

## select land and property investments

### WHAT IS LEASEBACK?

An excellent way to invest in property in France (also now Italy and Spain available) is through buying a leaseback property which benefits from a government-backed VAT-refund incentive, designed to encourage investment in tourist residences. Through freehold ownership of an apartment or cottage that is leased back to a management company for a minimum period of 9 years, investors benefit from guaranteed annual returns from their fully managed and maintained property with relatively low up-front costs and no ongoing maintenance or running charges.

#### Main features of a leaseback property we sell:

- A freehold, fully furnished property
- Investor entitled to reclaim the 11-19.6% VAT over a 20 year period(France)
- Property leased to management company for minimum 9 year period, with automatic renewal for a further 9 year period
- Investors receive index-linked, guaranteed annual return of up to 4.5% depending on amount of personal usage
- No running charges or maintenance costs

#### What does leaseback mean?

Investors buy the freehold of a property outright but lease it back to a management company who specialise in the tourist management, maintenance and rental of these properties for a minimum 9-year period. In return owners receive a guaranteed annual return, irrespective of occupancy of the property, NET of all communal charges, maintenance and running costs.

By dealing only with the developers and the managers of the properties, with 6.6 million clients staying in one of over 250 residences in 6 European countries each year ensures they have a very clear vested interest in the quality construction, location and ongoing maintenance of the properties

#### Why was leaseback introduced?

In the late 1960s, following the increasingly large number of tourists visiting France, the French government recognised the need to encourage investment in tourist residences, and incentivised investors by offering to refund the VAT on the purchase price of properties built for leaseback purposes.

Developers we use were the pioneers of the leaseback concept with the creation of the first car-free ski resort in Avoriaz in 1967.

### WHAT ARE THE BENEFITS OF LEASEBACK PROPERTIES?

#### VAT refund

The French government will refund the VAT (11-19.6%) to investors on purchases of leaseback properties over a 20-year period which represents a significant saving on the purchase price to investors. (the VAT rate for new build properties is 19.6% and for refurbished properties it varies between 11-14%).

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Instead of investors reclaiming the VAT from the government on a yearly basis for 20 years, Developer pre-finances the VAT in advance. Should owners elect to sell their property within this 20 year period, they would owe the French tax authorities the proportionate amount of VAT “pro rata temporis.” The second buyer would also be able to reclaim any outstanding portion of unclaimed VAT.

### **Low Risk**

Investors are guaranteed annual returns of up to 4.5% which is also index-linked to the Cost of Construction Index. The return is provided irrespective of tourist occupancy protecting investors from fluctuations in tourist demand or downturns in the property market.

### **Low Stress**

Completely look after the management of your property and you will not need to worry about any maintenance, repairs or upkeep costs of the property or communal areas or finding rental tenants throughout the whole lease period.

#### Quality Maintenance

Developer will maintain your property to very high standards throughout the period of the lease as they have a vested interest in the properties immaculate presentation for its tourist clients. The property will be completely refurbished after the first 9 year period at no cost to owner, ensuring if chose to sell will be in excellent condition.

### **Guaranteed Return**

Companies selling leaseback properties guarantee their investors an annual return. These guarantees are secured by the financial strength of the company, its ability to successfully manage, maintain and rent the property and to continue providing returns during good and bad tourist conditions over the period of the lease.

Developer has successfully provided its investors with guaranteed returns for over 37 years and with 54,000 owners and 6.6 million tourist clients, is Europe’s market leader in the development and management of tourist residences. Developer is listed on the French stock market.

In January 2004, in response to investor demand, developer adapted its strategy to guarantee the automatic renewal of all 9-year leases for a second 9-year period, to effectively guarantee the index-linked rental returns for an 18-year period, lending stability and longer term security of return to investors. This 18-year period coincides conveniently with:

- typical mortgage length (15-20 years)-interest only available
- exemption from French Capital Gains Tax after 15 years ownership; and
- the full VAT savings based on 20 years ownership

### **Potential Capital Appreciation**

Property in France continues to offer steady growth.

Leaseback properties are built for tourists and as such are situated in the best locations with the facilities, amenities and accessibility that they expect. These factors all contribute to the demand for these

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managed properties and the capital appreciation that results.

### **Increase in Annual Returns**

All annual returns are linked to the French Cost of Construction Index, ([http://www.insee.fr/en/indicateur/indic\\_constr/indic\\_constr.asp](http://www.insee.fr/en/indicateur/indic_constr/indic_constr.asp)) so your returns will continue to increase in line with this index. For the last 10 years this has averaged around 2%.

### **Limited French Tax on Rental Income**

Non-resident owners of French property are liable to income tax of 25% though French tax rules allow investors to off-set this liability against several factors including French mortgage interest repayments, notary fees and depreciation of the property. (\*Please seek independent advice for verification)

### **Personal Usage**

Investors have the option to choose a leaseback formula that includes weeks of stays at their property which they can use at their own discretion.

In addition, all owners have the option to use a discount of 15-20% on a large number of developer properties in their winter and summer catalogues.

### **Excellent Financing**

Subject to some income level criteria, a French bank will lend up to 80% of the purchase price of the property and interest rates are currently more favourable than in the UK. French laws allow investors to off-set their income tax liability against mortgage interest repayments, notary fees and depreciation of the property.

### **Can I sell during the lease period?**

As you are the freehold owner of your apartment, you are entitled to sell your apartment at any time within the lease period and would be selling the apartment with the remainder of the lease agreement to another investor, owing any pre-financed VAT pro rata temporis.

### **Resales**

Developer not only build and develop the properties to suit the French tourist market but also sell the real estate to its investors. There is very importantly a very efficient re-sales network in place where investors may sell their properties whether during or after the lease period. In the most popular properties there are often waiting lists.

### **Reputation**

The developer is listed on the French stock market and is the leading tourism property development and management company in Europe. Our reputation has been gained over 35 years of building and managing quality properties in the best locations across France (and now in Spain and Italy) and by providing holidays to over 6 million tourist clients a year.