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Real Estate Investment on Level Playing Fields

Seeking a global standard for
infrastructure via diligent public
administration

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

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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 10th 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

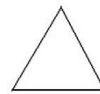
Japan

Germany

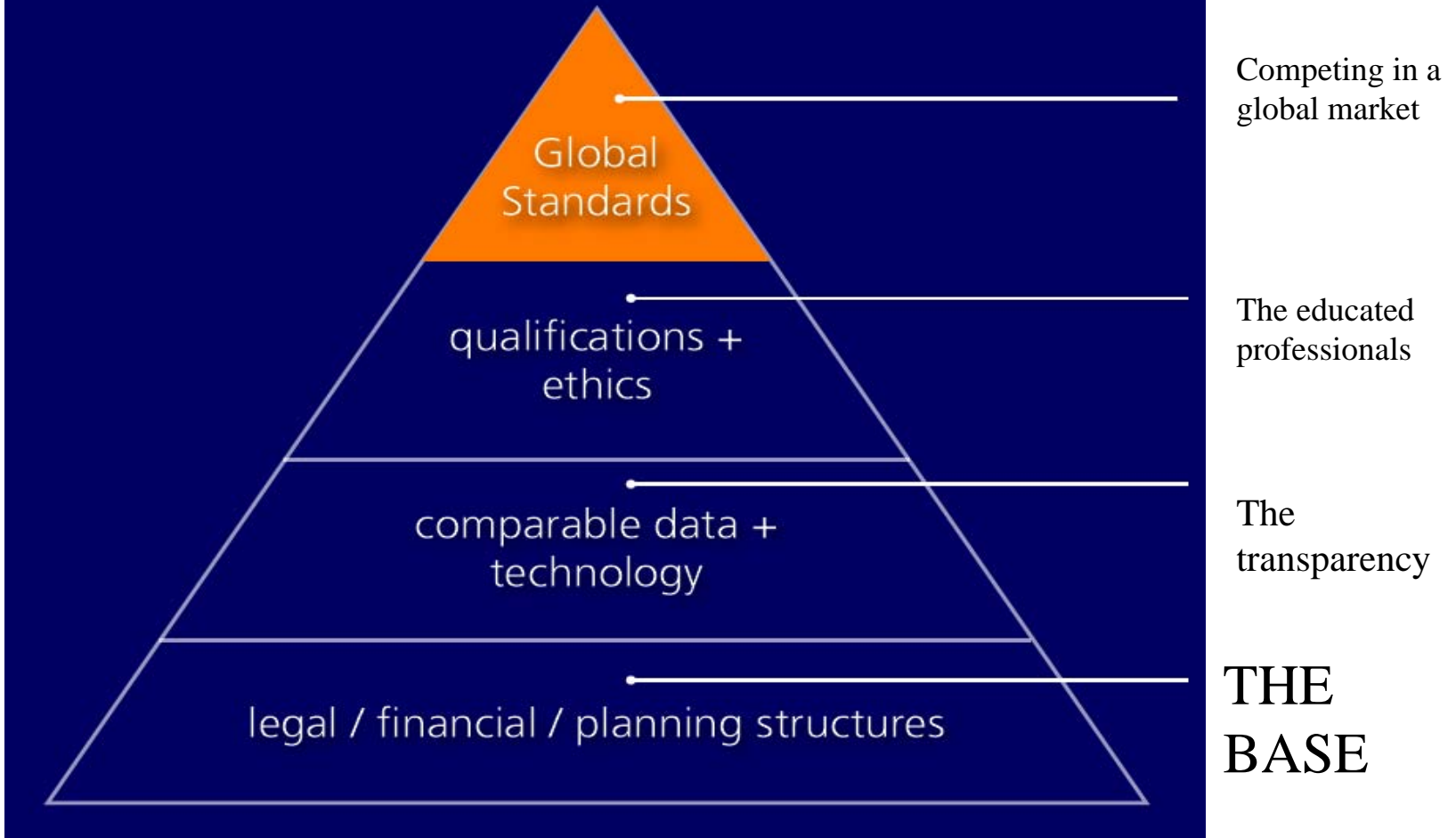
UAE

... 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



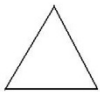
1.THE BASE

FRAMEWORK

THE RULE OF LAW

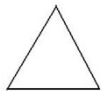
A FAIR LEGAL AND REGULATORY

ZERO TOLERANCE FOR CORRUPTION



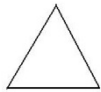
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GURANTEED OWNERSHIP RIGHTS THROUGH A SYSTEM OF RECORDED PROPERTY TITLES



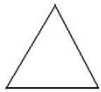
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**A PUBLISHED PLANNING/ZONING CODE WITH
OPEN ENFORCEMENT AND APPEAL PROCEDURES**



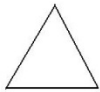
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REGULATED FINANCIAL REPORTING FOR LISTED (PUBLIC) COMPANIES



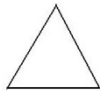
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FAIR COMPENSATION FOR TAKING OF PROPERTY FOR PUBLIC PURPOSES



1.THE BASE

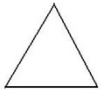
FAIR SYSTEM OF ASSESSING AND COLLECTING PROPERTY TAXES



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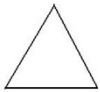
FAIR BUILDING CODES

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

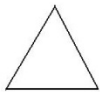
The Public Interest Agenda

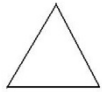
Disaster Management

Consumer Protection

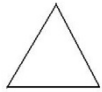
Green legislation

Agriculture Incentives

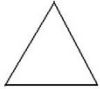




2. TRANSPARENCY



3. EDUCATED PROFESSIONALS



4. COMPETING IN THE GLOBAL REAL ESTATE MARKET

Thanks for listening!

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