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## Guest Article from Sarah Walker: Profit from Overseas Markets by Providing Mezzanine Financing

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With some very low risk, high growth investment opportunities available, it's worth investigating how you can profit from the overseas real estate market by providing mezzanine financing.

Traditionally, the high net worth individual looking to grow their capital on a completely passive basis has invested in stocks and shares, often via hedge funds. But with the UK economy in recession, a large proportion of these kinds of investments have become high risk and many investors have lost a lot of money already.

The result is that there is a great deal of capital held within the UK financial markets currently either stagnating or losing value, and thousands of investors looking for secure investment alternatives. For a number of years now, emerging markets overseas have offered superb opportunities for wealth creation through property and land investment but, in the vast majority of cases, the higher the return, the greater the risk. Added to that, all the negative publicity surrounding buying off plan in supposedly safe markets, such as Spain and Bulgaria, has put many people off the idea of investing in overseas property, and not unreasonably.

The new build market was entered by many too hastily, with the great rewards promised based on historical growth, rather than solid analysis of underlying economic indicators, and with little clarity or certainty as to exactly how and when returns would be made. The market became overcrowded, resulting in too many investors being left with properties in negative equity, unable to rent or sell, and thousands of British owners have started handing back keys, walking away from tens - and in some cases hundreds - of thousands of pounds.

The vast majority of investments abroad involve property ownership, and when you're looking at emerging markets, usually undeveloped towns, cities or entire regions, where regeneration and inward investment is just on the horizon, owning property isn't terribly attractive to the pure investor:-

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1. Financing options, if available, probably won't be at a very high loan to value, which means tying up a large amount of capital with no certainty as to when you'll be able to release it.
2. The lower your loan to value, the lower your return on capital, because you're not getting the full benefit of leverage.
3. Due to the timescales involved, an area that's undersupplied when you buy off plan could be oversupplied when you want to sell or rent.
4. The most solid opportunities are usually projects for the local market, which tend to be the opposite of what you'd want from a holiday home in terms of location and aesthetics, so it's unlikely you'd want to use it yourself.

The most serious professional property investors are now focusing on joint ventures with trusted local partners in emerging markets, and providing mezzanine financing for projects. As an investor, you should be looking for opportunities like this which are entirely passive, and where your capital is guaranteed, ideally secured against unencumbered assets.

Platinum Investment Partners® is one company which has gone down this route, with its latest opportunity in Istanbul offering 12% annualised returns, with capital and interest fully secured and guaranteed against assets which are worth almost three times more than investors' funds. Istanbul itself is a prime example of a city with excellent economic indicators for solid growth, with PwC ranking it 2009's number one development destination and the third best investment destination for real estate.

Through 2009 and beyond, overseas markets will continue to present some fantastic opportunities for the international investor. You need to work with experts who have a proven track record in returning significant profits to their clients and are investing in the project themselves, and should ensure that you have built-in security and substantial discounts have been negotiated; the interests of all parties are aligned, so that everyone only profits when the project is successfully sold; the investment will give you market-leading rates of return and there is a clear timescale and exit strategy.

Take the best tax and legal advice you can and then look seriously at this kind of mezzanine finance overseas investment option because, provided you can establish that your capital is safe, it's a very attractive proposition.

Guest article submitted by Sarah Walker, Platinum Property Partners



[www.platinumpropertypartners.co.uk](http://www.platinumpropertypartners.co.uk)

0845 293 2877

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