

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

**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 Michigan 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 Michigan***

In 2007, total of 406,377 non-immigrant aliens came into Michigan. Those in some selected categories are;

- 183,530 temporary visitors for pleasure
- 117,689 temporary visitors for business
- 12,699 treaty traders and investors
- 23,008 foreign students and dependant families
- 20,644 temporary foreign workers, trainees and dependant families
- 11,363 NAFTA professional workers and dependant families

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

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 Michigan alone, there are 3,343 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 Michigan were \$ 25,631 million and \$ 5,207 million, respectively, in the past year. Third on the list of countries where Michigan products are exported is Japan. The increase in Michigan exports may lead locally based companies to establish company representatives and sales personnel in those countries. Michigan real estate professionals may decide that it's time to set up referral networks with counterparts in Canada, Mexico and Japan.

Transportation Equipment and Machinery Manufactures were the top export industries in Michigan. Those two industries combined account 62% of the entire exports from Michigan. 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 Michigan***

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 Michigan, 10,678 newly admitted legal immigrants arrived in 2007. The largest group came from India (2,173). Other top countries of origin include:

- Iraq (1,387)
- China, People's Republic (1,112)
- Mexico (1,032)
- Albania (1,008)

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, 10,678 immigrants to

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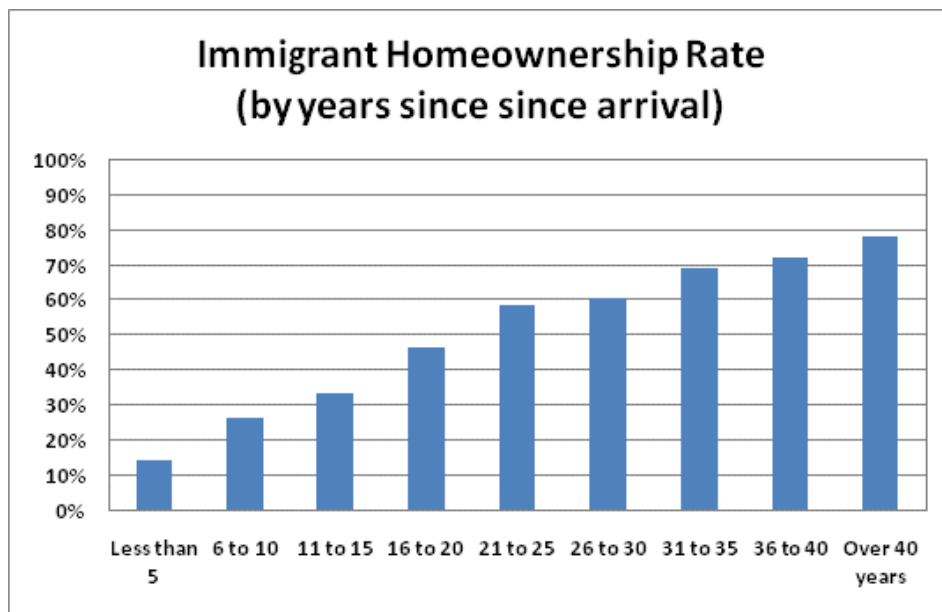
<sup>2</sup> There are contentious issues relating to swelling illegal immigration and assimilation, and this paper does not attempt to delve into this difficult topic.

Michigan became U.S. citizens. Natives of India led with the highest number (1,730) of newly naturalized citizens in the state last year. Other top countries represented include:

- Iraq (879)
- China, People's Republic (565)
- Mexico (530)
- Lebanon (459)

As of 2007 there are 285,770 (2.8% of the state population) of naturalized citizens and 323,687 non-citizens (3.2% of the state population) in Michigan. 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 Michigan

