

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

**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 Minnesota 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 Minnesota***

In 2007, total of 174,279 non-immigrant aliens came into Minnesota. Those in some selected categories are;

- 88,618 temporary visitors for pleasure
- 49,833 temporary visitors for business
- 773 treaty traders and investors
- 8,812 foreign students and dependant families
- 9,769 temporary foreign workers, trainees and dependant families
- 1,130 NAFTA professional workers and dependant families

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

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 Minnesota alone, there are 1,792 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 Japan from Minnesota were \$ 5,033 million and \$ 935 million, respectively, in the past year. Third on the list of countries where Minnesota products are exported is Ireland. The increase in Minnesota exports may lead locally based companies to establish company representatives and sales personnel in those countries. Minnesota real estate professionals may decide that it's time to set up referral networks with counterparts in Canada, Japan and Ireland.

Computers & Electronic Prod. and Machinery Manufactures were the top export industries in Minnesota. Those two industries combined account 37% of the entire exports from Minnesota. 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 Minnesota***

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 Minnesota, 9,124 newly admitted legal immigrants arrived in 2007. The largest group came from Somalia (1,801). Other top countries of origin include:

- Thailand (1,212)
- Ethiopia (971)
- Mexico (668)
- Laos (630)

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, 9,124 immigrants to

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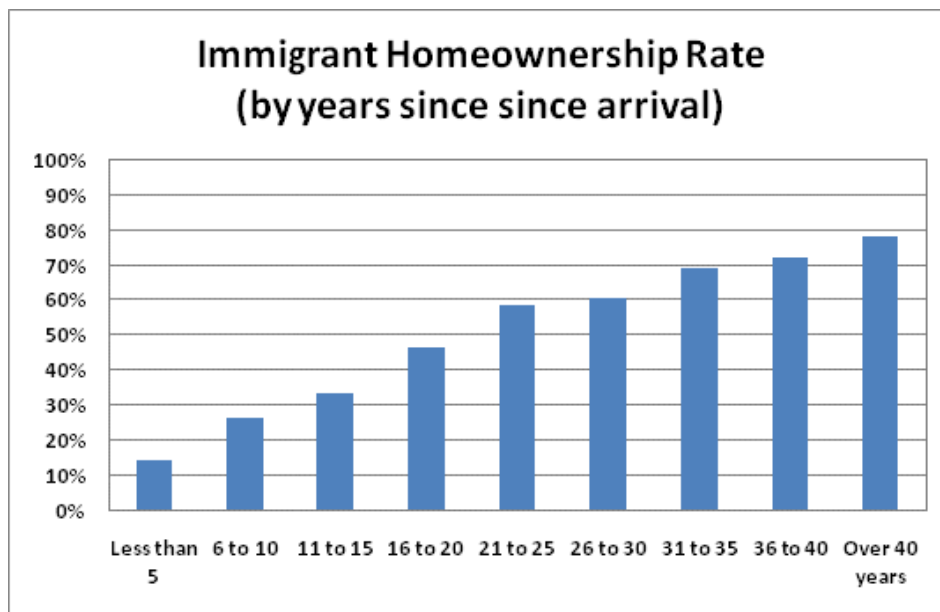
<sup>2</sup> There are contentious issues relating to swelling illegal immigration and assimilation, and this paper does not attempt to delve into this difficult topic.

