

# A GUIDE TO BUYING PROPERTY ABROAD

HARGREAVES  
LANSDOWN



## **IMPORTANT INFORMATION**

This guide is not personal advice to buy overseas property, or to trade any of the currencies mentioned. The content is based on our current understanding of the property market and laws in each country (July 2019), which can change over time. We recommend that you carry out your own research and take independent, professional advice before buying. Tax rules can change and any benefits depend on personal circumstances. We're not tax experts and this guide does not cover all nuances. If you're at all unsure you should seek professional advice.

The Hargreaves Lansdown Currency Service is a trading name of Hargreaves Lansdown Asset Management Ltd, One College Square South, Anchor Road, Bristol, BS1 5HL, authorised by the Financial Conduct Authority as a Payment Institution under the Payment Services Regulations 2017. FCA Register number 115248. You can look this up on the FCA register website at [www.fca.org.uk](http://www.fca.org.uk). Company registered in England and Wales. Registration number: 1896481.

Buying a property abroad is often a life-long dream for many people. Maybe you're looking for a holiday home or an opportunity to retire somewhere exotic.



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**DAVID REITH**

Head of Hargreaves  
Lansdown Currency Service

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At some point you will need to change sterling into your chosen currency to pay for the property. Who you choose to make your transfer is an important decision. Because of the sums involved even the slightest change in the exchange rate offered by your provider could have a big effect on the cost of your purchase.

We believe it's vital to use a currency specialist such as Hargreaves Lansdown, as you could **save thousands** on international property purchases. In addition we offer services which could help you **reduce the risk** of fluctuating exchange rates and **maximise your budget**. These include fixing an exchange rate or helping you to target a specific rate.

There are many currency specialists in the market, and you should do your homework. I suggest using one who is 'authorised' rather than just 'registered'. Authorised firms, such as Hargreaves Lansdown, offer better protection than registered firms as they are legally required by the Financial Conduct

Authority to safeguard their clients' money. More information is provided later in this guide.

With us, despite our size, you won't have to press one for this or two for that. You will get straight through to one of our currency specialists who will be able to help with your query. Just call us on **0117 311 3257 (Mon-Fri, 8am-6pm)**.

Some of the information in this guide has been provided by a selection of industry experts. Our thanks go to International Private Finance, Simon Conn Overseas Property and Finance Specialist and Judicare. We may not share the views of the author.







# GETTING STARTED

The decision to buy a property abroad is often made while on holiday. Once your tan has faded it's worth considering the following:

- Why do you want to buy abroad?
- What's your budget?
- What are the tax and legal implications?

## CHOOSING YOUR COUNTRY, REGION AND PROPERTY

Before you plan any viewing trips abroad it's worth attending international property exhibitions, such as The France Show or A Place in the Sun. Here you can talk to agents and developers from many different countries and regions. It's more rewarding than simply looking online and can provide you with insights that you may not get from an online search.

If you know where you want to buy, there are country-specific events, magazines and websites to help. For example French Property News or Living France.

## PLANNING YOUR FINANCES

If you're buying as an investment, the costs should be simple to calculate. Details such as furniture can be sorted out more easily and in some countries you might be able to buy a property fully-furnished. But if you're moving permanently then you may need to consider things such as healthcare, schools, pet transport, and much more. Researching the detail can pay dividends. For example, think twice about paying to ship your favourite leather sofa to a humid climate as it won't last very long without a dehumidifier.

You should consider discussing your plans with a financial adviser so that you know where you stand, and budget for a contingency fund.

## ONE-OFF COSTS

Buying costs will vary from one country to another. Costs could include viewing trips, estate agent commission, legal fees, surveys and local taxes. Remember the process is likely to be different to the UK.

## ONGOING COSTS

It's easy to forget some of these. Apartments and houses on developments could have high maintenance and management fees, especially if there are additional facilities such as a golf course or a pool to look after.

You should also consider local taxes, insurance and mortgage payments. All of these will need to be funded and if you're receiving money from the UK it could be worth setting up a regular payment plan with a currency specialist, where you'll have the option to fix the exchange rate. A fixed regular payment plan can make it easier to budget as you'll know your monthly cost in advance. But bear in mind that because the rate is fixed you won't benefit from any rises in exchange rates.

## USING AN ESTATE AGENT

The growth of the internet has enabled people to browse properties around the world and contact local agents direct, without a UK middleman. Whilst this could save you money, it may leave you exposed if they do not speak English.

If you're dealing directly with a developer, you should ensure that they have the right permissions and title on the land. You should also be cautious if they recommend 'their' lawyer as there could be conflicts of interest if the lawyer is working for both the buyer and seller.

## 'JET 2 LET'

An investment property in a metropolitan area or capital city could be let on a long term basis where there is diverse employment and/or students. With a holiday rental you might achieve more money per week but it could be very seasonal and involve more work (a high hassle-factor).

The holiday rental market is the one which requires more research. It would be sensible to talk to local letting agents about occupancy rates and who the primary target market is. This could affect how you furnish and advertise the property.

Things you could consider are local attractions, facilities and how seasonal the location is. For example, some ski resorts benefit from a thriving summer market for walkers, climbers and mountain bikers, but not all do. The proximity to an airport could have a big impact on rental and property values, but beware if an airline decides to suspend flights to that airport.

# TOP THINGS TO CONSIDER

## LEGAL

Don't be the next victim to be misled about their dream property abroad. Make sure you're getting suitable legal advice.

Overseas laws and legal systems can be very different. In an ideal world your lawyer will be able to speak good English and have a good understanding of the local law. Communication is important throughout the process so that you understand exactly what you're taking on.

## TAX

Tax systems can be different in foreign countries, and while the following is not a comprehensive list, you may need to consider:

### PROPERTY TAX

- Local VAT
- Stamp Duty
- Sales tax
- Income tax on rentals
- Capital gains tax
- Inheritance tax
- Fines for late or non-payment of taxes due

It's important that you do your own research on your chosen area to make sure you understand what tax you'll have to pay.

