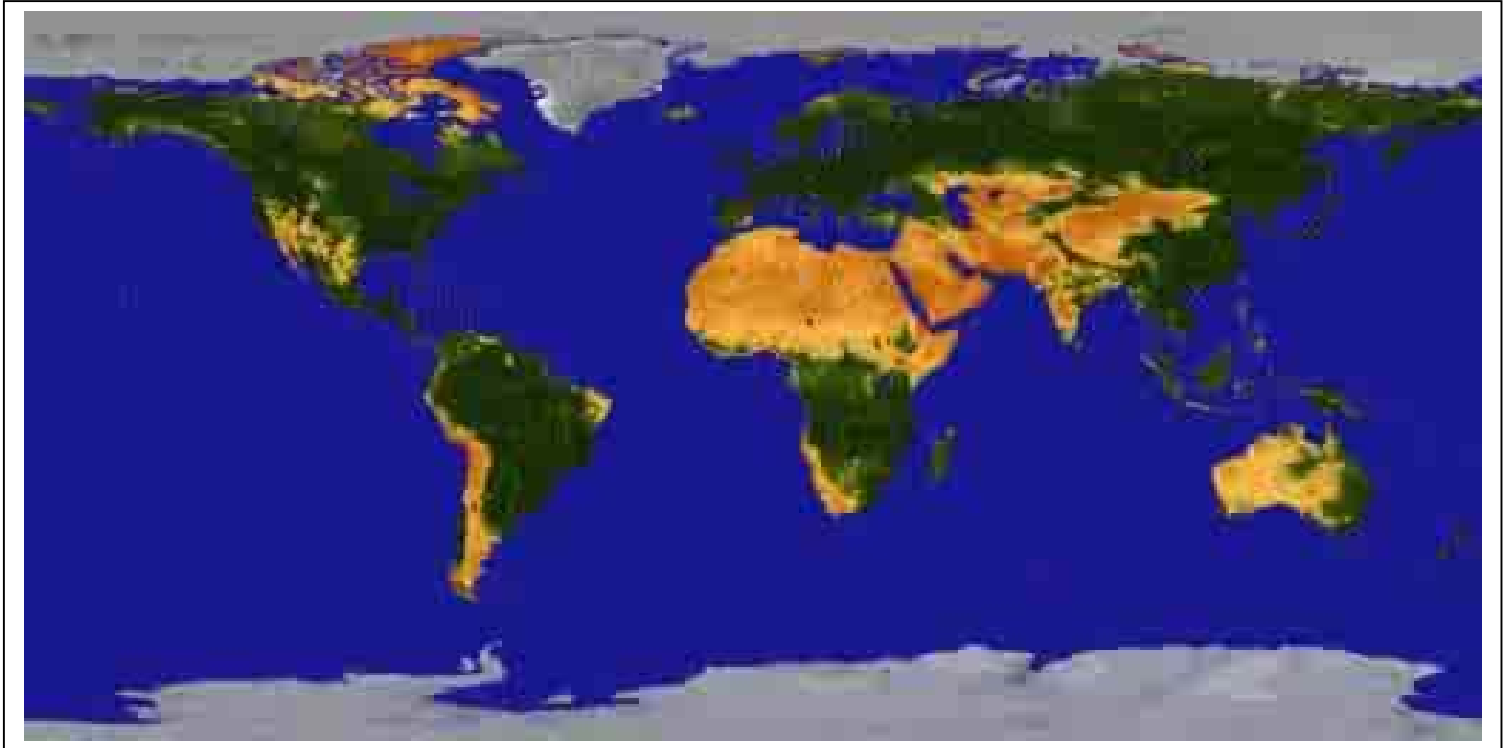




The 2007 National Association of REALTORS® Profile of International Home Buyers in Florida

Prepared for the Florida Association of REALTORS®



NATIONAL ASSOCIATION OF REALTORS®

The Voice for Real Estate

The 2007 National Association of REALTORS® Profile of International Home Buyers in Florida

Prepared by Research Division of the National Association of REALTORS®

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The mantra for real estate professionals is “all real estate is local.” And when it comes to purchasing a home, that mantra certainly holds true. Buyers – whether they are purchasing a home as a primary residence, a second home, or as an investment property – take location into account when making that home purchase decision.

But “all real estate is local” does not necessarily apply to the buyers themselves. Indeed, during the real estate boom of 2000-2005, many investment-home and second-home purchasers lived in cities, towns, or neighborhoods not even close to the properties that they bought. Some buyers lived in another country, and these international buyers helped to drive the U.S. housing boom.

In 2005, the Research Division of the National Association of REALTORS®, in concert with the Florida Association of REALTORS®, studied the extent of home buying activity in Florida by foreigners. The research results indicated that 15 percent of all home transactions in the state between May 2004 and May 2005 involved a buyer from a foreign country. At the time, during the height of the real estate boom, it was the first empirical study of its kind to help quantify the then widespread anecdotal stories of a foreign home-buyer presence in the Sunshine State.

But times change. By the end of 2006 the heady times of the housing boom were over. Many areas of the country that had experienced record home sales and record home price appreciation were facing a slowdown in housing, including Florida. The question now is: has that slowdown impacted foreign home buying activity in the state? Do foreign buyers purchase homes for different reasons than citizens or permanent U.S. residents? Are they more likely to take out a mortgage loan to finance their home purchase?

To better understand the extent of non-U.S. resident home buyers and the unique international aspects of REALTORS® business, NAR Research again partnered with the Florida Association of REALTORS® and conducted another survey of Florida REALTORS® about foreign home purchase transactions in the state. The survey was conducted in February/March of 2007. Results were based on responses from Florida REALTORS®S who had at least one international client. The questions related to the then recent 12-month time period – essentially most of 2006.

The results of the survey show that while the level of foreign home buying activity did fall significantly during the period surveyed, international home buyers still accounted for a meaningful share of home sales in Florida. U.S. real estate is still a popular investment option for many people outside of the United States. And while, as in 2005, the 2007 survey focused on home sales to foreign buyers in Florida, we hope that these new data will help inform REALTORS® throughout the United States about home buying preferences of international clients.

