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Study: Investors Should Look Outside US

By Gina Kenny

CHICAGO-Real estate investors should choose recession resistant property types and be willing to seek investment opportunities outside of the US, according to the latest LaSalle Investment Management's Investment Strategy Annual report. LaSalle Investment Management Inc., part of Chicago-based Jones Lang LaSalle, recently issued the 14th edition of the report. A team of 25 research analysts put together the report based on analysis, Jones Lang LaSalle data and economic forecasts. "The purpose of the study is to give our clients our best investment thinking for the year ahead," says Jacques Gordon, global strategist for LaSalle. "The intention is really help all of our investor clients with their strategic plans for the year ahead." LaSalle recommends a balanced portfolio with assets from mature markets, such as the US and United Kingdom, with assets from "growth markets", such as Latin America, Asia and Mexico.

Moderate leverage investors should find it easier to secure deals now that there are tighter lending requirements in North America and Europe, Gordon says. Investors using leverage between 60% and 65% "can actually start winning bids again," he says. "The first half of 2007, we were basically priced out of the market...because of the high leverage and high prices being paid in the market." Residential real estate has become overheated in the US and other countries such as Spain, France and the United Kingdom with concerns that Shanghai might become overheated as well.

However, one of the types of properties that investors should "overweight" is apartments in the US, which are considered "fairly safe to ride out the US slowdown," Gordon tells GlobeSt.com. The demand for apartments should increase as people who might have been buying homes in the beginning of 2007 may now be looking for apartments as well as possibly people who have had their homes foreclosed, Gordon says. Niche markets such as healthcare facilities, senior housing and student housing are also recommended.

In the US, LaSalle has the "most concern" for retail properties, "particularly higher end or mom and pop" retailers, he says. However, exports are expected to increase because of the weak dollar. LaSalle is remaining neutral with regards to office and industrial, Gordon says. LaSalle is cautioning against industrial properties such as distribution facilities for retail businesses, but believe the outlook is better for "more modern logistics" facilities, Gordon says. The office market will be "hot and cold" depending on the area. Still, the fundamentals in the US are generally healthy and are expected to reach "trend-level growth" again in 2009.

Office properties in Mexico are recommended, as vacancy rates are expected to dip below 5% in 2008. Industrial properties in northern Mexico, however, are cautioned against, as they may not fare well if the US economy has a slowdown. In Canada, there is an expected increase in demand for industrial properties, such as warehouses near port developments and in Vancouver, Calgary and Edmonton, where there vacancy is tight. Value-add properties and well-positioned core properties are recommended in Canada as well.