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Global Real Estate Investment Guide



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Introduction to investment in global real estate: Why would you invest in global real estate?

Many people have the dream to spend holidays abroad, relaxing or wandering iconic streets. However, foreign countries deserve more than a brief visit; they offer valuable investment opportunities for global citizens that are beyond holidays homes.

Real estate has always been a widely-popular choice for those who are looking to invest their money for high and stable returns, and such choices are encouraged by the stories of those who successfully built their fortunes through real estate investments.

A type of real estate investment that is associated with wealth is that of out-of-boarders/ international real estate investment, or what we call " global real estate investment".

People invest in global real estate for two major reasons:

1. Acquiring a holiday home. Here, the investment would be classified as residential real estate.

2. Achieving profitable returns from renting or selling the property later down the line. Here, the investment may be within residential or commercial real estate.

As a new investor, you should clearly define your choice of the above, regarding your strategy of investing into global real estate. If the purpose of your investment is to acquire a holiday home, your search scope will be focused on options such as having a home in the countryside where there is nature, being on the coast or having a swimming pool; familiar and logical options to those who are looking for a place which offers a unique holiday experience.

If the purpose of your investment is to achieve profitable returns, whether from renting, operating, or selling the property in the future, your options then, will be entirely different. At the residential property level, your search for a downtown home will be concentrated into more vibrant areas. For commercial real estate, your research will be for a property such as an office or set of offices within a city center.

What you need to know before investing in global real estate

Investing in global real estate can open up a number of opportunities, however, there are certain obstacles that can sometimes make this slightly more challenging. Here are some potential obstacles to consider before embarking on your investment:

Laws & Regulations

Each country has its own unique set of laws, regulations and taxation. If you wish to acquire a property abroad, you'll need to know which rules could affect your property; they could not only affect the purchase process, but may also lead to future disputes over property rights. Understanding the laws surrounding your property location will help avoid or mitigate such disputes.

Competence/Approval

Acquiring real estate involves more than simply signing papers and paying sums of money. Some countries may expressly prohibit, or severely restrict, the purchase of property by foreigners. For example, Thai laws prohibit foreigners from directly acquiring land in their own name and the only way to successfully acquire land is to set up a majority Thai-owned company.

Property Rights

Some countries, such as the United States, apply the English Common Law, so they recognize the concept of ownership and the set of rights granted by this concept. However, many other countries adhere to entirely different laws, and therefore, it is essential that investors consider the rights that property owners have in the country of which they are thinking to invest.

Language Barrier

One of the main obstacles in acquiring international real estate is that of the language barrier. Purchasers who do not speak the language of the country they invest in, will face difficulty in signing contracts, or in independently working under legal agreements.

The Currency

Investors who are familiar with forex or exchange rates know the particular risks that accompany international investments. Purchasing internationally means that you will have to take these risks into consideration; specifically, you will have to consider currency fluctuations.

Political Stability

Any time that you invest in a real estate asset, in any country, you face political risks, also known as geopolitical risks. These risks are essentially the potential loss of property, income, or assets, as a result of changes within the country. Therefore, if your property is situated in an unstable country, you are at risk of potential damage or loss of capital and returns.

Although the above discussed obstacles can make your investment a risky process, you can attain help to overcome and pass these obstacles with participatory investment organized by trusted international investment institutions, such as neo capital, or by mandating international investment experts to facilitate a secure investment.

Global real estate comparison

Cost of living, GDP per capita and local purchasing power, are all measures you can consider when comparing property prices. These measures are indeed beneficial, but they can often add complexities to your research. What you require is a clear and concise way to compare multiple properties from across the world. Examining the dollar cost per sq. mtr. is the best way to do this.

Many countries outside the United States are already using U.S. dollar prices for their real estate transactions, as this is a more stable way to make larger purchases than in a local currency. This measure will allow you to calculate investment returns, rental returns, and similar aspects in a comparable way.

Keep in mind that real estate, in some booming economies, may be cheaper because of the abundance of real estate offering, forcing prices down. As economies develop, and as more people from inside and outside of those countries turn to take advantage of the booming economy, prices are unlikely to remain low for long.

On the contrary, other countries enjoy the same prosperity, but their economic and real estate development will take longer time. So, you will find that property prices there remain high.

While the dollar cost per sq. mtr. is a great method for consideration of investments and calculating potential returns, you should be careful to ensure that currencies are also stable, and that you compare one with another. For example, if you look to acquire a property with a vineyard in France, it will certainly be significantly expensive per sq. mtr., even after securing government assistance for such historical characteristics. Additionally, many wealthy people may be interested in purchasing such a property to add to their luxury real estate portfolio, raising the price to a very high level.

