
Leaseback Property Guide

An excellent risk and hassle-free way to invest in 'bricks and mortar' is through buying a guaranteed income property, which in most cases will benefit 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, you can benefit from guaranteed, inflation linked annual returns from your own fully managed and maintained property - with relatively low up-front costs and no ongoing maintenance or running charges.

Main features of a high yield leaseback property:

- Your own freehold, fully furnished property, by the sea, in the mountains, in a capital city, on a golf course or in the countryside
- You don't have to pay the VAT normally charged on a newly built or refurbished property
- Peace of mind, long term - your property is leased to a management company for a minimum of 9 years with automatic renewals for further lease periods
- Receive an index-linked, guaranteed net return annually. Usually starting at 4.5% of the purchase price, depending on personal usage
- No running charges or maintenance costs
- Benefit from the expertise of the leaseback company - your property will be in a superb development, well researched by the company

How does it work?

You buy the freehold of a property outright but lease it back to a management company which specialises 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. You may sell the property, with its lease attached, at any time. At the end of the term, the property returns to you or you may renew the lease again, or sell the property.

Why was leaseback introduced?

In the late 1960s, as a result of the large number of tourists visiting France, the French government recognised the need to encourage investment in tourist residences. This recognition resulted in a government backed VAT refund on the purchase price of properties built for leaseback purposes. The system has proven so successful that it is now being replicated in other European countries such as Spain and Italy.

The benefits

VAT refund

When buying in France the government will refund the VAT to investors on purchases of leaseback properties, which represents a significant saving on the purchase price of a property. The difference in the VAT amount refunded depends on whether the property is a new build (entitled to a 19.6% rebate in France) or a refurbished property (varying between 11-14% in France).

Although investors reclaim the VAT from the French government on purchase of a leaseback property; for the first 20 years of ownership, investors are required to pay back an element of VAT, should they choose to sell their property. This VAT amount, is calculated on a "pro rata temporis" basis, resulting in a liability which decreases over the years of ownership.

The second buyer of a property is also able to reclaim any outstanding portion of unclaimed VAT, including if the original owner has loaded their VAT liability onto the sale price of the property, effectively passing the VAT cost down to the new buyer.

Low Risk

Because of the strength of the management companies behind the rent guarantees, EFIP regards this kind of property investment as the lowest risk way of purchasing property. You have no worries whatsoever about rental voids or property damage and can sit back and enjoy your guaranteed annual income, knowing that you own the underlying freehold property which you can sell whenever you wish. Compared with the traditional 'hands on' approach, with all kinds of risks most new investors are completely unaware of, leaseback

Call 0800 294 9688 to experience
"a whole new world of expert advice"



investment can genuinely be regarded as being suitable for the risk averse. Remember, your income is paid irrespective of occupancy. What other property investment can you say that about?

In addition, the rental guarantee provides an 'underpin' to the value of the property, as regardless of property prices generally, any investment providing a guaranteed, quantifiable income must always have a minimum value below which it will not fall.

Low Stress

The only property investment we know of where you can sit back and forget about your property, letting someone else take care of the hassle!

The management company will be completely responsible for the management of your property, meaning you will not need to worry about general maintenance, repairs, insurance or the upkeep costs of the property and its communal areas. The provider is responsible for finding rental tenants throughout the whole lease period, the success of which does not affect your income.

Quality Maintenance

The provider will maintain your property to a very high standard throughout the lease, which is especially important to the provider because the excellent presentation and high quality of their properties guarantees their success in being able to rent out your property to holidaymakers.

Guaranteed Return

Companies selling leaseback properties guarantee their investors an annual return. Leaseback property returns are secured by the financial strength of the company, combined with its ability to successfully manage, maintain and rent the property regardless of market conditions during the lease period.

Capital Appreciation

In recent years many European countries, France included, have experienced impressive capital growth. However, it is important to remember capital growth cannot be guaranteed with any property, leaseback or not and past performance is no guide to the future. The major advantage of this product is the guaranteed income, which is not the case with 'conventional' property investment. This

Call 0800 294 9688 to experience
"a whole new world of expert advice"



guaranteed income provides an 'underpin' to the property value as any asset with a guaranteed income must have a consequent capital value, which will vary depending on interest rates generally. There is no other investment which can provide this kind of reassurance.

Increase in Annual Returns

All annual returns in France are linked to the Dwelling rents reference Index. Your guaranteed income will rise in line with this index. The index has averaged around 2.5% for the six years since it's introduction. Contact us for details of the inflation indexes in other countries.

Limited French Tax on Rental Income

In theory, non-resident owners of French property are liable to income tax at 25%. However, French tax rules allow investors to offset this liability against several factors, including French mortgage interest repayments, notary fees and depreciation of the property and it's furniture (an accountancy term - this does not signify real world deterioration in property value). Again, contact us for details of the tax situations in other countries. We would always recommend you seek independent advice on taxation matters and can recommend suitable specialists.

Personal usage and holiday discounts!

You can choose a leaseback formula that includes personal usage of your property. Obviously, you receive a lower guaranteed income, but many options are available. In some resorts you can occupy your property out of season for a nominal weekly charge. In addition, some owners will benefit from discounts on other properties in their providers portfolio. If you are a regular, self catering holidaymaker, this could save you £thousands!

Excellent Financing

European interest rates are currently much lower than in the UK. Typical interest rates are around 4.0%, sometimes less. We have connections with a large number of European lenders and in France, for example, can obtain virtually 100% financing, subject to you meeting the income criteria.

Because this is a specialist subject, it's much easier for us to talk to you personally about your requirements. Contact us and receive free financing tips -

Call 0800 294 9688 to experience
"a whole new world of expert advice"



even if you are not interested in leaseback, we can still help you on any financing matter.

For details of our current Leaseback offerings, please use our comprehensive property search, which can be found on any page of the EFIP website - selecting any property type preceded by Leaseback in the type of property field.

Having said this, it always pays to contact us as some of our recommendations will sell out almost instantly as they usually come with very lucrative incomes or additional benefits.

The above information is prepared to the best of our knowledge. Edison Ford accepts no liability for errors or omissions.

The above information is prepared to the best of our knowledge. Edison Ford accepts no liability for errors or omissions.