A Strong Case for Foreign Investment in U.S. Commercial Real Estate

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March 2008

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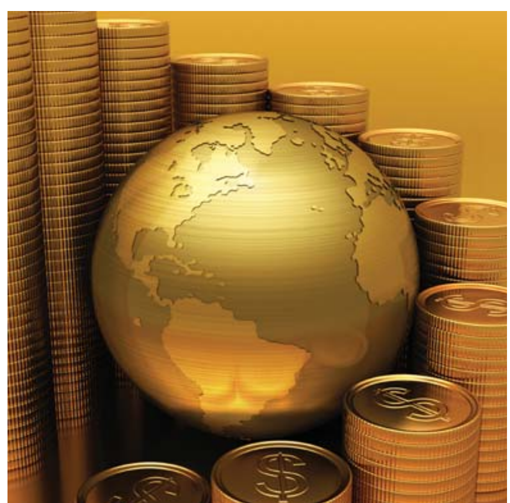

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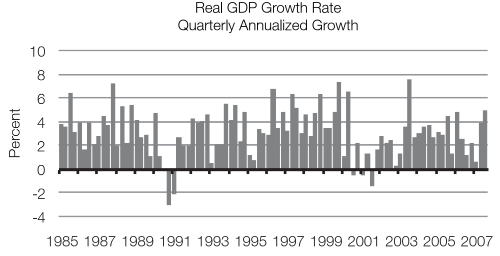
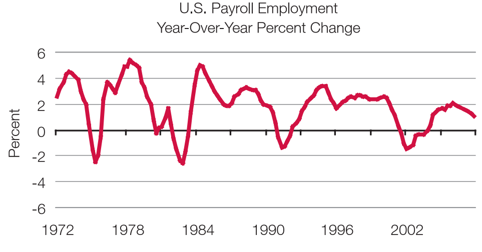
While much has been made about a slowing U.S. economy and a weak U.S. dollar, foreign investors should consider U.S. commercial real estate a prime target.

The reasons are simple: solid long-term, macroeconomic growth; political stability; an entrepreneurial and dynamic private sector; growth demographics; a massively undervalued currency; risk mitigation through diversification across a broad array of large metropolitan areas; and a variety of proven investment vehicles. Few other markets, if any, provide this compelling combination of benefits.

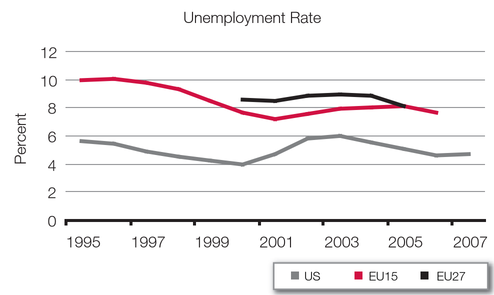
The long-term U.S. economy is strong, relative to most other developed economies. Real GDP growth in the third quarter of 2007 was 4.9%, even in the teeth of a major credit and housing crisis. This growth weakened in the fourth quarter and the U.S. economy continues to roll along in spite of dire predictions to the contrary. Hours worked remain solid, claims for unemployment insurance remain flat and the U.S. economy continues to add jobs. The unemployment rate, at 5%, has risen but remains low by global standards. And over the long term, employment growth averages about 1%, with almost all of this job growth centered in the private sector.



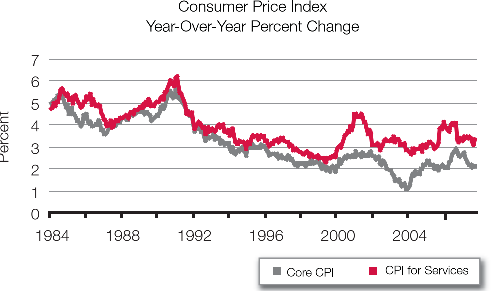


Core inflation remains below 2.5%, while inflation inclusive of energy prices runs a volatile course around this rate of inflation. That is, including energy in the inflation index shows that inflation is almost 2% higher or 2% lower than core inflation, depending on the short-term dips and rises of energy prices. Service sector inflation, which represents more than half of all consumption activity, has moderated to 3.3%. After the December 11th cut by the Fed, the Fed Funds rate stood at 4.25%, finally in the upper end of an at least justifiable range. Inflation is still not a major threat, and the Fed has (belatedly) done what we have suggested it do, which is to cut further, at their emergency January 22 session. While this should help

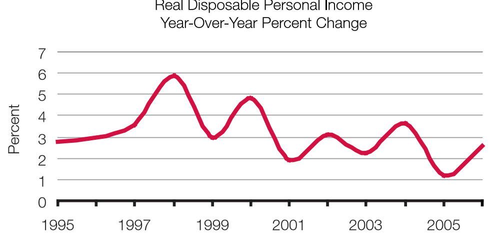
recapitalize some lenders by reducing cost of capital, and generally create a more neutral investment environment, inflation will have to be watched. Inflation should not be a big problem, but could drift upward by about 50 basis points. Inflation only becomes a worry if the Fed accommodates runaway federal spending by printing money.



