

# Overseas Mortgage Finder

## Monthly Overseas Mortgage Report

September 2011

### Highlights

- **Tax boost for new homes in Spain.**
- **French government give with one hand but take with another.**
- **Mortgages in Thailand now available for foreign investors.**

### Commentary

Further good news for investors in Spanish property came with the news that the Spanish government is planning to halve sales tax from 8% to 4% on new homes in Spain until the end of the year in a bid to help the country's struggling construction sector.

Spain remains the most popular second home destination for people from the UK, with around 700,000 Brits permanently living in Spain already. However, over a million unsold vacant homes in Spain, due to over construction, a fall in consumer demand and an adverse economic environment, has caused property sales and prices to plummet nationwide. Hence the government's new initiative. Sales agents remain pessimistic in the wake of the government's plan, but with the market in Spain extremely depressed, investors have further incentive to pick up bargains. Some banks are currently selling new build stock at a discounted price with 100% finance available, however typically mortgages for new build property's are currently available for Brits living permanently in Spain up to 80% of the property's value, whilst 70% mortgages are available for those looking to buy a holiday home there. Mortgage interest rates start from a very competitive 3.29%, with fixed and variable rate products available. Currently there is no minimum loan amount offered by some lenders with both interest only and capital and interest repayment options available.

Last month we reported the welcomed news that the French government had decided not to tax expat property owners on notional rental income. This month however they have proposed to introduce a CGT tax on the sale of second homes instead. While the plans are not finalised, investors need to keep an eye on future developments. The most important part of the legislation concerns the abolition of capital gains tax relief for people owning property for more than five years. Under current rules, 10% relief can be claimed for each year of ownership from years six to sixteen, reducing CGT to zero after that period. This current system may be replaced by a new calculation based on the rate of inflation during the period from initial purchase to sale. Full details have yet to be published on how exactly this will be calculated. Despite the uncertainty surrounding the tax situation the banks are still prepared to lend to foreign investors on seemingly the same terms as before. Currently mortgages are available for second home buyers in France providing they can find a minimum 15% deposit (although 100% financing may be an option with certain properties). Variable rate mortgage are currently available for foreign property buyers with interest rates that start from as little as 2.09%. However if you are a property buyer who likes to know what your payments are going to be for the term of the mortgage, there is a great new 25 year fixed rate product available with an interest rate of 4.35%. A minimum 20% deposit is required in order to apply for this mortgage with lending available from 30,000 Euros.

To date it has been a real struggle for foreign investors securing a property finance in Thailand, with cash or development finance being the only realistic option for those looking to finance a property purchase there. This month however we have managed to access a range of new mortgages for foreign investors looking to buy a property in Thailand. Mortgage lending starts from \$83,000 on interest rates from 5.25% variable (currently there are not fixed rate products available). Up to the 70% of the property's value can be secured through one of these mortgages and the loan must be repaid in US dollars over a term up to 20 years.

Although it is early days it is our belief that other funding sources may follow suit and enter this market over the next 12 months. As there has been a marked increase in foreign buyers in Thailand since recent elections went off peacefully, with notably easing tensions in the country. There also looks to be a likely relaxation of rules regarding foreign ownership of property in Thailand, which has long been regarded as one of the major reasons behind the lack of foreign investment in the country.

## Statistics

Top 10 Countries By Enquiries			
Chart Position	Country	Mortgage Enquiries	Monthly Chart Change
1	USA	19.70%	-
2	Spain	15.21%	-
3	France	7.48%	Up 1
4	Cyprus	6.23%	Up 8
5	Turkey	5.48%	Down 2
6	Portugal	4.98%	Up 7
7	Italy	3.74%	Down 2
8	Ireland	3.49%	-
9	Greece	2.99%	Up 13
10	Caribbean	2.74%	Down 3

Top 10 Countries By Highest Loan To Value (LTV)			
Chart Position	Country	LTV Available	Monthly Chart Change
1	Poland	100%	-
-	Portugal	100%	-
-	Spain	100%	-
-	France	100%	-
2	India	85%	-
3	Italy	80%	-
4	Romania	75%	-
-	USA	75%	-
-	Turkey	75%	-
-	Ireland	75%	-

Top 10 Countries By Lowest Interest Rate			
Chart Position	Country	Initial Interest Rate	Monthly Chart Change
1	Australia	2.09%	-
-	Singapore	2.09%	-
-	Canada	2.09%	-
-	France	2.09%	-
-	Hong Kong	2.09%	-
2	United Kingdom	3.19%	-
3	Portugal	3.22%	Up 7
4	Spain	3.25%	Down 1
-	Ireland	3.25%	Down 1
5	Malta	3.28%	Down 1

## Graph

