

National Association of REALTORS®

Profile of International Home Buying Activity 2012



2012 Profile of International Home Buying Activity

**Purchases of U.S. Real Estate by International Clients for the
Twelve Month Period Ending March 2012**



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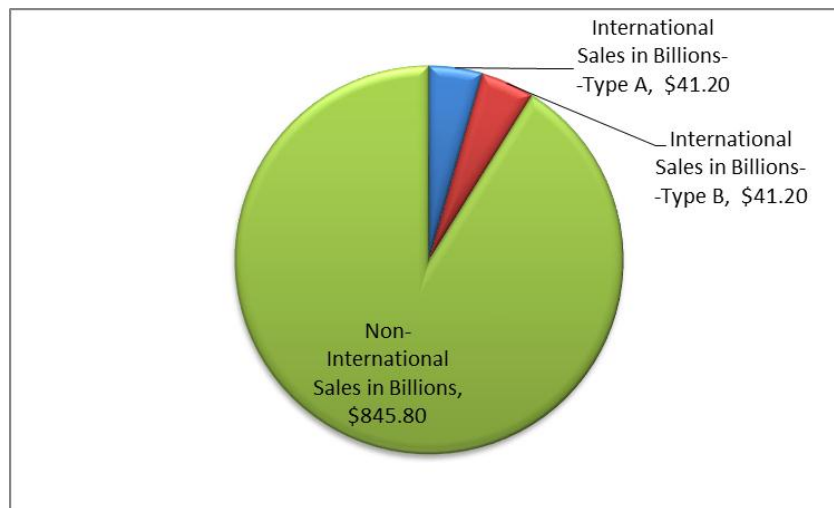
I. INTRODUCTION AND SUMMARY

The *2012 Profile of International Home Buying Activity* is based on a survey conducted annually since 2007 by the National Association of Realtors® (NAR). The survey was conducted in April 2012 and collected information from Realtors® on purchases of U.S. residential real estate by international clients for the 12 months ending March 2012¹. The term *international client* refers to two types of purchasers of properties.

- Type A: Foreign clients with permanent residences outside the U.S. These clients typically purchase property for investments, vacations, or visits of less than six months to the U.S.
- Type B: Clients who are recent immigrants (less than two years) or temporary visa holders residing for more than six months in the U.S. for professional, educational, or other reasons.

For the 12 months ending March 2012, international clients accounted for 4.8 percent of total U.S. sales divided evenly between Type A and Type B clients.

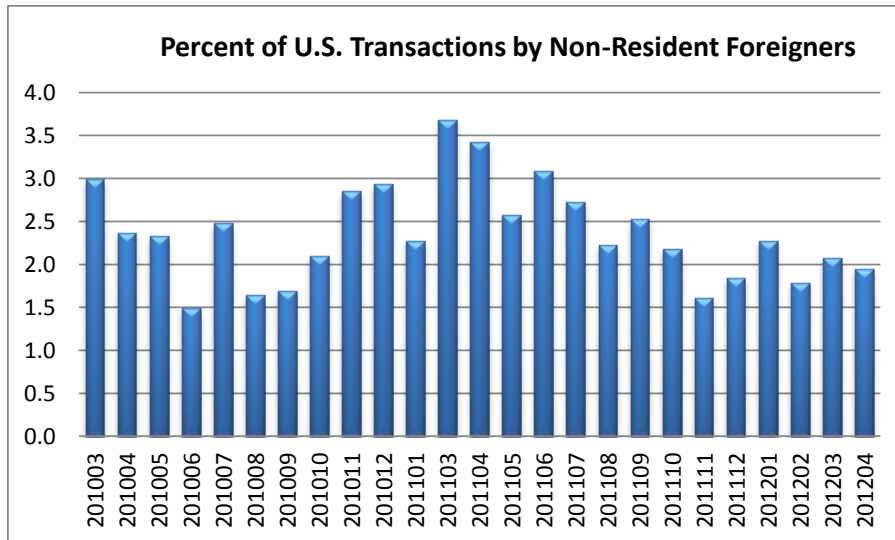
Total U.S. Market: Estimated at \$928.2 Billion
Estimated International Sales Total \$82.5 Billion



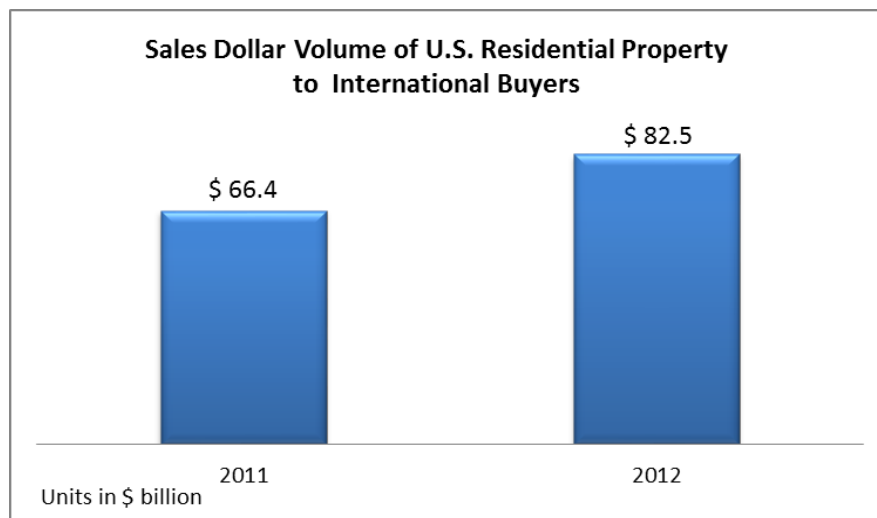
Total sales volume to international clients is estimated at \$82.5 Billion for the 12 months ending March 2012, up from an estimated \$66.4 Billion for the 12 months ending March 2011². The computations are delineated in the Appendix (p.24).

¹ The April 2012 survey had 1,745 respondents.

² Sales figures in dollars are not a measure of GDP produced, for sales represent the transfer of existing assets that have already been counted as part of GDP during the time of construction. However, a substantial amount of GDP or output is generated from the sale of existing homes as a result of subsequent additions, remodeling, and services rendered during the transfer (commissions, fees, etc.).



The reported sales numbers for 2011 differ from those previously reported in the 2011 report due to re-benchmarking of the Existing Home Sales series. NAR re-benchmarked total U.S. Existing Home Sales downwards in the estimation of 2010 and 2011 sales. This resulted in a re-estimation of a number of NAR residential sales series, including the volume of international transactions. The revised sales estimate for the 12 months ending March 2011 is presented in the graph below along with the estimate for 2012. Total sales to international clients are estimated at \$82.5 Billion in the 12 months ending March 2012.³ The estimated volume of international sales increased between 2011 and 2012 by 24 percent.



³ International transactions for the 12 months ending March 2011 had been estimated at \$82 Billion. As a result of re-benchmarking, the estimate for 2011 was revised downwards to \$66.4 Billion.

Size of International Transactions and Specialized Expertise

The U.S. residential international market is characterized by geographic market concentration and segmentation requiring specialized Realtor® expertise and is significantly impacted by economic conditions in the U.S. and in the homebuyer's country.

Twenty-seven percent of Realtors® reported having worked with international clients. Realtor® specialization on the buyer's side of the market--such as foreign language capabilities, cultural affinity or orientation with the prospective purchaser and experience in explaining U.S. real estate to foreigners--appear to be important in bringing an international transaction to successful conclusion.

Twenty-seven percent of REALTORS® worked with at least one international client. Concentrated in terms of countries

Geographic Market Concentration and Segmentation

The international home sales market in the U.S. is concentrated in terms of purchasers' home country and preferred destination. International buyers came from nearly all over the globe, but five countries (Canada, China (PRC including Hong Kong), Mexico, India, and the United Kingdom) accounted for 55 percent of transactions in the recent study. There is international activity throughout the country. Four states (Arizona, California, Florida, and Texas) accounted for 51 percent of the purchasers.

Proximity to the home country, the presence of relatives, friends, and associates, the convenience of air transportation, and climate and location appear to be important considerations to prospective buyers. For example, the East Coast attracts Europeans. The West Coast is attractive to Asian purchasers. Florida appears to be attractive to South Americans as well as Europeans and Canadians. Within markets in an individual state, it is not unusual to find concentrations of people grouped by nationality. One could speculate that word-of-mouth and shared experiences influence the purchase.