Minnesota became U.S. citizens. Natives of Somalia led with the highest number (1,497) of newly naturalized citizens in the state last year. Other top countries represented include:

- Ethiopia (690)
- Laos (612)
- Vietnam (605)
- India (595)

As of 2007 there are 146,595 (2.8% of the state population) of naturalized citizens and 198,406 non-citizens (3.8% of the state population) in Minnesota. 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

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<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 Minnesota**

	<b>Total Population</b>	<b>U.S. Born Citizen</b>	<b>Foreign Born (%)</b>	<b>Naturalized Citizen</b>	<b>Non-U.S. Citizen</b>	
Male	2,589,986	2,409,786	180,200	7.0%	71,709	108,491
18 and Over	1,942,760	1,787,441	155,319	8.0%	63,728	91,591
Under 18	647,226	622,345	24,881	3.8%	7,981	16,900
Female	2,607,635	2,442,834	164,801	6.3%	74,886	89,915
18 and Over	1,995,405	1,852,787	142,618	7.1%	66,366	76,252
Under 18	612,230	590,047	22,183	3.6%	8,520	13,663
<b>Total</b>	<b>5,197,621</b>	<b>4,852,620</b>	<b>345,001</b>	<b>6.6%</b>	<b>146,595</b>	<b>198,406</b>

Source: Census Bureau, American Community Survey 2007

**Foreign Born Population in Minnesota by Year of Entry**

	<b>Total Population</b>	<b>U.S. Born Citizen</b>	<b>Foreign Born</b>	<b>Naturalized Citizen</b>	<b>Non-U.S. Citizen</b>
2000 or later	132,419	4,991	127,428	17,221	110,207
1990 to 1999	117,105	5,188	111,917	49,639	62,278
Entered 1980 to 1989	62,583	5,497	57,086	39,630	17,456
Entered before 1980	60,677	12,107	48,570	40,105	8,465
<b>Total</b>	<b>372,784</b>	<b>27,783</b>	<b>345,001</b>	<b>146,595</b>	<b>198,406</b>

Source: Census Bureau, American Community Survey 2007

**Main Languages Spoken in Households**

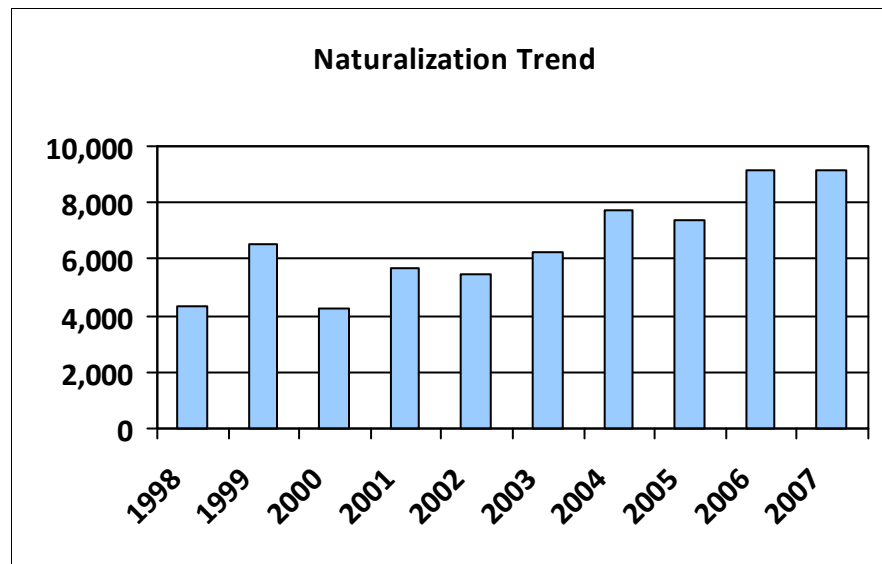
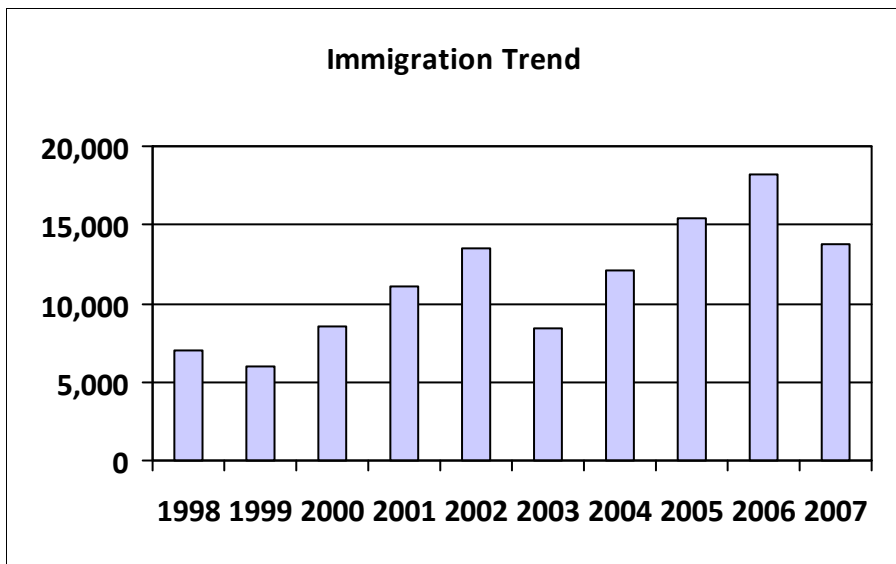
<b>Main Language</b>	<b>Total Household</b>	<b>Linguistically Isolated</b>	<b>Not Linguistically Isolated</b>
English	1,843,222		
Spanish	80,013	18,163	61,850
Indo-European	62,719	6,968	55,751
Asian-Pacific	43,192	10,160	33,032
Other	33,535	9,892	23,643
<b>Total</b>	<b>2,062,681</b>	<b>45,183</b>	<b>174,276</b>

