



REAL ESTATE

Where the rich are finding second homes abroad

JOEL SCHLESINGER

Special to The Globe and Mail

Published Thursday, Jun. 01, 2017 4:00PM EDT

Last updated Thursday, Jun. 01, 2017 2:39PM EDT

Mixing pleasure with profit, high-net-worth Canadian investors are increasingly looking to real estate on foreign shores.

Eighty per cent of high-net-worth clients own two or more properties, with one in five owning property outside their home country, a Sotheby's International Realty survey found.

This statistic often holds true in Canada, too, where the well-heeled are investing in property beyond our borders for a number of reasons, from diversification to getting more for their loonie, to steady yields from rental income, to long-term capital appreciation, says Brad Henderson, chief executive officer of Sotheby's International Realty Canada.

"One main reason they really like it is because foreign real estate is a hard asset that they can touch," he says. More to the point, it's an investment where they can go to enjoy a holiday.

Many stick to the more common destinations in the United States.

"People in British Columbia and Alberta tend to favour California and Arizona, whereas people in Ontario and Quebec gravitate more to Florida because direct, short flights mean they can get to these destinations quickly on a more frequent basis."

Yet others are seeking investments farther afield, says Richard Dolan, president of the REIN (Real Estate Investment Network) Group of Cos. Inc.

"They are learning that as high-net-worth investors, they now have the ability and means to participate in the global real estate market in a way that is safer than ever before."

Leveraging local expertise in property management, taxation and legal issues is paramount to reducing the risk. "A big metric for them is 'safety and sanity,'" Mr. Dolan says.

With that in mind here are some hot or up-and-coming foreign real-estate investments for high-net-worth individuals, from the well-beaten paths to locales less travelled.

United States – Dollar dampens Canadian buys

Two years ago, Canadian investors were the top buyers of U.S. real estate. But they have been overtaken by Chinese investors now that the loonie has fallen compared to the U.S. greenback, Mr. Henderson says.

"Many Canadians have stopped buying in the U.S. or have sold their assets there to harvest the gains they have gotten from the recent appreciation of the U.S. dollar."

Still, some areas are always popular with wealthy Canadians. For Western Canadians, it's Scottsdale in Arizona and Palm Springs, San Francisco, Los Angeles and San Diego in California.

For residents Toronto eastward, Florida is the top destination with the wealthy gravitating mostly to the Gold Coast, running from Palm Beach to Miami.

Others are buying in New York, one of the world's most expensive markets, Mr. Henderson says. The average price per square foot for a New York condo was more than \$1,800 while Toronto and Vancouver were \$518 and \$900 respectively, according to a [report by Condos.ca](#) from last fall. "But then some of the most expensive properties in Vancouver can be as expensive if not more so than some of the properties in San Francisco and Los Angeles," Mr. Henderson says.

Europe – London prices falling over Brexit

London is a perennial favourite. Its property values have increased by double-digit percentage points annually for a number of years, and are the second most expensive in the world at more than \$2,700 per square foot for a condo, behind only Hong Kong.

But the rise in values slowed to about 5 per cent last year over Brexit concerns, [Bloomberg reports](#). "Berlin and Geneva are gaining attractiveness because there's a feeling they will benefit," Mr. Henderson says. Prices for real estate in Berlin increased almost 10 per cent in 2016, according to a [recent report](#).

Another European destination drawing increased attention is Portugal, says Lief Simon, global real estate investor and the senior editor of Live and Invest Overseas.

Villa prices increased by nearly 4 per cent after inflation year over year in October, 2016, with rental yields exceeding 5 per cent, according to the foreign real estate news site Global Property Guide.

Still Mr. Simon cautions that "bargains are harder to find in some areas of the Algarve [the country's premier holiday destination] and key markets in Lisbon."

Turkey – Istanbul offers Mediterranean lifestyle

More contrarian investors can find the Mediterranean lifestyle for less in Turkey, says real estate investor and venture capitalist Cody Shirk.

Because of the recent political instability – an increasingly authoritarian government and a failed coup d'état last year – "the Turkish lira has been very depressed," says the editor of Codyshirk.com, a California-based investment newsletter on public and private markets, including foreign real estate.

"A four-bedroom and three-bathroom penthouse apartment costs \$200,000 in Istanbul," Mr. Shirk says.

Caribbean – Turks and Caicos draw Canucks

St. Barth's is a top destination for the wealthy along with other destinations in the eastern Caribbean known as the Renaissance Islands (which includes St. Martin and Anguilla), says Mr. Henderson.

The Dominican Republic, a popular winter vacation spot, offers "excellent yields" and relatively easy financing, Mr. Simon says. Yet it's still a developing nation with "limited but improving infrastructure," he adds. Another downside for Canadian investors is that most properties are listed in U.S. dollars.

The lesser-known Turks and Caicos boast a strong high-end rental market. The destination is widely known to Canadians, with an estimated 30,000 visiting annually, according to the Canadian government.

South America – Chile is modern and clean

More adventurous affluent investors are flying even farther south. Some seek the stability of Panama, which uses U.S. currency and has the canal, making its economy more stable, along with real estate prices, compared with other Latin America nations, Mr. Shirk says.

Panama City has a skyline comparable with Hong Kong's, he adds. "It's also very easy to fly in and out of because it is the cross point between North and South Americas." (Toronto has direct flights.)

Chile also offers more for less as its currency has also fallen significantly. The world's leading producer of copper, its economy has struggled in the midst of the commodity bust. Yet Mr. Shirk says its capital, Santiago, is surprisingly modern and clean. "You could probably buy a very nice three-bedroom apartment for about \$200,000."

Still, Mr. Henderson points out most high-net-worth investors are less likely to take risks on up-and-coming areas like these.

"There are very few people who are going to invest based on 'I think Argentina is the next California'; they usually need some other connection to that marketplace," such as ancestry or business.

[_Report Typo/Error](#)

Follow us on Twitter: [@GlobeInvestor](#)