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USA BEST VALUE FOR MONEY FOR OVERSEAS PROPERTY

But Pound strength makes Eurozone property 6% cheaper than March 2012

UK overseas property buyers' money currently goes furthest in Orlando, USA, where a £125,000 budget can purchase a four-bedroom home with a large garden and a private pool, compared to a studio apartment in the Swiss Alps, according to the first annual **HSBC Overseas Property Report**.

Florida's property market has reached the bottom since the bubble burst in 2006, with prices just starting to rise again, enabling foreign buyers to obtain a relatively large home for their budget, which is boosted by a favourable exchange rate (1.57) and low level of purchase taxes and fees (5%).

The pound to euro exchange rate has increased the most over the past six months, largely as a result of the on-going Eurozone crisis. It is up 5.7%, giving buyers with a £125,000 budget €8,563 more to spend. This will particularly grant those looking in Cyprus and Portugal higher purchase power, as purchase taxes are comparatively low. Currently Costa Blanca, Spain, offers the most space for money in Europe.

Purchase Power: What buyers can get for three different budgets in top overseas property purchase locations

Location	£125,000	£250,000	£400,000
Orange County, Orlando, USA	4-bed house	6-bed house	6-bed house
Alicante, Costa Blanca, Spain	3-bed house	4-bed house	5-bed house
Bodrum, Turkey	3-bed house	4-bed house	4-bed house
Malaga, Costa del Sol, Spain	2-bed apartment	3-bed house	3-bed house
Faro, Algarve, Portugal	2-bed apartment	2-bed apartment	4-bed house
Paphos, Cyprus	2-bed apartment	3-bed house	3-bed house
Pisa, Tuscany, Italy	2-bed apartment	2-bed apartment	3-bed house
Palma de Mallorca, Balearics	1-bed apartment	2-bed apartment	4-bed apartment
Nice, South of France	1-bed studio	1-bed apartment	3-bed apartment
Gryon, Swiss Alps	1-bed studio	1-bed apartment	3-bed chalet

James Yerkess, HSBC Head of FX, said: "There is a huge discrepancy in the size of property that UK buyers can purchase on the same budget in some of the most popular overseas locations for second homes. This is a combined result of foreign exchange rates, tax levels and the strength of the property market. Orlando, for example, offers excellent purchase power right now, but European destinations vary and aspiring buyers who are more flexible on location should weigh up their options to secure the most space and best facilities for their money."

HSBC OVERSEAS PROPERTY REPORT 2012 - KEY FACTS

INITIAL PURCHASE COSTS

- **A £125,000 budget** gives buyers in Switzerland £120,424 to spend on a property after tax (3.8%) and those in Orlando £119,048 (5% tax), while those in Italy will have only £110,619 to spend on the property after tax (13%).
- **A £400,000 budget** will give Swiss property purchasers £385,356 to spend on the property and those in Orlando £380,952.
- **However, the Swiss Alps offer the poorest purchase power;** £125,000 will only buy a one-bed studio apartment and £400,000 will only stretch to a three-bed chalet despite the relatively low purchase taxes and fees.
- **Costa Blanca offers most space for money in Europe.** While taxes and fees amount to 10%, the property market experienced a fresh slump in 2012. **£125,000 will buy a three-bed house with a shared pool.**
- **Purchase taxes and fees are highest in Italy** at approximately 13%, leaving only £110,619 of a £125,000 budget to spend on the property. However, Tuscany places seventh out of ten on the purchase power chart.
- **The pound gained the most against the euro** in the six month period to August, increasing by 5.7% from 1.202 in March to 1.2705. This gave buyers with a £125,000 budget €8,563 more to spend.
- **The pound was strongest against the Turkish Lira** in August at 2.8173, although it has fallen 0.03% over the last six months. A £400,000 sum equated to over 1.25 million Turkish Lira (TRY 126,920).
- **The pound to US dollar exchange rate fluctuated** between 1.55 and 1.61 in the six months to August but the six monthly change was entirely flat at 0.00%.

POST PURCHASE COSTS

- **Post-purchase costs are least expensive in Turkey and Cyprus**, where there is no annual tax on property. Foreign home owners in Cyprus are also not subject to tax on rental income, while those in Turkey face a 15% charge.
- **Annual property tax is most expensive in Switzerland**, where home owners face the highest yearly charge at 2.3% of property value.
- **Switzerland also has the highest tax on rental income** for foreign owners at 49%, followed by the USA at 30%.

