

# **Business Data for Engaging in International Real Estate Transactions in Massachusetts**

**November 2008**

**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 Massachusetts 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 Massachusetts***

In 2007, total of 781,508 non-immigrant aliens came into Massachusetts. Those in some selected categories are;

- 464,627 temporary visitors for pleasure
- 168,241 temporary visitors for business
- 3,262 treaty traders and investors
- 55,029 foreign students and dependant families
- 29,998 temporary foreign workers, trainees and dependant families
- 4,364 NAFTA professional workers and dependant families

Obviously many of them will need rental housing, second homes, or commercial properties in Massachusetts. A recent study of *The 2008 National Association of REALTORS® Profile of international Home Buying Activity*<sup>1</sup> 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 Massachusetts 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.

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<sup>1</sup> 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 Massachusetts***

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 Massachusetts alone, there are 3,824 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 Massachusetts were \$ 3,413 million and \$ 2,166 million, respectively, in the past year. Third on the list of countries where Massachusetts products are exported is United Kingdom. The increase in Massachusetts exports may lead locally based companies to establish company representatives and sales personnel in those countries. Massachusetts real estate professionals may decide that it's time to set up referral networks with counterparts in Canada, Japan and United Kingdom.

Computers & Electronic Prod. and Chemical Manufactures were the top export industries in Massachusetts. Those two industries combined account 51% of the entire exports from Massachusetts. 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 Massachusetts***

Immigration to the United States soared in the past two decades, which likely will lead to many more home purchases in the coming decade.<sup>2</sup> 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 Massachusetts, 20,952 newly admitted legal immigrants arrived in 2007. The largest group came from Dominican Republic (2,696). Other top countries of origin include:

- Brazil (2,548)
- Haiti (2,269)
- Dominican Republic (2,056)
- India (1,681)

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, 20,952 immigrants to Massachusetts became U.S. citizens. Natives of Dominican Republic led with the highest

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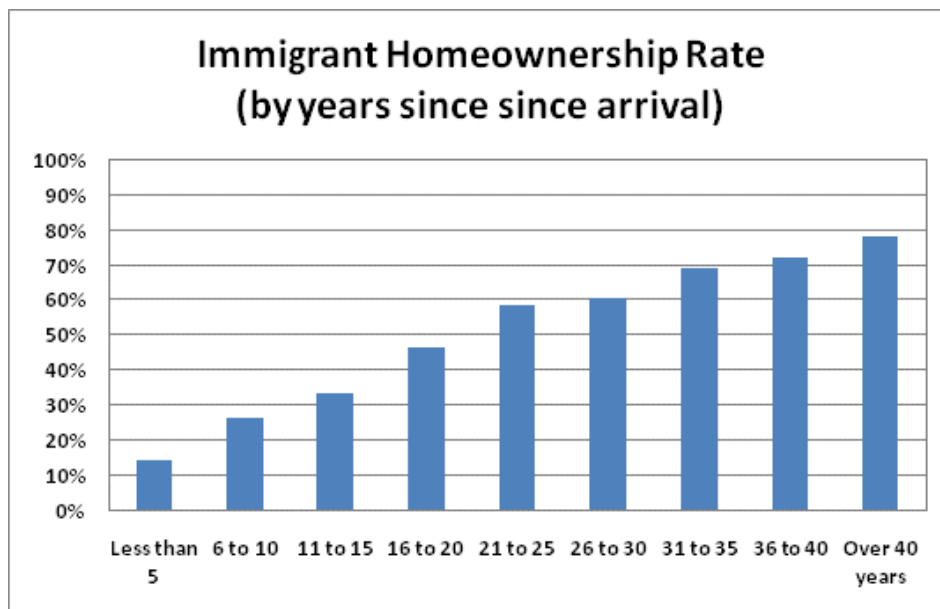
<sup>2</sup> There are contentious issues relating to swelling illegal immigration and assimilation, and this paper does not attempt to delve into this difficult topic.

number (2,308) of newly naturalized citizens in the state last year. Other top countries represented include:

- Haiti (1,693)
- China, People's Republic (1,540)
- India (1,264)
- Vietnam (1,172)

As of 2007 there are 440,823 (6.8% of the state population) of naturalized citizens and 473,134 non-citizens (7.3% of the state population) in Massachusetts. 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.<sup>3</sup>

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

<sup>3</sup> 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.

