

Business Data for Engaging in International Real Estate Transactions in Hawaii

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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 Hawaii 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 Hawaii

In 2007, total of 1,596,336 non-immigrant aliens came into Hawaii. Those in some selected categories are;

- 1,500,464 temporary visitors for pleasure
- 66,275 temporary visitors for business
- 2,449 treaty traders and investors
- 9,078 foreign students and dependant families
- 2,610 temporary foreign workers, trainees and dependant families
- 406 NAFTA professional workers and dependant families

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

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 Hawaii alone, there are 990 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 Japan and New Zealand from Hawaii were \$ 156 million and \$ 3 million, respectively, in the past year. Third on the list of countries where Hawaii products are exported is Singapore. The increase in Hawaii exports may lead locally based companies to establish company representatives and sales personnel in those countries. Hawaii real estate professionals may decide that it's time to set up referral networks with counterparts in Japan, New Zealand and Singapore.

Petroleum & Coal Products and Transportation Equipment were the top export industries in Hawaii. Those two industries combined account 49% of the entire exports from Hawaii. 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 Hawaii

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 Hawaii, 4,521 newly admitted legal immigrants arrived in 2007. The largest group came from Philippines (4,109). Other top countries of origin include:

- China, People's Republic (718)
- Japan (523)
- Korea (298)
- Vietnam (181)

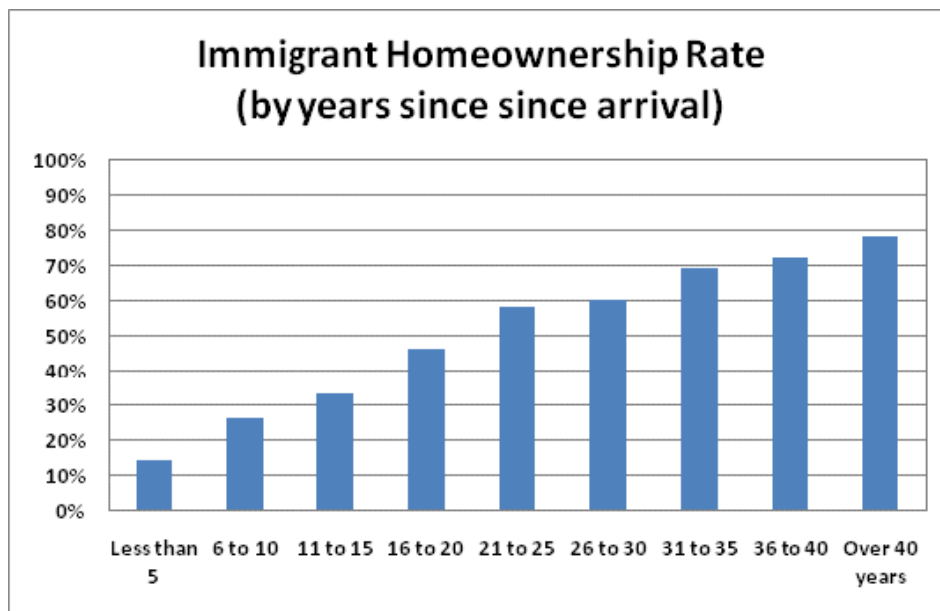
Real estate professionals may want to consider assisting, participating or setting up a network partner with these communities to open up business opportunities. In 2007, 4,521 immigrants to Hawaii became U.S. citizens. Natives of Philippines led with the highest number (2,061) of newly naturalized citizens 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.

- Korea (492)
- China, People's Republic (370)
- Japan (209)
- Vietnam (207)

As of 2007 there are 124,741 (9.7% of the state population) of naturalized citizens and 96,707 non-citizens (7.5% of the state population) in Hawaii. 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 Hawaii

	Total Population	U.S. Born Citizen	Foreign Born (%)	Naturalized Citizen	Non-U.S. Citizen	
Male	645,483	551,697	93,786	14.5%	51,745	42,041
18 and Over	497,115	410,025	87,090	17.5%	50,060	37,030
Under 18	148,368	141,672	6,696	4.5%	1,685	5,011
Female	637,905	510,243	127,662	20.0%	72,996	54,666
18 and Over	500,508	380,043	120,465	24.1%	71,082	49,383
Under 18	137,397	130,200	7,197	5.2%	1,914	5,283
Total	1,283,388	1,061,940	221,448	17.3%	124,741	96,707

