
Investment Guide

International Residential Property Services



UK



Japan



Germany



Australia



US



We've got your investment interests covered

Capital growth. Strong rental yields. First class educational facilities. These are just some of the reasons buyers in Asia Pacific invest in international residential property. You can join them.

Understanding the differences between property markets in the US, Europe and Asia Pacific is vital. So is understanding different countries' sales processes and tax systems. That's where we can help.

Our 13 international teams and more than 100 staff across Asia Pacific have assisted investors in Asia with more than USD 6 billion in international property sales since 2012.

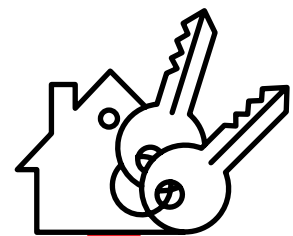
International property investment is not just about buying bricks and mortar; it can be about finding a home or making your money grow.

Choosing a property is only the beginning. We can also advise you about financing, legal documents, furnishing packages, and even find you a tenant.

Get in touch. We can help you achieve your property ambitions.

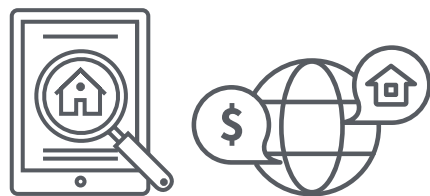
Anne-Marie Sage

Head of International Residential Property Services
Asia Pacific



How to buy an international property

STEP
1



Be prepared.

Research the advantages of investing in different countries and learn about their taxes and property regulations.

STEP
2



Identify the property to purchase.

STEP
3



Pay a reservation fee towards the 'preliminary sales and purchase agreement'.

STEP
5



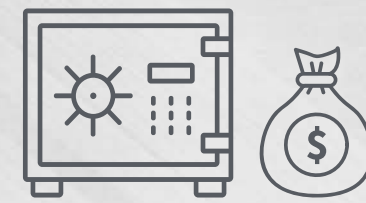
Agents can assist with **contract translation services** where necessary and **arrange signing sessions** with developers, so travel may not be necessary in all cases.

STEP
4



Hire a lawyer or agent to assist with handling the contract. Reputable real estate consultants should be happy to recommend experts for this task.

STEP
6



Once the contract is signed, be prepared to **transfer the necessary deposits**.

STEP
7



Closer to completion, **secure a mortgage provider**, if one is needed. Again, trusted real estate agencies will be able to recommend banks offering mortgage products for overseas buyers.

United Kingdom

The UK is ideal for investors looking for stable returns on investment at a range of property price points.

Why invest in the UK?

Historically, the UK has delivered stable returns on investment over time, and this trend shows no sign of stopping any time soon. This makes it an excellent choice for investors looking at property as a means of wealth preservation. In the wake of the EU Referendum, the relatively weaker British Pound is working to overseas investors' advantage.

Returns on investment

UK house prices (2017-2021):

↑ **13.1%**¹

UK rentals (2017-2021):

↑ **17.6%**²

^{1&2} JLL UK Residential Research, February 2017



Where to buy?

London has always been popular with overseas buyers and will continue to be so as Crossrail revolutionises the city's transportation system and breathes fresh life into neighbourhoods like Ealing, Whitechapel, Stratford and Woolwich.

More and more investors are also looking north to Manchester. The city will soon benefit from the UK's second high-speed rail line, connecting it with the British capital.

Buying UK property

Say you have identified a UK property you want to invest in, with a price of £1 million.

If this is your first property and you intend to live in it, you will need to pay an effective 4.375% Stamp Duty rate—£43,750. The rate will be higher if this is your second home, or you intend to buy it to let it out.

Income tax will need to be paid on any income generated from the leasing of the property. Ground rent will be around £400-£1,000 per year, depending on the type of property.

When you choose to dispose of the property, you will need to pay Capital Gains Tax of between 18% and 28% of the amount you have earned from the property sale, minus any tax allowances and deductions.

What next?

Most investors are able to cover the majority of their monthly mortgage payments by generating rental income through their UK properties. This is a great way to capitalise on your investment, even as you wait for the property to appreciate in value on the sales market.



What you need to know



MORTGAGES

Big banks like HSBC, Bank of East Asia and Bank of China offer mortgage products for overseas buyers. Investors must make the applications themselves, but real estate agencies can be relied upon for guidance.



