Most people will buy a property for one of two main reasons: to enjoy a lifestyle in a given area or just as a financial investment with minimal / no usage. Of course, no-one buys a property to lose money, so all property is a mechanism by which capital is tied up that will, it is hoped, at least hold its value and perhaps appreciate.

Delve a little deeper and the picture becomes a little more complex; perhaps the buyer intends to retire /part retire to a property in the sun but first buys it for family holidays also to let-out as a means for paying for the investment over a planned 20 year mortgage period.

The last foreign property boom was caused, in part, by property speculators not investors – defined as investors with a very short purchase to sale period, often just a few months. This led to a glut of properties being built and sold without enough 'end-users' or 'lifestyle' buyers coming into the market to acquire and live in them. So if you are buying for investment you should be clear on your exit plan and be aware of the market-inflating practices of speculators – do you consider yourself a speculator?

Buying for investment is a different scenario altogether with careful consideration given to the net yield that a property will give over a defined period. If you buy at the right price then some capital growth may be anticipated but not exclusively relied upon – what happens if many of the apartments in the block you bought into are owned by investors and they come to market around the same time? You may be surprised how often this happens as investors respond to changes in the local market and macro-economic financial picture.

A holiday home is, perhaps, a big treat to yourself and a significant capital outlay. To be added to the cost of the property is the cost of purchase (perhaps around 12% in Spain) and running costs. Prudent budgeting is therefore vital if you are to enjoy your holiday home without financial worry. It may also mean you wish to let your property out to help pay for its upkeep. This may then influence your choice of location of holiday home – perhaps less rural idyll towards walking distance to shops, restaurants and other tourist amenities?

Purchasing a property for retirement and emigration often go hand-in-hand. It is an appealing prospect to sell a higher-valued UK property and to get 'more' for your money by buying abroad. This is often the intended 'last move' and a reward for many years of hard work. Many people enjoy this change and join local as well as expat communities in the sun. But consideration should also be given to later changes to come in life with, perhaps, access to and around the property important should mobility become a factor.

Access to medical care and perhaps a care home for a partner, whilst not in the mind of most 50-somethings, should be a key consideration as we are living longer, but perhaps also getting mentally and physically frailer because of it. With higher sales and purchase costs than buyers are used to in the UK, it could be very expensive and unsettling to move property again after retirement. Finding a buyer for your property (if in a typically expat or touristic area), will also follow the pattern of demand – try and sell in a weak market and your property could take many months or years at the price you want / can afford to sell at. | AIPP

INSPECTION TRIPS

Where property markets are rising, inspection trips have returned. They are certainly not carried out in the sort of volumes – or in the same fashion – as they were at the height of the property boom but they remain a powerful sales tool and an “easy” way for buyers to go home-hunting.

Now buyers in the market are far fewer, but they are a bit more savvy about inspection trips, which came to symbolise the “hard sell” culture found (particularly) on the Spanish Costas during the boom years.

But the old-style “freebie trips” have in the main disappeared and now agents can’t afford to spend money on trips that are a waste of time so there’s a certain amount of pre-selection on both sides.

Not everyone feels comfortable with the implied obligation that comes with being on a paid-for trip, whether agent or property hunter, so some major agents treat them as strictly business trips, or in one case, rebranded them as “lifestyle visits”. There will be a greater element of vetting to ascertain how serious buyers are and whether they have the finance in place to proceed.

Buyers themselves need to do their research first – into the area and the agent (is there anything on those online forums?) – and work out if an inspection trip is the best route for them.

The key, as always, is to ensuring your expectations tally with those of the agent who is behind the exercise. What will be paid for exactly (flights are often part-covered or accommodation offered at a discount), what does the agent expect in return? Can you meet with other agents?

If you know an area reasonably well, going under your own steam and arranging your appointments with agents gives you more freedom, yet trips organised by an agent can be a good way of identifying properties that match your requirements if you don’t know the area and don’t have time to explore fully.

Inspection trips don’t tend to force-feed properties from dawn to dusk as they once infamously did, but “new generation” trips will give you the chance to see the highlights of an area – after all in many cases the agent is selling himself first, then the region, then finally the property.

It’s up to you to make the most of any trip, you don’t want to be getting on the flight home thinking of lots of things you wished you’d asked. Do your research before the trip, prepare questions to take with you, and make the most of viewings, taking photos to jog your memory back home. It won’t be so easy to nip back and double-check the view from the patio or the amount of storage space. | AIPP

WHEN DO PEOPLE BUY?*

**Active buyers*

SPAIN	PORTUGAL
25% LESS THAN A YEAR	15% LESS THAN A YEAR
26% IN 1 YEAR	26% IN 1 YEAR
25% IN 2 YEARS	24% IN 2 YEARS
10% IN 3 YEARS	7% IN 3 YEARS
2% IN 4 YEARS	2% IN 4 YEARS
12% IN 5 YEARS	26% IN 5 YEARS

Source: Rightmove Overseas

RESALE OR NEW-BUILD?

