

Foreign buyers scooping up U.S. homes

NEW YORK (CNMoney) -- Hey, wealthy foreigners! Want to live in the U.S.? Buy a home here.

International purchases of American homes are ramping up, and a new Senate bill designed to boost the ailing real-estate market would encourage globe-trotting investors to buy even more.

The bill, co-sponsored by Charles Schumer (D-N.Y.) and Mike Lee (R.-Utah) would grant a U.S. visa to international investors who agree to spend at least \$500,000 on residential real estate here.

If passed, the legislation could add to a surge in homebuying by international purchasers over the past year or two that's already given some local U.S. markets a welcome boost.

Growing international interest

Foreigners spent \$82 billion buying up U.S. homes in the 12 months ended in March, up 24% from a year earlier, according to the National Association of Realtors (NAR). That represents 8% of total U.S. sales.

In places like South Florida, international buyers already account for a whopping 25% of the market. California, Texas and Arizona also attract many foreign buyers, as do Hawaii and New York.

South Florida condo sales have been surprisingly strong, said Brad Hunter, chief economist for Metrostudy, a housing analytics company. "And the majority of those sales are to South Americans and Canadians," he said.

Your local forecast

All that international buyer activity has been a tonic for the anemic Florida market. Housing starts were up nearly 20% in the three months ended Sept. 30, according to Metrostudy.

In Manhattan, there's been a steady baseline of foreign condo buyers, said Jonathan Miller, CEO of Miller Samuel, a New York appraisal firm. They generally account for about 15% of investors, but in recent years, the buyer mix in New York City has shifted, he said.

When the euro was strong in the mid-2000s, buyers from Western Europe -- and particularly Ireland -- dominated.

The Irish "economy was so strong back home -- the 'Celtic Tiger' years -- that many were flush and wanted to invest and take advantage of the spread between currencies," said Miller. "There were marketing groups that would go to Ireland and sell packages of condos here."

Now, said Miller, the New York market now attracts more Asian and Latin American buyers than in the past.

Wei Min Tan, a real-estate agent with Charles Rutenberg Realty who specializes in selling Manhattan real estate to Asians, said his volume has more than doubled this year.

"I tell [buyers] it's going to be a stable investment that should go up 10% a year," he said. That's "not as much as they might get in Hong Kong or Shanghai," but there's less volatility, he said.

Even better for homeowners, foreign sales can be very easy: The buyers are often affluent and buy more expensive homes. The median sale price of \$175,000 they pay in Florida, for example, is well above the median sales price of \$136,500 for all transactions.

There's also no hassle over financing or waiting around for a mortgage lender to approve the deal: Overwhelmingly, international buyers pay cash.

Indeed, the Senate bill would require buyers to pay cash for the homes to qualify for the new "homeowner" visa. They'd also need to pay U.S. taxes and spend at 180 days a year in the country, and can't work here or take out home-equity loans against the properties. In return, they'd get to live here for at least three years.

A vote of confidence

The program could improve the housing market nationwide, said Schumer.

"We think a very significant number of people will be brought in," he said. "They'll sop up the extra supply of homes we have right now that has been dragging down the economy."

Foreigners seem to have more confidence in the U.S. real estate market than Americans do. Almost half of buyers surveyed by NAR cited the profitability or safety of their investments as the main factor that persuaded them to buy.

"With the economic distress in Europe," said Miller, "people are still looking for safe havens for investing and the U.S. is perceived globally as safe."