

EXCLUSIVE SERIES Every month, **Zoe Dare Hall** shows how experienced investors make a profit from buying and selling property abroad

Buying at a discount

MAKING money from an overseas property can seem like hard work at present. All the wrong things – mortgage costs, maintenance bills, air fares – are going up, while wavering exchange rates may mean the value of your investment is heading in the other direction.

Buying below market value is one way to build in profit from the start, even if prices stagnate or fall.

"It protects buyers against corrections in market price and movements in the exchange rate," says Russell Bragg from Premier Resorts.

Buying at a discount has further benefits. It should make your property easier to sell, as you will be less concerned about getting the highest possible sale price. And you receive the same rental income as a similar property owned by someone who paid full price.

Why are prices reduced?

Developers cut the price to kick-start cashflow and sales momentum in the early stages of the development,"

says Bragg. "For a developer, getting off to a bad start could mean increased finance costs, which could remove their profit margin."

It is also a way of rewarding the buyer for taking on the added risk of investing in a development in its early stages, and the inconvenience of buying on what may be a building site for years. "Buyers will expect a better deal in those circumstances," says Bragg.

"Buying when there is nothing there is an act of faith. Investors do their homework. They buy before the public launch and they expect 20 per cent off the launch price. They may also buy several properties at once and negotiate a discount. This might not suit the average overseas home buyer, but still, the early bird catches the worm."

Prime time for a discount

Far from seeing discounts dry up, the current climate is driving developers to offer more "under market value" opportunities, says Lance

Nelson from Jet2Let Property. "In some cases, developers' finance depends on their making a certain number of sales first, so they are keen to get early sales sorted," he says.

He cites frontline beach apartments at Hania Beach in the Egyptian resort of Hurghada as an example. "You can currently buy for £700 per square metre where most similar local developments in a similar location are charging £950-£1,100. The trick is to register to get the pre-launch price as a fully refundable deposit. Then, when due diligence such as planning permission and final plans are available, you are safe to commit."

Is the discount genuine?

To calculate if a property has genuinely been priced under market value, you need to compare its value per square metre with properties of a similar size and type locally. "If you are buying off-plan, expect prices to be 20-30 per cent lower than equivalent

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Below the market: Marbella Royal Suites, near the Spanish coast, are priced at 30 per cent below the official bank valuation, with a predicted rental yield of 12 per cent. There is a leaseback scheme and Banesto is offering 100 per cent mortgages. One-bedroom apartments start at £99,000 through Owner Invest

properties on a resort that has already been built," says Bragg. "Ask to see a bank valuation or arrange for an independent valuation and ask what bank guarantees the developer has in place. If the developer is guaranteeing rental returns, ask to see the independent research that substantiates their forecasts."

And don't be seduced by incentives such as cashback or golf club memberships. "I'd walk away," says Bragg. "They are effectively a false discount, as you won't be able to offer the same incentives when you resell."

Contact www.uniqueinvesting.com 0845 430 0185; www.premierresorts.co.uk 020 8940 9406; www.jet2letproperty.com 0113 313 1000; www.ownerinvest.com 0800 048 0712

WHAT THE EXPERTS SAY



SERGE COWAN Unique Living

"With new developments, pricing properties under market value may be the developer's way of promoting them. But if a resale property is obviously under market value, you should ask why."



RUSSELL BRAGG Premier Resorts

"Buying off-plan is the best way to buy under market value. Make sure the resort has planning permission and is properly funded, so it is not dependent on sales for completion."



LANCE NELSON Jet2Let Property

"The agent selling you the property should be able to explain the due diligence they have undertaken to ensure that the developer is reputable and that the price isn't too good to be true."



MARK BINGHAM Owner Invest

"Making sure that a decent amount of capital is built in to the purchase price is an important step towards protecting yourself. It will help to induce the bank to look favourably on a mortgage application."