

UNECE Workshop  
Cavtat  
Republic of Croatia  
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## Real Estate Investment on Level Playing Fields

Seeking a global standard for  
infrastructure via diligent public  
administration

Steve Williams FRICS, MAI.

.....in the wake of the  
2007-8 credit crunch and  
beyond.

Steve Williams FRICS, MAI.

**A review of the new globally-recognized infrastructure elements without which the efficient transfer of property rights and interests cannot take place**

# SUB PRIME?

What exactly is it?

# Sub-Prime

- The Sub-Prime mortgage market in the USA is part of a **SECONDARY LENDING** market for home mortgages
- Packages of home mortgages (tranches) were sold to investors

# Sub-Prime

- Many were *cross-border* investors (from other countries) who invested heavily in securities back by US sub-prime mortgages
- In mid-2007 when the inability of over-extended US home-owners to make monthly payments became known, confidence was lost in the sub-prime market

# Sub-Prime

- On August 10<sup>th</sup> 2007, the market collapsed! Suddenly, the world realized the SCALE and REACH of investment into the US sub-prime market.
- The after-shocks were far-reaching and are still being felt – e.g. September 2008's nationalization of USA's Fannie Mae and Freddie Mac.

## TWO CORE QUESTIONS?

1. How had our real estate markets become so “global” so quickly???

2. If a collapse could happen in USA – a market with regulations, rules, market intelligence, well-funded public administrations, government watch-dogs, strict reporting standards, respected advisory professions etc. –

## **HOW CAN LESS DEVELOPED INVESTMENT MARKETS HOPE TO WIN INVESTOR CONFIDENCE?**

As the volume of cross-border investment demonstrates, investor confidence in real estate assets remains high.

In 2007 *Real Capital Analytics* reported that US\$1.5 trillion of capital flowed into investment real estate

By the first half of 2008, this volume was down 50%...but still high!

In 2008, emerging markets account for 25% of this, up from only a 10% share one year ago.

IN ORDER TO ATTRACT AND SUSTAIN THESE  
CAPITAL FLOWS, REAL ESTATE MARKETS NEED TO  
BE:

**A level playing field**

## **WHAT CREATES A LEVEL PLAYING FIELD?**

A DILIGENT AND ENLIGHTENED PUBLIC  
ADMINISTRATION THAT CAN GUARANTEE  
REAL ESTATE INVESTORS A FAIR AND OPEN  
TRADING PLATFORM.

