

FOREIGN AFFAIRS

Buying a property overseas can be a sound commercial proposition but remember, writes *Guy Allenby*, not to allow your heart to rule your head.

Ever lingered too long outside an estate agent in provincial France, Spain or Italy fantasising about buying the little cottage in the window, the one with the wood-burning stove and the asking price of €80,000?

Or scrolled longingly through websites such as LivingFrance.com or FrenchEntree.com, yearning to flit over to the Continent for a few weeks each year and collect your baguettes from the local *boulangerie* or drink in the Gallic ambience over a *café au lait* in the village square? Welcome to the club, dreamer.

There are those among us of steely nerve – or impetuous heart – who've actually turned the big dream into terracotta-roofed reality. Take Melbourne-based international lawyer Michael Bula, who helps Australians indulge their deepest hankering for a quaint little home-away-from-home in such places as France's Loire Valley, Italy's Tuscany or in lesser-known but equally enchanting villages and towns throughout Europe, the Americas and Asia. So little wonder that he's looking to take the leap himself. Bula was recently in France narrowing his search to properties in the Loire and Vendée, southwest of Paris.

Bula will join increasing numbers of Australians who've bought, or are seriously considering buying, property overseas. There are no exact figures on how many are doing it but Bula says the practice is on the increase: "Australians are definitely global players and are not only taking the risks but doing damn well with them." France and Italy are big favourites for all the obvious reasons. It's hard to beat the mental image of languid days in a rustic Tuscan hill town, or lazing outside on a long August evening sharing a bottle of burgundy as the sun sinks over your neighbour's vines. And these countries have the benefit of a ready supply of tenants to help ease the financial burden.

Closer to home, Fiji is now very much on the radar for Australians. "It has been enormously popular with New Zealanders for a number of years," says Maurice Goldberg, the boss of an Australian company developing a sizeable new slice of the country [see the breakout box on page 40], but Australians are fast cottoning on. "There's a bit of boom," he says. The attraction? Fiji is only three or four hours away by plane from our east coast and it's comparatively cheap. According to Goldberg: "In Fiji you pay between \$FJD700,000 [\$530,000] and a million dollars for a place right on the beach."

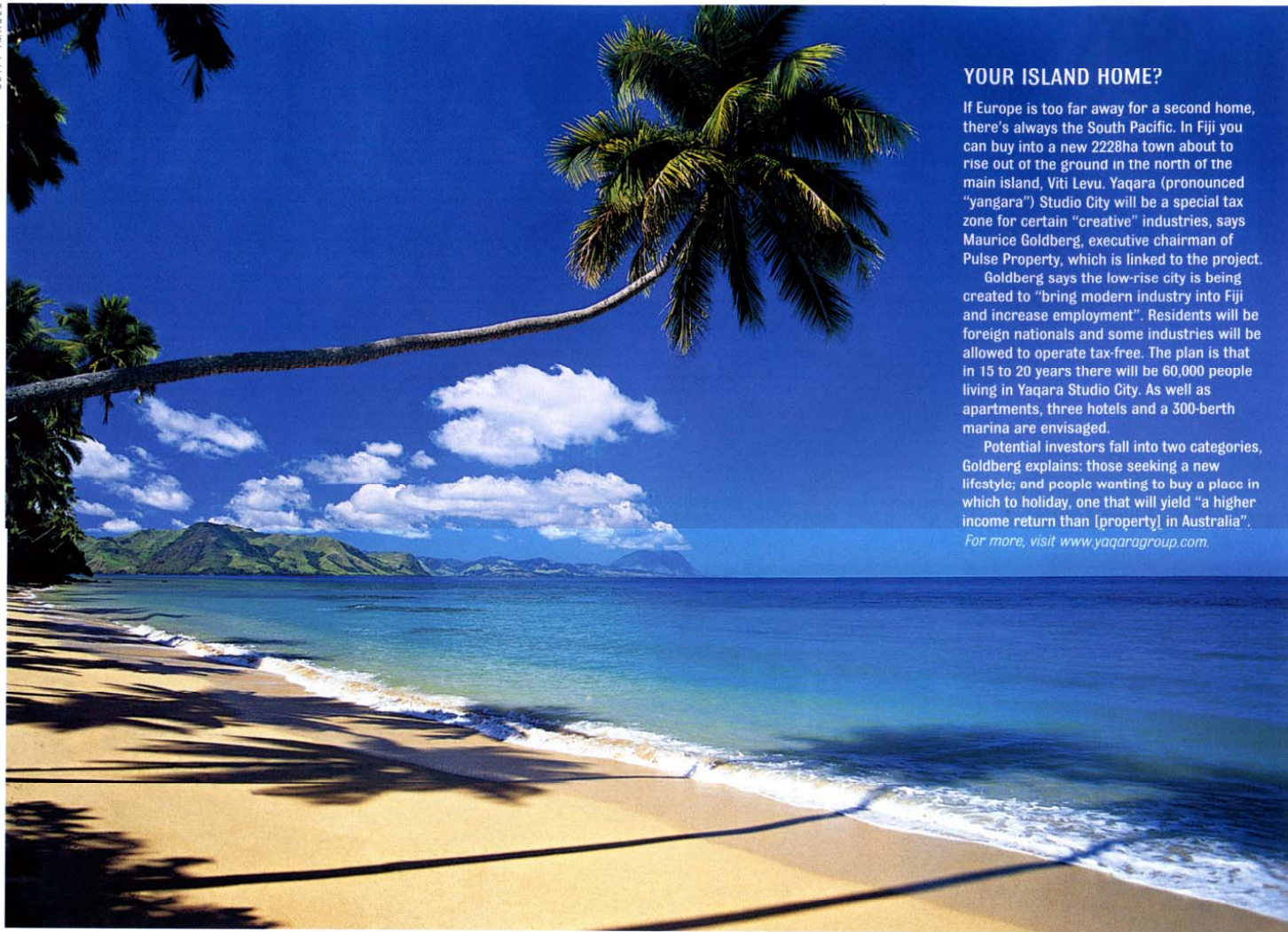
Bula says dirt-cheap properties and genuine bargains can be found in "new frontiers such as Croatia and the Czech Republic, even as far afield as Hungary" but, he warns, bargains can come with a hidden price. "In some countries you are up against corruption and many nightmarish difficulties in terms of the slowness of conveyancing or the land office, or the incompetence of the legal profession."