Source: Census Bureau, American Community Survey 2007

Foreign Born Population in Hawaii by Year of Entry

	Total Population	U.S. Born Citizen	Foreign Born	Naturalized Citizen	Non-U.S. Citizen
2000 or later	55,255	7,024	48,231	5,789	42,442
1990 to 1999	65,441	6,423	59,018	27,387	31,631
Entered 1980 to 1989	50,978	4,968	46,010	33,482	12,528
Entered before 1980	83,522	15,333	68,189	58,083	10,106
Total	255,196	33,748	221,448	124,741	96,707

Source: Census Bureau, American Community Survey 2007

Main Languages Spoken in Households

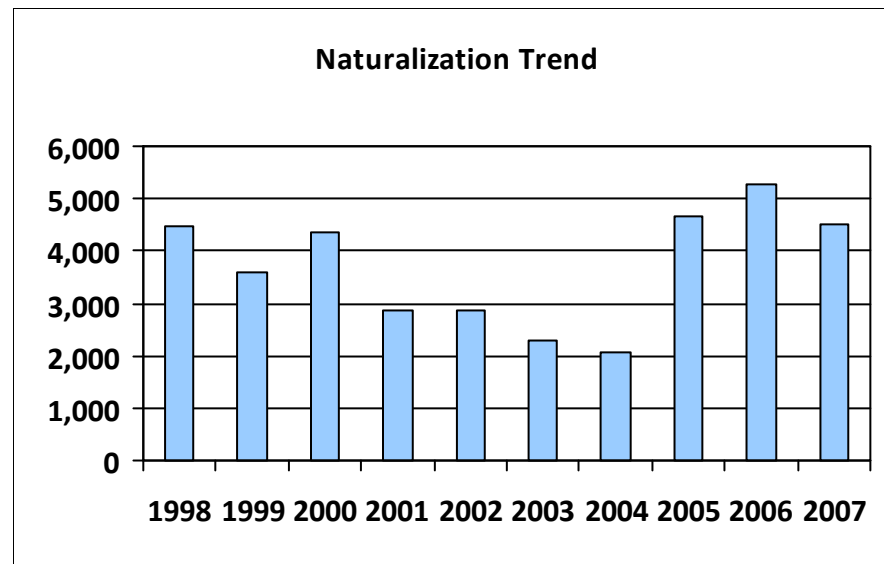
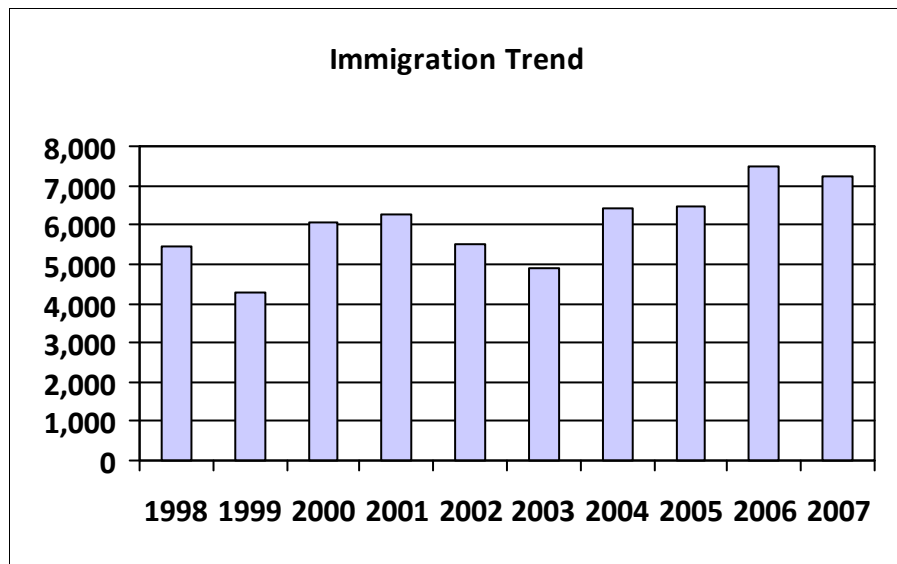
Main Language	Total Household	Linguistically Isolated	Not Linguistically Isolated
English	298,241		
Spanish	15,310	1,642	13,668
Indo-European	10,481	489	9,992
Asian-Pacific	114,985	24,176	90,809
Other	668	0	668
Total	439,685	26,307	115,137

