

Business Data for Engaging in International Real Estate Transactions in Montana

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Produced By: NAR Research



Introduction

Today, we are living in the global marketplace. The international transactions in the production and consumption of goods and services are ever growing. In 2007, the U.S. exported \$ 1,163 billion and imported \$1,954 billion. Both expanded over 11% during the past several years, which is far beyond of domestic transactions growth. With the expansion of international trade, the flow of people across borders has also increased fast, and therefore, the demand for real estate in both residential and commercial sectors has been on the rise.

The purpose of this report is to present recent economic data related to international business activity directly associated with Montana and explore the possible opportunities in real estate business in today's global economy with foreign nationals, foreign companies and foreign referral counterparts.

Non-immigrant visitors to Montana

In 2007, total of 42,229 non-immigrant aliens came into Montana. Those in some selected categories are;

- 32,630 temporary visitors for pleasure
- 2,920 temporary visitors for business
- 85 treaty traders and investors
- 1,197 foreign students and dependant families
- 1,494 temporary foreign workers, trainees and dependant families
- 144 NAFTA professional workers and dependant families

Obviously many of them will need rental housing, second homes, or commercial properties in Montana. A recent study of *The 2008 National Association of REALTORS® Profile of international Home Buying Activity*¹ shows that about 3 percent of entire home sales involved foreign buyers in the nationwide. The percentage of foreign buyer's participation varies according to state. For example, over 9 % of all home sales transactions involve international buyers in Florida which has been the most popular destination of home buyers from abroad. Although Montana may not witness such high volume of international transactions as in Florida, there are still enough foreigners arriving in the state to make an impact on overall real estate transactions.

¹ NAR conducted a survey of REALTORS® in 2008 to better understand the extent of non-U.S. resident homebuyers, why those buyers purchased U.S. homes, and what types of properties they bought and for what purpose. Of the REALTORS® who participated in the survey, 13 percent reported that they did at least one home sale transaction with international buyers.

Foreign Direct Investment Establishment in Montana

A U.S. affiliate is a U.S. business enterprise that is owned 10 percent or more, directly or indirectly, by a foreign person. As of 2002, there are total of 118,588 U.S. affiliates of foreign companies in the nationwide. This is increased by 12% compared to 5 years before. In Montana alone, there are 228 companies in this category. They contribute local real estate industry by purchasing or renting commercial real estate properties for their business. In addition, the frequent flows of staff and their families from home countries will create housing demand.

U.S. Residents Looking for Homes Abroad

It is not only foreigners that will significantly impact international home buying. Many U.S. residents will require a home abroad. Exports of products to Canada and Japan from Montana were \$ 585 million and \$ 102 million, respectively, in the past year. Third on the list of countries where Montana products are exported is Germany. The increase in Montana exports may lead locally based companies to establish company representatives and sales personnel in those countries. Montana real estate professionals may decide that it's time to set up referral networks with counterparts in Canada, Japan and Germany.

Chemical Manufactures and Machinery Manufactures were the top export industries in Montana. Those two industries combined account 38% of the entire exports from Montana. Savvy real estate professionals may want to visit the human resource departments of the companies producing these exports to let them know about relocation services offered in your professional global network.

Immigration and Naturalization in Montana

Immigration to the United States soared in the past two decades, which likely will lead to many more home purchases in the coming decade.² The U.S. population grew by roughly 20 million people since year 2000. The strong increase in immigration added 8 million people, and resulted nearly 40 percent of the rise in U.S. population since 2000.

In Montana, 251 newly admitted legal immigrants arrived in 2007. The largest group came from Canada (78). Other top countries of origin include:

- Philippines (71)
- China, People's Republic (60)
- Mexico (54)
- United Kingdom (22)

