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Vendu! Prodan! Sold!

Exchange Rates Give Foreigners

The Edge in U.S. Market;

From Abu Dhabi to Vegas

By BEN CASSELMAN

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One group hasn't soured on the U.S. real-estate market: foreign buyers.

With the dollar at historic lows against the euro and other currencies, real-estate agents, appraisers and developers say overseas buyers are stepping up their purchases in the U.S. Some are buying vacation homes in Florida, California and Colorado that would previously have been considered out of reach. Others are gambling that properties purchased now will translate into savvy investments down the road, when both the dollar and the U.S. housing market eventually rebound.



For Americans shopping for property abroad, the dollar just doesn't go as far as it used to. Here's a look at what \$1 million or so will get you in selected cities around the world.

Some brokers are aggressively marketing to such potential customers, translating brochures into Russian, buying ads in Irish newspapers and hitting the road -- pitching new condos to prospects in Dubai and Seoul. Corcoran Group in New York has started a specialty international division, and Engel & Völkers, based in Germany, started opening franchises in the U.S. earlier this year. There are now 12 in Florida and one each in Greenwich, Conn., and Southampton, N.Y. About 40% of the company's U.S. business comes from overseas, according to managing partner Timo Khammash.

Developers are getting into the act, too. Shelbourne Development recently hired a European firm to market Chicago condos, while DPS Sporting Club Development, with properties in Georgia, Wyoming and elsewhere in the U.S., has opened a sales office in London. Other companies are trumpeting amenities they hope will appeal to foreign tastes: The CIMA condominium in Miami, for example, will have a multilingual concierge and an international newsstand, including papers in French, Russian, Spanish and Italian, when it opens in 2009. The Solair condo, scheduled to open next year in the Koreatown section of Los Angeles, will feature built-in shoe racks near each unit's front door -- a common feature in Korean homes.

DEVELOPMENTS BLOG



Ray Bartkus

Faced with slow sales at home, the U.S. real estate industry is [looking for help overseas](#)³. Readers, have you seen an influx of foreign buyers where you live? Do you think foreign buyers could affect the market, or are they wise to take advantage of the weak dollar by buying here? [Join a discussion on the Developments blog](#)⁴.

Moutaz Kaissi, an executive with the Al Fahim Group in Abu Dhabi, and his wife, Fawzia, see opportunity in the troubled Las Vegas market. Last week, the Kaissis closed on a bank-owned two-bedroom house on a golf course in North Las Vegas. The Kaissis paid \$295,000 for the home, a price more than \$100,000 lower than the original owner paid for it new. The Kaissis' son, Mohammad, a student in California who is handling his parents' real-estate transactions, says his father had been thinking about buying a vacation home in the U.S. for a number of years, but became serious when the Las Vegas market weakened. "He just thought it was the right time to buy a house," the younger Mr. Kaissi says.

Still, foreign buyers are too few to prop up the slumping U.S. market altogether, experts say. And sales have been heavily concentrated in a handful of states, including New York, California and Texas. Florida alone accounted for 26% of all U.S. sales involving foreign buyers in the year ended April 2007, according to a report by the National Association of Realtors. Foreign buyers accounted for up to 4% of all U.S. sales during that time period, according to Lawrence Yun, chief economist for NAR.

Foreign businesses bought \$11.3 billion of U.S. real estate in 2006, up 45% from a year earlier, according to the U.S. Bureau of Economic Analysis. While those numbers refer mostly to commercial and industrial properties, experts say they suggest increased interest in the residential market, too.

Jonathan Miller, research director for New York-based Radar Logic, a data and analytics firm, estimates that purchases by international buyers now make up as much as 25% of all Manhattan apartment sales, double their share two years ago. The foreign infusion has helped keep New York sales strong, even amid a shaky credit market and falling Wall Street earnings, Mr. Miller says.

Bailing Out Vegas

In Las Vegas, foreign money is helping to bail out areas that were overrun by short-term investors during the real estate run-up. "Thank God for the European buyers," say Shanda Sumpter, an agent there with Coldwell Banker Premier Realty who now focuses exclusively on foreign investors. "They're coming in, and they're cleaning up what the speculative investors did to our market."

The increase in foreign buyers comes as the U.S. housing market continues to struggle. Existing-home sales fell 4.3% in August to a seasonally adjusted rate of 5.5 million, the lowest number in five years, according to the NAR; a 10-month supply of unsold homes is now on the market. The association predicts sales will begin to recover in the second quarter of next year, but many economists expect the downturn to last into 2009 or beyond. Real-estate markets in much of Europe, meanwhile, are booming, leading some investors to fear a bubble. The average price of a home in Greater London, for example, was £349,838 (about

\$714,000) in August, up 16.7% over the previous year, according to the Land Registry of England and Wales. "It's sort of time to take some of the money off the table, says Conor Headon, a 42-year-old Irish mobile-phone executive who says he owns several properties in his home country. "The question is, what do you do with it?"

