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COLUMNS

Leveraging emerging, overseas real estate markets for retirement

July 13, 2023



The Dalmatian Coast is one of Europe's most desirable destinations

By **Ronan McMahon**

Buying real estate in foreign countries has massive advantages for investors who love collecting passport stamps and attractive returns from properties.

On top of enjoying visits to exotic seashores, scenic mountain ranges or ancient tourist destinations to visit their holdings, overseas property investors who put together a sound acquisition and financing strategy can start to realize impressive ROI without needing a substantial amount of upfront capital.

The demand for a more adventurous, deluxe lifestyle is driving baby boomers 150 million in Europe and America, according to recent census data to look abroad for second or third homes.

More than ever, acquiring desirable, high-performance properties by financing with leverage and achieving returns of five-X or more is possible.

For example, with a small amount of money, something on the order of \$10,000 upfront for a \$100,000 condominium that generates rental income, it is possible to realize a 1,000 percent return on the initial investment when the condo doubles in price.

There is a reason why in real estate, leverage is referred to as "the money miracle." Foreign banks, favorable terms and requirements often make borrowing easy for U.S. and European investors looking to put their money to use.

Find a suitable property that is wrapped up in a foreign bank's fire sale remember to use the 5 R's criteria below and it is possible to get 100 percent financed on a \$400,000 property with moderate single-digit returns that is available just so the bank does not have the real estate on its books anymore.

Pros of emerging markets

The diversity offered by real estate markets in quickly developing and changing countries is one of the most significant benefits of foreign investment, with emerging markets and global banking practices providing a wide

variance from those found in the United States, Europe and Latin America.

By seeking out the most favorable terms and conditions for your risk and return appetite, it is possible to track down great opportunities to use financing and generate returns quickly, even in an atmosphere of increased borrowing costs due to higher interest rates.

Europe has proven to be the most favorable region for foreign buyers looking for bank financing, with other markets much more difficult for outsiders to put together deals.

One benefit of borrowing against real estate is it is easier to keep rates locked in, unlike margin borrowing for other investments that often require the debt to be repaid all at once instead of over 20 or 30 years. That means you can pick and choose from opportunities with predictable, steady payment schedules that can be reliably modeled to avoid a surprise cash flow problem by shopping around in countries with the most favorable interest rates.

Also, the degree of leverage used in real estate throughout markets in the U.S. and Canada has raised prices, so many desirable assets have become poor investments.

However, with wide open emerging markets in terms of total investment, it is possible to find good deals with impressive returns even in places where borrowing rates aren't quite favorable.



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5 rules to follow

Any successful investment strategy needs to be built around sound business and financial principles that you can return to whenever new opportunities arise.

Especially when leverage is involved, it is crucial to make a wise long-term decision that, due to unforeseen circumstances, will not go to zero which rarely happens with real estate, but any kind of a sharp drop will hurt a lot.

Based on experience making and studying real estate investments globally, here are the five R's criteria that will make it easier to spot the best investment opportunities that can be leveraged for massive returns.

Right transformation: Investing in internationally desirable and resilient locations offers a risk-averse investor long-term growth and stability.

Destinations such as Mexico's Riviera Maya or Portugal's Algarve have global demand, even during crises such as the COVID-19 pandemic or the 2008-09 financial meltdown.

After such events, these locations rebound even stronger, as their attractive fundamentals become even more appealing.

Right location: After selecting a location or region, drill down and pay attention to local amenities.

Look for properties near the beach, a golf course or the airport. Other value escalators could be an attractive geologic or natural feature, a particular microclimate or a highly sought-after neighborhood.

Get the right developer: Research the market to find developers with a strong track record and extensive experience. They should be both creative and conservative and innovate in their thinking without taking

unnecessary risks.

A passion for creating beautiful communities is essential.

Buy only the right real estate: Do not consider anything but top-tier properties in the market you have selected.

Seek out the best amenities and impeccably designed condos to ensure real estate selections maintain a competitive edge.

Also, avoid cookie-cutter properties in favor of distinctive architecture and other features that will remain in high demand and provide long-term value and desirability.

Right price: Buying real estate at the right price is paramount.

Overpaying for a property can lead to negative equity and financial strain in the long run.

By finding the right price based on your risk and return profile, investors can maximize their potential returns, mitigate risks and make informed decisions contributing to a successful and profitable investment venture in overseas real estate.

BUYING PROPERTY abroad using leverage is wise for experienced and new real estate investors who follow good investment guidelines.

Portfolio diversification and the potential to benefit from emerging markets are the primary benefits of looking abroad for your next real estate asset, which can produce considerable returns on a small initial investment.

In addition, leverage amplifies purchasing power, boosts returns and optimizes tax efficiency with careful planning and consultation with area experts to identify the most attractive properties available to foreign investors.

Ronan McMahon is Waterford, County Waterford, Ireland-based editor of [Real Estate Trend Alert](#), [Your Overseas Dream Home](#) and a contributing editor to [International Living](#), the top source for all things living overseas. He is the author of three books on international real estate and has participated in more than \$2 billion in real estate transactions over the past two decades. Reach him at rmcmahon@pangearesearchgroup.com.

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