How do buyers choose a development in another country? In most cases, they’ve already traveled to the area for one or more vacations, eventually becoming hooked on the idea of owning a second home—or a place for future retirement. As their interest grows, they probably haven’t considered discussing it with their local real estate agent. But is that because you haven’t talked to them about your role as a global agent?

For global real estate professionals, master plan communities in foreign destinations can be an attractive business-building option, regardless of how actively you decide to get involved. Some agents will see this segment as a nice bit of supplemental income, whereas others may begin actively traveling between two markets and carving out a niche that includes entering into co-marketing agreements with developers.

Regardless of your level of involvement, some of the advantages of working with offshore projects include:

- A clearly delineated role for global agents, including defined referral fees and formal compensation agreements.
- Well-funded marketing efforts that make it easier for buyers to become familiar with these properties.
- Buyers are often more comfortable purchasing property in a planned community, where neighbors, floor plans and related amenities may feel more familiar and safer.
- Some developers also offer financing options, lowering one key hurdle for certain buyers.

This issue of Global Perspectives takes a closer look at the different avenues agents can pursue when working with international developers, as well as numerous issues that should be factored into the equation before proceeding too far down any path.
1. What’s the business plan?  
Don’t make the mistake of assuming that all master plan communities are guided by a business plan that spells out each build-out stage of the project and related pricing schedules. If the developer says they have one, request a copy and read it carefully. You want evidence that they’ve addressed all essential infrastructure, amenities and services—and that hard funds are in place to complete all aspects of the plan. Ask about the draw schedule, where and how escrow/deposits are held, and how they will be used.

2. What is your track record?  
Past performance is one important indicator of a developer’s skill, experience and trustworthiness. Research other projects they’ve executed to get a better understanding of their approach, their financial strength and their reputation (with owners and amongst real estate professionals). Is this a team that will strengthen your own reputation?

“I do try to see a development first-hand,” says Carla Rayman, CIPS, Coldwell Banker Residential Real Estate in Sarasota, FL. “If it’s pre-construction, I want to see the site, what’s around it, and get locals’ scoop on the project. Before setting out, I’ll research the developer online to see what past buyers have said and make sure they haven’t received negative press.”

Mike Cobb, Chairman and CEO of ECI Development, which operates in Belize, Nicaragua, Costa Rica and Panama points out that “agents need to understand that in many countries developers operate under few if any zoning laws, and no agencies to hold them accountable for what they’ve promised. You’ve worked hard to establish trust with your clients. Don’t ruin your reputation by promoting the wrong projects.”

3. Will buyers hold clear and protected title to their property?  
The laws governing private property ownership vary greatly from one country to another. Mexico, for example, prohibits direct ownership by foreign nationals in Restricted Zones, which include coastal areas. “To get around this and protect foreign buyers, developers must make sure the title is clear and can be held in a Mexican bank trust,” explains Jay West, CIPS,
amenities aren’t in place, including a live-in maid. If buyers can’t get title insurance, agents should walk away from the project. There are no legitimate reasons buyers should not be able to get protection from a major company like First American or Stewart. This is a black and white issue.”

4. Who is your target buyer and how does your project address their preferences?
Most developers are pretty savvy, but some aren’t. Find out how thoroughly they’ve researched and designed their floor plans, features and amenities to accommodate buyers’ preferences. Depending on the stage of the project, they may even welcome your insights about what it takes to sell inventory to a particular type of buyer.

For example, if a developer in Mexico wants to attract buyers from the U.S. and Canada, they should offer an open floor plan for common living areas, including kitchens that provide a view of the beach. On the other hand, if their target buyers are affluent Mexicans, it’s better to isolate the kitchen in the back of the floor plan, adjacent to a small bedroom for a live-in maid.

Bottom line, be sure that the builder is creating a “product” that’s genuinely appealing to your potential buyers.

5. How will properties be priced?
In addition to confirming that the developer’s inventory is on target, make sure the pricing structure is realistic.

“A developer may love the idea of selling to the luxury segment, but if all the amenities aren’t in place, including a beautiful beachfront and golf course, for example, they won’t get any return on that pricing scheme,” explains West.

Also, when evaluating the pricing structure, factor in property taxes and HOA fees. This will help you give buyers a more complete picture of the cost of living in an offshore community relative to developments “back home.”

6. What is the marketing plan and budget?
Professional promotional efforts are an essential component of selling any development. “I’ll want to know how the developer is currently marketing the project, what marketing support they’ll provide, and how often I’ll receive updates,” says Rayman. Marketing support for agents may take the form of sales presentations, flyers, brochures, email templates, etc.

“Developers need to be very disciplined and proactive in their marketing efforts, tracking results and repeating anything that works,” explains West. “In a co-marketing arrangement, my personal preference is to work at a lower commission rate, but have a wonderful relationship with the developer—ideally, the developer provides the marketing budget, but I direct all the spending.”