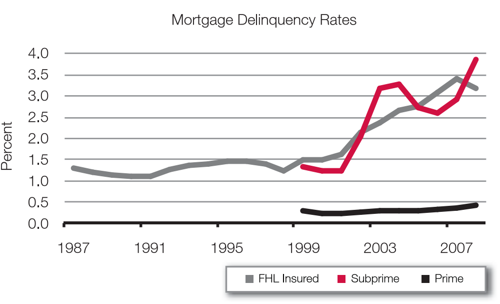
Real personal income rose 4.6% year-over-year, driven by low unemployment and continued productivity growth. As a result, even in manufacturing, which continues its long-term downward drift in employment, output grows to all-time highs. Similarly, real sales of manufacturing and trade goods stand at all-time highs, fueled by strong export activity, even as costs of manufacturing rose over the past year by approximately 6%.



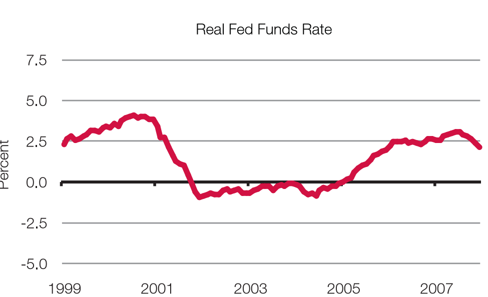
Residential sub-prime mortgage delinquencies and defaults continue to rise, though they remain low on prime loans. Sub-prime defaults reflect: slow mortgage insurance workouts post-Hurricane Katrina; a localized recession in Ohio and Michigan; and the almost complete delinquency of the nearly 500,000 empty roofs owned by speculators. We suspect (though we cannot prove it) that almost none of the empty units owned by speculative home investors are current on their mortgages. This represents $60 billion to $100 billion worth of mortgages. In addition, many of the 100,000 to 200,000 speculative units that are being rented are also in default, as the rental payments do not cover taxes, operating costs and mortgage payments. This represents an additional $40 billion in delinquencies. This means that speculative owners represent some $100 billion to $140 billion of delinquent debt.



With the exceptions of Michigan, Ohio, Mississippi and Louisiana, we believe that most resident homeowners are not defaulting on their mortgages, and resident-owners will not default as long as they have jobs. We are also skeptical that many residents will be forced from their homes. While the defaults in Ohio and Michigan will leave lenders with losses, they will have little alternative but to work with any viable borrower, as there is no one else out there to live in these homes post-foreclosure. Lenders will foreclose on speculators in growth markets, but this will not result in people



"losing their homes," as no one is living in these speculative units. Finally, very few units that are currently occupied in regions of the country experiencing strong economic activity will suffer foreclosure, as these resident owners are paying their mortgage obligations.

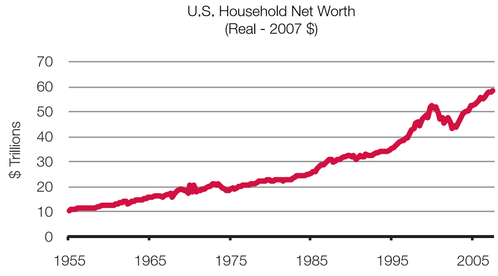


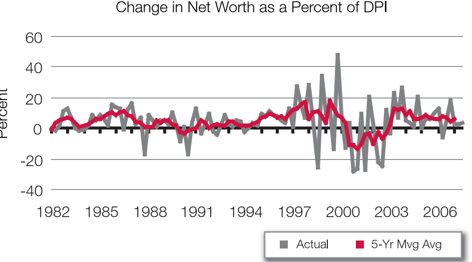
The current capital market crisis was in large part created by the Fed keeping the short-term, risk-free real interest rate negative for four years, before rapidly increasing it to 3.5%. The negative real short-term interest rate on safe investments was effectively an edict by the Fed requiring investors to invest long and risky while borrowing short. This led to massively mismatched portfolios. When the Fed finally rapidly reversed mistaken policy, it caused investors to invest short and safe. This pressured investors to sell long/risky assets, which subsequently created margin calls due to asset-liability mismatches.

