

2014 Profile of International Home Buying Activity
Purchases of U.S. Real Estate by International Clients for the
Twelve Month Period Ending March 2014



Lawrence Yun, Senior Vice President
Jed Smith, Managing Director, Quantitative Research
Gay Cororaton, Research Economist
June 2014



Table of Contents

- I. INTRODUCTION AND KEY FINDINGS3
 - International Sales: \$ 92.2 Billion in 12 Months Ending March 2014.....3
 - International Sales are Geographically Concentrated and Segmented.....6
 - Specialized Expertise: Important in International Transactions.....7
- II. INTERNATIONAL BUYERS: ORIGINS AND PREFERENCES.....8
 - Countries of Origin.....8
 - State Destinations of International Buyers.....9
 - Prices and Financing12
 - Intended Use and Type of Property.....15
 - Factors and Reasons Affecting the Purchase.....18
- III. Profile of Top 5 Buyers by Country20
 - Canada20
 - China23
 - India26
 - Mexico29
 - United Kingdom32
- IV. REALTOR® EXPERIENCE IN SERVING INTERNATIONAL CLIENTS.....36
- V. CONCLUSIONS.....43
- APPENDIX 1: Methodology for Estimation of International Sales44
- APPENDIX 2: realtor.com® Data on U.S. Cities of Major Interest to Foreigners.....46
 - About NAR’s Commercial & Global Services Group59

I. INTRODUCTION AND KEY FINDINGS

Since 2007, the National Association of REALTORS® (NAR) has conducted a yearly survey to measure the level of sales of U.S. residential real estate to international clients. The survey provides information about the origin, destination, and buying preferences of international clients as well as the challenges and opportunities faced by REALTORS® in the international market. The *2014 Profile of International Home Buying Activity* presents the analysis of data gathered from REALTORS® on purchases of U.S. residential real estate by international clients made during the 12 months ending March 2014. There were 3,547 respondents to the survey, conducted from April 14 - May 14, 2014¹.

The term international client refers to two types of purchasers of properties.

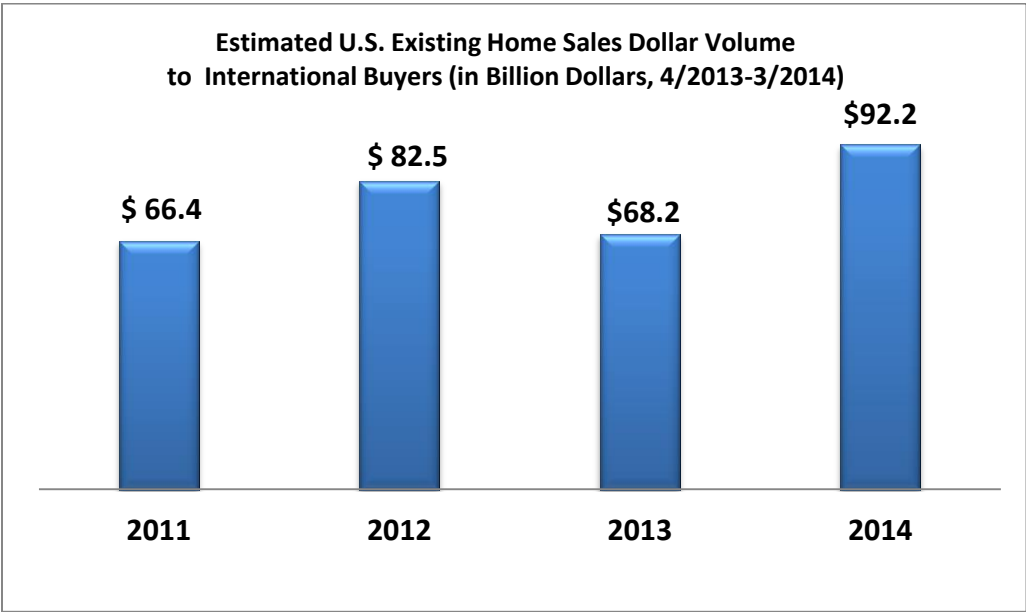
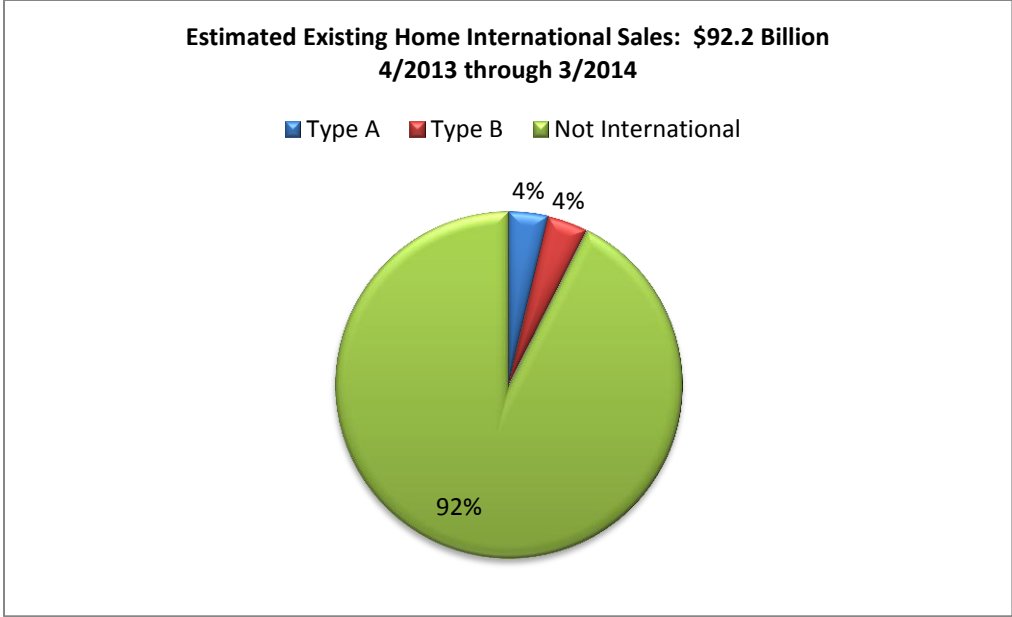
- Type A, Non-Resident Foreigners: Foreign clients with permanent residences outside the U.S. These clients typically purchase property for investments, vacations, or visits of less than six months to the U.S.
- Type B, Resident Foreigners: Clients who are recent immigrants (in the country less than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

International Sales: \$ 92.2 Billion in 12 Months Ending March 2014

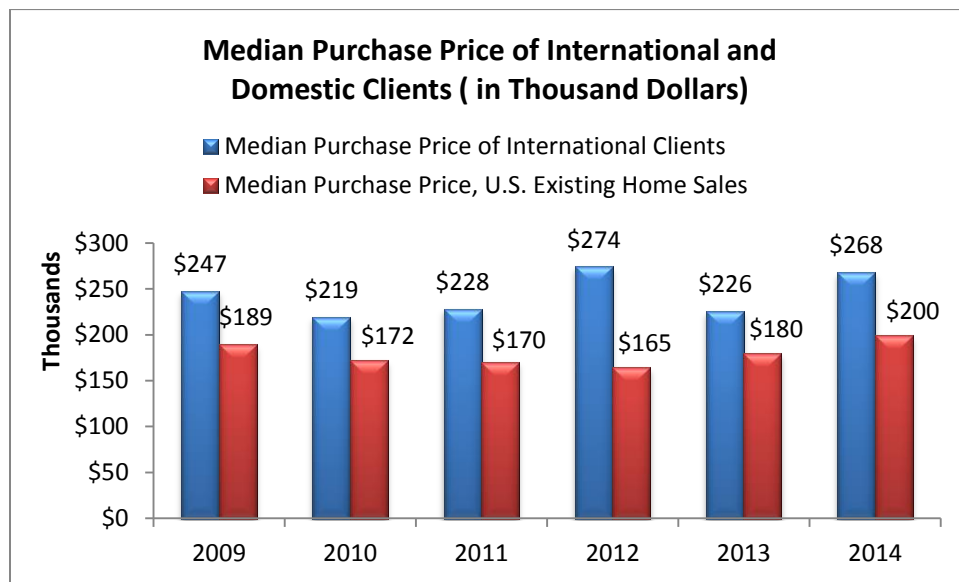
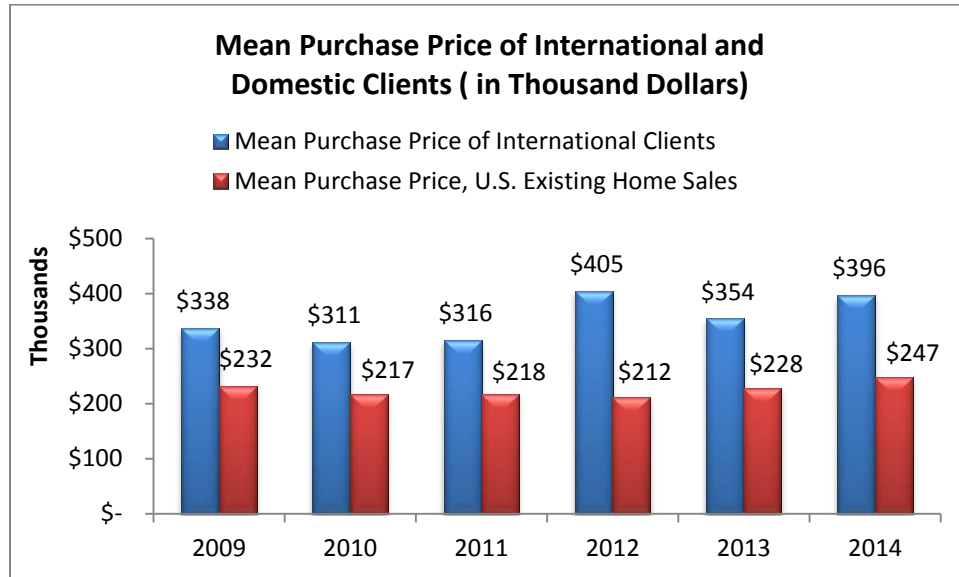
For the period April 2013 through March 2014, the total sales volume to international clients (“international sales”) has been estimated at approximately \$92.2 billion, a 35 percent increase from the previous period’s level of \$68.2 billion. The dollar level of international sales was roughly 7 percent of the total U.S. Existing Homes Sales (EHS) market of \$ 1.2 trillion for the same period². Compared to the previous year, sales to foreigners increased both in numbers of transactions and in average price. Of total international transactions, approximately \$45.5 billion were attributed to Type A non-resident foreigners; and approximately \$46.7 billion were attributed to Type B resident foreigners. The computations are delineated in the Appendix.

¹ The survey was sent to a random sample of about 100,000 REALTORS®.

² Sales figures in dollars are not a measure of GDP, for sales represent the transfer of existing assets that were previously counted in the GDP during the time of construction. However, GDP is generated from the sale of existing homes as a result of services during and after the transaction, for example, commissions, fees, remodeling, etc.



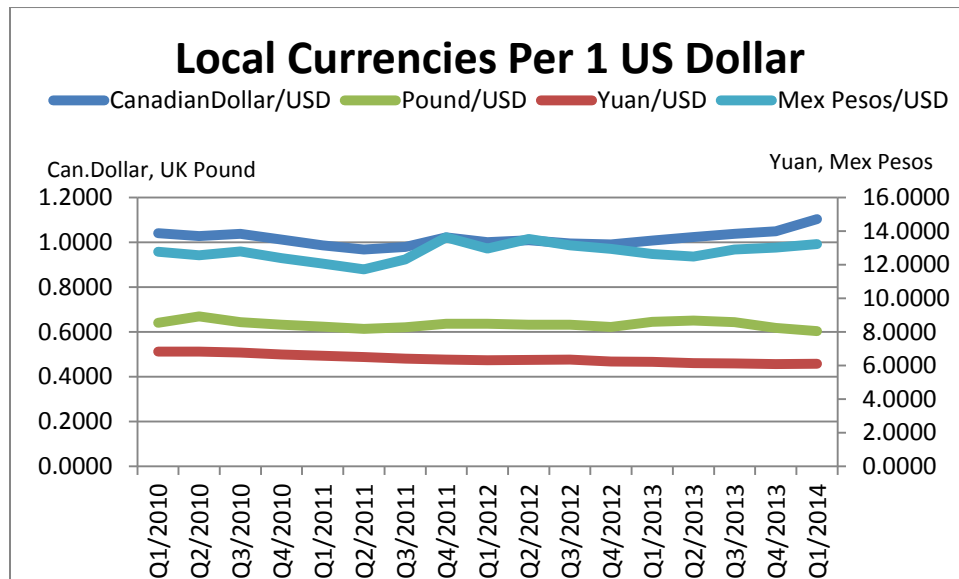
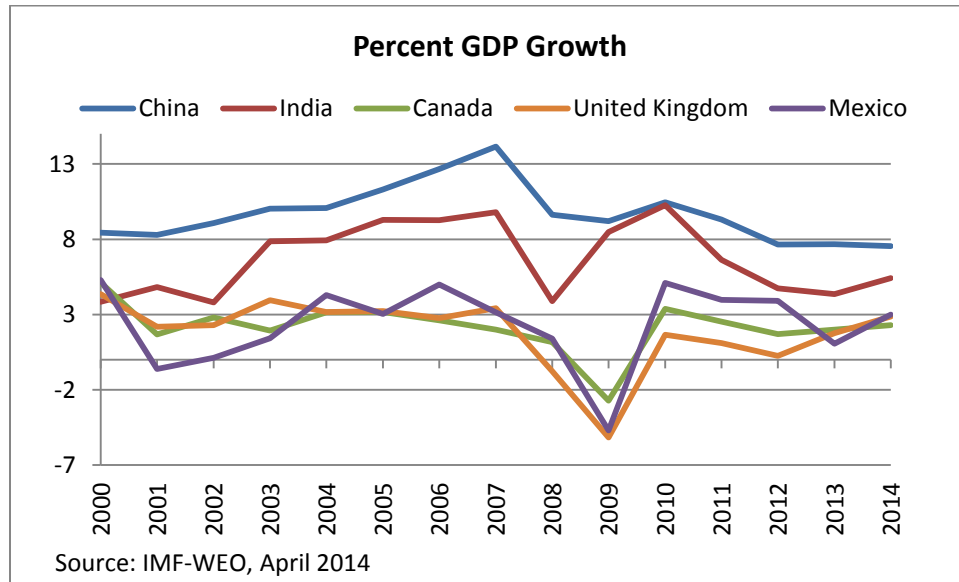
International clients typically purchase upscale/higher-priced homes.



International buying activity apparently was bolstered by continued rising affluence in China, Canada, India, Mexico, and the United Kingdom. In addition, the appreciation of the Chinese yuan and the British pound also made the purchase of U.S. property increasingly affordable for residents of those countries.³ Purchasing a U.S. property remains affordable with prices still below the peak level attained prior to the Great Recession (December 2007—June 2009). Tight

³ An appreciation or strengthening of the local currencies relative to the dollar means that international clients need to spend less of their home currency to buy U.S. homes in dollars.

credit standards in the U.S. have also favored buyers paying with cash or making high down payments when presenting a contract for sale. International clients frequently pay cash.



International Sales are Geographically Concentrated and Segmented

The international home sales market in the U.S. remains concentrated in terms of purchasers' home country and preferred destination. International buyers of U.S. properties came from nearly all over the globe, but five countries (Canada, China, Mexico, India, and the United Kingdom) accounted for 54 percent of the reported transactions in the recent study. Canada

was the top source of international clients in terms of transactions volume, but China accounted for the largest sales dollar volume because of the higher average price of properties purchased by Chinese buyers. Chinese buyers tended to buy properties in higher-priced markets such as California, Washington, and New York, while Canadians bought in lower-priced markets such as Florida and Arizona. NAR estimates that the total international sales from Chinese buyers rose to \$ 22 billion in the 12 months ended March 2014, up from \$ 12.8 billion in the prior period. This accounts for about 24 percent of the total international dollar sales.

| Estimate of International Sales from Major Buyers (In Billion Dollars) | | | | |
|--|-------------|---------|-------------|---------|
| | <u>2013</u> | | <u>2014</u> | |
| | Sales (\$) | % Share | Sales (\$) | % Share |
| Canada | \$11.8 | 17% | \$13.8 | 15% |
| China | \$12.8 | 19% | \$22.0 | 24% |
| Mexico | \$3.6 | 5% | \$4.5 | 5% |
| India | \$3.9 | 6% | \$5.8 | 6% |
| United Kingdom | \$4.2 | 6% | \$5.8 | 6% |
| Total International Sales | \$68.2 | | \$92.2 | |

There is international activity throughout the country, but the top five states (Florida, California, Arizona, Texas, and New York) accounted for 55 percent of the total reported purchases by foreigners in terms of number of units sold.

Specialized Expertise: Important in International Transactions

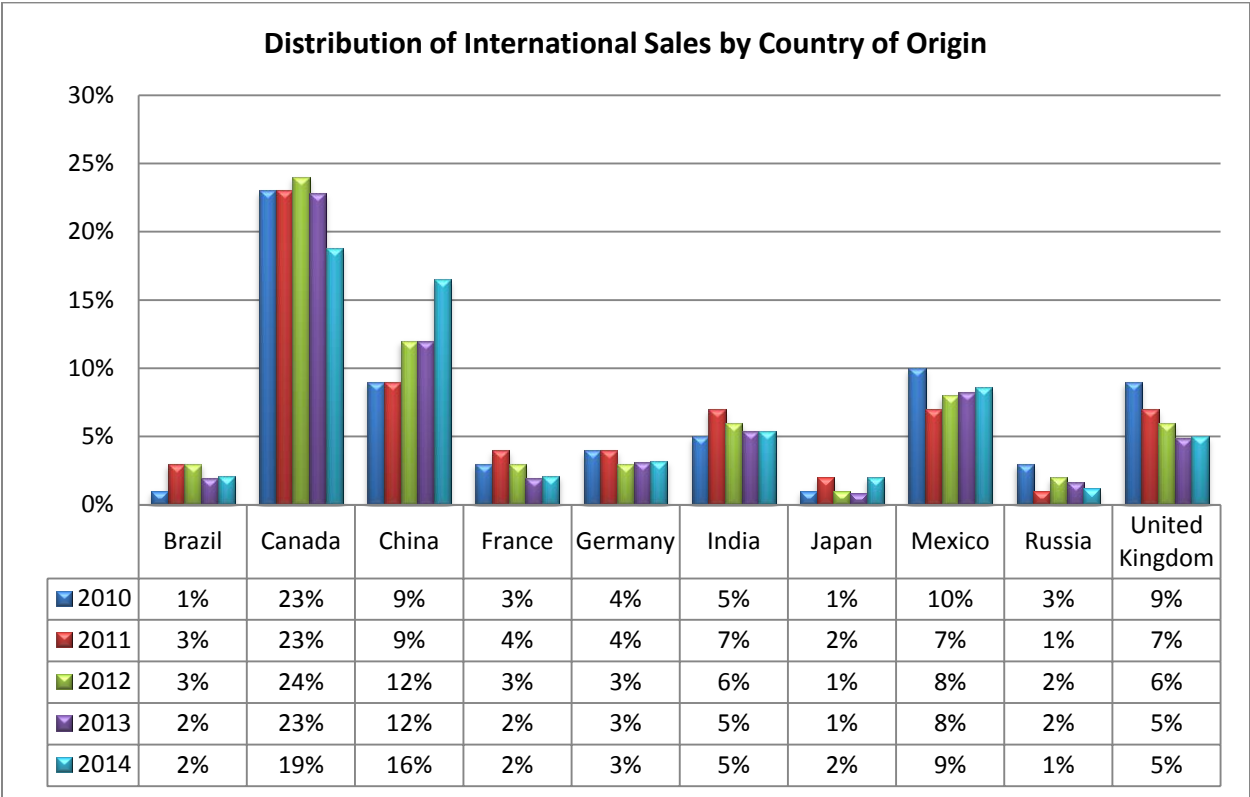
REALTOR® specialization on the buyer’s side of the market--such as cultural affinity or orientation with the prospective purchaser, foreign language capabilities, and experience in explaining U.S. real estate procedures and requirements to foreigners--appears to be important in bringing an international transaction to successful conclusion. Approximately 28 percent of REALTOR® respondents reported having worked with international clients, about the same as in previous years. Approximately 88 percent of REALTORS® with international clients had 1 to 5 clients; four percent had more than 10 clients. Experience and expertise generally go hand in hand, especially in an industry that is based on personal contact. REALTORS® looking to gain expertise regarding working with international clients should look into NAR’s Certified International Property Specialist (CIPS) designation. The designation offers specialized training to help agents facilitate international transactions

II. INTERNATIONAL BUYERS: ORIGINS AND PREFERENCES

Foreign purchasers are interested in U.S. real estate for a variety of reasons: as a place to live for those relocating in the U.S. for a job or for children going to college, for investment and portfolio diversification, and for vacation purposes. It is possible to offer some general comments on buying preferences—although one can easily find counter examples to any statement. Buyers tend to cluster in specific locations based on their countries of origin, probably based on word-of-mouth and shared experiences. Proximity to the home country may be important--e.g., Europeans locating on the East Coast and Asians locating on the West Coast. International buyers are diverse—some looking for trophy properties and other buyers looking for very modest vacation properties.

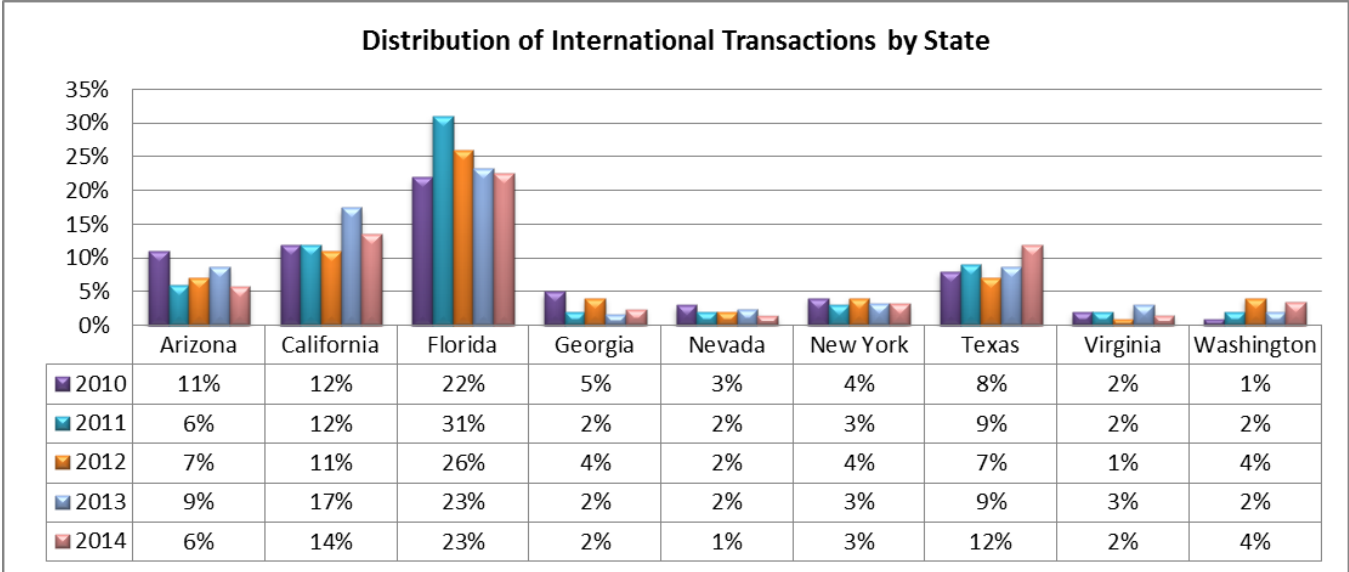
Countries of Origin

Five countries have historically accounted for the bulk of the reported purchases: namely, Canada, China (PRC, Hong Kong, Taiwan), Mexico, India, and the United Kingdom. In the latest survey, these countries accounted for approximately 54 percent of the reported international transactions from 61 countries. Canada still accounts for the largest share of clients, but China is the fastest growing source of clients, now accounting for 16 percent in the period ending March 2014, up from 9 percent since this data was collected in 2007.