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May 2007

NOTES on the Survey

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

In this report, some information from the 2005 International Home Buying Profile is presented for comparison. Because of sampling and methodology differences, results are not necessarily directly comparable to the earlier report, but may provide additional context for examining international home buying activity. Information in this 2007 Profile refers to foreign home buying activity in 2006. Data cited from the 2005 survey refers to activity from May 2004 to May 2005. Percentage distributions may not add to 100 due to rounding.

The survey asked REALTORS® for comments about conducting business with international clients. The comments provided some additional insight into this segment of home buying activity, although the comments were not in any way analyzed statistically. The Appendix presents a summary of the most common responses.

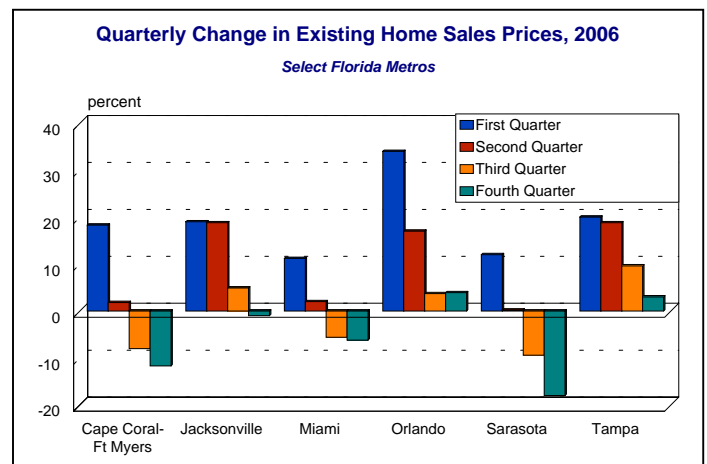
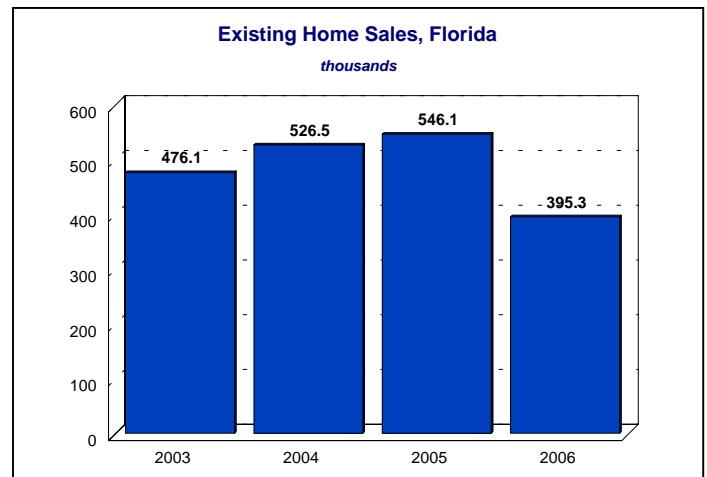
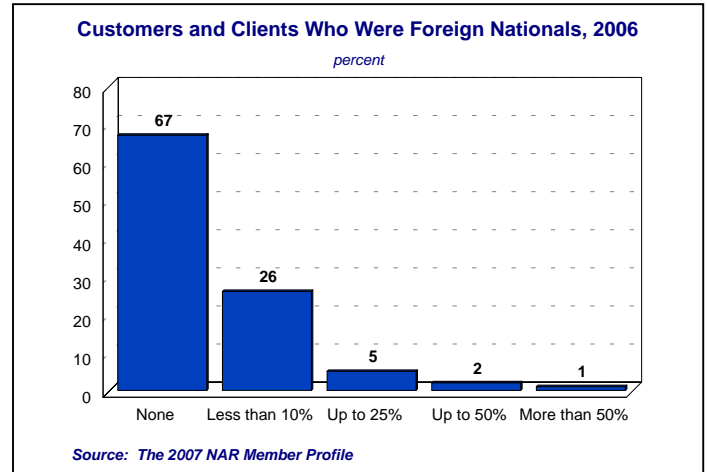
International Home Buyers

We live in global economy, but for the majority of REALTORS®, their clients are U.S. citizens and foreign-born permanent residents. According to the *2007 NAR Member Profile*, in 2006, two thirds of all REALTORS® had no clients who were foreign nationals. But 34 percent reported they had at least some business with foreign clients; for five percent of REALTORS® nationwide, up to 25 percent of their clientele were foreign nationals.¹

The Florida Housing Market

In 2006, the Florida housing market underwent a major housing market recession. Existing-home sales in Florida declined 27.6 percent in 2006 from the previous year. Purchases by international buyers fell drastically more with NAR estimating international sales having declined to 28,900 from 81,900, a 65 percent decline from 2005 to 2006. The sales slump was accompanied by strong deceleration in home price growth in many metro markets in the state, with some metros experiencing outright price declines. Some metro markets in the state fared better than others in terms of price appreciation. Both Orlando and Tampa markets posted positive price increases throughout 2006, although the percentage increases diminished each successive quarter.

The principal reasons for the decline in sales and accompanying price weakness were higher mortgage rates during the prime home-buying season – spring and summer of 2006 – and the exorbitant rise in property/hazard insurance costs. After the 2004 and 2005 hurricane seasons, during which an unprecedented number of destructive storms decimated parts of Florida, many insurers either significantly increased insurance premiums to offset the rising cost of insuring properties, or left the market entirely. Job growth in the state also slowed from its heated pace in 2005. The rate of job creation decelerated from four percent in 2005 to 2.6 percent in 2006.



¹ International real estate was the primary real estate business activity for 2 percent of sales agent licensees, and less than 1 percent for brokers/broker associates. For 4 percent of REALTORS®, international real estate was the secondary activity (an increase from 2005). It should be noted, however, that for purposes of the NAR Member Profile, international business encompasses real estate activity both in the United States and abroad.