## INSURANCE

If your overseas property is a holiday home you should check whether it is covered in your absence. Additionally it would be prudent to check the terms of any insurance to see whether you need to turn off the water or power when you're away.

If you're renting out your property you may need additional insurance, similar to a landlord's policy in the UK. There may be specific local rules so it's worth discussing this with a local agent.

## OVERSEAS MORTGAGES

Content provided by International Private Finance and Simon Conn.

Typically, people fund their overseas property purchase in three main ways:

- 1) Buy in cash
- 2) Re-mortgage a UK property
- 3) Take out a foreign mortgage

Whilst the first two options are likely to be more familiar, it's worth considering an overseas mortgage. Foreign lenders in more developed markets such as France and Spain have become more prevalent. In addition interest rates can be lower than in the UK and some products are now available that are geared towards non-residents.

Most developed property markets will offer international mortgages to overseas buyers, but the rates and type of products on offer will differ from country to country and from bank to bank.

Since the financial crisis of 2007, UK retail banks have pulled back from lending against property overseas. Nowadays, the main source of international mortgages is from the banks and financial institutions based in the country where the property is located.

Overseas mortgages are arranged in the currency of the country you're buying in. Therefore, you must consider how the sterling value of your debt will change with any exchange rate fluctuations. In some cases, this can work in your favour. In 2017, the year after the Brexit referendum, International Private Finance reported that many British buyers chose to take out an overseas mortgage rather than spend their sterling savings. This gives them the option to pay back their debt later. If the pound strengthens, their debt will decrease in value, and they will have essentially have paid less for the property. However currency markets can be notoriously difficult to predict and sterling could weaken in the future.

Depending on the country you're buying in, there's sometimes tax advantages to borrowing rather than buying outright. Many countries will allow you to offset the interest you pay on a mortgage against any income that you generate from renting it out. This could reduce the amount of tax you will pay. Others have tax systems that penalise capital gains, but these may only be payable on equity, therefore making a mortgage more tax-efficient.

The mortgages themselves work in a very similar way to those that you would obtain in the UK in that the loan is secured against the property. However, international lenders will usually have a limited number of products available to non-residents. Interest-only or buy-to-let mortgages are quite rare in many overseas markets. Where they are available (France, for example) the borrowing criteria will typically be tougher than in the UK.

The highest loan-to-value you can expect is around 85%. However this will depend on your circumstances, the country you're buying in and the type of property you're buying. For example, if you're looking at buying in the USA with a view to renting it out long term, the maximum loan to value is typically 50-60%. It's worth noting that some lenders will reduce the interest rates on offer if you also establish a banking relationship with them at the time of application.

International lenders will also look more at an individual's level of debt compared to their income, rather than just their income. They're also much stricter on what they will class as 'income' with many discounting, or ignoring, rental income from other properties.

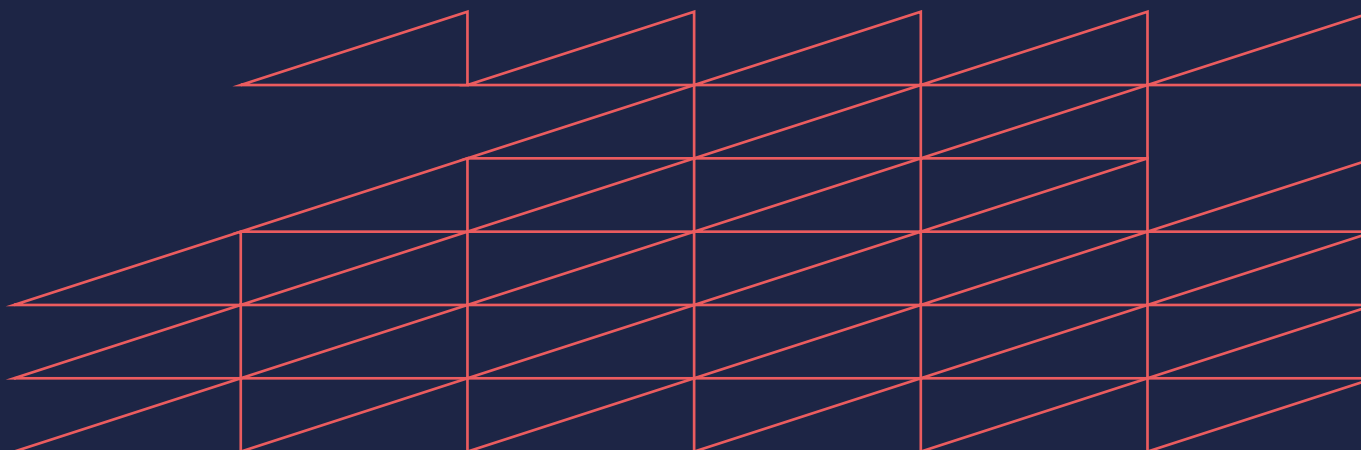
To obtain an overseas mortgage you can approach a lender directly, as the larger banks in established markets often have international departments. However due to the differing lenders' borrowing criteria, the various rates on offer and the products themselves, it is sensible to speak to an overseas mortgage specialist. They will guide you to the best deal for your circumstances, advise you on how to navigate the purchase process for the country you're buying in as well as arrange any additional services you may need (such as insurance services).

## **BREXIT**

Some people looking to buy in Europe have chosen to put their purchase on hold while the details of Brexit are ironed out. However, many others have decided to carry on regardless, keen to realise their life-long dream.

Whatever you decide to do, it's important to keep up to date with Brexit developments. Besides any political consequences, Brexit announcements can cause large movements in the currency markets, which will affect the cost of your property.

If you're concerned about exchange rate movements you can speak to a currency specialist about ways of reducing the risk.



# CONVERTING CURRENCY AND SENDING MONEY ABROAD

## THE CURRENCY MARKETS

Currency markets move due to a variety of reasons and it is almost impossible to predict what will happen in the future. Some things, such as an unexpected result of an election or referendum, will come out of the blue and can have a big influence on the value of a currency.