"Tread warily," concurs Steve McKnight, author of *\$1,000,000 in Property in One Year* and a consultant in overseas property investment. "There are significant risks when buying in another country. In eastern Europe, for example, you can make or lose a fortune depending on how

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Charming French villages such as Eze on the Riviera have been attracting romantically inclined investors since the 1980s – and the trend shows no signs of abating.



YOUR ISLAND HOME?

If Europe is too far away for a second home, there's always the South Pacific. In Fiji you can buy into a new 2228ha town about to rise out of the ground in the north of the main island, Viti Levu. Yaqara (pronounced "yangara") Studio City will be a special tax zone for certain "creative" industries, says Maurice Goldberg, executive chairman of Pulse Property, which is linked to the project.

Goldberg says the low-rise city is being created to "bring modern industry into Fiji and increase employment". Residents will be foreign nationals and some industries will be allowed to operate tax-free. The plan is that in 15 to 20 years there will be 60,000 people living in Yaqara Studio City. As well as apartments, three hotels and a 300-berth marina are envisaged.

Potential investors fall into two categories, Goldberg explains: those seeking a new lifestyle; and people wanting to buy a place in which to holiday, one that will yield "a higher income return than [property] in Australia". For more, visit www.yaqaragroup.com.

«well you get on with the local government. Personally, I wouldn't invest in an area where there are no rules. While you can make big gains, there is nothing to legally underpin ownership rights. I don't invest on an easy-come, easy-go basis.»

Some gullible or inexperienced purchasers are their own worst enemies. "There are many traps for young players," says Bula, who has "known clients – and this is hard to believe – who've bought sight unseen off the internet. You can easily be swept up in it." Blame Peter Mayle and his 1989 book *A Year in Provence* and follow-up *Toujours Provence*. Blame Frances Mayes and her *Under the Tuscan Sun* or Mary Moody's *Au Revoir and Last Tango in Toulouse*. These frank accounts of mid-life flings *en France* could explain the clutch of frisky 50-something women logged on to sites such as www.mytrenchproperty.com and www.spainhomes.org and aching to buy a venue for their own steamy continental affair.

