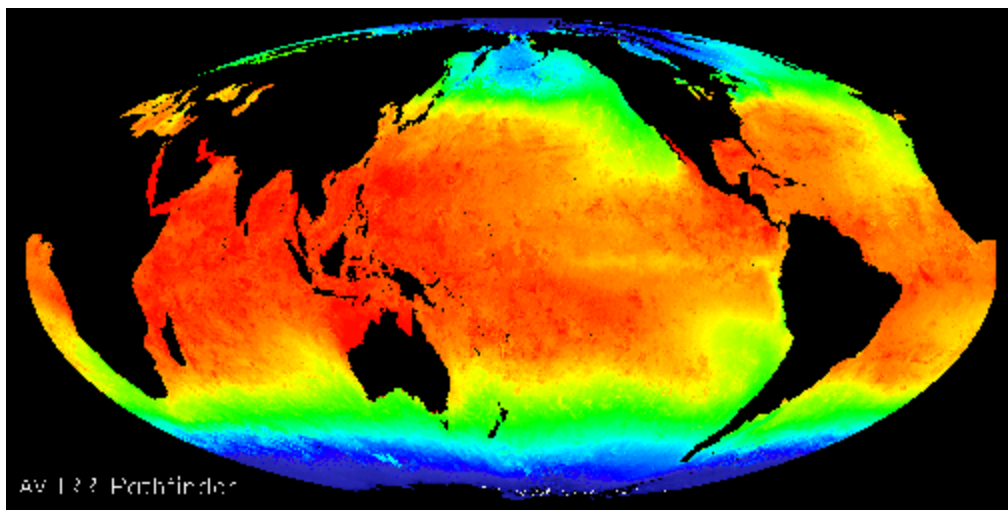


The 2010 NAR Profile of International Home Buying Activity



Prepared by the Research Division of the National Association of REALTORS®

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500 New Jersey Avenue, N.W.
Washington, D.C. 20001
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The 2010 NAR Profile Of International Home Buying Activity

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INTRODUCTION

In the second quarter of 2010 NAR Research surveyed and analyzed responses from a random sample of Realtors® on their experiences with international clients.¹ The survey collected information for the 12 month period ending in March of 2010 for two types of international clients:

- Type A: Foreign clients with permanent residences outside the U.S. but interested in purchasing U.S. property.
- Type B: Clients who are recent immigrants or temporary visa holders in the U.S. and looking for a primary residence.

Survey results are reported on a combined basis except for those cases where differentiation by type of client provides significant information. Based on NAR's Existing Home Sales information, the total residential market had estimates sales of \$907 Billion in the 12 months ending in March of 2010. As indicated in Appendix 1, Type A international clients—foreign clients with permanent residences outside of the United States—are estimated to have purchased \$41 Billion of residential property, 4 percent of the market. With the inclusion of Type B customers—clients who are recent immigrants or temporary visa holders in the U.S.—property sales were \$66 Billion, 7 percent of the residential market.

The market for U.S. real estate by international buyers is a focused market, generally characterized by market concentration and specialized expertise, is subject to international economic forces, and appears to be segmented by types of buyers.

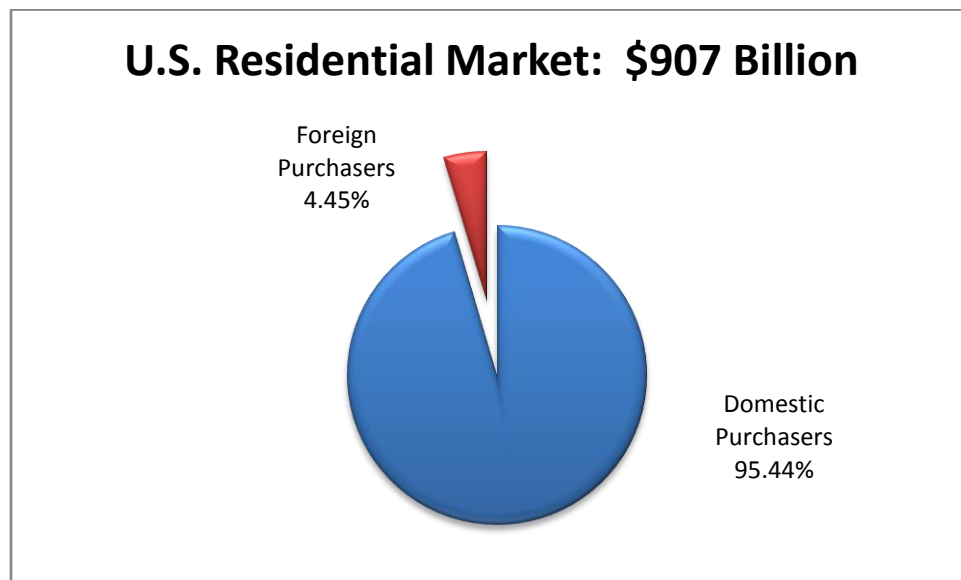
- Market Concentration: International buyers were reported in 39 states. However, the market is relatively concentrated, with four states (Arizona, California, Florida, and Texas) accounting for 53 percent of the purchasers.
- Specialized Expertise: Twenty-eight percent of Realtors® reported experience with an international client, but only 2 percent of Realtors® reported that they obtained 75 percent or more of their transactions from international clients. There appears to be significant Realtor® specialization on the buyer's side of the market. For example, buyer-side Realtors® frequently have strong foreign language capabilities and cultural orientation in serving their clients. Buyer-side Realtors® are also typically knowledgeable concerning the

¹ Cover Picture: http://www.windows2universe.org/earth/earth_il.html Unless otherwise noted, images available within Windows to the Universe are either developed by the Windows team, or are in the public domain. This image shows ocean water temperatures on planet Earth. Red areas are warmest while blue areas are coolest. Notice that the continents are black. the U.S. Geological survey, http://www.windows2universe.org/earth/images/globe_reverse_image.html

various procedures necessary for bringing an international transaction to successful conclusion.

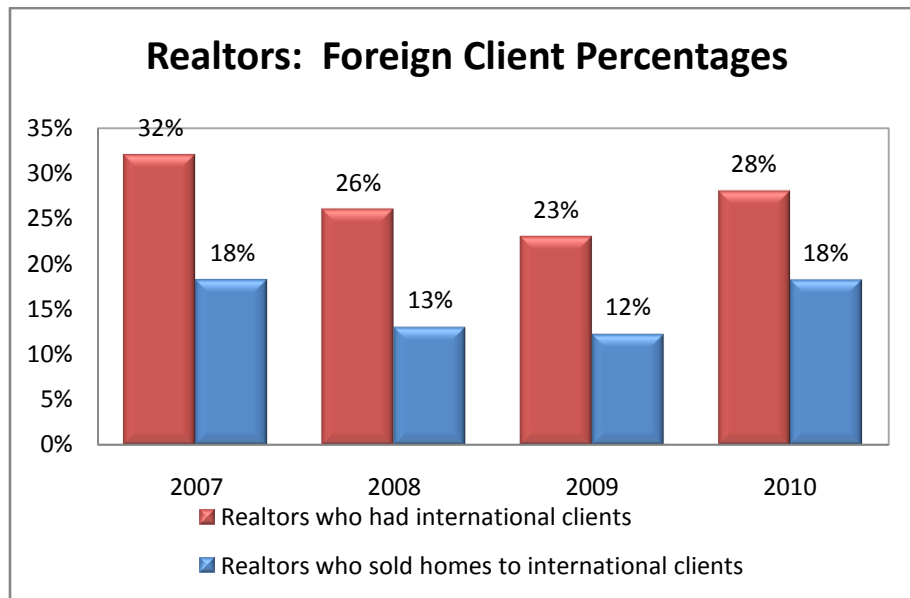
- **International Economic Forces:** The strength of the dollar, perceptions about trends in the U.S. real estate markets, and general economic trends are reported as having an impact on international transactions.
- **Market Segmentation:** Although international purchasers from a wide variety of countries are present throughout the United States for a variety of reasons, proximity to the home country and the convenience of air transportation are believed to be important considerations in selecting the buying location. For example, Florida appears to be attractive to Europeans, Canadians and South Americans. The East Coast attracts Europeans. The West Coast is attractive to Asian purchasers. Mexican purchasers are active in the Southwestern markets. Within markets in an individual state it is not unusual to find concentrations of people from specific countries: one could speculate that word-of-mouth influences the purchasing location.
- International buyers came from a total of 53 countries, with the top four (Canada, Mexico, China, and India) accounting for 46 percent of transactions.

