Americans Buy European Homes as Dollar Rises

By Phillips, Braden | International New York Times, November 12, 2015 |

The dollar's climb against the euro, combined with listless prices in some European markets, has led to a sharp rise in Americans seeking a second home on the Continent.

With the exchange rate against the euro persistently not in his favor and his retirement still 20 years away, Dr. Kenneth Bermudez had decided to delay his dream of owning a villa in Tuscany, Italy.

"I originally thought I was going to look much later, but now with the strong dollar and drop in property prices, I couldn't pass up the opportunity," he said.

Dr. Bermudez, a plastic surgeon based in San Francisco, spent three weeks house hunting in Tuscany, visiting 30 properties before choosing a villa in the Chianti region near the town of Gaiole, 45 minutes from Florence. The purchase is in escrow and expected to clear by January.

"Between the strong dollar and the price -- about 20 percent lower than the original listed price -- I think I saved about 35 to 40 percent," he said, adding that he had spent "less than $1 million" for a home of 8,000 square feet on nine acres.

The dollar's climb in value against the euro -- it remains near the recent peak reached in March -- and languishing prices in some European markets have emboldened many Americans to consider buying a second home in Europe after more than a decade of near inactivity.

"If we compared data through the end of the third quarter of 2015 with the same period the prior year, the growth of U.S. home buyer interest in Europe is up 180 percent," said Erin Koops, executive vice president for member services at Leading Real Estate Companies of the World, a company based in Chicago that represents 500 broker firms in 50 countries.

Ms. Koops said the measure was based on requests by Americans at broker companies in the United States for introductions to Europe agents.

The countries that received the most inquiries were those that traditionally appealed to Americans: France, Italy, Spain and, in a virtual tie for fourth, England and Germany, Ms. Koops said.

The market conditions in each of those markets vary, but the common denominator is the stronger dollar.

According to Daragh Maher, a currency strategist at HSBC in New York, the rise in the dollar began last year when the Federal Reserve stopped injecting money into the American economy, a policy known as quantitative easing, and the European Central Bank did the opposite, pumping in money, which weakened the euro.

"The consensus expectation is that the dollar will be at $1.06 to the euro at the end of 2016" -- it is now at $1.07 -- "but will remain broadly stable until then," Mr. Maher said. "If you believe that outlook, the exchange rate is less of a factor to consider."

Most buyers consulted had not postponed decisions to buy in the hopes of getting an even better rate. In fact, the current environment is actually more favorable to American buyers, Mr. Maher said.

"What's changed is that the market is not as pessimistic about the euro now, but that has created a helpful combination," he said. "Affordability has improved, but stability in the euro means you're not so worried about where you'll be in 12 months' time with a euro asset."

When it comes to the gold-plated addresses of Paris and London, however, affordability is a relative term. In the French capital, the average price for a two-bedroom, two-bath apartment in St.- Germain-des-Pres is more than $4,600 a square foot. In Mayfair in London, the same size apartment can be more than $7,500 a square foot.

By contrast, the average price a square foot in the Mitte neighborhood of Berlin, the city's most popular property destination for international buyers, is roughly $1,600 a square foot; in the Eixample district in Barcelona, Spain, it is just under $1,300. …