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.

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](http://www.WorldProperties.com)

*For more information on NAR’s International programs, please email us at [NARGlobe@realtors.org](mailto:NARGlobe@realtors.org) or visit us online at [www.Realtor.org/international](http://www.Realtor.org/international).*

**Population Demographics in Massachusetts**

	<b>Total Population</b>	<b>U.S. Born Citizen</b>	<b>Foreign Born (%)</b>	<b>Naturalized Citizen</b>	<b>Non-U.S. Citizen</b>	
Male	3,127,452	2,679,775	447,677	14.3%	204,596	243,081
18 and Over	2,395,506	1,979,505	416,001	17.4%	194,396	221,605
Under 18	731,946	700,270	31,676	4.3%	10,200	21,476
Female	3,322,303	2,856,023	466,280	14.0%	236,227	230,053
18 and Over	2,622,142	2,187,056	435,086	16.6%	225,883	209,203
Under 18	700,161	668,967	31,194	4.5%	10,344	20,850
<b>Total</b>	<b>6,449,755</b>	<b>5,535,798</b>	<b>913,957</b>	<b>14.2%</b>	<b>440,823</b>	<b>473,134</b>

Source: Census Bureau, American Community Survey 2007

**Foreign Born Population in Massachusetts by Year of Ent**

	<b>Total Population</b>	<b>U.S. Born Citizen</b>	<b>Foreign Born</b>	<b>Naturalized Citizen</b>	<b>Non-U.S. Citizen</b>
2000 or later	305,083	30,473	274,610	34,881	239,729
1990 to 1999	290,928	33,006	257,922	124,677	133,245
Entered 1980 to 1989	198,388	29,879	168,509	109,632	58,877
Entered before 1980	265,420	52,504	212,916	171,633	41,283
<b>Total</b>	<b>1,059,819</b>	<b>145,862</b>	<b>913,957</b>	<b>440,823</b>	<b>473,134</b>

Source: Census Bureau, American Community Survey 2007

**Main Languages Spoken in Households**

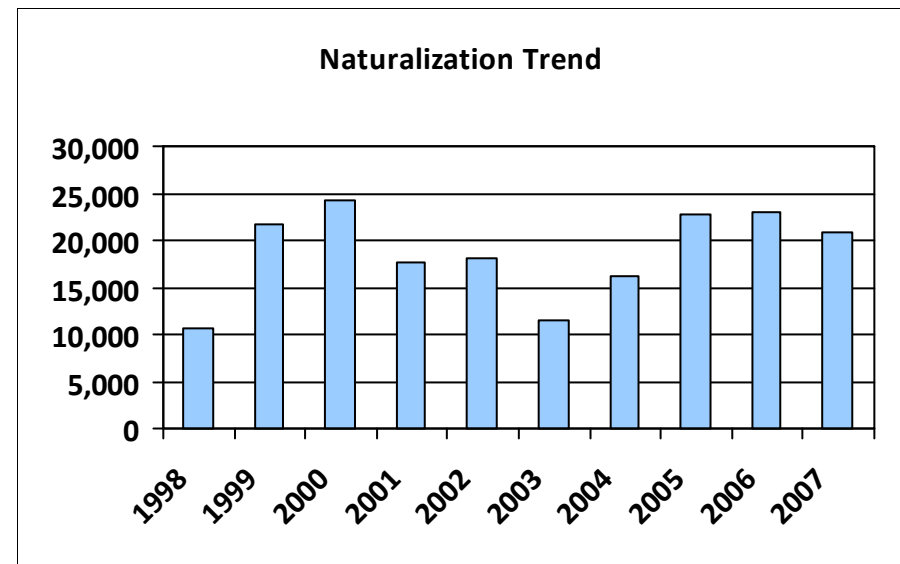
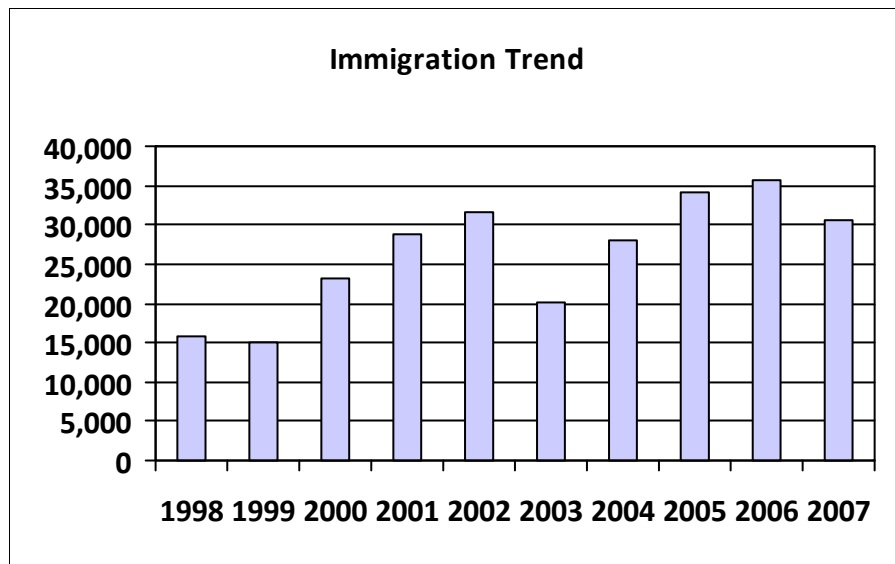
<b>Main Language</b>	<b>Total Household</b>	<b>Linguistically Isolated</b>	<b>Not Linguistically Isolated</b>
English	1,903,375		
Spanish	177,785	53,318	124,467
Indo-European	263,090	52,253	210,837
Asian-Pacific	76,245	25,165	51,080
Other	28,638	4,151	24,487
<b>Total</b>	<b>2,449,133</b>	<b>134,887</b>	<b>410,871</b>