Total U.S. Residential Sales Were \$907 Billion, Twelve Months Ending in First Quarter 2010. International Purchases Were 4 Percent.

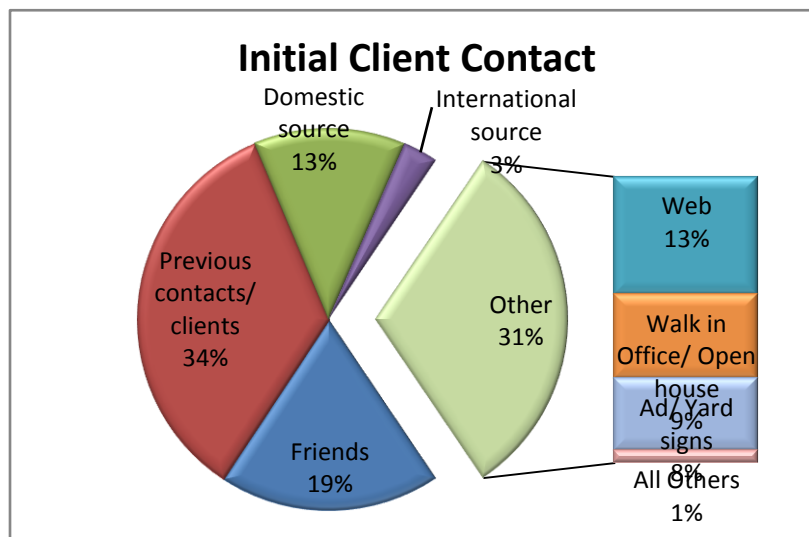


OVERVIEW OF INTERNATIONAL ACTIVITY—CLIENT PARTICIPATION²

Twenty Eight Percent of Realtors® Reported Having at Least One International Client in 2009/10. Eighteen Percent Completed a Sale.



Previous Clients and Friends Provided 53 Percent of the Initial contacts for Realtors® Serving the International Market.



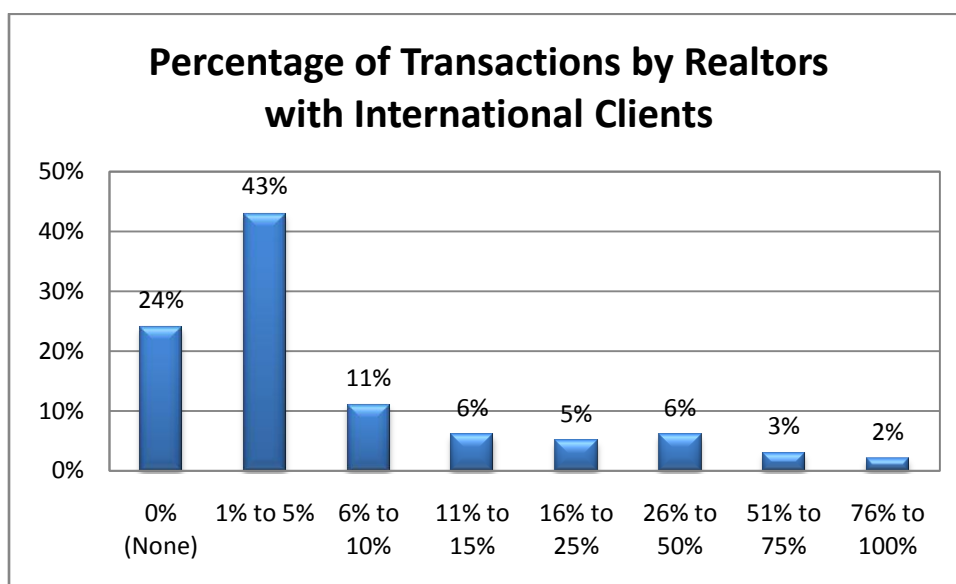
² Summaries of previous International Home Buying surveys are available for 2007, 2008, and 2009 at <http://www.realtor.org/research/research/reportsintl>.

The International Market Appears to be Relatively Concentrated: Number of Realtors® with a Large Number of International Clients is Limited.

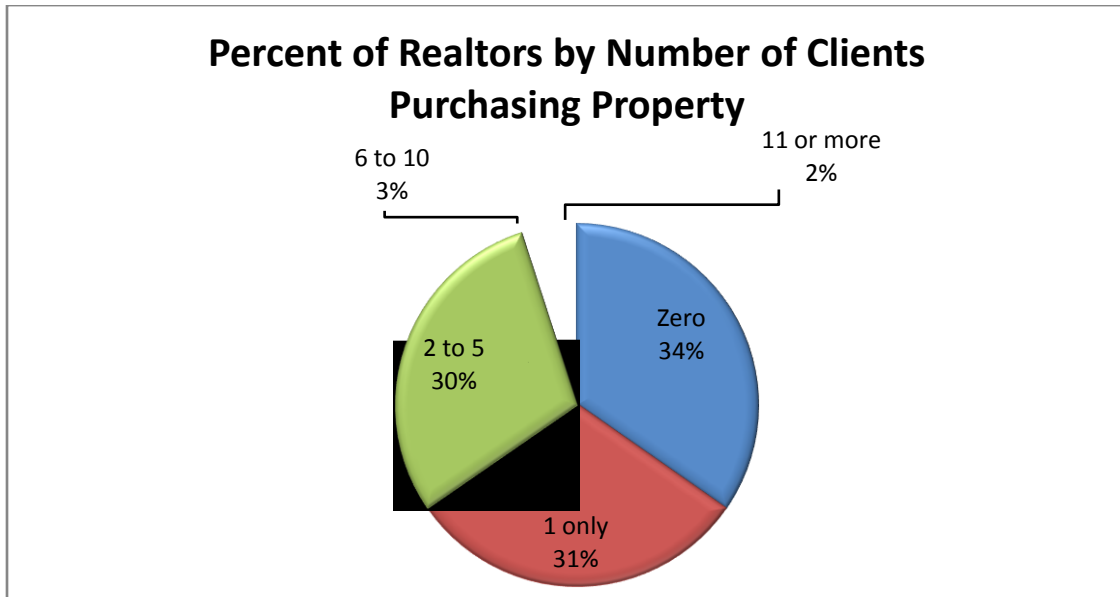
Twenty-nine percent of Realtors® reported having at least one international client. However, only 4 percent of Realtors® report having 11 or more international clients. On the buyers-side of the market international transactions appear to be handled in many cases by relatively specialized experts, probably due to language capabilities and market focus.