ACQUISITION COSTS

Buyers should expect to pay **Legal Fees** of around 0.5-1% of the property price. In addition, **Stamp Duty Land Tax** (SDLT), more commonly known as Stamp Duty, may be chargeable on the acquisition of UK property worth more than £40,000. Investors purchasing their second homes or buying to let are charged an additional 3% on top of the basic SDLT rate³.

| Property Value | Basic SDLT Rate | Second Home / Buy-to-Let SDLT Rate |
|-----------------------|-----------------|------------------------------------|
| Up to £125,000 | 0% | 3% |
| £125,001 - £250,000 | 2% | 5% |
| £250,001 - £925,000 | 5% | 8% |
| £925,001 - £1,500,000 | 10% | 13% |
| More than £1,500,000 | 12% | 15% |

³ HM Revenue and Customs: <https://www.gov.uk/stamp-duty-land-tax/residential-property-rates>



HOLDING COSTS

Ground Rent, a regular payment by the owner of leasehold property to the property's freeholder, amounts to around 0.1% of the purchase price per annum, depending on the property type. This is typically subject to review every 10 years.

Service Charges vary among developers and according to the property's level of facilities.



LETTING COSTS

If you generate rental income from your UK property, you are required to pay **Income Tax**. The rate depends on how much you earn, although a variety of exemptions can help offset the cost.

Fees for Letting Services are a percentage of rental income, varying by agent and service level.

| Taxable Bands 2017/2018 ⁴ | Rate of Income Tax |
|--------------------------------------|--------------------|
| Up to £33,500 | 20% |
| £33,501 - £150,000 | 40% |
| More than £150,000 | 45% |

⁴ HM Revenue and Customs: <https://www.gov.uk/government/publications/rates-and-allowances-income-tax/income-tax-rates-and-allowances-current-and-past>



DISPOSAL COSTS

You have to pay **Capital Gains Tax** on residential property in the UK, even if you're a non-resident for tax purposes. You only have to pay Capital Gains Tax on your gains above the tax-free allowance, or Annual Exempt Amount, of £11,300⁵. The amount you pay depends on how much you have earned from the property sale and your taxable income, but it ranges from 18- 28% of your capital gains.

Inheritance Tax is charged at 40% on UK assets worth more than £325,000. There is no Inheritance Tax to pay if you pass a home to your husband, wife or civil partner, but if you leave the property to another person in your will it counts towards the value of the estate.

Brokerage and **Legal Fees** associated with property disposals vary.

⁵ HM Revenue and Customs: <https://www.gov.uk/capital-gains-tax/allowances>

Japan

Japan is good for investors looking for a buy to let property.

Why invest in Japan?

Tokyo is gearing up to host the 2020 Olympic Games. Around 33 million foreign visitors are expected to travel to Japan in that year, while tourist spending is forecast to increase at a faster rate⁶. The country is also upgrading its already excellent infrastructure, with increased investment in hotels, public amenities, commercial premises and transport.

⁶ Bank of Japan: https://www.boj.or.jp/en/research/brp/ron_2016/data/ron160121b.pdf

Returns on investment

Central Tokyo capitalisation rates (2012-2016):

↑ 40.0%

Central Tokyo rental growth (2012-2016):

↑ 7.0%



Where to buy?

As Japan's capital and its financial hub, Tokyo will continue to be popular with overseas buyers as it benefits from urban redevelopment programmes associated with the Olympic Games.

Now investors' eyes are being drawn south to Osaka, a leading contender to house large-scale casino resorts under Japan's newly legalised casino gambling industry.

Buying Japanese property

Say you identify a Japanese condo unit you would like to buy, with a price of ¥50 million.

You will pay around ¥750,000 - ¥1,500,000 at completion to cover taxes, an ownership registration charge and reserves for a sinking fund. While you hold the property, you will pay property taxes (Fixed Asset Tax and City Planning Tax), equivalent to ¥300,000 - ¥400,000 each year. For the first five years, this tax could be reduced by as much as 50%, depending on the size and location of your unit.

Income Tax will need to be paid on any income generated by leasing the property. Provided you hold the property for more than five years, you will need to pay a Capital Gains Tax of 15.3% of the amount you earned from the sale. Any money sent out of Japan will be subject to a 20.4% Withholding Tax.

What next?

