

# Profile of International Home Buyers in Florida



Research Division  
National Association of REALTORS®  
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# **Prepared for the Florida REALTORS®**

This report was prepared by the National Association of Realtors® Research Division for the Florida Realtors® association based on a recent survey of Florida REALTORS® , previously gathered information, and available statistical data.

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# 2011 National Association of REALTORS® Profile of International Home Buying in Florida

## INTRODUCTION

To assess the significance of foreign home buyers in Florida, the National Association of REALTORS®, in cooperation with the Florida REALTORS® association conducted a survey of Florida REALTORS®, asking the membership about their experiences in working with international clients. The survey was similar to last year's survey as reported in *Profile of International Home Buyers in Florida, 2010*. This year's survey was conducted during the late June/early July time frame, requesting information on REALTOR® experience with international buyers over the previous 12 months. Accordingly, the conclusions for this year's survey are applicable to the 12 months ending June 2011. A total of 1024 responses were received, of which 787 (77 percent of respondents) reported having served foreign clients.

The international real estate market, defined as non-resident foreigners purchasing residential real estate in this country, is important to Florida. *NAR's Profile of International Home Buying Activity, 2011* identified the total U.S. market of existing home sales to non-resident foreigners at \$41 Billion, with an additional \$41 Billion of sales each year to recent immigrants and resident foreigners. Total residential sales in Florida for 2010 were estimated at approximately \$48.8 Billion, and sales to foreigners were estimated at \$12.7 billion. Approximately 25 percent of total Florida residential sales are estimated to have been to foreigners in the 12 months ending June 2011; the estimate is subject to plus or minus 5 percent error. The data and computations for this estimate are in Appendix 1.

This report provides insights into the international segment of Florida's residential real estate market. Nationally, the level of international sales is relatively small—in the neighborhood of 3 percent of all transactions; however, for Florida international sales are a major portion of the market:

- Approximately 25 percent of all sales in Florida are to foreigners.
- Nearly all sales are all-cash.
- Foreign purchasers buy upper end homes – median approximately \$174,700.
- Foreign purchasers bought because of good values in U.S. housing market, helped by the weaker dollar.
- Canadians lead, with the UK now less important. Brazil and Venezuela have become more important.

In recent years as a result of the Great Recession, financial crises, foreclosures, and troubled consumer finances the U.S. housing market has suffered both volume and price declines. The total U.S. Existing Home Sales (EHS) market achieved robust sales growth starting in 2001, ultimately attaining a reported level of 7.1 million existing homes sales on an annual basis in

2005. However, for the past 3 years existing home sales have been reported as hovering in the range of 4.8 to 5.2 million sales per year.

- Total U.S. existing home sales declined nationally by 31 percent from the peak in 2005 to 2010. The corresponding price decline over that time period was 21 percent. Regional and month-to-month experiences were significantly worse in a number of cases.
- Single family sales in Florida fell from 248,600 in 2005 to 170,800 in 2010, a decline of 31 percent. According to reports from Florida REALTORS®, prices declined from to \$235,100 to \$136,500, a decline of 42 percent.

The demand for U.S. homes by foreigners is different from the overall U.S. market. All real estate is local, and the important domestic market drivers-- jobs, consumer confidence, family formation, and economic growth—have had major negative impacts on existing home sales in domestic transactions. International sales of U.S. homes to foreigners, however, have different market drivers—perceptions of value relative to foreign comps, the desire to diversify assets, potential vacation use, rental opportunities, and an interest in placing assets in areas with well-defined and secure property rights.

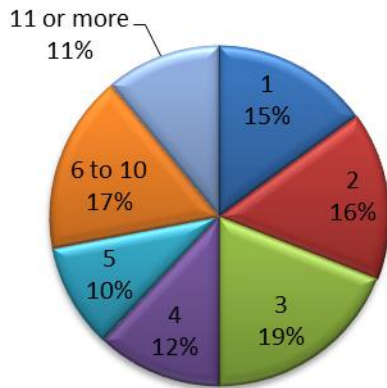
*NAR's Profile of International Home Buying Activity, 2011* indicates that the international market has been growing slightly in recent years, which is significant in view of overall market declines in U.S. residential sales of existing homes. There is rising affluence throughout the world, and clients come from a wide variety of countries to purchase U.S. real estate. Four states—Arizona, California, Florida, and Texas accounted for 58 percent of total U.S. residential home sales to non-resident foreigners in the 2009/2010 time frame. Florida accounted for 31 percent of total U.S. residential home sales to non-resident foreigners in the same time period.

## **SIGNIFICANCE OF INTERNATIONAL CLIENTS FOR REALTOR® BUSINESSES**

Seventy-seven percent of the REALTORS® responding to this year's Florida survey reported that they had worked with an international client in the past 12 months, up from 65 percent of respondents reported in the 2010 Florida Survey.

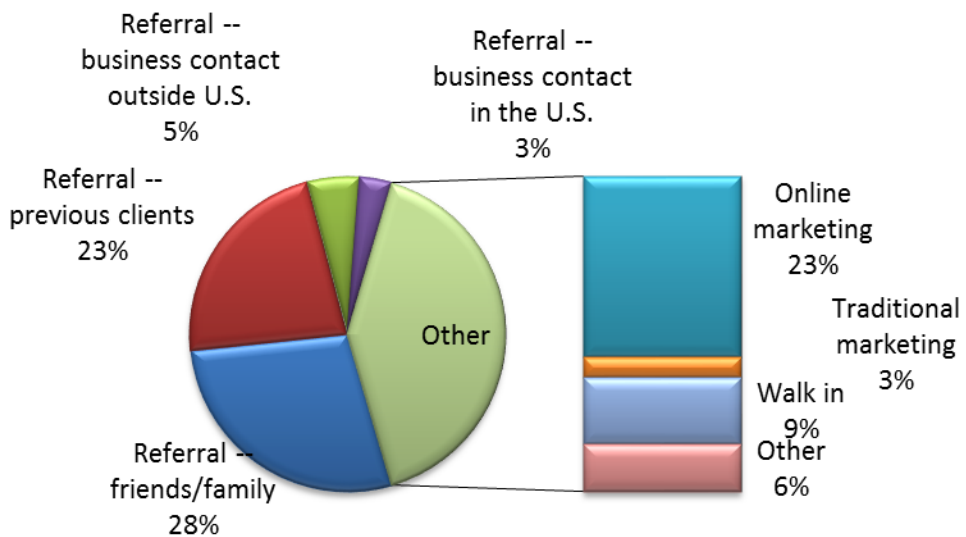
Among REALTORS® with international business, many respondents reported serving multiple clients: The level of international business was relatively concentrated, with 28 percent of the respondents having 6 or more clients, up from 24 percent last year.

**In the past 12 months, how many of your clients were international clients, whether or not they purchased a property?**



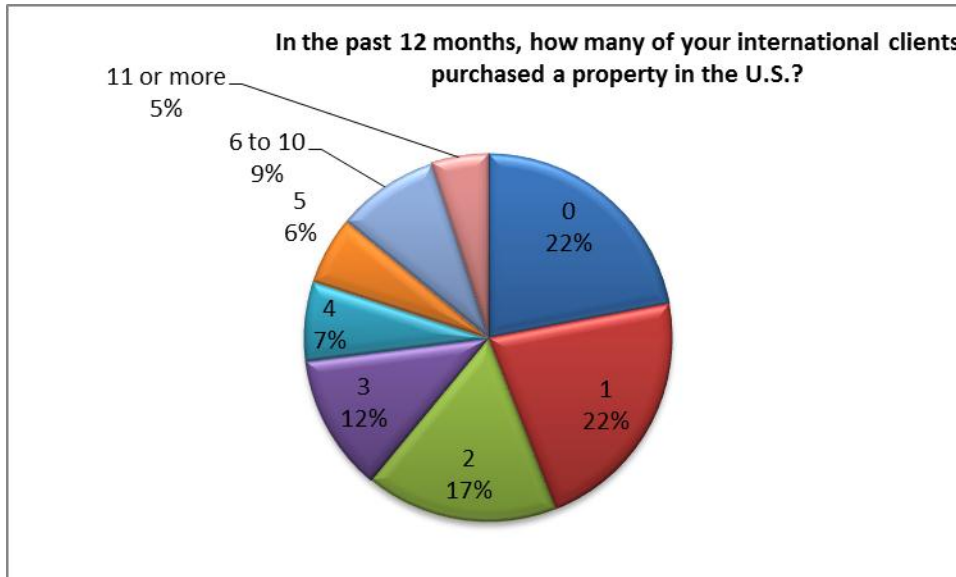
International clients contact REALTORS® in a variety of ways. Referrals from previous clients (23 percent of contacts), business contacts (8 percent of contacts), and friends and family (28 percent of contacts) accounted for the bulk of initial client contact. Online marketing accounted for 23 percent of contacts.

**How did the most recent international client contact you?**

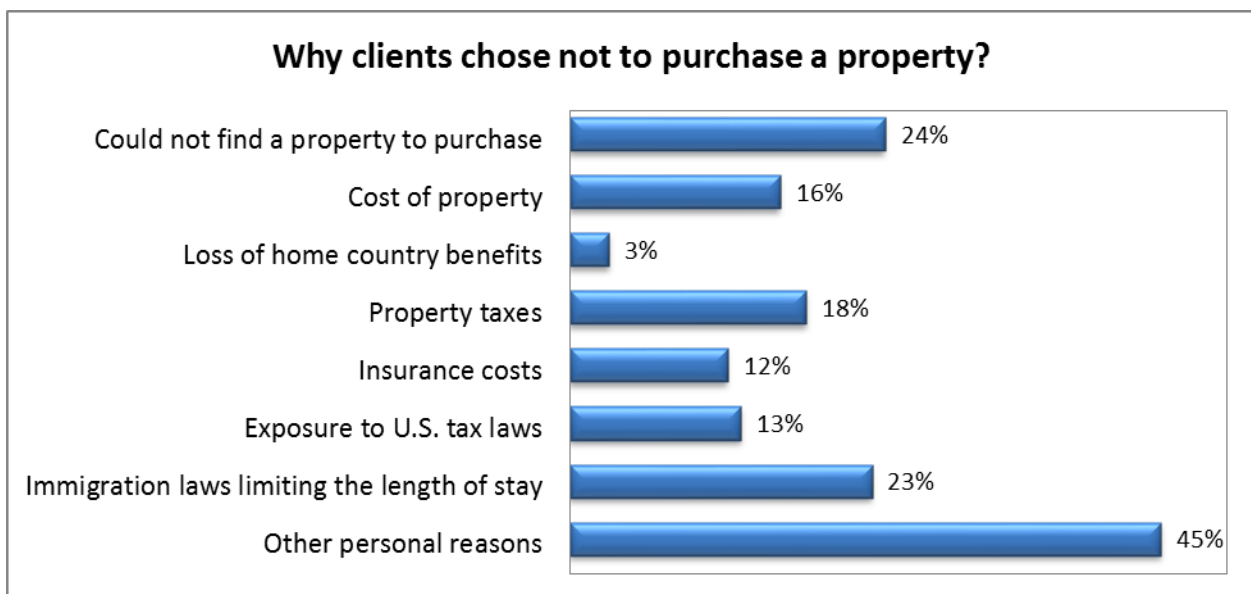


Not all client interactions resulted in a transaction. In the past 12 months, 22 percent of Realtors® who worked with international clients reported that none of their international clients

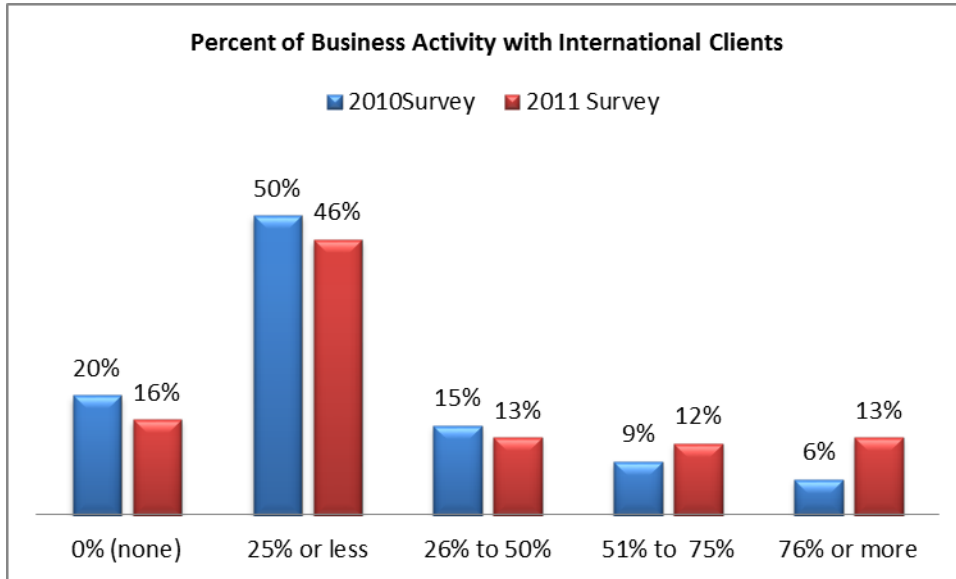
had purchased a home through them. In contrast, 39 percent of respondents reported three or more completed transactions.



There were a variety of reasons explaining why a client did not purchase a property. Approximately 55 percent of Florida REALTORS® who worked with foreign buyers reported that they had at least one client who chose not to purchase a property. The most often cited reason for not going ahead with a purchase was “could not find a property”; the second most mentioned reason was concern about U.S. immigration laws.