Source: Census Bureau, American Community Survey 2007

Immigration and Naturalization Trend in Hawaii

Year	Admitted Immigrants	Naturalization
1998	5,458	4,480
1999	4,292	3,596
2000	6,047	4,358
2001	6,282	2,875
2002	5,478	2,881
2003	4,899	2,287
2004	6,405	2,050
2005	6,480	4,663
2006	7,499	5,276
2007	7,236	4,521

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

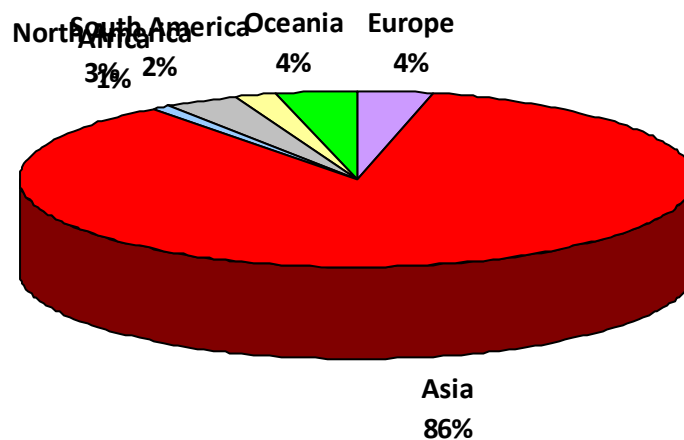


2007 Immigration to Hawaii by Country of Birth

										Total	7,236
Europe	266	Asia	6,227	Africa	65	North America	243	South America	140	Oceania	291
United Kingdom	52	Philippines	4,109	South Africa	14	Canada	103	Brazil	56	Tonga	104
Germany	46	China	718	Ethiopia	10	Mexico	71	Argentina	21	Samoa	81
Italy	16	Japan	523	Kenya	8	Guatemala	34	Colombia	17	Australia	33
Soviet Union, frm	16	Korea	298	Nigeria	7	El Salvador	14	Peru	16	New Zealand	29
Sweden	13	Vietnam	181	Egypt	5	Costa Rica	3	Venezuela	9	Fiji	14
France	12	Thailand	104	Ghana	4	Dominican Republic	3	Chile	5	French Polynesi	14
Bulgaria	10	Taiwan	76	Morocco	3	Trinidad - Tobago	3	Ecuador	5	Marshall Islands	4
Ukraine	9	Hong Kong	53	Zambia	3			Bolivia	3		
Russia	8	India	25					Uruguay	3		

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

2007 Immigration to Hawaii by Origination Region

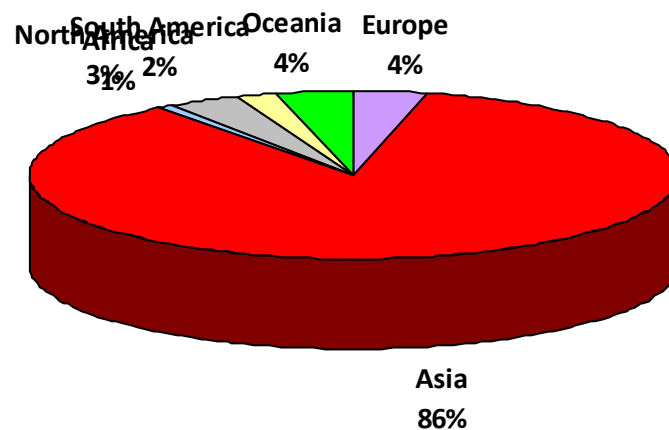


2007 Naturalization in Hawaii by Country of Birth

										Total	4,521
Europe	232	Asia	3,683	Africa	49	North America	278	South America	96	Oceania	183
United Kingdom	44	Philippines	2,061	South Africa	8	Mexico	107	Brazil	43	Tonga	41
Germany	35	Korea	492	Egypt	5	Canada	80	Peru	21	Samoa	40
Russia	19	China	370	Kenya	5	Jamaica	14	Ecuador	13	American Samoa	36
France	18	Japan	209	Nigeria	5	El Salvador	10	Guyana	7	New Zealand	18
Bulgaria	10	Vietnam	207	Ghana	4	Nicaragua	9	Argentina	4	Australia	16
Italy	10	Hong Kong	78	Liberia	4	Panama	9	Bolivia	3	Palau	8
Netherlands	9	Thailand	54	Tunisia	3	Guatemala	8			Fiji	7
Serbia - Montenegro	8	Taiwan	50			Trinidad - Tobago	8			French Polynesia	7
Sweden	8	Laos	36			Dominican Republic	6			Micronesia, Fed	5

