

INVESTMENT & FINANCIAL ANALYSIS FOR INTERNATIONAL REAL ESTATE

CIPS Course Outline



Any international real estate transaction, whether it involves the purchase of a home, a user-occupied business facility or an income-producing property is considered an investment. The purchaser or lessee typically commits a substantial amount of cash in their own currency to carry out a transaction in a foreign currency.

If the international investor has money on deposit in the currency of the country where the investment is being made, there will eventually be some kind of exchange transaction. There is always the possibility that money will be made or lost based on the currency exchange dynamics alone. For that reason, it is important to be familiar with the mathematical and financial skills presented in this course.

Domestic residential brokers and salespeople are accustomed to presenting homes as investments in terms of appreciation and tax sheltering. Many real estate professionals are not familiar with how to determine, discuss and present an investment analysis of a property. This course examines how customary real estate practices need to be modified when working with international clients or properties.

In some ways, a real estate transaction involving international clients or properties is similar to a domestic transaction.

Overview

The International Real Estate for Local Markets course introduced the international real estate market, including conditions and practices around the world. This course builds upon that knowledge by providing:

- basic preparation requirements for the international client.
- financial concepts such as capitalization rate and cash-on-cash return.
- legal and tax issues.
- the importance of incorporating a team of professionals .

Case studies are used to present the course material. There are three cases which follow a progression of increasing complexity.

Course Objectives

During this course students will learn how to:

- Recall fundamental terminology.
- Discuss strengthening and weakening currencies.
- Review globalization, capital flow and currency conversions.
- Identify six steps in preparing for an international transaction.
- Discuss differences between types of residency status.
- Discuss ownership options.
- Review basic income tax liability laws for non-resident aliens.
- Identify components of HP-10BII to be used in case studies.
- Discuss calculator default settings.
- Set necessary function modes to successfully complete course case studies.
- Review 6-Step International Transaction Preparation Process.
- Apply 6-Step process to Mr. Chen's case study.
- Complete calculations necessary to answer Mr. Chen's questions.
- Calculate the financial problems associated with investing.
- Apply financial concepts to the case study.
- Identify the effects of exchange rate fluctuations on a transaction.
- Obtain the skills needed for basic financial analysis.
- Apply six step preparation process to Dr. Garcia's case study.
- Calculate steps to achieve the 5-year projection of rents.
- Calculate the capitalization rate for each of the 5 years.
- Measure yield using the IRR.
- Calculate the potential effect taxes have on a real estate investor's return.
- Recognize the need to develop a team of legal and tax experts.
- Analyze potential before-tax, cash-on-cash return.
- Project sales proceeds.
- Estimate the internal rate of return (IRR).
- Evaluate the effects of fluctuations in currency value on the IRR.
- Utilize an annual property operating data (APOD) form and an international cash flow analysis worksheet to organize data for calculations.



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