



US property markets ‘becoming more international’

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United States real estate markets are increasingly becoming international, a global property forum has been told.

Changing demographics due to immigration and growing interest from foreigners are set to bolster home sales activity and prices, the 2017 REALTORS Legislative Meetings & Trade Expo heard.

The National Association of Realtors (NAR)’s Danielle Hale, Managing Director of Housing Research, was joined by Alex Nowrasteh, immigration policy analyst at the Center for Global Liberty and Prosperity at the Cato Institute, to share insight on the current and future impact of foreign buyers and immigration on the U.S. housing market.

The rising U.S. population is being bolstered by a growing number of immigrant households, and their presence will continue to transform the housing market. Of the 321.4million residents in the U.S., 278.1million are born here (natives) and the remaining 43.3million – made up of 20.7million naturalized citizens and 22.6million non-citizens – are foreign-born, the 2015 American Community Survey suggests.

“Immigration affects rents and home prices far more than it affects the labor market,” says Mr Nowrasteh. “An expected 1 per cent increase in a city’s population produces a 1 per cent uptick in rents, while an unexpected increase results in a 3.75 per cent rise.”

Immigration and housing studies explain that the effects of immigration on real estate are localized, with most of the impact felt where immigrants tend to reside: low-to-middle income counties. Each immigrant adds 11.6cents to housing value within that county. In 2012, 40million immigrants added roughly \$3.7trillion to U.S. housing wealth.

Referencing the Legal Arizona Workers Act that went into effect on January 1, 2008, Mr Nowrasteh says the decline in population resulting from the law likely exasperated the drop in home prices the state experienced during the downturn. Fewer households purchasing or renting property subsequently lead to higher vacancies and lower prices. “Immigration is the best way to increase population, housing supply and prices,” he says.

Foreigners increasingly view the U.S. as a great place to buy and invest in real estate. She noted the upward trend in sales activity from resident and non-resident foreign buyers in the past seven years, with total foreign buyer transactions increasing from \$65.9billion in 2010 to \$102.6billion, according to the NAR’s 2016 Profile of International Activity in U.S. Residential Real Estate, says Ms Hale.

“A majority of foreign buyers in recent years are coming from China, which surpassed Canada as the top country by dollar volume of sales in 2013 and total sales 2015. Foreign buyers on average purchase more expensive homes than U.S. residents and are more likely to pay in cash.”

Roughly over half of all foreign buyers purchased property in Florida (22%), California (15%), Texas (10%), Arizona or New York (each at 4%).

Latin Americans, Europeans and Canadians – who tend to buy for vacation purposes in warm climates – mostly sought properties in Florida and Arizona. Asian buyers were most attracted to California and New York, while Texas mostly saw sales activity from Latin American, Caribbean and Asian buyers.

NAR’s 2017 *Profile of International Activity in U.S. Residential Real Estate* survey is scheduled for release this summer.

Looking at the past year, Hale said monthly data from the Realtors Confidence Index revealed a rise in responses from Realtors indicating they worked with an international buyer.

“Chinese buyers are once again expected to top all countries in both total dollar volume and overall sales,” says Ms Hale.