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NEWS BRIEF

Panama is the most globalized country in Latin America

Thanks to a high degree of trade, Panama captured the top slot in the first annual Latin American Globalization Index developed by Latin Business Chronicle.

The index of 17 countries looks at six factors that measure a country's links with the outside world:
- Exports of goods and services as a percent of GDP
- Imports of goods and services as a percent of GDP
- Foreign direct investment as a percent of GDP
- Tourism receipts as a percent of GDP
- Remittances as a percent of GDP
- Internet penetration

The index includes both exports and imports to avoid a high score for a country that has high exports, but low imports or vice versa.

THE HUMAN FACE OF GLOBALIZATION

While factors like foreign direct investment, tourism receipts and internet penetration should pose no surprise in a globalization survey, including a factor such as remittances may surprise some. However, we decided to include this as it represents an increasingly important part of many Latin American countries' international links. The size of remittances to Latin America last year was almost as high as total foreign direct investment to the region. The Inter-American Development Bank calls remittances "The Human Face of Globalization." The countries that belong to the CAFTA trade pact did well. Five of the top seven ranks went to CAFTA countries. The Andean coun tries on the other hand fared less well. Four of the seven-least globalized countries are Andean. Mercosur did not do well either. Three of its four members are among the eight least-globalized countries in Latin America. No other country had export and import levels as high as Panama. Its exports of 64 percent of GDP were higher than the number two in that category, the Dominican Republic (48 percent), while its imports of 61 percent were higher than Honduras at 51 percent.

The high levels of Panamanian trade are in large part due to the Colon Free Trade Zone, the largest free trade zones in the Western Hemisphere. Last year the zone accounted for 92 percent of Panama's exports and 65 percent of its imports, according to an analysis of figures from the Colon zone management and estimates of Panama's trade by the United Nations Economic Commission for Latin America and the Caribbean (ECLAC).

Panama also did well in tourism receipts as percent of GDP and foreign direct investment as a percent of GDP (the fourth-highest in Latin America in both categories) and Internet penetration (eight-highest rate in Latin America).

COSTA RICA, HONDURAS AND DOMINICAN SURPRISE

Surprisingly enough, the second place on the Latin American Globalization Index went to the Dominican Republic, a country that until the mid-1990's was considered one of the most isolated in Latin America.

The Dominican Republic benefitted from high levels of trade as well as high levels of tourism receipts and remittances. The country has the highest tourism receipts in Latin America measued as a percent of GDP - 16.5 percent. By comparison Costa Rica, another key tourism destination in Latin America, posted tourism receipts equivalent of 7.6 percent of its GDP. And Mexico, by far the top tourism market in the region, had tourism receipts of 1.6 percent of its GDP.

Remittances to the Dominican Republic reached the equivalent of 12.4 percent of its GDP, which was the fourth-highest in Latin America (Nicaragua had the highest level).

The strong showing of the Dominican Republic coincides with a new report from the World Bank,

Doing Business 2006, which shows the two countries among the best in Latin America in terms of customs procedures. (See "Customs: DR Best, Haiti Worst").

Costa Rica came in third on the ranking, thanks to relatively high levels of trade and tourism and Latin America's second-highest Internet penetration rate (23.5 percent).

Another surprise was Honduras' strong showing - ending up in fourth place. The results are due to having the second-highest imports in the region, while also having the third-highest levels of tourism receipts and remittances as a percent of GDP.

CHILE, MEXICO AND BRAZIL

Chile only managed to catch a fifth place in the ranking due to low scores in tourism and remittances (Chile has practically no remittances) and the fact that other countries had higher levels of trade as a percent of GDP.

Chile has the highest Internet penetration rate in the region (27.9 percent) and the highest level of foreign direct investment as a percent of GDP (8.1 percent).

Mexico is the top trading nation in Latin America, the top tourism nation, the largest recipient of remittances, and the second-largest recipient of foreign direct investment. Yet it's only the ninth-most globalized economy in Latin America, according to our survey, which ranks by percent of GDP rather than by the amount itself.

Brazil, Latin America's second-largest economy after Mexico, does even worse. It ended up in 14th place - or as the fourth-least globalized country. Despite a relatively high Internet penetration rate, its trading levels are still somewhat low. Its import level is the second-lowest in the region after Argentina, while its export level is among the five lowest in Latin America. Brazil also has low levels of tourism receipts and remittances as a percent of its GDP.

VENEZUELA AND ARGENTINA

Venezuela scored better than Brazil, but only due to high levels of exports (36 percent of GDP). The oil exporting country scored low in imports, foreign direct investment, tourism receipts and remittances. Its Internet penetration level is the sixth-lowest in the region. Argentina has the dubious honor of being the least-globalized country in Latin America. Its import level is the lowest in the region, while its export level is among the lowest. It also has a relatively low foreign direct investment level (1.2 percent of GDP versus 2.5 percent in Mexico and 3.0 percent in Brazil) and one of the lowest remittance levels in the region. Even tourism receipts - helped by more tourism and a weaker currency the past few years - is still relatively low.

