

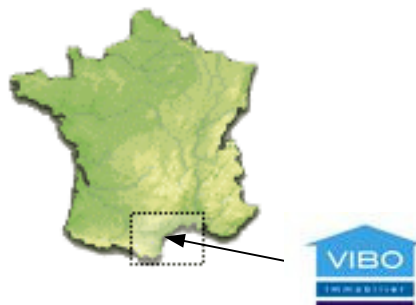


PROPERTY BUYING GUIDE

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THE REGION OF LANGUEDOC-ROUSSILLON

The coastal area of Languedoc-Roussillon has for many years been popular with the native French, especially those living in areas further north with a climate similar to that of the UK. The area has also been popular with the German, Belgian and Dutch but to a far lesser extent. However, the last few years have seen a large increase in the number of visitors from other European countries who have recently discovered this, as yet, under-developed and unspoilt coastline. The biggest increase has been in the number of British visitors to the area, many of whom have been cashing in on the relatively inexpensive property available and investing in coastal property for holidays and for letting. Although the area has seen average property prices double in the last 4 years, prices have remained extremely competitive compared with other areas of Mediterranean France. The Corbières-Martimes is now arguably the cheapest area to purchase property on France's Mediterranean coast.

A further factor which has had a marked impact on the number of visitors to the region has been the availability of very cheap flights available from new budget airlines such as Ryanair and Easyjet. It is now possible to fly to the area via a number of UK and European airports with a wide choice of local destinations in both France and northern Spain. The closest airport to Fitou is currently Perpignan which is served by Ryanair, BMI Baby and FlyBe, however you also have the choices of Montpellier, Nimes, Carcassonne and Girona in Spain.

Geographically, the region has many benefits. With both the Mediterranean and Pyrenees close by there is the opportunity for all year round holidays. In fact, it is even possible in Spring to be sat on the beach in the morning and be on the ski slopes in the afternoon! There are few destinations across the globe where this is possible. The beaches of the Mediterranean speak for themselves but the ski facilities of the French Pyrenees are possibly one of the nation's best kept secrets and are widely underestimated. From Fitou, you can reach the ski stations of Font Romeu, Les Angles and Pyrenees 2000 in 1h 30. A day pass will cost you about 30 Euros and you can hire everything you need for the day cheaply. Typically, the ski season is from December to early April.

Another attraction of the region is its proximity to Spain. About 30 minutes down the motorway and you're in a different country altogether! Barcelona is only 2 hours by car from Fitou and makes a perfect day trip, although you'll probably need a couple of trips to fit in everything that this wonderfully vibrant city has to offer. Because of its historical links with Spain, the area has a strong Catalan flavour with many locals speaking French and Catalan.

Water sports are another reason why people visit the region in their droves. Take your pick of windsurfing, kite surfing, sailing, and jet-skiing, to name a few. The local climatic conditions make this part of France one of the prime locations for water-based activities. The Tramontane (Languedoc's version of the Mistral) which blows from the North West will test even the most advanced of windsurfers and sailors! The "Tram" is an all-year round wind which can gust at up to 100km/h. However, it comes and goes and rarely stays for too long at any one time. Among the best locations on the Med for water sports are Leucate, Le Barcares and La Franqui (which plays host to the annual Mondial du Vent world championship). For the beginner or novice windsurfer, the Etang de Salses (one of the many lagoons) is extremely popular due to its shallow depth. Lessons are available at the French Sailing School in Port Leucate and you can hire all the equipment you need.

Although generally under-exploited, the area along the coast has many other leisure activities at its disposal to keep everyone out of mischief. From golf to go-karting and fishing to horse-riding there are plenty of things to do if you get bored of the beach!

And if that's all a bit too strenuous, you might prefer to just chill out on your terrace with a nice glass of chilled rosé from a local vineyard, a big platter of seafood and enjoy "la belle vie"..!

A STRANGE BREED..!

French estate agents are a stark contrast to their UK counterparts to say the least. Still regarded as the old fashioned pin-striped professional along with doctors, architects, lawyers and accountants, it's not just anyone that can be an estate agent; a diploma in property (encompassing property law) is required as is a minimum of 12 months experience in employment by a registered estate agent. The industry is slowly losing its rather old-fashioned image and adapting to life in the 21st century, helped in part by its gradual harnessing of technology, in particular the Internet.

At VIBO Immobilier we try very hard to make sure that the properties we show you are suitable for your requirements and match your budget. However, it is sometimes difficult to guarantee what you will see as properties can (and often do!) change daily.