Japan has a thriving residential leasing market, driven by both expat professionals and domestic demand from Japanese workers flocking to the country's big cities. Historically, Japanese people lease property rather than buying, so the rental market is expected to remain strong long-term.

What you need to know



MORTGAGES

Historically, banks did not handle mortgages for overseas investors purchasing Japanese property. Thankfully, some international and Japanese banks will now provide loans to foreign buyers. International real estate agencies should check if the buildings they are selling are approved for lending to overseas investors.



ACQUISITION COSTS

A **Real Estate Acquisition Tax** is paid by the buyer every time land or buildings are transferred in Japan. This is payable on land or a property's 'tax value'. This value is assessed by the National Tax Agency and is typically much less than the purchase price and market valuation for condo purchases in Tokyo and Osaka. The basic rate of Real Estate Acquisition Tax is 4% of assessed 'tax value', but until 31st March 2018, land and residential buildings are being taxed at a reduced rate of 3%.

A **Registration Tax** is also payable when you register your ownership of land and buildings, or other legal interests such as mortgages, with the Japanese government. For mortgages, this is calculated at 0.4% of the loan amount. **Stamp Duty** must also be paid, according to the purchase price laid out in the Purchase and Sales Agreement.

| Property Value | Stamp Duty Tax Rate ⁷ |
|----------------------|----------------------------------|
| ¥50 million or less | ¥10,000 |
| ¥100 million or less | ¥30,000 |
| ¥500 million or less | ¥60,000 |
| ¥1 billion or less | ¥160,000 |

⁷ Reduced rate until 31st March 2018



HOLDING COSTS

A **Fixed Asset Tax** and **City Planning Tax** are imposed on property owners every year on 1st January. These must be paid to Japanese city authorities, even if you are a foreign owner living outside of Japan. The fixed asset rate is 1.4% of a property's assessed 'tax value'. The city planning tax rate is 0.3% of the 'tax value'. International investors should hire an English-speaking Japanese accounting firm to assist with making these payments. **Service Charges** typically range from ¥350 - ¥600 per square metre, depending on the building and its facilities.



LETTING COSTS

You have to pay **Income Tax** on rental income generated by letting Japanese properties. Operating costs, loan interest and building depreciation can be deducted in calculating net taxable income. Rental income is subject to a **Withholding Tax** of 20.4% before it can be sent out of Japan to your home country, unless you are leasing your property to a family member. **Management Fees** are typically around 5% of a property's rental price. **Letting Fees** are equivalent to the price of one or two months' rent. For a fee, some letting and management agents offer guaranteed rental schemes, which guarantee a rental income for five years.

| Taxable Income | Income Tax Rate | Deductibles |
|---------------------------|-----------------|-------------|
| ¥1,000 - ¥1,950,000 | 5.1% | N.A. |
| ¥1,951,000 - ¥3,300,000 | 10.2% | ¥97,500 |
| ¥3,301,000 - ¥6,950,000 | 20.4% | ¥427,500 |
| ¥6,951,000 - ¥9,000,000 | 23.5% | ¥636,000 |
| ¥9,001,000 - ¥18,000,000 | 33.7% | ¥1,536,000 |
| ¥18,001,000 - ¥40,000,000 | 40.8% | ¥2,796,000 |
| More than ¥40,001,000 | 45.9% | ¥4,796,000 |



DISPOSAL COSTS

Even non-residents have to pay **Capital Gains Tax** on gains made from the sale of Japanese property. If the property is held for more than five years, Capital Gains Tax is payable at a 15.3% rate from the following year. Otherwise, the rate is 30.6% of the net gains of the sale. A **Withholding Tax** of 10.2% may also be applied. **Japanese Inheritance Tax** must be paid by the recipients of the property, rather than the owner's estate. A loan balance, a basic deductible of ¥30 million, and an additional deductible of ¥6 million per statutory heir (spouse or child) can reduce this tax burden. **Brokerage** and **Legal Fees** associated with property disposals are usually 3% of the sale price, plus ¥60,000.

| Tax Value After Deductions | Inheritance Tax Rate |
|----------------------------|----------------------|
| ¥10 million or less | 10% |
| ¥30 million or less | 15% |
| ¥50 million or less | 20% |
| ¥100 million or less | 30% |
| ¥200 million or less | 40% |
| ¥300 million or less | 45% |
| ¥600 million or less | 50% |
| More than ¥600 million | 55% |

Germany

Looking to invest long term? Germany could be for you.