- **Tax on rental income for French property is set to rise.** Foreign owners currently pay 20% tax on rental income, but President Hollande has confirmed that this will increase to 35.5%, giving France the second highest level of this tax, up from third lowest.
- **Travel (flights and car hire) is cheapest** for those with a holiday home in Spain or the Balearics. Summer and winter return flights for a family of four and car hire for two two-week periods costs £1,186 for Costa del Sol compared to £4,464 for Orlando.

FOREIGN EXCHANGE TRENDS COMMENTARY FOR SIX MONTHS TO AUGUST 2012

James Yerkess, HSBC Head of FX, said:

Great British pound (GBP) – Euro (EUR)

“It has been a difficult six months for the euro, enabling the pound to gain ground despite the UK’s own economic woes. Currency markets became increasingly nervous about the euro’s life expectancy as the Greek general election in May revealed opposition to the bailout programme and associated tax hikes and government spending cuts and the threat of a Greek exit loomed large. As the mood on Greece improved, fears regarding Spain intensified, centred on its weakened banking system in the wake of a burst property bubble and on-going recession. Policymakers responded to stabilise the situation, but with less haste and aggression than the market would have liked.”

GBP - US dollar (USD)

“Sterling and the US dollar have enjoyed a relatively stable relationship since March - in part because both could capitalise on the nervousness regarding the euro. However both currencies also suffered from economic weakness, with the UK in particular slipping back into recession. Despite this, the pound received some indirect support as a safe haven, with the government’s commitment to tighten finances attracting investors into the UK bond market. This helped the pound to keep pace with the more traditional safe haven of the US dollar, which now has markets increasingly weary, especially as the US elections approach.”

GBP – Swiss franc (CHF)

“The performance of the Swiss franc compared to the British pound has simply been an echo of the pound’s movement against the euro. In September 2011, the Swiss central bank decided to put a floor under the euro-Swiss franc exchange rate of 1.20 to prevent what it saw as excessive strength in the Swiss currency. Given the abundant international appetite for holding the Swiss franc, sustaining this floor has required the central bank to sell Swiss francs to prevent it rising in value, buying substantial amounts foreign currency instead – a policy that has been successful.”

GBP – Turkish lira (TRY)

“It has been a game of two halves for sterling against the Turkish lira over the past six months. The Turkish lira initially fell against sterling, as it suffered in a global environment of risk aversion. However, the lira enjoyed the advantage of high interest rates, which offered higher returns to

savers. More recently, Turkey's stronger economic data has helped the Turkish lira to recover somewhat and attitudes towards emerging market currencies have improved as investors see them as an attractive diversification choice amid growing nervousness regarding the euro and US dollar."

DATA TABLES

Table 1. Best value overseas property purchase locations

Best for	Location
Value for money on property purchase	Orlando, USA
Current exchange rate	Turkey
Change in exchange rate (last six months)	Eurozone
Lowest property purchase taxes and fees	Switzerland
Lowest annual property tax	Turkey / Cyprus
Lowest tax on rental income	Cyprus
Cheapest flights and car rental	Spain

Table 2. Current exchange rates and six monthly change in rates

	GBP/EUR	GBP/USD	GBP/TRY	GBP/CHF
Current exchange rate	1.2705	1.5691	2.8173	1.526
Current value of £125,000	€158,813	\$196,138	TRY 352,163	CHF 190,750
Current value of £250,000	€317,625	\$392,275	TRY 704,325	CHF 381,500
Current value of £400,000	€508,200	\$627,640	TRY 1,126,920	CHF 610,400
Six monthly change in rate	5.70%	0.00%	-0.03%	4.94%
Change in value of £125,000	€8,563	\$0	TRY -113	CHF 8,988
Change in value of £250,000	€17,125	\$0	TRY -225	CHF 17,975
Change in value of £400,000	€27,400	\$0	TRY -360	CHF 28,760

* As of 12.10pm on Tuesday 14th August 2012

Table 3. Purchase Power: What buyers can get for three different budgets in top overseas property purchase locations

