

Open House: International clients should keep sellers on their toes

by *Jim_Woodard*

An increasing number of homes and other real estate properties in the United States are being purchased by buyers from outside the United States. Most purchase offers from foreigners are legitimate, but some are scams. Sellers should beware of possible problems with international transactions.

Many properties being acquired by foreigners this year involve the purchase of second - or vacation - homes, according to the "2007 Profile of International Home Buying Activity" prepared by the National Association of Realtors. A survey of Realtors shows that nearly one in five respondents sold at least one home to an international client in the past year, and one-third say they believe foreign retirees are an increasingly important market in the United States.

The study identified specific characteristics of second-home purchases in this country made by international clients. They include a strong preference for condominiums, and many want to pay in cash.

Most international buyers are primarily interested in pricier homes - significantly higher prices than the national median price. They usually want a home for use as a vacation residence, or for investment. Buyers are coming from many different countries, but those from Mexico are most prevalent.

An example of a scam was experienced by a man who was trying to sell his 12-acre site with a home and small school on it. He advertised the property on a "for sale by owner" Web site.

He received a communication from a man in Liberia. The man expressed his intense interest in the property and said he definitely wanted to buy it, but the tricky finances would have to be worked out between the two countries.

After numerous communications, the "prospective buyer" said the only way it would work is for the seller to set up an offshore bank account, costing \$5,000. The initial payment to open the account would have to come directly from the seller, but the buyer said a friend of his in the United States would pay the fee directly to the seller via a check delivered by Federal Express, so it wouldn't cost the seller anything.

The check arrived via FedEx. The seller was then supposed to immediately make the \$5,000 payment to open the offshore account. He was given the name and address of a person to whom the payment check was to be sent. However, by this time the seller had been doing some research. He learned this is an increasingly used variation of the infamous "Nigerian Scam."

It works like this: The check payment from the "buyer" (or friend) is immediately cashed by the seller, but it takes 10 to 15 days to determine if the check is good or bad. In the meantime, the seller has sent a perfectly good check to the scammer. By the time the buyer's check is found to be no good, the seller's check has been cashed and the buyer disappears.

In this case, the seller fortunately only lost a lot of time and frustration. In light of today's increasingly active international real estate activity, it's not so much "buyer beware" as "seller beware." And it helps to work through a local professional.

Q: Is home remodeling activity continuing to rise?

A: Home remodeling activity is slowing, according to a recent report from the National Association of Home Builders.

"We are experiencing some weakening in the remodeling market - activity that had remained relatively steady," said Mike Nagel with NAHB. "We may be seeing a decline in the number of major remodeling projects, however the market has been buoyed by an increase in the number of homeowners requesting smaller scale projects and home alterations."

NAHB's chief economist, David Seiders, is not surprised by the trend.

"The remodeling market is following the downswing we are seeing in the overall housing market. We expect some further erosion in the second half of this year and into next year. This will be followed by a gradual recovery in 2009 and beyond," he said.

Q: Where are home prices increasing most dramatically?

A: Home prices could be leveling off or declining in many areas, but not in Aspen, Colo. Prices appreciated 27 percent in Aspen last year. The trend is continuing this year, according to Bob Ritchie, a longtime broker in Aspen and principal of the firm Coates, Reid, Waldron.

"Demand should remain extremely high as our economy generates a vast amount of wealth from record productivity and rising property values," Ritchie said. "Boomers are retiring to active environments and inheriting their parent's wealth. Sellers can look forward to increasing prices as all inventory levels have

shrunk to under a two year supply. The high appreciation rates will probably continue over the next 5 to 15 years."

Ritchie also noted that original timeshare buyers in large numbers are selling their units as they realize they want to spend more time in Aspen. Well-priced condos in Aspen and surrounding communities often sell within a month. Land is in short supply throughout the valley, especially prime building sites.

"In the decades of the 1970s, '80s and '90s, the average Aspen home and lot sales price more than tripled in each decade," he said. "The same situation is now in place in the first decade of the 2000s. If prices again triple, the market will experience a doubling of current prices by 2010."

Send inquiries to Jim Woodard, P.O. Box 120190, San Diego, CA 92112-0190. Questions may be used in future columns; personal responses should not be expected.

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