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Foreign Homebuyers Surge into U.S. Market

Our neighbors to the north seem to think the **grass is pretty green** on this side of the fence. The National Association of Realtors® (NAR) says that foreign investment in the U.S. residential market skyrocketed to a new high during the 12 months that ended in March. Those sales were fueled by a substantial increase from Canadian buyers.

NAR released results from its 2017 survey of international residential buyers on Tuesday. It shows buyers from each of the top five home countries **increased** their activity from 2016, and that nearly half of all foreign sales were in Florida, California and Texas.

Between April 2016 and March 2017, foreign buyers and recent immigrants purchased **\$153.0 billion** of residential property. This is 49 percent more than was indicated in the 2016 survey (\$102.6 billion) and surpasses 2015's total of \$103.9 billion, setting a new survey high. There were 284,455 U.S. properties purchased by foreign buyers, a 32 percent increase, accounting for 10 percent of the dollar volume of existing-home sales compared to 7 percent in 2016.

NAR's chief economist Lawrence Yun said, "The political and economic uncertainty both here and abroad did not deter foreigners from exponentially ramping up their purchases of U.S. property over the past year. While the strengthening of the U.S. dollar in relation to other currencies and steadfast home-price growth made buying a home **more expensive** in many areas, foreigners increasingly acted on their beliefs that the U.S. is a safe and secure place to live, work and invest."

China held on to the top spot in terms of the dollars spent for the fourth straight year, spending \$31.7 billion compared to \$27.3 billion in the previous period and replacing the \$28.6 billion spent in 2015 as the new survey high. For the third straight year they also purchased the most housing units, 40,572, up from 29,195 in 2016.

However, it was the **massive hike in activity** by buyers from **Canada** that stands out. Their purchasing had dipped from \$11.2 billion in 2015 to \$8.9 billion last year, but soared to \$19.0 billion in the latest survey - a new high for that country's buyers.

Yun says this increase is because Canadians are buying property in expensive U.S. markets that are still more affordable than what they can buy at home. While much of the U.S. is seeing fast price growth, the gains in many cities in Canada have been **steeper**, especially in Vancouver and Toronto.

National Average Mortgage Rates



	Rate	Change	Points
Mortgage News Daily			
30 Yr. Fixed	7.42%	+0.01	0.00
15 Yr. Fixed	6.85%	+0.01	0.00
30 Yr. FHA	6.88%	0.00	0.00
30 Yr. Jumbo	7.60%	0.00	0.00
5/1 ARM	7.48%	-0.02	0.00

Freddie Mac

30 Yr. Fixed	7.22%	-0.22	0.00
15 Yr. Fixed	6.47%	-0.29	0.00

Mortgage Bankers Assoc.

30 Yr. Fixed	7.24%	+0.11	0.66
15 Yr. Fixed	6.75%	+0.11	0.64
30 Yr. FHA	7.01%	+0.11	0.94
30 Yr. Jumbo	7.45%	+0.05	0.56
5/1 ARM	6.64%	+0.12	0.87

Rates as of: 5/2

Recent Housing Data

		Value	Change
Mortgage Apps	Apr 24	196.7	-2.67%
Building Permits	Mar	1.46M	-3.95%
Housing Starts	Mar	1.32M	-13.15%
New Home Sales	Mar	693K	+4.68%
Pending Home Sales	Feb	75.6	+1.75%
Existing Home Sales	Feb	3.97M	-0.75%

"Inventory shortages continue to drive up U.S. home values, but prices in five countries, including Canada, experienced even quicker appreciation," Yun said. "Some of the acceleration in foreign purchases over the past year appears to come from the combination of more affordable property choices in the U.S. and foreigners deciding to buy now knowing that any further weakening of their local currency against the dollar will make buying more expensive in the future."

The third greatest amount of spending was on the part of buyers from the **United Kingdom**, \$9.5 billion, followed by those from Mexico, at \$9.3 billion, and India, \$7.8 billion. All three groups also increased their purchasing compared to 2016.

Foreign buyers paid a **median of \$302,290** for their American homes, a 9.0 percent increase from the median of \$277,380 in the 2016 survey and substantially higher than the \$235,792 median price for all existing homes sold during the same period. Approximately 10 percent of homes sold to foreign buyers were priced over \$1 million, and 44 percent of transactions were all-cash purchases.

NAR found that foreign buyers continue to prefer three states. Twenty-two percent of transactions were in **Florida**; **California** and **Texas** each garnered 12 percent. Following at a distance were New Jersey and Arizona each with 4 percent of the sales. Florida was the most popular state for Canadian buyers, Chinese buyers mostly chose California, and Texas was preferred by Mexican buyers.

Both recent immigrants and non-resident buyers increased their investments **substantially** and each reached new highs. Sales to foreigners residing in the U.S. reached \$78.1 billion, up 32 percent from 2016, and non-resident foreign sales spiked by 72 percent to \$74.9 billion.

"Although non-resident foreign purchases climbed over the past year, it appears much of the activity occurred during the second half of 2016," said Yun. "Realtors® in some markets are reporting that the effect of tighter regulations on capital outflows in China and weaker currencies in Canada and the U.K. have somewhat cooled non-resident foreign buyer interest in early 2017."

Yun sees the gradual expansion of U.S. and global economies keeping foreign buyer demand at a robust level. He cautioned however, that both the shortage in home inventories and economic and political headwinds have the potential of curbing foreign sales activity. "Stricter foreign government regulations and the current uncertainty on policy surrounding U.S. immigration and international trade policy could very well lead to a slowdown in foreign investment," he said.

	Value	Change
Builder Confidence	51	+6.25%