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# Investing in International Real Estate

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**Nicholas Wallwork**

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# Investing in International Real Estate

by Nicholas Wallwork

for  
**dummies**<sup>®</sup>  
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## Investing in International Real Estate For Dummies®

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# Introduction

Welcome to *Investing in International Real Estate For Dummies*, and thank you for choosing me to guide you through the process of building a successful real estate portfolio. I'm so excited to be sharing this journey with you!

If I were a betting man, I'd wager that you're drawn to real estate because you want the chance to create financial security — and, over time, real wealth. You love the idea of working for yourself, of being in charge of your own destiny, of being liberated from the boring, 9-to-5 routine. You want to feel excited about what you do every day.

Those were certainly the things that attracted me to real estate more than 15 years ago. Back then, I had a good, grown-up job at an investment bank in the City of London. I was earning fantastic money for a young, single guy. I was doing all the things I thought I was supposed to do with my life, the way I had been taught and the way that society suggested. But I was miserable. I was desperate to escape it all and work for myself. Real estate seemed a tangible, achievable way to do that. I wasn't wrong.

I started small, renting out a room in my own house to start with. Then I rented out another room after that. Then I converted the garage to make another room, until I'd maximized that first house. Then I took on another rental property, and another after that. Pretty soon, I was expanding into other real estate strategies — and that was when things started to get *really* exciting. Within ten years, I'd built up a diverse, robust real estate portfolio worth more than £20 million (or more than \$25 million), and I was running my own group of successful real estate businesses transacting many millions worth of property each and every year.

There's nothing particularly special about me. I don't have a larger-than-average brain (at least, I don't think I do!). I didn't come from a background of notable wealth or privilege. And I had no real estate experience (beyond being a homeowner) when I started out. But I was very determined, and I was willing to invest the assets I had in abundance — namely, my passion, drive, time, and energy — in immersing myself in the world of real estate. If you have the same drive and willingness to commit to your continual education, you, too, can build a successful real estate portfolio. This book shows you how to start or get to the next level.

# About This Book

Many investors start out by buying a property and renting it out to a tenant or household (the standard single-tenant model). That's all well and good — and if that's your main interest in real estate, I recommend you also read Eric Tyson and Robert Griswold's excellent book, *Real Estate Investing For Dummies* (Wiley).

This book, however, is designed to go beyond simply renting out a property on a single-tenant basis, toward building a portfolio that encompasses different real estate strategies (such as renting out a property on a room-by-room basis or providing serviced accommodation). Why? Because I believe there are better ways to maximize your real estate income than the standard single-tenant model.

To put it another way, this book is designed to inspire you to grow as a real estate investor, beyond the standard route into real estate investing, and build real wealth for you and your loved ones. With that in mind, this book is built around the following core concepts:

- » By building a robust real estate portfolio — one that incorporates different strategies and multiple revenue streams — you're much better placed to ride out market fluctuations and invest for both the short and long term.
- » Passive income is the key to building real wealth and security — not to mention the freedom to live life your way. So, wherever possible, you want your investments to be as passive (hands-off) as possible. In the early days, this may not be entirely possible, but as your expertise and your portfolio grow, you'll be able to take a step back and devote more time to growing further, instead of focusing on the nitty-gritty day-to-day stuff.
- » Most real estate books tend to focus on one geographic location or another (typically, the United States or the United Kingdom), when, in fact, many real estate strategies can be successfully deployed anywhere in the world. If investing overseas doesn't appeal to you, that's fine — a number of the strategies in this book will almost certainly work just as well in your home country.
- » Continually investing in your own education and maintaining the right mind-set is critical for success as a real estate investor. In fact, one of the unique features of this book is that it devotes two whole chapters (Chapters 5 and 17) to key mind-set techniques. I believe your mind is what differentiates you from any other human being, and if you can learn to harness your mind (through education and mind-set techniques), you can do absolutely anything you want. Just dream big!