For some people, only brand spanking new will do, and this applies to buying a home as much as a car, sofa or suit.

There's of course a certain appeal of taking possession of something that has never been used and shaped by someone else, as well as a sense of the pristine. When buying a property the pristine has hefty financial advantages, from a 10-year build guarantee (in many cases), the prospect of a year or two free of repairs (ideally!) and perhaps lower insurance costs (in Florida).

There's also the advantage that your home might offer the latest technology and fashionable finishes, as well as a higher build-quality than something built at the height of a property boom a decade ago. This is a factor behind the current trend towards new-build in the overseas industry – in the Spanish and Florida markets in particular – where buyers are rejecting outdated or outmoded properties in favour of the "new generation" new-builds that have begun to be constructed after a hiatus of several years in the construction industries.

A lot of lessons have been learnt in the industry since the global downturn ended several years of frenzied property investment and developers have realised they are having to respond to buyers that are more discerning and demanding.

Certainly if you expect to rent out your home professionally, a brand-new new-build with all the latest integrated technology is going to appeal to a large pool of potential guests, and also offer a more practical, hassle-free option for the hands-off landlord.

Although you may be liable to a VAT type tax on new-builds, you may be able to reclaim this if you rent it out professionally, plus you could expect very little extra outlay on top of the purchase price to eat into your rental income.

Another advantage of buying pre-construction (off-plan) or during the build process is that you often get to decide the finishes or even layout of your new home. Having selected the exact location of the plot (if part of a complex) there is a far greater element of choice available in shaping the final product you want. The plot you choose will be significant when you come to sell – homes on corner plots may sell faster than others mid-terrace; whilst those backing onto a road might take longer.

So far so wonderful, but some words of caution too: make sure you do due diligence on the builder and have a firm understanding of what costs you might be liable for – the buyer of a new-build might have extra costs that the resale buyer doesn't. For example, in Italy your kitchen might not be included. Also, buyers anywhere should be aware of expensive furniture packages.

Incidentally, Italians tend to love new-builds whilst overseas buyers in Italy lap up those wonderful historic homes with original terracotta tiles, oak beams and even frescoes. For many of these buyers, a "character-less" new-build can never compete with a piece of history, and here is the main appeal of a resale property – or at least a period one.

Decades of wear and tear can be part of a property's appeal – think of ancient stone floors polished by generations of owners - and a property's uniqueness can be appealing to buyers and renters.

But do make sure you have a survey undertaken before you buy a resale property – although not necessarily customary in countries like Spain and France – because the older a property, the greater scope for hidden problems. With resales, "what you see is what you get" does not always apply – although you can see how the property works as a home and its surroundings, which you can't do when buying off-plan or mid-construction.

Do also check whether a property complies with modern building regulations and if any alterations or extensions come with the correct planning permissions. Get your lawyer to check and avoid heartache later on. | AIPP

BUDGETING

As with buying a home in the UK, the costs of property ownership run far beyond the price on the sales contract. The key to managing your finances successfully is knowing what you can expect to pay.

Don't make the mistake of assuming that either or both of these will be lower than in the UK – buying costs can be much higher in different countries and second homes tend to be taxed more highly too. Ongoing costs may include high upkeep costs involving management fees and also climatic wear and tear.

Buying costs

Buying or purchase costs involve a combination of agent commission costs (varying by country and sometimes region); transfer tax or stamp duty, notary/land registry costs, legal fees plus any mortgage arrangement fees. If you're buying new-build there's the VAT – although this may be redeemable if you opt to rent out your property professionally (French leaseback and tourism residences in Austria, for example).

Purchase costs can add up to over 10 per cent of the sales price of a property, depending where you buy, so you really need to factor this into your budget when you make an offer on a property. Ask your agent to advise you on this before you start your search.

In Spain, for example, a leading agent in Andalucia suggests that you budget "10.5 to 14 per cent" of the purchase price for purchasing a resale property, with an additional 2 to 4 per cent on top if you are having a Spanish mortgage. Note that buying costs vary across the 17 different regions of Spain.

Running costs

On top of the cost of any mortgage on a property, there will also be ongoing taxes and running costs on second homes. The level of these is important to ascertain early on, as it might help decide what type of property you buy (new or old? standalone or part of a complex?) as well as where you buy it.

