NAI Global™

Property News

Issue 12 Summer 2005

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Investors look to Latin America

International investors are becoming more alert to the possibilities offered by Latin America, according to a range of experts.

Lower returns in Europe and the US, higher levels of exports (leading to current account surpluses for the first time in a generation) and regional GDP growth of 5.7 percent have all contributed to the picture.

"Growth has been stronger than expected," says Guillermo Perry, Latin America & Caribbean chief economist at the World Bank. He and other senior economists have been cheered by the region's governments moving away from fiscal deficits and overvalued exchange rates. "They have accepted that loose fiscal policies are not part of the solution," says Claudio Loser, former western hemisphere head of the International Monetary Fund. "This is helping economies to ride the pressures."

Commercial property investment has been one area to benefit from the newly positive climate. Aloisio Barinotti at NAI Commercial Properties in Brazil notes that the government has introduced some very encouraging measures, from the real estate market's point of view. "Many new companies and investors have come into the country, we are certainly seeing the benefits," he says.

Barinotti operates from Sao Paolo, Brazil's largest and most important business region with a population of more than 20 million. International investors from Europe, Asia and the United States are present in roughly equal numbers, though the US contingent has fallen in recent months as the dollar has slid against the real.

When advising foreign clients, Barinotti makes two observations: "It's important to get good advice over location," he says. "In Sao Paolo, a new area can be created in just ten years. You need to understand how the city may change over time. And secondly, you have to be careful over lease terms, because Brazilian law particularly protects tenants."

In Argentina, Mauro Keller has similar advice for clients. "Although it rarely happens, the law allows tenants to cut lease contracts on short notice, which can make companies uncomfortable. But international investors are beginning to return to the market after the crisis of 2002," he believes. Argentina has had to work hard to lift its economy out of this crisis; property values are still generally lower than they were in the 1990s, but "companies have been impressed by the country's recuperation and view the prospects as brighter than in more developed markets," says Keller.

A virtual freeze on new developments in Buenos Aires has meant a severe tightening of supply, while the evolving state of the economy means that international investors need to be flexible and diligent. "Whatever you do, get a well-connected adviser," says Keller.

With the 'risk factor' significantly reduced in Mexico and the banking industry internationalised, German and other funds, along with US, have made investments in office buildings in Mexico City, and relatively new or 'build to suit' single occupancy maquiladora manufacturing and distribution facilities throughout the country.

Last year and in early 2005, these investments included a German fund taking a one-third stake in the largest Latin American office tower, Torre Major, in Mexico City's CBD. This project has a guaranteed return, with sale and lease-back agreements in place to major manufacturing and distribution tenants.

Groups such as CalPers - the largest US retirement investment programme - and Prudential Investments have formed joint ventures with Mexican and US development companies. These recent projects are estimated to be worth more than half a billion US dollars.

"These manufacturing plant and distribution center investments are structured to be as bullet proof as practical," says Gary Swedback at NAI Mexico. "They have high credit tenants, relatively new facilities and long term leases guaranteed by their parent companies in Europe, Asia and North America.

"Foreign investor appetite for Mexican property of all types is the highest we have seen in 25 years," adds Swedback. "This demand is not only driven by institutional investors, but we are now seeing individuals and small groups of investors entering the market."

US trade with Central America and the Dominican Republic is liable to increase strongly in the coming years. Together, these countries make up the second largest US export market in Latin America, behind only Mexico.

When approved and implemented by the governments of the seven countries involved, the proposed Free Trade Agreement is expected to add millions of dollars to workers' incomes, according to the the US Chamber of Commerce.

The prospective trade pact, commonly referred to as CAFTA, is more than just a dollars and cents agreement, according to Paul Caine, Managing Director, Latin America and the Caribbean for NAI Global. "It is also about building strong economies and stable democracies in the Americas, about being good neighbours and increasing ties with countries that share so much in common," he says.

Top: Bouchard 710 for KPMG, Buenos Aires, Argentina
Left: Gary Swedback, NAI Mexico
Right: Mauro Keller Sarmiento, NAI Castro Cranwell & Weiss

GTECH's global expansion

US-headquartered lottery and gaming company GTECH has recently seen its operations expand at a phenomenal rate, with branches opening in more than 50 countries around the world.