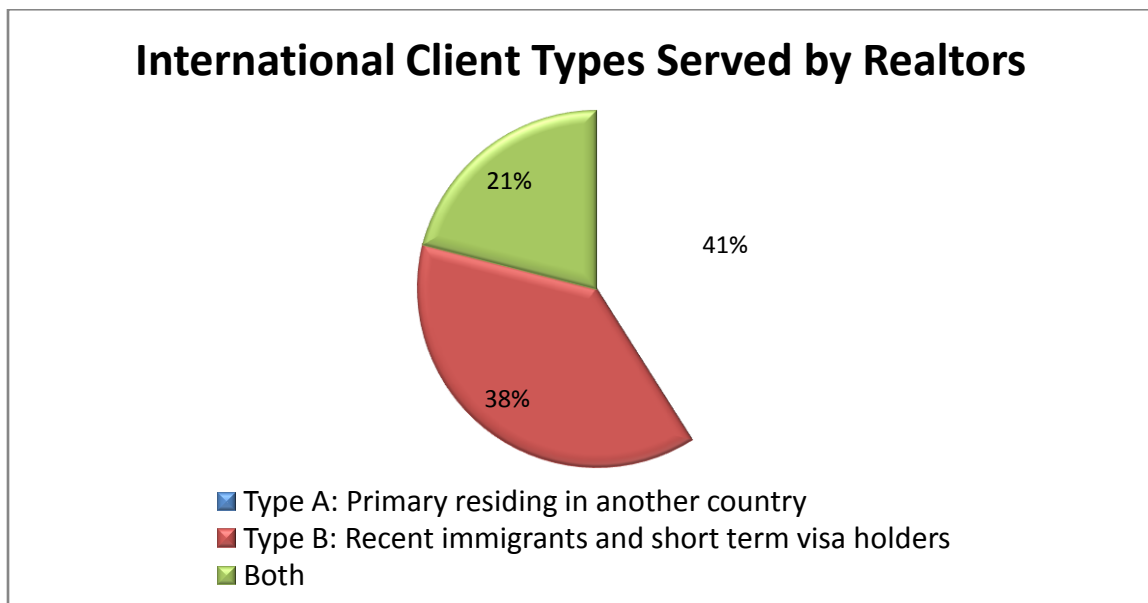
Two Percent of Realtors® Obtained 75 to 100 Percent of Sales from International Clients. Three Percent Obtained 51-75 Percent.



Five Percent of Realtors® had Six or More Clients.



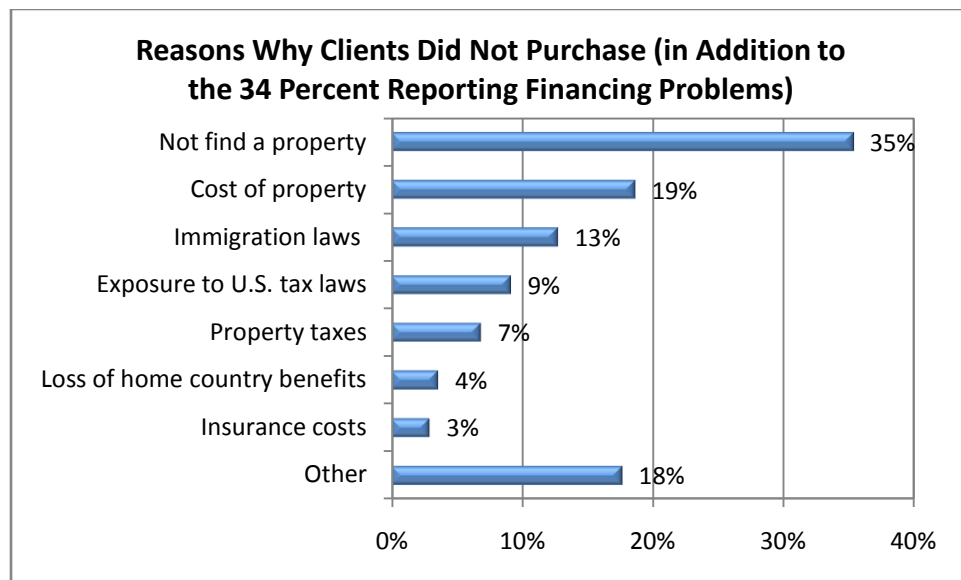
The International Client: Type A, Type B, and Both Served by Realtors®.



Financing Appears to be a Problem for Many Clients.

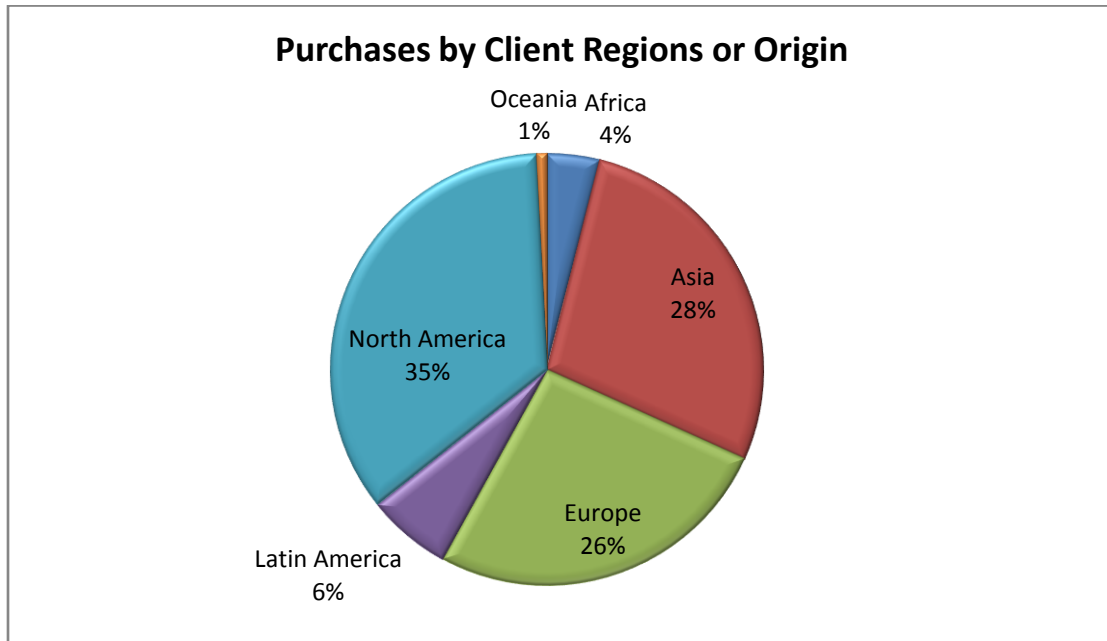
In a number of cases, clients did not purchase property. Thirty-four percent of potential purchasers were unable to complete a transaction due to financing problems. Several comments highlighted from the Appendix illustrate the problems associated with financial transactions conducted across borders—and in these cases the country under consideration was Canada--next door to the United States.

- *There are so many requirements for the international buyers to finance even the 30% of the property, that it is better for them to purchase cash and forget financing.*
- *I had a Canadian family purchase a home in 2008. We had trouble getting the loan because they did not have Social Security numbers but it all worked out. The closing was delayed*
- *Canadian buyer had U. S. job, earning over \$100,000 per year, yet bank took over 4 months to decide if they would provide him with a \$150,000 mortgage. This process should have been much more of a no-brainer.*
- *My international clients never ended up purchasing because they could not get financing, even though their assets and cash available was very good. I tried several different lenders and banks and no one would give them a loan. They said it was because they didn't have a Social Security number, and there was no way for them to verify their income or assets or look at their tax returns.*