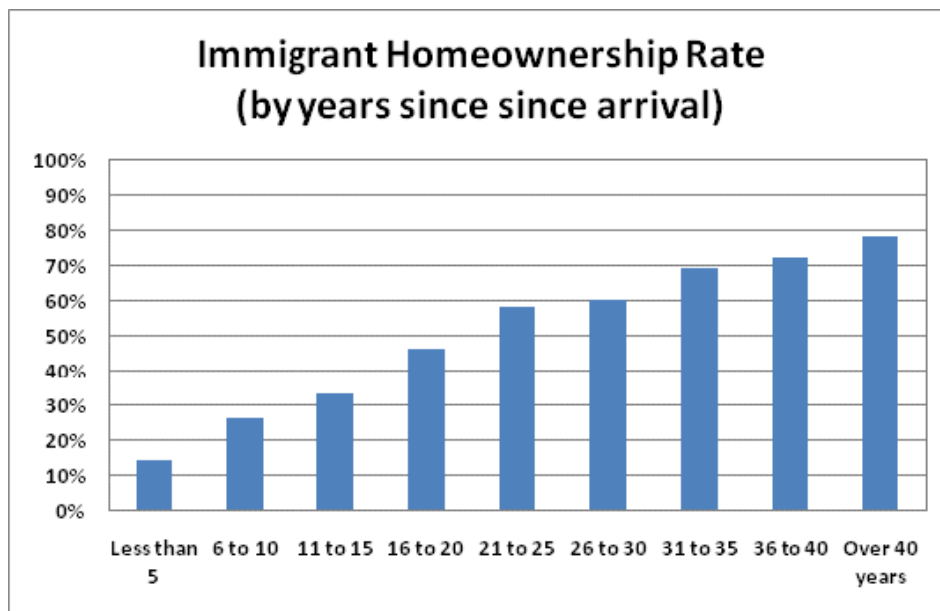
Real estate professionals may want to consider assisting, participating or setting up a network partner with these communities to open up business opportunities. In 2007, 251 immigrants to Montana became U.S. citizens. Natives of Canada led with the highest number (37) of newly naturalized citizens in the state last year. Other top countries represented include:

² There are contentious issues relating to swelling illegal immigration and assimilation, and this paper does not attempt to delve into this difficult topic.

- Mexico (28)
- Philippines (22)
- United Kingdom (20)
- Germany (17)

As of 2007 there are 8,854 (0.9% of the state population) of naturalized citizens and 7,203 non-citizens (0.8% of the state population) in Montana. Immigration boosts the residential housing market for the simple reason that people need a home in which to live. So it should not be surprising that dynamic housing markets of recent years have been in those regions with significant immigrant populations. The fast growing regions of Las Vegas, Phoenix, Washington D.C. and much of Florida have seen strong housing demand – and a significant run-up in home prices – due in no small part to the fact that these markets have strong immigrant populations.³

The homeownership rate of foreign-born households who came to the U.S. in the past five years is only 18 percent. The ownership rate then steadily rises over time.



Naturally, due to language, cultural and institutional adjustments, homeownership among recent immigrants lags behind that of native-born Americans and the population as a whole. However, obtaining U.S. citizenship quickly raises the odds of becoming a homeowner. In fact, among households who entered the country more than 30 years ago, the homeownership rate surpasses that of the national average, with 78 percent of foreign-born U.S. residents owning a home - far higher than the national homeownership rate of 69 percent.

³ A study by the Philadelphia Federal Reserve Bank showed that home prices in immigration-heavy neighborhoods rise much more slowly than other neighborhoods in the local region. That is, the “there goes the neighborhood” reaction may be at work as established residents flee an area and newcomers move in. However, home prices in metro regions with a high concentration of immigrants in general rose at a significantly faster clip than those metro regions with little immigration. Larger number of people translates into more housing demand.

REALTORS® can seize the opportunity and help close the early-year homeownership gap through counseling and homebuyer education programs for their foreign-born clients. Many REALTORS® have already realized the potential business opportunities. Over the last five years, almost half of NAR members indicated that they have participated in a transaction involving an international element, and this trend will inevitably increase.

Information on NAR International and WorldProperties.com

NAR's international program has a long and progressive history, demonstrating the foresight of NAR leaders over a number of decades. Through carefully developing and nurturing international bilateral and multilateral relationships worldwide, NAR has laid a solid foundation for participation in today's global marketplace. NAR's **International Network** – today 75 partner associations in more than 56 countries – demonstrates the value of NAR's international leadership and emphasizes its commitment to promote business development opportunities for U.S. members. NAR's International Mission statement is as follows: "Increase REALTORS®' (commercial and residential) ability and opportunity to do business at home and abroad in an increasingly global/multicultural real estate environment."

