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REAL ESTATE SEPTEMBER 16, 2016

From Europe to NYC: The art of international estate investments



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LAND: TACKLING REAL
ESTATE PROPERTY FOR A
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On Bravo’s Emmy-nominated show “Million Dollar Listing NY,” fans saw real estate agent Fredrik Eklund travel to London to find international real estate investors for a condo development in New York City. The episode highlighted that international investors are not only active but increasingly investing in U.S. real estate.

The [Foreign Investment in Real Property Tax Act \(FIRPTA\)](#) (1980) identifies foreign real estate investors who are investing in U.S. property. And in 2016, a large sum of those foreign investors are coming from China, according to [MarketWatch](#).

“Purchases of U.S. real estate by international clients made during the 12 months ending March 2014 show the total sales volume estimated at \$92.2 billion — a 35% increase from the previous period’s level of \$68.2 billion. Nearly half, \$45.5 billion, of it was attributable to nonresident foreigners which accounted for some 3.5% of the total U.S. existing home sales market of \$1.2 trillion.”

According to the report, by 2025, 35 percent of American real estate could be owned by foreign real estate investors if this trend continues, with Mexico, Malaysia, Saudi Arabia, the Russian Federation, the Philippines and Nigeria trailing behind. International real estate investors have their eyes on everything, from condo development and luxury real estate development to housing projects.

In 2016, international real estate investors acquired real estate investment deals in Atlanta, Boston, Chicago, Dallas, Denver, Los Angeles, New York, San Francisco, Seattle and Washington DC, according to [Forbes](#).

When investing in the U.S., real estate international investors may want to consider:

- 1) **Having a partnership or operating agreement drafted.** It is common for investors to partner to purchase an investment property. A partnership or operating agreement documents how much money each partner contributed toward the purchase of a specific real estate investment. It also stipulates how the profits and losses from the investment property will be split. A real estate attorney can assist with drafting a partnership or operating agreement.
- 2) **What legal entity is purchasing the property.** Typically, real estate investors will form a corporation or limited liability company (LLC) and have that business entity purchase the investment property. If a lawsuit is brought against the property, liability is generally limited to the assets of the corporation or LLC. Other times, the investor may elect to purchase the property in a land trust. A land trust protects the identity of the real estate investor. This is advantageous if the investor is worried a tenant will refuse to pay rent if the the tenant learns the owner of the property/landlord is an international investor.

3) **Purchasing short sale property.** When purchasing a short sale property, an international investor is going to want to verify who holds the title. The bank may have actually foreclosed on the short sale property and obtained the title to the property. The investor does not want to give an earnest money deposit to a short sale homeowner only to later discover that the homeowner no longer has possession of the property.

Have more legal questions about international real estate investments? Contact [J. Paye & Associates](#) today.

Shamontiel L. Vaughn contributed to this blog. Find out more about her at [Shamontiel.com](#).

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