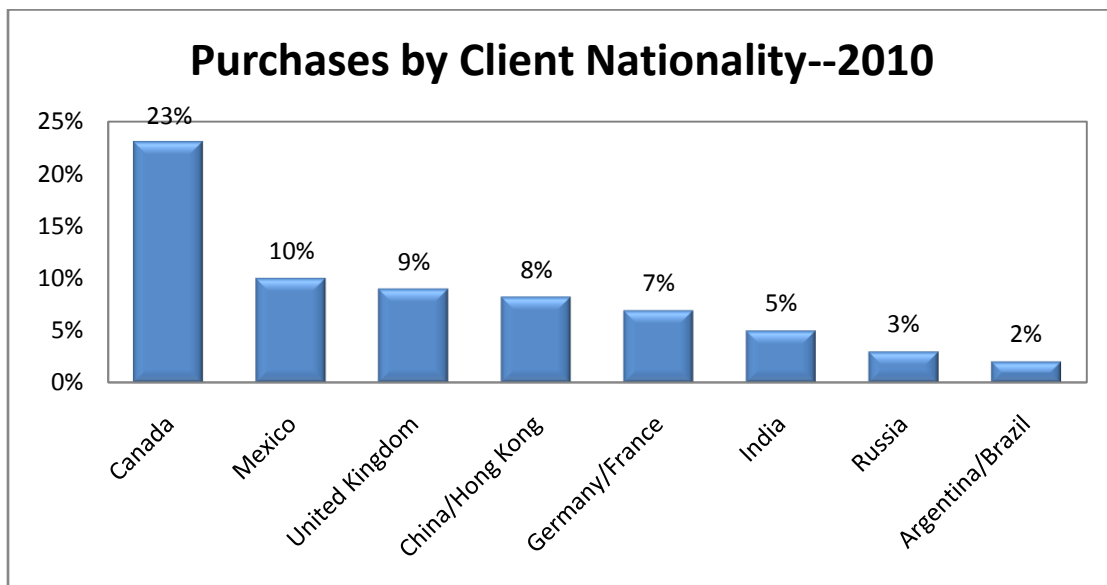


* Since the question allows choosing more than one reasons, the total of percentage ratio exceeds 100%. According some of those reported as “Other” reasons, clients expect further price declines and wait for better deals, or some clients changed plans and purchased properties in other area or other countries.

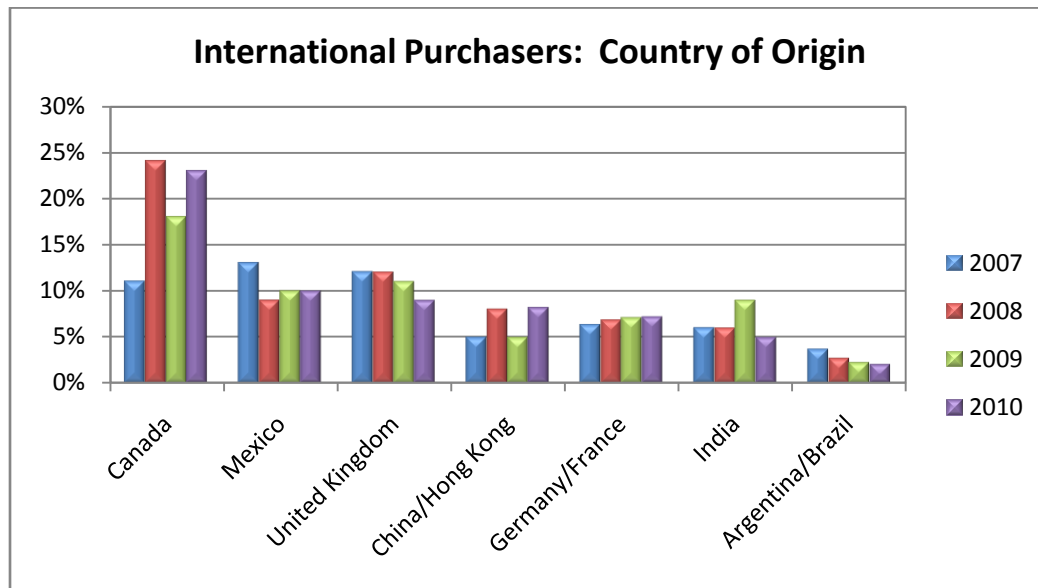
International Purchasers: Diversity of Areas and Countries.



Although Mexico, Canada, and China are reported as accounting for a total of 41 percent of international sales, international purchasers come from a wide diversity of countries. South American purchasers focus on Florida. Asian purchasers focus on the west coast. European purchasers focus on the eastern states, and Mexican purchasers are attracted to Texas. Clearly proximity to the home country is important in determining location preference.

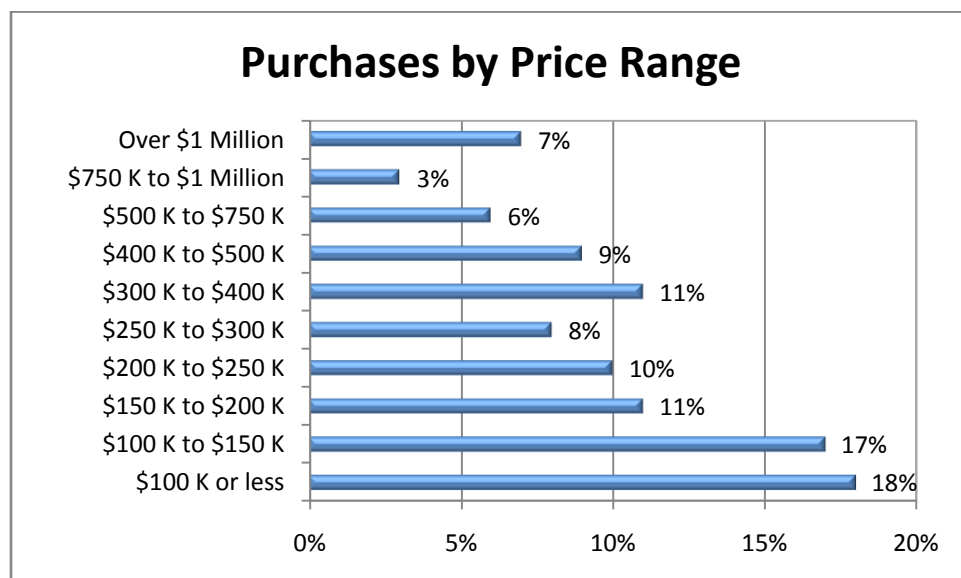


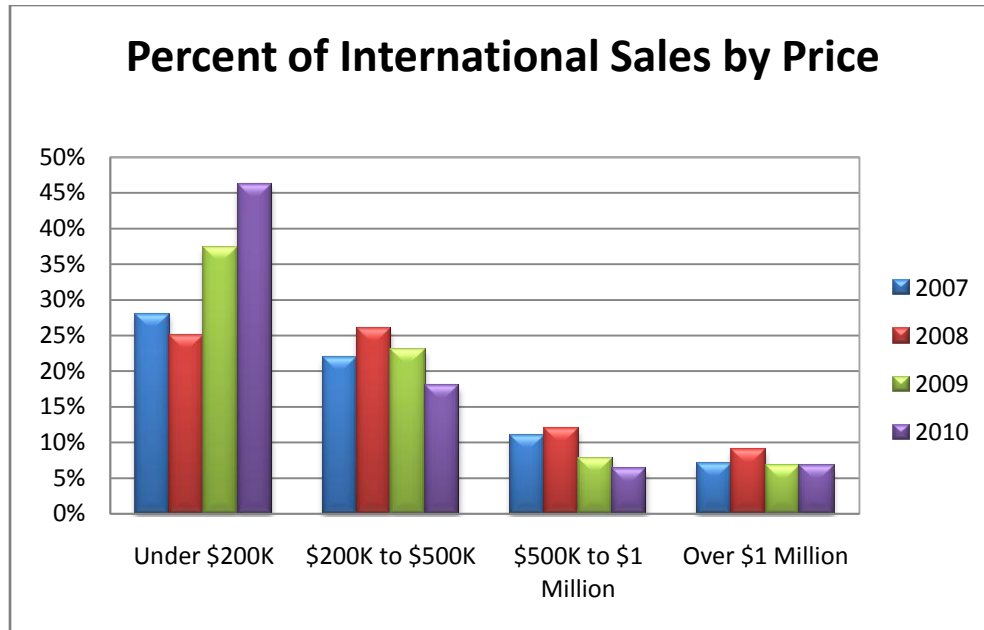
Canada--Largest Buyer Group in the Past Three Years. Share of Mexican Buyers is Growing. Share of U.K. Buyers has been Decreasing.



