

Caveat emptor? I don't think so.

Property investment anywhere in the world requires careful research and thorough due diligence. Glossy brochures and slick talking sales people aside, the responsibility often remains with the buyer to ensure their decisions are sound and secure.

The overseas property industry must be a very difficult ocean for the average investor to navigate. How on earth can he or she differentiate between fact and fiction, risk and security? Go to any overseas exhibition or trawl the web and you'll be presented with a myriad of offers, from Brazil to Bulgaria, Malaysia to Mongolia. Of course you will also come into contact with sales agents who, it must be remembered, have monthly targets to hit and the aim of signing as much business as they can. But that's their job and most do it very well. However, I am often baffled by how little agents really know about or understand what they are selling. Often they won't have much of an idea at all beyond having visited the project as part of a research trip (a.k.a a good old fashioned "jolly"), whereas some won't have visited the project at all, instead relying wholly

on studying the developers' terms and basic project information and basically winging it. Yet when pitching to prospective investors, whether or not it is intentional, agents are viewed as experts, as sources of information to be trusted.

This is a serious responsibility and so it must fall to the owners of these real estate agencies (people like me) to have done their due diligence at the front end, before taking new projects on. After all, the prospect is relying on the agent to have conducted proper research, and the agent is relying on his or her boss to have done the same.

So I spend far more time researching new developments than I do actually out there marketing. These days, finding clients is a lot easier than finding really solid projects to sell to them. The majority of projects are flawed in one way or another – sometimes those flaws are fixable

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with a few tweaks and changes, sometimes they are insurmountable. A great frustration can arise when asking developers how their projects are funded, or who the shareholders are or if they have sufficient funds to complete the project irrespective of sales. These sorts of questions can lead to a wall of nervous defiance – in their view, this information is simply not for the public domain. In other words, none of your business young lady!! But surely these are the most important questions to be asking? Far more critical than “how close is it to the beach?”, or “does this have an ocean view?” The bottom line for anyone considering an off-plan investment is “how safe is my money?” (or in my case “how safe is my clients' money?") and everything else is surely secondary.

I recently presented a seminar at the Hong Kong's annual property exhibition which was all about due diligence (or “checking” as I call it to my non-native English speaking friends – yep, it's just a posh phrase meaning “checking”.) and I was delighted to have received some really excellent feedback from expo guests. My seminar was not revolutionary, it did not contain any explosive new techniques or fantastical tricks, quite the contrary in fact – it was a back to basics reminder of all the things we can do to protect our money when choosing real estate to invest in. From

the macro (studying the general economics and rental demand and doing one's own research – which now we live in the time of Google has never been so easy), to the micro

(conducting legal due diligence on the development and reading contracts thoroughly) to the downright obvious (only ever pay refundable deposits which are subject to your satisfactory research, don't wire money to the agent, make sure it goes straight to the developer etc) the presentation was a step by step guide applicable to everyone and anyone. So as I said, the feedback from expo guests was awesome, but I did get several complaints via the show organizer – from fellow exhibitors. And that really begged the question, why wouldn't they want to have sophisticated and educated investors as clients? What are they trying to hide? Why don't they want their prospects to conduct proper research before buying? Successful investors, when they find solid products, generally make good decisions swiftly, often buy more than one unit, and very typically repeat buy when new projects are released. Whereas investors who lose money through bad investments will not be in the market anymore – so that's one less person at the expo next year.

So who should bear the ultimate responsibility for due diligence? Well I suppose in summary, we all have a part to play. Developers, agency owners, sales people and investors themselves. In what is an unregulated industry we all have a duty of care to our clients, our colleagues and business partners and ourselves.



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formed Claire Brown Realty in 2004 having worked for various developers across South East Asia. Her roles included sales and marketing, project management, construction planning and consultancy. As well as running the business, Claire is also developing

her own project in Bali, a luxury villa and spa retreat in the beautiful and somewhat undiscovered province of Tabanan. She enjoys travel, food and wine, interior design and shopping – in no particular order.
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