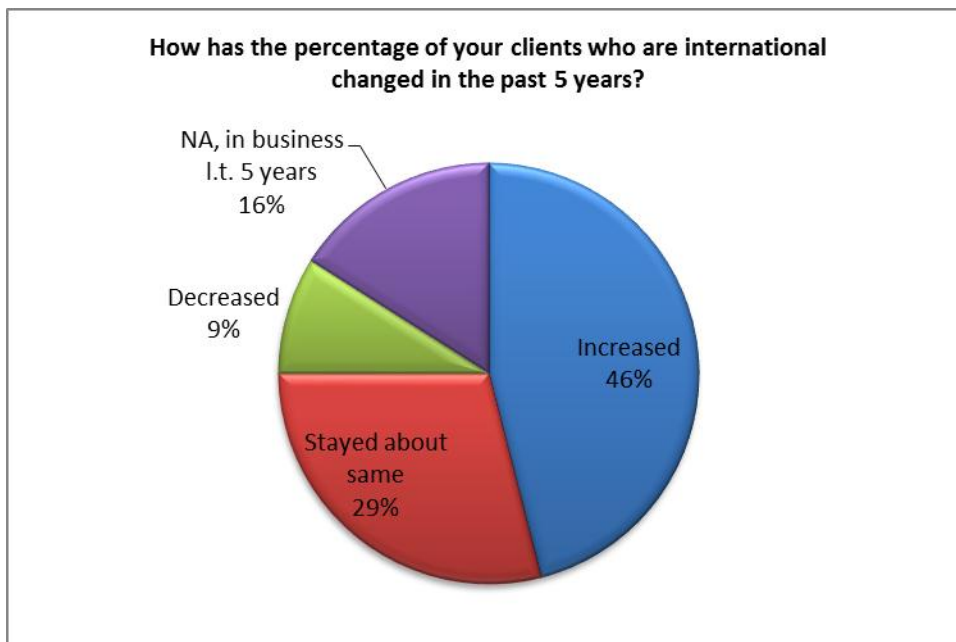
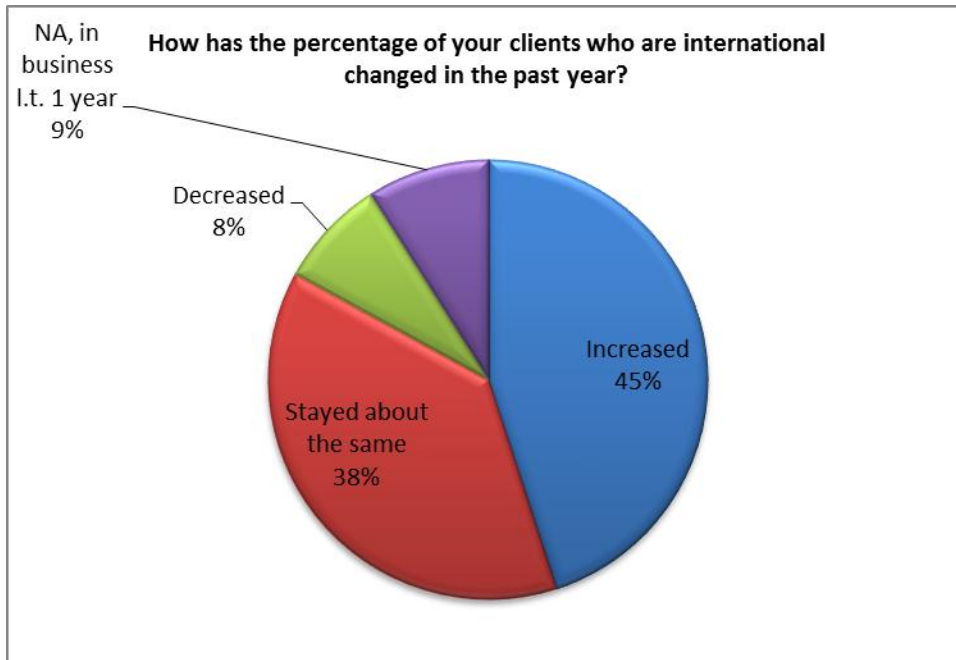


Forty-six percent of REALTORS® with international business reported that international clients accounted for 25 percent or less of their business, while 13 percent reported that international clients accounted for 76 percent or more of their business.



## Market Growth

Florida REALTORS® reported that the international market is growing. Forty-nine percent of REALTORS® reported increased international business over a one year time span. Over the recent five year time span, 55 percent of respondents reported increased international business. In contrast, 9 percent and 11 percent of respondents reported decreased business over the past year/past five years.

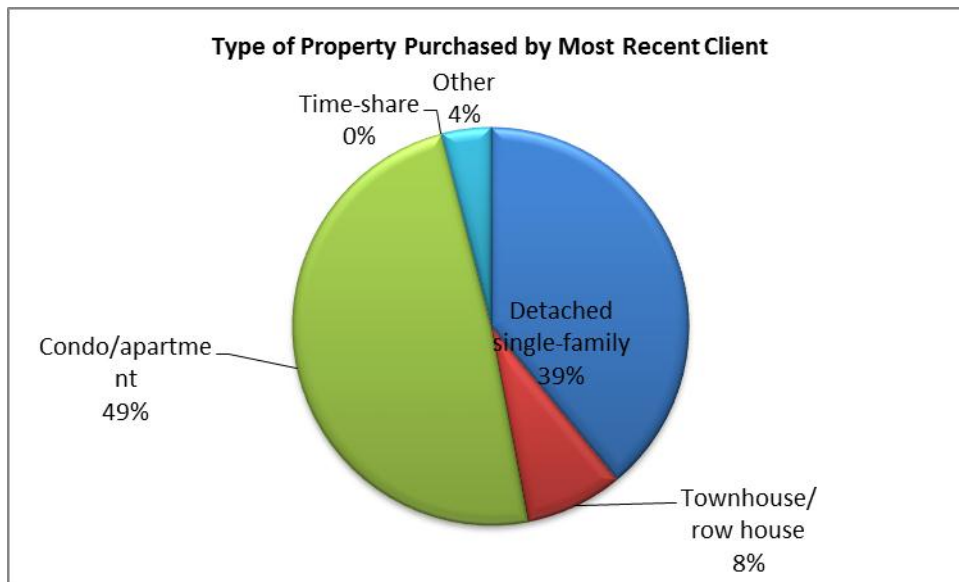


## **CHARACTERISTICS OF THE HOME PURCHASE**

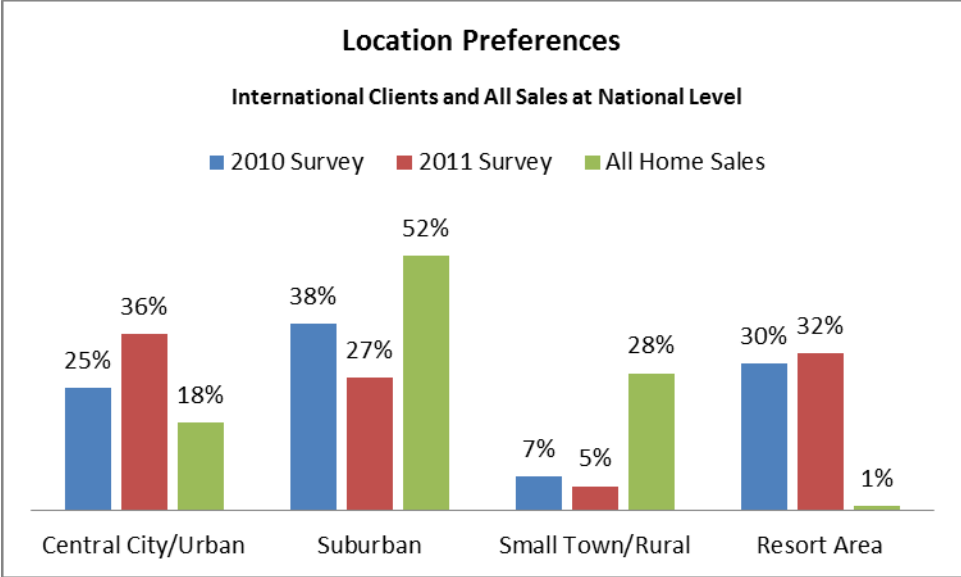
Foreign buyers were slightly more likely to purchase an existing home than was the case for all U.S. home buyers. REALTORS® reported that 11 percent of foreign buyers purchasing a home in Florida bought a new home, while the remaining 89 purchased existing home,

percentages which are the same as reported in last year's survey. In comparison, *NAR's Profile of International Home Buying Activity, 2011* reported that nationally new home purchases were 15 percent of the total homes sold.

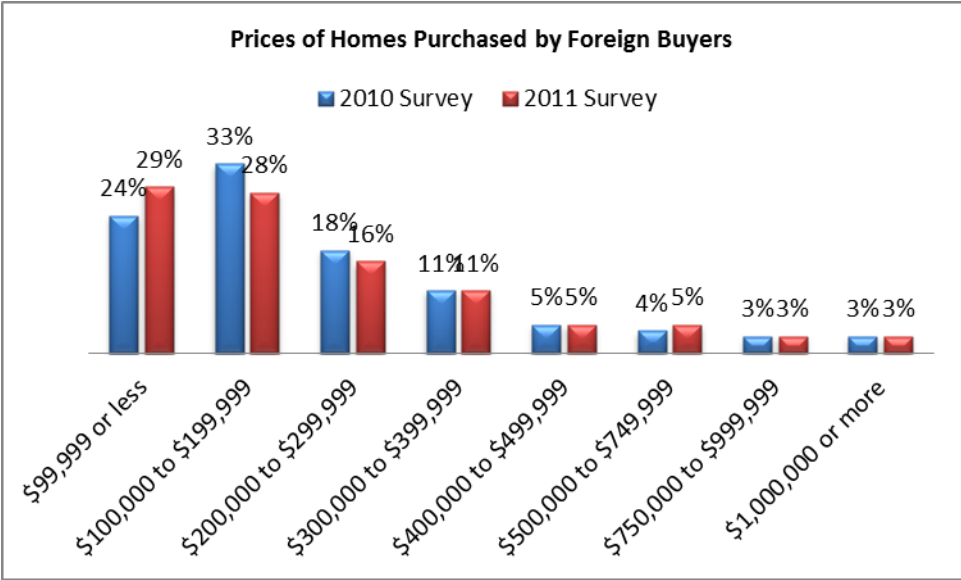
Thirty-nine percent (39%) of foreign buyers purchased a detached single-family home, compared to 51 percent last year. In contrast, single-family homes accounted for 88 percent of all homes sold at the national level in 2010. Forty-nine percent of international buyers purchased condos (up from 37 percent last year), compared to 12 percent of condo buyers at the national level.



The location choices of foreign buyers differed markedly from the patterns reported among all home buyers nationally. Compared to all home sales, as reported in NAR's 2010 *Profile of Home Buyers and Sellers*, foreign buyers were much more likely to purchase in a resort area (32 percent of foreign purchases vs. one percent of all homes sold nationwide) or in a central city/urban area (36 percent of purchases vs. 18 percent). The significant share of resort buyers is not surprising given the nature of the Florida market. In addition, international buyers found Florida's central cities to be desirable locations in a number of instances.

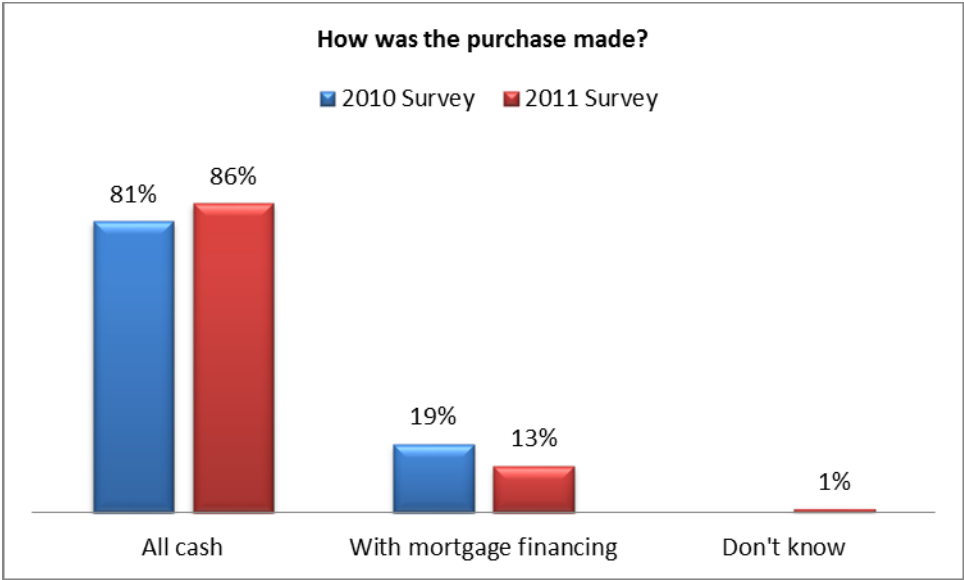


Florida purchasers viewed Florida real estate prices generally as less expensive than real estate prices in their home country. International buyers tended to purchase homes at prices above the national median price of \$172,900 reported for 2010. In 2010/11 the median price for Florida purchases by international buyers was approximately \$174,700, compared to \$180,000 in 2009. In contrast, the overall median prices in Florida for single family and condo properties were respectively \$136,500 and \$91,300 in 2010.

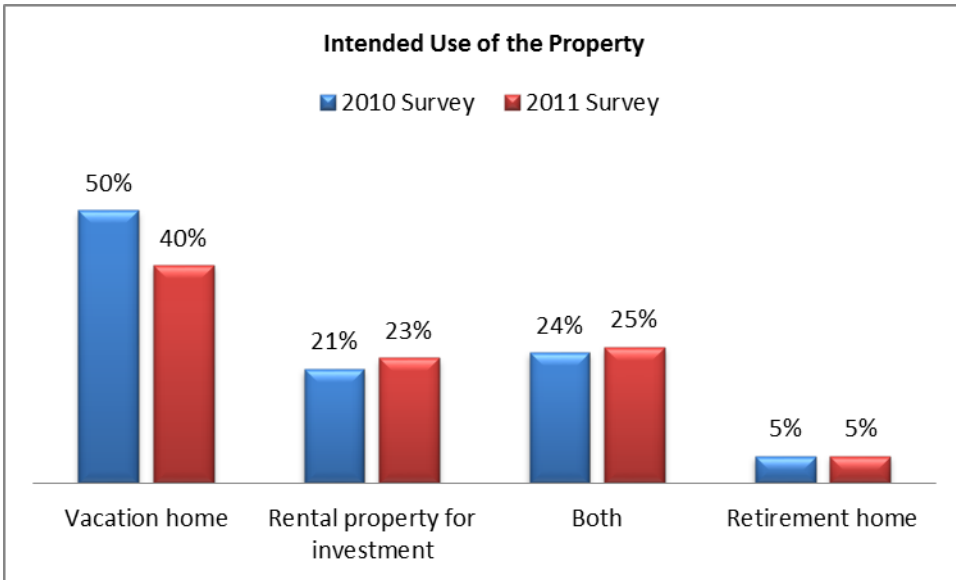


According to NAR's 2010 *Profile of Home Buyers and Sellers* 91 percent of all home buyers used mortgage financing to purchase their homes. Among recent foreign buyers in Florida, however, the use of mortgage financing was much less frequent. Overall, 13 percent of

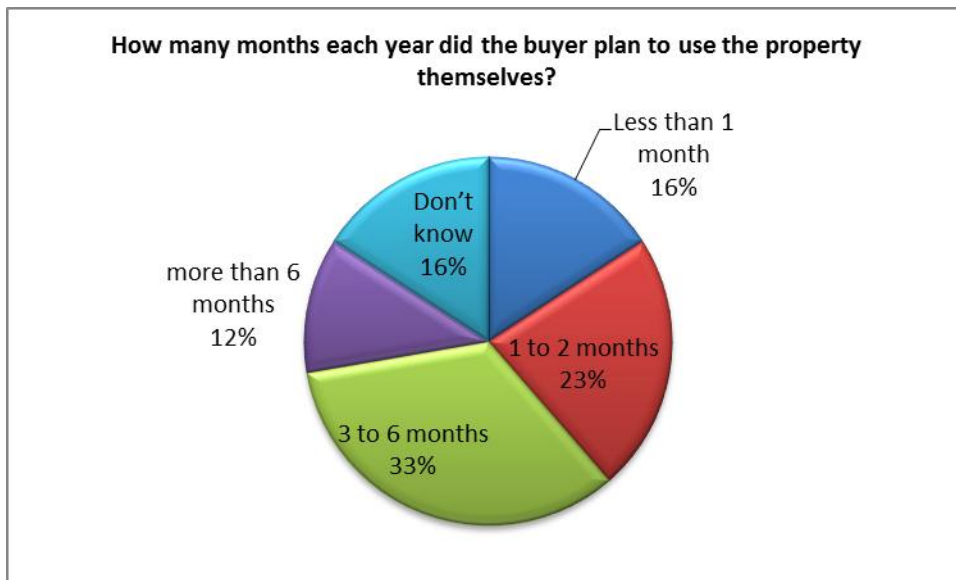
foreign buyers were reporting as financing their purchase with a mortgage, while 86 percent paid cash with no mortgage financing. This disparity appears to be due to the differences in credit rating practices between the U.S. and foreign countries and the difficulties in confirming credit worthiness internationally. Foreign buyers typically don't have credit ratings that are computed on scales similar to U.S. practices, don't have Social Security numbers, and have credit and asset profiles significantly different from U.S. expected characteristics. This makes obtaining a mortgage difficult for the foreign buyer.



