

Nordic Journal of Surveying and Real Estate Research 7:1 (2010) 15–29

submitted on December 7, 2009

revised on April 26, 2010

accepted on May 4, 2010

Motivation and Market Selection of International Investors in Finnish Property Market

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***Abstract.** The property markets have internationalised rapidly in Europe. This paper investigates the motivation, market selection approach as well as market selection criteria of international property investors through an interview study of foreign investors in the Finnish commercial property market. The findings suggest that the main motivation for international property investments is diversification, but in a conceptual sense rather than in the meaning of Modern Portfolio Theory. In addition, the market selection is driven by factors related to the institutional environment, the general economy and the property market, whereas the role of correlations of asset returns in market selection is small. In addition, market familiarity and factors related to the investment organisation, such as resources, drive market selection.*

***Keywords:** Property investment, international investment, motivation, market selection*

1 Introduction

The European real estate markets have internationalised rapidly. Today, more than half of the investments in European property markets are done across borders (CB Richard Ellis, 2009). Traditionally, the three large property markets of the U.K., France and Germany have acted as the main target markets for international investors, but a notable change has taken place since the turn of the millennium: a growing number of markets, such as the Nordic and the Central and Eastern European property markets are regarded as prospective investment targets. An illustrative example of the development is that during the first half of 2008, only nine out of the 25 European countries monitored by CB Richard Ellis reported levels of international investment lower than 50% of the total transaction volume (CB Richard Ellis, 2008).

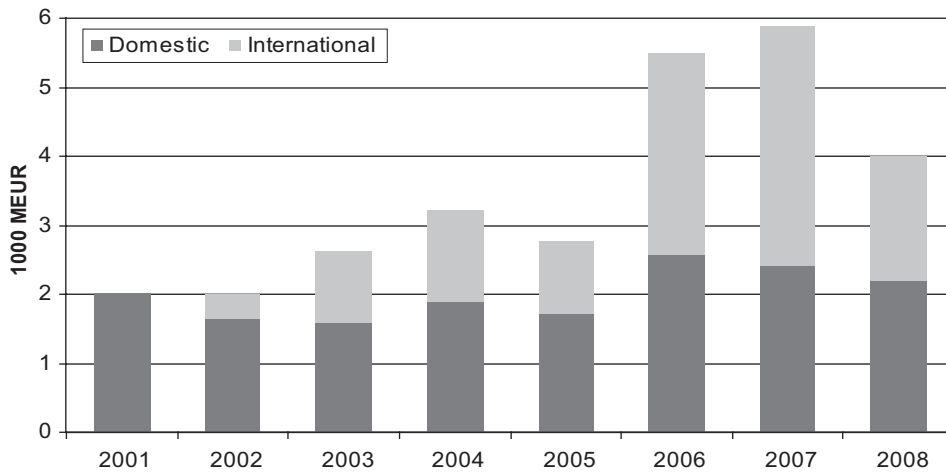


Figure 1. Volume of transactions conducted by international and domestic investors in the Finnish commercial property market 2002–2008 as calculated by purchases. Source: KTI 2009.

In Finland, the internationalisation of the commercial property investment market took off after 2002, and since then more than 70 foreign real estate investors have entered the Finnish commercial property market (Catella 2008). Figure 1 illustrates the growth in the volume of transactions conducted by international and domestic investors in 2002–2008.

In financial theory, the asset selection of an investor is assumed to follow the principles of Modern Portfolio Theory by Markowitz (1952). According to MPT, a rational investor selects the investments and their allocation based on the asset returns and the risk, measured as the standard deviation of the return, as well as the co-movement of asset returns, i.e., covariance. The majority of the literature on international property investments has, indeed, built on this framework, and focused on the analysis of diversification benefits through international real estate exposure (for a review, see Sirmans and Worzala, 2003). The diversification benefits offered by Finnish property markets have been analysed by Falkenbach (2009a), who concludes that the inclusion of Finnish commercial real estate in an international real estate portfolio does provide diversification benefits.