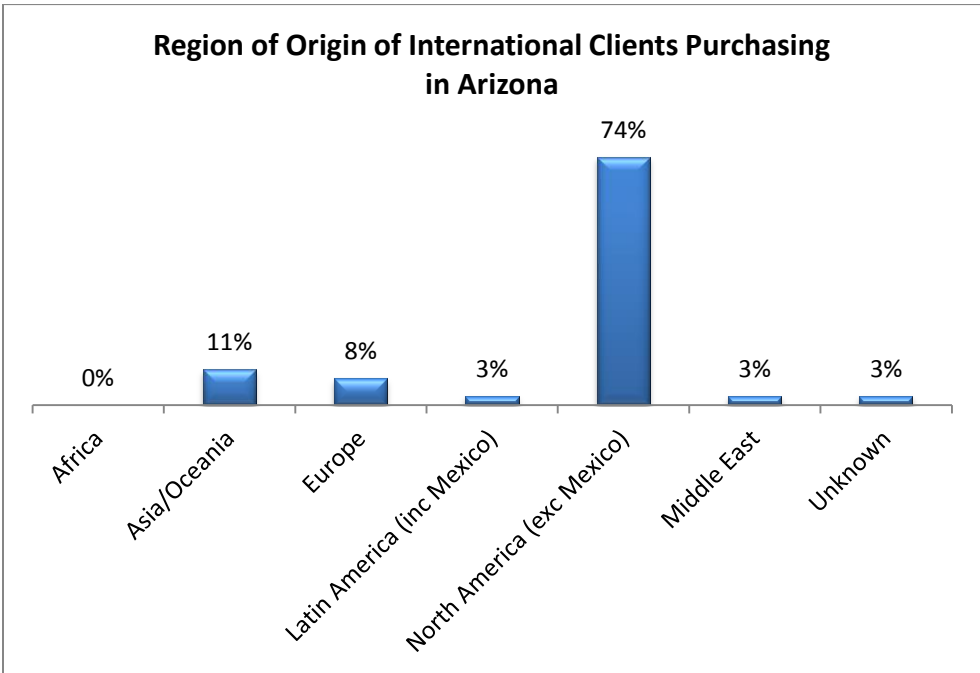
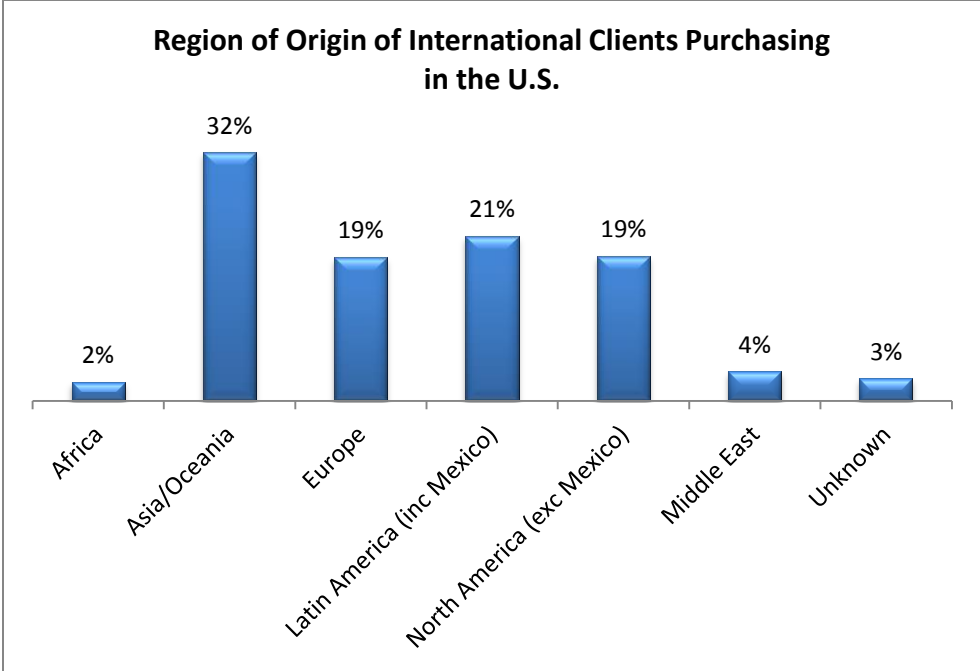


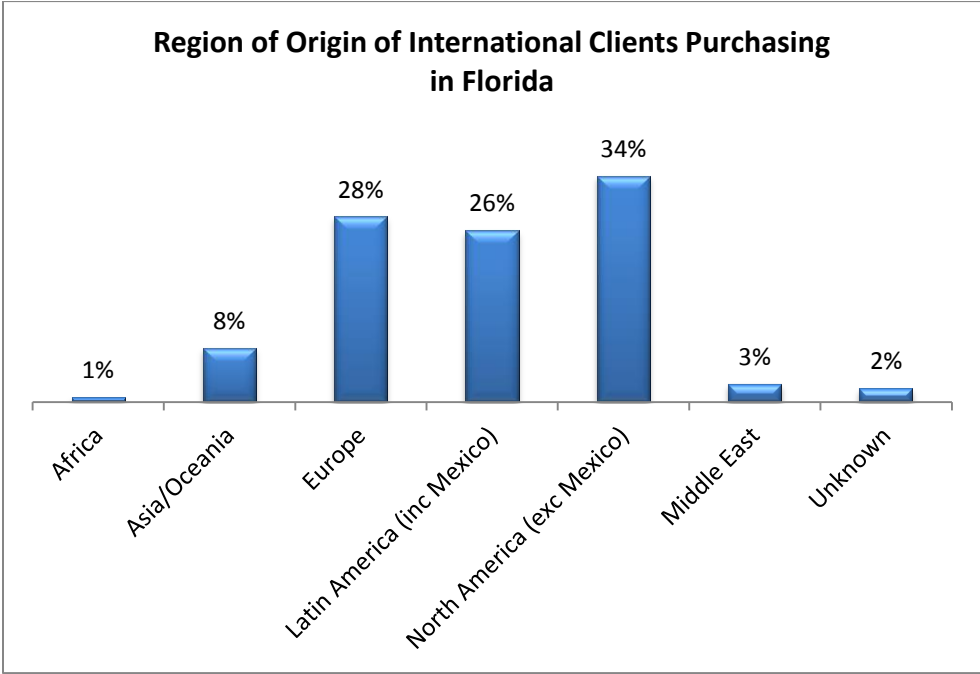
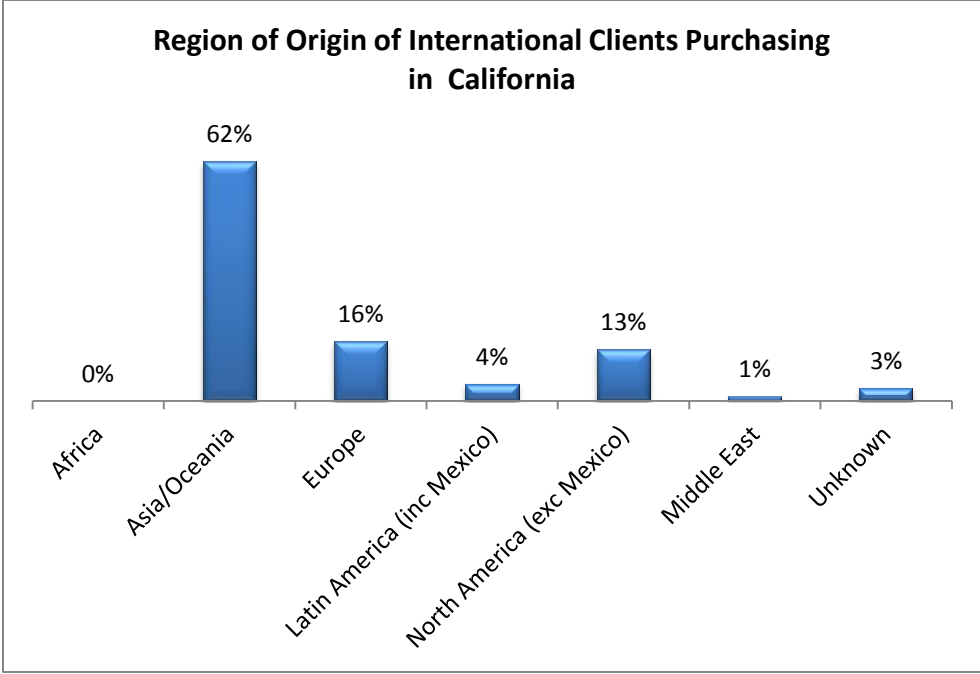
State Destinations of International Buyers

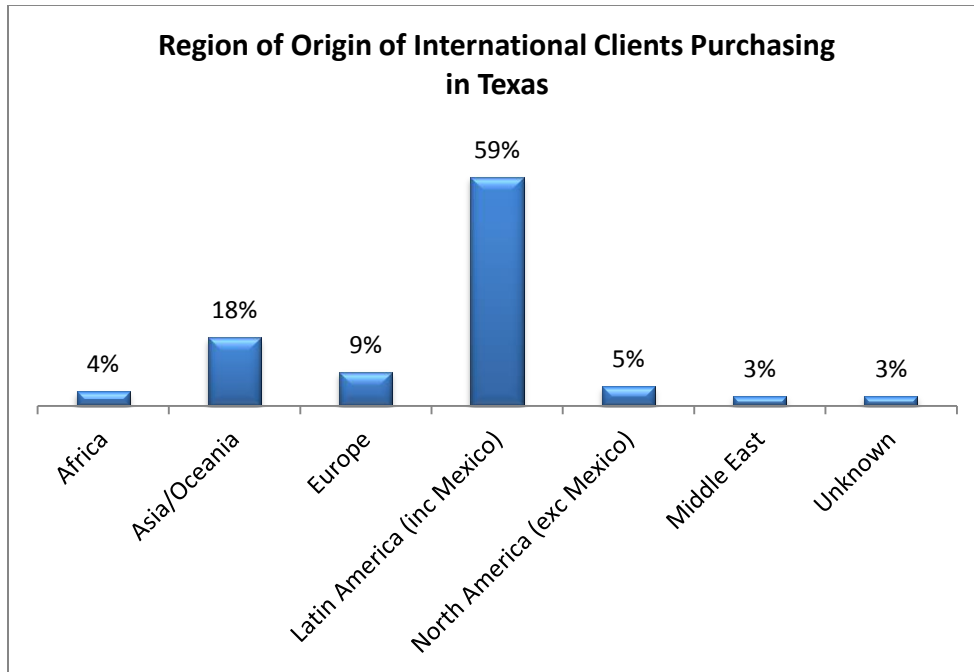
The top four states in terms of number of buyers continued to be Florida, California, Texas, and Arizona. In 2014, these states accounted for 55 percent of total reported international sales. Washington is becoming increasingly attractive to international clients, possibly because it is a magnet for technology jobs.



Proximity to the home country, the presence of relatives, friends and associates, job and education opportunities, and climate and location appear to be important considerations to prospective buyers. For example, Europeans are attracted to states with warmer climates such as Florida and Arizona. The West Coast is attractive to Asian purchasers. Buyers from Mexico favor states in close proximity such as Texas and Arizona. Florida appears to be attractive to South Americans as well as Europeans and Canadians. Buyers from India are locating in urbanized areas and states that are home to IT companies such as California, New York, and North Carolina. 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.







Prices and Financing

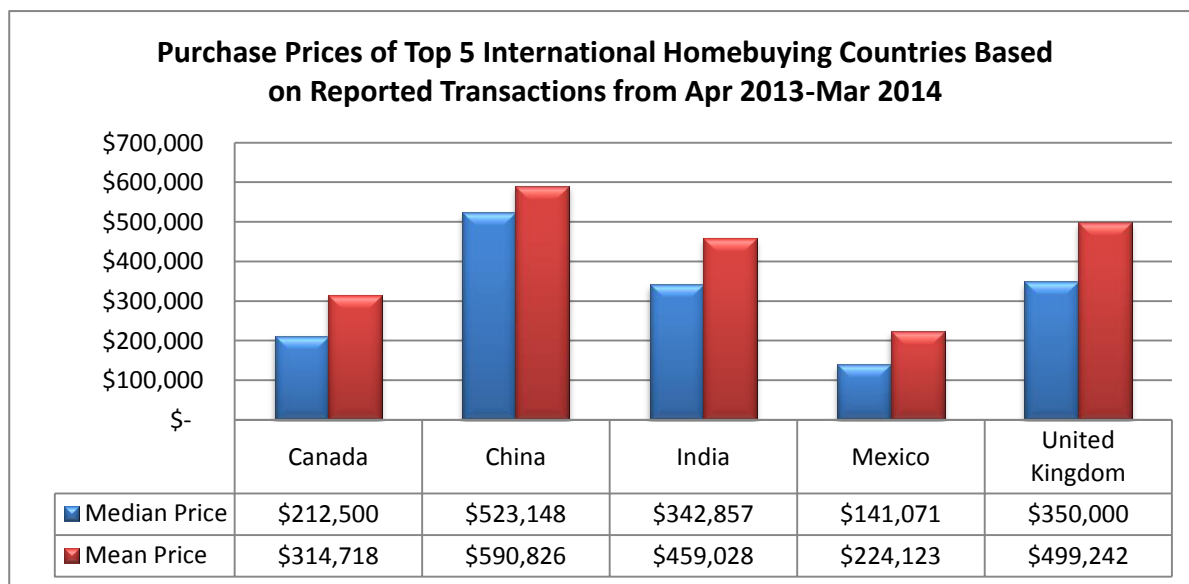
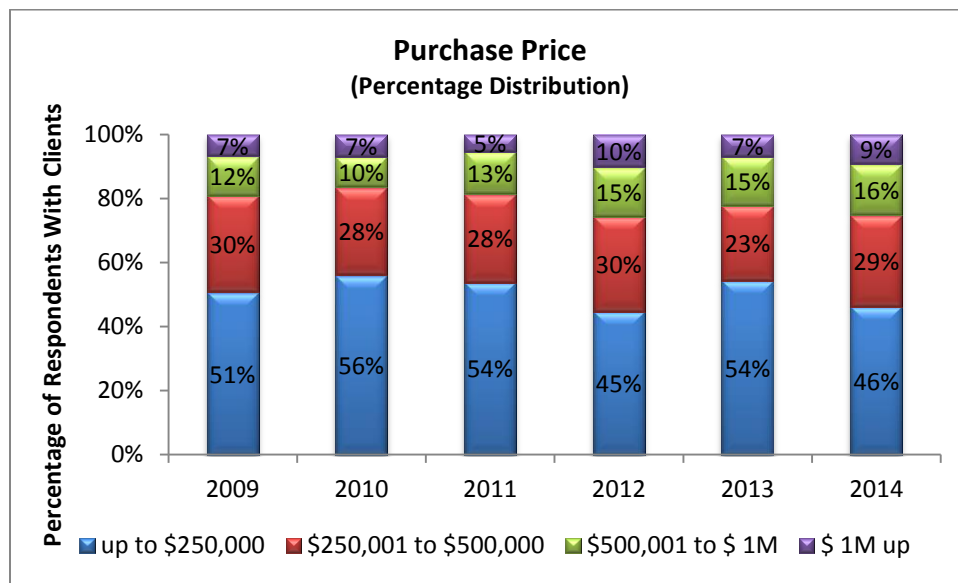
The types of homes purchased by international clients frequently tend to be different from the types of homes purchased by domestic U.S. buyers. For example, the international non-resident Type A client is likely to be substantially wealthier than the median domestic buyer, may be looking for a trophy property, and is probably looking for a property to be purchased after having met essential living needs. The international resident Type B client will also tend to be more affluent than many domestic 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.

Based on the reported transactions, the mean and median prices of international purchases were higher compared to purchase prices of all buyers of existing homes⁴.

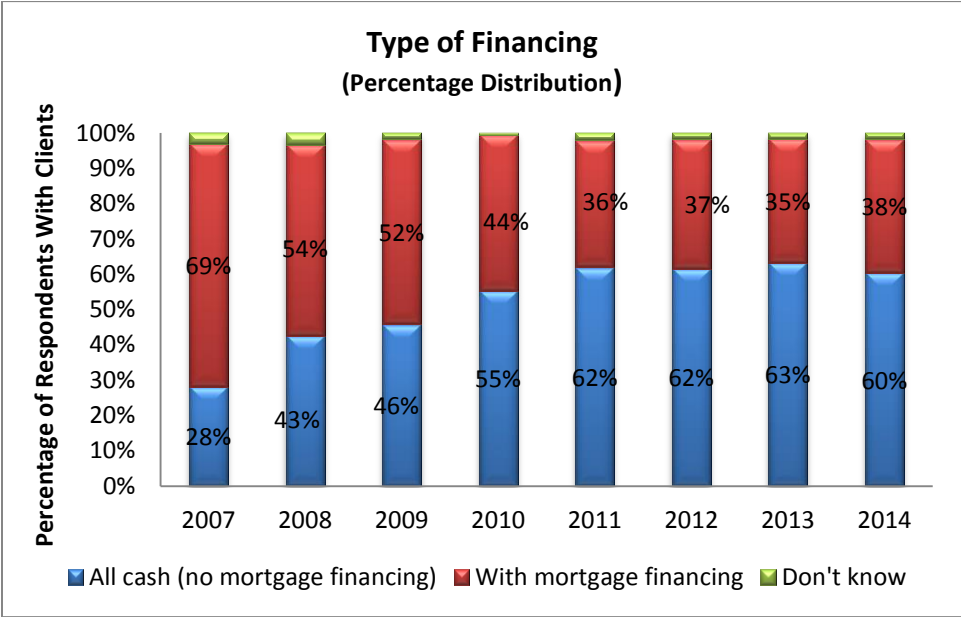
⁴ NAR focuses on median home prices in reporting the Existing Home Sales market. This approach integrates market dynamics with the buying power of individuals with median incomes. However, in estimating the size of the international market, it is necessary to use average price in order to multiply by quantity in reaching total market size.

| Average Mean and Median Prices from April 2013-March 2014 | | | |
|---|--|------------|--------------|
| | | Mean Price | Median Price |
| U.S. Existing Home Sales | | \$247,417 | \$199,575 |
| International Sales | | \$396,180 | \$268,284 |

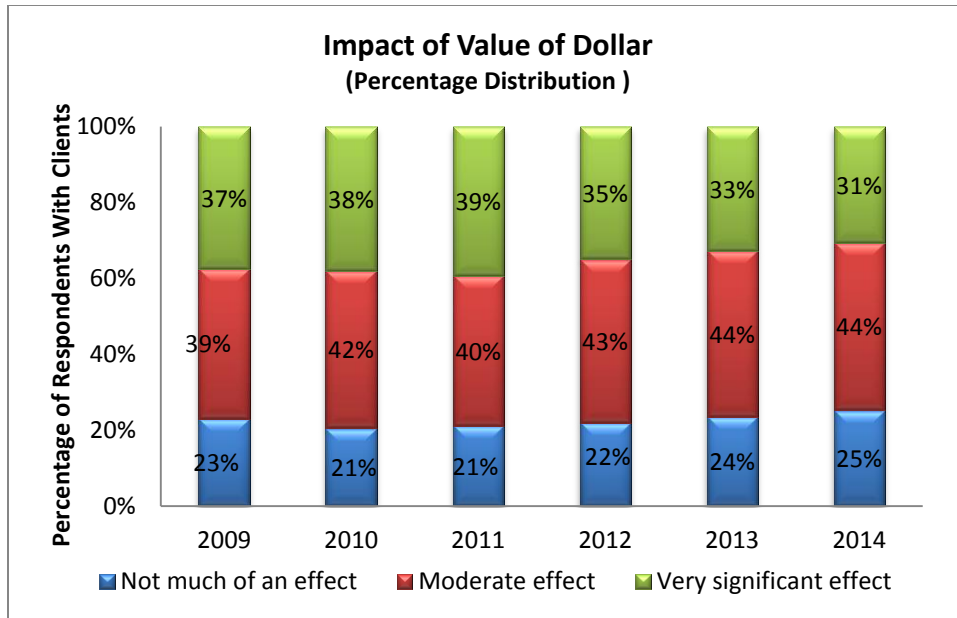
Approximately 46 percent of international clients bought properties worth up to \$250,000. Buyers from China, India, and the United Kingdom purchased properties above the median price. This is because buyers from China and India tend to buy in states with higher property prices such as California, Washington, and New York, while the Canadians tend to buy in Florida and Arizona where prices are cheaper.



International clients frequently make all-cash purchases compared to domestic buyers. In the 2014 survey, approximately 60 percent of reported transactions were all-cash sales, up from a third since this data was collected in 2007. In contrast, about a third of domestic sales have been all-cash. Mortgage financing tends to be a major problem for international clients due to a lack of a U.S. based credit history, lack of a Social Security number, difficulties in documenting mortgage requirements, and financial profiles that are different in some cases from those normally received by the financial institution from domestic residents.