Also, these monthly expenses will also eat out of any rental income you make from your property, or indeed force you to think about renting it out to "wash its face" (cover its costs). If you don't want the hassle of doing this, then make sure you can afford to keep the property without letting it.

There's always tax

You also need to consider the yearly taxation you might have to pay as a non-resident (or second home) owner as well as community fees, homeowner association fees (in the US), insurance and types of council tax. If you own a home in a community, there will be costs for street lighting and rubbish clearance etc that will need to be covered by local taxes.

In Spain there's an annual property tax called IBI whilst in France there are two types of tax: Taxe d'Habitation and Taxe Foncière and in Italy it's even more complicated – a three-part service tax, the IUC, introduced in 2014 and not universally understood!

You also need to understand the difference between being resident in a country and being tax-resident there. This has implications for inheritance tax (IHT). If you rent out your property, you'll also need to pay income tax on rental income locally.

In fact, it can be worthwhile taking expert advice – from a local lawyer or accountant – or in Spain, a Gestor – once a year to ensure you pay the right tax - at the right time.

Insurance

Holiday homes are often left unoccupied for long periods, or they are rented out to third parties so specialist insurance needs to be factored in.

If your home is in an earthquake zone, hurricane belt or frontline beach location then such costs may be higher than usual.

Insurance costs may well be covered by community or development fees, but check this - communal parts of the development may be covered but not your specific property or contents. | AIPP

MORTGAGES

Good buying conditions are drawing British buyers back into the overseas property market with prices lower than they have been for nearly a decade in some locations.

That said, the mortgage marketplace has changed beyond recognition so take some general advice to get a broad overview of what you can borrow and where.

A good place to start is a specialist overseas mortgage broker and a LTV of 75% should be achievable - subject to status.

Do your research and consult lenders before you start seriously property hunting. You will generally need a healthy deposit and the ability to provide a sound financial profile. You will probably need to show proof of income and outgoings so the debt to income ratio – or affordability – can be scrutinized, so get your paperwork ready in advance.

Having your financial affairs in order – and even an Approval in Principle (AIP) - will also show agents and vendors that you are a serious buyer and can move fast to complete a sale, and even use it as a negotiating tool.

As a general rule, when choosing your mortgage always borrow in the same currency as the source of funds you plan to use to cover the repayments.

So, if you're going to be paying with a UK salary, your mortgage should be in Sterling, but if you plan to rent out your property in France, you'd be better off with a Euro mortgage.

Shop around and consider using a mortgage broker – as well as a currency broker, to take advantage of exchange rate fluctuations when you transfer your cash abroad for the deposit; and ongoing monthly payments. As mentioned above, lending varies considerably between countries.

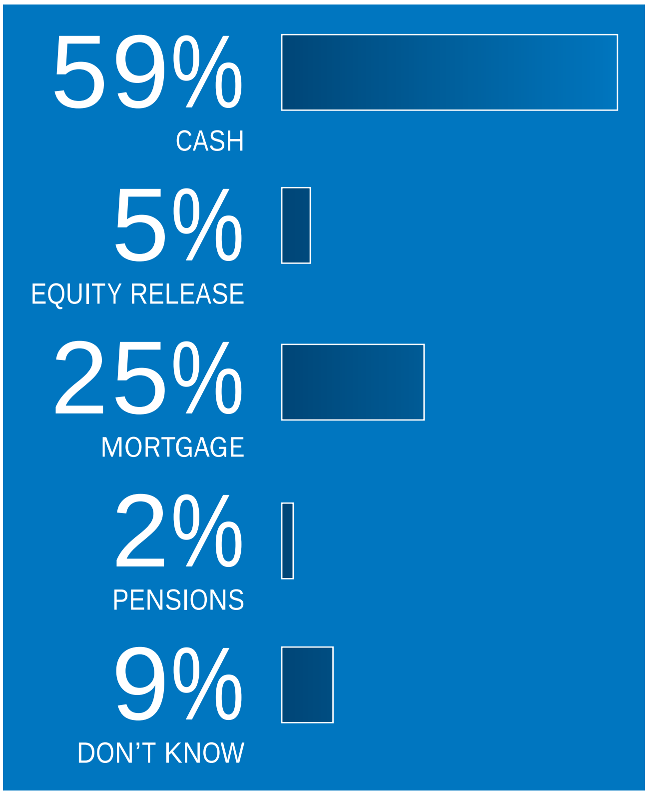
We start with France, the anomaly, currently offering some of the best mortgage deals of all time and the greatest range of options for overseas buyers.

Beware, though, that the cost of changing mortgage provider is much higher in France than in the UK (around 2.5 per cent of the mortgage value), hence most French people don't tend to switch lenders. Also note that old, rural properties are seen as more of a liability by lenders.