Numerous products and resources have been developed to assist NAR members and REALTOR® Associations in including a global market component in their business plan/member services program. These resources include:

- **NAR International home page at Realtor.org** – Best general resource for information on NAR international programs and services – <http://www.realtor.org/international>
- **Certified International Real Estate Specialist (CIPS)** designation program and business network – Provides introductory and advanced training for real estate professionals and administrators, along with business development/networking tools, resources and events. Access course descriptions, schedule, benefits and other information on CIPS from NAR International home page, <http://www.realtor.org/international>
- **Expand Your Market Course** – Turn-key course to introduce agents/brokers to the global real estate market. They are eligible for continuing education approval. More information is available at <http://www.realtor.org/cipshome.nsf/pages/eym>
- **International Real Estate Report** (Electronic Newsletter) – Available free to any NAR member. You may review all the current and past reports at <http://www.realtor.org/cipshome.nsf/webreport> . To subscribe to this newsletter, please visit your Profile page at Realtor.org.
- **Pre-packaged Meeting Tool Kits for Broker Meetings** – Series of short, informational training modules on global market topics; ideal for use in sales agent meetings, local council meetings, etc. You may download at <http://www.realtor.org/cipshome.nsf/pages/toolkits>

• **International Speaker Cadre & Presentation database** – Resource for REALTOR® Associations looking for a speaker and/or a presentation on a topic related to global real estate business. You may find speaker contacts and deals directly with the speaker. Access the database at <http://www.realtor.org/cipshome.nsf/pages/speakers>

• **The International Consortium of Real Estate Associations (ICREA): NAR International Association Network** – NAR partners with 75 national associations in more than 56 countries—all of whose members subscribe to a code of conduct similar to the NAR Code of Ethics. Review the full list of foreign partners, NAR’s liaisons to these groups, and/or access the association directly at <http://www.realtor.org/intlnet.nsf/coopassocmain>

• **WorldProperties.com.** WorldProperties.com is backed by the International Consortium of Real Estate Associations (ICREA). Currently, it is comprised of 30+ leading national real estate organizations representing 2 million brokers/agents worldwide, each of whom adhere to a code of conduct. WorldProperties.com provides benefits to broker/agent members by assisting them in marketing and facilitating business in the global marketplace. WorldProperties.com assists consumers in locating properties outside their country and in finding a qualified real estate professional. Access www.WorldProperties.com

For more information on NAR’s International programs, please email us at NARGlobe@realtors.org or visit us online at www.Realtor.org/international.

Population Demographics in Montana

	Total Population	U.S. Born Citizen	Foreign Born (%)	Naturalized Citizen	Non-U.S. Citizen	
Male	478,877	472,248	6,629	1.4%	3,676	2,953
18 and Over	366,062	359,925	6,137	1.7%	3,664	2,473
Under 18	112,815	112,323	492	0.4%	12	480
Female	478,984	469,556	9,428	2.0%	5,178	4,250
18 and Over	371,748	362,702	9,046	2.4%	4,870	4,176
Under 18	107,236	106,854	382	0.4%	308	74
Total	957,861	941,804	16,057	1.7%	8,854	7,203

Source: Census Bureau, American Community Survey 2007

Foreign Born Population in Montana by Year of Entry

	Total Population	U.S. Born Citizen	Foreign Born	Naturalized Citizen	Non-U.S. Citizen
2000 or later	4,774	723	4,051	217	3,834
1990 to 1999	4,567	1,758	2,809	1,334	1,475
Entered 1980 to 1989	2,885	352	2,533	1,786	747
Entered before 1980	10,397	3,733	6,664	5,517	1,147
Total	22,623	6,566	16,057	8,854	7,203