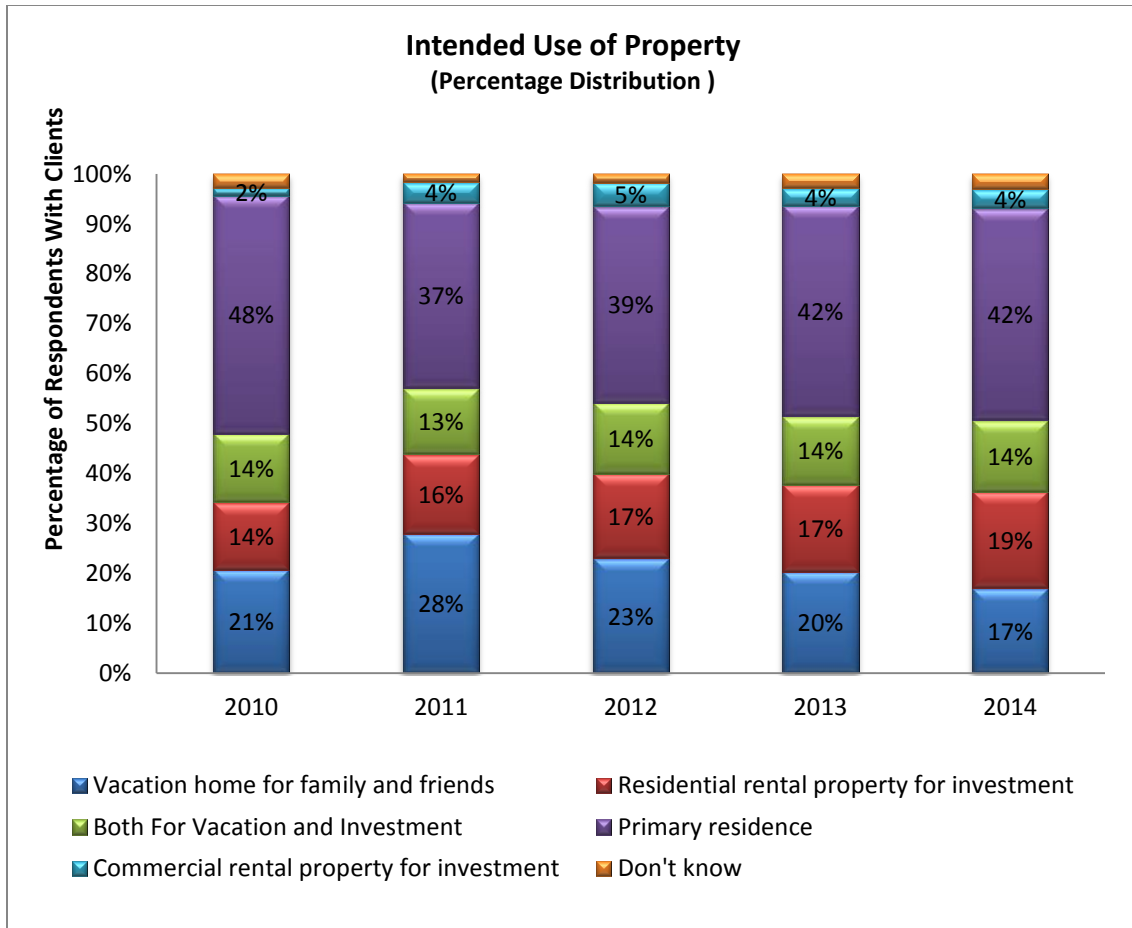


Approximately 75 percent of REALTORS® reported that the value of the dollar had a moderate to significant impact on international sales. The values of all currencies fluctuate based on a variety of supply and demand factors influenced by trends in international commodities, industry competitiveness, and the flow of international investments. 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.

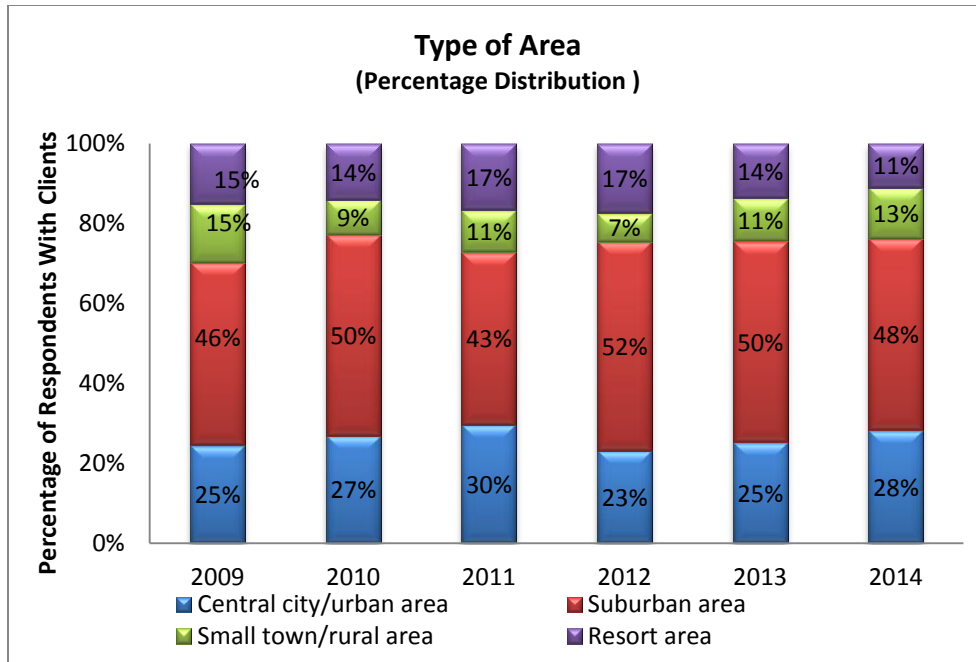


Intended Use and Type of Property

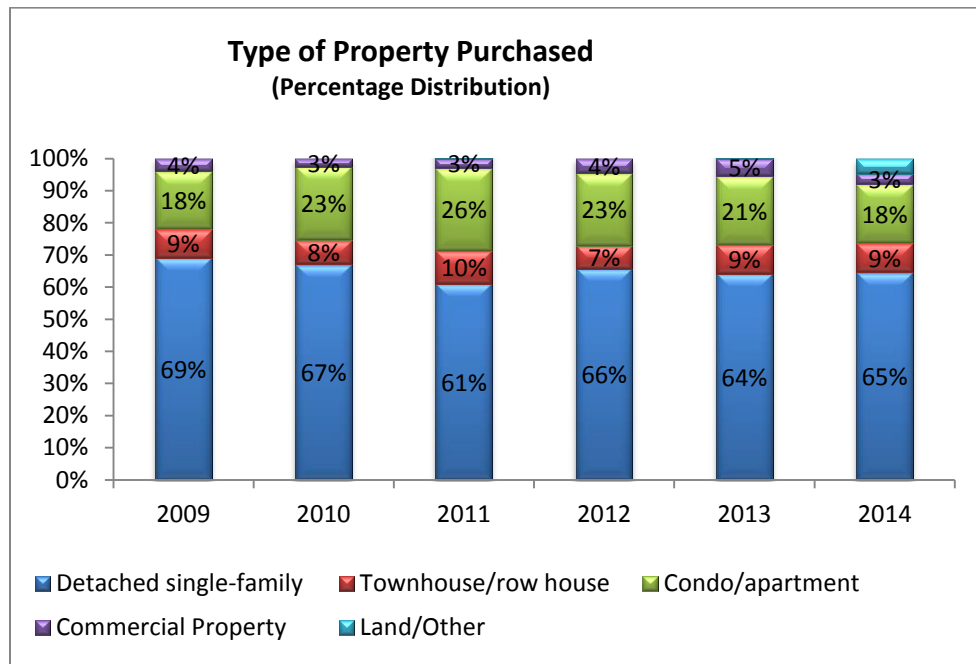
About 42 percent of reported international transactions were intended for primary residences. International students enrolled in U.S. colleges and universities, recent immigrants, and professional and managerial employees of businesses and institutions who are in the U.S. on a temporary but extended visit may plan on using the property year round for primary residence. 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. 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.



About half of international clients preferred to locate in a suburban area and about a quarter located in a central city/urban area. About 13 percent located in a resort area. This is consistent with the intended purpose of international clients to use property mostly for vacation and for investment purposes.

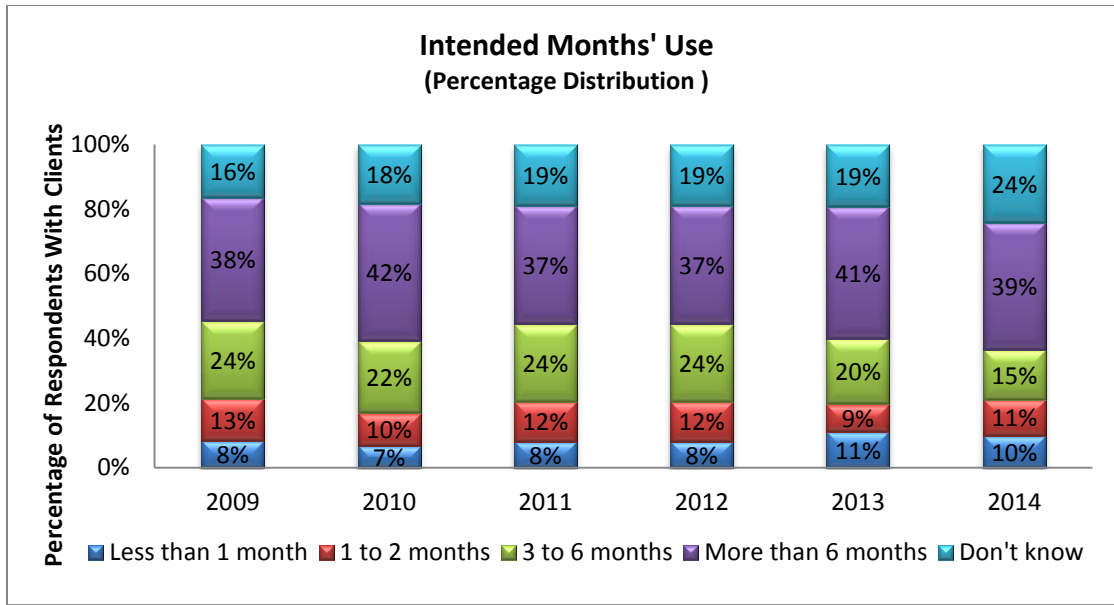


Approximately 65 percent of transactions involved Single Family sales.⁵



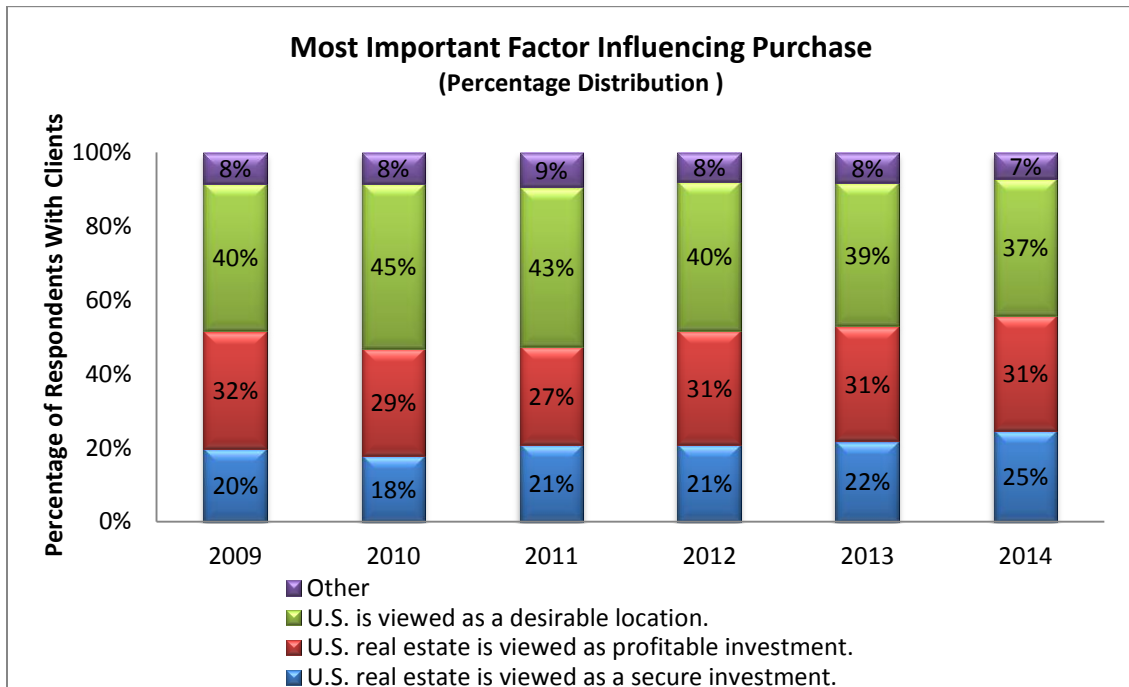
Approximately 39 percent of reported transactions were from international clients who planned to use the property for more than 6 months, which is consistent with earlier data that show that buyers are buying single family homes for primary residential purposes.

⁵ The graph implies an absence of land sales, 2009-13. This was probably not the case. Data were too limited for statistical reporting purposes.



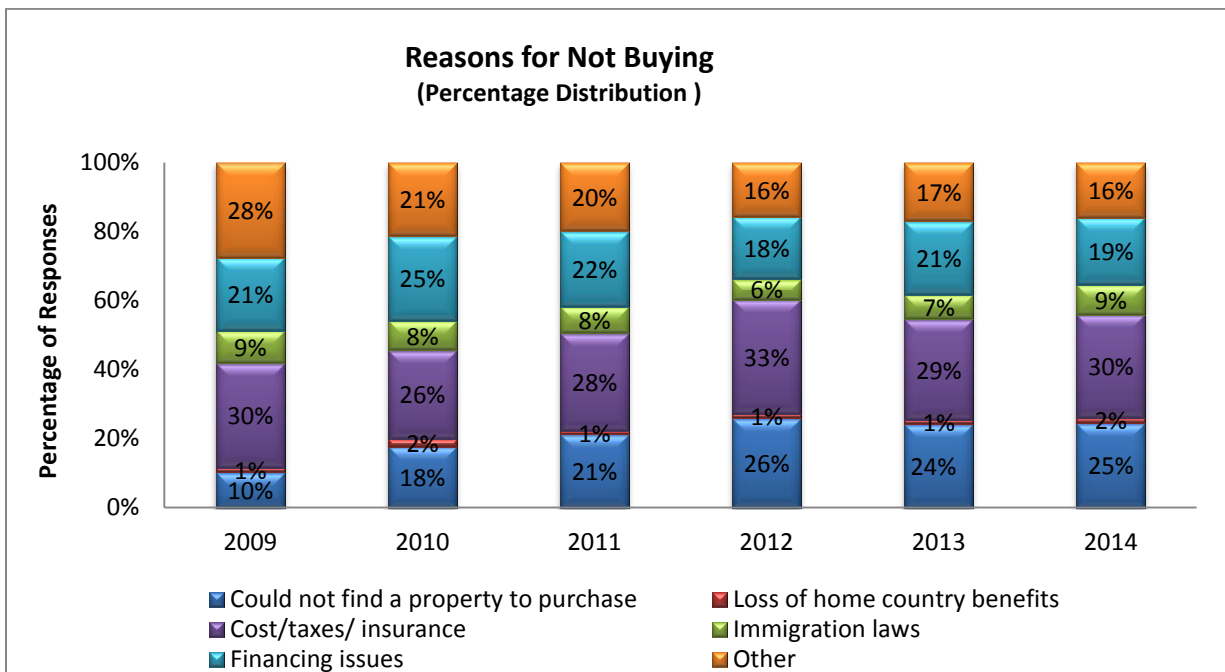
Factors and Reasons Affecting the Purchase

Of REALTORS® who had an international client, 37 percent reported that the client purchased a property because the U.S. was a desirable location, while 56 percent cited the security and profitability of investing in U.S. real estate.



In some cases REALTORS® had international clients that did not purchase U.S. property: cost/taxes and insurance accounted for 30 percent of the reasons cited, and financing issues took up 19 percent.⁶ Immigration issues accounted for 9 percent.

- Cost, taxes and insurance were mentioned by 30 percent. In some cases potential foreign buyers were reported as not understanding the ongoing costs associated with a U.S. real estate purchase, costs which are sometimes very different from those incurred in other countries. Some education of the potential buyer concerning ongoing U.S. real estate practices may be necessary.
- “Could not find a property to purchase” was mentioned in 25 percent of cases. The tight supply for property might account for this. It may also 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 Commercial & Global Services Group has extensive information on the NAR website concerning business practices and approaches for dealing with potential foreign purchasers, including information on the Certified International Property Specialist designation: <http://www.realtor.org/global>.



⁶ A discussion of REALTORS® with international business may be found on page 36.

III. Profile of Top 5 Buyers by Country⁷

The top 5 countries of buyer origin based on closed transactions as reported in the survey were Canada, China, Mexico, India, and the United Kingdom. The buying profiles of clients from these countries in terms of their destination, purchase price, intended use, type of property, type of area, and intended length of stay are presented below:

Canada

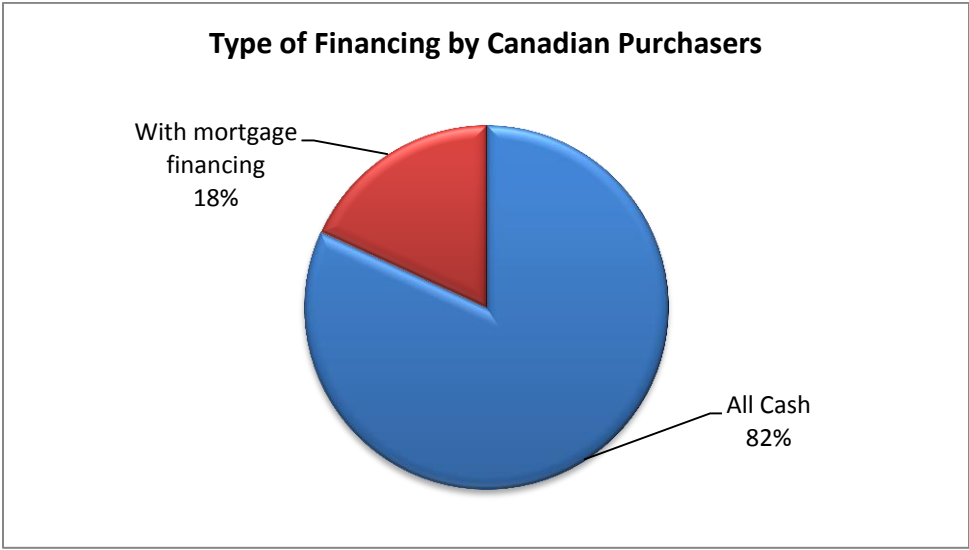
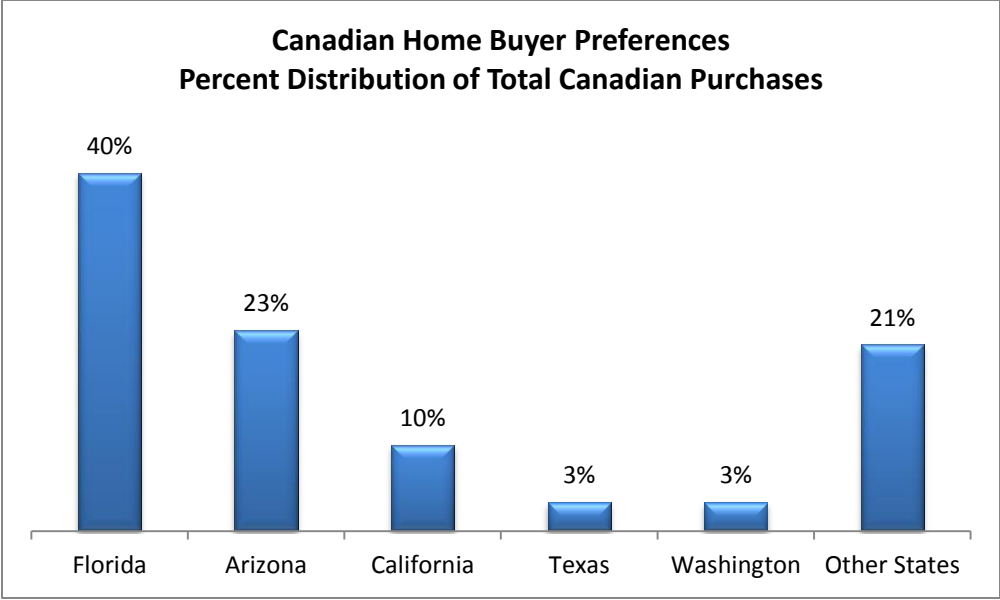
Over the 12 months ended March 2014, Canadians purchased U.S. properties estimated at \$13.8 billion in total value, which is approximately 15 percent of total international sales.

Approximately 73 percent of reported purchases by Canadian buyers were for properties in Florida, Arizona, and California. The median price of the reported properties was \$212,500 and the mean price was \$314,718. Approximately 86 percent of buyers purchased on an all-cash basis. The intended use of the property was for vacation/residential rental in a suburban or resort area with an intended length of stay of less than six months. About half of Canadians bought single-family type houses and about a third purchased a condominium/apartment type house.

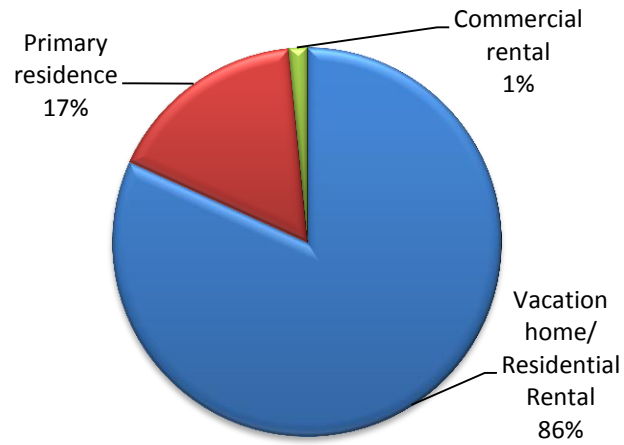
According to information from realtor.com[®] for the 12 months ending March 2014 the five urban markets of greatest interest to Canadians search for a home were Las Vegas, Detroit, Los Angeles, Ft. Lauderdale, and Miami.⁸

⁷ In the following graphs some of the percentages do not add to exactly 100 percent due to rounding conventions.

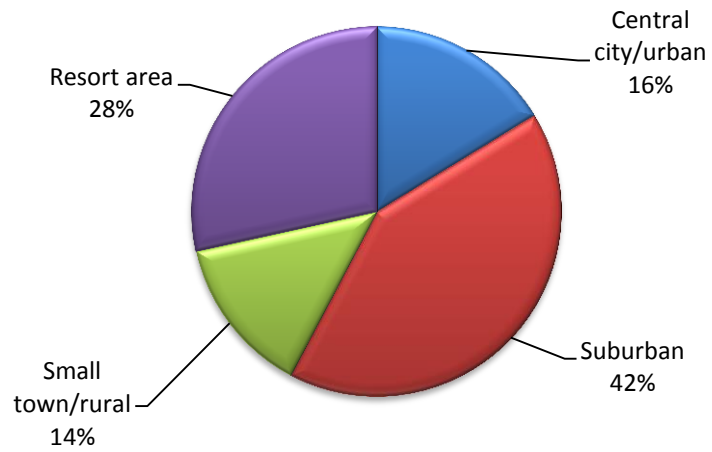
⁸ Source: realtor.com[®]. See also www.realtor.org/articles/where-are-global-buyers-searching-in-the-united-states. realtor.com[®] data report searches, not completed transactions.

