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COMMERCIAL CONNECTIONS

A PUBLICATION BY THE NATIONAL ASSOCIATION OF REALTORS®

A BROADER & BRIGHTER OUTLOOK

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THE LATEST

Attend

Hill visits are back and your voice matters! Join us for the 2015 REALTORS® Legislative Meetings and Trade Expo, May 11-16th in Washington, D.C. There are many governance meetings for commercial members, as well as a special networking reception just for you to meet your colleagues from across the country - and maybe even make a connection on a deal! For a detailed schedule and to register, go to *Realtor.org/Midyear.*

Discover

On pages 10-11 you'll find a special section highlighting the resources, services and benefits that Commercial practitioners can access and utilize, provided as part of your NAR membership. If you have specific questions, or would like NAR to help your local board develop or strengthen local Commercial Member services, please contact Shara Varner at *svarner@realtors.org.*

Learn

In March, NAR launched a new NAR/United States Pavilion at MIPIM, an international commercial real estate event in France. NAR, local association partners from Miami, Birmingham, and Illinois, as well as the CCIM Institute showcased the opportunity for real estate investment in U.S. markets - and the expertise of our members.
Find highlights at *Realtor.org/MIPIM.*

Participate

The NAR REach® Class of 2015 will launch later this month, along with your opportunity to get involved as part of the program's Insight Panel. Your commercial practitioner perspective is needed to help shape the tools and products of these companies. Stay tuned to communications from NAR – and if you are attending the May meetings in D.C., be sure to visit the Trade Expo and meet the companies selected. Visit *narreach.com* to learn more.

Update

When was the last time you changed the batteries in your smoke detectors at home? Take the time now to do so and also take 5 minutes to update your NRDS Member profile with your contact information and "Fields of Business," which helps us ensure you get the information best applicable to your specialty. Visit *Realtor.org* and click on My Account to access your NRDS profile to make changes. Need help? Contact your local board or *NARCommercial@realtors.org.*

A NOTE FROM THE PRESIDENT

BY CHRIS POLYCHRON, GRI, CIPS, CRS

CHRIS POLYCHRON, GRI, CIPS, CRS

By far, one of my favorite moments from last year's annual conference in New Orleans was an event far away from the hustle and bustle of the French Quarter. I was standing outside of the legendary Dew Drop Inn on LaSalle Street, located in Uptown. From the 1940s through the 60s, the Dew Drop was a nationally-known music venue. It's been closed for decades. That night, it was the focus of our "Better Block" event.

"Better Block" is a program that seeks to revitalize commercial downtowns through community collaboration. These aren't events with huge fanfares. They use pop-up stores, food vendors, and music to show local leaders what an area can look like with a little effort. In the grand scheme of things, one single business can have an impact that will last for years.

This is why commercial policy is a cornerstone of NAR's advocacy agenda. We enjoy the benefits of these policies every time we visit a small business or enjoy an afternoon in a bustling neighborhood.

Throughout the year, I will be working with our NAR staff and members of the Commercial Legislation and Regulatory Advisory Board to keep commercial legislation at the forefront of the discussion in Congress. Whether it's trying to thaw out the freeze in our credit markets or keeping on top of changes to bank capital standards, we need to protect and enhance the flow of capital to commercial real estate. More than $1.2 trillion in commercial real estate loans will come due over the next few years, and our nation's economy depends on it.

We will also continue to better understand how these policies translate to the state and local levels. In a recent survey of NAR members who use Section 1031 like-kind exchanges, we discovered some compelling facts.

Without the Sec. 1031 exchange framework, 37% of members believe their deals would definitely not have happened. For deals that may have closed absent the Sec. 1031 exchange framework, more than half surveyed indicated that project would have been smaller than it was. Finally, commercial practitioners indicated that 50% of the value of real estate sold or transferred was a direct result of Sec. 1031 exchanges. With the average worth of these deals being over $21 million, that's $10 million of value as a direct result of public policy. That sounds like good public policy to me. We need to defend it.