IN THIS ISSUE

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Abu Dhabi National Exhibition Centre, U.A.E.

May 19-21 - Cityscape Asia
SUNTEC SINGAPORE INTERNATIONAL CONVENTION AND EXHIBITION CENTRE
Suntec - Singapore
Contact Belle Belarmino at belle.belarmino@iirme.com

May 27-30 - IFEMA - Salon Inmobiliario Madrid (SIMA)
Feria de Madrid - Spain

June 11-12 IMN's US Real Estate Opportunity & Private Fund Investing Forum
Sheraton New York Hotel and Towers
Contact John Farrier - jfarrier@imn.org

September 14-18 - GREAT Expo & Summit (Global Renewable Energy Advanced Technologies)
Washington Convention Center - Washington, DC

September 28 - SIMA Brazil Trade Show
Sao Paulo, Brazil

October 22 - 25 - Golf Tournament
Campeche Playa, Golf, Marina & Spa - Campeche, Mexico

November 11 - Workforce and Affordable Housing Round Table
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Community Advancement Awards Ceremony
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BREAKING News

New scheme to fund developments

Investment company Urban Exposure has formed a new structure to help developers overcome liquidity issues during the downturn, which it says will allow firms to continue building with a managed risk, while providing its equity partners with deliverable returns.

“It’s not secret that the lack of bank funding has crippled the construction market in recent months, with many developers unable to star projects even in countries where the sales market may still be strong, said Urban Exposure’s MD Randeesh Sandhu.

“We had to think of new ways to spread the risk between all stakeholders including contractors, landowners and equity providers”. The structure, which the company is currently using in Turkey, works by a developer paying a landowner a small deposit (20%) for their land, with a contract promising further sales-based stage payments from the developer to the landowner in the future.

The developer is then free to inject more money into the project only if it is successful and pays out from the sales revenue – not its profit.

Spreading the risk

Additionally, Urban Exposure said that it has been able to get the contractor to underwrite the sales price and the sales timeframe, which helps attract cautious equity investors and allows unlimited profits should the markets pick up again in the future.

Urban Exposure believes that this model, in which the landowner shares some of the market risk with the developer, while gaining a buyer in a difficult market, is one that should prove to be successful during the current credit crunch. “It’s almost as if we have to look at what we consider to be primitive markets to find out how they have been successfully constructing and selling within very basic banking systems”, added Sandhu”.

“We built a model where there was little or no mortgage finance available for a project in Thailand – knowing this from the outset we structured the whole project on the basis of the developer providing the end purchaser with finance. The model worked and became even more profitable due to the profits from the finance.

Developers just need to have the foresight to think in a different way during this difficult time”.

Adding that the UK and European solution to the credit crunch hasn’t worked, Sandhu said: “Perhaps the government now needs to give assistance directly to the sectors they are trying to help, rather than indirectly via the banking system”.

Mexico. Coastal land could be opened up to foreigners.

The Mexican government is examining a proposal that would allow foreign nationals to own coastal land for the first time in its history. Senator Mario Lopez Valdez of the Institutional Revolutionary Party is calling for an amendment to the country’s constitution to allow foreign, not commercial, ownership of coastal land.
Currently, non-resident can only own property in Mexico through the laborious fideicomiso; a dcument that remains in a tust’s hands, but gives control of a property in all but name to a foreign buyer. However, any ownership of property within a zone of one hundred kilometes (62 miles) along the orders and fifty kilometers (31 miles) along the shores are not permitted.
If passed, the amendment will be “one of the most dramatic changes” concerning foreign ownership in the country since fideicomisos were introduced in 1971, according to Baja-based broker Flock Dream Homes (FDH).

Downturn forces rethink

“The current global economy and the importance of international tourism make such restrictions anachronistic and inhibitors to investment”, said FDH’s Brian Flock. “The current constitution has been viewed by many in the business sector as impeding the proper functioning of the tourist sector”.
The Mexican government has algo announced plans for the Pacific Coast Integrally Planned Center (PCIPC), an expanse of tourst development 80 miles south of Mazatlan that will be twice the size of Cancun and officially funded by the Natinal Trust Fund for Tourism Development (FONATUR). Development is scheduled to star this year, with total completion estimated by 2025. Nearly $10bn in funds will be injected into PCIPC from both goverment and private interests.

Foreigners buy just 500 homes

Foreign private individuals bought just 500 homes in Hungary between January and November 2008, compared to almost 5,000 during all of 2007, according to data from the country’s National Statistics Office and property developer Forest Hill-Neo City. Speaking at a press conference last month, the developer’s director Balazs
Szilin, quoted the figures along with his company’s own data, and told news agency MTI: “The full-year figure for 2008 in unlikely to change much as few foreigner buy homes in December”.

