

Readers Ask More Questions About Selling U.S. Real Estate to China

I have received numerous reader responses to last week's column about the purchase of American real estate by Chinese nationals. Since there are probably other readers with the same questions, I thought I'd take yet another week to write about this topic.

My good friend Steve Stevens suggested that poor air quality in China's big cities might be driving the wealthy to emigrate — mostly to rural China, but many to foreign countries with cleaner air and blue skies. Steve shared a *New York Times* article on this growing trend. (Nov. 23, "Urbanites flee China's smog for blue skies.")

Another reader asked whether we should worry about such immigrants, in sufficient numbers, controlling our government. The short answer is that they get to pay property taxes,

but they can't vote unless they become American citizens.

Because I mentioned large-scale purchase of single family homes by REITs — Real Estate Investment Trusts which have traditionally purchased commercial or multi-family properties — in the same article with my decision to start listing homes on a Chinese website, one reader thought I was talking about an invasion of foreign nationals buying

Jeffco homes. That is an entirely separate matter, and most of those REITs are American investors looking to own single family rental properties, not foreign nationals buying homes "by the hundreds" to live in. And those large-scale purchases of single family homes by REITs will by necessity be spread out over entire metro areas and are limited to

homes which "cash flow," making them good rental properties.

How will Chinese buyers finance their U.S. real estate purchases? They will pay cash, because one of their motives is to move cash out of China for fear of future actions or policies by the Chinese government. The euphemism for this motivation is "wealth security."

In this regard, perhaps you've heard that there's a growing middle class in China with rising expectations. You see this in their air pollution due to purchasing so many cars. As a result, China is gradually losing its allure as a place to manufacture goods inexpensively. Chinese business owners are beginning to move their manufacturing operations out of China — mostly to elsewhere in Asia, but in some cases to the United States, especially when their clients are U.S. companies. As they bring these jobs to America, the owners also want to live here.

Will they push up the values of our real estate? Yes, but no more than immigrants from California, New York and other sections of our country who see our housing prices as affordable by comparison.

Will they occupy these homes full-time, part-time or keep them as rentals? Probably a mix of all three — again, just like Californians or New Yorkers who buy here.

What happens when they sell? If they are not moving within Colorado, the closing company will withhold a portion of their proceeds to be applied toward capital gains tax based on the Colorado tax returns they must file the following year.

Are Realtors just being greedy by going after Chinese cash buyers? These buyers are already coming to Colorado and asking us to show them homes for sale. Reaching out to these buyers — as we would to others — using Internet marketing serves sellers, not just their agents.

REAL ESTATE TODAY



By **JIM SMITH,**
Realtor®

Happy Thanksgiving! Here Are Some Things We're Thankful For

◇ Thank you, *Denver Post* (and 5 Jeffco weeklies), for making it affordable to advertise in this manner — writing my own column on deadline each week — and for including YourHub in the Post's "Digital Replica Edition" for those of us who like to read newspapers on our computers.

◇ Thank you, regular readers, for your feedback on individual columns — and for constituting 90% of my client base. That includes those who subscribe to my blog, getting email alerts on each submission. You, too, can subscribe at www.JimSmithBlog.com.

◇ Thank you, dear clients — not just those who bring us "easy" transactions, but also those who give us the opportunity to learn from difficult transactions, or no transaction at all!

◇ Thank you, Realtor associations — local, state and national — for tracking real estate issues and for lobbying to protect Americans' property rights.

◇ Thank you, Regional Air Quality Council, for the grant enabling Golden to install two EV charging stations in our parking lot. I look forward to attracting "green" agents with free fueling of their electric cars!

◇ Thank you, my eight broker associates and office assistant, for helping our company fulfill its potential in this crazy real estate market! You're the best! I enjoy mentoring *and* growing with you!

This Week's Featured Foothills Listing

Genesee Offers Mountain Living Just 30 Minutes from Denver

This home, just listed by broker associate **Karon Hesse**, is not on the MLS yet, but will be shortly. A unique custom home, it is 2 stories with a main-floor master suite and oversized 3-car garage. It sits on a 1.2-acre lot "over the ridge" and thus beyond earshot of Interstate 70. The amenities in this part of Genesee are impressive — two clubhouses with swimming pools, fitness centers and three tennis courts. Elk and other wildlife are abundant here. You can learn more about this home at its website, www.GeneseeHome.info, where there will shortly be a link for both a slideshow of still photos and a narrated video tour on YouTube. If you have been wanting to live in a foothills home that is 30 minutes from Denver but "a world away," call Karon Hesse at 303-668-2445 to set a private showing!

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