Investing in foreign property a way to diversify portfolio

International property investment provides a feasible solution for investors who are looking for ways to diversify their current portfolios and to counter the weakening rand.

James Bowling, CEO of Monarch&Co, says that foreign property investment can spread an investor's risk and be a cornerstone for wealth creation, provided of course that the necessary precautions are taken before the investment is made.

While the purpose of any property investment is to see capital appreciation of the property's value, there could be other objectives that the investors would like to achieve. "The investor's choice of country in which to invest will largely be determined by the factors that are driving them to make the purchase - whether it's for personal use, purely investment returns or perhaps even both," Bowling explains.

Personal use

If the purchase is such that the investor can use the property for personal use, the lifestyle elements that the country offers will weigh more heavily on the decision making process. "The decision will be more emotionally driven, with consideration given to aspects such as a scenic view from the property, its proximity to amenities or the ocean, how picturesque the building and surrounds are, the element of privacy, the neighbours, what size the rooms are and what finishes are installed," says Bowling.

If the property purchase is predominantly for investment returns, personal considerations will carry far less weight. "In this instance the decision will be based on the primary driving factors that determine the property's capital appreciation value as well as the potential net rental income. More focus will be placed on the property's marketability and its potential to attract desirable tenants. Other considerations will include the costs of maintaining the property and it's positioning to the relevant tenant drivers such as universities, tourist amenities and the local financial hubs."

All property purchases, whether local or international, need to be viewed as a long-term investment in order for the most beneficial return on investment to be achieved. "A point to note is that some residency and citizenship by investment programmes stipulate that the property cannot be sold within the first five years after purchase. Therefore, investors looking at purchasing property as a part of one of these programmes need to ensure that they are looking for a long-term property investment," says Bowling.

Emotional decisions

If the property is not being purchased for personal use, then it is best to check the emotions at the door and base decisions on hard facts and figures. Very often the best investment choice is not the property that the investor would have chosen for personal use, so if the objective is purely to find a property that will offer the best returns, then emotion needs to be taken out of the equation.

A vital consideration in international property investment is selecting a country to invest in. "The country choice will again go back to motivation and purpose. If an investor is buying for personal use, their decision will be based on where they want to spend their time and what country appeals to them the most. If it's for investment purposes, then the decision will be based on other factors such as the economic stability and growth that the country is experiencing.

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