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**INTERNATIONAL  
BUYERS  
SNAP UP  
NORTH  
AMERICAN  
REAL ESTATE**

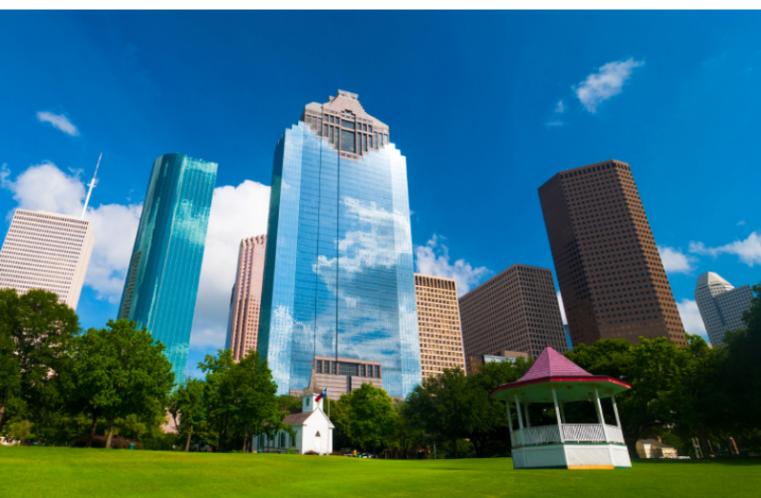
*WHILE THE  
WINDOW OF  
OPPORTUNITY IS  
STILL OPEN*

A CLOSER LOOK AT **VANCOUVER**  
CANADA'S GATEWAY CITY TO ASIA

EXPLORING the **UNIQUE FACETS**  
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# INTERNATIONAL BUYERS SNAP UP NORTH AMERICAN REAL ESTATE WHILE THE WINDOW OF OPPORTUNITY IS STILL OPEN

By John Peretz

**ACROSS THE UNITED STATES, IT'S HAPPENING EVERY DAY. AREAA members are working with international clients, helping them get a piece of the "American Dream."**

But what's going to happen on the international buyer front in 2013 and beyond? Most indicators suggest continued strength and investment opportunity as the U.S. economy continues its slow but steady path to improvement, and the infamous housing bubble burst gets farther behind in the rear view mirror.

According to the National Association of Realtors, total sales volume to international residential clients for the 12 months ending in March 2012 was estimated at \$82.5 billion, up 24 percent from the previous 2011 estimate of \$66.4 billion. International sales were reported as representing 8.8 percent of the total market.

NAR splits residential international buyers into two groups: those with a permanent residence outside the U.S. who purchase property for investments, vacations, and visits of less than six months, and clients who are recent immigrants (less than two years) or temporary visa holders residing for more than six months for professional, education, or other reasons.

This suggests that there are two primary reasons for international purchases, namely buying to diversify an investment portfolio and purchasing property to live here.

Mr. Jed Smith, an NAR economist and managing director, believes that the increase in international investment was driven by a number of factors. "First, the U.S. market was pretty thoroughly beaten down. And then, foreign currencies have appreciated against the U.S. dollar in many countries, making the real estate value in America even more appealing," Mr. Smith explains.

OPPOSITE PAGE (clockwise from top left): San Francisco Golden Gate Bridge ©Jovaning/Veer, Washington, D.C. ©Drmadrig/Stockphoto, New York City ©Jan Novak/Veer, Houston, Texas ©Dave/5957/Stockphoto

## TOP GLOBAL CITIES FOR REAL ESTATE INVESTMENT

1. NEW YORK, USA
2. LONDON, UK
3. SAN FRANCISCO, USA
4. WASHINGTON, D.C., USA
5. HOUSTON, USA

## MOST STABLE AND SECURE REAL ESTATE INVESTMENTS

1. USA
2. CANADA
3. GERMANY
4. AUSTRALIA
5. UK
6. SWEDEN

## BEST OPPORTUNITY FOR CAPITAL APPRECIATION

1. USA
2. BRAZIL
3. UK
4. TURKEY

Source: AFIRE annual survey of global cities for real estate investment

"For many international buyers, the upside potential is just way ahead of the downside. And, what you get for your money is generally a lot more here than in other countries," Mr. Smith concludes. International buyers tend to be upscale and buy properties significantly above median U.S. prices.

