

Buying a Property Overseas

There are many good reasons for home purchases beyond an international border, but it can also be a daunting task in choosing a location and understanding the fundamentals of property rights in a given jurisdiction. In the fourth of his "Landed" series on homeownership, author Chris Dillon looks into the structure and process of buying a home across different markets in the Americas, Europe and the Asia Pacific region

By **Blessing Waung**

When speaking to members of AmCham about his book *Landed Global*, author

Chris Dillon opened with a controversial statement.

"You don't actually have to buy property abroad," he said. "In fact, there are many good reasons not to buy. If you're like many of the professionals here in Hong Kong, you or your spouse may need to move to keep your current position or get a new one."

"The real estate market might be overpriced, making it cheaper to rent than to buy. The homes for sale might not meet your tastes, budget or overall needs. Better investment opportunities could exist elsewhere. Or you simply may not be able to afford it."

"Ultimately, there's nothing in the financial planning rulebook that says that you have to own property to accumulate wealth, or be successful or more important, to be happy," he added.

In that case, why write a book about investing in real estate abroad? Because Dillon realized that in spite of the many reasons hindering people from investing outside of Hong Kong, with an uber-competitive domestic



market and currency fluctuations elsewhere, many would find the pros outweigh the cons.

Investment made easy

Through his book, the fourth in his *Landed* series, Dillon addresses a myriad of “international real estate 101” topics, including basics such as finding agents, lawyers, ownership and property rights and risk factors. Then, he delves much deeper, going so far as to detail into nitty-gritty details such as testing for radon in the soil of properties, repatriating funds, and home automation.

“It’s never been easier to buy,” Dillon says. “There’s more information available now on the Internet than ever before, there’re easier ways to get back and forth to your second home with low-cost airlines, and more cities and countries are welcoming foreign immigrants, retirees and investors.”

Those realities are reflected in statistics, according to Dillon’s research. 232 million people across the world lived abroad last year, up from 175 million in the year 2000. Additionally, more than 3 million American baby boomers plan to retire abroad.

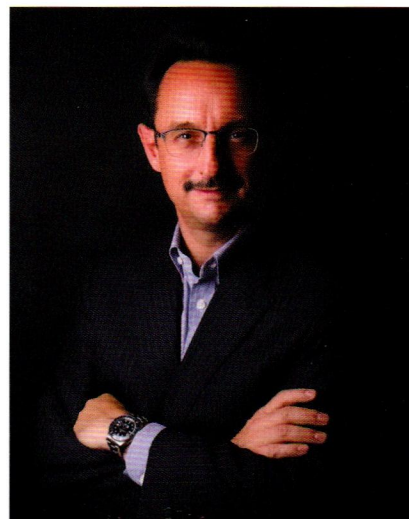
Thankfully, there are myriad similarities in international housing markets. “If you live in Hong Kong and you buy a home in another common law jurisdiction like England, Canada, Australia, New Zealand, or the United States, many of the legal concepts, ownership structures, and buying processes are going to be familiar.”

Likewise, civil law countries such as France, Germany, most of Africa and South America share similarities. Even hybrid systems such as the ones used in Mainland China and Japan have familiar elements, particularly in the way they treat condominiums.

Risk factors

However, every real estate market has its own idiosyncrasies to watch out for. Some of them are pleasant, such as the 30-year fixed mortgage rates in the United States, as well as tax-deductible mortgage interests in the US.

Others, though, present a “rude shock” to buyers caught unaware. For example, for non-residents who buy a home in Canada and then sell, lawyers must withhold 25 to 50 percent of the sale proceeds until the government is convinced that the seller’s tax bill has been fully settled.



Christopher Dillon

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One extreme example that Dillon includes in his book is in South Africa’s Western Cape, where it is “customary for the vendor to provide the purchaser with a certificate that the home is free from borer beetles.” Another idiosyncrasy he cites is in the UK, where homeowners can be liable to maintain the upkeep of their local churches, “under an ancient right known as chancel repair.”



