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Foreign R.E. Investors: Buying but Seeking Improved Fundamentals and FIRPTA Reform Globally, Brazil Soars; Interest in European Countries Softens

Washington, DC, January 2, 2012 – While concurring that the U.S. remains the country offering the most [stable and secure](#) option for their real estate investment dollars, foreign investors in commercial real estate say that “improved property fundamentals” and the “repeal of FIRPTA” would have the [strongest impact](#) on their decisions to grow their investments in U.S. real estate, according to the results of the 20th annual survey taken among the members of the Association of Foreign Investors in Real Estate (AFIRE) and released today. While 60% of survey respondents say they plan to increase their investment in U.S. real estate in 2012, that number is down from 72% last year.

Although the U.S. is still regarded as providing the best opportunity for [capital appreciation](#), its first-place score shrank from 64.7% in last year’s survey to 42.2% this year, with Brazil closing the gap in second place with 18.6% of the votes. Survey respondents hold more than \$874 billion of real estate globally, including \$338 billion in the U.S. The survey was conducted in the fourth quarter of 2011 by the James A. Graaskamp Center for Real Estate, Wisconsin School of Business.

“Foreign real estate investors have made clear there is considerable pent-up demand for U.S. real estate awaiting better real estate fundamentals and relief from FIRPTA regulations,” said James A. Fetgatter, chief executive officer of AFIRE. “If the investing environment improves, the U.S. is poised to return to its ‘safe haven’ status.”

Brazil and Sao Paulo Emerge Globally

Brazil and its largest city, Sao Paulo, have emerged among the global leaders in this year’s survey. Brazil jumps 14.2 percentage points, from fourth place in last year’s survey, to be named the second best country for capital appreciation, pushing China into third position. With the U.S., these countries received approximately 70% of the vote on this question; the remaining 30% was spread across 13 countries on five continents. Sao Paulo rose from 26th place to be named investors’ fourth global city for real estate investment dollars in 2012.

“Cross-border investors still regard North America and Europe as being the most [stable and secure](#) markets,” added Barbara Knoflach, chief executive officer, SEB Asset Management AG, and AFIRE’s newly elected chairwoman. “But with foreign investors having a diminished confidence in the recovery, interest is broadening and emerging markets are attracting more notice.”

Global Snapshot

Top [Global Cities](#) for Foreign Investment 2012

1. New York (#1 last year)
2. London (#3 last year)
3. Washington, DC (#2 last year)
4. Sao Paulo (#26 last year)
5. San Francisco (#10 last year)

Top Countries for [Stability and Security](#) 2012

The U.S. retains its perennial top position receiving four times as many votes as second-place Brazil, a much larger spread than last year when the U.S. received barely twice as many votes as second place Germany. A steep decline in votes for Germany moves Canada into second position. All European countries except Switzerland fall in the ranking.

1. U.S. (Perennially #1)
2. Canada (#3 last year)
3. Germany (#2 last year)
4. Australia (#5 last year)
5. UK (#4 last year)

Top Countries for [Capital Appreciation](#) 2012

The U.S. continues to rank first in terms of potential for real estate capital appreciation, but with a declining margin. The margin separating first and second place countries this year is 23.8 percentage points, the smallest margin since 2008 at the height of the recent economic crisis.

1. U.S. (Perennially #1)
2. Brazil (#4 last year)
3. China (#2 last year)

Top [Emerging Markets](#) 2012

AFIRE survey respondents identified 25 emerging countries, up from 18 last year, being considered for investment in 2012. Appearing for the first time in the ranking are Columbia (#10 tied), Hungary (#12 tied), and Qatar (#17 tied).

1. Brazil (#1 last year)
2. China (#2 last year)
3. Turkey (#7 last year)
4. India (#3 last year)
5. Vietnam (#4 last year)

U.S. Snapshot

Top [U.S. Cities](#) for Foreign Investment 2012

For the second year, New York has been named investors' number one U.S. city for their real estate investment dollars.

1. New York (#1 last year)
2. Washington (#2 last year)
3. San Francisco (#4 last year)
4. Boston (#3 last year)
5. Los Angeles (#5 last year)

Top [U.S. Property Types](#) for Investment in 2012

For the fourth consecutive year and by a significant margin, multifamily remains the favorite property type.

1. Multifamily (#1 last year)
2. Industrial (#5 last year)
3. Office (#4 last year)
4. Retail (#2 last year)
5. Hotel (#3 last year)

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.

For additional information; graphs; interviews with AFIRE Chief Executive Jim Fetgatter: contact Kathryn Hamilton, kathryn@hamiltonink.com. 919.758.8041.

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