Then there's the global aspect of what's going on in the rest of the world.

"There's a feeling that the U.S. economy is definitely turning the corner, and investment in U.S. real estate is considered very safe," according to Mr. James Fetgatter, chief executive of the Association of Foreign Investors in Real Estate.

Mr. Fetgatter's group recently completed its 2013 U.S. conference in New York City with a record number of attendees. AFIRE's members are primarily foreign companies who invest in real estate; their advisors, managers, lawyers, and accountants; and U.S. institutions who invest in international real estate.

Although they are involved mostly in commercial projects such as large

office buildings, big multifamily units, and industry and retail projects, it's a telltale sign of how international investors view the U.S. real estate market. Their average member has an \$8 billion portfolio.

"It's very clear that America is seen as a safe haven for real estate investment, and there's not a lot of great alternatives," Mr. Fetgatter explains.

"The common wisdom is that China and Hong Kong may eventually burst, but of course no one can predict the future. And Europe still hasn't solved all of its economic problems. There's been some flight capital coming out of the Middle East, although most of that money has been going to London.

"In many markets outside the U.S., there's been high inflation, and groups have made a lot of money and want to take some of it off the table and diversify."

For real estate investors, the U.S. offers a very secure environment. "Many of our members already have a decent 'spread,' making maybe 300 basis points, but as the U.S. economy

and occupancy rates improve, they're very bullish about their investments," Mr. Fetgatter explains.

In the AFIRE annual survey of global cities for real estate investment, four American cities made the top five. New York led the list, followed by London, San Francisco, Washington, D.C., and Houston (for the first time).

"The 'gateway cities' have always done well, but we're seeing a big rise in San Francisco, because high tech is back. Houston made the list for the first time because of its energy-related businesses, and investors are following the jobs," Mr. Fetgatter concluded.

America also led the way as the country providing the most stable and secure real estate investments, followed by Canada, Germany, Australia, the U.K., and Sweden, according to the AFIRE survey.

The same AFIRE survey found that the U.S. is rated as the country providing the best opportunity for capital appreciation, according to its members, followed by Brazil, the U.K., and Turkey (making the list for the first time). Note the ominous omission of China, where there is a lot speculation

**"IT'S VERY CLEAR THAT AMERICA IS SEEN AS A SAFE HAVEN FOR REAL ESTATE INVESTMENT, AND THERE'S NOT A LOT OF GREAT ALTERNATIVES."**

JAMES FETGATTER Chief Executive, AFIRE

that the bubble is near.

International investment in real estate can also help create new job opportunities. Mr. Fetgatter referenced the EB-5 visa program that essentially provides a way for foreigners to receive their green cards when they invest in a \$500,000 enterprise that creates employment in the States. "It's a different objective than just capital appreciation," Mr. Fetgatter stated. "In that instance, they're looking to preserve their capital and get a green card. And since each investor has to invest \$500,000, the entire enterprise can be worth several million dollars depending on the number of individual investors."

The AFIRE information bodes well for the North American residential real estate market, since many of the investment fundamentals are very similar. In most instances, you can follow the big money and follow the growth.

Nationally, according to NAR, 27 percent of Realtors reported having worked with international clients in the 2012 Profile of International Home Buying Activity.

But it's estimated that this number is at least double for AREAA members, because of the inherent multiple language advantage and broader international connection network.

So, what are the advantages of working with an international client base, and how do AREAA members do an even better job of tapping into it?

For one, most international buyers come prepared to buy. More often than not, they're all-cash buyers, or have a substantial down payment. This is a huge advantage in price negotiations and also shortens the normal closing timeframe.

Second, once you tap into your niche, there are usually more transactions in the pipeline. Like anything,

networking plays a big key, but the international client opens up a new market, and there is usually more business down the road. There are friends, colleagues,

and extended family members who may want to follow the same path.

So, what's the key for AREAA members to get their fair share of the pie? We asked several AREAA members that same question.