Source: Census Bureau, American Community Survey 2007

### Immigration and Naturalization Trend in Minnesota

Year	Admitted Immigrants	Naturalization
1998	6,959	4,325
1999	5,932	6,497
2000	8,554	4,275
2001	11,091	5,697
2002	13,477	5,443
2003	8,406	6,226
2004	12,097	7,713
2005	15,449	7,383
2006	18,249	9,137
2007	13,814	9,124

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

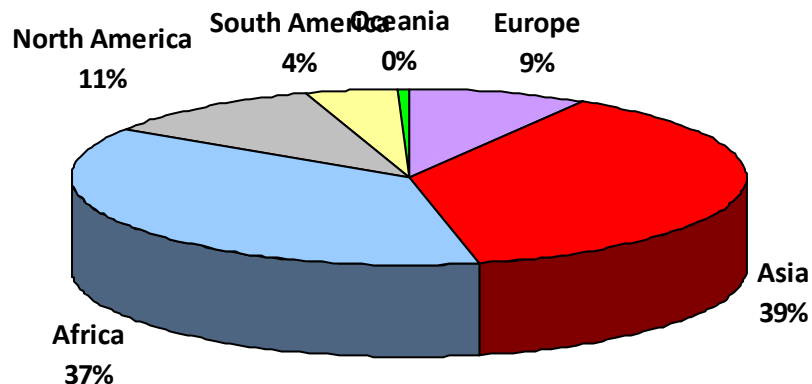


**2007 Immigration to Minnesota by Country of Birth**

										Total	13,814
<b>Europe</b>	<b>1,177</b>	<b>Asia</b>	<b>5,280</b>	<b>Africa</b>	<b>5,167</b>	<b>North America</b>	<b>1,502</b>	<b>South America</b>	<b>615</b>	<b>Oceania</b>	<b>61</b>
Ukraine	164	Thailand	1,212	Somalia	1,801	Mexico	668	Colombia	122	Australia	32
United Kingdom	146	Laos	630	Ethiopia	971	Guatemala	282	Guyana	111	New Zealand	19
Russia	138	China	585	Liberia	542	Canada	271	Ecuador	98	Fiji	5
Belarus	102	India	573	Kenya	530	El Salvador	95	Brazil	93	Solomon Islands	4
Germany	95	Philippines	564	Nigeria	288	Jamaica	48	Peru	78		
Soviet Union, frm	60	Vietnam	557	Cameroon	143	Honduras	26	Venezuela	37		
Moldova	42	Cambodia	200	Togo	134	Haiti	25	Argentina	32		
France	41	Korea	156	Egypt	104	Nicaragua	18	Chile	25		
Romania	40	Pakistan	101	Ghana	103	Trinidad - Tobago	17	Uruguay	7		

