

BUYERS GUIDE

Buying a dream home in Turkey

So there you are, on the annual holiday to the fabulous Turkish Mediterranean, known as "The Turkish Riviera", you booked through a travel agent and really did not know what to expect. Within days you fall totally in love with the area, the properties, the lush green mountainous vegetation, the fabulous sandy beaches, the mouth watering cuisine and its wonderful friendly local people.

Inside two weeks, you want to live there for the rest of your life. You salivate at the bargain basement prices being asked for some of the gorgeous properties being snapped up by European buyers, reminding us older generation of the prices being asked in Spain some fifteen years ago. Many times saying "if only I had purchased then".

You realise that this opportunity has presented itself once again.

One month later, you are back at your desk, wondering if it was no more than a dream, a ridiculous flight of fancy.

Stop dreaming, start buying

Well, perhaps it wasn't. Maybe, just maybe, you can turn that dream into a reality, realising that some 2,000 Brits are purchasing properties in this area every year, pushing up the property prices by demand. They cannot all be wrong.

Investment or safe haven?

Before you do go ahead, you need to decide one important point, is your prospective purchase an "investment" or are you simply hoping to use it as a holiday home or maybe a retirement home.

There are of course, massive variations in-between. Your aim might simply be to live in it a few weeks a year, whilst not being adverse to making a few quid on the side from family and relatives who also want to stay there. Or you might want to "sweat" your investment, and make as much as possible out of it.

What your investment might cost

You will see many advertisements for properties in Turkey starting at around £20,000, forget these prices, they do not exist for insurable properties any more. Realistically, properties on "The Turkish Mediterranean" start at around £40,000 freehold. For this you will get a 2 bedroom large apartment a stones throw away from the beach. Villas start at around £90,000. By visiting the Romance of Turkey web site you will find links to all our partner-builders' developments plus information on purchasing properties in Turkey.

If your priority lies in making capital return on the property, this is the ideal place to buy. Currently the property market is showing a massive 30% per annum increase, coupled with a 12 month rentable season. The HSBC bank is also offering foreign purchasers a massive 10% interest rate, tax paid. There is no capital gains tax after 4 years. So it does not take "rocket science" to see that this is probably one of the best investment areas on the planet.

Renting

When buying in Turkey, especially if you want a rental return on your property, you have to understand the areas and seasons. A very popular part of Turkey with the Brits is on the Aegean coast around Marmaris and Bodrum, however, did you know that As well as having a colder winter climate, the area virtually closes down to tourism during this period, however on the Turkish Mediterranean there is a full 12 month season with direct flights out of England all year round.

The summer is hot and the winter is very warm. Another strong point to bring to attention is that certain areas in Turkey are situated slap bang in the middle of a "Red" plate earthquake zone, the Aegean coastal areas being part of this zone, where as Alanya sits in a white zone with no danger from impending earthquakes.

The area is international with many Scandinavians renting in the winters. An average summer rent will be around £300.00 per week and a winter let around £150.00 per week for a 2 bedroom apartment.

How to buy

OK, let's assume you are now excited and want to take one step further. Everyone in Turkey from your taxi driver to your waiter is an "Estate Agent" or has an uncle with a house to sell. BEWARE!!! There are many unlicensed estate agents, you must buy from a registered agent, ask him for a copy of his trading certificate before even looking at any properties. The next step is to locate your agent and go on an inspection trip with them.

Romance of Turkey offer 7 day inspection tours leaving Britain every week throughout the year.

All Romance of Turkey Builders are licensed with the local authority and the Turkish government and have FULL trading certificates.

On these tours you are shown the whole area, you will view properties on a one to one basis within your budget and specification, you will also have lots of precious holiday time on your own to get a feel for the area. You will also find that there is absolutely no pressure to purchase.

The question now is how to raise the money to buy the property.

A UK Lender or borrow locally

Recent changes in Turkish financial legislation mean that certain banks will now advance moneys up to a 20 year period to finance Turkish properties, either "off plan" or "key ready" the system is slightly different, however very efficient with a decision being given within 2 weeks with capital being available from that date. Loans of up to 60% are available at an average interest rate of around 9%. Romance of Turkey can arrange all this for you in association with "The Garentee Bank Alanya

There are different options and we could give you lots of "on the one hand and on the other hand" stuff.

But, let's cut to the chase: the general consensus is that if you are still living and working in the UK you should wherever possible, go for a sterling-denominated capital, be it a re mortgage, equity release or bridging finance. This has nothing to do with UK interest rates but currency movements: if the Euro or the US dollar should appreciate against the pound, the amount you owe – in sterling will increase.

Where to find a foreign property mortgage?

It is always advisable to go to an independent financial adviser prior to raising your capital. They have up to date access to all the latest deals on the market.

Top up your mortgage

Another option is topping up your UK mortgage. This may be a sensible choice if you already have plenty of equity in your current property, you can consolidate both the overseas and UK loans and – hopefully – get a good fixed or discounted deal to help fund the new purchase.