Mean-variance analysis has, however, its problems. In general, criticism against the model has been directed at the assumptions of the distribution and predictability of returns, the mathematical form of the model and at the assumed portfolio selection criteria and investment horizon (see, e.g., Michaud 1989, Black and Litterman 1992). In addition, the direct adaptability of mean-variance analysis in international market selection is not straightforward even in the financial markets, where issues such as market familiarity, differing regulations and additional costs affect the selection of markets. The application of Modern Portfolio Theory to property investments is problematic due to the characteristics

of property investments, such as large lot size and limited liquidity, which violate the assumptions of the model. Due to these reasons, it is also possible that investors use additional criteria for market selection.

This paper investigates the investor motivation for and market selection in international property investments. The empirical study is conducted as an interview study, for which the methodology and respondents are presented in the following section. Thereafter, the following sections discuss the previous literature and the findings of the interview study on investor motivation, approach to market selection and market selection criteria, respectively. The last section draws conclusions and gives suggestions for further research.

2 Methodology and respondents

The study was conducted as an interview study. Altogether 29 international investors, either participating in or trying to access the Finnish market were included in the study. The respondents were identified with the help of Catella Property, a property transactions advisor operating in Europe. The respondents were first approached by letter and e-mail. Thereafter, the organisations were contacted by phone to confirm that the contact person was the right person to participate in the study and to agree on the interview date. All the interviews were conducted face to face.

Of the 60 international property investors who were invited to participate, 29 participated in the study. The organisations participating in the study were investment companies, fund management companies and institutional investors. Table 1 presents the respondents by country in comparison to the group of international investors in the Finnish market. From the table it can be seen that in the interview sample the Nordic and German investors are slightly overrepresented in the sample.

*Table 1. International investors in the Finnish market and respondents by country.
(Source: Catella 2008.)*

	International investors in Finnish market (n=77)		Respondents (n=29)	
	n	%	n	%
Europe				
Nordic	23	30	14	48
Germany	17	22	8	28
UK	12	16	3	10
Other European	13	17	-	-
Non-European				
US	9	12	4	14
Other non-European	3	4	-	-

The aim in choosing the respondents within the respondent organisations was to identify the people who make the decisions on international property investments and allocations. Table 2 presents the respondents according to their position in the organisation. The most typical positions of the respondents were investment manager (38%), managing director (31%) and acquisitions manager (17%), and there were

also two managers of research activities, one vice president of the company and one head of real estate funds. In the interview situation, it was controlled that the persons interviewed were within the target group. Thus, it can be concluded that the respondents had sufficient knowledge and experience to participate in the study.

Table 2. Respondents by position.

Position (n= 29)	Number	%
Investment manager	11	38
Managing director	9	31
Acquisitions manager	5	17
Other	4	14

The interviews included open questions, which touched upon three themes: motivation for international property investments, approach to market selection and criteria for market selection. The interviews were recorded and transcribed after the meeting. All the materials were analysed based on content analysis, where the comments of the interviewees are categorised under general headings arising from the data.

3 Motivation for international property investors

Studies on the motivations of international property investors and market selection have remained limited. In terms of motivation for international investments, the empirical evidence has been limited to the questionnaire studies of Worzala (1994), Newell and Worzala (1995) and McAllister (1999) and is also relatively old, as all these studies were published in the 1990's.

Worzala (1994) studied the motivation of investors to invest in international property through a questionnaire survey targeted at British, Dutch and German investors. The sample included altogether 43 responses, the majority of the respondents representing pension funds or insurance companies. When asked about it in an open-ended question, 55 per cent of the respondents mentioned diversification as one of the motivating factors; the other most common factors were higher yields and spreading the risk. The motivation was also studied by asking the respondents to rank the importance of six given rationales for international investments. Diversification due to different economic and political environments and low-to-negative correlation coefficients between markets were ranked most often as important or very important (58 and 67 per cent, respectively). The rationales ranked most often as unimportant or very unimportant were lack of domestic opportunities (55 per cent) and matching overseas investment liabilities (67 per cent). The expected strength of the currency as well as the ability to diversify and take advantage of different property-specific features in another country were evenly ranked at different levels of importance.