We anticipate that inflation will remain in the range of 2-3%, and hope that the Fed further reduces interest rates to eliminate artificial lending and borrowing incentives. In addition, lower rates will provide a needed spur to the economy.

Record global economic growth since 2001 meant that income and wealth were created faster than at any other point in history, creating a situation where investable wealth grew faster than the existing investment infrastructure could prudently handle. In short, it meant that investors had more money than brains! More money than brains, plus the Fed's four-year mandate to invest in long/risky assets but borrow short led many investors to conduct sloppy due diligence, as not enough investors were geared up to wisely invest long and risky. This was particularly the case for new collateralized debt instruments. This resulted in the substitution of ratings, sales pitches and the mantra that "I don't need to do diligence because someone else is taking care of it." This slippage in diligence was capitalized on by packagers of risk (particularly debt), who were more than happy to sell overrated paper to investors with more money than brains. When the music stopped, many investors discovered that the ratings were hollow and that no one had been doing the diligence.

Real household wealth rose in 2007, fueled by a rising stock market and largely flat home prices. The true household savings rate—the increase in net household wealth relative to personal income—was approximately 18%. This is in notable contrast to the official personal savings rate, which remains approximately zero. But remember, the official savings rate is seriously flawed in many ways, not the least of which is its failure to treat the unrealized appreciated value of assets as savings. According to the official measure, Bill Gates' wealth is less today than when he founded Microsoft because he has sold Microsoft shares over the past 30 years, while the appreciated value of his unsold Microsoft's stock is not treated as savings. And since he has a substantial consumption level (including charitable contributions), he is officially recorded as an enormous dis-saver. However, in reality, his savings rate is extraordinary, as reflected in his enormous wealth appreciation over the past 30 years. Of course, not everyone is Bill Gates, but this example demonstrates just how seriously flawed the official savings rate is in terms of American savings patterns.





In addition to strength in fundamental indicators, the U.S. is one of the only developed economies in the world that offers a massive market with a single language, a unified and relatively honest and transparent legal system, population mobility and population growth of roughly three million people each year. It's particularly important to recognize that the U.S. is perhaps the world's most entrepreneurial and competitive developed economy, with smaller government burden. With about 32% of the economy coming from the government, as compared with approximately 50% in major European nations, the U.S. simply is a more fertile growth environment. And while there are cycles in every economy, the service-oriented U.S. economy offers more long-term stability than other developed economies.

The fact that the U.S. economy grows also means that it can get oversupplied. But improved real estate transparency in the U.S. makes it difficult for such overbuilding to last for more than three years. In smaller markets, investors may misinterpret demand levels. The dynamic U.S. real estate market offers many repositioning opportunities. These repositioning opportunities derive from cyclical excess supply,

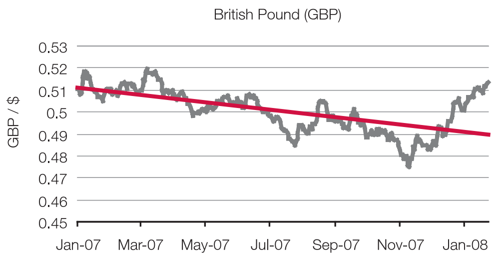
migration and changing market dynamics. This creates attractive opportunities for real estate professionals who understand local markets. In comparison, in markets like Germany and France, much higher levels of corporate ownership mean there are fewer repositioning opportunities, since corporate owners are typically not looking to maximize value in real estate, but rather are looking to ensure occupancy needs are met for the parents' tenants. This results in vastly underutilized real estate assets and limits the potential for savvy entrepreneurial firms to redevelop the real estate as is done in the U.S.

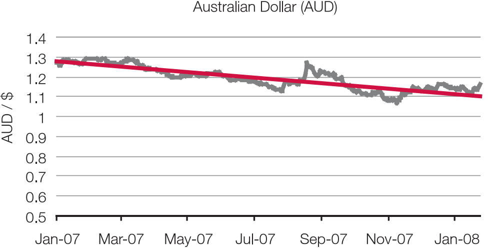
Some observers note a weak dollar and exchange rate volatility as factors that make U.S. investments uncertain. But this is misguided. The reality is that most investors who are making long-term bets on the U.S. economy do so by deploying funds into an economy, keeping those funds in the U.S. via follow-on or re-investment opportunities. This is especially true given the size and long-term growth of the U.S. economy. So there is rarely true currency repatriation upon sale. Rather, investors simply find the next project into which they can reinvest funds, keeping their 'foreign' funds in the U.S.

