AMERICA MORTGAGES

GLOBAL MORTGAGE GROUP

DEEP DIVE

The Best U.S. Cities for International Real Estate Investors

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Dear Stakeholders,

I am very excited to share this Deep Dive report with all of you, the first from our in-house macro research team.

We have produced this report as part of our never-ending quest to educate the world about the benefits of owning U.S. real estate as an investment and the advantages that come from using a mortgage of course.

Please take some time to read this, as you will not find the information anywhere else. The results may even surprise you!

Whether you are living in London, Vancouver, Hong Kong, Shanghai, Sydney, or Singapore, we hope this Deep Dive Report will get you on the road to making one of the most rewarding investment decisions of your life.

Robert Chadwick, CEO

About us

America Mortgages Inc. was created to address the need for comprehensive U.S. residential mortgages for U.S. citizens and Foreign Nationals living overseas.

We offer over 150 U.S. bank and wholesale loan products directly to our international clients. In addition, we offer financing options for commercial, portfolio, bridging, and high-value home financing through specialty lenders in the U.S. and overseas.

America Mortgages is wholly owned by Global Mortgage Group Pte. Ltd. (GMG), an international mortgage specialist based in Singapore with offices in Hong Kong, Shanghai, Beijing, Manila, and Seoul.

About this report

In this Deep Dive report, we study major and recent trends that drive the real estate market in the U.S.

As an international investor, the overseas real estate opportunities in the U.S are likely to be more attractive than in your home city or country. In chapters one to three, we use data-driven analysis to show why this is so, comparing the U.S. and other global cities across the following factors:

- Relative affordability
- Rental yields
- Future price appreciation potential

Most affordable:	**San Antonio, TX**	**(Page 6)**
Highest rental yield:	**Fort Worth, TX and Orlando, FL**	**(Page 16)**
Best job prospects:	**Austin, TX**	**(Page 18)**
Most likely to gentrify:	**New York, NY**	**(Page 22)**

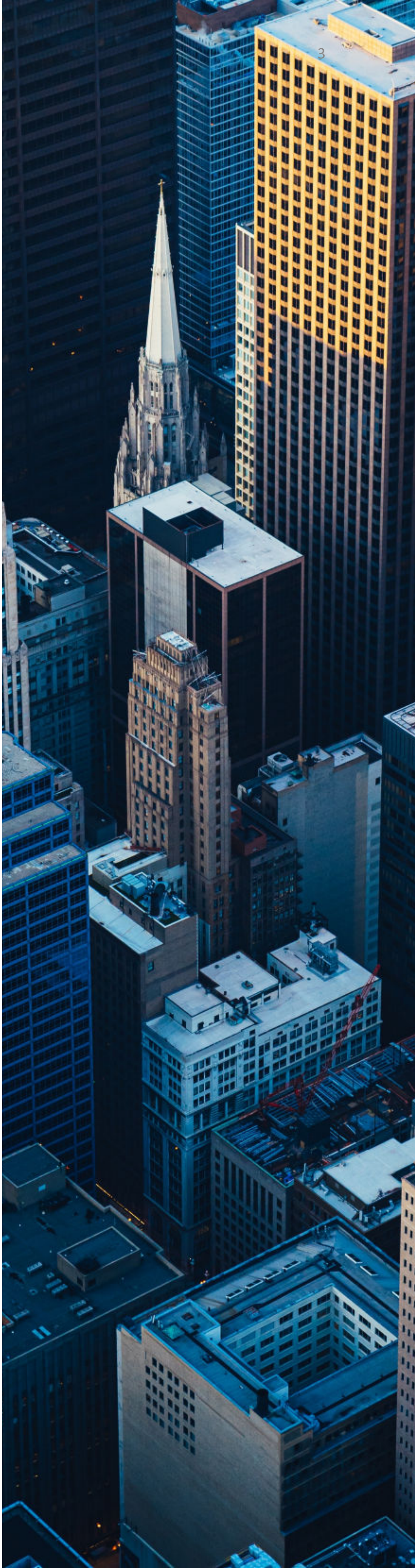
In the last chapter of the report, we aggregate our analysis to identify the U.S cities that offer the best overall value for international investors.

Top 3 Overall Rank:	**1. San Antonio, TX** **2. Dallas, TX** **3. Houston, TX**	**(Page 22)**

The information in this report is presented in a way that is timely, relevant and actionable. We have sieved through the data to present what we feel is most relevant so that you can quickly focus and take advantage of the most rewarding opportunities, both at home and abroad.

Chapter 1

Cheap as Chips



The Investor Mindset

When looking to purchase real estate, most people will naturally choose a location close to where they live. It is where they know the market and can physically visit the property at any time. Their priorities would be to put a roof over their heads, gain a sense of security or to leave a legacy for their children and grandchildren.

But if your objective is to earn the highest return from a property, it would be irrational not to explore all the real estate opportunities globally.

As an investor, your considerations will be different from a typical homebuyer, and you stand to benefit from exploring the real estate market beyond your own home country or city.

At the same time, you will need to consider a range of factors, including whether you can afford the asset, its ability to produce income, and the potential for future price appreciation.

You will also need to account for any risks and costs, such as mortgage payments, stamp duties, and taxes.

Homebuyer	Real Estate Investor
Roof over one's head	Affordability
Sense of security	Rental income potential
Leave a legacy for future generations	Future price appreciation
	Portfolio diversification
	Minimize costs (mortgage payments and rates, stamp duties and taxes)
	Minimize research time and effort

Fig 1.1 Key Motivations of Homebuyers and Real Estate Investors

Property Price Comparison

We start by comparing the price of a similar piece of real estate across 26 cities around the world. Nine of these are global "Home Cities" where most of our clients live. These cities are in Asia, Australia, Canada and the U.K. The other 17 are U.S. cities that are popular real estate investment desintations. Throughout this report, we will use Red to reference the global home cities and Blue for the U.S. cities.

Global Home Cities	
Toronto	Vancouver
Shanghai	Beijing
London	Sydney
Hong Kong	Singapore
Melbourne	

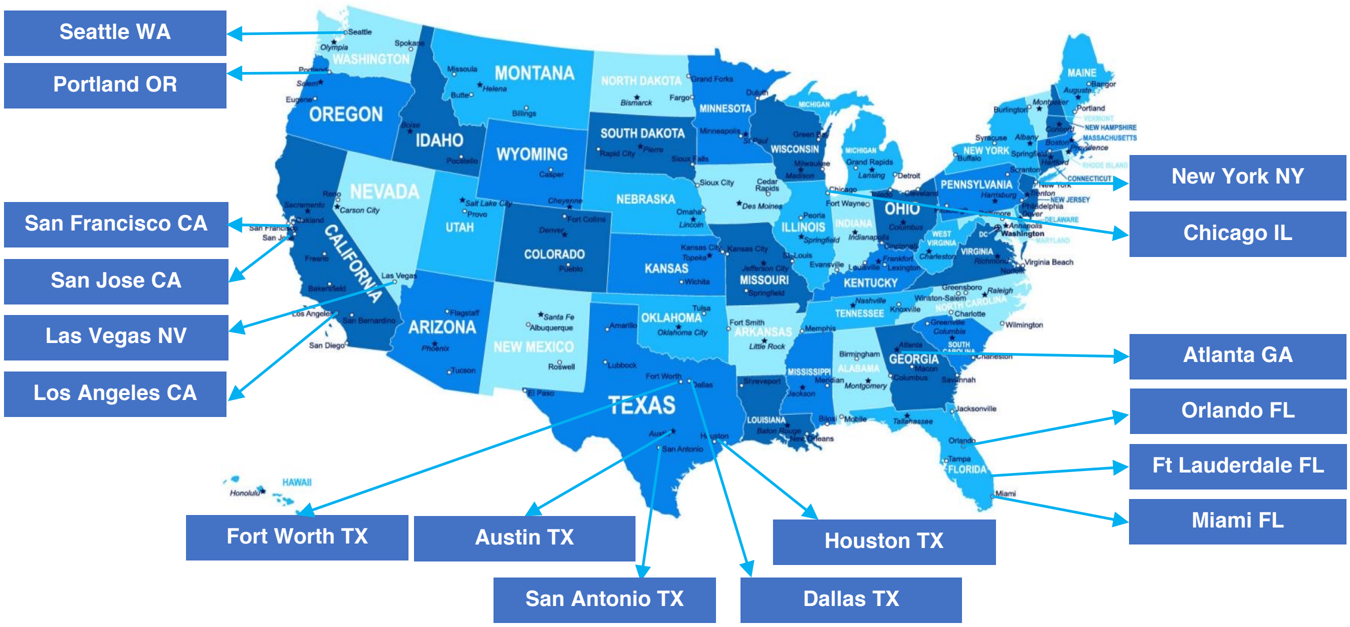


Fig 1.2 Global Home Cities and Popular U.S. Residential Real Estate Investment Destinations

Of the 26 cities we looked at, the three most expensive locations are all outside the U.S., with a typical 1,500 sq ft residential property costing more than USD 2 million in Beijing, London, and Hong Kong.

