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Foreign investors have returned to the U.S.

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The foreign investors have returned to the U.S. and are looking in Boston once again and the ranks are increasing in geographic diversity. Traditional sources such as European pension funds, Middle Eastern sovereign funds and high net worth individuals from Japan, Europe and the Middle East are being joined by individuals, institutional funds and sovereign funds from elsewhere. The Counselors meet in San Diego May 1st - 4th for mid years and international practice and outreach have been on the agenda for over a decade. Locally, the Real Estate Finance Association (REFA) is convening in Boston two sessions that focus exclusively on foreign investors' activity, investment criteria and taxation. This capital source is important because of its size and prospects, and accordingly, this source represents opportunities for funding and professional service. We are talking to market participants domestically and abroad.

At the REFA meeting on March 25th, panelists from Colliers International, Overland Capital Group and Taurus Investment Holdings discussed foreign investor activity in their offices and in their markets. Generally, traffic and interest has just picked up and contacts are at early stage and substantive. Most investors and intermediaries perceive economic stability if not recovery in the U.S. And most perceive more transparency and liquidity in the commercial real estate markets, and greater political stability and less corruption in the U.S. than in their home markets. The anecdotal activity indicates more individual investors with greater wealth from more countries than previously with confidence in the U.S. market. The investment criteria from pension and sovereign funds have included trophy properties in the premier markets and credit leases with household names. Both categories are presumably easier to sell back home and worth paying up for. The panelists recognized this criteria represented larger transactions which have dominated past foreign investor activity. To satisfy the apparent appetite for commercial properties, the spectrum of activity will have to reach deeper into the market and risk spectrum than previously experienced. REFA will convene a panel on taxation matters for the foreign investors in April.

The counselors have traditionally served the international community in the U.S. and many counselors have been active internationally. Historically, over 25% have reported work with international clients domestically or overseas. The current CRE membership includes 48 members outside the U.S. including notably from, amongst others, China, Taiwan, Korea, Japan, Serbia, Bulgaria, Czech Republic, Hungary, Turkey, Lebanon and Brazil. At the CRE midyear meeting in San Diego, Robert Peto, president of the London-based Royal Institution of Chartered Surveyors (RICS) and president of DTZ, a global advisory firm keynote a session on global investing. The Counselors have been working in alliance with RICS for ten years to extend professional leadership and counseling in commercial real estate to developing economies. At the CRE midyears in San Diego, the challenges and opportunities of investing in the Pacific Rim and the Americas is a general session. By describing the benefits and perils of offshore investing, the counselors and this panel

will certainly describe the motivations of international investors from south of the border.

Global shocks in Japan and Libya and rippling impact in trade and financial markets are uncertain forces and effects everywhere. International engagement and economic activity have reduced the traumatic jolts in the global capital markets and mitigated the turbulence. The outlook is indeed hopeful for these recencies and the continuing fundamental improvements in both the domestic and global economies. However, the local commercial real estate community must be responsive and engaging for the foreign investor.

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