

Business Data for Engaging in International Real Estate Transactions in Tennessee

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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 Tennessee 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 Tennessee

In 2007, total of 144,007 non-immigrant aliens came into Tennessee. Those in some selected categories are;

- 75,218 temporary visitors for pleasure
- 38,876 temporary visitors for business
- 3,138 treaty traders and investors
- 6,508 foreign students and dependant families
- 8,359 temporary foreign workers, trainees and dependant families
- 728 NAFTA professional workers and dependant families

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

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 Tennessee alone, there are 2,611 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 Tennessee were \$ 6,734 million and \$ 2,421 million, respectively, in the past year. Third on the list of countries where Tennessee products are exported is United Kingdom. The increase in Tennessee exports may lead locally based companies to establish company representatives and sales personnel in those countries. Tennessee real estate professionals may decide that it's time to set up referral networks with counterparts in Canada, Mexico and United Kingdom.

Transportation Equipment and Computers & Electronic Prod. were the top export industries in Tennessee. Those two industries combined account 34% of the entire exports from Tennessee. 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 Tennessee

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 Tennessee, 2,927 newly admitted legal immigrants arrived in 2007. The largest group came from Mexico (1,139). Other top countries of origin include:

- Philippines (894)
- Egypt (681)
- India (666)
- China, People's Republic (506)

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, 2,927 immigrants to

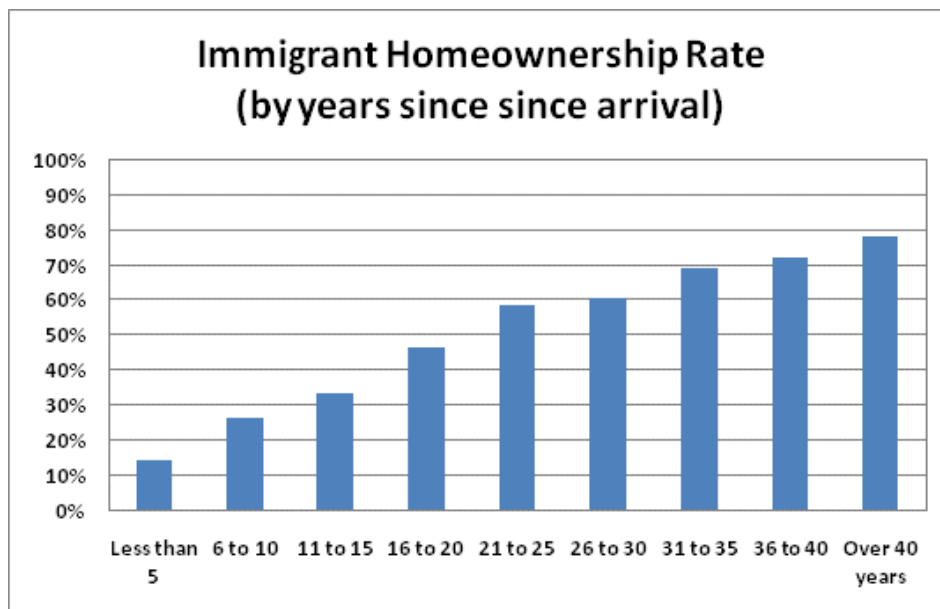
² There are contentious issues relating to swelling illegal immigration and assimilation, and this paper does not attempt to delve into this difficult topic.