Why invest in Germany?

The ongoing rejuvenation of Germany's key cities makes them excellent destinations for buyers looking for a foothold in Europe with the potential for excellent returns on investment. Berlin is an emerging technology hub, with Twitter, Uber and SoundCloud among the tenants flocking to the German capital. Frankfurt, home to the European Central Bank, is already an established financial centre.

Returns on investment

Germany house prices (2016-2017):

↑ 10.5%⁸

Germany rentals (2016-2017):

↑ 4.2% - 12.3%⁹

^{8&9} JLL Residential City Profile, Frankfurt and Berlin 2017



Where to buy?

Berlin is a dynamic city, with a young population and strong technology industry ties. Formerly run-down neighbourhoods have been transformed into fashionable, hip hangouts and a new international airport is improving the German capital's connectivity.

Frankfurt's international transport links, world-renowned financial marketplace and established infrastructure appeal to investors seeking sustainable growth and long-term returns.

Buying German property

You decide to buy a property in Berlin with a price tag of €1 million.

You will need to pay €60,000 in Real Estate Transfer Tax and a Notary and Registration Fee of around €15,000. You can expect to pay a small amount in Property Tax on an annual or quarterly basis. Letting fees include a one-off payment of 1.5 times a property's monthly rent to find a tenant and a monthly management fee of around €20.

Any income made from letting German property is subject to 14-45% Income Tax, but mortgage interest, management fees and any value depreciation are tax deductible.

No Capital Gains Tax is payable if you hold a German property for more than 10 years, but if no exemption applies, the property is classed as income and taxed as such.

What next?

Think long-term when buying a home in Germany. Property prices in Berlin and Frankfurt are expected to continue to rise, so holding a property for more than ten years should allow for steady capital appreciation while helping you avoid paying tax on the profits earned.

Vacancy rates are below 1.5% in most German metropolitan cities, with demand for residential property heavily outweighing supply, so leasing your property is a good way to make a stable income.



What you need to know



MORTGAGES

Financing products are available for overseas buyers, covering up to 70% of a property's value. Banks may support instalment purchases if you are buying a new-build property.



ACQUISITION COSTS

A **Real Estate Transfer Tax** is charged at a basic rate of 3.5%, but the actual rate you need to pay varies from state to state. A 6% rate is applicable in Berlin and Frankfurt, with some states charging up to 6.5%. The Transfer Tax has to be paid around four weeks after the notary deed has been signed by both the buyer and seller of a property. Under German law, you must pay a **Registration Fee** of around 0.5-1.2% of the value of your property to have your name entered in the local land registry. It is also a legal requirement for sale and purchase agreements to be notarised. **Notary Fees** range from 0.5-2% of the purchase price.



HOLDING COSTS

Property Tax on all German real estate assets must be paid on a quarterly basis or in full at the beginning of each year. The amount varies depending on the property's size and location, but is normally a very small amount.



LETTING COSTS

Overseas investors must pay **German Income Tax** if they make money from letting their German property. This ranges from 14-45%. Non-German residents do not qualify for tax-free allowances, but mortgage interest, management fees and any depreciation in property value are tax deductible.

Management Fees range from €15-22 per unit per month, excluding **Value-Added Tax (VAT)**, while Letting Fees are 1.5 times the monthly rent, excluding VAT. **Service Charges** can vary.

| Taxable Income ¹⁰ | Income Tax Rate (2017) |
|------------------------------|------------------------|
| Up to €45,237 | 14% - 42% |
| €45,237 - €247,483 | 42% |
| More than €247,483 | 45% |

¹⁰ Per calendar year



DISPOSAL COSTS

If you hold a German property for more than 10 years, you can avoid paying **Capital Gains Tax** when you sell or dispose of it. Other exemptions may also be possible. If no exemption applies, the profit is classed as income and is taxed accordingly.

Under German law, **Inheritance Tax** is calculated for each beneficiary individually, depending on the value of the inheritance and their relationship to the deceased. There are additional exemptions for spouses.

| Relationship to Deceased | Inheritance Tax Rate ¹¹ |
|--|------------------------------------|
| Spouse, child, grandchild, parent, grandparent | 7% - 15% |
| Sibling, niece, nephew | 15% - 25% |
| Other beneficiary | 30% |

¹¹ Rates apply for inheritance of up to €600,000. Higher tax thresholds apply for inheritance above this amount.

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