

Business Data for Engaging in International Real Estate Transactions in Pennsylvania

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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 Pennsylvania 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 Pennsylvania

In 2007, total of 412,012 non-immigrant aliens came into Pennsylvania. Those in some selected categories are;

- 204,846 temporary visitors for pleasure
- 104,599 temporary visitors for business
- 3,321 treaty traders and investors
- 31,051 foreign students and dependant families
- 23,930 temporary foreign workers, trainees and dependant families
- 2,204 NAFTA professional workers and dependant families

Obviously many of them will need rental housing, second homes, or commercial properties in Pennsylvania. 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 Pennsylvania 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 Pennsylvania

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 Pennsylvania alone, there are 5,094 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 Mexico from Pennsylvania were \$ 9,238 million and \$ 2,222 million, respectively, in the past year. Third on the list of countries where Pennsylvania products are exported is United Kingdom. The increase in Pennsylvania exports may lead locally based companies to establish company representatives and sales personnel in those countries. Pennsylvania real estate professionals may decide that it's time to set up referral networks with counterparts in Canada, Mexico and United Kingdom.

Chemical Manufactures and Machinery Manufactures were the top export industries in Pennsylvania. Those two industries combined account 32% of the entire exports from Pennsylvania. 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 Pennsylvania

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 Pennsylvania, 11,371 newly admitted legal immigrants arrived in 2007. The largest group came from India (2,465). Other top countries of origin include:

- China, People's Republic (2,195)
- Dominican Republic (905)
- Mexico (857)
- Vietnam (789)

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, 11,371 immigrants to

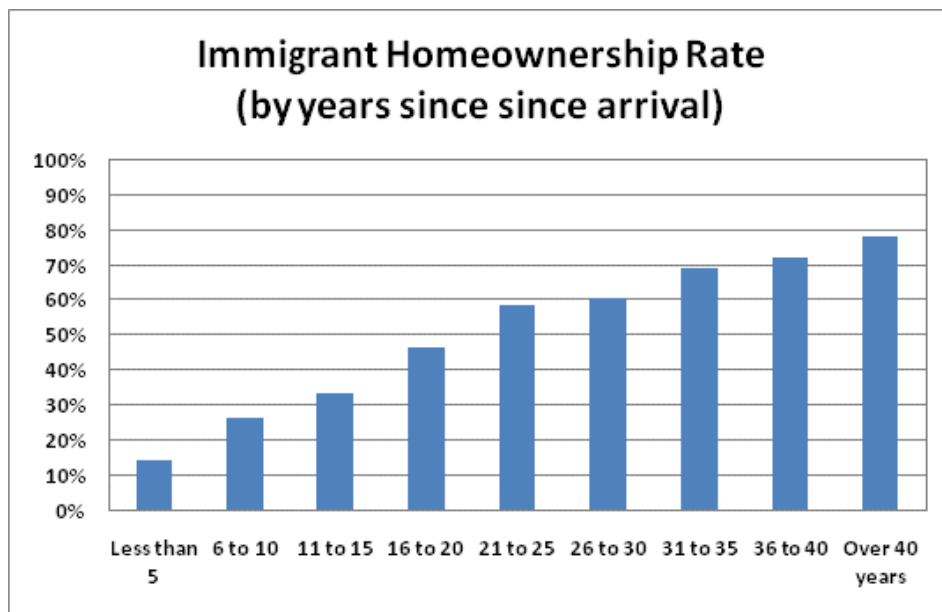
² There are contentious issues relating to swelling illegal immigration and assimilation, and this paper does not attempt to delve into this difficult topic.

Pennsylvania became U.S. citizens. Natives of India led with the highest number (1,566) of newly naturalized citizens in the state last year. Other top countries represented include:

- Vietnam (854)
- China, People's Republic (769)
- Dominican Republic (581)
- Ukraine (452)

As of 2007 there are 338,238 (2.7% of the state population) of naturalized citizens and 326,938 non-citizens (2.6% of the state population) in Pennsylvania. 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

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.

