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CMBS: U.S. Enticing for Foreign Buyers, Talmage's Shugrue Says

April 14 (Bloomberg) -- Foreign investors are increasingly viewing the U.S. market as a "large, liquid and stable 'safe haven' for investing," particularly in CRE debt and CMBS, according to note in CRE Finance Council publication.

Includes new entrants from South Korea, Malaysia and the Middle East, among others.

Ed Shugrue, CEO, Talmage said 5 reasons U.S. CRE debt attractive to foreign investors, Shugrue writes in CRE Finance World publication:

- Favorable Tax Treatment: while Foreign Investment in Real Property Tax Act (FIRPTA) subjects non-U.S. investors to a 10% withholding tax on the sale of U.S. property investments, CRE debt in most forms is exempt from such adverse taxation; with some caveats, CMBS is exempt from other U.S. taxation as well
- Through CMBS, off-shore investors are able to get broad exposure to a wide assortment of sponsors, asset classes and geographic regions that are more senior to, and more conservative than, the corresponding equity
- Through tranching CMBS from AAA to unrated mezzanine level, investors are able to choose the level of risk and reward that they are comfortable with
- CMBS are liquid securities that can easily be divided to customize and manage portfolio risk; also, because there's no "deed-of-record," investing in CMBS is confidential
- Current income and ability to be easily hedged: CMBS generates monthly income and investors can choose between floating or fixed-rate assets in addition to customizing by vintage

By Christopher DeReza