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Use these seven signs to assess value when investing in offshore property

By George Radford

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Choosing to invest in an overseas property can be daunting. But as more and more investors recognise the value of a diversified portfolio that includes property outside of their own country of residence, international property investment is growing in popularity. The question is, how do you identify a great investment opportunity?

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There are several key factors that can help to predict the future growth of a property market and build an attractive investment case. Certain characteristics of a city or suburb can help indicate its potential, thereby providing excellent value for investors. Research and timing are critical to the process and if done correctly, can yield great results.

Here are seven signs that investors should look out for:

Population: A young, growing population is an indicator of demand and suggests there will be an increasing need for homes. If the number of houses being built in an area isn't enough to meet that demand, this tends to be an ideal market from an investment perspective. So long as that demand exists, it's an indicator that capital values of properties may be expected to increase. It may also indicate a long-term scarcity of rental properties, pointing to a potential for rising rents (and increased rental income for investors) over time.

Employment in industries of the future: Areas that are displaying booming industries often create new jobs. Investors should be particularly interested to identify those areas where employment sectors of the future appear to be taking off – technology, digital media and medical research to name a few. These jobs attract a working age population and in so doing, create vibrant hubs that spur economic growth.

Within Europe, Berlin's prosperous economy and population influx has contributed to the German capital recording the highest price rises in the country in 2016, with a year-on-year price increase of 13% for apartments.

Vacancy rates: Are empty properties few and far between? Do properties for sale or for rent tend to be snapped up quickly? These are the questions investors should be asking because they provide a good sign that both the sales and rental markets are on the up. Crucially, it's also a sign that if one tenant leaves, your potential investment property is unlikely to stand empty for long: good news for ensuring a steady, predictable stream of rental income.

Regeneration and infrastructure: The investment case for areas under regeneration is often much stronger than in more established areas. There's often more scope for capital value and rental income growth - while a lower price point makes them more accessible for investors too. Birmingham, the second largest city in the UK in terms of population, continues to thrive with a regenerated city centre and the largest concentration of businesses in the UK outside of London. Rental yields have grown 24% in Birmingham's city centre over the past 12 months, and are expected to continue rising as transport links with the capital improve.

Connectivity: The investment of transport infrastructure is normally a reliable sign of future growth within an area. Safe and reliable transport links can do wonders to draw a working population into a central business district and neighbouring areas are often likely to benefit from an increased demand for housing due to the easy access. Investors should therefore look for areas where improvements to public transport links are in the pipeline.

Amenities and institutions: From big corporate offices through to prestigious university campuses, an area's 'pull' and character tends to be shaped by the institutions that are present there. For instance, if there's a respected university with a large international student base, this may drive strong rental demand in surrounding areas. If the area is starting to earn a reputation as a natural home for certain industry sectors, or if corporates are increasingly building a presence there, it could be a positive sign both for the rental and sales market.

A European city that appears to be growing in popularity with South African investors is Vienna. Vienna is home to 20 universities, is ranked third for most affordable cities by QS Best Student Cities 2016 and is rated number three on the innovation cities index. It boasts a 10.5% average property price increase per year over the past five years. In order to keep up with population growth, Vienna will need an extra 11,000 homes built this year alone.

Unique factors: Investors often ask what makes an area special. It might be that it's making the most of its industrial heritage. It could be that it's reinvented itself as a cultural hub. It might be the pull of waterside living that's proving irresistible to renters and buyers alike. Either way, if the area appears to be a 'go-to' destination for a growing number of residents, it's definitely worth a closer look.

South African investors typically prefer to purchase buy-to-let international residential properties for diversification and capital protection purposes, as well as income-producing assets, because they are more tangible than other property investments such as property funds.

The construction of new high-speed railways, increased government spending in the regions, and continued population growth all combine to drive demand in a particular area. This in turn provides a compelling argument for investing in property in these soon-to-be hot-spot areas.

ABOUT THE AUTHOR

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