Such a pace naturally puts many pressures on the company's real estate division, as it has to lease or acquire space in unfamiliar locations, dealing with foreign customs, laws and regulations. On top of that, GTECH's range of property types is exceptionally broad: from small offices up to 4,000 square metre spaces, from repair workshops to retail outlets, from call centres to technology labs on science parks. After a highly competitive bidding process, NAI Global was selected to handle this vast and growing real estate portfolio earlier this year, giving the company a great opportunity to showcase its international capabilities. "This new contract reflects the power of our global managed network," says Henry Goodfriend at NAI Global. "Their requirement is extremely complicated and demanding. For example, when GTECH is bidding on a national lottery somewhere in the world, we need to provide immediate pricing and availability information on a range of different real estate needs. We need to show them market comparables and advise on the most prudent locations."

Some of the company's new locations have challenged even NAI's global network. "The thing about GTECH is that we never know what's coming next," says Goodfriend. "They'll suddenly come up with eight new assignments." Recently, NAI helped to find space for a new operation in Mauritius, in the Indian Ocean.

Goodfriend has been able to call on NAI partners in Latin America, Europe, Asia and North America as GTECH has continued its rapid expansion. NAI has been involved in negotiations with government departments, providing market research, managing the lease portfolio and advising on transactions. "This assignment paves the way for NAI to be the first choice company for multi-nationals, working across locations and service lines. The company has undergone incredible growth in the past few years and we've grown with them."

Goodfriend points to NAI's well-established international network of real estate professionals as a motivation for GTECH to appoint them. Yet another issue was equally crucial: NAI's sophisticated IT capabilities have meant that all GTECH transactions can be completed online, saving time and bringing greater transparency to the company's property management systems.

Henry Goodfriend
Vice President of Corporate Services
NAI Global

North America Looking good!

The North American economies - namely, the US, Mexico and Canada - are poised for steady growth in the coming few years. Driven by the untiring US consumer and increasing regional trade, the three countries should experience robust economic growth and improving real estate markets.

Real US GDP growth in 2004 was a phenomenal 4.4 percent, well in excess of the sustainable US growth rate. Growth in the US economy continues in spite of the fact that consumers have been paying a 'tax' in the form of abnormally high oil prices for the past two years.

The strength of the US recovery has caused demand for goods and services produced outside the US to grow more rapidly than the rest of the world's consumption of US goods and services. The resulting trade deficit is an indicator of the strength, not weakness, of the US economy. In addition, since the fall of the Iron and Bamboo Curtains, large swaths of the global population now have sufficient wealth to merit investment in global capital markets, and are doing what Europeans, Canadians, and Americans have done for decades; investing in the most productive, transparent, legitimate, and safest capital market in the world - the US. This investment is the source of the US's unprecedented trade deficits, which will fall only when the investment markets in the newly rich countries become much deeper, transparent, and legitimate. This will take decades.

The strength of the US retail sector is underscored by the continued rise in rents at retail properties, and while many merchants are failing, others are prospering at unprecedented rates. Similarly, the strength of the consumer sector is underscored by the powerful rebound in travel and tourism. Those who said people would never travel again are being proven wrong by the masses of North American tourists flooding Orlando, Las Vegas, New York, and most every other city. On the heels of its widely reported demise, the US job market has shown extraordinary strength over the past 18 months. Job growth in 2004 was the strongest since 1999, surpassing even that of the bubble year 2000. Virtually, every dimension of employment has improved, including hours worked, compensation, real wages, unemployment claims, and the unemployment rate. We expect this broad employment recovery to continue for at least three to four more years.