Location	£125,000	£250,000	£400,000
Orange County, Orlando, USA	4-bed house	6-bed house	6-bed house
Alicante, Costa Blanca, Spain	3-bed house	4-bed house	5-bed house
Bodrum, Turkey	3-bed house	4-bed house	4-bed house
Malaga, Costa del Sol, Spain	2-bed apartment	3-bed house	3-bed house
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Pisa, Tuscany, Italy	2-bed apartment	2-bed apartment	3-bed house
Palma de Mallorca, Balearics	1-bed apartment	2-bed apartment	4-bed apartment
Nice, South of France	1-bed studio	1-bed apartment	3-bed apartment
Gryon, Swiss Alps	1-bed studio	1-bed apartment	3-bed chalet

Table 4. Breakdown of budget by property purchase price and taxes for each location

Location	Purchase Taxes & Fees	£125,000		£250,000		£400,000	
		Property Budget	Amount in Tax	Property Budget	Amount in Tax	Property Budget	Amount in Tax
Grypon, Swiss Alps	3.8%	£120,424	£4,576	£240,848	£9,152	£385,356	£14,644
Orange County, Orlando, USA	5.0%	£119,048	£5,952	£238,095	£11,905	£380,952	£19,048
Paphos, Cyprus	5.5%	£118,483	£6,517	£236,967	£13,033	£379,147	£20,853
Faro, Algarve, Portugal	6.2%	£117,702	£7,298	£235,405	£14,595	£376,648	£23,352
Nice, South of France	9.1%	£114,574	£10,426	£229,148	£20,852	£366,636	£33,364
Malaga, Costa del Sol, Spain	10.0%	£113,636	£11,364	£227,273	£22,727	£363,636	£36,364
Alicante, Costa Blanca, Spain	10.0%	£113,636	£11,364	£227,273	£22,727	£363,636	£36,364
Palma de Mallorca, Balearics	10.0%	£113,636	£11,364	£227,273	£22,727	£363,636	£36,364
Bodrum, Turkey	10.0%	£113,636	£11,364	£227,273	£22,727	£363,636	£36,364
Pisa, Tuscany, Italy	13.0%	£110,619	£14,381	£221,239	£28,761	£353,982	£46,018

Table 5. Property taxes and fees for each location

Location	Purchase taxes & fees	Annual property taxes	Tax on rental income
Grypon, Swiss Alps	3.8%	2.3%	49.0%
Orange County, Orlando, USA	5.0%	2.0%	30.0%
Paphos, Cyprus	5.5%	0.0%	0.0%
Faro, Algarve, Portugal	6.2%	1.2%	25.0%
Nice, South of France	9.1%	1.5%	20.0%
Malaga, Costa del Sol, Spain	10.0%	1.1%	24.0%
Alicante, Costa Blanca, Spain	10.0%	1.1%	24.0%
Palma de Mallorca, Balearics	10.0%	1.1%	24.0%
Bodrum, Turkey	10.0%	0.0%	15.0%
Pisa, Tuscany, Italy	13.0%	0.6%	23.0%

Table 6. Cost of biannual flights for four people and car hire for each destination

Location	Total	Summer Flights	Summer Car Hire	Winter Flights	Winter Car Hire
Costa del Sol	£1,186	£576	£215	£280	£115
Balearics	£1,248	£588	£286	£260	£115
Costa Blanca	£1,254	£636	£215	£288	£115
Algarve	£1,336	£656	£165	£424	£90
South of France	£1,482	£608	£307	£260	£307
The Swiss Alps	£1,594	£500	£393	£308	£393
Tuscany	£1,802	£732	£210	£692	£168
Cyprus	£2,218	£1,392	£287	£428	£111
Turkey	£2,363	£1,032	£367	£648	£315
Orlando, USA	£4,464	£2,048	£240	£1,936	£240

-ENDS-

Notes to editors

Methodology:

- Research was conducted in August 2012, looking at ten locations popular for UK holiday home purchases (based on information from Towergate Insurance and various holiday rental and property sales companies) and three different budgets.
- Exchange rates supplied by HSBC at 12.10 on Tuesday 14th August.
- For each location, the relevant exchange rate was applied to the budget and purchase tax was deducted to calculate the amount available to spend on the property.
- The property research was conducted using overseas property portals to ascertain the number of rooms, bedrooms and facilities available for the property budgets.
- Locations were then ranked by number of bedrooms and property type first and other rooms and facilities second, to give a value for money ranking.
- For full sources of the property taxes and fees, please contact Wriglesworth as below.
- Cost of flights and car hire were sourced in August 2012 for July 15-29 and January 7-21 from opodo.com.

For further information please contact:

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