The survey was replicated by Newell and Worzala (1995) among investors from Australia, Hong Kong, Singapore, Malaysia and Japan. The 20 respondents represented insurance companies, pension funds, development companies, banks and property trusts. In the open-ended question concerning motivation for international investments, 92 per cent of the respondents mentioned portfolio

diversification. Other most commonly mentioned motivating factors were higher returns (31 per cent of respondents) and economic/business reasons (31 per cent of respondents). The respondents were asked to rank the importance of given rationales for going international. If compared to the study of Worzala (1994), the list had been slightly amended to include only 5 rationales. The rationales most commonly classified as important or very important were diversification benefits due to property markets behaving differently (88 per cent) and diversification benefits due to different economic and political environments (83 per cent). Matching investments to liabilities was classified as important or very important by 57 per cent of the respondents, currency strength or stability by 50 per cent and lack of domestic investment opportunities by 55 per cent.

McAllister (1999) conducted a survey among British investors. Of the 43 respondents, most of the organisations represented were insurance companies and pension funds. The respondents were asked to rank a list of potential benefits they see in international property investments. Diversification was ranked as the most important benefit, followed by higher returns, liability matching and support to core business. In a later article, McAllister (2000) explains support to core business as international investors acquiring liabilities in international markets as they expand their core business into these countries. Support to core business can also be seen in cases where the investor follows its clients, e.g., tenants, into international markets.

In this study, the interviewees were first asked to indicate their primary motivation for international property investments. The results are illustrated in table 3. As the table shows, almost half of the investors stated diversification as their main motivation for international investments. Other cited criteria included excess returns, lack of investment possibilities in the home country, company growth and profitability and, for organisations acting as fund managers, investor requirements. Thus, the results support the findings of previous studies.

Table 3. Primary motivation for international property investments.

Motivation	n	%
Diversification	14	48
Excess returns	8	28
Lack of investment possibilities in home country	3	10
Company growth and profitability	2	7
Investor requirement	2	7
Total	29	100

Next, the investors were asked to describe their motivations for investing internationally, which provide further insights on the topic. The summary of the results is illustrated in table 4, where the motivations have been divided into categories of external and internal motivation factors. External motivations are motivations stemming either from the markets or from other organisations such as investors, tenants or financiers. Internal factors arise from the investor's organisational goals and strategies.

Table 4. Motivation factors for international property investments.

External	Times mentioned	% of respondents
Diversification of risk	19	66%
Excess returns	14	48%
Lack of investment possibilities in home country	7	24%
Opportunities or demands of external interest groups	5	17%
Internal		
Diversification of activities	15	52%
Widening of business opportunities and enabling organisational growth	5	17%
Track record/Marketing	4	14%

The most often mentioned motivation factor for international property investments was diversification. But, contrary to what could be expected from the vast literature on portfolio selection on property markets, the investors referred to diversification in terms of diversifying the risk across markets, economies, tenants and opportunities, rather than as diversification due to low correlation coefficients. Most investors stated that they do not measure the diversification benefit through any formal models, but rather assume it to exist when spreading their portfolio over several economies. The use of any kind of correlation analysis was not common. If used in formal models, a more common measure of risk diversification was the correlation of GDP, rather than the correlation of property returns in these countries, or correlations were assumed to be of some level, e.g. 0.4, without actually measuring them. The typical reasoning for not utilising correlation coefficients of property returns was the imperfections in property markets.

Other identified external motivations included excess returns, lack of investment possibilities in home country, and opportunities of demands of external bodies. Of these, excess returns and lack of investment possibilities have also been cited in earlier studies. The opportunities and demands of external interest groups include both the support to core business (McAllister 2000) type of factors, i.e. the demands of tenants and investors, but also the demands of external parties, such as financiers.

