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Investing in overseas property

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A LITTLE while ago we brought you a guide to investing in interstate property, but what about investing overseas?

Many people are thinking about buying a home in another country either for investment purposes or just because they're thinking about a life change.

The popularity of investing in overseas property has boomed over the past 5-10 years as back in the heady pre-GFC days the capital flowed like fine wine and new markets were opening up all the time.

The number of Australian expatriates has risen dramatically during this time as well.

More information on international property has also become available during his time, with the internet opening people's eyes to the possibility of investing in overseas property, whereas once upon a time investors were operating in the dark.

For example, once the iron curtain fell in Europe, places where real estate investment was once thought impossible due to a lack of services were opened up for business.

Countries like Hungary, Poland and the Czech Republic were open for business and the property market was no exception. What's more, property was going for a song. Now, property investors are looking for the next investment hot spot.

Property investors are always on the lookout for a bargain and there are good deals to be found in overseas property.

Exchange rates can make investing in any overseas product the right choice and property is no exception.

For example, if you were to buy a nice little French property for $400,000 (about 275,000 euros) and sit on the property for a number of years, you could make a profit in two different ways.

It isn't always the case, but most of the time a house will appreciate in value, providing you with a capital gain.

If you sell the house, you'll make your capital back and much more as the price would have increased over time.

However, that's not the beauty of investing overseas. If you simply wanted to watch your capital investment appreciate in value, you could do that by investing in Australian properties.

The exchange rate also has to be taken into consideration. For example, if you sell your nice little French property for 375,000 euros, you'll make a profit on your capital investment.

But, if the euro strengthens against the dollar, you're not only going to make a profit on the capital but a little bit extra as well.

Of course, that has the potential to backfire as a weakening exchange rate could chew up some of the return on your capital.

There's also sage advice about spreading your investment around to minimise risk. If one housing market remains flat or even goes backward, then having property in another country can help you minimise your losses.

International property lawyer and notary Michael Bula told *SuperLiving* that beyond the cold, calculating investment side of things, there are a number of emotional reasons why investors choose overseas property.

"There's not only been a diversification in terms of a portfolio, but also in terms of reasons why investors are out there in the international community. Be it commercial or purely cultural. Sometimes people just fall in love with a country and its culture and want a place there," he said.

"I have clients from mums and dads through to superannuation fund managers, a very broad brush of investors."

Unfortunately, this is also when people can get into trouble as they have very little concept of the difficulties of investing in another jurisdiction.

"People sometimes let their guard down and do things they wouldn't normally do locally. That's a bit of a quagmire because the complexity is tripled. I think the romantic notion of buying a property overseas can get some people into trouble."

People often get into the international property market with the underlying assumption that the laws in the countries they're investing in are quite similar, if not the same.

Aside from the legal complexities involved in international property laws, it's a good idea to get a good management company to help run your property.

There are horror stories of mum and dad investors who have been ripped off by overseas management and real estate agencies who have inflated the price of the property, trading off the ignorance of the investor.

The important thing is to do your homework and ask around. Ideally, getting a lawyer straight off the bat to walk through the complexities with you is the way to go, and luckily investors seem to be getting professional advice earlier.

"Most people come to me when they're about to sign, that's quite common. They haven't quite put pen to paper but everything's set up, they've been talking about special conditions and the myriad of things that can make these things quite complicated," Bula said.

"Obviously, once you've signed up and sent off money, it's quite hard to undo let alone sort out if you've made some factual or legal errors."

It's a good thing too, as some of the complexities surrounding international property can make your head spin.

"First of all, dealing with the property can be an issue. What can you do with it? Can you actually rent it out for one purpose when you have a zoning or a historical issue in the jurisdiction? So those issues are very important," Bula said.

Bula also points to the fate of the property in the even of death or divorce as a potential minefield for investors.

"Death and divorce causes major difficulty, if [the investors] haven't seen an international property expert from the outset to advise them," he said.

"Our biggest problem is what we call a 'conflict of laws'. That's when the law of the country where the property is situated and Australian law don't correlate.

"You can bet your bottom dollar that countries tend to have very different regimes in terms of death, commerce and divorce etc.

"If you have a will, does that mean Australian will cover your foreign property? In some cases, absolutely not, it may be worthless.

"In terms of divorce, how does the Australian judgment affect that property? How do you deal with that property if you divorce in Australia?

"I think they're two things that a lot of people tend to forget, even with Australian investment.

"It's just more complicated with foreign investment because other jurisdictions become involved."

He said that having a good lawyer with added language skills as a bonus to take you through these issues was vital when it came to important decisions such as investing in international property.

"A good lawyer is a proactive lawyer who tries to put all the information on the table for the client and says 'here you go, you can now make an informed decision'," he said.

"A client may very well turn around and say, 'Well thanks for all that, it may not all apply', but sometimes they say 'Wow, I didn't think about that!' and that's when a true dialogue happens between a solicitor and a client."

A few things to remember when considering investment in international property:

- Not all laws surrounding property are the same as they are in Australia.
- Get as much information about a property and the market as possible. Fly there if possible.
- Professional advice is always a good idea. It's better to be safe than sorry.
- Think about what happens to the property if you die or divorce.
- If you're renting out a property, there may be different obligations on the part of the landlord in another country.

HAVE YOUR SAY

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