

Foreign buyers may help housing market

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In fact, it's somewhat ironic that immigration has become a key domestic debate in the lumbering 2008 presidential campaign. Foreign-born buyers have not only contributed substantially to the growth of the U.S. housing sector but continue to help soften the landing as the market wobbles to correct itself.

According to the 2007 "State of the Nation's Housing" report from Harvard University's Joint Center for Housing Studies, the percentage of foreign-born buyers that contributed to net household formations, previously 15 percent in the 1980s and nearly 30 percent in the 1990s, grew to 40 percent between 2000 and 2005. They're coming to America all right, at a rate of 1.2 million net immigrants annually since 2000.

A record 12 million additional immigrants are expected to arrive between 2005 and 2015. "Basically, this country's household growth depends on foreign-born households," says Zhu Xiao Di, senior research analyst for the center. "It may surpass 50 percent very soon. The tightening of credit may affect them, but still, when you look at the larger picture, they are almost the only positive sign out there."

Little wonder, then, that during the last 12 months, one in three Realtors worked with an international client or prospect and nearly one in five sold a home to a foreign buyer, according to the "2007 National Association of Realtors Profile of International Home Buying Activity" released July 30. Those numbers are likely to grow as foreign investors, bolstered by favorable exchange rates, take advantage of the cooling U.S. housing market to snatch up great deals on vacation homes, particularly in Florida, California and New England.

When Engel & Volkers Group, a high-end worldwide real estate licensing company based in Hamburg, Germany, quietly opened its first U.S. office in Naples, Fla., in 2004, it was watching two indicators with keen interest: the steady rise of the euro against the U.S. dollar and the anticipated end to the fevered price appreciation of U.S. residential real estate.

When the U.S. housing bubble burst two years later, Engel & Volkers was flooded with European customers ready to buy a piece of America at fire-sale prices. "About six years ago, when the euro was introduced, it started at something like 79 U.S. cents to the euro," says Stefan Bolsen, head of Engel & Volkers Florida. "These people sold their properties in the U.S. then, got a great deal on the exchange rate, cashed out their appreciation and went back to Spain, where they purchased a second home.

Now Spain is so overpopulated as the main second-home market for northern Europe that people want to cash out in Spain and come back to the U.S. It now makes sense, where the euro is so strong and the dollar is so weak, to purchase back again." The rise of the euro (currently trading at \$1.36 USD), combined with the decline in U.S. home prices, presented a clear opportunity for European buyers. "Europeans are traditionally cash buyers," says Bolsen.

"They don't like borrowing money; they cannot sleep at night if they owe money to a bank. If they can afford the luxury of having a vacation home abroad, then they want to pay for it." Back to courting mode

Kimberly Kirschner, broker and CEO of Kirschner Realty International in Hollywood, Fla., first started courting foreign buyers in the mid-1990s, but stopped in 2004. "At that point, the market was coming to us and the international buyer takes a little more time to make a decision," she says. Now that the pace has cooled, she's back in courting mode again. Kirschner, who primarily represents new construction and condo-conversion developments, knows the primary motivations of her international clientele: Canadians want a vacation home where they can flop in the sun for winter months, Europeans may want the same or to use the favorable euro exchange rate for investment, and Central and South Americans tend to want to move money out of their unpredictable economies into something more stable. Kirschner says the downward-facing dollar, combined with relatively low interest rates, is helping offset the risk for foreign buyers.

"Almost every place, the currency trades favorably to the U.S. dollar at this point. Canadian currency is on par with the dollar, any place that currency trades with the euro, even the Argentinean peso looks good compared to the dollar," she says. "If you're from a country where the interest rate is upward of 12 percent, our interest rates are very favorable. So it's not much of a leap to think you're getting a bargain on top of a bargain."

The wooing of the foreign buyer has commenced anew, in what has been characterized as a "buyer's market without buyers." "The Venezuelan, Mexican and Colombian buyers have an awful lot of inventory coming their way; they have a lot of presentations being made, a lot of people coming and trying to move product," says Kirschner. "We're starting to ramp up again on the international side." Will opportunity keep knocking? Brian Shifrin doesn't speak fluent Portuguese, but he may soon. A real estate agent and appraiser whose Global Real Property Solutions serves Boston's Southborough neighborhood, Shifrin spends most of his workweek appraising houses and multifamily properties for Brazilian and Portuguese buyers and investors.

"When I started appraising seven years ago, they were 90 to 95 percent of my business; now they're maybe 65 to 70 percent because I've been trying to diversify just from a business standpoint," says Shifrin. "But if not for that business, I don't know if I would even be in business." He says the new Bostonians bring with them skills and practices that invigorate the local housing market. "They tend to really know how to use their real estate," he says. "They're borrowing on their equity to buy another property or make improvements on a house they have. And because they are so handy and trade-oriented, any property they buy is being upgraded and renovated.

That seems to be a constant. Then they want to refinance and do something with that." Shifrin says a network of Portuguese-speaking real estate agents, mortgage brokers and attorneys provides a safety net for immigrant buyers in Southborough. Foreign buyers also have a hold card that Americans do not. "They are able to do things with a level of risk that maybe I wouldn't do because if it doesn't work out, they can go back home.

I don't have that ability; I'm just here," he says. While the proliferation of foreclosures and "short sales" nationally due to rampant subprime lending has economists worried, Shifrin doesn't expect sales in his neighborhood to slow for long. "In this market, there is a lot of pent-up demand. The ones that have done well or have some cash are able to buy those short sales and renovate them and increase the value and hopefully start the cycle all over again."

Jay MacDonald