



Big build up: New apartments sprout in Shanghai offering plenty of choice for Australians wanting to invest in property in that booming market.

Picture: AP

Buying a home away from home

SYDNEY independent trader Mike joined a growing rank of international investors when he bought a one-bedroom apartment in Shanghai, last year.

Mike — who wants to be known only by his first name — has bought outside the Australian favourite destinations of New Zealand, Europe and North America. Asia is a new emerging market.

For all these intrepid investors, their motivation is varied.

It ranges from the desire to cash in on a growing economy; to pursue a jet-setting lifestyle; or, increasingly, to set up an alternate residence for retirement.

They are not fabulously wealthy Australians; but apparently ordinary, albeit well-to-do, Australians.

Michael Davoren, director of LJ Hooker, says the growing globalisation of real estate has unlocked opportunities for Australians to offshore.

Davoren says property information has never been more accessible through the internet, and especially since a site known as worldproperty.com was launched three years ago by the national real estate bodies of 27 countries.

French real estate agents like Stuart Darlow and his wife, Lidia, have been visiting Australia to market properties directly to potential Australian buyers.

The Darlows, owners of Pierres au Soleil real estate agency, located in the south of

More and more ordinary Australian are investing in property offshore, writes **Florence Chong**

France, work with Brisbane agent Paul Libby. They come to Brisbane once a year as part of their international circuit. Next year, Darlow says he plans to extend the marketing to Sydney. This year, they offer small village houses from the equivalent of \$170,000 to French chateaus worth up to \$2-\$2.5 million.

Darien Bradshaw, regional director of Colliers International, based in Hong Kong, says Australians have been holidaying in places like Phuket, Bali and resorts in Malaysia for many years.

They are familiar with these destinations and want to buy a piece of real estate.

Bradshaw has detected a growing trend. He says that Phuket has been nominated as one of the top five global destinations for retirement in a recent survey by a leading global travel organisation.

In the past 12 months, Michael Bula, a Melbourne international lawyer and notary, worked on contracts for 100 purchases in France and Italy.

The number, he says, has more than doubled in two years.

Australians are more mobile in their work and travel widely for holidays, so investing in a property for their own use makes sense to them, he says.

David Cunningham, co-founder and managing director of Shanghai Vision, set up his office in Sydney 11 months ago, and has already sold 119 apartments in Shanghai.

Shanghai Vision's offices in Dublin, London and Sydney have sold 630 apartments to mostly British and Irish investors, and increasingly to Australians like Mike.

Cunningham says buyers come from all walks of life and have included business executives, restaurateurs, race-horse owners, police and prison officers.

But unlike buyers of French villas or a ski chalet in Aspen, Shanghai Vision sells to people looking for long-term investment in a booming economy which promises strong returns and capital gains.

Some see it a way to invest their children's education fund or their own pension, he says, adding that the plan is usually to sell in five to seven years.

Mike told *The Australian* that so far, his rental has covered his mortgage repayment — something he hopes will continue in the time he plans to hold the asset.

Mike says the after-tax rental income is remitted directly to his bank account.

"The growing maturity of the domestic market has reduced the opportunity to pick up good investments in Australia," says Mike.

"As someone who works in the investment area, I could see the potential when I was approached to buy an apartment in Shanghai."

Mike admits to being excited about China's strong growth and the prospects of the growth continuing into the future. "But at first I was

sceptical. It took me a long time to make a decision. But having made it I am happy. I don't lose sleep over it.

"Depending on the property cycle in Shanghai, my plan is to sell in 10 years," says Mike.

Shanghai Vision helps buyers with all the legal and financial processes. Mike obtained a mortgage from a Chinese bank.

Stuart Darlow says owners let their properties when not in use and on average they are leased for 25 weeks in a year. The management and letting fee is 7 per cent of the rentals achieved.

Darlow says buyers of French or Italian properties can opt to finance with local banks at an interest rate of 3.5 per cent for a euro loan in France.

But Veronique Morgan-Smith, with Sydney law firm Norman Waterhouse, says there is an element of foreign exchange risk in taking out euro loans.

However, she adds the Australian dollar-euro exchange rate has been stable for many years.

Morgan-Smith advises buyers not to sign any papers before first checking with their lawyer.

Lawyer Michael Bula agrees that getting the right legal advice is important to avoid conflict in Australian and French laws when it comes to wills or divorce. He says a fundamental difference is that under Austral-

ian laws assets are passed on to the surviving partner on the death of a spouse; but under French laws unless there are specific provisions, children are automatically entitled to benefit from the estate.

Therefore, he says, the names used in the contract have to be specific to avoid future complications.

Similarly, Morgan-Smith does not advise people to buy in partnership or similar structures. Instead, if there is to be more than one owner, the partners should form a company to buy the property.

Morgan-Smith says the French conveyance system is highly protective of consumers.

She warns that a transaction in France can take between two to six months to close.

The reason is the monopoly by specialist French civil law notaries, known as notaires, accredited to do property conveyance.

She says as every purchaser pays a single fee for the service of a notaire — who acts for both the vendor and purchaser — she suggests that the buyers get their own notaire.

Bula says the transaction cost in France is at least 8-10 per cent on top of the purchase price. This is compared with around 4 per cent plus around \$500 disbursement costs for lawyers in Victoria.

While the allure of having a holiday home in an exotic location can be an intoxicating dream, the experts warn potential purchasers to do their homework before making the commitment.