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Holiday lets in Britain are under attack – here's where to invest abroad instead

Telegraph Money picks out some potential properties, and pitfalls

By Liz Rowlinson

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As local authorities set out their intentions to start doubling the cost of council tax for some second home owners, it may be time to set your sights further afield.

Those with holiday homes in popular British hotspots such as Devon, Cornwall and the Lake District may soon find themselves being charged an extra tax premium, it may be that nowhere in the UK is safe, given the Labour Party has announced it will introduce further measures to target second home owners should it get into power.

So, if not Britain, then where are the best places to have a holiday let? Most people buy a holiday home where they like to go on holiday. It's as simple as that – they know what they like, and they just want to turn up, open a familiar door and flop on their favourite lounger.

As for more practical considerations, you'll need to factor in how much it will cost to buy and run, and whether you need it to earn some rental income. Or, perhaps the property will be your pension pot, so you might be aiming for some capital appreciation and some tax savings when you sell.

Here, Telegraph Money sets out what you need to consider before buying a holiday let abroad – and what properties you can get in some of the top locations.

The costs of ownership can be high

First up, you need to look beyond a property’s price tag at the other purchase costs and ongoing expenses. Spain might be awash with affordable properties, but the buying costs are 10-14pc on top – almost double that of France’s at 7-8pc. In Italy, you’ll pay more purchase tax for a holiday home than a primary residence (9pc or 2pc of the land registry value, respectively).

The cost of getting a mortgage will also vary – and whether you can easily get finance. Mortgage rates in Europe have been increasing, too: in June the 12-month Euribor rate (set by the European Central Bank) went above 4pc for the first time since 2008.

In Spain, a typical mortgage rate for a UK borrower is around 3.75pc fixed for 20 years, according to Kevin Monger of Mortgage Direct. “Some UK buyers are requesting a small mortgage when they might otherwise have been cash buyers, because they don’t want to tie up all their cash right now,” he said.

Consider the tax implications

When you buy, it could be worth putting a property in your children’s names to save on inheritance tax. British owners of Spanish holiday homes could be liable for both UK and Spanish inheritance tax, said Alex Radford of My Lawyer In Spain.

“But it depends on the region. In Andalusia there’s a €1m allowance per direct heir, but in Valencia it’s only €100,000,” he said.



Montefrio, Andalusia. Rentals in the mountains can provide more weeks of income, and the Spanish region enjoys a €1m inheritance tax allowance | CREDIT: Shaun Egan/The Image Bank RF

Be aware also that some countries have a wealth tax – on the value of your real estate or even on your capital assets. If the value exceeds the exemptions and allowances available, then you may well have some new annual

taxes to pay, said Jason Porter of Blevins Franks.

“For a UK couple who just own a holiday home, the exemptions of €1.3m in France, €1.2m in Portugal and €2m in Spain should mean no wealth tax will be payable. But, if the value exceeds these amounts, then respective rates of 0.5pc, 0.7pc and 0.2pc will kick in.”

Want to rent out your home for holiday rentals? Non-resident property owners in Spain will now pay 24pc tax of gross income from rentals, with no deductions permitted for expenses. EU residents, meanwhile, have a reduced income tax rate of 19pc with the possibility of deducting expenses.

Now read: [What the holiday-let crackdown means for you](#)

Renting to wash its face

Double the houses, double the running costs. Amidst rising costs of living, holiday home owners are increasingly looking to rent out their property when they are not using it to offset higher energy bills or mortgage costs.

If rentability is key, consider location, seasonality and climate: how will the yield stack up?

Golf and mountain homes tend to provide more weeks than summer-only resorts; locations with mild winters offer scope for renting to “snowbirds” – a term used for those who seek to escape their chilly home climate in the colder months. These have become increasingly popular on the Costa del Sol, reports local agent Panorama Properties in Marbella.

To make optimum use of the property all year, look for areas that appeal to many nationalities and who visit at different times.

