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The Determinants of International Commercial Real Estate Investment

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Abstract

We examine the determinants of international commercial real estate investment using a unique set of panel data series for 47 countries worldwide, covering the period from 2000 to 2009. We explore how different socio-economic, demographic and institutional characteristics affect commercial real estate investment activity by determining both cross-sectional and time-series estimators, running augmented random effect panel regressions. We provide evidence that economic growth, rapid urbanization and compelling demographics attract real estate investment, and also demonstrate that a lack of transparency in the legal framework, administrative burdens of doing real estate business, socio-cultural challenges and political instabilities reduce international real estate allocations.

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Notes

1. Dunning (1977, 1980, 1981, 1995, 2000, 2001 and 2006).

2. The detailed correlation matrix can be provided on request.

3. Please note that a high inflation rate is unattractive for investment activity. The previous rescaling of the raw-data leads to the positive sign of the “inflation” estimators.

4. Please note that a high tax rate is unattractive for investment activity. The previous rescaling of the raw-data leads to opposite signs of the “tax rate” estimators.

5. Lee (2006) uses property returns from the Investment Property Database (IPD).

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Appendix

Table 12 Description of the data sample and sources

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