



North American Property Hotspots 2019

Following our feature on the top 12 places to buy property in Europe in 2019, either for a lifestyle change or as an investment, here are Halo Financial's Top 10 North American property hotspots to consider in the USA and Canada. Some old favourites and new opportunities make the list this year.

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Property market investments in the US are paying off. Having seen rises of around 4% in the real estate sector in 2018, with more than two-thirds of the country reaching peak prices, 2019 looks to be a year of more steady gains for the property market in the United States – and it is a similar story in Canada, which has much to offer expats and holiday home owners alike.

US property prices ‘up 3.1% in 2019’

Average property prices in the United States are set to rise 3.1% in 2019 to \$266,800, according to the National Association of Realtors Chief Economist, Lawrence Yun. At the same time, sales are expected to increase 1% to 5.4 million.

Canada home values ‘to rise 2.7%’

In Canada, prices of existing homes are likely to fall around 2% in 2018 but rise 2.7% in 2019. Sales, dragged down by the influential Vancouver and Toronto markets, could fall by almost 10% in 2018, but are set to bounce back by around 2.1% in 2019.

Top national market for property investment

Even so, as one of the leading markets in the world, with residential real estate sales to international investors last year of \$121 billion, North America is set to continue to see strong interest from holiday home and second home buyers, investors, retirees and those moving to live or work.

The Association of Foreign Investors in Real Estate (AFIRE) annual survey¹ places the United States as the top national market for property investment, because of its stability and appreciation potential, as well as market transparency and reputation for innovation.

‘Boring’ sales?

Elsewhere, one leading market commentator has ventured to predict that 2019 will be “boring” for United States property sales. Perhaps a better way of putting it is that sales will be stable and prices growing steadily. This will make it more of a challenge for investors looking for high returns.

Markets with more growth

With that in mind, investors may want to consider markets with potential for more growth over traditional gateway picks, one expert advises in PwC’s Emerging Trends in Real Estate 2019².

Halo Financial has selected ten markets in the United States and Canada that are set to lead the way with healthy capital gains and/or offer excellent lifestyle choices.

What foreign investors are buying

To see what foreign investors buy, where they look for property, and how much they typically spend, we turn

to the 2018 Profile of International Transactions in U.S. Residential Real Estate³, from the National Association of Realtors (NAR).

\$121 billion spend

In the year to March 2018, foreign buyers spent \$121 billion on real estate. This was down a sizeable 21% on the previous year, but much of the decline was due to weak currencies, a strengthening US Dollar and a shortage of listings, says the NAR.

Foreign exchange savings

David Johnson, Halo Financial’s Founding Director, says that anyone exchanging foreign currency to buy property, or transferring currency from a house sale in another country should seek reputable foreign exchange providers, who can help throughout the property buying process and beyond:

“In addition to the expert guidance to make the most of your currency transfers, it is also possible to save significant sums by using a currency specialist like Halo Financial, as they will typically be able to offer you more competitive exchange rates, working to exchange rate timings that suit you. This could put you in a stronger position to buy a bigger house, move to a better neighbourhood, or save money for home improvements and furnishings.”

Average foreign homebuyers spend of \$454,400

There were 266,800 homes bought by foreigners in the United States in the year to March 2018 at an average price of \$454,400, down from \$536,900 during the previous period, according to the NAR international survey.

China, Canada and UK lead the way

Buyers from China, Canada, the United Kingdom, India, and Mexico led the way. Almost half (47%) of all international transactions were cash sales, compared to around one in five of all home sales.

Primary residence

Just over half (52%) of foreign buyers purchased the property as a primary residence, while 40% of Canadians wanted a holiday home.

Most want detached homes

Around two-thirds (66%) want a detached, single-family home, with 14% looking for a condo and 13% buying a townhouse.

Florida most popular destination

The number one state was Florida, with 19% of purchases, followed by California (14%), Texas (9%) and Arizona and New York (both on 5%).

North American property hotspots

Here is Halo Financial’s list of ten North American property hotspots for 2019:

Seven sizzling United States property markets to watch

Los Angeles and San Francisco areas, California

By most measures, California leads the way with projected real estate capital gains in 2019. It also is one of the top lifestyle destinations in the United States and a leading pick for foreign buyers. There are two main options to watch in 2019 – Los Angeles and the San Francisco Bay area. The top choice is up-market San Jose. Mind you, buyers have to fork out a median \$1million-plus for a median property, according to real estate website Zillow⁴. However, it predicts double-digit capital gains in 2019 totalling a massive 16.2% on top of 15.3 % in the last year.

