

July 2009

Buying off plan – the different types of purchase

Buying a property on a new development has many advantages: The property will have a 10 year house builder's guarantee, new properties are built using low maintenance materials so that your future outgoings for the foreseeable future will be low.

Another saving is made as the notaire's fees will only be 2.5 – 3.5% instead of the usual 6 – 7%, this is because it is a new property and had TVA included in its price making the stamps duty amount less.

You will have the choice of decoration including tiles and carpets so that your finished home is just what you would like it to be. Within the development there will probably be quite a choice of units so that you can select exactly the space that will suit you. Another advantage that is often overlooked is that within the development the people buying are likely to be like minded, having chosen similar homes, and will all be moving in at the same time so that you may well find it easier to make new friends of many nationalities which makes life that much more interesting, even more so when you have children who will make friends around the pool and possibly learn a few words of another language without even noticing plus having friends to play with often means more peace and quiet for their parents.

Buying off plan means what it says – you choose your property from the plans. You will be able to visit the site and see the orientation of the property. Occasionally it is possible to see a show apartment or house which will show you exactly what yours will look like when it is completed and sometimes there are units still available once building has started so that you can choose your property whilst it is in the building stages. You might also be able to see other developments by the same builder to give you an idea of the quality of the development.

Once you have selected a property and wish to reserve it, you will be required to pay up to 5% as a deposit. You will be given an

approximate date for completion. Once the building is started but not until the foundations are all laid, you will then have to pay a further 25% in most cases. It should be noted that at this time you become the full owner of the property which is a great safeguard as on top of this you will be provided with a bank guarantee – which provides that should anything happen to the builder/developer, then the bank guarantee that they will find another builder to complete your property – ie you are guaranteed to get that property. The laws and regulations governing developers of new properties are extremely strict, so that it is impossible to lose your property or money during the purchasing process, giving the purchasers great security and peace of mind.

Stage payments after the payment and signing of acte at the point when the foundations are laid, you will then pay stage payments as have been laid out in the original reservation contract. The properties are normally easily mortgageable as they are built to strict regulations and it usually the mortgage company will start paying the stage payments with your permission once you have paid your contribution. At the relevant time you will be called to come and choose your tiles or carpets, bathroom etc. In most cases kitchens are not included as it is expected that everyone would want a different style and shape plus different appliances. You will get assistance to get a kitchen in most cases and they will leave the property with a sink unit in the kitchen if not.

There are new developments to suit every type of purchaser from those who want a permanent or second home for entirely their own use, to those who will only want to use it a couple of weeks a year and need some income from it, as well as properties that are specifically for investors.

Developments are available all over France in coastal, town, country and ski locations and there are apartments, houses on offer as well as the occasional conversion of a chateau and its outbuildings.

As well as properties to suit those who want full use of their purchase, there is leaseback purchase. This means that you buy the property and are the freeholder of that property and then give a lease to the management or holiday company for a fixed amount of years, normally between 9 and 12. The management company pay you a fixed rent for this period and in many cases will also offer you several weeks use of your property each year. This suits people who have limited holidays as in this way they get their holiday home and a guaranteed rental for when they cant use it. However if you just want an investment there are other developments offering full year's fixed rentals. The choice is yours. The management company have to return

the property in the same condition as they received it at the end of the rental period.

There is also guaranteed rental – in this case you buy the property and are the freeholder and then give the property to a management company on a full time basis – they will rent it for you normally to someone who makes the property their main home and guarantee a rent and that you will receive it every month – this is for a 3, 6, 9 year period. If you require the property back you must give 6 months notice prior to the end of each 3 year period. Properties where this is offered are normally in towns or close by where there is a demand for long term rentals and usually only a small proportion of the development is rented out in this way, so the price of the properties will keep pace with the normal prices in the area, giving you greater potential for capital growth.

A third investment possibility has just been released which is ideal for those who no longer trust in pension plans and would rather put their money into property, but at the same time have no need of a second home at present. It has been available in France earlier but is just being offered internationally.

Some new developments in France are now sold in "demembrement". The ownership of a property is in that instance divided into "nue propriete" ownership of the walls and the 'usufruit', full use of the property to occupy the property or to rent it out. The investor who buys within the demembrement scheme, purchases the nue propriete (the walls) for only 50 to 60 % of its current value and the 'Usufruit' (use of a property) is assigned to a local council, which will either take on the usufruit of the property or delegate it to an institutional rental agency. The purchaser cannot use the property and will not receive any rental, but on the other hand he will not have to pay for the upkeep of the property and will not be liable to income tax as no rent is being paid. The private investor (purchaser of the walls) will automatically have the full ownership after 15 to 20 years whichever is stated in the contract.

Therefore the purchaser has paid only 50/60% of the value and say 15 years later owns 100% of the property which he can now either use or sell. Assuming that there is also a certain amount of capital growth – which historically there always is over a period of so many years, his 50/60% will have grown tremendously and will provide a good pension pot for him.

Frédéric Goulet and Alain Laurier, founder of the Company Perl (Patrimoine, épargne, retraite, logement) and started to work on this concept in 2000, they are now the major players in this field. their

developments are to be found all over France including: Paris, Hyeres, Antibes , le Havre.