Despite this economic strength, some 'pundits' claim that US office markets will not need any more space. 'Experts' have long argued that the triple threat of technological advancement (home offices for all), improved space management techniques (widespread hoteling), and continued corporate downsizing would cause long-term net negative office absorption. But these arguments have consistently been wrong. While the usage of space differs, advances in technology have always increased the net demand for office space. For example, there has been an increased need for teleconference space and a reduced need for typing pools, resulting in a net technology-induced increase in demand for space. Although countless technologies were developed between 1980 and 1995 (personal computers, fax machines, beepers, networking, etc.), occupied space on a per worker basis increased from 142 square feet to 155 square feet, and now stands in excess of 200 square feet per office worker. As for corporate downsizing, alarmists fail to understand that this is merely a macroeconomic phase, not an employment paradigm shift. Instead, after each cyclical adjustment, employment growth continues, even though these alarmists each time claim "this time is different." With regard to home offices, companies have become more flexible in allowing workers to telecommute. However, the vast majorities who take advantage of this option maintain traditional office space at work. All in all, the US will need more real estate!

Mexico is experiencing an economic, demographic and social transformation. The evolution of a viable alternative to the PRI has laid the groundwork for improved political stability, while trade agreements with the US and Canada place Mexico at the edge of the richest economic engine in human history. Mexico's real GDP grew in excess of 4 percent in 2004, driven by higher oil prices, and a 15 percent increase in exports, principally to the US.

NAFTA has made North America into a relatively seamless network of trading partners. In addition, Mexico has increased trade with the Mercosur nations (the Southern Common Market of Brazil, Argentina, Paraguay and Uruguay). Mexico has also experienced increased port traffic from both the Atlantic/Caribbean and the Pacific, due to the Panama Canal's inability to handle very large container ships.

Free trade fuels Mexico's economic growth, particularly in light manufacturing, which in turn drives income growth and consumer spending. Mexico will continue to prosper as the "new industrial South" of the US. The largest beneficiaries will continue to be the Mexican industrial and retail sectors. Industrial growth is primarily driven by export-focused light manufacturing/assembly. Mexico has witnessed the rise of maquiladoras, which are light assembly plants set up in Mexico to take advantage of low labor costs. In addition, the country continues to upgrade its manufacturing technology, allowing Mexico to remain competitive with China and India. Relative to these countries, Mexico has a substantial location advantage due to its access to US and Canadian markets, particularly for low value-add and high shipping cost items.

As income in Mexico rises, consumer spending will increase, resulting in the widespread growth of its retail sector, an industry currently dominated by local retailers and 'mom and pop' shops. Mexico has been significantly under-retailed, at least in terms of formal retail, as much of Mexico's retail activity takes place in relatively informal outdoor markets. We expect this to change dramatically over the next 10 years, much like it occurred in parts of newly developed Asia.

Mexico's real estate market liquidity continues to improve. Mortgage backed securities outstanding increased in 2004, and consolidation in the banking sector (including the entry of multinational banks) has increased real estate lending. Real estate investors are eagerly awaiting the establishment of the Fibra, Mexico's version of a REIT. Its introduction should provide greater liquidity.

Canadian GDP growth has slowed over the last two years, particularly relative to the US. After enjoying strong labor market growth post-2000 even as the US economy weakened, Canada's employment growth has softened in the latter half of 2004 and into 2005. In addition, Canada's economic competitiveness has been adversely impacted by the appreciation of the Canadian dollar.

High petroleum prices are shifting economic power from Ontario to Alberta, as Alberta ranks among the largest petroleum resources in the world. Expect Calgary and Edmonton to attract increasing exploration and production.

Immigration is also transforming the Canadian economy, as immigrants once destined for the US are pulled to Canada due to its comprehensive public services. Immigration has always enriched Canada and this wave will be no different, although the short-term burden will hurt the major cities.

Low interest rates have buoyed the Canadian economy for the last several years, feeding high levels of home ownership. Filling these new homes with new plasma TVs and other furnishings are a prime reason for Canada's consistent growth over the last several years, even as Canada is mired in a political morass. The major Canadian real estate markets continue to post modest improvements in office, industrial, and retail vacancy rates. Continued growth will mean absorption of real estate, but absorption will remain modest, as companies utilize their previously mothballed space. Toronto, with 700 million square feet of industrial space (ranked the 3rd largest in the North American markets), has a large proportion of its stock, which is functionally obsolete. Thus, new space will be needed over the coming years. Some of the largest global industrial landlords (ProLogis, Opus and Pannatoni) have already bought the land on which to build, in anticipation of this factor.