The International Buyer: Median Prices

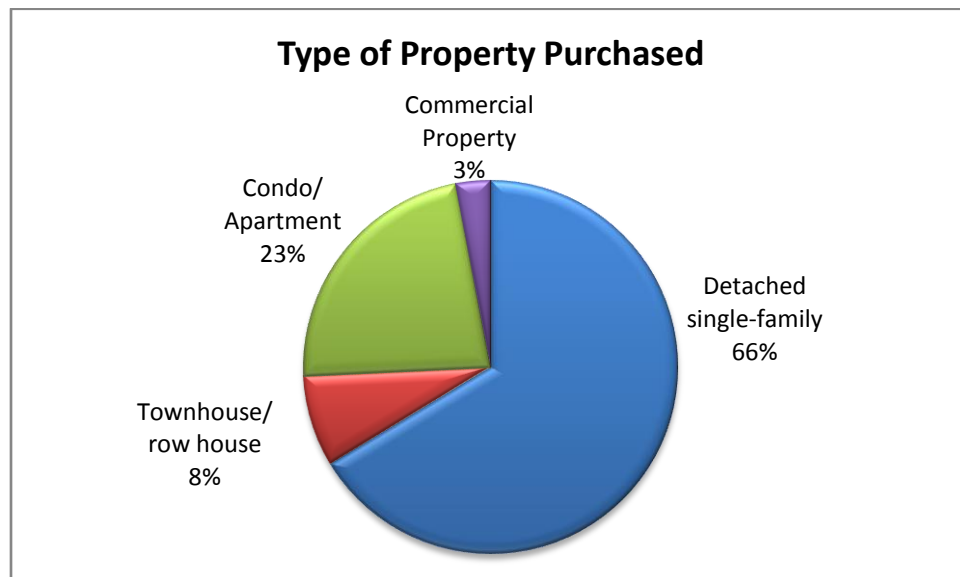
The median price paid by international buyers was in the neighborhood of \$219,400 during 2009/2010. In contrast, the overall median price for Existing Home Sales was \$173,000 during April 2009 to April 2010. Foreign purchasers “on average” participated closer to the upper end of the market—which is not surprising given the circumstances surrounding the purchasing decision: desire for a second home, diversification of assets in the United States, perception of U.S. real estate as offering higher value, pooling of investments by families seeking to participate in a desirable market, and attraction to urban, higher priced markets.





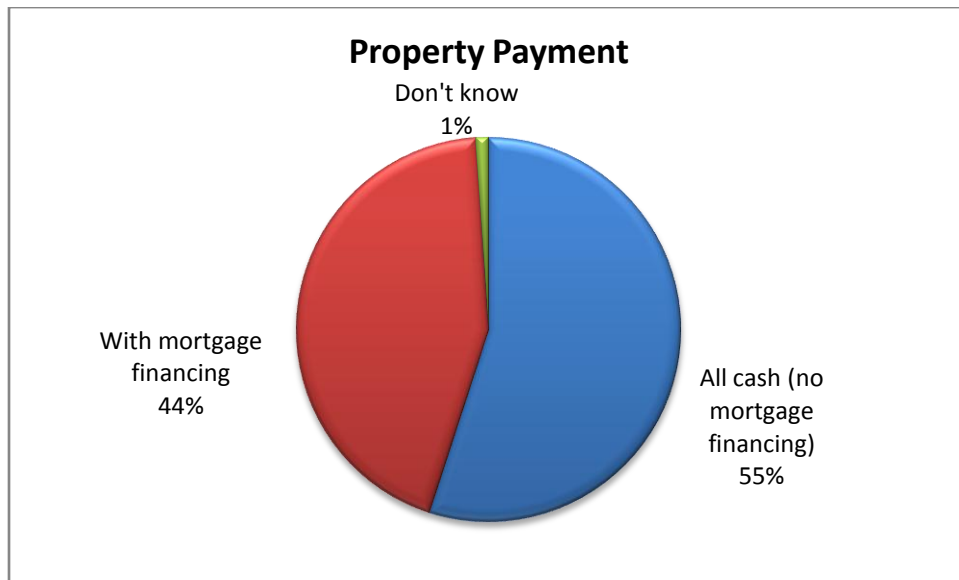
International Purchasers Prefer Detached Single Family Properties.

Detached homes were in the majority by type of property. However, compared to domestic buyers, international buyers purchased more condos. According to the most recent NAR *Home Buyer Seller Survey*, 78% of the buyers purchased detached single –family homes, 8% chose townhouse/row house, and only 7% chose condo/apartment.

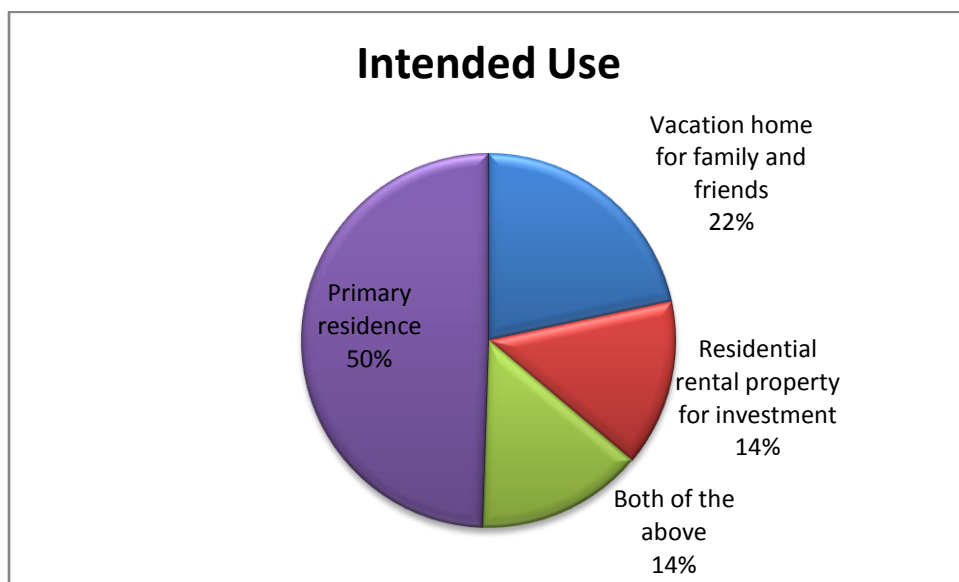


Fifty-Five Percent of International Purchasers Paid Cash.

