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WEEKEND PROPERTY

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Living the life overseas is no longer a mirage

Fancy an apartment in a French village?
For as little as \$73,000 it's yours



LISA ALLEN

WHETHER it's in London, Lombok or Languedoc, buying an international holiday or investment property is no longer a rite of passage for high net-worth individuals. A combination of low interest rates and plunging residential prices in western Europe and the US means buyers of quaint village houses in rural France or four-bedroom investment-grade mansions in Atlanta, Georgia, are likelier to be mums and dads than the idle rich.

Of course, syndicates of cashed-up investors proposing get-rich-quick development schemes, self-managed superannuation funds and smart speculators are also acquiring property overseas.

In some parts of the Indonesian archipelago, such as the largely undeveloped outer islands of Sumba and Sumbawa, prices for resort-grade land start at just \$US4 a square metre, while in Bali's semi-rural Canggu province, a step farther out from prized Seminyak, land prices have doubled in the past 12 months, thanks to the area's popularity with expatriates.

For speculators, the weakening Australian dollar is more than negated by the plunging Indonesian rupiah.

For others, the offset comes from the poor economic performance of European real estate since the global financial crisis.

Take Perth couple Steve and Felicity Hill. They've just bought a one-bedroom apartment in a 13th-century French village, Cordes-sur-Ciel, for \$73,000 plus \$10,000 in legal fees.

"The real estate prices in France and Italy and the main western European markets are very favourable," says lawyer Michael Bula of Melbourne-based Michael Bula Solicitors, who acted for the Hills.

"So far in 2013, across France, there has been a 13 per cent drop in residential prices that makes it attractive even though our dollar is now worth less compared to the euro than it was last year," Bula says. "Some properties that you buy are so cheap you couldn't buy a garage in Sydney or Melbourne for those prices."

But of course there's also the other end of the scale: buyers cashed up enough to acquire a French chateau or magnificent Spanish hacienda.

Despite the weakened US and European economies, agency Knight Frank says high net-worth individuals continue to expand their global property portfolios.

"There remains significant wealth among traditional buyers in the US, UK and Europe," says Paddy Dring, London-based head of Knight Frank's International Network.

"It might be logical to assume that the global economic uncertainty since 2007 would have dampened the enthusiasm of high net-worth individuals for expensive homes, but in the 20 years I have been selling luxury

below
Ketapang Resort, Bali,
on the market through
Elite Havens for
\$US10 million (\$10.7m)



international property for Knight Frank I have never experienced such strong demand from a geographically diverse range of potential clients. In New York, over half of the properties sold last year over \$US10 million (\$10.7m) were bought by international purchasers. We see a similar pattern in many global residential hot spots."

EUROPE

DESPITE the dropping Australian dollar, which has lost about 11.5 per cent of its value since mid-April, solicitor and conveyancer Bula says Australians continue to buy property in Europe.

"The demand is still steady because of lifestyle issues," he says. "The prices in France and Italy and the main western European markets are very favourable. In fact, they have stagnated."

Bula sees all sorts of buyers; there is no average profile of those who want to buy in Europe and the average purchase price paid by the clients he deals with is between €200,000 (\$286,600) and €400,000.

"Obviously there are syndicates that work for some people: they get together with like-minded people to defray and share the costs. Buyers include top professionals, judges, lawyers and businesspeople who have done very well, to mums and dads."

But he warns that, despite the drop in prices, there's no money to be made in European real estate: "If you are buying to make a capital gain in these markets, just forget it. The majority of buying is for lifestyle, although some have the added benefit of (paying) seasonal rentals. Renting these properties out during the peak seasons is a fairly common wish list."

Bula does not usually handle fly-in, fly-out mining workers, saying that most people who buy will have links with their chosen country: "Most people who buy have a long-term view, they may have children who want to study in Europe."