One final thing to note about this book: Within this book, you may note that some web addresses break across two lines of text. If you're reading this book in print and want to visit one of these web pages, simply key in the web address exactly as it's noted in the text, pretending as though the line break doesn't exist. If you're reading this as an e-book, you've got it easy — just click the web address to be taken directly to the web page.

## Foolish Assumptions

During the writing process, most authors have a specific type of reader or audience in mind. I'm no different. So, while I was writing this book, I made some simple assumptions about you as a reader:

- » You're looking to progress beyond the standard renting-out-a-property model and build a real estate portfolio that's diverse and robust.
- » You don't necessarily know which strategy or strategies are best suited to you as an investor.
- » You may not have a lot of money to invest in growing your real estate portfolio, and you're looking for creative ways to expand and progress, without breaking the bank.
- » You aren't sure which geographic location is best for you (whether you should invest in properties at home or overseas).

If that all sounds about right (and I hope it does!), this book is for you.

## Icons Used in This Book

To help you navigate this book, I use the following helpful, eye-catching icons. Here's what each of the icons is used for:



REMEMBER

I use the Remember icon to highlight critical information that you should keep in mind on your real estate journey.



TIP

The Tip icon draws your eye to handy hints and insider tips that will save you time or effort, or generally make your life as a real estate investor a little bit easier.



WARNING

As with any form of investing, mistakes can be costly. I use the Warning icon to highlight advice on what to avoid or common mistakes that many investors make (so you don't have to make them!).



TECHNICAL  
STUFF

Sometimes I get into the weeds a bit and give you information that's a little more technical than you absolutely need. When I do, I mark it with the Technical Stuff icon. If you're in a rush, feel free to pass by anything marked with this icon.

## Beyond This Book

In addition to the book you have in your hand, you can access some helpful extra content online. Check out the Cheat Sheet for further tips on becoming a real estate pro. Just go to [www.dummies.com](http://www.dummies.com) and enter **Investing in International Real Estate For Dummies Cheat Sheet** in the search box.

I've also developed online courses that go into more detail and provide extra content to help you improve your real estate education further. You can find these courses at [www.propertyforum.com/real-estate-courses](http://www.propertyforum.com/real-estate-courses).

## Where to Go from Here

So, where do you want to start?

One of the great things about *For Dummies* books is that they're designed to be read in any way that works for you. So, if you want to read the entire book from cover to cover, go for it (in fact, I encourage you to do just that for maximum inspiration).

But if what really excites you is vacation rentals, you can turn straight to Chapter 16 and dive right in. Looking for creative ways to fund your investors? Chapter 8 is for you. Or if renting to students is your preferred niche, head to Chapter 14. In other words, you can pick and choose the chapters that appeal to you as a growing real estate investor, so scan through the table of contents and find what catches your eye.

And if you aren't sure where to begin, simply turn the page and see what comes next!

# 1

# **Building a Successful Real Estate Portfolio**

## **IN THIS PART . . .**

Dip into the vast range of real estate strategies available to investors.

Weigh up whether you want to invest at home or overseas.

Run your real estate portfolio as a successful business.

Ride market fluctuations by diversifying your portfolio.

Learn critical mind-set-related skills for success as a real estate investor.

#### IN THIS CHAPTER

- » Growing as a real estate investor and progressing beyond standard buy-to-rent properties
- » Considering the international angle
- » Incorporating different strategies into your portfolio for maximum success

## Chapter **1**

# Introducing Real Estate Investment Strategies

**R**eal estate is an asset that pretty much anyone can understand. Unlike the more complex worlds of stocks, bonds, retirement savings, and the like, real estate is a rare type of investment because it's something you have an inherent basic understanding of. It's what you live in and vacation in, day in and day out. You already know what makes a home attractive, inviting, and desirable. You already have a good understanding of your local real estate market, because you've already bought or rented in that market. In other words, you get it.