	Total Population	U.S. Born Citizen	Foreign Born (%)	Naturalized Citizen	Non-U.S. Citizen	
Male	4,958,632	4,652,002	306,630	6.2%	139,601	167,029
18 and Over	3,702,514	3,425,944	276,570	7.5%	130,580	145,990
Under 18	1,256,118	1,226,058	30,060	2.4%	9,021	21,039
Female	5,113,190	4,810,363	302,827	5.9%	146,169	156,658
18 and Over	3,919,098	3,647,146	271,952	6.9%	135,843	136,109
Under 18	1,194,092	1,163,217	30,875	2.6%	10,326	20,549
<b>Total</b>	<b>10,071,822</b>	<b>9,462,365</b>	<b>609,457</b>	<b>6.1%</b>	<b>285,770</b>	<b>323,687</b>

Source: Census Bureau, American Community Survey 2007

## Foreign Born Population in Michigan by Year of Entry

	Total Population	U.S. Born Citizen	Foreign Born	Naturalized Citizen	Non-U.S. Citizen
2000 or later	195,741	9,153	186,588	21,184	165,404
1990 to 1999	203,803	14,202	189,601	83,711	105,890
Entered 1980 to 1989	87,192	10,273	76,919	53,691	23,228
Entered before 1980	182,838	26,489	156,349	127,184	29,165
<b>Total</b>	<b>669,574</b>	<b>60,117</b>	<b>609,457</b>	<b>285,770</b>	<b>323,687</b>

Source: Census Bureau, American Community Survey 2007

## Main Languages Spoken in Households

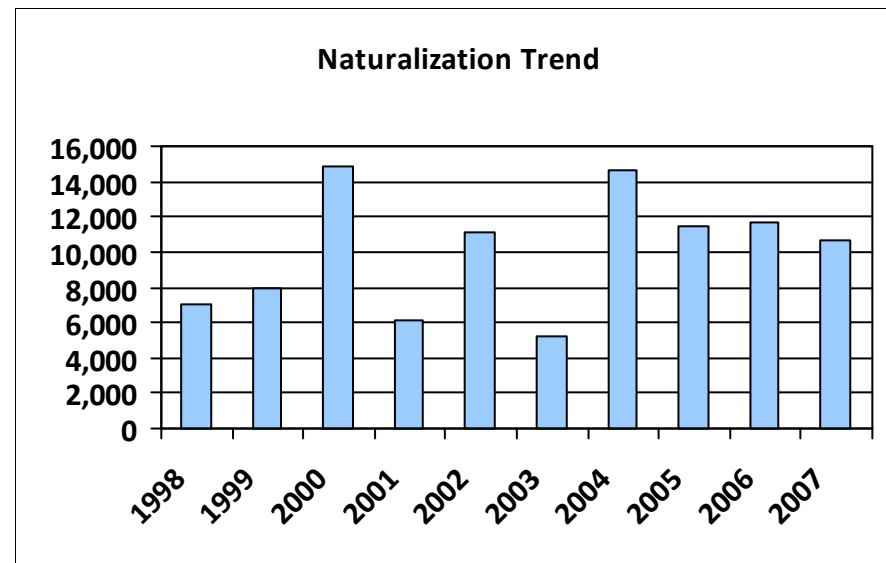
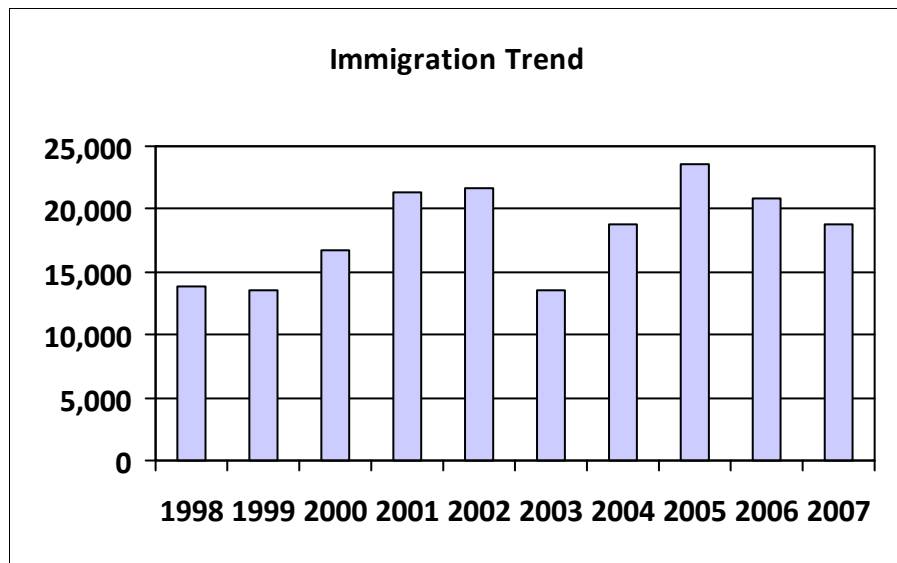
Main Language	Total Household	Linguistically Isolated	Not Linguistically Isolated
English	3,440,829		
Spanish	141,801	25,414	116,387
Indo-European	154,445	21,250	133,195
Asian-Pacific	57,626	15,740	41,886
Other	54,306	11,281	43,025
<b>Total</b>	<b>3,849,007</b>	<b>73,685</b>	<b>334,493</b>