Tennessee became U.S. citizens. Natives of Mexico led with the highest number (277) of newly naturalized citizens in the state last year. Other top countries represented include:

- India (275)
- Vietnam (168)
- Philippines (141)
- Iraq (109)

As of 2007 there are 77,896 (1.3% of the state population) of naturalized citizens and 171,656 non-citizens (2.8% of the state population) in Tennessee. 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 Tennessee

	Total Population	U.S. Born Citizen	Foreign Born (%)	Naturalized Citizen	Non-U.S. Citizen	
Male	3,006,762	2,871,982	134,780	4.5%	38,117	96,663
18 and Over	2,252,758	2,131,275	121,483	5.4%	35,702	85,781
Under 18	754,004	740,707	13,297	1.8%	2,415	10,882
Female	3,149,957	3,035,185	114,772	3.6%	39,779	74,993
18 and Over	2,432,867	2,334,368	98,499	4.0%	36,723	61,776
Under 18	717,090	700,817	16,273	2.3%	3,056	13,217
Total	6,156,719	5,907,167	249,552	4.1%	77,896	171,656

Source: Census Bureau, American Community Survey 2007

Foreign Born Population in Tennessee by Year of Entry

	Total Population	U.S. Born Citizen	Foreign Born	Naturalized Citizen	Non-U.S. Citizen
2000 or later	108,951	7,220	101,731	6,035	95,696
1990 to 1999	87,000	9,218	77,782	23,492	54,290
Entered 1980 to 1989	40,781	9,653	31,128	17,550	13,578
Entered before 1980	62,000	23,089	38,911	30,819	8,092
Total	298,732	49,180	249,552	77,896	171,656

Source: Census Bureau, American Community Survey 2007

Main Languages Spoken in Households

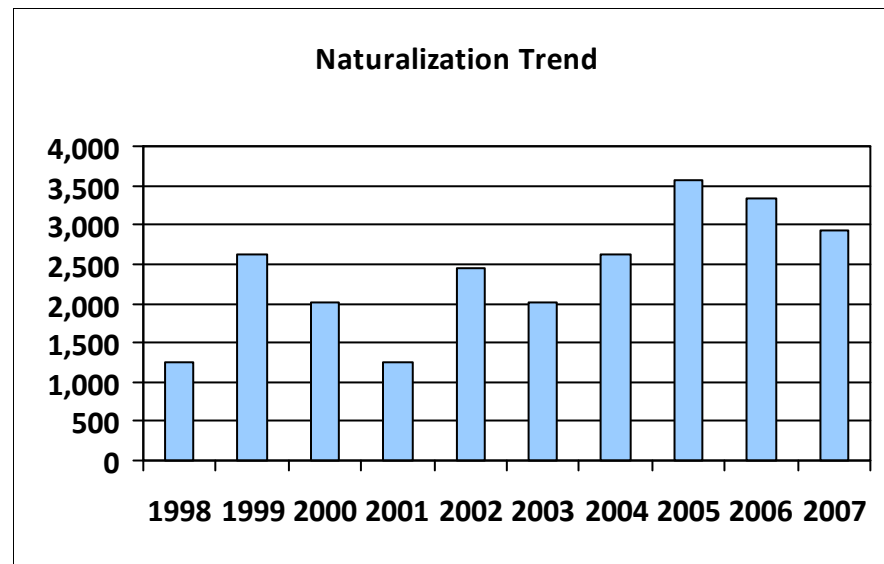
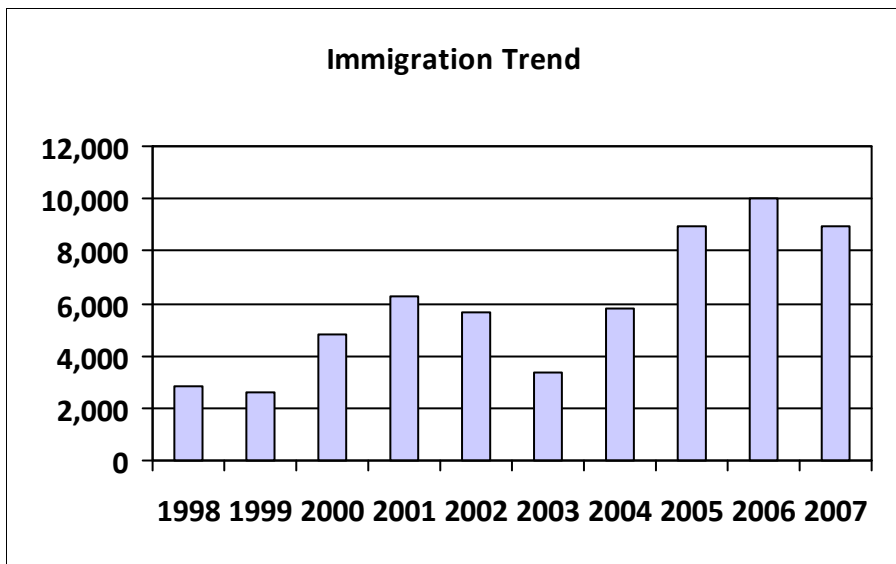
Main Language	Total Household	Linguistically Isolated	Not Linguistically Isolated
English	2,254,965		
Spanish	80,485	21,781	58,704
Indo-European	39,381	3,806	35,575
Asian-Pacific	22,540	5,218	17,322
Other	10,394	1,823	8,571
Total	2,407,765	32,628	120,172