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Derivatives drive the market

Property investment could be on the verge of a major transformation, as derivatives make their debut in the market, according to investment experts. And at the same time, a new breed of investor in commercial property is emerging.

Derivatives - financial instruments which allow investors to take a bet on the future direction of a particular market - are already well established in interest rate, currency, commodities, energy and share market, but have so far been impossible to acquire in property. Yet a change in legislation by the UK Financial Services Authority in 2003 opened up the opportunity for insurance companies to use property derivatives for 'efficient portfolio management.' The tax treatment of property derivatives was liberalised in September 2004. In January 2005, Deutsche Bank and Eurohypo investment banks created the first UK property 'swap.' This entailed the two companies exchanging exposure to the UK property market over three years; they formalised this arrangement in a document called a 'Contract for Difference.'

This instrument has the potential to change the property investment market dramatically, according to industry observers. "A Contract for Difference is likely to be the most common form of property derivative in the future," says Martin Allen, investment analyst at Morgan Stanley in London. In a further example, Protego Real Estate Investors and Barclays Capital launched £100 million ($4.42 billion) of property income certificates in late 2004: a bond including a property derivative, with investors' returns depending on the Investment Property Database (IPD) index.

And as property investment moves further into the mainstream, so more private investors are moving on from the easy to access residential property buying and onto the more complex world of commercial space. According to the UK's Royal Institution of Chartered Surveyors, the share of investment by private individuals in factories and offices has increased from a mere 2 percent in 2000 to 10 percent today. A total of £2.33 billion ($4.42 billion) was invested in the UK property market in 2004, according to the latest figures.

Private UK investors have become increasingly curious about commercial property in mainland Europe and property investment funds have moved with them, offering new vehicles to provide exposure to the sector. Euro Property Prospects, for example, created a general European property fund in 2004 and has followed this with one to allow investors with a minimum of £30,000 ($57,000) to invest in the Balkan republics of Croatia and Slovenia.

In the US, NAI Global's managing director of capital markets Peter Avalone has noted a significant increase in private individuals investing in commercial real estate. "If you ask which group is the most active in property investment at the moment, it's limited liability companies, or LLCs, controlled by wealthy individuals." In the past, wealthy families have occasionally made commercial property investments, but now there is a new breed of rich individual who is choosing to put money into commercial space.

Avalone has seen interest in REITs and private equity demand for property investment stay strong, but the big news in the US, as in Europe, is the novel attraction of commercial property for the average man in the street.

Comment

This is our twelfth edition of the NAI Global Property News. Historically, this publication has been primarily European-focused with a semi-annual distribution. However, with global activity rapidly increasing we feel that a quarterly frequency and an expanded scope of coverage will best suit our readers. Each edition will focus on a different region while still providing key data and market information from around the world. This edition takes a closer look at the real estate market in North and South America.

The outlook in the Americas is quite positive. The appetite for investment property in North America continues at a torrid pace. With market fundamentals improving, while yields are still far above the bond market, the outlook is quite good. User demand is strengthening in Latin America with both local companies and multi-nationals recognizing that underserved domestic markets and proximity to the United States create a vast opportunity. The prospect of relatively tame inflation, currency stability and growing economies are also beginning to entice property investors interested in moving higher on the risk-return curve.

Global activity continues to accelerate, with clients like GTECH, Bombardier, Dow Jones, Gillette and Progress Software fueling our growth into new markets. We have highlighted GTECH's aggressive acquisition into new markets in this edition.

Canada is undergoing major changes as well. While the economy seems to be running smoothly on the surface, political maneuvers could affect future prospects. Read more about the paradox of the Canadian economy and real estate prospects.

With the growth in corporate business, NAI is expanding geographically. We have recently added offices in Kiev, St. Petersburg and Moscow to support our clients seeking access to these strategically important emerging markets. Terry Pickard of NAI Pickard discusses how savvy investors are already exploring the Ukrainian market.