7. Who else is providing sales support?
Some builders hire their own in-house sales team. Others rely heavily on the local brokerage community to bring in potential buyers. Either way, find out who else will be involved in the sales effort and how their compensation compares to what is offered in your co-marketing agreement.

Cobb says that reputable developers cultivate and then enjoy long-term relationships with real estate agents because they understand that agents are the established distribution channel for real estate. The relationships that agents have with their clients, and more importantly, the counsel they can provide to ensure a client ultimately owns the home or condo they want creates a win-win-win scenario for everyone involved.

8. What are the terms of your co-marketing agreement?
What is expected of both parties? What is your commission rate? When are commissions paid and how? Will fees be taken out of your commission for taxes owed to that country, or for international delivery? It’s always a good idea to seek legal review before entering any agreement, but this is even more important for cross-border arrangements where additional laws can come into play.

9. Can you accommodate my local license laws?
First, of course, you need to know what they are. Some states in the U.S. don’t allow agents to market an international project unless the developer submits an application, which must then be reviewed and approved by the licensing authorities. Talk to your broker and their legal department to get more details on what is permissible. (See page 6 for additional legal considerations concerning international brokerage and related real estate laws.)

10. Do you offer financing?
This can be a key advantage for buyers since there aren’t many traditional lending options. Additionally, if a developer is offering financing, it indicates financial stability and a build-out plan that doesn’t rely on sales flow.
OPTIONS FOR BUILDING BUSINESS WITH DEVELOPERS

You’re intrigued about getting more involved with international developers, but where do you start? What steps can you take to promote this niche with clients?

Short of traveling to various master plan communities in different destinations, the easiest way to launch your efforts is to let developers come to you. Arrange appointments to connect in the International Pavilion of the REALTORS® Conference & Expo—the next meeting is November 13-16, 2015, in San Diego. (At past events, a number of developers have been in attendance, and they’re eager to meet you!)

Once you’ve had a chance to network with key developers, there are many different ways to build bridges between your sphere of influence and the developer’s communities. Here are three options:

Agent Jones, CIPS, networks with several leading developers at the REALTORS® Conference & Expo.

What happens next?

Option 1: Explore Potential Client Interest

Client Mailer: Using a form letter supplied by a developer, Jones sends a mailing to select clients, highlighting the benefits of foreign property ownership and testing their interest.

Results: Two clients respond to the mailing, interested in learning more. Jones refers them to the developer and considers stepping up his marketing efforts.

Option 2: Take It Up a Notch

Client Reception: To promote his role as a global agent, Jones hosts a reception and information session, inviting select clients to learn about buying opportunities at premier vacation communities. At the meeting, he shares details and photos from three developers he’s met.

Results: Two couples decide to take advantage of fly-and-buy promotions. One proceeds immediately with a purchase and invites friends to visit. The other couple is interested, but want Jones to help them evaluate additional buying options.
From One Extreme to the Other—More Ways to Get Involved

How far can building a global business around co-marketing international developments take you? “As far as you want,” says Jay West. First introduced on page two of this issue, West is a bi-national REALTOR® licensed in Washington State and owner/broker of Windermere Los Cabos in Mexico.

Originally from the U.S., he’s spent nearly 20 years sourcing properties in Mexico and working with various developers of master plan communities geared to North American buyers. In addition to his formal co-marketing efforts, he promotes Mexico within the Windermere organization by visiting various offices, primarily along the U.S. west coast.

“If an agent in another office learns about a client who’s interested in Mexico, all they need to do is send me the referral. After that, they can be confident their clients are in good hands and will have a positive offshore buying experience,” explains West.

West is not the only one who’s followed this path, and plenty of opportunities remain for other agents. That said, simply tapping into the CIPS Network and knowing who is involved in similar efforts is another way to help your buyers gain professional support when buying abroad, while also earning referral income.

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**From One Extreme to the Other—**

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**Option 3:**

Dive In!

**Overseas Travel:** Jones is particularly interested in one destination and decides to get a firsthand look at an attractive project in the early offering stages.

**Co-Marketing Agreement:**
After vetting the developer, Jones decides to sign an agreement and actively promote the project to buyers and other agents. *(See page 7 for common marketing tactics.)*

**Results:** Over time, Jones’ commission income grows and he signs on with the developer’s next project. He’s also purchased a second home for himself and is enjoying more vacation time overseas.
LEGAL CONSIDERATIONS

Before embarking on your first cross-border transaction with a developer, it’s important to investigate property rights, license laws, and related legal considerations for the country in question. Real estate laws vary greatly from one nation to another. To protect your clients’ interest, and your own, never assume that the laws governing international property transactions mirror those in your home market.

“Owning real estate in another country is entirely doable, but an ounce of prevention is worth a pound of cure,” advises Jeanne Jackson-Heim, Executive Director of the Idaho Real Estate Commission and Past-President of ARELLO. “Know what questions to ask and where to go for reliable answers.”