Source: Census Bureau, American Community Survey 2007

Main Languages Spoken in Households

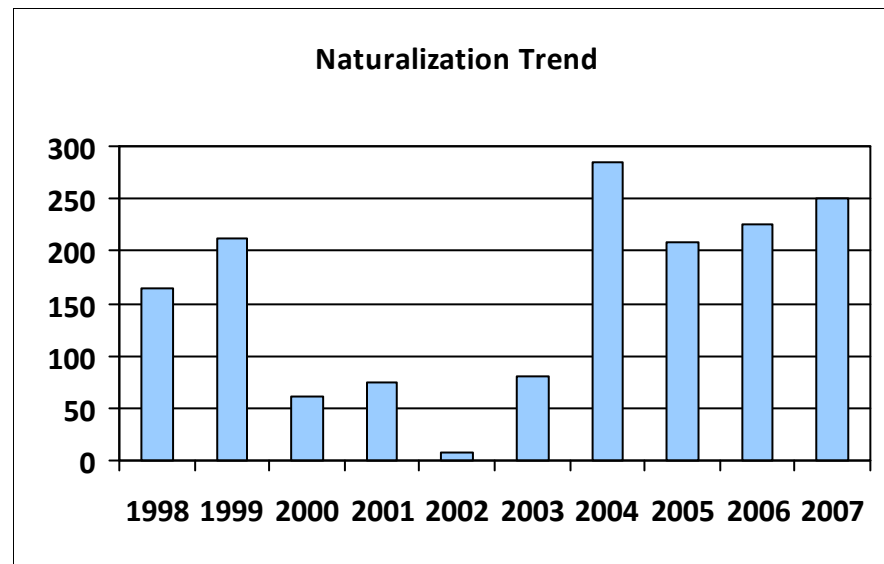
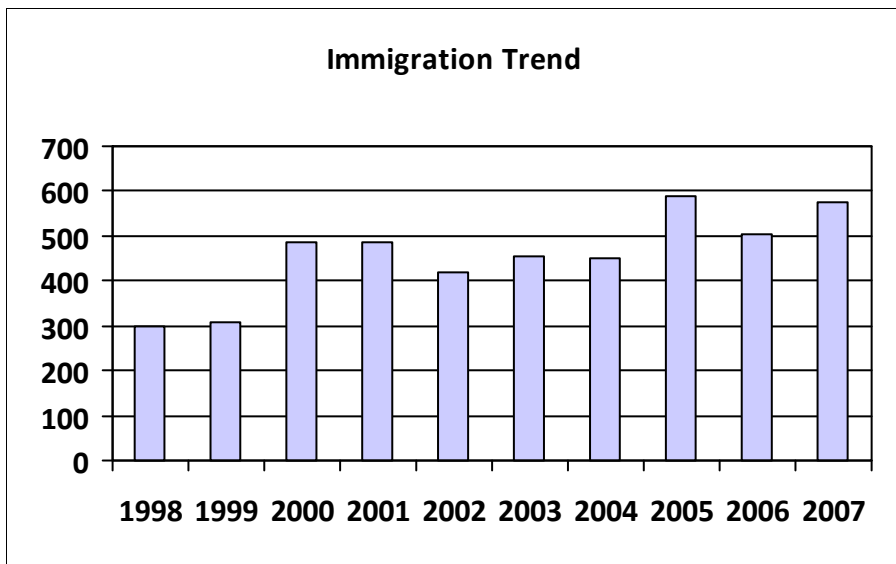
Main Language	Total Household	Linguistically Isolated	Not Linguistically Isolated
English	348,280		
Spanish	8,679	380	8,299
Indo-European	8,234	261	7,973
Asian-Pacific	1,949	383	1,566
Other	4,812	35	4,777
Total	371,954	1,059	22,615

Source: Census Bureau, American Community Survey 2007

Immigration and Naturalization Trend in Montana

Year	Admitted Immigrants	Naturalization
1998	298	165
1999	306	213
2000	488	62
2001	484	75
2002	419	7
2003	453	81
2004	452	285
2005	589	209
2006	505	225
2007	575	251

Source: Department of Homeland Security, Yearbook of Immigration Statistics: 2007

