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Real Estate Remains a Compelling Proposition for Residence and Citizenship by Investment

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What are some of the options and variations in real estate investment between residence by investment (RBI) and citizenship by investment (CBI) programs?

Within residence and citizenship by investment programs, there are a number of variations. Programs can't always be compared the same as apples and apples per se, and there are differences and variations between residence and citizenship themselves.

But some of the key variations that come up in conversation and are worthwhile for clients to know are, there's often a minimum investment amount that varies between programs. For example, in Spain, the minimum investment amount for real estate is EUR 500,000, whereas in St. Kitts and Nevis, for citizenship by investment it is USD 200,000.

There are also different types of properties that qualify, depending on the program. Commercial, residential, and service departments are three key sectors and categories that programs allow or don't allow. Some programs only allow off-plan residential property. Some programs, particularly in the Caribbean, have a list of published government-approved projects. These are typically off-plan projects in low-density areas or areas where the government wants to promote tourism, and they often have a globally recognized hotel operator associated with them. One's got to be very careful. And the governments and the programs are very specific about what types of property can qualify. Some countries, such as Portugal, do specify and encourage investments in low-density areas.

The type of ownership can also vary from program to program. Grenada and Portugal do permit co-ownership of a property, whereas a program like Malta insists that it's full-title ownership, and it is a freehold title.

Probably the last key variation between programs, which is worth recognizing, is the holding period. And by this, I mean the minimum period of time that an investor must hold their property and their real estate investment, without

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jeopardizing their application. In St. Kitts and Nevis, for example, this could be seven years for a USD 200,000 investment, whereas in Antigua, for an investment of the same value, it could be five years. In Greece and Spain, the holding period is perhaps not as defined. It's a residence program, so one always has to have a qualifying asset while in the period of residence.

There are, it's fair to say, lots of variations. There are nuances within programs, and each program has restrictions and limitations, and it's very much worthwhile seeking advice from a professional, to make sure that you have a safe and qualifying asset in your real estate investment.

How are the current economic challenges impacting real estate investment for these programs?

The demand really does remain very high for real estate investment in these programs. Programs evolve and have life cycles naturally, without the current economic challenges that we face. Right now, we are seeing a change in the Portugal program, and the real estate investment is being impacted by that.

In Greece, we're seeing some changes being implemented in the coming weeks and months, and that's around locations where qualifying investment is permitted, whether it be in Athens and a couple of the islands, the minimum investment thresholds are being increased.

The changes I've just mentioned are perhaps more natural and a part of an evolution, whereas there certainly are some challenges that we're seeing on a macro level, linked to the economic situation that we are experiencing. We're seeing that cost of construction is a lot higher than pre-pandemic levels, and we're seeing the general cost of living increasing significantly in a lot of countries.

But with regard to investment migration real estate, it's not really impacted any differently than traditional real estate in these markets. In capital cities and key markets, real estate remains very desirable and is often in short supply. Real estate is still considered a safe haven in this kind of economic environment. We're also seeing rents in capital cities and outside of capital cities having some significant increases.

And despite all of the doom and gloom about the economic challenges that we are facing, we're also seeing increased amounts of tourism, which many of the investors in this industry benefit from because tourism in the Caribbean often leads to greater return on investment, greater capital appreciation, as well as the yields. Investors who are renting their properties out in the Caribbean, and also in cities like Barcelona, Athens, and Lisbon, are very happy to see year-on-year rental increases and increases in their property values. That remains to be good news and a trend that is seen in these tough economic times.

Governments and developers are seeing an increase in residence and citizenship by investment. Developers see the funds that are generated as part of the capital stack, allowing them to complete and build a project, but now they're seeing it as more attractive than ever because the cost of borrowing from a bank has got higher. If they're able to borrow at a low or sometimes zero interest from a citizenship or a resident by investment client, then that becomes highly, highly desirable to them.

High-net-worth individuals have typically liked real estate. They've got a good track record and familiarity with real estate, and it is seen as a secure asset.

I'm confident about the future, and I think real estate remains to be an asset, which safeguards capital and is actually a good hedge against inflation.

Do you think the combination of an alternate residence or citizenship with an attractive property investment will remain a compelling proposition?

Yes, I do strongly believe that it will remain a compelling combination. Other qualifying investment options for residence and citizenship by investment often include government contributions, which are sometimes referred to as donations, or cash on deposit, or starting a business. And some of these offer no returns or very little returns, or in the case of donation and contribution, you're not going to get even your original capital back. Real estate investment as a qualifying asset, if you choose the property wisely, is really, really attractive.

Real estate is something that people are familiar with and is a proven investment and has a good, solid track record in times of high interest rates and in times of low interest rates. Investing in real estate when it's linked to investment migration is also a lot more than just buying a property. You're getting your asset allocation and diversification.

But when a property acquisition is linked to your alternative residence or citizenship, it's got to be super, super attractive. We know the main benefits of real estate can be from the core asset appreciating in value, but it can also be from getting an attractive yield. When you combine that with the benefits of investment migration, which can be improved global access and mobility, increased security, better health care, or a hedge against political and economic stability, it really does become very, very compelling.

Historically, real estate's always been a smart decision and a smart investment, but if you combine it with an alternative residence or citizenship, it could be a really, really smart decision.■