Realtor.com suggests that San Jose-Sunnyvale-Santa Clara and San Francisco-Oakland-Hayward are both predicted to make 4.2% gains in 2019, and Los Angeles-Long Beach-Anaheim up 5.4%. Rental values in San Jose⁵ are steady at an average \$2,627 a month. Rates in Los Angeles are a little lower at \$2,265, a rise of 3%, while San Francisco commands an average \$3442, which has been steady in the last year. Property prices and rental may be high, but the California lifestyle offers a thriving \$1,8trillion economy, the highest in the United States and the fifth largest in the world, ahead of the UK, a record low 4.2% unemployment rate, warm weather, fantastic food, beautiful scenery and more. It is no wonder that property in the region is snapped up quickly, within around 36 days on the market.

Columbus, Ohio

Both 2018 and 2019 look to be solid years for capital appreciation in Columbus, Ohio. The city has the 14th biggest population in the United States and houses get quickly snapped up. The average house takes around 32 days to sell. This is substantially less to the average national time of 54 days, according to the Forbes news website⁶.



Property prices are affordable at a median \$148,900 according to Zillow or a still reasonable median \$207,600 for single-family homes, according to the National Association of Realtors⁷. Prices are set to rise 4.6% in 2019, Realtor.com suggests, while Zillow goes for a 6.6% rise on top of a 7.4% gain in the last year. Average monthly rent is \$888, according to the

latest RentCafe figures⁸. This has risen just 2% in the last year.

Boston-Cambridge, New Hampshire/ Massachusetts

In the Boston-Cambridge metro area, which spans New Hampshire and Massachusetts, real estate prices in 2019 are set to outperform 2018, according to the Zillow real estate website⁹. Property values have risen 6.6% in the last year and are expected to increase 8.7% in the next year. Currently, the median value is \$593,500. The Realtor.com 2019 housing forecast¹⁰ also believes capital gains will grow, but by a slower 4.6%.



Strong demand, a thriving economy and jobs market and an enviable east-coast lifestyle, are all adding to the pressure on property prices. The sought-after region has a low jobless rate at 4.2%, down 1.5% over the last year, and is a magnet for high-tech jobs. In a 2018 ranking of state economies, Massachusetts came second overall. That assessment from financial services website WalletHub¹¹, included first place for economic health, second for economic activity and tenth for innovation potential. All this means rental values are high, although the RentalCafe website¹² says they have not increased by much in the last year. However In Boston, buy-to-let owners can generate an average \$3,000 or so a month, with studios generating \$2,316.

Austin, Texas

Austin has become one of the fastest-growing metro areas, twice ranked No. 1 by U.S. News in its article, The 25 Best Places to Live in the U.S. in 2018¹³, based on quality of life and the job market in each metro area, as well as the value of living and people's desire to live there. It has also been named among the 2019 markets to watch by the Trulia real estate website¹⁴.

While the average sale price for a single-family home is well above the national average, locals benefit from no personal or corporate income tax, and a low state and

local tax rate, points out international real estate specialist, LuxuryRealEstate.com¹⁵. Renowned as a diverse and cultural metropolis, the ‘weird’ city of Austin is also that of a historic one; home to several antiquated buildings and distinguished sites, says LuxuryRealEstate.com Communications Manager, Chantele Machado.



“The capitol building itself was completed in 1888 and remains the largest in the country. In juxtaposition is a vibrant music and entertainment scene, lending to the city’s unofficial title of Live Music Capital of the World. Formerly an epicentre for country and blues, it now celebrates countless genres including jazz, rock, folk, reggaeton and more that can be heard at over 250 live music venues across the city; as well as at its many music festivals, most notably South by Southwest and its newest music extravaganza the Fun Fun Fun Fest”, she says. “Amid the lively entertainment are urban parks, meandering waterways and tranquil nature sanctuaries contributing to an active lifestyle that can be enjoyed almost any day of the year, as the city sees nearly 300 sunny days every year. The culinary landscape is vast, featuring an endless array of esteemed fine dining, food trucks and arguably some of the best BBQ in the country.”

