

INTERNATIONAL PROPERTY INVESTING BASICS (PART 1)

BY ZIV MAGEN



It's a unified world economy we live in these days, no doubt about it. A typical global-spanning corporation might establish their headquarters in Singapore for tax purposes, get their cheap labor in India for cost-reduction purposes, manufacture in China for mass-manufacturing purposes, then sell to clients in Northern Europe for profit purposes. And, in the not-so-distant past, this type of evil conglomerate structure was only possible for the filthy rich, tax-evading, lawless and faceless elite of the worlds' worst billionaire types. These days, thanks to the Internet, international tax treaties, foreign incorporation laws and virtual office services, your next door teenage neighbor might be doing it, making more money than his mom and dad could ever dream of in the process.

I'm personally familiar with at least one company that runs an online store that manufactures in the Philippines, from ingredients purchased, prepared and shipped from China, runs the business from a comfortable home office in Australia, and sells mostly to the USA- with revenues that have exceeded the first net million dollars in just under three years of operations. In sharp contrast to what one might expect, however- the entire permanent staff of this company consists of

its founders and owners- a married couple in their late forties. Considering the considerable profits and minute overhead involved in this ingenious operation, their lifestyle (and international mileage, in which they partake on a fairly frequent and regular basis) has quickly evolved to first-class, as could be expected. This type of success of course comes as a result of innovation, creative problem solving and a hell of a lot of hard work. But, the point is that it can, and IS regularly done in ever increasing droves, around the globe.

International property investing, of course, is no different.

In theory, at least.

In practice, however, this particular type of global profiteering presents a wholly unique set of challenges. Unless handled carefully and thoughtfully, these challenges can and do sink many an entrepreneurial ship on their maiden voyage, due to the magnitude of the transactions involved. Running an online erectile dysfunction medicinal product business, may cost the unwary innovator a few hundred dollars, or possibly a thousand or two, per every mistake made and lesson learned. But, a single such mistake in the realm of international property investing could cost someone, tens and hundreds of thousands, if not millions of dollars. The rewards, similarly, can be of equal magnitude. But, this is no consolation to the American property investor who purchased a holiday resort in Indonesia, only to find it "confiscated" by a corrupt police chief. Or, to a harsher degree, an Australian property investor who was shot and killed trying to collect overdue rent from one of his aptly named "C" class properties in inner city Detroit, Michigan. A property that, on paper, at least, should have netted him a double-digit annual return, but in reality has cost him his life, and his family their fa-



ther, grandfather and dearly beloved partner. True stories, both.

How, then, does one capitalize on global profitability trends, the ups and downs of world economy and real-estate market cycles, or the capricious policies of local governments and industry leaders, without falling victim to same? If one must know a particular country or economic environment like the back of one's hand before being able to successfully invest in it, one might as well continue to forever shuffle in one's familiar backyard, and to hell with the global economy and its glittering opportunities.

The answer, from my experience and that of others, is found in two complementing characteristic aspects and sets of skills. The first is to pick your countries carefully, and in consideration of your personality and traits. If you're a deal-cutting, corner-rounding, top-brass hobnobbing smooth talker, you'd do well to choose a country that suits your particular skill set and frame of mind. If you've got Europe on your sights, for instance - Italy, Spain, Greece, Turkey, Romania, Bulgaria (and a host of other east-European countries) may be just your ticket. You'll find like-minded individuals and companies galore, lax or non-existent rules, regulations and laws to bend freely, and an endless array of predatory poker playing sharks to pit your "gaming" skills against. In short, you'll thrive, and most likely do well. I'd probably steer clear of Germany, England, Switzerland and Austria, to name just a few though, if I were you. These guys go by the book, and have little patience or lenience towards the hot-blooded "under the table" handshaking movers and shakers of your type. These are highly regulated, strictly monitored and fully documented environments, and would in all likelihood not suit you at all.

If, on the other hand, you're a geeky, pencil pushing, "put it down in writing", tax-paying, spread-sheet analyzing, bow-tie sporting smart ass (like me), these north European countries will feel like heaven to you. Whereas, the hot and steamy lands of the south European and Mediterranean-bordering countries of the continent would probably drive you to a nervous breakdown or financial ruin. In my case, as a mostly Asia-Pacific oriented property investor, the exact same applies. I'd go for Singapore, Hong-Kong, Australia and New-Zealand any day of the week. Countries where realtors are bound by strict licensing and regulation requirements, where governments act clearly, decisively and transparently and where haggling, deal-mining, discounting and joint venturing - which certainly exist, as they do anywhere in the world - are backed by a legal paper trail leading all the way to Mars and back. In similar fashion, I'd steer as clear as I possibly can of China, India, Indonesia or Pakistan, to name but a few. I'm simply not that type of person. I get goose bumps when I hear the words "let's shake on it" or "leave it to me". I shiver at the suggestion of "let's keep this between us". I develop a rash when someone advises me that "they know someone who can make the problem go away". It's just the way I am, for better and worse.

This is also why Japan, of all the countries in the Asia-Pacific region, and probably the world, appeals to me so much. Not only is it strictly regulated, fully documented, completely compliant and severely monitored by government agencies and professional organizations - it's also possessed by the harshest, most unforgiving, toughest type of enforcement possible - cultural tradition. And while, of course, power corrupts, and absolute power corrupts absolutely, regardless of country, traditional and cultural frameworks - the vast majority of us property investors, let's face it, are not Trumps, Buffets, Sadam Husseins or Gengis Khans. We're the just above



average, slightly savvy, slightly affluent, more than slightly innovative “average Joes” of the world, and we deal with the likes of ourselves. And in Japan, the average Joes (or “Mr. and Mrs. Watanabe”, as we’re known here), are the most honest, straight forward, polite and conflict averse individuals one can find anywhere on this planet.

So, if you’re a smooth talking, back room dealing, from-the-hip-shooting type, you may want to skip this particular series of articles. Japan just isn’t the place for you. In fact, if you’ll try that approach here you’ll quickly find yourself isolated, shunned and generally avoided like

the plague. If, however, you’re the type of person who finds a deep bow, a code of honor, religious attention to each and every minute detail and mutual respect as appealing as I do, you may want to stick around. You might have just hit the jackpot in the land of the rising sun, which also happens to be the world’s third largest economy, and Asia-Pacific’s largest real-estate investment market.

As for the second required skill set for successful global property investing - stay tuned for November’s issue of Real Estate Investing Wealth Magazine. I hope you’ll find it worth the wait.

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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.

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