



# A strategy for buying

“I’m buying a property in France but the euro has become so expensive. What should I do?” Currency expert **Nick Robinson** looks at the options open to the buyer in France in light of the current financial climate

In the last three months the euro has become 10% more expensive and more and more property purchasers are coming to terms with the fact that their money is not going as far in France as it once did.

Because the rate has moved so much, affording your property has suddenly become a very real concern.

## CAN I GO AHEAD?

If you are in the throes of your purchase you need to check the rate with your foreign exchange broker and do your sums again. If you can still afford to go ahead with the purchase, there are several alternatives available to you:

### 1. Book a forward contract

Secure the rate for your purchase as soon as possible using a forward contract. Look for a currency broker that allows you to fix the exchange rate for a transfer up to a year in advance. By doing this you avoid any further hikes in price if the rate deteriorates. The downside of this alternative is however that if the rate improves, you are still bound by the contract and cannot benefit from the cheaper euros you could have purchased if you hadn’t entered into the contract.

### 2. Use a foreign exchange option to hedge your exposure

You could enter into a foreign exchange option to hedge your euro purchase. For an upfront premium,

you can guarantee yourself a worst case rate but benefit fully if sterling starts to strengthen against the euro. There are many different alternatives open to euro buyers and a foreign exchange options strategy can be applied to your requirement depending on your currency view and the level of currency risk you are willing to undertake.

### 3. Wait and see

For the real risk takers you can leave booking in your transfer with a currency broker until around the time of completion. You will leave yourself wide open to the prevailing rate at that time but the good news is the rate you get from a broker is usually better than your bank’s rate and you could benefit from any favourable rate movements.

## SHOULD I PULL OUT?

For some, the recent rate fluctuations may mean the cost of your property has moved beyond your reach and you have to pull out and potentially lose any deposit put down.

A possible avenue to avoid turning your back on your dream property is to try renegotiating the purchase price. Depending on the situation of the seller, you could take advantage of being well into the purchase process and to

them, a slighter lesser deal might be better than no deal.

As part of these negotiations you could try to push the date of completion back as far as possible in the hope that the rate improves and the property becomes affordable again. This is however extremely risky and as a strategy is only useful if the property has become just a small amount outside of your budget.

In the cold light of day, it may be that you have to completely pull out of the purchase and re-evaluate the type of property that you can now afford. I would always urge property purchasers to get in contact with their foreign exchange broker as early as possible in the process to fully understand how much you can afford and the level of exchange rate risk you face. A broker can help you better manage this risk and they very often offer market watch and daily update services which keep you informed as to what’s happening in the market.

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