Investors are much more protected in the large U.S. economy, as opposed to smaller, potentially higher risk economies. The higher yields offered in such markets come with a price, and that price can be significant. Just ask investors who were caught holding Russian Ruble-denominated investments in 1998, when in one spectacular day funds that were in banks literally were reduced by a factor of four. The long-term stability of the U.S. economy also allows investors the option to 'ride out' any pricing dips. If an investor looked at investing 12 months ago into a project, and believed then that it was overpriced by even 5%, the investor should look now and see how much better it looks with a slightly weaker currency. Specifically, assume a group of investors from Mexico, Japan, U.K., Australia, Europe, Colombia, Chile, South Korea, South Africa and India all looked at properties somewhere around the beginning of 2007, and passed based on prices they thought were high. If nothing else had happened through the beginning of 2008 and that same group of investors came back to look at the same properties, they would be pleased to find the same U.S. prices

Cost of USD 1,000 of RE Value

Investor	Beginning 2007	Beginning 2008	"Savings"
Mexican (MXN)	10,990	10,870	-1.1%
Japanese (JPY)	123,000	112,000	-8.9%
British (GBP)	511	489	-4.3%
Australian (AUD)	1,280	1,110	-13.3%
Argentine (ARS)	3,070	3,170	3.3%
European (EUR)	776	680	-12.4%
Colombian (COP)	2,260,000	1,960,000	-13.3%
Chilean (CLP)	548,000	492,000	-10.2%
South Korean (KRW)	951,000	922,000	-3.0%
South African (ZAR)	7,300	6,830	-6.4%
Indian (INR)	44,200	38,400	-13.1%
Prices based on rate's trend		**Average**	**-7.5%**



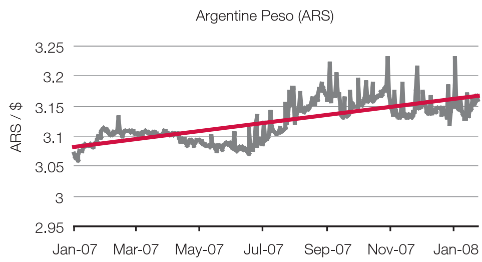


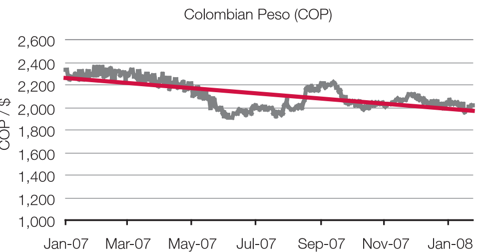
would cost an average of 7.5% less at the beginning of this year. And this does not factor in any actual decrease in price itself. This is what a weakened U.S. currency can mean for non-U.S. dollar dependent investors.

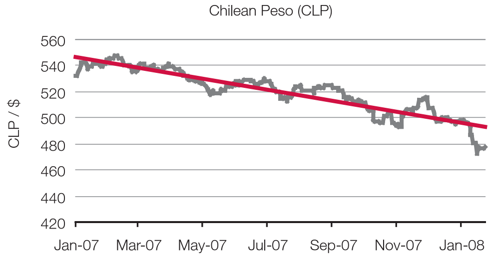
The U.S. political system has consistently proven to be stable. Even though there is the potential for political change, that change is centrist in nature. This is the predictability of a well-established democracy, where satisfying diverse populations of voters means not straying too far in any direction. Candidates who offer extreme viewpoints typically are not elected in the U.S. While this is frustrating for those who point to the need for dramatic change, it provides investors a fairly political framework. We have often said that one of the best situations for U.S. investors is that nothing happens politically. As much as the system in the U.S. is well developed and legal system sound, the frequent political gridlock of the U.S. system is beneficial to businesses and investors who want to move forward without wondering what tomorrow brings. Even when change does occur, it does not swing the pendulum as much as a coup in an emerging market will swing things.

