

# INSIDE TUCSON BUSINESS

GUEST OPINION: Investment logic

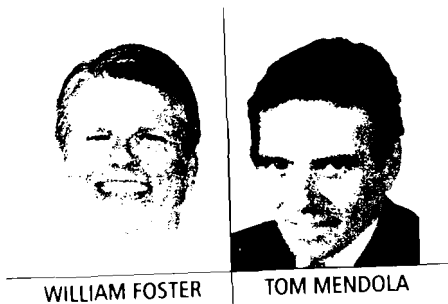
## Why home prices will rise around University of Arizona

Four years ago the *Economist* magazine made a convincing case that the housing bubble would bust and housing prices globally would go down by more than 30 percent. Though the article made little impression at the time, it now shows remarkable prescience.

What the article did not point out is that the housing market is going to be very asymmetric. Enabled by information technology, investors all around the world are monitoring which real estate markets are going down slower than others.

We predict capital will flow into these markets to such an extent that housing prices will rise. The more they rise, the more capital will flow into them, which will create a positive feedback loop.

In an Arizona State University study, we looked at this relationship between globalization and localization in Arizona. Global markets will impact dif-



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ferent locations in Arizona differently.

Though the U.S. credit market for housing has crashed, the Chinese and the Saudis are awash in dollars. As the oil-dollar exchange rate continues to go up, stock markets crash, inflation increases, and the dollar depreciates. People with dollars will have few options on where to invest their capital.

We have spent 15 years studying the

Chinese. We predict Chinese banks will take some of the more than \$1 trillion in U.S. Treasury bonds they hold and invest it in property in the United States. They will target areas where property values are going up, even as the general property market is going down.


It is a no-brainer that even if we have a deep recession, the University of Arizona will have access to federal, state, and private-sector money and that it will not see the outsourcing, downsizing, and layoffs that will beset U.S. corporations. Research universities will be some of the most stable institutions in the country.

As oil prices increase, University of Arizona employees will choose housing where they can walk or bike to work. Housing to the east and west of the UA campus will continue to hold its value compared to the general housing market.

As this real estate market holds

its value, investment funds from around the world will flow into this market and prices will rise.

Bottom line: Housing around the University of Arizona is a sound investment.

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