Source: Census Bureau, American Community Survey 2007

### Immigration and Naturalization Trend in Massachusetts

Year	Admitted Immigrants	Naturalization
1998	15,844	10,548
1999	15,125	21,620
2000	23,302	24,167
2001	28,847	17,596
2002	31,498	18,024
2003	20,127	11,461
2004	28,067	16,263
2005	34,232	22,685
2006	35,558	22,932
2007	30,555	20,952

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

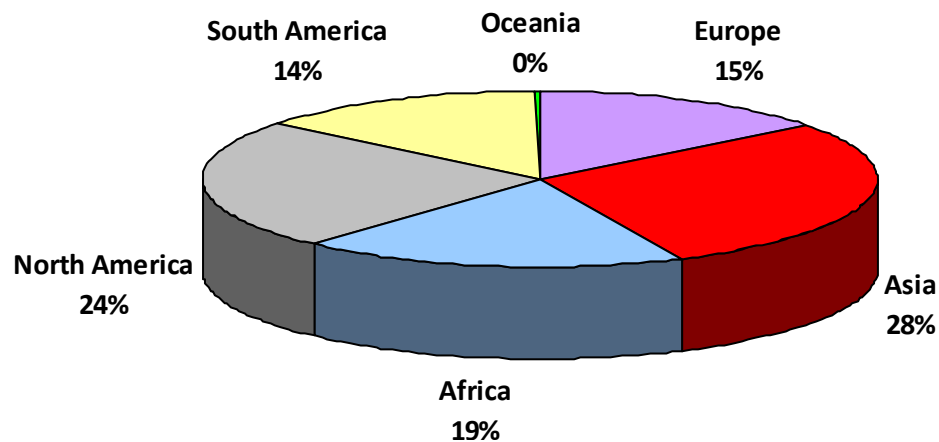


**2007 Immigration to Massachusetts by Country of Birth**

										Total	30,555
<b>Europe</b>	<b>4,432</b>	<b>Asia</b>	<b>8,744</b>	<b>Africa</b>	<b>5,673</b>	<b>North America</b>	<b>7,377</b>	<b>South America</b>	<b>4,190</b>	<b>Oceania</b>	<b>116</b>
Albania	627	China	2,696	Cape Verde	1,634	Haiti	2,269	Brazil	2,548	Australia	65
United Kingdom	503	India	1,681	Kenya	545	Dominican Republic	2,056	Colombia	792	New Zealand	37
Russia	368	Vietnam	820	Ghana	520	El Salvador	648	Peru	249	Fiji	11
Poland	265	Cambodia	469	Morocco	501	Guatemala	583	Venezuela	157		
Ukraine	237	Philippines	408	Nigeria	373	Canada	478	Ecuador	127		
Portugal	232	Lebanon	350	Ethiopia	348	Jamaica	460	Argentina	83		
Germany	225	Korea	292	Egypt	269	Mexico	235	Uruguay	75		
Ireland	168	Pakistan	238	Uganda	199	Honduras	194	Bolivia	65		
Soviet Union, frm	164	Nepal	182	Cameroon	175	Trinidad - Tobago	160	Chile	50		

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

**2007 Immigration to Massachusetts by Origination Region**

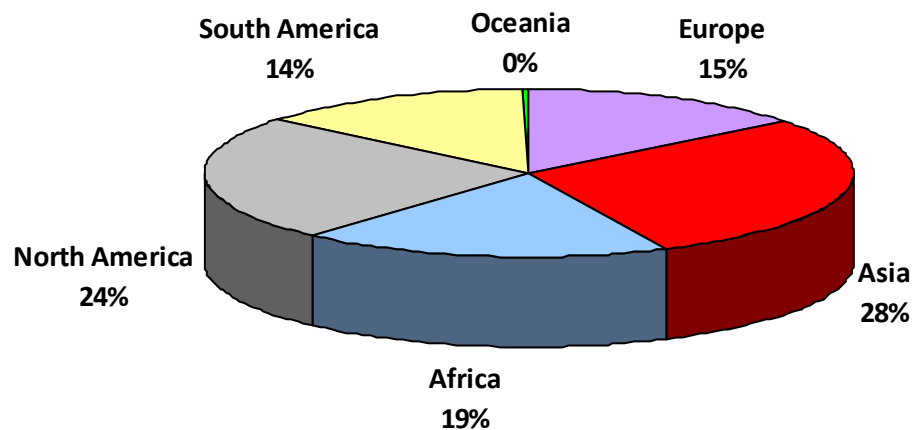


**2007 Naturalization in Massachusetts by Country of Birth**

										Total	20,952
<b>Europe</b>	<b>3,956</b>	<b>Asia</b>	<b>6,529</b>	<b>Africa</b>	<b>2,677</b>	<b>North America</b>	<b>6,013</b>	<b>South America</b>	<b>1,730</b>	<b>Oceania</b>	<b>45</b>
Portugal	854	China	1,540	Cape Verde	967	Dominican Republic	2,308	Brazil	864	Australia	37