International buyers: Concentrated in terms of countries and states.

Low U.S. housing prices and a weak dollar have attracted international clients.

Economic conditions in the foreign exchange markets also impact on international sales. For example, a weakness in the dollar helps to facilitate sales to foreigners. Alternatively, strength in the dollar hurts international sales. Perceptions about trends in the U.S. real estate

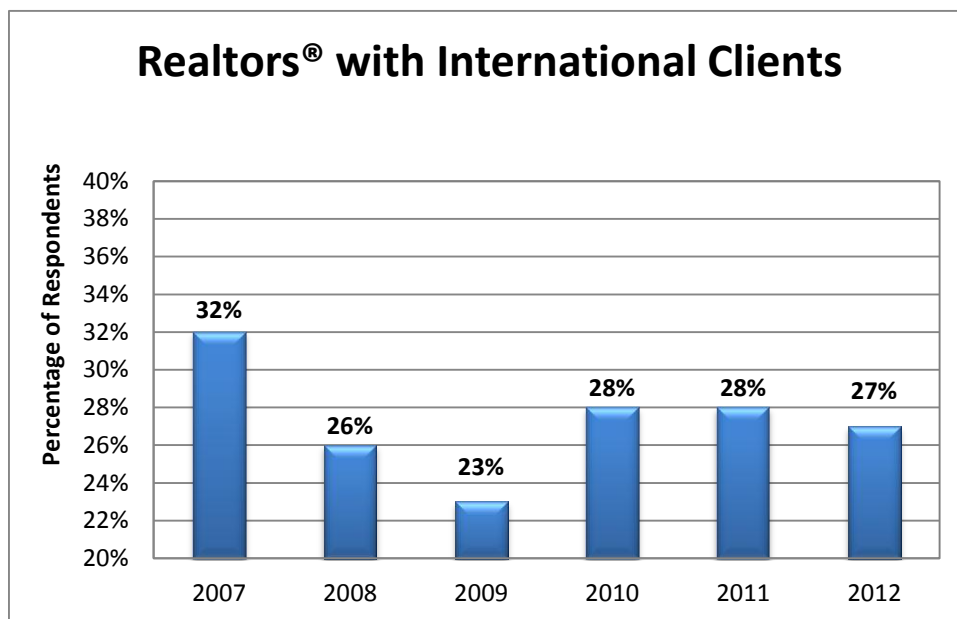
markets also have positive and negative impacts: some purchasers buy at “cheap” prices while others decide to “wait for prices to go lower.”

This survey was conducted in conjunction with NAR’s Global Business and Alliances Group, which plays an integral role in opening doors for Realtors® to compete in the global market place. By opening markets for business and keeping members informed of the latest developments occurring around the world, the Global Business and Alliances Group (GBA) gives Realtors® the tools they need to succeed in the global market. NAR maintains formal partnerships with over [80 foreign real estate associations](#) in 60 countries. These relationships are formed to advance the interests of Realtors® worldwide, to uphold the highest standards of commercial practice and to facilitate international business arrangements in strategic markets for Realtors® and non-U.S. real estate practitioners. The Certified International Property Specialist (CIPS) Designation offers specialized education and services to real estate professionals who aim to profit in the global market. For information on the designation as well as all of the information available from the Global Business and Alliances Group, please visit www.realtor.org/global.

II. REALTOR ® EXPERIENCE IN SERVING INTERNATIONAL CLIENTS

Size of International Transactions

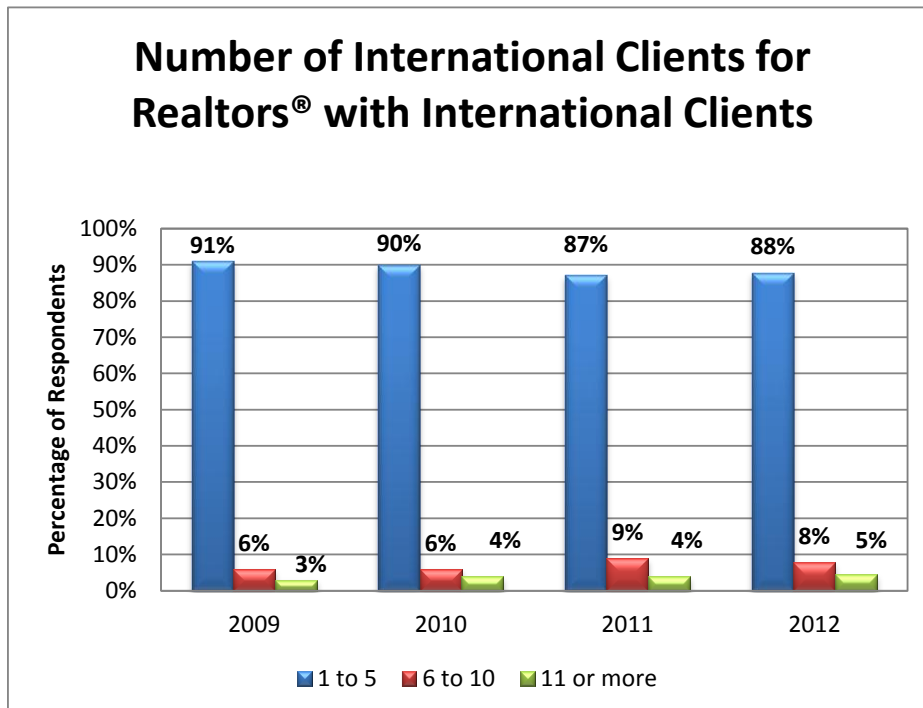
The percentage of Realtors® working with international clients in the 12 months ending March 2012 was 27 percent, compared to 28 percent the previous year—essentially statistically unchanged.



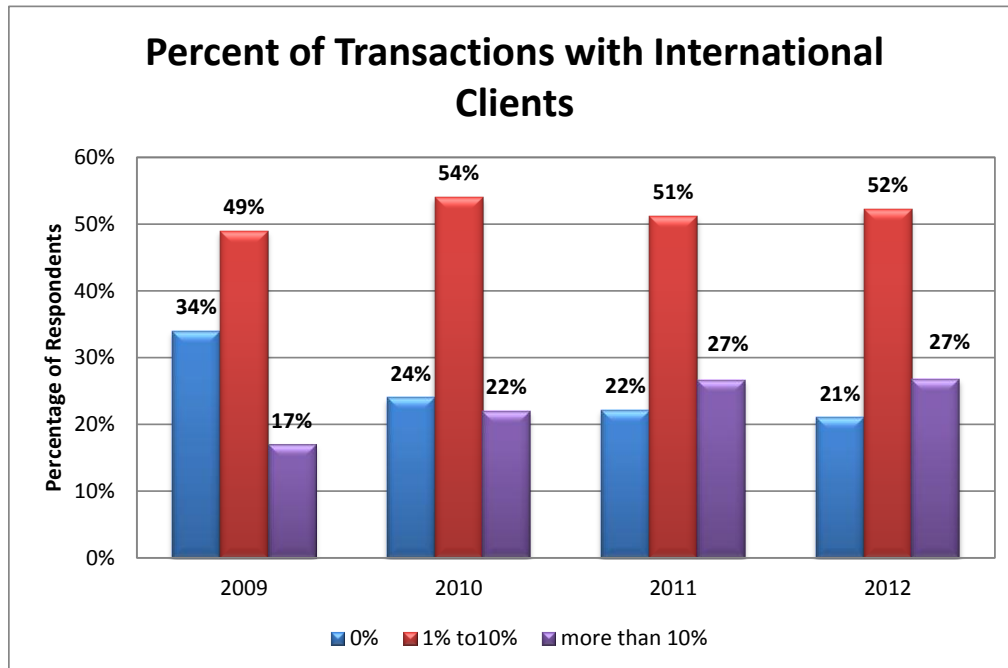
The types of international clients that Realtors® reported serving were evenly split between foreign non-resident (Type A) and foreign resident/recent immigrant (Type B) clients.



