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**Everyone Loves LLCs! Foreigners Aren't the Only Fans of Limited Liability Corps.**



You don't have to be a foreigner to see the appeal in purchasing a piece of real estate under a limited liability corporation: as the Observer and many other publications have documented in the past, high-end buyers have increasingly embraced LLCs, largely for reasons of privacy—at least to the extent that they have been able to do so with many co-ops continuing to insist on real names. With city property records now

widely available online, the urge to disguise one's identity from the prying eyes of the press is a fairly common one for buyers of any renown, a category that many fall into at the upper reaches of the residential real estate market.

So we were surprised to find, in Andrew Rice's otherwise fascinating and exhaustively reported New York magazine article about the use of New York real estate as a stash box for overseas buyers, an assertion that the practice was almost entirely limited to foreigners.

Mr. Rice writes that "According to data compiled by the firm PropertyShark, since 2008, roughly 30 percent of condo sales in large-scale Manhattan developments have been to purchasers who either listed an overseas address or bought through an entity like a limited-liability corporation, a tactic rarely employed by local homebuyers but favored by foreign investors."

But real estate professionals say that isn't the case at all.

While 30 percent might be a fair estimate of foreign buyers in new, high-end construction—Corcoran Sunshine told New York that it estimates that 35 percent of its sales since 2013 have been to foreign buyers, a statistic that the company also quoted to the Observer for a story this March on Chinese investors, it's hardly fair to assume that foreigners and LLCs are one and the same.

"LLCs are used, in my experience, by both domestic buyers and foreign buyers," CORE broker Christian Rogers told the Observer. In fact, Mr. Rogers said that at this point, roughly 85 to 90 percent of his buyers use LLCs and that the split between foreign and

domestic buyers is roughly 50/50. At 93 Worth, which CORE is marketing, he's seen more contracts going out with the rights assigned to LLCs than not.

"I actually would have said that 18 months ago, it was weighted slightly on the domestic side," Mr. Rogers added. "But it's just become very popular with all buyers. People are being better advised and understanding the advantages of it."

Advantages include not only privacy, but also liability, which can protect an individual's assets in the event of a lawsuit, a not small consideration for any investor—domestic or otherwise—who plans to rent a property.

Kathy Korte, the CEO of Sotheby's International Realty, Inc., wrote in an email to the Observer that "purchasing real estate through a corporate entity has become increasingly popular with both domestic and international buyers seeking privacy."

For condo transactions over \$10 million in Manhattan this year—a total of 69 sales—65 percent of the buyers purchased through a corporate entity. For condo sales over \$20 million, 89 percent of buyers purchased through an LLC, according to Sotheby's data.

"When luxury real estate is purchased through a corporate entity, it is a complete gamble to guess whether the buyer is domestic or international," Ms. Korte wrote. "You can be certain, however, that they're trying to avoid the gossip pages."

Indeed, 15 CPW is packed with press-averse domestic buyers who tried to hide their identities behind LLCs. In 2007, for example, NASCAR driver Jeff Gordon bought his three-bedroom spread as Carolina Real Property LLC., and Sandy Weill, of \$88 million sale fame, bought his penthouse under the JW Revocable Trust. Meanwhile, at other Manhattan addresses, both Oprah and Jennifer Aniston bought apartments with LLCs named after their dogs.

"Frankly, privacy concerns have become more important, especially to people of great wealth, though it isn't limited to people of great wealth," said Eva Talel, a partner at Stroock, Stroock and Lavan who heads the law firm's co-op and condo representation group. "I do think it's accelerated in the last couple of years and it's certainly not limited to foreign buyers, there are a lot of domestic buyers who chose to use it as well. It can be anyone who doesn't want their name in public records."

Ms. Talel pointed to the recent uproar over the city's decision to exclude LLC-owned properties from eligibility for primary residence tax abatements as evidence that many a local has availed himself of the privacy afforded by an LLC.

“This is really the only form I’m familiar with that would be an acceptable form of ownership that protects the identity of buyers,” Ms. Talel said.