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

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 Pennsylvania

	Total Population	U.S. Born Citizen	Foreign Born (%)	Naturalized Citizen	Non-U.S. Citizen	
Male	6,052,038	5,725,415	326,623	5.4%	160,146	166,477
18 and Over	4,622,347	4,326,229	296,118	6.4%	150,191	145,927
Under 18	1,429,691	1,399,186	30,505	2.1%	9,955	20,550
Female	6,380,754	6,042,201	338,553	5.3%	178,092	160,461
18 and Over	5,023,689	4,716,862	306,827	6.1%	166,060	140,767
Under 18	1,357,065	1,325,339	31,726	2.3%	12,032	19,694
Total	12,432,792	11,767,616	665,176	5.4%	338,238	326,938

Source: Census Bureau, American Community Survey 2007

Foreign Born Population in Pennsylvania by Year of Entry

	Total Population	U.S. Born Citizen	Foreign Born	Naturalized Citizen	Non-U.S. Citizen
2000 or later	238,582	34,074	204,508	28,076	176,432
1990 to 1999	226,942	35,219	191,723	95,915	95,808
Entered 1980 to 1989	142,460	31,019	111,441	78,938	32,503
Entered before 1980	230,815	73,311	157,504	135,309	22,195
Total	838,799	173,623	665,176	338,238	326,938

Source: Census Bureau, American Community Survey 2007

Main Languages Spoken in Households

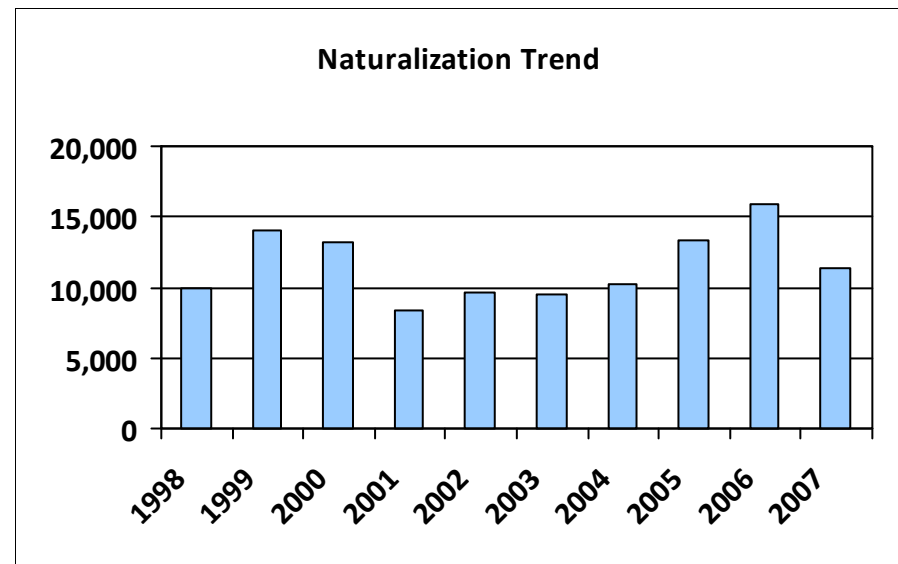
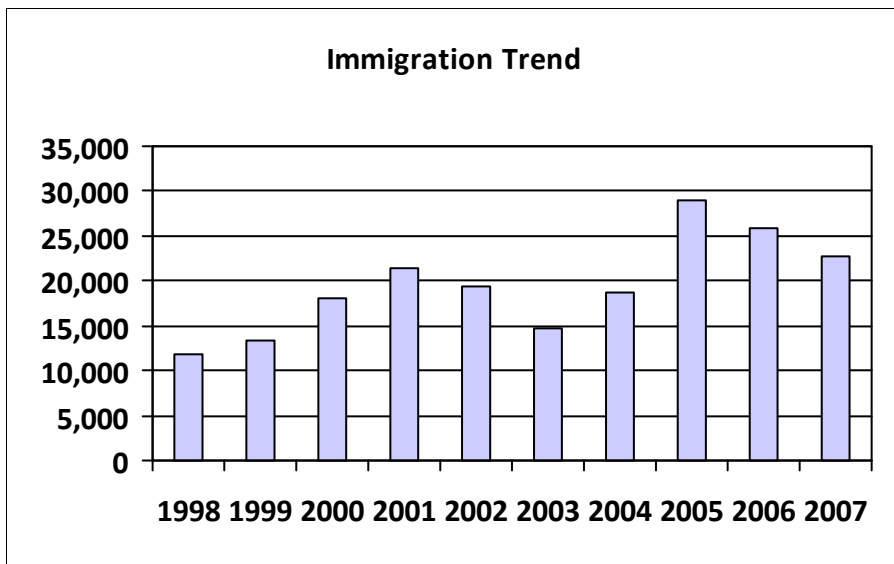
Main Language	Total Household	Linguistically Isolated	Not Linguistically Isolated
English	4,330,557		
Spanish	209,666	45,677	163,989
Indo-European	228,540	32,561	195,979
Asian-Pacific	79,439	25,464	53,975
Other	25,280	5,037	20,243
Total	4,873,482	108,739	434,186