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

**2007 Immigration to Minnesota by Origination Region**

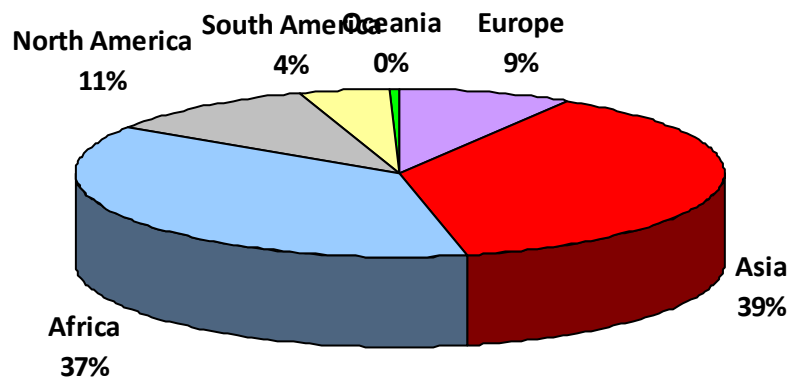


**2007 Naturalization in Minnesota by Country of Birth**

										Total	9,124
<b>Europe</b>	<b>1,192</b>	<b>Asia</b>	<b>3,322</b>	<b>Africa</b>	<b>3,382</b>	<b>North America</b>	<b>865</b>	<b>South America</b>	<b>331</b>	<b>Oceania</b>	<b>25</b>
Bosnia - Herzegovina	215	Laos	612	Somalia	1,497	Mexico	481	Guyana	103	Australia	11
Russia	180	Vietnam	605	Ethiopia	690	Canada	130	Ecuador	82	New Zealand	10
Ukraine	173	India	595	Liberia	307	El Salvador	55	Colombia	43		
United Kingdom	77	China	290	Nigeria	210	Guatemala	38	Peru	24		
Soviet Union, frm	70	Philippines	213	Sudan	126	Honduras	30	Brazil	22		
Belarus	50	Cambodia	206	Kenya	93	Nicaragua	27	Venezuela	22		
Moldova	49	Thailand	190	Egypt	59	Jamaica	23	Chile	11		
Germany	34	Pakistan	99	Cameroon	54	Dominican Republic	15	Argentina	10		
Serbia - Montenegro	32	Korea	68	Sierra Leone	51	Haiti	12	Bolivia	6		

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

**2007 Naturalization in Minnesota by Origination Region**



## Nonimmigrant Visitors to Minnesota

	2005	2006	2007
<b>Total</b>	<b>149,451</b>	<b>158,805</b>	<b>174,279</b>
Foreign government officials and families	248	268	347
Temporary visitors: for business	43,520	45,571	49,833
Temporary visitors: for pleasure	76,411	81,140	88,618
Transit aliens	206	205	172
Treaty traders and investors	498	660	773
Students and dependant family	7,693	7,961	8,812
Representatives to international organizations and families	59	48	40
Temporary workers and trainees, dependent family	6,729	8,615	9,769
Representatives of foreign information media and families	112	110	83
Students and exchange visitors, and dependant family	6,156	6,508	6,868
Fiances/spouses of U.S. citizens and their children	997	998	934
Intracompany transferees and dependant family	3,151	3,503	4,198
Vocational students and dependant family	1,384	1,572	1,951
NATO officials and families		41	7
NAFTA professional workers and dependant family	999	1,086	1,130
Fiances/spouses of permanent residents and their children	77	68	28
All other classes	422	445	710

