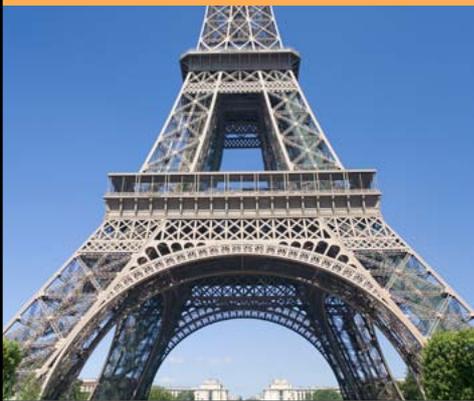




Athena Advisors
French Property Experts



What is Leaseback?

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A popular way to invest in property in France is to buy a leaseback property which benefits 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, investors benefit from guaranteed annual returns from their fully managed and maintained property with relatively low up-front costs and no ongoing maintenance or running charges.

Main features of a leaseback property:

- ***A freehold, fully furnished property***
- ***Investor entitled to benefit from the 11-19.6% VAT rebate***
- ***Property leased to a reliable management/ tourist company for minimum 9-year period, with automatic renewal for a further 9 years***
- ***Investors receive index-linked, guaranteed annual return of up to 4.5% with options for personal usage***
- ***No running charges or maintenance costs***

What does leaseback mean?

Investors buy the freehold of a property outright but lease it back to a management company who specialise 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.

Why was leaseback introduced?

In the late 1960s, following the increasingly large number of tourists visiting France which continues today as the most visited country in the world, the French government recognised the need to encourage investment in the construction of tourist residences, and an offered incentive to investors by refunding the VAT on the purchase price of properties built for leaseback purposes.



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What are the benefits of leaseback properties?

VAT refund

The French government will refund the VAT (11-19.6%) to investors, which represents a significant saving on the purchase price to investors. (the VAT rate for new build properties is 19.6% and for refurbished properties it varies between 6-14%). Formerly, this VAT was repayable pro rata temporis should a client sell within 20 years though the law was revised in 2006 so that no VAT is repayable on sale as long as the property remains within the lease even if the terms are completely revised.

Instead of investors paying the VAT and reclaiming it from the government several months later, the management companies Propspotter is working with, will pre-finance the VAT in advance so clients do not need to raise this capital or endure the administration of recovering the VAT themselves so only pay the excl VAT price.

Low Risk

Investors are guaranteed annual returns of up to 4.5% which is also index-linked to the Dwellings Rent and Construction Index of France. The return is provided irrespective of tourist occupancy protecting investors from fluctuation in tourist demand or in the property market.

Low Stress

Management companies we are working with, will completely look after the maintenance and management of your property and you will not need to worry about any maintenance, repairs or upkeep costs of the property, communal areas, facilities or finding rental tenants throughout the whole lease period.



What is Leaseback?

Quality Maintenance

The management company will maintain your property to very high standards throughout the period of the lease as they have a vested interest in the properties immaculate presentation to support its main tourism business and the satisfaction of its tourist clients.

Guaranteed Return

Companies selling leaseback properties “guarantee” their investors an annual return. These guarantees are secured by the financial strength of the company offering them, its ability to successfully manage, maintain and rent the property and to continue providing returns during good and (more importantly) bad tourist conditions over the period of the lease.

With the renewal of the lease for a second period, the management companies are responding to investors needs for long term rental guarantees for 3 key reasons:

- **typical mortgage length (15-20 years)**
- **exemption from French Capital Gains Tax after 15 years ownership**
- **long term quality management**

Potential Capital Appreciation

Property in France historically offers very good growth with a high demand from local and overseas investors. France has the fastest growing population in Europe and an increasing divorce rate which further increases the demand for more housing. Strict national and regional planning regulations prevent mass building so existing and new property stock is in demand.

Leaseback properties are built for tourists and as such are situated in the best locations with the facilities, amenities and accessibility that holiday-makers expect and as such benefit from features such as swimming pools, tennis courts, sports facilities, restaurants and entertainments that a normal property does not. These factors all contribute to the demand for managed properties and the capital appreciation that results.

Increase in Annual Rental Income

All annual rental income is linked to the French Cost of Construction Index, (http://www.insee.fr/en/indicateur/indic_constr/indic_constr.asp) so investor's returns will continue to increase in line with this index. For the last 10 years this has averaged around 2%.

What is Leaseback?

Limited French Tax on Rental Income

Non-resident owners of French property are liable to French income tax of 25% on their rental income, though French tax rules allow investors to off-set this liability against several factors including French mortgage interest repayments, notary fees and depreciation of the property. (*Please seek independent qualified advice for verification)

Personal Usage

Investors have the option to choose a leaseback formula that includes weeks of stays at their property each year for a reduced rental guarantee. These weeks may also be used in other equivalent apartments in any resort of the management company. In addition, all owners have the benefit of a 15-20% discount for all stays at properties of the management company in their winter and summer catalogues.

“Secure Purchase Process”

Your reservation deposit of 2 to 5% is held in the Notaire’s secure Escrow account and is fully refundable by law pending mortgage approval and your acceptance of the contracts. The deposit cannot be drawn down by the developer until there is an insurance policy in place guaranteeing construction come rain or shine. Once this policy is in place the client can proceed to legal completion safe in the knowledge that they will be delivered their property without fault.

Excellent Financing

Subject to some income level criteria, French banks will lend up to 100% of the purchase price of the property sometimes including notary fees. Fixed and variable rate mortgages are possible as are interest only and repayment.

Can I sell during the lease period?

As the freehold owner of your apartment, you are entitled to sell your apartment at any time within the lease period. The new investor would observe the remaining term of the lease, which can be adapted to suit his/her usage needs. The management company Propspotter is working with have very successful re-sales department (€65 million of sales in 2008) where clients can re-sell their apartments. These will be sold either to our vast database of investor clients or through on-site sales offices as many second time buyers are tourist clients who decide to buy.