

TIME WAITS FOR NO MAN

Is it the right time to buy in France? Professor **Robert Anthony** believes that current lending conditions combined with opportunities for rental income make buying a sound decision



In a market that has been calm, I am often asked the question “should I buy a property?”

Depending on the location and the price range, some properties are worth around 50% of the price in 2007. If you consider the exchange rate in sterling, this is still cheaper than it was at that time.

Mortgages

If you borrow locally in France, you can fix the current low interest rate for the whole period of the loan. When I moved from the UK to France over 30 years ago, I was very surprised that one could borrow money on fixed interest rates for the whole period of the loan. Depending on age, the loan can be up to 30 years. With interest rates below 2% to currently borrow money on residential property, it is a very good time to take out a mortgage.

Rentals

If you also take into consideration the possibility of renting out a property, in the current market you should easily exceed the cost of interest with the rental income. This obviously ignores the repayment of capital. It is then an exercise to calculate the monthly payments and the amount of rent required to cover the mortgage. Don't forget to provide for local council taxes and income tax on rental profits.

The ability to rent a property will very much depend on where the property is based and the demand in that area for rentals. It is important to be careful when buying for Airbnb as there are restrictions in some towns.

It should be noted that French property law is not in the interests of the landlord. A tenant who overstays their welcome cannot easily be evicted and it can take several months as well as lawyer's fees. In addition you may not recover your rent due. An example is where someone rents for three days and squats.

In winter time you can't evict a tenant so it can take months to recover the property with no guarantees for the lost rent.

Also, if you forget to increase your annual rent by the percentage stated in the Indice de Référence des Loyers (the national rental index), you will not be able to recover any arrears.

Exchange rates

Regardless of whether you intend to rent out your property, I consider it an extremely good time to buy. Prices are likely to eventually recover, giving a euro profit on a purchase. Taking out a maximum possible mortgage in euros will minimise the currency risk. If the pound strengthens, the mortgage payments will be reduced accordingly. On repatriating a profit if the euro weakens, you will have less profit, but you cannot have it all ways!

My advice is not to speculate but to buy what you can afford. This way there is no pressure on any mortgage payments.

Concerning sterling, with the speculation around Brexit, it is possible the pound could weaken further before strengthening. I do not think there is ever a perfect moment to change your money, but you can look for competitive exchange rates or consider buying forward currency. ■

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THE MARKET

I see a continuation of property prices strengthening nationally. Markets have been quiet and there have been good buying opportunities. Interest rates are still low and those needing or wishing to sell have created deals for buyers.

This will continue but become rarer as the market stabilises and solidifies. Already in certain towns prices have been recovering. It's a good time to buy while you can still negotiate but this will depend on location and price bracket, with less room for manoeuvre at the lower levels.

Clearly UK investors are an important part of the French property market, and areas with higher concentrations of British people, for example, Brittany, are likely to be more affected by Brexit. However, the market has also been affected by the reduction of Russian investors in certain luxury locations.