

# Cross-border capital investment in U.S. commercial real estate

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Cross-border capital has pulled back from investment activity in the US because of tariff-related and geopolitical concerns. What does that mean for US commercial real estate (CRE)? How might a prolonged pullback affect liquidity and prices? These questions require looking at the historical makeup of cross-border investments by identifying the U.S. locations and types of buildings that have attracted cross-border investors the most.

Purchasing by cross-border investors of U.S. CRE over the past decade has focused on:

- Traditional sectors, especially industrial warehouses and CBD (central business district) offices
- Gateway markets, especially New York City (NYC) in select sectors
- Larger assets
- More expensive locations

Based on this, we believe if cross-border investors were to pullback materially from U.S. CRE over a prolonged period, impacts on asset liquidity and pricing would vary by location, types of buildings, and asset sizes:

## **Little to no impact**

- Non-traditional property sectors
- Smaller and most mid-sized assets, especially in non-gateway markets

## **Moderate to material impact**

- Market/sector combinations where cross-border investors historically have been proportionately more active (e.g., CBD office, full-service hotels, and mid/high rise apartments in the NYC metro)
- Larger assets in gateway metro areas, i.e., NYC, Los Angeles (LA), San Francisco (SF), Washington DC (DC), and Boston.

## **Modest to moderate impact**

- Larger assets in other major metro areas, e.g., Atlanta, Dallas, Denver, Central Florida, Charlotte, Chicago, Houston, Miami/South Florida, Phoenix, and Seattle.

Much of the historical activity of cross-border investors has been in sectors currently undergoing structural shifts like offices and retail malls. We'd expect sector preferences to evolve along with these structural shifts. But if cross-border investors pull back from the U.S., that capital could be deployed to other CRE opportunities across the globe. The structural shifts occurring in U.S. property types, however, don't completely sync with shifts in Europe and Asia Pacific.

Over the past 10 years, Canadian investors have accounted for one-third of direct cross-border CRE investments in the U.S., and two-thirds of cross-border capital has come from investors based in Canada, Singapore, China, Germany, and South Korea. Understanding the investment patterns of these countries is critical to imagining where new CRE investment activity may be directed if the cross-border investor appetite for U.S. assets remains muted for a prolonged period.

For further thoughts about potential implications for other regions of the globe, see the companion piece, "Cross border capital investment across global commercial real estate markets".

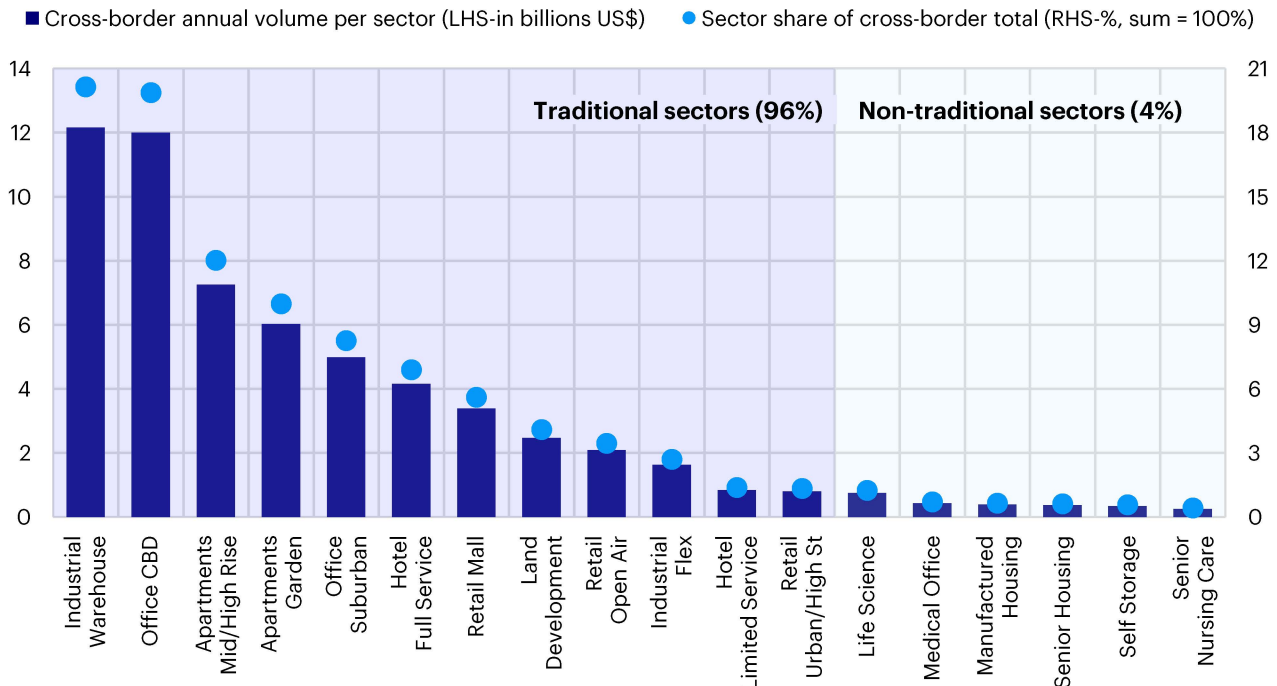
## Majority of activity in traditional sectors