Real estate is the natural choice for many investors. They're initially attracted by

- » Relatively fewer market fluctuations compared to, say, twitchy and volatile stock exchanges
- » Healthy cash flow with regular income coming your way
- » The ability to achieve capital growth (by selling a property and pocketing the profit) on top of a steady income
- » The potential to be fairly hands off and earn "passive" income

However, just because you understand real estate, doesn't mean you'll be a successful real estate investor. You won't achieve financial security and real wealth

by renting out one property; to be successful and secure, you need to build a diverse portfolio of real estate investments, and develop an understanding of the full range of real estate strategies on offer. In this chapter, I explain what that means in practice.

## Taking Your Real Estate Investments to the Next Level

Many books out there show you how to rent a property and become a landlord, including the very thorough *Real Estate Investing For Dummies*, by Eric Tyson and Robert S. Griswold (Wiley). That's not my goal in this book.

This book is designed to help you go beyond the basics so that you can progress as an investor and grow your real estate portfolio — wherever you are in the world, and wherever you want to invest.

The idea for this book grew out of my own experience as an investor. Early in my real estate career, it quickly became apparent that there were tons of different strategies out there, beyond the obvious routes, for making money from property. And unlike the conventional path of buying a property and renting it out, some of the new strategies I was discovering required very little capital to get started.

I just didn't know, back then, which strategies were right for me. I could have used a one-stop guide to the various strategies out there, something to help me decide how to take my portfolio to the next level. That's where this book comes in.

### Comparing property to other asset classes

I believe real estate is a much better, much more achievable route to wealth than, say, stocks or bonds. That's because property is

- » **Tangible:** You can literally touch bricks and mortar, which, for many people, makes it easier to understand.
- » **Highly controllable:** You have total control over your strategy, the properties you buy, the location you buy in, and the types of tenant you decide to target. With other asset classes, you may not get the same level of control (for example, in the case of a fund investment, someone else will be making the investment decisions for you).



- » **More accessible in terms of knowledge:** Most people have a pretty good basic understanding of property.
- » **More accessible in terms of money:** You need serious capital if you want to make serious money with stocks. But with property, you can deploy a variety of strategies with little upfront capital, and leverage is available (in the form of mortgages and loans) to help you gear up.
- » **Less vulnerable to short-term market risk:** Because you're in control, you can shift your strategy and make different investment decisions in line with what's happening in the market. If you take a longer-term view (which is sensible in property investment), then the market fluctuations are more likely to iron themselves out over time with the inherent underlying asset still holding significant value even in "bad times."

Personally, I don't get as involved in stocks or other securities like currency. There are too many factors beyond my control for my liking, I don't feel like I have enough of an understanding of macro- and microeconomic factors to do it well, and, frankly, it's just too technical. And I say that as someone who used to work in the City of London on a trading floor alongside hundreds of traders! That doesn't mean you can't make great investments through stock trading, but it takes a lot more dedication and precise knowledge, as well as more risk, in my opinion.

What was really interesting to me, working alongside traders, was that very few of them invested in stocks outside of their "day job." Despite their detailed working knowledge of the markets, my colleagues preferred to invest their own money in other assets, specifically property. That was very telling.

But even though property is, for me, head and shoulders above other types of investments, the comparison is useful because it reminds us that property is, above all, an *asset*. Real estate investments should be selected with all the care and attention that a stock investor uses when assessing which companies to invest in — and should be managed extremely carefully, like a diligent trader keeping a watchful eye on the markets.



REMEMBER

An asset is only an asset if it makes you money. If it's not making you money, it's a drain on your finances, time, and energy — in other words, it's a liability. Just like any other asset class, if you neglect your investment, take your eye off the ball, and become complacent, a property can become a liability pretty quickly.

In practice, that means if you mismanage a property or neglect it to a point where people no longer want to live in it, you'll have a liability on your hands. That's why, for the strategies in this book, I give lots of tips to help you manage your investments proactively so that they continue to be assets and make money.

# Going beyond fixer-uppers and straightforward buy-to-rents

So, what's wrong with fixing up and flipping a property or owning one rental property as a retirement nest egg? Absolutely nothing at all. Done well, flipping is a decent way to make some short-term profit, and renting out a property as a standard single rental (rented to one tenant or one family) will bring in a regular monthly income with little effort required.