Source: Census Bureau, American Community Survey 2007

Immigration and Naturalization Trend in Tennessee

Year	Admitted Immigrants	Naturalization
1998	2,796	1,251
1999	2,575	2,614
2000	4,837	2,021
2001	6,234	1,255
2002	5,674	2,441
2003	3,367	2,011
2004	5,844	2,613
2005	8,960	3,578
2006	10,037	3,334
2007	8,942	2,927

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

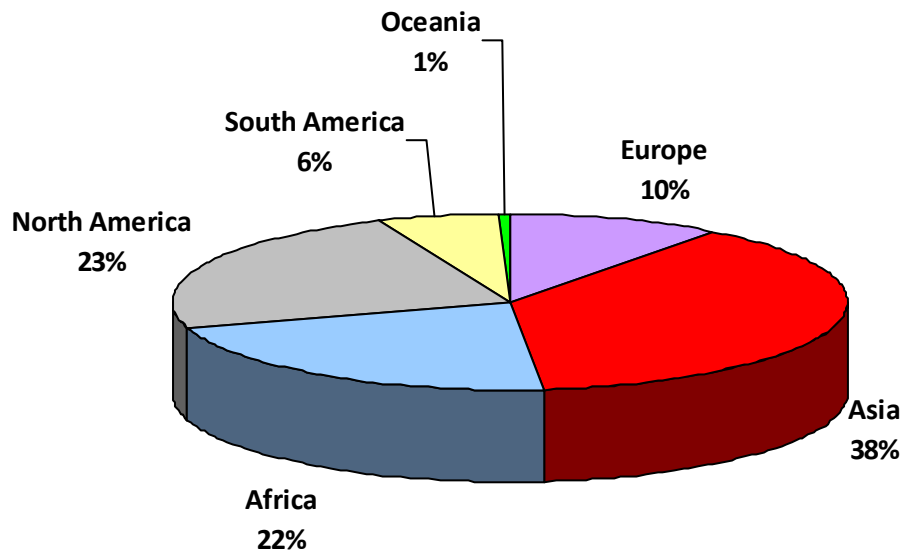


2007 Immigration to Tennessee by Country of Birth

										Total	8,942
Europe	912	Asia	3,410	Africa	1,962	North America	2,067	South America	531	Oceania	51
United Kingdom	159	Philippines	894	Egypt	681	Mexico	1,139	Colombia	176	Australia	39
Germany	83	India	666	Somalia	246	Guatemala	238	Venezuela	80	New Zealand	11
Ukraine	82	China	506	Ethiopia	221	Canada	171	Brazil	77		
Russia	70	Vietnam	204	Nigeria	132	Cuba	102	Peru	59		
Soviet Union, frm	55	Korea	179	Kenya	96	El Salvador	95	Ecuador	36		
Romania	51	Iran	122	Sudan	96	Honduras	75	Chile	25		
Poland	39	Pakistan	89	Ghana	73	Jamaica	53	Argentina	22		
Bosnia - Herzegovina	28	Iraq	88	Mauritania	52	Haiti	41	Guyana	21		
Belarus	20	Jordan	87	Liberia	40	Costa Rica	34	Bolivia	12		