Cross-border investor purchases of U.S. CRE from 2015 to 2024 have focused mostly on traditional sectors<sup>1</sup>, accounting for 96% of cross-border investment activity. Non-traditional sectors<sup>2</sup> accounted for only 4% of cross-border activity, versus 9% for domestic capital.<sup>3</sup> (see chart below)

## Traditional sectors have been the primary focus of cross-border investors

### Cross-border investor purchases of U.S. CRE by sector (US\$) and sector shares of cross-border total (%)

Annual average 2015-24



Source: Invesco Real Estate, utilizing data from MSCI/Real Capital Analytics, June 2025

### 40% of activity in two property types; more than 80% in seven

Industrial warehouses (20% share) and CBD offices (20% share) together accounted for 40% of all CRE purchases by cross-border investors over the past decade. These sectors in combination with mid/high rise apartments (12%), garden apartments (10%), suburban offices (10%), full-service hotels (7%), and retail malls (6%) account for 83% of all U.S. CRE purchases by cross-border investors.

### Above-average concentrations in four property types

Cross-border capital accounted for 11% of all direct investments in U.S. CRE from 2015 to 2024. This estimate reflects only the share of cross-border capital invested directly in properties. If participation of cross-border capital in comingled funds and the listed REIT market were also included, the overall share would be closer to 17%.<sup>4</sup>

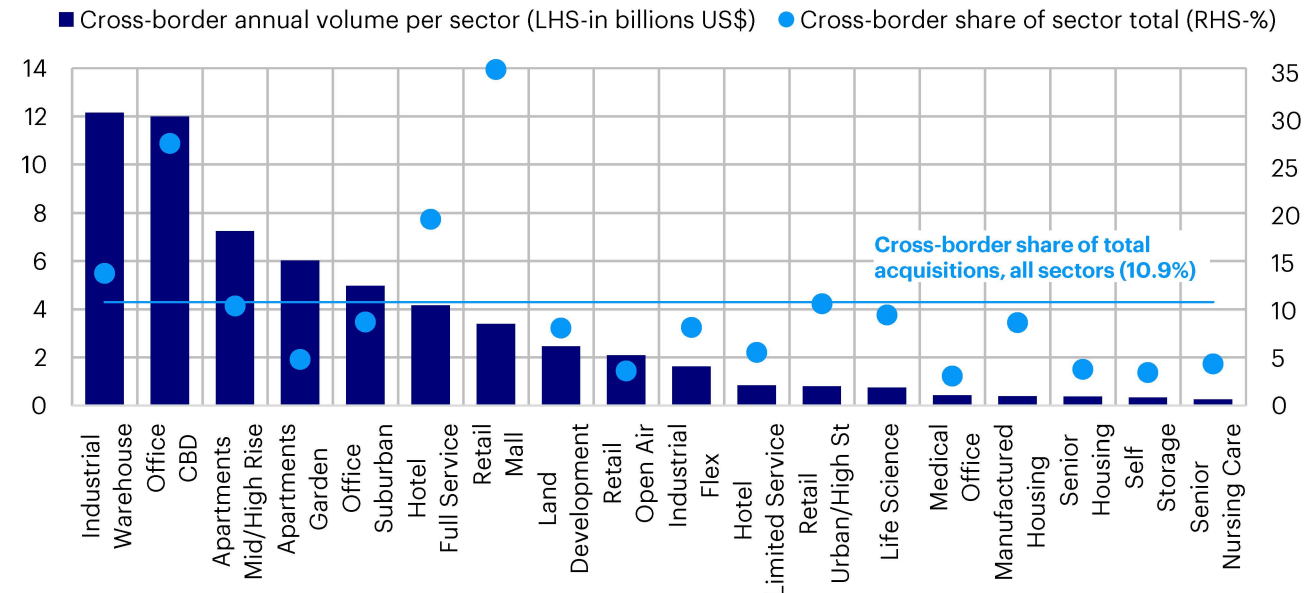
While direct property investments do not provide a complete view of cross-border CRE activity in the U.S., we believe that information from direct transactions is useful for identifying preferences for property types, locations, and asset characteristics.