Forty-one percent (41%) of foreign buyers in Florida purchased a property to use as a vacation home. Approximately 23 percent purchased a home to be used as a rental property. Given the U.S. visa and residence limitations on the length of time that foreign buyers may be able to use personally their property, 25 percent of sales were for a dual use—as a vacation home for the buyer's family and/or friends, and as a rental property at other times. Six percent (6%) of properties were reported purchased as a retirement home.

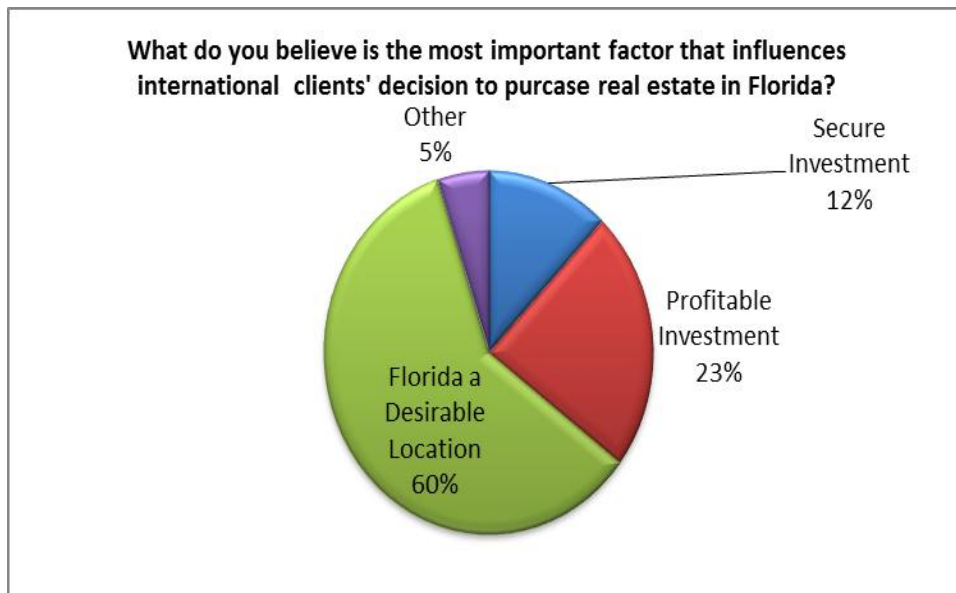


The likelihood that properties may have a dual use is also reflected in the length of time that buyers plan to personally use them, with shorter intended use among those that also plan to rent their property to others. Sixteen percent (16%) of buyers plan to personally use the property less than one month per year, with 23 percent projecting 1 to 2 month usage and 33 percent projecting 3 to 6 month usage.



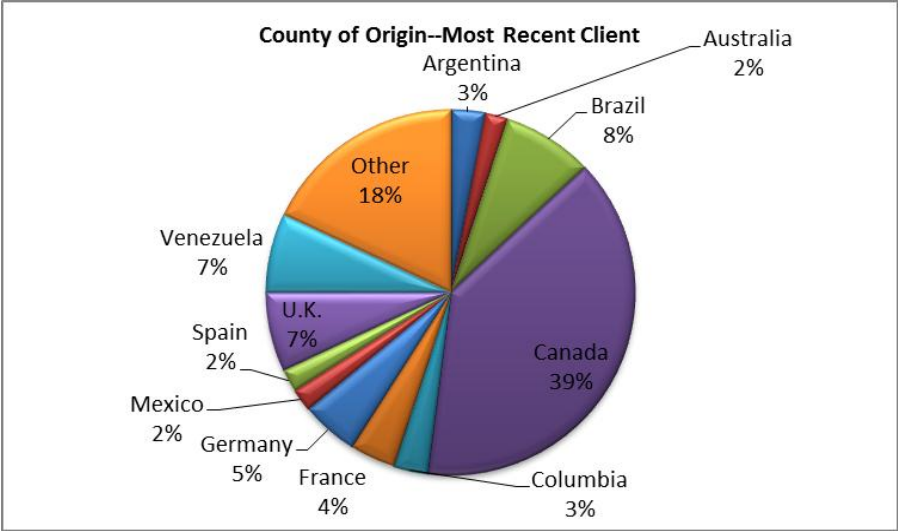
## REASONS TO PURCHASE A PROPERTY IN FLORIDA

Florida is an attractive destination for both international and domestic home buyers. Based on the experience of REALTORS® working with foreign buyers, the single most important factor influencing the purchase of a home is that Florida is viewed by a majority of foreign buyers as a desirable location. Florida real estate is viewed as a profitable investment by 23 percent of foreign buyers, while 12 percent mentioned Florida real estate as a secure investment. Other respondents mentioned favorable international U.S./Foreign currency exchange rates as a reason for the purchase of Florida real estate.



## REGION OF ORIGIN OF INTERNATIONAL HOME BUYERS

Although home buyers come from all over the world to Florida, a few countries and regions accounted for the majority of sales to international clients. Canada accounted for 39 percent of buyers, up from 36 percent in 2010. The United Kingdom accounted for 7 percent of buyers, down from 15% last year. Other countries with large numbers of buyers included Brazil (8 percent, up from 3 percent), Venezuela (7 percent, up from 3 percent) and Germany (5 percent, same as last year).



North America (Canada and Mexico) accounted for 41 percent of the total international purchases, followed by Latin America (including the Caribbean) at 26 percent of total international purchases, and Western Europe at 23 percent of total international purchases.

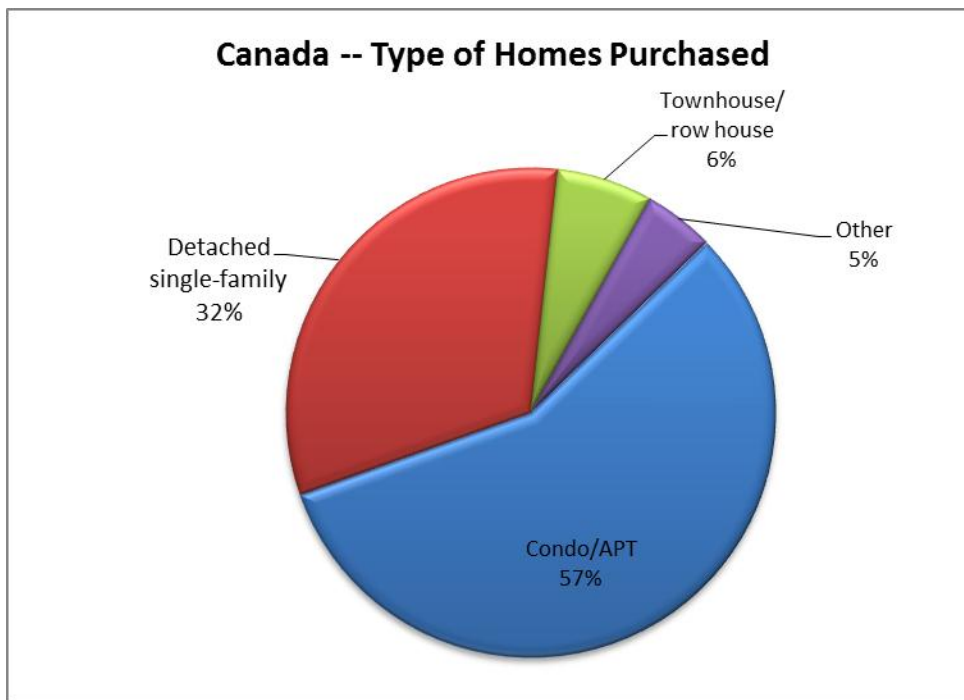


## Foreign Buyers from Different Countries and Regions

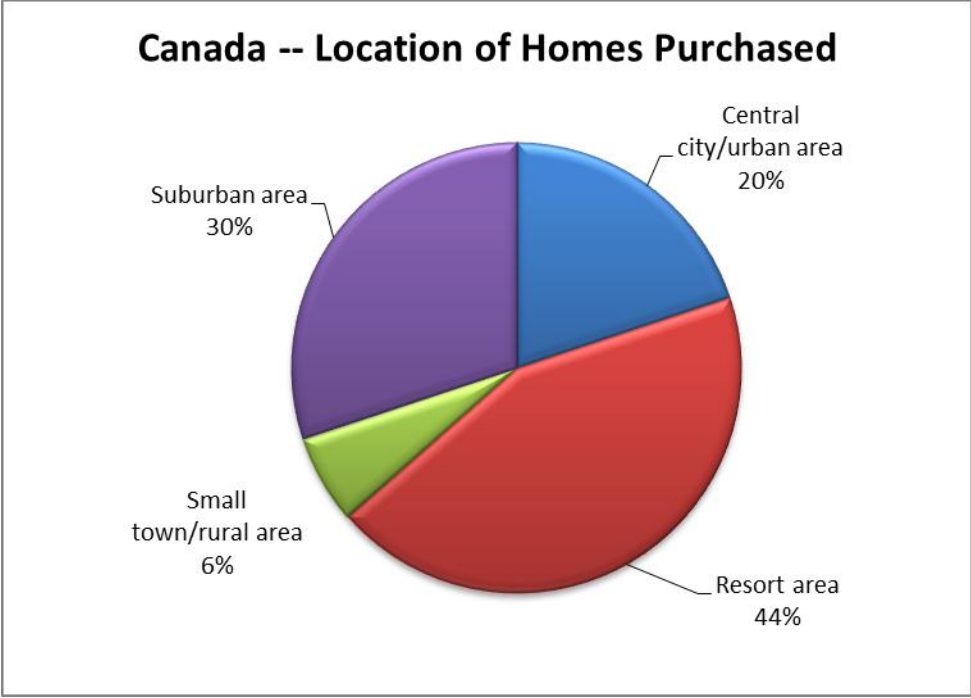
Below, we will discuss about several characteristics of buyers from Canada, Brazil, United Kingdom, and Venezuela. Also, we discuss about buyer from Western Europe other than United Kingdom, and Latin America without Brazil and Venezuela.

### Home Buyers from Canada

Canadian Buyers accounted 39% among the entire foreign buyers in Florida. 57% of Canadian buyers chose Condo/APT type of housing, and 32% purchased detached single family homes.



44% of Canadian buyers purchased properties located in resort area.



The median price of homes purchased by Canadians was \$151,500, which is lower than \$174,700 the median of all foreign buyers. Close to two thirds of the buyers (64%) paid under \$200,000.

**Canada -- Price of Homes Purchased**

<b>\$99,999 or less</b>	35%
<b>\$100,000 or \$199,999</b>	29%
<b>\$200,000 to \$299,999</b>	13%
<b>\$300,000 to \$399,999</b>	11%
<b>\$400,000 to \$499,999</b>	6%
<b>\$500,000 to \$749,999</b>	3%
<b>\$750,000 to \$999,999</b>	2%
<b>\$1,000,000 or more</b>	1%
<b>Median Purchase Price</b>	\$151,500

91% of Canadian buyers paid all in cash and only 9% used mortgage financing.

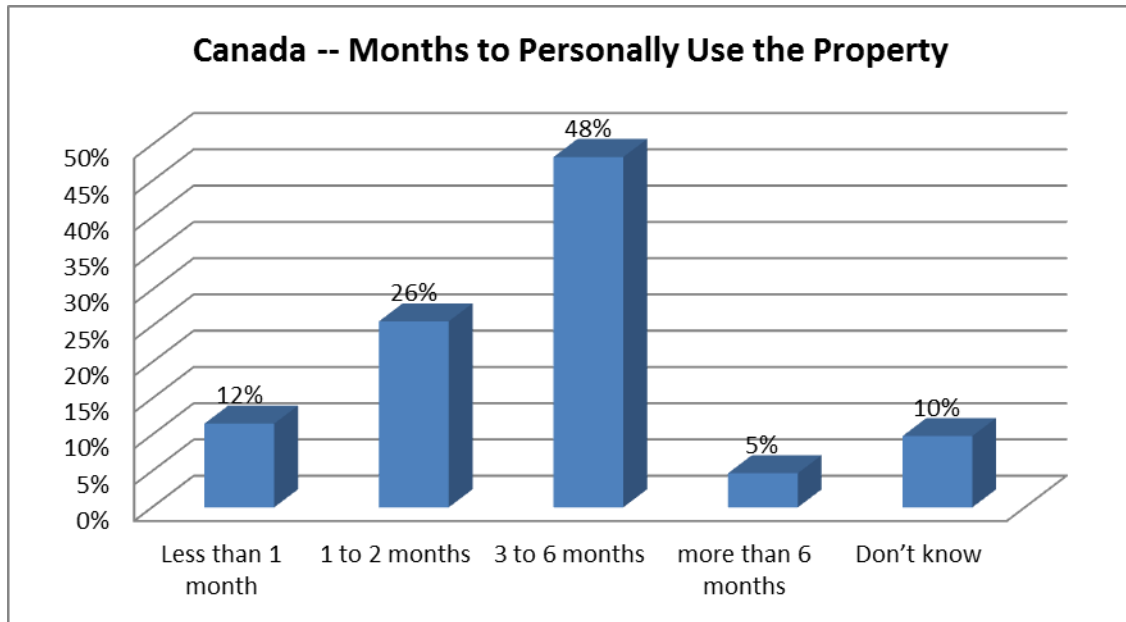
**Canada -- Financing the Home Purchase**

<b>All cash (no mortgage financing)</b>	91%
<b>With mortgage financing</b>	9%

More than half of Canadian buyers intended to use the property for vacation homes for family and friends.

<b>Canada -- Intended Use of Home</b>	
<b>Rental property for investment</b>	16%
<b>Vacation home for family and friends</b>	53%
<b>Both</b>	26%
<b>Retirement home</b>	5%
<b>Don't know</b>	1%

Close to half of the Canadian buyers planned to use the property between 3 to 6 months during the year.



Canadian buyers purchased homes throughout the entire Florida. The most popular destination was Tampa-St. Petersburg-Clearwater area (17%), and followed by Miami-Fort Lauderdale-Miami Beach (15%) and Orlando-Kissimmee (14%).