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

2007 Immigration to Tennessee by Origination Region

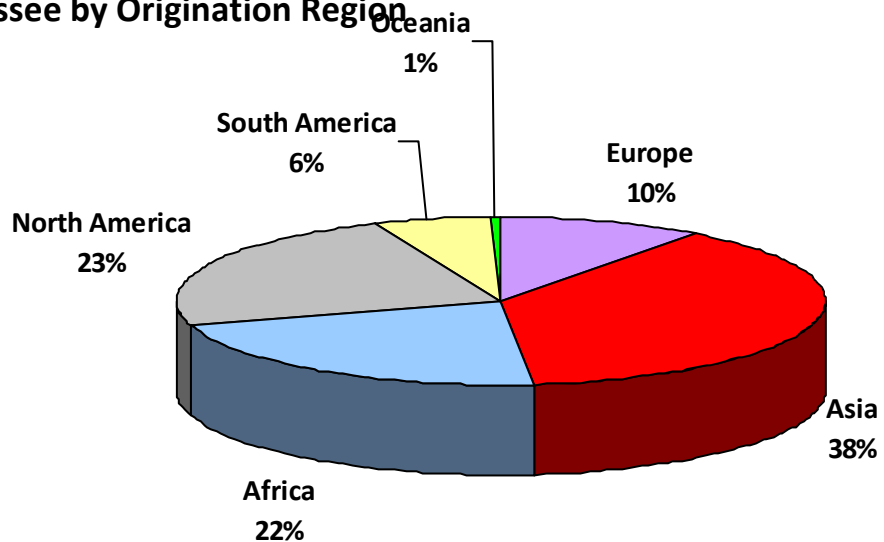


2007 Naturalization in Tennessee by Country of Birth

										Total	2,927
Europe	437	Asia	1,205	Africa	585	North America	551	South America	133	Oceania	9
Bosnia - Herzegovina	78	India	275	Somalia	90	Mexico	277	Colombia	35	Australia	7
United Kingdom	68	Vietnam	168	Ethiopia	88	Canada	59	Peru	28		
Romania	45	Philippines	141	Sudan	86	Honduras	30	Brazil	18		
Germany	41	Iraq	109	Egypt	83	El Salvador	28	Chile	11		
Ukraine	34	China	103	Nigeria	77	Cuba	26	Ecuador	11		
Russia	27	Korea	76	South Africa	27	Jamaica	23	Venezuela	9		
Serbia - Montenegro	23	Iran	60	Ghana	20	Guatemala	19	Guyana	7		
Bulgaria	10	Laos	53	Kenya	14	Haiti	18	Argentina	6		
France	10	Pakistan	40	Congo, Republi	12	Costa Rica	14	Bolivia	4		

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

2007 Naturalization in Tennessee by Origination Region



Nonimmigrant Visitors to Tennessee

	2005	2006	2007
Total	121,268	127,584	144,007
Foreign government officials and families	225	322	254
Temporary visitors: for business	30,751	33,483	38,876
Temporary visitors: for pleasure	65,427	67,081	75,218
Transit aliens	133	144	136
Treaty traders and investors	2,555	2,825	3,138
Students and dependant family	5,947	6,384	6,508
Representatives to international organizations and families	40	51	57
Temporary workers and trainees, dependent family	4,703	7,485	8,359
Representatives of foreign information media and families	183	158	191
Students and exchange visitors, and dependant family	4,044	4,464	4,843
Fiances/spouses of U.S. citizens and their children	603	561	555
Intracompany transferees and dependant family	2,217	2,139	2,708
Vocational students and dependant family	1,292	1,372	1,754
NATO officials and families		40	38
NAFTA professional workers and dependant family	489	588	728
Fiances/spouses of permanent residents and their children	207	106	49
All other classes	376	377	595