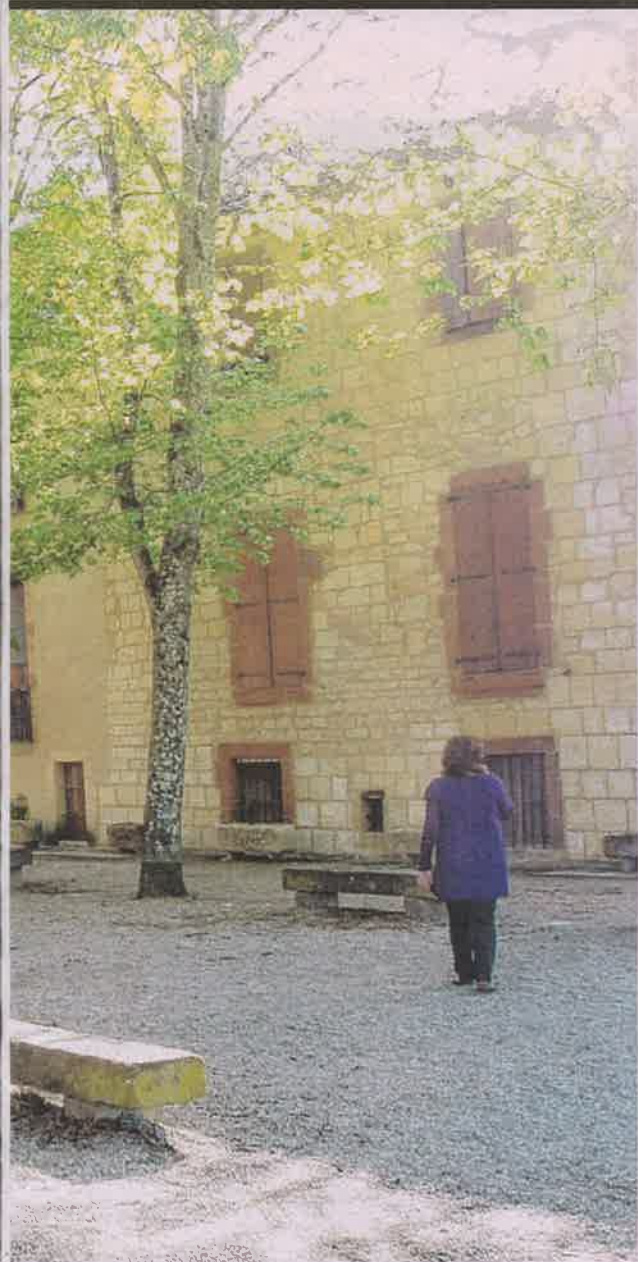
So does he have his own European bolthole? "I have an apartment in Trieste, Italy. We have French and Italian origins; for me, it's like having a plug into my culture. Some Australians of European origin buy just to have that connection."

Sydney-based civil engineer Mal Hiley and his wife, Amanda, bought a 200-year-old terrace in the village of Forcalquier, Haute Provence, for \$225,000 in January.

"My wife has always had a passion to live in France. She loves the lifestyle and the people," Mal Hiley says. The couple has spent holidays renting property all around France.

"We had a natural affinity with Forcalquier and had no intention of buying. (But) at the lower end of the





market it was quite affordable to get something," Mal Hiley says. The Hileys had to decide whether they wanted to buy a better house in a lesser area or a lesser house in a better area.

"We knew we could buy more house in Languedoc but we looked at some properties there and returned to Forcalquier," Mal Hiley says.

"We were shown two properties in Forcalquier and visited the owner of one of them in London. We came home and negotiated with her, she had inherited it from a deceased estate.

"She had owned it for five years; she was selling to buy another property in France with a garden."

The Hileys plan to visit their five-level village terrace twice a year. For their money they've bought a one-bedroom property with two street frontages and a cellar. There's one room on each floor and they are converting the fifth level, an attic, into a second bedroom and terrace.

Under French law, a notary acts for both vendor and purchaser. Australians also should be aware that if they plan to rent their property out they must lodge a tax return, Mal Hiley stresses.

He engaged a French-speaking accountant, adding "get good advice... there's certainly vagaries and differences in the way property is managed".



EURO SWING

House prices in European Union countries second-quarter 2013, compared with fourth-quarter 2012

DOWN	UP
Spain ▼ 12.8%	Estonia ▲ 7.7%
Hungary ▼ 9.3%	Latvia ▲ 7.2%
Portugal ▼ 7.3%	Luxembourg ▲ 4.3%
Netherlands ▼ 7.2%	Sweden ▲ 4.1%
Italy ▼ 1.1%	
France ▼ 0.7%	
Britain ▼ 0.1%	

Source: Eurostat



But he warns property turnover is very low in France, compared with Australia. "If you do buy something don't have the expectation you can offload it quickly. Because properties can be on the market years, not months."

Despite the ups and downs of purchasing in France, Hiley has thoroughly enjoyed the whole experience.

"It certainly changes the dynamic between staying somewhere on holidays and purchasing in a town. You become more of the local fabric, it makes for a different relationship," he says.

Perth-based civil engineer Steve Hill and wife Felicity, forked out just \$73,000 for their apartment in Cordes-sur-Ciel, a commune in the Tarn department of southern France, last year. Their one-bedroom, one-bathroom flat built into the wall of a fortified village dates back to 1350.

The Hills plan to visit the property twice a year and freely admit that they wanted something that did not need renovating. They do not plan to rent it out, preferring to leave it for months at a time.

"We have fallen in love with it so much we are treating it as a lock-and-leave second home. We went there in July, set it up with furniture and came back the following May, and it was just cobwebs."

The vendor of the two-level flat was a headmaster from a private school in Kent, Britain. Hill found the property, which he says is a bit like Western Australia's Margaret River with its rolling hills, vineyards and forests, on the internet.