Whether wannabe buyers have a romantic, intellectual, profit or fantasy-driven attachment, most experts agree they need to feel the irresistible pull of a certain spot on the map. "Why would you choose a particular place if you don't

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have an attachment?" asks Bula. Stephen Jones and wife Michele Day certainly felt that emotional pull. They bought a house in the Umbrian town of Montone after falling in love with the region on a number of visits. And Terence Crawford, Louise MacMahon and family found and bought their own piece of provincial France on a romantic whim while on an extended holiday in the Languedoc-Roussillon region.

Jones and Day spend two months of each year residing in the exquisite little medieval village. The rest of the time they live in Bangalow, near Byron Bay, in northern NSW. "We bought the Montone house in early 2002," says Jones, a businessman. The appeal of the area was immediate. On his first visit some years ago, Jones had decided "if ever I buy a place in Italy it will be here". Then, in December 2001, as "luck would have it", the couple was staying in the village when a house came on the market. "It had been abandoned for about 40 years," says Jones. "The guy who sold the house to us had already bought a lot of derelict places in the town [and done them up] and this was his last one. He came from Rome and he looked very, very tired. He looked like he just wanted to get out. He was very happy to sell."

Their 14th-century Casa Valdeste has metre-thick stone walls and exposed oak and chestnut beams and required an enormous amount of work to make it habitable. Jones and Day needed a good *geometre* (building supervisor). *Geometres*, says Jones, aren't exactly at the top of the list of respected professions but some friends recommended one. "They said, 'This guy's honest,'" says Jones, "and when we met him I realised I could trust him. I liaised through fax and email over several months while the place was being turned from an abandoned three-level house into a beautifully restored one." Casa Valdeste now has two bedrooms with ensuite bathrooms, a modern kitchen and all mod cons. It was, Jones says, a relatively smooth process. He will not be writing the usual eccentric little memoir about the tribulations and delights of renovating a house in provincial Europe. "It would be an extremely boring book," he laughs.

Not that Jones would recommend everyone attempt what he and Day, a lecturer at Lismore's Southern Cross University, have done. But, for those with their hearts set on buying property in Italy, he says, "It's very important to be able to speak and read and write Italian, especially so for Australians because you don't want to be popping



Fresh outlook: During a 10-week trip to France in 2003, Terence Crawford and his family (above) acquired a new address in Villeneuve.



over often to sort out the inevitable problems that arise." Jones also advises against purchasing a foreign house as a commercial proposition alone. "It has to be a romantic idea – and I'm a hopeless romantic." That said, Jones and Day must be striking the right balance between heart and head because in December 2003 they bought two apartments in the town, just 80m from their first home. Both were renovated in 2004, again with their trusty *geometre* in charge.

In 2003, Crawford and MacMahon were "blowing a redundancy", holidaying with their two small children and Crawford's adult daughter, when they bought a cottage in the south of France. "It was pretty much on a whim," says Crawford. They had planned two weeks in Europe, with a three-week "hiatus" in the middle to give the kids a break from being "dragged around". Crawford (an Australian actor, writer and acting teacher who is head of acting at Singapore's Theatre Training and Research Programme) and MacMahon stayed in a town near Carcassonne in the Languedoc-Roussillon region and were "snooping around a bit" when they found a little *maison* for sale in the neighbouring hamlet of Villeneuve, Minervois.

Smitten by the area, Crawford says they were "enticed by how cheap" the place was. They'd also been befriended by a local woman who was happy to look after any future tenancy of the place. Her husband was a builder "prepared to give us a quote for the renovation that was required". A further sweetener was a contract of sale with a clause stipulating that if the couple had trouble borrowing the money when they returned to Australia, the deal could be dissolved. "It wasn't very good for the vendor, but it was a great luxury for us," Crawford says with considerable understatement. "We're a little bit adventurous, I suppose, and were excited by the idea of coming home unexpectedly with a house."

The cottage was owned by an English family who had bought it on the internet without ever visiting. "It was totally unsuitable for them but perfect for us," Crawford says. "They had five kids and it's a little house for two kids." Once home, he and MacMahon completed the renovations "by fax" and last year went to live in Villeneuve for six months, sending their kids to the local school. Crawford says the ideal scenario would be to spend time there regularly

Don't even entertain the fantasy of buying overseas unless you can keep real estate agents, builders and cleaners honest in their own tongue.

but the reality is that they'll go "every few years. Then, if we are fit and well in 15 or 20 years, we'll visit more often, for longer periods." Meanwhile, others can rent and enjoy the benefit of Crawford and MacMahon's endeavours for a week or so – without any of the hassles.

