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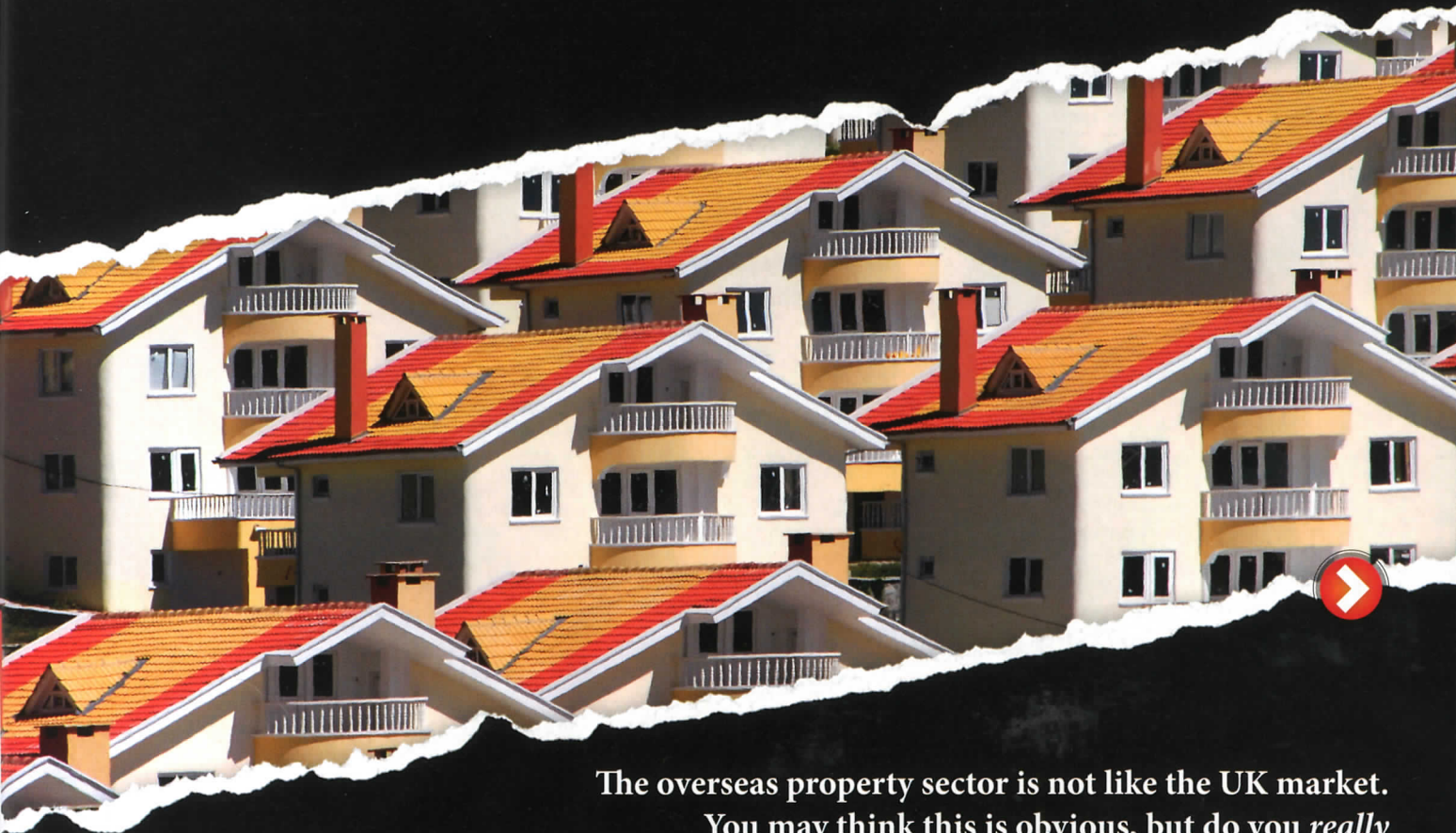
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INSIDE THE OVERSEAS PROPERTY SECTOR



The overseas property sector is not like the UK market. You may think this is obvious, but do you *really* understand how the process of buying abroad works? Enter it without proper knowledge at your peril! Here we take a good look under the bonnet to help demystify the world of agents and developers...

Words: Zoe Dare Hall | Pictures: Thinkstock

“Bear in mind that the purchase contract is between the buyer and the seller. Therefore, any action by the buyer for failure to complete is against the seller – the developer – rather than the agent.”

have the date delayed, again and again in some cases.”

Rental guarantees

Rental guarantees usually work in one of two ways. One, you overpay for the property, so the rental guarantee is your own money drip-feed back to you over the stated period.

“People sign up, as they think the same rental levels will continue after the guarantee period,” says Esders.

Two, it’s a genuine rental guarantee, which is only as good as the organisation offering it. “If the rentals don’t come in at the level expected, will that company still be around and pay you the difference?” he adds.

“Either way,” says Esders, “take rental guarantees with a pinch of salt and don’t rely on them.”

