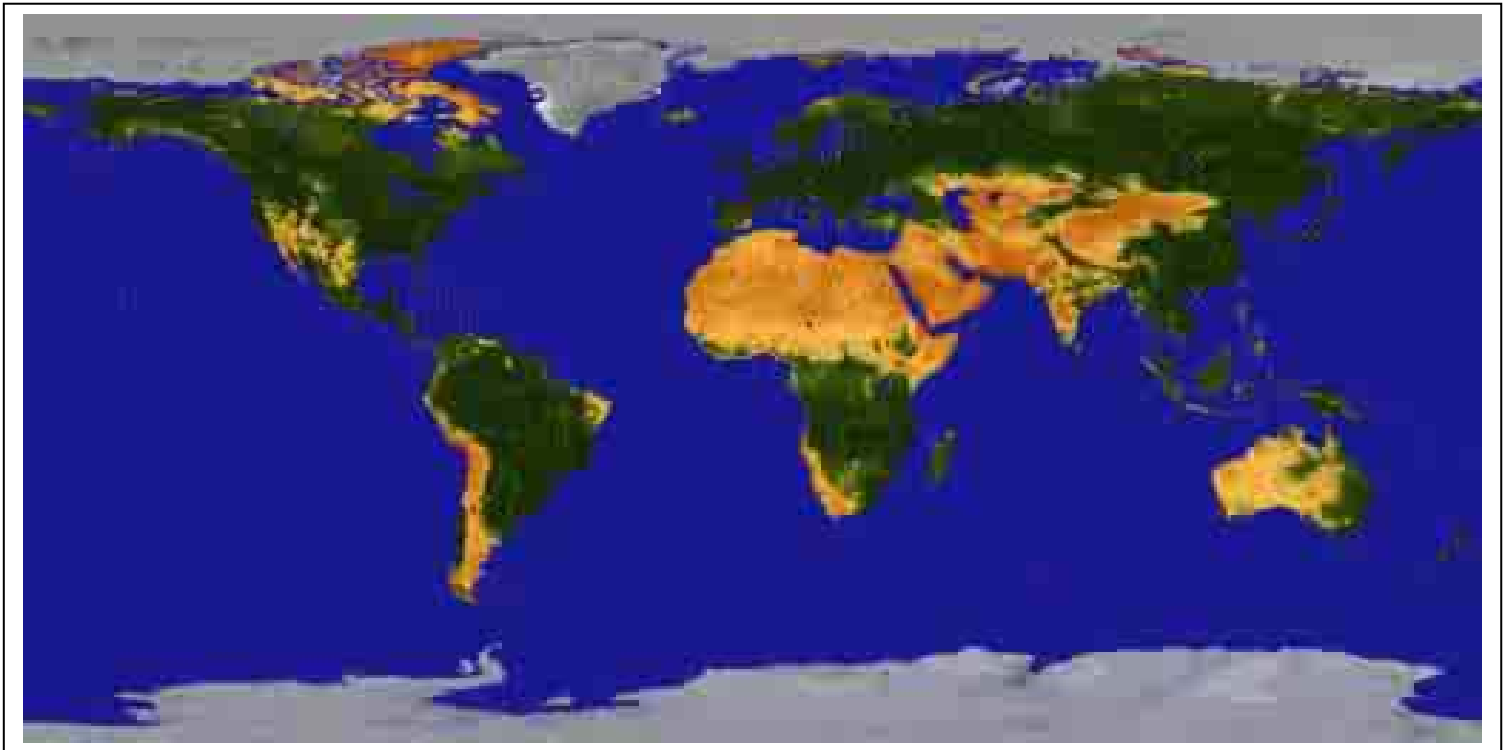




The 2007 National Association of REALTORS® Profile of International Home Buying Activity



NATIONAL ASSOCIATION OF REALTORS®

The Voice for Real Estate®

The 2007 NAR Profile of International Home Buying Activity

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

National Association of REALTORS®
500 New Jersey Avenue, N.W.
Washington, D.C. 20001
www.REALTOR.org/research
202-383-7518

All real estate is local. That is the mantra for most real estate professionals. Indeed, the majority of buyers – whether they purchase a home as a primary residence, a vacation home, or an investment property – take location into account when making that home buying decision. And they rely on a real estate professional who is well-versed in local real estate market conditions.

But not all *buyers* are local. During the real estate boom of 2000-2005, many home buyers were from countries outside the United States. In the spring of 2007, the Research Division of the National Association of REALTORS® studied the extent of home buying activity in the state of Florida. The research results indicated that 7.3 percent of home sales in Florida were to foreign purchasers. Sixty-five percent of REALTORS® in the state reported that they brokered at least one home sales transaction with an international buyer. Nearly half of those REALTORS® who brokered a foreign-buyer purchase reported that one to four of *all* of their transactions were with international clients.

Does the international home buying trend in Florida match that for the nation at large? To answer that question, NAR Research surveyed REALTORS® across the United States to determine the extent to which their business is with foreign home buyers. The results of the survey show that international home buying activity in the U.S. is still significant. Almost one third of REALTORS® – 32 percent – report having had at least one international client between April 2006 and April 2007. More than fifty percent of those who did have international clients had successful home sales transactions with those customers. Among international clients, the top five countries of origin were Mexico, the United Kingdom, Canada, India and China. Although more than two thirds of REALTORS® report that their international clientele accounts for about the same level of business during the past five years, fully a quarter of them indicate that their international business has increased. Despite the recent slowdown in the U.S. housing market, U.S. real estate is still a popular option for many people outside of the country.

This report highlights results of the survey. We hope that the information contained in this report will help inform REALTORS® throughout the United States about home buying preference of international clients.

Lawrence Yun, Ph.D., *NAR Senior Economist and Managing Director, Quantitative Research*
Keunwon Chung, *Statistical Economist*
Kate Anderson, *Senior Editorial Consultant*

Notes on the Survey

The survey was conducted in May/June of 2007. Results were based on responses from REALTORS® who had at least one international client during the then recent 12-month time period; thus, information in this 2007 Profile of International Home Buying Activity refers to foreign home buying activity between April 2006 and April 2007.

