

REAL ESTATE

International buyers drive up prices, but only for most-expensive homes

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International home buyers tend to shop for the most expensive homes

By DANNY PARISI

International home buying in the United States has had an effect on the top end of the country's residential market, but it is expected to stay the same or decrease in the next year, according to a new study from Zillow.

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Zillow's 2017 Q2 Home Price Expectations Survey, which was conducted by [Pulsenomics](#), spoke to many experts on the U.S. housing market about the effect of buyers from outside the country on homes in the US. While international buyers are often held up as the cause of rising home prices, Zillow found that this is only really true for the most expensive homes and that more modestly priced homes have their prices affected by other factors.

"On the heels of last year's nearly 7 percent national home value appreciation rate, the prospect that prices will increase less than 5 percent overall this year might be dispiriting to some," said Terry Loeb, founder of [Pulsenomics](#), Boston. "Yet, 4.8 percent is not only well above the historical average annual gain, it's the most optimistic projection for 2017 that we've seen from our expert panel over the past five years.

"Although most pessimistic experts still expect a sharp slowdown to commence in 2018, even this group anticipates home values to increase an average of nearly 4 percent this year.," he said.

"Given these projections, it's a pretty safe bet that U.S. home equity growth will exceed \$1 trillion for the sixth consecutive year, and continue to buttress consumer confidence and household spending in 2017, especially if more of today's renters can afford the transition to homeownership."

Home prices

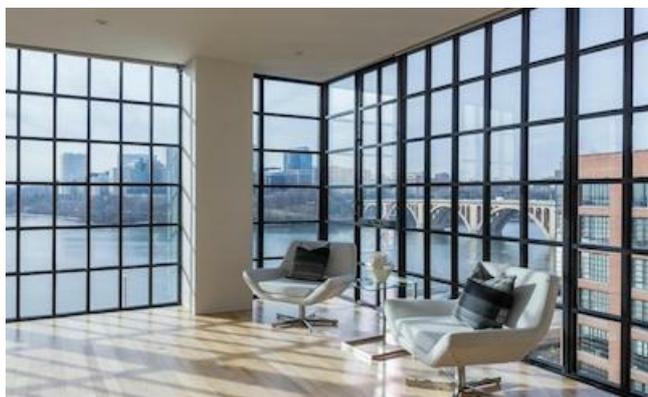
Since the 2008 financial crisis, housing has been consistently one of the most difficult areas for American homebuyers.

Rents have been increasing, meaning that more people are incentivized to buy homes.

The current report from Zillow expects home prices to rise by 4.8 percent this year.

This data shows that housing price increases for the average home are caused by a variety of factors, but are not

significantly affected by more international buyers purchasing homes in the U.S.



Property listed in Georgetown. Image credits: MRIS

For the luxury market, however, these international buyers have a very strong effect. Due to the price associated with buying a home in another country, international buyers are almost exclusively competing with wealthy local buyers.

With their ability to make multiple home purchases, international home buyers can drive costs up for luxury properties, particularly in the most affluent and cosmopolitan places in the country.

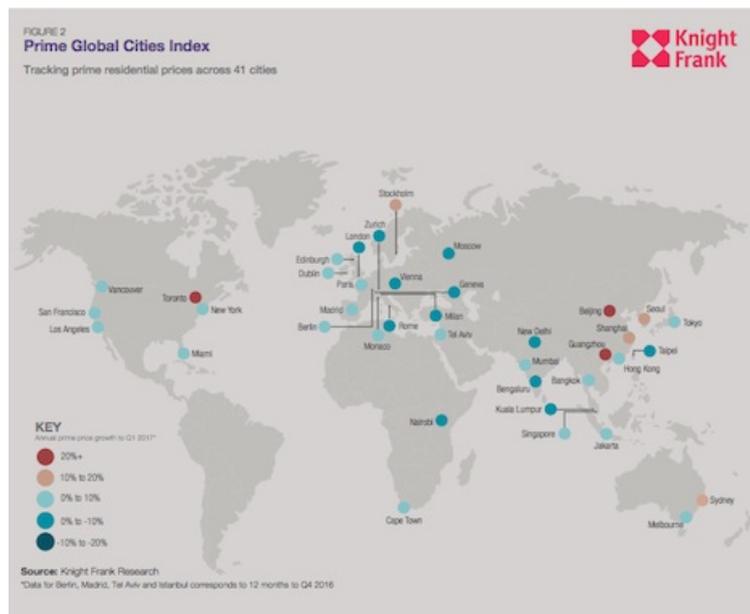
Essentially, government officials worrying about international buyers raising prices for middle class homes do not have much to worry about, while the luxury market can focus on these same buyers as a valuable target audience for buying expensive homes.

International real estate

Part of the rise in luxury home prices in the U.S. can be attributed to Donald Trump becoming the country's president.

Buyers Edge compared the prices of properties sold before the election and those sold after, seeing a significant bump in the prices paid for more recent purchases, which it dubbed the "Trump Impact." Typically, presidents have a negligible impact on home value in the Washington area, but Mr. Trump's associations with the world of luxury appear to have broken the mold ([see story](#)).

Additionally, much of the investment in U.S. luxury property comes from China, where a newly affluent class of consumers is hungry for international luxury.



Knight Frank's map for global cities in Q1 2017

The growth of China's cities has also supported strong investment into the luxury property sector worldwide. While the rest of the world's properties have seen instability in price rates, investment into the luxury market has been strong this year ([see story](#)).

Chinese shoppers now tend to buy even more expensive American homes than Americans do.

"An important thing for luxury real estate brokers to keep in mind is that international home shoppers compete

primarily with more affluent locals since they tend to target high-priced homes," said Svenja Gudell, chief economist at [Zillow](#), Seattle.

"Chinese buyers, for example, shop for higher-priced American homes than U.S. buyers do, and tend to focus on six expensive coastal markets: San Jose, San Francisco, Seattle, Los Angeles, San Diego and Boston," she said.

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