If a tour operator is signed up to the project, contracted to bring in a certain number of guests, the rental guarantee has more credibility. But if the tour operator goes bust, the contract ceases too.

That’s unlikely to be a problem at Castelfalfi, a restored Tuscan hamlet, which is owned by the German tourism giant TUI, so owners can reasonably expect a good number of rentals.

If there’s a hotel already up and running on the site, you will also have some concrete evidence of rental demand.

At Dubrovnik Sun Gardens in Croatia, the new-build properties were rented out before they were made available for sale, so buyers can see exactly what rental income each unit achieved.

As an alternative investment — in Brazilian social housing (in which a development company builds affordable housing for domestic end-users) — the EcoHouse Group promise returns of up to 20 per cent return a year.

“You can’t say it’s a guaranteed return, but if anything went horribly wrong — which is highly unlikely, given the massive imbalance between demand and supply of low-cost housing in Brazil — we can still make payouts to our investors,” says Wiggins.

Barrasford says he never uses the word “guarantee”. He prefers “assured” rentals. “I’ll only offer that assurance for homes on a resort with a hotel — not pure holiday homes — and that rental assurance is based on independent financial planning documents,” he says.

Off-plan

Off-plan sales are tentatively re-emerging, even in Spain, where buyers could choose from the millions of empty, already-built properties instead.

Taylor Wimpey has sold all 69 units released as its new Los Arqueros beach development, near Marbella, “which is extraordinary — that’s not the norm”, says Pritchard. The reason? High quality, low prices, with two beds from €195,000 (£166,800) and a good location.

“A lot of Spanish developments pre-crash got it all wrong. They built inland and nowhere near local amenities,” he says.

Buyers will probably need to make stage payments throughout construction, so that the developer can finance the build, so, before you sign anything, establish how your money will be protected.

That may be by an escrow account (where the money isn’t released until a certain point in the construction), a trust structure (which protects buyers during the build) or a bank guarantee/insurance product that will repay the buyer if the developer goes bust.

“Buyers should make sure the contract stipulates that stage payments are made according to construction — for example, when proof is given that the foundations have been built, then another payment when the basic structure is in place. Don’t just pay on certain dates, whether construction has taken place or not,” advises Esders.

Ask to see proof of planning permission, building licences and mortgages on the property — and get a lawyer to check it. Also, ask if there is a specific date for completion, penalties for late completion and full specifications for the property, to set out exactly what you are buying.

Property portals

For many people, house-hunting abroad now starts online, through property portals such as Rightmove, PrimeLocation or our very own aplaceinthesun.com. It’s a great way to compare what’s available from the comfort of your home.

Such portals are advertising windows for agents, giving them access to a far larger number of potential buyers.

“The agents will normally pay to advertise on the site. The agent still gets their commission from selling the property,” says Esders. ☉

How it works in...

France:

Agents must be licensed. They should also be affiliated with a regulatory body (La Fédération Nationale de l’Immobilier, Syndicat National des Professionnels Immobiliers, or Union Nationale de la Propriété Immobilière) and have a *carte professionnelle* to trade legally. The agent’s commission (about 5 per cent) is paid by the seller, and the buyer pays the *notaire’s*/transfer costs, which are about 6–7 per cent for properties over five years old and 2–3 per cent for new-build.

Most agencies will “share” their properties with other agencies, “so if you find an agent you like and trust, that agent can gather information and organise viewings for you from a very wide pool,” says Alice Watson-Smith from Fine & Country Cannes. She also advises asking about whether you should buy the property in your own name or through a small limited liability company, as the inheritance tax implications will vary.

“The whole house-buying process in France is much more regulated than in England, with far fewer variants,” adds Roddy Aris from Winkworth France.

Spain:

Spanish agents tend to cover only their local area, so to add to their reach they often belong to multiple listing service networks — where they share properties with other agents. “That’s OK, so long as the agencies split the commission, rather than increase it, as more often happens. It also explains why you often see the same property advertised at very different prices by different agents,” says Tania Hitchins from the Almanzora Group, who act as both agent and developer for Desert Springs in Almería.

The seller pays the commission. Sometimes the estate agent is entitled to their commission once a deposit contract has been signed and the deposit (usually 10 per cent) paid by the buyer — even if the sale then falls through. So agents will often push buyers towards paying a deposit, whatever their financial circumstances.

Anyone can be an estate agent, and the industry is unregulated, “so there is nothing to stop cowboys setting up and tarnishing our industry,” says Chris Mercer, who has been selling property in Spain for 30 years.

US:

The seller usually pays the agent’s commission. US agents must be licensed by their respective state, and should be a member of the National Association of Realtors (NAR), which sets the standards that agents, by law, must follow. All realtors use a multiple listing service (MLS), so they can see all properties on the market at any time. The standard commission is 5–6 per cent, paid by the seller and split between the seller’s agent and the buyer’s agent.

SEE OUR
USA BUYING
GUIDE
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