Source: Census Bureau, American Community Survey 2007

### Immigration and Naturalization Trend in Michigan

Year	Admitted Immigrants	Naturalization
1998	13,914	7,087
1999	13,614	7,953
2000	16,655	14,814
2001	21,386	6,109
2002	21,724	11,113
2003	13,515	5,191
2004	18,851	14,615
2005	23,591	11,418
2006	20,907	11,675
2007	18,727	10,678

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

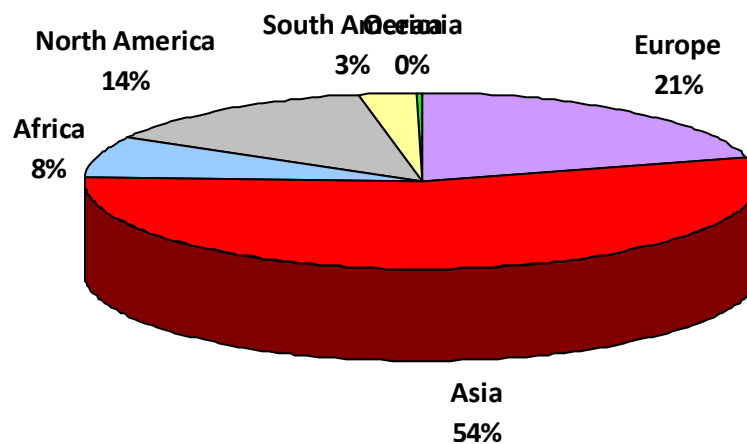


**2007 Immigration to Michigan by Country of Birth**

										Total	18,727
<b>Europe</b>	<b>3,855</b>	<b>Asia</b>	<b>10,258</b>	<b>Africa</b>	<b>1,418</b>	<b>North America</b>	<b>2,591</b>	<b>South America</b>	<b>525</b>	<b>Oceania</b>	<b>50</b>
Albania	1,008	India	2,173	Nigeria	189	Mexico	1,032	Brazil	176	Australia	32
Romania	382	Iraq	1,387	Egypt	168	Canada	724	Colombia	93	New Zealand	10
United Kingdom	318	China	1,112	Ethiopia	135	Guatemala	279	Peru	76	Fiji	3
Ukraine	295	Philippines	860	Kenya	111	Cuba	153	Venezuela	74		
Serbia - Montenegro	275	Lebanon	813	Somalia	73	Jamaica	115	Argentina	29		
Germany	250	Yemen	704	Ghana	70	Dominican Republic	92	Chile	28		
Poland	220	Bangladesh	558	Liberia	68	Honduras	35	Ecuador	16		
Russia	202	Vietnam	426	Cameroon	58	Haiti	34	Bolivia	12		
Soviet Union, frm	106	Korea	370	Morocco	57	Trinidad - Tobago	33	Guyana	10		