However, one thing is for certain – any movements in the currency markets will affect the value of your property and your mortgage payments. If you would like to keep up to date with the currency markets, many currency specialists will provide regular updates free of charge.

## BEWARE OF THE EXCHANGE RATES QUOTED IN THE NEWS

The headline rate often quoted in the news is what is known as the interbank rate. This is the rate at which banks and large institutions trade with each other and is not generally available to the public.

Banks and currency specialists typically make their money in the form of a 'spread' from the interbank rate. This means they will offer you a less favourable exchange rate than the interbank rate. Some may also add a fee on top. We suggest asking your provider what the interbank rate is at the time of their quote so that you can calculate what they're charging you.

Some firms may offer a rate close to the interbank rate but charge a large fee instead.

## HOW MUCH FURTHER COULD YOUR MONEY GO?

To make sure you get a great exchange rate, we check our exchange rates against high street banks every month. The quotes below were obtained from seven high street banks on 2 January 2020 for a transfer of £20,000 to euros.

Currency markets move constantly, so the rate you'll receive will be different from this example. For a personal quote just call our friendly team on **0117 311 3257** (Mon-Fri, 8am-6pm). We charge a small fee on low value transactions. Find out more on our [website](#).

	Hargreaves Lansdown	Average high street bank
Interbank rate	1.179	1.179
Less margin applied by provider	0.85% (£170)	2.75% (£551)
<b>Exchange rate offered</b>	<b>1.169</b>	<b>1.147</b>
Transfer fee	£0	£10.13
<b>Total received</b>	<b>€ 23,386.09</b>	<b>€ 22,937.26</b>

### Interbank rate

The interbank rate is the rate that banks and large institutions buy and sell to each other and is the rate you'd see quoted in the news. Ours is taken from Proquote.

### Less margin applied by provider

Most providers make money by adjusting the interbank rate and offering you a less favourable rate. This is why the exchange rate offered is less than the interbank rate.

**Total saving using HL: €448.82**





## HOW SECURE ARE MY PAYMENTS?

While it's clearly important to get the best rate possible, you'll want to make sure your money is secure, especially when transferring large amounts abroad.

It's important to understand how your chosen currency provider is regulated. Currency firms can be either authorised or registered. Authorised firms are required to ring fence client funds, keeping them separate from company funds. They are also subject to a greater degree of regulatory scrutiny.

You can check a list of authorised and registered firms on the Financial Conduct Authority's website [www.fca.org.uk/register](http://www.fca.org.uk/register)

## HOW EXCHANGE RATES ARE CALCULATED

The exchange rate you receive will depend on three main factors:

### 1. The current market rate.

Exchange rates are moving all the time and the rate you receive will be based on the exchange rate at the time of the transaction.

### 2. The amount you're converting.

You'll often receive a better rate for converting larger amounts.

### 3. When you need the currency.

The rates will be different depending on whether you need the currency immediately or whether you would like to fix the exchange rate for a date in the future.

## WHY SHOULD I USE A CURRENCY SPECIALIST?

Compared to using your bank, most currency specialists should be able to save you a considerable amount as well as being more proactive. Currency specialists are also able to offer some services which banks do not, such as the ability to fix the exchange rate for the future.

## WHEN SHOULD I START SPEAKING WITH A CURRENCY SPECIALIST?

Even though your currency transfer happens towards the end of the buying process, it's a good idea to speak to a currency specialist as early as possible.

Your account manager will be able to explain the process so everything goes as smoothly as possible later down the line. And by acting sooner you could benefit from various tools and services designed to make your purchase as easy and cost-effective as possible. Some of these won't be available if you leave your currency transfer until the end.

# SHELTER FROM EXCHANGE RATE MOVEMENTS WITH A FORWARD CONTRACT

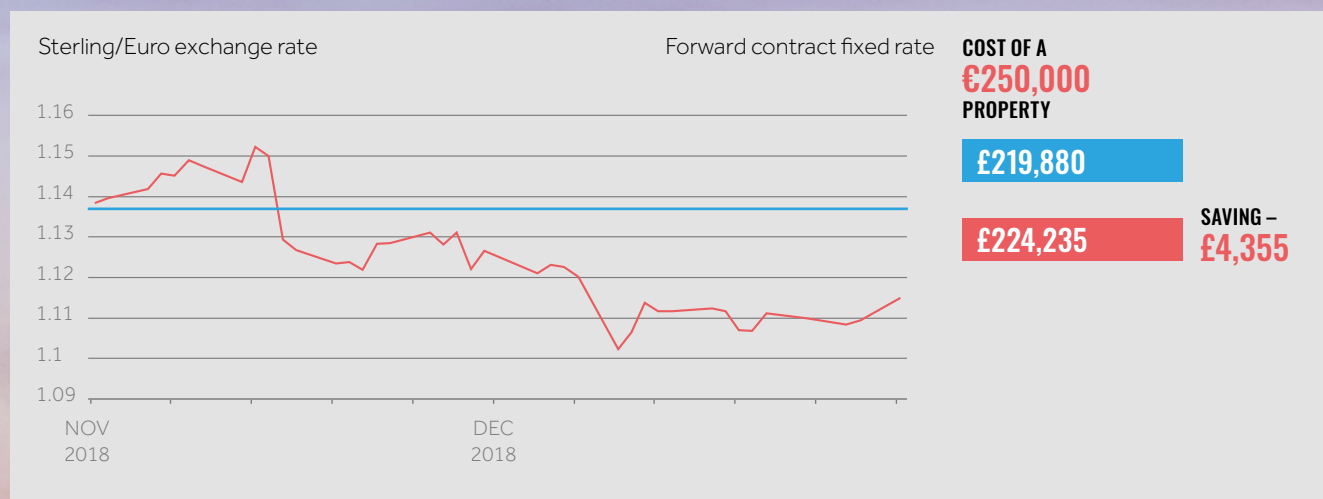
Constantly fluctuating exchange rates can be a real headache and worry when sending money abroad. If you're transferring money overseas at some point in the future, it can be agonising to watch the rates move against you.