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

2007 Naturalization in Hawaii by Origination Region



Nonimmigrant Visitors to Hawaii

	2005	2006	2007
Total	1,787,138	1,669,783	1,596,336
Foreign government officials and families	3,497	3,925	3,761
Temporary visitors: for business	52,418	81,616	66,275
Temporary visitors: for pleasure	1,697,285	1,551,966	1,500,464
Transit aliens	3,978	3,360	4,047
Treaty traders and investors	2,267	2,347	2,449
Students and dependant family	8,740	9,349	9,078
Representatives to international organizations and families	98	92	123
Temporary workers and trainees, dependent family	2,215	2,499	2,610
Representatives of foreign information media and families	589	563	668
Students and exchange visitors, and dependant family	1,738	1,985	2,323
Fiances/spouses of U.S. citizens and their children	690	662	696
Intracompany transferees and dependant family	647	742	768
Vocational students and dependant family	436	558	590
NATO officials and families		53	30
NAFTA professional workers and dependant family	396	393	406
Fiances/spouses of permanent residents and their children	155	61	19
All other classes	11,803	9,602	2,029

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

Foreign Direct Investment Established in Hawaii

	U.S.	Hawaii
All industries	118588	990
Mining	1107	0
Utilities	815	5
Construction	1082	19
Manufacturing	10322	15
Wholesale trade	15798	84
Retail trade	30540	302
Transportation and warehousing	5468	20
Information	5046	33
Finance: Depository credit intermediation	3263	63
Finance: Insurance	3709	32
Real estate and rental and leasing	1890	47
Professional and technical services	4275	22
Accommodation and food services	15255	181
Other	16824	145

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

Hawaii Exports by Product

(Unit: \$1,000)

	2004	(%)*	2005	(%)	2006	(%)	2007	(%)	% Change, ** 2006-2007
Hawaii Exports Total	404,774	0.0%	1,028,167	0.1%	705,744	0.1%	560,426	0.0%	0.0%
Petroleum & Coal Products	109,335	27.0%	99,109	9.6%	152,920	21.7%	186,561	33.3%	33.3%
Transportation Equipment	57,896	14.3%	682,584	66.4%	291,695	41.3%	88,464	15.8%	15.8%
Waste & Scrap	42,938	10.6%	53,544	5.2%	56,014	7.9%	74,442	13.3%	13.3%
Beverage & Tobacco Products	25,513	6.3%	33,700	3.3%	37,723	5.3%	42,324	7.6%	7.6%
Computers & Electronic Prod.	38,570	9.5%	29,228	2.8%	14,710	2.1%	30,200	5.4%	5.4%
Processed Foods	30,263	7.5%	25,553	2.5%	31,447	4.5%	29,014	5.2%	5.2%
Crop Production	14,768	3.6%	15,116	1.5%	18,362	2.6%	16,250	2.9%	2.9%
Misc. Manufactures	10,895	2.7%	8,198	0.8%	10,735	1.5%	13,049	2.3%	2.3%
Fabricated Metal Products	1,167	0.3%	953	0.1%	4,538	0.6%	10,746	1.9%	1.9%
Fishing, Hunting, & Trapping	8,623	2.1%	8,931	0.9%	12,508	1.8%	10,694	1.9%	1.9%
Machinery Manufactures	12,891	3.2%	2,632	0.3%	18,542	2.6%	9,941	1.8%	1.8%
Spec. Classification Provisions	17,294	4.3%	32,321	3.1%	19,073	2.7%	7,665	1.4%	1.4%
Elec. Eq., Appliances & Parts	1,909	0.5%	3,700	0.4%	4,632	0.7%	7,042	1.3%	1.3%
Chemical Manufactures	7,003	1.7%	8,406	0.8%	6,780	1.0%	6,829	1.2%	1.2%
Used Merchandise	3,639	0.9%	5,632	0.5%	6,017	0.9%	5,189	0.9%	0.9%
Leather & Related Products	1,903	0.5%	1,357	0.1%	1,867	0.3%	3,616	0.6%	0.6%
Apparel Manufactures	3,460	0.9%	3,510	0.3%	3,146	0.4%	3,337	0.6%	0.6%
Printing & Related Products	2,926	0.7%	3,771	0.4%	2,831	0.4%	3,195	0.6%	0.6%
Animal Production	5,358	1.3%	1,953	0.2%	2,299	0.3%	2,466	0.4%	0.4%
Paper Products	2,802	0.7%	3,733	0.4%	3,744	0.5%	2,324	0.4%	0.4%
Primary Metal Manufactures	240	0.1%	531	0.1%	2,129	0.3%	2,309	0.4%	0.4%
Fabric Mill Products	867	0.2%	985	0.1%	750	0.1%	1,353	0.2%	0.2%
Non-Metallic Mineral Mfgs.	704	0.2%	329	0.0%	201	0.0%	727	0.1%	0.1%
Plastic & Rubber Products	622	0.2%	622	0.1%	1,027	0.1%	686	0.1%	0.1%
Mining	229	0.1%	223	0.0%	533	0.1%	502	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.