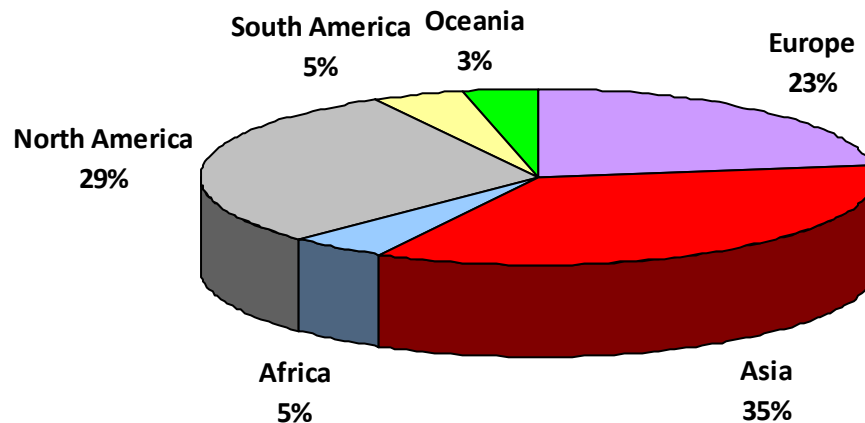


2007 Immigration to Montana by Country of Birth

										Total	575
Europe	131	Asia	200	Africa	28	North America	168	South America	27	Oceania	20
United Kingdom	22	Philippines	71	Ethiopia	8	Canada	78	Colombia	6	New Zealand	9
Germany	21	China	60	Zimbabwe	5	Mexico	54	Peru	6	Australia	6
Ukraine	14	India	15	Algeria	3	Guatemala	14	Brazil	5	Fiji	5
Russia	13	Korea	12	Liberia	3	Haiti	7	Argentina	3		
France	8	Thailand	8	South Africa	3	Panama	3				
Italy	7	Japan	7			Trinidad - Tobago	3				
Soviet Union, frm	7	Vietnam	5								
Poland	5	Malaysia	4								
Belarus	4	Nepal	4								

Source: Department of Homeland Security, Yearbook of Immigration Statistics: 2007

2007 Immigration to Montana by Origination Region

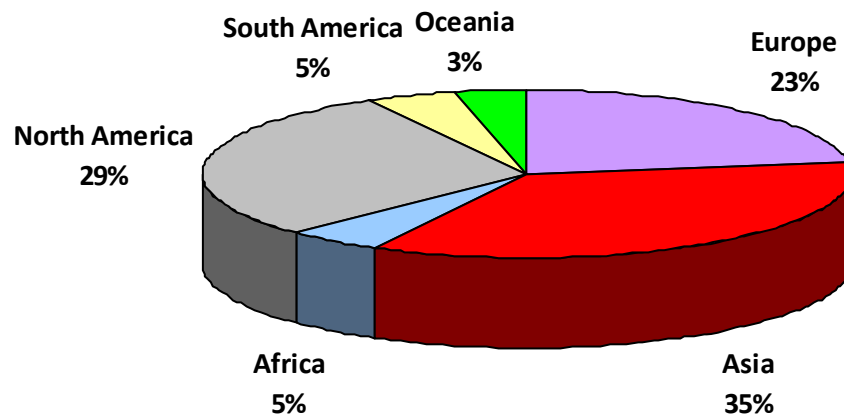


2007 Naturalization in Montana by Country of Birth

										Total	251
Europe	73	Asia	76	Africa	3	North America	76	South America	13	Oceania	10
United Kingdom	20	Philippines	22			Canada	37	Argentina	3	Australia	5
Germany	17	China	11			Mexico	28			New Zealand	4
Russia	7	India	10			Honduras	5				
Ukraine	5	Vietnam	9								
Netherlands	3	Korea	5								
Sweden	3	Thailand	5								
		Hong Kong	3								
		Iraq	3								

Source: Department of Homeland Security, Yearbook of Immigration Statistics: 2007