Questions to ask:

- Can foreigners own property? How is title held?
- Do I need a license to conduct brokerage in this country?
- Beyond brokerage regulation, are there other laws governing real estate transactions, commission rates, etc.?
- Do my current obligations to domestic clients/customers change in any way if I represent them in a foreign transaction?
- What if my clients are interested in buying property from a developer that I represent? Do my duties/responsibilities change?
- How will I get paid? (By the developer? The buyer?)
- What recourse do I have in the event of a dispute?

Where to get answers:

Sorting out the answers to these and other questions requires digging beyond your local real estate laws and regulations. Your best cross-border sources include:

1. Start with the official real estate authorities.

   Over 60 countries have associations serving their real estate community; and NAR has cooperating agreements with 80 associations in those countries. To find the best contacts for each nation, go to realtor.org/global/global-alliances to access a directory of Cooperating Associations, as well as President’s Liaisons and Ambassador Associations that work in partnership with these groups.

2. Find knowledgeable real estate attorneys.

   It’s always essential to have reliable legal advice, especially when entering new markets. Expand your contacts to include international experts.

3. Network with experienced agents.

   Rely on the CIPS Network to build trusted relationships with other real estate professionals who already have local market experience or can recommend local experts.

   “Ultimately, relationships are the linchpin upon which successful global transactions are built, regardless of whether you’re working with a developer of a master plan community or in any other segment of the international property market,” says Jackson-Heim.
CERTIFIED INTERNATIONAL PROPERTY SPECIALIST

MARKETING TACTICS:

International Properties

Some final words of caution:

Compensation Considerations
By and large, buyers in the U.S. are not accustomed to paying their agent’s commission (and may not understand that listing agreements typically cover the buyer agent’s compensation). This arrangement is not common in other markets.

Unless you’re confident your services are covered by a co-marketing contract, this is one case where it might be advisable to ask your buyers to sign an agreement that addresses compensation. They may be more amenable to this arrangement if you explain that representing buyers in transactions abroad requires very specialized knowledge and is quite different from local transactions.

Stay Abreast of Changes
Even though the list of countries currently governed by real estate license laws is relatively short, a growing number of nations recognize the critical role real estate regulation can play in raising consumers’ comfort and encouraging economic development.

As a result, the legal terrain for real estate professionals can change quickly. For example, Singapore formed its first real estate commission less than five years ago and now imposes harsh penalties for unlicensed brokerage. To avoid potential pitfalls, stay on top of any new laws impacting your activities in international markets.

MARKETING TACTICS:

Specific tactics include:

Direct mailings
Developers are eager to help you mine your client database for potential buyers. Ask if they can provide sample letters and other materials for prospecting purposes.

Informal buyer seminars
They may also be able to supply helpful presentation materials for conducting your own information sessions on international buying opportunities.

Fly-and-buy promotions
Discounted vacation stays if visitors attend an informational session.

Conferences
Developers also offer (and charge for) full-fledged educational conferences where attendees receive in-depth information on international purchases and investment. By charging for these events, developers can cover their costs and screen out less-than-serious buyers.

Print ads
Travel magazines, including in-flight airline guides, are prime advertising space for master plan communities.

Newsletters
Publications like Escape Artists and Live and Invest Overseas are also great places to advertise international developments. Often these publications may grant permission to republish their articles on your website if you seek permission beforehand and provide proper attribution and backlinks. You could also explore opportunities to earn affiliate income by selling their publications on your site.

Property portals
Listing portals such as realtor.com® International allow visitors to translate listings into 11 languages, and offer currency and measurement conversion. (For more on this topic, watch for the October 2015 issue of Global Perspectives.)

Also, don’t forget current owners of timeshares/fractionals when determining who to target with your efforts. Similar to apartment-dwellers, these repeat visitors may want to redirect their rent checks into a mortgage payment. After all, they already know the area and might be ready to trade up to full-time property ownership (and earn their own rental income).
BENEFIT HIGHLIGHT:
Private CIPS Facebook Group:
Your Next Referral Awaits!

Yoshi Nori Takita
April 11 at 2:43pm • Sands Point, NY

Do you know any Realtor who covers Fowlerville, MI area? Preferably Japanese speaking. Please message me.

Like • Comment

Veronica Seva
April 9 at 10:19am

I had to share...I am closing a transaction next week thanks to my dear friends and colleague Jeni Temen. I have heard before that the CIPS designation doesn’t have enough value. I can tell you this is not the first transaction I had closed through a referral of one of my CIPS colleagues and it won’t be the last one. Jeni put me in touch with a Realtor in Romania and this Realtor sent me the client. Great client that has bought a condo in Washington DC. Thank you so much Jeni for your trust and your friendship and thank you CIPS for the opportunity to get to know great Realtors around the country and the world!!

Like • Comment

If you haven’t joined the Official Group: NAR CIPS Designees, you are missing out on the networking and referral opportunities that regularly take place in the group. This is an exclusive benefit of the CIPS designation—only NAR members who have earned the CIPS designation can join the group, providing you the assurance that your referrals are coming from and going to the top professionals in international business. Join the group today and engage in the active CIPS referral network!

Official Group: NAR CIPS Designees