

Kim Scheuringer

International Real Estate Investments



A Comparative Study between Housing Markets in
Europe and the U.S.

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KIM SCHEURINGER

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University of St.Gallen
School of Management, Economics, Law and Social Sciences (HSG)
Dufourstrasse 50, 9000 St.Gallen, Switzerland

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MANAGEMENT SUMMARY

Purpose – The purpose of this work is to build a case for investing in international real estate focusing on single-family homes. In so doing, the comparative study takes into consideration transaction costs, taxation, as well as regulation and other institutional settings.

Design / methodology / approach – In this study average and total returns of a 20-year investment in four representative markets - Germany, Spain, San Diego, and Dallas – on two continents are compared against the general stock and bond markets. Volatility considerations are discussed, and their impact on return is shown. Risks are assessed as well as strategies for its reduction are provided. Finally, a concluding recommendation of where to invest is provided.

Empirical findings – At 4.63 % and 4.75 %, respectively, annual returns after inflation for San Diego and Dallas single family home investments are found in-line with world stock returns at 4.80 %. At 3.87 % the Spanish market follows closely behind eclipsing German real estate with 1.50 % and bonds at 1.48 %. Limited correla-

tion among the markets and amongst the asset classes allow for risk minimization by diversification.

Practical implications – The results suggest that real estate in particular in the San Diego area of California is a suitable target both in terms of return and safety, especially for long-term horizons. When focusing on Europe, the Spanish real estate market looks attractive for investors. The remaining capital should be allocated into international stocks via mutual funds linked to the MSCI world index.

Originality / value – The study adds additional insight on investments strategies into the mainly untouched area of single-family real estate returns on different continents and markets.

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