

***Buying a Property  
in Eastern Europe***  
FOR  
**DUMMIES®**

**by Colin Barrow**



JOHN WILEY & SONS, LTD



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in Eastern Europe***

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## *About the Author*

**Colin Barrow** has an extensive background in European property and works across a diverse range of related industries. He has researched most international property markets and has first hand experience of buying, building, developing, and selling over two hundred properties in overseas markets. He has written a score of books on property and other wealth creation matters including the bestselling *Starting a Business For Dummies*.



# *Author's Acknowledgements*

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Notwithstanding the many people who deserve and have my gratitude any faults or failings in the text remain mine and mine alone. I would certainly appreciate your feedback as you travel the path that I have taken around what has become known as 'New Europe'. Any tips, pointers and advice that can be incorporated into future editions would be a service to future readers. [e-mail: colin\_barrow@msn.com]

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# Introduction

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Welcome to *Buying a Property in Eastern Europe For Dummies*! You can certainly find gold in them there hills of Central and Eastern Europe. In addition to gold, early investors in the market have located comfortable seaside villas, ski chalets, and city-centre apartments – at prices not seen in the UK, France, or Spain for more than a generation.

Rather than getting to know Central and Eastern Europe through this book, you could just look on a few Web sites, call a couple of brokers, hop on a budget flight, inspect a handful of properties, and be home for dinner – all in the same day. But anyone following this strategy is behaving as one broker I interviewed predicts. He claims that two-thirds of people buying property in Eastern Europe make two mistakes: They take their credit cards with them, and they leave their brains at home.

Buying a property in this market has never been easier – a fact that has both positive and negative aspects. For a deposit of €500 (£343), you can be fully committed to a very large purchase. If you don't completely research an investment, you have a better than even chance of purchasing a property that ends up giving you little pleasure or value and plenty of pain and problems.

*Buying a Property in Eastern Europe For Dummies* maps out a path through the dangers and pitfalls that can ensnare the unwary. Reading this book puts you on track to find a fantastic-value home for as little as €5000 (£3430) and helps you set a course to build a property portfolio involving less cash than you probably have tied up in your home right now.

## About This Book

Buying a property in any market requires you to have at least an appreciation of the legal matters concerning ownership, be able to appraise a property's physical condition, know something of financing options, and have an informed view about value.

Much of Eastern Europe is in the early stages of shifting from a black-market economy to a market economy, so getting a handle on value is difficult. This book considers many factors relevant to value, including each nation's

economy, currency, government, tourism industry, multinational inward investment, and even budget airline options. These are all factors that influence whether a country is a pleasure to visit and has a well-founded property market, something that few of the countries covered in this book have at present. The book also explains how to make sense of all these economic factors as well as giving an appreciation of the culture, climate, and leisure opportunities in each country.

The information comes in a light, easy-to-access format. Anything to do with money is always a serious matter, but this book can help you keep a sense of humour – and your sanity – as you unravel the mysteries of these new property markets.

Please be advised that travel information, prices and exchange rates are subject to change at any time. Write or call ahead for confirmation when making your travel plans.

## *Conventions Used in This Book*

To help you navigate through this book, I follow a few conventions:

- ✓ *Italic* is used for foreign words and whenever I introduce a new term.
- ✓ `Monofont` is used for Web addresses.

## *What You're Not to Read*

I have written this book in a way that helps you find the facts easily and understand what you find. You may discover more information than you need to digest all at one sitting. Some information, although interesting and related to the topic at hand, may not be essential for you to know from the outset. You can scoop the following bits of text on to a plate for later:

- ✓ **Text in sidebars.** Sidebars are shaded boxes that appear here and there throughout the chapters. Some share personal stories and observations; others give another slant on the topic. All are interesting (of course!), but they aren't necessary reading.
- ✓ **Anything with a Technical Stuff icon attached.** Again, this information is interesting but not critical to your understanding of the subject. You can return to any of this material later, after you decide, for example, that a particular country is worthy of closer scrutiny.

## *Foolish Assumptions*

In this book I make some general assumptions about who you are. If none of these strikes a chord with you, take care not to mark any pages or damage the cover in any way and put the book aside in your drawer for next year's Christmas presents.

- ✔ **You are aspiring to get on to the property ladder in the UK but are finding that the first rung is still out of reach.** In which case, you may find this book helpful in finding a way to start building up property equity elsewhere, returning later with enough of a war chest to get into the UK market.
- ✔ **You've read in the press, seen on television, or heard from friends and colleagues about the 'hot' Eastern European property market.** This book helps you pick through the market and find the places that, while hot, are not too hot to handle.
- ✔ **You are looking ahead to retiring and want to find somewhere where your pension goes a little further.** This book helps you find places where a standard British pension is still more than double the average wage, rather than a quarter as it is in the UK.
- ✔ **You are considering entering or are already in the buy-to-let or holiday cottage market.** This book helps you identify markets where the rental yields are at least twice that being achieved in the UK.
- ✔ **You already have some expertise in the property field and want easy-to-find information that can help you apply that to the Eastern European market.** This book shows you how to turn knowledge about property into income.

