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Foreign Direct Investment in the Los Angeles Real Estate Market

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ABSTRACT

The growing globalization of domestic housing markets has led to the rise of foreign investment in real estate; however, foreign investment in real estate has strong potential to impact domestic citizens. Past research alludes to foreign investment impacting housing prices, employment rates, and homelessness in varying ways depending on the affected demographic. This study utilizes data from the 2010 and 2020 U.S. Census' to analyze how foreign investment impacts housing prices, employment rates, and homelessness rates in zip codes of the Los Angeles metropolitan area. Furthermore, a comparison is drawn between how these elements have changed in the past decade as a result of the extent of foreign presence in the area. Ultimately, this paper deduces that housing prices rise, employment and homelessness rates fall, and homelessness rates change negligibly as a result of foreign investment in the Los Angeles area.

Introduction

Over the past decade, increasing globalization of real estate has resulted in a strengthened presence of foreign investors in domestic real estate markets. Foreign direct investment pertains to the cross-border investment of capital in financial markets which increases the influence and presence of the investment entity in a foreign society (Duce, 2003; "OECD," 2021). This paper will define real estate as residential and commercial property. Despite broad foreign direct investment rates in various markets radically falling in recent years due to the Corona-Virus, global housing markets have seen a sharp increase in current and potential value (Wang, 2021). Growing public sentiment regarding housing pricing potential alludes to a future increase in foreign investment in real estate, thereby suggesting that a strong emergence of foreign investment in real estate is imminent.

Foreign investment rates in real estate radically impact all levels of domestic societies; however, foreign investment has the greatest potential to revolutionize domestic housing markets and thereby impact individual citizens. On an individual scale, foreign investment in domestic housing markets has a potential to disenfranchise local citizens or provide new opportunities to locals. Foreign investment in real estate can limit local citizens' access to housing opportunities as a result of high housing prices and high rate of investment which can create extreme volatility in housing prices (Liu and Gurran, 2017). Furthermore, foreign investment in commercial real estate greatly impacts employment rates of various industries by providing or taking away office and industrial space for local businesses (Rosen et al., 2017). Lastly, the financialization of domestic housing markets by foreign investors has emphasized the goal of foreign investors to profit off of real estate, thereby increasing housing prices to an unaffordable extent and contributing to homelessness and high vacancy rates (Leijten & Bel, 2020). In the backdrop of foreign investing, governments play an integral role in incentivizing or de-incentivizing foreign investment in housing markets through regulatory policies which have the potential to generate substantial tax revenue or limit the freedom of foreign investor housing development projects (Gotham, 2006). The aforementioned themes regarding how foreign investment impacts individuals will serve as the key factors in this paper.

While current sources can identify how foreign investment operates in international and domestic real estate markets, large gaps of knowledge exist in specific metropolitan and surrounding suburban markets. Most notably, highly populated cities and suburban demographics of high economic value and population sizes lack sufficient information regarding how foreign investment in real estate impacts them. Therefore, this paper will investigate the following question: How does foreign investment in the real estate markets of communities surrounding Los Angeles impact local housing prices, homelessness rates, and employment rates? By focusing into a narrow group and specific geographic location, the aforementioned question can meaningfully contribute to the current gap in research.

Literature Review

Mean Housing Prices and Speculative Housing bubbles

Foreign investment in real estate can often lead to small scale increases in the overall real estate prices of the affected market. Vania Georgieva, a policy analyst with a masters degree in economics, asserts that there is a positive trend between foreign investment in real estate and housing prices in the area of investment (Georgieva, 2017). An academic and explorative paper extending upon a thesis pertaining to foreign investors and housing prices supports Georgieva's findings, ultimately determining that foreign investors undoubtedly increase housing prices (West & Botsch, 2020). Notably, West and Botsch warn that the positive relationship between foreign investment in real estate and housing prices can lead to unaffordability and unstable housing prices.