For purposes of this survey of International Home Buying Activity, an international or foreign home buyer is defined as one who principally resides in another country (outside the U.S.) and who is not classified as a foreign-born resident of the U.S. International buyers are not U.S. citizens (either naturalized or native-born and living outside the U.S.), a U.S. immigrant, or a foreign student or worker on a temporary visa.

Some existing home sales data is for calendar year 2006 and so may not be directly comparable to sales activity reported for the survey period. Percentage distribution data may not add to 100 due to rounding.

The survey asked REALTORS® for comments about conducting business with international clients, what factors attracted the buyer to U.S. real estate, were there any major cultural barriers to overcome and what, if any, specific challenges there were in brokering home sales to foreign buyers. The comments provided some additional insight into this segment of home buying activity, although the comments were not in any way analyzed statistically. Appendix I presents a summary of the most common responses.

U.S. regional determinations are those defined by the U.S. Bureau of the Census.

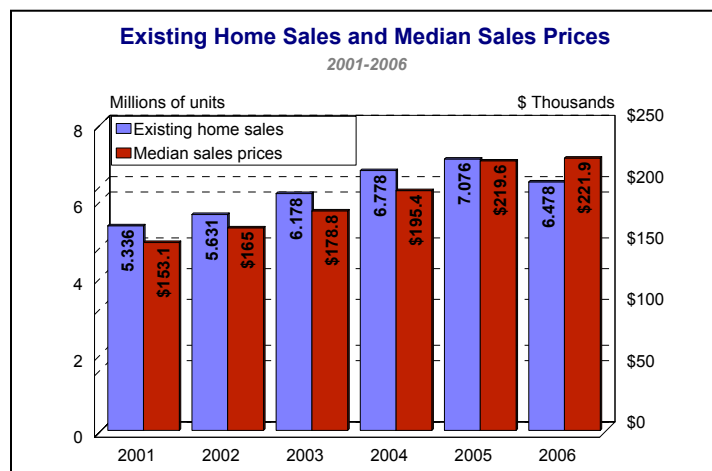
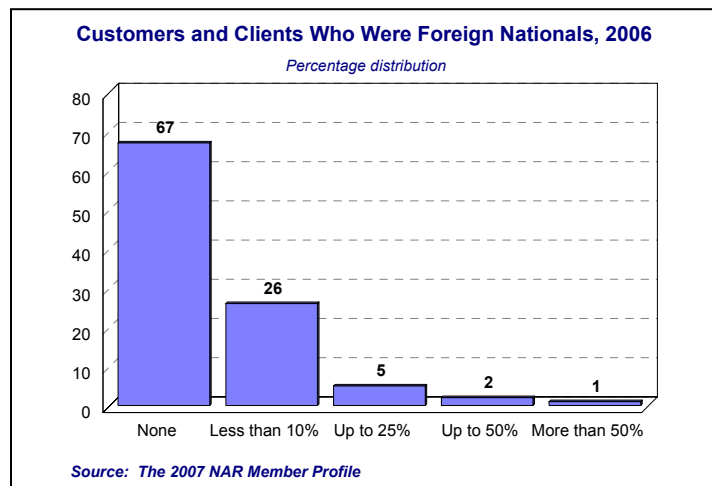
REALTORS® and International Business

We live and do business in a global economy. The same is true for real estate professionals. Ten percent of REALTORS® were born outside the U.S., and many REALTORS® are answering the “global call” for their services, with 15 percent of them fluent in a foreign language. While for the majority of REALTORS® their clientele is comprised only of U.S. citizens and foreign-born permanent residents, a significant share of their business is with foreign clients. According to the *2007 NAR Member Profile*, a third of REALTORS® had at least some business with international clients in 2006.¹ In some states, the percentage of business with foreign home buyers is even larger. In Florida, for instance, 65 percent of REALTORS® brokered at least one home sales transaction with an international buyer; nearly half – 48 percent – of those REALTORS® who brokered foreign-buyer purchases reported that one to four of *all* their transactions were with international clients.²

Housing Activity

The U.S. housing boom of 2001 to 2005 came to a halt in 2006. Many areas of the country that had experienced record home sales and record home price appreciation saw a slowdown in housing activity. Existing home sales slid from their record-setting pace. Home price appreciation also slowed significant, and in some markets home prices even declined for the first time since NAR began tracking price data.

There were many reasons underlying the housing slowdown. The U.S. economy was no longer growing at a breakneck pace. Job creation, while still quite respectable, was not at a rate that pushed housing demand to levels seen during the boom. Higher mortgage rates during the prime home buying seasons – spring and summer of 2006 – helped drive housing affordability down to its lowest level in many years.



¹ International real estate was the primary real estate business activity for two percent of sales agent licensees, and less than one percent for brokers/broker-associates. For 4 percent of REALTORS®, international real estate was the secondary activity. It should be noted, however, that for purposes of the NAR Member Profile, international business encompasses real estate activity both in the United States and abroad.

² Source: *The 2007 National Association of REALTORS® Profile of International Home Buyers in Florida*. This report is based on a survey conducted in February/March of 2007 and covered international home buying activity for most of 2006.

International Home Buying Activity

Despite the housing slowdown, international clients still accounted for a significant share of REALTORS® business in the U.S from April 2006 to April 2007. Almost one third of REALTORS® reported that they had some business with international clients during that time period. More than half of those international clients actually purchased a home – accounting for almost three percent of all home sales transactions.