Source: Census Bureau, American Community Survey 2007

Immigration and Naturalization Trend in Pennsylvania

Year	Admitted Immigrants	Naturalization
1998	11,912	9,988
1999	13,465	14,070
2000	17,970	13,261
2001	21,328	8,383
2002	19,428	9,619
2003	14,606	9,443
2004	18,813	10,205
2005	28,902	13,307
2006	25,950	15,846
2007	22,811	11,371

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

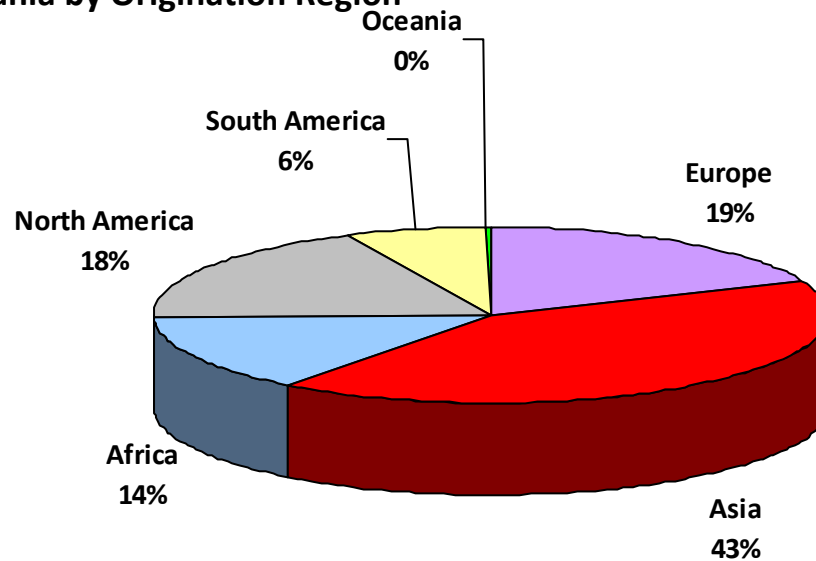


2007 Immigration to Pennsylvania by Country of Birth

											Total	22,811
Europe	4,222	Asia	9,530	Africa	3,254	North America	4,206	South America	1,477	Oceania	81	
Ukraine	542	India	2,465	Liberia	644	Dominican Republic	905	Colombia	427	Australia	55	
United Kingdom	489	China	2,195	Egypt	387	Mexico	857	Peru	229	New Zealand	26	
Russia	363	Vietnam	789	Nigeria	305	Jamaica	506	Brazil	224			
Albania	335	Philippines	676	Kenya	228	Haiti	472	Ecuador	223			
Poland	266	Korea	587	Morocco	222	Canada	386	Venezuela	118			
Germany	245	Pakistan	443	Ethiopia	182	Guatemala	368	Argentina	82			
Soviet Union, frm	183	Bangladesh	329	Ghana	162	Trinidad - Tobago	172	Guyana	58			
Romania	159	Uzbekistan	288	Sierra Leone	153	Cuba	153	Chile	57			
Belarus	127	Indonesia	260	Sudan	117	El Salvador	83	Bolivia	24			