Property types with outsized representation from cross-border direct investors include industrial warehouses (cross border share of 14%), CBD offices (28%), full-service hotels (20%), and retail malls (35%). (see chart below)

### Cross-border shares are highest in warehouses, CBD office, full-service hotels, and retail malls

#### Cross-border investor purchases of U.S. commercial real estate by sector (US\$) and share of sector totals (%)

Annual averages, 2015-24



Source: Invesco Real Estate, utilizing data from MSCI/Real Capital Analytics, June 2025

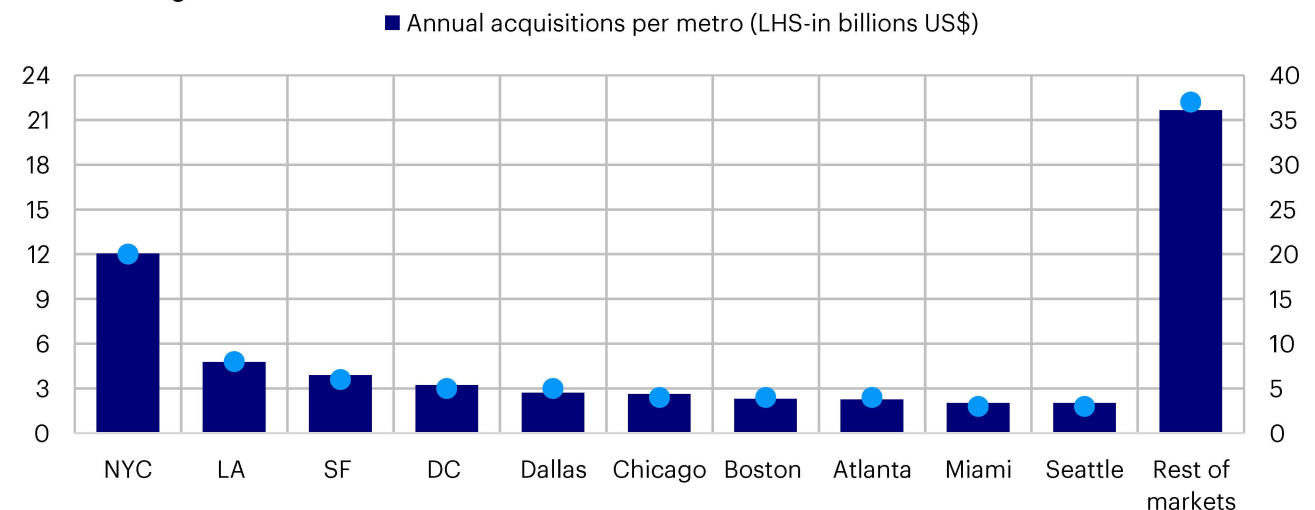
#### 44% of activity in gateway markets; 20% in NYC metro

Cross-border direct investments in U.S. CRE have been concentrated in gateway markets. The most activity was in the NYC metro (20% share), which isn't a surprise, as well as investments in gateway markets (44% share across metros of NYC, Los Angeles, San Francisco, Washington DC, and Boston). Outside of the gateways, Dallas had the highest share (5%) of activity. Most non-gateway metro shares were less than 1%. (See chart below.)

