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Florida real estate tips, traps for foreign buyers

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The real estate market Florida is offering foreign buyers presents a doubly good opportunity rarely seen in the region: Prices are flat or declining and foreign currencies are rising relative to the U.S. dollar.

Current conditions are especially attractive to investors who have seen prices rise sharply in their native countries to levels that now well exceed comparable properties in Florida.

Buying a bargain is not that simple. Real estate agents must guide foreign buyers through a complex maze of visas, real estate regulations and currency rules.

Prospective buyers need to be educated to avoid mistakes that will cause them to be turned away at U.S. Customs or the bank. And foreign buyers need to know that the U.S. government takes a different view of a real estate transaction when



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a foreign individual or corporation is involved.

• Structuring the deal

Even before viewing

residential or commercial properties, a real estate agent should help the buyer structure the purchase. Tax experts advise that because of estate tax and other issues, a foreign buyer should hold the property in the name of a corporate entity.

Depending on the value of the property, the title holder could be an offshore company. It could also be a Florida LLC that's owned by an offshore company. In any case, the companies should be set up well before settling on a home or a building so as not to impede the closing due to corporate paperwork.

The biggest possible mistake: Buying in an individual's name. That could result

in U.S. estate tax problems. Buying in a personal name could also create tax or political issues in the client's native country. Last, the purchaser should use a corporation when buying an investment property to avoid personal liability.

• Financing the deal

After the mortgage crisis, lending institutions are no longer accommodating to foreign buyers. At best, they will get 50 to 60 percent financing from U.S. lenders.

More challenging is moving the money into the United States. Federal agencies will want to know where the money came from. When corporations transfer funds to a bank, whether a branch of a foreign institution or a U.S. bank, money-laundering regulations can come into play, especially if the sum is substantial or there are frequent transactions.

Most foreign clients keep funds offshore and transfer them bank to bank. It's not that simple. They must

comply with currency rules in their home country and may encounter withholding requirements. The more complicated the transfer process, the more time buyers should allot to get funds ready.

For commercial transactions, real estate agents must time the cash and the transaction. Buyers should understand that deadlines for escrow funds and closing cannot be moved.

For home purchases, timing is even more crucial. About 80 percent of deals are all-cash transactions. If the property is a second or third home, the client may seek financing, but the rate will be higher than an American client would pay. Tip: Foreign buyers or investors should establish an investment relationship with a private bank. The firm will be happy to lend based on the balance in that account.

• Visiting or managing the property

In working with a foreign client, real estate agents also need to be a bit of an immigration expert. After 9/11, the United States clamped down hard on visas.

Depending on how long the person wants to stay in the United States, a B-1 tourist visa of one to two weeks may suffice. The person can come and go through the state's many international airports. But if the individual stays in the United States too many days, he or she could be taxed as an American. To avoid that trap the visitor can become a full-time student and get an F-1 visa.

Investors and property managers can also arrange long-term stays. The best visas require a direct investment in an American company in the United States or establishment of a local subsidiary of a foreign company.

The investment could cost buyers more than a downtown condo, but it will

enable them to stay in the United States legally for a period of years — instead of a period of weeks. Business visa options include the E-1 Treaty Trader and E-2 Treaty Investor visas, L-1(A) Visa, TN Visa, H-1B1 Visa and the most popular, EB-5. The U.S. State Department provides basic visa definitions at http://www.travel.state.gov/visa/visa_1750.html that may help buyers understand their basic options.

Paperwork and complex rules shouldn't scare away a potential buyer. When the right property is found at the right price, buyers can bring in legal and tax consultants so that the transaction goes smoothly, the property is managed properly and a visa is obtained with a minimum of trouble.

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