## *How This Book Is Organised*

*Buying a Property in Eastern Europe For Dummies* is organised in five parts. The chapters within each part cover specific topic areas in more detail, so you can easily and quickly scan a topic that interests you – or troubleshoot an area that is of current concern.

### *Part 1: Getting Prepared*

Property is perhaps the only investment where you can borrow other people's money to make money of your own. As long as you make sound financial decisions, the more money you borrow the more money you can

potentially make. But the sting in that sentence is in the word ‘potentially’. Buying property in Eastern Europe is more risky than buying in more established overseas markets. This part helps you figure out what those risks are, if you are willing to take them, and what the rewards may be.

## ***Part II: Examining the New Europeans***

Back in May 2004, the European Union (EU) acquired a whole new raft of members. In the lead-up to membership, all these countries were encouraged and cajoled to lick their economies into shape, encourage democracy, strengthen their judiciary, and open up their hitherto introspective countries to investment from more developed economies. Since joining the EU, all the new additions have seen stunning economic growth and meteoric interest from multinational companies, tourists, and foreigners coming to look at and buy property. One of the pre-conditions for membership of the EU is that restrictions on foreigners buying property are lifted, and now EU citizens by and large have equal ownership rights with nationals of these countries.

In this part, I examine each of the new EU members, probing the nature of their economies, their prospects for development, and the likely impact of these and other factors on local property markets, for growth in both value and rental yields. I also look at everyday life, culture, travel, and healthcare, as well as identifying key professionals who can help you find, buy, and, if needed, renovate your property.

## ***Part III: Reviewing the Hopefuls***

The magic wand that waved over the new Europeans has already begun to work wonders for its property market. Thousands of foreigners, mainly from the UK, Ireland, the Netherlands, and Germany, have already bought properties in the first group of EU entrants and have had rewarding experiences. Now they and others are casting an eye further afield in the hope of getting in earlier and seeing even greater value.

The countries that are ‘hopeful’ are in varying degrees of readiness for EU membership, but each already has the first green shoots of economic wellbeing. These countries are experiencing rapid growth in the wealth of their citizens and thriving mortgage markets, which although only a couple of years old mean that the locals can afford to buy new properties. (Any property market that is not underpinned by a strong demand from its citizens is unlikely to be anything better than a speculative risk rather than a calculated investment.)

In this part, I examine each of the hopefuls, evaluating them in all the ways in which I explore the recently established EU member countries in the preceding part.

## ***Part IV: Getting Comfortable***

Finding a property is just part of the process. You have a whole host of other factors to consider. How should you pay for the property? Who should own it – you personally, or should you set up a company? Should you move your tax affairs to your new country, and what happens if and when you come back to the UK? And how should you go about learning the language, setting up a bank account, drawing your British pension, and educating your kids? In this part, I cover all these important questions.

I also explore your prospects of getting rental income from your properties at home and abroad, how to find tenants, and how much money you can realistically make if you do decide to go into the rental business.

## ***Part V: The Part of Tens***

In two concise chapters I give some of my best tips, the little jewels that can make the difference between merely surviving and prospering in the Eastern European property market. One chapter covers the ten people you must talk to before making a property purchase. and the other chapter offers some practical ideas for making some additional income by using your skills and experience.

## ***Icons Used in This Book***

Like all *For Dummies* books, this one includes helpful icons sprinkled throughout the text. The following interprets the icons I use in this book:



This icon calls your attention to particularly important points and offers useful advice on practical topics.



This icon serves as a friendly reminder that the topic in hand is important enough for you to make a note of it.



This icon tells you that I'm using a practical, real-world example showing how another investor has tackled a particular topic. You can apply the example to your own property-purchasing process.



This icon alerts you to a potential danger. Proceed with caution – look left and right before crossing. In fact, think carefully about crossing at all when you see this icon.



This icon refers to specialised business facts and data, which are interesting as background data and can help you build your understanding of Eastern and Central European property markets.

## *Where to Go from Here*

This book is organised so you can go wherever you want. If you have found a property you want to buy and just want to see how you can finance it, go straight to Chapter 17. If you have only thought of property as your home and want to see why you should consider property as an investment, head for Chapter 1. If you are already convinced that property is a great investment but are not sure whether right now is the time to buy, check out Chapter 2, where I look at property cycles. If you have a particular country in mind or want to begin exploring your options in Eastern and Central Europe, skip forward to Parts II and III.

The table of contents shows you where to find broad categories of information, and the index helps you put your finger on more specific topics. If you're not sure where to start, turn the page and jump into Part I, where you find everything you need to give you a flavour of the property markets in general and Eastern Europe in particular.