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

**Foreign Direct Investment Established in Minnesota**

	<b>U.S.</b>	<b>Minnesota</b>
All industries	118588	1792
Mining	1107	19
Utilities	815	8
Construction	1082	14
Manufacturing	10322	165
Wholesale trade	15798	298
Retail trade	30540	434
Transportation and warehousing	5468	106
Information	5046	85
Finance: Depository credit intermediation	3263	4
Finance: Insurance	3709	68
Real estate and rental and leasing	1890	37
Professional and technical services	4275	58
Accommodation and food services	15255	263
Other	16824	197

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

## Minnesota Exports by Product

(Unit: \$1,000)

	2004	(%)*	2005	(%)	2006	(%)	2007	(%)	% Change, ** 2006-2007
<b>Minnesota Exports Total</b>	<b>12,677,805</b>	<b>1.5%</b>	<b>14,704,522</b>	<b>1.6%</b>	<b>16,309,306</b>	<b>1.6%</b>	<b>17,993,364</b>	<b>1.5%</b>	<b>1.5%</b>
Computers & Electronic Prod.	3,532,918	27.9%	4,085,997	27.8%	4,368,206	26.8%	3,986,627	22.2%	22.2%
Machinery Manufactures	1,882,008	14.8%	2,340,946	15.9%	2,543,398	15.6%	2,594,273	14.4%	14.4%
Transportation Equipment	1,188,741	9.4%	1,398,894	9.5%	1,798,877	11.0%	2,172,716	12.1%	12.1%
Misc. Manufactures	1,827,951	14.4%	2,033,815	13.8%	1,821,436	11.2%	2,055,361	11.4%	11.4%
Processed Foods	870,592	6.9%	917,418	6.2%	940,544	5.8%	1,222,364	6.8%	6.8%
Chemical Manufactures	617,757	4.9%	743,293	5.1%	864,475	5.3%	991,455	5.5%	5.5%
Crop Production	437,785	3.5%	359,827	2.4%	452,337	2.8%	877,463	4.9%	4.9%
Elec. Eq., Appliances & Parts	371,208	2.9%	476,595	3.2%	595,754	3.7%	645,303	3.6%	3.6%
Paper Products	296,979	2.3%	456,383	3.1%	563,197	3.5%	580,138	3.2%	3.2%
Fabricated Metal Products	341,538	2.7%	395,955	2.7%	497,802	3.1%	518,073	2.9%	2.9%
Mining	204,864	1.6%	279,071	1.9%	316,975	1.9%	492,210	2.7%	2.7%
Plastic & Rubber Products	327,841	2.6%	356,931	2.4%	423,896	2.6%	444,707	2.5%	2.5%
Non-Metallic Mineral Mfgs.	138,636	1.1%	185,885	1.3%	246,426	1.5%	278,922	1.6%	1.6%
Waste & Scrap	87,644	0.7%	86,790	0.6%	140,383	0.9%	196,787	1.1%	1.1%
Primary Metal Manufactures	44,416	0.4%	60,130	0.4%	99,399	0.6%	178,240	1.0%	1.0%
Spec. Classification Provisions	71,410	0.6%	74,518	0.5%	90,079	0.6%	124,884	0.7%	0.7%
Printing & Related Products	82,599	0.7%	85,052	0.6%	95,951	0.6%	103,120	0.6%	0.6%
Wood Products	74,913	0.6%	79,553	0.5%	93,911	0.6%	93,171	0.5%	0.5%
Leather & Related Products	38,298	0.3%	38,921	0.3%	58,446	0.4%	82,819	0.5%	0.5%
Furniture & Related Products	41,391	0.3%	52,692	0.4%	64,385	0.4%	62,257	0.3%	0.3%
Beverage & Tobacco Products	18,181	0.1%	26,770	0.2%	31,615	0.2%	61,453	0.3%	0.3%
Petroleum & Coal Products	25,028	0.2%	36,390	0.2%	41,389	0.3%	53,392	0.3%	0.3%
Non-Apparel Textile Products	16,088	0.1%	33,191	0.2%	42,502	0.3%	51,354	0.3%	0.3%
Fabric Mill Products	21,893	0.2%	26,651	0.2%	32,326	0.2%	37,434	0.2%	0.2%
Publishing Industries	8,513	0.1%	12,727	0.1%	16,203	0.1%	23,154	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.