We have communicated our priorities directly to President Obama and we are active in a number of coalitions that advocate for smart, sensible, commercial policy. When we take our message directly to lawmakers, they listen. We will continue to do this – and with your involvement, we can make our voice even louder and stronger. We plan on reaching them not just in D.C., but in their home districts as well, making sure they can see the tangible effects in their own backyards.

Thank you for all the work you do. Our nation's communities depend on it.

FOCUSING IN ON COMMERCIAL ISSUES

Every day, NAR advocates on behalf of you and your more than 1 million member colleagues, as well as 75 million property owners. Our efforts in Washington D.C. are focused on protecting your ability to do business – so that your time can be spent building relationships with your clients, conducting transactions and strengthening your community.

1031 Like-Kind Exchange

In the 113th Congress, proposals to eliminate or drastically limit Sec. 1031 like-kind exchanges were offered, but not adopted; additionally the President's FY 2015 budget would have limited them to $1million per taxpayer per year. In the 114th Congress, we have yet to see any tax reform plans or other legislation that would repeal or limit Sec. 1031, but any new plans will likely borrow heavily from these previous ones, signaling that Sec. 1031 is vulnerable.

In a recent survey, NAR members reported that over the last four years, most have engaged in between one to six transactions featuring a Sec. 1031 like-kind exchange; of those transactions, between 37%-45% of them likely would not have happened without Sec. 1031, and over 50% would have been smaller. Eighty-five percent of NAR members indicated that they or their clients invest additional capital to improve properties involved in Sec. 1031 exchanges, with more than half of the respondents indicating that the capital allocated to improvements makes up 10%-24% of the properties fair market value. Clearly, this is a provision that is important not just to real estate, but also to the economy as a whole. Sec. 1031 exchanges allow for the efficient use of property, encouraging the flow of capital among investments and supporting economic growth and job creation.

NAR opposes any efforts to repeal Sec. 1031, and is working hard to educate Members of Congress, especially those on the tax-writing committees, on what Sec. 1031 is and why it should be protected. In addition, NAR also participates in two coalitions to protect Sec. 1031, which have commissioned studies on its macroeconomic effects and effects on real estate. NAR participated in a "legislative day" on the issue, meeting with Members of Congress in Washington, D.C. to discuss it, and also has set up in-district meetings for NAR members and other industry groups to meet with their Members on the topic.

Commercial Lending

While experts expect 2015 to continue on many of the same upward trajectories as 2014, there are four areas with possible changes. The first is through the Financial Accounting Standards Board's (FASB) proposed changes to lease accounting standards, part of a larger standards convergence effort between FASB and the International Accounting Standards Board (IASB), which began in 2006. The final updated lease accounting standards are expected in late spring or early summer 2015, and will likely be similar to the FASB's current dual model of lease accounting. NAR has been lobbying on this issue for some time and participates in a real-estate industry coalition which works with both the SEC and Congress on the proposal.

The second change is potential adjustments to the Dodd-Frank Wall Street Reform and Consumer Protection Act. Many of the enhanced banking requirements have now been in place for four years, but many legislators have vowed to scale back those requirements. Given that the 114th Congress has just begun, it is unclear now exactly what those changes will look like, or how successful they will be. This is an area to watch and NAR will continue to monitor it closely for changes.

The third area where change is expected is crowdfunding. The Securities and Exchange Commission (SEC) anticipates finalizing its crowdfunding rules in October 2015. These rules are the final part of the Jumpstart Our Business Startups (JOBS) Act of 2012 to be enacted. The first draft of the rules were widely criticized by both supporters and detractors of crowdfunding as a financing vehicle, so it will be interesting to see what comes out of the review process. Many states have already enacted successful intrastate crowdfunding regulations. NAR monitored this issue as it has developed at the SEC and will continue to advocate for fair and consumer-friendly rules this fall.

