

MY FIRST OVERSEAS DEAL

BY ZIV MAGEN



Cold feet. Sweaty palms. Eyes darting round the room, from one face to another - trying to put together broken pieces of sentences – words, syllables even – anything that'll give me a clue as to where things were headed.

What am I doing here, in this room, surrounded by these soft-spoken foreigners in suits & ties, nodding in mock understanding, and preparing to sign away my life's savings? Am I insane?? How did I end up here???

At my side, Chikako, my amazing wife and business partner, is far cooler. Completely calm and collected, as a matter of fact. Not only does she speak the language, but she was also born and raised here. She knows since birth what I have to take on faith and only a decade of limited experience. That is, you can't get screwed in Japan. Or, that you'd have to try really, really hard to find someone who'll steal from you in this country.

But, it's still the first time buying property in Japan, for both of us. I sip my tea and gaze at her admiringly, not forgetting all the while to nod at the right places (meaning, when she does) – and letting myself be lulled into a semi-daze, floating away on the droning murmur of quiet Japanese voices around me.

I'm so far gone, in fact, that when she excuses herself to the suited gentleman in front of her and turns to speak to me in English, suddenly - I almost drop my tea cup.

"Units 713 and 813 are conjoined on the title deed," she says. "They were registered as the one property by a previous owner – who could do it, because they have an adjacent ceiling & floor – to save on future registration fees during changes of ownership".

I blink. She keeps her gaze steady on mine. So do the three Japanese professionals in the room with us – our realtor, his "certified document reader", and the judicial scrivener there to conduct the technical aspects of the new registration. I swallow and ignore the droplets of cold sweat that trickle slowly, painstakingly, down my spine. There's a question coming, I can tell.

She speaks again. "They're asking if you understand and accept that fact".

Going back about two months, we didn't have a clue what we'd get and how. We only knew that we wanted high, reliable returns, had about \$70,000 to spend, and that we didn't know much else.

Still, we felt reasonably secure.

We've done our homework and narrowed our locations down to South-Western Japan's Kyushu landmass, dodged one greedy lawyer to find an experienced, tech-savvy and affordable judicial scrivener – and had a long and tiresome (but crucial) strategy session with our new accountant to map things out.



We worked out worst-case purchase cost scenarios, worst-case monthly expense scenarios, worst-case vacancy and maintenance scenarios, and knew exactly what kind of numbers we needed to achieve in order to be able to survive those worst-case scenarios, if they ever came to pass.

Only after all of the above had been carefully documented and rehearsed, did we begin to contact realtors. It took us a while to find the ones who could wrap their heads around the outrageous idea of selling to a foreigner. One who was armed with a Japanese-interpreting "right-hand", no Japanese address, no "official identity stamp" or other forms of local official anchors, and a gazillion clueless questions.

Which was cool. We knew we'd be breaking ground in this area, which was one of the main reasons we chose it. Had it been easy to find slick, professional, English-speaking real-estate agents in these cities, prices would have been higher, returns slimmer, and the entire strategy far less attractive. To get those attractive numbers, we needed to go where "no foreigner has gone before", in essence – and where people weren't used to working with foreigners, either.

So we kept contacting realtors. And then we contacted some more realtors. We took rejections, explained ourselves time and time again, followed-up on those that didn't return phone calls and emails, and constantly searched for new realtors to contact. As our main focus area, Fukuoka city, has over 1.5 million souls to date, there was always a steady supply of new phone numbers to call.



It took a few weeks, lunches, dinners and coffees, but the anticipated return call finally came. We had found our realtor. He had spoken to his managers. They were ready to do business with us. Our first and biggest hurdle, penetrating the cultural veil, was behind us.

Mr Shimazaki – at this point we knew he was his agency’s youngest employee, had a funny tendency to almost fall asleep in long meetings, when others weren’t looking at him, and was a father of three girls. He showed us his plastic-sheathed portfolio sheets, highlighting the best locations, newest buildings and, as a result, the highest priced and lowest returning properties, when my eye caught on to something.

“That one,” I pointed. “The one he just quickly flipped over”. Shimazaki, understanding my gesture, wordlessly flipped back to the page. He quickly blurted a few sentences. “He says it’s in Kitakyushu. Not a great city like Fukuoka, but a very high return”.

This is what made me pause. This place must have been bigger and fancier, since the price was almost our entire purchase budget, which was supposed to be enough for 2 or 3 units. But, cap rates were around 24%, which would normally translate to about 14-16% net pre-tax return annually.

Shimazaki continued. Chikako listened and then translated, “He says its three units, all in the same building, all sold by the same owner, who needs to liquidate his assets due to debt. Settlement fees would be greatly reduced if we were to take all three”.

Not to mention the diversity. Three separate units meant three separate tenants and leases.

I started to smile.

Which is how we come back to this moment. Chika fixing her gaze on me yet again, me staring right back at her, and both of us not saying a word.

“Well, do you?” She says.

“Do I what?”

She blinked twice, Japanese for “you are a complete and utter moron, and I wish I could kill you right now”, and repeated the question “Do you understand and accept the fact that units 713 and 813 are conjoined on the title deed?”

I didn’t. Or, at least, I didn’t understand what that meant, why it was happening, and what I was supposed to do about it. I relayed the information to her. She blinked again. Shimazaki was looking at me intently, and I had the feeling his gaze, too, was saying something like “this idiot of a foreigner is going to do it again. He’s going to ask his questions. I just know it. I knew I should have brought my ancestor’s sword in with me this morning. Maybe it isn’t too late for that yet”.

And so it went.

The bottom line, of course, was that everything was fine, as predicted. I was simply having a severe but to-be-expected case of “First Deal Paranoia”. A healthy condition, really, and a natural response to the foreign environment, which would have saved many a beginner from making severe mistakes, such as signing away their entire investment budgets over to a lawyer, “buyers’ agent”, realtor or other suspicious “professional”, on what is, essentially, a “lemon” in the better cases, or outright fraud in the worst ones.



But I wasn't in this category. My fears, although natural and understandable, were unjustified. I had done my homework. I had a good (great, spectacular, gorgeous) business partner. And I was operating in a land where everything is documented, transparent, has a paper trail a mile long, and where, until not long ago, people were committing ritual suicide for failing to perform their duties to the max.

Everything was fine.

Until I started mucking things up post-purchase, of course. But more on that next time!



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About the Author

Ziv Magen is an Australian, and has been deeply immersed in Japan's culture and business environment for the past decade. In 2003 he forsake his career as in IT corporate project manager, wishing to spend more time with his family and secure their financial future. Having made the transition to real-estate investment and successfully building his own portfolio, he subsequently established [Nippon Tradings International \(NTI\)](#) together with his Japanese partner, assisting others in capitalizing on Japan's vast and lucrative property market.

