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Tread Carefully with US Real Estate

WHETHER it be apartments for \$100 million or houses for \$100, the US has something for just about every property buyer, but Australians thinking of making an overseas investment should know that real estate in Uncle Sam's backyard is a whole new ball game.



Recent years have seen Australians inundated with advertisements for great investment opportunities abroad / AFP

Recent years have seen Australians inundated with advertisements for great investment opportunities abroad, after US house values fell 33 per cent from their 2005 peak, before bottoming out in February 2012, according to figures released by the data company CoreLogic.

Some of these deals included houses in areas that were worst-affected by the GFC being listed for less than \$10,000. What the advertisements neglected to mention was that many were in abandoned neighborhoods and slums, where values could take decades to recover, if at all, due to the collapse of industries and bankruptcy of major employers.

A typical example was Detroit, where according to realtor.com, some properties are still listed for \$100 or less.

The city had once been a mighty stronghold for the automotive industry, but now one third of residents live below the official federal poverty line, unemployment hovers around the double digit mark and the average price of homes sold in 2012 was \$7500.

"Houses in these locations are not great investment opportunities," said Shaun Osher, founder of New York real estate agency CORE.

"Metropolis cities are a better investment opportunity because your demographic of audience is much wider." Mr. Osher, who will be on the Gold Coast in May for the Australian Real Estate Conference (AREC 13), warns that if a deal seems too good to be true, it probably is.

"If you buy a family home in Detroit, there are only so many people interested in that property type," he said. "Compare that to a penthouse in Manhattan, almost everybody wants a piece of that."

Mr. Osher said Manhattan apartments range in price from \$1 million to \$100 million, making them among the most expensive in the world.

While most Australians could not realistically invest in such a market, more affordable opportunities do exist.

"The Miami market is very interesting right now," Mr. Osher said. "It's booming and there are a lot of new developments coming up."

"On the west coast, Los Angeles and San Francisco are two very interesting markets because they always attract an international audience."

According to realestate.com, existing three-bedroom houses can be bought for below \$80,000 in Miami, while new constructions start at \$212,000.

These prices sound attractive, but investing in the US requires plenty of due diligence and a couple of "working holidays".

"It is very important to visit in person, source your own properties and your own property managers, because otherwise, when something goes wrong you are a long way away," property consumer researcher Steve Butcher said.

"This can mean paying for overseas trips to sort problems out through the legal system of a different country." From a legal side, properties can only be bought through a US bank account, which have to be established in person and physically signed for onsite. And tax requirements must be fulfilled in both countries.

US property may not be an option for some, but Mr. Osher believes Australia has its own great opportunities.

"Globally, people look for the same attributes, quality and location," he said.

"Buy low and sell high. Buy when people are selling and sell when people are buying. If you follow that strategy, you should always do well."