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Among the financial debris, Steve Williams FRICS and Past RICS President, finds opportunities for skilled advisors.

A global score card of the past fourteen months shows that few property markets, whether developed or emerging, have escaped devastating downturns.

While there are many fingers of blame, the root causes lie in cheap credit and the risk myopia that characterized ill-advised securitized real estate lending. It was largely the negative impact of this secondary lending binge that brought down the global economy. Investors were lured into what appeared to be an enticing array of financial products, only to become trapped inside a closing fly-trap of ruin.

In the past five years, a growing volume of direct investment had been overlaid exponentially by a flurry of indirect investment. Debt obligations, structured investment vehicles, credit swaps, derivative benchmarking, hedging and short selling all contributed to an alluring cocktail of potentially high-yield synthetic instruments. At first this new money-speak dazzled the unwary. But eventually the rising tide ebbed leaving investors with nothing but a painful financial hangover.

Today we realize that many indirect investors had only the flimsiest understanding of the true nature, let alone the value of, the underlying assets. Now desperate to spark a recovery, financial rescuers have little appetite for this complex and largely opaque array of creative investment vehicles.

Instead, they are calling for a return to the three basic tenets of measuring the long-term performance of a real estate asset - market rent, real-world vacancy projections and the wise application of a risk-related capitalization rate. For the most part, commercial property values remain embedded in the net income stream rather than in the expectation of rapid value-growth.

But even income streams need careful scrutiny. Core rents and occupancies - the resilient fundamentals - are beginning to weaken in response to the shriveling space-demands of distressed corporate occupiers. It is into these softening world markets that Governments find themselves injecting enough cheap capital to restore confidence and central banks are competing to find the lowest acceptable inter-bank lending rates.

To be effective, however, public sector bailouts must come with new ground rules. First and foremost is mandatory informational openness. There is an imperative for all parties to understand what's going on; the story behind past transactions, what's the true nature of the asset, how and by whom was the asset financed and owned, and what are its market drivers.

Secondly, for trusted advisors, the crystal ball approach is no more. It must be replaced by professional expertise in the skilled interpretation of data. Sifting through the flotsam of the economic turmoil in a high-tech information age will require unquestioned integrity, independence, simplification and sanity. Gone will be the opaque methodologies that were all too often influenced by a borrower's optimism.

Finally, valuations will be closely scrutinized and, for many assets, measured against the seller's ability to actually achieve the projected pricing levels in the market place. It is in this context that the ongoing tracking of valuation accuracy becomes important.

Hopefully, these new guidelines will elicit a positive response from the professions. The newly regulated world must return to the careful evaluation of risk.

Already the stimulus of change, always so preferable to the uninspiring drudgery of flat unchanging markets, is motivating collaboration between regulators and professionals. Together they need to build a firm basis for the credibility and confidence that comes with the accurate interpretation of transparent market data.

Please note that this is the personal opinion of Steve Williams FRICS and not RICS Americas.

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