The second group of motivation factors were internal. Of these, the investor organisations' goal to diversify activities was the one most often mentioned. By diversification of activities the respondents referred to the organisation's possibility to make new investments even if one of the target markets was not attractive due to cyclical reasons. The underlying reasons for this need were either investment pressure stemming from inflowing capital or, in case the investor was acting as an asset manager for other investors, the need to ensure a stable flow of earnings. Other internal motivations were enabling organisational growth and the widening of business opportunities, and, especially for fund managers, the use of the international experience in their track record and as a marketing tool when launching new funds.

4 Approach to market selection

The literature on decision-making in international property investments distinguishes between two approaches to market selection: top-down and bottom-up (Worzala 1994, Newell and Worzala 1995). Of the organisations participating in this study, 12 (41%) investors used a top-down approach for market selection, i.e., first selecting the country or market specific allocation and thereafter searching for suitable objects. Ten (34%) investors stated they were using a combination of the top-down and bottom-up strategies. Seven stated (24%) they use a bottom-up approach for market selection, where the investment objects in foreign markets are selected without taking the country/market allocation into account. Two investors in this group were following a tenant driven strategy, where they enter markets in which their present tenants are present. The decision-making frameworks of the respondents are summarized in table 5.

Table 5. Decision-making for international property investments.

	n	%
Top-down	12	41
Bottom-up	7	24
Combination of both	10	34
Total	29	100

When compared to previous studies, the top-down strategy was as popular as in the study of Worzala (1994, 41%), but markedly more popular among the respondents of this study than in the study of Newell and Worzala (1995, 22%). The bottom-up strategy was notably more common in this study than in the studies of Worzala (1994) and Newell and Worzala (1995), where in both studies only 11% of respondents followed the bottom-up strategy. A possible explanation for this could be the growth of the fund industry: Of the respondents following a bottom-up strategy, five out of seven were fund managers and four out of seven were operating in a very limited area geographically. Thus, the fund manager organization might be applying a bottom-up approach, the actual mandate or investment area of the fund having been decided on or limited at the fund launch. That is, the first step in market selection might already have been taken at a much earlier stage, suggesting a combined strategy as the actual method of market selection. If the five fund managers were regarded as applying a combination of the strategies, the popularity of the bottom up strategy would actually be less than in the earlier studies.

5 Criteria for market selection

The characteristics of property investments, such as local nature and market inefficiency, as well as different institutional surroundings cause risks or barriers that restrict investors' willingness to invest internationally (Worzala, 1994; Newell and Worzala, 1995; Geurts and Jaffe, 1996; D'Arcy and Keogh, 1998; and McAllister, 1999). These barriers and risks might provide an explanation as to why investors, as reported by Han (1996), seldom use only qualitative methods for market selection.

The questionnaire survey by Worzala (1994) on European investors documents as the most important barriers to international property investments the lack of local expertise (81% of respondents), identification of prospective investments (69%), taxation differences (69%), potential misunderstanding due to cultural or language differences (66%) and management and operation of properties (56%). Uncertainty caused by currency fluctuations and increased transaction costs were regarded as less important barriers. The authors interpret the results to indicate that investors are more concerned with the implementation of an international investment strategy rather than with the additional costs of executing them. The survey by Newell and Worzala (1995) among Australian and Asian investors reached similar results, the main differences being that respondents gave more weight to the currency risk and also political risks. In addition, the respondents found the lack of local expertise to have less importance.

McAllister (1999) also investigated the problems related to international property investments in his survey. The findings are consistent with the findings of Worzala (1994) and Newell and Worzala (1995) as problems related to the identification of suitable properties and the management of properties were ranked as the most important problems. McAllister (1999) interprets this as information costs being the most important barrier for international investments. Contrary to the findings of the previous studies, McAllister (1999) also finds high costs of diversification being among the most important barriers. Currency risk was evaluated to be the fourth most important risk, consistent with the findings of Worzala (1994) but contrasting with those of Newell and Worzala (1995), and suggesting that the attitude towards currency risk differs between investors from European and Asian markets.

There have been a few attempts to study the market selection criteria through surveys of investors. Han (1996) studied the general market selection criteria of U.S. pension real estate advisors through a survey. The sample included 25 respondents. The most common market selection criteria were economic factors (100%), real estate market opportunities (95%), demographic attributes (82%) and market size (77%). Factors of less importance were portfolio diversification needs (45%) and regional focus (27%).