### Gateways have been preferred, yet activity appears well diversified across metros

#### Cross-border investor purchases of U.S. commercial real estate by metro area

Annual average 2015-24



Source: Invesco Real Estate, utilizing data from MSCI/Real Capital Analytics, June 2025

### Outsized metro concentrations (especially NYC) in some sectors

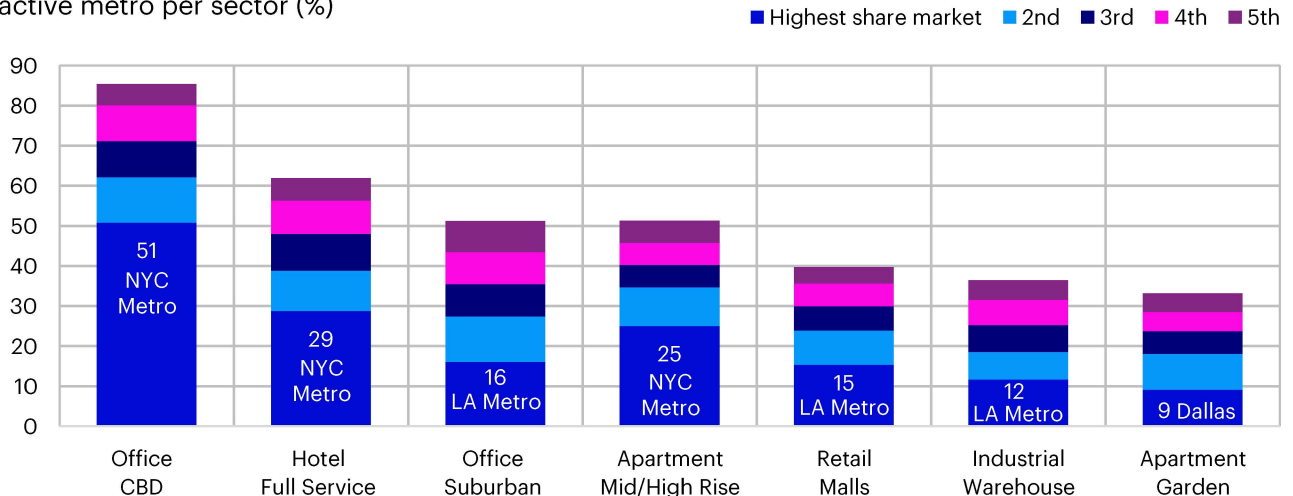
Metro area concentrations are particularly high in some sectors, especially CBD offices where the top five metros from 2015 to 2024 accounted for 85% of all cross-border acquisitions activity. The NYC metro area alone accounted for 51% of all U.S. CBD office investments made by cross-border investors.

The NYC metro also has an outsized share of cross-border investments in full-service hotels (29%) and mid/high rise apartments (25%). No other metro area comes close to this across the most active property types. The Los Angeles metro area would be the closest with outsized shares in suburban offices (16%), retail malls (15%), and industrial warehouses (12%).

### Outsized market concentrations for some sectors, especially in NYC metro

#### Metro concentration of cross-border investment by sector

Average 2015-24: Cumulative share of the five most active metros per sector, and share of the most active metro per sector (%)



Sources: Invesco Real Estate, utilizing data from MSCI/Real Capital Analytics, June 2025

### Focus on higher priced assets and larger buildings

Cross-border investors paid more per asset and purchased larger buildings than domestic investors on average over the past decade. This was consistent across property types with CBD offices being the standout example. Cross-border investors paid 3.5 times more per CBD office building than domestic investors. The high multiple largely reflects the high concentration of cross-border investor activity in the NYC metro for CBD offices. While the price multiple for CBD offices is an outlier, the price multiple for each sector shows that cross-border investors consistently purchased higher priced assets compared to domestic investors. (see chart on next page)