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

2007 Immigration to Pennsylvania by Origination Region

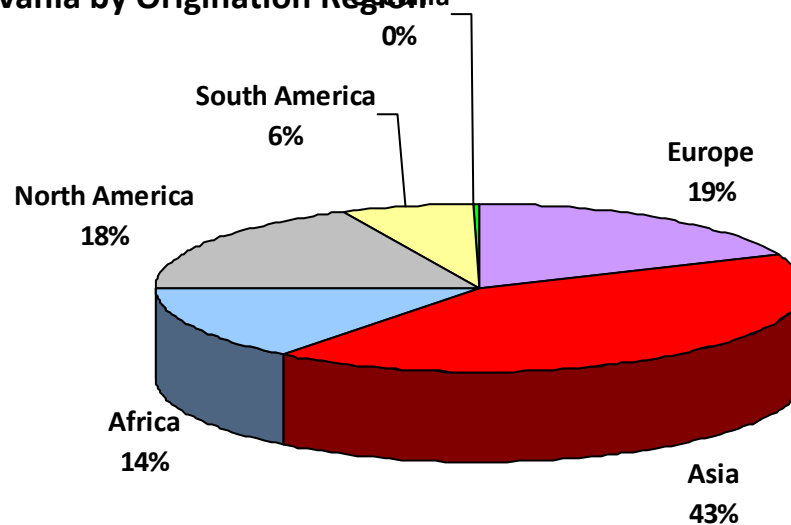


2007 Naturalization in Pennsylvania by Country of Birth

										Total	11,371
Europe	2,427	Asia	5,160	Africa	1,197	North America	1,979	South America	570	Oceania	33
Ukraine	452	India	1,566	Liberia	213	Dominican Republic	581	Colombia	168	Australia	22
Russia	230	Vietnam	854	Sudan	144	Jamaica	289	Ecuador	101	New Zealand	8
Albania	195	China	769	Nigeria	125	Mexico	274	Peru	77		
United Kingdom	195	Korea	354	Morocco	118	Haiti	198	Brazil	61		
Bosnia - Herzegovina	173	Philippines	273	Egypt	106	Canada	165	Guyana	56		
Poland	171	Cambodia	213	Sierra Leone	103	Trinidad - Tobago	125	Venezuela	44		
Italy	109	Pakistan	210	Ghana	74	El Salvador	60	Argentina	26		
Germany	92	Bangladesh	103	Ethiopia	70	Cuba	53	Chile	15		
Romania	92	Syria	103	Kenya	36	Honduras	47	Bolivia	10		

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

2007 Naturalization in Pennsylvania by Origination Region



Nonimmigrant Visitors to Pennsylvania

	2005	2006	2007
Total	368,572	386,193	412,012
Foreign government officials and families	1,271	1,084	1,173
Temporary visitors: for business	96,682	103,046	104,599
Temporary visitors: for pleasure	185,737	191,008	204,846
Transit aliens	2,663	2,922	2,573
Treaty traders and investors	2,484	2,757	3,321
Students and dependant family	26,127	28,594	31,051
Representatives to international organizations and families	160	186	226
Temporary workers and trainees, dependent family	15,575	21,681	23,930
Representatives of foreign information media and families	336	276	386
Students and exchange visitors, and dependant family	16,681	17,353	18,915
Fiances/spouses of U.S. citizens and their children	1,269	1,168	1,279
Intracompany transferees and dependant family	8,854	9,012	10,781
Vocational students and dependant family	3,541	3,746	4,431
NATO officials and families		162	254
NAFTA professional workers and dependant family	1,836	2,069	2,204
Fiances/spouses of permanent residents and their children	290	163	92
All other classes	1,066	962	1,948