Dillon also includes his research about the perils of buying abroad, citing the lesser-known fact that asbestos (a naturally occurring mineral that causes lung cancer) is still being used in the construction of new buildings in the US. Lead paint, which causes brain damage, is still available for sale in 40 countries, including countries in Asia, Africa and Latin America.

Many of the other risk factors that Dillon goes on to cite in his book pertain to the people on the ground where buyers are looking, those of different backgrounds and income levels who could potentially affect the outcome of purchasing overseas.

For example, he cautions to be extremely attuned to the geopolitical situation and any potential conflicts that could arise, for their potential to affect the housing market. Additionally, corruption is rampant during the construction and renovation phases in certain countries, so Dillon advises to beware of any deals that “seem too good to be true,” because they probably are.

“As the French philosopher Auguste Comte noted, ‘Demography is destiny.’ Without people there’s not real estate market, so it pays to understand demographic and population trends,” Dillon emphasizes.

Additionally, as a resource to potential buyers, Dillon includes case studies of different buyers’ experiences, detailing their backgrounds, the reasoning behind their decision to purchase abroad, and the complete roadmap prior to the actual buying of the property. Properties and their comprehensive floorplans are listed, as well as pricing, and any pertinent information regarding the ups and downs (increased taxation, agents used, etc).

In-depth research

At the end of his book, Dillon includes a handy, comprehensive checklist for buyers before they dive into a foreign market, with questions such as “Has Chinese-made drywall

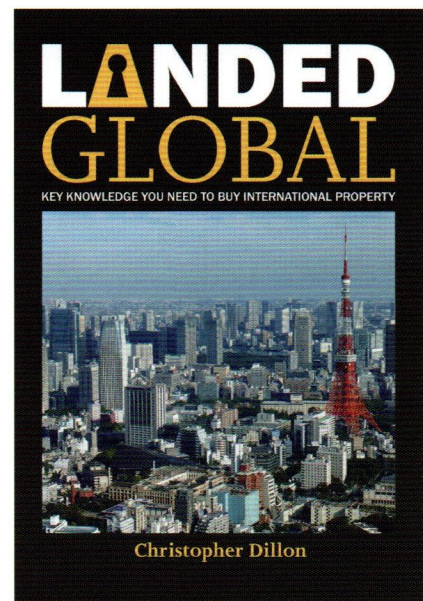
been installed?” and “Does the developer’s name match the name of the bank account holder?”


Readers who laud his advice in *Landed Global* come from esteemed real estate companies such as CBRE and Colliers International, who say that the book provides a condensed, well-researched guide that would otherwise take buyers hundreds of hours to compile themselves.

Embedded throughout his book, Dillon also offers leads to books and research projects that take an even deeper look at pertinent topics, from gastronomy in various geographic regions to connectivity within different career fields.

“When an international border is involved, everything takes twice as long, is twice as expensive, and is twice as frustrating,” Dillon says.

“However, if you’re psychologically prepared for that, and your expectations are realistic, you can take all of that in stride,” he adds. “If you do the research before you set sail, international home ownership can be a rich and ultimately rewarding experience.”



In addition to publishing *Landed Global*, Dillon has published *Landed China*, *Landed Japan* and *Landed Hong Kong*, all of which were self-published. For more information or to purchase the books, visit www.landedbook.com. 

Investing in the U.S. Real Estate Market: Macroeconomic Considerations

America’s population is 319 million, versus 7 million in Hong Kong. That’s 45 times larger.

At 9.8 million square kilometers, the United States is nearly 9,000 times larger than Hong Kong.

In 2013, America’s gross domestic product was \$16.7 trillion. That’s more than 43 times larger than Hong Kong’s US\$381 billion.

And, for the year ended March 31, 2014, sales of existing homes in the United States totaled \$1.2 trillion. By comparison, total domestic home sales in Hong Kong during calendar 2013 were US\$38.3 billion. That makes the U.S. residential market more than 31 times larger than that of Hong Kong.