The three least expensive locations are San Antonio, Chicago, and Fort Worth, where a similar sized property costs around or less than USD 200,000 or up to ten times less in absolute terms than in the top three most expensive cities.

In fact, 8 out of the top 10 most expensive properties we studied are located in one of the global home cities, while the 12 least expensive locations are all in the U.S.

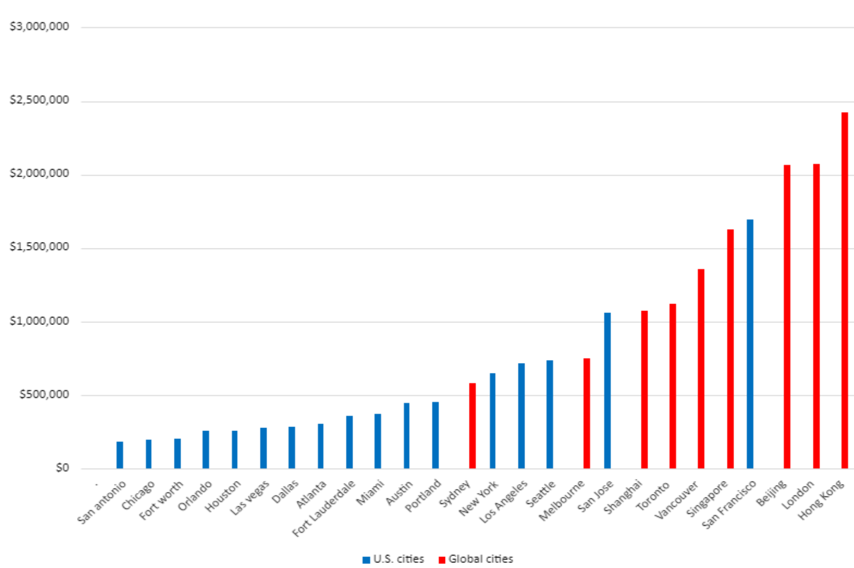


Fig 1.3 Price of Typical 1,500 sq ft Residential Property

Relative Affordability

Let us now dig a bit deeper, as absolute price comparisons only tell part of the story. Investors in different home cities will have varying levels of income and access to financing, in turn affecting their individual purchasing powers.

Our proprietary AM Affordability Index measures the relative affordability of residential property from the perspective of the investor's home city. By taking into account income, taxes, pension contributions, debt repayments, inflation, and currency rates, the Affordability Index assigns a score between 0 and 100, with 0 representing a location that is most unaffordable and 100 being the most affordable.

Fig 1.4 compares the AM Affordability Index scores of the home cities (top row of the table in red) against the U.S. cities (within the table).

	Beijing (0)	Shanghai (3)	Hong Kong (3)	London (3)	Singapore (9)	Vancouver (12)	Toronto (12)	Melbourne (18)	Sydney (29)
San Antonio	26	29	65	74	100	100	85	76	79
Chicago	24	26	62	71	94	97	79	74	74
Fort Worth	24	26	59	67	91	**94**	76	71	71
Houston	18	21	44	53	71	74	59	56	56
Orlando	18	21	47	53	71	74	59	46	46
Dallas	15	18	41	47	65	68	56	50	50
Las Vegas	15	18	41	50	65	68	56	50	40
Atlanta	15	15	38	44	59	62	50	44	44
Fort Lauderdale	12	15	32	38	50	53	44	38	38
Miami	12	12	32	35	50	50	41	38	38
Austin	9	12	26	29	41	41	35	29	32
Portland	9	9	24	29	38	41	32	29	29
New York	6	6	18	21	26	26	24	21	21
Seattle	3	6	15	18	24	24	21	18	18
Los Angeles	3	6	15	18	24	24	21	18	18
San Jose	3	3	9	12	15	15	12	12	12
San Francisco	0	0	6	6	9	9	6	6	6

Fig 1.4 AM Affordability Index Comparison Between U.S. Cities and Global Home Cities

The AM Affordability Index scores of the home cities are generally low, ranging between 0 and 24. If you live in any of these cities, you will likely find properties around you to be expensive and perhaps even out of reach.

In contrast, the Affordability Index scores of U.S. cities are much higher, hitting 100 in some cases. If you live and work in Vancouver and earn a median salary, the AM Affordability Index of your home city is only 12, while that of Fort Worth stands at a whopping 94 (green outlined boxes in the table), or eight times more affordable than back home. **In fact, most U.S. cities are more affordable compared to the global home cities, with San Antonio, Chicago, and Fort Worth being the most affordable.**

Figs 1.5a through 1.5i have been customized for you to easily compare which cities are more or less affordable depending on where you live.

Scores higher than 0 indicate that the city is more affordable than your home city, while cities with scores below 0 are less affordable. If you reside in Singapore, all except one of the U.S. cities are relatively more affordable (horizontal bars next to green up arrow), while London, Beijing and Hong Kong are less affordable (bars next to pink down arrow).

