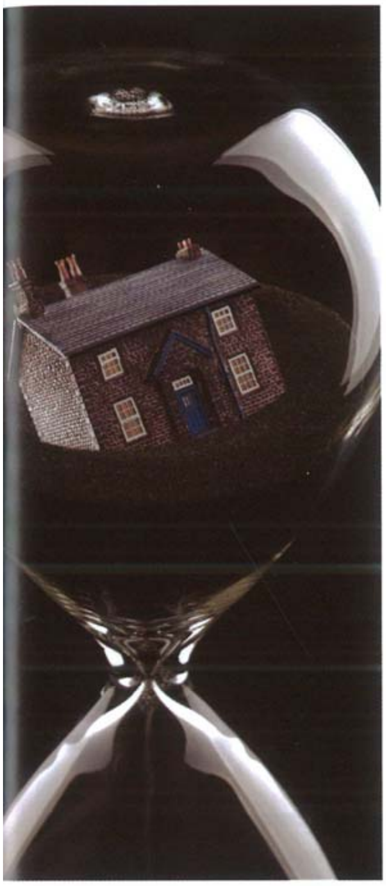
FRENCH PROPERTY NEWS



FRENCH PROPERTY VALUES TO CRASH

French house prices are set to fall over the next two years, meaning it's a buyers market as Europe's economic crisis deepens.

According to Standard & Poor's, French property declines are speeding up, with prices likely to fall 5 per cent in 2013 and a further 5 per cent in 2014.

French property then faces a "protracted correction", says S&P, as the economy strains under the weight of fiscal tightening, increased taxes and unemployment at levels close to post-war highs.

France's price-to-income ratio rose to a massive 180 per cent of historic levels during the housing bubble – one of the most elevated levels seen anywhere in the OECD.

The property market began to flounder in 2012, prompting warnings that values could crash by as much as 40 per cent before rock bottom is reached.

S&P says the Netherlands and Spain are facing a similar situation.

Source: www.telegraph.co.uk

MORTGAGE RATES PLUMMET FURTHER

French mortgage rates have dropped to their lowest levels since World War II, with the cost for a €100,000 loan around €572 a month for a fixed-rate deal.

"These are the best rates investors have seen for more than 65 years, so it's no surprise we're seeing investors choosing to lock in some long-term value in French bricks and mortar," said a spokesperson from French Private Finance (FPF).

"With such low rates it is now much easier for investors to find self-financing properties, especially in central Paris and the Alps. Seasoned investors understand that these rates won't be around for long, so they're trying to capitalise now."

John Busby, a director at FPF, said current buyers are mostly investors or those looking for holiday homes.

With such low mortgage rates, buyers are likely to be drawn in, especially to the vast areas of sparsely populated France where prices – and incomes – are low.

This has prompted warnings that French property is actually overvalued when compared to incomes, and that while servicing a French loan may be cheap, it does not necessarily mean it is a good investment.

Source: www.telegraph.co.uk

LEGALESE:
IN GOOD COMPANY

with resident lawyer and notary Michael Bula

CAN MY AUSTRALIAN PTY. LTD. COMPANY ACQUIRE FRENCH REAL ESTATE?

Yes. Of course, it is imperative that you seek international tax advice as to the ramifications. There is no restriction upon an Australian company to purchase French property. You must be aware that the recognition process involves costs, such as translation of the constitution; or memorandum and articles of association; translation summary of a recent company search extract and the certificate of incorporation; and any previous change of company name certificates. And that is a non-exhaustive list. Also, a certificate as to foreign law may be requested by the notaire or other professional authorised to incorporate companies in France. Other documents, such as resolutions, are usually required. Expert legal, accounting and tax advice is obviously recommended.

CAN AN AUSTRALIAN PURCHASER ESTABLISH A FRENCH COMPANY FOR THE ACQUISITION?

Yes. Remember the need for advice and analysis of whether an Australian or a French company is more appropriate. This hinges upon an assessment of the purchaser's family and business background, and needs an application at French law. Non-residents of France can incorporate a French company, which may typically be a société civile immobilière (SCI) or special purpose property company vehicle; or a société à responsabilité limitée (SARL), a more general commercial-style company, similar to our proprietary limited companies in Australia. Furnished letting is deemed a commercial activity, whilst unfurnished letting is not. This affects the choice of French company vehicle available and its fiscal regime. Amongst matters for consideration are the purpose for which the property will be used and if let furnished or unfurnished.

WHY WOULD YOU INCORPORATE AN AUSTRALIAN OR A FRENCH COMPANY IF THERE'S ADDITIONAL COST?

Legal, tax and accounting compliance work, let alone additional translation costs, add up to a greater outlay than purchase of French property as individuals. The decision is triggered by considerations such as avoidance of conflicts of laws for succession between France and Australia; asset and beneficiary protection; or facility of change in or additional shareholders and directors/managers, to name just a few. Syndicates interested in acquiring property in France should also consider use of a corporate vehicle and a shareholders' agreement to set up a clear road map of rules governing the property holding.

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