

Business Data for Engaging in International Real Estate Transactions in California

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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 California 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 California

In 2007, total of 6,253,111 non-immigrant aliens came into California. Those in some selected categories are;

- 4,720,038 temporary visitors for pleasure
- 959,885 temporary visitors for business
- 47,832 treaty traders and investors
- 139,904 foreign students and dependant families
- 145,049 temporary foreign workers, trainees and dependant families
- 16,147 NAFTA professional workers and dependant families

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

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 California alone, there are 13,969 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 Mexico and Japan from California were \$ 18,343 million and \$ 13,452 million, respectively, in the past year. Third on the list of countries where California products are exported is Canada. The increase in California exports may lead locally based companies to establish company representatives and sales personnel in those countries. California real estate professionals may decide that it's time to set up referral networks with counterparts in Mexico, Japan and Canada.

Computers & Electronic Prod. and Machinery Manufactures were the top export industries in California. Those two industries combined account 43% of the entire exports from California. 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 California

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 California, 181,684 newly admitted legal immigrants arrived in 2007. The largest group came from Mexico (57,212). Other top countries of origin include:

- Philippines (29,300)
- China, People's Republic (22,824)
- India (12,820)
- Vietnam (10,198)

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, 181,684 immigrants

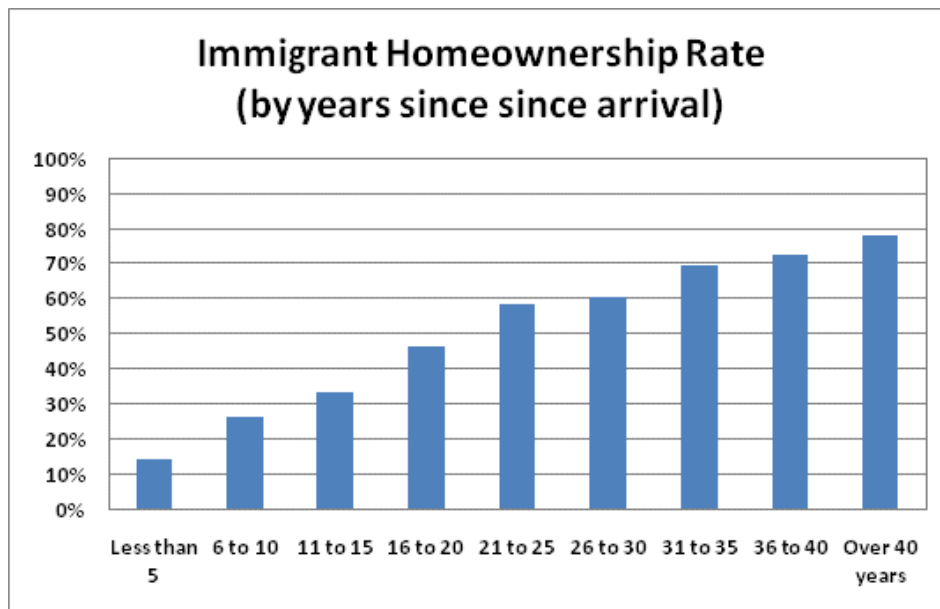
² There are contentious issues relating to swelling illegal immigration and assimilation, and this paper does not attempt to delve into this difficult topic.

to California became U.S. citizens. Natives of Mexico led with the highest number (57,865) of newly naturalized citizens in the state last year. Other top countries represented include:

- Philippines (17,753)
- China, People's Republic (11,609)
- India (10,500)
- Vietnam (10,260)

As of 2007 there are 4,371,545 (12.0% of the state population) of naturalized citizens and 5,652,807 non-citizens (15.5% of the state population) in California. 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 California