The fourth is the expected wave of CMBS backed loans coming due. Experts are of mixed opinion on this, as it could create excellent opportunities for refinancing, or create too much of a crunch on credit. NAR staff have been watching this issue vigilantly and will keep members informed of any changes.

Net Neutrality

"Net neutrality" requires that broadband networks be free of restrictions on content, sites, or platforms; they should not restrict the equipment that may be used with them, nor the modes of communication allowed on them. Finally, it ensures that communication is not unreasonably downgraded by other communication streams. As real estate business is increasingly conducted online, through streaming videos, virtual tours, and voice-over-internet protocol, having quality and reliable broadband networks is critical to NAR members. As new technologies are adopted, this will no doubt only grow in importance.

NAR supports policies to ensure that broadband providers adhere to net neutral practices, and was pleased by the announcement of the FCC's new rules to protect net neutrality in February 2015. These new rules prohibit "paid prioritization," which would have created a two-tiered internet putting many NAR members and other small business owners at a competitive disadvantage. In the six months prior to the announcement of the new rules, NAR sent six letters to Congress in support of net neutrality, and a comment letter to the FCC on its Open Internet proposed rulemaking. As the FCC implements its regulations, NAR will continue to monitor the issue to ensure that real estate content may be freely and efficiently distributed online.

To stay informed about action NAR is taking on behalf of its members and the real estate industry on these and other issues, visit www.REALTOR.org/political-advocacy or email NARCommercial@realtors.org directly to get connected to the NAR Policy Representative monitoring a specific issue.

2015 NAR LEGISLATIVE AND REGULATORY PRIORITIES

BUSINESS OPERATIONS

Protecting the business operations of members is always a priority for NAR. There are a number of issues before Congress and the Federal Regulatory Agencies that could have a significant impact on the business operations of real estate firms.

— *Dodd-Frank Act Regulations (3% Cap on Fees and Points, RESPA/TILA Harmonization)*
— *Technology Issues (Data Privacy & Security, Copyright Protections, Net Neutrality, Patent Reform)*
— *Appraiser Independence Regulations*

CREDIT AND LENDING POLICIES

Overly stringent lending standards have continued to limit the availability of affordable mortgage financing for credit worthy consumers. Federal policymakers are weighing a number of proposals aimed at creating healthier housing and mortgage markets.

— *Credit Availability*
— *GSE (Fannie Mae/Freddie Mac) Restructuring, Liquidity and Lending*
— *FHA Single-Family Mortgage Program*
— *FHA Condominium Requirements*

COMMERCIAL

More than $1.2 trillion in commercial real estate loans will come due over the next few years, and many of these deals will have trouble getting financing. NAR supports consideration of legislation and regulations to protect and enhance the flow of capital to commercial real estate.

— *Commercial Real Estate Liquidity*
— *Basel III*
— *Lease Accounting*

HOMEOWNERSHIP & REAL ESTATE INVESTMENT TAX POLICIES

The growing federal debt, weak economic recovery, and continued growth of tax complexity have kept tax reform near the top of the national agenda. Members of Congress from both Houses and both parties have expressed a high level of interest in reforming the tax system, and President Obama has also expressed qualified support, especially for corporate or business tax reform. This ongoing debate places a variety of tax laws, including those affecting commercial and residential real estate, under increased scrutiny.

— *1031 Like-Kind Exchanges*
— *Capital Gains*
— *Mortgage Interest Deduction*
— *Mortgage Debt Cancellation Tax Relief*

NAR has briefs on all issues being monitored by staff via the Federal Issues Tracker at Realtor.org/political-advocacy/all-advocacy-issues.