In contrast, the choice in Spain is much reduced with repayment loans the norm. For bank properties of course the situation is different as a bank may offer you 100 per cent LTV to get a property off its books.

In Italy buyers are advised they might get better rates with a regional rather than an international bank. | AIPP

HOW WILL PEOPLE BUY?



Source: Rightmove Overseas

CURRENCY

Property hunters abroad tend to be much more educated than they were a decade ago and, apart from appreciating the need to take independent legal advice, many have learnt to use a foreign exchange (or FX) company.

Whilst there are so many variables when buying an overseas home, one major certainty is that you will need to exchange your pounds into another currency and transfer these funds abroad. Plus, in this global age, it is hard not to appreciate the relevance of exchange rates, with some dramatic swings to and fro within the last couple of years.

But if choosing when to buy to capitalise on a particular currency's strength or weakness involves a certain amount of guess-work, using a FX broker in a currency transfer can without doubt save you a certain sum of money over using a bank because they very often offer better rates.

So how does it work?

When you are planning your overseas purchase, it's good to have an FX broker lined up in advance. Brokers will allocate you a personal account manager, who will monitor the currency markets and keep you updated.

Currency brokers can buy your currency at the exact time that rates are best, and if you are not restricted by time with your purchase, "stop-loss orders" and "limit orders" allow you to buy currency when your preferred exchange rate is available.

Also in common use now are "forward contracts" which effectively protect your buying power from currency fluctuations by letting you fix an exchange rate for a future transaction. This makes financial planning easier.

You can fix today's exchange rates for up to two years with a Forward Contract, and only lodge 10 per cent of the total you want to convert initially. With this popular type of contract you can either fix the date you wish to take delivery of your currency, or have the option of taking delivery at any point up until the agreed date.

You can fix the amount of pounds you send abroad on a regular basis, for example monthly, which means the amount of local currency you receive in your foreign bank account will fluctuate with the exchange rate; or you can fix the amount of local currency, for example euros, that is paid into your overseas account, meaning the amount of pounds being debited from your UK account will fluctuate with the exchange rate.

You can typically save up to four per cent over using a bank – so £4,000 on a £100,000 apartment; £8,000 on a £200,000 villa, for example. You will typically be given online account access from which you are able to transfer Sterling to your broker and they do the rest - such as making regular payments abroad.

Once you've purchased the property, you will almost certainly need to make regular payments overseas from the UK - to meet mortgage repayments, and pay local bills, taxes or management costs. If you are retiring abroad you'll need to have your pension paid monthly into a foreign bank account. | AIPP

PLANNING FOR THE FUTURE

In other sections of this guide so far we have covered the need to budget when planning your move abroad, when purchasing a property and for running your home.

But, as always, there is a need to plan ahead and anticipate changes of circumstance in the future. In fact, a large amount of people in their fifties certainly seem to be doing this already, with agents reporting that UK pension reforms have played their role in kick-starting the market in Spain especially.

From March 2014 the over-55s have gained greater access to their pension pots with the ability to withdraw a lump sum of up to £30,000, (couples are now taking cash and investing it in a property ready for the time when they are free to spend longer periods in the sun (find out more on pension reform at www.gov.uk/government/news/pension-reforms.)

Even if you don't do this, you will need to decide how you draw down your pension [see page 15] and what type of resident you will become in the country where your home(s) are located.

Tax residency and domicile

If you intend to gradually semi-retire to your overseas holiday home, then beware of falling between two countries and not being properly registered as a resident (or habitually resident) of either. In which, or both, will you be tax-resident? You may need to file tax returns - and pay taxes - in both countries. Make sure you understand domicile – and the definition of domicile differs between jurisdictions – because the fate of your movable assets (stocks and shares etc) when you die may be affected – see below.

Inheritance and succession planning

Even if you have no thoughts of retirement when you first buy a home abroad, bear in mind that it might make sense to put your children on the title deeds to save on transfer taxes and/or inheritance taxes. Whether you do or not, bear in mind that a carefully drafted will pays dividends – Spain reduces inheritance tax (IHT) liability with the addition of children to the will as well as ensuring your estate goes to exactly those you wish it to.

Because don't assume that if you buy a property abroad you can hand it on to whoever you choose. You may have heard of France's historic forced heirship rules (where the state dictates how your estate is divided up between your children, siblings and your parents rather than your spouse), well each country currently has their own rules governing who should benefit when someone dies - and how much tax is paid.