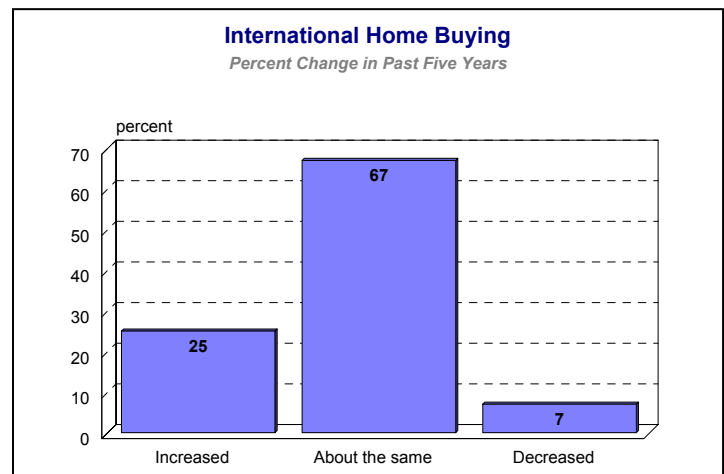
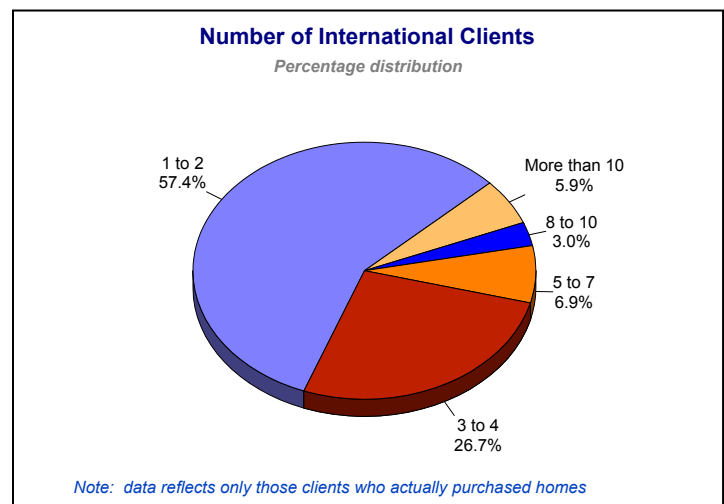
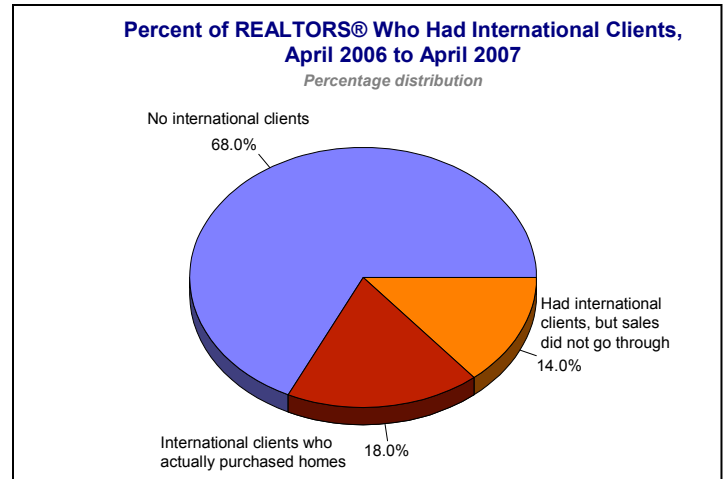
Eighty-six percent of REALTORS® who sold homes to international clients reported that those home sales accounted for 1-25 percent of their transactions. For seven percent of REALTORS®, over half of their transactions were with foreign buyers. Eighteen percent of all REALTORS® who had international clients had successful home sales transactions with those foreign buyers. Of those REALTORS® who had successful home sales transactions with foreign home buyers, more than half reported that they had 1-2 international clients, and 27 percent had 3-4 international clients.

While international home buying activity is a significant segment of business for many REALTORS®, more than two thirds of them indicate that the level of foreign home buying activity has been about the same for the past five years. Yet, a quarter of REALTORS® report that their business with international clients has increased during the same period.

International Home Buyers

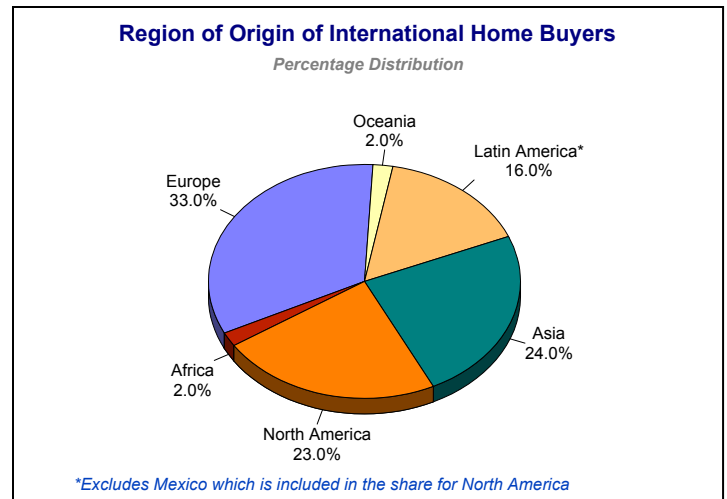
Foreign home buyers come from around the world, buy different types of properties at various prices, and plan on using the U.S. property for different reasons. But were we to craft a “profile” of the typical international home buyer, it would show:

- the typical international buyer purchased a single-family home or townhouse



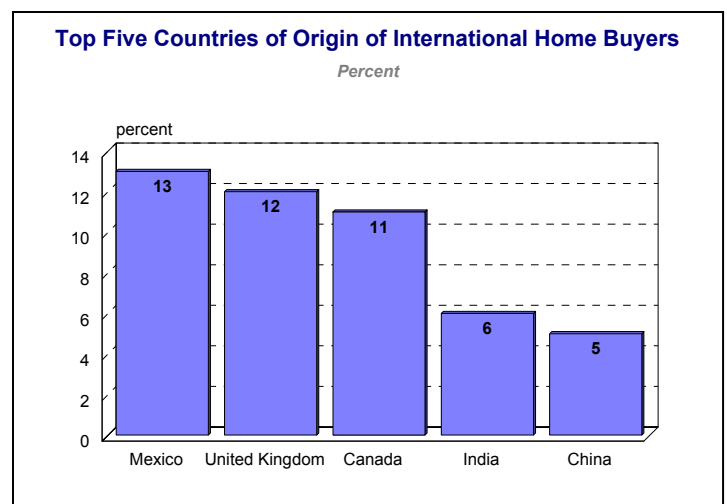
- the buyer's primary purpose in purchasing the home was as a vacation venue for family and friends
- the median sales price paid by the typical foreign buyer was \$299,500 and was financed through a mortgage loan
- the typical foreign buyer in the U.S. spends 4.2 months in their U.S. property

The balance of this Profile of International Home Buying Activity presents analysis of the survey results, as well as U.S. home buying activity by country and region of origin.