There are always chances that returns, if any, could be bad or lower, and that market liquidity will be close to non-existent. Just because something is expensive doesn't mean it is a good and safe investment.

In comparison, investing in geographical locations with more dynamic economies can be much easier and more profitable. In other words, the dollar cost per sq. mtr. is a good measure, if you're looking at similar locations.

Once again, international investment experts help you to compare prices more accurately and realistically. Investors with neo capital obtain an objective and clear comparison of real estate prices in order to invest globally.

Residential real estate vs. commercial real estate: What are the differences?

Should I purchase residential or commercial real estate? This is a question that may come to mind as you are contemplating your next investment.

This comparison will reveal which of two options are more suitable for you:

Considering returns, commercial real estate outperforms residential real estate in terms of gaining higher returns. Residential properties are subject to a number of controls, such as increased rents, and the difficulty of evicting tenants, nevertheless, the returns on residential real estate still remain well-rewarding.

A technical difference between residential and commercial properties are that residential properties consist of single-family housing, duplexes, and quadrants of 1 to 4 units. Commercial properties are offices, retail, industrial, hotels and private-purpose buildings of 5+ units. Therefore, there is a difference in which type of tenant each property attracts. Usually, residential real estate is leased to individuals and families, whilst commercial real estate is leased to companies.

Real estate offers a wide array of investment opportunities, and there are different benefits to each type of investment. For instance, there are a larger amount of commercial real estate investment opportunities, comparing to that of residential. On the other hand, investment in residential real estate offers more flexibility to the investors.

Three main comparative points between residential and commercial real estate

1. Getting into investment: The first thing you need to do in either market is to invest, right? But getting into an investment is slightly different between residential and commercial real estate. Commercial real estate is considered easier to start with, because of the lower initial costs compared with residential real estate. This is especially due to commercial real estate usually being made through participatory investment.

2. Managing tenants: Investing in commercial buildings is often more difficult because there is a possibility that you will need to manage multiple tenants simultaneously. Whilst with residential properties, you will have only one group of people, as tenants, for each property. However, managing tenants in both cases can be overcome by appointing real estate property management to a specialized firm who can also create greater opportunities to make the most out of your property.

3. Investment revenue: The reason that commercial real estate remains a prevalent type of investment is due to the high returns. We find that commercial real estate outperforms residential in achieving higher returns, as residential tenants may change relatively frequently but commercial tenants usually sign contracts for much longer time periods, guaranteeing a fixed income from the property and making the investment worthwhile.

Real estate investment is an excellent opportunity to achieve great returns on investment. Your decision to choose between residential and commercial real estate depends, mainly, on the amount of capital you invest, and on your investment plan in general.

If you are interested in investing in commercial real estate, neo capital offers the opportunity for joint investment into dynamic commercial real estate in some of the world's most prominent cities that deliver attractive returns.

Rules of selecting global real estate for investment: Real estate selection motivations

You cannot win a game if you do not know its rules. Can you win at a game of chess without knowing what the rules are to move each piece? The same is true for global real estate investment; without knowing its rules, global real estate investment may end up at an inevitable loss.

The motivations for choosing global real estate to invest into are not only the state of the property itself, but also include many other aspects such as location, market analysis and more. What are these rules in detail?

1. Supply and demand: Supply and demand are common terms in the real estate market.

The best case for an investor in order for prices to remain stable and growing is when the demand is higher than the supply. The rule of supply and demand should be taken into account when choosing a suitable property; ensure the demand grows faster than the supply.

2. Investment country analysis: Investors are accustomed to analyzing the market before entering into any investment. This rule applies to employers, without market study and analysis, the risks will be higher, and the same rule applies to investment in global real estate. However, the market of which you must analyze here is the investment country. Ensure that there is economic and political stability in the country of which you want to acquire your property in; it is always recommended to navigate away from countries suffering from political and economic unrest. Furthermore, it is also important to analyze the macro-economics in the medium and long-term.

3. Investment area analysis: City or neighborhood? Within market analysis (investment country analysis), we begin by focusing our study on the area where the property is located, such as the city, state, or neighborhood. This analysis includes researching the prices of real estate and the demand for it in within the region, how easy it is to lease-out if the property is vacant, the cost of replacing the property, the volume of vacant properties in the region (the higher the ratio, the greater the total supply to aggregate demand).