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**Canada —Top Destination for Home Buyers**

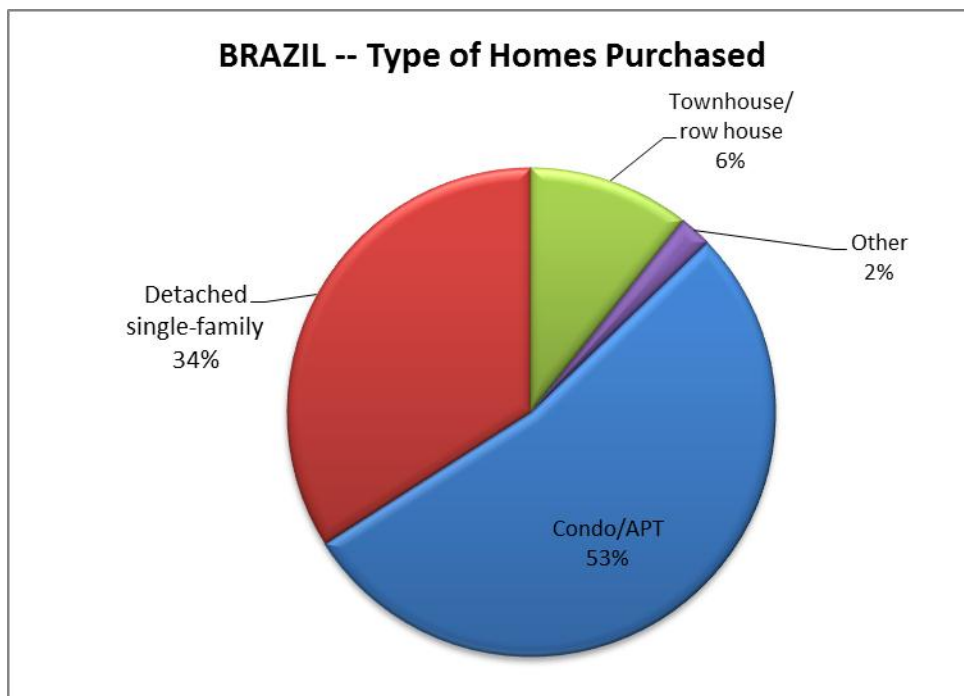
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<b>Tampa-St. Petersburg-Clearwater</b>	17%
<b>Miami-Fort Lauderdale-Miami Beach</b>	15%
<b>Orlando-Kissimmee</b>	14%
<b>Naples-Marco Island</b>	10%
<b>Cape Coral-Fort Myers</b>	10%
<b>Other</b>	35%

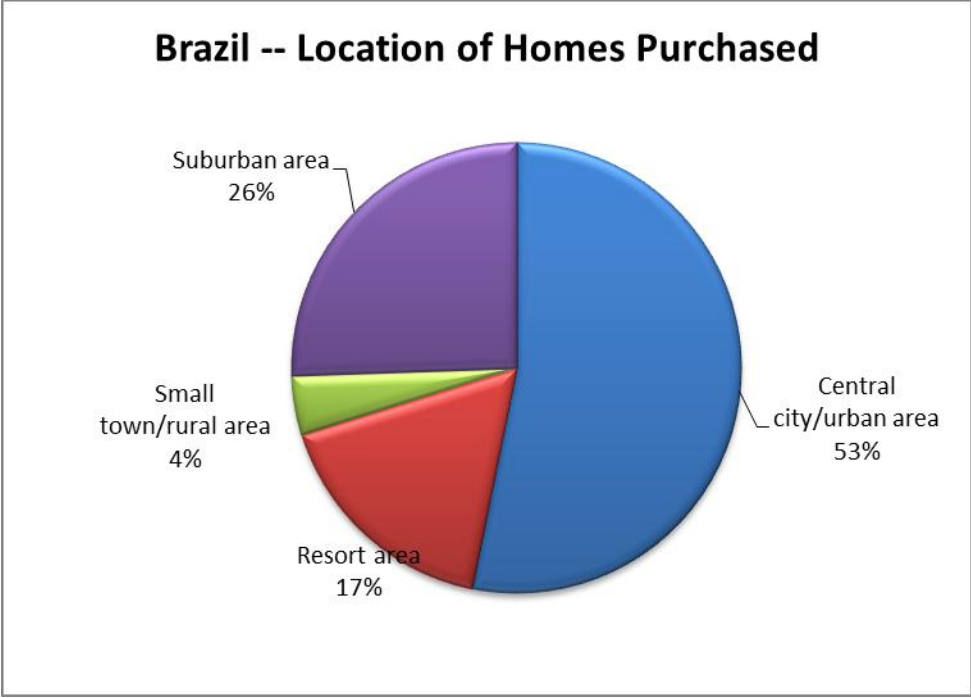
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**Buyers from Brazil**

Buyers from Brazil were 8% among all foreign buyers. 53% of them purchased Condo/Apartment type housing and 34% chose detached single family homes.



53% of Brazilian buyers purchased homes located in central city/urban area.



The median purchase price was \$215,000, higher than all foreign buyers' median \$174,700.

Brazil -- Price of Homes Purchased	
\$99,999 or less	30%
\$100,000 or \$199,999	17%
\$200,000 to \$299,999	21%
\$300,000 to \$399,999	9%
\$400,000 to \$499,999	0%
\$500,000 to \$749,999	13%
\$750,000 to \$999,999	9%
\$1,000,000 or more	2%
<b>Median Purchase Price</b>	<b>\$215,000</b>

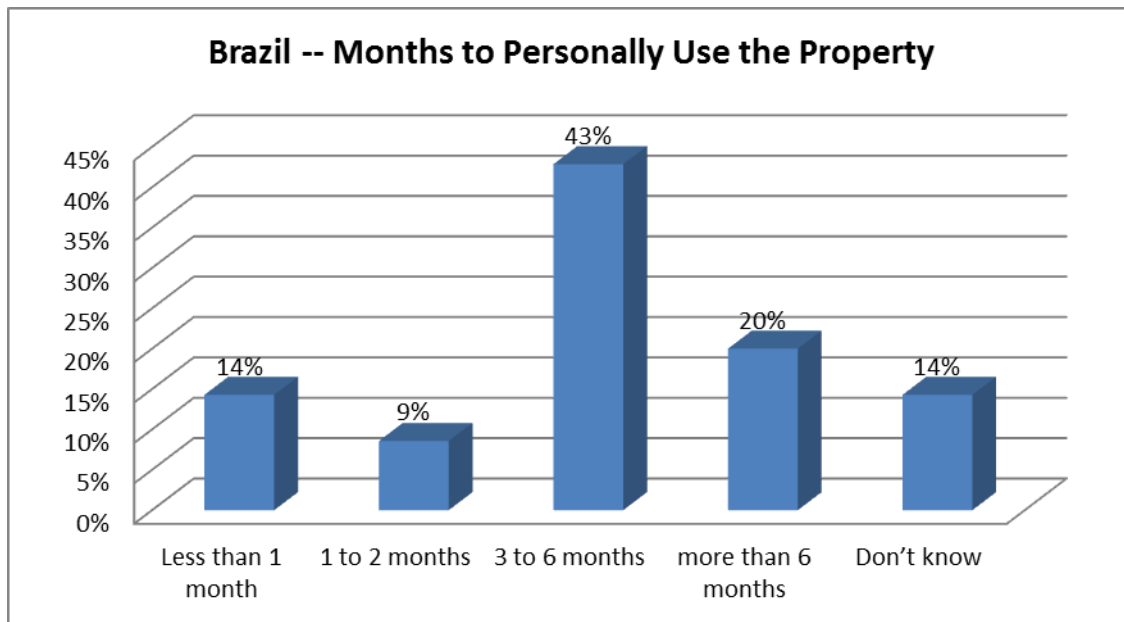
85% of Brazilian buyers paid in all cash, and 15% used mortgage financing.

Brazil -- Financing the Home Purchase	
All cash (no mortgage financing)	85%
With mortgage financing	15%

47% of buyers from Brazil intended to use the property for vacation homes and 17% intended to use for rental properties, and 23% intended for both.

<b>Brazil -- Intended Use of Home</b>	
<b>Rental property for investment</b>	17%
<b>Vacation home for family and friends</b>	47%
<b>Both</b>	23%
<b>Retirement home</b>	9%
<b>Don't know</b>	4%

43% of Brazilian buyers expect to stay in their properties between 3 to 6 months during the year.

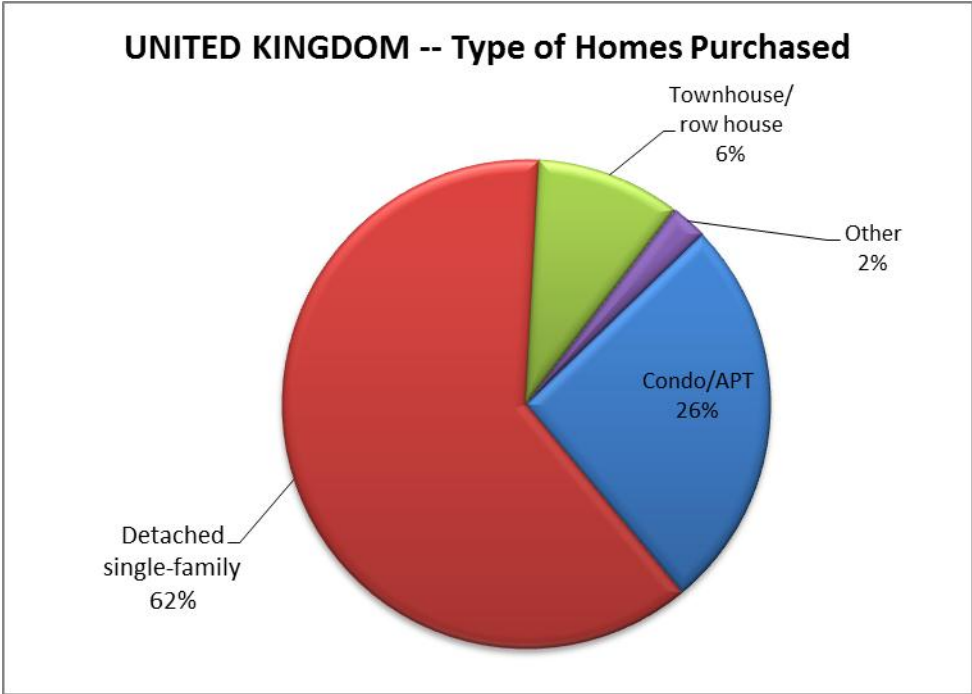


Brazilian buyers are concentrated in metropolitan areas such as Miami-Fort Lauderdale-Miami Beach(53%) and Orlando-Kissimmee(30%).

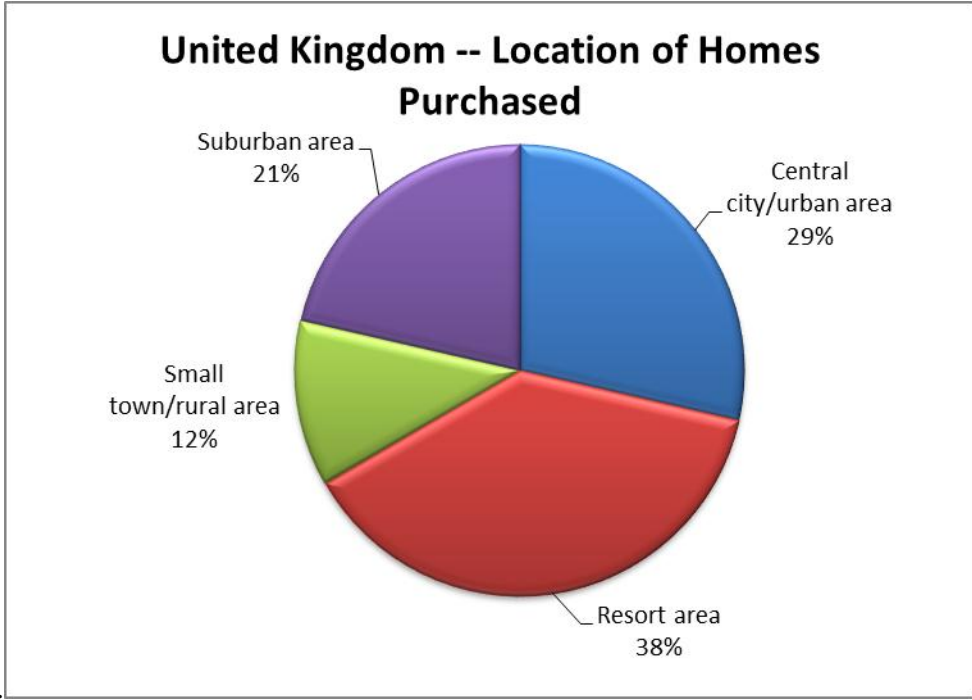
<b>Brazil—Top Destination for Home Buyers</b>	
<b>Miami-Fort Lauderdale-Miami Beach</b>	53%
<b>Orlando-Kissimmee</b>	30%
<b>Other</b>	17%

**Buyers from United Kingdom**

Buyers from United Kingdom declined to 7% among all foreign buyers from 15% a year ago. Interestingly, UK buyers preferred detached single family homes(62%) over condo/APT homes(26%).



38% of UK buyers purchased properties located in resort area, and 29% chose central city/urban area. The median price UK buyers paid was \$169,200, close to the all foreign buyers' median of \$174,700.



### United Kingdom -- Price of Homes Purchased

<b>\$99,999 or less</b>	29%
<b>\$100,000 or \$199,999</b>	31%
<b>\$200,000 to \$299,999</b>	12%
<b>\$300,000 to \$399,999</b>	7%
<b>\$400,000 to \$499,999</b>	7%
<b>\$500,000 to \$749,999</b>	12%
<b>\$750,000 to \$999,999</b>	0%
<b>\$1,000,000 or more</b>	2%
<b>Median Purchase Price</b>	\$169,200

93% of UK buyers paid in all cash and 7% used mortgage financing.