International Home Buyers in Florida

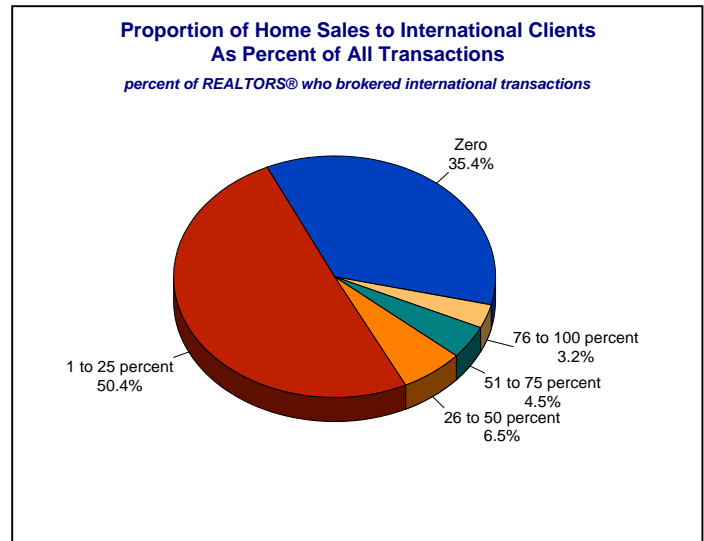
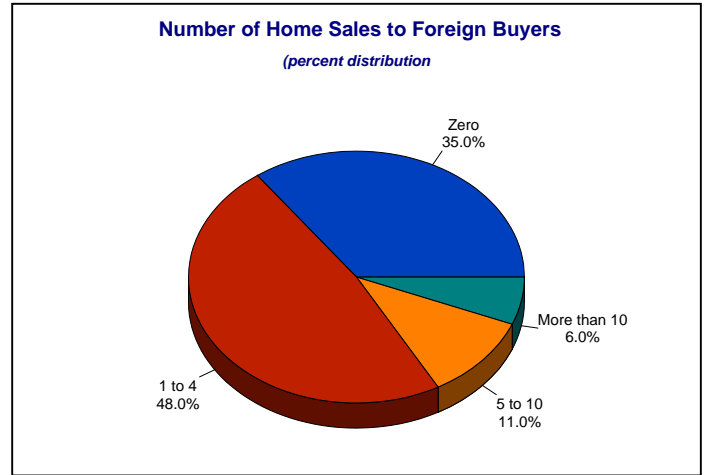
In 2006, international home buying activity in Florida declined from its level in 2005.² NAR estimates that total international sales fell from 81,900 to 28,900 – a decline of 65 percent. But foreign home buying activity still accounted for an important share of home sales in the state – 7.3 percent. Among the REALTORS® who participated in the survey, 65 percent reported that they brokered at least one home sale transaction with an international buyer – a decrease from the 87 percent who had at least one international transaction in the previous survey. Nearly half – 48 percent – of those REALTORS® who brokered foreign-buyer purchases noted that one to four of *all* their transactions were with international clients.

Slightly more than half of all the REALTORS® surveyed reported home sales to international clients accounted for 1-25 percent of all transactions. Due to the weaker international sales in the past year, fewer REALTORS® indicated that over 25 percent of their business activity was with foreign home buyers. Still, for almost 8 percent of REALTORS®, more than half of their home sales transactions in 2006 was with international clients. Essentially, that means that for 12,900 active Florida REALTORS® the majority of their business was with foreign buyers.

Even though international home buying slowed from that in 2004/2005, 35 percent of survey respondents reported that their foreign clientele business increased in 2006. For slightly more than half of Florida REALTORS®, their international business was about the same, and for 12 percent it decreased.

Home Buyers From Around the World

Buyers of Florida residential real estate came from many different countries around the world. The majority of foreign buyers in Florida – 21 percent -- were from the United Kingdom. Latin America accounted for 34 percent of foreign home buying activity in Florida, with the largest percentage of Latin American buyers coming from Venezuela (11 percent) and Colombia (4 percent).

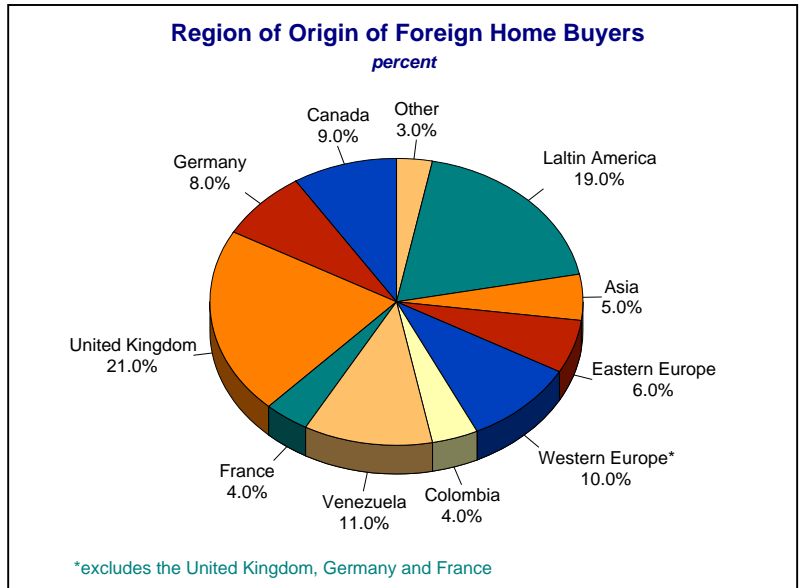


Change in Percent of International Home Buyers in Past Five Years

	2005	2006
Increased	49%	35%
About the same	45	52
Decreased	6	12

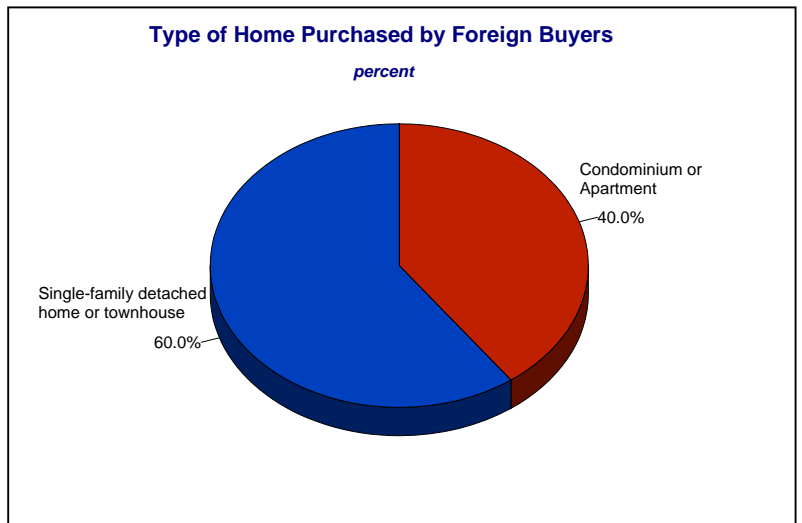
² Note: International home buying activity in Florida from May 2004 to May 2005.