Don’t make the mistake of buying a property to rent out without having your lawyer check you can legally do so. Some properties in Spain might come with holiday let licences, others won’t – and you might not be able to apply for a new one. For instance, there’s a moratorium in the Balearic Islands until 2026. Additionally, buildings or individual complexes might ban Airbnb lets.

Research what kind of properties rent well. Historic city townhouses or apartment buildings are more popular if they have a lift and outside space, for example.

You can find out how much you might expect to earn by putting the address into the short-term rental portal AirDNA’s Rentalizer calculator, and get a projection based on similar properties in the area.

Running costs: buyer beware

Renting out your property can cover its expenses, but you need to keep an eye on the bottom line. What are the community fees if you buy on a managed complex? Buying on a development with an onsite rental pool can save you the hassle of finding a good managing agent, but always ask about the annual fees before you buy.

Beware that anything offering a “guaranteed rental return” will have usually built it into the purchase price.

Installing energy-efficient features can reduce costs – especially solar panels. New developments – such as Ombria Resort on the Algarve (geothermal system and vacuum solar panels) and Elounda Hills in Crete (a new sustainable community) are among those aiming to reduce owners’ energy bills. Some buyers are opting not to have private swimming pools due to the expense they incur.

Easy access all areas?

Accessibility is increasingly important, as the owners of rental properties and rental agents report a trend towards people taking frequent but shorter breaks – meaning visitors may be less willing to endure inefficient journeys from the airport, for example.

For weekend homes, target areas within one hour of an airport (or, even better, two airports) and check flight routes and seasonal changes: can you fly there during the winter?

Drivability is increasingly popular for the carbon-footprint conscious or dog-owners. Buyers might consider areas of north-west France accessible by car or ferry, such as Brittany, Normandy or the Charente, or with a Eurostar connection, like Provence.

The Portes du Soleil resorts of the French Alps have become more popular for both their easy access from Geneva and their summer appeal, says Giles Gale of Alpine Property Finders.

Now read: ['Airbnb is for amateurs': how to build a successful holiday let business](#)

How long can you spend there?

Another important check to make is around visa and residency rules – are there any restrictions on non-resident buyers? You can stay up to six months in Florida or Barbados, for example, but in EU countries British citizens are subject to the 90-day rule.

Applying for a temporary visa to spend longer than this in France every year is a cumbersome process, yet there's a system in place to do this.

Also be aware that the status of so-called “golden visas” (residency permits offered with a property investment) is continually changing. Portugal's is ending this year, while Greece's threshold is doubling in certain areas/islands.

Now read: [How to beat the 90-day Brexit rule and live in France for six months a year](#)

Future-proofing your property

If you are considering your property as a long-term investment, bear in mind that some overseas areas offer more liquidity than others. Being able to sell to buyers from half a dozen nationalities – your exit strategy – insulates you from the vagaries of just one or two economies. Developer Taylor Wimpey Espana sold its Spanish holiday resort homes to 42 different nationalities in the past year.

Your long-term plan might also include capital gain. If emerging locations such as Montenegro or Turkey don't appeal, look at those at a local level.

On the Costa del Sol, property in Estepona averages €5,000 per square metre, compared to nearby Marbella's €9,000, according to Knight Frank Research. Your money will also go further in the Western or Eastern Algarve rather than the Central Algarve.

Future-proofing also means anticipating climate change. Some buyers say they are choosing northwest France – or the Alps – to avoid the scorching summers in the southern area of the country, or in Spain. If you've endured the recent 45-degree days in southern Europe this one might resonate.

For sale

Bains-sur-Oust, Brittany

Six-bedroom house with indoor pool in Ille-et-Vilaine, close to Redon. Stone-built with light and airy living spaces and geothermal heating.



£454,555 through Leggett

Fazenda Santiago, Algarve

Large, modern detached house with swimming pool and extensive gardens.



£1.4m with Savills | CREDIT: Hi-Cam Portugal

Cala Gracio, Ibiza

Sunset Ibiza offers two and three bedroom apartments with views over the bay and Conillera island.



From £700,000 with Taylor Wimpey | CREDIT: Salva Carba

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