If you're concerned about the exchange rate getting worse you could consider a forward contract.

A forward contract allows you to fix the exchange rate for up to two years in advance. This provides shelter should the rates move against you and will make

it easier for you to stick to a budget. However, because the rate is fixed you won't be able to benefit if the rate subsequently becomes more favourable. You should speak to a currency specialist to decide if this is right for your circumstances.

## EXAMPLE



Simon and Anne are buying a property in France for €250,000. They exchange on 1 November 2018 and the money is due on 31 December 2018. To protect against negative movements in the exchange rate, they decide to take out a forward contract in November 2018 and agree to fix the rate at 1.136983. If they'd waited until 31 December 2018 (just 60 days later) to buy their euros, the cost would

have increased by £4,355. This is based on the exchange rate between 1 November 2018 and 31 December 2018.

To fix the rate, Simon and Anne would have typically paid a 10% deposit (£21,988) when they set up the forward contract. The final balance of £197,892 would then have been due on 31 December 2018.

They would have missed out if the rates had improved, but some people would prefer to take this risk in order to know how much a future purchase will cost them. After all, you wouldn't buy a property in the UK without knowing the final cost.



# MAKE THE MOST OF RATE IMPROVEMENTS WITH A MARKET ORDER

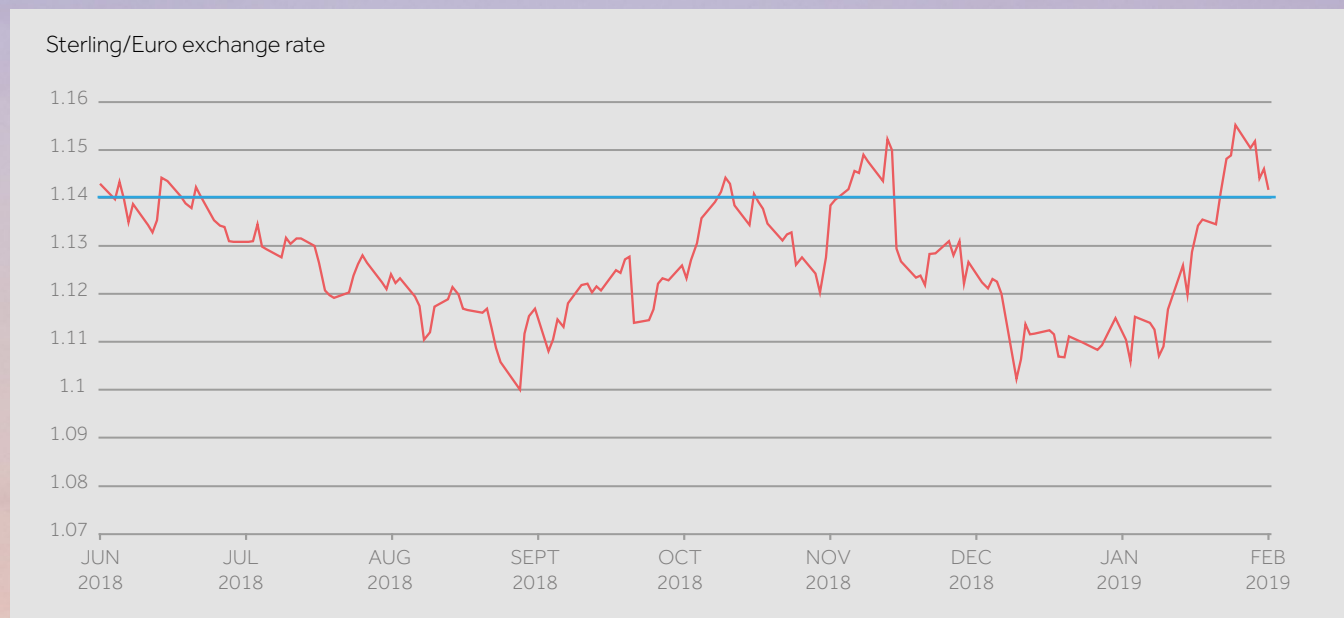
A market order is best used where you have some room in your budget for movements in the currency markets, but you want to achieve a better rate.

With a market order, you specify a target rate that you're looking to achieve. If and

when the rate is available, your currency is automatically purchased. This can help you to make the most of improvements to exchange rates and means that you do not have to keep a constant eye on the markets. However, it does not provide protection if rates moves against you.

Again, you should speak to your currency specialist to decide if this is right for you.

## EXAMPLE



Tim and Emma are retired expats living in Spain. They have money back in the UK which they transfer over to Spain on an ad-hoc basis to cover their living expenses. They normally convert £10,000 at a time. They do not like to leave their currency purchases until they're low on money, because they will be at the mercy of the exchange rate at the time. Instead, they prefer to exchange when a rate of 1.14 is available.

When the rate is available, their currency is automatically purchased and we call them to transfer the funds to their Spanish bank account.

The graph above shows when an order of 1.14 with our currency service would have been triggered based on exchange rates between June 2018 and January

2019. If Tim and Emma had needed to purchase euros in August 2018 when the market was at its lowest, they would have received over €342 less. Of course, if the market had moved in the opposite direction then Tim and Emma would have had to purchase at a lower rate.

The same principle can be used to purchase a house if you know a rate that you'd like to exchange at.

# FRANCE

Content provided by International Private Finance.

## COUNTRY OVERVIEW

It is no wonder that France is the world's most popular tourist destination. A blend of modern infrastructure, rich cultural attractions and beautiful scenery drew nearly 83 million visitors in 2016. And despite the UK's imminent departure from the European Union, it remains a popular choice for British property buyers. They're helped by the prevalence of English-speaking estate agents (agences immobilières) and hordes of existing expats willing to share their buying experiences.

