4 top tips for international property investment

05 Oct 2015

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

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

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One such benefit that has been a driving force behind investors opting to buy property overseas is the chance of qualifying for residency or citizenship in another country.

"This has become a popular option for high-net-worth individuals seeking the lifestyle and tax benefits that a citizenship, particularly within a European Union (EU) country, can provide."

He says while international property investment has a number of benefits for investors, it is vital that they take a few elements into consideration before they take their final step.

Bowling shares some tips that investors could use to make their international property purchase a far smoother process:

1. Consider the objectives

The motivation behind the investment will largely determine the path which the investor should take.

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," he says.

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.

Investment purposes

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," says Bowling.

“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.”

2. All property is a long-term investment

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 buying property as a part of one of these programmes need to ensure that they are looking for a long-term property investment,” says Bowling.

“The spin-off, on the other hand, is the potential to benefit from capital growth and rental returns over the five-year period.”

3. Emotions and investment don’t mix

Bowling says if the property is not being purchased for personal use, 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, emotion needs to be taken out of the equation.

Should the investor’s criteria change at a later stage, they can sell their investment property and buy another that meets their personal needs.

4. Choice of country

Bowling says 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,” says Bowling.

“If it’s for investment purposes, the decision will be based on other factors such as the economic stability and growth the country is experiencing. Currently, there are several countries to choose from that offer residency and citizenship programmes such as Antigua & Barbuda, Cyprus, Grenada, Greece, Malta, Mauritius, Portugal, St Kitts & Nevis, UK and USA.”

He says countries that offer residency and citizenship programmes often use their attractiveness for tourism to market their programmes. Many of these countries also establish themselves as financial service centres by creating a low tax jurisdiction and making it attractive for individuals and corporates to make the country their new tax domicile.

“The high tourism interest coupled with low-tax benefits will make buying property in these jurisdictions a very sound investment.”

Bowling says investors should always choose to work with a professional investment company that handles international property investment on a daily basis.

“The insight gained from a professional investment firm can alleviate some stress and help to ensure that the best investment decision is made.”