Russia	383	India	1,264	Morocco	333	Haiti	1,693	Colombia	344	New Zealand	7
Albania	378	Vietnam	1,172	Nigeria	196	El Salvador	399	Peru	135		
United Kingdom	256	Cambodia	594	Ghana	165	Jamaica	353	Ecuador	97		
Ukraine	236	Lebanon	229	Ethiopia	157	Canada	280	Venezuela	91		
Poland	232	Hong Kong	174	Egypt	91	Guatemala	251	Chile	61		
Ireland	172	Philippines	168	Somalia	88	Honduras	151	Guyana	54		
Bosnia - Herzegovina	152	Korea	154	Sudan	86	Mexico	151	Argentina	41		
Soviet Union, frm	144	Pakistan	153	Kenya	79	Trinidad - Tobago	144	Bolivia	22		

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

**2007 Naturalization in Massachusetts by Origination Region**



**Nonimmigrant Visitors to Massachusetts**

	<b>2005</b>	<b>2006</b>	<b>2007</b>
<b>Total</b>	<b>677,021</b>	<b>716,538</b>	<b>781,508</b>
Foreign government officials and families	2,177	2,365	2,649
Temporary visitors: for business	132,150	154,565	168,241
Temporary visitors: for pleasure	416,715	428,864	464,627
Transit aliens	1,835	1,734	1,764
Treaty traders and investors	2,293	2,716	3,262
Students and dependant family	47,032	49,255	55,029
Representatives to international organizations and families	463	461	441
Temporary workers and trainees, dependent family	25,409	29,080	29,998
Representatives of foreign information media and families	790	787	830
Students and exchange visitors, and dependant family	25,966	27,365	30,561
Fiances/spouses of U.S. citizens and their children	1,304	1,187	1,389
Intracompany transferees and dependant family	8,662	8,663	9,904
Vocational students and dependant family	3,758	3,698	4,387
NATO officials and families	12	103	88
NAFTA professional workers and dependant family	3,773	3,963	4,364
Fiances/spouses of permanent residents and their children	236	105	78
All other classes	1,960	1,620	3,891