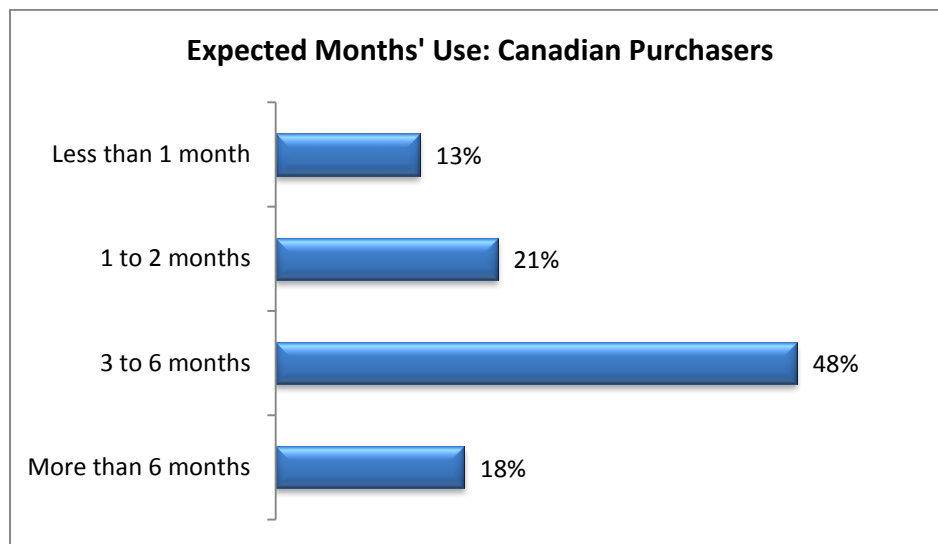
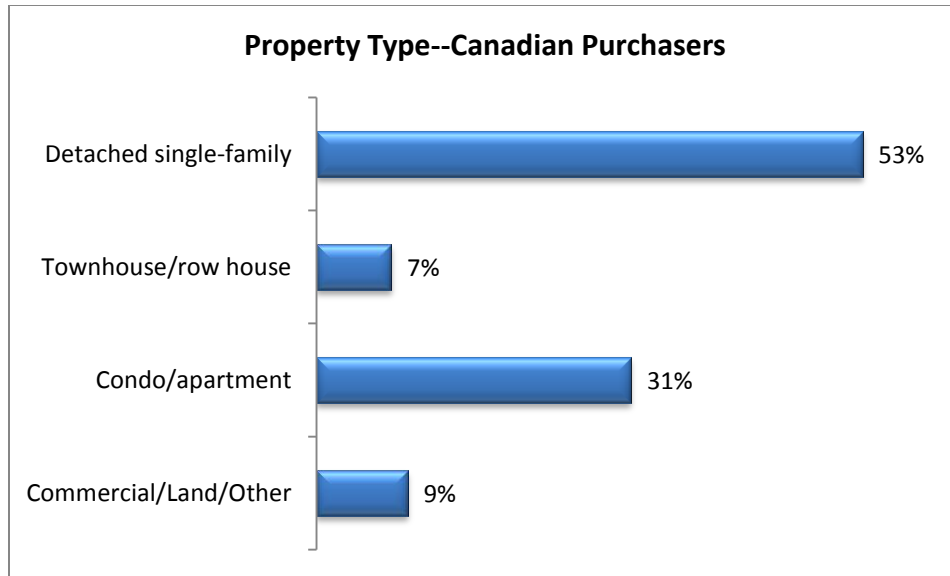


Intended Use by Canadian Purchasers



Area Preferences by Canadian Purchasers



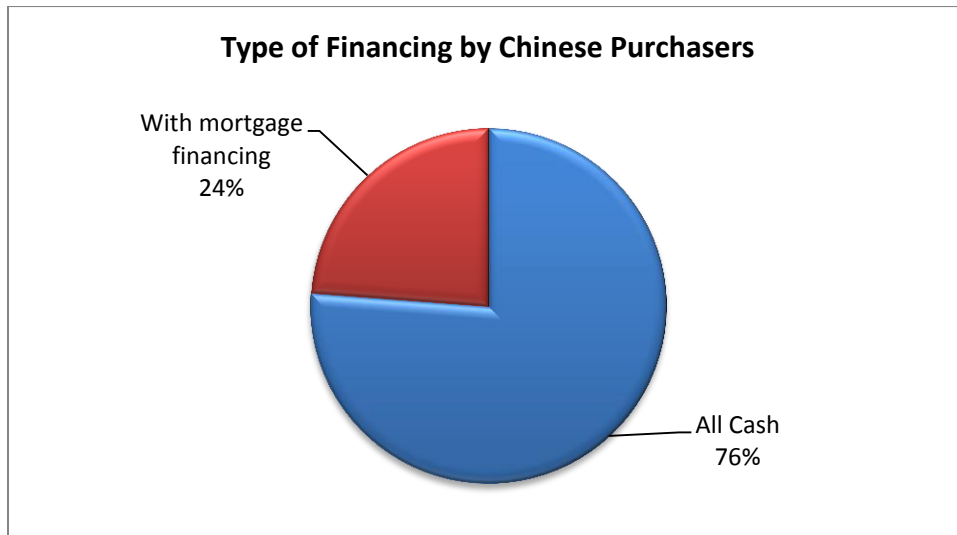
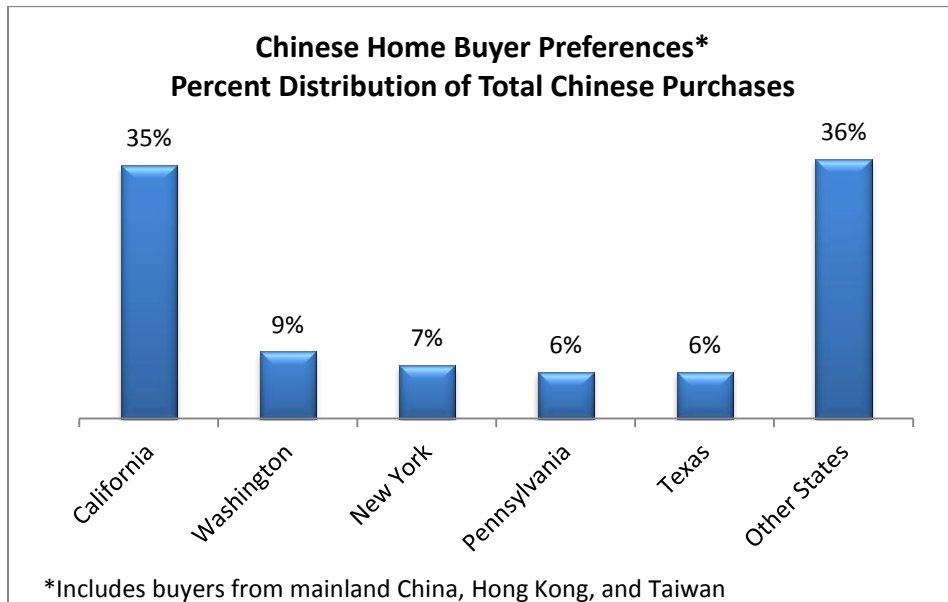


China

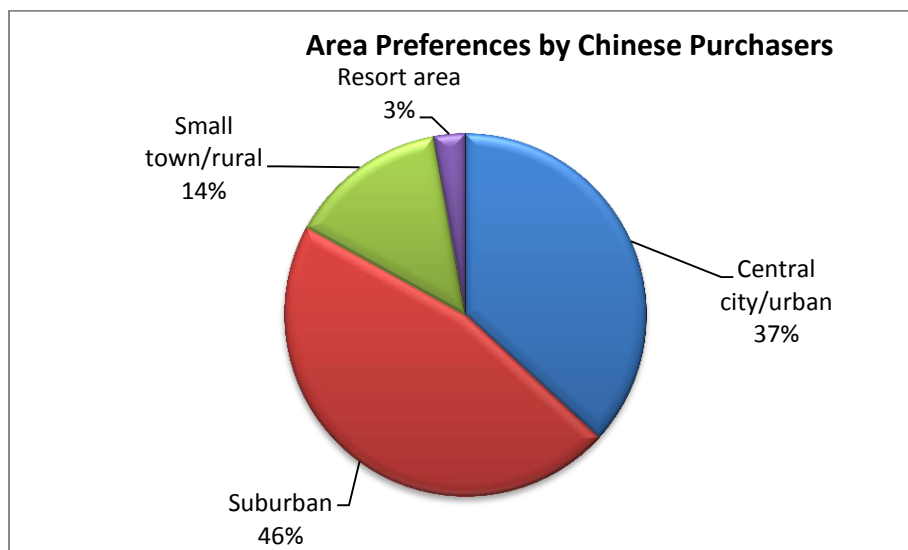
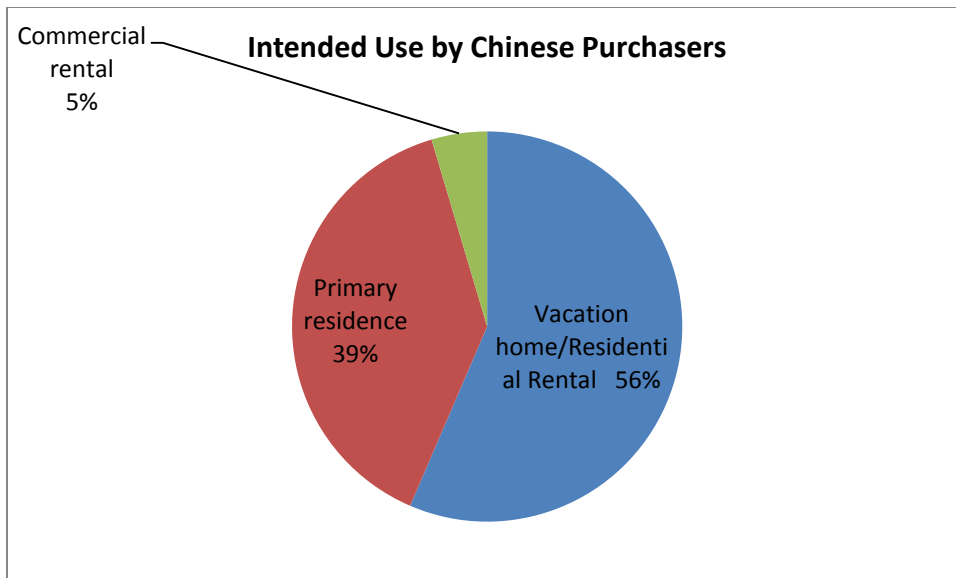
Over the 12 months ended March 2014, buyers from China⁹ purchased U.S. properties estimated at \$22 billion in total value, approximately a quarter of total international sales. Approximately 51 percent of reported purchases by Chinese buyers were in California, Washington, and New York. The median price was \$523,148, and the mean price was \$590,826. Approximately 76 percent of purchases were reported as all-cash purchases. Chinese buyers preferred urban and suburban areas. Based on data from the survey, approximately half of purchases were for

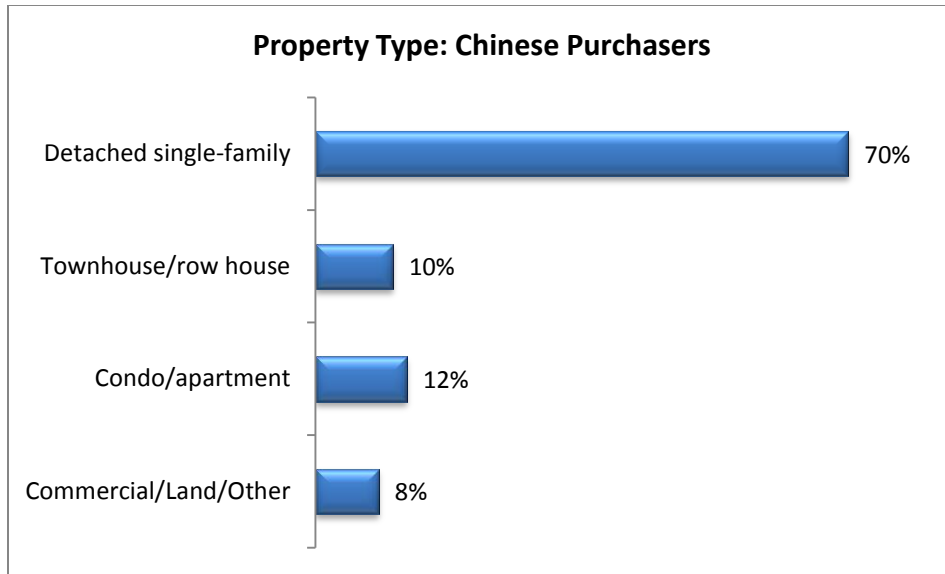
⁹ Includes buyers from Mainland China, Taiwan, and Hong Kong.

vacation/residential rental purposes. About 5 percent bought for commercial rental use. International clients from China were reported in the survey as purchasing mostly detached single-family housing with a reported intent to use the property for longer than six months. According to information from realtor.com[®] based on searches (not closings) for the 12 months ending March 2014, the five markets of greatest interest to potential Chinese buyers were Los Angeles, San Francisco, Irvine, New York, and Las Vegas.¹⁰



¹⁰ Source: realtor.com[®]. See also www.realtor.org/articles/where-are-global-buyers-searching-in-the-united-states.



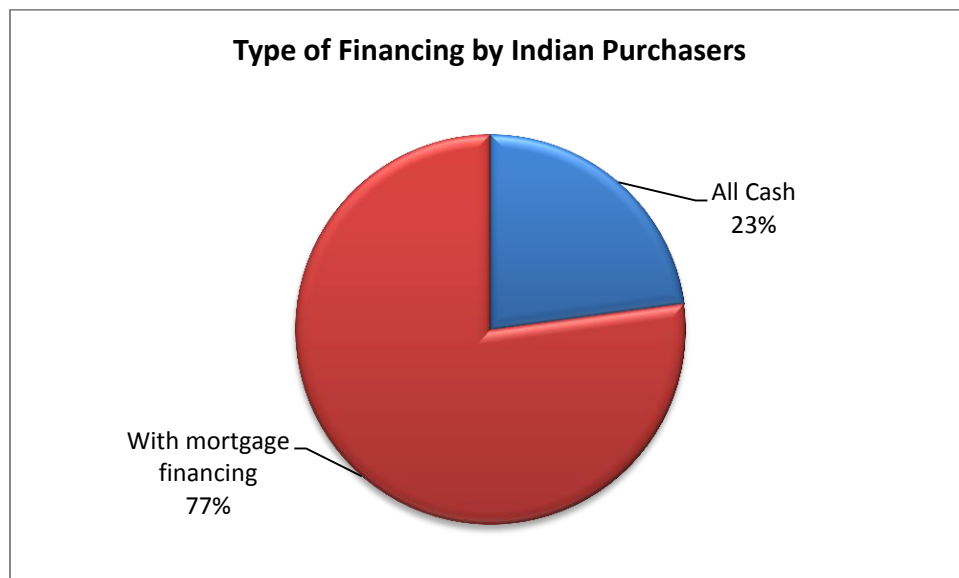
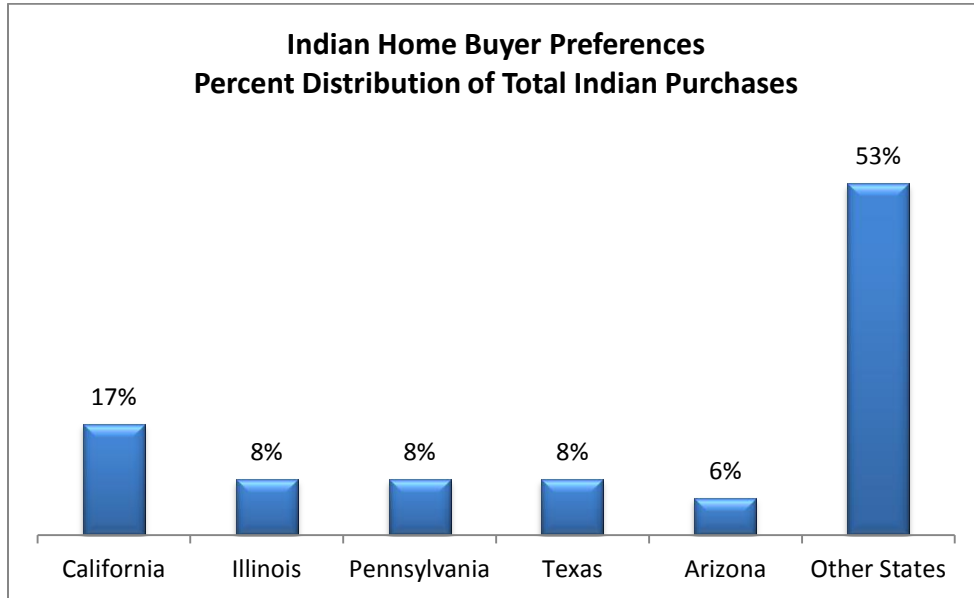


India

Over the 12 months ended March 2014, buyers from India purchased U.S. properties estimated at \$5.8 billion in total value, which is approximately 6 percent of total international sales. Based on data from the survey, Indians were not as concentrated in a few key states as buyers from Canada, Mexico, or the United Kingdom. Among the reported destination states for buyers from India, the top states were California, Illinois, and Pennsylvania. The median price was \$342,857, and the mean price was \$459,028. In contrast to other buyers, only 23 percent were all cash sales. Indians mostly purchased single family detached homes, but about 6 percent bought for

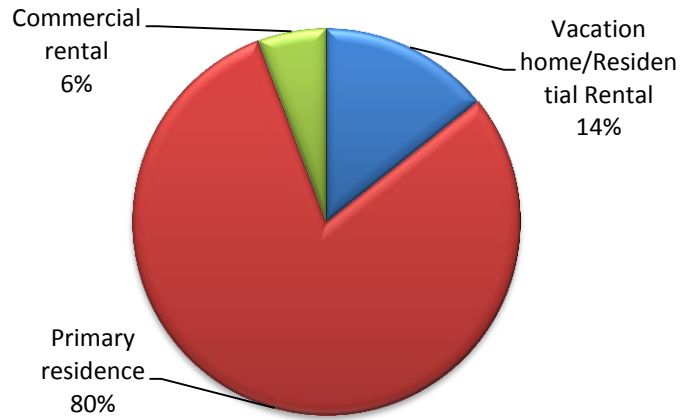
commercial/rental use. The properties were mostly in the suburban area and intended for residential and longer-term use.

According to information from realtor.com® based on property searches (not closings) for the 12 months ending March 2014, the five markets of greatest interest to potential Indian buyers were Los Angeles, Las Vegas, Chicago, Dallas, and New York.¹¹

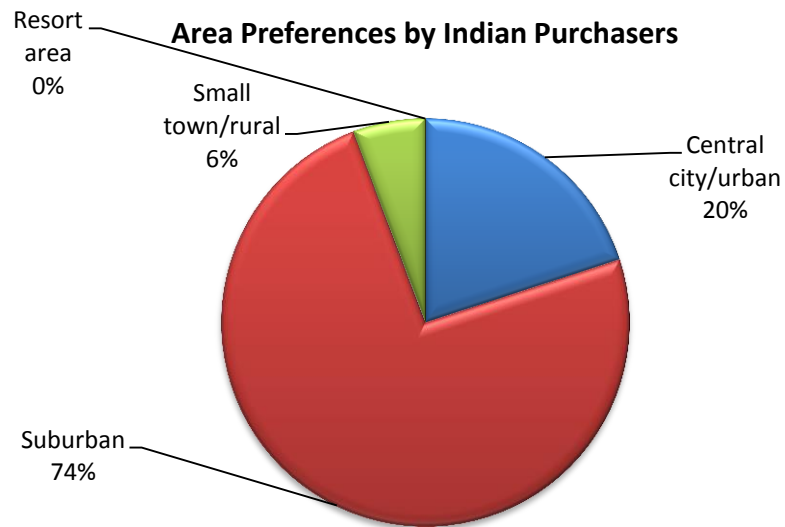


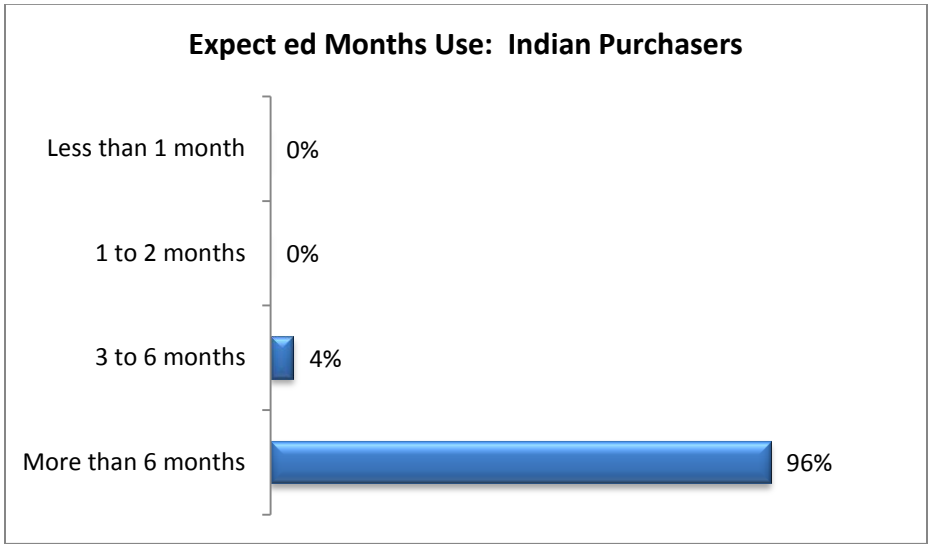
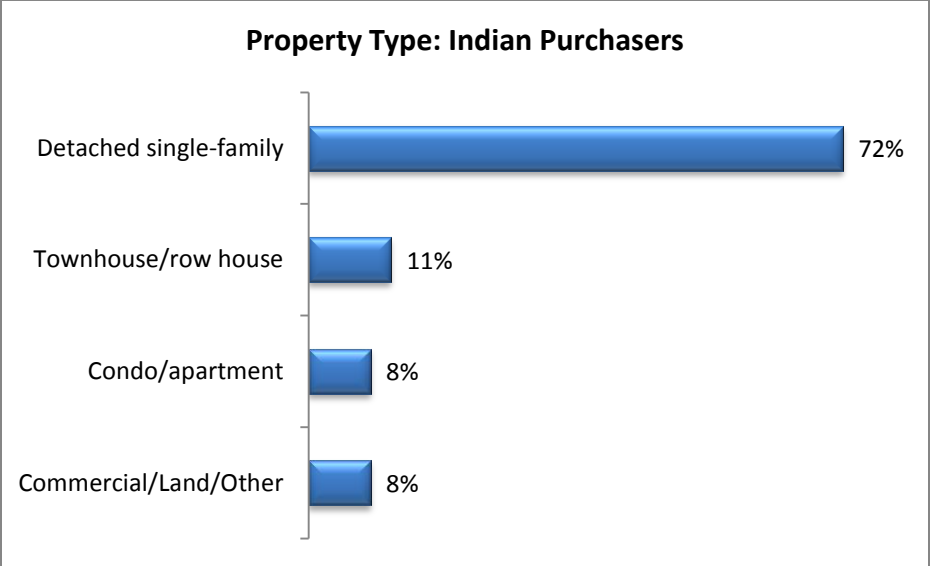
¹¹ Source: realtor.com®. See also www.realtor.org/articles/where-are-global-buyers-searching-in-the-united-states.