It is interesting to note that the share of buyers from the United Kingdom declined from 33% in 2004/2005, while the rest of Western Europe (excluding the U.K. but including France and Germany) increased its share slightly. Eastern European buyers³ increased their participation in the Florida home market – in fact, doubling from 3 percent in the previous survey to 6 percent in 2006. Canadians were also more active, accounting for 9 percent of international home buying activity during 2006, compared to 7.1 percent in 2004/2005. Latin American home buyer participation also grew significantly from that reported in the previous survey, from 29 percent to 34 percent.



Type of Home Purchased

Single-family detached homes or townhouses are still the number one residential property of choice for international buyers. Sixty percent of foreign buyers purchased a single-family home. That compares to 84 percent of all home buyers.⁴ But international home buyers in Florida were more likely to purchase a condominium/co-op (40 percent) than were buyers in general (11 percent).



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

³ Eastern European countries include Russia and the former Soviet Republics.

⁴ According to the *2006 NAR Profile of Home Buyers and Sellers*, 75 percent of home buyers purchased a detached single-family home, 9 percent purchased a townhouse/row house.

Price of Homes Purchased by Foreign Buyers

Nearly half of foreign home buyers purchased a property that cost between \$200,000 and \$400,000. The median price paid for a home was \$352,400. That is an increase from the \$299,000 median price in the previous survey, and significantly greater than the median price paid by buyers in general in 2006 (\$214,000). As a comparison, the Florida Association of REALTORS® reported the median sales price of an existing home was \$248,300 at year-end 2006.

The price range options in the current survey were adjusted to reflect the tremendous home price appreciation in Florida during the last years of the real estate boom, as well as Florida’s growth in population. Higher-priced homes – those costing \$500,000 or more – accounted for 29 percent of the properties purchased by international buyers. More than 10 percent of foreign buyers purchased a home priced over \$1 million.

Financing the Home Purchase

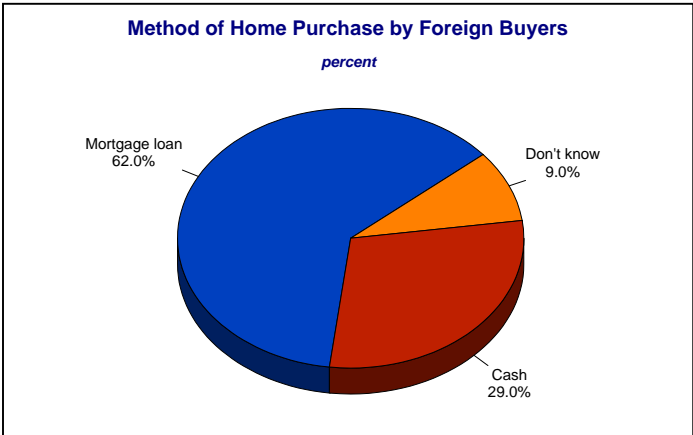
In 2006, more than 90 percent of all home buyers nationally purchased their home using a mortgage loan. And while the majority of international buyers in Florida also financed their home purchase, they are less likely to have done so than were home buyers in general or than were all Florida home buyers. In Florida, 85 percent of home buyers used a mortgage to finance the purchase of their home in 2006. Well over 60 percent of international home buyers financed their Florida home purchase with a mortgage. But 29 percent of foreign buyers paid cash for their property. Interestingly, 9 percent of REALTORS® responding to the survey did not know how their international clients paid for their home.

The share of foreign buyers who financed their home purchase increased slightly from that reported in the previous survey (from 58 percent to 62 percent). One possible explanation for this is that mortgage rates continued at historical lows – well below 7 percent. In addition, the increase in the percentage of foreign buyers purchasing homes costing over \$500,000 could mean that those buyers who previously used cash to purchase their Florida home outright did not have sufficient cash on hand to buy those higher-priced properties.

At the same time, the proportion of foreign buyers who *did* pay cash for their homes was significantly greater than that for the general home buyer population – 29 percent vs. 8 percent. This could be due to the fact that those international home buyers would be expected to be wealthier households with ready cash on hand. The tax benefits of mortgage interest deductions may not apply depending upon the buyer’s home country’s tax code -- which lowers the incentive to take out a mortgage. One positive consequence for the Florida housing market of a higher share of all-cash purchases by foreign buyers is that such purchases lower the risk of mortgage defaults. As a result, cash purchases lessen the foreclosure risk against this group of buyers. Lower foreclosure risk, in turn, lessens the possibility of a price decline.

Sales Price of Homes Purchased by Foreign Buyers, 2006

Price Paid for Home	Percent of Buyers
Under \$200,000	16
\$200,001 to \$300,000	24
\$300,001 to \$400,000	21
\$400,001 to \$500,000	10
\$500,001 to \$750,000	12
\$750,001 to \$1,000,000	6
Over \$1,000,000	11
Median Home Price	\$352,400



Why They Buy

The majority of all domestic home buyers purchase a home for use as their primary residence. For foreign buyers in Florida, an almost equal share purchased their homes to use either as a vacation property (39 percent) or for both vacation and rental purposes (37 percent). Nearly one quarter purchased the property for investment/rental purposes.