In a country a little over twice the size of the UK, the most common destinations for British buyers are the coastal areas in the South, the Alps and the appealing countryside in the South West. Prices seem to be on the rise with the French Notaries office predicting a year-on-year increase of 3.7% up to February 2019. But the market tends to be somewhat fragmented. Bargains can be found in rural areas where the property market has stagnated, while prices have risen healthily in locations within reach of the biggest tourist destinations. The most buoyant areas include the Alps, the Limousin region, Bordeaux, Lyon and the south coast, as well as certain parts of Languedoc and Provence.

The number of house sales remains at historically high levels. In the twelve months to July 2018, the volume of transactions topped 950,000 for the second year in a row and the French Notaries office is predicting this trend to continue into 2019. The overseas buyers' market therefore remains buoyant, with Britons accounting for 32% of the properties sold to international purchasers in 2017.

Brexit is unlikely to impact the ability of British citizens to secure finance on overseas property, as the international lenders currently lend to non-EU citizens and have indicated their intention to extend that to Britons after Brexit has completed.

## BUY-TO-LET/INVESTMENT MARKET

Some tourist areas in southern France and the Alps are particularly popular among individuals buying for investment purposes. Buyers tend to maximise the income potential of their properties by letting them out during the high season and reserving them for their own use during quieter periods. Urban areas are thriving throughout France, with provincial cities determined not to fall too far behind Paris. Lyon, Bordeaux, Nantes and Montpellier are all culturally and economically dynamic metropolises with high-performing rental markets.

There are various benefits on offer to property investors in France, depending on the nature of the investment. For off-plan ('VEFA') acquisitions, the buyer is only obliged to release funds to the developer at the completion of pre-determined stages of the project, while notary fees come at a reduced rate. The French government's leaseback schemes remain popular, allowing owners to receive a 20% VAT reimbursement if they keep the property over the long term. Rental income is not always high for these investments, but it is guaranteed and the property is fully managed and maintained to high standards by a third party management company. At the time of writing, securing debt against a French property could be a shrewd option. Any interest paid is tax deductible against the rental income received. In terms of applying for a

mortgage, however, French banks require proof that investors are comfortably capable of making repayments with their existing income, rather than purely through the rental income of the property they're buying. Potential off-plan or leaseback investors should also be aware that mainstream lenders are very selective in choosing which projects and developments they will finance.

## TAXATION

You should budget to spend around 10% of the purchase price to cover property transfer tax as well as the fees payable to the notary, estate agent, land registry and for mortgage registration. Residence tax and an ownership tax are payable on an annual basis, although the former is being abolished for most households on a phased basis from January 2018. Should you move to France, or spend more than 183 days a year there, you will become a French tax resident. As a result of one of President Macron's key manifesto pledges, wealth tax was restructured to cover only real estate assets from January 2018. For non-residents, any wealth tax will therefore only apply to fixed real estate assets in France. The social charges payable by landlords increased from 15.5% to 17.2% from January 2018. However, there is an ongoing case at the French Supreme Court, together with the Finance Bill 2019 which are proposing changes to the French social charge regime. Potential buyers are advised to keep a close eye on continuing political developments, as Macron continues to try to push through the economic reforms that formed the backbone of his presidential campaign.



### KEY LEGAL ISSUES

The French legal system can be complex, so you're advised to seek your own legal advice. A notaire oversees the sale of a property, ensures conveyancing is carried out, and collects the relevant taxes on behalf of the government. The notaire acts on behalf of both the buyer and the seller, which makes it all the more sensible to seek independent advice. Remember that the preliminary contract (compromis de vente) is legally binding for both seller and buyer, and the buyer will lose their deposit (usually 5-10% of the price) if they drop out after a 10-day period has expired. Once the preliminary contract is signed, the buying process typically takes between two and three months. This can be sped up, however, if all parties are willing to push in the same direction.

### TOP TIPS

- Talk to small French agencies and locals to find out about properties coming on to the market. One of the main attractions of buying a French property is the quality of life in the country, and their local knowledge may reveal the more authentic properties on the market.
- French agents set their own commission rates (usually 4-10%), which sellers and/or buyers shall pay. Those can often be negotiated.
- High loan-to-value ratios are available in France, with mortgages covering 85% of the global cost of a purchase (including estate agency fees) readily available for non-resident buyers.





#### TOP TIPS

- Hire an independent, English-speaking lawyer.
- If you're letting your home, ensure it's in a town or resort with good amenities.
- A 'bargain' might not always be what it appears – check why the price has been reduced.

# SPAIN

Content provided by International Private Finance.

## COUNTRY OVERVIEW

Since the 1960s, Spanish property has proved reliably popular among British buyers. From rustic fincas in need of a makeover to 'lock-up-and-leave' resort homes, Britons are unable to resist the various benefits of a life in Spain. These include 300-plus days of sunshine a year, low prices, relaxed lifestyle, rich cultural heritage and low-cost flight routes serving destinations throughout the country. Hit by the economic crisis, average national property values fell by 30% between 2007 and 2014, according to the Bank of Spain. However, Spanish property has been on the recovery ever since. Figures from the country's National Institute of Statistics (INE) show that between January – November 2018, there was an 11% year-on-year increase in the number of sale transactions. The proportion of foreign buyers account for 12% of sales (compared to 4% in 2009 – figures from Registradores.org, the Spanish Land register) and according to statistics from the Association of Spanish Notaires, over 53,000 homes were bought by overseas buyers in the first half of 2018. British demand is still strong, and Brits bought over 10,000 homes last year, twice as many as in 2013, and back above the pre-Brexit referendum record of 10,156 in 2016.