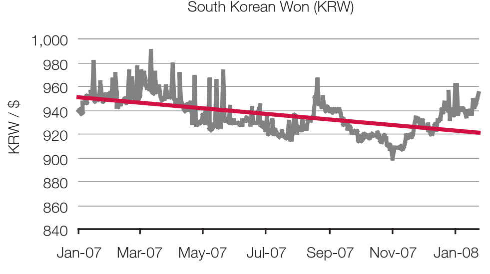
The U.S. has proven it can rationally handle and accept close political outcomes. Even in the Bush/Gore election, with its 19 levels of electoral technicalities, was there even a single incident or threat of strikes, rioting or serious protest? No! Take for contrast France, seemingly a rival to the U.S. in terms of its system of democracy and development. When a decision occurs that is dissatisfactory to truckers, what happens? The country stands still – literally – because the roads get blocked. When was the last time any large-scale impediment to business occurred? Even the worst attack on U.S. soil in its history – 9/11 – caused interruption of markets briefly, grieving that lasted, and a notable message to the world from New York that the city would move on proudly. These are often overlooked aspects of the resilience and brilliance of the U.S. melting pot of citizens. The U.S. is the nation that uniquely provides the stability to make this dynamic possible.

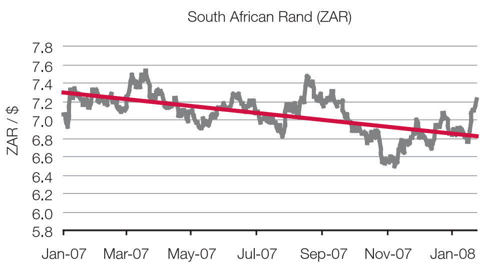
There is also no one single "U.S. market." When investing in U.S. commercial real estate, it is important to understand – and take advantage of – the fact that the nation is made up of some 363 geographic divisions called Metropolitan Statistical Areas. Each MSA,



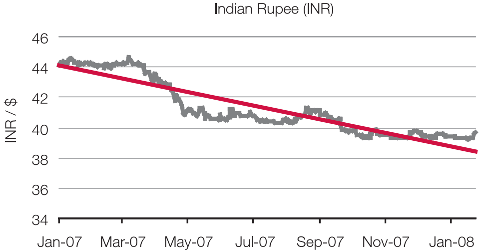








defined as having a population of at least 50,000 in one urbanized core area, has a distinct economic profile, depending on the region's infrastructure, geography, skill set and education of the labor pool, industry clusters, largest employers, access to related firms, lifestyle considerations, etc. The purpose of defining MSAs (which in aggregate account for 83% of the nation's population), is to best analyze socio and economic trends based on core clusters of economic activity. As a result, investing across geographies within the U.S. provides a high level of economic diversification, thereby spreading the overall investment risk accordingly. But to fully understand the diversification offered, it requires a detailed look at the landscape and its many movements. Of the 363 MSAs, about 20% have populations of at least one million.



Economic diversity across MSAs can be measured in a number of ways. The metrics that we highlight here include: size of the employment base, historical growth, short-term and long-term projected growth, and the covariance of MSA unemployment trends with national unemployment trends. The employment metrics are summarized in the table below, while the covariance analysis is examined in more detail later in the paper.

Linneman Associates provides employment forecasts for 41 MSAs, with employment bases ranging in size from 423,200 jobs in the Fairfield, Connecticut MSA to 3,962,000 in the Los Angeles MSA – separated by a factor of nearly 9.5x. Furthermore, employment growth comparisons clearly indicate MSAs do not move in lockstep with the nation. While the compounded annual rate of employment growth over the last 10 years was 1.2% for the nation, according to the Bureau of Labor Statistics' Payroll Survey, only Portland, Long Island, and Westchester posted the gains at that level during the same period. In contrast, 16 of the markets tracked by Linneman Associates posted 10-year historical growth lower than the nation, while 22 markets outpace the nation over the last decade.

