

## **Get a \$17,698 Check From the French Government (and \$4,153 Each Year)**

REAL ESTATE TREND ALERT  
(FOR MEMBERS ONLY)

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Dear Real Estate Trend Alert Member,

There's a way you can get the French government to cut you a check for \$17,698. It's also a way for you to get a guaranteed rental yield on a real estate investment--in this case, \$4,153 every year.

I'm talking about the French Leaseback Program, specifically my favorite project within the program right now.

First, let me give you a bit of background. Tourism is a big industry in France. The French government needs tourist beds to allow the industry grow. So, they offer incentives to any investor willing to buy French real estate and rent it exclusively to tourists. The incentives include a full refund of the 19.6% V.A.T. levied on new build in France.

You also get a guaranteed rental return. When you hand over your unit to a management company--typically for nine years--you agree on a rental yield (usually 4% to 5%, although it can be higher or lower), which is guaranteed for the nine-year term. The management company takes care of everything, and you get a check each year, the amount of which is guaranteed. Plus, this rental return is indexed in such a way that it may increase, but it will never decrease.

Whenever a developer talks about guaranteed rental returns, I hear alarm bells. From Dubai to the Dominican Republic, real estate developers "guarantee" rental returns pushing double digits for periods up to four years. In the industry, it's no secret how this works: You effectively pay upfront for the rent you will receive during the period of the rental guarantee. If you buy a unit expecting...or relying...on the same level of rental returns to continue at the end of the guarantee period, you will be sorely disappointed. The rental market for your unit will be limited.

The French Leaseback Program is different because 1) France gets 80 million tourists a year, and 2) This is an incentive offered by the French government, not a single developer.

It's not unusual for European governments to use tax incentives as a tool to increase the supply of tourist beds. In most cases, you can only capitalize on these incentives if you have a

big tax liability or other rental income in the country in question. The French Leaseback Program differs in that the tax incentives benefit you equally irrespective of any other tax liability you have in France.

There are hundreds of leaseback projects available across France, so you have plenty to choose from.

A note of caution: France is a beautiful country. From Paris to the Côte d'Azur to the Alps, this is a very appealing place to spend time. If you're looking for a vacation home, the French Leaseback Program is not the best way to buy it. If you're looking for a pure investment, put aside all romantic notions about France. The French don't use the term "gringo pricing," but they can embrace the concept. An apartment in Saint Tropez may seem like a great idea when you're basking in the sun on the French Riviera...but ignore that "blow to the heart" (as the French say) and go by the numbers. That way, you'll avoid overpriced leaseback units.

As a general rule, I like leaseback opportunities with high rental yields in urban or ski locations. Urban and ski areas offer the best prospect for year-round rental at the end of the guarantee period. France's top ski resorts continue to grow the volume of non-ski-season visitors with the growth in hiking and other outdoor pursuits. Urban areas can mean a rental market for both tourists and business travelers.

My favorite Leaseback project today is Academy de Montpellier. Competitively priced units (from \$108,000...at this price, your V.A.T. refund would be \$17,698) in the greater Montpellier region, a growing urban area that has potential for capital appreciation...net rental yield of 4.6% (\$4,153 a year) guaranteed by an experienced management company...and a developer-advanced refund (so you don't have to claim your 19.6% from the French government).

For more details, e-mail Kate Pernacchio: [pr@imoinvest.com](mailto:pr@imoinvest.com).

Wishing you good real estate investing,

Ronan McMahon

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