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5 WAYS TO BROADEN YOUR HORIZONS

CONNECT WITH WHERE YOUR CLIENTS COME FROM & WHERE YOUR BUSINESS IS TAKING YOU

1 PURSUE EDUCATION

— Financial Analysis for Commercial Investment Real Estate (CCIM)
— Commercial Real Estate Negotiations (CCIM)
— Foundations for Success in Commercial Real Estate (CCIM)
— Communicating Across Cultures (IREM)
— International Aspects of Real Estate (RLI)
— Certified International Property Specialist (NAR)
  • Courses include Local Markets, Business Tools as well as regional courses on Europe, Asia/Pacific and The Americas
— At Home with Diversity (NAR)

2 TAP INTO INTERNATIONAL CHAPTERS, ALLIANCES & ORGANIZATIONS

— 84 NAR Global Alliances with real estate associations around the world
— 24 international chapters through NAR's commercial affiliate organizations:
  • 6 CCIM Chapters
  • 14 IREM Chapters
  • 4 SIOR Chapters
— Thousands of economic development organizations (chambers of commerce, industry groups, community development). SelectUSA.gov is an excellent resource

3 PUT NAR'S REPORTS & RESEARCH TO USE

— State-by-state international business reports
— Dozens of field guides on international, commercial real estate & investment
— Quarterly reports on a variety of topics including lending and local market outlooks

4 ATTEND EVENTS

— Local: attend mixers and networking events occurring in your local market area
— National: REALTORS® Conference & Expo, CCIM Live, SIOR Fall World Conference, IREM Fall Leadership Conference, ICSC REcon, RLI Land Conference
— International: consider Expo REAL or MIPIM

5 ACCESS TOOLS TO HELP YOU BRIDGE GAPS

— Hire experts to gain exposure to new cultures (translators, country managers, local guides)
— Take your business applications mobile & to the cloud: start using smarter communication & organizational applications

COMMERCI

ADVOCACY

www.realtor.org/political-advocacy

Federal Level:

- 2015 Public Policy Priorities
- Federal Issues Tracker
- Commercial Issues & Actions
- Washington Report

State & Local Levels:

- REALTOR® Party Initiatives
- RPAC
- Broker Involvement Program

RESEARCH

www.realtor.org/commercial/research

- Commercial Real Estate Lending Survey Annual Report
- Commercial Real Estate Market Survey Quarterly Report
- Commercial Real Estate Quarterly Outlook
- Expectations in Market Realities Annual Report
- State-by-State International Business Reports
- Local Market Assessment Case Studies
- REALTOR® University Journal of the Center for Real Estate Studies

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- Online & Classroom Courses
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- Commercial Podcasts

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- Xceligent
- realtor.com/International
- NAR REach® Technology Accelerator Program Companies

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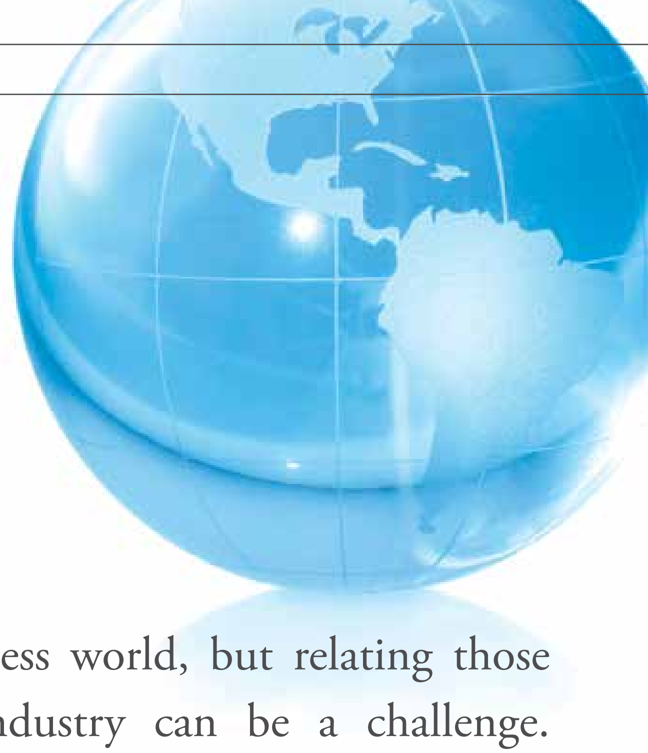
- Personal Insurance
- Marketing Resources
- Electronics & Mobile Technology
- Travel & Automotive
- Technology Services



TRANSLATING THE MARKET OUTLOOK

First quarter forecasts are typical in the business world, but relating those predictions to the commercial real estate industry can be a challenge. We solicited insight from George Ratiu, NAR's Director of Commercial Research, and members across the country for their take on why the outlook for commercial real estate is looking so good from their point of view.

