

*Michael Taylor, who is a director of a French Estate Agency based in the Loire Valley, explores the attraction of moving to France and dispels some of the myths of buying a property abroad.*

## **So who is buying these days in France?**

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You know, there was a time when living abroad was something only the privileged few could dream of..... but times have changed.

The strength of the UK housing market, despite the Chancellor's efforts to cap the rise in house prices, has meant that many people now find their wealth has grown to a level where re-mortgaging can generate enough cash to fulfil a dream. The strength of the British Pound (in spite of its fluctuations) against the Euro, the common currency of most of Europe, has also made it an increasingly financially attractive prospect.

In a recent report issued by the Market Intelligence Unit of one of the leading French banks, it noted that 42% of all house sales were to non-residents. The Brits head the league table, followed by the Dutch and then the Germans.

Close proximity to the UK has made France increasingly popular. It is a large country, with a similar population number to the UK. Its landscape is diverse, beautiful and often quite stunning. Perhaps the biggest attraction is the lifestyle, a more relaxed and family centric approach contrasts with the fast pace of life that now appears to be the norm in the UK.

Of course, it is not only France that has appeal; traditionally, Spain, Portugal and now Bulgaria and places like Croatia are also seeing an influx of people who are buying holiday homes or making the definitive move as they head towards retirement.

## **So how easy is it to buy?**

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Everyone has a story to tell. The popular press is often full of tales of buying woe. Do not believe everything you hear and read. For most, the purchase of a property in France is a relatively easy and

painless process; often in stark contrast to their experiences of buying in the UK. French property law is very precise and the appalling buying chain is nearly non-existent.

There are now a number of British agencies handling property sales in France. Increasingly, French estate agencies (known as Agences Immobilières) have an English-speaking associate and there are a few registered French estate agencies owned by Brits. My agency, Properties in France (PIF), which operates in the valleys of Le Loir and La Loire, has been established eighteen years in the region...and we offer a full turnkey service.

We work primarily with British clients, helping them identify, buy and restore properties.

We have noticed a shift of emphasis in the purchasing requirements of clients. When our business first started, 95% of all properties bought through the agency were as holiday or secondary homes; now almost 60% of the properties we sell are for primary residence.

We have also noted larger numbers of young people making a permanent move. No longer are we just working with retirees, we are finding family homes for people in their 30s. Lifestyle, a superb national health service and excellent schooling are all cited as the reasons why they wish to make the move.”

### **Is it the change in lifestyle that prompts most people to buy in France or something else?**

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Many of those making the permanent move are also considering a life change in how they make a living. Bed and breakfast and gîte accommodation are two of the key criteria for selecting properties to view.

Several of our clients have purchased properties with land and outbuildings and converted these into successful businesses. We also have a number of properties on the market that would make

ideal gîte complexes and a smaller number that are already up-and-running, with the owners looking to do something different as they near retirement.

France is classic vacation country. Millions crisscross the borders during the summer season to visit the châteaux, vineyards, museums and ancient towns found throughout the country. The weather helps immensely. Throughout the country, the climate is milder and softer than many of its neighbours. Here in the Loire Valley we get our fair share of visitors. Saumur, Tours and Angers, at the heart of the region, are popular destinations. Holiday rentals work well in this region.

Contrary to much of what has been printed in the media, tourism and holiday rentals in certain areas of France are not in the sorry state that some would have you believe. Recent research conducted by the tourist authority (Comité Régional du Tourisme) in the Pays de la Loire region shows a marked increase in vacations taken by both the British and Irish in the Mayenne, Sarthe, Loire Atlantique, Maine-et-Loire and Vendée départements.

The research conducted in late 2004 also challenges some of the scepticism concerning the state of the gîte rental market, which showed healthy growth in the region during 2004 and is predicted to strengthen further during 2005.

Our own experiences have been contrary to those of other areas. There is a strong demand for gîte accommodation, although I should qualify this by saying that the demand is primarily for luxury rentals. We believe the market has shown a subtle change. Traditional, rustic style gîtes do not seem to fare as well as those that have a high quality finish. Whilst accommodation with pools is still popular, it no longer appears to be the key criteria for selection. In addition, there has been a significant increase in the couples market. These renters are more flexible in taking their vacations and as a result we have seen a wider spread of bookings across the year in our client properties

The government commissioned research also shows that UK holidaymakers represent the largest influx of visitors to the area, followed by the Dutch and Germans.

Across all forms of accommodation, the region has seen significant growth in bed/stay nights. The gîte market is seeing year-on-year increases of 5% against 2003. More interestingly, the average number of weeks sold in gîtes averages 22.6 weeks across the whole of the Anjou region, with some local areas showing occupancy rates as high as 31.6 weeks (Angers area) and 28.1 weeks in the Saumur locale (Source: Gîtes de France 2005).