Intended Use by Indian Purchasers



Area Preferences by Indian Purchasers

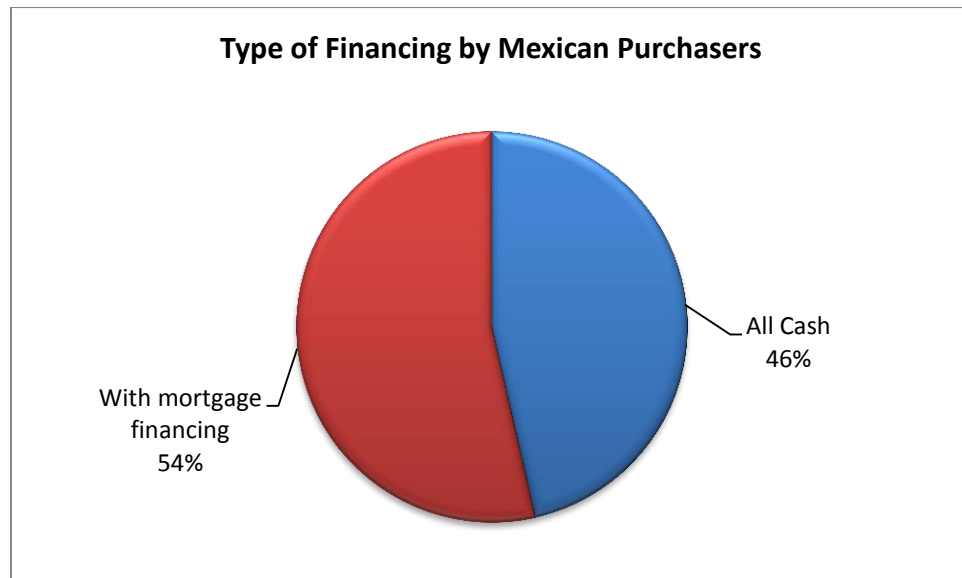
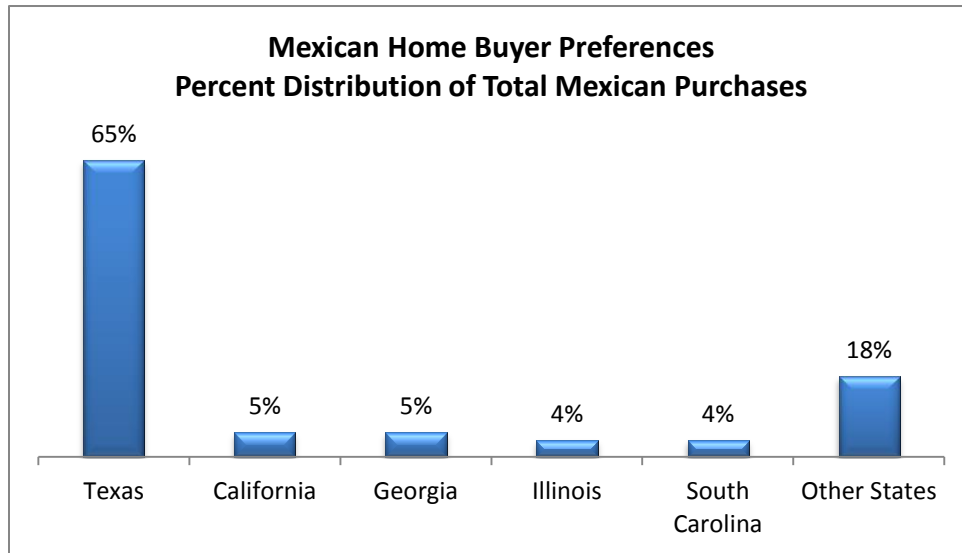




Mexico

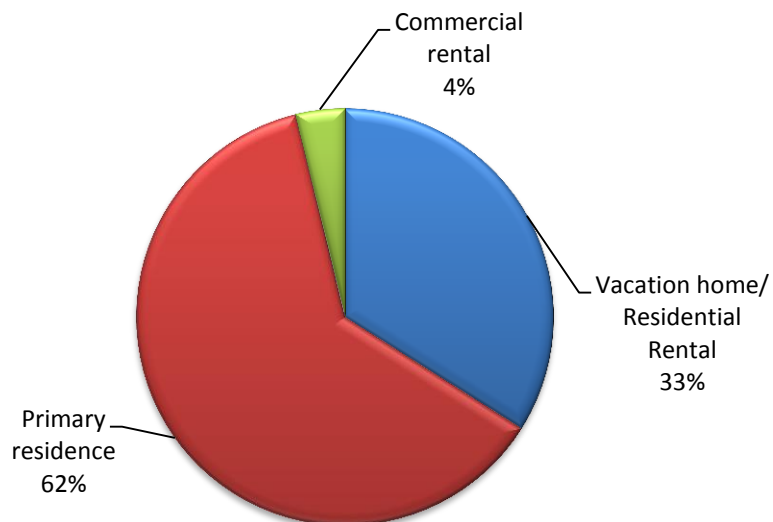
Over the 12 months ended March 2014, buyers from Mexico purchased U.S. properties estimated at \$4.5 billion, which is approximately 5 percent of total international sales. Approximately 70 percent of buyers from Mexico purchased in California and Texas. Based on data from the survey, the median price was \$ 141,071, and the average price was \$224,123. The purchases were an almost an even mix of all-cash and mortgage financing. Buyers from Mexico bought mostly single-family type properties, and about 4 percent bought for commercial/rental use. The properties were generally located in suburban and urban areas for residential use over a period of more than six months.

According to information from realtor.com[®] based on property searches (not closings) for the 12 months ending March 2014, the five markets of greatest interest to potential Mexican buyers were San Diego, San Antonio, Laredo, El Paso, and Houston.¹²

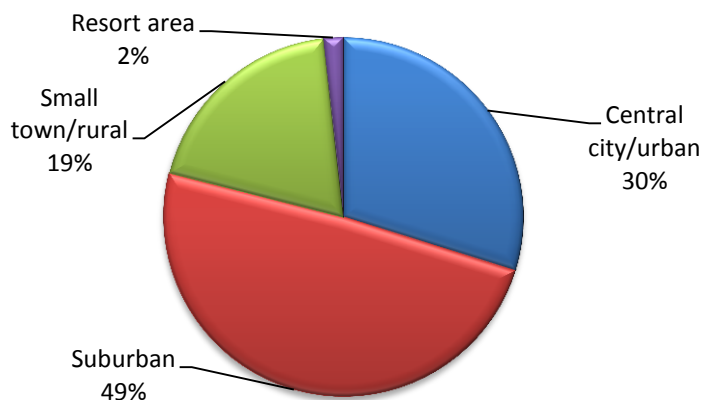


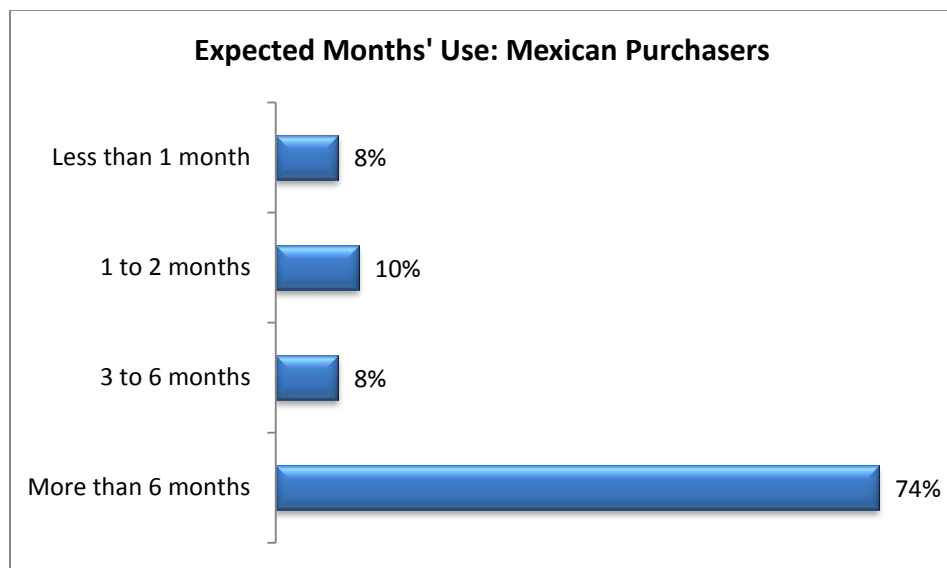
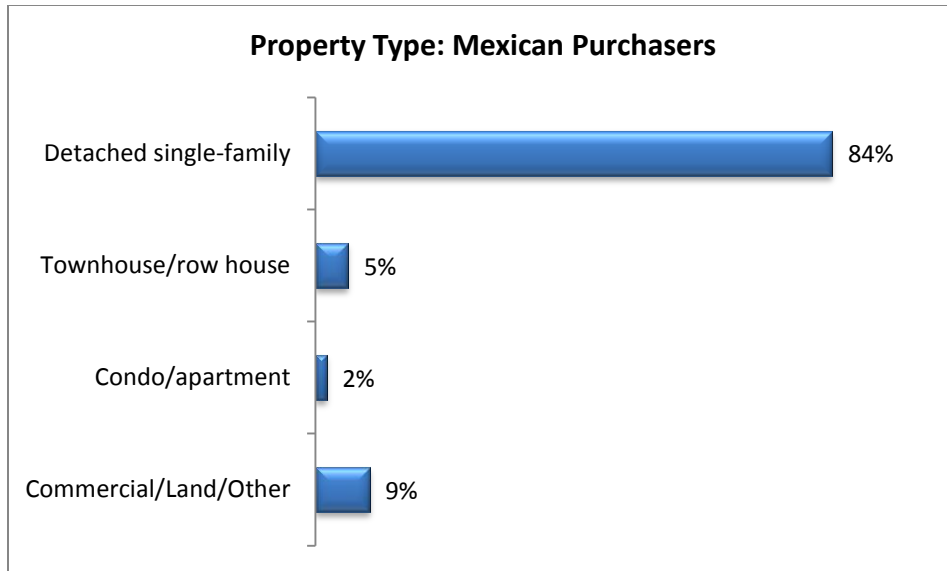
¹² Source: realtor.com[®]. See also www.realtor.org/articles/where-are-global-buyers-searching-in-the-united-states.

Intended Use by Mexican Purchasers



Area Preferences by Mexican Purchasers



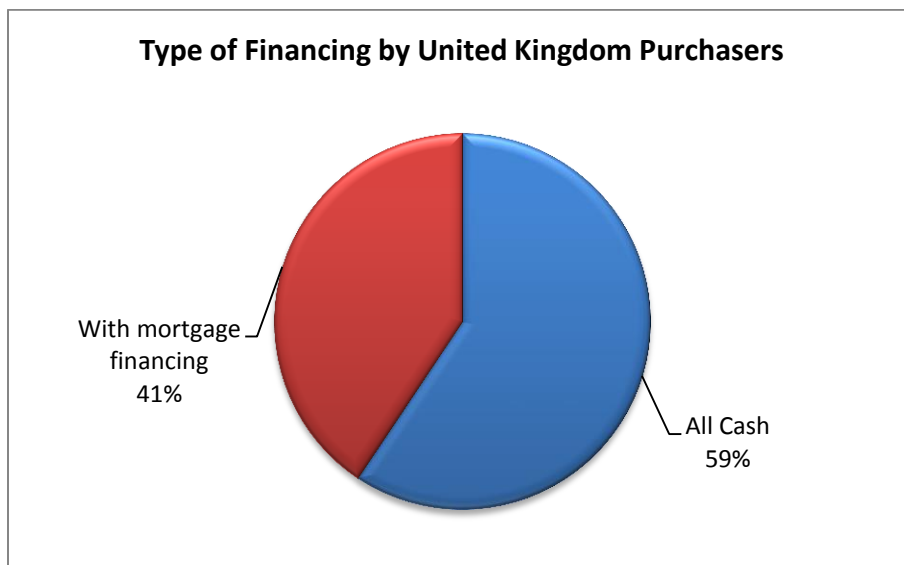
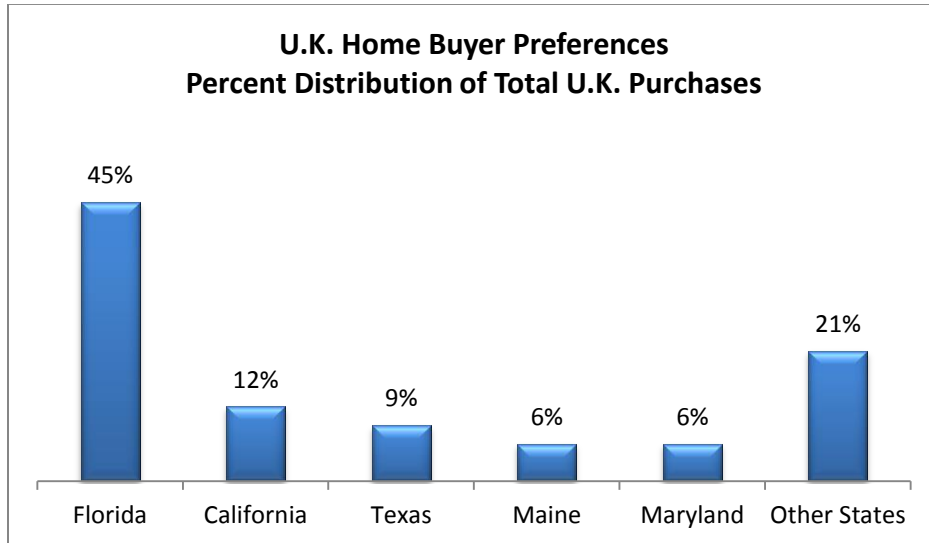


United Kingdom

Over the 12 months ended March 2014, buyers from the United Kingdom purchased U.S. properties estimated at \$5.8 billion, which is approximately 6 percent of total international sales to foreigners in the U.S. Approximately two-thirds of clients from the United Kingdom (U.K.) purchased properties in Florida, California, and Texas. The median purchase price was \$350,000, and the average price was \$499,242. The purchases reflected an almost balanced mix of mortgage and all-cash financing. Based on data from the survey, approximately 8 in 10 purchases were located in a suburban or small town/resort area. Approximately two-thirds of

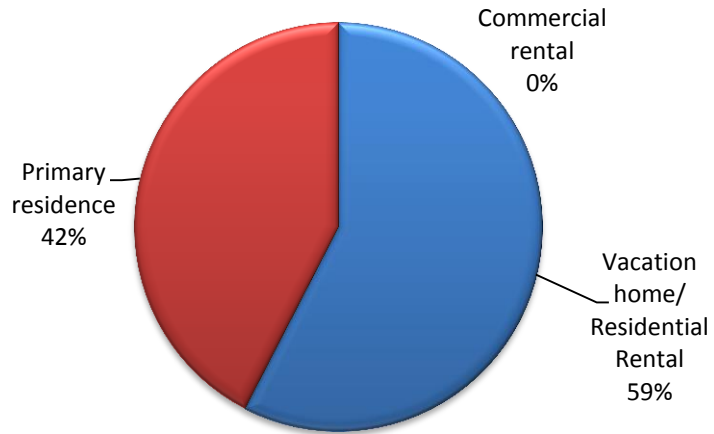
the reported purchases were single-family detached houses with a good balance of intended use for either primary residence or vacation/rental purposes.

According to information from realtor.com[®] based on property searches (not closings) for the 12 months ending March 2014, the five markets of greatest interest to potential U.K. buyers were Los Angeles, Orlando, Houston, Las Vegas, and Kissimmee.¹³

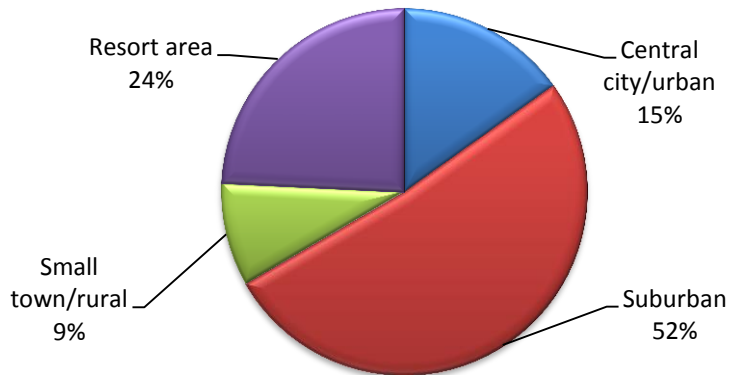


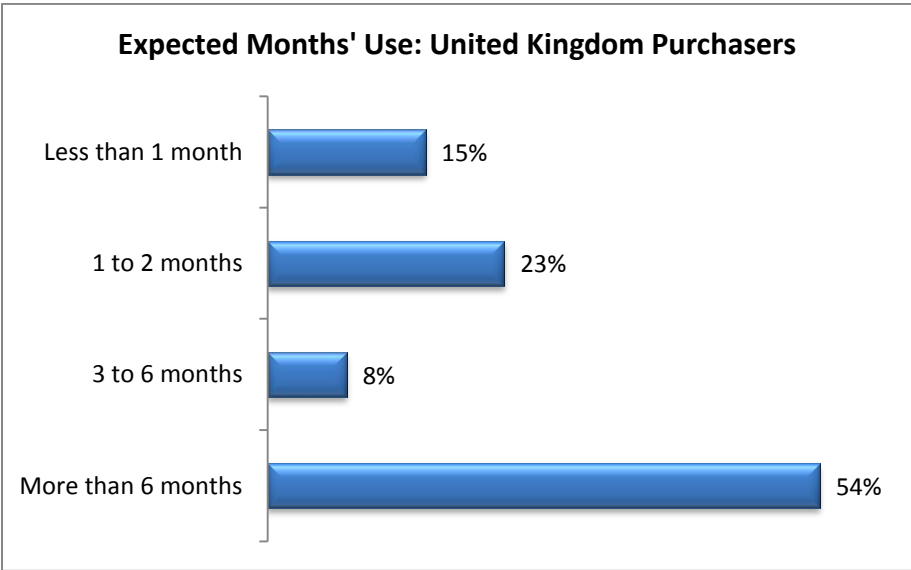
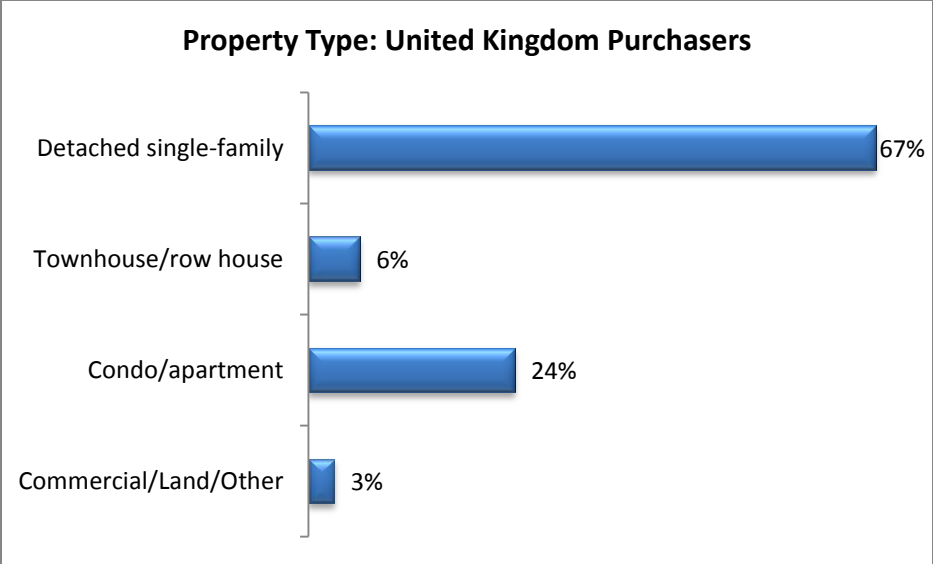
¹³ Source: realtor.com[®]. See also www.realtor.org/articles/where-are-global-buyers-searching-in-the-united-states.