	Total Population	U.S. Born Citizen	Foreign Born (%)	Naturalized Citizen	Non-U.S. Citizen	
Male	18,281,748	13,279,010	5,002,738	27.4%	2,045,813	2,956,925
18 and Over	13,475,172	8,791,345	4,683,827	34.8%	1,999,387	2,684,440
Under 18	4,806,576	4,487,665	318,911	6.6%	46,426	272,485
Female	18,271,467	13,249,853	5,021,614	27.5%	2,325,732	2,695,882
18 and Over	13,694,422	8,978,059	4,716,363	34.4%	2,273,463	2,442,900
Under 18	4,577,045	4,271,794	305,251	6.7%	52,269	252,982
Total	36,553,215	26,528,863	10,024,352	27.4%	4,371,545	5,652,807

Source: Census Bureau, American Community Survey 2007

Foreign Born Population in California by Year of Entry

	Total Population	U.S. Born Citizen	Foreign Born	Naturalized Citizen	Non-U.S. Citizen
2000 or later	2,287,030	60,374	2,226,656	184,552	2,042,104
1990 to 1999	2,843,464	62,973	2,780,491	932,406	1,848,085
Entered 1980 to 1989	2,673,924	66,123	2,607,801	1,449,478	1,158,323
Entered before 1980	2,590,866	181,462	2,409,404	1,805,109	604,295
Total	10,395,284	370,932	10,024,352	4,371,545	5,652,807

Source: Census Bureau, American Community Survey 2007

Main Languages Spoken in Households

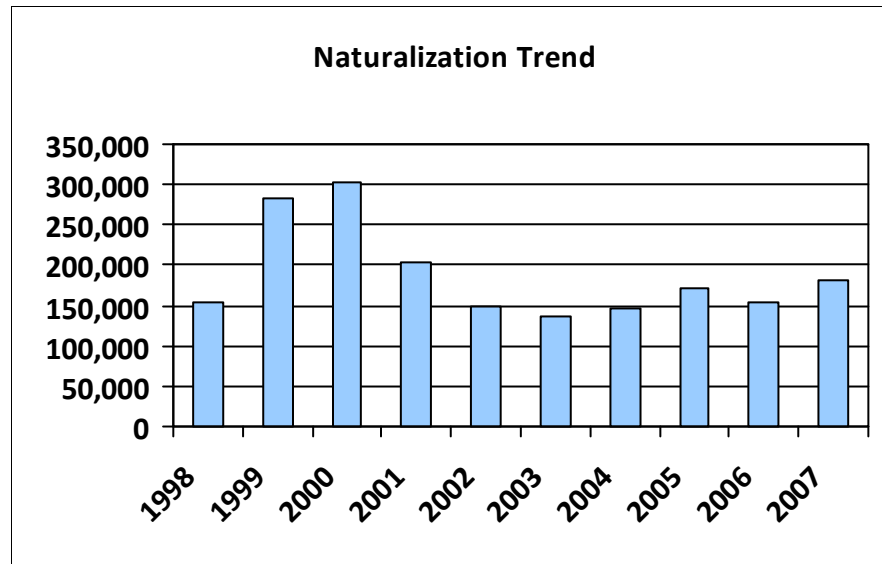
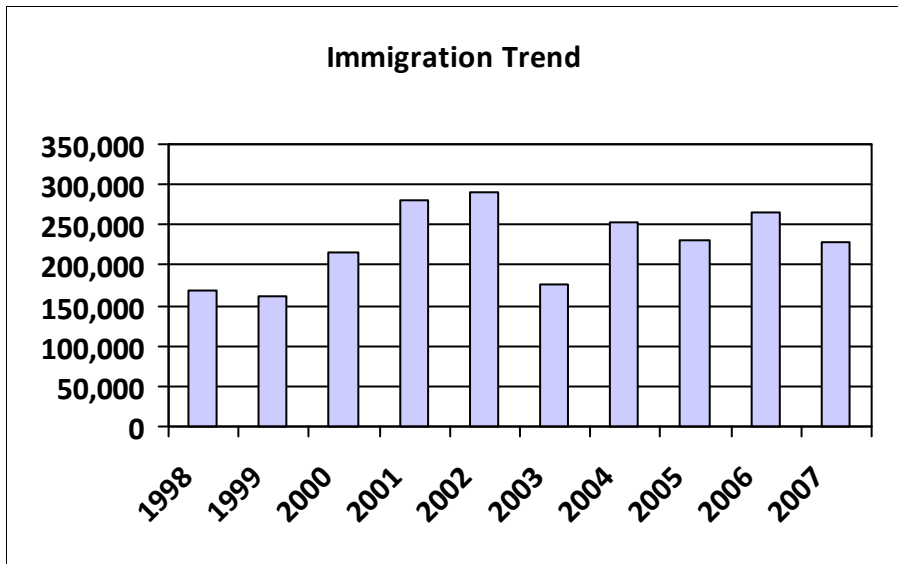
Main Language	Total Household	Linguistically Isolated	Not Linguistically Isolated
English	7,266,183		
Spanish	3,000,370	828,547	2,171,823
Indo-European	677,838	123,534	554,304
Asian-Pacific	1,135,244	326,564	808,680
Other	121,037	20,035	101,002
Total	12,200,672	1,298,680	3,635,809

