

Thursday, September 15, 2011

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**Across Borders School of Real Estate**

**“What Every REALTOR  
Needs to Know  
About International Real  
Estate”**



Hawai'i  
5.0

2011 STATE  
REAL ESTATE  
CONVENTION

Thursday September 15, 2011

WHAT EVERY REALTOR NEEDS  
TO KNOW ABOUT  
INTERNATIONAL REAL ESTATE

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WHAT IS THE MOST  
IMPORTANT THING ?

- **INTERNATIONAL REAL ESTATE**



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THE INTERNATIONAL  
REAL ESTATE "DEAL"



- **CUSTOMERS / CLIENTS**
- **THE PROPERTY**
- **TRANSACTION**

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SESSION OBJECTIVE

- **Introduce or expand your knowledge of the factors critical to service international investors & buyers.**

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OBJECTIVES

- **Recognize The Potential Opportunity**
- **The International Transaction**
- **Cultural Dependencies & Expectations**
- **Success / Risk Factors**
- **Resources For Continued Learning**
- **Your Action Plan**

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NAR RESEARCH



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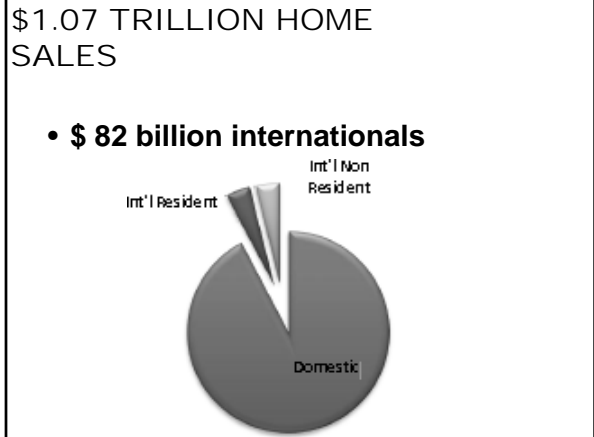
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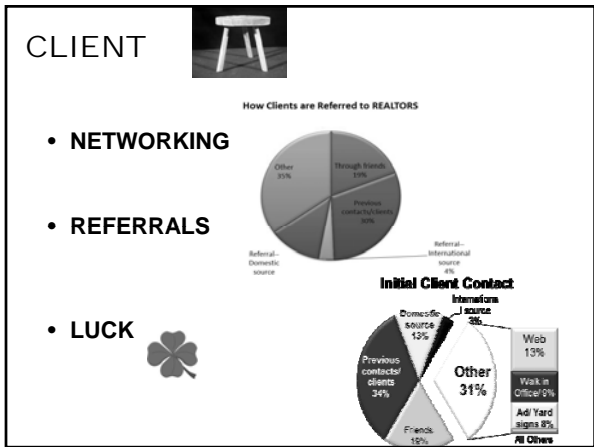
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CLIENT 

NATIONAL ASSOCIATION OF REALTORS®  
RESEARCH DIVISION 

 **Business Data for Engaging in  
International Real Estate  
Transactions in Hawaii**

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THE REAL ESTATE TRANSACTION 

**SATISFY CUSTOMER NEEDS**

- Find The “Right” Property
- Negotiate The Contract
- Obtain Funding
- Close The Transaction

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THE INTERNATIONAL TRANSACTION 

**POSSIBLE DIFFERENCES**

- The “Right” Property
- The Negotiating Environment
- Language/Terminology Barriers
- Cultural Considerations
- Political Ideology
- Taxation & Regulations
- Ownership Alternatives
- Monetary Exchange & Transfer

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**THE "RIGHT" PROPERTY** 

- **International Preferences**
  - Quality Properties
  - Longer Term
  - Acceptable / Predictable Return
- **Cultural Preferences**
- **Valuation**
  - Measurements
  - Currency Conversion
- **Generalizations**
  - Desirable Locations / Resorts / Communities

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**THE NEGOTIATING ENVIRONMENT** 

- **Principles Versus Substance**
- **Cultural Differences**
  - Win / Lose Vs. Win / Win
  - Heritage Vs. Contracts
- **Explain Specific Deadlines**
- **Allow For National Holidays & Extended Vacation Periods**

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**LANGUAGE** 

- **Use An Interpreter To Facilitate Communications**
  - Depending On English Skills
- **Speak To The Client**
  - Not To The Interpreter
- **Interpreter Should Understand Real Estate Terminology**
- **Avoid Idioms & Slang**
- **Learn A Few Words**
- **Don't Assume Understanding**

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**CULTURAL  
CONSIDERATIONS**



- **High Context vs. Low Context**
  - **Build a Relationship**
- **Religion, Values & Customs**
- **Variations of**
  - **Time**
  - **Personal Space**
  - **Decision Making**
  - **Relationships & Social Structures**
  - **Work Habits & Learning**