Intended Use by United Kingdom Purchasers



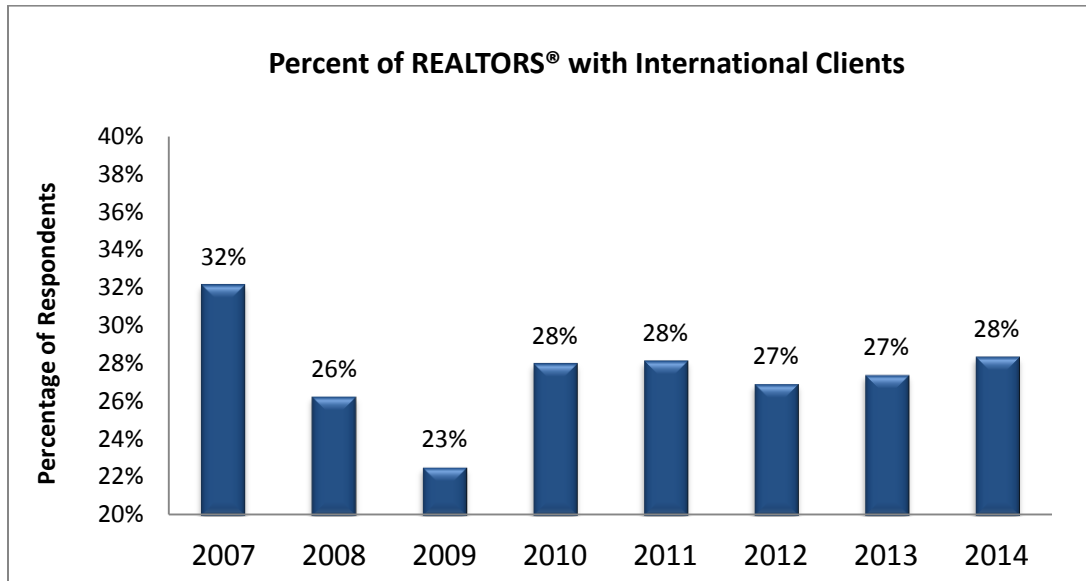
Area Preferences of United Kingdom Purchasers



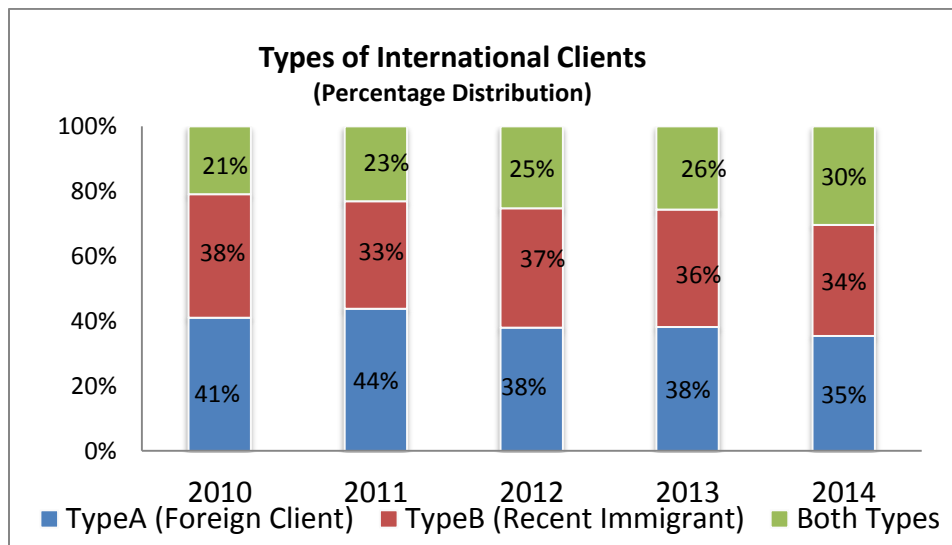


IV. REALTOR® EXPERIENCE IN SERVING INTERNATIONAL CLIENTS

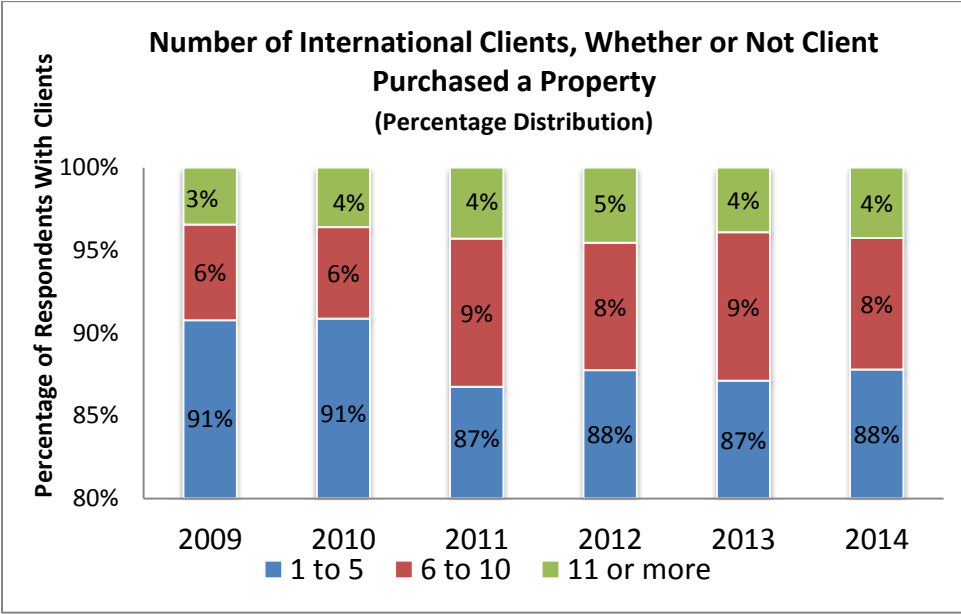
The percentage of REALTOR® respondents who reported working with international clients in the 12 months ending March 2014 was 28 percent, essentially unchanged from the previous year.



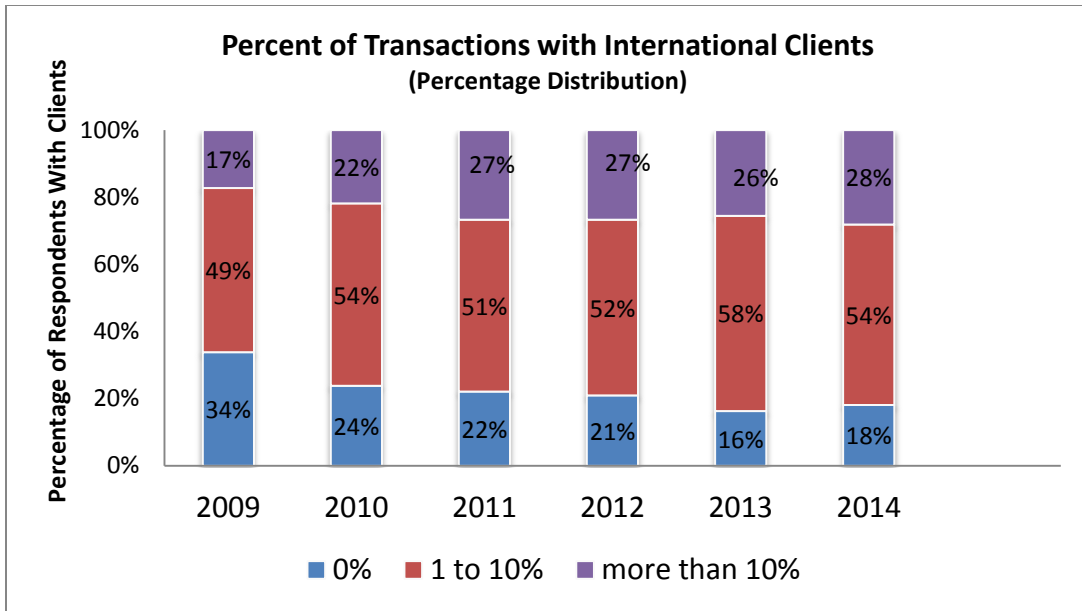
Of the REALTORS® who had an international client, 35 percent reported dealing with foreign non-resident clients (Type A), 34 percent with foreign resident/recent immigrant clients (Type B), and 30 percent reported working with both types of clients. An equal allocation of the share of “Both Types” to Type A and Type B responses yields the share of Type A clients at 51 percent and the share of Type B at 49 percent.



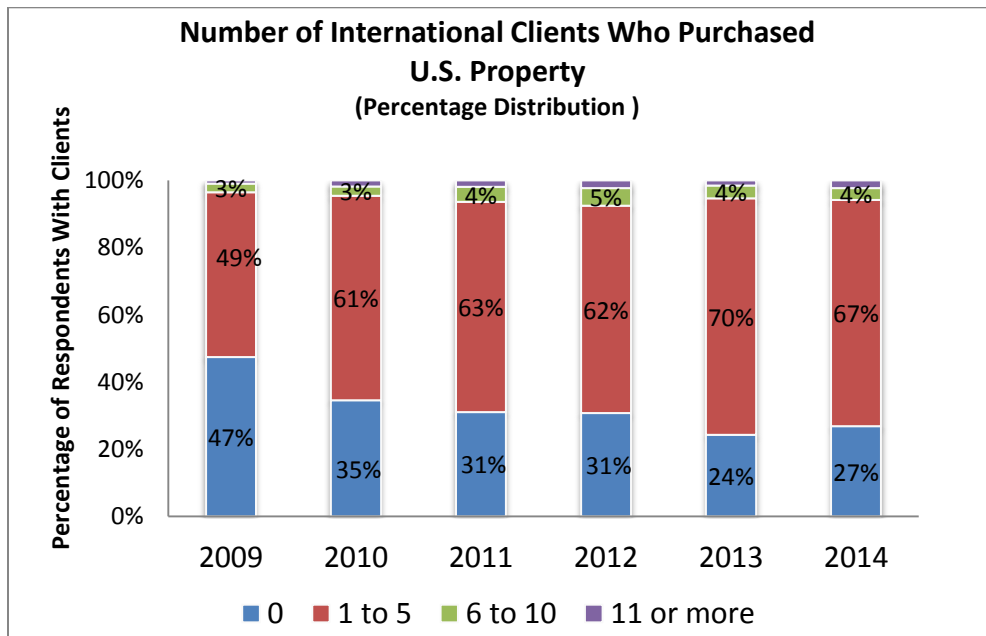
The bulk of REALTORS® who indicated that they had worked with an international client had 1 to 5 international clients, about the same since 2010. Only 4 percent had 11 or more transactions in a year. REALTORS® on the buyer-side of transactions frequently use specialized skills in working with a relatively large number of international clients in a given year. REALTORS® on the seller-side may have relatively few international clients in a given year, for international sales are a small portion of overall sales.



Of the REALTORS® who reported having an international client, approximately 54 percent reported that international transactions accounted for 1 to 10 percent of their total transactions, a decrease compared to 2013, but in line with past year’s levels. The share of REALTORS® who reported that international transactions accounted for more than 10 percent of their total transactions and the share of REALTORS® who reported no completed international transactions both increased.



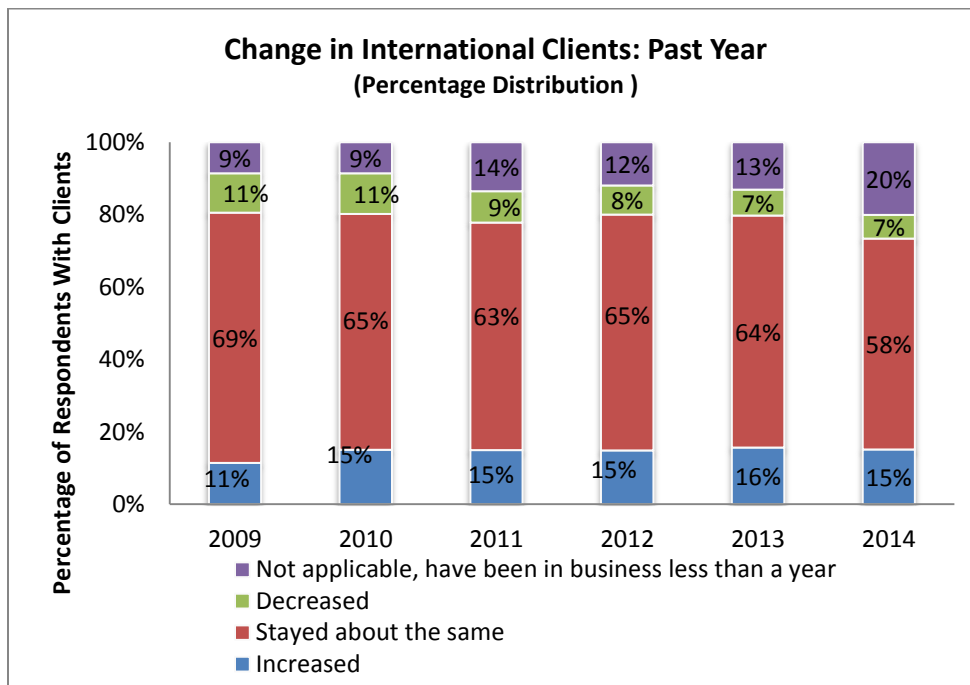
Approximately 67 percent of REALTORS® with foreign clients had 1 to 5 clients who purchased U.S. property, down from the previous period. About six percent had 6 or more, the same as in previous years.



Approximately 45 percent of REALTORS® who reported having an international client reported that they had at least one client who decided not to purchase U.S. property, about the same as in recent years.



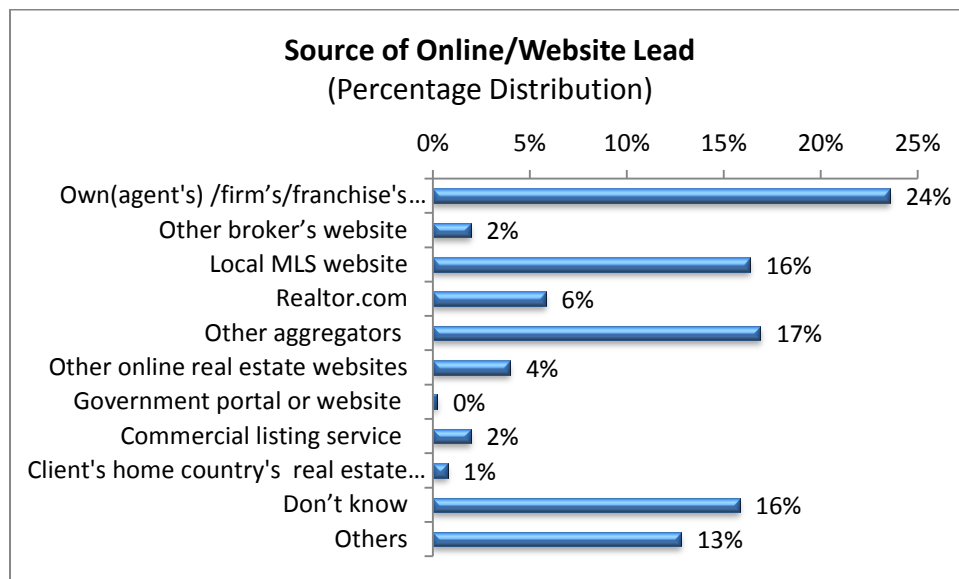
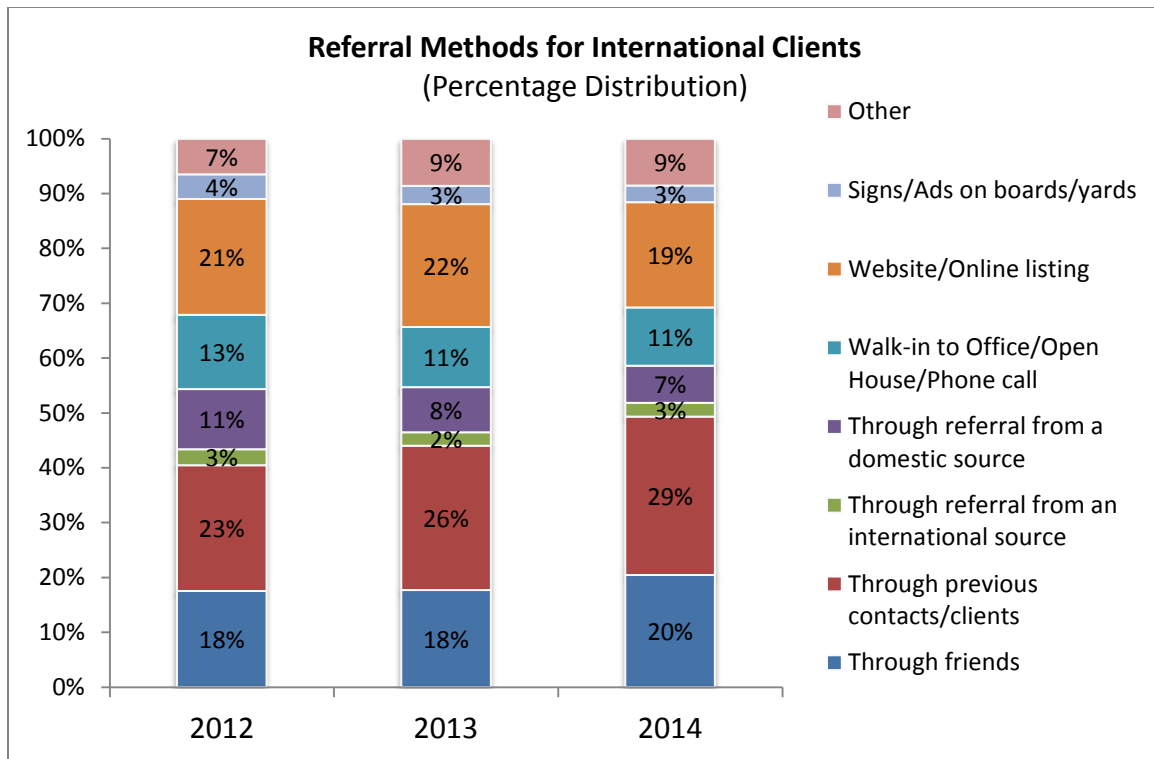
Out of all REALTOR® respondents (with or without international clients in the past 12 months), a lower share- 73 percent - reported a constant level or an increase in the number of international clients in the 12 months ending March 2014. The declining share can be explained by the increase in “Not Applicable” responses reported by those who had been in the business for less than one year.



Over a five year time frame, a lower share of REALTORS® - about 68 percent - reported a constant level or an increase in the number of international clients. Again, the declining share can be explained by the increase in “Not Applicable” responses reported by those who had been in the business for less than five years.



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 achieving successful closings. Of the REALTORS® who reported transactions with foreigners, 59 percent reported that clients were referred to them through friends, previous clients, and international and domestic referrals. About 19 percent of clients were obtained through website/online listings. The primary sources of online leads were the agent’s own website (24%), the local MLS website (16%), and other aggregators (17%). Realtor.com®, which launched an international site (www.realtor.com/international) at the end of 2011, accounted for 6 percent of online leads.



Comments provided by REALTORS® about their experience working with international clients are provided in the following table¹⁴.

¹⁴ Comments were edited for brevity, clarity, and typographical errors.

Comments from REALTORS®

- America is often seen as a "safe haven" relative to many other countries. (CA)
- Buyers also want to live in the US for its opportunities, education and freedom. (WA)
- A person can buy a lot of property for a good & fair price here. (OH)
- Client bought home for daughter in graduate school. She and her roommates will live there for three years, and then daughter will go back to Hong Kong, and she will sell the home. (CA)
- Most of the international buyers from Venezuela, Argentina need to take out money out of their countries, and they view the U.S. as a secure investment and profitable. (FL)
- The high price in Hong Kong has already driven a lot of investors overseas in the real estate business. (NJ)
- I don't see a lot of international clients. We don't have transient clients unless they are associated with the university. My most recent client has a visa, and other international clients are mostly residents here (doctors) that travel back and forth. (OH)
- My international customers had been coming here for vacations for years; they decided it was time to buy. They purchased two properties down on the ocean, over \$3.5M total purchased, cash. (FL)
- Finding a desirable job is getting easier for some international clients, and they view the U.S. as a desirable place to live. (TX)
- The hardest part for an international client is the mortgage. Many find "private investor" loan companies that cater to that specific type of client. These companies are very helpful especially if they have bought a business, such as a Dunkin Donuts or other fast food store. Most of the normal mortgage qualifications just do not apply with these loan companies. (PA)
- Have not sold any international real estate because it's difficult to get a lender. (MD)
- Brokers/agents who deal with foreign sellers need more information on tax withholding when selling a property for foreigner sellers and paying taxes to the IRS. No escrow for federal tax withholding, which can make the buyers/agents liable for the taxes. (CA)
- Banks foreclose properties and hold them off the market until the market bottoms out. Cash rich foreigners swoop in and purchase bargain properties and/or distressed properties and then drive the prices up so locals cannot buy back into the area. (FL)
- I believe we are losing buyers due to the FHA costs. This needs to be changed. Upfront cost is too high, and for the life of the loan makes it unattractive to buyers.
- Air service is very important to international clients. As our airport has decreased the number of international flights (we were a Delta hub), we have had a definite decrease in international clients. (OH)
- This is very important! I sold a home to a British couple 4 years ago. This year they discovered that they are not able to acquire suitable health insurance coverage for longer than 2 weeks at a time. The husband's health is poor, so they were forced to sell their holiday home in Florida.
- Being in business less than a year makes it difficult. (PA)
- If the immigration laws changes, people will be able to invest and get loans to purchase properties in this country. Now, only cash buyers can do it.
- The international clients I have worked with are for rentals and home insurance.
- I am of Indian origin, and most of the buyers feel a certain amount of comfort by using a Realtor who is familiar with their country and customs. Most of the calls just come from name recognition.
- I have a very international clientele: Israel, Argentina, Germany, Lebanon, China, France, Russia, Ireland, Yemen & more. (WI)
- Utah has a lot of immigrants the last 5 years, and they are buying homes (UT)
- Colorado Springs' high end market has not recovered from the downturn in the market. There are many buying opportunities for international buyers, but we are not seeing any. (CO)
- Working with mostly Canadian customers, and the dollar is causing some pull back due to the exchange rate. (FL)

V. CONCLUSIONS

The dollar volume of residential purchases by residents and non-residents is estimated at \$ 92 billion for the 12 months ended March 2014, a 35 percent growth from the previous year. This accounts for approximately 7 percent of total existing home sales of about \$ 1.2 trillion over the same period. The continued recovery in the countries of origin of international clients as well as the healthy pace of growth in China and the appreciation of some currencies against the U.S. dollar such as the Chinese yuan and British pound appear to have enhanced the affordability of purchasing U.S. property. International buyers who generally pay cash were also reported to have an advantage over buyers obtaining mortgages under stricter credit standards. U.S. home prices remain affordable in comparison to the peak level prior to the Great Recession of 2007-2009.

Canada, China, India, Mexico and the United Kingdom remain as the major sources of buyers in terms of number of transactions; Canada ranked first. In terms of dollar value of sales, China ranked first, because Chinese buyers purchased more expensive homes than was the case for Canadian buyers.

In terms of location, Florida, California, Arizona, Texas, and New York are the top preferred locations based on the number of reported purchases.

The bulk of international purchases are all cash sales for single-family homes intended to be used for residential purposes. Location appears to be the primary factor affecting residential home purchases, depending on the buyer's employment, vacation preferences, family, educational, and investment objectives.

Personal contacts and referrals are the top sources for the majority of business opportunities obtained by REALTORS®. Website/online listings continue to be an increasing source of clients, with the agent's own website as the primary source of online leads. NAR's Commercial & Global Services Group, including the Certified International Property Specialist (CIPS) designation can help REALTORS® enhance their skills in navigating the challenges of dealing with international clients; extensive information is available at www.realtor.org/global.

APPENDIX 1: Methodology for Estimation of International Sales

Data Inputs

Total U.S. Residential Sales: 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.

Existing Home Sales Price: 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, International Sales: This is an average price computed on the basis of survey information. The price is significantly higher than the average price for domestic 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 (non-resident): The percent of market consisting of sales to non-resident foreigners is based on survey data from the monthly REALTORS® Confidence Index Survey.

Methodology: Computation of International Sales (\$)

Sales to non-resident foreigners (Type A): Multiply Total U.S. Residential Sales by percent of market that is international (non-resident). Then multiply by Prices, International Sales.

Sales to resident foreigners (Type B): Multiply Sales to non-resident foreigners (Type A) by the share of Type B to share of Type A. Then multiply by Prices, International Sales.

Total International Sales: Add Sales to Type A and Type B.

Percent International: Computed as Total International Sales to Total U.S. Residential Sales.