Source: Census Bureau, American Community Survey 2007

Immigration and Naturalization Trend in California

Year	Admitted Immigrants	Naturalization
1998	169,923	153,868
1999	160,924	283,116
2000	216,447	301,907
2001	281,469	202,668
2002	289,422	149,213
2003	175,579	135,599
2004	253,858	145,593
2005	232,014	170,489
2006	264,667	152,836
2007	228,941	181,684

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

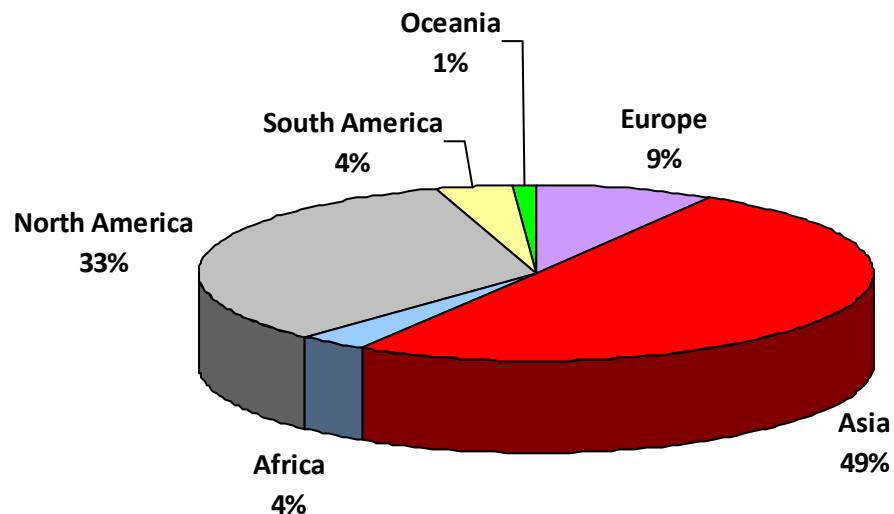


2007 Immigration to California by Country of Birth

										Total	228,941
Europe	19,597	Asia	114,231	Africa	8,035	North America	76,153	South America	8,140	Oceania	2,466
United Kingdom	2,488	Philippines	29,300	Egypt	1,495	Mexico	57,212	Peru	2,677	Fiji	1,275
Ukraine	1,483	China	22,824	Ethiopia	1,437	El Salvador	7,142	Brazil	1,587	Australia	594
Russia	1,446	India	12,820	Nigeria	1,084	Guatemala	5,458	Colombia	1,572	New Zealand	266
Germany	1,262	Vietnam	10,198	Kenya	642	Canada	2,468	Argentina	769	Tonga	213
Romania	820	Korea	7,420	South Africa	541	Honduras	1,049	Ecuador	492	Samoa	87
Soviet Union, frm	783	Iran	5,252	Morocco	350	Nicaragua	824	Venezuela	396	Papua New Gui	8
France	762	Taiwan	4,403	Somalia	293	Belize	412	Chile	302	French Polynesi	6
Bulgaria	553	Armenia	3,554	Ghana	265	Cuba	370	Bolivia	188	Palau	5
Italy	469	Thailand	3,000	Sudan	195	Jamaica	288	Uruguay	76		