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

Foreign Direct Investment Established in Pennsylvania

	U.S.	Pennsylvania
All industries	118588	5094
Mining	1107	63
Utilities	815	25
Construction	1082	54
Manufacturing	10322	482
Wholesale trade	15798	581
Retail trade	30540	1100
Transportation and warehousing	5468	180
Information	5046	190
Finance: Depository credit intermediation	3263	357
Finance: Insurance	3709	184
Real estate and rental and leasing	1890	28
Professional and technical services	4275	177
Accommodation and food services	15255	825
Other	16824	724

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

Pennsylvania Exports by Product

(Unit: \$1,000)

	2004	(%)*	2005	(%)	2006	(%)	2007	(%)	% Change, ** 2006-2007
Pennsylvania Exports Total	18,487,253	2.3%	22,270,841	2.5%	26,333,931	2.5%	29,126,894	2.5%	2.5%
Chemical Manufactures	3,228,405	17.5%	4,261,695	19.1%	4,679,075	17.8%	5,170,893	17.8%	17.8%
Machinery Manufactures	2,416,545	13.1%	2,995,835	13.5%	3,435,621	13.0%	4,153,615	14.3%	14.3%
Primary Metal Manufactures	1,831,218	9.9%	2,502,105	11.2%	3,351,321	12.7%	3,473,861	11.9%	11.9%
Transportation Equipment	1,757,562	9.5%	2,430,871	10.9%	2,913,553	11.1%	3,208,438	11.0%	11.0%
Computers & Electronic Prod.	2,203,291	11.9%	2,199,958	9.9%	2,573,490	9.8%	2,844,363	9.8%	9.8%
Elec. Eq., Appliances & Parts	925,692	5.0%	1,050,517	4.7%	1,283,572	4.9%	1,352,446	4.6%	4.6%
Fabricated Metal Products	835,346	4.5%	848,350	3.8%	1,031,102	3.9%	1,139,970	3.9%	3.9%
Misc. Manufactures	767,144	4.1%	873,802	3.9%	985,027	3.7%	1,108,604	3.8%	3.8%
Processed Foods	591,876	3.2%	671,453	3.0%	753,961	2.9%	935,708	3.2%	3.2%
Plastic & Rubber Products	609,626	3.3%	679,515	3.1%	769,207	2.9%	869,754	3.0%	3.0%
Non-Metallic Mineral Mfgs.	523,925	2.8%	513,269	2.3%	563,602	2.1%	659,173	2.3%	2.3%
Petroleum & Coal Products	242,170	1.3%	328,018	1.5%	726,428	2.8%	647,047	2.2%	2.2%
Waste & Scrap	287,724	1.6%	297,410	1.3%	390,918	1.5%	593,227	2.0%	2.0%
Mining	201,777	1.1%	350,827	1.6%	421,820	1.6%	448,220	1.5%	1.5%
Paper Products	361,171	2.0%	411,699	1.8%	441,920	1.7%	432,904	1.5%	1.5%
Printing & Related Products	284,945	1.5%	342,348	1.5%	391,381	1.5%	419,695	1.4%	1.4%
Spec. Classification Provisions	264,278	1.4%	273,059	1.2%	258,985	1.0%	319,673	1.1%	1.1%
Wood Products	319,087	1.7%	328,020	1.5%	334,409	1.3%	302,392	1.0%	1.0%
Fabric Mill Products	130,635	0.7%	149,587	0.7%	217,198	0.8%	202,812	0.7%	0.7%
Crop Production	114,315	0.6%	120,626	0.5%	127,835	0.5%	138,842	0.5%	0.5%
Forestry & Logging	79,630	0.4%	95,967	0.4%	118,325	0.4%	130,977	0.4%	0.4%
Leather & Related Products	98,033	0.5%	128,433	0.6%	138,472	0.5%	125,413	0.4%	0.4%
Furniture & Related Products	68,584	0.4%	75,021	0.3%	91,947	0.3%	118,113	0.4%	0.4%
Non-Apparel Textile Products	77,457	0.4%	86,655	0.4%	80,502	0.3%	100,807	0.3%	0.3%
Apparel Manufactures	88,592	0.5%	92,330	0.4%	79,888	0.3%	71,054	0.2%	0.2%