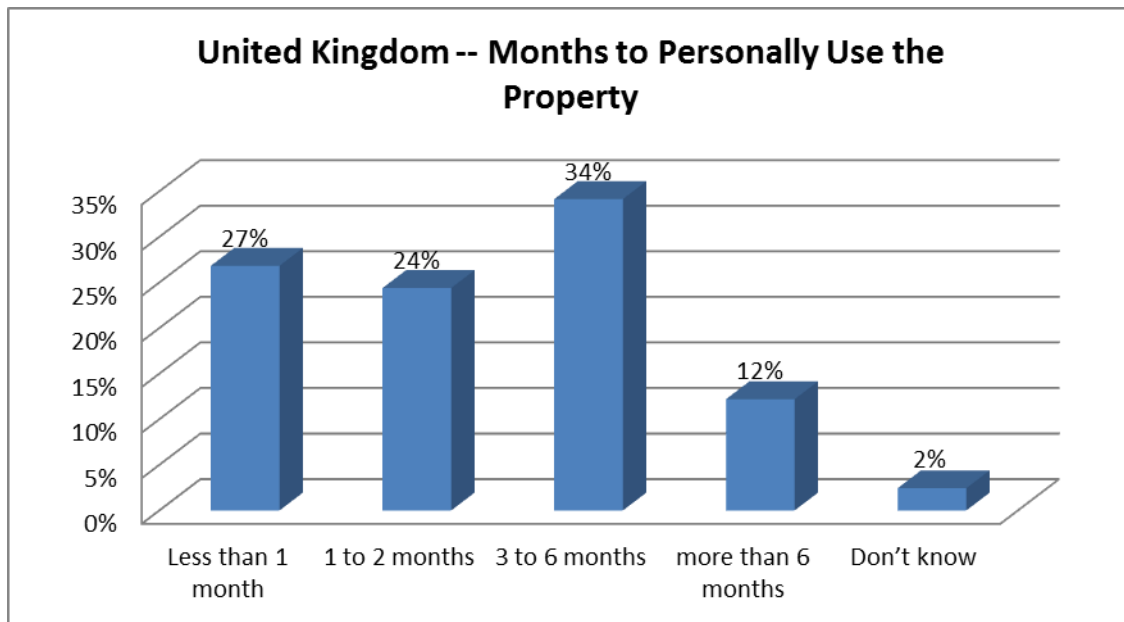
### United Kingdom -- Financing the Home Purchase

<b>All cash (no mortgage financing)</b>	93%
<b>With mortgage financing</b>	7%

For the intended use of the properties, 36% of UK buyers purchased the property both for rental and vacation purpose.

<b>United Kingdom -- Intended Use of Home</b>	
<b>Rental property for investment</b>	17%
<b>Vacation home for family and friends</b>	33%
<b>Both</b>	36%
<b>Retirement home</b>	12%
<b>Don't know</b>	2%

34% of UK buyers expect to stay in the property for 3 to 6 months within a year.

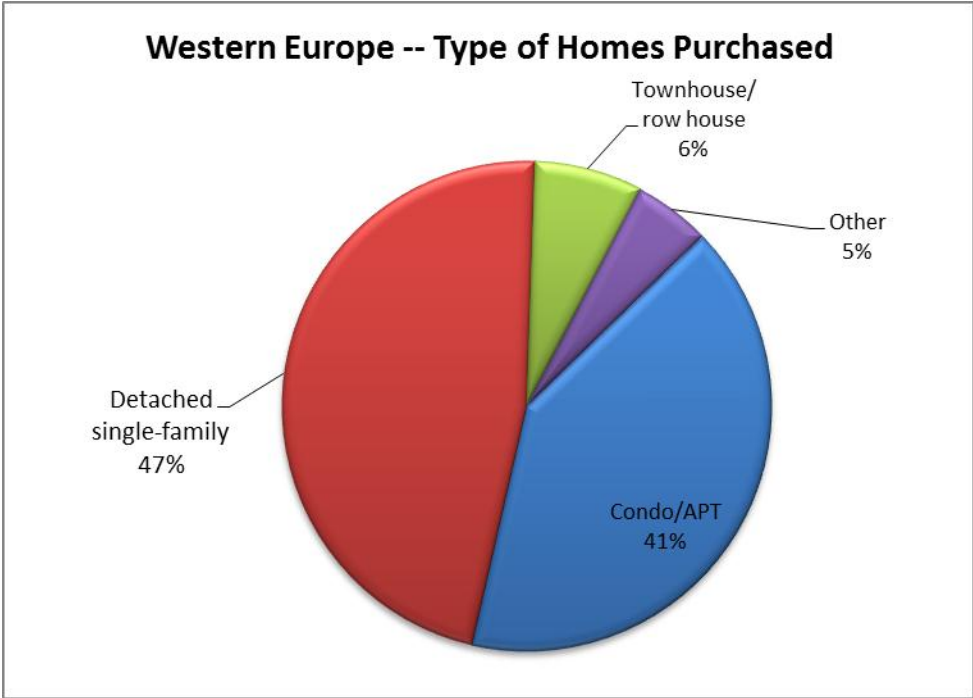


The most popular destination for UK buyers was Orlando-Kissimmee (29%).

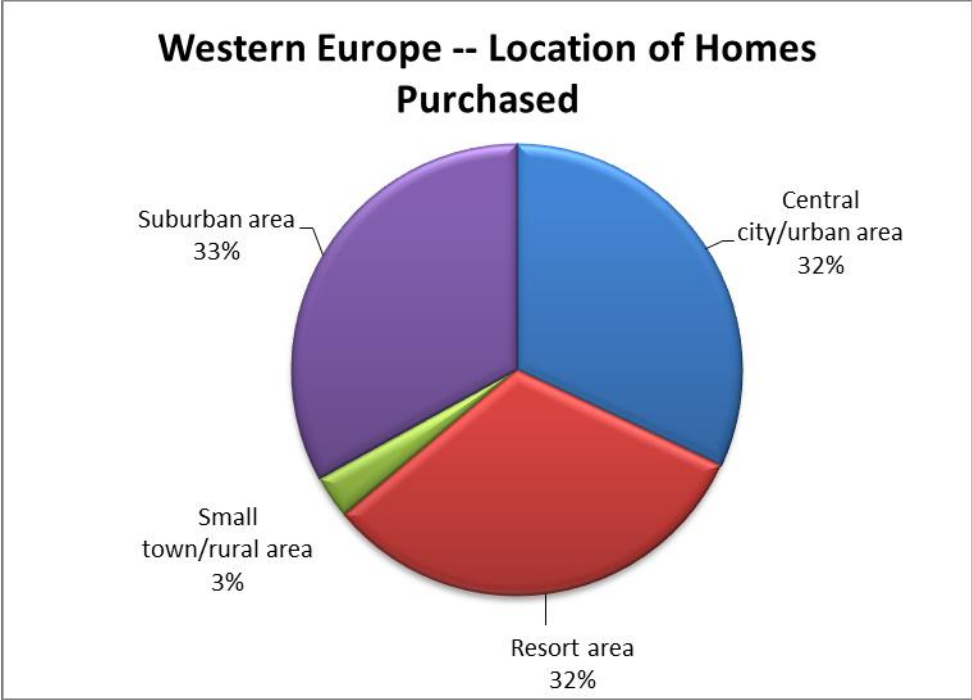
<b>United Kingdom —Top Destination for Home Buyers</b>	
<b>Orlando-Kissimmee</b>	29%
<b>Bradenton-Sarasota-Venice</b>	10%
<b>Tampa-St. Petersburg-Clearwater</b>	10%
<b>Miami-Fort Lauderdale-Miami Beach</b>	10%
<b>Cape Coral-Fort Myers</b>	10%
<b>Other</b>	31%

**Buyers from Western Europe**

Buyers from Western Europe other than United Kingdom accounted for 11% of the entire foreign buyers in Florida. 47% of them purchased detached single family homes and 41% purchased condo/apartment type homes.



Western European buyers evenly chose property locations in suburban area (33%), central city/urban area (32%), and resort area (32%).



The median price was \$232,500, which is higher than \$174,700 median price paid by all foreign buyers.

### Western Europe -- Price of Homes Purchased

<b>\$99,999 or less</b>	19%
<b>\$100,000 or \$199,999</b>	25%
<b>\$200,000 to \$299,999</b>	21%
<b>\$300,000 to \$399,999</b>	20%
<b>\$400,000 to \$499,999</b>	5%
<b>\$500,000 to \$749,999</b>	2%
<b>\$750,000 to \$999,999</b>	3%
<b>\$1,000,000 or more</b>	6%
<b>Median Purchase Price</b>	<b>\$232,500</b>

90% of Western European buyers paid in all cash and 9% used mortgage financing.

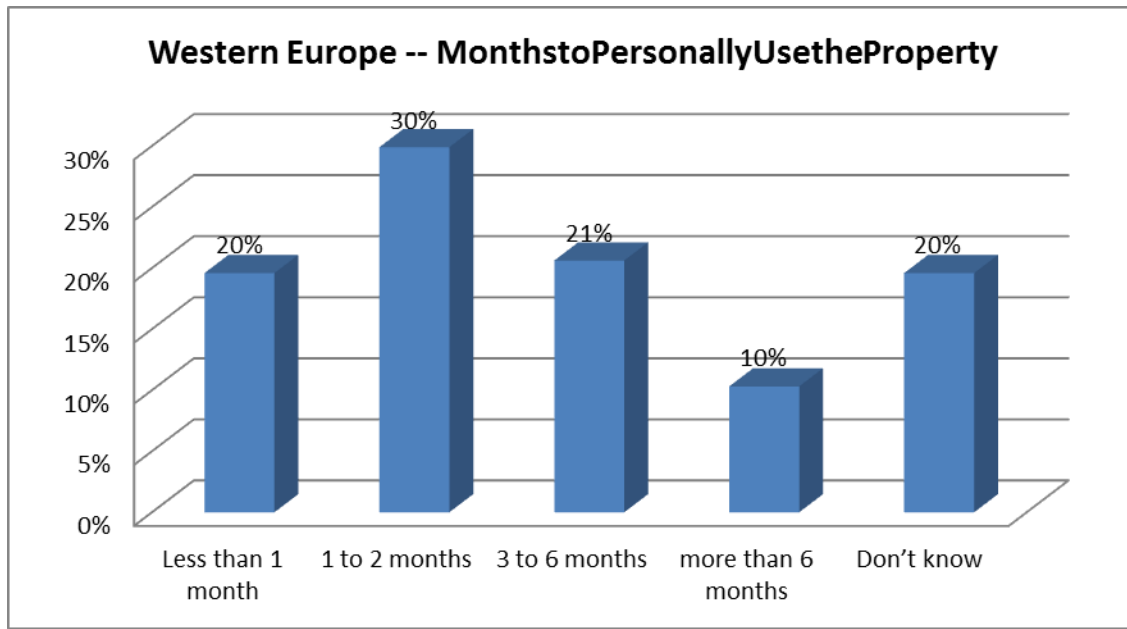
**Western Europe -- Financing the Home Purchase**

<b>All cash (no mortgage financing)</b>	90%
<b>With mortgage financing</b>	9%
<b>Don't know</b>	1%

37% of Western European buyers intended to use the property for vacation purposes, and 22% intended to use for rentals. Additional 28% wanted to use for both purposes.

**Western Europe -- Intended Use of Home**

<b>Rental property for investment</b>	22%
<b>Vacation home for family and friends</b>	37%
<b>Both</b>	28%
<b>Retirement home</b>	6%
<b>Don't know</b>	7%



30% of the buyers plan to use their property for 1 to 2 months per year.

The largest group of Western European buyers chose Miami-Fort Lauderdale-Miami Beach (31%) for their destination, and 14% purchased homes in Cape Coral-Fort Myers.

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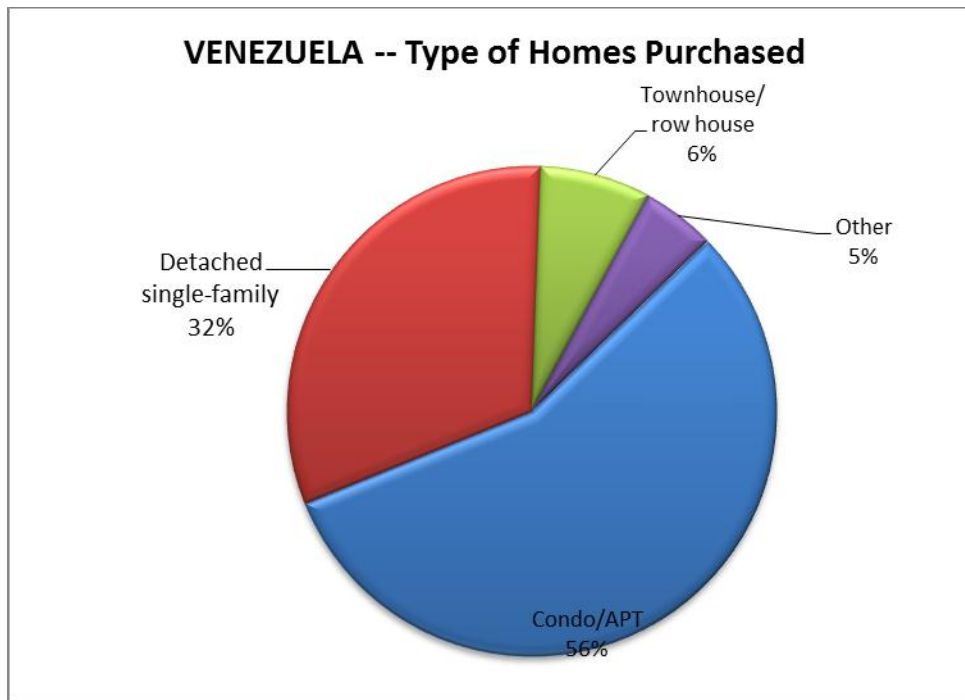
**Western Europe —Top Destination for Home Buyers**

<b>Miami-Fort Lauderdale-Miami Beach</b>	31%
<b>Cape Coral-Fort Myers</b>	14%
<b>Naples-Marco Island</b>	9%
<b>Tampa-St. Petersburg-Clearwater</b>	9%
<b>Orlando-Kissimmee</b>	8%
<b>Other</b>	29%

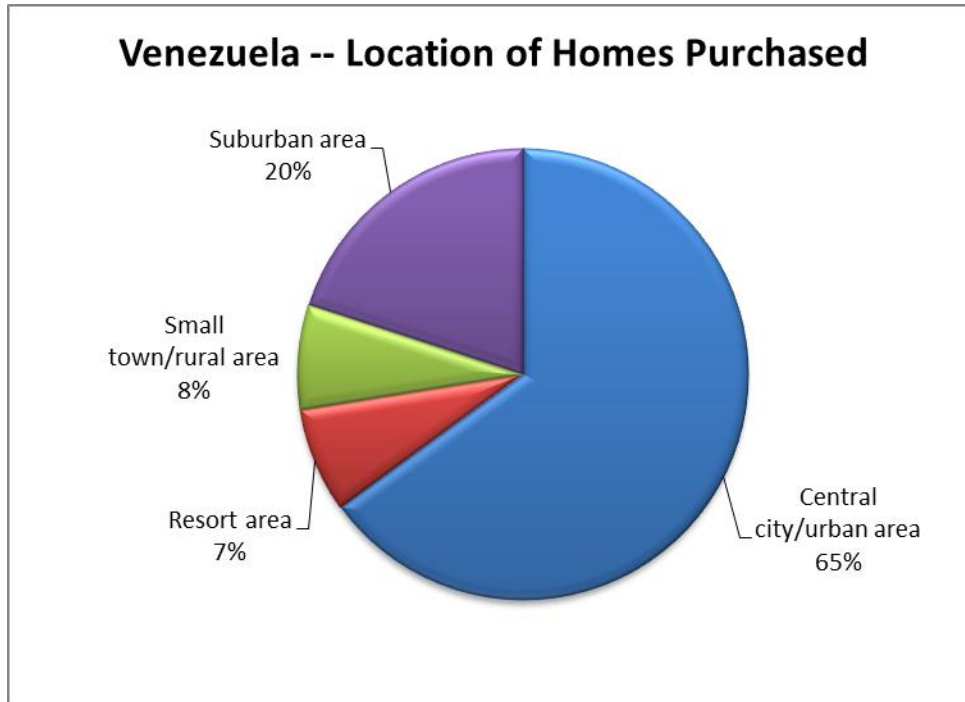
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**Buyers from Venezuela**

Buyers from Venezuela increased to 7% from 3% a year ago. 56% of Venezuelan buyers purchased condo/Apartment type homes and 32% purchased detached single family homes.



