

The French Connection



FRENCH LEASEBACK PROPERTIES OFFER GUARANTEED RENTAL RETURNS FOR AN EXTENDED PERIOD AND PROVIDE A RISK FREE INVESTMENT IN EUROPE'S MOST POPULAR TOURISM LOCATION. SABINE DRUCE, MARKETING AND COMMUNICATIONS MANAGER WITH 'YOUR FRENCH PROPERTY' EXPLAINS THE BENEFITS OF FRENCH LEASEBACK SCHEMES AND BUY-TO-LET PROPERTY.

LEASEBACK:

The Leaseback scheme has been in operation in France for over two decades and was introduced by the French government to increase the quantity of quality holiday accommodation available in areas capable of attracting more tourists, whilst also addressing the need for quality city centre accommodation for both mature students and businessmen. The leaseback scheme enables you to purchase freehold a property which you then earn a guaranteed rental income from. When leaseback schemes are sold, there is a pre-selected property management company to whom you "leaseback" your property for a period which usually ranges between 9 and 12 years. During the period you lease your property to the property management company, you have the peace of mind of owning the property outright and benefiting from a guaranteed rental income, yet none of the worries related to letting out and maintaining the property. Depending on the development you can usually use your property for a certain number of weeks per year for holidays (between 2 and 6) although this differs from development to development. Some developments will offer owners discounted use (usually ranging between 10 & 25%) instead of free weeks, whereas others (usually those located in cities offering a higher yield) may not offer any use either free of charge or at a discount.

The guaranteed rental income tends to range between 2.5% and 6% per annum depending on the property, whether you will be taking your holidays in it and where it is located. Different property management firms offer different rental incomes, but in general the less you use your property the higher your yield will be.

What's more, the French government agrees to offset the payable VAT (TVA) on the purchase price against that charged to the short let customers of the rental management company. This means that you will receive back a sum equivalent to the VAT on the property at the rate of 19.6% on new build property (renovated or refurbished properties do not normally qualify for a 19.6% VAT rebate but some still do have a VAT rebate element). This normally takes up to 4-6 months to come through, but some developers will advance the VAT for the government and reclaim it back directly.

BUY-TO-LET:

The Buy-to-Let scheme is a way of investing in property in France

without having the length of commitment of a leaseback property. Buy-to-Let contracts in France can be taken over a period of 3, 6 or 9 years as opposed to 9 to 11 years with a leaseback arrangement. Buy to let contracts offer flexibility as to the type of letting arrangement which would most suit you.

Letting agents for Buy-to-Let development are allocated when a development is sold with a set tenancy agreement. This generally does not allow the owner of the property any occupation, and offers you a set yield over a 3, 6, 9 year period. However this is not to say that you have to use the allocated letting agent. We at Your French Property can help you to find another local letting agent who will manage your property and let it in a way which would suit you. This could mean seasonal or longer term letting depending on your preference. If you would like to invest in a property but would also like to be able to spend more time in the property than usually allowed under the leaseback scheme or are wary of committing to a 9-11 year time frame, Buy-to-Let in France could be a suitable alternative.

Buy-to-Let does not offer you a guaranteed yield (return) on your property; however letting agents will be able to estimate this for you. Please note that as the yield is not guaranteed you will only earn an income on a Buy-to-Let property when it is actually let. You may then feel that this is not a secure investment, however there are insurance policies which can be taken in France to protect landlords from periods of no income if the property remains empty, which would mean that you would be financially secure if this situation arose.

Due to the high demand for rental property in France, and as long as you purchase within viable tourist areas or city centre properties, a lack of tenants should not be a problem. The buy to let developments we have chosen to represent in our portfolio are selected due to their excellent location, solid yields and long term investment potential.

Interested parties should be aware that purchasing a buy-to-let property in France is not a government arranged and backed scheme. Because of this such purchases do not qualify for the VAT rebate that you would receive under the leaseback scheme.

For further details, contact 'Your French Property'.

Tel: 0044 (0) 1793 610 947 or visit

www.your-french-property.co.uk