Generally speaking, French estate agents will only publicise a limited amount of information about a property as they would rather that you visit a property in person. This does make some sense though as not even a thousand photos can tell the whole story (for example the main road just in front, the TGV line through the garden...!) and an agent is unlikely to spend too much time with a client who is not prepared to even make a trip to the region to view properties.

Another reason why estate agents in France may be reluctant to divulge information about a property is the competitive nature of the market. In France, the industry is made up of a large number of small, individual estate agents often covering a relatively small geographical area. Many villages and small towns will have at least one estate agent. Because estate agents in France can earn up to 10% commission on lower-priced sales, they are keen to avoid losing business to their competitors. In France, vendors can put their property on the market with as many agents as they wish or can choose to give one agent exclusivity. The biggest threat to an estate agent is that a client they have shown to a property may contact the owner directly thereby cutting out the agent (and his commission). It is for this reason an agent may withhold details of exactly where a property is. He may also not want other agents to know that the property is for sale. The other danger of course, where the property is offered by numerous agents, is that a client may visit with one agent but then identify and subsequently purchase the same property with another agent .

If an estate agent introduces you to a property, he may ask you to sign a "Bon de Visite" which is a record of your visit. The Bon de Visite is the agent's proof that he has introduced the client to the property and this may be used in court to settle any dispute in the event that the client subsequently purchases the property either directly with the vendor or through another agency.

PROPERTY TYPE AND STYLE

There are numerous types of property designs and styles in this part of France. Older stone built houses populate the centres of villages, apartment blocks of all ages make up the centres of the bigger cities and villas tend to be found in the outskirts of towns and edges of villages. In the last few years many villages like Fitou have expanded dramatically as a result of demand for property in the area and the relatively cheaper costs of new-build properties.

In general, French property is classified by “type” or number of rooms (not including kitchens or bathrooms). Hence, if a property is described as a Type 3 / T3, you can expect it to have 2 bedrooms and a living / dining area.

Village houses (maisons de village) and villas vary enormously in size but are usually described by type and by the habitable space in square meters.

Below you will find a summary of some typical types of property which you will find in newer purpose-built developments:

T1 Apartment / Studio: Typically between 20m² and 40m², the studio has no separate bedroom so the living area doubles up as the main sleeping area. Apartments differ from other properties in that they are usually found in larger blocks or buildings, often 5 or 6 storeys high. Apartments typically have a balcony or terrace if located above ground level or a garden / patio if on the ground floor.

T1 Maisonnette: Typically about 20 - 30m² comprising living area with corner kitchen. Often, there is a separate single bedroom (called a “cabine”) with bunk beds. The majority of maisonnettes will also have a mezzanine floor which is suitable for a double bed.

Duplex apartment: A duplex (a term coined in the USA) is typically a 2-storey property with only bedrooms on the upper level. The living area, kitchen and bathroom will normally be found on the lower level. Effectively, a duplex is an apartment with a large mezzanine.

Villa: Ground level property with one or more bedrooms often all on one level. A villa will usually have a small garden with terrace.

THE ROLE OF THE NOTAIRE

The price that you see advertised on our website or in our office is inclusive of estate agent’s commission (which is normally paid by the vendor). It does not, however, include the legal fees payable to the Notaire by the purchaser. Typically, the Notaire’s fees will be between 6% and 10% of the purchase price. It is worth noting that in the case of properties which are sold furnished, the Notaire will deduct the value of any fixtures and furniture (usually allowing 5-10% of the sale price) before applying his percentage. Similarly, a newer property i.e. less than 5 years old may be subject to a lower rate (3%) depending on a number of factors.

People often comment that legal fees in France seem extremely high when compared with the UK. Similarly, there is a popular misconception that Notaires must be the wealthiest people in France..!

So who is the Notaire and what does he do for his fees?

A Notaire is a government official, expert in property law, who is responsible for legalising sales of property. Their job is to ensure that all legal formalities, obligations and requirements are met similar to a solicitor in the UK. The key difference is that the Notaire is not working on behalf of either the purchaser or the vendor so their involvement is purely neutral.

In the sale of a property, the Notaire is responsible for the following key checks:

- 1) Checking for any outstanding debt or unpaid mortgages on the property
- 2) Checking with the local council that there are no restrictions on the sale (or purchase) of the property from the point of view of town planning or any other municipal department
- 3) Checking that the local council does not wish to purchase the property (for civic purposes only)

In addition to these checks, the Notaire is also responsible for the administration relating to any taxes e.g. Capital Gains Tax and Inheritance Tax. The Notaire is a specialist in law relating to the mine-field that is inheritance and is always the best person to advise on such matters if you are in any doubt.