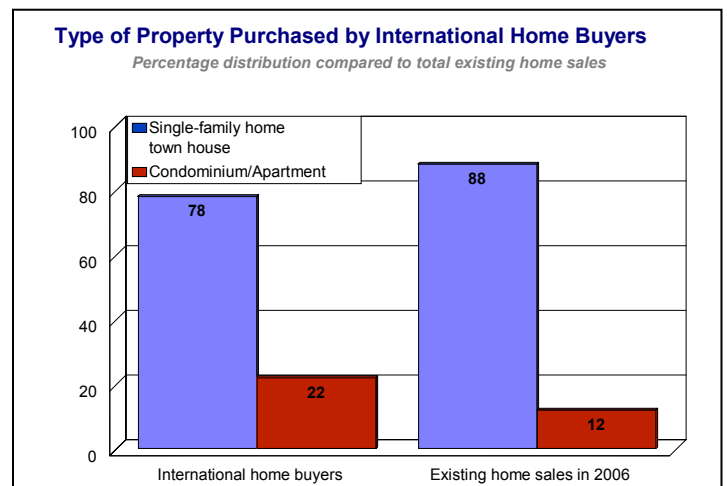


Home Buyers from Around the World

Buyers of U.S. residential real estate come from many different regions and countries around the world. The majority of foreign buyers – 33 percent – were from Europe. But buyers from Asia and North America (outside the U.S.) were also very active, accounting for 24 and 23 percent of international clients. Latin America was home to 16 percent of foreign buyers, with Africans and those from Oceania accounting for 2 percent each.



Among individual countries, the largest share of foreign buyers – 13 percent – were from Mexico.³ Next was the United Kingdom, which accounted for 12 percent of foreign buyers. Canada, India and China rounded out the top five countries of origin for foreign home buyers in the U.S.



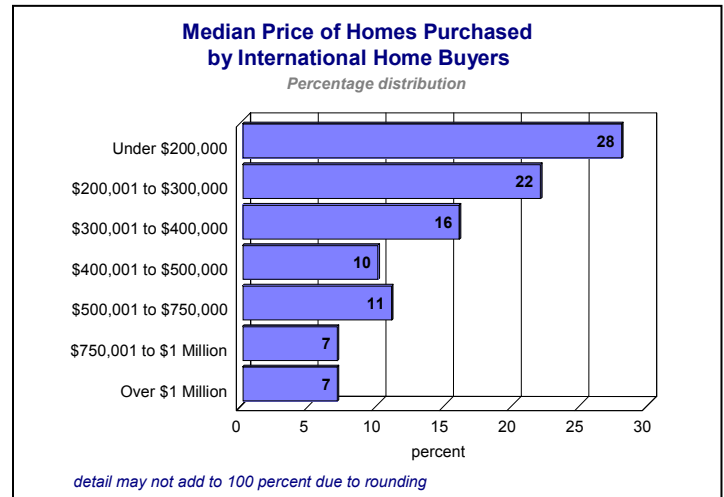
What They Bought

Detached single-family homes or townhomes are the most popular housing choice among all home buyers in the U.S. The same is true for international home buyers, but foreign buyers show a stronger preference for condominiums/apartments compared to home buyers in general. In 2006,

³ Mexico is included in North America.

condominium/apartment sales accounted for 12 percent of *all* existing home sales. Between April 2006 and April 2007, more than one fifth – 22 percent – of homes purchased by foreign buyers were condominiums/apartments.

The survey offered a third “housing choice” option – time-share. But statistically the share of buyers purchasing a time-share property was zero. This result may indicate that the REALTORS® involved in international sales do not handle time-share transactions for those clients. At the same time, the results do not suggest any trends relating to the time-share market. Rather it is likely that REALTORS® – who generally assist clients in the buying and selling of homes – may not consider time-shares as part of their normal residential brokerage business.



Price of Homes Purchased by Foreign Buyers

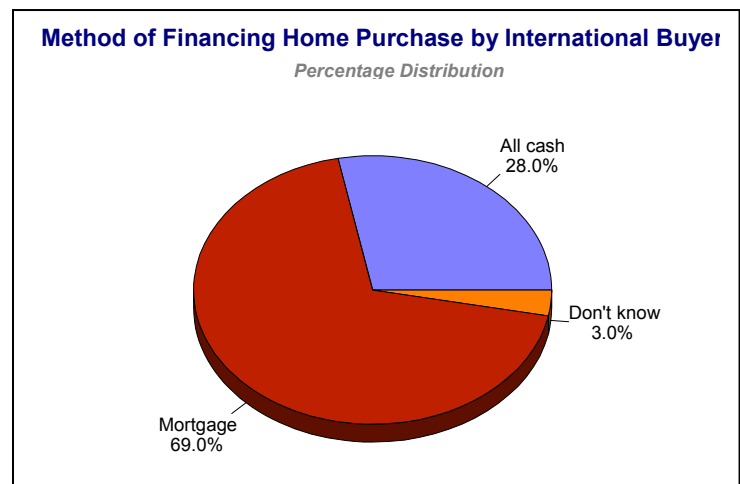
The median price foreign buyers paid for a home was \$299,500 – significantly greater than the national median sales price for all of 2006 which was \$221,900. More than a fifth of international buyers purchased a home that cost between \$200,001 and \$300,000). Fourteen percent of foreign home buyers paid more than \$750,000 for their U.S. property.