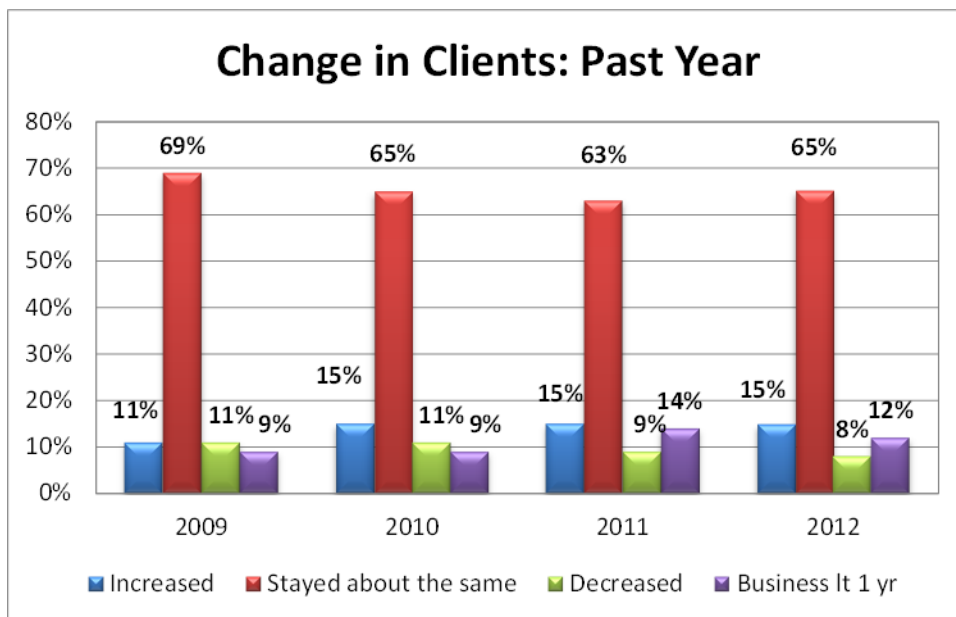
Most Realtors® with international sales reported working with fewer than five international clients. Although Realtors® on the buyer-side of transactions frequently use specialized skills in working with a relatively large number of international clients in a given year, on the seller side of the transaction it is not unusual for a Realtor® to have relatively few international clients in a given year. For example, 5 percent of Realtors® working with international clients reported having more than 11 clients, but 88 percent reported having 5 or fewer clients.



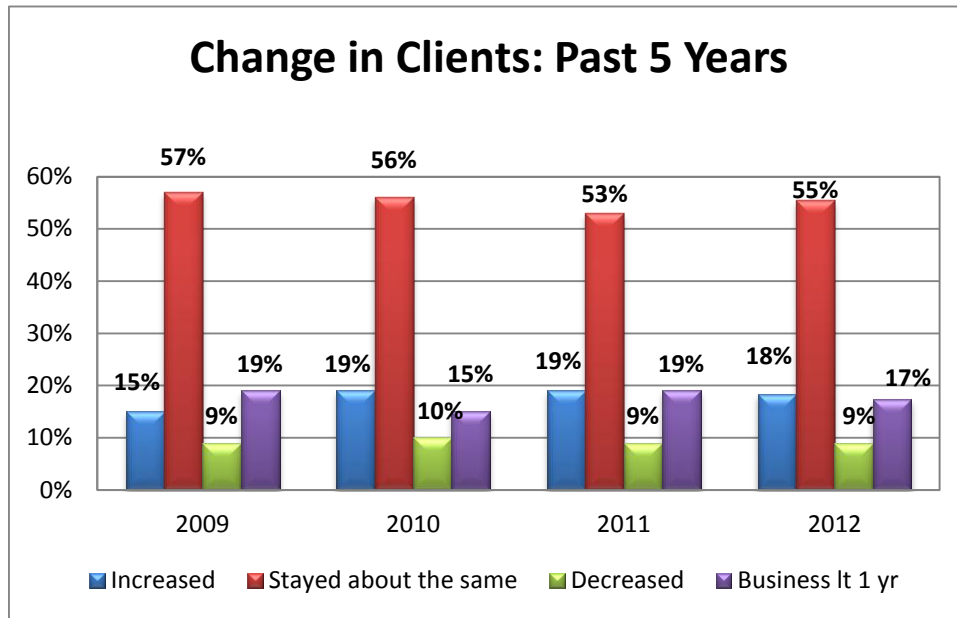
Fifty-two percent of Realtors® reported that international transactions accounted for 1 to 10 percent of their total transactions, while 27 percent reported that international transactions made up more than 10 percent of total transactions.



The graph below shows that 15 percent of Realtors® with international clients reported an increase in clients in the 12 months ending March 2012, with 8 percent reporting a decline.



Over a five year time frame, 55 percent of Realtors® noted no change in the level of international clients while 18 percent saw an increase, and 9 percent reported a decrease in clients.



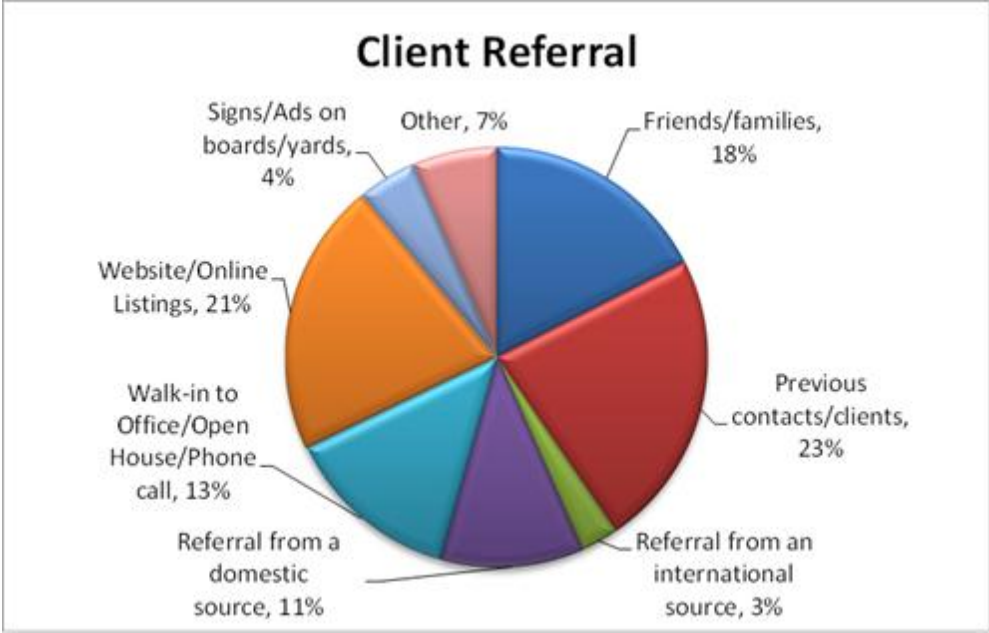
Specialized Skills on the Buyer Side

An understanding of international buyers’ interests in approaching the U.S. real estate market and a cultural affinity to the prospective buyers are reported by many Realtors® to be important to a successful closing of the transaction. Explaining the U.S. real estate market and its practices to an international homebuyer with a different knowledge base is reported to require patience and specialized skills and knowledge relating to immigration, international financial transactions, exchange rates, buyer preferences and legal restrictions and requirements. Some Realtors® expressed frustration about working with international clients, but there was also a desire to develop Realtor® skills in connecting with international clients as well as access to information about the needs of international clients which many Realtors® see as an increasingly important market.