Multi-varied analysis of foreign investment in domestic real estate identifies local property owners as the most prominent individuals who suffer from the housing boom-bust cycles associated with speculative housing bubbles. In his paper determining the relationship foreign investment has with housing prices, Hassan Gholipour, an associate professor at Western Sydney University specializing in applied economics, identifies that foreign real estate investment (FREI) in growing economies can increase employment rates, stimulate the economy, and spur infrastructure development; however, Gholipour advocates for a limitation of FREI despite these benefits as FREI can create speculative housing bubbles which drive prices into a volatile state (Gholipour, 2013). Gholipour's paper on FREI's potential to create housing bubbles emphasizes the danger of speculation because it can deprive local residents access to housing by radically increasing prices. Furthermore, the changes that the housing market endures as a result of speculative bubbles expands housing volatility potentials, thereby resulting in crashes which diminish housing values. Chris Mayer and Alex Chinco, professors of finance and business at Columbia College and New York University respectively, understand that limited FREI can increase housing prices, but excessive and concentrated FREI can create a "spillover effect" which lowers housing prices by decreasing demand (Chinco and Mayer, 2011). Mayer and Chinco attribute drops of up to ten percent in global housing markets to concentrated housing purchasing from uninformed and irresponsible investors who blindly stress domestic housing markets through speculation. Chinco and Mayer prove that controlled foreign investment can support local citizens economically, yet foreign investors often push price boundaries and create issues for domestic housing markets. In their study on investor contagion supported Duke University, economics professors Bayer, Magnum, and Roberts investigate how more local residents invest in local real estate simultaneously with high degrees of foreign investment; however, these local investors then suffer economically from a housing market crash following their inadvertent stressing of a speculative housing bubble (Bayer et al., 2021). This study's findings expose the secondary and indirect result of FREI on locals. As foreign investors increase housing prices through investment, locals exacerbate the housing bubble by attempting to profit off of the temporary market increase created by foreign investment. Inevitably, housing markets crash and the financial state of local citizens suffers. Ultimately, recent literature reveals how the creation of speculative bubbles through FREI leaves many local residents to deal with crashing market prices.

Homelessness and Housing Occupancy

Foreign investment in real estate impacts housing vacancy rates by providing or taking away potential ownership and rental opportunities for locals. A study on the real estate market in the UK identified that markets with foreign investment present have significantly higher rates of housing vacancy (Sa, 2017). As a result, local citizens' access to housing lowers because foreign investors maintain the vacancy of their real estate investment. Professors of Property, Construction, and Project Management at RMIT University in Melbourne identified in a study on the Sydney real estate study that a 1% increase in vacancy rates contributes to a 6.93% decrease in the directly affected real estate market and a 2.65% decrease in surrounding real estate markets (Mintah et al., 2020). These two studies reveal that foreign investors directly minimize housing opportunities for local citizens and subsequently decrease housing prices in the direct city of investment and in adjacent cities by lowering the number of citizens participating in local markets.

On a much more severe scale, foreign investment in residential real estate has the potential to heighten homelessness rates. In its reflective study on the 2008 global financial crisis and consequent housing market crash in the United States, the Netherlands Quarterly of Human Rights observed an alarming rise in homelessness following an enormous influx of foreign investors who purchased real estate during the fall of the U.S. housing market. As foreign investors aimed to profit off of the desperation of evicted United States citizens, they raised housing rental and purchasing prices to the extent that expanded homelessness through a lack of accessible housing (Leijten & Bel, 2020). This article exposes the intense financialization of housing in the U.S. by foreign investors, which often sacrifices social good for economic gain. This trend reveals how foreign investors contribute to a rise in homelessness rates through harsh capitalizations of the housing market. A research report at Dublin City University emphasized how foreign investment in commercial and residential real estate can cause temporary uptrends in wider markets as a result of real estate interconnectedness with the economy and thereby decrease homelessness rates (Lima, 2020). This report exhibits the potential of foreign investment to help failing domestic economies and serve as a spark of economic growth for economies to reduce homelessness rates.

Employment Opportunities

In the commercial real estate market, foreign investment plays a profound role in providing or limiting job opportunities for local citizens. An academic thesis written by Bachelors of Economics and Engineering Liang and Yoon at the Massachusetts Institute of Technology concluded that foreign investors overwhelmingly choose to direct their investment into large metropolitan cities, areas of high mean personal income, and high rates of employment (Liang & Yoon, 2011). These preferences of foreign investors often concentrate foreign ownership intensely into small geographic locations. What impact does this high concentration of foreign investment in commercial real estate have in employment rates? The ASEAN Economic Bulletin, a reputable academic organization specializing in economics attributes rises in employment rates to foreign investors in commercial real estate who spur industry by creating manufacturing outlets and provide workspaces for locals (Nguyen, 2011). However, the Congressional Research Service of the United States questions the net impact of foreign investment on American employment rates, as they cite that 99% of foreign investors' employment comes from previously employed individuals of American firms purchased by foreign entities (Jackson, 2017). A study on foreign investment's impact on U.S. corporations, funded by the non-profit organization Real Estate Research Institute, identified that foreign investment in commercial real estate can replace domestic capital and repurpose profit to foreign markets, thereby outcompeting local businesses and forcing their relocation to low-quality office cites which inhibit effective work (McAllister & Nanda, 2015). Modern literature lacks a consistent consensus on the effect of foreign investment in real estate on American employment.