	3Q07 Employment*	RANK	10-yr Historical	RANK	1-Yr Forecast	RANK	5-Yr Forecast	RANK
U.S.	136,826,000		1.2%		n/a		n/a	
All Linneman Markets	59,226,667		1.2%		2.5%		2.5%	
Detroit	1,882,467	12	-0.6%	41	-0.4%	41	0.9%	37
San Jose	860,267	30	-0.3%	40	2.2%	17	1.9%	26
Cleveland	1,035,033	23	-0.1%	39	0.6%	38	1.1%	35
San Francisco	939,600	28	0.0%	38	2.4%	15	2.7%	11
Chicago	3,720,567	2	0.3%	37	1.3%	30	1.7%	29
Fairfield County	423,200	41	0.3%	36	1.4%	29	1.3%	32
Boston	2,373,333	8	0.4%	35	0.8%	37	0.7%	38
Los Angeles/Long Beach	3,962,767	1	0.6%	34	1.0%	35	1.0%	36
St. Louis	1,369,033	16	0.7%	33	0.8%	36	0.6%	40
New York City	3,588,833	3	0.8%	32	1.4%	28	1.4%	31
Cincinnati	990,733	26	0.8%	31	1.2%	31	1.8%	28
Philadelphia	2,680,633	6	0.9%	30	1.0%	34	1.1%	34
Northern-Central NJ	2,853,967	4	1.0%	29	0.6%	39	0.7%	39
Miami/Hialeah	998,233	25	1.1%	28	1.7%	25	1.7%	30
Minneapolis	1,720,400	14	1.1%	27	2.3%	16	2.6%	13
Columbus	899,167	29	1.1%	26	1.9%	23	2.0%	22
Portland	961,967	27	1.2%	25	2.7%	10	2.4%	16
Long Island	1,258,700	18	1.2%	24	1.2%	32	1.3%	33
Westchester County	575,967	39	1.2%	23	0.1%	40	0.3%	41
Seattle	1,367,800	17	1.3%	22	1.9%	21	1.9%	24
Denver	1,147,867	22	1.3%	21	2.6%	12	2.5%	15
Indianapolis	859,300	31	1.4%	20	2.2%	18	2.1%	21
Nashville	761,333	36	1.8%	19	1.2%	33	1.9%	25
Atlanta	2,310,667	9	1.8%	18	2.6%	13	2.9%	9
Fort Worth	795,733	34	1.9%	17	3.3%	8	3.1%	7
Dallas/Ft. Worth	2,761,633	5	1.9%	16	3.3%	9	2.2%	20
Dallas	1,965,900	11	1.9%	15	3.8%	4	2.8%	10
Houston	2,243,400	10	2.0%	14	1.6%	26	1.9%	27
Raleigh-Durham	788,067	35	2.1%	13	3.4%	6	3.3%	5
Orange County	1,415,933	15	2.1%	12	2.2%	19	2.4%	17
San Diego	1,221,833	20	2.1%	11	1.8%	24	2.6%	12
Tampa Bay	1,231,900	19	2.2%	10	2.6%	14	2.3%	18
Charlotte/Gastonia/Rock Hill	839,467	32	2.3%	9	1.9%	22	2.0%	23
Fort Lauderdale	727,167	37	2.3%	8	1.6%	27	2.6%	14
Washington, D.C.	2,429,533	7	2.5%	7	2.0%	20	2.2%	19
Austin	701,100	38	2.8%	6	4.9%	1	4.4%	2
West Palm Beach	543,400	40	3.0%	5	2.7%	11	3.0%	8
Orlando	1,013,800	24	3.2%	4	3.4%	7	3.3%	4
Phoenix	1,762,200	13	3.4%	3	4.0%	3	3.3%	6
Inland Empire	1,180,367	21	4.1%	2	3.6%	5	3.5%	3
Las Vegas	825,033	33	4.9%	1	4.5%	2	4.4%	1

Source: Linneaman Associates
Green indicates top 10 *yellow indicates bottom 10*
**Based on the Payroll Survey from the Bureau of Labor Statistics*

Year-over-year through September 2007, the Employer Payroll Survey (which targets firms' responses) reported employment growth of 1.2% (1.6 million jobs), while the Household Survey (which targets households' respondents) posted growth of 1.0% (1.4 million jobs). Riverside-San Bernardino, Austin, Seattle and Las Vegas reported growth above 3% on at least one of the surveys. Phoenix, Raleigh-Durham, Charlotte, Fort Worth, Atlanta and Orlando all registered 2% growth or greater on both surveys. In contrast, San Diego,

Chicago, Minneapolis and the New York metro turned in more modest performances (not breaking 1% on either survey) over the last year through September. Detroit; Orange County, California; Cleveland and Cincinnati posted the weakest job growth for the same time period.

Using 45 years of historical data on job growth and unemployment rates, and more than 15 years of single-family home price appreciation, Linneman Associates performed a regression analysis of how each MSA's percentage employment growth, unemployment rate and median single family home prices varied with the corresponding national metric. While job growth covariance is a metric of office-demand variability and unemployment rate covariance is a rough metric of retail and warehouse demand variability, home price covariance serves as a metric of local household wealth volatility. Therefore, for purposes of this article, we focus on the unemployment rate analysis.