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

2007 Immigration to California by Origination Region

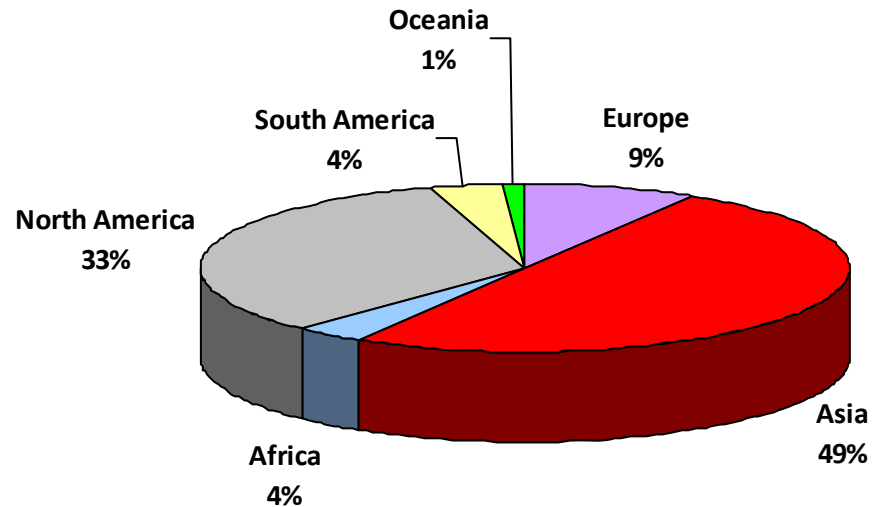


2007 Naturalization in California by Country of Birth

										Total	181,684
Europe	13,265	Asia	81,705	Africa	3,855	North America	76,195	South America	5,041	Oceania	1,565
United Kingdom	1,650	Philippines	17,753	Ethiopia	619	Mexico	57,865	Peru	1,486	Fiji	887
Ukraine	1,636	China	11,609	Nigeria	613	El Salvador	8,129	Colombia	834	Australia	301
Russia	1,531	India	10,500	Egypt	529	Guatemala	3,859	Brazil	783	New Zealand	134
Germany	603	Vietnam	10,260	South Africa	465	Nicaragua	2,354	Argentina	547	Tonga	127
Romania	587	Korea	6,563	Kenya	185	Canada	1,457	Ecuador	516	Samoa	56
France	546	Iran	6,388	Morocco	179	Honduras	751	Venezuela	277	American Samo	40
Soviet Union, frm	529	Taiwan	3,992	Somalia	172	Cuba	402	Chile	253	Palau	6
Italy	357	Hong Kong	1,734	Sudan	141	Belize	352	Bolivia	193	French Polynesi	4
Bulgaria	343	Thailand	1,610	Ghana	119	Jamaica	229	Guyana	62	Micronesia, Fed	4

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

2007 Naturalization in California by Origination Region



Nonimmigrant Visitors to California

	2005	2006	2007
Total	4,716,841	5,573,588	6,253,111
Foreign government officials and families	13,987	14,751	15,600
Temporary visitors: for business	767,451	878,739	959,885
Temporary visitors: for pleasure	3,508,625	4,190,525	4,720,038
Transit aliens	19,370	21,545	23,634
Treaty traders and investors	35,342	45,950	47,832
Students and dependant family	105,828	123,397	139,904
Representatives to international organizations and families	971	1,069	1,065
Temporary workers and trainees, dependent family	112,405	129,030	145,049
Representatives of foreign information media and families	7,529	7,411	8,332
Students and exchange visitors, and dependant family	45,750	52,920	63,099
Fiances/spouses of U.S. citizens and their children	10,715	10,248	11,497
Intracompany transferees and dependant family	36,736	43,769	48,506
Vocational students and dependant family	19,550	21,527	24,233
NATO officials and families	55	1,011	1,154
NAFTA professional workers and dependant family	11,792	14,369	16,147
Fiances/spouses of permanent residents and their children	7,722	9,315	8,511
All other classes	9,356	8,007	18,620

