

Investing in Real Estate - Legal Risks

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Abstract. In recent years an increasing number of people are going abroad for real estate investment. Some investors are looking for a better return on investment through higher yields as compared to other investment vehicles. Investing in real estate can be a good way to own some land and build long term wealth.

High risk comes for example from residential rentals due to the fact that there are many local and national laws that govern how human living spaces can be designed. Laws provide for minimum size requirements, minimum requirements for square footage and the amount of people who can occupy a home, safety requirements and more.

Besides, there are many local laws which can restrict how quickly an investment owner can remove a tenant from their rental unit. Evictions of tenants can require posting of eviction notices, waiting periods, court hearings and other issues. With commercial, retail and warehouse real estate investment if the economy is down and the tenant cannot afford to pay rent or they file for bankruptcy the investor may not be able to replace them as easily. But laws with regards to commercial real estate are not as restrictive as they are with residential.

If about legal risk, when evaluating markets to invest in, population growth and employment rates are important. Local laws can make a big difference when it comes to success or failure in a given market. It's impossible to eliminate the market risks on future pricing, interest rates and inflation. Nobody can influence and control future market risks. The controllable risks are connected to the property. They are based on infrastructure, competitors, political and legal environment, area-development, tax and legal exposures. Amid the rapid development of overseas real estate investment, the associated legal risks have gained increasing attention.

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