For Mr. Headon, the place to put his money is the U.S., where he says the weak dollar and slow housing market make it an attractive time to invest. He and three friends are planning a real-estate shopping trip to Boston next month. "I would think that we'll have come back having collectively bought about 10 condos," Mr. Headon says.

Discounts Available

For other international buyers, the weak dollar offers a chance to pick up something at a discount. In Miami, a relatively modest three-bedroom house with a pool is on the market for \$579,000. A comparable property near Cannes in France -- also with three bedrooms, also with a pool, and with a similar-size house and lot -- is listed for €583,000 (\$819,000), a more than 40% premium.

Calgary, Alberta, resident Verna Shewchuk says she and her husband, Dennis, had been considering buying a vacation home in a golf community in the U.S. for several years before making an offer on a \$2.75 million home in Scottsdale, Ariz., in June. They closed on the property three months later, when the Canadian dollar was valued at about 95 U.S. cents -- one of the best rates in years. Still, it wasn't as good as a month later, when the loonie passed the U.S. dollar in value. (It is now at US\$1.02.) "If we'd waited a month, it would have been even better for us," Ms. Shewchuk says.



Desert Mountain Real Estate

Verna and Dennis Shewchuk took advantage of the strong Canadian dollar to buy a \$2.75 million house in Scottsdale, Ariz.

Christopher Mayer, a Columbia University professor and director of the Paul Milstein Center for Real Estate, warns foreign investors to think twice about comparing U.S. prices to those in their home countries. For example, despite recent discounts, residential properties in Miami may still be overvalued -- even if they are far cheaper than equivalent homes in the south of France. "One of the mistakes foreign buyers make is to put things in the context of their [local] market," Mr. Mayer says. "When you see foreign buyers in a market where locals are not buying, that's a troubling sign." In fact, some may be getting wary. New York appraiser Jeffrey Jackson says that since August he has "sensed a bit of a change in attitude," with foreigners taking a closer look before they buy.

Real-estate agents are working hard to attract buyers like Mr. Headon and Ms. Shewchuk. Miami agent Michael Valdes says he recently visited Moscow to woo prospective customers there. And Neal Sroka, the agent in charge of Corcoran Group's international division, now travels to 12 investor shows a year, including ones in Dubai and Korea. "I'm basically spending most of my time bringing the U.S. market to the foreign buyers, rather than waiting for them to come here," Mr. Sroka says.



Tuscana, a condo development in Orlando, Fla., has drawn buyers from the U.K. and Ireland

Developers are making similar efforts. In Chicago, Shelbourne Development Group hired the United Kingdom real-estate firm Savills to handle international sales of its 150-floor condo tower, the Chicago Spire, currently under construction. Lake Nona, a master-planned community near Orlando, Fla., recently shifted 30% of its advertising budget overseas; five of the 19 properties the company has sold since May have been to buyers in the U.K. And the developers behind Trump SoHo, a condo-hotel

going up in Manhattan, made a similar decision after the project drew early interest from foreign buyers; Julius Schwarz, executive vice president of Bayrock Group, lead developer on the project, says the company is allocating an additional 20% of its marketing budget to overseas sales.

Foreign buyers are particularly attractive because they tend to put more money down, and are therefore less likely to walk away from deals. Garrett Kenney, a developer and real-estate agent in Florida who has many customers in England and his native Ireland, says most of his overseas buyers put down 25%, compared with the usual 10% down payment by many Americans. And because they tend to be wealthy, foreign buyers are also more likely to pay entirely in cash, significant at a time when many deals are falling through because of the credit crunch. In the NAR survey, 28% of foreigners paid cash for their purchases, compared with just 10% of Americans. Lissette Calderon, chief executive of Florida developer NEO, says some pay a unit's full purchase price upfront, even though only a preconstruction down payment is required. The reason: They want to lock in today's low exchange rates.

Of course, such thinking assumes that the dollar will eventually strengthen. If it continues to fall, foreigners who buy now could see their investments lose value. That's not deterring real-estate shoppers like Uwe Braun, however. After years of waiting for the overheated Miami market to cool off and the exchange rate to improve, Mr. Braun, an executive for a German wholesaler, says he is finally ready to make an offer on a roughly \$1 million condo near the beach.

"I think the timing is right," he says.

Write to Ben Casselman at ben.casselman@wsj.com⁵

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