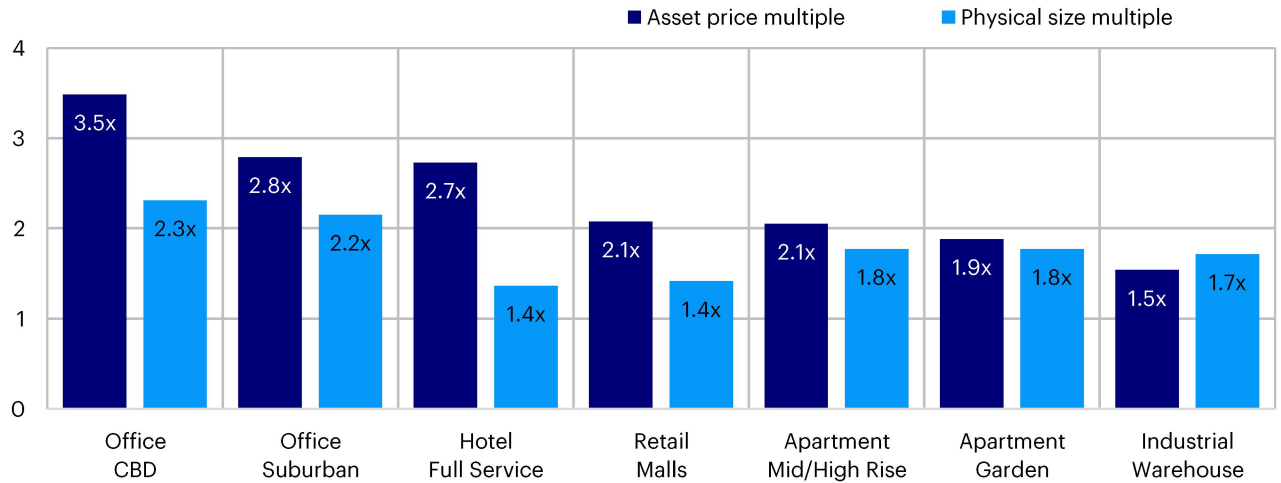
Also, the price multiple for most sectors was higher than the physical building size multiple. Again, looking at CBD offices as an example, the 3.5x price multiple exceeds the 2.3x multiple for building size. This indicates that cross-border investors are paying a higher value per square foot in some sectors, either from buying in more expensive areas or from buying higher grade (or potentially newer) assets.<sup>5</sup>

More about the historical biases of cross-border capital can be seen in NYC CBD offices, the national leader in assets purchased by cross-border investors over the past decade. Cross-border investors paid 3.7 times more than domestic investors for CBD offices in the NYC metro and acquired buildings that were 3.2 times physically larger. This example reflects not only a cross-border investor bias for larger buildings, but for higher value “trophy” assets.

## Cross-border assets tend to be higher priced, larger, and in higher cost locations

### Price and size of cross-border funded CRE investments as a multiple of domestic capital-funded investments

Average investments made in 2015-24



Sources: Invesco Real Estate, utilizing data from MSCI/Real Capital Analytics, June 2025.

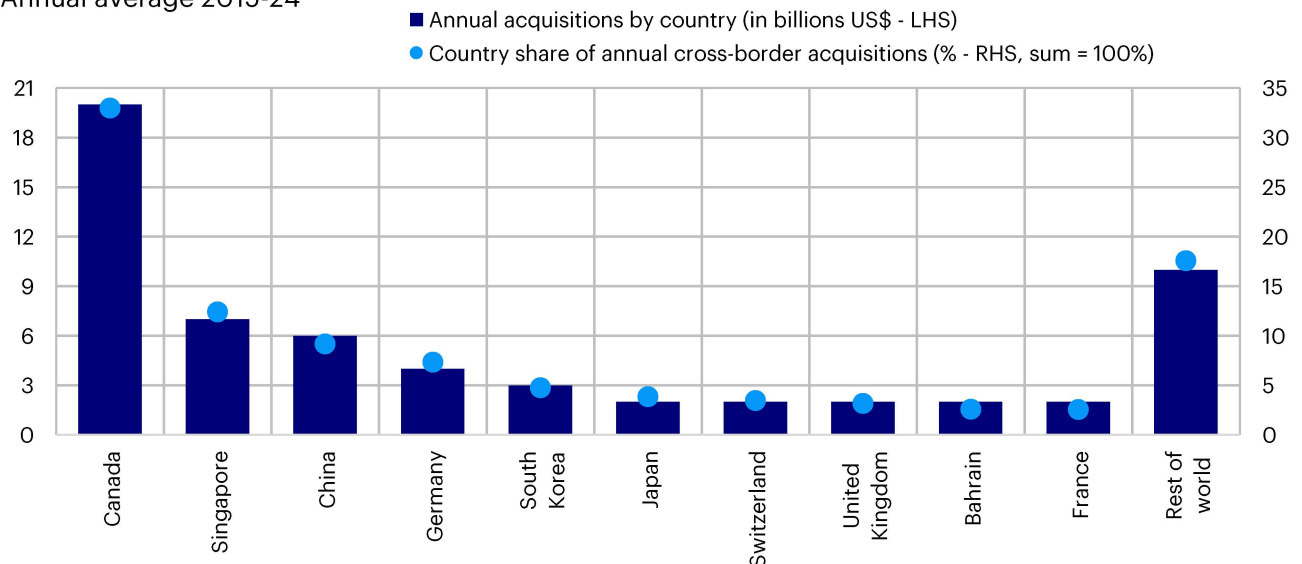
### One-third of purchases made by Canadian investors; two-thirds by five countries

