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International Investment in American Real Estate Slows

By KEVIN BRASS

With the property market in turmoil, especially in the United States, real estate agents around the country are ratcheting up their efforts to woo the Russian oligarchs, Korean industrialists and other international buyers who have been making headlines with splashy top-dollar purchases.

"They are the most aggressive buyers in the market right now," said Kevin McBride, an agent with Atlanta Fine Homes Sotheby's International in Atlanta. In international hubs like Atlanta, overseas clients now account for anywhere from 10 to 30 percent of sales, industry experts say.

Even Immobel, a company based in Warsaw that specializes in translating online real estate listings into 13 languages, has seen the number of U.S. agents using its services jump by 30 percent in the last year, according to Janet Choynowski, the company's chief executive. Agents are "really eager to reach out to buyers proactively by any means they can," Ms. Choynowski said.

But even before the financial meltdown of the last few weeks, there was growing concern that the much-publicized flow of international buyers into the United States was slowing.

Earlier this year a study by the National Association of Realtors found the number of agents

who sold a home to an international buyer actually decreased in the last year, from 18 percent to 13.3 percent.

And the dollar has strengthened in the last six months, diminishing the so-called "currency exchange discount" that helped make U.S. property a bargain for many foreign buyers. The euro was worth \$1.60 in July; it has been about \$1.29 recently. The British pound has dropped from \$2.10 in November 2007 to around \$1.59.

"The dollar has gotten stronger and that makes the investment appeal that much weaker," said Melissa Cohn, president of Manhattan Mortgage Company.

Ms. Cohn says the number of international buyers in New York City has dropped by 50 percent in the last six months. And with credit tight, the list of mortgage companies in the city willing to finance a purchase by a foreign resident has dropped from 10 to 4, she says.

That is not good news in Manhattan, where international buyers typically buy a third or more of the apartments in new buildings, according to local experts.

But international buyers continue to play an important role in the local market. For the W NY Downtown, a 56-story project under development in Manhattan, 74 percent of the initial sales have been to foreign buyers, primarily from South Korea, the United Arab Emirates and Italy, a project spokesman said.

In Miami, which has been particularly hard hit by the market slowdown, as many as 50 percent of sales in some neighborhoods are to overseas clients, despite the credit crunch and strengthening dollar, says Teresa Kinney, chief executive of the Greater Realtor Association of Miami and the Beaches. This month the organization was host to a contingent of 150

international agents, including 103 from Russia, who toured properties and networked with Miami agents before they headed to the National Association of Realtors' annual convention in Orlando, being held from Nov. 7-10. And in the past year group members have traveled to events in Paris, Madrid and Moscow to forge alliances.

"It's our biggest source for new business in Miami," Ms. Kinney said.

Around the country, industry executives are organizing similar initiatives. In September, the Texas Association of Realtors, for the first time, led 100 agents from Texas to Guadalajara, Mexico, to a trade conference. Mexican citizens were the third-largest group of international buyers in the United States last year, behind only Canada and Britain, according to the National Association of Realtors study.

Four thousand miles away in Hawaii, Dano Sayles of Coldwell Banker Island Properties is expanding his participation in international groups and attending conferences around the world to make new contacts.

"What really saved my market in south Maui last year was the Canadians," said Mr. Sayles, who specializes in homes of more than \$2 million.

In Honolulu, Sakara Blackwell, president of Optimum Realty, recently hired staffers who speak Mandarin and Korean, hoping to take advantage of moves by China and Korea to loosen restrictions on their citizens making foreign purchases. Overseas buyers now represent about 20 percent of her business.

"A couple of years ago it would have been zero," Ms. Blackwell said.

The outreach to international markets also has been increasing on the Internet.

As global markets slow, agents say different types of international buyers have been emerging. In many markets, "vultures" are going after depressed and foreclosed properties, sensing that the bottom is near. Others are looking at a luxury real estate as a safe good investment, more than simply a second home.

"People are buying in the U.S. not necessarily because they think it's cheap; they're buying because they see it as a safe haven for their money," said Ms. Choynowski of Immobel.

Many of those buyers aren't affected by credit problems — they're paying in cash, agents say.

But the recent headlines and sharp price drops in many markets have left both investors and second-home buyers confused and uncertain. Media reports often don't reflect the luxury market, which performs differently than the general overall market in many cities, industry executives say. "People don't know what to believe," said Bruce Hiatt, owner of the Luxury Realty Group in Las Vegas.

So these days many international clients are "Lookie Lous" — industry slang for those who are shopping but not buying — says Bahar Tavakolian of the New York-based Fox Residential Group, which organized an international division two years ago when foreign buyers were emerging as a big factor in sales.

Many of her foreign contacts are surprised to find there are few bargains in Manhattan, with the median price of a condo about \$1.2 million, according to the Prudential Douglas Elliman real estate agency.

"I get more calls seeking advice" than those actually wanting to buy, Ms. Tavakolian said.

adding that she believes the whole nature of the international business has changed recently.

But many U.S. companies hope the number of foreign buyers will bounce back once markets settle or the dollar weakens again. Partly in preparation for that time, the industry is continuing to lobby for reduced visa restrictions, including a special permit for foreign retirees, which might help encourage international deals.

"People are buying across borders," Ms. Choynowski said. "That's just the way it is now."

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