



Tips For Buying In America

Experts from the US Property Conference offer advice to Hong Kong investors

| Text : DH Wong | Photo : Trump SOHO New York, US Property Conference |

Last month's US Property Conference included seminars covering market trends, taxation, finance, immigration and investment structures. The bi-annual event is coordinated by the ONEILL Group Hong Kong, a local firm specializing in American properties for international investors. The conference offered the following tips for purchasing in the US.

Hire a buyer's agent

Most US property transactions involve separate agents representing the buyer and seller. Buyer's agents help coordinate all aspects of ownership including research, legal, finance, immigration and property management.

Plan the tax structure

The US incentivizes property ownership but advanced tax planning is critical for international purchasers to avoid paying higher foreign corporate tax rates. Current federal long-term capital gains property tax is 15 percent, which is applied to the net profit of property sold after one year; some states apply additional state capital gains taxes. For investors buying and selling multiple properties a properly executed 1031 tax deferred exchange will defer all federal and state capital gains tax.

Buy freehold property

The vast majority of residential property in the US is offered in freehold tenure. With few exceptions investors are encouraged to purchase in freehold to avoid the potential burdens of limited financing, lease rent increases and decreased re-sale values. "The vast majority of properties in Manhattan are freehold but several areas are available only in leasehold tenure," says Amy Williamson, Vice

President of Prodigy Network in New York. "Many of our Asian purchasers are not aware of the disadvantages of leasehold properties because there are no options in their home country."

Obtain pre-approved financing

Financing options for international investors are constantly expanding and several Hong Kong lenders offer financing for US properties ranging from 5 to 5.25 percent, with loan to value ratios up to 60 percent. "Most of our Asia clients have been obtaining financing in Hong Kong for their US purchases," says Consulina Wong, Director of Asia for the ONEILL Group Hong Kong. "Hong Kong lenders are easier to work with and some private banking departments have loans under 3 percent for the right borrowers. "It really helps the buyer's negotiating power if they have a pre-approval letter before submitting an offer," says Wong.

Set realistic expectations

Investors need to set realistic expectations for their investment goals. Markets offering value discounts over 50 percent are in the oversupplied secondary areas like Las Vegas, Phoenix and Florida. Realistic discounts in the first-tier gateways cities like New York and Hawaii are closer to 20 percent. Sean Combs, Asia Pacific Sales Director for the Trump International Hotel and Tower notes, "There is no such thing as the perfect property but we can get pretty close with the current combinations of pricing and rental yields."

Look at new developments for deals

New developments offer some of the best incentives and price discounts, and developers with unsold inventory have more flexibility than the general market. "We

have seen a number of different offers by developers including steep discounts, pre-paid common charges and rental leaseback guarantees. In Manhattan, the Trump SOHO offers discounts of 30 percent or more while the second hand sales offer 15 to 20 percent [compared with peak prices in 2006]," says Patrick O'Neill CEO of the ONEILL Group Hong Kong. "The Trump Tower in Waikiki has one of the best lease-back programmes in the US. It provides international investors the safety of a guaranteed return and the ability to use the property."

Following a 30 percent correction that began in 2006, prices have rebounded slightly in the past two years, and research by S & P Case-Shiller indicates centres like New York posted larger annual gains. International investment in the United States surged to over US\$82 billion in 2011 according to the National Association of Realtors. Chinese investment increased over 100 percent compared to 2007 and now represents the second largest international investor group in the United States, which remains the top property market for Hong Kong investors.

For more information about the conference, seminars and US properties contact the ONEILL Group Hong Kong at usconf@ogrouphk.com or call Ms Wong 3103 1008. The US Property Conference returns to Hong Kong in June 2012. 📍

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