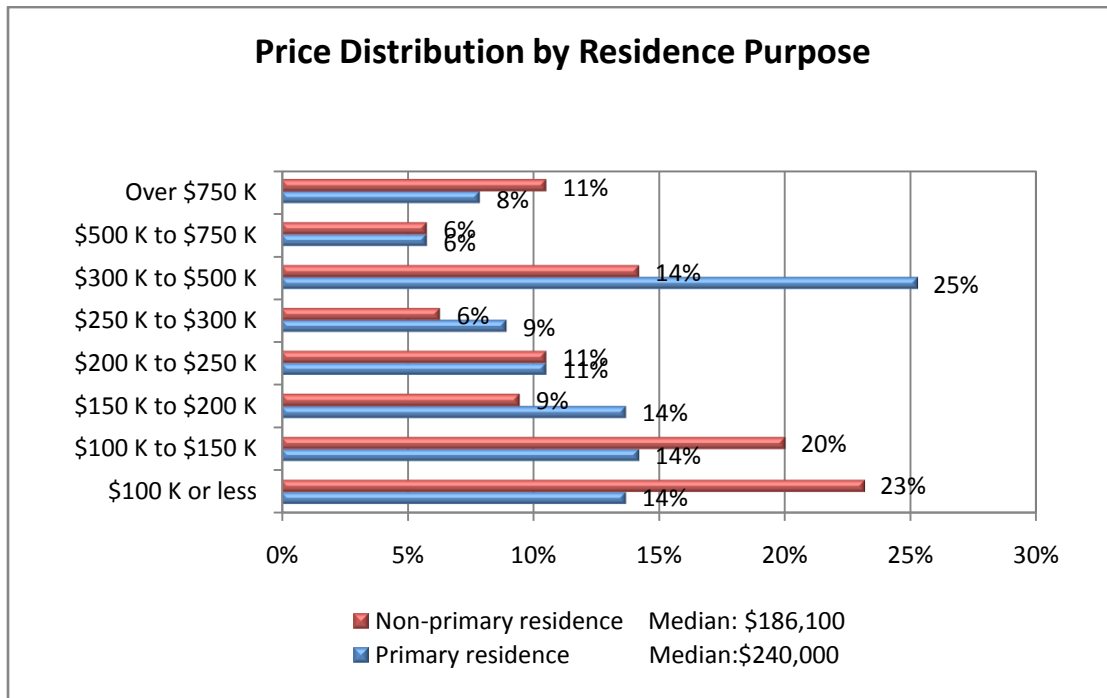
According to NAR's *Home Buyer Seller Survey 2009*, 92 percent of U.S. buyers financed their homes with a mortgage. In contrast, foreign buyers are reported as paying cash 55 percent of the time. This appears to be reflective of difficulties in establishing international credit: credit profiles based on financial ratios differ widely based on local customers, local expenditure patterns, and specific financial issues. In addition, it is difficult to move money around the world on a timely and secure basis—even though the money, transaction participants, and end use purpose are legitimate. In fact, there is at least one major company specializing in assisting buyers in simply transferring funds internationally.



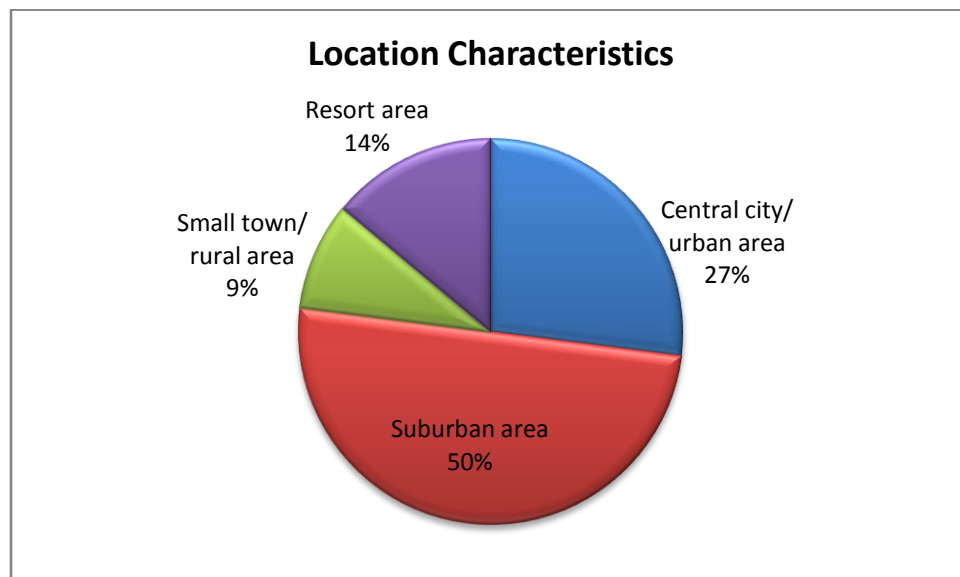
International Buyers are Split Between Use of the Property as a Vacation Home/Investment Home and as a Primary Residence.



When separated by primary residence and non-primary residence, the median prices were different by intended use. The median for primary residence was \$240,000, whereas the median for non-primary residence was \$186,100, probably reflecting sales to Type B purchasers.

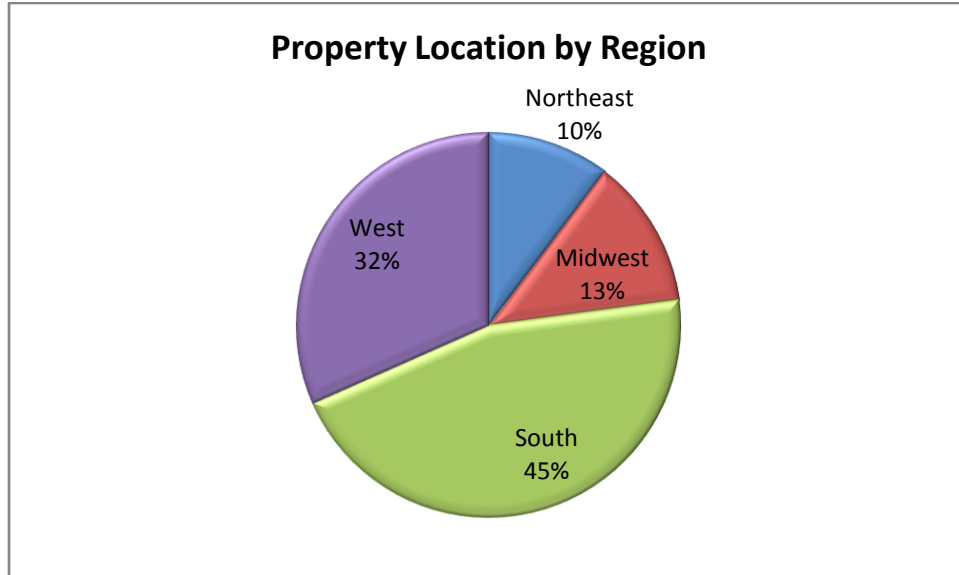


International Buyers Purchase Homes in a Variety of Types of Areas.

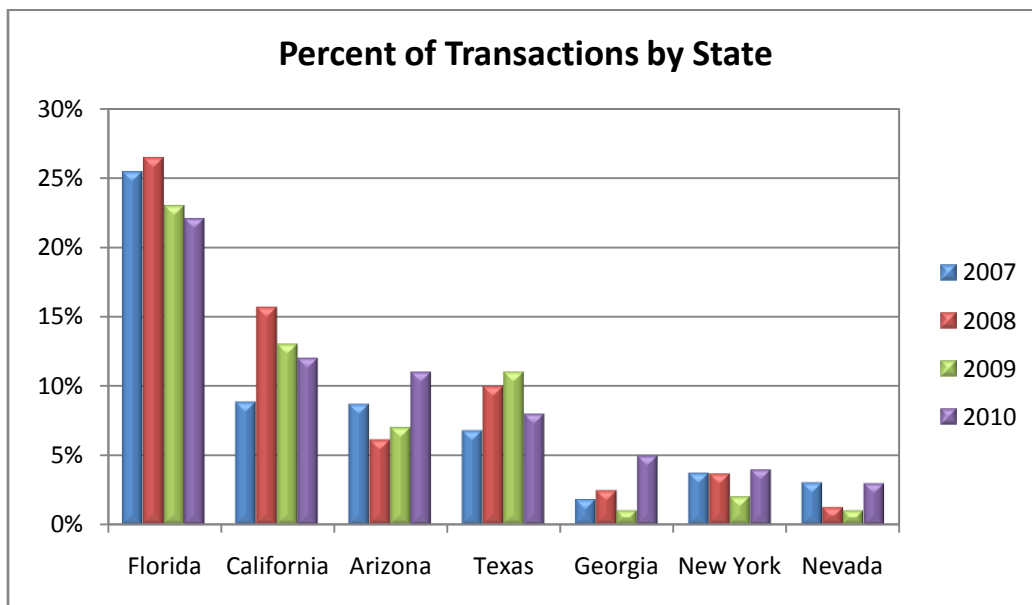


Geographic Concentration: South and West.

45% of foreign purchases are concentrated in South, the states such as Florida and Texas. It is followed by the West (32%), the states such as California and Arizona.