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.

Pennsylvania Exports by Trading Partner Countries

(Unit: \$1,000)

	2004	(%)*	2005	(%)	2006	(%)	2007	(%)	% Change,** 2006-2007
World Total	18,487,253	2.3%	22,270,841	2.5%	26,333,931	2.5%	29,126,894	2.5%	2.5%
Canada	6,394,927	34.6%	7,743,571	34.8%	8,886,413	33.7%	9,237,781	31.7%	31.7%
Mexico	1,198,614	6.5%	1,419,622	6.4%	1,995,308	7.6%	2,222,271	7.6%	7.6%
United Kingdom	902,631	4.9%	1,028,783	4.6%	1,149,123	4.4%	1,346,550	4.6%	4.6%
Japan	923,999	5.0%	1,011,607	4.5%	1,226,469	4.7%	1,261,243	4.3%	4.3%
Germany	708,777	3.8%	912,582	4.1%	1,012,380	3.8%	1,221,111	4.2%	4.2%
Netherlands	504,986	2.7%	621,757	2.8%	681,579	2.6%	778,555	2.7%	2.7%
China	780,724	4.2%	933,323	4.2%	1,264,124	4.8%	1,293,416	4.4%	4.4%
France	436,808	2.4%	446,738	2.0%	554,802	2.1%	523,288	1.8%	1.8%
Belgium	697,522	3.8%	813,335	3.7%	1,150,470	4.4%	1,493,323	5.1%	5.1%
South Korea	450,772	2.4%	460,783	2.1%	586,912	2.2%	659,841	2.3%	2.3%
Singapore	326,319	1.8%	426,520	1.9%	420,344	1.6%	473,377	1.6%	1.6%
Italy	343,646	1.9%	406,485	1.8%	598,552	2.3%	529,695	1.8%	1.8%
Australia	406,484	2.2%	455,215	2.0%	513,406	1.9%	653,828	2.2%	2.2%
Hong Kong	350,983	1.9%	369,807	1.7%	480,830	1.8%	514,439	1.8%	1.8%
Taiwan	291,619	1.6%	315,593	1.4%	367,662	1.4%	429,863	1.5%	1.5%
Malaysia	169,801	0.9%	169,154	0.8%	181,489	0.7%	188,153	0.6%	0.6%
Brazil	283,641	1.5%	467,816	2.1%	402,229	1.5%	597,993	2.1%	2.1%
Spain	149,482	0.8%	148,864	0.7%	192,933	0.7%	207,158	0.7%	0.7%
Israel	168,071	0.9%	175,495	0.8%	157,263	0.6%	184,905	0.6%	0.6%
Switzerland	130,745	0.7%	270,173	1.2%	339,338	1.3%	360,396	1.2%	1.2%
Saudi Arabia	139,037	0.8%	179,590	0.8%	210,431	0.8%	306,805	1.1%	1.1%
India	146,227	0.8%	218,541	1.0%	296,490	1.1%	336,796	1.2%	1.2%
South Africa	116,309	0.6%	135,622	0.6%	180,643	0.7%	194,799	0.7%	0.7%
Chile	100,857	0.5%	122,415	0.5%	155,449	0.6%	266,450	0.9%	0.9%
Qatar	9,509	0.1%	33,591	0.2%	71,074	0.3%	251,433	0.9%	0.9%

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.