Why is 2015 expected to be a strong year for commercial real estate?

As economic factors continue improving—employment, consumer confidence and spending, business investments — commercial real estate fundamentals strengthen. Net absorption is expected to increase across all property types in 2015, as demand for commercial space grows. Completions of new commercial spaces are also growing, but at a slower pace than absorption, leading to declines in availability and rising rents. The only exception to the rule comes in the apartment markets, where strong new supply is already exerting downward pressure on rents.

As fundamentals ensure growing positive cash flows, investors continue to find commercial assets attractive. Since the post-recession trough of 2009, investment sales have posted higher volume with each subsequent year and 2014 was no exception. Sales volume in 2014 totaled $433 billion, according to Real Capital Analytics. Prices rose across the board, with apartment and CBD office properties exceeding pre-recession peaks. Moreover, in 2014 commercial lending found new vigor, as sources broadened and capital availability increased. In light of these factors, 2015 should offer continued advances in property prices, sales volume and leasing activity.

What's all the excitement about regarding secondary and tertiary markets as a target for institutional investors?

Secondary and tertiary markets were much slower to succumb to the economic recession, and they were also much slower to recover. Whereas for primary markets the commercial real estate rebound initiated in 2010, for most secondary/tertiary markets the rebound did not occur until 2013. Last year marked the first year of sustained strong growth for secondary and tertiary markets, indicating broad-based improvement in both economic and commercial real estate terms. Moreover, due to their position, secondary and tertiary markets offer investors higher yields on commercial investments. As primary markets became crowded over the past three years and available inventory shrank, investors found the higher returns in secondary and tertiary markets attractive, especially as fundamentals strengthened.

Are there any noteworthy segments in those markets that are performing particularly well or not well (e.g. warehousing in the southeast; land in the southwest; hospitality in the northeast)?

The coastal markets continue to provide strong performance for the retail sector, driven by rising employment, higher wages and tourism. In terms of industrial properties, ports, intermodal transportation hubs and distribution centers are expected to drive growth in major markets like Chicago, Atlanta, Los Angeles, Miami and also smaller key markets like Jacksonville, St. Louis and Charlotte. For the office sector, growing urban centers will continue as strong performers in 2015. Agricultural land in the Great Plains has seen strong price growth over the past few years, as institutional investors found it an attractive hedge instrument against inflation expectations, coupled with strong returns.

Members can find information on specific property types and investment trends from these industry sources:

CCIM CRE IREM RLI
SIOR Real Capital Analytics
Axiometrics PKF

What local factors or economic indicators can members in small to mid-sized markets look for in order to help their clients capitalize on improving access to financing?

Tracking basic economic factors such as employment, wages and retail spending at the local level provides important insight into the overall health of markets. Based on NAR's Commercial Lending Survey, the majority of our members consider local and regional banks as the main sources of capital. Maintaining relationships with local lending sources is likely to provide timely updates on changes in lending terms and cost of capital. As sources of capital are likely to continue broadening, members should remain aware of additional sources of liquidity which have become more active in smaller markets—institutional investors, insurance companies, cross-border capital. Based on my interaction with members, many of our members are keenly aware of local trends and well-positioned to see changing conditions in their markets.

What national or international economic indicators should members continue to watch?