Succession law – who gets what when you die – is governed by the jurisdiction of the country in which your immovable assets (property) are situated, or where you are domiciled. So do take expert advice even before you sign the sales contract and decide the most effective way of purchasing (as far as who is on the deeds), and whether you buy as an individual or as a company. Such advice must come from someone with expertise in the country to which you are considering because such matters are fiendishly complicated - and also about to change...

New EU legislation on inheritance: August 2015

On 17th August 2015 EU legislation on "forced heirship" changed. According to Regulation number 650/2012, any person owning property in a participating EU state (who has taken appropriate action before their death), can choose between the law of the country of their habitual residence, or the law of their nationality to govern the devolution of their EU estate. So with some forward planning – ie amending your will - you will have more control over the fate of your property. Now that is a positive bit of legislation. | AIPP

WHY YOU SHOULD
ALWAYS USE A LAWYER

If there is just one thing that you take away and follow up on it's this; please use an independent lawyer on your overseas home purchase.

A multitude of problems can usually be avoided by doing this one thing, even though it might cost a little extra, the expense might provide priceless peace of mind – and spare you far greater financial losses later.

Some agents or developers may express surprise at your decision to use a lawyer - it may be custom for locals not to do so. The seller of the property may recommend a lawyer to you. But buyer beware, is this lawyer going to be completely impartial?

A truly independent lawyer, who will act to protect your interests, is one that is not working in collaboration with the agent or developer. That is not to say that some lawyers suggested by respectable companies will not be truly independent, but corruption does still exist in various countries, and you should be aware of potential conflicts of interest.

As a buyer in a foreign country (who may not even speak the language), you are, after all, highly vulnerable to exploitation because you probably won't be familiar with the property-buying process.

In the UK we routinely use a lawyer when buying or selling a home - we don't have a choice because the conveyancing process involves solicitors – so why should we not use one in a strange market abroad?

Don't fail to use one because you want to save money or because you can't find one.

Typically, fees for an overseas lawyer are 1-1.5 per cent of the purchase price, with a minimum fee so factor this into your purchase budget from the start. Get someone lined up early on and make sure they can translate documents for you as well as carrying out all the relevant checks.

So how do you find someone with no conflicting interests in the transaction who will work exclusively for you?

Recommendation from another buyer is one route, although a good starting point is the AIPP, because we have law firms as members (*aipp.org.uk*). But don't assume that seniority – such as being in a country's Bar Association – equals pure ethics.

Another route is through the British consulates overseas, who usually keep a list of lawyers they recommend.

Don't confuse the role of notary for that of a personal lawyer: in many European countries notaries are legal representatives of the state whose job is to oversee and rubber-stamp property transactions.

They will draw up the deeds, but their impartial position means it is not their responsibility to indicate whether the deeds are in favour of either the vendor or the buyer.

Use the AIPP FREE legal advice service – as a buyer or owner of a foreign property, see website for details and how to apply

In comparison, the role of a lawyer is the same as in the UK in that they are acting in your interests so will do all necessary due diligence for you, ensuring your purchase contract achieves everything you expect and have agreed on.

Never sign a sales contract or mortgage agreement without having it checked by your lawyer.

Their remit includes searches on the property, the land it stands on, planning permissions, and whether it carries any debts or encumbrances.

They will act as facilitator between the different parties involved in the transaction, and also advise you on related issues such as finance, taxation and inheritance law. | AIPP

AIPP

RELOCATION: THE PRACTICALITIES

If you are moving abroad full-time, rather than just buying a holiday home, then there are some practical things you need to consider. On many of these you will need to plan ahead, especially if you have children who will need to start a new school at the beginning of an academic year.

Schools: Application deadlines for international schools tend to be in January for the autumn intake, so schedule exploratory visits the autumn before. With a rising demand for such schools (globally it has increased 7 per cent per year) you can't just assume you will automatically get a place.

Tax residency: If you move abroad permanently you will become a tax resident of that country. The rules surrounding tax residency can be complicated so seek advice before you move, and the timing of when you move from one country to another can provide tax advantages. Consult companies that specialize in giving tax advice to expats.

Moving money and pensions: Apart from using a currency broker to move funds across to your new country, consider simplifying your pension affairs before you move. You may wish to transfer your pension from the UK to a recognized scheme in your adopted country (a QROPS) but what are the pros and cons? Weigh up the options and check your entitlement to a state pension at retirement age: get a pension forecast at www.direct.gov.uk. Also, always allow some cash for contingencies and consult a regulated financial advisor if you have any queries.

Welfare rights? Benefits may be affected by your move abroad so find out what you will be entitled to. If you are moving within the EU you will have rights, plus even outside (in countries such as Canada or New Zealand) there are still a number of reciprocal social security arrangements. Check with the Department for Work and Pensions: www.dwp.gov.uk.