REMEMBER

But if you want to become a serious real estate investor, perhaps to the point where you can afford to give up your day job and concentrate on your real estate business, owning one rental property or flipping a house once in a while isn't going to cut it. You're going to have to dream bigger. One of our family mottos is "Always dream big." Why don't you make it one of yours?

## Introducing multi-tenant strategies

You can grow your portfolio by having 12 properties across town that you rent out to 12 families or individuals. That's certainly one way to grow. But is it the smartest way? Maybe not. If you instead rented out your property on a room-by-room basis to young professionals or students, you'd earn significantly more rental income than you would on a standard single rental. Multiply that by multiple properties and you're really cooking.

For example, say you have a three-bedroom house that you rent to a nice young couple. You're earning \$1,000 per month from your rental, and it requires little effort from you to keep the income coming in.

Now, imagine that same house is turned into a four-bedroom house for young professionals to share (four bedrooms because you've turned the dining room into an extra rental bedroom to maximize income). And each tenant is paying you \$500 a month for his room. Now you have \$2,000 per month coming in.

Sure, it's a little more work to find and manage four tenants than it is to deal with one nice young couple, but, in return for that little bit of extra effort, you've doubled your rental income. And that's without making expensive upgrades to the property.

## Exploring other high-earning strategies



REMEMBER

Multi-tenant strategies are a great way to turbo-boost your income, which allows you to grow your portfolio more quickly. But there are also plenty of other strategies on the table to maximize your income.

For example, you could invest in apartments that are rented as serviced accommodation by the night (like an Airbnb). You'll earn significantly more in rental income than renting out the same apartments on standard 12-month contracts (albeit it with higher costs and a higher risk of *void periods*, where the property sits empty).

Some of the strategies in this book will be more appealing to you than others. Some will play to your strengths. And some will work better in your chosen location than others. The critical thing is to be aware of the wide range of options available to you as a real estate investor, so that you give yourself the best chance of building a successful real estate portfolio and achieving your goals. This book gives you that grounding, so that you can build a portfolio that's right for you and your needs.

## Focusing on Investment Strategies That You Can Use Internationally

The vast majority of real estate books that I've come across are entirely focused on one country's real estate market, typically the United States or the United Kingdom. They go into great detail on filing your tax return and understanding local property management regulations to the point that the guidance is unusable outside that market and the book is out of date within a year as the tax rules and property regulations evolve.

This approach has always puzzled me. As someone who runs my real estate portfolio as a serious business, I'm not going to be poring over tax guidelines and filing my own tax returns. That's not the best use of my time as a business owner. Instead, I work with an awesome accountant and tax advisor who can help me manage my tax position and my finances in the most efficient way.

What's more, most real estate strategies can be used successfully in a huge range of countries around the world, and in fact, lots of investors are actively drawn to the idea of investing overseas. Whether it's the thought of more affordable house prices, exciting returns delivered by emerging markets, or just a passion for a particular country or region, real estate markets around the world have been attracting overseas buyers for years.



REMEMBER

This book is intended to be a more inclusive guide to real estate strategies, one that'll help you build a strong real estate portfolio at home or overseas, wherever you are in the world.

Chapter 2 helps you decide whether you should invest in your home country or internationally. As part of this decision-making process, you may

- » Start with a real estate strategy from this book that appeals to you and then investigate the best market for you to deploy that strategy (not forgetting the fact that the best market may well be your domestic one)
- » Start from a passion or personal interest in a specific country (again, your passion may lie close to home), and then spend time getting to know that market to find the most suitable strategy or strategies for that area



TIP

If, after careful consideration, you do decide to invest in property overseas, expert local help will be vital. You'll need to build a network of trustworthy, reliable experts who can help you manage your portfolio and individual properties. This will include a local accountant, attorney, real estate agents, and people to manage and maintain your properties. Read more about this in Chapter 3.