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

Foreign Direct Investment Established in California

	U.S.	California
All industries	118588	13969
Mining	1107	84
Utilities	815	43
Construction	1082	105
Manufacturing	10322	1018
Wholesale trade	15798	2021
Retail trade	30540	3337
Transportation and warehousing	5468	674
Information	5046	730
Finance: Depository credit intermediation	3263	832
Finance: Insurance	3709	382
Real estate and rental and leasing	1890	237
Professional and technical services	4275	643
Accommodation and food services	15255	1390
Other	16824	2023

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

California Exports by Product

(Unit: \$1,000)

	2004	(%)*	2005	(%)	2006	(%)	2007	(%)	% Change, ** 2006-2007
California Exports Total	109,967,840	13.4%	116,818,585	12.9%	127,746,135	12.3%	134,151,761	11.5%	11.5%
Computers & Electronic Prod.	42,247,152	38.4%	41,751,542	35.7%	44,546,956	34.9%	43,709,711	32.6%	32.6%
Machinery Manufactures	12,592,999	11.5%	13,131,002	11.2%	14,865,268	11.6%	14,454,685	10.8%	10.8%
Transportation Equipment	11,759,484	10.7%	13,324,566	11.4%	13,497,909	10.6%	13,748,021	10.2%	10.2%
Chemical Manufactures	6,644,090	6.0%	7,212,360	6.2%	8,689,320	6.8%	10,429,610	7.8%	7.8%
Misc. Manufactures	5,641,259	5.1%	6,425,322	5.5%	7,381,004	5.8%	8,492,682	6.3%	6.3%
Crop Production	5,204,367	4.7%	6,048,062	5.2%	6,391,394	5.0%	6,725,605	5.0%	5.0%
Processed Foods	4,158,864	3.8%	4,626,833	4.0%	5,224,458	4.1%	5,960,413	4.4%	4.4%
Elec. Eq., Appliances & Parts	3,440,161	3.1%	3,721,039	3.2%	4,449,939	3.5%	4,659,767	3.5%	3.5%
Waste & Scrap	1,947,560	1.8%	2,438,112	2.1%	3,381,337	2.6%	4,550,304	3.4%	3.4%
Fabricated Metal Products	2,590,193	2.4%	3,051,442	2.6%	3,559,589	2.8%	3,651,750	2.7%	2.7%
Petroleum & Coal Products	939,787	0.9%	1,552,264	1.3%	1,777,453	1.4%	2,511,354	1.9%	1.9%
Spec. Classification Provisions	2,434,150	2.2%	2,483,599	2.1%	1,969,457	1.5%	2,371,631	1.8%	1.8%
Plastic & Rubber Products	1,734,296	1.6%	1,957,953	1.7%	2,118,231	1.7%	2,158,810	1.6%	1.6%
Primary Metal Manufactures	1,339,974	1.2%	1,626,535	1.4%	1,941,960	1.5%	2,079,255	1.5%	1.5%
Apparel Manufactures	1,042,854	0.9%	1,234,191	1.1%	1,280,841	1.0%	1,276,845	1.0%	1.0%
Paper Products	1,148,855	1.0%	1,080,059	0.9%	1,097,912	0.9%	1,114,957	0.8%	0.8%
Beverage & Tobacco Products	928,482	0.8%	773,060	0.7%	994,123	0.8%	1,094,349	0.8%	0.8%
Used Merchandise	285,775	0.3%	334,337	0.3%	432,205	0.3%	802,787	0.6%	0.6%
Non-Metallic Mineral Mfgs.	592,648	0.5%	526,241	0.5%	591,406	0.5%	712,234	0.5%	0.5%
Fabric Mill Products	726,848	0.7%	743,329	0.6%	688,799	0.5%	672,676	0.5%	0.5%
Printing & Related Products	548,622	0.5%	569,618	0.5%	479,604	0.4%	565,924	0.4%	0.4%
Wood Products	422,646	0.4%	425,596	0.4%	467,402	0.4%	411,256	0.3%	0.3%
Leather & Related Products	302,155	0.3%	329,508	0.3%	360,449	0.3%	394,948	0.3%	0.3%
Furniture & Related Products	274,535	0.2%	293,180	0.3%	324,430	0.3%	373,385	0.3%	0.3%
Oil & Gas Extraction	145,730	0.1%	112,954	0.1%	198,109	0.2%	269,690	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.

