

# How to Manage Your Overseas Property

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*By Porter Scott*

When you buy property abroad, you can be sure of one thing: many of the procedures, methods, requirements, and taxes are different than at home. Laws, customs, and traditions all vary from country to country--sometimes, even within the same country. To thrive in a foreign culture, you have to be prepared to be flexible and to adapt your thinking to local realities.

Regardless of whether you are keeping your property exclusively for your own use or putting it on the local rental market, there are certain obligations that you, the property owner, must fulfill...

## Owning foreign property: the legalities, obligations, and responsibilities

### **Taxes**

Wherever in the world you are, you will most likely pay taxes annually on the land, the building, the garbage collection, and the sewerage system. In France, for example, when you buy a television set, you pay an annual audiovisual tax on the use of the television. The amount due depends on the size of the set, whether it is black-and-white or color, and on the number of television sets you own. Before you buy a property, be sure you understand these obligations.

### **Insurance**

According to your location, you should insure yourself against natural disasters like hurricanes, in addition to standard catastrophes like storm damage, water leaks, fires, etc. Your insurance policy should be activated the day you sign on your property and take possession. If you intend renting your property to third parties, then your insurance policy needs to cover your tenants--and the policy should specify that they are covered. Take photos of all of the items that you purchase for your property and keep copies of the purchase invoices along with the photos, preferably in a place that can survive a catastrophe.

### **Permits**

You may not need any permits whatsoever, but if you want to enlarge or modify your property, building permits may be required. In the case of properties that are classified as historical monuments, often you cannot make significant changes without approval from the appropriate government ministry or local authority.

### **Declarations and formalities**

If you end up spending over six months of the year in the country where you have purchased your property, then you are legally required to declare that as your principal residence. This status may also require you to register for a long-term visa or to apply for residency status. Technically, if you have income earned in another country, whether or not you are a resident, you are required to pay income tax on those earnings in that country.

### **Foreign bank account**

In order to properly maintain your foreign property, you will ultimately need a foreign bank account, preferably nearby. Bills need to be paid regularly. You also need a ready source of cash to pay for the upkeep and unexpected problems that may arise, particularly if you are renting out your property to others. You can also use this bank account to deposit rental income or to receive wire transfers.

To open a bank account in a foreign country, the paperwork that is required can be surprising for any North American who is used to simple, user-friendly procedures. One woman we know of who was opening a bank account in France had to present a utility bill from her home in the U.S. in order to open her account with the French bank.

### **Mailing address**

If the new property is not your preferred mailing address for invoices etc., then you need to make sure that you have given the mailing address that you want to use to all of the different service providers and government tax authorities, who will be sending you paperwork, invoices, etc. Otherwise, you can end up facing a nightmare of official tax papers being sent to the wrong address...and getting lost in the process...which can lead to fines and threats of seizure of your possessions by the authorities because you did not pay your \$250 land tax, for instance, within the designated timeframe.

## **Who will manage the property?**

Because good management almost always requires hands-on proximity, managing a foreign property from afar is a difficult task. Property needs upkeep...and upkeep means having someone nearby who cares about your property. If you, the owner, cannot be nearby to oversee your property, then you should investigate what rental agencies or property managers are in the area and figure the associated costs. Do this before the temperature goes down to zero and the pipes freeze...which is akin to installing a burglar alarm after being robbed.

### **Option 1: Self-management**

If you're considering self-managing the property, ask yourself the following questions:

#### ***Do I have the time?***

Managing a property takes time. From the yard to the plumbing, there is always work to do be done and if you cannot do it yourself, then you need to organize others to do so...and somehow oversee the work.

Fortunately, with the advent of the Internet, managing your property from afar has become much easier and cheaper. You can communicate regularly with various foreign correspondents, establish relationships with service providers, set up rentals for your property, etc., all via the Internet.

### ***Do I speak the language?***

If you are shrewd enough to buy a property in a country where people speak your language, then the difficulties you may face will be far less frustrating. Speaking the same language often means sharing a similar approach to life. Nevertheless, problems of comprehension can arise from the use of different idiomatic expressions. Although you may share the basic linguistic skills with someone, when dealing with another culture you should be aware that “speaking someone’s language” often means understanding the mentality behind the spoken word. To get a handle on the local mindset, you should try and find books written on the specific culture of the country where you have purchased your property.

### ***Am I good with details?***

Good property management requires constant attention to detail. You have to be able to spot maintenance problems before they become major headaches. Being able to foresee problems before they arise is also a skill to develop. Regular maintenance routines often help you to avoid maintenance problems down the road (cleaning out gutters, checking the faucets for calcium buildup, etc.). As soon as you take possession of your property, you should locate specialists, craftsmen, and repairmen who can do repairs and improvements, sort the good from the bad, and then cultivate relationships with the locals you trust.

### **Option 2: Using a trusted in-country contact**

Ideally, you should have someone nearby your property who can keep an eye on it during your absence. How, then, do you find a reliable person?