We have recently formalized three new business practices to provide value-added solutions with regard to capital markets, logistics and strategic decision support. While we have provided these services in the past, the new practices organize our local services into more efficient global service offerings. To drive these new groups, we are delighted to welcome Peter Avalone, managing director, capital markets; Tony Pusillo, vice-president, business advisory services and Jean-Claude Goldenstein, vice president, global advisory services to NAI Global. These three executives bring a wealth of experience and a depth of capability to support existing, as well as prospective clients.

Should you like to learn more about these new practices or any of our core service offerings please contact me at +1 609 945 4000 or email jfinn@naiglobal.com.

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At the age of 70 FTZs get a makeover

Since the US established the first foreign trade zone in 1934 the number has grown to more than 250, hosting foreign companies who employ hundreds of thousands of local workers, and encouraging trade through tax exemptions and other financial incentives.

The concept has spread around the world, with countries as diverse as Ireland, Turkey, China and now Mexico creating 'special economic zones' or 'export processing zones' to attract direct foreign investment and boost exports. Some of these strategic free trade zones now also provide rail and air and port facilities, including customs services which expedite 'through' shipment and appropriate distribution of containers and smaller cargo.

Many are true inland ports like the 1,300 acre Logistik FTZ in the center of Mexico at San Luis Potosi. This is a crossroads location from the Atlantic and Pacific with trade corridors south to Mexico City and Central America, and north to major markets throughout the United States and Canada.

Yet as more countries enter into free trade agreements, join the World Trade Organisation or enter even more formal arrangements such as the European Union, some argue that these zones are losing their relevance.

Mehmet Ogutçu, principle administrator of the OECD's global forum on international investment, points out that a group of 10 Asian nations, including Indonesia, Thailand and Malaysia, say they have foregone 0.5 percent of their GDP through setting up such zones, without seeing clear benefits in return.

Whereas Steven Keim, director of the Central North American Trade Corridor Association (running from Alaska and Northern Canada to the southern tip of North America), argues the success of FTZs lies in them being well located and within the supply chain management system for many Original Equipment Manufacturers (OEMs) such as automobiles and other finished products.