Ms. Emily Moerdomo Fu joined AREAA years ago and served the association as 2008 National Chair. More recently, she has been very active in the Greater Atlanta chapter. Ms. Moerdomo Fu has seven people working for her team, which does about 100 transactions a year, about 70 percent of which are international clients.

Born in Jakarta, Indonesia, Ms. Moerdomo Fu speaks Indone-

**C O N T I N U E D →**



“YOU HAVE TO HAVE A GLOBAL MINDSET... TRAVEL REALLY OPENS UP YOUR MIND, AND KNOWLEDGE IS POWER.”

**KATHY TSAO**  
New York City

sian, several dialects of Chinese (including Cantonese and Mandarin), and knows how to speak some Japanese and Korean. Not bad for someone who has been in Atlanta for 35 years!

To cultivate her relationships, Ms. Moerdomo Fu travels overseas with various economic development teams, chambers of commerce, and state government agencies.

“Atlanta is becoming very international and in the past several months the market has really stabilized,” Ms. Moerdomo Fu explains. “We pre-arrange everything, both in our visits overseas with various organizations and when people travel to Atlanta.”

Ms. Moerdomo Fu sees three important factors in international investment in real estate. “First of all, it’s safe. The government is not going to come in and take their investment away. Second, the dollar is a little weak right now compared to other currencies, so that makes it even more attractive. And third, there’s the immigration factor. A lot of clients want their children to go to school here, and maybe even stay after graduation, so they buy a place to stay instead of renting.” Ms. Moerdomo Fu concludes. She estimates that 90 percent of her international clients are all-cash buyers, with the remaining 10 percent doing some financing to build up credit with banks that have branches in their native country.

In Houston, which broke into the top five global cities for real estate investment according to the most recent AFIRE member survey, AREAA co-founder Mr. Kenneth Li weighed in on the subject. “Houston is one of the most international cities in America,” according to Mr. Li. “It’s become a true gateway city because of its energy and oil business. But it’s diversified as well. The Texas Medical Center is the largest and one of the most prominent in the world. There’s nonstop air service from a number of major cities, including

Dubai, Istanbul, and starting this July, Beijing. Plus, the widening of the Panama Canal means larger cargo ships can go to the Port of Houston when the project is completed in 2015.”

Mr. Li’s current business mix is 30 percent international and 70 percent local, but Mr. Li expects that to be closer to 50/50 in the near future. Mr. Li says that the majority of his listings are for commercial property, and that Houston is very affordably priced. He works with a mix of Asian, Canadian, Middle Eastern and German investors.

It also helps that Houston is adding about 80,000 new jobs annually. And since that growth is primarily driven by energy and medicine, new jobs tend to be higher paying and more international in scope, which adds to Houston’s appeal.

Mr. David Tran, an AREAA member and past chapter president from Sacramento, was getting ready to leave for a three-week business trip to Vietnam. Mr. Tran feels that there are plenty of opportunities for international investment in non-gateway cities, such as Las Vegas, Sacramento, and Phoenix.

“Look, a lot of these cities have great homes that are well below replacement value, which makes for a great real estate investment. And if the price is right, they can generate a decent cash flow almost right from the start,” Mr. Tran explained.

Most of his international clients are all-cash buyers and are looking to immigrate, send their children to an

American university, or diversify some of their investments.

Mr. Tran helped organize the highly successful AREAA trade mission to Vietnam, where he has some business interests, with family and colleagues. “Like anything, once you get to know a country, you know it’s nuances, and not all of the activity is in the largest cities. There’s a great quality of life and terrific housing values in small to mid-sized cities that still have a large Asian population,” Mr. Tran concludes.



**THE 3 KEY FACTORS IN INTERNATIONAL REAL ESTATE INVESTMENT**  
according to Emily Moerdomo Fu:

1. SAFETY
2. WEAK DOLLAR
3. IMMIGRATION

Ms. Kathy Tsao, past chairwoman of AREAA, also works with a lot of international buyers, sellers, and renters in New York City. “You have to have a global mindset,” Ms. Tsao suggests. Her international client base comes not only from her Asian roots but also from a strong European contingency with clients from Sweden, Spain, and Ireland, among others, many of whom found Ms. Tsao through the Internet.

