

29th July 2013

## **MORE RETIREES TO LOOK FOR HOLIDAY HOMES ABROAD AS PROPERTY BECOMES MORE AFFORDABLE**

**\*\* Brits buying abroad plan to spend £116,800 on a property \*\***

**\*\* Spain is the top destination attracting 1 in 4 holiday homes buyers \*\***

The number of people approaching retirement who are considering purchasing a property abroad to enjoy during retirement is now higher than before the economic downturn, according to research from HSBC.

The number of future retirees aged between 45 and 64 who would consider purchasing an overseas holiday home has risen to 38% (5.4m) in 2013, up from 30% before the financial crisis (August 2006<sup>[i]</sup>). While 5.4m Brits are considering an overseas property purchase, one in ten or 592,400 said they definitely plan to buy abroad<sup>[ii]</sup>.

However, the majority of would-be buyers would prefer to keep their roots in the UK and not move abroad permanently. Nearly two thirds (62%) would stay in their overseas holiday home abroad for between three and six months a year while a fifth (19%) would use it for no more than three months a year.

### **Effect of Downturn on Property and Location**

While more future retirees would consider buying a property abroad compared to before the financial crisis, the majority of potential buyers (55%) said the downturn had had no impact on their decision making regarding property type or location.

For those for whom the downturn has had some impact, 29% say they would now buy a smaller property than they might have done before, 15% said they would buy in a less expensive location and 9% said they would buy closer to home to reduce travel costs.

For a minority of future retirees, the downturn has had a positive impact on their purchasing decisions. Of those who would consider buying abroad, 1.3% of people said the downturn has meant they would now like to buy a bigger property than they might have considered before.

**James Yerkess, HSBC Head of Foreign Exchange, said:** *“The economic downturn has had an impact on the income and savings of many but it has also helped lower the price of property in numerous overseas locations. Many of the baby-boom generation, who are now approaching retirement, are fortunate enough to remain relatively asset-rich despite recent*

*economic frailties and this has opened up opportunities to take advantage of lower property prices abroad.*

*“That said, the weakness in many overseas property markets has created some caution among those considering purchasing a property abroad with many saying they would now look to buy smaller properties or homes in less expensive locations.”*

### **Where are retirees thinking of buying?**

HSBC’s research showed that Spain is the most popular destination for potential property purchases among future retirees, with over a quarter (26%) preferring to purchase a home there, followed by France 16% and Italy 10% (see table below for top ten destinations).

<b>Where would you prefer to purchase a property abroad?</b>		<b>%</b>
1	Spain	26.2%
2	France	15.5%
3	Italy	9.5%
4	Portugal	6.7%
5	Greece	6.7%
6	Cyprus	5.2%
7	Caribbean	5.2%
8	Balearic Islands	4.3%
9	Florida	4.0%
10	Turkey	1.9%

Two thirds (66%) of those considering buying a property abroad would buy on the coast, while nearly a quarter (23%) would prefer the countryside. Only 6% would buy in the mountains and 5% would buy in a large town or city.

On average, those considering buying a holiday home abroad would spend **£116,846** on the property with the vast majority saying they would purchase the property outright, rather than with a mortgage.

The majority of those considering buying a property abroad are only likely to require a one to two bedroom property – 36% would prefer a one to two bedroom apartment while 29% would rather a similar sized villa. Just over a quarter of people (26%) would purchase a three to four bedroom apartment or villa.

Over a third (36%) said they would use savings to fund the purchase while nearly a quarter (24%) would downsize in the UK to release the funds required. One in twenty (4.5%) would use the lump sum from their pension to provide the funds needed while 4% would remortgage their current home to release the money.

## **Rental Income**

A quarter of those considering an overseas property purchase (26%) would rent out their property when they weren't using it. The majority (84%) of these owners would use the bulk of their rental income for the maintenance and upkeep of the property. Nearly half (49%) would use it to pay local taxes while over a third (36%) would use it for additional retirement income.

**James Yerkess continued:** *“Those planning to buy a property abroad need to think carefully about how they pay for their property’s maintenance, bills and taxes. Rental income from the home can be used to cover these costs, but with the majority of future owners not planning to rent theirs out, regularly sending money overseas will be a reality for them. Owning a holiday property abroad can provide many years of enjoyment but planning for costs is essential to avoid unwanted surprises along the way.”*

An efficient way to manage banking needs in two countries is, where possible, to have accounts with the same bank. Specifically with regards to HSBC customers using its 'Global Transfers' service, they can move cash and exchange currencies fee-free between their HSBC accounts, the transfer takes just moments and it reduces risk as the funds never leave the bank.

For HSBC customers moving money to non-HSBC overseas accounts within Europe\*, customers can send funds for just £4, making it one of the cheapest ways to send money overseas.

**-Ends-**

## **Methodology:**

Opinion Matters survey conducted in June 2013 on behalf of HSBC among 1,192 people in the UK aged 45 and over.

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<sup>i</sup> [http://www.clericalmedical.co.uk/Business/Media/MZDisplayRelease.asp?id=MZ2006\\_091](http://www.clericalmedical.co.uk/Business/Media/MZDisplayRelease.asp?id=MZ2006_091)

<sup>ii</sup> According to the ONS the UK population aged between 45 and 64 is 14,104,800

<http://www.ons.gov.uk/ons/taxonomy/index.html?nscl=Population#tab-data-tables>

\* HSBC's SEPA payments can be sent to the 28 EU member states, plus Iceland, Liechtenstein, Norway and Switzerland with transfers of up to £2,000.