

Agenda Item: A.3.5.5**WORKING PAPER****WP No:19
IFATCA'24****Review of the Possibility of Investing in a Property in Brussels or Montreal**

Presented by FIC

SUMMARY

This Paper review of the possibility of investing in a property in Brussels or Montreal, identifies advantages and disadvantages of proposed investment as well as alternatives.

1. INTRODUCTION

- 1.1. In 2023 at the 62nd Annual Conference, Montego Bay, Jamaica, EVPF tasked FIC to review the financial viability of IFATCA investing in a real estate property for an alternative source of income.
- 1.2. The recommended proposed location for this property was Brussels or Montreal. These locations were recommended because it is the most visit by IFATCA personnel and will offset accommodation cost for personnel in the future. The value of this saving will depend on how often IFATCA personnel needs to visit that specific location.
- 1.3. This working paper will discuss the potential advantages, potential disadvantages and potential hurdles that will have to be overcome in order for IFATCA invest in real estate.
- 1.4. IFATCA is currently a Non-Profit Organisation (NPO), and receives the associated benefits of being a Non-Profit Organisation e.g., TAX exception.
- 1.5. If IFATCA Invest in Real Estate for commercial purposes, it will cease being a Non-Profit Organisation and lose the associated benefits. To prevent this loss of benefits, IFATCA would need to invest in Real Estate as a separate entity e.g., IFATCA LIMITED LIABILITY COMPANY (IFATCA LLC).
- 1.6. Some of the advantages of IFATCA investing in real estate include providing an alternative source of income and offering prominence and presence through ownership of its own exclusive property.

- 1.7. Some of the disadvantages of IFATCA invest in Real Estate are overcoming the hurdles associated with developing an IFATCA LLC, lower liquidity, possible property value lost and more responsibility for IFATCA.

2. DISCUSSION

- 2.1. IFATCA's main source of income is MAs' subscription fees. Developing another significant source of income will have a host of benefits for IFATCA's Membership.
- 2.2. IFATCA is solvent with most of its assets being cash saving.
- 2.3. IFATCA is a registered Non-Profit Organization (NPO) in Montréal, Canada. As such IFATCA is exempt from income tax provided it is administered exclusively for non-profit purposes.
- 2.4. It will be necessary for a IFATCA to establish a Limited Liability Company (LLC) to facility the commercial activity of investing in Real Estate for commercial Purposes.
- 2.5. It is of critical importance that IFATCA LLC and IFATCA NPO exist as two separate legal entities. IFATCA NPO must always be isolated from any activities that will jeopardize its tax exception status.
- 2.6. Changes to the IAM will be necessary to facilitate the establishment of an IFATCA LLC.
- 2.7. Investing a portion of cash saving into ownership of a property, while still remaining solvent can be a viable means to provide an alternative source of income outside of Member Associations subscription.
- 2.8. The main expenditure for real estate investment will be the funding necessary to acquire the property regardless of its location or the nature of the property e.g., Bed and Breakfast, Office, Car Park.
- 2.9. This main expenditure is not just limited to the cost of the property but can in many cases include Legal fees, Realtor fees, Surveyors Fees, Solicitor Fees, Stamp Duty, Value Added Tax, alterations and fitting out the property for your business purposes, etc...
- 2.10. Additional reoccurring expenditure attached to the property may include but are not limited insurance, maintenance, staffing, utilities, advertisement and regulatory requirements.
- 2.11. Other risk associated with investing in Real Estate are Negative Cash flow, Vacancy Risk, Tenant Risk, Legislative Risk, Repair Risk and Liquidity Risk.

- 2.12. An alternative to investing in Real Estate is investing in Financial Securities e.g. Bonds, Stocks, Mutual Funds, Annuities, Cryptocurrencies, Term Deposits, etc...
- 2.13. Substantially less initial investment is needed in financial securities compared to real estate investment, lower overheads and greater liquidity.

3. CONCLUSION

- 3.1. IFATCA developing an independent income source will fundamentally change its modus operandi for the positive once successful.
- 3.2. Investing in Real Estate has the potential to be profitable but has many disadvantages especially initial high investment cost, high maintenance cost and low liquidity.
- 3.3. Specifically, with IFATCA being a Non-Profit Organisation, extensive time and effort will have to be directed towards the establishment of an IFTCA LLC.
- 3.4. Investing in Financial Securities reduces many of the disadvantages associated with investing in real estate, while still providing an alternative source of Income for IFATCA.

4. RECOMMENDATIONS

- 4.1 Considering the disadvantages and risks associated with investing in real estate, it is recommended that IFATCA does not pursue investments in this sector.

5. REFERENCES

- 5.1. <https://commercial-property-guides.movehut.co.uk/commercial-property-buyers-guide/costs-involved-in-buying-a-commercial-property>
- 5.2. <https://invest.net/real-estate/risks>

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