California Exports by Trading Partner Countries

(Unit: \$1,000)

	2004	(%)*	2005	(%)	2006	(%)	2007	(%)	% Change,** 2006-2007
World Total	109,967,840	13.4%	116,818,585	12.9%	127,746,135	12.3%	134,151,761	11.5%	11.5%
Mexico	17,239,379	15.7%	17,702,502	15.2%	19,632,985	15.4%	18,342,754	13.7%	13.7%
Japan	13,323,182	12.1%	13,497,848	11.6%	13,983,523	10.9%	13,452,170	10.0%	10.0%
Canada	12,111,166	11.0%	13,212,516	11.3%	14,194,028	11.1%	16,122,782	12.0%	12.0%
Taiwan	5,362,409	4.9%	5,383,280	4.6%	5,638,259	4.4%	5,785,928	4.3%	4.3%
South Korea	5,912,142	5.4%	6,344,767	5.4%	7,046,016	5.5%	7,409,788	5.5%	5.5%
China	6,841,775	6.2%	7,850,001	6.7%	9,972,919	7.8%	10,566,982	7.9%	7.9%
United Kingdom	5,206,036	4.7%	5,029,139	4.3%	5,062,806	4.0%	5,216,528	3.9%	3.9%
Hong Kong	5,117,384	4.7%	4,900,793	4.2%	4,822,892	3.8%	4,918,887	3.7%	3.7%
Netherlands	3,813,879	3.5%	3,622,356	3.1%	4,041,817	3.2%	4,077,221	3.0%	3.0%
Germany	3,682,868	3.3%	4,266,112	3.7%	4,540,475	3.6%	5,559,534	4.1%	4.1%
Singapore	4,161,436	3.8%	3,780,622	3.2%	4,605,101	3.6%	4,284,052	3.2%	3.2%
Malaysia	2,002,389	1.8%	1,942,191	1.7%	2,513,953	2.0%	2,205,231	1.6%	1.6%
Australia	2,243,208	2.0%	2,465,535	2.1%	2,812,776	2.2%	2,821,421	2.1%	2.1%
France	2,955,119	2.7%	2,691,906	2.3%	2,435,017	1.9%	2,718,046	2.0%	2.0%
Belgium	1,713,690	1.6%	1,758,906	1.5%	1,885,996	1.5%	2,026,240	1.5%	1.5%
Thailand	1,503,720	1.4%	1,692,360	1.4%	1,663,893	1.3%	1,795,219	1.3%	1.3%
Philippines	1,036,449	0.9%	1,147,417	1.0%	1,386,473	1.1%	1,233,622	0.9%	0.9%
Italy	1,229,585	1.1%	1,439,575	1.2%	1,873,241	1.5%	2,044,023	1.5%	1.5%
Brazil	1,203,135	1.1%	1,417,592	1.2%	1,607,062	1.3%	2,034,405	1.5%	1.5%
Israel	992,543	0.9%	1,448,223	1.2%	1,550,443	1.2%	1,741,794	1.3%	1.3%
Switzerland	830,423	0.8%	982,398	0.8%	1,302,484	1.0%	1,977,011	1.5%	1.5%
India	1,026,057	0.9%	1,341,482	1.1%	1,689,240	1.3%	1,949,616	1.5%	1.5%
Sweden	603,262	0.5%	687,703	0.6%	865,195	0.7%	1,053,127	0.8%	0.8%
Spain	901,065	0.8%	974,941	0.8%	1,000,849	0.8%	1,076,875	0.8%	0.8%
United Arab Emirates	398,495	0.4%	1,141,035	1.0%	942,344	0.7%	947,898	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.