**Despite contrasting cultures, for example:**

**China**

**USA**

**Russia**

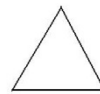
**Japan**

**Germany**

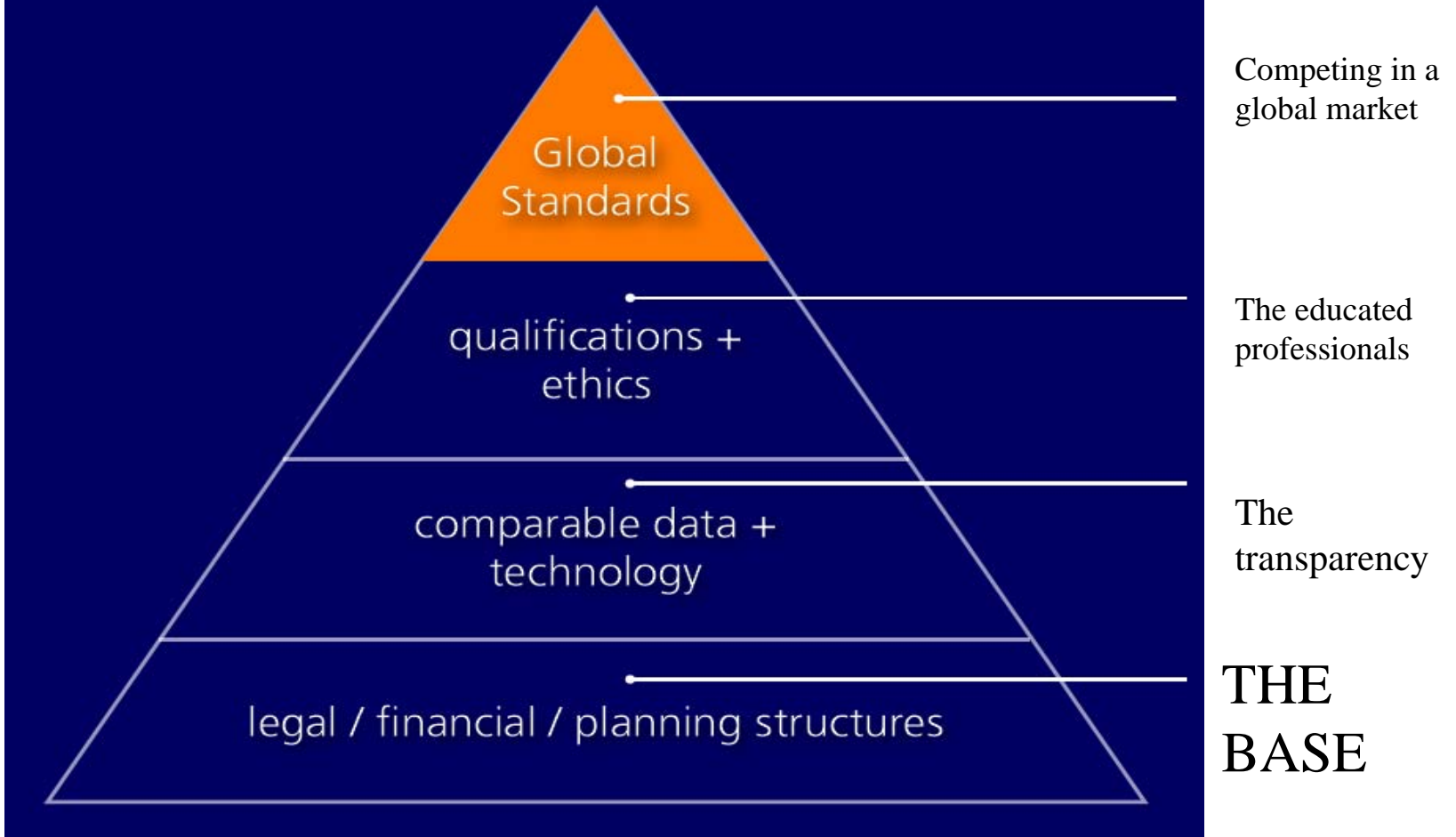
**UAE**

**... there are certain globally-recognized infrastructure elements without which the efficient transfers of property rights and interests cannot take place**

## THE PYRAMID OF GLOBAL INFRASTRUCTURE



# Global Market Infrastructure Pyramid



# Facing the Global Challenge



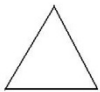
**1. THE BASE**

**FRAMEWORK**

**THE RULE OF LAW**

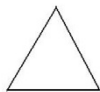
**A FAIR LEGAL AND REGULATORY**

**ZERO TOLERANCE FOR CORRUPTION**



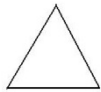
## **1.THE BASE**

### **GURANTEED OWNERSHIP RIGHTS THROUGH A SYSTEM OF RECORDED PROPERTY TITLES**



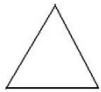
## **1.THE BASE**

**A PUBLISHED PLANNING/ZONING CODE WITH  
OPEN ENFORCEMENT AND APPEAL PROCEDURES**



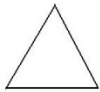
## **1.THE BASE**

### **REGULATED FINANCIAL REPORTING FOR LISTED (PUBLIC) COMPANIES**



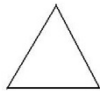
## **1.THE BASE**

### **FAIR COMPENSATION FOR TAKING OF PROPERTY FOR PUBLIC PURPOSES**



## **1.THE BASE**

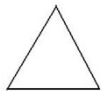
### **FAIR SYSTEM OF ASSESSING AND COLLECTING PROPERTY TAXES**



## 1. THE BASE

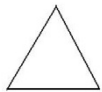
**FAIR BUILDING CODES**

**FAIRLY ENFORCED HEALTH AND SAFETY MEASURES**



## **1.THE BASE**

**PROVISION OF PUBLIC SERVICES EITHER FREE OR AT A  
FAIR COST**



**OPTIONAL ADD-ONS TO THESE CORE ELEMENTS INCLUDE:**

Environmental regulations

REIT legislation

“Fair Housing” laws

Tax Incentive Schemes

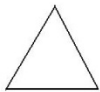
The Public Interest Agenda

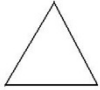
Disaster Management

Consumer Protection

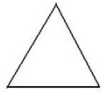
Green legislation

Agriculture Incentives

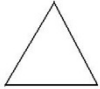




## 2. TRANSPARENCY



### **3. EDUCATED PROFESSIONALS**



#### **4. COMPETING IN THE GLOBAL REAL ESTATE MARKET**

Thanks for listening!

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