65% of Venezuelan buyers chose properties located in central city/ urban area, followed by suburban area (20%), small town /rural area (8%), and resort area (7%).



The median price Venezuelan buyers paid was \$258,300, and 12% of buyers purchased high end homes over \$1,000,000.

<b>Venezuela -- Price of Homes Purchased</b>	
<b>\$99,999 or less</b>	17%
<b>\$100,000 or \$199,999</b>	24%
<b>\$200,000 to \$299,999</b>	15%
<b>\$300,000 to \$399,999</b>	15%
<b>\$400,000 to \$499,999</b>	10%
<b>\$500,000 to \$749,999</b>	2%
<b>\$750,000 to \$999,999</b>	5%
<b>\$1,000,000 or more</b>	12%
<b>Median Purchase Price</b>	\$258,300

88% of buyers from Venezuela paid in all cash and 12% used mortgage financing.

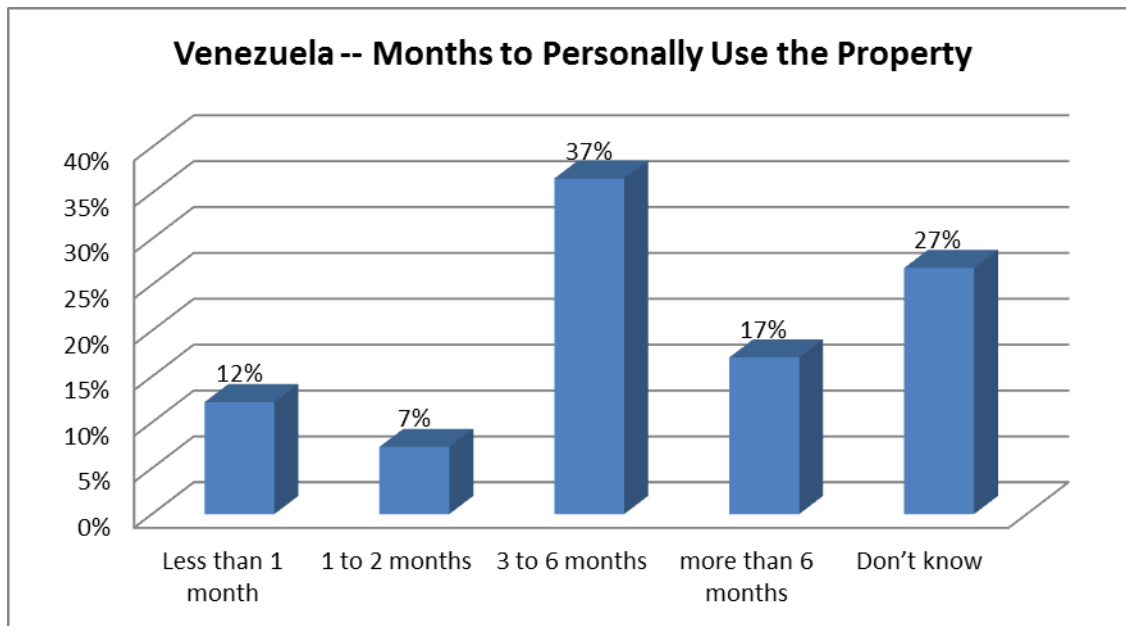
<b>Venezuela -- Financing the Home Purchase</b>	
<b>All cash (no mortgage financing)</b>	88%
<b>With mortgage financing</b>	12%

34% of Venezuelan buyers intended to use their homes for vacation purposes, and 27% intended to rent out. Also, 24% of the buyers plan to use for both purposes.

**Venezuela -- Intended Use of Home**

<b>Rental property for investment</b>	27%
<b>Vacation home for family and friends</b>	34%
<b>Both</b>	24%
<b>Retirement home</b>	7%
<b>Don't know</b>	7%

37% of the buyers will stay in their properties for 3 to 6 months in a year.



The most popular destination was Miami-Fort Lauderdale-Miami Beach and 66% of Venezuelan buyers purchased homes in the area.

**Venezuela —Top Destination for Home Buyers**

<b>Miami-Fort Lauderdale-Miami Beach</b>	66%
<b>Orlando-Kissimmee</b>	12%
<b>Other</b>	22%

## FLORIDA DESTINATION OF FOREIGN HOME BUYERS

The top three destinations for international home buyers in Florida were reported in the survey as the Miami-Fort Lauderdale-Miami Beach area (30 percent of purchases), followed by Orlando-Kissimmee (14 percent of purchases), and Tampa-St. Petersburg-Clearwater (11 percent of purchases).

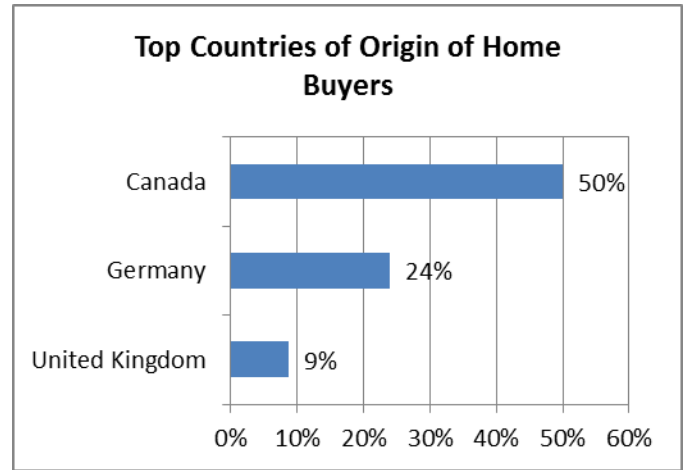
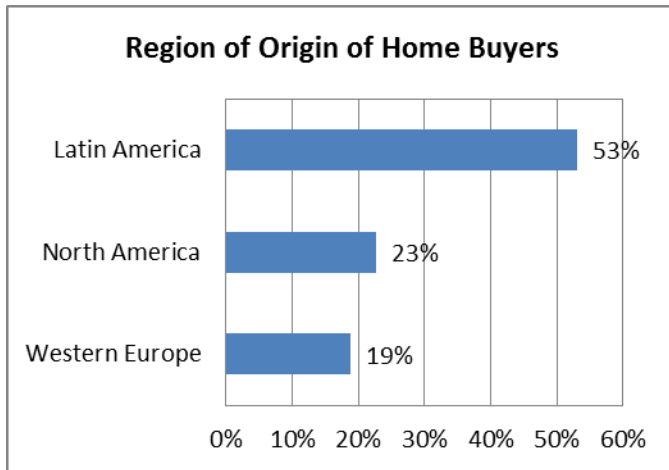
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<b>Percentage of Reported Florida Sales by Market Area</b>	
Miami-Fort Lauderdale-Miami Beach	30%
Orlando-Kissimmee	14%
Tampa-St. Petersburg-Clearwater	11%
Cape Coral-Fort Myers	8%
Naples-Marco Island	6%
Bradenton-Sarasota-Venice	4%
Deltona-Daytona Beach-Ormond Beach	2%
Jacksonville	2%
Port St. Lucie	2%
Gainesville	1%
Palm Bay-Melbourne-Titusville	1%
Palm Coast	1%
Punta Gorda	1%
Other	16%

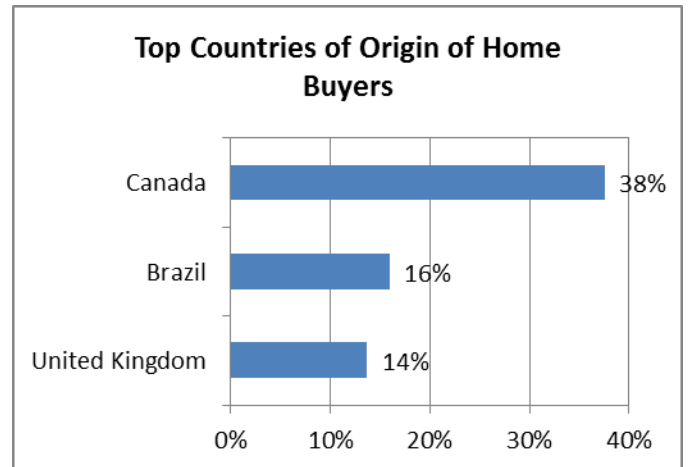
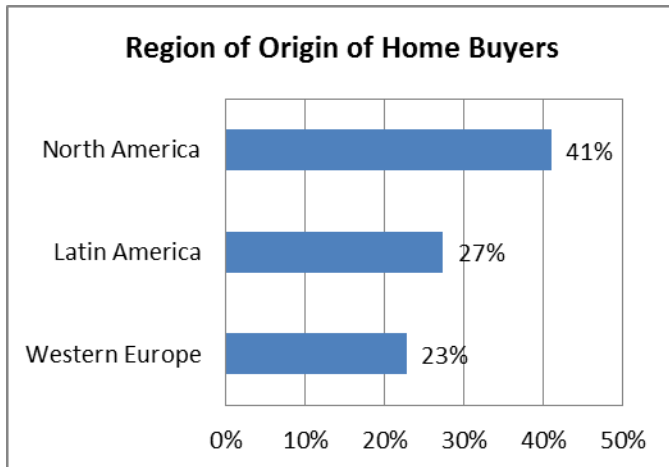
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(Above table sums to 99 percent; rounding errors).

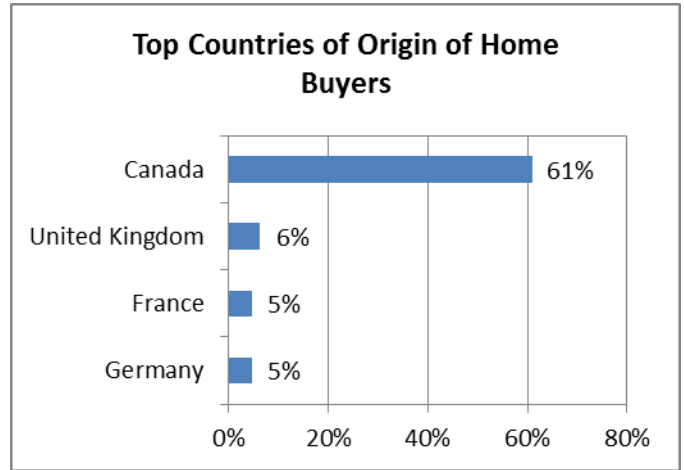
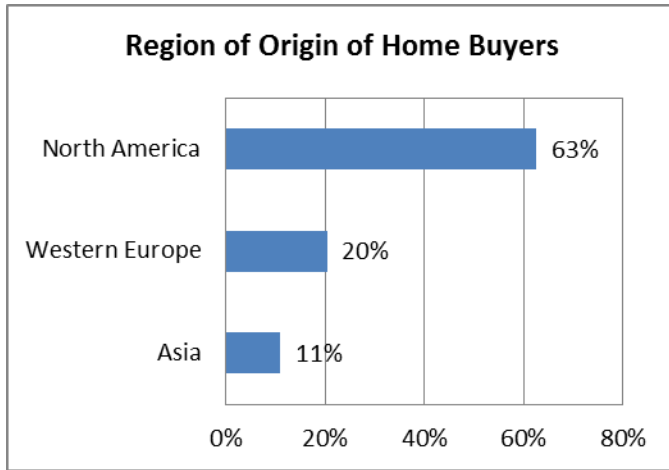
### Miami-Fort Lauderdale-Miami Beach



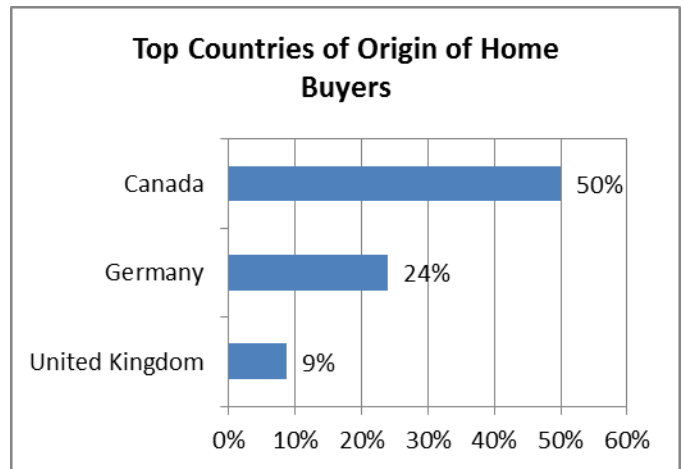
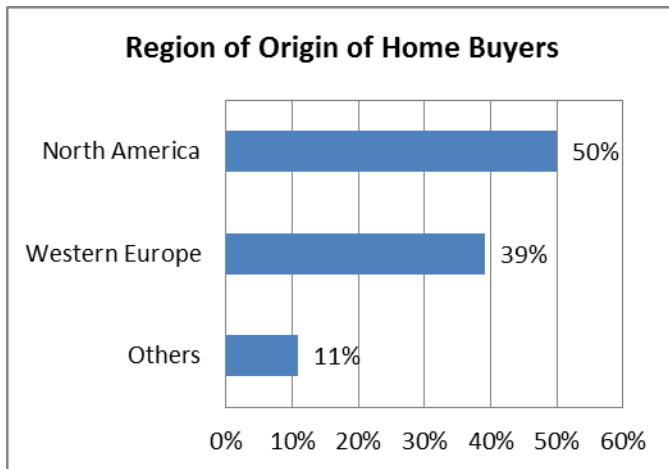
### Orlando-Kissimmee



