

Counteracting path dependencies: 'Rational' investment decisions in the globalizing real estate market

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The real estate market is transforming from a locally embedded industry to an international one. In the never-ending search for opportunities, an increasing number of investors are turning their attention to new, distant and opaque real estate markets. Still largely unknown to the investors, such markets generate much uncertainty for decision-making. Investors seek to overcome this by adopting new decision-making strategies based on economic models promising transparent, optimum solutions. Using global institutional office investors as an example, the paper shows that these actors attempt to generate know-how systematically, to better take 'rational' decisions rooted in neo-classical economy and based on key performance indicators. However, the paper also highlights that the process of rational decision-making contains some cracks in its edifice, thus giving space for path dependencies to intrude. Such path dependencies result from conformity with routing ideas within the community, from complementarities rooting in organisational proximity, from habits ensuing of pretended cultural proximity and from sequences resulting from increasing returns affected of a former market entrance.

Key Words: Path dependency, internationalisation, commercial property investment, management decisions