



François Ortalo-Magné

U.S. Continues to Be Hot Market for Foreign Investment, Survey by Graaskamp Center for Real Estate Finds

Foreign investors in real estate expect to spend significantly more around the world, particularly in the U.S., in 2009 than they did in 2008. These were the findings of the 17th annual survey by the Association of Foreign Investors in Real Estate (AFIRE) conducted by the Graaskamp Center. Nearly 200 members of AFIRE were approached in the fourth quarter of 2008 for their perceptions and opinions regarding cross-border real estate investment, real estate portfolio market values, investment allocations, and capital flows.

“Despite the recent turmoil in the U.S. economy, the appetite for U.S. real estate investment remains. Foreign investors continue to consider the U.S. as providing the best opportunities for capital appreciation and they report that finding U.S. real estate investment opportunities

is much easier now than it has been in a long time,” says François Ortalo-Magné, professor and chair of the Department of Real Estate. “A number of foreign investors sat 2008 out, but they are ready to move in aggressively in 2009 —particularly on the debt markets. And this is exactly what the commercial real estate markets need!”

Compared to transactions completed by October 2008, foreign real estate lenders say they plan to increase lending by 54 percent globally and by 58 percent in the U.S. Equity investors plan to increase investment activity by 40 percent globally and by 73 percent in the U.S.

For the first time in five years, AFIRE members report that finding attractive opportunities for real estate investment in the U.S. has become easier. Finding lending opportunities appears easier than finding equity investment opportunities.

A summary of survey findings shows:

- The U.S. continues to be considered the country with the most stable and secure real estate investment opportunities and the leading market for capital appreciation. Half of AFIRE members' top 10 global cities to invest in are located in the U.S.: Washington, D.C., ranks as the top city in the world for real estate investment; followed by London, New York, Tokyo, Shanghai, San Francisco, Los Angeles, Paris, Houston, and Singapore.
- Multi-family sector is the preferred property type for investment followed by office, industrial, retail, and hotel properties. A majority of AFIRE members report a general sentiment that the "green" attributes of a building do matter for investment decisions and can bring a greater rental premium.
- AFIRE members who are primarily lenders in the U.S. real estate market are planning a significant increase in U.S. real estate debt investments for 2009 compared to 2008, with a large majority of these members (80 percent) ranking U.S. debt investment opportunities at least on par with debt investment opportunities in other countries.
- The U.S. remains ranked as the leading country targeted for real estate acquisitions in 2009. AFIRE members

who are primarily equity investors in the U.S. real estate market are planning a reduction of their global real estate equity investments for 2009 compared to their plans for 2008, and a smaller decrease in real estate equity investments for the U.S.

- For 2009, survey respondents expressed a substantial preference for U.S. real estate, followed by properties in Germany, the U.K., China, and Japan. France dropped out of the top five targets for 2009. For future investments, India and Brazil were named the top two emerging markets.
- Brazil moved up 10 places to replace China as the second best opportunity for capital appreciation behind the U.S.
- AFIRE members who reported investment information together hold approximately one trillion dollars of real estate, including \$371 billion in the U.S.

Ortalo-Magné presented complete survey results at AFIRE's Winter Conference held on February 11-12, 2009 in New York. The survey results were reported in major media outlets, including the Wall Street Journal's MarketWatch, National Real Estate Investor, CNBC, Breitbart.com, and MSN Money Central.