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**CULTURAL  
SENSITIVITY**



- **Dress Appropriately**
- **Respect Business Cards**
- **Don't Try To Tell Jokes**
- **Allocate Sufficient Time For Appointments**
- **Dress Appropriately**
- **Avoid Discussing Sensitive Topics**
- **Avoid Gestures**

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**POLITICAL  
IDEOLOGY**



- **As An International Specialist, You Should Research And Be Familiar With The Client's Home Environment, But ...**
  
- **Avoid Discussing / Promoting Your Personal Political Ideology**

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**FUNDS  
TRANSFER**



- **An International Specialist Needs To Be Aware Of Their Investors Home Currency Trends**
- **Every International Transaction Is A Currency Exchange Trade As Well As A Real Estate Transaction**
  - Future Value Of The Property
  - Relative Strength Of The Dollar At Time Of Sale

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**FUNDS  
TRANSFER**



- **Where Are The Funds For The Closing?**
- **Realtor's Job Is To Get Them Where They'll Be Needed**
- **Alternate Methods To Move The Funds**
  - Bank
  - Currency Exchange Firm

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**TAXATION &  
REPORTING**



- **USA Is An Open, Free Market**
  - **Few Restrictions**
  - **Enemies (SDN) / Hostile Countries**
  - **Not Same For Many Countries**

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**TAXATION & REPORTING** 

- **Must Have A Visa To Enter The USA**
  - Immigrants & Long Term Visitors Are Taxed Like US Citizens
  - Visitors & Investors Are Only Taxed On Their US Sourced Income
- **Substantial Presence Test**
  - Formula Covers Three Years History

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**TAXATION & REPORTING** 

- **Foreign Nationals May Buy And Own Property Without Identification To The Federal Government**
- **An Individual Taxpayer Identification Number (ITIN) Is Required When A Tax Return Is Required**
  - Valid Only For Tax Identification
  - W-7 to Request

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**TAXATION & REPORTING** 

- **Foreign Investment and Real Property Tax Act (FIRPTA)**
  - 1980 to tax gains on sales by nonresidents
  - Withholding tax rules
  - 10% of Gross sale by BUYER
  - Some exemptions exist
- **Passive income (rents) subject to 30% withholding**

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TAXATION &  
REPORTING



- Interstate Land Sales Full Disclosure Act
  - Developers & their marketing agents
- Agricultural land (USDA)
- Bank Secrecy Act
  - Cash transactions greater than \$10,000

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OWNERSHIP



- Estate Tax (Death Tax)
  - 2011 Exemption For US Citizens = \$5 Million
  - Non-residents = \$60,000
  - Marital Deduction Not Available
- May Elect to Use Foreign or Domestic Corporation

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TRANSACTION



- Application Of Reporting And Tax Regulations Usually Requires Professional Assistance.

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YOUR TEAM OF PROFESSIONALS

**ATTORNEY**

- Immigration
- Taxation
- Real Estate Law
- Document Translation
- Title Company

**OTHER**

- Financial Planning
- Mortgage Financing
- Translation Of Meetings
- International CPA
- Property Management

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INFORMATION SOURCES



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INFORMATION SOURCES

- **Data:**
  - Country: *CIA.GOV* *WORLDFACTBOOK*
  - Demographics: *CENSUS.GOV*
  - Taxation: *IRS.GOV*
- **Cultural**
  - Kiss, Bow Or Shake Hands
  - U Of Denver: *BURNS.DANIELS.DU.EDU*

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**INFORMATION  
SOURCES**

- *REALTOR.ORG/GLOBAL*
- *GLOBALPROPERTYGUIDE.COM*
- *WORLDPROPERTIES.COM*

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**ACTION PLAN:  
SPECIALIZE**

- **Personal Background**
- **Ties With Friends Or Relatives Abroad**
- **Professional Background**
- **Current Real Estate Expertise**
- **Proximity Or Frequent Travel To A Foreign Market**

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**THE SKILLS**

- **CIPS Designation (Fundamental)**
  - RSPS / AHWD
- **International Events**
  - **NAR ANNUAL CONFERENCE**
    - ANAHEIM 2011
    - ORLANDO 2012
  - **FIABCI / SIMA / AFIRE**

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**ACTION PLAN:  
CREDENTIALS**

- **International Council**
- **The CIPS:**
  - CERTIFIED INTERNATIONAL PROPERTY SPECIALIST
- **The RSPS:**
  - RESORT & SECOND HOME SPECIALIST

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Thank You!  
*David Wyant*

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**CIPS 2011 INSTITUTES**

- JACKSONVILLE (NEFAR) 2/28 - 3/4
- SAN DIEGO 6/2 - 6/9
- BONITA SPRINGS 7/11 - 7/15
- ORLANDO 10/4 - 10/14
- W. SAN GABRIEL, CA After NAR
- JUPITER, FLA December
- COSTA RICA January
- JACKSONVILLE (NEFAR) FEB 2012

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