Selected Quotes from Realtors®
Experience Working with International Clients

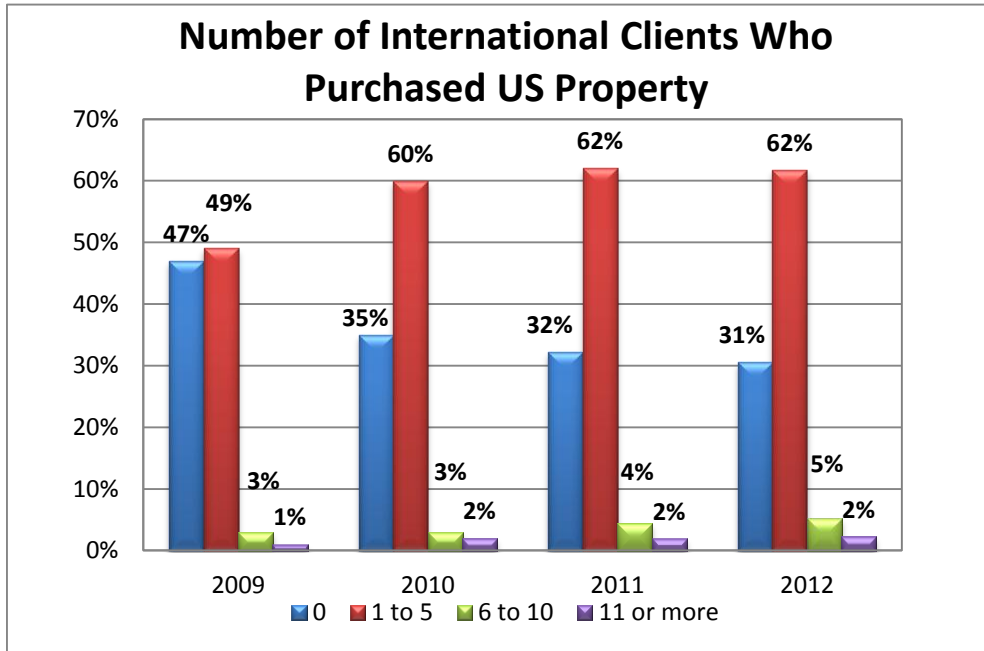
- My reservation in dealing with international businesses would be the language and currency exchange.
- We need to be able to provide contracts in languages other than English. It is important that people can read and understand the contracts they are signing. Because of the complex language of contracts, it is irresponsible to expect them to be understood by someone for whom English is a second language, if spoken at all.
- International clients have a poor understanding of U.S. real estate market. Because of this they continue to follow what they do in their country and not follow a U.S. agent's directions.
- Client was from France and could not understand escrow fees and closing costs that go along with purchasing. He seems to think the list price was the final price in his country. No deal made.
- I am seeing more and more agents in our company work with international buyers. The need to be more knowledgeable in this area is extremely important to our business development and growth. I thank NAR for providing Global materials that help in the development of skills and knowledge in this area.
- Although I have not had any experience with international buyers, I do believe there is a large opportunity to sell to them. Sotheby's said New York has noticed an increase of European buyers due to the proximity of New York to Europe and of course the excellent price points. Same with Florida. In Coronado, I have noticed an increase in Canadian tourists.
- It is critical that American agents be prepared with as much information about people from other countries. This will make agents aware of needs and wants and why, thereby creating a pool of buyers who are comfortable working with American agents, as well as agents from other countries now in the U.S.

The importance of high visibility and contacts was mentioned by many survey respondents. Realtors® reported that 55 percent of clients were referred to them through friends, previous clients, and international and domestic referrals. About 20 percent of clients are obtained through website/online listings.

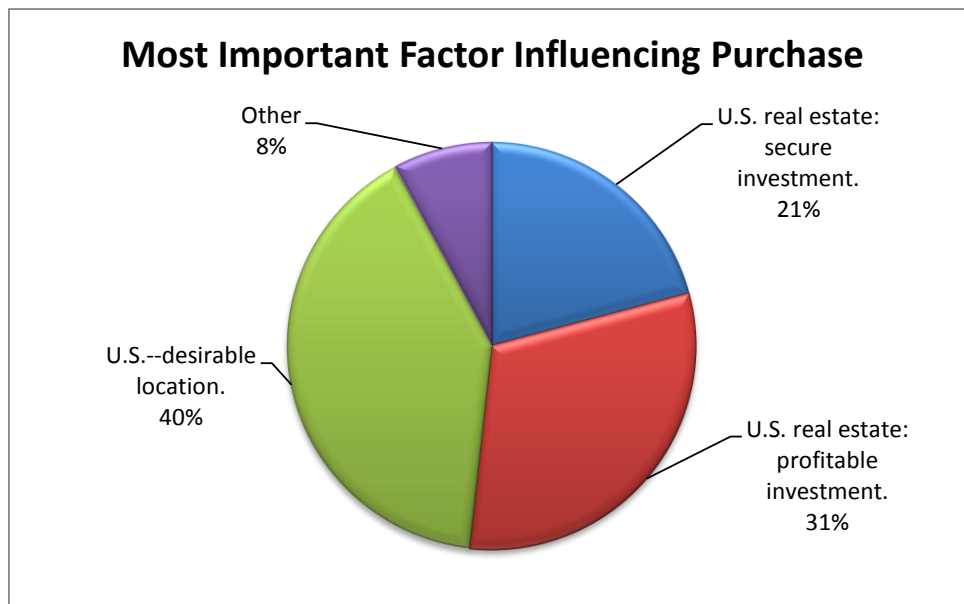


III. THE CHOICE TO BUY AND ISSUES AFFECTING BUYERS

The percentage of Realtors® with international clients who reported that they had 1 to 5 clients who purchased U.S. property was unchanged at 62 percent, while 31 percent of Realtors® with international clients did not complete an international sale.



The most important factor influencing the purchase is location, followed by price.



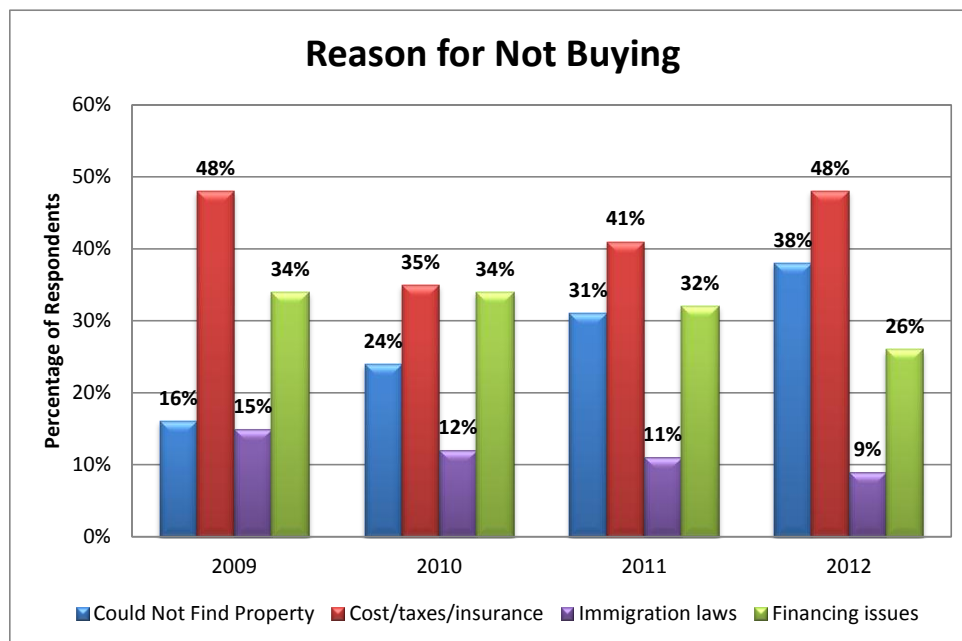
Foreign purchasers are interested in U.S. real estate for a variety of reasons: as an investment, for portfolio diversification, for vacation purposes, as a place to live, etc. In some cases, foreign purchasers are interested in U.S. properties as a home for their children studying in the U.S. Another source of international demand is foreign executives temporarily working in this country. Typically, foreign executives on temporary assignments in the U.S. seek rental properties; however, depending on family and personal preferences, the purchase of a home is not unusual. Finally, in the case of recent immigrants to the U.S., home ownership is viewed by many as an important accomplishment in their efforts to become established in this country and as an alternative to paying rent.

Quotes from Realtors®
Why International Clients are Purchasing U.S. Property

- The houses are less expensive than is the case in the home country.
- Low prices and high inventory of homes.
- Moved because of their employment.
- They buy purely because they expect to live here because they are moving for work.
- As security for their families and that they would have their own home and would not have to pay rent the rest of their lives; in addition their children would always have a place of their own to come to.
- Clients have family members and wish to be near them; relatives in area.
- My Korean clients wanted their children to be educated in the U.S.
- Security reasons in Mexico.
- A safe escape from home politics while making a smart investment.
- To escape turmoil in the country.
- U.S. Democracy with laws protecting private property rights.
- Stability and security.
- Vacation destination.
- Canadians purchase second homes in AZ because of the weather.
- Southern California - Retirement/Vacation Home.