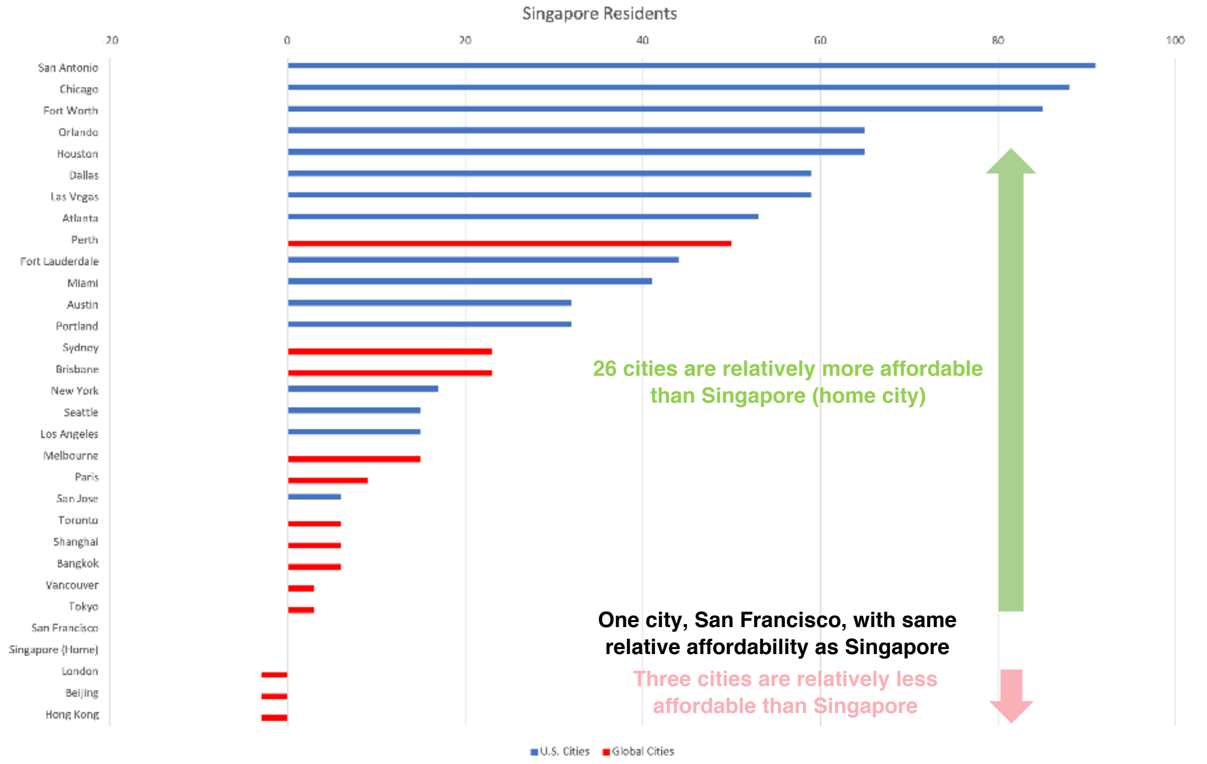


Fig 1.5a Relative Affordability for Singapore Residents

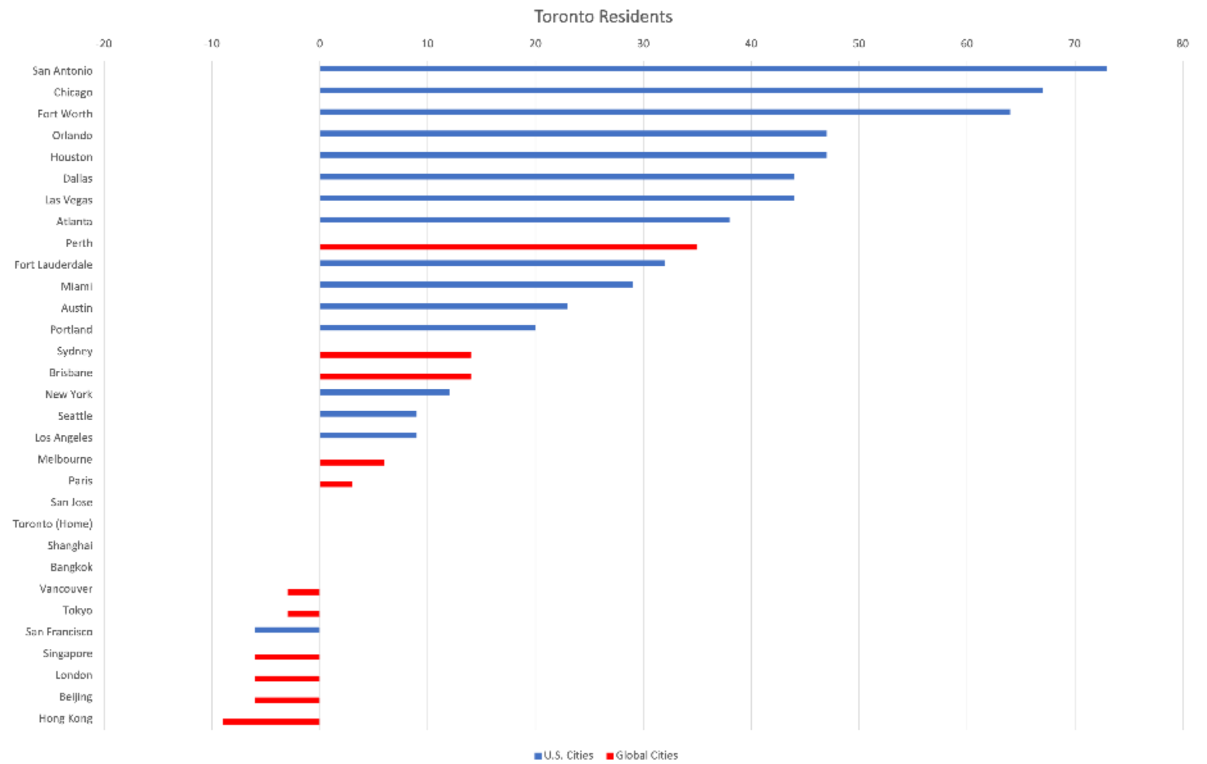


Fig 1.5b Relative Affordability for Toronto Residents

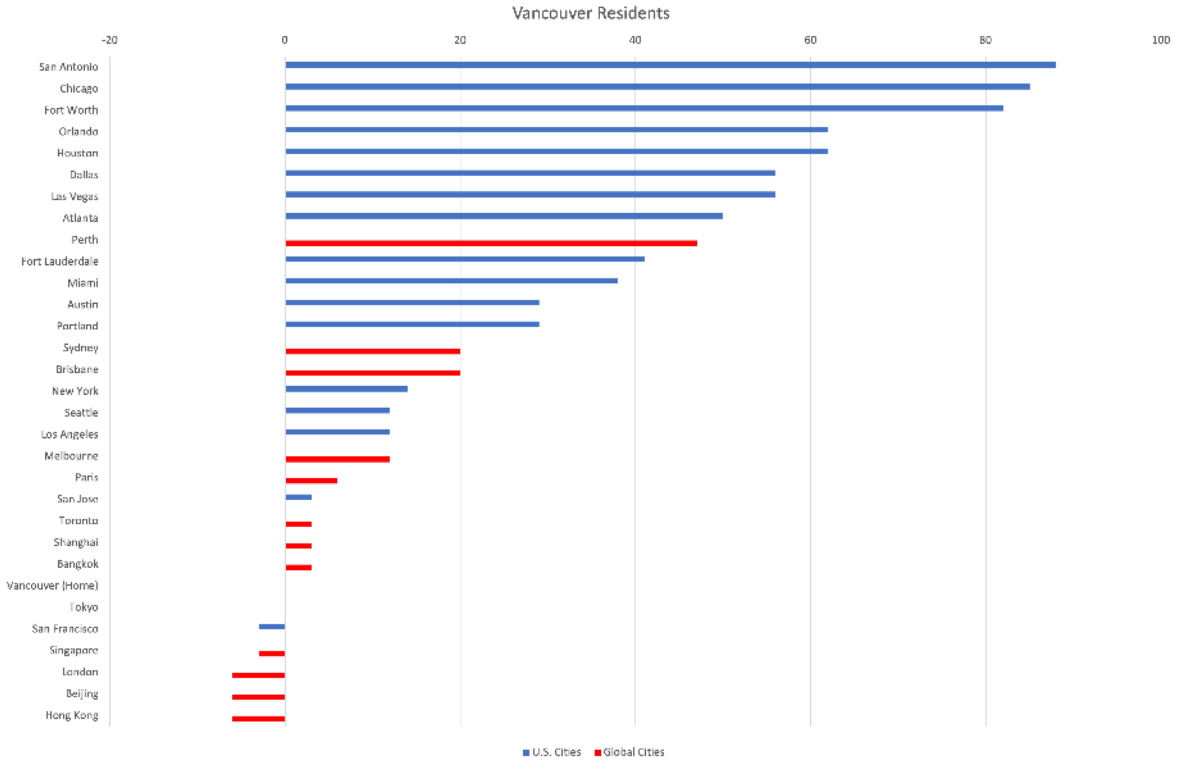


Fig 1.5c Relative Affordability for Vancouver Residents

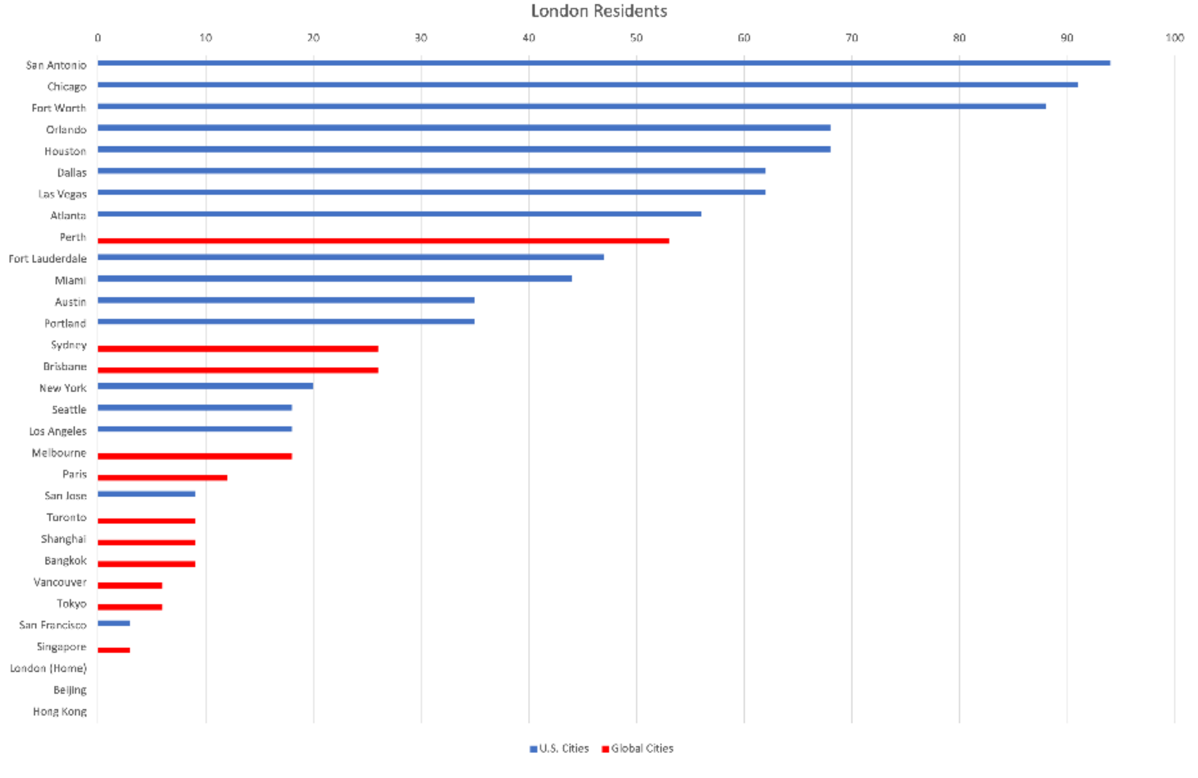


Fig 1.5d Relative Affordability for London Residents

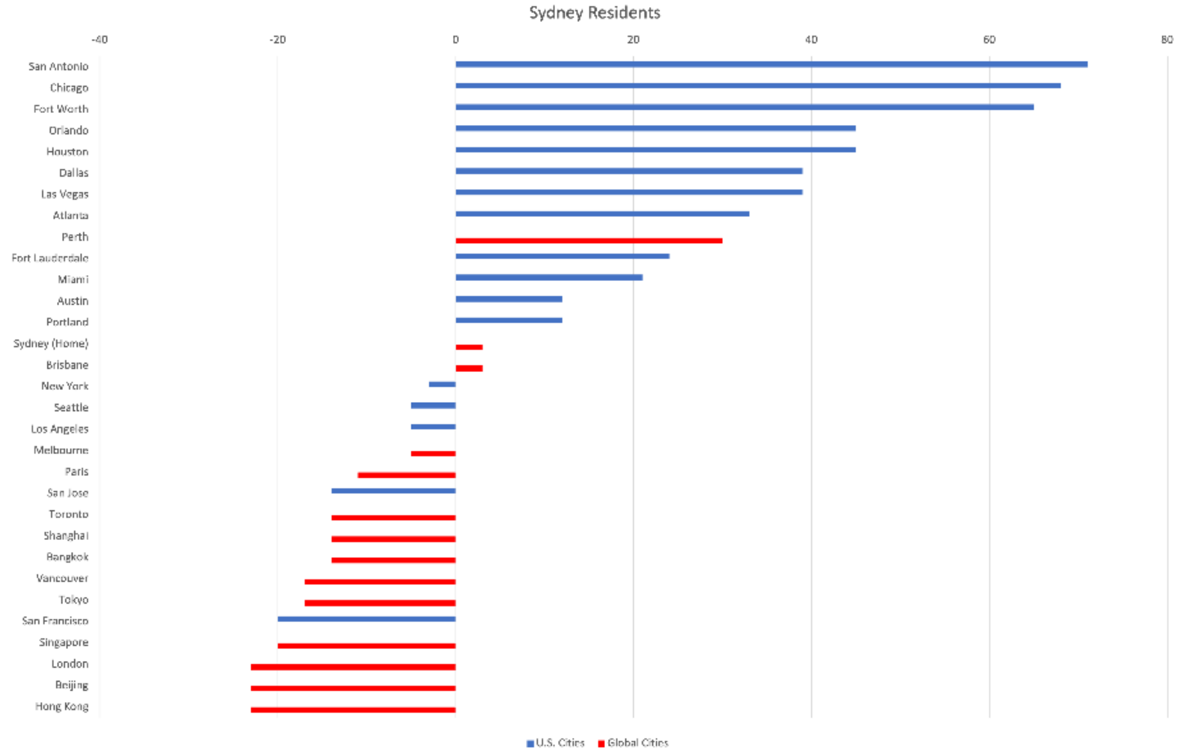


Fig 1.5e Relative Affordability for Sydney Residents

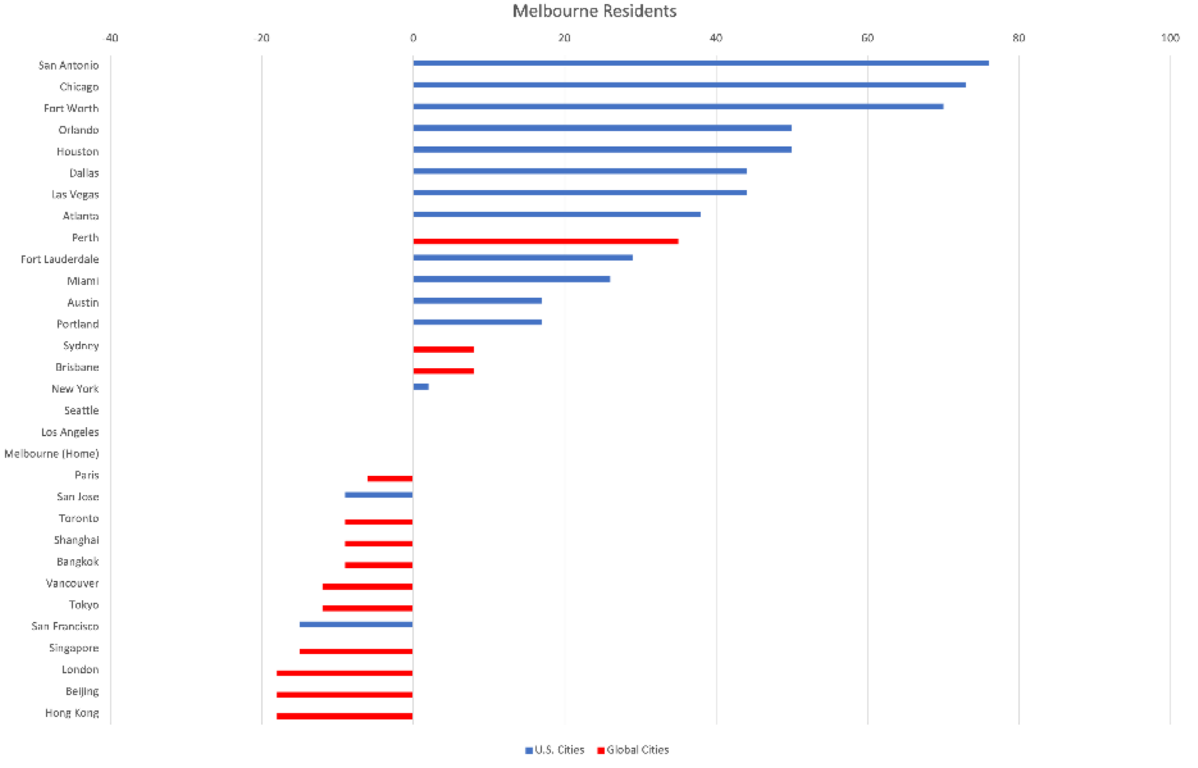


Fig 1.5f Relative Affordability for Melbourne Residents

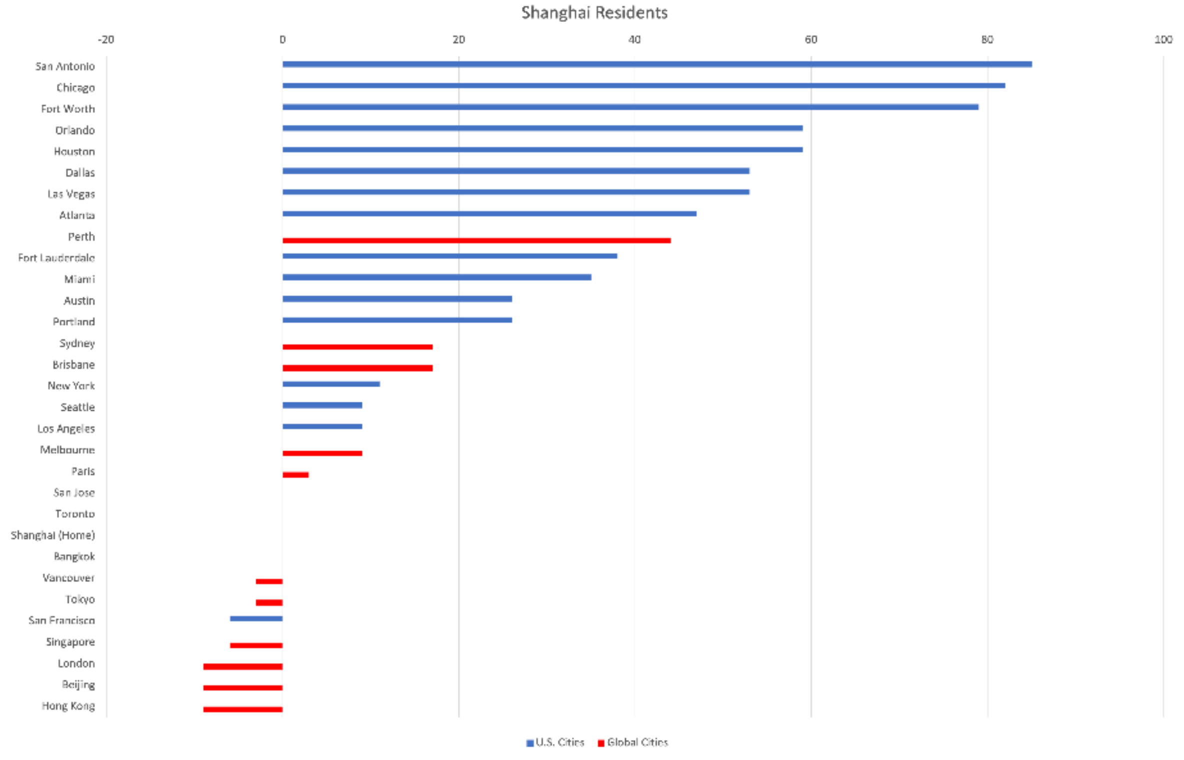


Fig 1.5g Relative Affordability for Shanghai Residents

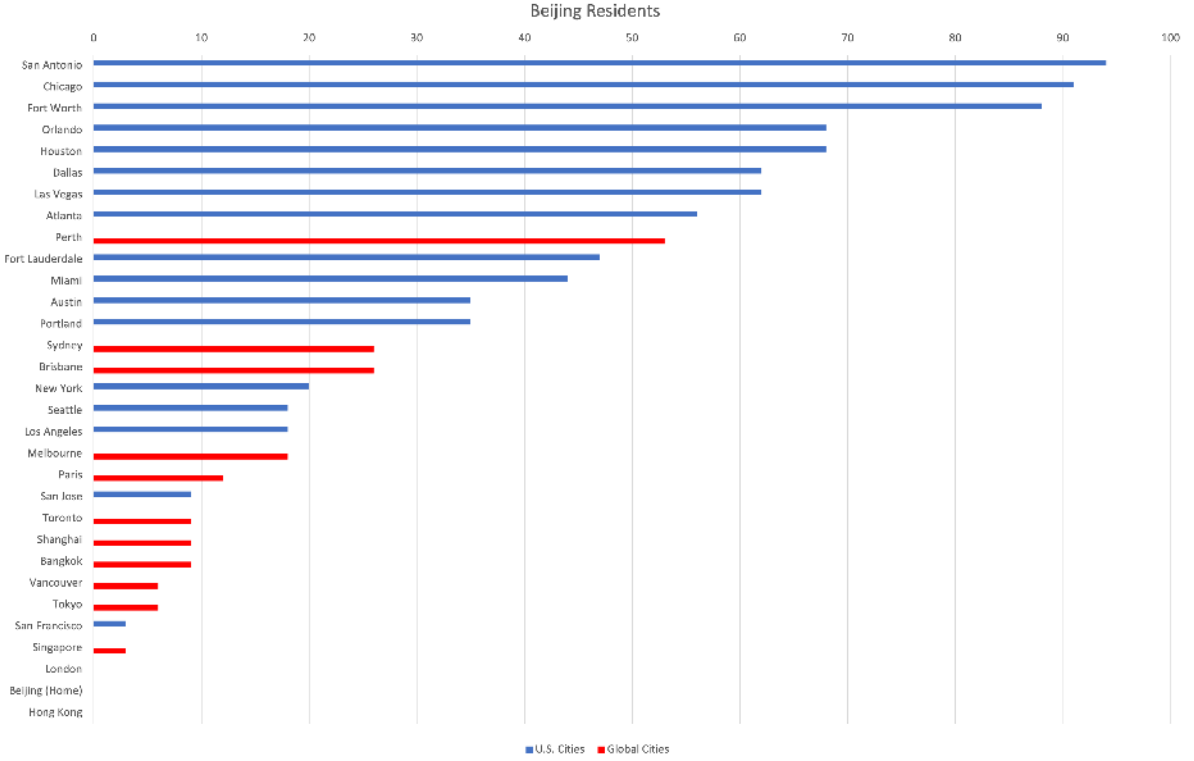


Fig 1.5h Relative Affordability for Beijing Residents

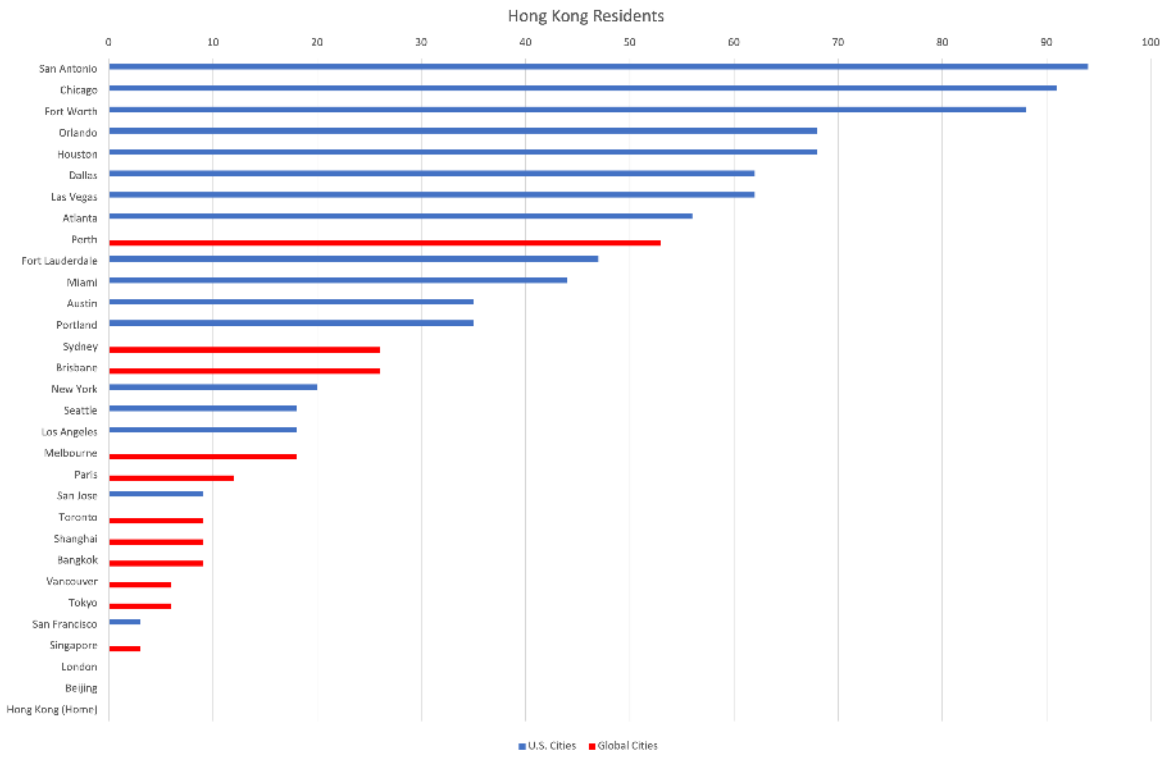


