

The Last Word

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by Dennis Phillips

A quick glance through overseas property adverts, magazines and websites will throw up a whole host of real estate investments. They'll often feature heavy discounts if you're prepared to commit yourself at the very earliest stages of an 'off plan' development. In recent years, many people have profited handsomely from these types of deal. But if you're new to these types of deal and keen to learn more, how do you go spotting a genuinely good opportunity?

RISK V REWARD

One key factor is identifying where on the 'risk/reward curve' you're being asked to commit yourself.

Most developed countries operate a system of planning laws designed to control the use of land and development on it. There are a number of key planning stages a development 'master plot' will go through from original acquisition by a developer until the completion of officially recognised and certified individual properties with their own title deed ready for onward transfer to 'end users'. For a number of commercial reasons, developers may choose to invite prospective you to invest in their project at

varying points in the planning and development process. As a rule of thumb, the earlier on in the development you are being asked to pay over any sums, the greater the risk you are being potentially exposed to.

Sometimes (but rarely so in the case of developers in 'emerging' markets) there may be safeguards in place to protect your funds during the various stages of the development. Developers generally recognise that you bear varying levels of risk depending on which stage of the development you are being asked to invest. One of the main incentives for you to share their development risk is to offer you a discount on the expected market value of their property on completion.

LEGAL ADVICE AND MARKET RESEARCH

With these deals it's crucial to appoint independent lawyers. In fact, most responsible developers will encourage you to do so. We should be reporting to you on the current risks involved and, having identified them, considered ways that those risks might be managed and minimised.

With that advice to hand, you'll then need to make the decision as to how those risks match your own risk/reward profile and whether you are prepared (both psychologically and financially) to bear those risks.

In doing so, you will need to be satisfied that the potential rewards for bearing that risk are genuine. In most cases this is a question of careful research. You'll want to compare your discounted price with the prices of completed properties of a similar specification in the same area. You'll need to satisfy yourself that any discount being offered to you is a genuine one and whether you feel that that discount adequately reflects the risks you will undertake.

As with almost all investments, there are no guarantees. But, hopefully, having researched well and taken good professional advice, you'll have given yourself the best chance of making a sound investment decision and realising a healthy profit. 📌



Buying off plan can be beneficial financially, but seek independent advice to manage the risk involved