One-third of all U.S. CRE purchases made by cross-border investors over the past decade came from Canada. Also, two-thirds of cross-border funding came from the combination of Canada, Singapore, China, Germany, and South Korea. (see chart below) Understanding the global investment patterns of these and other non-U.S. countries is critical to imagining where new CRE investment activity may be directed if the appetite of cross-border investors remains muted for a prolonged period.

### One-third of all cross-border CRE investment in the U.S. has come from Canada

#### Sources of cross-border investment in U.S. commercial real estate by country

Annual average 2015-24



Sources: Invesco Real Estate, utilizing data from MSCI/Real Capital Analytics, June 2025



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## Conclusions: How to manage risk

We see at least two broad ways to manage the risk of a potential pullback of cross-border capital. The first is to focus new purchases on smaller and mid-sized assets, especially in non-gateway markets. And even in gateway markets where tenant demand trends remain favorable, capital demand for well-located higher quality assets should remain healthy for small and moderate-sized properties. Most of the risk is concentrated in larger gateway assets, especially for property types still undergoing structural demand shifts such as offices and malls.

The second is to increase allocations to non-traditional sectors that offer the strongest combination of healthy tenant demand, limitations on new supply, and attractive relative pricing. Cross-border activity in non-traditional sectors over the past decade has been scant, thus any pullback of activity likely wouldn't impact liquidity in these property types.

Finally, cross-border investors who intend to reduce activity in the U.S. would benefit from understanding global CRE investment patterns as they consider new opportunities. (see "Cross border capital investment across global commercial real estate markets")

## Defined Terms and Notes:

1. Traditional sectors include all subtypes of industrial, office, apartment, hotel, and retail property types, as well as land purchased for the purpose of development.
2. Non-traditional sectors include life science, medical office, manufactured housing, self-storage, senior housing, and senior nursing care.
3. Unless explicitly specified otherwise, all data presented in this paper reflects analysis by Invesco Real Estate using data sourced from MSCI/Real Capital Analytics for the years of 2015 to 2024. Data as of June 2025.
4. The 17% estimated share of overall U.S. commercial real estate purchases represented by cross-border capital derived as follows: (1) 10.9% of direct property investments made by cross-border investors, reflecting activity from 2015 to 2024 according to MSCI/Real Capital Analytics; (2) 24.7% of direct property investments made by institutions and equity funds (MSCI/Real Capital Analytics) multiplied by an 18% share of net asset value from NCREIF's Open-End Diversified Core Equity (ODCE) Index (PREA Quarterly, Summer 2024) equals 4.4%; (3) 9.2% of direct property investments made by listed REITs (MSCI/Real Capital Analytics) multiplied by 17.3% (S&P Global, "Foreign institutional investor ownership in US REITs grows", March 11, 2024) equals 1.6%; (4) Add together 10.9% + 4.4% + 1.6% = 16.9%, or round to 17%.
5. The price multiple is calculated by dividing the average sector price of assets purchased by cross-border investors by the average sector price of assets purchased by domestic investors. The building size multiple is calculated by dividing the average sector building size (in either square feet or number of units) of assets purchased by cross-border investors by the average sector building size of assets purchased by domestic investors. These calculations are based on transaction activity from 2015 to 2024.

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## Investment risks

The value of investments and any income will fluctuate (this may partly be the result of exchange rate fluctuations) and investors may not get back the full amount invested. Property and land can be difficult to sell, so investors may not be able to sell such investments when they want to. The value of property is generally a matter of an independent valuer's opinion and may not be realised.

Generally, real estate assets are illiquid in nature. Although certain kinds of investments are expected to generate current income, the return of capital and the realization of gains, if any, from an investment will often occur upon the partial or complete disposition of such investment.

Investing in real estate typically involves a moderate to high degree of risk. The possibility of partial or total loss of capital will exist.

Investing in commercial real estate assets involves certain risks, including but not limited to: tenants' inability to pay rent; increases in interest rates and lack of availability of financing; tenant turnover and vacancies; and changes in supply of or demand for similar property types in a given market.

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