Paying in cash

If you chose this last option, you are, in effect, paying cash for your foreign property. That is, you will have to find some way of transferring money from your UK account to the overseas vendor of the property.

In which case, open a bank account in Turkey. Romance of Turkey recommend the HSBC, for the sole reason that their internet banking in Turkey is far superior to any we have in Britain. It's in English and automatically gives you a receipt for every transaction. And, don't forget, 10% net interest. You can also send money directly from the UK to the sellers account.

Frequently Asked Questions

1) What can I buy?

Freehold property of land may be purchased by most foreign nationals, from a Turkish national or another foreigner, provided the property is in the local district "Belediye".

B) If property or land is outside the Belediye long leases can be arranged. The property is purchased in the banks name who then lease it to the purchaser. The lease can subsequently be transferred to a third party if he/she wishes without restriction.

2) How do I pay for it?

It is advised that funds for the purchase should be transferred into the country through a Turkish bank and specifically identified for that purpose. The foreign currency should be sufficient to cover both the purchase cost plus other costs incidental to the purchase. You should keep all receipts to prove the original purchase to enable easy repatriation. A recent decree aimed at aligning Turkey's currency laws with the EU states that importation of foreign currency is free, it cannot be subject to any legislation and it's origins cannot be questioned.

Decree 32, August 1989 Article 4.0.

3) Are there extra costs?

Yes, with some purchases from developers all costs (excluding lawyers fees) are included, but with individual properties and some small developers only the purchase price is shown. This is always made clear on promotion material. The extra charges involved for a freehold or leasehold purchase payable by the purchaser amount to approximately 3% of the purchase price paid.

4) About ongoing costs?

Property tax, paid annually at a fixed percent of the declared value, (on a new home a 25% reduction is given until the revaluation conducted after the first five years).

Building insurance is compulsory for leases arranged through Yapi Kredi, the premium is approximately 2 per mil. It is also mandatory to purchase State earthquake insurance. Gas is normally used for cooking and can also be used for water heating. Cylinder refills cost approximately £10.00 and lasts approximately a month for water heating and two months for cooking (a deposit is taken for each gas cylinder). Electricity is cheap approximately £0.15p a kilowatt. Bills are payable monthly at a local bank or directly at the Turkish Electricity Board.

Water costs approximately £0.40p per ton (1,000 litres on mains supply) or £3.00 per ton when bought from a bulk tanker. Site maintenance, groups of houses, particularly developments will form a management service, committee or company, to maintain common facilities, common gardens, repainting, etc. The cost of this will vary from development to development, but generally starts at around £350.00 per annum. Their conduct is governed by Turkish law.

5) About my Tax situation?

Capital gains made from the sale of a property will be taxable in Turkey if the owner is a Company. Individuals do not have to pay capital gains, provided they have owned the property for one year. In the UK capital gains may be taxable depending on the individuals situation. Current tax conditions were originally agreed in a double taxation treaty signed in 1986. These were amended in October 1988 and cover the reciprocal agreement relation to income tax and corporation tax in Turkey and income, corporation and capital gains taxes in the UK. This also includes a non discrimination clause "Nationals of a contracting state shall not be subjected in the other contracting state to any taxation or requirement connected therewith which is other or more burdensome than the taxation and connected requirements to which nationals of that other state in the same circumstances are or maybe subjected". (Article 24). However, we would always recommend you consult an accountant because each individual's circumstances are different.

6) Can I rent my property?

Rental income is liable for tax assessment in either the UK or Turkey and will be payable depending on the personal situation.

7) The selling costs of property?

Freehold resale costs are between 5% (comprising sales tax, local documentation and legal fees). Property may be sold to Turkish, or foreign nationals without restriction. Because of the change in law (Decree 32 August 1989) the lira is now convertible so proceeds of the sale of a property can be converted to whatever currency and subsequently transferred to any country you choose. If the property is subject to a Yapi Kredi lease then the transfer costs are just over 1%.

8) Should I furnish my property in Turkey?

Furniture is generally cheap, and can be custom made by local craftsmen if required. It is possible to buy in most towns at very competitive rates, with a wide range of goods. Electrical items are less expensive than in England. Towels and linen are cheaper than Europe, however, household goods are extremely cheap and can be purchased at the local markets. For non national residents it is possible to import household goods providing they hold a suitable residency permit.

9) What about communications?

Telephones are applied for at the Turk Telekom and connected the next day, depending on availability in your area. There is a small line rental payable annually approximately £18.00. Lines are generally good and Internet access easy and well serviced. Television reception is good and if you subscribe to Digiturk Satellite system you receive 52 channels including MGM, Movie Max 1&2, BBC Prime, Discovery Channel, Euro sport, CNN world news, etc. There are large European communities living in Turkey full time, plus many transitory people living on boats in the harbours for months at a time.

For further details on inspection tours and properties, give the Romance of Turkey office a ring and their friendly sales staff will be only too happy to help 0800 999 8866

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