“Working with international buyers requires a certain skill set. You really have to be a careful listener and put their needs first,” Ms. Tsao explains.

In four years, Ms. Tsao has traveled with AREAA to China, Korea, Vietnam, and Taiwan. “Travel really opens up your mind, and knowledge is power. In China, a major residential development really dwarfs one in the U.S. — there might be two, three or four phases to a project, and each one could have as many as 500 to 1,000 units,” Ms. Tsao continues.

“And when you’re working with different buyers and renters, you have to understand their nuances. For

According to Keller Williams Realty international consultant Bill Hunt



“UPWARDS OF 40 PERCENT OF INTERNATIONAL STUDENTS WILL PURCHASE A HOME IN THEIR UNIVERSITY TOWN RATHER THAN LIVE ON CAMPUS OR RENT AN APARTMENT.”

example, a lot of younger buyers won’t answer their cell phone right away, but they’ll respond to a text message almost immediately. And they utilize their social media channels a lot more. When you’re working with renters, therefore one has to be able to respond quickly in a fast paced environment,” Ms. Tsao concludes.

Mr. Bill Hunt, former president of Century 21 China and current international consultant for Keller Williams Realty, has a great way to connect with international buyers, as does Mr. Sean Aske, AREAA member in Phoenix.

According to Mr. Hunt, “Upwards of 40 percent of international students will purchase a home in their university town rather than live on campus or rent an apartment.”

Mr. Hunt recommends that AREAA members establish a professional and personal relationship with the university housing department to better understand the university requirements, housing needs, and student mix. Once you make those connections, you’ll be considered one of their valuable consultants to assist incoming international students with their off-campus housing needs.

Mr. Hunt also suggests that many universities have agents operating

overseas. So, you could ask permission to work directly with their outside agents and offer your services with

now, about 30 percent of my business is international,” Ms. Rassavong explains. “But in five years, I’d like it to be 75 percent international and 25 percent local.” In fact, she and her staff speak English, Thai, Lao, Spanish, Chinese, and French.

Ms. Rassavong works closely with University of California San Diego staff and their international students and parents. “We recently closed a transaction with a Hong Kong family buying a condo for their enrolled student child, a \$525,000 cash transaction,” Ms. Rassavong explained.

Ms. Rassavong markets her real estate practice with the tagline “East Meets West” and services primarily Chinese, Thai, and Japanese clients. She also travels to Bangkok frequently, where she has two people working for her there.

After a recent trip to China, she’s also a firm believer that Hong Kong and China will experience the same real estate bubble that hit the States starting in 2007. Ms. Rassavong adds, “Make sure you have an experienced international agent on your side of the transaction table in such important deals.”

There are many other ways to get involved in the booming international market.

You can learn how to better leverage your AREAA membership. Be an active member in AREAA Net, which is powered by Proxio. Within AREAA Net, you can build your network with other global real estate professionals and also push your current listings to the largest international marketplace

MAXIMIZE YOUR GLOBAL POTENTIAL		
USE AREAA NET <a href="http://areaa.org/net">areaa.org/net</a>	OBTAIN CERTIFICATIONS	
PUT AREAA ON BUSINESS CARD	PARTICIPATE IN TRADE MISSIONS	
PROMOTE LANGUAGES SPOKEN	JOIN OTHER TRADE/ECONOMIC DEVELOPMENT ORGS	
NETWORK LOCALLY AND INTERNATIONALLY	ENGAGE IN SOCIAL MEDIA	

available properties for sale or lease, and give advance information to students and parents so they’ll use you once they arrive.

Mr. Aske does exactly that, working with Asian and other international students and faculty at Arizona State University, his alma mater. He believes there’s a need for honest, accurate information, especially when it comes to explaining all of the real estate and loan options for international students and their families.

So does Ms. Paulina Rassavong, AREAA member in San Diego. “Right



“[Houston has] become a true gateway city because of its energy and oil business. But it’s diversified as well. The Texas Medical Center is the largest and one of the most prominent in the world.”

**KENNETH LI // HOUSTON, TX**



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**DAVID TRAN // SACRAMENTO, CA**



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**PAULINA RASSAVONG // SAN DIEGO, CA**



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**SEAN ASKE // PHOENIX, AZ**