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

**2007 Immigration to Michigan by Origination Region**

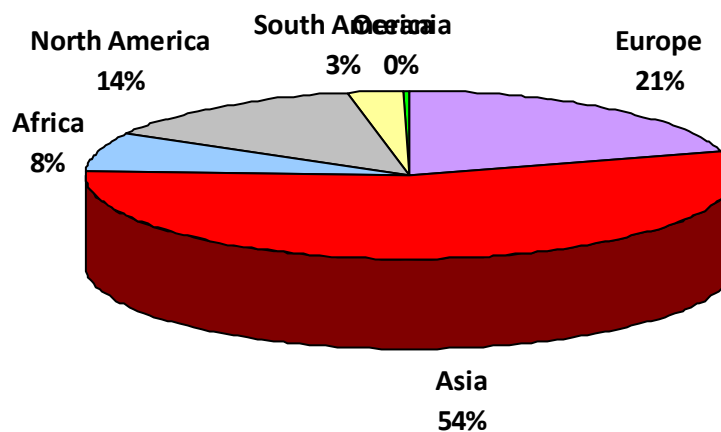


### 2007 Naturalization in Michigan by Country of Birth

										Total	10,678
<b>Europe</b>	<b>2,687</b>	<b>Asia</b>	<b>5,905</b>	<b>Africa</b>	<b>605</b>	<b>North America</b>	<b>1,230</b>	<b>South America</b>	<b>216</b>	<b>Oceania</b>	<b>15</b>
Albania	425	India	1,730	Nigeria	138	Mexico	530	Brazil	60	Australia	8
Romania	351	Iraq	879	Sudan	81	Canada	370	Colombia	39	New Zealand	4
Bosnia - Herzegovina	346	China	565	Egypt	64	Dominican Republic	73	Venezuela	25		
Poland	240	Lebanon	459	Ghana	34	Cuba	68	Peru	24		
Serbia - Montenegro	214	Philippines	321	Ethiopia	33	Jamaica	56	Argentina	19		
United Kingdom	187	Bangladesh	295	Somalia	32	El Salvador	22	Ecuador	15		
Russia	135	Pakistan	254	South Africa	26	Trinidad - Tobago	19	Chile	14		
Ukraine	104	Vietnam	235	Liberia	25	Guatemala	17	Guyana	13		
Germany	92	Yemen	210	Morocco	20	Haiti	15				

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

### 2007 Naturalization in Michigan by Origination Region



## Nonimmigrant Visitors to Michigan

	2005	2006	2007
<b>Total</b>	<b>353,534</b>	<b>373,108</b>	<b>406,377</b>
Foreign government officials and families	661	672	641
Temporary visitors: for business	106,464	109,133	117,689
Temporary visitors: for pleasure	153,433	167,468	183,530
Transit aliens	693	712	785
Treaty traders and investors	11,017	11,880	12,699
Students and dependant family	18,933	20,416	23,008
Representatives to international organizations and families	77	100	72
Temporary workers and trainees, dependent family	16,171	19,526	20,644
Representatives of foreign information media and families	537	593	562
Students and exchange visitors, and dependant family	9,663	9,946	10,412
Fiances/spouses of U.S. citizens and their children	1,686	1,547	1,225
Intracompany transferees and dependant family	13,759	13,174	14,428
Vocational students and dependant family	7,579	7,319	7,551
NATO officials and families	6	26	24
NAFTA professional workers and dependant family	8,852	9,520	11,363
Fiances/spouses of permanent residents and their children	254	146	135
All other classes	986	925	1,606