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

Foreign Direct Investment Established in Tennessee

	U.S.	Tennessee
All industries	118588	2611
Mining	1107	21
Utilities	815	8
Construction	1082	16
Manufacturing	10322	257
Wholesale trade	15798	337
Retail trade	30540	908
Transportation and warehousing	5468	118
Information	5046	94
Finance: Depository credit intermediation	3263	1
Finance: Insurance	3709	92
Real estate and rental and leasing	1890	35
Professional and technical services	4275	43
Accommodation and food services	15255	293
Other	16824	325

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

Tennessee Exports by Product

(Unit: \$1,000)

	2004	(%)*	2005	(%)	2006	(%)	2007	(%)	% Change, ** 2006-2007
Tennessee Exports Total	16,122,874	2.0%	19,069,850	2.1%	22,019,726	2.1%	21,814,580	1.9%	1.9%
Transportation Equipment	3,337,897	20.7%	4,277,461	22.4%	4,825,023	21.9%	4,093,833	18.8%	18.8%
Computers & Electronic Prod.	2,237,409	13.9%	2,829,024	14.8%	3,330,176	15.1%	3,345,165	15.3%	15.3%
Chemical Manufactures	2,139,338	13.3%	2,413,071	12.7%	2,919,813	13.3%	3,244,705	14.9%	14.9%
Misc. Manufactures	1,089,700	6.8%	1,630,453	8.5%	2,070,163	9.4%	2,349,563	10.8%	10.8%
Machinery Manufactures	1,408,138	8.7%	1,474,894	7.7%	1,683,043	7.6%	1,881,182	8.6%	8.6%
Primary Metal Manufactures	337,448	2.1%	558,130	2.9%	928,534	4.2%	898,730	4.1%	4.1%
Fabricated Metal Products	407,240	2.5%	510,508	2.7%	588,271	2.7%	692,763	3.2%	3.2%
Paper Products	382,899	2.4%	549,658	2.9%	624,788	2.8%	658,940	3.0%	3.0%
Elec. Eq., Appliances & Parts	461,886	2.9%	532,720	2.8%	527,122	2.4%	622,541	2.9%	2.9%
Crop Production	1,763,162	10.9%	1,611,450	8.5%	1,541,716	7.0%	570,885	2.6%	2.6%
Plastic & Rubber Products	551,825	3.4%	618,538	3.2%	630,832	2.9%	530,334	2.4%	2.4%
Beverage & Tobacco Products	320,124	2.0%	371,623	1.9%	415,614	1.9%	481,668	2.2%	2.2%
Processed Foods	310,621	1.9%	317,649	1.7%	299,960	1.4%	472,705	2.2%	2.2%
Fabric Mill Products	266,165	1.7%	316,894	1.7%	365,564	1.7%	354,351	1.6%	1.6%
Printing & Related Products	169,762	1.1%	208,173	1.1%	225,825	1.0%	280,448	1.3%	1.3%
Spec. Classification Provisions	262,591	1.6%	161,604	0.8%	208,026	0.9%	267,071	1.2%	1.2%
Waste & Scrap	51,969	0.3%	77,280	0.4%	172,421	0.8%	245,420	1.1%	1.1%
Publishing Industries	64,646	0.4%	81,840	0.4%	90,186	0.4%	181,242	0.8%	0.8%
Non-Metallic Mineral Mfgs.	160,430	1.0%	166,125	0.9%	130,705	0.6%	137,669	0.6%	0.6%
Wood Products	84,598	0.5%	112,012	0.6%	137,280	0.6%	117,917	0.5%	0.5%
Furniture & Related Products	42,577	0.3%	39,751	0.2%	94,130	0.4%	91,163	0.4%	0.4%
Forestry & Logging	15,494	0.1%	18,685	0.1%	24,971	0.1%	61,735	0.3%	0.3%
Mining	41,422	0.3%	38,670	0.2%	40,043	0.2%	49,757	0.2%	0.2%
Apparel Manufactures	84,531	0.5%	58,030	0.3%	53,068	0.2%	46,031	0.2%	0.2%
Petroleum & Coal Products	9,224	0.1%	5,940	0.0%	12,032	0.1%	45,660	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.