**Tampa-St\_Petersburg-Clearwater**

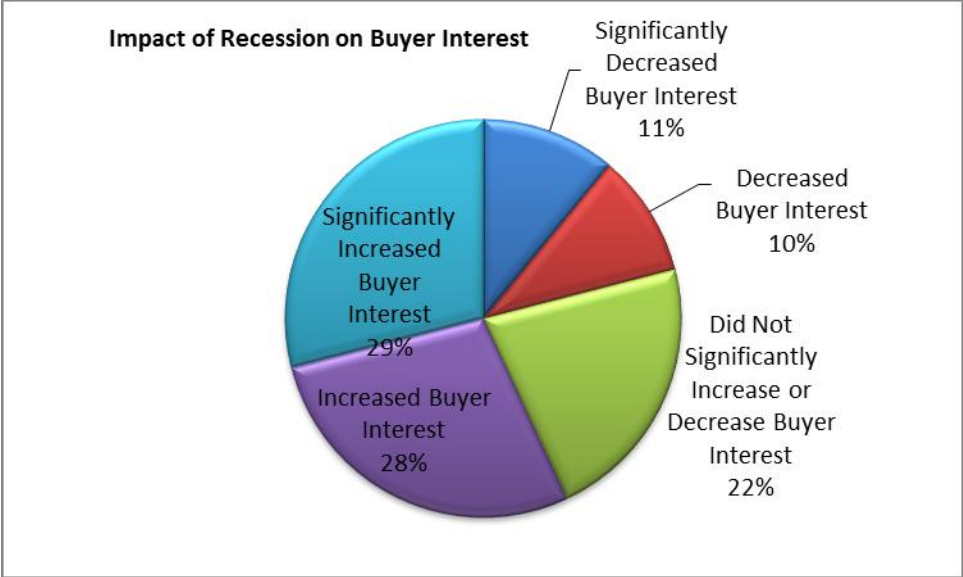


**Cape Coral-Fort Myers**



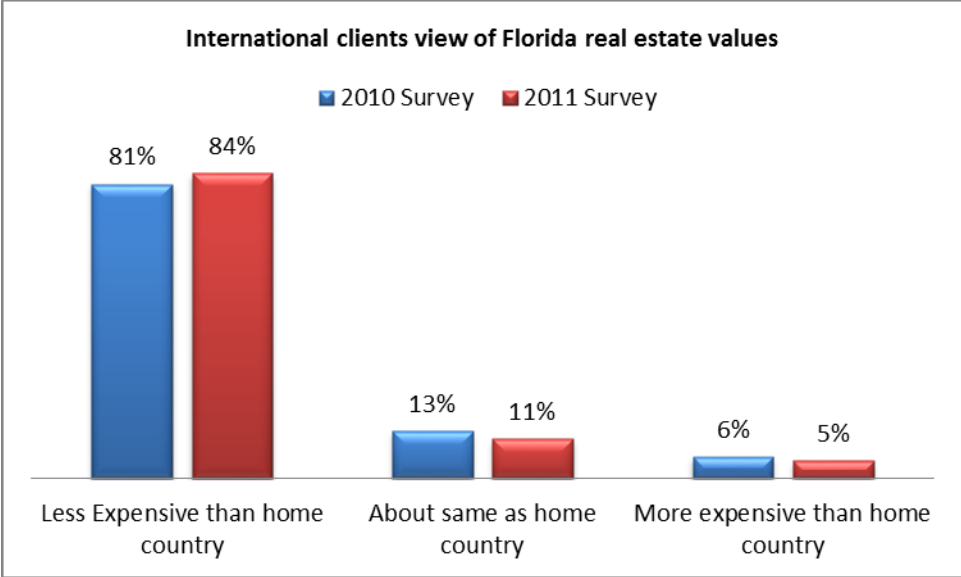
**IMPACT OF GLOBAL RECESSION ON INTERNATIONAL BUYERS**

The recent global recession actually had a favorable impact on international purchases of Florida real estate. Twenty-one percent of Florida REALTORS® surveyed indicated that the global recession had a negative impact on reducing international buyer interest in Florida real estate. However, in some cases lower prices actually attracted potential buyers looking to get a bargain. Fifty-seven percent of those surveyed said that the global recession actually increased buyer interest



Florida real estate is considered a good value among many international buyers. Many countries have higher real estate prices for comparable properties. This is, however, a difficult comparison, for there are substantial differences between U.S. and foreign expectations and preferences in terms of real estate choices: for example, a comparison of housing options and choices in Buenos Aires, Henley-on-Thames, Avignon, and New Delhi shows vast differences of lifestyles and preferences. However, when measured in terms of physical amenities and building layout, U.S. housing options appear to be significantly less expensive than physically comparable foreign properties. There is a lot of value in U.S. housing *IF* one finds the lifestyle, location, culture, and property options attractive.

The U.S. market also offers diversification, with well-defined legal codes. Compared to some parts of the world, U.S. property rights are well defined, and the U.S. real estate market has traditionally not been highly correlated with foreign investment markets. A number of investors allegedly find that owning physical assets in the U.S. is a comfortable choice during difficult political or economic times. In addition, typically, U.S. property has appreciated over extended time periods and can, in many cases, be rented as well as used by the owner. In general, respondents reported that their clients saw U.S. real estate as less expensive than is the case in their home countries.

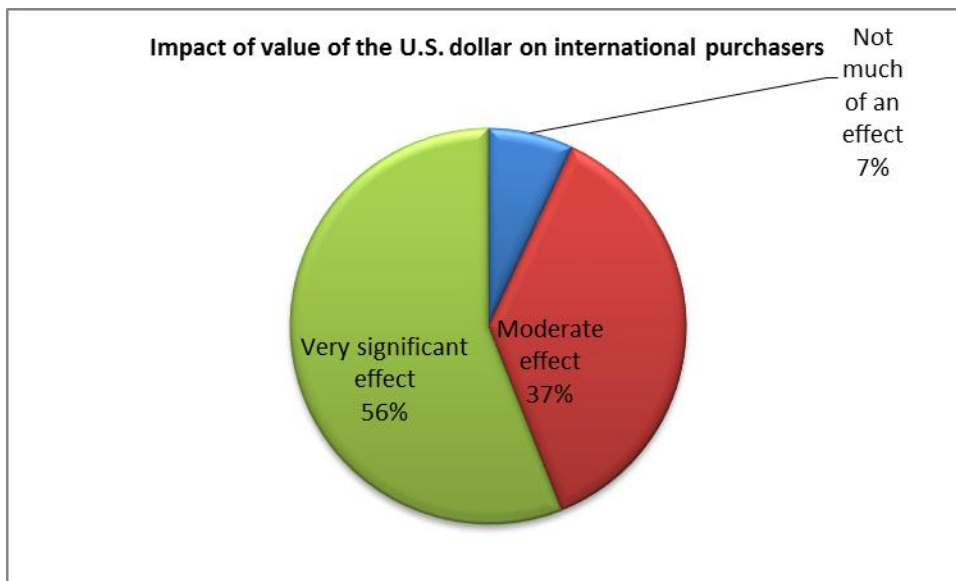


**IMPACT OF EXCHANGE RATES ON INTERNATIONAL BUYERS IN FLORIDA**

The value of the dollar versus a prospective buyer’s respective home country currency contributes to the buying decision in considering international real estate. A weaker dollar means that the foreign buyer’s money goes farther in the U.S., thus effectively making U.S. real estate less expensive than would otherwise be the case. An overwhelming number of respondents to the survey —93 percent—found that the value of the U.S. dollar relative to foreign currencies had a major impact on the real estate purchasing decision.

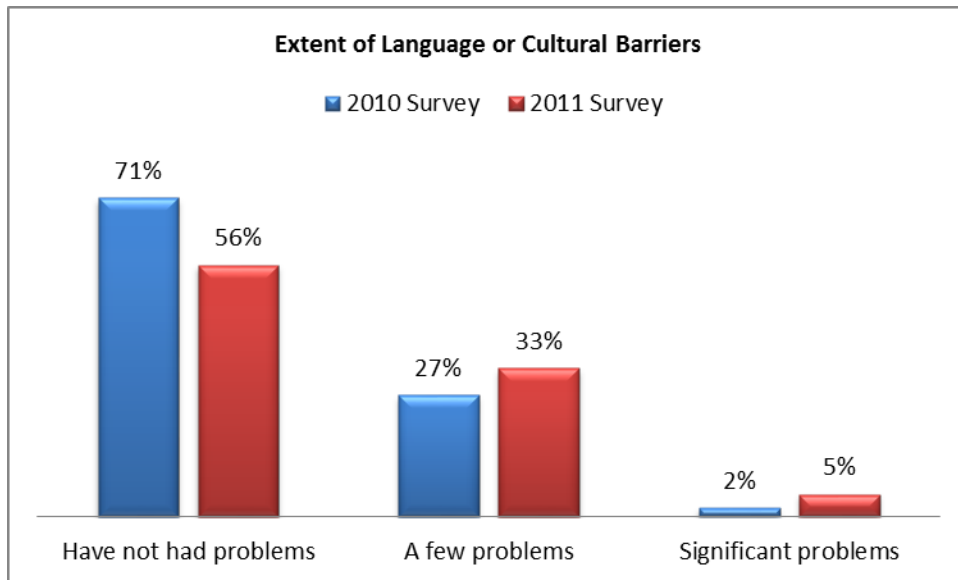
For illustrative purposes the graph tracks the value of the Canadian dollar against the U.S. dollar over an 11 year time frame. Initially one needs approximately \$1.50 Canadian to obtain \$1 U.S. As time progresses, the Canadian currency becomes increasingly valuable. A potential Canadian buyer could get more U.S. dollars for his Canadian dollars, effectively reducing the real price of U.S. real estate regardless of domestic U.S. real estate prices.

## Foreign Exchange Rate: Canada C\$/US\$



## LANGUAGE AND CULTURAL BARRIERS WHEN WORKING WITH INTERNATIONAL CLIENTS

A majority of REALTORS® indicated that they have not had any language or cultural barriers that affected their ability to complete a transaction with foreign buyers. However, in this year's survey REALTORS® reported more problems than had been the case in last year's survey.

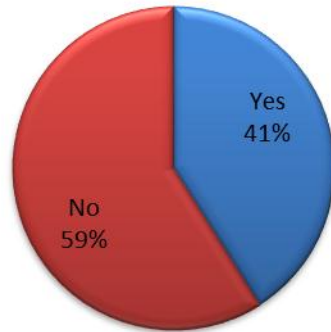


The international market appears to be very specialized on the buyer side. Typically agents serving clients on the buyer-side of the market have a language and cultural background in common with the prospective purchaser, including specialized experience in identifying buyer needs, and a knowledge of the intricacies of property transactions on an international basis. There are significant differences between the U.S. and foreign countries in terms of culture, business practices, and consumer expectations.

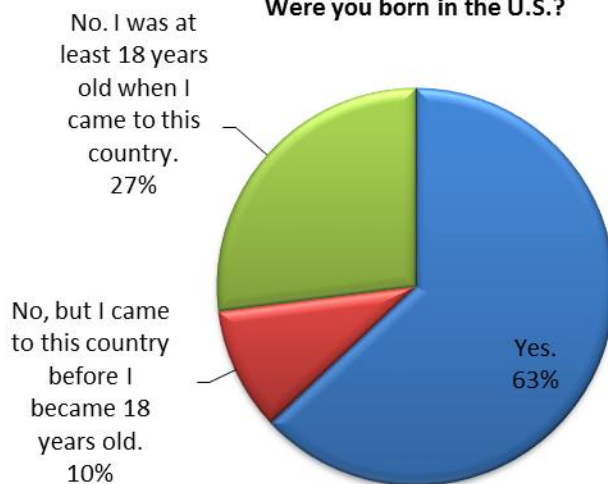
On the seller side of the market, there may be no specifically required specialization in international transactions: the listing agent may have had no experience in dealing with international customers. Given differences in culture, customer needs, negotiation styles, and other factors, however, a listing agent may benefit from reviewing relevant material available from NAR in the event of having an opportunity to work with an international customer.

For listing agents specialized language capabilities may not be necessary; such is almost certainly not the case for agents on the buyer's side of the transaction. The following graph shows that a significant number of agents are proficient in multiple languages, probably in some cases because they came to the U.S. from a foreign country.

**Are you fluent in a language other than English?**

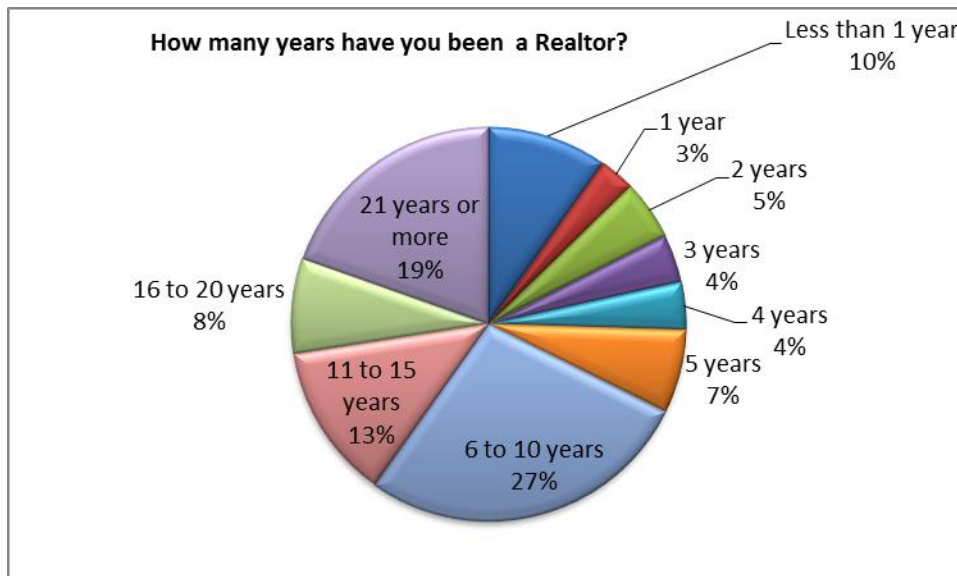


**Were you born in the U.S.?**



**SUMMARY OF ADDITIONAL COMMENTS**

A number of the respondents to the survey offered additional written comments. The survey respondents exhibited a diversity of experience. Approximately two thirds had more than 10 years of experience.



Appendix 2 presents a representative selection of the comments received from respondents to the survey. The comments can be summarized:

- The most important issue affecting sales to foreigners is the unavailability of bank financing to international clients. Banks are reluctant to lend to foreigners. When financing is available, a very substantial down payment is frequently required. Although domestic purchasers currently also have significant issues in obtaining mortgages due to the lingering results of the Great Recession and financial meltdown and current aversion to risk on the part of financial institutions, foreign buyers face even greater problems due to credit ratings which do not transfer from foreign countries to the U.S. as well as banks' perceptions of international buyers as potential absentee owners. The ability to advise the potential foreign buyer concerning problems associated with financing appears to be an important skill for REALTORS®.
- U.S. immigration, border crossings, and visa policies were mentioned as major impediments to foreign purchasers. Numerous respondents indicated that the lack of continuous access to property purchased in this country was a concern to potential foreign purchasers. A number of respondents noted that a permanent visa for foreigners purchasing a home for retirement purposes would create an additional, significant market of buyers.
- REALTORS® noted that foreign purchasers were initially unaware of a variety of fees associated with U.S. real estate—for example, high condo fees, maintenance fees, and real estate taxes. Apparently the ongoing costs of ownership are higher than expected by foreigners.
- A number of respondents noted a variety of negative economic factors currently affecting international transactions. Concern over international economic stability makes the U.S. attractive to some people; conversely, however, concern over U.S. housing markets and the U.S. economy also creates concern among some potential buyers.

- A number of respondents noted the importance of cultural diversity when dealing with potential international buyers. Language capabilities and an understanding of foreign cultures and practices are important.
- REALTORS® noted that foreigners perceive that Florida currently offers major real estate bargains as well as being a desirable location.

## **CONCLUDING COMMENTS**

The international market of residential sales to non-resident foreigners is clearly an important part of the total Florida real estate market. A wide diversity of purchasers is attracted to Florida for investment and vacation purposes. The market seems to be specialized on the buyer side, with agents who represent the foreign buyer having language and cultural skills related to the client.