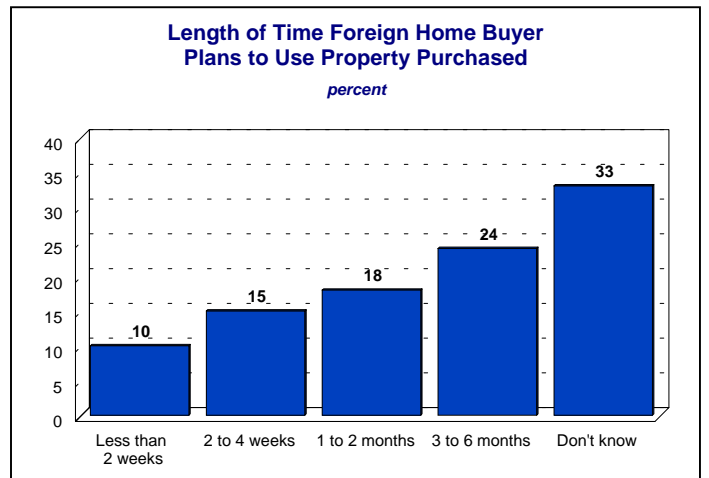
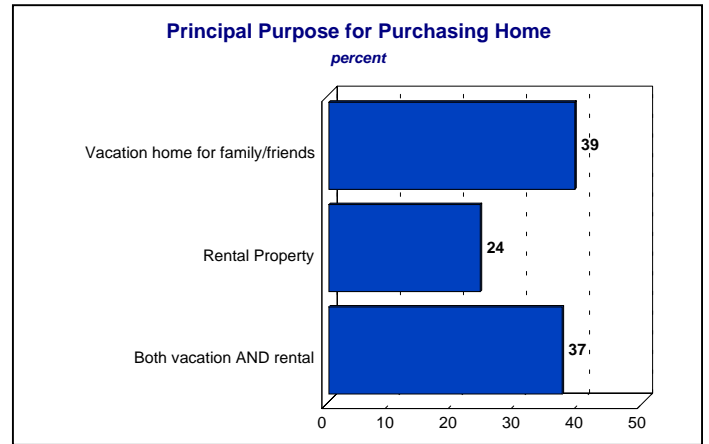
U.S. visa rules only allow non-residents (unless under a student or work visa) to remain in the country for six months. Because foreign buyers are, by definition, non-residents of the U.S., most of them plan to spend less than six months in the Florida home they purchased.

Interestingly, U.S. visa rules were a point of contention among many respondents. They claimed that the six-month stay restriction is insufficient for some potential foreign buyers – particularly among those who are no longer working. A retirement visa of some sort that permits a longer continuous stay in the U.S. would undoubtedly enlarge the pool of potential international buyers based upon discussions between REALTORS® and their prospective international clients.

Where They Buy

U.S. residents have been relocating to Florida for various reasons – vacation, retirement, change of lifestyle. According to the most recent information from the U.S. Census Bureau, Florida is still among the top ten states in terms of population growth. The Census Bureau estimates that between July 1, 2005 and July 1, 2006, Florida had a population gain of 321,697 – the second highest number of people moving into a state (behind Texas). (This was the first year of the current decade when Florida lost the top position for population gain.) Florida is also one of the major gateways for immigration to the U.S. The state’s major air transportation hubs of Miami, Tampa/St. Petersburg, and Orlando, make it an attractive port of entry for foreign visitors as well.

Those foreign visitors are following U.S. residents to Florida destinations and buying properties in those locations. Miami-Ft. Lauderdale accounts for the largest share of foreign home buyers in the state. The Tampa-St. Petersburg area increased its share of foreign buyers since the previous survey was conducted. The proportion of foreign buyers in



State	Change in population
Texas	579,275
Florida	321,697
California	303,402
Georgia	231,388
Arizona	213,311
North Carolina	184,046
Washington	103,899
Colorado	90,082
Nevada	83,228
Tennessee	83,058

**from July 1, 2005 to July 1, 2006*
Source: U.S. Bureau of the Census

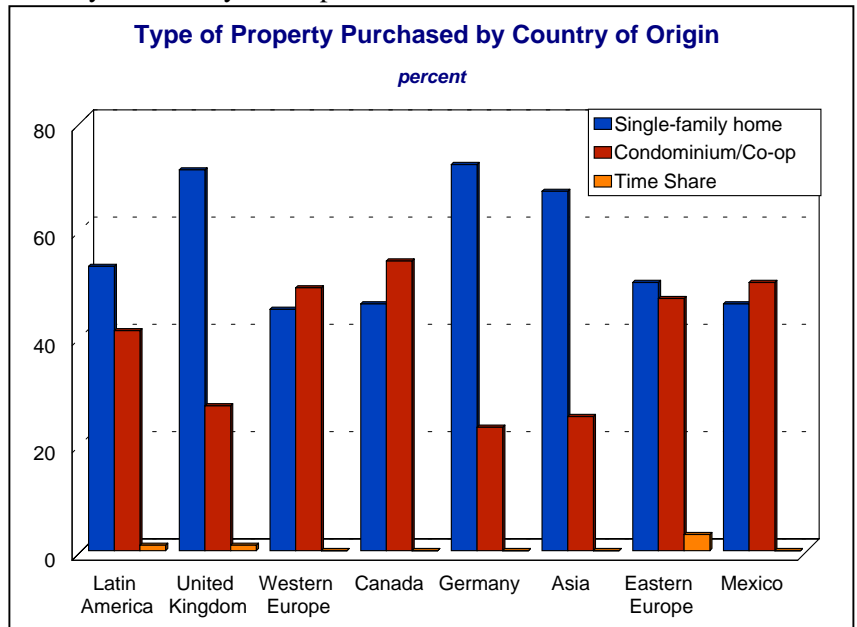
Orlando, Naples-Ft. Myers, and Sarasota decreased. Nearly one quarter of foreign buyers purchased homes in “other” areas of the state. This high percentage (24 percent) of foreign home buying in these other areas reflects a growing interest in other lesser well-known destinations such as in the Florida panhandles and middle Atlantic coast localities.

Florida City/Area	Percent of Foreign Home buyers
Miami-Ft. Lauderdale	27%
Orlando	14
Naples-Ft. Myers	8
Tampa-St. Petersburg	12
Sarasota	5
Jacksonville-Daytona	10
Other	24