Hawaii Exports by Trading Partner Countries

(Unit: \$1,000)

	2004	(%)*	2005	(%)	2006	(%)	2007	(%)	% Change,** 2006-2007
World Total	404,774	0.0%	1,028,167	0.1%	705,744	0.1%	560,426	0.0%	0.0%
Japan	117,147	28.9%	138,844	13.5%	192,552	27.3%	156,476	27.9%	27.9%
New Zealand	23,378	5.8%	7,775	0.8%	870	0.1%	3,199	0.6%	0.6%
Singapore	48,043	11.9%	520,862	50.7%	232,250	32.9%	105,716	18.9%	18.9%
Australia	16,779	4.1%	2,658	0.3%	9,099	1.3%	38,323	6.8%	6.8%
South Korea	44,239	10.9%	53,598	5.2%	23,546	3.3%	51,072	9.1%	9.1%
Canada	23,675	5.8%	17,158	1.7%	16,106	2.3%	21,040	3.8%	3.8%
Taiwan	11,169	2.8%	1,371	0.1%	2,432	0.3%	5,268	0.9%	0.9%
Hong Kong	15,475	3.8%	5,720	0.6%	6,942	1.0%	18,793	3.4%	3.4%
China	33,941	8.4%	132,624	12.9%	33,224	4.7%	29,124	5.2%	5.2%
Malaysia	97	0.0%	7,931	0.8%	8,730	1.2%	15,738	2.8%	2.8%
Philippines	6,874	1.7%	9,760	0.9%	10,960	1.6%	11,505	2.1%	2.1%
Germany	7,385	1.8%	6,878	0.7%	6,195	0.9%	4,765	0.9%	0.9%
Thailand	14,645	3.6%	18,057	1.8%	15,242	2.2%	9,521	1.7%	1.7%
Mexico	1,152	0.3%	999	0.1%	3,600	0.5%	2,559	0.5%	0.5%
France	3,228	0.8%	2,439	0.2%	2,159	0.3%	2,432	0.4%	0.4%
Netherlands	2,115	0.5%	1,249	0.1%	3,761	0.5%	2,805	0.5%	0.5%
United Kingdom	9,028	2.2%	10,058	1.0%	19,447	2.8%	16,462	2.9%	2.9%
Italy	605	0.1%	459	0.0%	1,226	0.2%	1,715	0.3%	0.3%
Indonesia	888	0.2%	12,864	1.3%	23,158	3.3%	2,073	0.4%	0.4%
Sweden	750	0.2%	411	0.0%	1,370	0.2%	1,500	0.3%	0.3%
French Polynesia	597	0.1%	267	0.0%	228	0.0%	6,324	1.1%	1.1%
Viet Nam	352	0.1%	7,802	0.8%	1,049	0.1%	2,478	0.4%	0.4%
Costa Rica	34	0.0%	2,366	0.2%	3,044	0.4%	8,232	1.5%	1.5%
South Africa	30	0.0%	28	0.0%	1,023	0.1%	1,570	0.3%	0.3%
El Salvador	119	0.0%	0	0.0%	24,542	3.5%	28,947	5.2%	5.2%

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 this is a new partner.