There's only one downside to it: "It's hard to get to, it's in a rural area; you have to be prepared to drive."

UNITED STATES

THOUSANDS of Australians and New Zealanders are investing in Atlanta, Georgia, thanks to a campaign by Ray White's Surfers Paradise Group to promote that city as a strong investment hub.

Ray White is selling four-bedroom houses in the main business hub in the American south for as little as \$US80,000 with the properties returning yields of 8 per cent — higher than residential investors can usually pocket here.

Ray White Surfers Paradise chief executive Andrew Bell expects to be managing more than 2000 houses on behalf of about 1000 Australians and a further 1000 investors from Hong Kong, New Zealand and Singapore in Atlanta by next year. The company will soon announce plans to open an office in Atlanta, its first US city.

Bell acknowledges there has been much negative media attention about the hazards of buying cheap American real estate.

"There's some areas you should not buy in like Detroit because we know where car manufacturing is going...

there are areas in some cities which would not be suitable." But Atlanta is booming and is home to many of the country's Fortune 500 companies. It is also starting to rival Hollywood's film industry given it operates under different labour laws, Bell says.

"People are saying they can't go wrong buying these houses because America is on the comeback," he says. "Where else could you get a four-bedroom house on a sizeable block for that money? Some people are saying they can't afford to buy anything in Australia, they may as well buy in the US."

Local finance is available but most Australian buyers pay cash.

"You can (also) secure a mortgage against your own property here in Australia," Bell says.

INDONESIA

IN Bali, agent Matthew Georgeson of Elite Havens says Australians are still buying despite the heat coming out of the mining boom that saw fly-in, fly-out miners, particularly from Western Australia, buying property on the so-called island of the gods as a permanent base.

"There are all sorts of Australian groups buying property," says Georgeson.

Property investors are also looking further afield than Bali. "Australians are setting up company structures to develop in the Gili Islands off Lombok and there's a slew of Australians buying in southern Lombok, as a five to 10-year property play," Georgeson says. "You get mum and dad investors at the lower end, they might put \$50,000 on land where they might build some day."

With the opening of an international airport, Georgeson expects Lombok will gain in popularity considering the island, about a 20-minute flight from Bali, is starting to attract international hoteliers such as Marriott's Renaissance brand. In Lombok, resort-grade land in the island's north can be bought for up to \$US60 a square metre and in the south for up to \$US100 a square metre.

Veteran hotelier and property developer Tony Smith, who is based in Bali, says: "Plenty of people are asking me about Lombok lately. I am guessing that means there is some real interest there: the new airport, beautiful beaches, great roads and it's close to Bali."

But buying in Indonesia does have its problems; foreigners cannot own land outright and all purchases must be made in a joint venture with an Indonesian-born partner. Alternatively, foreigners can seek to control villas by taking out long-term leases over properties.

So what are Georgeson's picks? He recommends buying in Labuan Bajo, Flores. Once a small fishing village, the township now sports at least 13 hotels and is known as a great place for diving. Although it is a rapidly developing, land is still cheap.

"There's a new airport going in and there's lots of infrastructure projects going on full stop," he says.

But if you are intent on purchasing a villa on Bali, Georgeson advises that prices in popular Seminyak have hit an all-time high.

"These days, a 1000sq m site in the middle of Seminyak costs about \$US2m, while land prices in Canggu have doubled in the past 12 months," he says.

"You have to go further afield than Bali or further out in the archipelago, unless you have multi-millions of dollars and you are happy to pay huge amounts."

More Australians are moving farther north along Bali's coast to buy real estate while others are looking in Ubud, along the river, but there are security concerns in more remote outposts.

"There's a dwindling supply of land in the core tourist areas, people are going up to Ubud to make the economics work. With Indonesia booming, it's a natural movement further afield into the archipelago. It's so beautiful."

Despite the high prices, most Australian buyers are still attracted to southern Bali including Seminyak, Legian, Canggu and the Bukit Peninsula.

"We are also seeing very strong interest from Australians in Nusa Lembongan, which is about 30 minutes speed boat ride from beachside Sanur," Georgeson says.

clockwise from main Steve and Felicity Hill stroll through French village Cordes-sur-Ciel; Barcelona, in Catalunya, Spain, is on the market for about €3.95m (\$5.65m) through Knight Frank; St George's Hill, in Surrey, England, on the market for £15m (\$25.6m) through Knight Frank; a house in Dallas, Georgia, US, listed at \$US89,000 (\$95,600) through Ray White Surfers Paradise; Felicity Hill in Cordes-sur-Ciel; Mal and Amanda Hiley's terrace in the village of Forcalquier, Haute Provence; the Hileys at their front door

below The view from the Hills' one-bedroom apartment



'You should not buy in Detroit because we know where car manufacturing is going'

ANDREW BELL
RAY WHITE