

“UK tax refugees stoke offshore property prices” – new survey

Most offshore tax jurisdictions within easy reach of Britain are bucking the European property market slump as wealthy Britons prepare for an exodus from harsh UK tax rises, according to a survey by international offshore tax firm The Sovereign Group.

Property values in Monte Carlo and Gibraltar, two of the most prominent European destinations for “ex-pat” money, are holding firm or increasing while prices around them on the Cote d’Azur and the Costa del Sol have plunged by up to 50%. Jersey, Guernsey, the Isle of Man and Geneva are also enjoying trend-bucking strength in their housing markets.

“The facts speak for themselves here,” said Howard Bilton, Chairman of The Sovereign Group. “Property prices in the south of France and southern Spain are languishing in the worst slump they’ve seen in many years but on their outskirts are two little areas – Monaco and Gibraltar -- where the market is extraordinarily resilient. We believe, and all our local sources are telling us, that much of this disparity is because of interest from a new breed of British tax refugee as the UK government’s tax-and-spend folly begins to bite.”

“These findings confirmed what we already believed to be the case based on our own experience,” added Mr Bilton. “For many months now, 20% of all new business at our London office has been from wealthy individuals looking to move offshore to escape what they expect to be increasingly harsh tax rises. Very often, these clients are looking to take their businesses with them. It is no wonder that the offshore locations are benefitting with healthy property markets, but it is a very sorry situation for the UK and for those taxpayers who aren’t able to go offshore.”

“What is extraordinary is that the UK government appears to believe its most productive citizens will sit still to be fleeced,” said Mr Bilton. “This is not the 1960s, when currency controls and limited communications made it difficult to relocate yourself and your business. This is the broadband age, when voting with your feet where tax is concerned is a very viable option for many. Everyone has to compete these days and tax authorities should not be any different.”

Against a background of falling property prices across Europe, Sovereign used its extensive network of expert property and investment contacts in all the jurisdictions surveyed, as well as local and international public record resources, to compile the survey since the beginning of this year.

ref 1; ref 2

In Monaco (which, significantly, now boasts 100% broadband coverage), for instance, there have been reports that property prices have risen by as much as

30% -- the same amount that even the most optimistic observer would acknowledge they have fallen in neighbouring Provence. One leading Monte Carlo estate agent said in a recent report that Monaco's "tax haven status ensures the market remains buoyant and prices stable so investment in Monaco property continues to be attractive."

ref 3; ref 4; ref 5

The situation is similar in Gibraltar where -- despite prices on the Costa del Sol continuing to plummet by record levels -- several major new residential property developments have recently been completed and the developers say they have been finished "in the nick of time" to satisfy a wave of new residents. Sovereign's own sources confirm this, including Gibraltar property agent Justin Bray of Bray Properties. "Recently we have noted a marked increase in interest for Gibraltar properties and a greater proportion of these enquiries are leading to actual sales, allowing us to be even more confident for the future."

ref 6; ref 7

Even closer to Britain, a few dozen miles from the English South Coast's languishing property market, Jersey's chief government statistician Dr Duncan Gibaut said property prices had risen 7% and the worst scenario to which homeowners and investors in Jersey might look forward in the coming months would be a period of "stabilising" house values. "Prices are still rising but at a lower annual rate," said Dr Gibaut.

ref 8; ref 9

A stone's throw away from Jersey, residential property prices in Guernsey were mixed, with small apartments falling in value by up to 17%, according to the island's Policy Council. However, at the same time the price of houses -- representing 60% of residential property sales -- were up a fraction at 0.1%. "From what we have heard," said Howard Bilton of Sovereign Group, "that buoyancy at the wealthier end of the market comes from a steady stream of new interest from the UK mainland."

ref 10

In the Isle of Man, property prices last year increased by 4% and this year are "holding steady" according to Chrystals estate agents, the leading commentator on Manx property trends. "Following the UK Budget where income tax was increased to 50% for those earning in excess of £150k pa it will come as little surprise to learn that enquires from UK applicants have risen strongly," said the company.

ref 11; ref 12

In Geneva, housing demand hit a new peak when the apartment vacancy rate fell to between 0.25% and 0.5% last year and it will continue to hold firm this year, according to "Swiss Issues Real Estate 2009," a report on Swiss housing published by bank Credit Suisse earlier this year. In addition, the international estate agents

Savills have recently published extensive research on the residential market in Geneva, concluding: "The Geneva market is expected to plateau, but not decrease during 2009."

ref 13; ref 14

Links to public record sources

Ref 1 <http://www.ft.com/cms/s/0/22b6b02a-6a8e-11de-ad04-00144feabdc0.html>

Ref 2 <http://uk.biz.yahoo.com/24062009/323/european-house-prices-reel-recession-s-p.html>

Ref 3 http://www.prestigeproperty.co.uk/pages/monaco_real_estate.asp

Ref 4 <http://www.yourmonaco.com/articles/property>

Ref 5 http://www.economist.com/displaystory.cfm?story_id=13356618

Ref 6 <http://www.propertyworld.com/Property-News/Price-of-property-in-Spain-continues-to-fall-772>

Ref 7 http://www.easier.com/view/International_Property_News/General/article-256795.html

Ref 8 http://www.gov.je/ChiefMinister/Statistics/RPI_and_House_Prices/HousePrices/

Ref 9 <http://www.thisisjersey.com/2009/05/13/signs-of-stability-in-homes-market/>

Ref 10 <http://www.thisisguernsey.com/2009/05/14/property-market-falls-as-flat-prices-tumble/>

Ref 11 <http://www.propertycommunity.com/emerging-property-markets/168-is-the-isle-of-man-the-one-true-property-safe-haven.html>

Ref 12 <http://www.propertycommunity.com/emerging-property-markets/168-is-the-isle-of-man-the-one-true-property-safe-haven.html>

Ref 13 <http://genevalunch.com/2009/04/10/geneva-vaud-apartment-hunters-struggle-to-find-a-place-to-call-home/>

Ref 14

http://www.alpinehomesintl.com/downloads/Geneva_Residential_Research.pdf

Note to Editors:

Established in 1987, The Sovereign Group is one of the world's leading consultancies specialising in the provision of offshore trusts and companies, and associated international tax planning. Sovereign has offices in 19 countries around the world.

With a range of services including asset management, capital raising, specialised tax planning and credit cards, it currently manages over 6,000 structures for a wide variety of clients including public companies and professional law and accountancy firms. Its more typical client, however, is the individual investor or business person – expatriates, entrepreneurs, freelance consultants, private investors, or high net worth persons and their families.

The Sovereign Group has also developed a wide range of supporting services including asset management, accountancy services, ship and yacht registration, insurance, QROPS pensions transfers as well as trademark and intellectual property registration and protection.

Howard Bilton, Chairman, is a barrister and visiting non-resident professor at St. Thomas University, Miami, where he assists with the LLM and Masters Degrees in International Tax and offshore centres.

He is also the founder of the Sovereign Art Foundation, a charity which raises money for art-related charitable causes such as Arts And Kids, part of The Prince's Foundation for Children & the Arts.

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