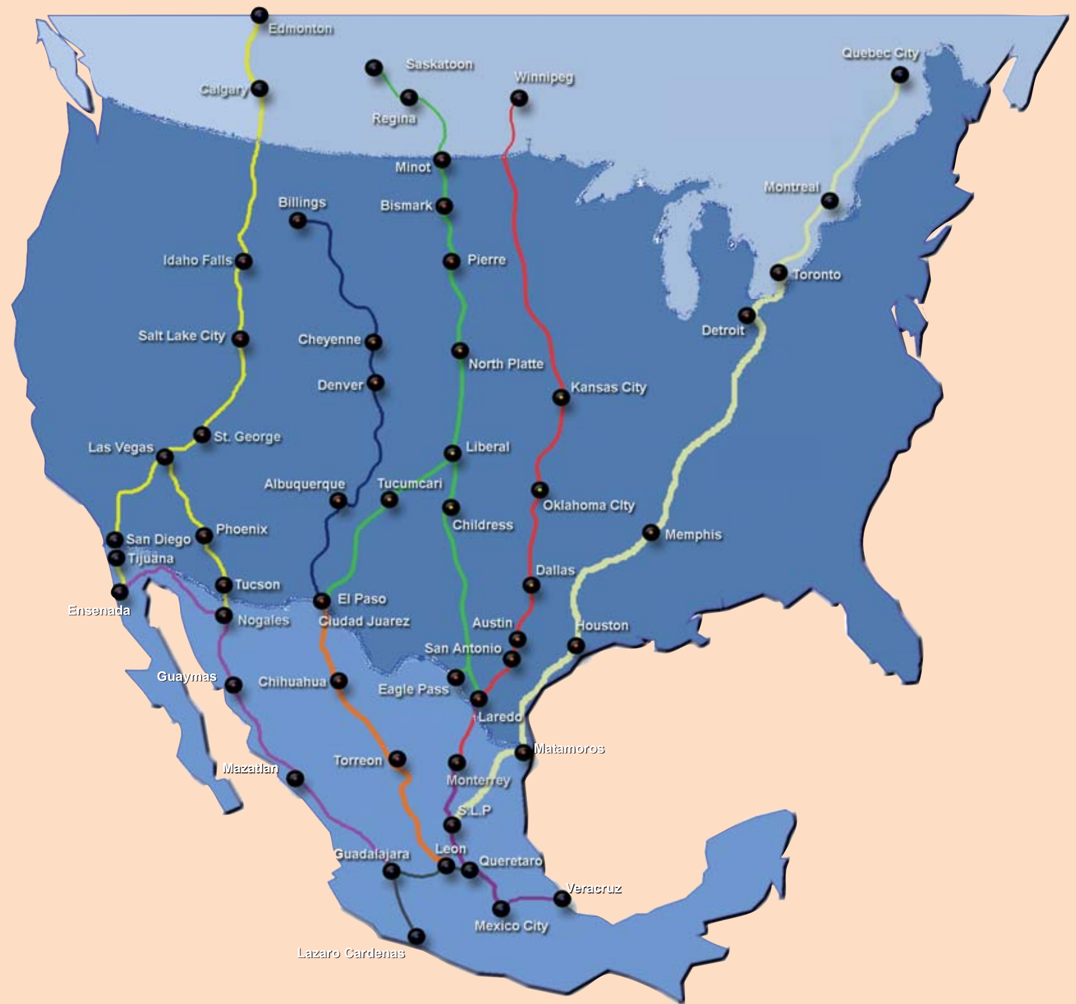
"These FTZs should be along key logistics trade corridors. They are strategic sites with economic tax benefits provided by the local or federal authorities to entice industry, but also for manufacturing and distributing sub-assembly parts to complete products," says Keim. "The FTZs distribute products to users in other countries, and provide services free from local customs costs, taxes and tariffs, because equipment is in transit. Trade pacts and the WTO have actually added to the need for strong FTZs globally."

In various countries, some concessions are being removed: Turkey has recently removed income tax exemptions for new investors in its free zones and applications from foreign investors to join the zones have fallen by 80 percent. This is possibly a result of reduced competitive incentives, or of other locations providing better concessions. In China, the preferential 15 percent corporate tax rate for foreign companies (compared with 30 percent for Chinese companies) is being dropped.

The new model free trade zone is more likely to try to attract high-technology industries, as a recently-established zone in Dubai is doing. And a new metropolis near Seoul, called Song-Do, is one of three free trade zones in South Korea, all of them featuring high-tech industries.

Since Mexico introduced its first strategic FTZs in 2004, NAI Global has noticed an increasing number of its clients conducting business through them. And in response, NAI has developed sophisticated comparison models for clients to analyse how FTZs can improve their supply chain performance.

"We found that combining Mexico as a trade corridor with the new strategic Free Trade Zones provides huge benefits to our clients' international competitiveness," says Gary Swedback, president of NAI Mexico.



Above: North American FTZs, Trade Corridors and Inland Ports - New Seamless Intermodal Transportation Options

"For those firms sending product to the Midwest or Eastern US, Mexico ports of entry may now provide a faster, more cost-effective solution than Long Beach. FTZs also benefit those that bring product south from the US to manufacture for re-export to the US and those sending final goods to the Mexican market (like Michelin, Kraft, and GM)." For foreign firms in Mexico, FTZs offer simpler business start up, rapid importation-skipping red tape at the international border - and the flexibility to manage assembly and distribution while deferring taxes and reducing tariffs, according to Swedback. "The whole key is that the Mexican FTZs are evolving to offer integrated solutions along emerging trade corridors into North America," he says.

Brian French
Managing Director
Canada
NAI Global

Canada thrives despite political uncertainty

The Canadian Economy continues to grow during a hot summer despite government confidence problems, and sovereignty rumbles in Quebec.