Constraining Tax Policies and Common Law in the Foreign Real Estate Market

Overarching federal policies often impact the rates of foreign investment in real estate by changing taxation on foreigners and regulating the usage of the property. The United States has one overarching taxation act which pertains to foreign investors called the Foreign Investment in Real Property Tax Act (FIRPTA) that ensures that foreign investors cannot store capital in the U.S. communities without being subject to high taxation policies. FIRPTA asserts that foreign investors' property endures similar taxation to American citizens' houses; however, many criticisms exist regarding the ease of maneuvering around FIRPTA's regulations (Herzig, 2016). Nevertheless, FIRPTA can present obstacles to foreign investors looking to store capital in real estate. In an academic study published by the National Tax Association concerning how REIT's respond to changes in federal tax policy, Margot Howard and other professors associated with finance determine that strict federal laws such as FIRPTA often prohibit foreign investment in real estate and guide investment to other countries as foreign investors disagree with what they perceive to be unreasonable taxation rates (Howard et al,. 2015). Another federal policy affecting real estate called the Patriot Act de-incentivizes foreign investment by requiring extensive documentation to ensure that dangerous personnel do not acquire a financial stake in the United States real estate market (Murray, 2015). In summation, U.S. federal policies impact all housing owned by foreign investors through regulating the usage, taxation, and process of acquisition of real estate.

On a state by state basis, freedom with property modification, usage, and acquisition can also vary greatly. In his paper on regulations in the housing market, the President of the University of Oregon, Michael Schill, notes that local and state governments modify taxation policies on housing based upon localized state tax goals and programs. (Schill, 2005). The uniqueness of independent towns, cities, and states leaves a wide variety in their choice on how to monitor taxation in housing. Foreign investors therefore likely have varying preferences on where to invest in real estate based upon taxation programs in certain locations. Well-respected non-profit organization, the Lincoln Institute of Land Policy, notes that property prices and tax rates in certain locations are highly dependent on one another, as a location of high property values can match the tax revenue of a location with low property prices with far less taxation in percentage (*50-State Property Tax Comparison Study*, 2017). This implies that American states of high average home values can implement lower taxation policies than many other states and thereby attract foreign investors. This proves that the choices of where to locate foreign investment depend highly upon individual states and their tax programs and economic qualities.

Gap in Knowledge

Recent literature lacks sufficient information on foreign investment in specific housing markets. Individual case studies on global powerhouse cities rarely exist, and therefore a modern understanding of foreign investment's impact in areas of high economic value and population sizes is missing. This study will target the Los Angeles real estate market which has a high degree of foreign investment in real estate as a result of its prominence in global markets and rising real estate markets. By developing an understanding of how foreign investment impacts local citizens in Los Angeles, this paper can establish an argument supporting or criticizing the impact of foreign investors in local real estate.

Methods

Study Design

This study utilized a mixed methods research approach to draw conclusions. A mixed methods research paper consists of complementing qualitative and quantitative data collected by various independent researchers that collectively reveals patterns to answer a research goal (Creswell, 2012). By developing connections between unique quantitative data points and qualitative research from independent sources while looking into unique geographic locations, the researcher avoided a regurgitation of recent literature and effectively contributed new conclusions. This paper required a mixed methods methodology to collect data due to the specificity of the research's geographic focus and limited available data pertaining to Los Angeles.