Median Price of Home Purchased by International Home Buyers
By country of origin

Country of Origin	Median Home Price
Mexico	\$227,300
United Kingdom	335,300
Canada	322,700
China	340,000
India	292,000
All International Home Buyers	\$299,500

Median Price Paid for Home, by Country of Origin.

Foreign buyers from the United Kingdom and China paid the most for their U.S. property – a median of \$335,000 and \$340,000, respectively. Those from Mexico paid the least -- \$227,300. Buyers from Canada were more likely to have purchased homes priced over \$1 million than those from the other top five countries. The median price of homes purchased by Indian buyers -- \$292,000 – was closest to the overall median price paid by all foreign home buyers.



Financing the Home Purchase

In 2006 more than 90 percent of all home buyers purchased their home using a mortgage loan. The majority of foreign buyers also use a mortgage

loan to finance their home purchase, but the percentage is much smaller. Sixty-nine percent of international home buyers used mortgage financing, while 28 percent purchased their home with cash. (Interestingly, these results are similar to the percentages of all vacation-home purchasers in the U.S. – 68 percent of vacation home owners purchase their properties via mortgage financing.). Three percent of REALTORS® were not sure or did not know how their foreign clients financed their home purchase.

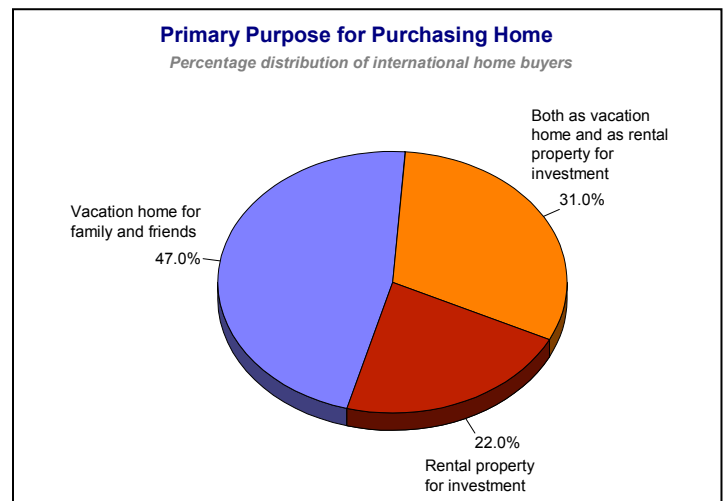
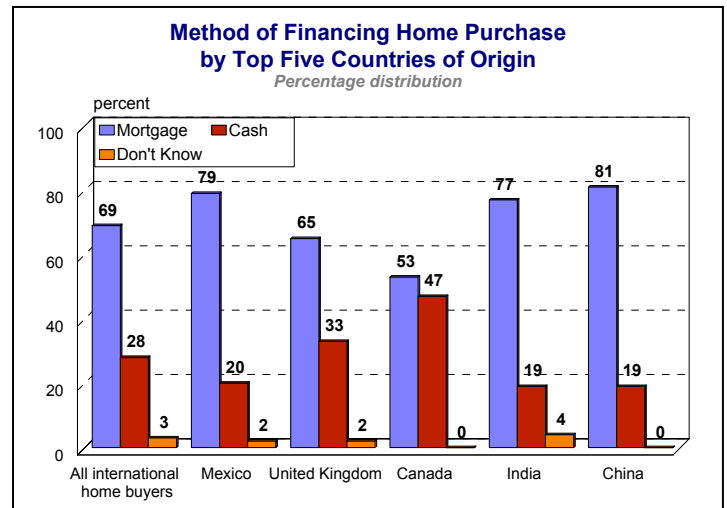
The proportion of foreign buyers who paid cash for their home was much greater than that for the general home buyer population – 28 percent vs. 8 percent. This could be due to the fact that those international home buyers would be expected to be wealthier households with ready cash on hand. The tax benefits of mortgage interest deductions may not apply – depending on the buyer’s home country’s tax code – which lowers the incentive to take out a mortgage. One positive consequence for U.S. housing markets – especially those that boast a significant share of foreign home buyers – is that such purchases lower the risk of mortgage defaults. As a result, cash purchases lessen the foreclosure risk against this group of buyers. Lower foreclosure risk, in turns, lessens the possibility of a price decline in a market. In the wake of the subprime mortgage fallout in the spring of 2007 and the subsequent increase in mortgage delinquencies and foreclosures, the healthy share of cash purchases by foreign buyers is a good sign for the future of those markets.

Method of Payment for Home Purchase, by Country of Origin

While well over two thirds of all foreign buyers financed their U.S. home purchase through a mortgage loan. But those from India were the most likely to have used mortgage financing. Canadian buyers were more likely than those from other countries to have purchased their U.S. home with cash. This finding is quite interesting considering that Canadians paid a higher median price for their home, and were the most likely to purchase homes costing more than \$1 million.

Why They Buy

Most home buyers purchase a home as a primary residence. But the majority of foreign buyers – because they are not U.S. residents – purchase homes for other reasons. Almost half of them – 47 percent – buy a U.S. home to use as a vacation venue for family and friends. Twenty-two percent purchase a home as a rental property for investment. Nearly a third – 31 percent – of foreign buyers purchase home as both a vacation and rental/investment property.



U.S. visa rules only allow non-residents (unless under a student or work visa) to remain in the country for six months. Because foreign buyers are non-residents of the U.S., most of them plan to spend less than six months in their U.S. home. A small percentage – 6 percent – spend less than two weeks. Forty-four percent intend on using their U.S. property for one to six months.

Primary Use of Property, by Buyer’s Country of Origin

The majority of home buyers from Canada purchased homes primarily as vacation properties. In fact, Canadian buyers were five times as likely to use their U.S. home for vacation use compared to rental/investment use, and more than three times as likely to purchase the property as just a vacation home compared to rental/investment and vacation use combined. Forty-one percent of Mexican buyers and 33 percent of Chinese buyers purchased U.S. homes for both vacation and rental/investment use.