## PROPERTY HOTSPOTS

The reposessed bargains and distress sales that attracted so much publicity during the crisis years are now largely a thing of the past. Popular areas such as Marbella, Malaga, Almeria and the Balearic Islands, where supply never managed to exceed demand, are posting the biggest year-on-year price increases. The Association of Spanish Notaires has indicated that in 2018 29% of foreign buyers in Spain purchased property in the Valencian Community (which covers popular resorts such as

Alicante, Valencia and Benidorm, including the Costa Blanca). As the country's economic fortunes have recovered, so too the fortunes of its most historically popular areas such as the Costa del Sol, while cultural hotspot Seville boasts an up-and-coming property market. However, the recovery has not spread to all areas, and buyers can still find appealing bargains in smaller tourist locations and even in desirable spots such as Menorca, where supply still outweighs demand. The Spanish mortgage market for non-resident foreign buyers is also healthy (one major lender reported a 10% year-on-year increase in lending in 2018) with several national and local banks willing to lend on a repayment basis. Rates are based on the Euribor, and can be for up to 75% of the purchase price.

## BUY-TO-LET MARKET

Local and international developers are once more a growing presence in key locations on the Spanish market, with attractive products aimed directly at second home buyers or investors. During the crash years, rental values fell in coastal areas. This was due to the excessive supply caused by an excess of new homes constructed in the early noughties. But these areas are still popular for holidaymakers and retirees choosing to rent. What's more, longer-term rentals in Spanish cities are performing strongly. According to industry website Idealista, the price of rented housing in Spain rose by 12.6% in the third quarter of 2018 from the year before. In addition there are a total of five cities in Spain where rent is once more at a higher level than it was before the crash: Las Palmas, Palma, Madrid, San Sebastián and Girona. In terms of getting finance for an investment property, location is the absolute key: lenders will carry out thorough research to ensure that the property benefits from a healthy local rental and resale market.

Borrowers are expected to be able to make repayments with their existing income streams, rather than purely through the rental income of the property they're buying.

## TAXATION

If you're buying a new property, you will pay the 10% IVA property tax directly to the promoter, together with the purchase price. If you're buying a second-hand property in Spain, you will pay ITP sales tax of 6-7%. Legal, notary and land registry fees account for an additional 1-2% of the purchase price, and there will be a further 2% charge to register any mortgage being used for the purchase. Be careful of sellers reducing a property's value to avoid taxes. New laws mean the notary will check the true value as they could be heavily fined if the home is undervalued by more than 20%. You should take independent legal advice to clarify the latest rules on tax residency and rental income tax. Wealth tax is based on the value of an individual's total net assets, and will be paid after the free allowance of €700,000. It is applied individually, so owners are taxed according to their share of a jointly owned property.

## KEY LEGAL ISSUES

You may be offered the services of a Spanish lawyer (abogado) by the vendor of a property, and particularly by larger developers. You should nevertheless find your own independent legal advice, to avoid the conflict of interest of a lawyer representing both the buyer and seller. If your lawyer is Spanish, check that they're registered with the local bar association (Colegio de Abogados). You will need to obtain a Foreign Identity Number (NIE) in order to become a property owner in Spain and to take out a mortgage in the country. Check [www.gov.uk](http://www.gov.uk) and [www.registradores.org](http://www.registradores.org) for more information.



# USA

Content provided by Simon Conn.

## COUNTRY OVERVIEW

The USA has always been popular with people in search of the American dream. It is divided into six regions and 50 States sit within these regions. Each State has its own laws, taxes, climates and cultures. The whole country is double the size of the European Union, and more than 320 million people call it home.

America has a lot to offer, from the bustling city life of New York to the dry and warm deserts of Nevada. Some areas are popular destinations because of the year round sunshine and outdoor lifestyle. The climate varies widely depending on where you are but summers tend to be hot and humid in the plains and southern states, and very hot and dry in the Southwest.

The USA could be a great place to invest in, whether that is for a main residence, rental property or seasonal vacation home. According to the National Association of Realtors (NAR), overseas buyers spent \$121 billion on US residential properties between April 2017 and March 2018. The report also noted that property purchased by foreign buyers accounted for 8% of all existing home sales by dollar volume.

To work and live in the US permanently, you will need to obtain a Permanent Resident Card, also known as a green card, and it is advisable to take advice

from an immigration lawyer. A property can be purchased without a green card but you must have an Individual Taxpayer Identification Number, which is a tax-processing number issued by the Internal Revenue Service.

## BUY-TO-LET/INVESTMENT MARKET

At the time of writing, house prices are low. Some properties are selling for considerably less than they were a few years ago and rental income is on the up. This means you could see a good return on your investment in a short space of time.

The top States for foreign investors purchasing properties during the past year include Arizona, Florida, New Jersey and Texas, according to the NAR's analysis.

All these States offer a different atmosphere and style of property. In Florida, most people tend to buy in three areas: along the Gulf coast, the Atlantic coast and central Florida close to Disneyworld.

New York and California are also favoured among buyers who want to live and work abroad, but property prices can be steep in the city centres. If you don't mind being on the outskirts of the city, such as Brooklyn or Santa Monica, prices are considerably cheaper.

Properties in Orlando have great rental potential because they're close to Walt Disney World Resort and other famous attractions.

It's relatively easy to purchase in the US. There are few restrictions on foreign ownership and they have a well-regulated property market.

## TAXATION

If you're buying a new or resale property, you will pay taxes based on the purchase price and mortgage amount. This varies from State to State. In Florida for example, the buyer pays State and County purchase and deed taxes of approximately 1% of the purchase price. In California there are no purchase taxes for the buyer, as the seller would normally pay the county deed/tax stamps. However, you'll be expected to pay property taxes on an ongoing basis. You will need to set up an escrow account with the lender to build up money for the yearly property taxes, which are usually due in November.

## KEY LEGAL ISSUES

You do not need to use a lawyer to purchase in the USA, as most transactions are completed using the services of a closing or escrow agent (similar to a licensed conveyancer in the UK). However, you can employ a lawyer or attorney to act on your behalf for an additional fee.




A night view of a beachfront. In the foreground, there is a sandy beach with a low stone wall. Behind the wall, several tall palm trees are silhouetted against the sky. In the background, a multi-story building is illuminated with warm yellow lights from its windows and outdoor dining areas. The building has a modern, Art Deco style. The sky is a mix of blue and orange, suggesting dusk or dawn. A red text box is overlaid on the left side of the image.