For each MSA, we estimated a "beta" that summarizes how a 100 basis point (bps) change at the national variable affects the local indicator. The beta for the U.S. as a whole is defined as 1. Thus, an MSA with a beta of 1 registers (on average) an increase of 100 bps in employment growth (around its trend), when national employment rises by 100 bps. A beta of 0.5 means that local growth rises by 50 bps (above trend) when the national rate increases by 100 basis points. If an MSA's beta is 1.5, it means that when national employment rises or falls by 100 basis points, the local area responds 50% more (around its mean). A beta that is less than 1.0 indicates that the MSA does not boom (or bust) to as great an extent as the national economy. We also examined whether an MSA has the same beta when the national economy was booming as when it experienced a bust. That is, an MSA might react differently depending on whether the national economy was growing or shrinking.

In the case of a rising national employment growth rate, a positive beta indicates that when national employment grows, the MSA employment growth rate increases as well. This is the case for all MSAs. All but four MSAs experienced (on average) negative job growth when national employment was negative. However, Austin, Fort Lauderdale, San Diego and West Palm Beach all exhibit statistically significant job growth (though at lesser rates), even when the nation's job growth rate was negative.

Metropolitan Area Employment Growth
Employer Payroll Survey versus Household Survey
Year-Over-Year Thru September 2007

	Strong	
	Employers	Households
U.S.	1.2%	1.0%
Riverside/San Bernardino	3.7%	2.9%
Austin	3.3%	2.2%
Phoenix	2.7%	2.9%
Raleigh/Durham	2.7%	2.0%
Houston	2.6%	1.3%
Seattle	2.5%	3.6%
Charlotte	2.4%	2.2%
Fort Worth	2.4%	2.0%
Dallas	2.4%	1.1%
Atlanta	2.3%	2.8%
Orlando	2.1%	2.0%
West Palm Beach	1.8%	1.6%
Fairfield County, CT	1.5%	2.5%
Denver	1.5%	1.6%
Las Vegas	1.4%	3.4%
San Francisco	1.4%	1.0%
Washington, D.C.	1.4%	0.8%
St. Louis	1.4%	0.7%
Portland	1.3%	2.3%
Miami	1.3%	1.9%
Ft. Lauderdale	1.3%	1.9%
San Jose	1.3%	1.1%
Tampa	1.1%	1.0%
	Solid	
	Employers	Households
Boston	1.1%	0.8%
Nashville	0.8%	2.2%
Los Angeles	0.8%	1.5%
Columbus	0.6%	1.4%
Philadelphia	0.6%	1.0%
	Weak	
	Employers	Households
San Diego	0.9%	0.5%
Chicago	0.9%	0.4%
Minneapolis	0.8%	0.1%
NY/NJ Metro	0.8%	0.0%
	Disaster	
	Employers	Households
Cincinnati	0.0%	0.6%
Cleveland	0.0%	-0.2%
Orange County	-0.1%	-0.2%
Detroit	-1.8%	-1.1%
	Questionable	
	Employers	Households
Indianapolis	1.1%	-1.1%

Long Island, Dallas, Denver and Northern New Jersey exhibit employment growth rate betas closest to 1.0, indicating that local employment growth patterns moved closely in tandem with the nation (Figure 4). New York City, Philadelphia, Houston, St Louis and Washington, D.C., have the lowest betas. Employment growth rates in these MSAs moved with lower amplitude than the nation, although in the same direction. At the other end of the spectrum, Fort Lauderdale, West Palm Beach, Detroit, Austin and Boston exhibit the relatively highest betas, indicating job growth volatility notably greater than the nation. Detroit, Austin and Boston generally boomed when the nation was adding jobs, but suffered badly on the downside.

In the case of a rising national unemployment rate (that is, a weakening national economy), a positive beta indicates that when the national unemployment rate increased, the MSA unemployment rate also rose. This was the case for all MSAs. That is, no MSA was immune from rising unemployment when the national unemployment rate rose. Stated differently, all local economies suffered when the national economy declined, and gained when the national economy grew. Thus, even in the four recession-proof areas in terms of job growth (Austin, Fort Lauderdale, San Diego and West Palm Beach), during times of rising national unemployment, the labor force expanded more rapidly than jobs were created, weakening job prospects in the market. This reflects the phenomenon that labor force growth basically expands at trend levels; while jobs are not added quickly enough to offset the expanding local labor force during national downturns.

