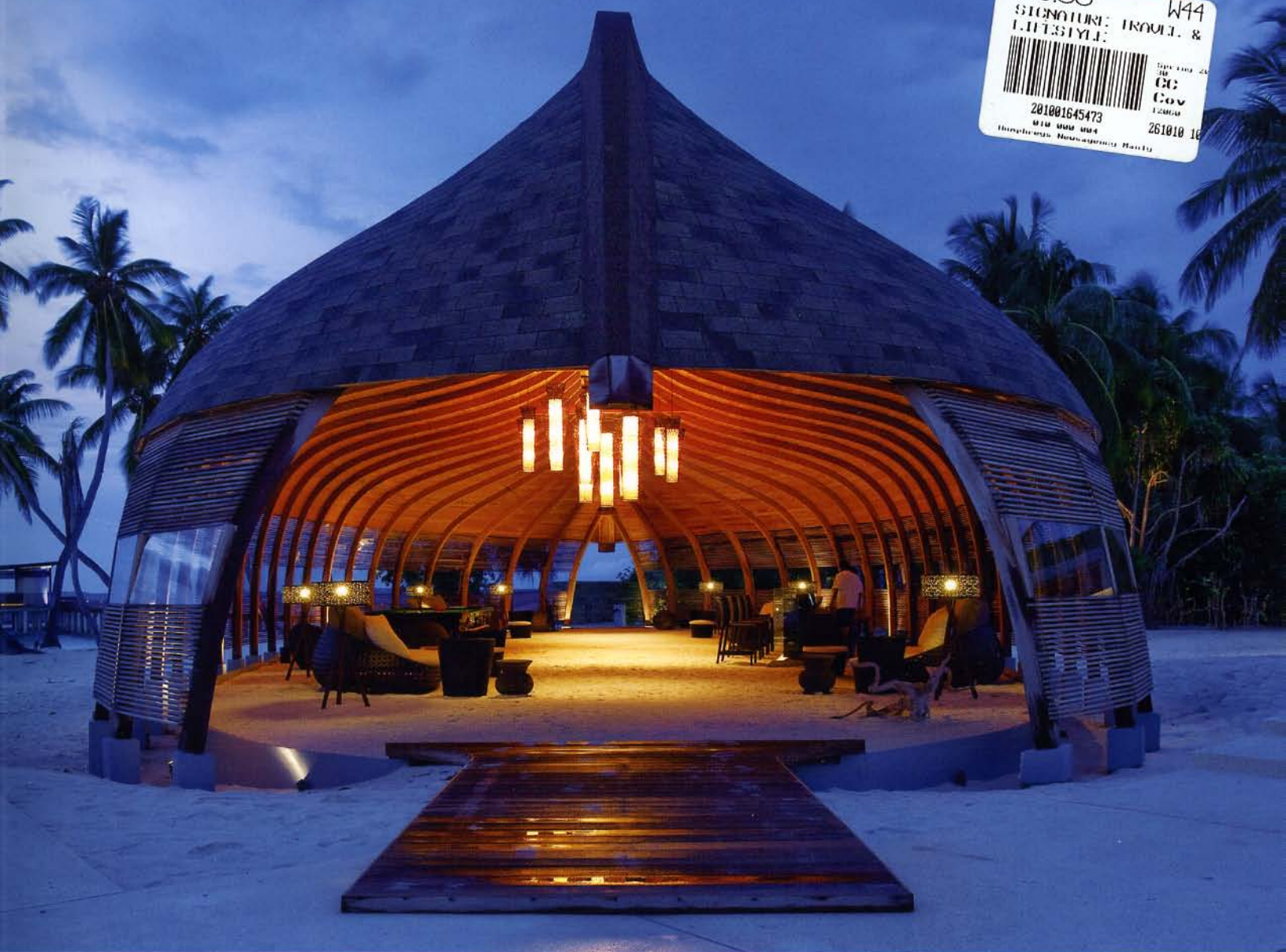


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TRAVEL & LIFESTYLE

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Namibia Diamond shipwreck

Gardens of the World Exotic blooms

Kenya Wildlife safari

Mauritius Island of beauty

New Zealand Spectacular walking track

Hunter Valley Food and wine trail



Living THE dream

Each year, more Australians are taking the plunge into overseas property investment. Ben Hall finds that the key to making it happen with few headaches, is to do your homework thoroughly.



Ever had a daydream that goes something like this: you wake up in your French farmhouse and throw back the curtains to reveal rolling countryside as a local rides by on a bicycle with fresh baguettes slung over his shoulder. You brew some coffee and think about how to spend the rest of the day – perhaps visit a winery to stock up on essentials, have lunch in the village, then stroll home to read in the sun in your garden? Who hasn't?

It's a romantic fantasy that's becoming a reality for more Australians as the internet and cheaper airfares open up a whole new world of investment and lifestyle opportunities.

It seems that now is as good a time as ever to buy into an overseas investment property. The Australian dollar has been one of the world's best-performing currencies this year, and several economic surveys show that housing affordability here is among the worst in the world. In July, *The Economist* reported that the Australian property market is more than 60 percent overvalued: indeed, it was the most overheated market of any of those

in the 20 developed countries surveyed by the magazine.

Other doomsayers have called Australian property "a ponzi scheme" but for every property bear, there are at least two or three bulls asserting that demand for Australian bricks and mortar will remain strong.

Whichever side you take, the general consensus is that the returns of the past 10–20 years are likely to slow or stagnate at the very least. Australian Bureau of Statistics data shows that average house prices have risen 165 percent in a decade and 290 percent over 20 years.

