

SmartMoney

Foreign Buyers Flocking to U.S. Housing Market

AMERICANS' LOVE AFFAIR with real estate may be cooling, but thanks to [falling home prices](#) and the weak dollar, attention is heating up from another group of suitors: foreign investors.

Foreign buyers have long looked to certain U.S. markets — say, high-end properties in cosmopolitan Manhattan or sexy South Beach Miami — as investment opportunities. These days, however, real estate professionals report increased international interest in a much larger range of properties — from \$60,000 single-family homes in South Florida's inland neighborhoods to \$1 million waterfront villas located just miles from the Canadian border in Washington State. Almost one in five, or 18%, realtors surveyed by the National Association of Realtors last year said they sold homes to international clients between April 2006 and April 2007. More recent data isn't yet available, but according to anecdotal evidence, those numbers continue to rise.

"There definitely is more interest in U.S. properties, no question about it," says Mark Partin, partner of Crown Realty Advisors, which brokers deals between U.S. developers and Canadian investors interested in buying residential properties in "bulk."

For many foreign buyers, property in the U.S. is downright cheap. Canadians now get an 80% discount on what they would have paid for a piece of the U.S. just three years ago, when one Canadian dollar was worth just 80 U.S. cents and properties in some areas were 50% more expensive, Partin notes. (One Canadian dollar is now worth roughly \$1 in U.S. currency.) For European buyers, whose currency carries 25% more buying power in the U.S. than it did just three years ago, today's depressed property prices are no less

While Americans are discouraged by images of neighborhoods blighted by "For Sale" signs and taped-off properties, foreign buyers are much more optimistic, especially about the long-term health of the U.S. market, says David Michonski, a certified international property specialist and CEO of Coldwell Banker Hunt Kennedy in New York. "The foreign buyer has an unbridled confidence in the U.S. market that is lacking in the domestic purchaser today," he notes. "They view this as the bargain of a lifetime and are terribly excited about it."

Kim Kirschner, chairwoman of the Realtor Association of Greater Miami and the Beaches, recently returned from two international trade shows (one in Madrid, one in Paris) exhibiting second-home opportunities. She says interest in U.S. properties was decidedly higher than a few years ago when attendees were more interested in places that offered higher return on investment, such as Bulgaria. "Now they understand the U.S. market is more stable. We may have down cycles, but we go up back again," says Kirschner.

That profit potential is what convinced Londoner Grace Felix to start looking for a place near Fort Lauderdale, an area where she and her fiancée already spend about two weeks out of every three months. "Hotels cost an arm and a leg," she says. "It makes better sense to buy and it's a good investment."

Felix's realtor, Jacqueline Christophe-Hayot, receives similar inquiries from French, British and Canadian buyers on a weekly basis. And, she says, these buyers aren't the stereotypical Florida-bound retiree, but rather "the Miami beach crowd": 30-something professionals who plan to use the property for several weeks a year and rent it out the rest of the time. With prices down to 2002 levels and sellers willing to negotiate even lower, such arrangements make a great deal of financial sense, she says.

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In Phoenix and Scottsdale, Ariz., Canadians who are years away from retirement buy property now rather than risk higher prices later, says Irene Hammond, a realtor in the area. Property values in Canada remain stable, allowing many potential buyers to refinance or take home equity loans that they can use to buy in the U.S. — often, with 100% cash down. "They've heard there's a fire sale going on down here," Hammond says, adding that some Canadian buyers come to her with unrealistic expectations, wanting to pay, say, \$225,000 on a house listed for \$300,000. (Such low-ball offers do not get accepted, she says.)

Interest is so high, that many of Hammond's fellow real estate brokers now include the Canadian dollar exchange rate on their web sites, or even host web sites specifically targeted at foreign buyers. In fact, real estate brokerages across the country are increasingly putting an international spin on their marketing efforts.

Jean Groesbeck, a realtor in Anacortes, Wash., located on an island about 70 miles north of Seattle and south of the Canadian border, just started advertising on LuxuryPortfolio.com, a high-end property web site that can be translated into multiple languages and features currency exchange rates. Earlier this month, SecondSpace.com, an online marketplace for vacation homes and retreats, launched three web sites (ResortScape.ca), ResortScape.co.uk and LandWatch.co.uk) targeted at Canadian and U.K. residents.

Despite all the hoopla, though, foreign buyers alone will hardly help the U.S. crawl out of the current housing mess, says Mike Inselmann, president of national housing consultancy Metrostudy. Unsold inventory in some areas is so abundant that it cannot be absorbed, even with increased interest from our neighbors north of the border or overseas. "I wouldn't say it's the elegant solution to the housing inventory problem, but I do think it'll play a minor role," he says. "Maybe bigger in some markets than others"

According to Michonski, foreigners can at least bring to the U.S. market what it's been lacking most in the past months: "They'll provide a psychological support of confidence," he says.

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