Florida – Orlando, Palm Bay, Tampa and Miami

Darryl Jenkins, Co-Founder and Director at Florida property specialists, Orange Realty, confirms that Florida remains a popular location with overseas property buyers: “Florida has always been a popular hotspot for International buyers, with 300 days of sunshine a year, beaches, theme parks and relatively low property prices – so it’s hardly surprising. Although a stronger US Dollar and fluctuating exchange rates over the last few years have dampened down some of the demand from overseas buyers, the fundamentals of the sunshine state remain the same. In 2018, foreigners accounted for 12% of all homes sold in Florida, but represented 24% of the US Dollar amount spent.



Britons have always made up a large part of these buyers, especially around the Orlando area, where they make up 25% of all foreign purchases. Orlando continues to be popular with property investment for British buyers; with 80 million visitors a year to the theme parks, occupancy rates and returns are more reliable, no matter what is going on with our respective economies. Even though prices have bounced back since 2008, they are still relatively low compared to the UK – \$230,000 for a three-bedroom villa with a pool close to Disney World.

Other areas in Florida to watch

Property gurus and leaders have been predicting price falls across the US for the last three years, and there are some indicators of a slowdown following recent interest rate rises, such as longer times on market and price reductions. Look out for price falls in some previous hotspots, such as Tampa and Miami, particularly in the higher end luxury markets. If you are considering buying in Florida, make sure you employ a realtor who has worked with overseas buyers before. It costs you nothing to work with them and they can help you find the right deal.



With a median property price of around \$170,000, according to Zillow¹⁶ and Trulia¹⁷ real estate websites,

Palm Bay, on Florida's Space Coast, near Cape Kennedy, offers affordable coastal real estate. Zillow estimates prices will rise 4.8% to November 2019, following a strong 9.2% rise in the previous 12 months. Realtor.com predicts¹⁸ an even more aggressive market, with estimates that prices will increase 7.8% in 2019.

Palm Bay is attracting a growing number of tech specialists from both California and New York, say agents. Palm Bay is also within easy reach of Orlando, with its world-class theme parks and tourist attractions, so is an ideal option for both holiday home buyers and rental landlords. Rental property generates an average \$953 a month, according to RentCafe¹⁹, which has risen a healthy 7% in the last year. Rent out a sought-after studio, and you would have earned 29% more in the last year at \$774.

Grand Rapids, Michigan

It's amazing to think that a few years ago, some run-down real estate in Michigan was selling for just \$1. Today, property in Grand Rapids, the second largest city in Michigan, is set to lead the country in capital gains in 2019, according to forecasts²⁰ from leading website, Realtor.com. Home values are set to increase 8.2%, that's more than the glittering Las Vegas market.



It's no wonder that the area is being billed as "a grand investment" in marketing campaigns. In the last year or two, the city has been included in top-10 lists for the "best mid-size markets for homebuyers" (WalletHub), having the "hottest ZIP code in America" (Realtor.com) and the "number one market for job growth" (Headlight Data) after the jobless total fell from 17% to 4% in the last eight years.

Median property prices are at an affordable \$156,000, according to property website, Zillow²¹, and that is with a rise of around 13% in the last year. However, Zillow's estimate of price rises over the next year is a more conservative 3.9%. Grand Rapids is seeing a rise in millennial homeownership. More than half of

millennials living in Grand Rapids (57.3%) were owned a home in 2017. For buy-to-let investors, rental yields rose an average of 1% in the year to November 2018 to \$1,009 a month, according to rental website RentCafe²². At the same time, one-bed returns rose 3% to \$899.

Tucson, Arizona

The jury is well and truly split on Tucson, Arizona, home prices – which could see a major transformation or a rapid decline, depending on which source you believe. Optimists may favour Realtor.com, which forecast²³ the market will rise 7.1% gain in 2019.



However, Zillow experts say real estate prices have gained 8% in 2018 and are set to rise just 0.7% in the next year. Average monthly rent returns are \$769, says RentCafe²⁴, a rise of 2% in the last year. Tucson employment²⁵ rose 1.5% in 2017, the fastest pace for six years. Employment in the booming construction sector increased 6%. Real Gross Domestic Product reached 2.9%, also the highest since 2012.

Three thriving Canadian property markets to watch:

Ottawa, Ontario

With a new \$2.1 billion metro system due to open in 2019, Ottawa – Canada's capital – is attracting the attention of real estate buyers and investors. In fact, it is the leading target behind the traditional hotspots of Toronto and Vancouver. There is also hope that the delayed new hockey arena and 52-acre LeBreton Flats 20-year redevelopment scheme will be started soon.



New jobs, particularly in the government and tech sector, are being created.