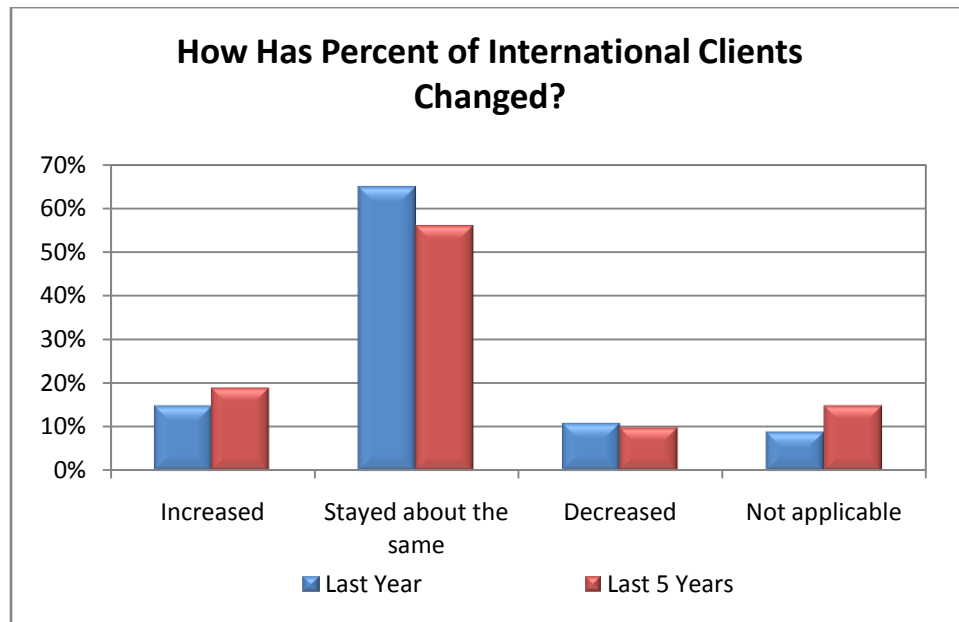


The Top Four States Attracting International Purchasers Are Arizona, California, Florida, and Texas.



REALTOR® Experiences

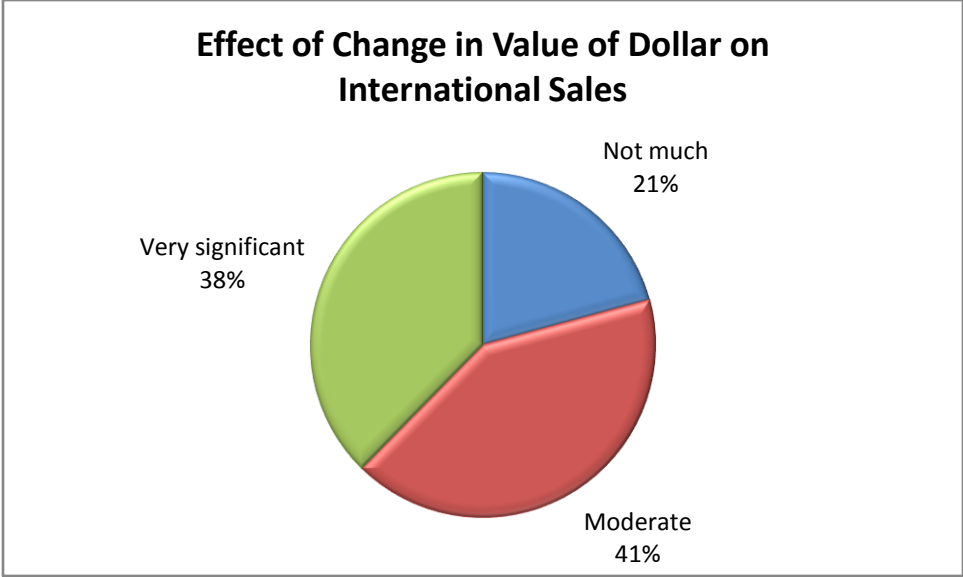
Realtors® Have Been Reporting Modest Increases in International Clients.



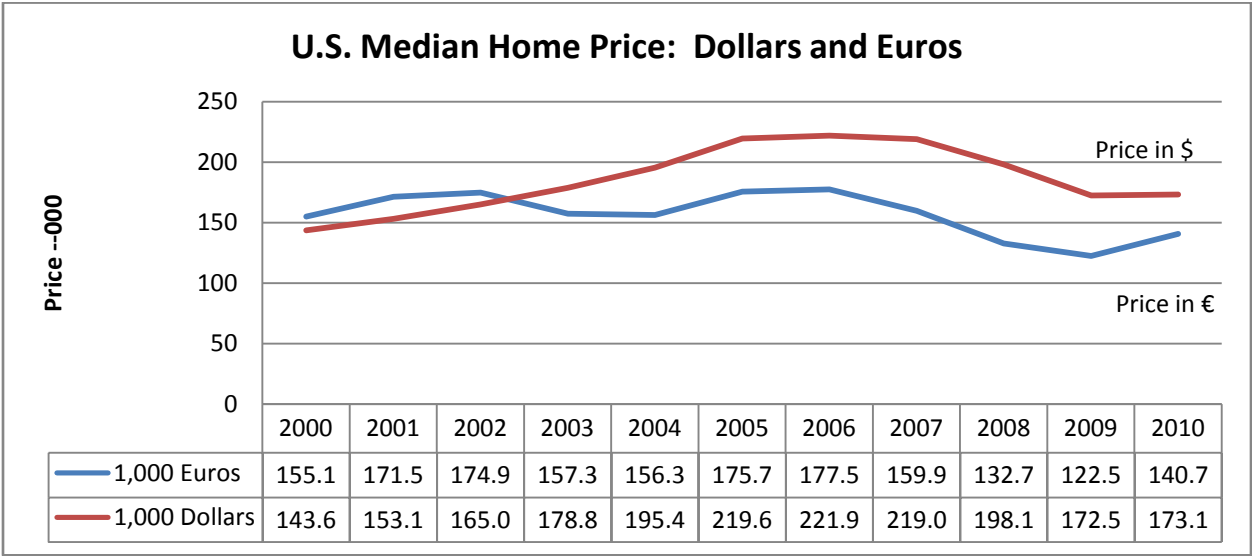
The Value of the Dollar Appears to Impact International Sales.

Seventy-nine percent of respondents indicated that changes in the value of the dollar can impact international sales. To examine the potential impact we have developed a graph of the price of a U.S. existing home in U.S. dollars and in terms of Euros over the past five years. When the dollar decreases in value relative to other currencies, U.S. property becomes less expensive.

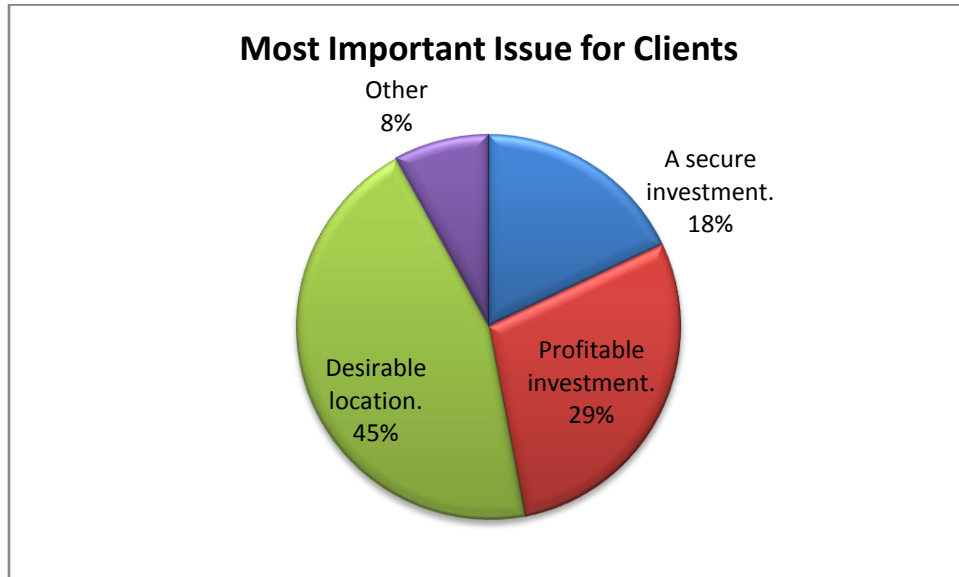
International comparisons of property values are difficult, for property characteristics vary widely from country to country. However, a comparison of average or median prices, based on available data, between U.S. and foreign property indicates that U.S. property appears in general to be less expensive than is the case for foreign property.



