

INTERNATIONAL PROPERTY INVESTING BASICS (PART 2)

BY ZIV MAGEN

Ok, so you've covered the basics and decided you want to invest in real-estate in a foreign land.

You've chosen the country based on your own personal comfort zone, as explained in the previous article, as well as on the current financial climate. You've also researched the basics (currency, mentality, good/bad areas, foreign ownership legislation and taxation, etc.).

What's next? How does one get right down to it?

Well, by utilizing the second basic skill required of a good international investor, of course: **TEAM-BUILDING**.

As anyone who has ever invested in property knows, it's impossible to cover all the bases yourself. You may be a wiz-bang accountant or book-keeper, second to none with numbers. Or, you may be a former property manager with a passion for placing the perfect tenants into each and every unit under your care. Or, even a renovation expert who's single-handedly transformed entire slums into luxury mansions fit for kings. But, you can't possibly be all of the above rolled into one.



You'll almost always need help with one or more areas of property investing, whether it's drafting a sales contract or tenancy lease, changing over electric wires, stripping a bathroom, or simply advertising for and qualifying potential tenants. In short, you need a professional team in place.

Building the right team, as covered again and again in countless industry-related publications around the world, is absolutely essential for anyone considering real-estate investing as a career, or even as a serious past-time (that is to say, anyone purchasing more than one property to live in throughout their lifetimes, or considering the option). This skill becomes even more crucial when investing remotely. It increases exponentially in significance the further afield you intend to stray. If you think about it, investing "just around the corner", aside from providing you with a familiar turf and playing rules, also means that, whatever the emergency, you could, conceivably, always "put your boots on" and get down to the dirt of things. It could be firing a property manager and collecting rent yourself, interviewing and receiv-

ing quotes from several handymen, or attending a court hearing to discuss an illegal extension or defaulting tenant, etc. It may be inconvenient and resource-consuming – but, at least it's doable, if and when the **** hits the fan (and one should always assume it will, at some stage and to some degree).

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When your investment properties are three countries or two continents away, however, things become slightly more complex. Attending in person is rarely an option, and never a cost-effective one. Response to emergencies must be handled on the ground, hands-on, and in most cases by someone who speaks the lingo. To get good results, one must be versed in local lore, and this axiom reigns true wherever you may roam. And so, while researching prices, suppliers, establishments, work-arounds, laws and bylaws, history, deals and shortcuts, is modus operandi for the local investor, this level of familiarity is not only impossible to achieve for the foreign investor - who has most likely never lived and may have not even visited locally- but is also irrelevant. Finding those who possess that knowledge, on the other hand, becomes top priority. And this always starts with the two cornerstones of business setup, to which property investing is no different- financial and legal representation.





FINANCIAL

The easier of the two, financial representation, normally translates simply to an accountant. It's highly advisable to connect on a personal basis to a smaller firm with approachable principals, as opposed to large international organizations with multiple consultants. There are several reasons to do this, the first being that, unless you're also representing a large profitable client, you'll always be last on the list to those conglomerates. If they have three consultants available at any given point in time, rest assured, the Hilton account (or local equivalent) will receive the best of the three's time and resources. Secondly, there are certain skills required of a property accountant. The most significant of those being depreciation and purchase expense/maintenance expense offsetting, as applicable to real-estate. Unless you're always dealing with the same person, you just won't know if the one you're talking to has that knowledge. Additionally, you want to make sure they've worked with foreigners in the past, and have a good idea of all unique circumstances affecting your particular tax position in that country. A good way to test the waters is to ask them (only after you've found out for yourself of course) if your country of origin has a tax treaty in place with your country of investment. Most accountants who have worked with foreigners in the past will know this off the top of their heads, or will only take several minutes to find out. If your chosen rep fumbles their answer, or promises "to get back to you on that", then takes a while to do so, you're probably his first. You should either find a more experienced accountant, or make sure their fee reflects their lack of experience, and be willing to deal with the consequences. Once you've secured the right professional for the job, meet with him, either in person or over the phone, and present your strategy. They'll have some pointers and things for you to think about that you haven't considered, guaranteed. These little things may have unforeseen results

for you. In fact, many would-be investors have been known to completely alter, or altogether forsake their chosen strategy, after their accountant drilled it full of holes in their first conversation, suggested alternative setups that would have never occurred to the potential investor, or simply corrected their misconceptions of a particular financial area they weren't too familiar with.

LEGAL

This part is a bit more complex, and requires more research on your part. There are many who believe that a lawyer is an essential team member, part and parcel of any dealing in a foreign land. But, the fact of the matter is, that's only true in part, and then only in some places. And, while it may hurt to admit this, lawyers can, and on occasion are, some of the smoothest, greediest, most costly mistakes anyone could possibly make. Often in the process of attempting to shield one's self from the perils of not having sufficient legal protection, one falls head-first, right into a shyster's lap. Divorce attorneys come to mind, as more than one estranged couple will testify. These vultures often keep a divorce case alive as long as they can stand to make a profit on either side, regardless of the actual needs of the battlers themselves, while capitalizing on the former lovers' worst fears and prejudices in the process.

As far as real-estate is concerned, legal representation can and does take many forms. In Japan, for instance, lawyers are rarely used in simple property transactions. A "Judicial Scrivener", something akin to a notary public, is utilized instead. These are licensed, government sanctioned agents, whose job it is to certify the exchange of purchase contracts & purchase funds, then perform the transfer of ownership to the buyers, and forward the title deed directly to them. In Australia, as well, while lawyers are used in most purchase processes, they are specialized practitioners called "Conveyance Attorneys", and their fees and responsibilities are severely limited by nature. In China, on the other hand, as well as in India, one would do well to conduct any

property purchase with a fully-pledged, fully experienced, un-corruptible real-estate specialized lawyer at their side - and yes, these are as hard to find as it sounds.

This all goes back to the previous article, regarding the choice of country to invest in. Do your research. You'll most likely find that, based on your choice and personal character, the "warmer" and less regulated countries will require more legal assistance and supervision all throughout the property purchasing exercise, while the more "Northerly" countries will offer an easier, paper-backed procedure that will normally be cheaper, safer and will require less "unique" adaptation per each and every deal - thereby eliminating most or all needs for complete legal representation.



WHAT'S NEXT?

Hopefully, by this stage your research will have revealed several appropriate, approachable financial and legal representatives to choose from. The way to identify the correct ones to choose, like any supplier, depends on a combination of reference and reputation (of the verifiable kinds), responsiveness, clarity, communication, level of knowledge, and lastly price. DO NOT assume the cheapest is also the best, particularly when it comes to legal and financial reps. The amount of money a good accountant or legal assistant can save you, particularly as your portfolio grows, is priceless, and the ones that seem suspiciously cheap are usually such for a good reason. You would also do well to avoid reps who seem too keen to work with you, start working without an agreement set in place or fee agreed upon, etc. These are usually the ones who have some other agenda, and you want your legal and financial reps to have only your interest in mind, which can ONLY be achieved with sufficient monetary compensation. So research them, verify them, then pay them appropriately, and you'll be well on the way to having the perfect team in place.

As for the rest of the team, how to pick them, what they should consist of, and what are the best practices to working with them, we'll cover all of those in the next issue of Real Estate Investment Wealth Magazine. Watch this space!



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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.