If you are a relatively sociable person and you speak the local language, you should be able to establish a good number of relationships in a short time in your newfound region. If you are someone who lets people know what your needs are or what you are looking for, you stand a better chance of eventually discovering a person who suits the profile of a property manager, either officially or unofficially.

Locate as quickly as possible the network of fellow nationals who have been successful in getting a foothold in the same country. These people will provide you with all of the do’s and don’ts that will help you move quickly with a minimum of mistakes.

As with most human endeavors, the motivation for someone to help you with your property is directly related to the remuneration and or perks offered.

### **Option 3: Using a professional management company**

In some parts of the world, property management companies are hard to find. In areas that have a significant appeal to tourists, there are most likely a number of property rental companies that you can call upon. Consider what services they provide. In particular, you should look for emergency intervention in case of burglary, fire, or electrical or plumbing problems. Services might also include upkeep, maid service, rental management (fielding the inquiries, receiving payments, and greeting the tenants), and paying the bills.

## **Managing while making a profit**

If you are purchasing foreign property with the goal of generating revenue, you must adopt a more business-like approach to your property than if you were keeping it for personal use. In

order to successfully rent furnished homes or apartments, there are a number of tasks that you—or a reliable person or company—will have to carry out.

### **Determining the potential tenant profile**

Based upon the standards of your property, and the amenities that you are offering, you should determine what kind of tenants would be interested in staying in your property and what they can afford to pay. More important, you should decide what kind of tenants you are aiming for before you buy your place and fix it up.

This potential tenant profile will be helpful in determining your pricing. If you are looking for families with young children, for instance, then you may very well want to furnish the place with a higher level of wear and tear in mind. If you are buying a fourth-floor walk-up apartment, you can be sure that older couples will not be part of your prospective tenant pool.

Your pricing, of course, should reflect the level of service and amenities you provide. If you provide a swimming pool, then you can usually expect to charge more for your property than someone with a similar property, without the pool. Generally speaking, throughout the world, offering a swimming pool allows landlords to charge top dollar for their rentals, provided that the property itself has a relatively high quality of furnishings and amenities.

### **Fielding the inquiries**

This involves establishing personal communication with potential tenants in order to avoid problem tenants...in effect, trusting the gut feeling. Generally speaking, the more you communicate with your prospective tenants, the better. After all, they may trust you with their money in advance of their arrival, but you are trusting them with your property, which in almost all cases, is worth a lot more than a short-term rental fee, even if you add in the security deposit.

### **Establishing flexible pricing**

The goal here is to maximize occupancy and cash flow according to seasonal realities. Virtually all tourist destinations have seasonal realities that have to be taken into account by the landlord who wants to maximize his or her rental income. Even Paris (the number one tourist destination in the world) has some off-season periods when it is more difficult to get tenants than at other times of the year.

Your pricing should follow the contour of the supply and demand realities in your market. It should also be tailored to the duration of your tenant's stay. You should calculate what your desired yearly gross rental revenue should be, and determine if you have a tenant for a three-month stay, for example, how much of a discount you can offer and still meet your income objectives. Having tenants stay for longer periods of time means that there is less downtime when the property is not generating income. You may actually earn more from several long-term tenants than from a series of short-term tenants who are paying more per day.

### **Organizing the rental schedules**

This is a fairly meticulous undertaking. You have to be sure that all confirmed tenants have been noted down on your calendar and that there are no mistakes with respect to arrival and departure dates. Otherwise, you may find yourself waiting for someone to show up when they actually end up arriving a day later. Also, you can find yourself in an uncomfortable situation with overlapping tenants, if you get a departure date wrong. In many instances, the error comes with the tenant himself...someone who says he is arriving on the day of his departure

from home, forgetting to take into account the travel time and the fact that he arrives *the following day* at his destination. Some form of written confirmation is essential to avoiding problems like this. It is preferable to get the flight information (both arrival and departure) so that you, the landlord, can verify that no mistakes have been made.

### **Establishing rental agreements**

In this day and age of the Internet, formal rental contracts are not always necessary when it comes to reaching an agreement with tenants. In many cases, as the owner, the exchange of e-mails, followed up by a deposit check, may suffice as the contractual confirmation of a rental. If your property is being managed by a third-party intermediary, however, it is preferable to have a formal contract for each tenant, just to avoid any misunderstandings and to clearly define the role of the agency involved. A formal contract should include a precise description of the rental property and a listing of all the furnishings and amenities provided. There should also be information regarding a damage deposit, arrival and departure times, cleaning responsibilities, etc.

### **Collecting the deposits and balance due payments**

This task also involves a degree of meticulous organization. Tracking rental confirmations and payments requires good follow-up; otherwise, you may find yourself with unpaid rentals that have been cancelled without notification, or you may be faced with partially paid rentals for tenants who come and go without paying the remainder due.

### **Providing the hospitality**

This involves greeting the tenants, introducing them to the apartment and the neighborhood, as well as handing over the keys, explaining how everything works in the apartment or house, answering questions about tourism, and soothing their anxieties and encouraging their enthusiasm.