### TOP TIPS

- Make sure you're familiar with the laws of your individual State.
- If you're married (including going through a divorce or separated), your spouse may be required to sign documents at the end of the purchase.
- Gifted deposits are acceptable with some lenders. However, a full paper trail of where the funds came from will be required. In addition you will need a signed confirmation that the money is a gift and is not to be repaid.



An aerial photograph of the Sydney Harbour Bridge, a large steel arch bridge spanning the water. The bridge is filled with cars. In the foreground, a boat is moving across the water, leaving a white wake. The background shows a lush green landscape with many small islands and buildings. The sky is blue with some clouds.

## TAXATION

Rental income earned on Australian buy-to-let or investment property is taxable in Australia. Income tax rules are favourable to investors in property, allowing you to deduct your annual interest costs from rental income. Capital gains tax will apply on the net gain you make upon the sale of any property in Australia, unless the property is your sole home residence. In this case the property is exempt from capital gains tax.

## KEY LEGAL ISSUES

If you don't have Australian residency or citizenship you'll need approval to purchase a property from Australia's Foreign Investment Review Board ([FIRB.gov.au](http://FIRB.gov.au)) before you enter a contract. You'll be limited to buying only new-build properties in Australia.

The FIRB will normally respond quickly, although the official guideline is within 40 days and can sometimes take longer. Contracts can be exchanged while you wait for an answer, but check there is a caveat in case you're turned down, as you could be hit with a financial penalty.

## TOP TIPS

- You must obtain a visa before going to Australia and it is a good idea to seek advice from a lawyer before you consider buying a property.
- If a mortgage is required, ensure you check with a lender for mortgage availability before you make an offer on property. A mortgage broker is usually best-placed to consider the whole market on your behalf.
- Government Stamp Duty costs have recently increased for foreign buyers so research your costs well before entering the market.



# AUSTRALIA

Content provided by Simon Conn.

## COUNTRY OVERVIEW

Many people emigrate to Australia every year, in search of a new life in the sun. With its laid back lifestyle and great job opportunities, it could be your ideal haven. Many Brits choose Australia as a holiday destination, then fall in love with the country and decide to sell up and relocate. It is easy to see why. Not only does it boast a fabulous climate, it offers an all-round outdoors life, with good-sized properties and gardens for your money.

Australia is a vast country in size, equivalent more or less to the United States but with only a fraction of the inhabitants. The majority of the population hugs the coastline, away from the deserts and semi-arid inland landscape. All of Australia's major cities are located within a short distance of the coast. For many, it is this image of coastal living within an enviable climate that attracts them.

Non-stop flights from the UK to Perth commenced in March 2018, making it easier and quicker to travel. Perth has always been friendly to incoming visitors and investors, including those involved in active property development. Many new immigrants to Australia have found Perth to be a welcoming city and launchpad into a new life in Australia.

The Australian economy has enjoyed nearly 25 years of economic growth, building Australia's prosperity and causing continuous demand for property. The property market hit a bottom in May 2012 but house prices have grown strongly since then until their peak in October 2017.

Since then Australia has experienced a cooling market, with national prices declining overall by 4%. This price correction is greatest in the cities that

grew the most; Sydney and Melbourne, where mean house prices have declined by 9% and 5% respectively. However, five of Australia's eight cities have experienced growth over a similar period, especially Hobart (9% growth) and Canberra (4% growth) over the last 12 months.

The fall in demand in both Sydney and Melbourne is related to sustained increase in new housing construction over five years, a swell as slowing migration and less demand from foreign buyers.

The country boasts a wide range of rare animal and plant species which can only be found there and it has a strong Aboriginal history which is still evident.

## PROPERTY HOTSPOTS

Melbourne and Sydney are favourites, promising consistent rental market returns for investors, although property can be expensive in Sydney when compared to other locations. But it is ideal for single people and couples and has a lot to offer. Many people flock to its famous sites such as the Opera House and Sydney Harbour.

Melbourne is a popular choice for many Europeans, and while the city is attractive there is a lot of residential development going on in the outer residential areas. Melbourne hotspots include Southbank and South Melbourne and Docklands in the city itself, and Footscray, Box Hill and Preston are a few suburbs showing development in infrastructure and increased popularity.

Adelaide is an area which is costs less to live, comparatively speaking, as is Geelong in Victoria where properties are available at reasonable prices and the healthcare and education offerings are good.

The Perth property market has also seen some market correction, arguably providing new opportunities for immigrants and investors. Areas to watch out for around Perth include Fremantle (thanks to infrastructure development), Northbridge, East Perth, Claremont and Margaret River further south.

Property hotspots in Brisbane include Herston and Queens Wharf which are within 25 minutes of the central business district. In Queensland the top five most popular areas are Gympie, Rockhampton, Sunshine Coast, Townsville and Warwick.

## BUY-TO-LET MARKET

Strong rental demand persists for apartments in Sydney and Melbourne and increasingly Brisbane, while the other major cities tend to be cyclical. Here, rental demand tends to fluctuate more depending on local economic conditions.

You should show caution when considering regional areas, which can offer a much lower entry price. Rental returns may well be much less consistent when compared to the capital cities.

Australian lenders consider the whole financial situation of borrowers including existing home mortgages and not only potential rental income. Recently, foreign-based borrowers have found it more difficult to obtain a mortgage as a result of new restrictions placed on foreign lending by the Australian government in 2017. Mortgages are still available however, on a case-by-case basis.

# PORTUGAL

Content provided by Simon Conn and Judicare.

## COUNTRY OVERVIEW

Portugal was voted the world's leading destination 2018 in the World Travel Awards and it's certainly popular with Brits looking to buy abroad. Approximately 80,000 currently live there.

With a population of over 10 million, the country is associated with golf, Port Wine and excellent beaches. Portugal is one of the oldest countries in Europe and still has the same defined borders as in 1249. It is one of the 20 most visited countries in the world, attracting more than 13 million visitors every year.

