In the line of fire

Do military coups and political unrest make buying abroad a risky business?

Chaiwat Subprasom/Reuters

So far, the coup in Thailand hasn't made foreign investors anxious

What's the worst that can happen when you buy a property in Britain? Subsidence, perhaps, or maybe a new main road at the back of your garden? Or else finding out too late that you are living next to the neighbour from hell.

Buy abroad, and the chances of a nasty surprise greatly increase. A collapse in the value of a currency can slash the value of your investment, while problems over title mean you may never actually have bought your dream home at all.

And then there is political risk: imagine waking up one morning and turning on the news to see tanks on the streets outside your holiday home.

Those who have bought in Thailand, one of the latest foreign property destinations, don't need to imagine too hard – yet many of them were unfazed by the military coup last month that ousted Thaksin Shinawatra, the prime minister.

Despite the uncertainty it provoked, Claire Brown, director of Asian specialists Claire Brown Realty, says investors have kept on buying. "People have been saying only in Thailand could you have a coup without a shot fired or voices raised," she says.

Thailand is not the only "emerging market" to be suffering turbulence. As the tanks were rolling through Bangkok, Ferenc Gyurcsany, the Hungarian prime minister, was facing down mobs angry after he confessed to lying over the state of the economy.

Calm has since returned to Budapest, but the affair has cast a spotlight on how bad things are there – the budget deficit is more than 10% of GDP, and the prospect of euro membership is receding into the distance.

There are other problems elsewhere: in China, the rules governing property purchases by foreigners have been rewritten in recent months, while the Dubai market faces possible oversupply.

In perhaps one of the few pieces of good news for the more adventurous investor, the European Union last week gave Bulgaria and Romania the go-ahead to join next year.

So is it really worth buying in emerging markets at all? John Howell, a senior partner in the International Law Partnership and veteran of the foreign property business, says the returns in some of the more exotic locations scarcely justify the risk, and thinks many investors chance overlooking higher rewards closer to home.

"There are some places that people historically would think of as very low risk, like the central areas of Paris, where you have had 12%-13%-14% annual growth," says Howell. "Is it worthwhile going out on a limb in somewhere like Uzbekistan to get an extra 5% on top?"

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■ *Peter Conradi's book, Fly to Let, is available at The Sunday Times BooksFirst price of £11.69 (RRP £12.99), with free delivery, on 0870 165 8585*