"There has to be an element of romance. Always," says Bula. McKnight, however, has a more pragmatic take, dividing those interested in overseas property into three types: "investors, speculators and lifestyle junkies. Investors judge a deal solely on return – how much down for how much back," he explains. "They are more sophisticated and less likely to act on emotion." Speculators chase "windfall gains [and tend to be] more emotional about the prospects of a quick fortune and less thorough with their research. For example, speculators may be enticed to buy an overseas property based on what it looks like on the internet. What they forget is that you can't see the houses next door, which might be rented to the local biker gang." McKnight's "lifestyle junkies" look for glamour property "because they see it as part of an image. They are more like property collectors and are tempted by nicely worded sales spiels and enticing photos."


Don't doubt there is good money to be made overseas. McKnight says it's possible to buy a property in a "reasonable area" in the US for \$80,000 and rent it out for about \$240 a week. "Gross rental returns of 20 per cent aren't uncommon." Generally speaking, though, the returns aren't likely to be so high in the current market in Europe, Asia, New Zealand and the South Pacific. Wherever you look, the ironclad rule is "buyer beware". According to McKnight, "There are an increasing number of naive investors setting themselves up for serious financial

heartache. "One major reason is the increasing numbers of 'bird dogs' – people who are paid a commission by vendors to find buyers."

Those lured into a deal by a bird dog, whose only thought is for their commission, "risk paying top dollar and buying in an area where angels fear to tread", McKnight cautions. Bird dogs have burned many buyers of property in New Zealand and the US where, he says, there seems to be no shortage of purchasers who "aren't well-educated or trained in the intricacies of owning foreign real estate".

Bird dogs aren't the only hazard. The purchase of a foreign property often brings with it a complex tangle of logistical, legal, tax and language issues. "You have to be very careful because tax returns must be lodged in Australia and in the foreign jurisdiction," says Bula. Even if there is a nil return on the property, "you must put in a tax and administrative document". Adds McKnight: "International tax is never an easy topic to summarise but, in a nutshell, you will usually have to pay tax in the country where the investment is located as required by local laws." Australian tax residents will also be taxed on their foreign profit just as if it was made in Australia under Australian laws. "However, you will be entitled to a credit for any foreign tax paid on those profits to prevent double taxation," says McKnight.

When buying a holiday home in countries governed by civil law (instead of our common law) purchases are made through a notary, a private legal professional. According to Bula, "the legal systems of these countries rely on the notary to authenticate the identity of the person, the parties and so on, and the veracity of the deal". Yet while in civil law countries it is impossible to purchase without a notary, finding one is not always easy. "There are a limited number," says Bula, "[decreed by] the minister of justice." Even if a notary is found to represent you, it's essential that you speak his language and can contact him when necessary. Most potential purchasers are not as fortunate as Bula, who speaks French and Italian and has extensive contacts in Europe, so can deal with a notary from here.

Then, when you seal the deal, there will be tenants to find or renovations to be organised and supervised – all in a foreign language. So don't even entertain the fantasy of buying overseas unless you have a radar to detect a shonky deal and can keep foreign real estate agents, builders, plumbers, tilers, tax agents, cleaners, notaries and others honest in their own tongue (or at least pay someone who can do it for you). Oh, and have more than a little romance in your soul. 

SELLING THE DREAM

- Melbourne-based international lawyer Michael Bula specialises in overseas property transactions. More information on his company and its services is available at www.mbsols.com.au.
- Steve McKnight offers property investment advice at www.PropertyInvesting.com.

- The real estate web addresses referred to in this feature – www.LivingFrance.com, www.FrenchEntre.com, www.myfrenchproperty.com and www.spainhomes.org – are merely four of the multitude on the subject of overseas homes. A quick search will yield many more.

- All three of Stephen Jones and Michele Day's properties in Montone, Italy, are available for holiday leases (they have the house between mid-November and mid-January). Casa Valdeste is \$1130 per week. The apartments are \$900–\$2230 per week; www.casavaldeste.com.

- Terence Crawford and Louise MacMahon's two-bedroom cottage in the south of France, La Maison Villeneuve, is rented from \$600 per week. When you book, they will provide restaurant recommendations, market times and sightseeing advice on request; www.hermes.net.au/macra.