Calculations for International Sales

| | <u>2013</u> | | | <u>2014</u> | | |
|---|--------------------|----------------------|-------------------------|--------------------|----------------------|-------------------------|
| Type A Clients, as percent of EHS (RCI) | 2.07% | | | 2.35% | | |
| Percent Type A: | 51% | | | 51% | | |
| Percent Type B | 49% | | | 49% | | |
| | | | Total | | | Total |
| | Sales Units | Average Price | Market | Sales Units | Average Price | Market |
| US Total Sales: EHS | 4,730,000 | \$228,383 | \$1,080,253,166,667 | 5,023,000 | \$247,417 | \$1,242,773,916,667 |
| International Sales: Type A | 98,137 | \$354,193 | \$34,759,523,171 | 117,846 | \$396,180 | \$46,688,223,990 |
| Type B | 94,363 | \$354,193 | \$33,422,618,434 | 114,797 | \$396,180 | \$45,480,369,439 |
| Total International | 192,500 | \$354,193 | \$68,182,141,605 | 232,643 | \$396,180 | \$92,168,593,429 |
| Percent International | 4.1% | | 6.3% | 4.6% | | 7.4% |

Analysis of Change

| | <u>2013</u> | | | <u>2014</u> | | |
|-------------------|--------------------|----------------------|---------------------|--------------------|----------------------|---------------------|
| | Sales Units | Average Price | Dollar Sales | Sales Units | Average Price | Dollar Sales |
| EHS | 8.1% | 7.6% | 16.4% | 6% | 8% | 15% |
| Type A | -4.8% | -11.5% | -15.7% | 20% | 12% | 34% |
| Type B | -8.5% | -11.5% | -19.0% | 22% | 12% | 36% |
| Total Intl | -6.6% | -11.5% | -17.3% | 21% | 12% | 35% |

APPENDIX 2: realtor.com® Data on U.S. Cities of Major Interest to Foreigners

The *International Profile* presents data for purchases by foreigners in terms of individual states. Frequently there is a request for information on purchases by city. At this time, the information is unavailable. However, data by city is collected by realtor.com® in terms of the number of searches by residents of foreign countries for specific cities. It should be noted that the data are for searches rather than closings and are for the 12 months ending 3/2014.

The realtor.com® data were processed to develop search indexes. It should be noted that the realtor.com® data are not necessarily random¹⁵—so the results would be expected to differ somewhat from the random results in the *International Profile*.

To create a numerical value or search index corresponding to these rankings, we converted the rankings into weights and then used the weights to create an index. The higher the index, the higher is the rank of the country and the city. For example, across countries and cities, an index =12 indicates that the country/city is the #1 searcher for 12 months or that a city is the #1 city being searched by a country for 12 months (see last page for methodology).

The following graphs depict the top countries and their cities of interest in 2013. The realtor.com® search results are consistent with the data gathered from NAR's *International Profile*, which has Canada, China, Mexico, India, and the United Kingdom as the top countries of origin of international buyers.

The realtor.com data® also reveals some surprises such as the strong interest from Ireland, Netherlands, the Philippines, and Spain. These countries could become major potential buyers in the future, assuming their economies grow strongly in the coming years. Regarding the search index of each country for the top cities of interest, a surprise was Las Vegas as the # 1 choice of Canadians. In view of what is happening in Russia politically, we also showed the destinations of interest to Russian buyers which include the major cities in CA, FL, NY, MI, IL, and NV.

Finally, just as is the case for foreigners interested in U.S. properties, U.S. residents are also increasingly interested in purchasing property outside of the country. A recurring question associated with the editions of the *International Profile* is whether data exist for U.S. residents purchasing abroad. The short answer is “No.” The *International Profile* survey only collected information from U.S. REALTORS® concerning purchases by foreigners.

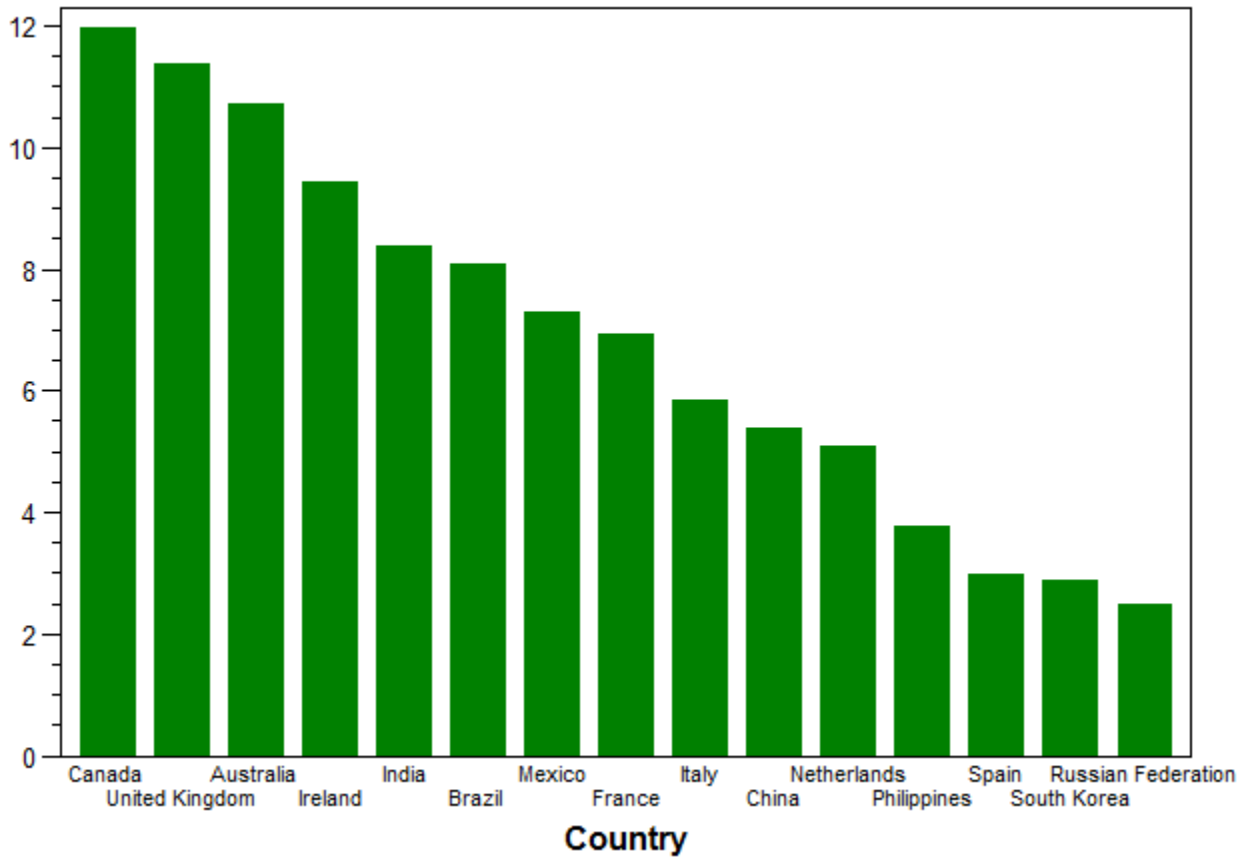
However, some data on international residential interests by U.S. residents is available from realtor.com®. The website carries listings for available homes in a number of countries, and data on the total number of inquiries by U.S. residents as regards to foreign real estate is available in terms of page views rank. For the month of April 2014 the top five foreign countries of interest

¹⁵ For example, the searches are on-line, although some prospective purchasers may conduct their research through other sources.

to U.S. residents according to realtor.com® were Italy, Mexico, Dominican Republic, Jamaica, and Costa Rica.

Residents of Foreign Countries Searching U.S. Cities on realtor.com® in 2013/14
(Index=12 Means Country is #1 Searcher for 12 Months)

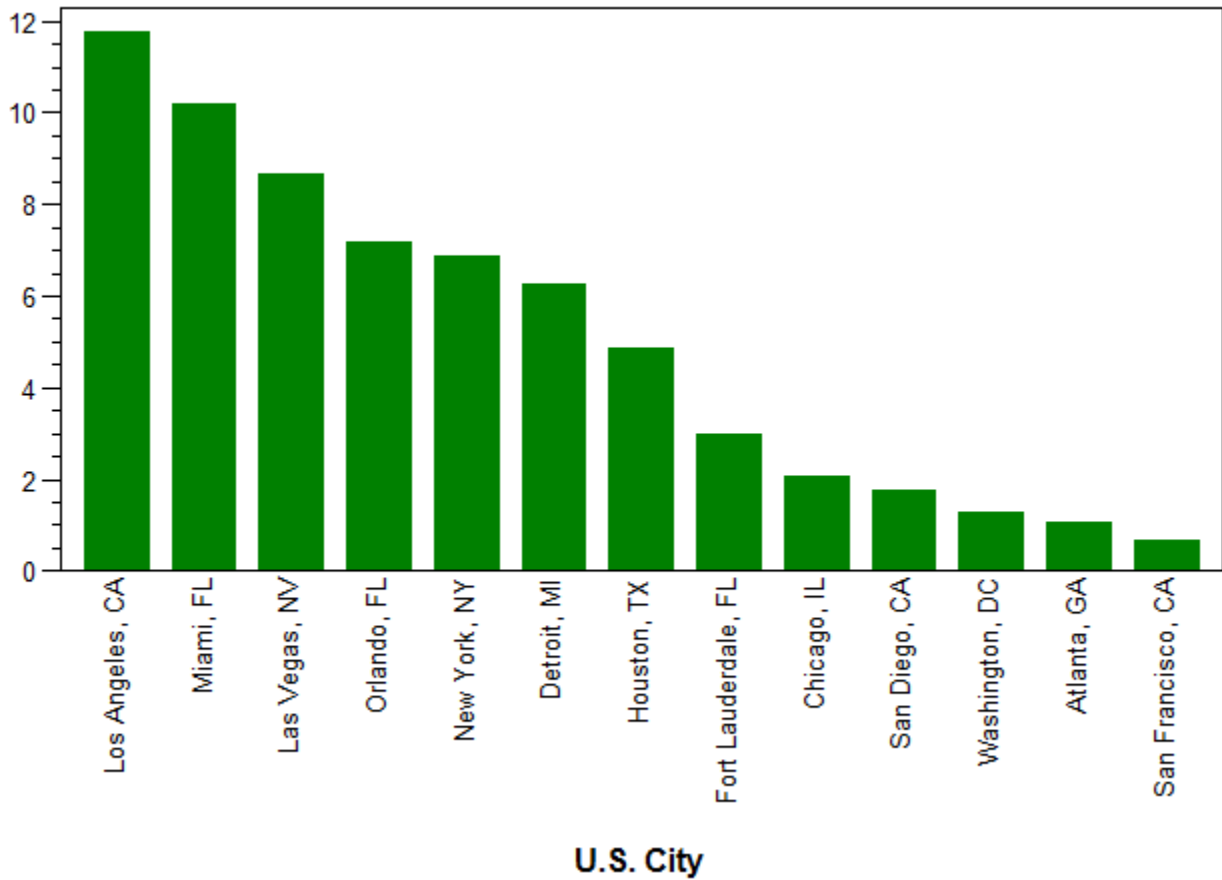
Country Search Index



Source of data: realtor.com®

Top U.S. Cities Searched on realtor.com® in 2013/14
(Index=12 - Of Major Interest ; Index=0 – Of no Interest)

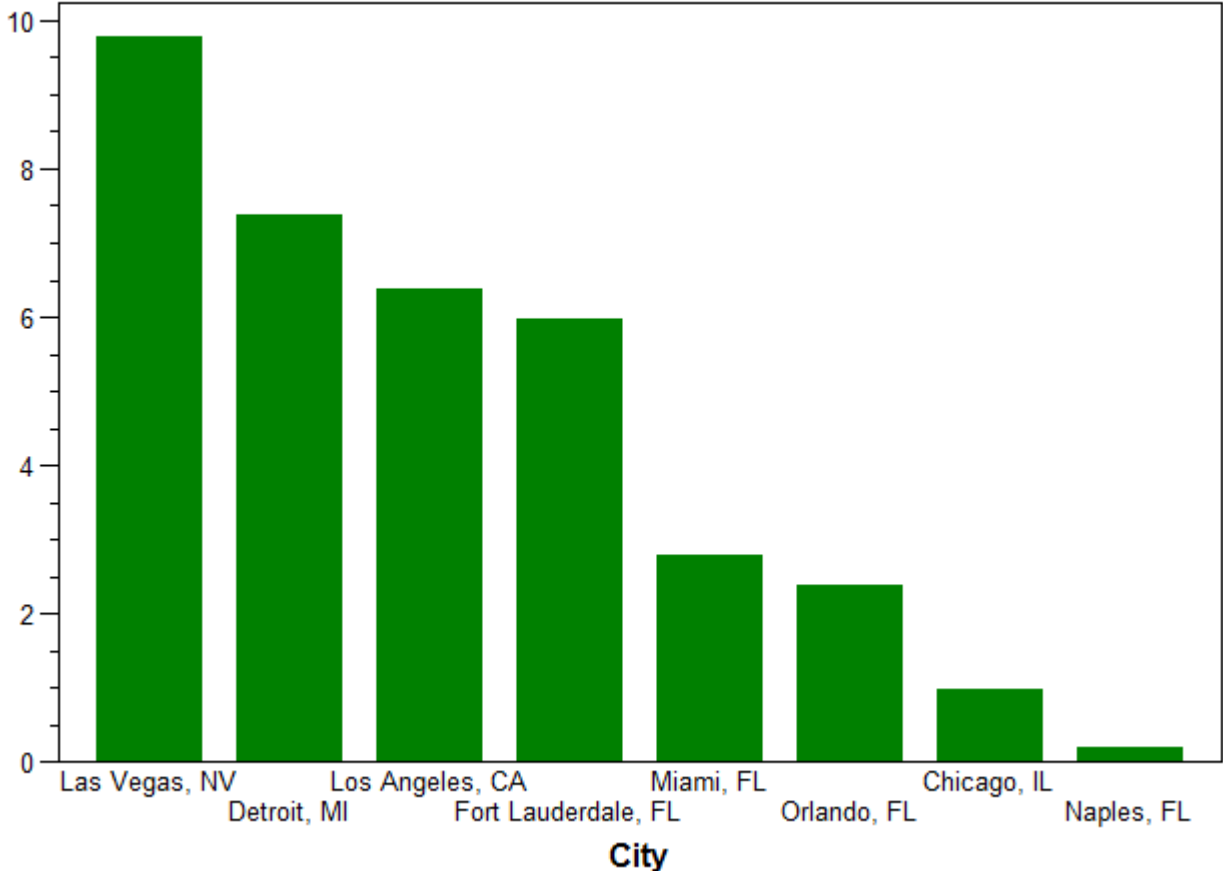
U.S. City Search Index



Source of data: realtor.com®

Canada: Top U.S. Cities Searched by Canadians on realtor.com® in 2013/14
(Index=12 - Of major interest; Index=0- Of no interest)

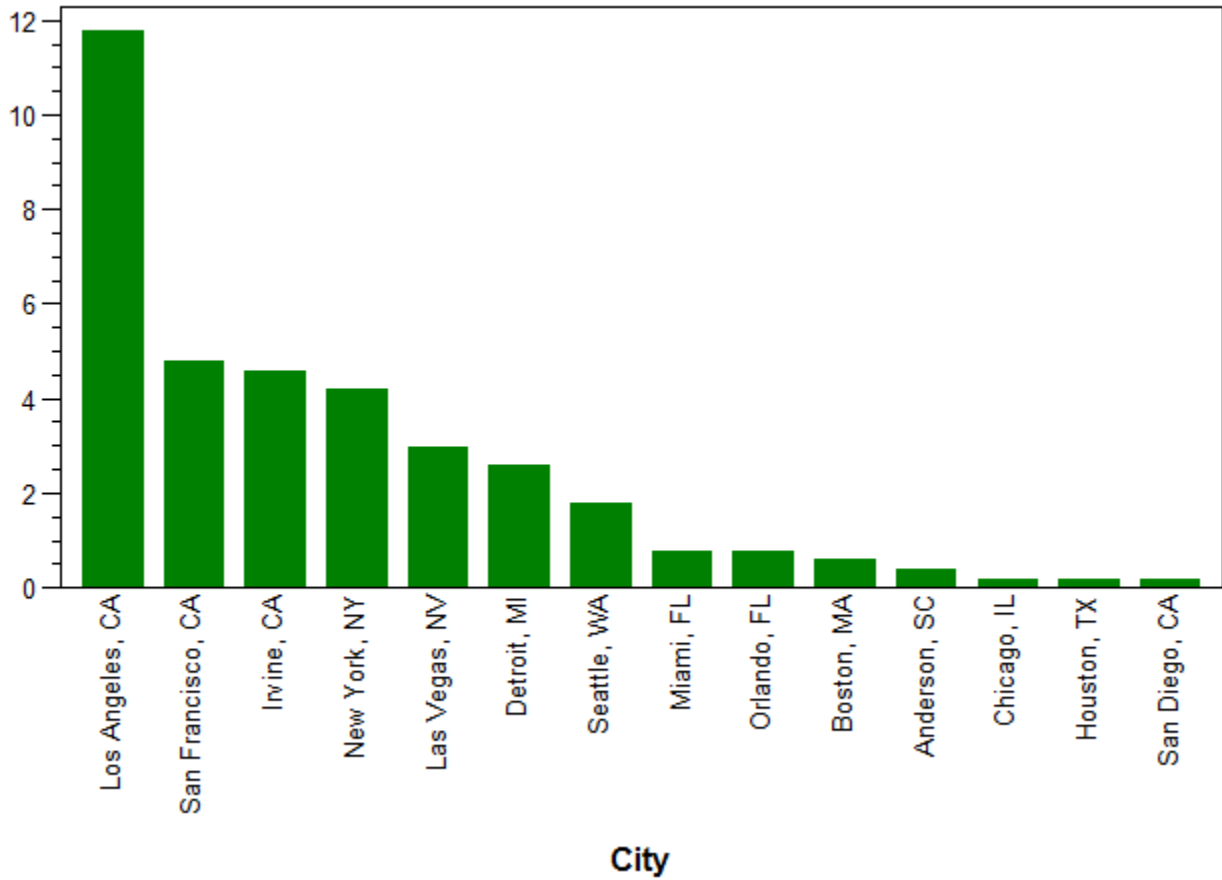
City Search Index



Source of data: realtor.com®

China: Top U.S. Cities Searched on Chinese Residents on realtor.com® in 2013/14
(Index=12 - Of major interest; Index=0- Of no interest)

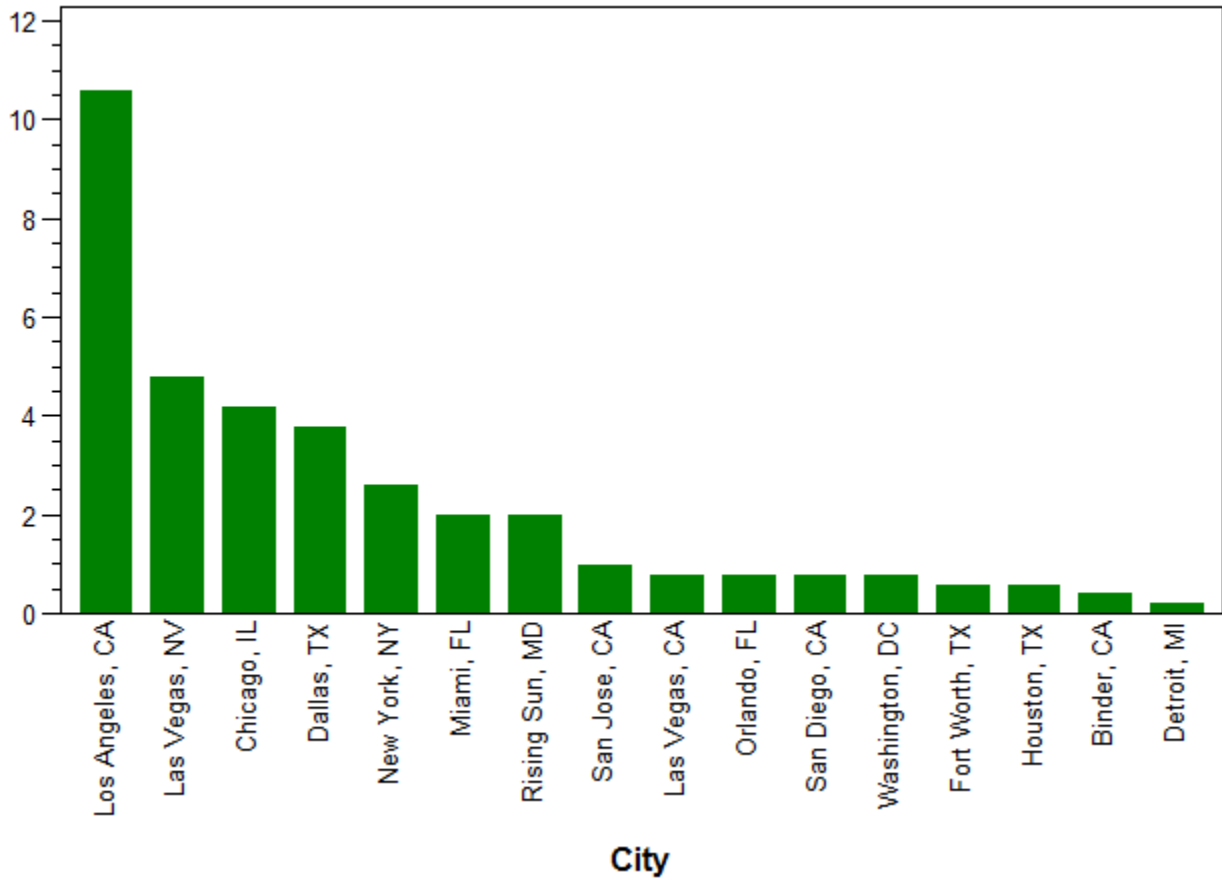
City Search Index



Source of data: realtor.com®

India: Top U.S. Cities Searched by Residents of India on realtor.com® in 2013/14
(Index=12 - Of major interest ; Index=0- Of no interest)

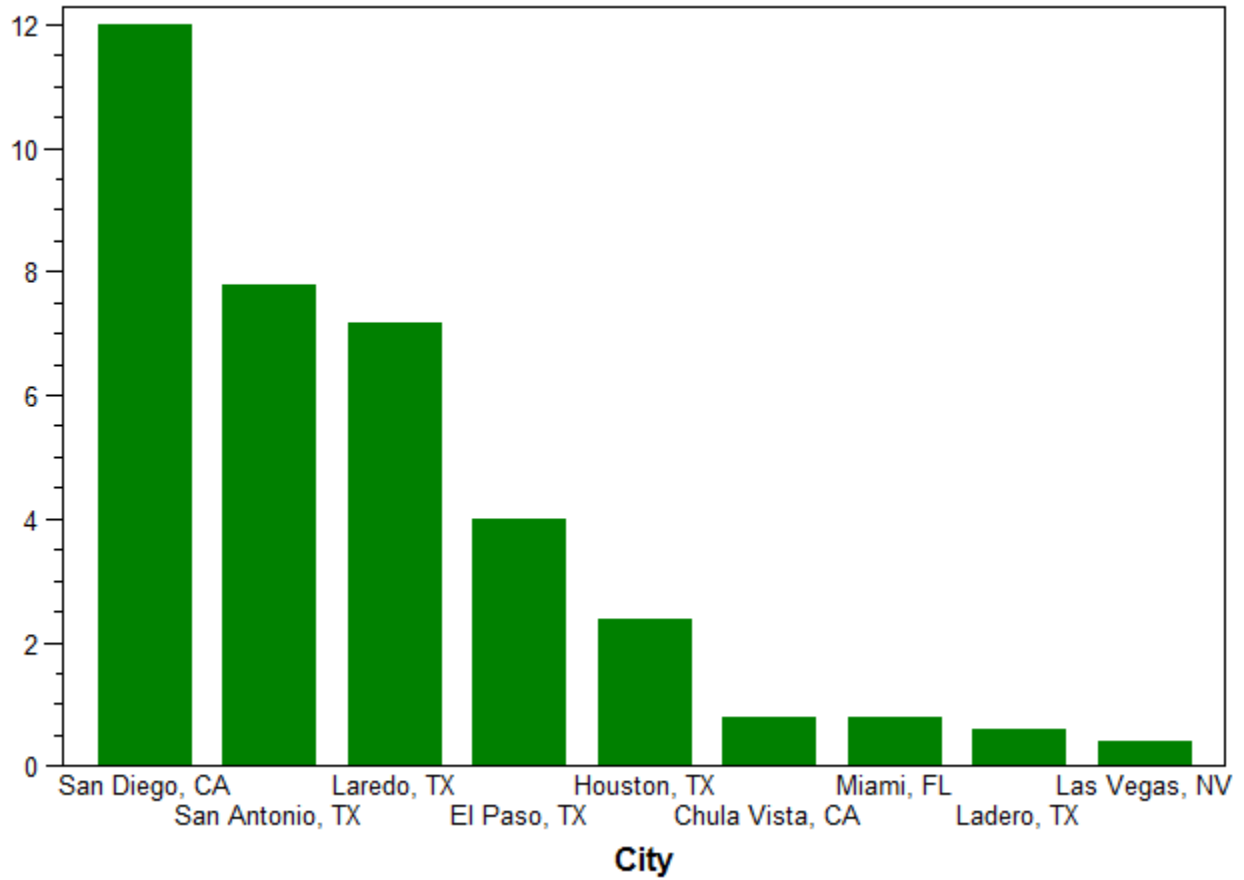
City Search Index



Source of data: realtor.com®

Mexico: Top U.S. Cities Searched by Residents of Mexico on realtor.com® in 2013/14
(Index=12 - Of major interest ; Index=0- Of no interest)