Fig 1.5i Relative Affordability for Hong Kong Residents

Chapter 1 Key Takeaways

The top three most affordable locations are San Antonio, Chicago, and Fort Worth.

Investors living in global cities outside the U.S. will find real estate in their home cities to be expensive and relatively unaffordable.

As a real estate investor, you should consider venturing beyond your home city or country to maximize your investment dollar.

Chapter 2

It's not Apples to Apples

Calculating Rental Yield

While affordability can help you narrow down your options, as an investor you would also want to know how much profit your property can generate once you have made the initial investment. Real estate investors often use a "buy-to-let" business model, purchasing a property to rent out in order to obtain an income, also known as "yield."

A common metric that is used to measure the profitability of a real estate investment is rental yield. Net rental yield is the profit you earn less any rental expenses and is calculated as a percentage of the value of the property.

$$Net\ Rental\ Yield = \frac{Annual\ Rental\ Income - Annual\ Rental\ Expenses}{Property\ value} \times 100$$

Fig 2.1 Net Rental Yield Calculation

We now look at the same groups of cities that we introduced in Chapter 1, but this time comparing net rental yields instead of affordability. On average, the net rental yield in the U.S. cities is 3.49% compared to 1.39% in the global home cities. **At the top of the range, yields in Fort Worth and Orlando are as high as 6%, with San Antonio trailing slightly at 5.5%. In contrast, Sydney and Hong Kong are offering yields of less than 1%.**