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

**Foreign Direct Investment Established in Massachusetts**

	<b>U.S.</b>	<b>Massachusetts</b>
All industries	118588	3824
Mining	1107	8
Utilities	815	70
Construction	1082	25
Manufacturing	10322	231
Wholesale trade	15798	355
Retail trade	30540	948
Transportation and warehousing	5468	170
Information	5046	166
Finance: Depository credit intermediation	3263	136
Finance: Insurance	3709	112
Real estate and rental and leasing	1890	21
Professional and technical services	4275	166
Accommodation and food services	15255	762
Other	16824	569

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

**Massachusetts Exports by Product**

(Unit: \$1,000)

	<b>2004</b>	(%)*	<b>2005</b>	(%)	<b>2006</b>	(%)	<b>2007</b>	(%)	<b>% Change, **</b> <b>2006-2007</b>
<b>Massachusetts Exports Total</b>	<b>21,837,411</b>	<b>2.7%</b>	<b>22,042,806</b>	<b>2.4%</b>	<b>24,047,035</b>	<b>2.3%</b>	<b>25,285,006</b>	<b>2.2%</b>	<b>2.2%</b>
Computers & Electronic Prod.	7,474,963	34.2%	7,004,342	31.8%	7,520,246	31.3%	7,710,904	30.5%	30.5%
Chemical Manufactures	4,906,930	22.5%	5,284,208	24.0%	5,187,624	21.6%	5,247,023	20.8%	20.8%
Machinery Manufactures	2,456,089	11.2%	2,314,977	10.5%	2,736,082	11.4%	2,877,429	11.4%	11.4%
Misc. Manufactures	1,926,746	8.8%	2,111,164	9.6%	2,239,700	9.3%	2,317,255	9.2%	9.2%
Primary Metal Manufactures	422,524	1.9%	405,016	1.8%	647,369	2.7%	982,035	3.9%	3.9%
Transportation Equipment	453,315	2.1%	481,018	2.2%	546,773	2.3%	886,894	3.5%	3.5%
Waste & Scrap	321,565	1.5%	328,213	1.5%	597,339	2.5%	847,273	3.4%	3.4%
Elec. Eq., Appliances & Parts	752,016	3.4%	815,175	3.7%	872,251	3.6%	768,928	3.0%	3.0%
Fabricated Metal Products	620,680	2.8%	663,516	3.0%	678,666	2.8%	614,245	2.4%	2.4%
Plastic & Rubber Products	404,093	1.9%	469,395	2.1%	529,503	2.2%	581,786	2.3%	2.3%
Paper Products	366,432	1.7%	362,459	1.6%	436,691	1.8%	461,666	1.8%	1.8%
Fishing, Hunting, & Trapping	303,155	1.4%	349,991	1.6%	389,467	1.6%	416,080	1.6%	1.6%
Processed Foods	280,704	1.3%	305,327	1.4%	341,491	1.4%	402,648	1.6%	1.6%
Spec. Classification Provisions	334,035	1.5%	308,686	1.4%	350,189	1.5%	270,795	1.1%	1.1%
Fabric Mill Products	236,961	1.1%	228,175	1.0%	226,489	0.9%	217,407	0.9%	0.9%
Non-Metallic Mineral Mfgs.	149,095	0.7%	135,250	0.6%	164,495	0.7%	166,115	0.7%	0.7%
Printing & Related Products	115,565	0.5%	100,747	0.5%	114,509	0.5%	140,457	0.6%	0.6%
Publishing Industries	29,060	0.1%	87,459	0.4%	97,982	0.4%	72,956	0.3%	0.3%
Used Merchandise	34,915	0.2%	44,588	0.2%	54,828	0.2%	66,101	0.3%	0.3%
Leather & Related Products	69,651	0.3%	67,917	0.3%	63,503	0.3%	55,410	0.2%	0.2%
Furniture & Related Products	23,115	0.1%	22,214	0.1%	21,921	0.1%	38,198	0.2%	0.2%
Crop Production	29,994	0.1%	23,029	0.1%	28,110	0.1%	32,412	0.1%	0.1%
Apparel Manufactures	19,673	0.1%	24,491	0.1%	84,987	0.4%	23,523	0.1%	0.1%
Wood Products	24,651	0.1%	21,418	0.1%	20,630	0.1%	18,641	0.1%	0.1%
Non-Apparel Textile Products	19,106	0.1%	19,835	0.1%	20,233	0.1%	16,813	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.