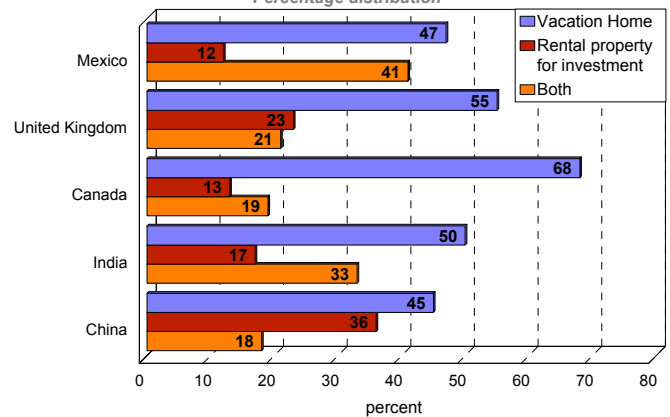
Where They Buy

Foreign home buyers purchase U.S. properties everywhere around the country, but two regions and several states dominate the list locations. The South accounts for the largest proportion of foreign home purchases – 49 percent. The West is also popular, with 31 percent of foreign buyers purchasing homes in that region. The Midwest’s share of foreign home buyers was 11 percent, and that for the Northeast 9 percent.

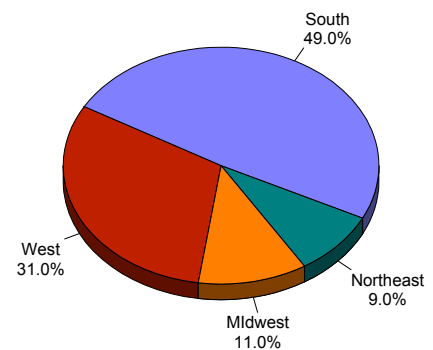
Length of Time International Buyers Plan to Stay in Their Property
Percent

Length of Stay	Percent
Less than 2 weeks	6%
2 to 4 weeks	12
1 to 2 months	18
3 to 6 months	26
Don’t know	39

Primary Purpose for Purchasing Home by Top Five Countries of Origin
Percentage distribution



Regional Location of Homes Purchased by International Home Buyers
Percentage distribution



detail may not add to 100 due to rounding

The number one state for foreign home buyers was Florida-- the state accounted for 26 percent of all international purchasers. California was next at 16 percent followed by Texas at 10 percent. The fact that these states are the top three locations for foreign purchasers should come as no surprise. Each of these states is a major “gateway” for visitors to the U.S. from other countries.

Location of Homes Purchased by Foreign Buyer’s Region and Country of Origin

Foreign buyers from Africa were most likely to have purchased homes in the South, but more than a third of African purchasers bought properties in the West. The West also attracted the largest percentage of Asian buyers (44 percent) and those from Oceania (45 percent). Again, this is not surprising since the U.S. West Coast is most accessible from those regions. Proximity may also be the reason why the largest share of Mexican and Latin American buyers purchased homes in the South.

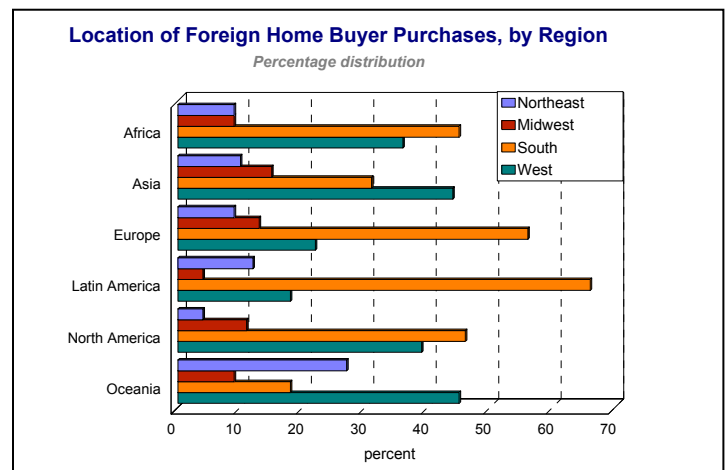
But other factors may have affected foreign buyers’ location choice. The South was also the most popular location for buyers from Europe – especially those from the United Kingdom – and Canadian buyers. The warmer climate in our nation’s south – particularly in Florida – likely played a role in those purchase decisions.

Country Snapshots

The survey provided insufficient data to profile international buyers from every foreign country. But results were available – and statistically viable – for those from the United Kingdom, Canada and Mexico.

**Top Ten State Destinations
for International Home Buying**

State	Percent of all international home buying transactions
Florida	26%
California	16
Texas	10
Arizona	6
New York	4
Colorado	3
Illinois	2
Ohio	2
Georgia	2
North Carolina	2