For international clients who did not purchase U.S. property, a variety of reasons are mentioned:

- The major factor is cost/taxes/insurance, mentioned in 48 percent of cases when a client decides not to buy.
- “Could not find a house” was mentioned in 38 percent of cases: This is a somewhat surprising comment, given the diversity of U.S. properties. It may indicate that the real estate agent did not relate well to the client’s tastes and preferences. NAR can provide extensive information related to real estate transactions with foreign purchasers. NAR’s Global Business and Alliances Group provides extensive information on the NAR website concerning business practices and approaches for dealing with potential foreign purchasers.
- Cost considerations include the effect of currency exchange rate movements, such as the weakened euro that likely discouraged buyers from Europe.
- Considerations such as the relative lower cost of renting to owning a home, decline in the value of the home currency (e.g, euro), financing restrictions, and immigration restrictions were also deterrents.



Quotes from Realtors®

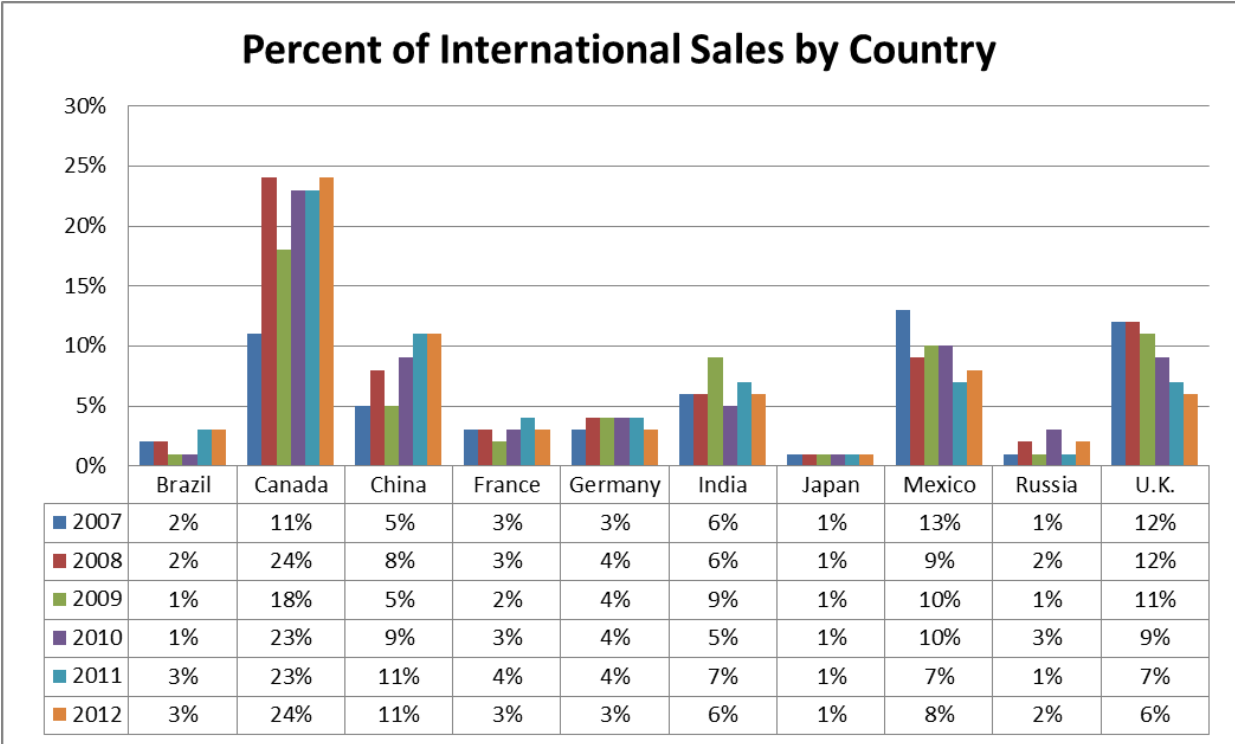
Why International Clients Do Not Purchase U.S. Property

- Euro is not as strong against the dollar anymore.
- Inexpensive to lease a single family residence.
- "Deals" not as good as they thought they would be. Not as good of value as had hoped.
- Only here up to 5 years and didn't want to worry about selling when the time came.
- Preferred to rent because of their temporary status (3 years or less in U.S).
- Company would not pay for rent if couple bought instead of rented.
- Unable to get an agreeable contract negotiated at the price they were willing to pay.
- After property taxes, HOAS and other fees, no ROI.
- Most of my international clients do not like the high carrying costs of property taxes and monthly management fees.
- Did not want to pay the association fees; they didn't think the costs could be recovered in the rents obtained thru leasing.
- Could not understand our system.
- Immigration Law.
- Property setting not in accordance with religion.
- Financing restrictions.
- When the buyer buys a beach front property or in the desert and is not allowed to stay to enjoy more than 6 months, why bother to invest the money in this country?

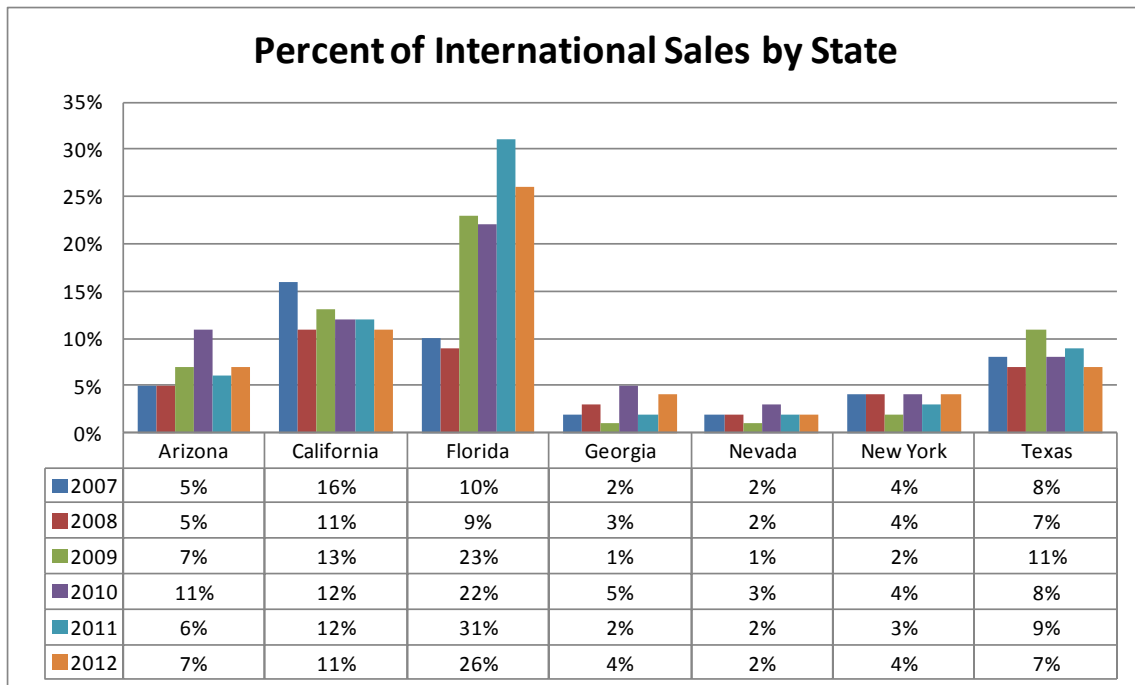
IV. INTERNATIONAL BUYERS: ORIGINS AND PURCHASES

Survey respondents reported sales to international buyers from over 51 countries. Canada, China (PRC, including Hong Kong), Mexico, India, and the U.K. were reported as having the most international buyers, with Canada and China as the fastest-growing home countries.

In the graph, Canada is noted as having 24 percent of international sales. These are sales measured in terms of transactions, and the percentage figure indicates that 24 percent of total home sales in the U.S. to international clients (*not* 24 percent of total U.S. home sales) are made to Canadians.



International buyers are heavily concentrated in four states: Florida, California, Texas, and Arizona, accounting for 51 percent of international clients. Florida has been the fastest growing destination of choice. In the graph, Florida is noted as accounting for 26 percent of international sales. These are sales measured in terms of transactions, and the percentage figure indicates that 26 percent of total international home sales in the U.S. to foreigners (*not* 26 percent of total U.S. home sales, and *not* 26 percent of Florida home sales) go to international clients in Florida.