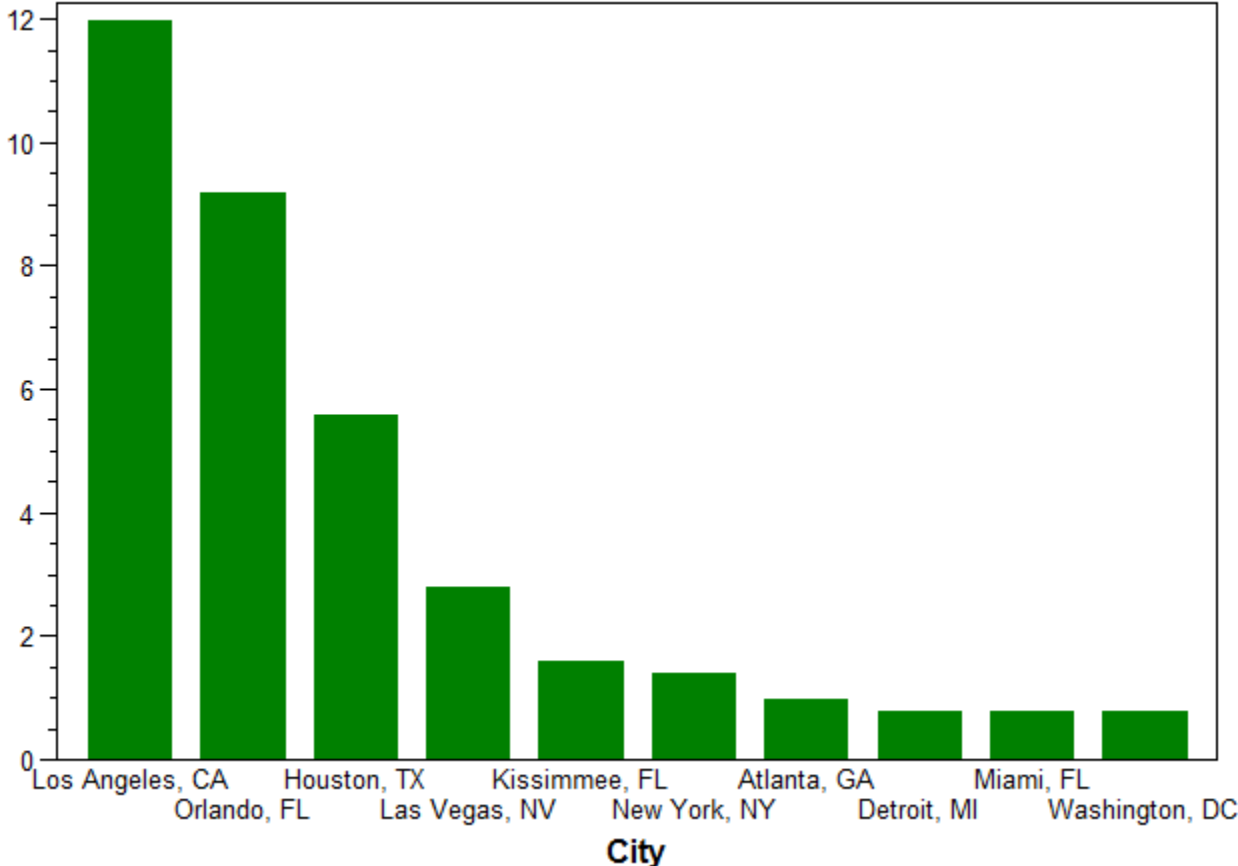
City Search Index



Source of data: realtor.com®

Top U.S. Cities Searched by Residents of the United Kingdom on realtor.com® in 2013/14
(Index=12- Of Major interest; Index= 0 – Of no interest)

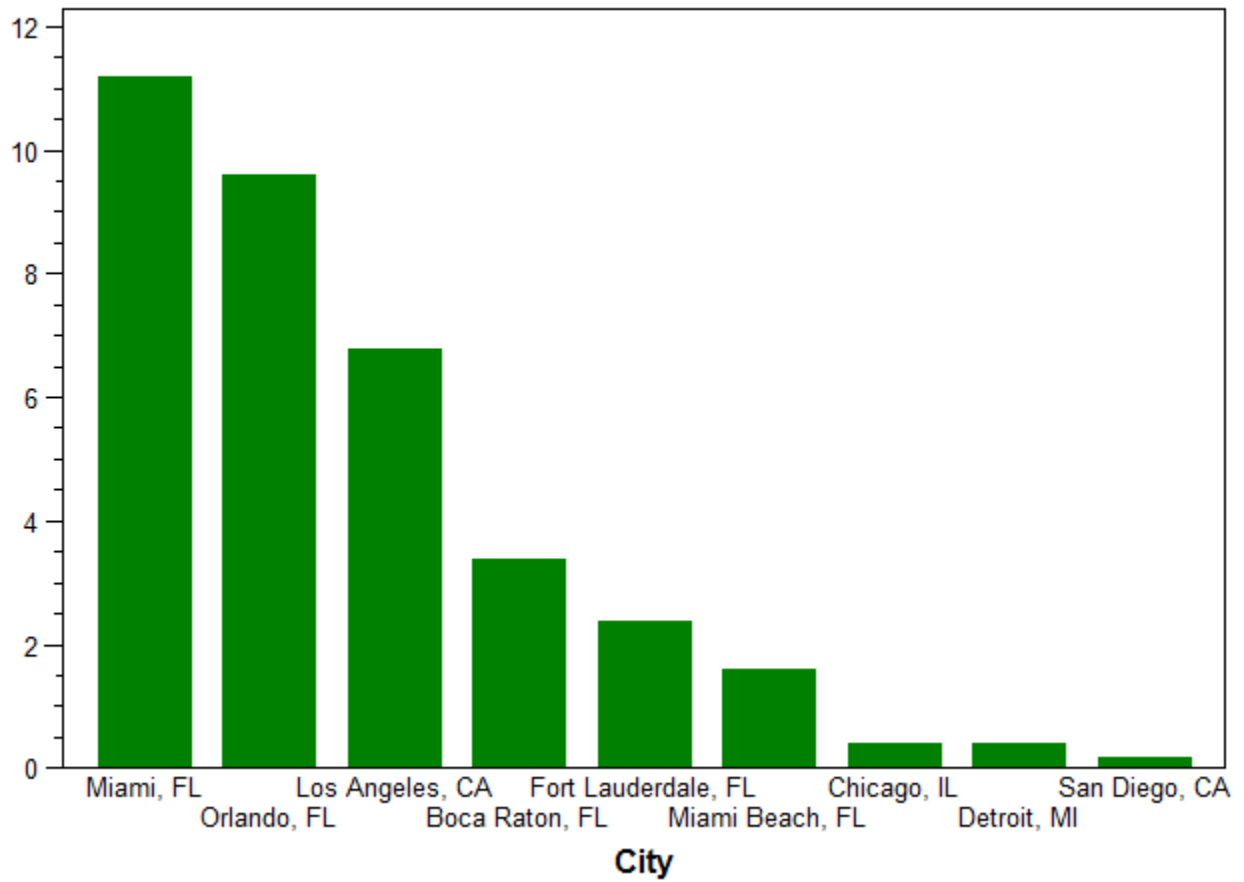
City Search Index



Source of data: realtor.com®

Brazil: Top U.S. Cities Searched by Brazilians on realtor.com® in 2013/14
(Index=12 - Of major interest ; Index=0- Of no interest)

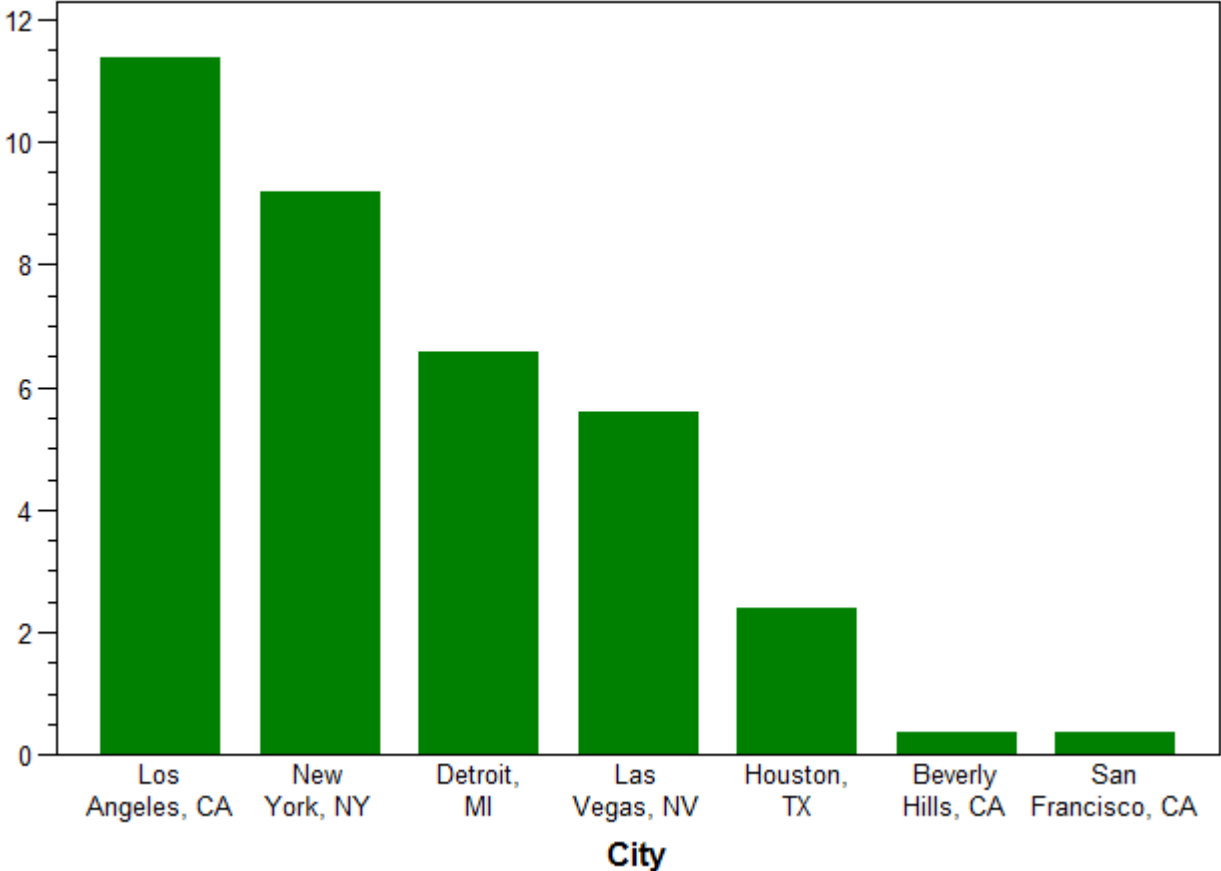
City Search Index



Source of data: realtor.com®

Australia: Top U.S. Cities Searched by Australians on realtor.com® in 2013/14
(Index=12 - Of major interest ; Index=0- Of no interest)

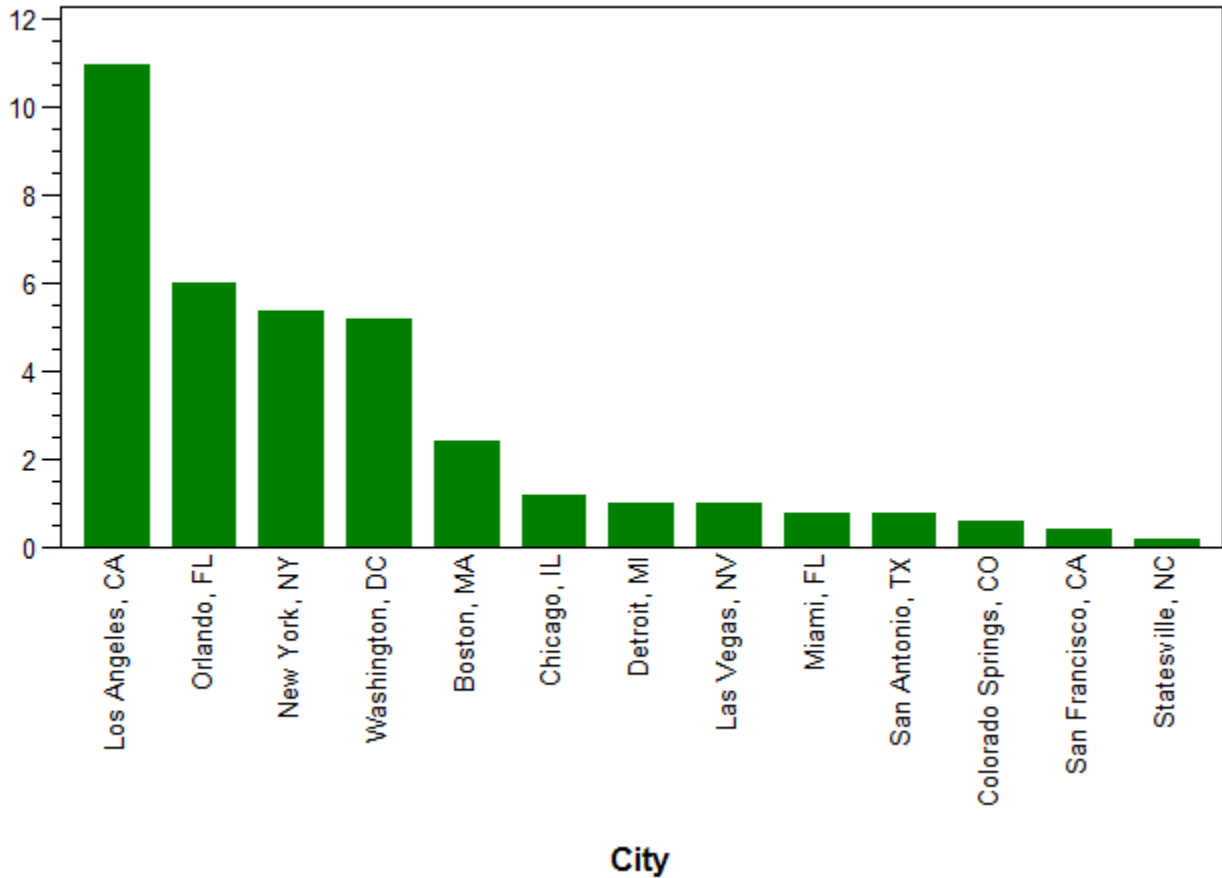
City Search Index



Source of data: realtor.com®

Ireland: Top U.S. Cities Searched by Irish Residents on realtor.com® in 2013/14
(Index=12 - Of major interest; Index=0- Of no interest)

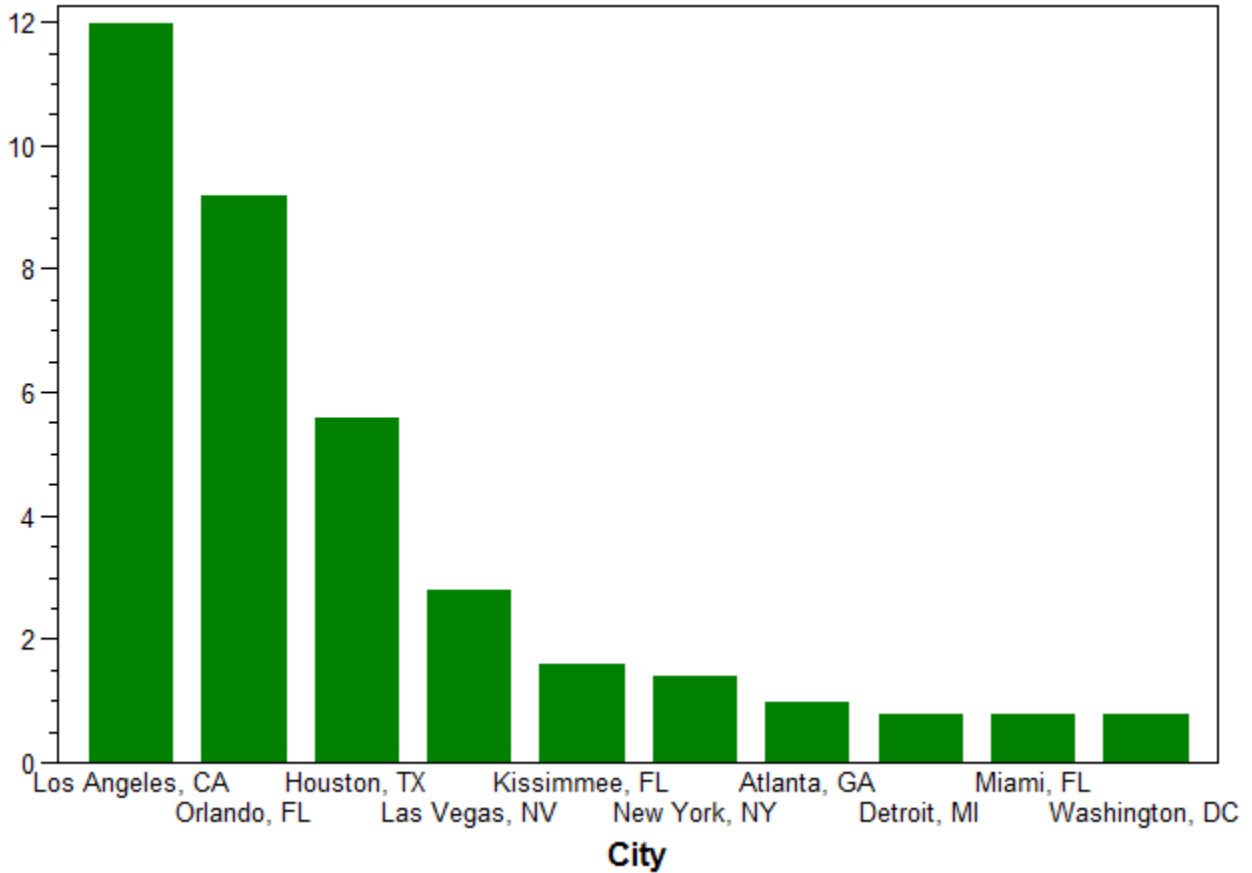
City Search Index



Source of data: realtor.com®

Top U.S. Cities Searched by Residents of Russian on realtor.com® in 2013/14
(Index=12- Of Major interest; Index= 0 – Of no interest)

City Search Index



Source of data: realtor.com®

Computation Methodology Creating a “Search Index” of Top Countries Searching in U.S. Cities on realtor.com®

realtor.com® has provided NAR with monthly data which lists the top 20 countries and their top 5 most-searched U.S. cities. To create a numerical value or search index corresponding to these rankings we converted the rankings into weights and then created an index using the weights. The higher the index, the higher is the rank of the country and the city. Across countries and cities, an index =12 indicates that the country is the #1 search for 12 months and the #1 city being searched by a country for 12 months.

I. Creating the Search Index for Top Countries Searching Properties in the U.S.

- 1) Assign weights to the ranks starting with 1.0 and incrementing in a decreasing order by 0.05 (=1/20). So the weights for each country i for each month j (w_{ij}) will be 1=rank 1, 0.95=rank 2, 0.90=rank 3 and so on up until 0.05 =rank 20.
- 2) Since we want to create a search index for each country i , we sum the monthly rank for that country across the 12 months. A Country Search Index = 12 (1 x 12) means that the country is the #1 searcher in each of the 12 months while an Index = 0.6 (0.05 x 12) means that the country is the #20th searcher in each of the 12 months. Mathematically, the country search index is:

$$\text{Index}_i = \sum_{j=1}^{12} w_{ij} ; i = 1, 2, \dots, 20 \text{ (countries)}$$

- 3) The data the Realtor.com provided includes Germany and Japan and it appears that the searchers are likely U.S. military stationed in these countries searching for U.S. properties. Since the data provided includes these countries, they are still included in the generation of the weights w_{ij} . However, we exclude them in the list of top countries searching U.S. properties.

II. Creating the U.S. City Search Index For Each Country

- 4) For each country, assign weights to the ranks of each U.S. city with 1.0 and incrementing in a decreasing order by 0.20 (=1/5). So for each country i , at each month j , the weights for each city k (w_{ijk}) will be: 1 =rank 1, 0.80=rank 2, 0.60 =rank 3, 0.40=rank 4 and 0.20=rank 5.
- 5) Since we want to create a search index for each city k in each country i , across the 12 months j , we sum the monthly rank for that country across the 12 months. For each country i , a U.S. City Search Index = 12 (1 x 12) means that the city is the #1 searched city in each of the 12 months while an Index = 2.4 (0.20 x 12) means that the city is the #5th searched city in each of the 12 months. Mathematically, the country search index is:

$$\text{Index}_{i,k} = \sum_{j=1}^{12} w_{ijk} ; i = 1, 2, \dots, 20 \text{ (countries)}; j = 1, 2, 3, 4, 5$$

- 6) For the same reason cited previously that the searches from Germany and Japan are most likely coming from U.S. military stationed in these countries, no U.S. city search indexes were generated for these two countries.

About NAR's Commercial & Global Services Group

The Commercial & Global Services 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 Commercial & Global Services Group 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®

Research Division
500 New Jersey Avenue, NW
Washington, DC 20001
202-383-7518
eresearch@realtors.org