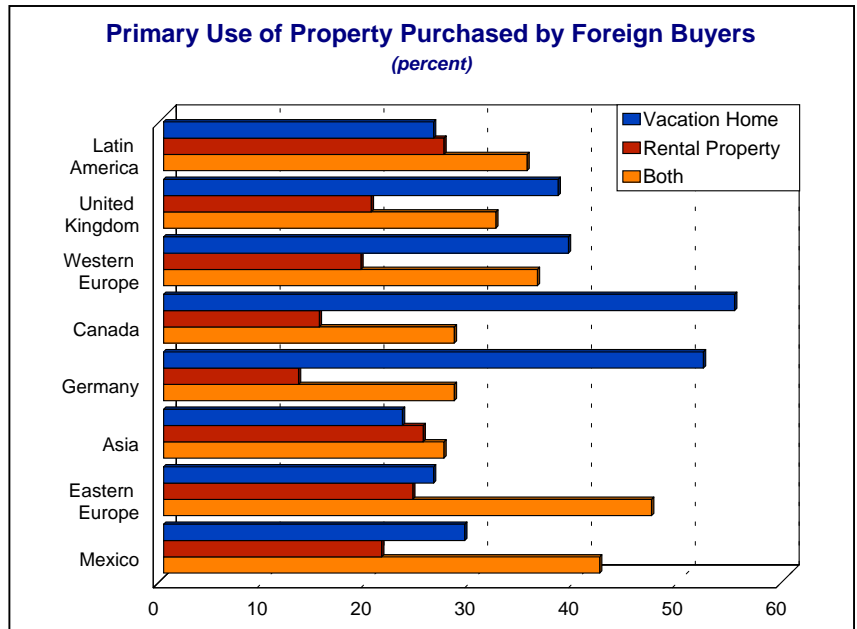
Foreign Home Buyers from Different Countries

While survey results cannot provide an in-depth look at foreign-buyer behavior based on every country of origin, they do reveal some differences. For instance, the relatively high incidence of foreign buyers from Venezuela (nearly 11 percent compared to 7 percent in the previous survey) is interesting. The country’s population of 25 million is far smaller than that for many other countries in Latin America (Brazil’s population is around 173 million; Colombia 43 million, and Mexico 100 million). The political environment in Venezuela may have induced many from that country to seek a safe haven in the U.S. for their investments. Venezuelan President Hugo Chavez’s attempts to nationalize the oil industry – as well as his open contempt of the U.S. and its capitalist system – may have sparked residents to seek a more secure economic investment elsewhere. Residents of Chile, which is the wealthiest South American nation, accounted for negligible home buying activity in Florida among foreigners. That economic security may help explain a lower level of interest in investing outside the country.

Type of Property Purchased by Country of Origin. For most foreign nationals, regardless of country of origin, single-family homes (detached or townhomes) were the primarily type of residential property purchased. But among Western Europeans (excluding Germany and the United Kingdom), Mexicans, and Canadians, condominiums/co-ops were more frequently the property choice.



Primary Use of Property Purchased by Foreign Buyers. There were also differences in the primary use of the property purchased, depending on the buyer’s country of origin. Buyers from Eastern Europe, Mexico, Asia and Latin America were more likely to purchase properties for *both* vacation and rental purposes. Asian and Latin American buyers were the least likely to use their Florida homes primarily as a vacation home.



Those from Canada purchased homes primarily as a vacation property. In fact, Canadian buyers were twice as likely to use their Florida homes for vacation use compared to rental and vacation together, and three times as likely to purchase the property as a vacation home vs. a rental property alone. German buyers, as well, tended to buy Florida property as a vacation home only, rather than as a rental property or both vacation and rental.

Median Price Paid by Country of Origin. Buyers from Latin America, the United Kingdom and Western Europe (except Germany) were more likely to have purchased homes that cost more than \$1 million. But the median price paid by Latin American home buyers was \$334,800 -- less than the median for all foreign buyers as a whole. Buyers from Western Europe paid the highest median price -- \$397,700 -- and those from Canada the lowest -- \$272,500.

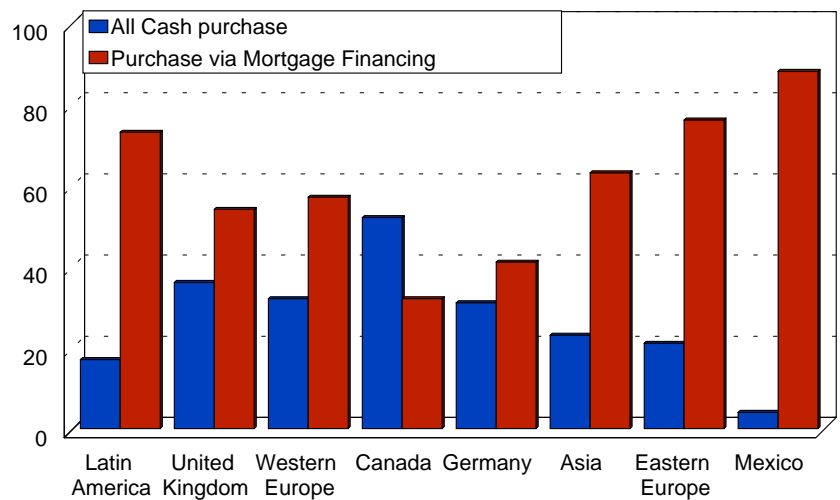
Method of Payment, by Country of Origin. As stated earlier, the majority of all foreign home buyers financed their Florida home purchase. But those from Mexico, Latin America and Eastern Europe were more likely to take out a mortgage loan to buy a property than were those from other countries.

More than half -- 52 percent -- of buyers from Canada purchased their properties with cash. This could be due to the fact that Canadian buyers paid the lowest median price for their Florida homes, and consequently there was need for less mortgage financing. In addition, Canadians -- by virtue of their proximity to the U.S. as well as a highly established financial services and real estate infrastructure -- may be more familiar with U.S. financial and housing markets.

Median Price of Home Purchased by Foreign Buyers, by Country of Origin

Country/Region	Median Price of Home Purchased
Latin America	\$334,800
United Kingdom	363,100
Western Europe	397,700
Canada	272,500
Germany	372,500
Asia	280,800
Eastern Europe	316,700
Mexico	320,000