At issue is the findings by a Government Inquiry that officials representing the governing Liberal party accepted contributions in return for federal advertising contracts. While these events allegedly occurred while Prime Minister Paul Martin was Finance Minister, they have caused tremendous distraction for the government from governing to self preservation. "The governing party situation is creating real tension in Canadian markets," says Brian French at NAI Global in Canada. "But what's surprising is that while chaos might be expected investment and job creation remains very strong."

French has seen a curious mixture of increasing employment rates, combined with rising vacancy rates in commercial property. He believes that Canada is suffering from the low US dollar, with the country's relative costs of operation now running around 20 percent higher than in mid 2004. "The Canadian dollar has appreciated nearly 25 percent against the US dollar since 2003," says French. Much US investment in manufacturing, formerly destined for Canada, now ends up in China.

"The Canadian economy is a paradox. Our industrial economy exists because of competitive production at low cost, yet the economy is expanding even with a 25 percent cost increase due to exchange rates. And while one might expect huge employment increases to result in increased demand for commercial real estate, the reverse is being seen."

French attributes much of the employment growth to housing construction and it's downstream industries, which is in its fifth boom year. He attributes the vacancy increase to built-to-suit facilities and re-occupation of previously mothballed space.

Also, recent statistics on self-employment seem to add a different perspective to Federal Government statistics on new employment. It seems that a great number of the new positions are "self-employment". As many of these people likely work from home, this might be having a substantial effect on the lack of change in absorption. Nevertheless, the economy has so far held up as the employment figures show. Canada is the largest external provider of Petro Products to the USA, bigger than Saudi Arabia and Venezuela, much of it coming from Alberta, with immense investment in oil sands production expected to result in even greater trade in this vital resource.

With oil prices at record levels it has become ever more lucrative to exploit this area, despite the high expense of processing the oil. There are now more than 200 oil-related companies from Houston relocating in Alberta. "Commodity prices are certainly driving this market," says French. Concern is being generated because the government, to gain favour from provinces and a minority opposition party, has opened its pocket book. It's previous reputation for fiscal prudence is changing to one of fiscal self-preservation.

Commentators have said that these recent expenditure announcements will tie the hands of future governments for a decade or more. Yet, the Canadian economy hums along. French believes that the Canadian real estate investment market remains under priced. "We are expecting growth in price, especially in Montreal, which has been a neglected market for some time." In the economy as a whole, Canada's trade surplus widened in April this year to $5.1 billion, more than expected, as exports of meat products rose to a record and those of airplanes went up 11 percent. The surplus was the largest since August 2004, according to Statistics Canada. Exports rose 0.3 percent to $36.4 billion, boosted by a 7 per-cent rise in sales of telecommunications equipment, which reached their highest level since June 2001 at $1.2 billion.

Canada's rising exports suggest companies have adjusted to the 25 percent appreciation of the Canadian dollar over the past three years, which has made their products more expensive outside the country. So while the political situation remains potentially troublesome, Canada has reason to be optimistic about its mid-term economic future.

Japanese economic optimism

Above Kyoto Daigo Shrine
Right Tokyo-Ginza
Below Bullet train

After a succession of false dawns, the red sun of Japan's national flag may be rising on a brighter economic outlook this year, according to market observers.

The year started briskly, with GDP growing at 1.3 percent for the first quarter (an annualized 5.2 percent), well above the comparative figure for the US. And in the commercial property markets, demand has clearly sharpened, according to Buddy Ferrie at NAI Japan in Tokyo.

"The market for Class A space has been heating up for the past 12 months," he says. "There is a lot more institutional capital chasing after this investment, particularly in Tokyo. Returns on stocks and bonds have not been good, so when you can get a 4 or 5 percent return on commercial property it starts to look pretty good."

The GDP figure for the first quarter far outstripped analysts' expectations - more than double, in fact - leading to a small jump in the Nikkei share average and a rise in the yen against the dollar. But the longer-term trends are harder to define: some indicators are very positive while others signal that the country has further to travel back from its economic slough.

"Basically, there is very strong private sector demand - consumption was stronger than expected," says Peter Morgan, senior economist at HSBC Securities. "It's a very good bounceback from a depressed fourth quarter of 2004." Unemployment rates have been dropping; bonuses paid in December 2004 were higher than 2003 - the first rise for eight years - and manufacturing and electronics companies are both performing very well.