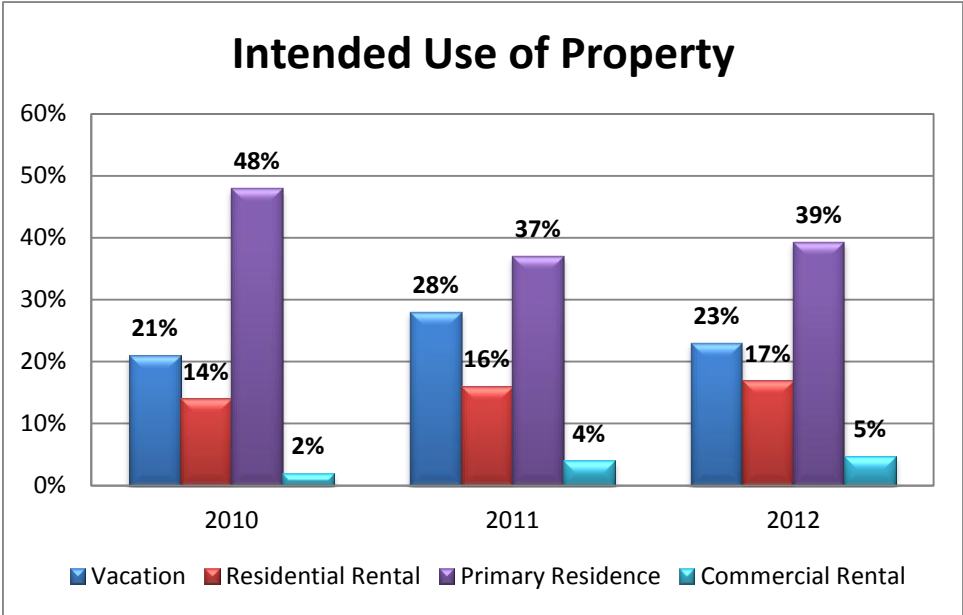
It is possible to offer some general comments on buying preferences—although one can easily find counter examples to any statement:

- Purchasers from South America frequently find Florida attractive. Miami is viewed as a culturally diverse, international city. Canadians tend to focus on Florida and Arizona, vacationing from the weather of northern winters. Mexican purchasers tend to focus on Arizona and Texas, possibly due to geographic proximity. Asian purchasers frequently locate in California—accessible by air.
- Buyers tend to cluster in specific locations based on their countries of origin, probably based on word-of-mouth and shared experiences and likely because of the shorter geographic distance from their home country to the state location (e.g., Europeans locating on the East Coast and Asians locating on the West Coast). There are a sizeable number of German speakers in Southwest Florida.
- International buyers are diverse—some looking for trophy properties and other buyers looking for very modest vacation properties.
- Recent immigrants tend to have many of the buying characteristics of non-immigrant foreign purchasers.

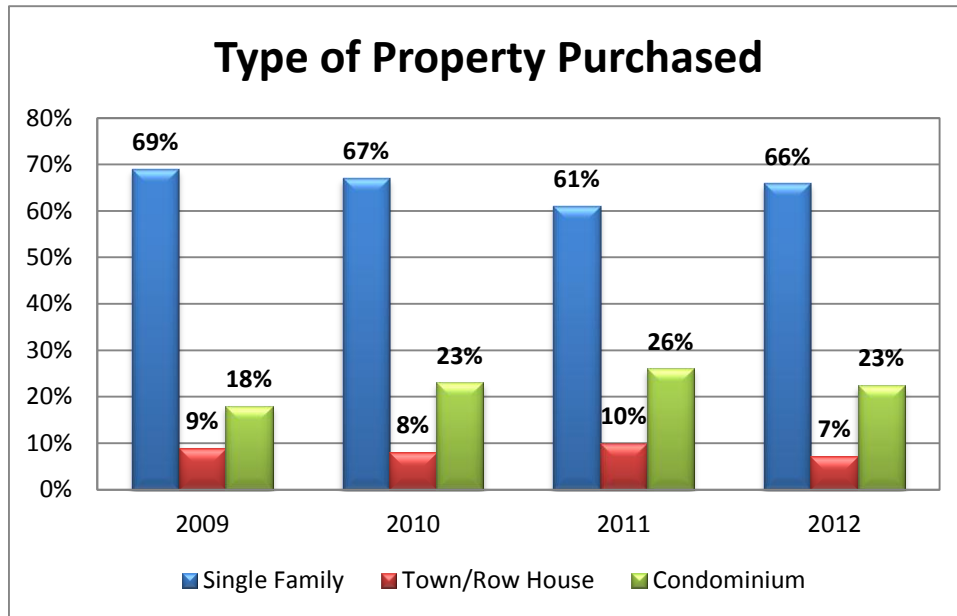
Intended Use and Type of Property

The intended use of the property and expected yearly occupancy are a function of the type of buyer. Non-resident foreigners are limited to 6-month stays in the U.S., so these international buyers generally expect to use the property for vacation/rental purposes and as an investment. In contrast, international students enrolled in U.S. colleges and universities, recent immigrants, and professional and managerial employees of businesses and institutions who are in the U.S. on a temporary but extended visit may plan on using the property year round. The survey did not collect information on commercial properties purchased, but it is well known that some foreigners also open commercial businesses in the U.S.

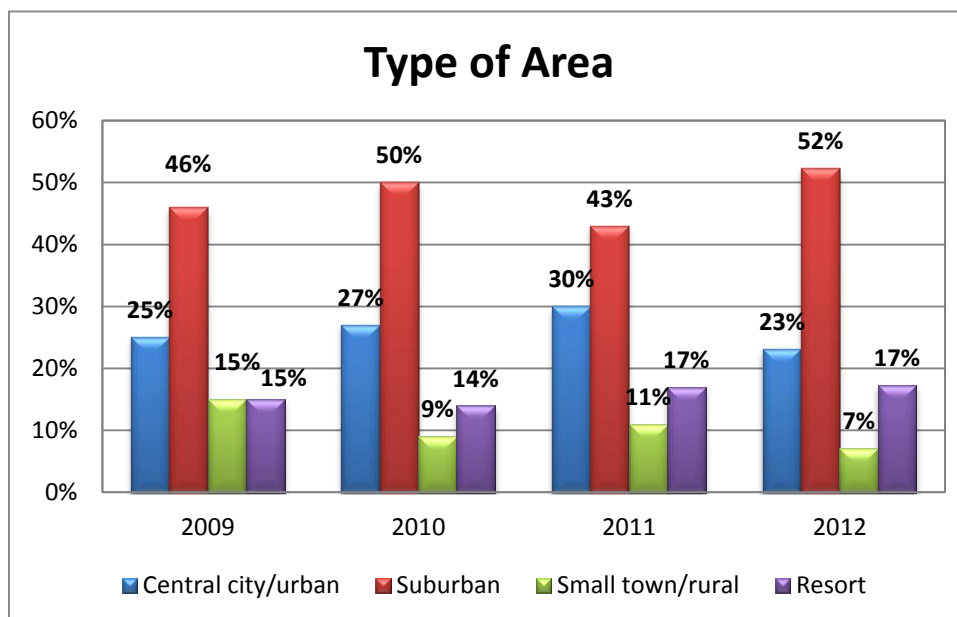
Purchasing a residential/rental property may be economically advantageous for an international buyer, for the buyer is able to use the property as a secondary/vacation home while being able to rent out the property during the times when the owners are not personally using the property. In addition, recent declines in property values due to exchange rate variations and general price trends in the housing market have been favorable for a purchasing decision.