Procedures

Firstly, the researcher identified a resource which could track the number of cash-purchased houses broken up by zip codes in Los Angeles. Foreign investors often purchase homes in cash because it results in discounted transaction fees, shorter purchasing times, and they do not qualify for loans due to legalities (Han & Hong, n.d.). To further substantiate the presence of foreign investors in a zip code, the researcher identified an international realty website and narrowed down the scope of housing listings by zip code to identify the access that foreign real estate entities have to specific housing markets. Similarly, the researcher found a website focusing on local real estate to see how access to housing differs for locals. After the researcher identified the ratio of cash-purchases to the number of homes bought in a zip code and identified the number of homes available on international realty websites versus local realty websites in a zip code, the researcher could determine foreign presence in specific housing markets. To see how foreign investment in housing impacts a community, the researcher found locations with high, moderate, and low prescenses of foreign investment. A high extent of foreign investment was defined as 35% or more of homes bought in cash and 60% or more of homes available locally versus homes available internationally. A medium extent of foreign investment was defined as 20% to 35% of homes bought in cash and 40% or more of homes available locally versus homes available internationally. A low extent of foreign investment was defined as 10% to 20% of homes bought in cash and 40% or more of homes available locally versus homes available internationally. The researcher found local and national databases to collect information which related to housing prices, employment rates, and housing vacancy. The researcher then identified academic sources which explained how specific data categories connect to the three areas of interest in this study.

Instruments

The researcher used local and international sources to collect data. More specifically, the researcher used Sothebey's International Realty website and narrowed down search results by zip code to reflect the access that foreign buyers have to a real estate market. In contrast, the researcher used The Local Realty website to identify how many homes were available for sale in a specific zip code for locals. Lastly, the researcher created a ratio between the number of homes available on local realty and international realty websites to identify the percentage of access that foreign investors have to a specific zip code. To further substantiate the researchers understanding of foreign presence in a community, the researcher used calmatters.com which provided information regarding homes bought in cash by zip code from 2005 to 2017. This validated the researchers' understanding of foreign presence in housing as foreign buyers frequently purchase homes in all-cash. The 2010 and 2020 U.S. Census were then used to track data points which had correlations to changes in housing prices, employment rates, and housing vacancy or homelessness rates over time. The Los Angeles Database provided further information about more specific time periods and data which pertained to the three areas of study. The researcher narrowed down data by zip code and year from the various databases. The data points which were investigated had connections to housing prices, employment rates, and housing vacancy as articulated by academic studies.

Results and Data Analysis

Table 1. Classifying the Extent of Foreign Investment in a Zip Code

	International Realty Availability Versus Local Real Estate Availability	Percentage of Homes Purchased in Cash	Extent of Foreign Investment
Palm Springs (92264)	63%	50%	High
San Marino (91108)	78.4%	36.8%	High
Malibu (90265)	62.5%	38%	High
Monterey Park (91754)	40.7%	23.9%	Medium
Palos Verdes Peninsula (90274)	47.6%	23%	Medium
Manhattan beach (90266)	75.6%	21%	Medium
Downey (90241)	42.9%	11%	Low
Montebello (90640)	70.2%	14.8%	Low
Glendale (91208)	60%	12.9%	Low

The data collected concerning housing availability for international buyers versus local buyers and the percentage of homes purchased in cash by zip code provide an estimate for the extent of foreign investment by geographic location. The determination of high, medium, and low foreign investment persists throughout the data collection and helps reveal how different extents of foreign investment impact data points.

Housing Prices

Table 2. Housing Prices in Areas of High Foreign Investment in Real Estate

	Palm Springs	San Marino	Malibu
Change from 2010 to 2020	%	%	%
Median Gross Rent Monthly	15.70%	64.60%	20.10%
Median Housing Price	13.10%	100.00%	100.00%
Housing Units	6.11%	12.20%	7.86%

Table 3. Housing Prices in Areas of Medium Foreign Investment in Real Estate

	Monterey Park	Palos Verdes Peninsula	Manhattan Beach
Change from 2010 to 2020	%	%	%
Median Gross Rent Monthly	-1.60%	34.10%	32.30%
Median Housing Price	24.30%	100.00%	100.00%
Housing Units	-4.29%	8.55%	2.22%

Table 4. Housing Prices in Areas of Low Foreign Investment in Real Estate

	Downey	Montebello	Glendale
Change from 2010 to 2020	%	%	%
Median Gross Rent Monthly	19.30%	17.10%	24.40%
Median Housing Price	8.90%	7.80%	21.20%
Housing Units	-7.18%	-0.65%	-5.58%