Ho et al. (2005) investigated the international asset allocation decisions under a workable analytic hierarchy process (AHP). They divided the market selection factors into macroeconomic factors (economic growth prospects) and property market factors (liquidity, market transparency and market vacancy) and studied their relative importance through a pair-wise comparison conducted by property investment experts. The findings indicate that real estate experts regard economic growth prospects as the most important selection criteria. For the real estate specific factors, office market liquidity is the most preferred criterion, followed by market transparency and market vacancy, in this order.

Chin et al. (2006) studied the factors contributing to the attractiveness of Southeast Asian markets through a questionnaire targeted at the research departments of property consultancy firms. The respondents were provided a list of factors, the importance of which they would evaluate on the scale 1–5

(unimportant-critical). Chin et al. (2006) found that sound financial and economic structure and the strength and stability of the economy are the most important factors for market attractiveness. Other important factors were restrictions and regulations on foreign investors, political stability, legal regulation, taxation and liberalisation of the financial market. Cultural differences and urban form were regarded as the least important factors.

Falkenbach (2009b) investigated the market selection criteria through a questionnaire survey of property investors. Her sample included 22, mainly European, investors. She distinguishes between threshold factors of market selection and factors that affect the attractiveness of a market. The most important threshold factors used by investors were safety of property title and right (90% of respondents), expected return on investment (80%), liquidity of property markets (70%) and market size (70%). Other popular threshold criteria were taxation (67%), availability of professional real estate services (67%), expected economic growth of the area (65%) and availability of market information and benchmarks (56%). Less common criteria were geographical proximity of the market to other target markets (35%), indirect investment possibilities (35%), diversification benefits through low correlation of returns (24%) and presence of other international players in the market (21%). The rank order for factors affecting the attractiveness of a market was in essence the same as for the list of threshold factors. Falkenbach (2009b) concludes that the correlation structures between asset returns are not as important as expected, but that institutional and market maturity factors are more important in the market selection process.

To summarise, market selection for international real estate investments has previously been studied through questionnaires with structured questions. The findings of these studies suggest that factors related to the general economy and institutional arrangements, such as economic factors, political and country risks, taxation and legal framework, are of high importance to property investors. The importance of currency risk is recognised as a barrier for international property investments, but it has typically not been included in the surveys. In addition to the structural factors, investors apply property market specific criteria, such as expected return on property investments, market liquidity and size, market transparency, level of professionalisation and availability of services. A factor often mentioned to affect market selection, but being of less importance is the familiarity of the market.

In the interviews, the respondents were asked to indicate which factors orient their market selection, i.e., which factors they look at when deciding which market to enter. The interviewees mentioned altogether 165 factors affecting their market selection. The factors indicated by the interviewees were then classified under four categories and their subcategories according to the phases of content analysis. Table 6 presents the factors used for market selection, and their popularity as market selection criteria.

The number of factors mentioned by each respondent varied between 1 and 12, the average being 5.7 factors per interviewee. The number of factors named by each respondent depended on the strategy the investor organisation was

applying for market selection. Organisations applying a top-down or combined approach typically mentioned more factors than companies applying a bottom-up approach.

The number of factors mentioned by the respondents should, however, not be interpreted as a sign of the complexity of the market selection process, as in the responses the mentioned factors could also be of a different level of hierarchy. An example of such a case could be a respondent identifying the factor ‘macro economy’ and the other the factors ‘economic growth and inflation’. Due to the differences in the responses, the identified factors for market selection are illustrated both as the number of times an interviewee mentioned a factor in the group and as the number of times an interviewee indicated at least one factor in the group.

Table 6. Market selection criteria used by the respondents.