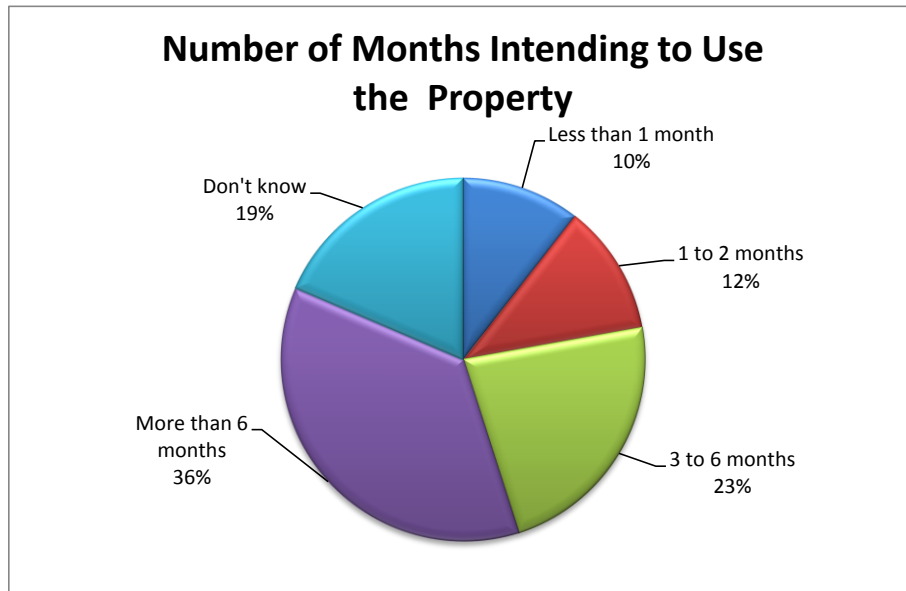
International purchasers typically buy detached single-family homes: 66 percent of respondents reported Single Family sales.



About half of international clients prefer to locate in a suburban area and about a quarter locate in a central city/urban area. Less than 20 percent locate in a resort area.

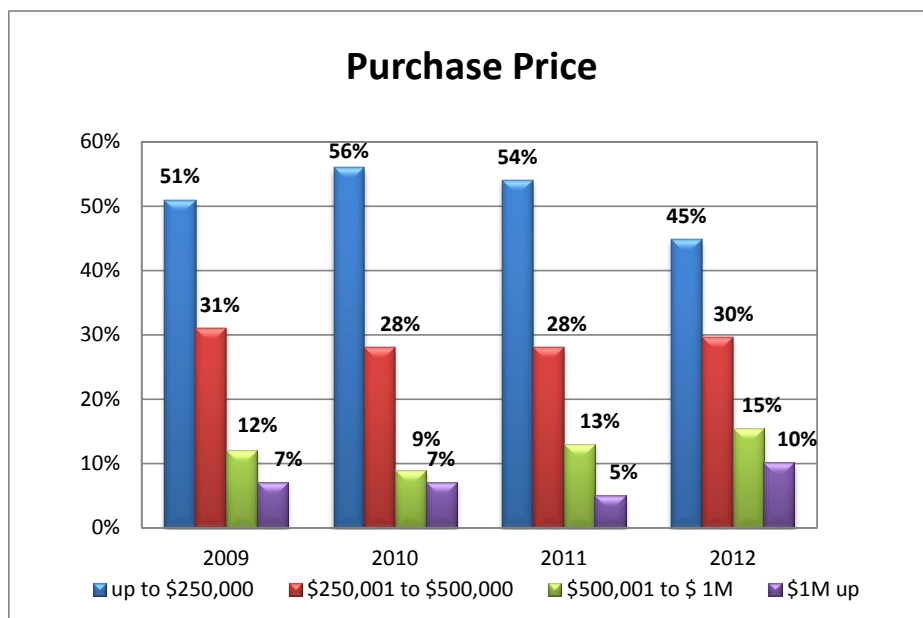


Many international clients plan to use the property for more than 6 months while 23 percent will use it for 3-6 months. These results follow earlier data that show that buyers are buying single family homes for primary residential purposes.



Prices and Financing

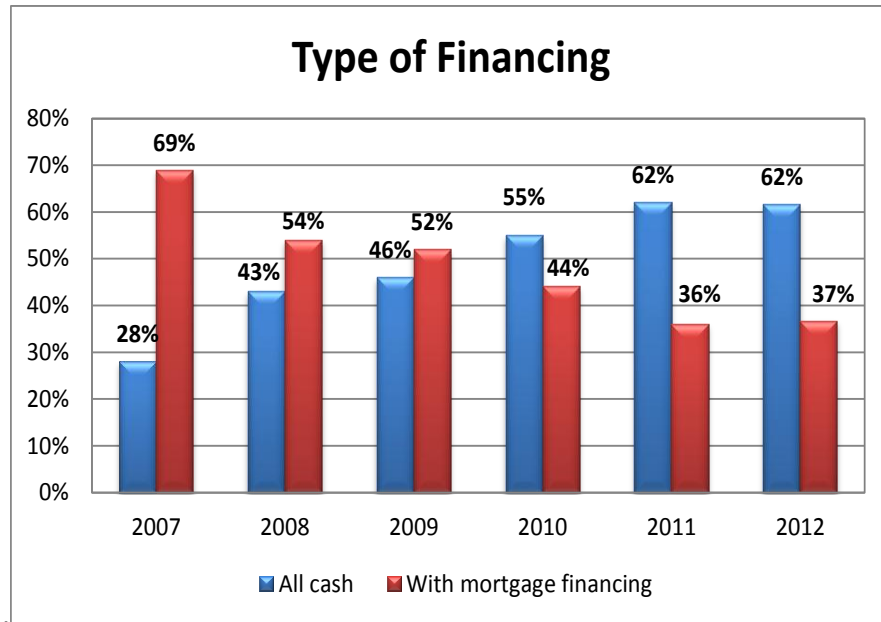
Forty-five percent of international purchases were under \$250,000. There appears to be a gradually increasing trend towards purchases in the \$250,000 to \$ 500,000 range. There was a jump in the sales of homes valued at \$1 million and up.



NAR focuses on median home prices in reporting the Existing Home Sales market. This is an approach that makes sense when considering market dynamics and the buying power of individuals with median incomes—i.e., the individuals “in the middle” and what they can afford. However, in estimating the size of the international market, it is necessary to use average price. The matter becomes confusing, for average price will often be significantly different from median price. In addition, in the case of international sales, both average and median prices can be very different from Existing Home Sales prices reported by NAR on a monthly basis, for the types of homes purchased by international clients frequently tend to be different from the types of homes purchased by domestic U.S. buyers. For example, the international non-resident client is likely to be substantially wealthier than the median domestic buyer, may be looking for a trophy property, and is looking for a property to be purchased after having met essential living needs. The international resident client will also tend to be more affluent than most buyers, and may be looking for a property in a specialized niche, for example, a larger property suitable for multi-generational living, or a property that establishes the individual’s presence and standing in the community. Accordingly, the prices in the table below are somewhat different from what one would expect to see. The prices are used in the Appendix in calculating the size of the market.

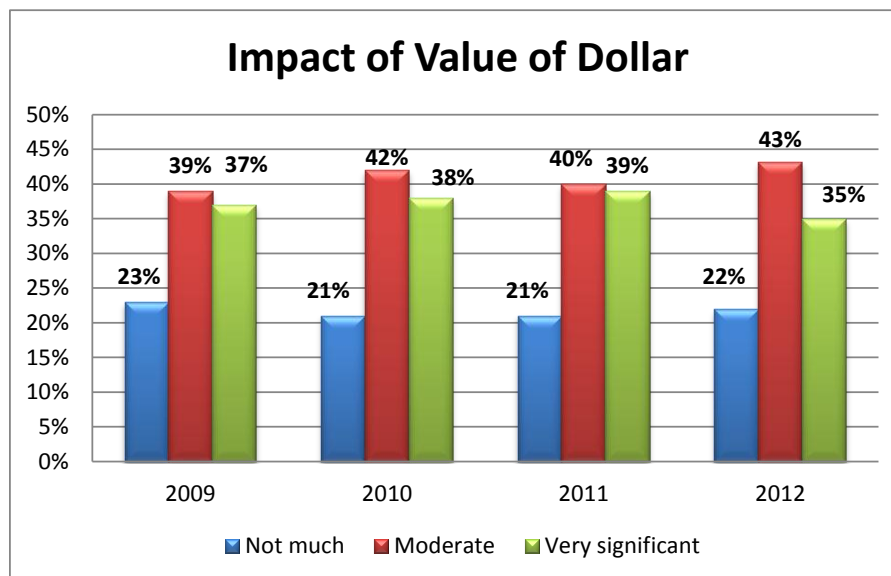
Annual Property Prices for 12 Months Ending in March of Specific Year (in \$ 000)				
Year	All Existing Home Sales		International Sales	
	Avg Price	Median Price	Avg Price	Median Price
2011	218	170	315	200
2012	212	165	400	252

More than half or 62 percent of purchases were cash purchases. There has been an increase in cash financing since 2007. Mortgage financing is a major problem for international clients due to lack of U.S. based credit history, lack of a Social Security number, difficulties in meeting mortgage requirements, and financial profiles that are different in some cases from those normally received by the financial institution.

