

Buying Property Below Market Value

"History has shown that a proven “Global Property Cycle” exists, that when accurately assessed and acted upon can provide a potential investor with the “perfect platform” for a rewarding property purchase!"
Graham Pyle, Managing director of Countryside International

For many property investors buying below market value is the only game in town in these challenging times. How do you go about finding bargains in a foreign real estate market? Where do you start and what are the common pitfalls?

Jim Collins, a property investor from Ireland, has spent most of his life buying, rehabbing and selling houses and apartments in Dublin. Money is good and he knows the ropes of the business. He has his own network of agents, lawyers, contractors and developers who would pass him current information about deals he might be interested in. Those are typically below market value properties, distressed sales, repossessions, bank REO, foreclosures.

One day after having a friend over for lunch he decided to see whether he can apply his expertise to a foreign country. His friend had put down some figures concerning an emerging real estate market in a small EU country he had visited. It sounded very intriguing and Jim decided to take one week off and make the trip. That country was Bulgaria, and he landed in Bulgaria’s capital Sofia on a balmy Friday afternoon in September of last year.

One week later he had already some notions about where Lozenets and Vitosha were situated in the capital city; also Varshets, Borovets and Bansko ski resorts, Sunny Beach and Kavarna on the Black Sea coast. He visited dozens of developments, met builders and brokers. He came also to my office and we talked about his plans to get his hands on distressed and below market value (bmv) real estate. He had already found out the way bmv properties were offered and sold was quite different here. On the other hand he was keen to try because of the really bargain prices.

So I put down some pointers for him that can also work for anyone interested to explore the one Bulgarian property market that’s truly worth exploring in these challenging times. **BMV Deals Step One**

Hook up with a decent professional agent(s) and tell him your story: what you are looking for, your budget, buy and rent or flip experience, etc. If possible find someone who knows not only the local business culture but has international experience as well. Otherwise you may end up both talking English but thinking Swedish (or Arabic).

This done, you don’t have to spend much more than in the country. Your local agent will send you exactly what you wish for, a pre-screened list of investment opportunities in your selected locations. If he is just spamming with anything that crosses his/her desk, get another agent.

BMV Deals Step Two

Once a juicy deal comes on the radar screen put it in a separate folder and try to get as much information about it, the location, the infrastructure etc. You should have at least 20 potential deals like this before jumping back on the plane to visit the place. **BMV Deals Step Three**

At this point you will need a local lawyer. Ask to see the vendors and if they don’t speak your language get an interpreter. This may sound like an unnecessary expense since your agent is there to translate for you but early in the relationship having an independent translation could be an asset. This should set you back no more than 50-60 euros for half a day.

Get the paperwork from the vendor and give it to the lawyer to check. Feel free to ask for bilingual copies, let the other party carry the expense of the translation. Your lawyer must be fluent in English so he will be able to tell you about any language discrepancies. In any rate you will find out that only the Bulgarian language versions hold water in court here.

If your local agent is not a bmv property specialist you are not in a very good shape. Going to auctions won’t do you any good if you don’t know the language. And even if you did, you have to be aware of the local property mafia who knows all the tricks how to preempt any sale that’s not going their way. Many experienced foreign investors find out this is one common feature shared universally in many different business cultures all over the world.

An other universal fact of life you can count on is that foreign buyers pay more, hence the importance of your indigenous contacts. Don’t be shy to pamper them, this is going to pay off. It will be helpful if you can honestly tell them you like to buy under normal market value since you have finance lined-up; you are an experienced investor and have a strong track record. Offer to give references.

Is it that simple?

Relax, it's not. First-timers don't be lazy, do your own due diligence. If you go for value, and manage to negotiate a good deal, you'll be well on your way to making some serious money. You will be surprised what comes out of the bushes. Buying below market gives you instant equity, a security margin you could never have without the proper research and negotiating. It's a buyer's market out there, now is the time.

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