Healthcare: What medical treatment will you be entitled to in your new country? Research this and the cost of private options. Some countries have a contributory system, others pay-as-you-go GP visits etc. Find out more at www.gov.uk.

Make a new will: Assuming you have a UK will for your UK assets, check it is up to date before you go and make a new one in your new country to cover property and other assets there.

Logistics: Planning the actual move starts long before you want to go, when you need to gather estimates from relocation companies and check your passport is up to date. Always keep a copy of your passport somewhere safe. You will also need to start notifying insurance companies, banks, GPs, dentists etc of your move. Any pets? Moving your pet can be the most complicated and/or expensive part of your move abroad!

Driving: Will you sell your car before you leave or take it with you? Compare costs and legalities. In some countries buying a car can be prohibitively expensive due to import duties (Turkey, for example). Can you use your UK licence initially before transferring to a European or International Driving Permit (IDP) which must be obtained before you leave the UK?

Registering your arrival: When you arrive you will need to register with the local authorities, and apply for a residence permit. In some countries this will involve getting an identity number; in others you may need to register with the police. If you haven't already done so through buying a property, you will need to open a bank account too. Will you be entitled to vote? Visit *aboutmyvote.co.uk*. | AIPP

TYPES OF OWNERSHIP

These days there's more to ownership than buying a conventional freehold. Most people with busy lives and wide travel horizons are unable to use their holiday home for more than a few weeks a year so alternative ownership models exist.

Fractional ownership

Fractional ownership, shared ownership, destination club, residence club and timeshare (EU law uses the word 'timeshare' to cover all multiple ownership schemes) are all terms in use for describing a concept where there is more than one owner of a holiday property.

The idea of sharing a holiday property with friends and family obviously makes a lot of sense: various parties get to use a property for as much time as they need to per year, and save on the purchase and upkeep costs of outright ownership.

In the 1980s some bad sales practices of "timeshare" (in Spain especially) knocked consumer confidence and many fractional ownership schemes are keen to differentiate themselves from timeshare. With the share of the freehold available to owners in some schemes, or investment into a property fund or portfolio, there are clear differences, although some schemes are similarly selling periods of usage.

So know exactly what you are buying into, how tried and tested it is, and whether it will suit your own needs best. Schemes are only as good as the management company (and you will pay in some way for the management expenses for such schemes – the so-called "fractional uplift") so the market leaders can offer confidence. Big names in the industry include Hilton, Marriott and Wyndham.

Find out how much flexibility there is for usage, how you can exit the scheme etc, but some good news too: EU law to protect the consumer of schemes marketing to EU countries includes a 14 day 'cooling off' period and no money can change hands in this time.

Co-ownership with friends and family

You can share ownership to spread costs without being part of a big, formalised scheme, and there are varying sized groups of friends or family that have reaped the benefits of "buying together".

With the right sort of legal advice and buying structure from the word go, co-ownership can work well, but the key is to agree on all eventualities before you buy so everyone knows where they stand. How will you divide up usage, will you allow third parties to use it; how will you cover and manage maintenance and bills and what happens when someone wants out of the property – or to sell up?

Of course disputes occur between co-owners and as with going into any sort of business with friends or family, it can often be simpler in a professionally managed set-up sharing with strangers.

Leaseback schemes

A successful business model in France for over 20 years, leaseback ownership schemes are found in holiday areas and involve the owner leasing their (holiday) home back to the developer for a period of 20 years usually.

The owner gets to use their property for a pre-agreed amount of weeks per year and gets a share of the income earned by letting out the property for the rest of the time. The hassle-free and hands-off aspect of this investment has proved popular – it's often treated as a pension pot - and buyers can get the 20 per cent VAT back on a new leaseback property.

Some things to watch out for: as with fractional, the scheme is only as good as the management company – the big ones in the French Alps are CGH, Odalys and Pierre et Vacances – and beware hidden running costs. Yields on freehold properties may well be higher, but their management can be a headache. | AIPP

RENTING OUT

YOUR PROPERTY

In recent years the holiday home letting business has proven to be the fastest growing sector in the travel industry. Alongside the ongoing popularity of the self-catering holiday is the rise of the "sharing economy" of renting out your home(s) to strangers, as shown by the success of Airbnb.

There are plenty of instances of owners turning to rental returns to help pay for tax rises, cover mortgages or rising living costs. In fact more and more – now around 60% - rely on rentals to cover the costs of running their overseas home, and there's growing competition between home owners.

So don't assume that just by taking a few photos and uploading them on a holiday rentals website that the bookings will come flooding in.

You will need to consider carefully several key aspects...

