



Foreigners adding U.S. addresses

The weak dollar and big price drops are spurring a rise in second-home purchases for work, play and investment.

By Leyla Mihal, The Associated Press

NEW YORK -- Panden Rota, a Nepalese producer of fine rugs, is about to become a Manhattanite, the owner of a sumptuous apartment in the luxurious downtown neighborhood of Battery Park City.

His primary residence will remain Katmandu, but his new home will enable him to spend more time at U.S. showrooms that display his rugs and with a brother and sister in New York.

"I looked at many places and I decided that a Manhattan apartment will always hold its value," he said.

Rota is part of a growing wave of foreigners who are buying second homes in the U.S. for work and play and as an investment.

Cosmopolitan cities such as New York and Miami have long served as second homes for affluent and accomplished foreigners. But the trend is growing. One in 5 Realtors in the U.S. has sold a home to a foreign investor in the last year, according to the National Assn. of Realtors.

The events of 2007 have made the U.S. much more affordable for international home buyers. Severe dollar declines against the euro and pound have made U.S. homes much cheaper for Europeans. But even foreign buyers without that big currency advantage are benefiting from sharp drops in housing prices at a time when problems in mortgage lending are keeping many Americans out of the market.

At the same time, many foreign real estate markets have experienced sharp increases in home prices.

"There are markets like Paris and London and the south of France where some home values have gone up 100%," said Christian Volkers, founder and chairman of Hamburg, Germany-based real estate agency Engel & Volkers Group. "At the same time, U.S. prices have either stayed put or come down."

Volkers' firm is eager to take advantage of the opportunity. Engel & Volkers, which caters to wealthy clients, plans to open 300 residential sales offices across the U.S. in the next few years. It currently has offices in Florida and Connecticut and two in New York. The company said it was on track to open 30 more locations on the East Coast by the end of 2008.

The currency advantage is greatest for British citizens. Each pound is worth well over \$2. The euro currently is worth about \$1.45, while the Canadian dollar in recent weeks has been hovering near parity with its U.S. counterpart.

"At this point the English are more actively looking in Manhattan than American buyers," said Ivan Hakimian of New York's Itzhaki Properties.

Mia Wilkinson, a transplanted Englishwoman who works for Rubloff Residential Properties in Chicago, deals often with British and other foreign executives transferred to the U.S. for a few years.

"Before, people would stay in corporate rentals," she said. "But now these same people are turning around and buying properties."

Wilkinson, who has been in the U.S. six years, has bought property in Chicago herself.

In Los Angeles, demand from wealthy South Koreans for attractive condo towers and mid-level-rise buildings has helped revitalize the once-forsaken downtown neighborhood, said Johanna Gunther, a senior vice president at Ryness Co. in L.A.

"Downtown has not been an attractive urban residential market until recently, but Korean demand has been a big factor in the change," she said. In recent years, the South Korean government has loosened restrictions on foreign exchange transactions, facilitating a large rise in purchases of U.S. properties.

The expansion of foreign real estate investment in the U.S. also means that areas that once were not popular with international buyers are now receiving interest. Doug Aitkin, who works for North Carolina's World Trade Center, said the Research Triangle area – composed of the cities of Durham, Raleigh and Chapel Hill – is getting inquiries from French and Scandinavian home buyers, a new phenomenon.

Constantine Valhouli, a principal at Boston's Hammersmith Group, which advises real estate developers, said U.S. home buying by foreigners appears to have varied drivers in different cities. In Boston, property purchases by them are strongly linked to the city's booming biotechnology and life sciences industries. In addition, Boston venture funds are drawing large numbers of German, Swiss and Irish workers, some of whom take advantage of favorable dollar rates against the euro to buy real estate.

Even some foreign students at Boston's large collection of colleges and universities are able to join the ranks of home buyers.

"There are some Boston neighborhoods where it makes sense for students to buy and some where it does not," Valhouli said. For instance, many one-bedroom apartments in attractive neighborhoods near the colleges rent for \$1,300 to \$1,800 a month, which equals the mortgage payment on a condo worth \$200,000 to \$300,000.

Similarly, Charlie Jefferson, a Philadelphia developer, was surprised when two units in a new development in the University City area, home to the University of Pennsylvania, were purchased by foreign students. "We had never seen that before," he said. "In the past we didn't see foreign students with that kind of money."

And the phlegmatic residential real estate market in Scottsdale, Ariz., reportedly is getting a boost from Canadian buyers eager to enjoy the state's dry, warm climate.

The National Assn. of Realtors found that 7.3% of the houses sold last year in Florida were bought by foreigners. Miami in particular is a magnet for buyers from throughout Latin America and Europe, helping to mitigate the fallout from the area's housing slump.

Despite the new waves of foreign buyers in many U.S. markets, few suggest international investors by themselves can offset the nation's housing crisis, brought on by the failure of many sub-prime mortgage loans made to home buyers with weak credit histories. Hammersmith Group's Valhouli said that the fact that international investors were helping to prop up some troubled housing markets only emphasized the level of stress in residential real estate.

"Relying on foreign real estate investors is fundamentally as risky as relying on sub-prime mortgages," he said, noting that both phenomena distort demand and can conceal the depths of the problem U.S. home buyers and sellers face. "Foreign buyers aren't going to save the U.S. housing market. They're just a temporary fix like a finger in the dike. Fundamentals matter."

British realtor Mia Wilkinson stands in a two-bedroom apartment with a view of the Chicago skyline and Lake Michigan, Wednesday, Dec. 19, 2007. More foreigners are investing in homes in the U.S. thanks to the weak dollar, housing turmoil in the U.S. and sharp increases in home prices abroad. Wilkinson, who has been in the U.S. six years, has bought property in Chicago herself. (AP Photo/Charles Rex Arbogast)