In addition to the performance of the national economy, I would consider the changes in interest rates a fundamental indicator, as it directly relates to cost of capital. Also, while considering employment trends, personal and household income would be figures worth following, as they translate into both consumer confidence and consumer spending. Internationally, maintaining an awareness of global economic health provides insights into how the U.S. economy and markets perform relative to other major countries. Having an eye on currency exchange trends offers a view on the relative cost of U.S. commercial properties. With cross-border investors accounting for about 10 percent of U.S. commercial transactions, the value of the dollar relative to major currencies can impact this segment of the market.

How are hot button issues like low oil prices, a strong dollar and improving job numbers impacting the commercial real estate market?

Given the wide-ranging issues, it will mostly depend on the market and property type. Low oil prices are clearly a boon for consumers—as it provides additional money in their pockets—and consumer spending, leading to stronger retail sales, auto sales and recreation expenditures. At the same time, lower oil prices are having a negative impact on some aspects of the U.S. energy sector, leading to possible layoffs and negative impacts in energy-centered markets. Similarly, a strong dollar benefits importers and U.S. consumers of foreign products, while making U.S. products and U.S. real estate more expensive for foreign buyers. In terms of commercial real estate, I expect the impact to be mixed. In light of the global economic slowdown, the performance and returns offered by U.S. commercial properties will continue to make them attractive for cross-border institutional investors, pension funds, and sovereign wealth funds.

On balance, the health of U.S. commercial real estate is heavily dependent on the health of the U.S. economy and domestic markets. Continued improvement in employment, especially coupled with increases in income and wages, will have a much stronger and sustainable impact on commercial real estate in 2015 and beyond. Broader strengthening of macroeconomic fundamentals matched to a stronger post-recession financial sector will provide the capital to grow small businesses, nascent industries, and drive innovation, all of which will lead to increased demand for commercial properties.

COMMERCIAL EXPECTATIONS FOR 2015

COMMERCIAL FUNDAMENTALS OUTLOOK

OFFICE VACANCY RATES ↓ 0.1%

INDUSTRIAL SPACE VACANCY RATES ↓ 0.4%

RETAIL SPACE VACANCY RATES ↓ 0.3%

MULTIFAMILY VACANCY RATES ↑ 0.1%

↑ GDP: 3.1

↑ Apartment Rents: 3.7%

MULTIFAMILY NET ABSORPTION

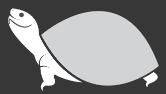
171,978

Multifamily housing continues to be the top-performing sector with current rental demand exceeding supply — leading to rent growth that is easily outpacing inflation in many metro areas throughout the country

POTENTIAL SPEED BUMPS

Weaknesses in the global economy

Economic sluggishness overseas



Strengthening U.S. Dollar

FOR NAR'S LATEST COMMERCIAL RESEARCH & STATISTICS, VISIT Realtor.org/commercial/research

MEMBER PERSPECTIVES

"We are seeing activity across all segments and classes increasing significantly. Whereas 'Best of Class A' properties used to only be in a market of their own, commanding the majority of the attention, we're now seeing all asset categories and property classes receiving significant activity. This is a collusive cycle with market activity driving new development, which in turn drives 1031 re-investment. Maintaining the 1031 tax deferment and reinvestment structure allowed under the current tax code is what keeps the cycle flowing."

JARED BOOTH, CCIM, MBA
Salt Lake City, Utah

"If the U.S. sustains current reduced oil prices, not only will it put an average of about $750 of additional spendable money in each household, an equal amount will be saved by households in the Northeast or Midwest, which benefit from less expensive heating oil. This translates to higher retail spending, more families taking that long overdue vacation, etc. Downtowns are also hot! It's not necessarily office, and not just the 24-hour cities, such as NY, SF and D.C., but Orlando and Charlotte that are seeing construction booms, which are in large part multi-family projects. This will spill over into additional demand for restaurants, shopping, etc."

LOU NIMKOFF, CCIM, CPM
Winter Park, FL

"One of the most challenging issues facing commercial real estate the last few years has been the lack of available funds for the purchase or refinancing of new projects. I am encouraged to see that capital is now available from local and regional banks for the purchase or refinancing of projects. I personally had three banks bidding on the financing for a purchase I was making. Of course, deals need a down payment and businesses need cash flow, but it is great news for us brokers and investors."

