

Tips on Overseas Mortgage

論海外按揭

While Hong Kong's average home prices hit a record high ever, Noble Apex Homes' customers have made an early move to overseas property gold digging over the past year. We have great responses this year with the introduction of new properties in Canada, Australia and the UK. Typical overseas property buyers have also shown patterns of changes from all-cash buy to mortgage oriented.

For other potential overseas property investors, how could you distinguish the benefits of the two options before you make an appropriate financing choice? Here are three questions and answers; I believe can give you a deeper understanding of how mortgage loans work.

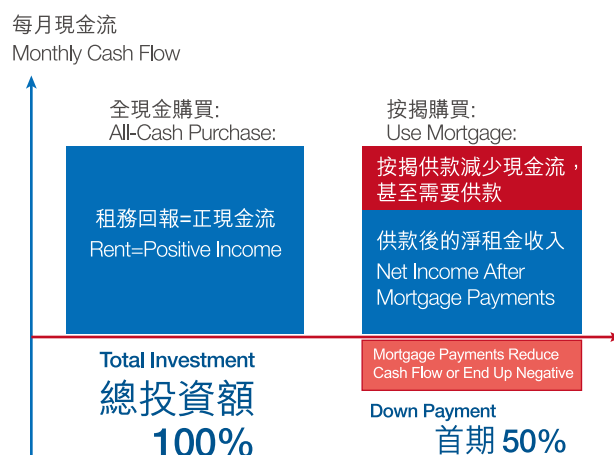
正當本港樓市被炒至「天價」之際，御峰置業的客戶過去一年已早着先機往海外樓市淘金。自從今年御峰置業加入加拿大、澳洲及英國物業投資後，置業的性質漸由全現金購買(Cash Buy)主導變成按揭(Mortgage)主導。對於每一個海外物業投資者，又應如何理解兩者的分別從而作出適當的選擇？以下有三個問答，相信可以幫助各位更深入認識按揭的性質。

Question 1: Are you investing for capital growth or rental yield?

問1：閣下買樓是增值還是收租？

Answer: We ask this question almost every time during client consultations. Mortgages have a direct impact to investors looking for rental yield. Although net rental income will be reduced by mortgage payments, but compared to all-cash purchasers, mortgages significantly reduce the total amount of initial investment required. With less capital invested, the net return on investment (ROI) is effectively increased in a low interest rate environment.

答：這個問題差不多每一次我們的同事也會問客戶。使用按揭對投資者有絕對影響。雖然淨租金收入會因為按揭還款而減少，但相比以全現金買樓，申請按揭能大幅減低所需的總投資額；由於投入的資金少，在低利率的環境下可以有效地增加潛在的投資回報率。



Question 2: What is my potential return on property purchased with mortgage?

問2：這個物業按揭後回報有多少？

Answer: First of all, mortgages do not have impact on the potential appreciation of the property itself, but factors such as locations, listing price, economic cycles do. Instead, mortgage will have a direct effect on the volatility of your net investment return.

Assuming you decided to invest in a particular overseas property with an average growth of 8%p.a., in 5 year time, it will generate a return of 47% on the property itself. Yet, if you invest with just 50% down payment, assuming mortgage interest rate at 3%p.a., the ROI will increase substantially to 86%! With the use of mortgage, the potential ROI can be magnified.

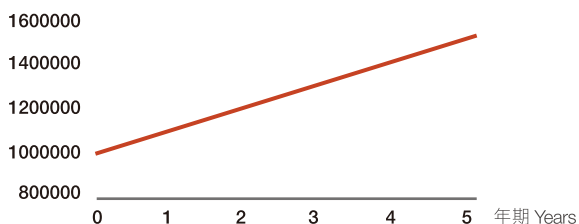
答：首先，物業本身的升值潛力使用按揭與否沒有直接關係，主要影響物業價值的因素有地理位置、售價、整體樓市週期等。按揭主要影響的是投資回報率的幅度。

舉個例子，如果閣下看好某市某盤，假設它每年平均升8%，5年後總升值率為47%；但如果做50%按揭貸款，假設按揭年利率為3%，5年後物業本身升值率同樣為47%，但因為總投資額只有一半，淨投資回報率即升至86%! 配合按揭貸款，潛在的投資回報率可以被大幅放大。

按揭：槓桿效應8% → 86%

Mortgage: Leverage effect 8% → 86%

House Value Compound Effect
房價複合效應



Initial Property Value	最初樓價	1000000
Growth Rate	每年升值率	8%
Down Payment	首期	500000%
Mortgage Interest Rate	房貸利率	3%

年期 Years	樓價 House Value	每年按揭供款 Annual Payment Mortgage
1	1,080,000.00	107,812.20
2	1,166,400.00	107,812.20
3	1,259,712.00	107,812.20
4	1,360,488.96	107,812.20
5	1,469,328.08	107,812.20
Total Mortgage Repayment 總按揭還款：		539,061.00
Net Return on Investment (ROI) 淨投資回報率：		86.05%

Question 3: Why taking mortgage is preferred?

問3：為何做按揭？

Answer: Leverage is commonly used in property transactions through the use of mortgages to enhance potential return. In addition, interest payments are often tax deductibles, reducing tax burden and increasing potential return. With less initial capital required, any remaining funding can be invested elsewhere to make more efficient use of capital and further diversification. Moreover, banks will conduct property appraisal for every mortgage application, providing an extra protection to the investor. Last but not least, overseas mortgages often have more varieties, such as 'Interest-Only Mortgage', where the mortgagor is only required to pay off the interest that arises from the principal borrowed, in a way reducing expenses. Anyhow, mortgage does have its own risks. Although mortgage interests are generally among the lowest loan category, it is a double-edged sword as leverage magnifies both gains and losses. The most commonly cited example is the 1997 Asian financial crisis when mortgage rates surged to Prime plus a 4-5 range (equivalent to more than 12%p.a.), driving average household debt-to-income ratio as high as 93%. Before you consider mortgage applications, you should 'stress test' your mortgage increase to make sure you could cope with interest rates rise or your circumstances change, as well as reviewing your risk tolerance level.

答：按揭除了可以藉著槓桿效應提高回報外，在美、加、澳等地，所有按揭利息可以扣稅，降低稅務支出有助提升回報。此外，按揭後剩餘的資金亦可作分散投資，從而尋找更高回報及將集中投資單一市場的風險降低。另外，銀行除了會審查申請按揭者條件外，亦會對按揭物業作一定程度的審查，變相令按揭投資者增加多一重保障。而且海外按揭有較多選擇，如選擇只供息不供本等，都可令投資成本下降。當然，使用按揭前也有其本身風險。儘管按揭一般是貸款類別當中利息最低的，但因槓桿效應，一旦樓價下跌虧損程度亦會以倍數上升。最常提到的例子是1997年亞洲金融風暴。當時按揭利率一度升至Prime加4至5不等(折合超過年息12%)，帶動全港一般家庭供樓負擔比率一度高達93%以上。投資者考慮是否使用按揭時，建議為自己進行適當的壓力測試及檢討自己的風險承受能力。