The Notaire (and his staff) earn their money directly from the fees that are paid, taking a fixed percentage (around 20% of the fees on a sale of €80,000). Approximately 70% of the Notaire's fees is disbursed by the Notaire to the French Treasury to cover stamp duty and other taxes with the remainder used by the Notaire to cover any other local charges and sundry items.

PROPERTY PRICES

Prices, like anywhere else, are open to negotiation and it is perfectly acceptable to make an offer on a property in France. However, there are a number of things to bear in mind...

Firstly, the old adage that "everything is negotiable" is not strictly true. Do not be surprised to hear that a vendor will not negotiate or lower his price.

Secondly, an estate agent will often attempt to negotiate the lowest price possible with the vendor to give him a better chance of selling the property than his competitors. In France, the competition between estate agents is fierce and the same property may well be offered for sale by four or five agents at four or five different prices! It is for this reason that a good agent will try to negotiate the best price before the property goes on the market. It is counter-productive for an agent to advertise property more expensive than his competitor next door and over-valued property can lose an agent his reputation.

In many sales the final sale price usually ends up a little lower than the asking price after a bit of haggling with the vendor. Indeed, it is not unheard of for the estate agent to reduce their commission in order to get the sale if the vendor will not negotiate.

Any good estate agent should be able to give you an idea of by how much a price is likely to be negotiable. However, they will expect you to make a formal offer if you wish to find out exactly how much, so be warned – only make an offer if you are prepared to sign a purchase contract should your offer be accepted!

THE LEGAL PROCESS

The French legal system is a complicated beast, especially if you don't speak the language. Notorious for its red-tape, archaic administration and general creation of large amounts of paper, the time it can take for things to happen can sometimes be frustrating. To the uninitiated, the whole process of purchasing a property in France and all the legalities involved can be enough to put you off before you've even started!

Indeed, many unfortunate would-be-purchasers have fallen at the first or second hurdle because they weren't prepared for what to expect.

In actual fact, buying property in France is not so complicated or difficult but you do need to know exactly what you are doing or make sure you appoint someone on your behalf who does. The last few years have seen a dramatic increase in the numbers of companies specialising in various types of assistance ranging from legal and financial advice to property sourcing and guiding you through the whole process from start to finish. Similarly, there has been a huge surge in the number of publications, magazines and television programmes which have helped raise awareness of many issues relating to purchasing property abroad.

In the same way, the recent boom in the property market and the increase in demand for property has led to a rise in the number of estate agents operating in the area. In the same way, real estate has, for many people, become the next goldrush which has also brought with it a rogue element of "property services" providers many of whom often work without a license or insurance, work for cash and don't pay tax...

Because of the complexity and intricacies of the processes involved in a sale, this section is intended merely to give an overview of a typical sale. From experience, no two sales are ever the same!

Stage 1: Once you have found a property and agreed a price, the estate agent will ask you to sign a contract to purchase the property. There are a number of forms of contract but the most common is called the *Compromis de Vente*. A registered estate agent is authorised to draw up this contract although it can also be done by a *Notaire*. Any contract of this nature is legally binding once signed by both parties although the purchaser retains the right to 7 days in which to cancel the sale (without reason) should they change their mind. The vendor is not afforded such protection!

Stage 2: Once you have signed a *Compromis* or similar contract, you will have to put down a deposit of (usually) 10% of the purchase price. Contrary to some articles you might have read, this does not need to be paid immediately but can be sent at a later date. In most cases, the *Notaire* will only expect to have received your deposit by the end of the 7-day "cooling off" period as, until this point, the sale is not really legally binding. However, the *Notaire* may only start to process the sale upon receipt of the deposit and not before.

Stage 3: Over the next few weeks, the *Notaire's* office will be processing the sale and during this time there may be very little for you to worry about. It is the responsibility of your *Notaire* and estate agent to keep you informed of progress and alert you to any problems that may occur during the sale.

Stage 4: Once the *Notaire* has received all of the money, the necessary documentation and is satisfied that all legal obligations have been met, he will pass the *Acte Authentique* to complete the sale.

Stage 5: Collect the keys and move into your new home! At VIBO Immobilier we even take care of your insurance, electricity, gas and water as well as open a French bank account for you.

Please remember that this is a very simplified overview of the sale process – there are many other things you may well encounter!

FREQUENTLY ASKED QUESTIONS

Here are a selection of questions which are commonly asked by clients:

Q: Do I need to appoint a Notaire myself?

