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International Real Estate Investors Up Risk Factor

Washington (Jan. 24, 2007) Global real estate investors say their US real estate investment strategies for 2007 and beyond will include properties traditionally considered to have higher risk according to the results of the 15th Annual AFIRE Survey released today by the Association of Foreign Investors in Real Estate. Respondents to the survey say that “value-added” real estate is expected to comprise 25% of their portfolio in 2007, up six percentage points from 2006. The survey reflects the buying preferences of members of the association who collectively own \$601 billion of real estate globally, including \$184 billion in the US. The survey was conducted among AFIRE members by The Center for Real Estate, University of Wisconsin.

“The findings reflect investors’ desire to invest in US real estate despite macro uncertainties and competition from US institutional investors,” added François Ortalo-Magné, Robert E. Wangard chair in real estate, The Center for Real Estate, University of Wisconsin-Madison. “Consequently, they are showing a greater willingness to consider diversification strategies into secondary markets, outside of the core property types, and with creative financing and ownership structures.”

New Measures to Place Capital

Members say that **new measures to place new capital** in the US market over the next five years will draw on:

- off-market transactions,
- the development of joint-ventures, and
- the execution of a broader focus and geographic diversification.

Thirty percent of respondents said they would explore **new property types** as part of their US investment strategy. These include:

- infrastructure,
- resorts,
- senior housing,
- storage,
- student housing,
- research and science projects, and
- the acquisition of real estate companies.

Big Apple Bobs to Top

For the first time since 2001, when it shared the number one spot with Washington, DC, New York has emerged as foreign investors’ **top US city** for their investment dollars. This year, Washington drops from first place into second.

Other top cities:

- # 3 Los Angeles (unchanged from 2005),
- # 4 San Francisco (unchanged from 2005),
- # 5 Seattle (ranked fifteenth in 2004 and ninth in 2005).

Off the list in 2007: San Diego (falling from fifth to ninth place). To see trends since 1994 click [here](#).

Changes in US Property Type Preferences

1. Office buildings (unchanged from 2005)
2. Multi-family (missing first place by a fraction of a point)
3. Hotels (down from number two in 2005)
4. Industrial (unchanged from 2005)
5. Retail (down from number three in 2005)

Investment Levels to Increase

Globally, this year's survey indicates a median investment of \$500 million dollars by respondents in cross-border real estate investments in 2007, including \$250 million in the US. In 2006, the median investment was \$400 million globally, with \$200 million targeted to the US. "It is significant that for the second year in a row, the portion of the investment targeted to the US has remained consistent," adds Mr. Fetgatter.

Global Shifts

"The results of this year's survey manifest the most global viewpoint our members have ever expressed," said Mark Preston, chief executive, UK and Ireland, Grosvenor, and AFIRE's newly elected chairman. "The US still remains the strongest and safest conduit for cross-border real estate dollars, by a substantial margin—63%. But it is clear that our members are taking advantage of some of the opportunities inherent in emerging markets."

- While the USA remains the **preferred global country** for foreign investors' real estate dollars, only 23% of respondents say it has the best potential for capital appreciation, down from 44.4% in 2005 and 53.8% in 2004.
- India emerges as the country having the second highest potential for **real estate capital appreciation**, up from sixth place in 2005. Eighteen percent of survey respondents say real estate in India provides the second best opportunity for capital appreciation. The US has always held the number one spot, but this is the narrowest margin (5%) between first and second place in the survey's history. With 15% of survey respondents' votes, real estate in China continues to rank third.
- Among **top Asian countries** for investors' dollars, Japan and China remain in the first and second slots. India moves into third from fifth while Singapore falls from third to fourth place to tie with Hong Kong.
- While London remains the top **global city** for cross-border real estate investment, New York regains the number two spot, rising from third place in 2005, and fourth place in both 2004 and 2003. Washington, DC, which has held the number one or number two spot globally since 2002, falls into fourth place. Paris climbs from fourth place to third, and Tokyo maintains the fifth spot.
- In terms of global appeal, the survey shows **significant upward movement** for Munich, moving from number 21 in 2005 to seven this year, and Stockholm, from 29 to eight.

- Among Eastern European countries, Romania appears for the first time among the top five targets for investors' dollars. The top three Eastern European countries remain the Czech Republic, Poland and Hungary. Survey respondents who are targeting Eastern Europe for real estate investment have allocated an average of \$340 million to the region.
- Respondents say they expect Australians to be the top foreign competitors for US real estate, displacing Germany which held the number one spot since 1999.

Portfolio Compositions: Global and US

Not surprisingly, both globally and in the US, office buildings are the **mainstay of respondents' portfolios**.

- Respondents hold a slightly higher percentage of office buildings in the US (56% to 50%) than they do globally.
- They hold a slightly higher percentage of retail globally than they do in the US (22% to 18%).
- Both globally and in the US, respondents say multi-family comprises 12% of their portfolio.

AFIRE members have a common interest in preserving and promoting investment in cross-border real estate. Founded in 1988, AFIRE has nearly 200 members representing 17 countries. AFIRE is located at 1300 Pennsylvania Avenue, NW, Washington, DC; (202) 312-1400. www.afire.org

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Los Angeles Hangs Tight with Foreign R.E. Investors

Seattle Catches Eye of Foreign R.E. Investors

Munich Catches Eye of Foreign R.E. Investors

Stockholm Catches Eye of Foreign R. E. Investors

Romania Catches Eye of Foreign R.E. Investors

Australia Expected to Be Biggest International Buyer of US R.E.