Location. How can this suit your objectives? What sort of occupancy levels will you need? Is a dual-season or year-round sun destination going to provide longer seasons? In winter-sun locations such as the Canaries and Florida, three-month lets to "snowbirds" are quite common; the lower weekly income offered by long-term lets can be balanced out by lower management and marketing costs. Golf or mountain resorts can be popular all year. Also, what about access? How easily reached by your target audience?

Beat the competition. Set yourself apart from the rest in terms of presentation, USPs, wow factors, affordability and/or marketing. Clients tend to expect Wifi and that welcome bottle of wine, but how can you make your offering truly memorable? Make sure you "sell" the property's plus points, whether it's styling a lunch laid out on the terrace, or showing in pictures how the garden may be used.

Marketing. Consider creating your own website, alongside using the popular portals; embrace social media and last-minute deals if you have void weeks. Provide customer feedback as part of your advertising. One agency has reported that offering feedback is now one of the things that all their most successful properties share (and note that you must request it to receive it).

Legalities. Are you permitted to rent out your property for short term (holiday) lets? Is there zoning (Florida) or specific regulations within a complex? In Spain, some regional governments have clamped down on holiday lets (especially the Canaries) so take legal advice on this: not just the word of an agent. Also, have you got the relevant insurance, do you need a licence and do you conform to local safety regulations?

Management. How will you manage the bookings and/or running the property? Ask yourself if you are going to be able to respond to booking enquiries yourself speedily, or is it worth using an agency? Doing this all yourself can be hard work or impractical: how do you find a plumber at 11pm for your home in Spain? Most people have a local person on hand to deal with key handover and potential problems – so don't forget to factor-in management costs of 10-15 per cent typically.

Finance. Once you've got bookings coming in, you will need to organise your finances. You will need to pay income tax on lets so investigate the tax locally and what running costs/community charges you will have and also what insurance you will need as a landlord. Consider what currency you will receive your rental income in, and how you will pay management costs locally. | AIPP

One agency reported offering feedback delivers the most success – but you must request it to get it!

OUR ROLE IN HELPING YOU TO

'BUY RIGHT, OWN WELL'

AIPP is a non-governmental, not-for-profit organisation seeking to improve standards of professionalism in the largely unregulated international property industry.

AIPP is also a Trustee of the IESC – International Ethics & Standards Coalition – www.ies-coalition.org

The role of the AIPP is five–fold:

1. To freely offer qualified information and support to UK buyers of a foreign property

2. To bring together, under a strict code of conduct, all professional companies in the business of creating and selling foreign property

3. To improve standards of professionalism and accountability in the industry

4. To receive and deal with any complaints about our members services including, where appropriate, the passing of such complaints to the independent property ombudsman who may recommend an award of compensation.

5. To support the Alliance of International Property Owners – buyers and owners of a foreign property www.aipo.org.uk

Important note about the service provided by the AIPP

We provide free and impartial information to UK citizens about buying a foreign property. The AIPP does not sell properties, but it is an association made up of property sellers & associated companies who voluntarily subscribe to the AIPP code of conduct. The AIPP does not underwrite the business activities of its members. AIPP does monitor and enforce its code of conduct and does, from time to time, take disciplinary proceedings against members that may lead to their sanction – but expulsion from the AIPP is the ultimate sanction we can impose. In common with other trade organisations, the AIPP does not underwrite for the benefit of members of the public any shortcomings or negligent acts by its members.

That said, AIPP members are also subscribed to the independent and specialist The Property Ombudsman service. Members of the public can, at no cost to themselves, make a complaint about an AIPP member which, if upheld by The Property Ombudsman, could lead to an award of compensation being made to the complainant of up to £25,000 – such an award being payable by the AIPP member.

While we try to ensure the accuracy of the information, AIPP cannot accept any liability arising from your reliance upon it, or from the inclusion in it or omission from it of any data whatsoever.

WHAT HAPPENS IF SOMETHING GOES WRONG?

If you are dissatisfied about a service from a member of the AIPP then you may make an official complaint using our online complaint form. This will either be heard by the AIPP Disciplinary Panel or by the external specialist, The Property Ombudsman (TPO), dependent upon who the complaint is against. If a complaint is upheld then an award of compensation of up to £25,000 could then be made to you by the offending member.

The complaint route, whilst not being legally binding, does set a precedent and should a matter of complaint later come before a court of law (unresolved), a judge would look unfavourably on a situation where an opportunity to settle the matter out of court had come to pass but was rejected by a party later found to be at fault through the TPO or AIPP's own Disciplinary procedure.