## Minnesota Exports by Trading Partner Countries

(Unit: \$1,000)

	2004	(%)*	2005	(%)	2006	(%)	2007	(%)	% Change,** 2006-2007
<b>World Total</b>	<b>12,677,805</b>	<b>1.5%</b>	<b>14,704,522</b>	<b>1.6%</b>	<b>16,309,306</b>	<b>1.6%</b>	<b>17,993,364</b>	<b>1.5%</b>	<b>1.5%</b>
Canada	3,212,743	25.3%	3,586,768	24.4%	4,090,155	25.1%	5,032,772	28.0%	28.0%
Japan	879,565	6.9%	884,016	6.0%	1,014,329	6.2%	935,030	5.2%	5.2%
Ireland	1,311,724	10.3%	1,368,516	9.3%	1,016,712	6.2%	1,107,873	6.2%	6.2%
United Kingdom	598,366	4.7%	661,110	4.5%	714,695	4.4%	739,880	4.1%	4.1%
Germany	551,436	4.3%	617,158	4.2%	687,296	4.2%	788,427	4.4%	4.4%
Mexico	516,139	4.1%	549,135	3.7%	595,381	3.7%	665,644	3.7%	3.7%
Netherlands	670,004	5.3%	639,443	4.3%	805,370	4.9%	637,827	3.5%	3.5%
France	429,568	3.4%	439,950	3.0%	401,895	2.5%	342,382	1.9%	1.9%
Hong Kong	295,097	2.3%	466,032	3.2%	406,868	2.5%	325,640	1.8%	1.8%
China	409,131	3.2%	741,316	5.0%	886,071	5.4%	1,043,010	5.8%	5.8%
South Korea	358,554	2.8%	502,189	3.4%	582,344	3.6%	562,340	3.1%	3.1%
Singapore	269,798	2.1%	282,161	1.9%	359,081	2.2%	340,211	1.9%	1.9%
Thailand	272,903	2.2%	397,372	2.7%	497,755	3.1%	309,257	1.7%	1.7%
Malaysia	125,381	1.0%	185,478	1.3%	188,188	1.2%	185,375	1.0%	1.0%
Philippines	143,495	1.1%	287,868	2.0%	363,821	2.2%	494,979	2.8%	2.8%
Taiwan	268,882	2.1%	326,994	2.2%	350,834	2.2%	340,979	1.9%	1.9%
Belgium	320,246	2.5%	385,316	2.6%	451,673	2.8%	585,684	3.3%	3.3%
Italy	270,595	2.1%	228,659	1.6%	254,891	1.6%	193,740	1.1%	1.1%
Australia	246,526	1.9%	290,842	2.0%	346,411	2.1%	363,540	2.0%	2.0%
Brazil	92,638	0.7%	113,543	0.8%	152,184	0.9%	225,447	1.3%	1.3%
Spain	157,961	1.2%	179,683	1.2%	152,633	0.9%	212,972	1.2%	1.2%
Israel	44,219	0.3%	68,721	0.5%	149,564	0.9%	125,110	0.7%	0.7%
India	58,727	0.5%	86,799	0.6%	132,881	0.8%	126,502	0.7%	0.7%
Chile	41,071	0.3%	50,980	0.3%	85,652	0.5%	135,529	0.8%	0.8%
Russian Federation	13,766	0.1%	21,661	0.1%	32,647	0.2%	218,076	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.

\*\* (Z) means that % change is greater than 500%, and (-) means that this is a new partner.