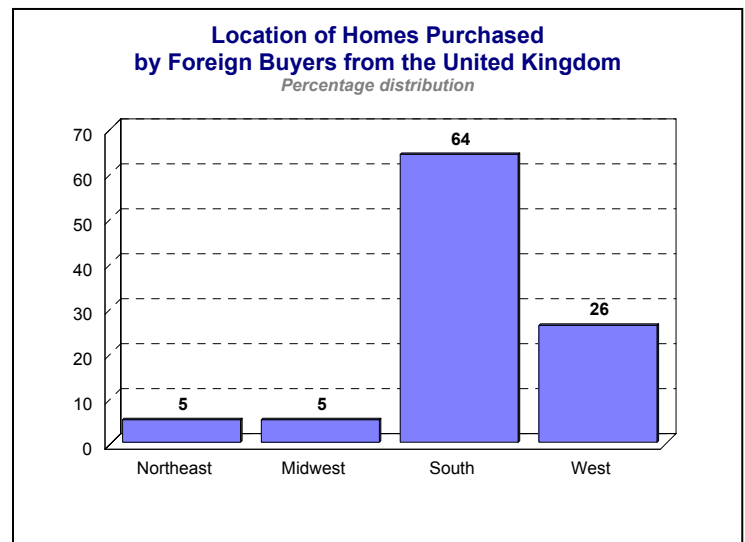
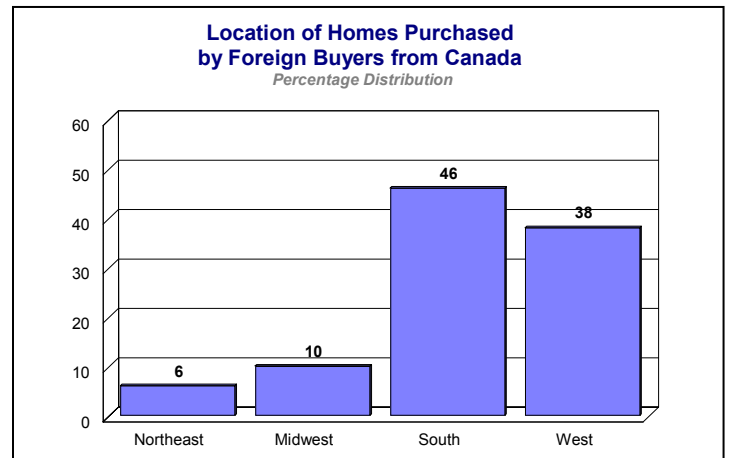
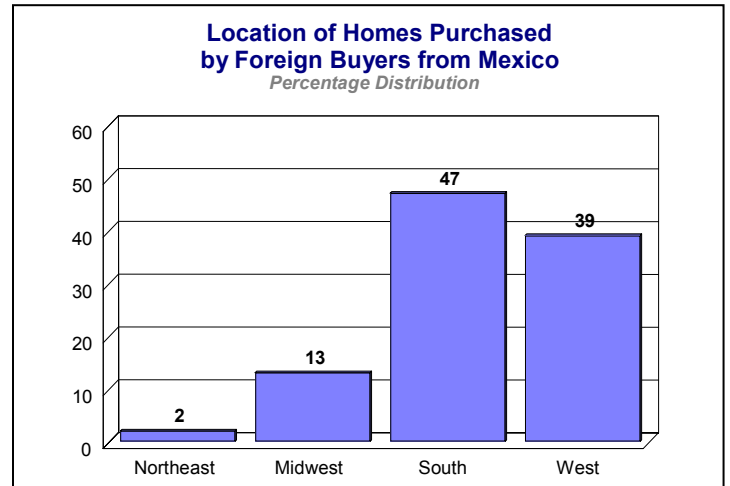


Mexico. Mexican buyers purchased U.S. property primarily in the South (47 percent) and West (39 percent). Thirteen percent of these buyers purchased a U.S. home in the Midwest, and a mere 2 percent of Mexican buyers bought a U.S. property in the Northeast. The number one state location for Mexican home buyers in the U.S. was Texas, which accounted for nearly a third of all Mexican home buyers. California was also a popular destination, garnering 27 percent of foreign buyers from Mexico.

U.S. home purchases by Mexicans are likely to be partly driven by the desire for family connections, given a large immigrant population from Mexico living in the U.S. Also, the NAFTA trade agreement enacted a decade ago continues to expand trade between the two countries. Consequently an ever-increasing number of people from Mexico are buying homes in the U.S. for work-related reasons – and either renting out those homes or using them as vacation venues when not needed.

Canada. Canadian home buyers also headed to the South – 46 percent of them purchased home in that region of the U.S. Thirty-eight percent of buyers from Canada bought a property in the West, 10 percent in the Midwest and 6 percent in the Northeast. Similar to Mexican buyers, Florida was the location of choice well over a third of Canadians purchasing homes in the U.S., and California was the second most popular destination.

United Kingdom. Nearly two thirds of buyers from the United Kingdom purchased homes in the South region of the U.S. The West was the second most popular regional location, accounting for 26 percent of U.K. buyers. Both the Northeast and Midwest garnered 5 percent of U.K. home buyers. A larger percentage of foreign buyers from the United Kingdom – nearly half – purchased homes in Florida than in any other state.



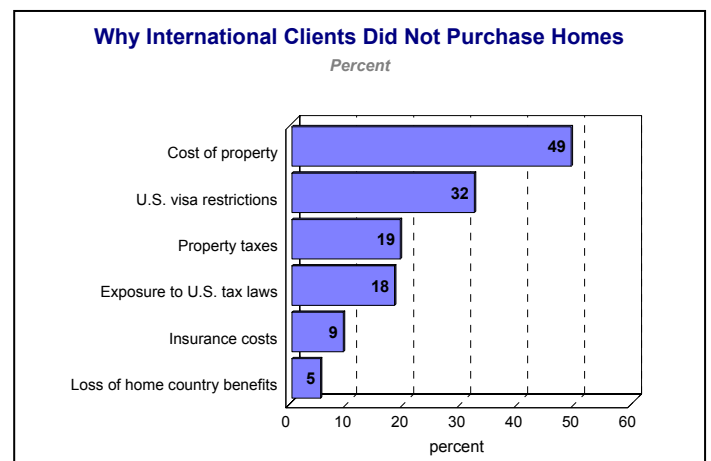
Foreign buyers purchased homes in many states in the U.S. But some states drew more buyers from certain countries than did others. As noted above, the top three state destinations for foreign home buyers were Florida, California and Texas. The reasons behind why buyers from a specific country or foreign region purchased a home in one state vs. another are not available.⁴

Florida was the most popular destination for buyers from the top three countries of origin – Mexico, the United Kingdom and Canada. There are several possible explanations for this, two of which are climate and easy travel access. The options for direct air travel between the U.K. or Canada and major Florida airports (Miami, Orlando) have increased significantly over the years. Visitors from these countries no longer necessarily have to go through another port of entry (New York, Toronto, Chicago, Washington) in order to reach the Sunshine state. And certainly the Florida climate attracts households from the Canadian north and what is traditional U.K. weather.