Factor	Times mentioned by interviewees	Number of interviewees mentioning a factor
Institutional environment and general economy and		
Political and country risk	34	20
General economy	32	19
Demographics	8	7
Taxation	5	5
EU and euro	3	2
Property market factors		
Property return indicators	19	14
Market maturity	14	11
Property market size and liquidity	13	10
Lease structures	4	4
Availability of RE related services	4	3
Familiarity factors	13	11
Organisational factors	16	10
Total	165	

As illustrated in table 6, political and country risk related factors are of key importance when choosing markets for international investments. The findings are much in line with the earlier studies on barriers to investment and market selection. The political and country risk includes factors such as the safety of title and property rights and stability of the legislative framework as well as corruption. Only nine respondents did not mention political and country risk factors as market selection criteria. Four of these investors have a global strategy, and for these respondents a possible explanation for not using the criteria is that they are regarded as a pricing issue. The remaining 5 investors were only investing in Nordic markets, and thus they might not have found the criteria relevant, as such risks are low in the area.

The economy in general was a common criterion used in market selection. There, 16 respondents (55%) stated they use GDP growth or growth forecasts as criteria. In addition, a range of other economy related criteria such as size of economy, economic base and its level of diversification, employment rates and competitiveness were used to illustrate the economic environment. Inflation was mentioned as a selection criterion by only 3 respondents. Other factors regarding the institutional environment and the general economy were demographics and taxation.

Two thirds of the respondents used property market indicators for market selection. Of these, the most common were market maturity, including transparency of the market, availability of real estate related services and the presence of other foreign investors, and market size and liquidity. Again, the findings are well integrated with the findings of previous studies. Yields were the most commonly cited property return indicator (11 respondents), but also rental growth expectations and square meter prices were used, as well as finding underinvested sectors or early cycles. For lease structures, the indexing of rents was found to be especially important, and mentioned to be particularly attractive in the Finnish markets where complete indexing is possible. The importance of indexing traditions might also explain why the interviewees did not mention inflation that often. The familiarity of the potential markets also plays a role in market selection, as it was mentioned by more than one third of the respondents. The interviewees mentioned factors such as proximity to the market, familiarity and their own expertise in the specific market.

The selection of markets is not only dependent on the structural factors of the market. One third of the respondents stated that they also use some organisational criteria for selecting the markets. The most common example was the natural limitations arising from investment mandates. Other criteria mentioned included company growth possibilities and limitations, existing networks, arising opportunities as well as the ease of entry and doing business.

The findings regarding the importance of the institutional environment and general economy and property market factors are, in general, well in line with the previous empirical studies. A factor which has not been included in the previous studies is the organisational criteria for the selection of markets. In addition, the correlation structures of property returns were not found to be a factor contributing to market selection, a result which contradicts the findings of Worzala (1994), where low correlations were identified as one of the most important motivations for conducting international investments, but support the findings of Newell and Worzala (88%), where diversification was characterised as “markets behaving differently”. There are at least two explanations for these differences with earlier studies. First, the institutional changes in property markets and the popularity of international property investments might have changed the expectations and practises of the investors. The second, to the authors’ opinion more probable, explanation is that the findings are slightly different due to methodological reasons: It is impossible to say how much of the variation in the findings of previous close-ended surveys are due to differences in the wording of the given multiple choices.

Similarly, open-ended questions in an interview study enable the interviewees to express their own views, without being restricted to given options.

5.1 Importance of the euro, benchmarks and recommendations, and familiarity

The respondents were also specifically asked to discuss the importance of three given factors in their market selection process. First, the importance of the euro, to gain insights on how the monetary union affects market selection and whether European integration is seen as a factor contributing to risks. Second, the respondents were asked to discuss the importance of benchmarks, such as the Global Competitiveness Index, and consultancy recommendations in their market selection process. The third factor to discuss was market familiarity.

Only 3 interviewees had mentioned the European Union and the euro spontaneously as factors affecting market selection. However, when asked specifically from 27 interviewees, 12 were of the opinion that the euro affects market selection, whereas 14 were of the opinion that it is of no importance, both groups reasoning their choice with the hedging of currency risk: 85% of the respondents stated they were using natural or complete currency risk hedging on their investments. One third of the respondents further mentioned that the euro affects the pricing of the market, but not market selection, due to the costs related to the hedging. Only three respondents also mentioned that euro as an institution makes a market more attractive by signalling commitment to common rules or economic principles. One respondent suggested that the importance of the euro, if any, stems from the lower interest rate risk rather than from lower currency risk.