## Running Your Property Portfolio as a Business

The fact that you've picked up this book and you haven't yet put it back on the shelf tells me that your ambitions go beyond holding one or two investment properties as a little retirement nest egg. You're looking to build a serious real estate portfolio — potentially including international investments — and generate real wealth and financial independence.

That means you need to think of yourself as a professional real estate investor and run your portfolio as a proper business. It's not a side project. It's not something you dabble in. It's a professionally run operation, and you're the entrepreneur at the helm.



REMEMBER

Some of the key aspects of running your portfolio as a business include

- » **Focusing on passive income, wherever possible:** If you're doing this to escape the rat race and be free to live life your way, the last thing you want is to be working 14 hours a day managing your properties. So, as your portfolio grows, you may want to think about automating and delegating tasks when you can, just as the CEO of a company does. Read more about passive income in Chapter 3.

- » **Having the right people (I call it your “dream team” of experts), business processes, and tools in place:** This enables you to make sure your business runs like a well-oiled machine. Again, you can read more about this in Chapter 3.
- » **Future-proofing and protecting your business against market changes:** You can do this by building a varied, robust portfolio of investments. There’s more on this coming up later in the chapter and in Chapter 4.
- » **Cultivating the right habits for success:** I’m a big believer in the power of mind-set and self-help. If you create the right mind-set for success, through positive habits like networking, educating yourself, thinking positive thoughts, setting goals, meditating, and so on, you’ve got a strong foundation that’ll serve you well on your entrepreneurial journey. Turn to Chapter 5 for some powerful mind-set-boosting techniques.

You’ll also need to manage your finances (both everyday cash flow and ways to finance your investments) as strictly as any business.

## Getting Your Financial Ducks in a Row

My real estate portfolio didn’t really take off until I began to fully grasp and take advantage of the full range of financing options and products that are available to investors.

### Understanding financing options and valuation

In Chapter 6, I explore traditional financing options, like mortgages, commercial loans, and bridge loans. These are typically the first considerations for most investors, but there are other, much more creative routes to financing your investments.

For example, if you have little upfront capital for a deposit on a mortgage, or you’re investing in a nonstandard project that main-street lenders won’t touch, you need to be able to think outside the box and find other means of financing your projects if you don’t want to miss out on great opportunities. What’s more, being fully aware of the wide range of financing options can enable you to move faster and secure financing quicker than other buyers — which is handy in a fast-moving market or when you’re up against other investor buyers.

Chapter 8 looks at less traditional, yet still entirely achievable, financing options, including joint ventures, private lending, and crowdfunding. All these options are about investing with other people's money (OPM). Technically, even a regular mortgage is just another form of OPM, but with these more creative options, you're generally approaching partners and private lenders directly, rather than going to the bank. This creative route is about building win-win partnerships with fellow investors that will hopefully lead to many other successful projects in the future.



TIP

Whatever financing route you choose, it's really important to get a good handle on property valuation or real estate appraisals. Knowing which valuation method a particular lender is using can make all the difference when you're searching for the most appropriate financing. Head to Chapter 7 for more on valuation.

## Getting the expert help you need

Whenever you're considering your finance options, I strongly recommend you work with an expert, independent broker. Having a great broker on my side has saved me time, money, and many, many headaches over the years — a good broker will not only help you evaluate financing options and narrow down the field of lenders, but also help you pull together and file the necessary paperwork. A good broker is worth his weight in gold.

So, too, is an accountant and/or tax advisor who specializes in real estate investments and who understands your goals. She'll be able to help you stay on top of your cash flow, manage costs, and ensure that your real estate portfolio is as financially efficient as possible — a lean, mean, profit-producing machine, if you will.

# Blending Real Estate Strategies to Create a More Robust Portfolio

Real estate is generally seen as a safe bet, investment-wise (“safe as houses” as the saying goes), but property markets are subject to change and fluctuations, just as any market is. Sure, the fluctuations in the real estate market may be less pronounced and unpredictable than, say, stock exchanges, but they can still hit an investor hard.