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Strong Dollar Deterring Foreign Home Buyers

While home sales are sailing, recently closing in on numbers last seen before the Great Recession, CoreLogic Senior Economist Frank Nothaft, points out that one group of buyers is sitting on the sidelines. Foreign buyers have substantially diminished in market share.

While home sales during the first four months of 2015 were 9 percent higher than a year earlier, the National Association of Realtors® (NAR) says the portion of those buyers self-identified as foreign dropped 19 percent. These buyers are not a huge sector - the decline took the market share from 2.5 percent to 2.0 percent, but they are important in some cities.

The decline has occurred even as interest rates dropped, down about a half percent from the same period in 2014, and NAR says its agents report it is apparently the result of the strong American dollar. About three-quarters of agents who work with international clients report that foreign exchange rates have had a significant impact on housing purchases.

Of course when the dollar strengthens relative to other currencies that money, Japanese yen, Chinese yuan, the euro, buy less in this country while the dollar buys more in those countries. As exhibit 1 shows, from the beginning of 2014 through April 2015 the dollar gained 10 percent relative to the United Kingdom pound and 13 percent on the Canadian dollar. The euro has been particularly affected, losing 26 percent in buying strength, most of it since the beginning of this year when the financial situation in Greece became more critical. The yuan and the Hong Kong dollar have better held their value over that period.

Exhibit 1 <http://www.corelogic.com/blog/authors/frank-nothaft/2015/07/strong-dollar-discourages-many-foreign-homebuyers-in-the-us.aspx>

National Average Mortgage Rates



	Rate	Change	Points
Mortgage News Daily			
30 Yr. Fixed	6.87%	-0.02	0.00
15 Yr. Fixed	6.32%	-0.01	0.00
30 Yr. FHA	6.33%	0.00	0.00
30 Yr. Jumbo	7.05%	0.00	0.00
5/1 ARM	6.59%	+0.01	0.00
Freddie Mac			
30 Yr. Fixed	6.77%	-0.09	0.00
15 Yr. Fixed	6.05%	-0.11	0.00
Mortgage Bankers Assoc.			
30 Yr. Fixed	7.00%	-0.03	0.60
15 Yr. Fixed	6.63%	+0.07	0.61
30 Yr. FHA	6.87%	-0.03	0.92
30 Yr. Jumbo	7.13%	+0.02	0.38
5/1 ARM	6.22%	-0.16	0.60

Rates as of: 7/23

Recent Housing Data

		Value	Change
Mortgage Apps	Jul 10	206.1	-0.19%
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%

