



David Kim: Foreign Buyers Impact U.S. Housing Market

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May 31, 2017

The influence and impact of foreign buyers has come to light recently throughout the United States as well as locally in Santa Barbara.

U.S. real estate markets are increasingly becoming international, and changing demographics brought forth by immigration and growing interest from foreigners are positioned to bolster home sales activity and prices.

That's according to speakers at an international real estate forum organized by the REALTOR® University Richard J. Rosenthal Center for Real Estate Studies session here at the 2017 REALTORS® Legislative Meetings & Trade Expo.

According to Alex Nowrasteh, immigration policy analyst with the Cato Institute's Center for Global Liberty and Prosperity, 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.

Referring to data from the 2015 American Community Survey, Nowrasteh said of the roughly 321.4 million residents in the U.S., 278.1 million are born here (natives) and the remaining 43.3 million — made up of 20.7 million naturalized citizens and 22.6 million non-citizens — are foreign-born.

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

Nowrasteh, pointing to studies conducted on immigration and housing, said 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 11.6 cents to housing value within that county. In 2012, 40 million immigrants added roughly \$3.7 trillion to U.S. housing wealth.

Referencing the Legal Arizona Workers Act that went into effect Jan. 1, 2008, Nowrasteh said 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 said.

Presenting some of the key findings from NAR’s 2016 Profile of International Activity in U.S. Residential Real Estate released last July, Danielle Hale, managing director of housing statistics for the National Association of REALTORS®, said 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 nonresident foreign buyers in the past seven years, with total foreign-buyer transactions increasing from \$65.9 billion in 2010 to \$102.6 billion in the latest survey.

“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,” said Hale.

“Foreign buyers on average purchase more expensive homes than U.S. residents and are more likely to pay in cash,” she said.

Because of these findings, foreign buyers and immigration are expected to drive future demand for U.S. housing.