Housing prices have the most direct correlation with foreign investment and therefore a relationship can be drawn between foreign investment and housing prices through the following data points: median gross rent, median housing price, and number of homes established. Median gross rents in specific counties change depending on the housing prices of that location; therefore, positive or negative changes in rental prices reaffirm or refute the changes to median housing prices from a specific geographic location (Gallin, 2004). Areas of high foreign investment experienced a vast amount of growth in both median housing price and average rental prices from 2010 to 2020, showing strong signs of speculative housing bubbles, inflation, and interest from both foreign and domestic populations. The simultaneous rise of monthly rental costs and median housing prices reveal that housing value undoubtedly flourished from 2010 to 2020 in areas of high foreign presence. Notably, areas of medium foreign investment experienced similar patterns of growth, highlighting the likelihood of factors outside of foreign investors in creating this positive change in housing prices. Areas of low foreign investment too saw increases in monthly rental fees and median housing prices; however, the values in areas of low foreign investment increased in actual value to a much smaller extent than areas of high and medium foreign investment as reflected by data tables 11-19 (Appendix). A study from the Journal of Housing Economics identified that the establishment of new residential housing stems from demand which slightly raises housing prices as more individuals gain interest (Zahirovich-Herbert & Gibler, 2014). Furthermore, a decrease in housing availability also increases housing prices by lowering supply. As a result, large changes in lowering or increasing residential housing will increase prices. As anticipated, areas of high foreign investment saw increases in the number of established residential homes which speaks to a growing demand for housing in a small geographic location and a subsequent increase in median housing prices. On the contrary, areas of low foreign investment saw decreases in housing numbers which led to increases in median household values. The difference between the positive change in median housing value is accredited to low supply in areas of low foreign investment and high demand in areas of high foreign investment.

Homelessness

Table 5. Homelessness Data in Areas of High Foreign Investment in Real Estate

	Palm Springs	San Marino	Malibu
Change from 2010 to 2020	%	%	%
Poverty	-2.80%	-14.10%	-34.30%
Population per square mile	9.40%	-2.70%	-15.80%
Owner Occupied Housing Rates	58.60%	2.00%	43.40%

Table 6. Homelessness Data in Areas of Medium Foreign Investment in Real Estate

	Monterey Park	Palos Verdes Peninsula	Manhattan Beach
Change from 2010 to 2020	%	%	%
Poverty	-71.40%	68.60%	-5.90%
Population per square mile	-3.60%	7.20%	-1.90%
Owner Occupied Housing Rates	-1.70%	1.30%	10.30%

Table 7. Homelessness Data in Areas of Low Foreign Investment in Real Estate

	Downey	Montebello	Glendale
Change from 2010 to 2020	%	%	%
Poverty	-26.70%	-5.40%	-8.20%
Population per square mile	-2.70%	-3.20%	1.70%
Owner Occupied Housing Rates	3.70%	-2.50%	-8.60%

In order to determine how foreign investment impacts homelessness, one must observe changes in poverty rates, population per square mile, and owner occupied housing rates. A research study published by Heriot-Watt University notes that poverty rates are highly related to housing markets because housing markets can disproportionately impact lower classes by creating inescapable debt and minimizing the affordability of basic housing (Johnsen & Watts, 2022). Debt and low affordability then result in heightened rates of homelessness. The collected data about poverty rates reveals inconsistencies in the hypothesized patterns as high foreign investment did not witness changes to poverty rates to a substantially different rate than areas of medium or low foreign investment in housing. Outlier data exist in Montebello Park which saw an excessive decrease in poverty rates which cannot be solely attributed to foreign investment in housing. Both areas of low and high foreign investment witnessed respective percentage decreases of one to three percent. In conjunction with the aforementioned study from Heriot-Watt University, it can be concluded that areas of strong foreign investment do not change homelessness, as indicated by poverty rates, in a notable way. Secondly, a study by Jessica Silber from John Carroll University identified that population densities directly relate towards homelessness as a higher density results in more competition and lower availability for housing (Silber, 2019). Areas of low foreign investment witnessed miniscule and insignificant changes to population per square mile data from 2010 to 2020. On the contrary, areas of high foreign investment witnessed more statistically significant changes as population per square mile in both the positive and negative direction due to smaller population per square mile sizes. A lack of unison in the direction of changes in areas of high foreign investment implies that no strong linear relationship exists between population densities and foreign investment. In conclusion, foreign investment does not impact housing availability as revealed by inconsistent changes in population densities, implying that there were no increases in housing competition or affordability issues as articulated by Jessica Silber. Lastly, a research report from the U.S. Department of Housing and Urban Development on market predictors of homelessness found that owner occupied housing rates correlate to homelessness as lower owner occupied rates and therefore higher renter occupied housing protects communities homelessness by providing more availability for housing (Nisar et al., 2019). Areas of high foreign investment experienced substantial increases in owner occupied housing rates from 2010 to 2020. Therefore, housing rental opportunities diminished and homelessness increases likely ensued as rental opportunities diminished. Importantly, areas of low foreign investment saw either no change or a decrease in owner occupied housing rates, revealing how foreign investment is a factor in decreasing rental opportunities and therefore creating homelessness.