A: Only if you are buying privately. At VIBO Immobilier we work very closely with a small number of Notaires. Where possible we will endeavour to use an English-speaking Notaire. Using a local Notaire who understands the local market will help speed up the sale process whilst using the same Notaires establishes a good rapport and efficient working practices.

Q: Do I need to appoint a solicitor in the UK?

A: Not necessarily but there are a number of reasons why you might wish to:

- 1) If you do not speak French well enough to understand the contract of sale or you do not have confidence in the estate agent's English. It is always best to have any translation work carried out by a person who has English as their mother-tongue to avoid any misinterpretation.
- 2) If you are in any doubt whatsoever about the legality of the sale, the agent or the ability or diligence of the Notaire then it might be better to have a solicitor keeping an eye on things!

However, if neither of these is the case then you shouldn't need to appoint a solicitor for the following reasons:

- 1) They can be expensive if the sale goes through in the normal timescale of 2-3 months
- 2) They have no direct involvement with the Notaire's searches and checks but simply double check the work that the Notaire does – this can slow things down dramatically
- 3) In some cases, if the solicitor advises you to sign nothing until they have checked through everything, if this takes 2 weeks to do then the vendor may find another buyer in the meantime..!

If you do decide to engage the services of a solicitor, make sure that they are expert in French property law, fluent in legal French and are actually qualified and trained to deal with your case. If they are not, it would be like asking a heart surgeon to perform brain surgery!

Q: Do I need to have a French bank account?

A: Contrary to some reports, it is not mandatory to have a French bank account. However, it is a very good idea as you can use your French euro account for paying your utility bills as well as paying for goods in shops.

Q: How long will the sale take to complete?

A: There is no set time for completion as it all depends on how long it takes the Notaire to complete all the legal paperwork. This in turn depends on how quickly he receives paperwork from the vendor, the various council departments and the Mairie. You should always allow a maximum of 12 weeks / 3 months for everything to go through although it may take less time depending on the time of year and the workload of the Notaire.

Q: I have heard that they don't carry out surveys as part of the buying process in France – is this true?

A: Yes. In many cases, surveys are not necessary especially in places like Port Leucate where properties are of recent construction. In most other cases, a local builder will be able to assess any structural or cosmetic defects and advise accordingly. However, prior to the completion of the sale the property must have been checked for the presence / absence of termites, lead in plumbing and paint as well as asbestos.

Q: We are cash buyers. Will this make any difference?

A: Not a huge amount but it may help influence the vendor. Because of the consumer protection laws which exist, a purchaser is not obliged to complete a sale if he cannot raise a mortgage or loan within a specific time period. This only applies if the special clause (condition suspensive) is invoked in the sale contract and the purchaser has written proof that his application for a loan was refused. As a result, there is the possibility that the sale could fall through up to 6 weeks down the line which would not happen in the event of a cash purchase.

Q: What happens if the vendor changes his mind about selling?

A: If the vendor has signed the Compromis (or similar contract) then he is legally obliged to complete the sale. If the vendor fails to honour his engagement, the purchaser is entitled to an amount equivalent to the deposit by way of compensation. He is also entitled to take further action through the courts for the same amount again. However, until the vendor has actually signed, the contract is not a legal document.

Q: Are properties freehold or leasehold?

A: Neither! Generally speaking, you own the property and the land on which it stands for as long as you are the legal owner. However, in newer developments, most properties are arranged in managed complexes. In this case, you own your property and the plot on which it is situated but you also own a fraction e.g. 25/10,000 of the overall complex. You will have to pay an annual service charge for the maintenance of the communal areas of the complex e.g. car park, paths and gardens.

Q: What restrictions are there on letting my property when I am not using it?

A: None. However, there are some things one should bear in mind; for example, you must make sure your insurance covers you for this (this is something we sort out for our clients). If you are charging people for using the property, any income should be declared for tax purposes. In France, estate agents holding the "carte professionnelle de gestion" are the only operators licensed to carry out rental / letting management services. Whilst many people let out their properties there are risks involved for those who are unlicensed and servicing rental properties as a commercial venture.

Q: What are the re-sale implications of buying a property in France?

A: The property market in the Languedoc has been buoyant for the last 4 years and this is expected to continue. However, prices are only expected to rise moderately having doubled in the last 3 years. Our belief is that property values will not rise dramatically over the next few years but should avoid depreciation.

Another important change to the taxation system in France means that vendors who are non-resident in France but EU state members e.g. the UK now only pay capital gains tax at 16% rather than the old 33%. This percentage is paid on any clear profit made on the property and there are certain deductibles including estate agent commission, Notaire's fees, as well any receipts for improvements and work carried out by registered tradesmen.