However, it is important to understand what AIPP can help with and what we cannot. AIPP members have signed up to our code of practice, to be bound by our rules and to face the discipline of the AIPP and the TPO, should this be required. Censure can then also include suspension or expulsion from the AIPP.

What we cannot do is discipline non-AIPP members and complaints cannot be brought against them through AIPP. In a largely unregulated market place the AIPP sets the standard and attracts property professionals who 'play by our rules'.

Should recourse be required against non-AIPP members then we would suggest that complainants contact one of our legal members, in the first instance, to establish what course of action may be appropriate.

| AIPP

GETTING THE RIGHT FREE LEGAL ADVICE:

FROM QUALIFIED AIPP MEMBERS

In 2015, AIPP set up and continues to administer a free legal advice service via the 'Legal Working Group' (LWG).

If you are either a buyer looking for a legal 'road map' to guide your purchase, or an existing owner with a legal problem that needs some attention, then our legal members can help.
To find out more and to take advantage of this free service, please visit our website www.aipp.org.uk

FIND OUT MORE ABOUT GETTING THE RIGHT LEGAL ADVICE IN OUR LEGAL GUIDE

AIPP
CODE OF CONDUCT

General

1. Members shall adhere to the highest standards of honesty and professional integrity both in their dealings with the public and in their dealings with each other.
2. Members shall conduct their affairs with integrity and dignity.
3. Members shall, in particular, refrain from misleading statements and exaggerated claims in their dealings with sellers, buyers and potential buyers.
4. Members shall take all possible steps to avoid conflicts of interests and shall decline to deal with any transaction where such conflicts arise.

Marketing & Sales

1. Members shall, if they are developers or sales agents, make it clear that they are or represent the Seller of a property. In any other case the Member must make clear their status and whose interests they represent.
2. Members shall always recommend the use of an independent lawyer for international property transactions.
3. Members shall not require potential buyers to sign binding preliminary purchase contracts without giving them reasonable opportunity to reflect on the contract and to obtain legal advice. Nothing in this rule shall prevent a Member securing the immediate signature of a reservation contract or similar under which a property is removed from the market for a defined period upon payment of a modest deposit and which does not irrevocably commit the buyer to the purchase of the property.

Legal

1. Members shall comply with all applicable local laws, including tax laws.
2. Members shall accept responsibility for all acts of their staff.

Relations with AIPP

1. Members shall comply with this Code of Conduct and with all rules made by AIPP.
2. Members shall respond promptly to correspondence from AIPP.
3. Members shall, upon request by AIPP, provide AIPP with copies of any document relating to their dealings with any other person or their business practices which in the opinion of AIPP may be necessary in order to establish the Member's compliance with his obligations under this code or in connection with the Dispute Resolution Procedure.

Training

1. All Members, unless exempted by the Board on the basis of their proven previous experience, shall within 6 months of being accepted into membership satisfactorily complete the AIPP Basic Training Course.
2. This provision was suspended on 19th March 2009 until further notice: All Business Members must within 12 months of being accepted into membership have at least one relevant representative satisfactorily complete the AIPP country specific training courses relevant to the areas in which they intend to deal with property.
3. This provision was suspended on 19th March 2009 until further notice: All employees of Business Members engaged in sales activities must, within 4 months of taking up their appointment, pass an internal or external Basic Training Course approved by AIPP.

Dispute Resolution

1. All Members shall refer any disputes arising as between Members to the Dispute Resolution Procedure.
2. All Business Members shall at the outset of their relationship with a seller, buyer or other customer notify them of the existence of this Code of Conduct and of the Dispute Resolution Procedure through their AIPP membership and the associated TPO (The Property Ombudsman) scheme. Both AIPP and TPO logos should be prominently displayed on member websites, promotional literature and in member offices to aid customer understanding.
3. If any dispute arises between a Member and any seller, buyer or other customer the Member shall again draw their attention to the existence of the Dispute Resolution Procedure and supply them with a copy of it.
4. If the seller, buyer or other customer wishes to do so the Member shall agree to engage and be bound by the Dispute Resolution Procedure.

Applicability

1. This Code of Conduct, unless the context otherwise requires, shall apply to all aspects of the Members' activities in connection with International Real Estate including development, marketing, sales, resales, third party introductions and property management.
2. This Code of Conduct shall not limit any greater rights that a non Member might enjoy under local law or otherwise.

AIPP

CONTACTS

AIPP – Association International Property Professionals

You can find everything you need on our website at www.aipp.org.uk
If you have a query then please do drop us an email at
enquiries@aipp.org.uk

AIPO – Alliance International Property Owners

You can find everything you need on our website at www.aipo.org.uk
If you have a query then please drop us an email at
enquiries@aipo.org.uk

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