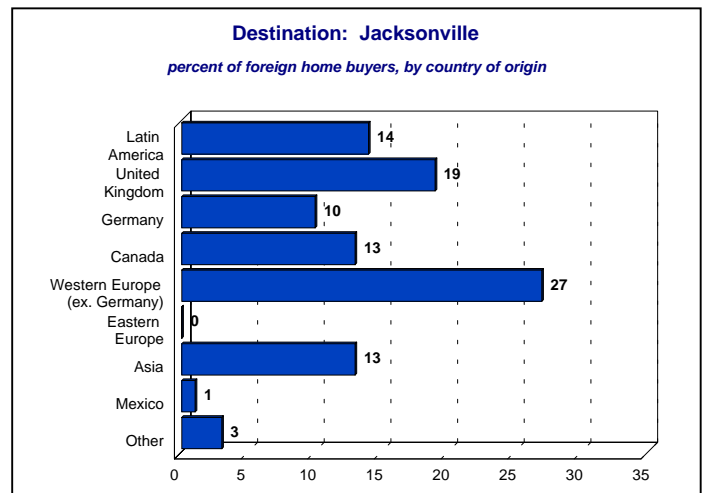
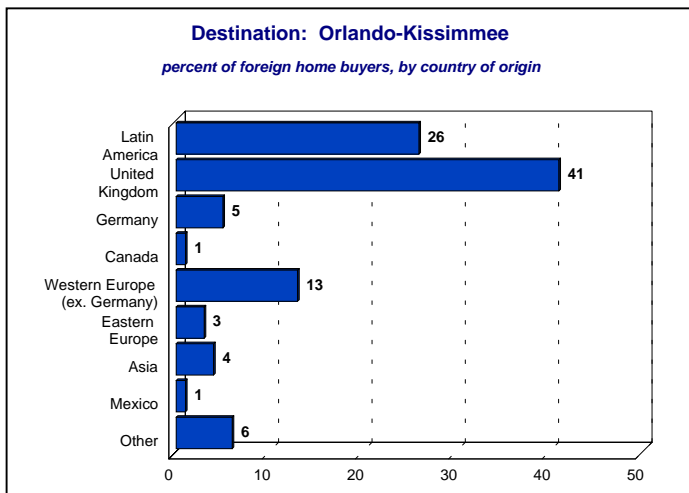
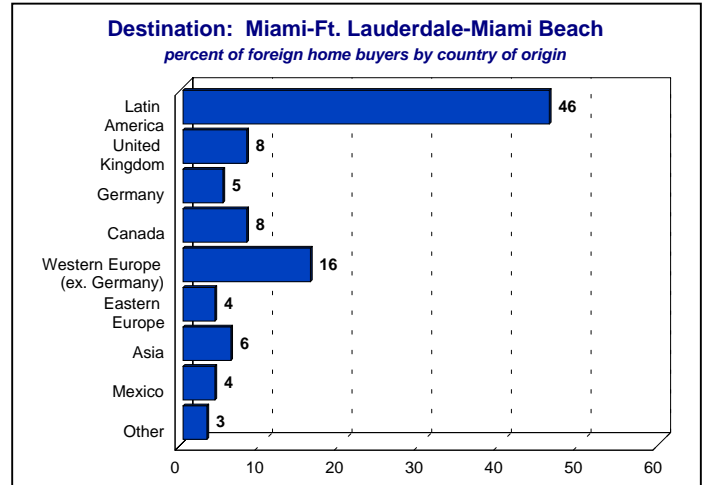
Method of Payment, by Country of Origin
(percent)



Destinations: Snapshots.

Foreign buyers purchased homes throughout the state of Florida. But some locations drew more buyers from certain countries than did others.⁵ The reasons behind why buyers from one country purchased properties in one locale vs. another are not available. While the survey asked REALTORS® *why* the international client purchased a property (vacation, rental, both), it did *not* ask the question as to why the client purchased a property in a specific metro area. We can only make an educated guess.

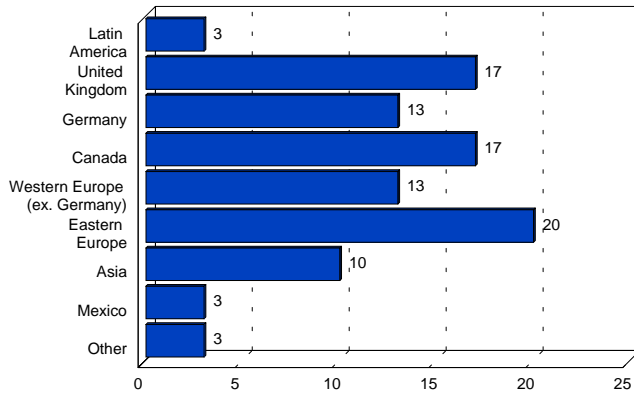
Foreign buyers from Latin America were more likely to have purchased homes in the Miami-Ft. Lauderdale-Miami Beach area than in any other area of the state. The answer as to why could be as simple as access. Miami is a major entry port from Latin America. Also, the bilingual ability of many Miami residents, real estate and other professionals as well as service providers (bankers, health care and government workers) could play a role in attracting Latin American home buyers. For buyers from the United Kingdom, Orlando-Kissimmee and Sarasota-Bradenton-Venice were the most popular locations. Most foreign buyers from Germany purchased properties in Naples-Marco Island. Several direct flights from Ft. Myers to Frankfurt, Germany – as well as several daily German newspapers sold at local stores in the area – attest to the German presence in the area.



⁵ Note: The survey did not ask respondents as to “why client purchased a property in a specific location.”

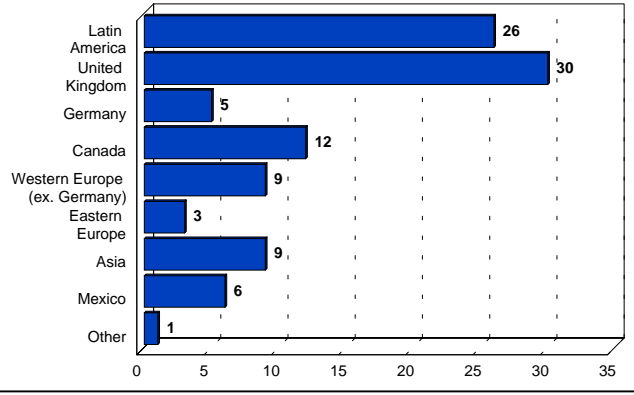
Destination: Deltona-Daytona Beach-Ormond Beach

percent of foreign home buyers, by country of origin



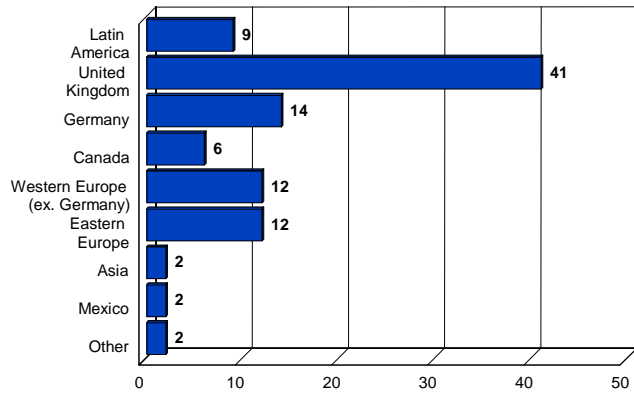
Destination: Tampa-St. Petersburg-Clearwater

