

Overseas Mortgage Finder

October 2011

Monthly Overseas Mortgage Report

Highlights

- **Mortgage rates fall in France amid ECB rate rumours**
- **80% property finance now available in Australia and New Zealand**
- **Proposed law change to help foreign property buyers in Turkey**

Commentary

Back at the beginning of the year many analysts were predicting interest rate rises to come into effect about now in the UK and in many countries around Europe. However recent events and a slow economic recovery has meant these expected rate rises have failed to materialise with many analysts now thinking that an interest rate cut by the European Central Bank (ECB) is more likely. Currently the interest set by the ECB is 1.5%, which is comparatively high against the current Bank of England base rate (0.5%) and US base rate (0.25%).

In reaction to these ECB rate reduction rumours many French lenders have this month started to lower the interest rates they are charging on their mortgages to foreign buyers. Variable rate mortgages are now being offered more widely amongst the French banks at interest rates between 2% to 3%. Fixed rates mortgages have also become universally cheaper for instance you can currently secure a 10 year fixed rate mortgage at an interest rate of just 3.6%, which only requires a 20% deposit.

If recent reports are to be believed France has now overtaken Spain as the popular destination for Brits buying a holiday home abroad. French banks have historically been more cautious with their mortgage lending than many of their European counterparts, which means many of them now have a strong platform which has enabled them to start competing with their rivals to try and win more mortgage business by offering lower interest rates. If this healthy competition between the banks continues we may see interest rates drop even lower and it should be the growing number of second home buyers in France who should benefit.

Two great low deposit mortgages have just been launched for foreign investors looking to buy a property in either Australia or New Zealand. Both these deals are available on a capital on interest basis with an interest rate of 6.95% (variable) in Australia and 4.7% (variable) in New Zealand, on a mortgage term up to 25 years. There is no alternative currency options available with these mortgages and they must be repaid in either Australian or New Zealand dollars.

This month the Turkish government has revealed plans to revise its laws so to make it easier for foreigners to buy a property in Turkey. As part of the plans the government will look to remove the principle of reciprocity from the regulations which govern its properties, which will mean that foreign citizens will then be able to buy property in Turkey even if their own countries don't grant comparable rights to Turkish nationals. Currently investors from less open countries such as Russia and the UAE can get around the legislation by setting up a Turkish company through their developer or property agent, but the process can be both time consuming and costly, and as a result puts off many potential investors. If passed it will be interesting to see how the Turkish banks react to this change in legislation. Currently mortgages are only available to foreign property buyers from countries who have a reciprocal arrangement in place with Turkey like the US and UK. If the banks do decide to start offering finance to these new foreign investors, it will be fascinating to see if they are offered property finance on the same or more disadvantaged terms.

Statistics

Top 10 Countries By Enquiries

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

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	80%	-
-	Australia	80%	Up 4
-	New Zealand	80%	Up 4
-	Italy	80%	-
3	USA	75%	-
-	Turkey	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%	-
4	Spain	3.25%	-
5	Malta	3.28%	-
6	Italy	3.40%	Up 2

Graph