To illustrate the effect of exchange rates on property price, the cost of a U.S. residential property was converted to Euros, and the two prices are plotted together. The decline in value of the U.S. dollar has made U.S. real estate cheaper for Euro Zone purchasers in recent years.



There are a Variety of Reasons for Purchasing Property in the United States: Security and Profitability are Prominently Mentioned.



CONCLUSIONS

The international buyer, defined as an individual with a permanent residence outside the United States, accounted for approximately 4.6 percent of the total U.S. residential market in the twelve months ending March 2010. When one includes recent immigrants the percentage increases to 7.3 percent. Fifty percent of international buyers came from four countries: Canada, Mexico, United Kingdom, and China. International buyers were active throughout the U.S., but seven states (Florida, California, Arizona, Texas, Georgia, New York, and Nevada) accounted for 65 percent of the volume. On the buyer side transactions tend to be somewhat concentrated with a small percentage of Realtors®, possibly due to language and cultural facility. The median price of international transactions was somewhat higher than was the case for residential transactions overall.

It appears that the value of the dollar relative to other currencies is an important factor in influencing the purchasing decision. In addition, some buyers see U.S. real estate as being relatively less expensive than comparable real estate in the home country. Finally, foreign buyers are more likely to pay cash than is the case for domestic purchasers, possibly due to imperfections in banking markets.

Appendix A: Calculation of the Value of the International Market.

		2009 ¹⁾	2010 ²⁾	2010A ¹⁾
Realtors	A	1,193,915	1,108,433	1,108,433
who had int'l clients	B	23%	28%	28%
who sold homes to int'l clients	C	53%	65%	42%
Realtors who sold homes to int'l clients	B*C	12%	18%	12%
Estimate of realtors who sold homes to int'l clients	A*B*C	145,538	201,735	130,352
Median # of int'l home sales among who sold homes	D	1.08	1.49	1.49
Estimate of homes sold to int'l clients	A*B*C*D	157,181	300,585	194,224
Median price sold to Int'l clients	E	247,100	219,400	213,000
\$ Volume of int'l clients (\$ Billions)	F= A*B*C*D*E	39	66	41
EHS Sales	G	4,842,000	5,263,000	5,263,000
Median EHS price	H	189,467	172,425	172,425
\$ Volume of Potential Market (\$ Billions)	I=G*H	917	907	907
Estimate share of homes sold to int'l clients				
By Number of Sales	A*B*C*D/G	3.28%	5.59%	3.61%
By \$ Volume	F/I	4.23%	7.27%	4.56%

¹⁾ International clients are referring to clients who principally reside in another country excluding recent immigrants and temporary visa holders.

²⁾ International clients include recent immigrants and temporary visa holders as well.

Appendix B: COMMENTS RECEIVED FROM REALTORS REPLYING TO SURVEY.

Realtors® responding to the survey frequently provided additional written comments or insight. The comments are summarized below.

Financing

- There is very little or no financing for them
- Fluctuation in exchange rate is always challenging.
- Obtaining loan is the most important thing in this type of transactions
- I believe as the dollar drops in value we will see an increase in these type of buyers.
- It is very hard to get financing for most of the international clientele, because they do not have a credit history in the U.S.
- Financing is such an enormous hurdle it isn't worth the time to try to assist Buyers who are not cash buyers
- The major impact on foreign investment happened as soon as the Canadian dollar reached parity with the US dollar.
- We have seen an increase in Europeans and Canadians but traditionally neither have been big purchasers due to exchange rate and or distance.
- Normally, when the value of the dollar is lower, international clients like to purchase in the US because they will have more for their money.
- Loans are more difficult now. Other countries have been hit hard on their real estate preventing them from investing here (Japan, specifically) Issues I have with international clients is that I don't have source to refer them for financing and I am not aware of the financing available for them.
- There are so many requirements for the international buyers to finance even the 30% of the property, that it is better for them to purchase cash and forget financing.
- I had a Canadian family purchase a home in 2008. We had trouble getting the loan because they did not have Social Security numbers but it all worked out. The closing was delayed
- Canadian buyer had U. S. job, earning over \$100,000 per year, yet bank took over 4 months to decide if they would provide him with a \$150,000 mortgage. This process should have been much more of a no-brainer.
- My international clients never ended up purchasing because they could not get financing, even though their assets and cash available was very good. I tried several different lenders and banks and no one would give them a loan. They said it was because they didn't have a Social Security number, and there was no way for them to verify their income or assets or look at their tax returns.
- Increasingly my international clients have been running into the following issue: They have financing lined up in their home country since their financing options in the US are limited. The problem comes into play when many REOs require a pre-approval with the bank owning the REO. They require this pre-approval as part of their addendum, making it impossible for the buyer to fulfill the terms of the contract and addendum, since the bank does not have a foreign national loan program. My buyer had to wait 3 weeks to get the bank to issue a waiver for this. Due to that delay buyer was 3 days late to close and was charged a per diem for causing the delay.

Exposure

- We would like a referral system on international leads
- Probably we need more international exposure for our listings

Market Drivers

- Rock bottom prices and good exchange rates are driving our market
- We have more investors purchasing real estate in today's market.
- The international buyers that contacted me didn't have any credit history to qualify for a loan.
- Lenders are not accepting international investors' bank statements (outside of US) as source of funds.
- My international clients' desire to buy in US has declined due to Real Estate Meltdown. They are cautious and want to hold off. They are renting right now... No international investors wanting to buy... Want to hold onto cash where it is more secure than US Real Estate. I keep educating them why it is a great time to buy.
- Our market is directly affected by the lack of international flights into the area.

Business Issues

- International clients' expectations are sometimes too great to meet.
- Make words and explanation simpler to understand in forms.
- I am a foreclosure specialist and there are many opportunities for investment
- Our recent buyers are primarily from Canada and one Russian, all cash buyers.
- Client concerns were about tax issues, setting up bank account.
- Information to help clients with visas.
- I look for real estate in other countries for myself. Like here, internet presence is everything.
- Most Realtors do not have the resources to market their services to potential International clients. MLS should operate national and international same as it does for us in local. I should be able to enter my MLS and choose other states and countries and search or refer.
- My clients have expressed a need to feel safe and protected from harm here in the U.S., especially the children.
- Other societies do business differently than we do. Informing international clients on how we do business, up front, helps to alleviate potential misunderstandings and mistrust.

Cultural Issues

- Foreign buyer is difficult to handle because of different real estate law and systems between foreign and US. I used to give a lot of seminars and written in my columns about foreign country buyers.
- Student purchase on visa from China for educational purposes. Less expensive to own than to stay on campus. Chinese are very astute in determining value of currency and value of ownership versus rentals.

- Agency Disclosure form SHOULD be available in more languages; Central Data Base should be established with names of agents with language skills OTHER than English and Spanish, and it should be easy accessible to the CLIENTS.
- Fully fluent in Spanish and English, and multinational cultures, has helped me assist foreign buyers.
- Fully fluent in Spanish and English, and multinational cultures, has helped me assist foreign buyers.
- I speak Spanish and Italian and have several languages on my team. I am certain that is a factor in my client referral business.