

## An Investment Scenario:

What it might look like on paper whether buying for yourself or as an income generating investment. A hypothetical two bedroom apartment in Cannes:

<u>Cost of acquisition:</u>	20 Year Mortgage		
	50% Mortgage	Self Funding	0% Mortgage
Purchase price property	€ 500,000.00	€ 500,000.00	€ 500,000.00
Renovations	€ 10,000.00	€ 10,000.00	€ 10,000.00
<b>Total property cost</b>	<b>€ 510,000.00</b>	<b>€ 510,000.00</b>	<b>€ 510,000.00</b>
Furniture	€ 15,000.00	€ 15,000.00	€ 15,000.00
Facilitation fee (2.5% of purchase price)	€ 12,500.00	€ 12,500.00	€ 12,500.00
Transfer duties (Assumed at 7%)	€ 35,000.00	€ 35,000.00	€ 35,000.00
<b>Total cost</b>	<b>€ 572,500.00</b>	<b>€ 572,500.00</b>	<b>€ 572,500.00</b>
<b>Mortgage</b>	<b>€ 255,000.00</b> <b>44.54%</b>	<b>€ 138,500.00</b> <b>24.19%</b>	<b>€ 0.00</b> <b>0.00%</b>
<b>Cash required</b>	<b>€ 317,500.00</b>	<b>€ 434,000.00</b>	<b>€ 572,500.00</b>
<u>Estimated running costs</u>	Rate per month		
Tax fonciere	€ 120.00	€ 1,440.00	€ 1,440.00
Tax habitation	€ 120.00	€ 1,440.00	€ 1,440.00
Insurance	€ 12.00	€ 144.00	€ 144.00
Levy - property	€ 130.00	€ 1,560.00	€ 1,560.00
Water	€ 18.00	€ 216.00	€ 216.00
Electricity	€ 60.00	€ 720.00	€ 720.00
Repairs & Maintenance	€ 70.00	€ 840.00	€ 840.00
Administration	€ 119.60	€ 1,435.20	€ 1,435.20
Annual expenses		<b>€ 7,795.20</b>	<b>€ 7,795.20</b>
	Monthly payment		
Mortgage repayment at 5%	20 Years	€ 1,552.95	
	20 Years	€ 843.47	<b>€ 10,121.58</b>
<b>Total annual cost (incl. rental management &amp; mortgage repayment)</b>		<b>€ 26,430.60</b>	<b>€ 17,916.78</b>
<u>Estimated rental income</u>			
Seasonal Rental	Azur Online Estimate less 10%	€ 18,000.00	€ 18,000.00
Annual Rental		€ 0.00	€ 0.00
<b>Total Annual Rental Income</b>		<b>€ 18,000.00</b>	<b>€ 18,000.00</b>
<u>Returns (importantly ignoring taxation)</u>			
<b>Net 1st year income</b>		<b>-€ 8,430.60</b>	<b>€ 83.22</b>
<b>1st year income return on capital invested</b>		<b>-2.66%</b>	<b>0.02%</b>
1st year capital appreciation on purchase price & renovation cost, assumed at:	<b>10.00%</b>	<b>€ 51,000.00</b>	<b>€ 51,000.00</b>
1st year capital portion of mortgage repayments		<b>€ 7,617.64</b>	<b>€ 4,137.43</b>
1st year capital appreciation & contribution toward mortgage as % of capital invested		<b>18.46%</b>	<b>12.70%</b>
<b>Total income and appreciation</b>		<b>€ 50,187.04</b>	<b>€ 55,220.65</b>
<b>1st year net return</b>		<b>15.81%</b>	<b>10.69%</b>

This is simplified, but not far from reality for an apartment in this "average" category.

Capital appreciation has averaged about 16% per annum in Cannes and most of the Riviera for the last 6 years, but has averaged about 10% per annum over the last 60 years.

Assuming only a 10% capital gain, the net return of 51 000€ on the investment of 317 500€ is 15.81% on a 50% mortgage.

Put differently, the investor in this example has seen a real return on his 317 500€ investment of 15.81% over the first year and although he has been cash negative, his wealth has grown by around 51 000€.