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The British are coming! And the Nepalese and the Venezuelans -- to the U.S. housing market

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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 allow 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 buy second homes in the U.S. for work and play and as an investment.

Cosmopolitan cities like New York and Miami have long served as second homes for affluent and accomplished foreigners. But the trend is growing. One in five American realtors has sold a home to a foreign investor in the past year, according to the National Association 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 sort of 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, especially in Europe, 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 percent," said Christian Voelkers of the Hamburg realtor 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 this opportunity. Engel & Volkers, which caters to wealthy clients, plans to open 300 residential sales offices across the U.S. in the next few years. So far, it has offices in Florida, Connecticut and two in New York. The company said it is on track to open 30 more locations on the East Coast by the end of 2008.

The currency advantage is greatest for British citizens, given that each pound is worth well over \$2. By contrast, the euro currently is worth about \$1.45 while the Canadian dollar in recent weeks is 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.

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 -- comprising the cities of Durham, Raleigh and Chapel Hill -- is now getting inquiries from French and Scandinavian home buyers, a new phenomenon.

Constantine Valhouli, a principal with Boston's Hammersmith Group, which advises real estate developers, said foreign home buying appears to have varied drivers in different cities. In Boston, property purchases by foreigners 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 help buy some 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 neighborhood 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."

In Los Angeles, demand from wealthy South Koreans for attractive condo towers and mid-level rise buildings has helped revitalize the once forlorn downtown neighborhood, according to Johanna Gunther, a senior vice president with the Ryness Co. there. "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 Korean purchases of U.S. properties.

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

The National Association of Realtors found that 7.3 percent of the houses sold last year in Florida were sold to foreign buyers. 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 news waves of foreign buyers in many U.S. markets, few suggest international investors by themselves can entirely offset the nation's housing crisis, brought on by the failure of many subprime mortgage loans made to home buyers with weak credit histories. Hammersmith Group's Valhouli stressed that the fact that international investors are helping to prop up some troubled housing markets only emphasizes the level of stress in residential real estate.

"Relying on foreign real estate investors is fundamentally as risky as relying on subprime 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."