San Francisco, Miami, Dallas-Ft. Worth and Philadelphia are among the MSAs that move roughly in concert with U.S. unemployment rates, while Austin, Raleigh-Durham and Nashville reveal the lowest betas. Detroit, Riverside-San Bernardino, West Palm Beach and Boston have the highest unemployment rate betas, indicating substantially greater movements (both up and down) at the MSA than at the national level. With a beta of almost 2, Detroit is the most “boom-bust” MSA. That is, when the national unemployment rate is improving, it is generally very good in Detroit, but when unemployment is increasing at the national level, Detroit really feels the pain.

These results provide basic insights into how MSA demand fundamentals respond to national trends, and clarify how local markets prosper and lag in comparison to the nation’s economy. Taken together, they provide a picture of both long-term growth trends and the

Reaction to Change in
National Employment Growth Rates

0.5 < or = |beta| < 0.9
New York City
Philadelphia
Houston
St. Louis
Washington, D.C.
San Francisco
Westchester County
Inland Empire

0.9 < or = |beta| < or = 1.1
Columbus
Cincinnati
Miami - Hialeah
Long Island
Denver
Dallas
Northern-Central NJ
Cleveland
Las Vegas
Raleigh-Durham
Chicago

1.1 < |beta| < or = 1.5
Fairfield County
Los Angeles
Minneapolis
Indianapolis
Tampa Bay
Seattle
Nashville
Portland
Atlanta
Orange County
Phoenix
Charlotte
San Diego
San Jose
Orlando

|beta| > 1.5
Boston
Austin
Detroit
West Palm Beach
Fort Lauderdale

Italics indicate growing MSA employment when national employment falls; categorized by rising employment betas.

Reaction to Rising National Unemployment Rates

|beta| < or = 0.5
Austin

0.5 < or = |beta| < 0.9
Raleigh
Nashville
Indianapolis
Portland
Columbus
Minneapolis
Washington
Los Angeles
New York City
Cincinnati
Atlanta
Charlotte
Denver
Seattle
St. Louis
Las Vegas
Phoenix
Houston

0.9 < or = |beta| < or = 1.1
San Francisco
Miami
Dallas/Fort Worth
Philadelphia

1.1 < |beta| < or = 1.5
Fort Worth
Orange County
Bridgeport
NY Metropolitan Area
NY Westchester County
Chicago
Tampa
Cleveland
San Diego
San Jose
Fort Lauderdale
Orlando

|beta| > 1.5
Boston
West Palm Beach
Riverside/San Bernardino
Detroit

risk expectations of economic variability around these trends as the U.S. economy cycles. From a risk management perspective, investors can target lower beta markets for development projects and higher betas for acquisitions. This reasoning is driven by the fact that construction takes longer than acquisitions, and therefore risk exposure to a particular market is prolonged with development projects. One way to mitigate that risk is to target markets that have lower magnitudes of economic change as the U.S. economy changes.

Tactically, there is also an ease within U.S. commercial development markets, whereby the vehicles available are also very developed. REITS and partners who exercise an array of strategies (repositioning, developing, hold/stabilize, etc.) give investors a selection of entry points and risk balancing approaches to this broadly developed market. It's also easier administratively. In markets such as the U.S., there may be no single answer as to which of the available strategies is best; but once an investor picks a strategy, the administrative steps needed to invest funds are known. There is no interpretation of the law on how to accomplish a firm's desired investment. In emerging markets, by contrast, the book is still unwritten, so to speak. In other words, entering an emerging market with a unique strategy may mean the investing firm literally has to interpret the law and create the path by which to execute on the strategy.

All of this simply adds up to the U.S. being – now, and going forward – a strong economy into which firms can place their commercial property investment dollars (or converted Yen, Euros, Pounds or other currencies) with the expectation of several things occurring. First, the market will not collapse and leave the investor with no exit doors. Timing may be affected slightly, as will be the case in any market, but long term the market will always provide a robust set of exits to those who know how to find them. Second, the funds deployed themselves will not suffer any real loss over the long term due to currency or credit crises. Short-term timings may cause some shifting in execution, but historically there have not been extended periods for which these shifts must last, therefore strategy should not be affected. Third, the political system is both rock solid and efficiently geared towards stability, offering investors the assuredness that the market, not ill-equipped politicians, will drive business decisions. And finally, the entry and exit points are easily definable, with many partners and agents ready and willing to help foreign firms enter the market efficiently.

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