The average property price was \$429,000 in November 2018, an annual rise of 2.6%, which is much more affordable than Toronto and Vancouver. In November 2018, the average selling price of condos rose 11.1% to \$285,800, according to Ottawa Real Estate Board data²⁶. The figure was boosted by a drop in values in 2017.

As there isn't a big supply of condos available at present, market experts believe that return-on-investment on rentals will remain high in 2019. The average monthly rental in Ottawa is \$1,174, up 5.4% in the last year, says the Canadian Mortgage and Housing Corporation (CMHC) in its annual report²⁷, with sought-after two-bedroom apartments up 5.8%, the highest rise in 15 years, to \$1,301. Anne-Marie Shaker, Senior Analyst, Economics at CMHC, says, "Strong demographic and employment conditions supported rental demand in October 2018, pushing up average rents for fixed-sample structures for all bedroom counts."

Toronto, Ontario

The largest city in Canada is hoping its real estate market will bounce back in 2019, thanks to increased immigration and pent-up housing demand. In 2018, the Toronto market slumped due to a mini bubble burst and a national tightening of lending regulations. It dropped from 29th in the world to 137th, according to international real estate agent Knight Frank, with prices falling from a 9% gain to a 2.8% decline from Quarter 4, 2017 to Quarter 2, 2018. The Toronto Real Estate Board (TREB) puts the fall for 2018 even higher at 4.1%.



For 2019, it is predicted that values in Ontario will gain 5.5% thanks to a net rise in international immigration estimated by the Conference Board of Canada at more than 400,000 from 2018-2022 plus a rise in millennials seeking homes. So says financial services group, PwC in its Emerging Trends in Real Estate 2019

report²⁸. It explains, "With net immigration into the GTA hitting a 15-year high and pent-up demand for housing, Toronto edged out Vancouver as the top market to watch this year." It goes on to say, "Millennials have begun to compete with baby boomers for real estate, and over the next decade, almost 700,000 first-time buyers will target the Greater Toronto Area (GTA) or Hamilton markets, according to a May 2018 report sponsored by the Ontario Real Estate Association."

The Toronto Real Estate Board²⁹ says that in November 2018, the average property selling price was up by 3.5% year-over-year to \$788,345. Values rose more sharply in less expensive property. Jason Mercer, TREB's Director of Market Analysis, says, "Home types with lower average price points have been associated with stronger rates of price growth over the past few months."

"Given the impact of the OSFI-mandated mortgage stress test and higher borrowing costs on affordability, it makes sense that the condo apartment and semi-detached market segments experienced relatively stronger rates of price growth in November, as market conditions in these segments remained tight or tightened respectively over the past year." Rents in the Greater Toronto Area (GTA) have risen a strong 4.9% in the last year, says the Canadian Mortgage and Housing Corporation to an average of \$1,359 a month, driven up by low availability. Dana Senagama, Manager, Market Analysis (GTA), explains, "Historically low vacancy rates continue to prevail in the GTA."

Montreal, Quebec

Montreal's economic growth is forecast to reach 2.2% in 2018 and 1.9% in 2019 after posting a 17-year high in 2017 of 3.7%, according to data from the Conference Board of Canada. Looking at November 2018 figures³⁰ from the Greater Montreal Real Estate Board (GMREB), sales rose 6% year-on-year to reach a new record, and transactions have risen for 45 months in a row. The median price of single-family homes are an affordable \$334,000, up 5% annually, and condo values rose to \$264,900. With a thriving real estate sector, development is booming, although property available for sale is still low, keeping prices rising.



Nathalie Bégin, President of the GMREB board of directors, says, “Homes are selling faster and faster in the Montréal area, as the average selling time, for all property categories combined, was 80 days in November, which is seven days less than one year ago.” Royal LePage³¹ is more optimistic about Montreal property prices in 2019, predicting that median values will rise 3%, above the national average of 1.2%. Foreign investors, taking note of the strong Quebec economy, have focused on the luxury sector, with European buyers and Chinese investors particularly active.

Making savings

Average monthly rental rates in Montreal are at \$796, up 2.5% year-on-year, according to Canadian Mortgage and Housing Corporation data, so make savings where you can on your currency exchange – get in touch to find out more.

A word of caution ... do your due diligence

When buying property, particularly overseas, it’s important to conduct in-depth due diligence and seek advice from trustworthy real estate, legal and financial professionals, both in your home country and target markets.

Speak to a Halo Financial Currency Consultant for recommendations of trusted advisors to help you find and buy the perfect property, call today on +44 (0) 20 7350 5473.

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