

D.C. Real Estate Continues Steady Decline among Foreign Investors as N.Y. Deposits London as Top Global City

China Expected to Become Top U.S. Investor

Washington, D.C. (January 5, 2015) – Washington, D.C. continues to [fall from favor](#) among foreign real estate investors according to the 23rd Annual Survey taken among the members of the Association of Foreign Investors in Real Estate (AFIRE) and released today. This year Washington was at the bottom of the five-city U.S. ranking; it ranked fifteenth among global cities, down from last year when it was tenth-ranked. Conversely, New York has returned to its long-held slots as both the #1 global and #1 U.S. city. With the exception of last year, when London nudged it into second place, New York has held the top rank, both globally and among U.S. cities, since 2010.

AFIRE member firms have an estimated \$2 trillion or more in real estate assets under management globally. The survey, was conducted in the fourth quarter of 2014 by the James A. Graaskamp Center for Real Estate, Wisconsin School of Business.

“For foreign investors, the allure of Washington, D.C. never fades,” said James A. Fetgatter, Chief Executive, AFIRE. “But unlike other cities which currently have technology and energy drivers, D.C. mostly depends on the U.S. government to keep occupancy in balance; given the current situation, Washington area real estate is the short-term, unintended victim of Federal budget tightening. On a long-term basis, Washington, as the capital city of the free world, remains a very attractive opportunity.”

U.S. a Magnet for Foreign Investment

- More than 90% of survey respondents say they plan to maintain or increase the size of their U.S. portfolio in 2015.
- By a wide margin, the U.S. was voted the most [stable and secure country](#) for investment, outstripping both second-place Germany by 55 percentage points, and third-place U.K. by 60 percentage points.
- The U.S. also offers the best opportunity for [capital appreciation](#), out-performing second-place Spain by 34 percentage points and third-place U.K. by 40 percentage points.
- Two-thirds of survey respondents expect China to become the largest source of capital into the U.S. in 2016 and beyond; ten percent expect that could happen as early as 2015. Seventy-two percent of survey respondents said they expected this investment to be a long-term, permanent inflow.

“As it periodically has been in the past, the United States is currently the target of much of the foreign investment in real estate globally,” said Thomas Arnold, Head of Americas - Real Estate Abu Dhabi Investment Authority, and Chairman, AFIRE. “With a stable and transparent market and an economy that appears to be steadily improving without the fits and starts experienced in other regions, the U.S. has become the first stop for foreign real estate investors. And with the continued creation of wealth in China, it is not surprising that they, along with other nationalities, are voting with their ‘dollars.’”

U.S. Property Trends

- Investors ranked multi-family as their preferred property type followed by industrial, office, retail, and hotel.
- Within the multifamily category, 74% of respondents said that mid- and high-rise apartments faced a low risk of obsolescence due to demographic and technological changes; only 42% of respondents said that garden apartments shared the same low risk.
- Similarly, 48% of respondents indicated that CBD office buildings shared a low risk of obsolescence while only 5% of respondents said suburban office buildings were in the low-risk category.

Global Trends

Two new cities, Tokyo and Madrid in fourth and five places respectively, emerged among the [top five global cities](#). Last year Tokyo was in fifteenth place and Madrid ranked thirteenth. These cities replaced Houston and Los Angeles. For the second year in a row, Spain also ranked as the second-best country for capital appreciation.

Brazil reclaimed its first-place spot among emerging markets, putting China into second place. Mexico and Chile took third and fourth places. For the first time since the question was asked, Poland was named among investors' top five emerging countries, tied for fourth place.

Survey Snapshot

[Top Five Global Cities](#)

1. New York (#2 last year)
2. London (#1 last year)
3. San Francisco (#3 last year)
4. Tokyo (#6 last year, tied with Madrid)
5. Madrid (#6 last year, tied with Tokyo)

[Top Five U.S. Cities](#)

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

[Most Stable and Secure Countries for Foreign Investment](#)

1. United States (#1 last year)
2. Germany (#2 last year, tied with the United Kingdom)
3. United Kingdom (#2 last year, tied with Germany)
4. Canada (#4 last year)
5. Switzerland (#5 last year)

[Countries Providing the Best Opportunity for Capital Appreciation](#)

1. United States (#1 last year)
2. Spain (#2 last year)
3. United Kingdom (#3 last year, tied with China)
4. China (#3 last year, tied with the United Kingdom)

5. Brazil (unranked last year)

Top Five Emerging Countries

1. Brazil (#2 last year)
2. China (#1 last year)
3. Mexico (#3 last year)
4. Chile (#6 last year, tied with Poland)
4. Poland (#6 last year, tied with Chile)

Ranking of U.S. Property Types

1. Multi-family (#4 last year)
2. Industrial (#1 last year)
3. Office (# 2 last year)
4. Retail (#3 last year)
5. Hotel (#5 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. 20005, (202) 312-1400. www.afire.org.

Interviews: James A. Fetgatter, Chief Executive Officer, AFIRE jaf@afire.org.

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