These figures bode well for Brits interested in buying in the region and looking to generate income through holiday rentals. My agency has also seen a marked increase in demand for secondary and primary home purchases in the region during the last year, where property prices rose by 6% year-on-year, considerably less than the traditionally popular areas of France such as Brittany, Normandy and those close to the Mediterranean.

It is definitely our experience that luxury rentals are doing well. We are advising our clients that if they invest in a gîte business then they have to ensure that their fit-out is to a very high standard. These types of rentals are generating strong bookings, averaging between 16 to 20 weeks for the year.

For someone who wants to generate a small amount of income to supplement their existing pension, or who wants to generate some additional income while still living in the UK, the opportunity is excellent. However, the large gîte complex is not always the way to go. Better to purchase one or two small, single properties; fit them out to a high standard and market them through one of the numerous vacation rental Websites like:

- [www.escapeholidays.co.uk](http://www.escapeholidays.co.uk) or
- [www.holidaylets.net](http://www.holidaylets.net) . to name but two

It is not unreasonable to expect to be able to make anywhere between £300-500 per week per gîte during the high summer season (June – August); with a swimming pool weekly rentals can be £100 higher. And with an extended summer stretching through September, the opportunity to make good money is realistic. Of course, the gîte has to be serviced, cleaned, let-ins/outs and upgraded from time-to-time but there is no reason why a 70% margin cannot be made. The additional revenue is, of course, taxable and now with the joint tax treaty between France and Britain, there is only one set of taxes to be paid.

### **So what you are saying is that it is not as complex as some would imagine?**

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Accessing money to purchase a property in France is relatively easy. The leading French banks are used to lending money to non-residents and traditionally, interest rates are lower than the UK. The ability to repay the loan, rather than the value of the property, is the key criterion for a French bank to make a decision. Hence their disinterest in building surveys. However, remember, banking regulations in France are not the same as the UK. In France, you do not default on your account, which can result in you being blacklisted by the Bank of France and unable to get a current account with any bank in the country for up to 10 years.

We've helped over 400 clients establish both a current account and a mortgage with a French bank. The process is simple. Copies of your UK bank account (last 3 months), copies of your last P60, credit card statements, payslips (last 3 months), passports, and birth and marriage certificates will do the trick. Providing your repayments do not take your total outgoings beyond roughly a third of your gross income (before tax), your chances of securing a loan are good. Normally, loans are made over a maximum of 15 years and there are a variety of financing methods.

Once you have secured your loan, buying a property follows a predetermined schedule of between 6 – 10 weeks.

After having seen the property of your dreams and having your offer accepted, you will sign a *Compromis de Vente*. This legally binding document lays out what you wish to buy, for what price and the method by which you will finance the purchase. A recent change in the law now means you have a seven-day cooling-off period after signature, whereby you can withdraw from the agreement with no penalty. There is no such luxury for the seller. Upon signing the *Compromis*, he is legally committed to sell it to you, at the price agreed (no gazumping) and within the timeframe laid down in the contract. Getting his signature on this document puts you 85% of the way to getting the property. The Notaire (regulated by the French government) then engages in his land use, conveyance and lien searches. This normally takes six weeks to complete. In the meantime, after your seven-day grace period, you are required to make a 10% deposit payment. This 10% is calculated on the net figure to the vendor not the actual purchase price that includes both the Notaire's and agency's fees/commission. The money is deposited in to the equivalent of an escrow account managed by the Notaire and is held for distribution at the completion of the sale.

Prior to the Notaire completing his due diligence, a mandatory survey and report is commissioned to examine the use of lead paint and asbestos within the property. This is paid for by the seller and is a requirement under the health and safety regulations in France. In addition, in certain parts of France, a termite inspection and report is also required. Both documents form an integral part of the legal completion process.

When the Notaire has finished his deliberations he will advise that the *Acte de Vente* is to be prepared. This is the time when you will make your final payment of the balance due, or where monies will be forwarded from the bank directly to the Notaire. On signing the *Acte* the property is yours – it is as simple as that! Comments John Carter from PIF: "It really is quite simple, except for one thing, the whole process is conducted in legal French! This is where a service like ours can really help. We are with you every step of the way, translating on the spot and attending all the meetings with the Notaire and with the bank, if a loan is involved. It's part of our aim to make the whole process as simple and undemanding as possible for our clients.

## **So everything is greener on the other side of the Channel?**

For many the dream of having a house in France is a real possibility. House prices are considerably lower than the UK; they often come with large tracts of land, even townhouses can have ½ acre of garden, and running costs are much lower. There are two annual taxes on a property. The Tax Foncières and the Tax d'Habitation. Both are paid annually. In the Loire region of France, when these two taxes are combined they are unlikely on most properties to exceed 1200€ and often substantially less – châteaux excluded! Water usage is metered and normally around 250€ per annum for a family sized home, and electricity charges are comparable with the UK. Food and other living expenses are traditionally less than you would expect in the UK.

So, if you have £60,000 (or more) and a dream to live in France, now really is the time to start looking.