2007 Naturalization in Montana by Origination Region



Nonimmigrant Visitors to Montana

	2005	2006	2007
Total	25,000	34,791	42,229
Foreign government officials and families	87	31	192
Temporary visitors: for business	2,060	2,438	2,920
Temporary visitors: for pleasure	18,452	26,892	32,630
Transit aliens	16	16	43
Treaty traders and investors	57	75	85
Students and dependant family	855	1,102	1,197
Representatives to international organizations and families	5	3	3
Temporary workers and trainees, dependent family	335	1,269	1,494
Representatives of foreign information media and families	51	45	78
Students and exchange visitors, and dependant family	1,925	2,358	2,922
Fiances/spouses of U.S. citizens and their children	116	149	115
Intracompany transferees and dependant family	188	110	120
Vocational students and dependant family	83	86	93
NATO officials and families			4
NAFTA professional workers and dependant family	177	154	144
Fiances/spouses of permanent residents and their children	17	13	7
All other classes	37	46	166

Source: Department of Homeland Security, Yearbook of Immigration Statistics: 2007

Foreign Direct Investment Established in Montana

	U.S.	Montana
All industries	118588	228
Mining	1107	9
Utilities	815	2
Construction	1082	3
Manufacturing	10322	10
Wholesale trade	15798	59
Retail trade	30540	44
Transportation and warehousing	5468	27
Information	5046	5
Finance: Depository credit intermediation	3263	0
Finance: Insurance	3709	4
Real estate and rental and leasing	1890	0
Professional and technical services	4275	9
Accommodation and food services	15255	25
Other	16824	23

Source: Department of Commerce, Foreign Direct Investment in the United States Establishment Data for 2002

Montana Exports by Product

(Unit: \$1,000)

	2004	(%)*	2005	(%)	2006	(%)	2007	(%)	% Change, ** 2006-2007
Montana Exports Total	564,691	0.1%	710,727	0.1%	886,585	0.1%	1,131,167	0.1%	0.1%
Chemical Manufactures	120,616	21.4%	128,632	18.1%	210,402	23.7%	261,086	23.1%	23.1%
Machinery Manufactures	113,849	20.2%	158,773	22.3%	190,189	21.5%	172,176	15.2%	15.2%
Mining	69,950	12.4%	118,216	16.6%	75,866	8.6%	153,398	13.6%	13.6%
Transportation Equipment	10,401	1.8%	23,419	3.3%	63,090	7.1%	121,990	10.8%	10.8%
Primary Metal Manufactures	24,683	4.4%	25,451	3.6%	65,226	7.4%	96,658	8.5%	8.5%
Oil & Gas Extraction	8,486	1.5%	17,311	2.4%	37,201	4.2%	45,558	4.0%	4.0%
Non-Metallic Mineral Mfgs.	28,925	5.1%	31,163	4.4%	33,292	3.8%	43,408	3.8%	3.8%
Paper Products	39,633	7.0%	35,854	5.0%	40,664	4.6%	42,021	3.7%	3.7%
Wood Products	33,628	6.0%	33,418	4.7%	33,204	3.7%	36,497	3.2%	3.2%
Crop Production	35,827	6.3%	51,826	7.3%	44,447	5.0%	33,265	2.9%	2.9%
Processed Foods	19,574	3.5%	18,620	2.6%	16,469	1.9%	28,651	2.5%	2.5%
Computers & Electronic Prod.	12,558	2.2%	22,620	3.2%	17,491	2.0%	24,307	2.1%	2.1%
Elec. Eq., Appliances & Parts	5,353	0.9%	7,266	1.0%	10,026	1.1%	11,996	1.1%	1.1%
Misc. Manufactures	9,808	1.7%	9,242	1.3%	11,091	1.3%	11,331	1.0%	1.0%
Petroleum & Coal Products	2,683	0.5%	3,115	0.4%	4,361	0.5%	9,219	0.8%	0.8%
Plastic & Rubber Products	2,877	0.5%	4,015	0.6%	3,852	0.4%	7,393	0.7%	0.7%
Fabricated Metal Products	4,512	0.8%	4,192	0.6%	5,146	0.6%	7,241	0.6%	0.6%
Waste & Scrap	6,674	1.2%	5,216	0.7%	11,146	1.3%	6,706	0.6%	0.6%
Used Merchandise	2,278	0.4%	2,051	0.3%	2,706	0.3%	4,839	0.4%	0.4%
Animal Production	1,669	0.3%	1,766	0.2%	3,224	0.4%	4,013	0.4%	0.4%
Apparel Manufactures	1,035	0.2%	1,577	0.2%	1,926	0.2%	2,154	0.2%	0.2%
Goods Returned to Canada	6,305	1.1%	1,705	0.2%	294	0.0%	1,920	0.2%	0.2%
Spec. Classification Provisions	1,554	0.3%	1,934	0.3%	1,248	0.1%	1,629	0.1%	0.1%
Leather & Related Products	798	0.1%	1,062	0.1%	770	0.1%	1,293	0.1%	0.1%
Printing & Related Products	217	0.0%	508	0.1%	1,267	0.1%	943	0.1%	0.1%