DAN SIGHT, CCIM, SIOR
Leawood, KS

"The industrial market in SE Wisconsin has been the most active I have experienced in over 15 years. We are experiencing multiple industrial spec buildings in different submarkets, which is the first time in many years due to the shortage of quality product. Our inventory of quality industrial buildings is at an all-time shortage due to the strong occupancy rates of leased properties and the large number of sales of existing buildings."

STEPHEN PROVANCHER
Milwaukee, WI

CROSS-BORDER INVESTMENT ACTIVITY

by Peter C. Burley, CRE, Director, Richard J. Rosenthal Center for Real Estate Studies

Real estate investment has become a global enterprise. Both the U.S. and Canada are on investment target lists for investors from all over the world. Global transaction activity has soared in the last few years as capital seeks solid returns, market growth and stability. Much of that activity is being directed toward the North American markets.

In fact, foreign investment in both residential and commercial real estate in both the U.S. and Canada is changing – and challenging – the market in dramatic ways. In the case of commercial real estate markets, foreign purchases of U.S. properties totaled $41 billion in 2014, according to a recent CBRE report, roughly about 11% of all investment in U.S. property assets.

Small wonder. The U.S., Germany, U.K., and Canada rank at the top of foreign investor lists for stability and security, according to the Association of Foreign Investors in Real Estate (AFIRE), in its latest 2015 survey of members. Switzerland ranks fifth.[1]

AFIRE SURVEY

MOST STABLE & SECURE COUNTRIES

2015	2014
1. UNITED STATES	(1)
2. GERMANY	(3)
3. UNITED KINGDOM	(5)
4. CANADA	(2)
5. SWITZERLAND	(4)

Source: Association of Foreign Investors in Real Estate, 2015

[1]Association of Foreign Investors in Real Estate, 2015

Improving economic conditions continue to be a motivating force in the investment decision as well. And, once again, both the U.S. and Canada are viewed most favorably.

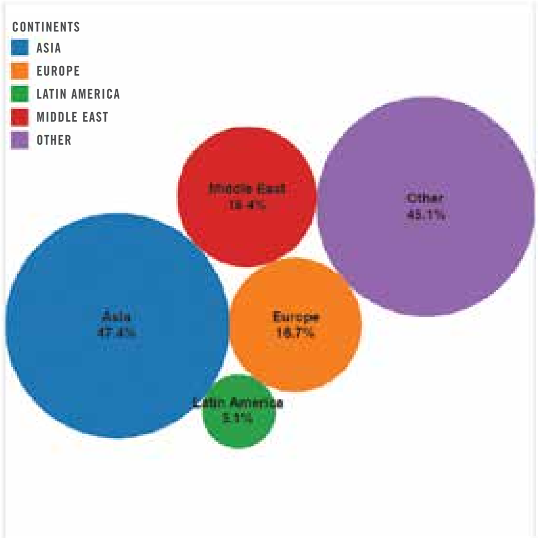
Noting that international flows have been steadily rising into the U.S. and Canada, the Richard J. Rosenthal Center for Real Estate Studies at REALTOR® University undertook an extensive survey to discover how practitioners on the ground in both countries experienced and perceived international investment trends in collaboration with the Canadian Real Estate Association, the CCIM Institute, Institute of Real Estate Management (IREM) and the National Association of REALTORS®.