Employment

Table 8. Employment Rates in Areas of High Foreign Investment in Real Estate

	Palm Springs	**San Marino**	**Malibu**
Change from 2010 to 2020	%	%	%
Foreign born population	-7.00%	12.30%	-33.10%
Minority Owned Firms Versus Non-Minority Owned Firms in 2012	25.80%	60.10%	13.10%
In civilian labor population percentage	-3%	-4.00%	7%

Table 9. Employment Rates in Areas of Medium Foreign Investment in Real Estate

	Monterey Park	**Palos Verdes Peninsula**	**Manhattan Beach**

Change from 2010 to 2020	%	%	%
Foreign born population	-0.40%	34.80%	16.70%
Minority Owned Firms Versus Non-Minority owned firms in 2012	91.30%	27.00%	17.90%
In civilian labor population percentage	-12%	-4%	-4%

Table 10. Employment Rates in Areas of Low Foreign Investment in Real Estate

	Downey	Montebello	Glendale
Change from 2010 to 2020	%	%	%
Foreign born population	-6.60%	2.70%	-3.30%
Minority Owned Firms Versus Non-Minority owned firms in 2012	23.40%	82.90%	29.70%
In civilian labor population percentage	5%	16%	6%

Employment rates have a more nuanced relationship with foreign investment as factors outside of foreign investment have strong correlations with employment rate changes; however, looking into foreign born population changes, minority versus non-minority owned firms, and in civilian labor population percentage changes can best collectively estimate how foreign investment uniquely changes employment rates. On a broad level, civilian labor population changes from 2010 to 2020 display how employment rates change from foreign investment. Areas of high and medium foreign investment presence witnessed marginal decreases in employment rates from 2010 to 2020 with the exception of Malibu as demonstrated by data tables 29 to 34 (Appendix). This data is valuable as areas of higher foreign investment typically saw decreases in employment rates while all areas of low foreign investment saw increases to employment rates. Evidently, the presence of foreign investors does not only slow employment rate growth but it also counteracts it. Data concerning foreign born population and minority versus non-minority owned firms together analyze the commercial real estate market and how increases in minority owned firms and foreign born populations displace local citizens jobs, heighten competition, and lower local unemployment rates. As there is no data available from 2020 on minority versus nonminority owned firms, the 2010 data will serve as a rough estimate for foreign presence in commercial real estate. Minority versus nonminority owned firm proxy data had a vast array of data which showed no clear distinctive patterns between areas of high, medium, and low foreign presence. Nonetheless, areas of high foreign investment saw smaller ranges of minority versus nonminority owned firms with lower mean percentages than areas of low and high foreign investment. This implies that areas of high foreign investment provide lesser competition for local citizens in employment as they have smaller foreign presence in various industries. Areas of medium and low foreign presence saw small changes in foreign born persons but had a larger mean foreign born population percentage than areas of high foreign investment as demonstrated by data tables 32 to 37 (Appendix). This pattern shows that areas of high foreign presence in real estate often have smaller foreign born population percentages that therefore do not challenge local employment rates as much.

Limitations and Implications

Limitations exist in both the researchers' chosen method of study and chosen data points of inquiry. The determination of high, medium, and low foreign investment geographic areas required an innovative approach as no direct data exists pertaining to this topic. Therefore, the researcher utilized data on foreign access to small real estate markets by measuring the quantitative differences in housing listings on international versus local real estate websites. The two utilized real estate websites may not have reflected all homes which were available as both foreigners and locals could have accessed other online resources to find real estate. Additionally, quantitative differences in access that foreigners have to a market versus locals depends highly on momentary, modern updates on housing listings which change on a daily basis. As a result, percentages of homes available internationally versus locally can vary vastly over small time intervals and change the researchers' understanding of how much access foreigners have. The researcher also investigated the number of homes purchased in cash in a zip code, a datapoint which typically reflects foreign investment as foreigners buy in cash more commonly than locals. Limitations exist in the researchers' reliance on cash-purchased homes as local citizens also purchase homes in cash and not all foreigners purchase homes in cash. As a result, foreign access to a market as determined by international and local real estate websites and cash-purchased homes provide a rough proxy for foreign presence which has a strong potential for deviation from predicted levels of foreign investment.