Foreign purchasers are active in all price ranges, but on balance the size of the foreign purchase is towards the upper end of the market. The major impediments to additional market growth are financial (as related to mortgage availability and remittance of large sums of money internationally) and international travel (as related to visa requirements).

In general, REALTORS® responding to the survey have seen their international practices expand in recent years, and a number of agents indicated that further growth could be expected as current economic problems are resolved.

## Appendix 1: Computation of Market Share Information

Line	Share Computations--Florida			
1	Total U.S International Sales			41,000,000,000
2	Estimate International Florida Sales			12,710,000,000
3				
4	Florida Residential Sales--2010			
5		Sales	Median Price	Revenue
6	Condos	72050	91300	6,578,165,000
7	Single Family	170848	136500	23,320,752,000
8	Sales/Revenues per Florida Realtors:	242898		29,898,917,000
9	Revenue Gross Up Factor	1.632372		
10	Estimated Total Florida Sales			48,806,167,982
11				
12	International as Percent of Total Florida Revenue:			0.260417905
	<b>Data Sources and Computations</b>			
Line 1:	<i>NAR Profile of International Home Buying Activity, 2011</i>			
Line 2:	<i>NAR Profile of International Home Buying Activity, 2011</i> : Florida Share estimated at 31%.			
Lines 6 and 7	Florida Realtors®: <a href="http://media.living.net/statistics/statisticsfull.htm">http://media.living.net/statistics/statisticsfull.htm</a>			
Line 9:	NAR estimate of 396,500 sales used to gross up reported 242,898 sales.			
Line 10:	Florida Sales Revenue, line 8, grossed up by line 9 Gross Up Factor.			
Line 12:	Estiimated International Florida Sales as Percent ot Total Sales Revenue (Line 2/Line 10).			

## **Appendix 2: Comments Received From REALTORS®**

- Difficulty in obtaining financing for anyone other than Canadians.
- If not paying cash, foreign buyers have difficulty getting financing.
- Canadians with cash make up the largest portion of my foreign buyers.
- Diversity Training should be mandatory for all real estate licensees.
- There is no financing for international buyers. We could sell more to them.
- Foreigners like the stability of America and its ease in making transactions.
- I would not have been successful if I hadn't attended cultural training classes.
- The exchange rate has improved the foreign buyers desire to purchase in SE Florida
- Training and facilitation in international paper work and the transferring of funds
- foreign investors do not like the high condo fees now, and the high insurance rates
- Foreign buyers have to do all cash transactions because they cannot obtain financing.
- Most of the real estate transactions will proceed from Latin American Buyers for the next 5 years.
- Some client were unable to obtain financing, it's hard to find banks that willing to work with them.
- Canadian dollar strength most significant reason for beach condo sales; also boomers from northeast
- Major turnoff to foreign buyers is increase in monthly maintenance fees of condos. Very low in other countries.
- My customers were from Nova Scotia, Canada and Holland. Yes they love the weather, and convenience of Palm Coast.
- US is known as a safe place to invest with anticipation of future growth. Cash flow today gives it plenty of merit.
- Having a second language is important. To take a 2nd language course that is business oriented would be a great benefit.
- Many of the European investors were not happy having to renew driver's license every year and restrictions on how long they can stay.
- International buyers don't look at REALTORS as just sales people. They give us great respect but on another side they expect great service
- The value of the US dollar has a strong effect on whether my buyers are going to purchase or not. If it changes they change their minds.
- Immigration rules for foreigners that own property here should be adjusted, allowing more flexibility for number of entries and length of stay.
- The availability of a retirement visa that would allow Non-residents more than 6months in the us would dramatically help Florida Real Estate sales

- Many people think that by buying a home in the US it then entitles them to move here....which is a huge misconception and ultimately puts people off buying.
- We need forms in other languages. Forms Simplicity should have the far/bar and addenda in German and other languages for foreign clients to read not sign.
- Financing is still a determinant factor for many foreign buyers, and it is somewhat restrictive in the LTV's they will now allow even to fully qualified buyers.
- The influence of a high currency as the Euro and the low prices due to short sales and foreclosures determine the interest of international buyers in this market
- Although most foreign nationals make their real estate purchase in cash, some would buy more if the foreign national lending were more friendly and/or reasonable.
- The fall of Florida real estate is world news. The record low prices have helped this market to make its way back. We work harder as Realtors but we have work.
- Was working with some clients from the Middle East who expected "even lower prices" than what was available; they did not buy on their first trip & plan to return.
- The issue of access to their property/time available for use is serious. So is the problem of US Health Care System and getting insurance for their time in the US.
- It is difficult to work with South American or European buyers who don't speak English. I HAVE only been able to work with Canadian buyers due to language barriers
- The Transnational Referral Certification has been invaluable to me in helping me understand the mind set and customers of the international clients i am working with.
- Currently, there is concern that a purchase is no longer a 4-6 year investment. Instead a buyer must be thinking in terms of 10-20 years before being able to sell.
- Canadians love the South Florida sun and beaches. Their dollar buys a lot here. They don't even complain about the real estate taxes or maintenance fees on condos.
- Legal immigration system needs to be totally overhauled. It is a major deterrent to financially sound, well-educated potential full time retirees or part time residents.
- The Canadians have been stronger this year in our area than in the past and wanting to purchase rather than rent a seasonal home. There is still concern about the overall economy.
- The exchange rate of the Canadian dollar has made a big difference in my sales in the last 12 months. I sell new Manufactured & Modular Homes in 55+ communities in the Clearwater area.
- Lots of Canadians who think they can steal
- Florida will always be interesting for international buyers. However a number of investors are not investing yet because they don't feel safe investing with the economy not being stable.
- I've been told by foreign nationals that recent rule changes regarding driver's license renewal requirements, among others, is a true detriment to potential future investment consideration.

- Most foreign buyers come from Latin America, there is a very large pool of buyers in Europe where the US\$ is .66 to 1 Euro making the US a real bargain. We need to do more advertising there.
- Immigration Laws should not scare away foreign real estate buyers and investors. The law limits the amount of time a foreigner is able to spend here in the US thus reducing their appetite to buy
- I am seeing more international buyers across the world, Asian, Canada, not as many UK, however the strongest are the Asian Markets, buying resort communities with plenty of cash, looking for our bank owned.
- Not having knowledge of other nations' tax restrictions for foreign investment has caused me some difficulties, but when the client was directed to professionals in those fields, the difficulties were handled.
- From the foreign investor stand point the biggest problem has been understanding our taxation and insurance costs. Florida is becoming more expensive and less attractive due to these rising costs in our market.
- Overseas buyers need to be easily able to borrow money at a fair rate. There are literally 1,000's of retirees who have the funds & pensions to retire here from Europe but cannot due to immigration restrictions.
- I'm very glad to see the increasing attention paid to the international client, because while the rest of the world is also in a global recession, the US is seen as a stable economy and Florida is highly valued.
- Many highly skilled foreign nationals come to work and live in Gainesville due to employment at The University of Florida and our many first class medical facilities.
- Countries like Panama and Costa Rica understand the value of having affluent ex patriots retire in their countries. The US adopts immigration and banking policies that cripple foreign investment and retirement in our country
- The lack of mortgage money is the biggest concern for me and my business. Down payments are much higher, interest rates higher. Canadians are now classified as Foreign Nationals--before had same mortgage terms as U.S. citizen.
- I think that foreign buyers, particularly Canadians and Germans, consider properties in the Naples area good value for money, given the general decline in prices since the peak and the strengthening of their respective currencies.
- Foreigner cannot get a mortgage in Florida; that is the biggest hurdle. I have inquiries of people wanting to buy homes for \$500,000 but only have \$250,000 in cash.
- There is no chance for them to get a mortgage unless they are Canadians.
- Even though Florida real estate is at the lowest prices in years, the market continues to decline which causes uncertainty in the foreign buyer market. Plus the uncertainty of the US stability may also become a factor in foreign investing.

- If the United States Lending Institutions opened the ability to lend to foreign buyers we would move forward and decrease the current housing inventory. Cash is king and buyers will put a large percentage down and borrow money at an attractive rate.
- Due to the rate exchange and all time low prices in SWFL, the foreign buyers are taking advantage and realize the timing may be limited to take advantage. Location is prime and if the supply dwindles and demand increases, we will see gradual price increases.
- Buyers from the UK would flock to the USA if they could overcome the immigration situation blocking the majority from US citizenship. It would be nice if they could be approved for at least retirement status. A lot of money would be brought into this country.
- There is a huge number of retirees from abroad who would like to spend their money as well as the rest of their life here, however immigration laws and much higher property taxes as in their home countries make it tough for them to be able to stay full year round
- There is a perception among foreign buyers that So. Florida has many deals, but they don't realize that our HOA's, taxes, etc, are not deals, despite low costs to buy. Many also don't realize how much work those cheap deals require, and add'l. dollar investment.
- Giving foreign investor family a green card will encourage all of my Chinese clients (current and future) to buy houses in USA. Green Card is the biggest issue for Chinese clients because they want their children to have legal right to receive better education in USA.
- I feel that Florida is a desirable location for international buyers due to a combination of factors. The relative weakness of the dollar, the reduction of property values and the desirability of the state as a vacation destination all make Florida real estate a hot commodity.
- US needs to change it's immigration laws to encourage foreign investors to invest cash in this country by granting them permanent status. It can be based on investor's visas such as E2 and EB-5, etc.
- Personally, I see land ownership in the U.S. as very, very desirable for the foreign born and those of other countries. Our relaxed rules are seen as a way to own and be a part of the American dream, especially if the property is for investment purposes. It's thought to be a haven.
- We should have more exposure in Brazil right now. I am sure we could double the number of sales in Miami. Brazilians will fill more comfortable with more understand of the real estate market here. A lot of them want to buy; they have the money but are still scared of the international market.
- Financing for Foreign Nationals needs to improve. A few lenders offer financing but most large banks have dropped this type of lending. Most Foreign Nationals I find are willing to put 30%-40% down and with the markets stabilizing there should be no reason not to finance these types of loans.
- I believe that the global economic slowdown has increased the desire of international clients to diversify their investments by owning properties in other countries and other monetary

systems to protect their investments. Most have investments in several different monetary systems like euros, dollars, yens, etc.

- Several of my Canadian buyers have been pre-approved with Royal Bank of Canada and have had their offers refused, because several banks in the offer instructions and the bank addendum require the buyer to be pre-approved by a U.S. bank, and in some cases they do not pre-approve foreign nationals.
- My last Canadian customers who were here a few weeks ago heard bad publicity and news about the US economy and believed that US prices will fall another 50% and decided to run back home like rabbits to wait for US housing prices to fall another 50% and they were blabbing all over the media that week. So much for the real estate experts at NBC and CBS!
- I had an investor that I worked with and sold properties to and developed land with over since 2002. He now has to sell all his properties, because he can only come here on a visitor's visa. He even had to transfer his car back to Germany because on a visitor's visa you can't drive your own car and be covered by insurance. You have to rent a car to be covered.
- A general feeling of economy downturn remains in the community. House prices disparity are scaring many clients. Distressed property in need of repairs are no longer attractive as a good chance of quick income. This variable will have a long term effects. Homeowners in distress don't think loan investors/banks are serious about modification. It is messy out there.
- The international buyers I work with are from as far as Australia, looking to buy multiple properties for long term investment. My Canadian customers are buying long term vacation homes for investment as well and are capitalizing on the depressed market, with a large German/American club and over 15% German population, purchases are for winter season escape to the warm weather..
- Biggest negative issue has been the problem setting up bank accounts when no banks will open them without personal face to face visit. Some do not want to visit here until purchase complete. Very big expense from Australia. Lost customers due to the intense requirements and difficulty getting tax id number when the IRS will only provide an 800 number that does not work in some countries!!!!
- The US would be very smart to consider retirement Visas for overseas buyers who can demonstrate the financial ability to support themselves and their investments here. I would say this would be particularly beneficial with regards to Canadian and UK buyers who have historically been our friends and allies. We do ourselves a huge disservice by making it so difficult for them to stay and invest here.
- It is sad when foreign buyers can buy American real estate more easily than Americans and the value of the dollar has dropped so much that more foreign buyers are buying up our real estate. First time home buyers struggled with the housing bubble and got pushed out of the market and some are now able to purchase, but for how long. When foreign buyers have control of the market as well as the dollar we are all in trouble.

- I am concentrating my efforts on marketing to the UK as this is the country and culture I am most familiar with. The promotion in the UK of Florida is that it is all on sale! It is a shock when they arrive to find that this is not the case. They do not know about Property Tax, Maintenance, commission or the fact that they have to buy in US currency. My primary purpose is to educate them which I am trying to do through my web site.
- The lack of funding available for foreign nationals is the single reason why none of my foreign clients could not close. They have offered up to 40% as down payment, but no bank in the US will lend them money. I have to go to private funding where the rates are prohibitive. This is shared in the industry - at least in Florida.
- In my experience, (relatively) low-cost of Florida property is, of itself, not enough to attract foreign buyers. Main concerns (which can result in decision NOT to buy) are 1) high ongoing ownership costs; restrictive US immigration policies impacting on foreign owners' length of stay and inability to retire "full-time" to Florida; extortionate health care insurance; diminished vacation rental market with over-supply of vacation homes and low tour-operator rates.
- The US government has taken several actions that is affecting foreign buyers perception of the US. Latin buyers are concerned over the negative policies directed towards foreign buyers. The idea that the U.S. government may not honor their debt is having a real negative perception given the negative economic consequences. If you considered yourself an educated professional and advisor to your international clients this is something you cannot ignore and you cannot dismiss when asked by a client!
- In our area of Panama City Beach, Florida we have a new International Airport which should create a new wave of International traffic. The oil spill was devastating to our area because the perception was that we had oil on our beaches due to media reports.
- Once people were not scared to come and buy again, the market began to improve. The International buyers are buying in the areas just west of Panama City, Florida.
- We are seeing more International traffic to our area, but they have been somewhat hesitant to purchase.
- Twice in the past year serious buyers from the British Isles were ready to purchase when they put off the purchase. These people were near retirement and couldn't spend all year here except for the opportunity to invest substantial money in a US business venture which they declined. One recent buyer from London is still thinking of going ahead because he considers it a good investment at this time. Canadian buyers are by far my largest international buying group. In the next few months I expect at least two of the Canadian families I'm working with to complete a purchase.
- A majority of those international buyers have been influenced by media advertising pertaining to foreclosures. They are uneducated to our judicial foreclosure process and are unfamiliar with short sales. The education they learn when purchasing opens their eyes and these buyers really need educated realtors who understand the process and who understand foreign purchase requirements to assist them properly. My education has allowed me to

continue relationships with those that have purchased and they continue to refer their friends and family to me, whether they buy or not.

- The global recession has really slowed down my activity from International potential clients. I have many contacts in Canada and in other years have been very active.....since 2009, it has really slowed down...I had 1 closing in 2010 with a Canadian National.
- I feel that once the world economy stabilizes, we will begin to see an increase in activity ...there are so many great values available in the market and we still have a positive reputation among Foreign Nationals as a place to invest and retire.