What this means is that as a straight-up investment, it could be argued that Australian property is not good value right now.

On the other hand, "with the Aussie dollar as strong as it is, the traditionally 'well developed' and 'stronger economies' like the US and the UK are now very attractive indeed," says Peter Mindenhall from the International Property Investment Network.

"The US and the UK currency weaknesses coupled with the extensive flood of distressed assets becoming available >



in both countries represent phenomenal value for money now compared to three or four years ago."

Investors are taking a close look at the US market as property prices in some major North American cities, such as Atlanta and Phoenix, are down to as low as US\$50,000 for a residence with rental yields of around US\$15,000 a year.

Closer to home, Thailand and Bali continue to attract attention from Aussie buyers. Thailand doesn't allow for direct land ownership by foreigners but developments such as YooPhuket provide opportunities for investors to buy into the local market. Under Thai law, 49 per cent of the 256 luxury apartments and penthouses can be purchased as freehold, and 51 per cent as leasehold in 30-year periods.

"While Thailand is changing its buying requirements for foreigners, it is still difficult for Westerners to invest en masse," Mindenhall says. "Should Thailand open up to foreign investment and offer mortgages and so on, we would expect the region to continue to represent investment value long term."

Across the Tasman, specialist companies such as New Zealand Sotheby's International Realty work with overseas clients, and their country has the advantage of being able to offer comparatively low prices against a weaker currency and incentives such as no stamp duty, mortgage stamp duty, land tax, property purchase tax, nor capital gains tax. In Australia, developers are bracing for a potential slowdown and in the meantime, marketing their distinctive developments vigorously in a bid to attract investment. The Hamilton Island Yacht Club Villas is one of those working to highlight the features of its ultra-luxury resort.

For the inexperienced and the gullible, overseas property investing is a minefield – and while most people >

Overseas property hotspots

US and UK: prices are low, English is spoken and if the Australian dollar weakens over the next few years as predicted, both countries offer potential for solid capital gains. Rental yields are also strong.

Brazil: one of the easiest places in the world for foreigners to invest, with 100 per cent freehold ownership available. A robust economy means potential for good capital returns. Nice weather, too.

Turkey: it's relatively easy for foreign nationals to purchase property here; prices are comparatively cheap and gains potentially high. The buying process has been simplified and the Turkish government does not charge Capital Gains Tax.

Tunisia: tourism is booming and Tunisia's economy is one of the most stable in Africa; an affluent middle class here takes regular holidays. Foreigners are allowed to buy property within town limits but not agricultural land.

Spain: with property prices taking a hammering over the past two years, there are some bargains to be had. The downsides are a decline in European tourism (which may remain in the doldrums for some time) and the potential for more negative data from the region.

OPENING PAGE: Clifftop residence at Karma Kandara in Bali; views to sea from Karma Kandara.
PREVIOUS PAGE: Interior and exterior of Rahimoana Villa, New Zealand, via Sotheby's International Realty.
THIS PAGE: Exterior and interior of Hamilton Island Yacht Club Villas.



do their homework, some rush in like lovestruck teenagers.

"I can give you an example of a client who, contrary to my advice, bought a property [based] purely on the [evidence of] photos on the internet," says Michael Bula, an international lawyer based in Melbourne. "The investment value was not huge but as I told the client, 'It may not cost you much up front, but you may have notices or orders on it, you may have building requirements on it or it may be under national trust, and you may end up with a bill for three times the purchase price.'"

Bula says other important decisions with potential legal repercussions include the manner in which the property will be purchased – whether by an individual or a company – and the undesirable issues of death, divorce and taxes, which in some instances may be payable in both countries.

Despite the legal and administrative hurdles, living the dream is within reach, and with enough legwork and good advice, a romantic vision can become a reality. ●

FOOTNOTES

International Property Investment Network, +34 9 5219 8657
www.ipinglobal.com

Michael Bula Solicitors, +61 3 9347 8333 www.mbsols.com.au
yooPhuket, +65 6494 3696 www.yoophuket.com

Hamilton Island Yacht Club Villas, +61 2 9433 0444
www.hamiltonislandyachtclubvillas.com.au

New Zealand Sotheby's International Realty,
+64 3 450 0482 www.nzsothebysrealty.com

World Properties, +1 312 278 0880 www.worldproperties.com

Tips for overseas property investing

- Do as much research into potential properties and markets, as you would before making a domestic purchase.
- Inspect properties in which you're interested directly.
- Get professional legal advice from a lawyer in Australia and another in your prospective country of purchase: it may cost you more up front but could save you money and heartache in the long run.
- Make sure you have a trustworthy real-estate agent in the country of purchase, especially if you're intending to rent out the property you buy.
- Consider the legal implications of what happens to the property and its associated costs in the event of your death or divorce.
- Think through the tax implications – get it wrong and you could forfeit a lot of money to the Australian Taxation Office (ATO).
- Take note of Peter Mindenhall's key piece of advice: "Think of the way out of the investment before you charge in. So many investors have been lumbered with property after having an open-ended strategy with no established way out. Secure exit strategies are key in a volatile market."
- And absorb Michael Bula's tips on the matter:
 - Avoid the romance.
 - Do your homework with due diligence.
 - Seek proper international legal advice and assistance.
 - Speak to other Australians who have bought in that country: seek them out, as there's a wealth of information out there from a practical point of view. A lot of Australians have been through this process; some have been burnt, others have succeeded.