Investing offshore? Here is what savvy investors should look out for

According to George Radford, director for Africa at IP Global, affordable financing options, long-term demand for rental units, and a city's transport infrastructure are some of the factors to consider when investing offshore.

In South Africa, landowners are jittery about the governing party's proposed policy to expropriate land without compensation, with some people wondering whether the policy extends beyond agricultural land to residential property. Similarly, South Africans looking to invest offshore are monitoring how the UK's property market responds to Britain's planned exit from the European Union.

"Although the UK market remains strong, especially in Northern England where the government has invested in boosting the economy, Brexit has nevertheless created a climate of ambiguity for private investors and companies that have their centres of operation in Britain," says Radford. "To retain and attract skilled employees, some companies might consider relocating their headquarters to new markets that offer employees the advantages of living in a cosmopolitan city."

What to look out for in a new market

Radford believes Portugal's capital city of Lisbon has what it takes to attract investors. "Lisbon has a vibrant economy and was voted one of the safest places to live," he adds.

There is growing demand for accommodation for Lisbon's middle-class, which is a good problem to have from an investor's perspective as it shows that demand outstrips supply, Radford explains. An imbalance of demand and supply of houses is a key indicator of a city's investment potential.

Investors should also ensure there is long-term domestic demand for rental units and easy access to public transport. According to the Brookfield Property Group, one of the largest global investors in real estate, the commute between work and home should not be more than 20 to 30 minutes. Radford says a buy-to-let investment property should offer tenants the ease of having short commutes to get to work and lifestyle amenities, which corresponds with IP Global's advocacy of the concept of 'live-work-play'.

The availability and affordability of buy-to-let financing, he says, is another important component that should be considered before entering a new market. "When foreign investors are unable to access buy-to-let financing or when it is too expensive, advisors at IP Global cannot justify the market as a good investment location, even if other variables are on point, Radford adds.


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Keep an eye on the interest rate

Investors must also keep an eye on the potential increase in a country's interest rate that could impact a homeowner's net monthly returns. "IP Global offsets the risk of rate increases by identifying markets that exhibit very strong yield returns, leaving our purchasers with an immediate positive net monthly cash flow and a buffer to weather changes in the economic market," Radford explains.

Trends are another useful indicator of investment potential. The Brookfield Property Group suggests the trends to watch are: population growth, the rise of millennials and progress in innovation and technology.

"With this in mind, IP Global is targeting cities in the United States with young populations and industries, such as Minneapolis and Atlanta. The latter has been voted the most likely location for Amazon's HQ2."

Radford says that if investors know which trends and figures to look out for, they can broaden their portfolio of properties beyond traditional hotspot cities.