Survey results largely confirm the academic and professional literature as well as media reports. Interestingly, of non-North American clients (non-Canadian or non-U.S.), distinct patterns emerge that differentiate international investment in the two countries. Non-U.S. international investment in Canada is clearly dominated by Asian interests, with nearly half (47 percent) of Canadian survey respondents indicating that their international clients are from Asia. As noted in the Rosenthal Center report,

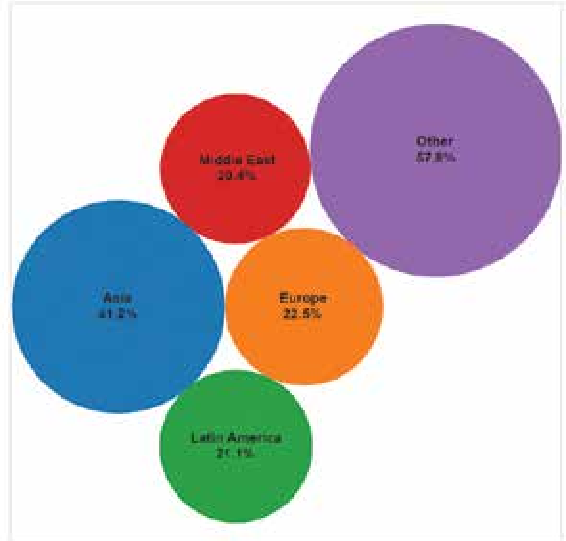
WHAT PERCENT OF INTERNATIONAL CLIENTS ARE FROM:

(MEAN OF THE PERCENTAGE)

CANADA



UNITED STATES



substantial Asian clientele have been flowing into Western Canada, and practitioner responses reflect a large volume of transactions originating from Asia. A similar trend has been emerging in the Northwestern U.S., according to recent reports. About 40 percent of U.S. respondents reported that their international investors were from Asia.

Outside of Asian investment and U.S.-Canada investment, however, international investment in the U.S. appears to originate from a more diverse pool of international interests (see chart). Twenty percent of U.S. respondents note investment originating in the Middle East, 22.5 percent note investment originating in Europe, and 21 percent report investment from Latin America. In contrast, 18 percent of Canadian respondents report investment from the Middle East, somewhat fewer than 17 percent report European investment, and just 5 percent report Latin American investment in Canada. What these figures appear to reveal is the considerable breadth of global interest in the U.S. as a destination for foreign investment capital.

Of course, it is important to note that the heaviest cross-border flows in commercial real estate continue to be between the U.S. and Canada. Canadian investors, faced with somewhat more limited opportunities for investment in prime properties at home, find the U.S. market appealing for its size and variety. For instance, Canada accounted for as much as one-third of the foreign capital invested in U.S. real estate in 2013, according to a recent JLL report.[2] In 2014, the JLL report says, Canadian investment in U.S. markets rose 70 percent over the prior year. That comes to roughly $9.7 billion in property market investments, according to CBRE- with Canadian capital flowing into U.S. office markets, multifamily residential, industrial properties, and retail properties. The top ten U.S. markets for Canadian investors were, in order: Boston, Manhattan, Phoenix, Houston, Atlanta, Chicago, Washington, Austin, Denver, and Orlando.[3]

Flows in the other direction are strongly positive, albeit a bit more subdued, as well. U.S. investors take advantage of dollar ($CDN) valuations in Canada and the stability of the Canadian market for long-term investment. It is worth noting that Canada ranked 5th in the Global Opportunity Index, published in 2013 by the Milken Institute, for attracting foreign investment.[4] As Bentall Kennedy noted that same year, "Foreign investors have … an increasing… presence in the Canadian market ... (acknowledging) the attractive qualities that make Canada a good place to invest."[5]

For more on the Rosenthal J. Rosenthal Center for Real Estate Studies and the latest research report, Changing Dynamics and Practitioner Perspectives in the North American Market: Cross Border Demand & Investment | Shifting Office Space Demand, contact Peter at pburley@realtors.org.

[2] JLL, "International Capital Sources-U.S. Inflows", Winter 2014
[3] Avison Young, Commercial Real Estate Investment Review: Canada, U.S. and U.K., Fall 2014

[4] The Milken Institute, *Best-Performing Cities* (http://www.best-cities.org) 2013
[5] Bentall Kennedy, Perspective on Real Estate | Canada, 2013

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SHARI VELDMAN, Association Executive, Commercial Association of REALTORS® Michigan

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