Protect or grow your wealth through International Real Estate

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Why International Real Estate Needs to Be in Your Portfolio Now

• Appreciation
• Income
• Diversification
• Asset Protection
• Control
• Fun
Get ahead of the Curve and you can Profit

- Costa Rica...The Bay Islands of Honduras...Eastern Europe....Nicaragua...Panama

- The greatest returns come to the early-in.
What I look for...

• The Path of Progress
• New Middle Class
• Distressed Opportunities
Which Play is for me?

- What’s your appetite for risk?
- Are you looking for capital appreciation, a rental yield or both?
- Is availability of finance important to you?
- Do you want exposure to other currencies?
- What’s your timeframe and strategy for exit?
- How does this investment fit in the context of your portfolio?
There’s more than one way to skin a cat

- Raw Land
- Pre-construction condos
- Flip...or rent
- Buy a lot
- Invest in a development company
- Hard Money Loans
- Publicly traded companies with exposure to the trend
Off-market deals

"Off market" deals are where a select group pays less and/or receives preferential terms for a real estate buy.
Profit from the Path of Progress

• Anything that improves the accessibility of Real Estate will likely increase its value
Accessibility

- Airports
- Air routes
- Roads
- Bridges
- Rail routes
- Urban transport
Profit from the Path of Progress

• Anything that improves amenities will likely increase value
Amenities

- Major Resorts
- Conference centers
- Golf Courses
Profit from the Path of Progress

- Forces that drive commercial and industrial development
  - Tax free trade zones
  - Government Incentives
  - Development of industrial centers
What you need to profit…

- Credible Connected Research…
  If I had a dollar for every time I heard about a new airport, road or bridge

  Is the promise real, are the funds committed and in place, and is there the capacity to deliver the project?
What you need to profit...

• Vision
• You need to be able to “stay the trade”
Profit from the Path of Progress

“was a small, swampy finger of land in an isolated part of the Mexican Caribbean”
Profit from the Path of Progress

“In the 1990s, Playa del Carmen was a small beach village 45 miles down the coast from Cancun (on a road full of potholes). There was but a handful of streets…and these were of packed sand—$10,000 bought you a building plot in the village center…”
Once upon a time Playa...
A sample cycle

- Pioneer Land Banking
- Land values rise
- Pioneer Retail Development: Raw lots
- Mid Market Retail: Some construction
- Mature
Mexico’s Caribbean Coast

- Intrinsic Value and accessibility potential
- Fonatur
- Infrastructure
- Incentives
- ...consumer preferences and the next place
- Infrastructure
- ...consumer preferences and the next place
- Infrastructure: New Airport for Tulum planned
The Path of Progress: Tulum

• Best beaches in Mexico
• Supply constraints: Protected lands
• New airport planned
• Improved road access
• Fonatur support
• Even today rental shortages in some resort
Tulum: Tao

- Income opportunity
- Gran Bahia Principe Resort
- 88% occupancy for the past 10 years
- Robert Trent Jones II Golf Course
- Condos from $163,000

- www.pathfinderinternational.net
  Click on Mexico
Ecuador’s North Coast
Ecuador’s North Coast

Three pronged infrastructure story
Highway, San Vicente to Pedernales
The Landbanking Play
What is Land Banking?

The strategic acquisition of raw land to hold until an anticipated future event will result in an increase in value.
Who does this?

• Speculators
• Legacy investors
• Developers
• Governments
Critical Success Factors

• Who is the Ultimate End User
  - Resort Developer
  - Commercial Development

• You need to be able to “stay the trade”
What will a resort developer look for?

- Accessible location
- Water, electricity, sanitation
- Easy and transparent permitting process
- Beachfront
- Oceanview
- Potential for amenities like golf
- Capacity for high density
Other considerations?

• Holding costs

• Income

• Additional realizable value
  - Forestry for example
How much can you pay?

• In this business you make your money buying

• Pricing is “made up”

• Many properties listed are only for sale if the owners find a gringo who will overpay

• The key is to find a motivated seller
How much can you pay?

- Panama, Azueros: $10,000-$40,000 per acre
- Costa Rica, Southern Zone: $10,000+ per acre
- Ecuador’s Northern Coast: $1000+ per acre
Small Condo Project

• Look to most developed area around Bahia
• Build for $45 per foot
• Sell for $100 per foot
• Site cost of $10,000 per unit (approx)
Profit from a new middle class

....let’s take a look at Brazil
Profit from a new middle class

....let’s take a look at Brazil
Brazil is now a middle class country
FORTALEZA - BRAZIL
Fortaleza is:
6:30hs from USA
6:30hs from Europe
South America’s closest point to Europe
Fortaleza: The City

• Brazil’s #1 domestic tourism destination
• Out performed the rest of Brazil for the past 15 years
• Economy grew and record jobs added last year
• Air passenger numbers up 34.5%
Fortaleza: The City

• This is a boom town in a country that’s seriously on the up
The 1980s boardwalk....
$5.6bn being invested in tourism and infrastructure

Fortaleza Copa 2014
Acquarium Ceará
The biggest Aquarium in South America
Convention and Events Center
Second biggest in Brazil
2014 Fifa World Cup Brazil
Fortaleza Football Stadium
MetroFor

Proposta
Projeto Metrofor - Transporte Metroviário
Copa do Mundo 2014

Março 2009
The Plays

- Short-term rentals
- Long-term rentals
- Office Space
The Play: Short-term Rentals

- Hotel Shortage
- Short-term Rental Shortage
- The boardwalk and surrounds is where it’s at
- Local location preferences
- Year round market
The Play: Long-term Rentals

• Young professionals relocating to Fortaleza also want to live here
• Strong Long-term rental market here also
The Play: Office Space

- Brazilians like to live near where they work and work near where they live
- Focus on Aldeota and surrounds
- Office shortage
- Limited developable land
- Tenants responsible for all costs
- Yields in 6-10% range
Crisis investing means buying when everyone else wants or needs out.
Profit from the Global Financial Crisis

- Private individuals need out
- Developers need out
- Banks need out
Here’s how it worked....

Banks lent to developers to build...Developers built and sold their units. Buyers (in most cases) borrow to finance their purchase in their home country or in the country where the real estate is located.
But....

Credit and financial crises combined with oversupply has led to a breakdown in some markets.

High quality, completed units are left sitting waiting for a buyer.
But....

With every month that passes, finding a buyer becomes more difficult...and the bank who has lent to the developer becomes more nervous.
Our Hypothetical scenario

• Bank funds developer and project
• Developer builds without pre-selling
• At project launch the market has turned
• There aren’t buyers at the anticipated price
Markets where this happened

- Spain and Portugal
- UK and Ireland
- Central and Eastern Europe
- Parts of Mexico
- Panama
What markets should I look to?

- Solid stable countries close to supply demand equilibrium
- Blue chip locations
- Intrinsic value
- Desirability factors
The Golden Rules

- Buy Quality
- No construction risk
- No project risk
What does this mean for...

- Spain and Portugal
- UK and Ireland
- Central and Eastern Europe
- Parts of Mexico
- Panama
Other markets where value can be had

- Nicaragua
- More stable parts of Mexico
Land and Project Fire Sales

- Never been a better time
- Buy Quality
- Avoid buying projects that have started
- Avoid projects with presales
- Don’t be cheap or lazy when it comes to due diligence
To recap…

- The Path of Progress
- The New Middle Class
- Distressed