Vietnan attracts $60bn in FDI

According to the People S Committee of Long An Province in Ho Chi Minh city, Vietnam is attracting record levels of foreign direct investment (FDI) as the government strealines procedures for private individuals and corporations to invest in the country. “FDI in Vietnam has grown from $20bn last year to $60bn year to-date”, said vice chairman Nguyen Thanh Nguyen.

Australia. New rights for overseas buyers introduced

The Australian government has introduced a series of new measures to attract more foreign property buyers to the country as it struggles through the global economic downturn.

The requirements hold a permanent visa to buy in the country has been lifted, along with the AUD$300,000 minimum threshold placed on students wishing to buy residential real estate - a popular method of purchase in Australia for south east Asian investors.

The requirement for non-resident nationals to build on a plot of land within 12 months has been extended to two years, along with an existing requirement that only 50% of new projects can be sold to foreign buyers off-plan, provided developers market the project locally as well as internationally.

Overseas firms welcomed

Foreign-owned companies can also now purchase established dwellings for the use of their Australian-based staff, provided that they sell or rent the dwelling if it is expected to remain vacant for more than six months.

On a regional level, the South Australian government has recently reintroduced its capital investment bond scheme, which gives extra credits on the country's points-based inmigration regulations. Under the programme, a minimum of $44,000 is would be invested for at least 12 months in a nominated Australian bond.

"Although some changes will only benefit foreign persons that actually live or intend to live in Australia - such as the purchase of a second-hand dwelling restriction being lifted - other policy changes will have the effect of increasing the supply of permissible investment property purchases", said Denise Casey from investment company Australian Property Solutions.

Panama. Fitch downgrades Trump Tower

Fitch Ratings has downs graded $220m worth of debt on the Trump Ocean Club project in Panama, with warnings of higher than expected default rates predicted for existing buyers.

"The incentive to pay the outstanding balance of a purchase agreement could decline, if global real estate values continue to be pressured, "the agency says in the report.

YOO wins Moroccan project

Led by Jade Jagger, design firm YOO has won a brief to design 25 luxury villas in Moroccan project "Baglioni Marrakech" which comprises of 25 villas and a 70 room hotel and spa, due to open in 2010.

The Jade Jagger for YOO team (JJ4U) were introduced to the project by international property consultants Frank and Earnest, who have been retained by the developer to attach brand partners and deliver "real difference and value" to the scheme. JJ4U's involvement is complemented by that of Baglioni Hotels, who F&E have sourced to operate the project's 70-suite hotel and spa.

Abu Dhabi fund launches

Emerging market consultancy EM Concepts has teamed up with a property fund management company to sell the firm's new Distressed Abu Dhabi fund to its database. The fund aims to gives investors access to large discounts on residential Abu Dhabi property that it claims would not be available through a normal property purchase or singular investment strategy. The aim of the fund is to allow clients to invest in property at huge discounts (around 800 AED per sqft) and in small parcel sizes, starting from E50,000. Buyers can exit the fund within three years.

FAF chooses Hamptons

Hamptons International has chosen London-based brokerage First Action Finance (FAF) as its exclusive referral partner for mortgages.

The announcement comes soon after Hamptons International's recent decision to close downn its subsidiary Hamptons Mortgages - which represents the bulk of the brokers that worked at the firm will transfer to FAF.

Cambodian law change

The Cambodian government is reprtedly examining a proposal to allow non-resident buyers to own property in the communist country. "THe Cambodian Ministry of Land Management, Urban Planning and Construction is currently drafting the legal framework to make foreign ownership a reality in Cambodia soon", said Cambodian information minister Khieu Kanharith, who added that the new legislation would allow foreigners to own apartments and condominiums but not land.

Congo

Cooperation Amid Chaos

Nearly 1,500 Rwandan troops have joined the Congolese army to hunt down Hutu militia leaders suspected of orchestrating the 1994 genocide against the nation's Tutsi tribes. The alliance further undermines the authority of Tutsi rebel leader Laurent Nkunda, whose forces have split since fighting between Nkunda's militia and Congolese soldiers broke out in august. More than 250,000 villagers have been displaced by the fighting' Human Rights watch reports that 650 people were killed in December alone. But some analysts say the region's violence has less to do with tribal conflict and more to do with the struggle over control of its mineral resources.

Foreign buyers fall in Singapore

The number of foreign buyers investing in Singapore in 2008 has fallen by 24% y-0-y, according to analyst DTZ. Its research also found that domestic home buying by Singporeans rose to 73% of the total private populatin, with corporations making up the rest of the domestic buying total in the country.

EMEA hotel sales down 60%

Five years of consecutive growth, hotel transaction volumes across the EMEA region fell by 60% to E7.bn in 2008. Despite this steep decline, the EMEA region fared slightly better than the global hotel investment market which saw volumes drop by 80% over 2007 levels. Moreover, EMEA contributed just below 50% of the global hotel transaction volume.

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