Source: Department of Commerce, State by State Exports: 2007

* % of State export total is the share of entire U.S. export, and others are shares of state export.

** (Z) means that % change is greater than 500%, and (-) means that the product is a new export.

Montana Exports by Trading Partner Countries

(Unit: \$1,000)

	2004	(%)*	2005	(%)	2006	(%)	2007	(%)	% Change,** 2006-2007
World Total	564,691	0.1%	710,727	0.1%	886,585	0.1%	1,131,167	0.1%	0.1%
Canada	297,318	52.7%	372,087	52.4%	433,532	48.9%	584,676	51.7%	51.7%
Japan	54,109	9.6%	53,655	7.5%	85,033	9.6%	101,743	9.0%	9.0%
Germany	11,811	2.1%	49,102	6.9%	54,894	6.2%	58,895	5.2%	5.2%
Mexico	34,285	6.1%	37,970	5.3%	42,011	4.7%	24,742	2.2%	2.2%
Taiwan	27,042	4.8%	32,447	4.6%	36,693	4.1%	52,457	4.6%	4.6%
Netherlands	6,798	1.2%	15,788	2.2%	20,469	2.3%	13,911	1.2%	1.2%
France	12,988	2.3%	6,750	0.9%	7,966	0.9%	11,579	1.0%	1.0%
South Korea	27,366	4.8%	24,303	3.4%	31,807	3.6%	39,554	3.5%	3.5%
United Kingdom	14,697	2.6%	22,736	3.2%	24,433	2.8%	30,105	2.7%	2.7%
Singapore	8,086	1.4%	7,700	1.1%	35,132	4.0%	21,166	1.9%	1.9%
China	15,367	2.7%	26,929	3.8%	31,913	3.6%	43,577	3.9%	3.9%
Belgium	5,055	0.9%	3,520	0.5%	16,797	1.9%	23,117	2.0%	2.0%
Sweden	728	0.1%	2,434	0.3%	6,804	0.8%	12,647	1.1%	1.1%
Chile	3,426	0.6%	5,042	0.7%	5,691	0.6%	8,755	0.8%	0.8%
Australia	2,882	0.5%	3,269	0.5%	4,349	0.5%	8,118	0.7%	0.7%
Italy	2,946	0.5%	2,565	0.4%	3,063	0.3%	3,129	0.3%	0.3%
New Zealand	661	0.1%	1,897	0.3%	637	0.1%	3,446	0.3%	0.3%
Malaysia	7,115	1.3%	7,300	1.0%	5,299	0.6%	4,377	0.4%	0.4%
Switzerland	455	0.1%	665	0.1%	499	0.1%	2,906	0.3%	0.3%
Denmark	2,210	0.4%	1,419	0.2%	972	0.1%	2,968	0.3%	0.3%
Philippines	3,635	0.6%	1,864	0.3%	3,878	0.4%	4,125	0.4%	0.4%
India	469	0.1%	689	0.1%	1,602	0.2%	6,918	0.6%	0.6%
Pakistan	13	0.0%	28	0.0%	298	0.0%	3,618	0.3%	0.3%
Portugal	26	0.0%	1,649	0.2%	4,477	0.5%	9,151	0.8%	0.8%
Nigeria	3	0.0%	21	0.0%	21	0.0%	14,563	1.3%	1.3%

Source: Department of Commerce, State by State Exports: 2007

* % of State export total is the share of entire U.S. export, and others are shares of state export.

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