**Massachusetts Exports by Trading Partner Countries**

(Unit: \$1,000)

	<b>2004</b>	<b>(%)*</b>	<b>2005</b>	<b>(%)</b>	<b>2006</b>	<b>(%)</b>	<b>2007</b>	<b>(%)</b>	<b>% Change,** 2006-2007</b>
<b>World Total</b>	<b>21,837,411</b>	<b>2.7%</b>	<b>22,042,806</b>	<b>2.4%</b>	<b>24,047,035</b>	<b>2.3%</b>	<b>25,285,006</b>	<b>2.2%</b>	<b>2.2%</b>
Canada	2,898,538	13.3%	2,925,738	13.3%	3,155,104	13.1%	3,412,711	13.5%	13.5%
Japan	1,814,711	8.3%	1,898,495	8.6%	2,287,460	9.5%	2,165,937	8.6%	8.6%
United Kingdom	1,502,565	6.9%	1,627,949	7.4%	1,972,065	8.2%	2,306,895	9.1%	9.1%
Germany	2,515,864	11.5%	2,151,074	9.8%	2,514,287	10.5%	2,370,575	9.4%	9.4%
Netherlands	2,515,115	11.5%	3,001,519	13.6%	2,696,650	11.2%	2,215,600	8.8%	8.8%
France	859,252	3.9%	804,830	3.7%	714,752	3.0%	887,836	3.5%	3.5%
Mexico	755,791	3.5%	780,361	3.5%	826,290	3.4%	992,341	3.9%	3.9%
Malaysia	647,796	3.0%	617,425	2.8%	535,219	2.2%	521,805	2.1%	2.1%
Singapore	774,027	3.5%	528,638	2.4%	628,151	2.6%	524,212	2.1%	2.1%
Taiwan	951,150	4.4%	797,372	3.6%	749,474	3.1%	1,017,840	4.0%	4.0%
Philippines	616,519	2.8%	442,257	2.0%	476,334	2.0%	466,259	1.8%	1.8%
South Korea	645,921	3.0%	794,279	3.6%	874,905	3.6%	821,330	3.2%	3.2%
Ireland	442,311	2.0%	447,037	2.0%	461,248	1.9%	715,252	2.8%	2.8%
China	874,856	4.0%	882,790	4.0%	1,291,129	5.4%	1,375,248	5.4%	5.4%
Hong Kong	522,995	2.4%	506,354	2.3%	560,723	2.3%	578,742	2.3%	2.3%
Italy	314,402	1.4%	370,968	1.7%	447,252	1.9%	477,349	1.9%	1.9%
Belgium	335,345	1.5%	335,436	1.5%	289,673	1.2%	331,400	1.3%	1.3%
Brazil	239,776	1.1%	283,292	1.3%	300,885	1.3%	365,098	1.4%	1.4%
Australia	248,700	1.1%	258,761	1.2%	269,842	1.1%	313,673	1.2%	1.2%
Switzerland	277,124	1.3%	269,009	1.2%	236,699	1.0%	210,944	0.8%	0.8%
Israel	141,786	0.6%	135,311	0.6%	173,345	0.7%	202,782	0.8%	0.8%
Sweden	150,475	0.7%	133,171	0.6%	146,475	0.6%	145,936	0.6%	0.6%
Spain	150,759	0.7%	164,371	0.7%	185,195	0.8%	291,340	1.2%	1.2%
India	147,722	0.7%	205,962	0.9%	213,270	0.9%	341,083	1.3%	1.3%
Russian Federation	88,317	0.4%	65,503	0.3%	116,884	0.5%	168,079	0.7%	0.7%

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 this is a new partner.