As additional topics related to market selection, the investors were asked if consultant recommendations and benchmarks, such as the Global Competitiveness Index, affect their decision-making. 27 interviewees answered the question. 2 stated that these indices and recommendations are part of their formal market selection model, five respondents use them when entering new markets, and four respondents were of the opinion that they play a role in emerging and risky markets, where they give a signal of possible risks. 12 respondents (41%) were of the opinion that they affect the selection in an unstructured way, acting as cross checks, and six were of the opinion that these have no effect on market selection. Interestingly though, the respondents were of the opinion that even though these recommendations and benchmarks often have no direct effect on market selection, they are used in the marketing of new funds as well as when marketing investment objects to investment boards.

The interviewees were also specifically asked if familiarity affects their decision-making. 22 respondents were of the opinion that familiarity affects market selection, mainly through market knowledge and competitive advantages in the market, by making the first transaction in a new market easier, or through cultural issues, where similar traditions and ways of doing business make things more straightforward. Seven respondents stated that they find familiarity so important that they would not enter a market without a local office or partnership.

Three respondents also mentioned that the physical distance is of importance, as it in practice affects your possibilities to visit a potential investment.

6 Conclusions

Real estate markets all over Europe are internationalising rapidly, the internationalisation having reached also the smaller and less mature real estate markets. This paper studied the motivations, approaches to market selection and market selection criteria of international property investors in Finnish real estate markets by interviews.

In the interview study, two categories of motivation factors, external and internal, could be identified. Of these, the most common external motivation factors were diversification of risk and possibilities to achieve excess returns. Of the internal factors, diversification of activities was the most common factor motivating international investments. The results suggest that although the primary motivation for international property investments is typically diversification, the investors understand diversification as a conceptual benefit arising from exposure to different markets rather than as the often quoted diversification benefit arising from low correlations of property returns in different countries.

According to the respondents, the most common approach to market selection was top-down, although the combination of both top-down and bottom-up strategies was also popular among the respondents. Possible reasons for the popularity of the combined approach could be the growth of the fund industry, in which the target markets or market areas are defined already at the fund launch.

For market selection, as suggested in earlier literature, investors typically use a set of variables including economic, institutional as well as property market factors. In addition, organisational factors related to organisation growth and resources affect market selection. The introduction of the euro is, according to the interviewees, not an important factor in market selection. The finding is interesting, as currency risks have traditionally been cited as one of the barriers to international investment. The difference could be explained by the availability and increased experience in currency hedging.

From a theoretical point of view, the findings again support the suggestion of, for example, Han (1996) and Falkenbach (2009b) that property investors are not making their investment decisions based on the low correlations of property returns in various markets, as suggested by Modern Portfolio Theory.

Although familiarity was not a common factor to be mentioned by the respondents spontaneously, when asked specifically about its importance for market selection, most investors were of the opinion that it affects market selection. Familiarity affects investments, however, in an unstructured manner, and its effect is thus difficult to measure.

The findings of this study are based on themed interviews of international investors in the Finnish property market. The sample, 29 respondents, represents more than a third of all international investors in the Finnish market, but is small when compared to the entire population of investors performing international investments in Europe or globally. The same investors, however, also operate

in other European markets, which suggests that the findings can be generalised also beyond the Finnish context. The generalisability of the findings could be ascertained by replicating the study in other markets, or by analysing whether actual investment flows can be explained by the criteria identified in this study. The modelling of international property investments flows would also contribute to testing the relative importance of the identified factors or further defining the effects of specific factors. Especially the effect of familiarity factors would be of interest. In addition, the inclusion of market selection factors in some portfolio-modelling framework would be interesting.

Acknowledgements. The author wishes to acknowledge the Academy of Finland (project 122525) and TEKES – the Finnish Funding Agency for Technology and Innovation (project 40079/06) for the financial support.

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