The Portuguese property market took a tumble in recent years, with house prices dropping and many new developments standing unfinished. But having come through their financial crisis of 2011 to 2016, the market has picked up, especially in the major centres like Lisbon.

## BUY-TO-LET/INVESTMENT MARKET

Now could be a good time to buy if you're looking for a long term investment, with a wide choice of properties available and many at a bargain price. The downturn in the economy has left estate agents with a large number of repossessed properties which they're now selling at a much lower price.

Lending is stricter than it was previously, but there is still finance available. A 'Golden Visa' scheme has been introduced which offers residency to non-EU buyers purchasing a property over €500,000. This has attracted many Russian and Chinese buyers and is expected to boost the market.

Coastal regions tend to be more popular than inland areas. The Algarve has remained a firm favourite with tourists and buyers over the years and is now one of the most popular locations for buying a second home. However, this has led to higher house prices and buyers have started to take interest in other cheaper and attractive areas, such as the Silver Coast and Costa Verde. Both areas are much less developed than the Algarve, but improved transport links have resulted in a large number of new developments now being focused in these areas.

## TAXATION

When you purchase a property in Portugal you'll pay IMT Tax (from 1% to 10%) on a resale property or IVA at 23% on a new property. Stamp duty is also payable at 0.8%. After you acquire the property you'll have to pay IMI tax (from 0.2% to 0.5%) each year. If you rent the property out there may be income tax on the rental income and if you sell the property and it is not your main home then there may be Capital Gains Tax payable. If you're a non-resident in Portugal you will have to declare your income and Capital Gains from the property on your tax declarations in the UK.

In addition to the taxes above, other expenses you'll need to consider include Land Registry and legal fees. Taking out a mortgage will also add on further costs in terms of bank charges and taxes. If you stay in Portuguese territory for more than 183 days, you're normally considered a tax resident. However, just buying a property does not necessarily make you a tax resident and the 183 day rule is not the

only way of assessing whether you're a tax resident or not.

## KEY LEGAL ISSUES

In Portugal all deeds are signed in front of a notary public. It's also advisable to employ an independent lawyer to assist with the purchase. The basics of the purchase process, such as searches and contracts, are the same as in the UK. But the way they're carried out is very different.

The buyer should register themselves in Portugal for tax purposes before the purchase takes place. If the buyer is not from the EU, they'll need a tax representative who is tax resident in Portugal. The documentation must be in Portuguese.

Your lawyer will help with the sale in conjunction with a notary public and the local town hall (to issue the habitation licences). The registry system, with real estate registry offices and tax offices, deals with the registration of all properties purchased and all owners.



A photograph of a golfer on a green golf course. In the foreground, a white golf ball sits on a wooden tee. The golfer's legs, wearing light blue shorts and white sneakers, are visible in the mid-ground. The background shows a clear blue sky and a line of trees. A red text box is overlaid on the left side of the image.

### TOP TIPS

- Make sure you work with certified professionals. Most importantly a Portuguese lawyer who should represent you in the purchase of the property, carry out all the necessary searches and check the documents are in order.
- It is advisable to carry out a survey on the property, especially if it is not new. Any defects found can be listed and the vendor will be responsible for the repair.
- The lawyer must inform the purchaser of all the necessary and relevant information on the Portuguese financial system, especially around any taxes that are due. You must then appoint a representative to deal with the tax administration on your behalf.

# USEFUL CONTACTS

## CURRENCY SPECIALIST

Hargreaves Lansdown Currency Service  
**0117 311 3257**  
[www.hlcurrency.co.uk](http://www.hlcurrency.co.uk)

Get direct access to an experienced currency specialist, here to help you every step of the way with your currency conversion.

We offer a range of services to help with:

- Immediate or regular payments
- Protecting against future exchange rate fluctuations
- Targeting a specific rate

You can transfer online at the click of a button or over the phone with our team of specialists. 96% of currency clients rate our currency service as good, very good or excellent. HL survey, May 2018, 73 responses.

## OVERSEAS PROPERTY FINANCE

**International Private Finance**  
[www.internationalprivatefinance.com](http://www.internationalprivatefinance.com)  
**0207 484 4600**



International Private Finance (IPF) arrange finance for non-residents who are looking to buy property in France and Spain. Whether you're looking to borrow €100,000 or €10 million, they pride themselves on the level of service which

they provide to all of their customers. You will have a dedicated, bi-lingual CeMap-qualified consultant and assistant who will work with you through every stage of the process. As IPF is currently the largest introducer of non-resident mortgages with the highest approval rating their clients benefit from access to exclusive rates and terms that are often not available through other brokers or when approaching lenders directly.

**Simon Conn Overseas  
Property & Finance Specialist**  
[www.simonconn.com](http://www.simonconn.com)  
**07739 033266**



Simon Conn has over 35 years' experience in the overseas property market and has worked successfully during that period for a number of major financial services companies.

He is especially well known within the overseas mortgage industry and is a regular media commentator on matters relating to the purchase or refinancing of overseas property.

Simon has developed many connections within the overseas property and finance industry, resulting in a worldwide network of leading specialists to assist with local issues such as legal and insurance.

The most popular property hotspots around the world that Simon is currently involved in include parts of Western & Eastern Europe, Australia, Canada, New Zealand, South Africa, Thailand, USA & the Caribbean. However, he has been involved in arranging finance in over 50 countries.

## MAGAZINES

French Property News

[www.completefrance.com/our-magazines/french-property-news](http://www.completefrance.com/our-magazines/french-property-news)

Living France

[www.completefrance.com/our-magazines/living-france](http://www.completefrance.com/our-magazines/living-france)

France magazine

[www.completefrance.com/our-magazines/france-magazine](http://www.completefrance.com/our-magazines/france-magazine)

A Place in the Sun

[www.aplaceinthesun.com/magazine](http://www.aplaceinthesun.com/magazine)

## TRADE BODIES

Association of International Property Professionals

[www.aipp.org.uk](http://www.aipp.org.uk)

International Real Estate Federation

[www.fiabci.org](http://www.fiabci.org)







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