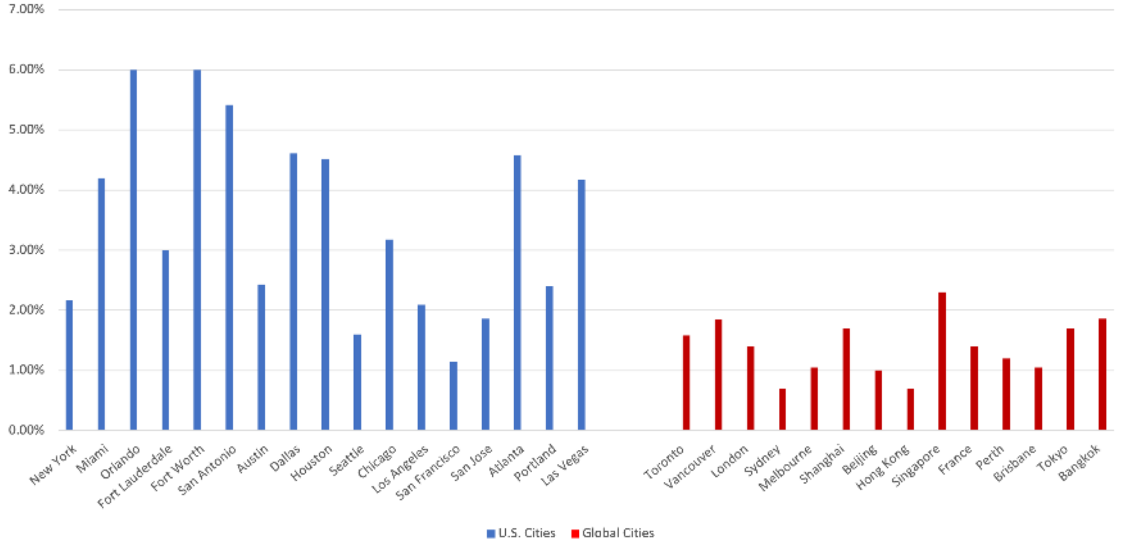


Fig 2.2 Net Rental Yields Comparison Between U.S. Cities and Global Home Cities

This means that a typical property that costs $500,000 would generate approximately $17,450 in rental income in the U.S. and only $6,950 if it were located in one of the other global home cities. **Investing in U.S. residential estate can earn you 2.5 times more on average than at home. And if you reside in Sydney or Hong Kong, investing in the U.S. can be up to 6 times more profitable than at home.**

The Tax Bark Worse Than Its Bite

There is a common misconception that the U.S. tax regime makes property investing difficult and not feasible. The data has shown that this is unfounded, and investors continue to reap higher rental yields even after accounting toe income and property taxes.

Across all the locations we studied, the U.S. cities still returned 2.5 times more rental income than the global home cities, with the average after-tax yields in the U.S. at 3.40% versus 1.36% in the global home cities.

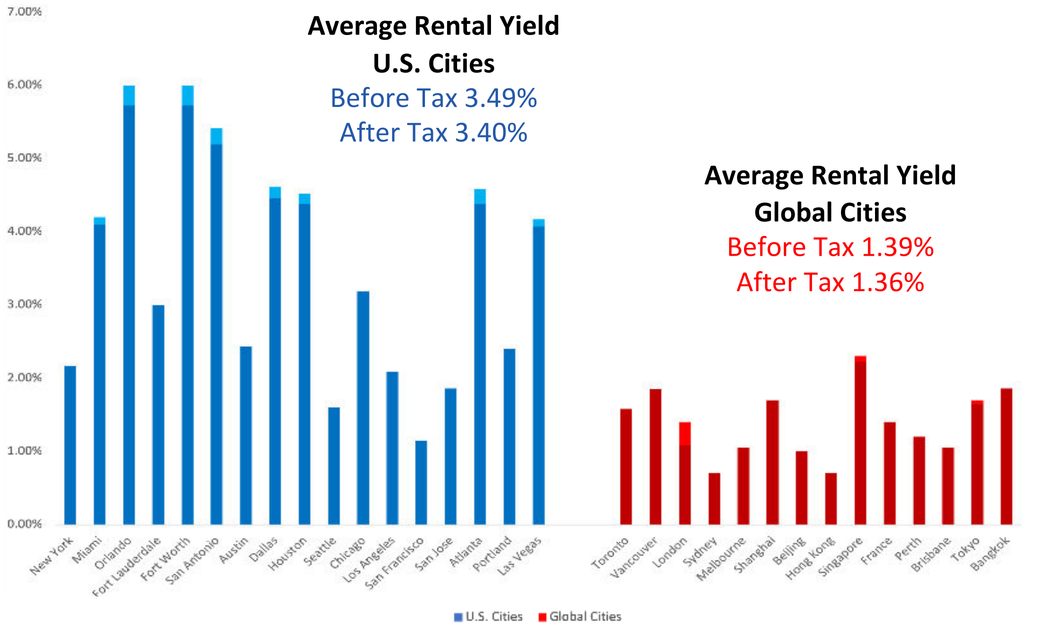


Fig 2.3 Before and After Tax Rental Yields Comparison Between U.S. Cities and Global Home Cities

In Comes the Rent

Let us now determine how much more or less rental income you can generate from an overseas property investment compared to your home city. Fig 2.4 compares the average rental yields between the various global home cities, with the numbers in the table showing the rental yield differential between the destination city (leftmost column) and one of the home cities (top row).

	Toronto	Vancouver	London	Sydney	Melbourne	Shanghai	Beijing	Hong Kong	Singapore
Toronto	-	-0.27%	+0.50%	+0.88%	+0.53%	-0.12%	+0.58%	+0.88%	-0.64%
Vancouver	+0.27%	-	+0.77%	+1.15%	+0.80%	+0.15%	+0.85%	+1.15%	-0.37%
London	-0.50%	-0.77%	-	+0.38%	+0.03%	-0.62%	+0.08%	+0.38%	-1.14%
Sydney	-0.88%	-1.15%	-0.38%	-	-0.35%	-1.00%	-0.30%	0.00%	-1.52%
Melbourne	-0.53%	-0.80%	-0.03%	+0.35%	-	-0.65%	+0.05%	+0.35%	-1.17%
Shanghai	+0.12%	-0.15%	+0.62%	+1.00%	+0.65%	-	+0.70%	+1.00%	-0.52%
Beijing	-0.58%	-0.85%	-0.08%	+0.30%	-0.05%	-0.70%	-	+0.30%	-1.22%
Hong Kong	-0.88%	-1.15%	-0.38%	0.00%	-0.35%	-1.00%	-0.30%	-	-1.52%
Singapore	+0.64%	+0.37%	+1.14%	+1.52%	+1.17%	+0.52%	+1.22%	+1.52%	-
France	-0.18%	-0.45%	+0.32%	+0.70%	+0.35%	-0.30%	+0.40%	+0.70%	-0.82%
Perth	-0.38%	-0.65%	+0.12%	+0.50%	+0.15%	-0.50%	+0.20%	+0.50%	-1.02%
Brisbane	-0.53%	-0.80%	-0.03%	+0.35%	0.00%	-0.65%	+0.05%	+0.35%	-1.17%
Tokyo	+0.06%	-0.21%	+0.56%	+0.94%	+0.59%	-0.06%	+0.64%	+0.94%	-0.58%
Bangkok	+0.28%	+0.01%	+0.78%	+1.16%	+0.81%	+0.16%	+0.86%	+1.16%	-0.36%

Fig 2.4 Rental Yield Comparison Between Various Global Home Cities

Numbers in green indicate a higher rental yield in the destination city than in your own city, while those in red denote that it is better to invest in your own city than in the destination city. For example, a Shanghai resident will enjoy 0.52% more from rental income in Singapore compared to in Shanghai, and 0.65% less if the property were in Brisbane.

However, as the difference in rental yields in Fig 4.2 varies between -1.17% and +1.52%, there does not seem to be any distinct advantage from investing either at home or in one of the other global cities outside the U.S., as they all offer relatively low and similar rental yields.

In contrast, Fig 2.5 compares the average rental yields in the global home cities against those in U.S. cities. It has many more green than pink cells in the table, meaning that it is almost always advantageous to invest in rental property in the U.S., where you can earn more than five percentage points higher than in one of the global home cities.

In fact, if you live in London, Sydney, Melbourne, Beijing, or Hong Kong, you should always consider investing in a U.S. property for rental income, as yields are all higher compared to your home city.

	Toronto	Vancouver	London	Sydney	Melbourne	Shanghai	Beijing	Hong Kong	Singapore
New York	+0.59%	+0.32%	+1.09%	+1.47%	+1.12%	+0.47%	+1.17%	+1.47%	-0.05%
Miami	+2.52%	+2.25%	+3.02%	+3.40%	+3.05%	+2.40%	+3.10%	+3.40%	+1.88%
Orlando	+4.14%	+3.87%	+4.64%	+5.02%	+4.67%	+4.02%	+4.72%	+5.02%	+3.50%
Fort Lauderdale	+1.42%	+1.15%	+1.92%	+2.30%	+1.95%	+1.30%	+2.00%	+2.30%	+0.78%
Fort Worth	+4.14%	+3.87%	+4.64%	+5.02%	+4.67%	+4.02%	+4.72%	+5.02%	+3.50%
San Antonio	+3.61%	+3.34%	+4.11%	+4.49%	+4.14%	+3.49%	+4.19%	+4.49%	+2.97%
Austin	+0.85%	+0.58%	+1.35%	+1.73%	+1.38%	+0.73%	+1.43%	+1.73%	+0.21%
Dallas	+2.88%	+2.61%	+3.38%	+3.76%	+3.41%	+2.76%	+3.46%	+3.76%	+2.24%
Houston	+2.80%	+2.53%	+3.30%	+3.68%	+3.33%	+2.68%	+3.38%	+3.68%	+2.16%
Seattle	+0.02%	-0.25%	+0.52%	+0.90%	+0.55%	-0.10%	+0.60%	+0.90%	-0.62%
Chicago	+1.60%	+1.33%	+2.10%	+2.48%	+2.13%	+1.48%	+2.18%	+2.48%	+0.96%
Los Angeles	+0.51%	+0.24%	+1.01%	+1.39%	+1.04%	+0.39%	+1.09%	+1.39%	-0.13%
San Francisco	-0.44%	-0.71%	+0.06%	+0.44%	+0.09%	-0.56%	+0.14%	+0.44%	-1.08%
San Jose	+0.28%	+0.01%	+0.78%	+1.16%	+0.81%	+0.16%	+0.86%	+1.16%	-0.36%
Atlanta	+2.80%	+2.53%	+3.30%	+3.68%	+3.33%	+2.68%	+3.38%	+3.68%	+2.16%
Portland	+0.82%	+0.55%	+1.32%	+1.70%	+1.35%	+0.70%	+1.40%	+1.70%	+0.18%
Las Vegas	+2.49%	+2.22%	+2.99%	+3.37%	+3.02%	+2.37%	+3.07%	+3.37%	+1.85%

