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### **Substantial Up-Tick in Foreign R.E. Investment Expected in 2009**

-- Strong Signals for U.S. --

Washington D.C. (January 12, 2009) -- Foreign investors in real estate expect to spend significantly more in 2009 than they did in 2008. 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. according to the results of the 17th annual survey taken among the members of the Association of Foreign Investors in Real Estate (AFIRE) and released today.

The survey was conducted in the fourth quarter of 2008 among the association's nearly 200 members. Survey respondents hold approximately one trillion dollars of real estate, including \$371 billion in the U.S. The survey was conducted by The James A. Graaskamp Center for Real Estate, University of Wisconsin – Madison.

"During the past year, AFIRE members generally took a measured stance towards new acquisitions," said C. MacLaine Kenan, Executive Director, Arcapita, and AFIRE's newly elected chairman. "Continued high interest in the asset class was muted by concern over valuation metrics and the economic environment. As they expect more favorable investment fundamentals to return in 2009, our members are poised to move more aggressively on acquisitions."

#### **International Preferences: Washington, D.C. Reigns; Brazil Leaps Toward the Top**

After two years, Washington, D.C. deposes New York to reclaim its status as the top global city for foreign investors' real estate dollars. London and New York were in close second and third positions respectively. Receiving approximately half the votes of the top three cities, Tokyo and Shanghai were more distant fourth and fifth place choices. Half of the investors' top ten global cities were located in the U.S.; last year five of the top ten cities were in Asia.

With 37 percent of the vote, the U.S. was ranked as the country providing the best opportunity for capital appreciation. In a surprise, with 16 percent of the votes, Brazil leaped 10 places into the number two slot replacing China which fell into third place. Reflecting the recent re-pricing, the U.K. took a significant leap into fourth place (from ninth) and India fell to fifth place from third.

With 53 percent of the vote, survey respondents ranked the U.S. as the country providing the most stable and secure real estate investments. With 11.3 percent of the vote, Germany remained in second place tied with Switzerland, which moved up from seventh place. Tied for third place were Australia and Canada, each with 4.8 percent of the vote. The U.K. improved its standing, moving three points from ninth to sixth place.

For 2009, survey respondents expressed a substantial preference for U.S. real estate followed by properties in Germany, the U.K., China, and Japan, virtually mirroring the countries targeted in 2008. Japan replaced France among the top five targets in 2009. For future investments, India and Brazil were named the top two emerging markets.

### **U.S. Real Estate Trends**

"Our investor members have expressed a growing confidence and interest in U.S. real estate", said James A. Fetgatter, chief executive of the association. "Their investment plans for 2009 for the U.S. resemble the flight to quality that is creating the demand for U.S. Treasuries."

By a wide margin, survey respondents said the U.S. continues to provide both the most stable and secure real estate investment environment and the best opportunity for capital appreciation. Respondents also overwhelmingly pointed to the U.S. as the primary target for their real estate investment dollars and said that as an average, 45 percent of their portfolio is invested in U.S. real estate.

In comparing the attractiveness of U.S. cities for their investment dollars, AFIRE members ranked Washington and New York in strong first and second places followed by San Francisco and Los Angeles. "A surprise, with almost the same number of votes as Los Angeles, was Houston's fifth-place ranking," said Mr. Ortalo-Magné, Chairman of the Real Estate Department and Robert E. Wangard Chair in Real Estate, who conducted the survey on behalf of AFIRE, "But, I think this might have been a reflection of the oil prices which were still very high at the time the survey was taken in October 2008."

Survey respondents said the multi-family sector was the preferred property type for their investment dollars followed by office, industrial, retail, and hotel properties. For the last two years, multi-family had been in second place and office properties ranked first. Industrial properties remained in third place, while hotels dropped into fifth place and retail rose into the fourth slot.

Survey respondents also indicated that finding attractive U.S. investment properties is becoming less difficult. Fewer than 20 percent of respondents said it was "very difficult" to find attractive U.S. investment opportunities. This is the lowest percentage holding this opinion in the last five years. As a comparison, in 2004, 59.4 percent of respondents said opportunities were "very difficult" to find. And for the first time since 2002, when respondents said "finding attractive opportunities was the greatest challenge to investing in the U.S.," 7 percent of respondents said attractive opportunities were very easy to find, with another 18 percent saying they were "somewhat easy."

### **Green Matters**

When asked to what extent a building's "green" attributes influenced their decision to purchase a property, 11 percent said "significantly so," and 60 percent said "somewhat so." In almost the exact same percentages, investors said that green attributes were worth a greater rental premium. This was the first survey in which these two questions were asked.

AFIRE members have a common interest in preserving and promoting investment in cross-border real estate. Founded in 1988, AFIRE currently has nearly 200 members representing 21 countries. AFIRE is located at 1300 Pennsylvania Avenue, NW, Washington, D.C.; (202) 312-1400. [www.afire.org](http://www.afire.org)

