

Strategia's Investment Seminar attended by Elite from Local Investment and Real Estate Companies

International real estate experts forecasted that the global financial crisis will continue until the end of the current year and there are some attractive investment opportunities during these volatile times!

On Sunday morning, **Strategia Investment Company** organized an Investment Seminar focused on global real estate investing, its current issues and outlook over the short and medium terms. The one day seminar was attended by a great number of professionals from listed and private local real estate companies, individuals who are interested in investing in the real estate sector in addition to a number of officials from local and foreign banks which have branches in Kuwait.

The seminar hosted three senior investment managers who are specialized in the global real estate sector, namely **Mr. Kim Redding** from **Brookfield Redding**, **Mr. Peter Hobbs**, from **RREEF**, the real estate investment arm of Deutsche Bank, and **Mr. Russel Bernard** from **Westport Capital**. The symposium discussed the current state of the international real estate sector, the reasons behind the current economic crisis and the future outlook of these markets over the short and medium terms.

At the beginning of the seminar, **Mr. Kim Redding**, from **Brookfield Redding** which currently manages assets of more than US\$2.6 billion, spoke about the investment policy of his company and the strategies they follow to invest in real estate assets which include conventional and long-short hedged

strategies. Mr. Redding pointed out that these strategies have protected clients' assets from the severe negative effects of the current global financial crisis. Moreover, the performance of their real estate funds outperformed their respective benchmarks which during 2008 endured a very difficult year and were down for more than 40% around the world.

Mr. Redding expected that the turmoil and volatility will continue in the financial and real estate markets until the end of this year at least. He also forecasted that the credit crunch and ability to access liquidity will be extremely difficult during 2009. On the other hand, he noted that the collaboration of governments and central banks around the world to solve the current financial problems sends out positive signs and as a result will contribute to reducing the damage caused so far to investors around the world.

Redding advised investors to concentrate currently on real estate companies with strong balance sheets and good management teams who are capable of sustaining and growing under these difficult market conditions.

Subsequently, **Mr. Peter Hobbs**, from **RREEF**, confirmed that the current crisis is not a US problem alone but a global one. He pointed out that the main reasons that lead to this crisis are the huge increase of leverage across all asset classes including real estate and the weak regulation methods by governing bodies in all countries across the globe. "The current situation we are facing is a serious and a new one which was never witnessed before. For the first time in history, Central Banks around the world are working together and moving very swiftly in an effort to dampen the impact

of the crisis". Many governments intervened and injected large amounts of funds in their financial systems thus owning large stakes in financial companies and banks to save them from going bust. These actions were taken by governments in the US, UK, Japan, United Arab Emirates and other countries around the world.

Mr. Hobbs expected that the sharp recession which commenced during 2008 will continue during 2009. He thinks that we will witness signs of recovery in early 2010, followed by a full recovery during 2011 and 2012.

"Under these current difficult circumstances, there are some unique investment opportunities which appeared on the surface given the dislocation in valuations. However, although these opportunities have high upside potential, the downside risk is high as well due to the current market volatility. Most of these opportunities focus on distressed companies with strong balance sheets, investment grade real estate bonds with high yields and core stabilized direct real estate assets" added Mr. Hobbs.

As for **Mr. Russel Bernard** from the **Westport Capital**, which currently manages assets of more than US\$700 million, noted that his company was set up originally in 2005 to focus on distressed opportunities and now is the best time for such a strategy given the low valuation levels across all asset classes. His investment universe includes distressed real estate companies and bonds of real estate companies in defensive sectors such as healthcare, residential, and lodging which offer currently the most opportunities during this crisis.

"The definition of distressed real estate at this time is not what it used to be where managers purchase properties that are in need of major improvement and development in order to add value. It is rather the Class A real estate assets whose owners fail to pay their loans or interests or have no access to funds any more which are necessary for the completion and maintenance of the assets. These opportunities are currently available in many regions around world and across the various real estate sub-sectors", stated Mr. Russel.

At the end of the seminar, **Mr. Sean Evers**; from **Bloomberg**, moderated a discussion panel amongst the three speakers and asked various questions regarding the issues which could be of interest to real estate investors. The discussion was lively and complemented many of the topics discussed during the seminar. Mr. Evers concluded the panel discussion by opening the session for questions addressed by the attendees who wanted to know more about the current valuation of real estate assets, expected time of recovery, upside and risks faced if investing too early, and what are the most attractive markets for real estate investing at the current time. The questions reflected the fact that investors are eager to know more about the outlook of real estate markets and how worse can the situation get prior to any signs of recovery. It also shows that investors are now reluctant to re-invest back in the markets with these low valuation levels especially that no signs of stability are clear yet.

It is worth mentioning that the seminar, which was organized by Strategia Investment Company at the Sheraton Hotel, was the first for the company. It comes in a time where many investors are eager to learn about the current state and outlook of real estate and

financial markets. The company is taking this opportunity to educate its clients and associates about subjects of their interests and learn from the suggestions of its investors and audience about their investment needs. The company hopes to organize additional seminars in the near future and share its knowledge and the research of its partners with local investors about the latest developments in the international, local and regional financial markets.