The popularity of Florida as a location for foreign buyers from Mexico is less likely to be climate-related. But certainly ease of access to various housing markets in Florida is a factor. In addition, Florida does have a large Spanish-speaking population. The bilingual ability of many Florida residents, real estate and other professionals as well as service providers could play a role in attracting buyers from Mexico.

Challenges for Foreign Home Buyers

While 32 percent of REALTORS® report having had international clients between April 2006 and April 2007, not all of those clients were able to successfully purchase a home in the U.S. The survey did ask why international clients did not purchase homes. Almost half of respondents reported that the cost of property was the main reason for an unsuccessful home sale. But nearly a third indicated that U.S. visa restrictions were barriers to buying a property in the U.S.



In a previous survey of international home buying activity focused on the Florida market, U.S. visa rules were a major point of contention among many respondents. They claimed that the six-month stay restriction is insufficient for some potential foreign buyers – particularly among those who are no longer working. Based on discussions between REALTORS® who participated in the earlier, Florida survey and their prospective international clients, a retirement visa of some sort that would permit a longer continuous stay in the U.S. would undoubtedly enlarge the pool of potential international buyers. Our current survey on which this report is based supports this contention: 34 percent of REALTORS® responding to our survey expect that foreign retirees could be potential buyers of U.S. real estate. That is a market that REALTORS® would welcome.

⁴ The survey did not ask respondents as to “why client purchased a property in a specific state.”

Conclusion

We live in a global economy where there are virtually no trade borders. The Internet is accessible from nearly all countries around the world. Web sites display information about U.S. real estate to any potential home buyers regardless of where they live. And as more and more people in different nations recognize the value of owning property, the opportunities and challenges for real estate professionals to broker U.S. property to foreign home buyers are numerous.

While U.S. housing markets are no longer performing at record-breaking levels, U.S. real estate is still considered a prime investment opportunity for foreign buyers and a “safe haven” in which to put their money. Whether they use their U.S. home as rental/investment property, as a vacation home or both, non-U.S. residents account for a significant share of home buying activity. It is likely they will continue to do so. With the weakened U.S. dollar against foreign currencies, those currencies buy a lot more than in previous years. For example, the British Pound Sterling was worth \$1.44 in 2001; by 2004 it was worth \$1.83. As of mid-year 2007, the pound was worth nearly \$2.00. The Euro has also increased in value against the U.S. dollar. More purchasing power for foreign buyers mean they can afford “more house” – particularly in a stabilizing U.S. housing market.

Another factor drives international participation in U.S. residential real estate markets. The U.S. market contains a large supply of real estate. It is also fairly easy to purchase a home in this country; the U.S. does not restrict or scrutinize most property purchases by foreigners, as happens in other countries. There are few barriers to owning a property. Except to the extent necessary to enforce U.S. laws and regulations (including immigration and homeland security), foreign participation in the U.S. housing market is largely free. Foreign investors have the same property rights in the U.S. as Americans do.

Finally, the National Association of REALTORS® contends that any legislation of regulatory barriers that would limit the open market, private property rights, or access of foreign investors to U.S. markets could curtail foreign investments – thus potentially jeopardizing the health of U.S. real estate markets and the U.S. economy as a whole. The idea of a retirement visa to citizens of countries with whom the U.S. has sound diplomatic relationships would surely expand the pool of potential international home buyers.

Appendix: Comments from Survey Respondents

The survey asked respondents for comments related to factors that attracted buyers to U.S. real estate, or barriers to overcome. Below is a summary of those responses.

Family Connections. Many respondents commented that their international clients purchased a vacation or rental property in the U.S. because a member of their family was residing in the U.S. – either working here on a temporary work visa, on a student visa – or a relative had immigrated to the U.S. This property could then be “held” by the owner until and if the foreign buyer/owner decided to move to the United States permanently under an immigrant visa. Several also noted that a member of their client’s family had previously purchased a property in the U.S., and had a “real estate success” story; that is, either the property had performed very well (a good return on investment), or the relative was pleased with the amount of equity he/she was able to build up through owning the property.

U.S. Real Estate – An Attractive (and safe) Investment. Another frequent comment referred to the exchange rate between the dollar and many other foreign (particularly European and U.K.) currencies. That exchange rate makes U.S. property very affordable for buyers from those countries. Also, prices for U.S. real estate were perceived by foreign buyers as very affordable compared to comparable properties in their home countries. Many foreign buyers were attracted by the variety and number of properties in the markets they were looking at that were available to purchase.

Foreign buyers also purchased U.S. real estate for “quality” reasons. They regard U.S. communities, for the most part, as safe – much safer in some cases than their home communities in their own countries. Foreign buyers are also attracted to the lifestyle that owning a vacation home in particular areas affords. In addition, a stable economic and political climate in the U.S. provides a “comfort zone” for foreign buyers.

Barriers to purchasing U.S. property. While foreign buyers in general view U.S. real estate as a good investment, REALTORS® surveyed expressed concerns about the increasing difficulty foreigners face in entering the U.S. Many of those concerns relate to visa restrictions and immigration regulations. One of the largest barriers is the ability for foreigners to be able to stay in the U.S. over six months at a time. In addition, some lenders are reluctant to finance non-resident aliens with common visitor visas. Another obstacle is that foreign nationals do not have enough U.S. credit. As noted in the survey analysis, a larger percentage of international clients purchase their homes with cash, and so they find it challenging to obtain a loan that is predicated on a good FICO score.

Challenges for REALTORS®. Virtually all the respondents indicated that language and/or cultural differences often presented barriers to dealing with international clients. This was especially true for those buyers who were purchasing properties as an investment who felt more comfortable reading contracts and other forms in their own language. Cultural norms that influence the size, layout and placement of the property – i.e., did the home face a particular direction – also presented challenges for real estate professionals brokering properties to some international clients.