percent of foreign home buyers, by country of origin



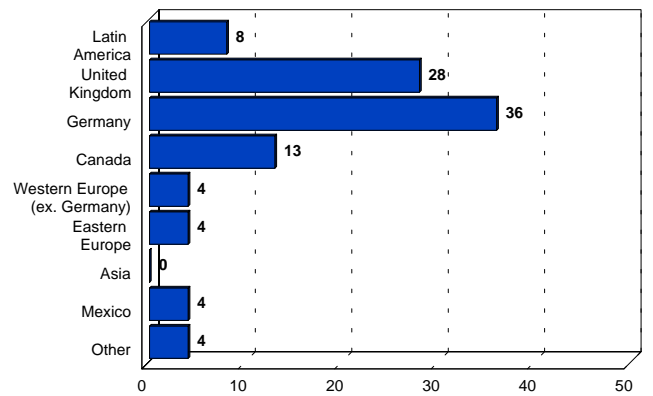
Destination: Sarasota-Bradenton-Clearwater

percent of foreign home buyers, by country of origin



Destination: Naples-Marco Island

percent of foreign home buyers, by country of origin



An Additional Note About Colleague’s Business

As with all surveys, the results cited above are subject to non-sampling errors. That is, REALTORS® who had no international transactions could have had a much lower response rate than those REALTORS® who had some international business. However, a question was asked about colleague’s business regarding international transactions. If the “don’t know” responses are not factored in, then the results imply a higher level of transactions by colleagues (i.e., non-respondents) than by the respondents.

What percentage of your colleagues’ business in your office would you estimate is to foreign buyers

Less than 25 percent	58
25 to 50 percent	14
51 to 75 percent	5
More than 75 percent	2
Don’t know	18
No answer	2

Conclusion

In a world where there are virtually no trade borders, the Internet accessible from nearly every country around the globe, and as more and more people in different nations recognize the value of owning property, the opportunities and challenges to broker U.S. property to foreign home buyers are numerous. Web sites display information about U.S. real estate to any potential home buyers regardless of where they live. And just as the global economy has opened doors to foreign consumers of American products, so will that economy open doors to U.S. real estate for foreigners.

In spite of the slowdown in the U.S. and Florida housing markets, U.S. and Florida real estate is still considered a prime investment opportunity for foreign buyers. Non-U.S. residents purchase homes in this country for a variety of reasons. With the weakened U.S. dollar against foreign currencies, those foreign currencies buy a lot more than in previous years. The British pound could buy \$1.44 in 2001; by 2004, it was worth \$1.83 – nearly the same value as when the current survey was conducted. As of early April 2007, the pound was worth \$2.00. That is more than a 6.5 percent increase in purchasing power for foreign buyers. That can buy a lot of “house” – particularly in the current environment of decelerating/declining prices in Florida.

One other factor has driven, and will continue to drive, the international participation in U.S. real estate markets. The U.S. market contains a large supply of real estate. It is also fairly easy to purchase a home property in our country. The United States does not restrict or scrutinize most property purchases by foreigners, as happens in other countries. There are few barriers to owning a property. Except to the extent necessary to enforce U.S. criminal, immigration, and national security laws and regulations, foreign participation in the U.S. housing market is largely free, and foreign investors have the same rights as those of American property owners. The National Association of REALTORS® continues to believe that any legislation or regulatory barriers that would limit the open market and private property rights or access of foreign investors to U.S. markets could curtail foreign investments, potentially jeopardizing the health of U.S. real estate markets and the U.S. economy as a whole. The idea of a retirement visa to citizens of countries with whom U.S. has had sound diplomatic relationships will surely expand the pool of potential international homebuyers. It is an idea certainly deserving of further examination.

Appendix: Comments from Survey Respondents

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

U.S. real estate an attractive investment option. The most common factor cited was the dollar value compared to the euro or pound sterling. That makes U.S. property very affordable. There are many opportunities to purchase real estate. Homes are larger, in general, than properties available overseas, and prices are “more reasonable.” In addition, the stable economy and political climate in the U.S. provides a “comfort zone” for foreign buyers. The ease of entry into the U.S. real estate market means that foreign buyers have the same opportunity to purchase a home in the U.S. as do Americans. Many foreign buyers who purchase property in Florida are attracted by the climate and lifestyle that the state offers.

Barriers to purchasing U.S. property. While traveling to the U.S. is easy, convenient, and affordable, it is now harder to enter the country than in previous years. The main concerns expressed by REALTORS® who dealt with foreign home buyers related to visa restrictions and immigration regulations. The long requirements for renewal of visas and long waits at airports are affecting the business. Indeed, one of the largest barriers is the ability for foreigners to be able to stay in the U.S. for over six months at a time especially for those who are retired and/or those who are financially set and do not need to work for financial support. Visas are a huge problem, as some lenders are becoming very reluctant to finance non-resident aliens with common visitor visas and visas are more and more difficult to obtain. Even obtaining a driver’s license is more difficult.

There are also some financial concerns. While homes (and financing costs) in Florida were affordable compared to those in foreign countries, other costs were becoming burdensome. Hefty property taxes plus the increased insurance premiums may impact the level of foreign home buying activity.

Challenges for REALTORS®. The “number” one challenge for REALTORS® dealing with international clients was language. While this was obviously not an issue for buyers from the United Kingdom, for real estate professionals whose clients are from non-English-speaking countries this was a concern. This was especially true for those buyers who were purchasing properties as an investment – who felt more comfortable reading the contract in their own language. In most cases, if REALTORS® did not speak the language of the clients (or if the clients were not fluent in English), they attempted to find someone in their firm/office who did or suggested their client seek legal advice from an attorney who was fluent in their client’s language.

Another challenge for REALTORS® was the reputation of real estate professionals in the client’s home country. Some international clients originated in countries that do not have real estate licensing laws or where real estate agents (or estate agents) are held in fairly low esteem. They needed to be educated about using licensed REALTORS® and the protections that it affords.