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

## Foreign Direct Investment Established in Michigan

	U.S.	Michigan
All industries	118588	3343
Mining	1107	27
Utilities	815	7
Construction	1082	33
Manufacturing	10322	422
Wholesale trade	15798	542
Retail trade	30540	708
Transportation and warehousing	5468	155
Information	5046	174
Finance: Depository credit intermediation	3263	1
Finance: Insurance	3709	91
Real estate and rental and leasing	1890	25
Professional and technical services	4275	193
Accommodation and food services	15255	364
Other	16824	516

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

## Michigan Exports by Product

(Unit: \$1,000)

	2004	(%)*	2005	(%)	2006	(%)	2007	(%)	% Change, ** 2006-2007
<b>Michigan Exports Total</b>	<b>35,625,008</b>	<b>4.4%</b>	<b>37,584,052</b>	<b>4.2%</b>	<b>40,405,378</b>	<b>3.9%</b>	<b>44,371,424</b>	<b>3.8%</b>	<b>3.8%</b>
Transportation Equipment	18,498,572	51.9%	18,844,750	50.1%	21,153,519	52.4%	23,190,087	52.3%	52.3%
Machinery Manufactures	3,680,258	10.3%	3,769,192	10.0%	4,052,208	10.0%	4,138,012	9.3%	9.3%
Chemical Manufactures	3,059,097	8.6%	3,290,961	8.8%	3,223,407	8.0%	3,576,926	8.1%	8.1%
Primary Metal Manufactures	1,214,924	3.4%	1,573,329	4.2%	1,869,774	4.6%	2,078,947	4.7%	4.7%
Oil & Gas Extraction	1,470,297	4.1%	1,893,333	5.0%	1,669,561	4.1%	1,980,791	4.5%	4.5%
Computers & Electronic Prod.	1,502,915	4.2%	1,421,691	3.8%	1,465,191	3.6%	1,798,130	4.1%	4.1%
Fabricated Metal Products	1,244,218	3.5%	1,333,381	3.5%	1,381,534	3.4%	1,427,619	3.2%	3.2%
Elec. Eq., Appliances & Parts	765,022	2.1%	835,546	2.2%	801,287	2.0%	889,058	2.0%	2.0%
Plastic & Rubber Products	656,916	1.8%	695,470	1.9%	726,691	1.8%	714,244	1.6%	1.6%
Non-Metallic Mineral Mfgs.	510,181	1.4%	529,770	1.4%	599,101	1.5%	686,078	1.5%	1.5%
Processed Foods	397,852	1.1%	386,761	1.0%	436,869	1.1%	647,631	1.5%	1.5%
Furniture & Related Products	474,981	1.3%	418,496	1.1%	387,885	1.0%	429,642	1.0%	1.0%
Misc. Manufactures	326,706	0.9%	355,627	0.9%	406,523	1.0%	411,143	0.9%	0.9%
Waste & Scrap	211,455	0.6%	265,555	0.7%	300,076	0.7%	395,336	0.9%	0.9%
Mining	179,632	0.5%	370,399	1.0%	400,134	1.0%	306,055	0.7%	0.7%
Paper Products	290,158	0.8%	304,336	0.8%	288,166	0.7%	298,107	0.7%	0.7%
Leather & Related Products	174,132	0.5%	254,487	0.7%	199,576	0.5%	288,396	0.6%	0.6%
Crop Production	233,790	0.7%	235,466	0.6%	218,934	0.5%	271,537	0.6%	0.6%
Wood Products	130,674	0.4%	136,158	0.4%	147,782	0.4%	151,683	0.3%	0.3%
Petroleum & Coal Products	70,111	0.2%	131,106	0.3%	140,278	0.3%	143,432	0.3%	0.3%
Spec. Classification Provisions	129,880	0.4%	129,801	0.3%	128,663	0.3%	133,048	0.3%	0.3%
Fabric Mill Products	121,164	0.3%	136,193	0.4%	103,706	0.3%	115,683	0.3%	0.3%
Non-Apparel Textile Products	71,377	0.2%	108,774	0.3%	112,438	0.3%	88,010	0.2%	0.2%
Printing & Related Products	75,640	0.2%	71,878	0.2%	76,158	0.2%	84,269	0.2%	0.2%
Used Merchandise	29,359	0.1%	18,169	0.0%	43,191	0.1%	32,840	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.