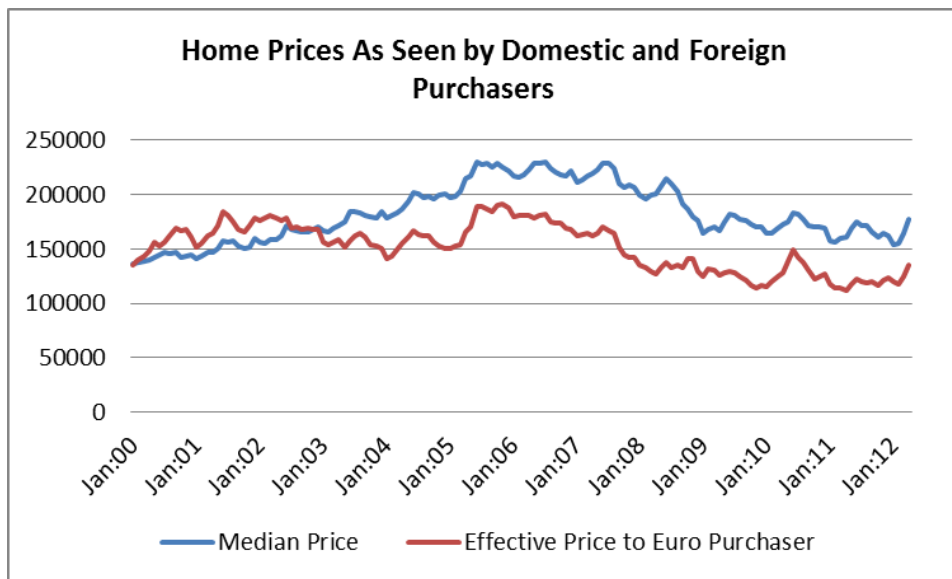


Changes in the Value of the Dollar and Impact on Sales

Almost 80 percent of Realtors® reported that the value of the dollar can have a moderate to significant impact on international sales. When a foreign country’s currency gains in value relative to the dollar, U.S. home prices are effectively less expensive to the foreigner than was the case prior to the change in currency values. The converse is also true.



The values of all currencies fluctuate based on a variety of supply and demand factors influenced by trends in international commodities, industry competitiveness, and the flow of international investments. A number of countries providing international clients – China (PRC), Canada, Mexico, Brazil – have experienced strengthening of their currencies relative to the dollar over the past decades. This meant that international clients needed to spend less of their home currency to buy U.S. homes in dollars. In recent years home prices have declined—providing increased value to domestic and foreign buyers. In addition, in a number of cases international customers have seen their currencies appreciate—another source of value to the client purchasing a U.S. home. Over the long run, foreign purchasers have gained in terms of home purchasing ability due to the declining value of the dollar and the overall decrease in U.S. home prices.



V. CONCLUSIONS

The dollar volume of purchases by resident and non-resident foreigners increased between 2011 and 2012. Purchases remained relatively constant, but foreign buyers appear to have moved somewhat to the upper end of the price spectrum. This appears to have been due to increased purchases by wealthy individuals interested in asset diversification for security and investment purchases as well as purchases by resident foreigners interested in houses somewhat larger than the market median.

On the buyer side of the market, there appears to be a desire to work with Realtors® experienced in the language and culture of the potential purchaser. Cultural orientation/affinity and specialized skills and knowledge relating to cultural/religious preferences and immigration and financing laws are important to a successful transaction.

Canada, China, India, Mexico, Brazil, and the U.K. remain as the major sources of purchasers. However, it is not unusual to find potential buyers from a wide variety of countries. Florida, California, Arizona, Texas, Georgia and New York are the top preferred locations based on the number of purchases, with additional foreign buyers throughout the U.S.

Location is the primary factor affecting residential home purchases, depending on the buyer's employment, vacation preferences, family, educational, and investment objectives. The major constraints to purchasing U.S. property are immigration/border issues, financing, and the need by the purchaser to understand U.S. customs and business modes.

Appendix

Methodology for Estimation of International Sales

Data Inputs

- **Total Residential Sales, 2011 and 2012:** Sales for the 12 months ending March of each year are obtained from the NAR Existing Home Sales series by summing monthly sales for the time period April through March in each case. Estimated sales for 2011 are different from reported 2011 sales last year due to re-benchmarking of the EHS series.
- **Existing Home Sales Price, 2011 and 2012:** Since total market value is being computed, mean rather than median price is used, computed on the basis of the mean of the twelve monthly mean prices for the time periods under consideration.
- **Prices, 2011 and 2012, International Sales:** This is an average price computed on the basis of survey information. The price is significantly higher than the average price for Existing Home Sales in general, for the foreign client typically is buying properties that are significantly above average: foreign clients are a very different type of buyer in comparison to most home buyers.
- **Percent of Market that is International, 2011 and 2012:** The percent of market consisting of sales to non-resident foreigners is based on survey data from the monthly Realtors® Confidence Index. In the annual surveys for this report, resident foreigners are approximately equal in number to non-resident foreigners.

Methodology

- **Sales to non-resident foreigners:** Computed as total U.S. sales, multiplied by percent international, and multiplied by price.
- **Sales to resident foreigners:** Determined to be equal to sales to non-resident foreigners.

Conclusions

International sales for 2011 are estimated at \$66.4 Billion, and international sales for 2012 are estimated at \$82.5 Billion.

		2011	2011	Total			2012	2012	Total
		Sales	Price	Market			Sales	Price	Market
Pct International		0.0243752					0.023567		
US	EHS	4,324,000	217,791	941,728,284,000			4,374,573	212,183	928,209,952,244
Int'l	Type A	105,398	315,000	33,200,484,912			103,096	400,000	41,238,221,619
Int'l	Type B	105,398	315,000	33,200,484,912			103,096	400,000	41,238,221,619
	Total			66,400,969,824					82,476,443,238

Note on the Global Business and Alliances Group

The Global Business and Alliances Group of the NATIONAL ASSOCIATION OF REALTORS® plays an integral role in opening doors for Realtors® to compete in the global market place. By opening markets for business and keeping members informed of the latest developments occurring around the world, the Global Business and Alliances Group (GBA) gives Realtors® the tools they need to succeed in the global market. NAR maintains formal partnerships with over [80 foreign real estate associations](#) in 60 countries. These relationships are formed to advance the interests of Realtors® worldwide, to uphold the highest standards of commercial practice and to facilitate international business arrangements in strategic markets for Realtors® and non-U.S. real estate practitioners. Additionally, the Certified International Property Specialist (CIPS) Designation offers specialized education and services to real estate professionals who aim to profit in the global market.

For more information please visit www.realtor.org/global



The NATIONAL ASSOCIATION OF REALTORS®, “The Voice for Real Estate,” is America’s largest trade association, representing 1.1 million members, including NAR’s institutes, societies and councils, involved in all aspects of the real estate industry. NAR membership includes brokers, salespeople, property managers, appraisers, counselors and others engaged in both residential and commercial real estate.

The term REALTOR® is a registered collective membership mark that identifies a real estate professional who is a member of the NATIONAL ASSOCIATION OF REALTORS® and subscribes to its strict Code of Ethics.

Working for America's property owners, the National Association provides a facility for professional development, research and exchange of information among its members and to the public and government for the purpose of preserving the free enterprise system and the right to own real property.

NATIONAL ASSOCIATION OF REALTORS® RESEARCH DIVISION

The Mission of the NATIONAL ASSOCIATION OF REALTORS® Research Division is to collect and disseminate timely, accurate and comprehensive real estate data and to conduct economic analysis in order to inform and engage members, consumers, and policymakers and the media in a professional and accessible manner.

To find out about other products from NAR’s Research Division, visit www.REALTOR.org/research.

NATIONAL ASSOCIATION OF REALTORS®

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