Additionally, the elected data points contain limitations as they do not change solely on the variable of foreign investment; rather, a multitude of microeconomic factors which can be much more significant than foreign investment could have modified data points from 2010 to 2020. Macroeconomic trends in the Los Angeles area too could have been responsible for changes to the data points over time as international, governmental, and domestic factors likely influenced many data points published by the U.S. Census. The researcher utilized data points which have substantial relationships to foreign investment in order to maximize the investigation on foreign investment of housing on employment rates, housing prices, and homelessness or housing vacancy.

Ultimately, limitations to the researchers' chosen method and elected data points may have hindered the accuracy of the researchers’ conclusions and produced null results.

Conclusion

This paper's research aims to answer the following question: How does foreign investment in the real estate markets of communities surrounding Los Angeles impact local housing prices, homelessness rates, and employment rates? The analysis of collected data displays that the impact of foreign investment in Los Angeles housing coincides with hypothesized patterns for housing prices and employment rates; however, null and uncertain results for homelessness and housing occupancy rates challenge the hypothesis.

Housing prices saw substantial and fast increases in areas of high foreign investment when compared to areas of lesser foreign investment in the Los Angeles Area. West and Botch’s aforementioned study regarding the unaffordability of housing due to foreign investment agrees with the witnessed patterns in the Los Angeles area as high degrees of foreign investment consistently increased housing prices by a substantial amount (West & Botsch, 2020). Extreme pricing increases create issues for local citizens as outlined by Hassan Gholipour’s research, resulting in unaffordability of housing that hurts local citizens' economic well being and drives away local citizens from areas of high foreign investment as a result (Gholipour, 2013). In summation, foreign investment in Los Angeles housing causes unaffordability of housing for locals and thereby forces locals to move away or struggle financially to meet the demands of a striving housing market. However, the primary factor hurting local residents' relationships is not speculative bubbles as cited by Gholipour, rather, drastic increases in housing prices hurt residents' economic security.

Employment rates changed minorly in a decreasing trend with increases in foreign investment in the Los Angeles area. This pattern concurs with the observations of the Real Estate Research Institute who remark that foreign investors direct capital into small geographic locations and outcompete local businesses as areas of high foreign investment saw general decreases in civilian labor population percentages over time (McAllister & Nanda, 2015). However, both minority versus nonminority owned firm data and foreign born population data revealed that areas of high investment provide little to no more foreign employment competition to the job market than areas unaffected by foreign investment. This agrees with the Congressional Research Service of the United States' determination that foreign investment in commercial real estate has almost no impact upon local employment rates (Jackson, 2017).

Data on homelessness produced null results as data points changed negligibly in the Los Angeles area. However, a small pattern existed between owner occupied housing rates and homelessness which revealed that areas of high foreign presence in real estate produced low rental housing availability for locals. This supports the findings of Leijten and Bel in the Netherlands Quarterly of Human Rights which determines that foreign ownership often raises prices of homes to an unaffordable extent which lowers available housing and prompts homelessness for locals (Leijten & Bel, 2020). Otherwise, data showed no patterns in areas of high foreign investment impacting homelessness.

Future Directions

Future research concerning foreign investment in the Los Angeles real estate market should develop upon the researcher's methodology by maximizing change in variables as dependent on foreign investment alone. Furthermore, a more secure method of determining foreign presence in a location should be developed to ensure that determined patterns are linked to more accurate extents of foreign presence. While the researcher's method determines broadly how foreign investment in housing changed data points related to employment, housing cost, and homelessness, further revisions and developments to this paper's procedure must develop methods of minimizing the influence of factors outside of foreign investment in real estate.

Future research can substantiate the conclusions of the researcher by using a method that adheres to the aforementioned improvements in order to broadly understand how foreign investment in real estate impacts important components of the impacted society in new geographic locations. This expansion of housing research could ultimately lead to developments in domestic and international housing governmental policy to create support for affected societies.

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