After three weeks of marketing, the apartment is booked for 16 weeks' rental

Obtaining a mortgage

The mortgage process in France was surprising to Matt and Karen in terms of the time, administration, and paperwork required. However, they were pleased with the lower euro-based interest rate and the tax advantages of having the loan secured on the French property.

After reviewing loan options, they opted for a capped variable rate mortgage over 20 years at 4.2%. A larger down payment and the strength of their financial situation enabled them to waive the life insurance normally required, representing a significant saving.

To optimise inheritance costs and transferability of the property, the Yonallys opted to create a French company called a *société civile immobilier* (SCI) to buy the property.

Timing was essential, as once the purchase agreement was signed, the Yonallys had less than two months to create their French company, open their French bank account and secure financing or request their deposit back. As French banks move slowly, particularly with non-resident applications, every day counted.

Thankfully, technology has made the process more manageable. Matt was able to scan and email documents which gained valuable time. "The difficulties our mortgage broker overcame and the money they saved us were impressive. I'd never recommend anyone attempt the journey without professional assistance."

Up and running

With the final papers signed, the Yonallys were able to take possession that October and start on the renovations. Susie worked with Matt on both the decoration and renovation of the flat. "As with the property search, when it comes to decorating a holiday property, one of the challenges is to find a balance between your own tastes and the functionality and durability required from a rental property," explains Susie.

Susie took a series of photos to show prospective renters what was on offer to get a headstart in marketing the flat. The property has only been advertised for rent in its completed state for three weeks. Nevertheless, demand is high and they already have 16 weeks in 2008 booked – with Matt and his family reserving certain weeks for their own use.

The focus is now on managing the property to handle maintenance and ensure maximum rental profits. Finding and working with a rental management company you can trust is a critical step for any non-resident investor.

For 40% of the rental fee, Susie and her team manage the entire process for Matt, everything from booking the guests to ensuring fresh soap and sheets are available for each new round of visitors.

Matt's advice to others looking to make a similar sort of self-funded investment is to work with professionals who cater specifically for the overseas investor. "Neither my wife nor I speak French, and although we have bought a number of properties in the US, the process was completely different in France," he says.

Summing it up

Balance is the key to a successful self-funded property investment – between your investment and personal lifestyle goals.

It is important to spend the time upfront to obtain a pre-approval from a French mortgage intermediary. This will ensure an efficient search. In a competitive market, this also allows you to provide a letter from a bank to prove you are financially viable if you need to win a bid on a property.

> ***"Location, renovation, and furnishings have a major impact on future rental returns"***

Location, renovation, and furnishings will have a major impact on future rental returns. When organising your budget and financial planning, keep in mind that almost all properties require at least some renovation before they are able to be rented. This means planning for additional cash or financing up front and factoring in a lag time between closing on the property and offering it for rent.

Lastly, it is always worth checking with a solicitor or tax advisor in your home country in order to understand the tax implications of owning a rental property in a foreign country. Rental income earned in France must be declared to the French tax authorities. ❑

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Financial snapshot

Currently, the monthly costs on Matt's property are on track to be covered by the monthly income – with a healthy positive cash flow remaining.

- Total acquisition cost: €1,191,500
- Purchase price: €975,000
- Sourcing fee: €29,250
- Fees/taxes/registration of charge on property: €72,250
- Renovation, air conditioning: €45,000
- Furnishing costs: €70,000 *
- Less mortgage amount: €760,500 **
- Total cash employed: €431,000
- Monthly mortgage payment: €4,690
- Monthly net rental income at 80% occupancy: €5,800 ***
- Positive monthly cash flow: € 1,110

** Furnishing costs are higher than average as Matt and Karen opted to furnish with authentic antiques*
*** It is possible to have a higher loan to value and include renovation costs in the project to finance to reduce cash employed*
**** Net of all management and maintenance fees, rent amount will increase each year*