Fig 2.5 Rental Yield Comparison Between Global Home Cities and U.S. Cities

Let Someone Else Pay Your Mortgage

One of the most important benefits of investing in high-yield locations in the U.S. is that you will be able to pay off a sizeable portion of your mortgage loan using just the rental income you receive.

The portion of your mortgage payments that can be covered by your rental income is called the debt coverage ratio. If your rental income exactly matches your mortgage payments, your debt coverage is 100%.

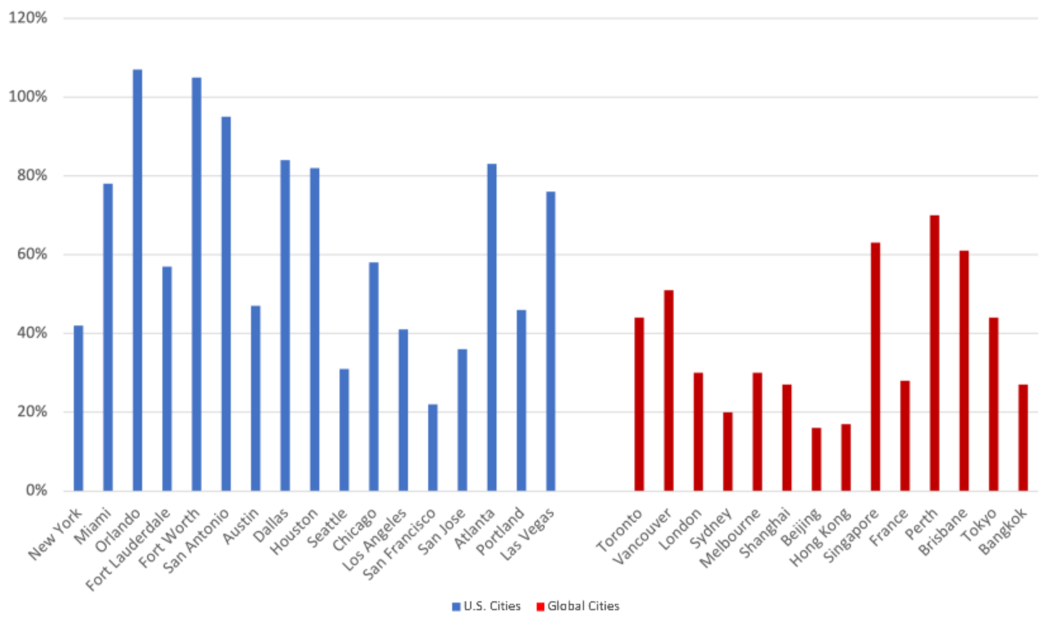


Fig 2.6 Debt Coverage Comparison Between U.S. Cities and Global Home Cities

In some U.S. cities such as Orlando and Fort Worth, the debt coverage ratio exceeds 100%, meaning that your annual post-tax rental income alone will be able to cover the entire annual mortgage payment, with some leftover to spare. Such high debt coverage is rare in the global home cities, where rental income seldom exceeds 60% of the mortgage payments. In Sydney, Beijing, and Hong Kong, the debt coverage ratio is barely 20%.

Chapter 2 Key Takeaways

Orlando, Fort Worth, and San Antonio offer the highest rental yields (Both Fort Worth and San Antonio are also at the top of the relative affordability comparisons in Chapter 1)

Income and property taxes do not significantly decrease how much more rental income you can earn from U.S. property compared to the global home cities.

To minimize cash outlays after your initial property investment, you should choose locations that offer high debt coverage.

Chapter 3

Let's Look Under the Hood

Jobs, Jobs, Jobs

Economic growth and development are often good reasons to invest in real estate, as they lead to an influx of new employees who need to either buy or rent housing. **Having lagged its lower cost peers for years, the U.S. is now seeing a resurgence in its vocational workforce.**

More than 40 years after the Japanese began their auto manufacturing dominance in the 1980s and twenty years after China became the "factory of the world," the U.S. economy has since retooled. There is a new breed of workers assembling smartphones, producing electric vehicles, and upgrading the nation's energy infrastructure. **In recent years, companies have even moved their operations back to the U.S. from low-cost locations, especially in Asia, which have become relatively more expensive.**

Our AM Job Prospect Index determines the potential for where this future job creation will take place. We track the number of large companies moving to various cities, the market capitalization of these corporations, and the size of their operations. The higher the number, the better the city's potential for job growth, demand for housing, and, therefore, potential for future appreciation in property prices.

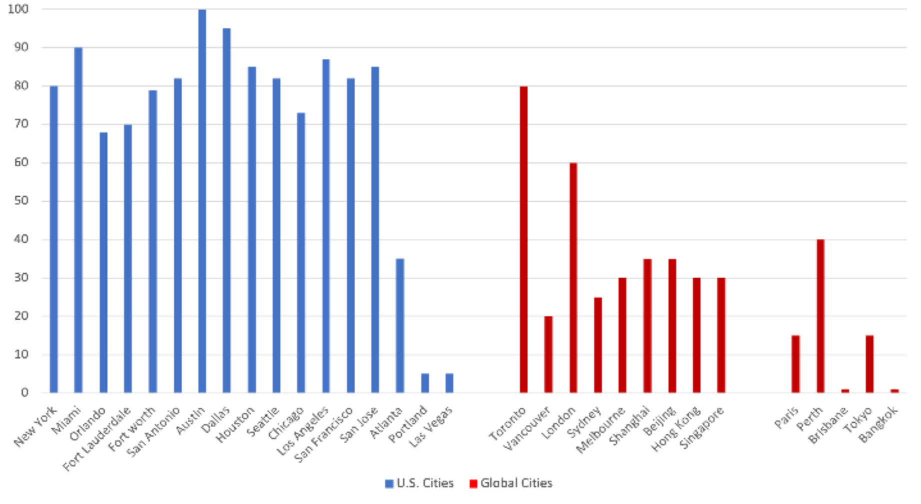


Fig 3.3 AM Job Prospect Index Comparison Between U.S. Cities and Global Home Cities

On average, the U.S. cities had bright job prospects compared to the global home cities. The average AM Job Prospect Index score for the U.S. is 70 while it is only 30 for the global home cities.

Topping the AM Job Prospect Index comparison is Austin, where several major technology companies, including Tesla, Amazon, Apple, Facebook, and SpaceX, have set up headquarters or are planning to expand their operations. Tesla’s new manufacturing plant in Austin alone is expected to employ more than 10,000 through 2022, while Amazon, Apple, and Facebook/Meta are each looking to hire another 2,000 workers in the coming months. **Other promising cities scoring high on the AM Job Prospect Index are Miami and Dallas.**

The knock-on effect from the economy on real estate prices is already apparent in several high-growth locations. **Property prices in <u>Austin</u> have risen 36% since 2020, while other cities in Texas – <u>Dallas, Fort Worth, and San Antonio</u> – registered a price increase of between 14% to more than 18% in that same period.**

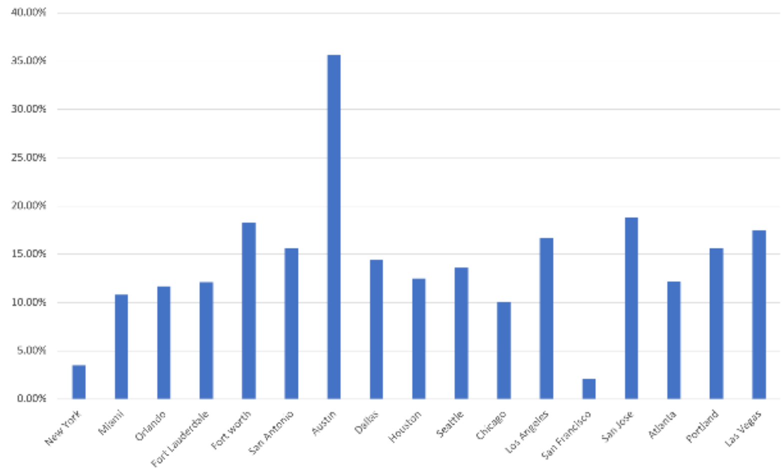


Fig 3.4 Real Estate Price Appreciation in U.S. Cities Since 2020

The China Effect

With almost USD 100B worth of transactions per year, the U.S. real estate market continues to attract investors from outside the U.S. The largest share of international buyers has consistently originated from China, Canada, and Mexico. China has been ranked the number one source of international buyers of U.S. residential real estate by the National Association of Realtors for five years running.