### **Remaining available for any emergencies or appliance problems**

You or your designated intermediary always need to provide an emergency phone number so that someone responsible can intervene rapidly and resolve problems. It is well-advised to leave tenants with a full list of phone numbers: the police, the fire station, the hospital emergency services, taxi services, etc.

### **Overseeing the return of the keys**

There are few situations more worrisome for a landlord than having keys disappear with tenants or lost somewhere in the mail. Changing locks can be costly, so it is a good policy to either verify key return before leaving or have a designated key drop-off point.

### **Doing the inventory control**

Having a full inventory list for everything in a house can be overwhelming, but it is necessary for keeping track of your possessions. A maid can be trained to do an inventory checklist upon the departure of each tenant, noting down any discrepancies and damage done.

### **Reimbursing any security deposits**

Security deposits should be reimbursed after the full inventory control. Many damaged items in a rental property can go undetected without close verification. Groups of people who are renting a house, for instance, are often unaware of what a child or negligent adult in their group does in the way of damage. Many times people simply forget that they broke a few glasses or plates, in their rush to get to the airport. Still others try and pretend that the object

in question was already broken... Whatever the case, the only way to keep your property in good shape without having to pay for all of the upkeep yourself is to make people pay for their errors.

### **Organizing and overseeing the cleaning of the apartment or house**

The modern day worldwide predicament for property owners is: how can you find a reliable, trustworthy person who can clean your place thoroughly? This ideal person should be intelligent enough to clean your property in a methodical manner, but you still need to provide them with as much support as possible, which is why a cleaning checklist can be very useful.

### **Paying the cleaning person**

If you are lucky to find this cleaning person, you should consider paying them above the local market rates just to keep them focused on your place and to develop loyalty. You generally have to pay social charges on the money they are paid as well.

### **Buying and delivering supplies**

Ideally, the cleaning person can also keep up the stock of basic supplies (cleaning products, toilet paper, soap, etc.) and get reimbursed based upon the receipts.

### **Overseeing the maintenance**

This is when a property management company is invaluable, provided that they offer this service. Beware of the rental agency that only wants to handle your rentals, not the maintenance. When something needs to be repaired or replaced, the management company must have the responsibility and the authority to proceed with the repairs (calling in repair specialists if need be) if you are not present to oversee this yourself.

### **Paying the building or property maintenance fees**

In co-op style or condominium buildings, there is invariably a professional management company that oversees the upkeep of those parts of the property that are owned collectively (entrances, stairwells, grounds, etc.). For dwellings that are independent with no shared costs, you will need to find the property management company or individual who can provide the needed services. The amount paid for these services should be in keeping with local market conditions.

### **Paying the utilities**

In some countries, you can have the utilities (water, electricity, gas, etc.) automatically withdrawn from your local bank account on a regular basis. This type of payment system allows you to keep all of your payments current without having to write checks or pay someone to do so for you. You should keep in mind, however, that for certain utilities like electricity, sometimes the provider does an “estimation” or your use based upon historical records. They may not actually determine your true use but once a year. You need to be vigilant in making sure that you are not paying too much money in advance of use.

### **Paying the taxes**

In some countries, these taxes—land taxes, habitation taxes, garbage taxes, etc.—can also be paid by automatic withdrawal from your bank account. Otherwise, your property manager has to inform you of these taxes due or forward to you the tax papers, invoices, etc.

## **Checklist for assessing a management agency or local contact**

In order to successfully rent fully furnished homes or apartments, the following services need to be provided or taken care of by a reliable person or company:

- Determining an appropriate tenant profile
- Fielding inquiries and finding good tenants
- Establishing flexible pricing
- Organizing the rental schedules
- Establishing rental agreements
- Collecting the deposits and balance due payments
- Providing hospitality, information and keys to tenants
- Remaining available for any emergencies or problems
- Overseeing the return of the keys
- Doing the inventory control
- Reimbursing any security deposits
- Organizing and overseeing the cleaning of the apartment or house
- Paying the cleaning person
- Buying and delivering the cleaning and maintenance products
- Calling in repair specialists
- Paying the building maintenance or management fees
- Paying the utilities
- Paying the land and other local taxes

### **Further Resources**

#### ***How to Be a Global Real Estate Investor***

There's no doubt about it: Real Estate may well be the best possible way for the average investor to safely amass a fortune. Yet, most U.S. investors are overlooking what we, at *International Living*, have found to be a simple truth: The best deals and the biggest opportunities in real estate today are not to be found within U.S. borders.

Take U.S. coastlines... Sure, America has some gorgeous beaches...and stunning seaside properties. But there's a limited supply, especially of Grade A beachfront real estate...and a burgeoning demand, especially among baby boomers. Even if your budget isn't small, you'll have trouble finding a seaside getaway on either U.S. coast that could be called a bargain. But, which world markets make sense right now...and how can you finance your overseas property investment? *IL's How to Be a Global Real Estate Investor* answers these questions...and more. For details, see: <http://www.isecureonline.com/Reports/120SGRLK/W120FCUP/>