Tennessee Exports by Trading Partner Countries

(Unit: \$1,000)

	2004	(%)*	2005	(%)	2006	(%)	2007	(%)	% Change,** 2006-2007
World Total	16,122,874	2.0%	19,069,850	2.1%	22,019,726	2.1%	21,814,580	1.9%	1.9%
Canada	5,196,681	32.2%	6,118,665	32.1%	6,925,454	31.5%	6,734,228	30.9%	30.9%
Mexico	1,790,534	11.1%	1,853,190	9.7%	2,267,319	10.3%	2,421,472	11.1%	11.1%
United Kingdom	718,767	4.5%	738,437	3.9%	866,064	3.9%	887,292	4.1%	4.1%
Japan	619,518	3.8%	815,164	4.3%	871,989	4.0%	816,595	3.7%	3.7%
Germany	541,685	3.4%	676,875	3.5%	773,428	3.5%	779,643	3.6%	3.6%
Netherlands	467,415	2.9%	634,625	3.3%	711,319	3.2%	627,622	2.9%	2.9%
China	1,213,641	7.5%	1,411,405	7.4%	1,883,453	8.6%	1,135,292	5.2%	5.2%
Belgium	410,556	2.5%	377,985	2.0%	319,436	1.5%	573,005	2.6%	2.6%
France	228,579	1.4%	306,534	1.6%	337,974	1.5%	358,064	1.6%	1.6%
South Korea	313,081	1.9%	399,916	2.1%	439,776	2.0%	466,570	2.1%	2.1%
Hong Kong	304,533	1.9%	327,127	1.7%	369,220	1.7%	285,172	1.3%	1.3%
Singapore	416,086	2.6%	287,902	1.5%	406,702	1.8%	512,506	2.3%	2.3%
Australia	367,002	2.3%	423,330	2.2%	456,169	2.1%	541,849	2.5%	2.5%
Brazil	295,246	1.8%	275,035	1.4%	313,901	1.4%	330,503	1.5%	1.5%
Italy	299,472	1.9%	274,116	1.4%	370,264	1.7%	468,387	2.1%	2.1%
Taiwan	247,714	1.5%	288,371	1.5%	265,379	1.2%	276,633	1.3%	1.3%
Malaysia	77,970	0.5%	128,417	0.7%	165,627	0.8%	164,562	0.8%	0.8%
Turkey	201,683	1.3%	256,256	1.3%	182,367	0.8%	156,313	0.7%	0.7%
Argentina	115,650	0.7%	141,398	0.7%	210,504	1.0%	177,098	0.8%	0.8%
Spain	121,860	0.8%	266,650	1.4%	303,661	1.4%	302,257	1.4%	1.4%
Saudi Arabia	86,951	0.5%	194,982	1.0%	346,573	1.6%	236,489	1.1%	1.1%
Colombia	77,417	0.5%	67,286	0.4%	99,952	0.5%	150,506	0.7%	0.7%
Thailand	136,999	0.8%	146,460	0.8%	139,273	0.6%	193,529	0.9%	0.9%
Switzerland	87,237	0.5%	96,914	0.5%	108,148	0.5%	229,325	1.1%	1.1%
United Arab Emirates	57,204	0.4%	308,383	1.6%	404,676	1.8%	253,767	1.2%	1.2%

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.

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