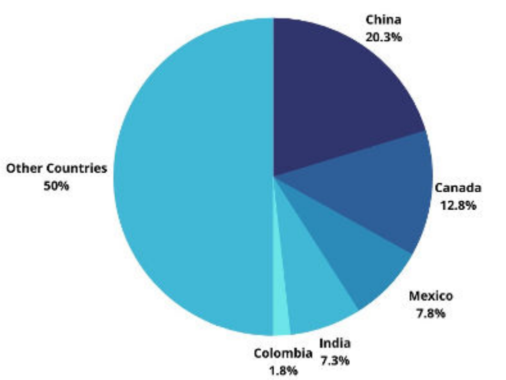


Fig 3.5 Foreign Buyers of U.S. Properties

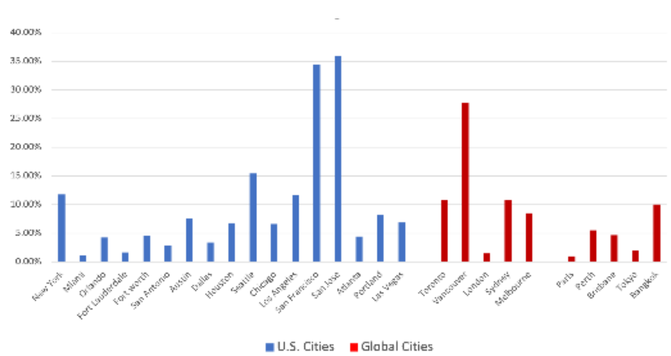


Fig 3.6 Percentage of Ethnic Chinese in Cities

When choosing to purchase property in overseas locations, Chinese buyers may be more likely to choose U.S. cities as they offer a sense of familiarity. Compared to just over 8% in major global cities that are not predominantly Chinese, on average almost 10% of the population in U.S. cities are ethnically Chinese.

Once in the U.S., Chinese buyers are also more likely to focus on cities where a higher percentage of ethnic Chinese reside, namely Los Angeles, San Francisco, New York, and Seattle.

High Tide Lifts All Boats

When wealthier residents move into a neighbourhood, they often renovate homes, making them more aesthetically appealing and equipped with better facilities. The addition of newer and more hip businesses further aids in an upward cycle of job creation, higher incomes, and higher property prices.

This process, known as gentrification, occurs when the influx of more affluent residents and businesses changes the character of a neighbourhood. **The National Community Reinvestment Coalition has ranked New York, Los Angeles, San Francisco, Houston, Austin, and Miami as the most gentrified cities in the U.S.**

As an investor, whether you are participating in the economic growth happening in the U.S. heartlands or joining other overseas buyers in New York and California, you stand to benefit as entire U.S. towns and cities continue to be transformed over time.

Chapter 3 Key Takeaways

Austin, Dallas and Miami have the best job prospects as a result of a resurgence of the U.S. economy.

The coastal cities of New York, Los Angeles, San Francisco, Seattle, and Miami will benefit from ongoing international demand.

As an investor looking for price appreciation, you will benefit first from the initial influx of people and capital, as well as from the longer-term effects of gentrification.

Chapter 4

Conclusion And City Rankings

In this last chapter, the 17 U.S. cities we studied in this report are ranked across affordability, rental yield, and their potential for price appreciation, with the latter being represented by the city's job prospects and how likely they are to gentrify. We then use these individual scores to generate an overall ranking table in Fig 4.2.

	Affordability Rank	Rental Yield Rank	Job Prospect Rank	Gentrification Rank
Atlanta	8	5	15	15
Austin	11	11	1	4
Chicago	2	9	12	11
Dallas	6	4	2	2
Fort Lauderdale	9	10	13	13
Fort Worth	3	1	11	11
Houston	4	5	5	3
Las Vegas	7	7	16	17
Los Angeles	15	14	4	7
Miami	10	6	3	5
New York	13	13	10	1
Orlando	5	1	14	8
Portland	12	11	16	16
San Antonio	1	3	7	6
San Francisco	17	17	7	9
San Jose	16	15	5	13
Seattle	14	14	7	10

Fig 4.1 Ranking of U.S. Cities Across Affordability, Rental Yield and Price Appreciation

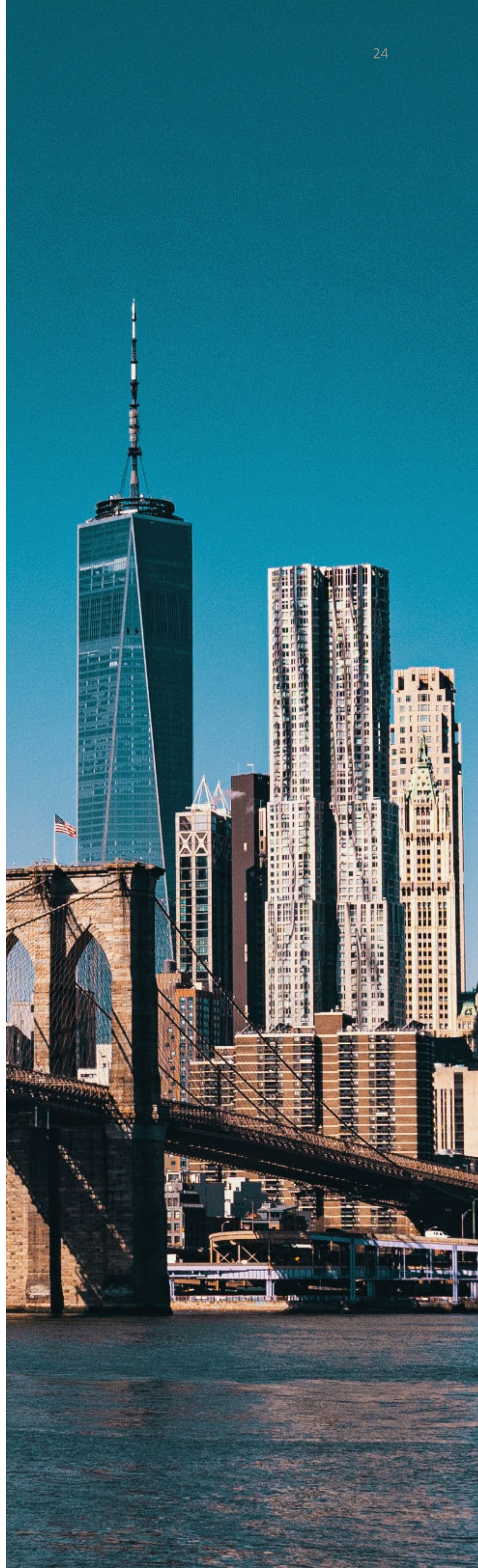
The top ten spots in our overall ranking are dominated by cities in Texas and Florida. San Antonio, Dallas and Houston occupy the top spots while Fort Worth and Austin, also in Texas, are within the top ten. Miami and Orlando, both in Florida, took the fifth and sixth positions, respectively. These locations enjoy an attractive combination of economic growth, high rental demand, and still affordable prices. They also offer ease of travel and a strong ethnic mix that draws international investors and visitors.

The coastal cities of San Francisco, New York, Los Angeles, and Seattle tend to command a premium and will continue to attract a certain profile of buyers. These cities have also enjoyed positive price appreciation since 2020 as a result of ongoing gentrification and demand from overseas buyers. International investors will find these established coastal cities attractive as they diversify their real estate investment portfolio, or if they currently reside in one of the more expensive or lower yielding global home cities.

City	Overall Rank
San Antonio	1
Dallas	2
Houston	3
Fort Worth	4
Miami	5
Orlando	6
Austin	7
Chicago	8
Atlanta	9
Las Vegas	10
Fort Lauderdale	11
Los Angeles	12
Seattle	13
San Jose	14
New York	15
Portland	16
San Francisco	17

Fig 4.2 Overall ranking of U.S. Cities

Disclaimer



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