

## Why Is Washington DC Dropping In AFIRE's Survey?

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DC's K street

WASHINGTON, DC—Here we go again. Up until last year, Washington DC has been among the top five US cities cited by foreign investors as a market which they liked and saw as fitting for investment, according to the **Association of Foreign Investors in Real Estate (AFIRE)** annual survey. Then last year [we were bumped to No.6](#) on the list of US cities and No. 15 for global cities. This year the DC area made its way back on the top five US cities list but has fallen to 25th for global cities.

It is fair to wonder what is going on, especially when foreign investment is playing such a significant role in the market's overall office investment sales. Last year, according to CBRE, foreign investment accounted for [42% of the area's total office sales](#).

The obvious explanation is that the AFIRE survey captures foreign investors' attitude about CRE markets – not their intentions.

We turned to AFIRE CEO **Jim Fetgatter** for further insight. This is how he explains the dichotomy.

### **Some investors like safety; others have different goals**

A lot of the foreign investment going into Washington DC is coming from Asian Investors. I was just in Korea and Tokyo two weeks ago, talking to some of our members and investors and they are comfortable with being in Washington DC – it's a safe investment. Now, consider another type of foreign investor – a Canadian pension plan, a Dutch pension plan, German investors, people that have been investing for years in the US – they no longer are that concerned about safety. They're more tactical investors and have other investment goals and guidelines.

### **Washington DC still has problems**

There is the ongoing consolidation in the law firm tenants and the continued consolidation in the government, despite the few big leases they've done recently. And we have a President who ran on the idea of reducing government. If you're sitting anywhere else outside of this market, reading the headlines, you might think that space will continue to consolidate among DC's major office users.

### **Washington DC is synonymous with the office asset class**

Foreign investors in Washington DC typically go after office assets. And office space is not the darling of the moment among foreign investors – they have said they are more interested in distribution and warehouse space.