## Michigan Exports by Trading Partner Countries

(Unit: \$1,000)

	2004	(%)*	2005	(%)	2006	(%)	2007	(%)	% Change,** 2006-2007
<b>World Total</b>	<b>35,625,008</b>	<b>4.4%</b>	<b>37,584,052</b>	<b>4.2%</b>	<b>40,405,378</b>	<b>3.9%</b>	<b>44,371,424</b>	<b>3.8%</b>	<b>3.8%</b>
Canada	21,485,812	60.3%	22,633,157	60.2%	23,794,065	58.9%	25,631,162	57.8%	57.8%
Mexico	4,173,116	11.7%	4,193,399	11.2%	4,685,431	11.6%	5,206,617	11.7%	11.7%
Japan	1,068,787	3.0%	1,070,898	2.8%	1,104,506	2.7%	1,308,230	2.9%	2.9%
Germany	1,009,571	2.8%	1,056,962	2.8%	1,179,027	2.9%	1,267,110	2.9%	2.9%
United Kingdom	660,286	1.9%	715,931	1.9%	688,330	1.7%	742,612	1.7%	1.7%
Austria	351,945	1.0%	591,512	1.6%	623,562	1.5%	428,092	1.0%	1.0%
Australia	466,800	1.3%	369,631	1.0%	348,369	0.9%	361,079	0.8%	0.8%
Belgium	429,093	1.2%	442,777	1.2%	433,980	1.1%	458,109	1.0%	1.0%
South Korea	365,046	1.0%	464,907	1.2%	550,684	1.4%	627,223	1.4%	1.4%
Saudi Arabia	306,119	0.9%	396,193	1.1%	441,919	1.1%	544,985	1.2%	1.2%
France	615,462	1.7%	478,730	1.3%	577,457	1.4%	679,947	1.5%	1.5%
Netherlands	337,172	0.9%	385,685	1.0%	350,961	0.9%	460,073	1.0%	1.0%
China	607,157	1.7%	697,860	1.9%	1,015,969	2.5%	1,313,226	3.0%	3.0%
Brazil	323,624	0.9%	404,462	1.1%	357,033	0.9%	387,642	0.9%	0.9%
Italy	233,972	0.7%	281,439	0.7%	159,101	0.4%	177,023	0.4%	0.4%
Venezuela	178,156	0.5%	357,334	1.0%	634,659	1.6%	693,797	1.6%	1.6%
Taiwan	237,421	0.7%	235,104	0.6%	234,071	0.6%	209,260	0.5%	0.5%
Thailand	132,176	0.4%	132,005	0.4%	129,030	0.3%	156,246	0.4%	0.4%
Hong Kong	156,517	0.4%	131,251	0.3%	161,813	0.4%	172,637	0.4%	0.4%
Kuwait	200,733	0.6%	127,909	0.3%	169,028	0.4%	172,606	0.4%	0.4%
Philippines	83,435	0.2%	91,617	0.2%	67,758	0.2%	203,821	0.5%	0.5%
Singapore	111,808	0.3%	133,776	0.4%	179,576	0.4%	175,239	0.4%	0.4%
Argentina	129,038	0.4%	151,408	0.4%	172,307	0.4%	200,047	0.5%	0.5%
United Arab Emirates	133,018	0.4%	178,085	0.5%	149,706	0.4%	291,482	0.7%	0.7%
Russian Federation	75,546	0.2%	103,860	0.3%	171,654	0.4%	243,950	0.5%	0.5%

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.