REAL ESTATE

Foreign Real-Estate Buyers Get Told to Go Home

In a bid to make homes more affordable for the locals, some countries are imposing taxes and other barriers to stifle overseas purchases

By Ruth Bloomfield

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If you dream of buying a home in New Zealand, you better be a kiwi. This summer, the country introduced new rules to limit foreign ownership in hopes of making homes more affordable for the locals.

Starting later this year, nonresidents (other than those from Australia and Singapore) will be restricted to buying newly built homes. And they can only buy up to 60% of units in new apartment buildings.

New Zealand is far from the only country struggling with a housing-affordability crisis—not to mention concerns over dirty money being parked in international property portfolios. From increasing taxes to zoning to barring access to credit, nations on every continent in the world are using a range of creative barriers to restrict foreign buyers.

Here are some of the most recent efforts across the globe.

HONG KONG

A five-bedroom townhouse in the Jardine's Lookout neighborhood is listed for $16.39 million. PHOTO: CHRISTIE'S

Median luxury price: $3,864-$4,723 per square foot

Taxation has had little effect in cooling this prime property market. In 2012 a range of measures were imposed to curb overseas buyers. Stamp Duty was hiked to 15% (and has since been extended to include all second-home buyers). That same year, some new developments were designated as zones where new homes can only be sold to permanent residents of Hong Kong.

Despite this the city was named the world's least affordable by U.S. planning consultancy Demographia for the eighth year in a row in January. Over the past decade, the price of prime property has increased by 160%, according to research by Savills estate agency.

SWITZERLAND

A 2,820-square-foot chalet in Verbier, Switzerland, is on the market for about $5.62 million. PHOTO: YVES GARNEAU

Median luxury price in Zurich: $1,798-$2,198 per square foot

The country has been legislating against foreign ownership for almost 60 years. Buyers from overseas must obtain a permit from the local authority, and numbers are limited to 1,500 per year. However there are numerous loopholes, most recently a ruling that EU nationals with a permanent home in Switzerland are exempt. And some areas have suspended the foreign-ownership rules to boost the property market.

For example, last year, St. Moritz, decided to temporarily allow investors to buy second homes with a maximum gross floor area of about 2,700 square feet, said Thomas Frigo, managing director of Engel & Völkers in Switzerland. As a result, the government restrictions have had "no impact" on the country's prime market, Mr. Frigo said.

MEXICO

A 12,000-square-foot home in Los Cabos, Mexico, is currently listed for $33 million. PHOTO: LOS CABOS SOTHEBY

Technically foreigners cannot buy property within 31 miles of the coast or 62 miles of the U.S. border. However they can set up a "fideicomiso" with a Mexican bank that will hold the legal title to their property on their behalf. And the regulations have failed to dampen prices of Mexican real estate. According to the Knight Frank Global House Price Index, for the first quarter of 2018, sales prices rose 8.7% from the same period in 2017, making it the eighth fastest-growing market in the world.

THAILAND

Median luxury price in Bangkok: $895-$1,094 per square foot

Foreign buyers can purchase apartments and condominiums outright. But they can only purchase houses on a 30-year lease. "A house comes with land, and the kingdom always protects the interests of its own citizens," explained Marciano Birjmohun, associate director of Knight Frank. "They do not want any foreigners to hold the rights on the land."

The interests of Thai citizens are also protected within condominiums, where no more than 49% of homes can be owned by foreigners. This gives Thai residents ultimate control over how to manage their building.

The overseas market in Bangkok is currently dominated by Hong Kong and Chinese buyers

A roughly 3,300-square-foot apartment in the Ritz-Carlton Residences in Mahanakhon, Thailand, is listed for $2.52 million. PHOTO: KNIGHT FRANK

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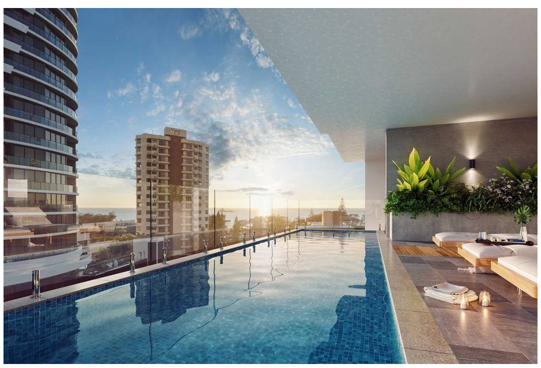
purchasing investment property—a two-bedroom apartment in an upscale neighborhood like Thonglor or Ekkamai would start from around $300,000. In the city's top street, Wireless Road, in the central business district, buyers would need a budget of $2 million for a similar property. In coastal resorts, said Mr. Birjmohun, Hong Kong Chinese buyers are also the main overseas players.

AUSTRALIA



A rendering of Koko, a development in the Broadbeach suburb of Queensland, Australia, where prices start at $455,300 for residences. PHOTO: KNIGHT FRANK

Median luxury price in Melbourne: $887-$1,084 per square foot

In 2016 the federal government increased the tax burden on foreign buyers purchasing newly built homes, introducing a buying tax and raising their stamp duty burden to 8%. There are also annual fees for foreign owners—a "vacancy" levy for homes left empty, equal to the original buying tax, plus a land tax surcharge of 2%.

Meanwhile, amid concerns about fraud, the federal government's financial regulator announced in 2016 that the "big four" banks (The Commonwealth Bank of Australia , National Australia Bank , Westpac , and ANZ) could no longer lend to foreigners.

In the four years leading up to this decision Ged Rockliff, head of residential at Savills Australia, said top-end prices had soared by 50% to 60%. Since then prices have slipped back around 5% to 10%.

"Without a doubt the biggest issue which has dampened foreign appetite has been the lack of access to finance," he said. "People were prepared to pay the taxes."

UNITED KINGDOM

Median luxury price in London: $2,911-$3,558 per square foot

Between 2014 and 2016 the U.K. introduced a series of tax disincentives to cool the real-estate market—a 3% surcharge on the stamp duty paid by second-home buyers and a 15% buying tax

A three-bedroom apartment in One Blackfriars in London is listed for $17.37 million. PHOTO: ST GEORGE

on all homes bought through a shell company, a popular technique used by foreign buyers eager to preserve their privacy.

Strict new money-laundering rules aim at preventing disreputable investors from parking huge amounts of cash in London property. This summer the government pledged to jail anybody caught acting as a "frontman" for suspect buyers.

The results have been swift, and dramatic: Foreign buyers have all but abandoned London, and prime prices have crashed. Between 2014 and 2018 prices have fallen 17.6% according to Savills.

Although many estate agents blame this squarely on Stamp duty, clearly the confusion caused by Brexit has played a part. "I think it is impossible to say which factor has driven down prices by how much said Lucian Cook, Savills' director of residential research.

THE MALDIVES

A 28,000-square-foot compound on Kunfunadhoo Island in the Maldives is available as a leasehold for $15 million. PHOTO: SPHERE ESTATES

While most countries are trying to restrict overseas buyers, this country is cautiously welcoming them. In 2010 new regulations allowing foreigners to buy leases of up to 50 years on residences within resorts were introduced. Negotiations are now under way to increase this limit.

Robert Green, founder and managing director of Sphere Estates, is selling villas on Soneva Fushi, set on one of the Maldives' 1,000-plus Indian Ocean islands. Around 10 villas have been sold on the island, at prices of around $3 million to $10 million. "It takes a while to get a new market established for Homeownership, and there have been obvious concerns about rising sea levels and the lease system itself is a concern to some," said Mr. Green. "It is not a cheap product either—this was never going to be about mass sales."