4. Tenant analysis: Tenants are your customers. Knowing what the preferences of tenants are is not a secondary matter that you can choose between doing or not doing; in the end, tenant preferences will determine the future of the property you invest in. You should know who the tenants are, how suitable they are, and their preferences for the properties that they choose to rent.

5. Real estate analysis: At the last stage of the analysis, you will begin to analyze the property itself, technically and legally, so that acquiring it will not be an uncalculated venture. You should examine the technical and engineering status of the building, and whether additional cost for improvement is required. If the property is owned by a company, the company's books should be financially and legally considered in order to ensure that there are no existing financial or tax liabilities on it, and that such taxes and dues do not pass onto you.

These are the most important rules you should abide to when investing in global real estate. It would be advisable for you to hire an expert or a specialized company to help you analyze the motivations for choosing a suitable property, so that the risks related to your investment remain as low as possible.

At neo capital, we conduct a thorough and detailed analysis of investment incentives before we start our investments, to ensure that risks are reduced to the lowest possible level, giving our investors more security.

Advantages and risks of investing in global real estate

As with all investments, there are some advantages and disadvantages when investing in global real estate. The negative points are mostly linked to the existence of risks. However, you can minimize these risks, whilst maximizing profit, by making a smart investment. Smart real estate investments generate rewarding returns and can provide you with a reliable flow of income throughout your investment journey.

Global real estate investment advantages

Real estate is a large and long-term investment. You can mitigate potential risks by investing into different types of investment categories and diversifying your portfolio.

One of the many advantages for global real estate investment is that there is less volatility than you see in other financial markets. Unlike the stock market where shares are bought and sold in a second, real estate investment has proven to be relatively stable.

Don't forget that there is always demand for real estate. The lack of housing and buildings, global population growth, and the abundance of companies established every day are the reasons for this ever-increasing need. Investment into global real estate, especially in highquality locations, mean that you are making a smart investment into something that will always be an asset and that brings you high returns.

Another advantage of international real estate investment is the benefit from special tax structures in many countries, which means that your profits will not be swept by taxes. In addition, investing in global real estate provides you with many options when you expand your investments into different countries, you can gradually become selective in terms of region, cost and market. If you are a wise investor, you may discover opportunities within undetected markets and make good returns.

We can say that long-term stability, portfolio diversification, relatively constant demand for real estate, and attractive tax benefits are all positive factors that make investing in global real estate a great opportunity worth trying.

Global real estate investment risks

The primary challenge when entering the global real estate market is, usually, that you will need a large amount, or at least a good amount of capital. When it comes to acquiring a property overseas, there are no quick options for withdrawing funds. You should take into account the uncertainty surrounding the purchase and rental opportunities associated with the property. Unlike other assets, real estate takes much longer to sell the property. If you find yourself in a position where you need quick access to your capital to invest elsewhere or to meet unexpected circumstances, you may experience some difficulties and delays.

In short, the disadvantages and risks of investing in global real estate are:

- The need for a relatively large amount of capital in order to enter the market.
- Possible additional costs that exceed the initial purchase price.
- The longer time needed to sell the real estate, making it difficult to quickly access your capital.

Finally, the advantages and disadvantages of global real estate investment may not be 100% clear to you, so you will need to hire an expert who can explain and determine your appropriate position and suitability to the investment.

neo capital real estate professionals have extensive experience in global real estate investment. We have the credibility to transparently explain everything related to investing into global real estate to you, truthfully and honestly.

Global Real Estate Investment Guide: Final Ideas

Not all property prices forever increase. Some markets have temporary highs and then collapse when the bubble bursts and are never able to recover. That's why you have to carefully invest after conducting thorough due diligence. Knowing how to invest in real estate is not like other financial assets that you can enter into and exit as it conveniences you.

Globally, there are millions of properties, neighborhoods, and hundreds of countries, and you have to find measures from which you can compare them. The dollar cost per sq. mtr. is a short way to assess the relative value - although always make sure you are comparing one property to another similar property; a like for like comparison.

When investing in global real estate, you should be comfortable that the area where the property is located will remain sought-after for decades, perhaps even centuries to come. Therefore, no matter what happens in the world, the property will retain and hopefully increase its value at a profitable rate.

Be pragmatic in your choices, but not so pragmatic to go where everyone went before you. Go where you get the best deal, and do not be afraid to discard the deal if you are not comfortable with all of its aspects.

The whole world is at your disposal, it doesn't make sense to entertain only a few options that you are not particularly excited about.

If you need help knowing what type of international real estate investment is right for you, then the neo capital team is ready to provide you with professional support.