On the other hand, Japan still suffers from a deflationary climate; export demand from other Asian countries weakened slightly in early 2005; land prices have been falling for almost 14 years and machinery orders are expected to fall by 3.1 percent in Q2 this year.

Foreign investment interest in Japanese commercial property has been "steadily increasing since it began almost ten years ago" says Buddy Ferrie, but the big change is the much more significant domestic investment activity. "This was idle for some years, but is now making a strong comeback." As competition for prime space increases, the more 'entrepreneurial' investor has to look outside the traditional Class A location. "You're seeing more interest in hotels, residential and retail properties," says Ferrie. In parallel with developments in the US and elsewhere, big box retailing is making inroads into Japan, with car-oriented centres finding favour.

According to Ferrie, a further sign of improving conditions is that the landmark Boeicho building in Roppongi, central Tokyo, which will not be complete until 2007, is already filling up. By that time, there may be an altogether sunnier picture.

"Land prices have been falling for almost 14 years and machinery orders are expected to fall by 3.1 percent in Q2 this year."

Ukraine — Europe's undiscovered country

For most of the 20th century Ukraine was part of the giant Soviet machine with little chance of self-expression. Even after becoming independent in 1991, Ukraine continued to have limited international exposure, being effectively controlled from Russia and suffering from government-condoned corruption.

Ukraine's dramatic election last year, bringing Viktor Yushenko to power and overturning the earlier election result, has brought the country under the international spotlight.

As Terry Pickard at NAI Pickard points out: "The interest in the country since the election has been substantial." He has seen potential investors from all corners of the world arriving in Kiev. Not just from close European neighbours such as Germany and Switzerland, but also Irish, British, Canadian, American and Russian investors. "The change of government is an opportunity for everyone," says Pickard. "There was a financial crash in 1998 and everyone struggled for a while, but now recovery is well under way."

One of the new arrivals is Ikea, the Swedish furniture store, having committed to building a mega-store on the outskirts of Kiev. The exact site is not yet confirmed, but Pickard has found a location that he feels is ideal.

"In the past, Kiev was shunned by the international investment community due to the high level of corruption," explains Pickard. "The rule of law was very bendable, but with the new government, there's a movement to join NATO, to accede to the EU, to get more openness and create an independent judiciary."

Pickard believes that EU accession may be 10 years away, but despite the former government's corruption, he feels the conditions for international investment are already good. UK-based retailer Tesco is thought to be considering a move into Ukraine, following its successful expansion into Poland and elsewhere in Eastern Europe.

With a population of 48 million, Ukraine is similar to Poland, although it's physically much larger. Pickard set up his real estate consultancy in 1992 and can now say it is the longest-running Western agency, with 34 employees. "When we started, Ukraine was totally undiscovered," says Pickard.

One of NAI Pickard's clients is the first western-registered and licensed property investment group specifically for Ukraine, the Primeros Property Fund. Pickard has also been approached by three other property funds to act as their exclusive property advisors on very substantial property investments.

Overall, since the 'orange revolution', Pickard estimates that more than $1 billion worth of interest has been expressed in the country. "We are talking to GE Capital which is considering entering the Ukrainian property market," says Pickard. "There is massive potential here."

"The interest in the country since the election has been substantial. Potential investors from all corners of the world have been arriving in Kiev. Not just from close European neighbours such as Germany and Switzerland, but also Irish, British, Canadian, American and Russian investors."

Above: NAI european office locations: ● NAI office ■ NAI preferred supplier
Below: Kiev by satellite Inset: Viktor Yushenko, President of The Ukraine

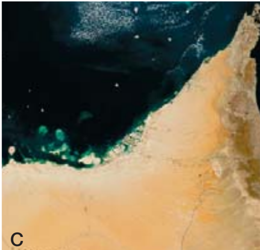
Dubai's ambitious building program

The exchange is to play a key role in the new financial 'free zone', one of several such zones in Dubai.

A

A Burj Al Arab hotel
B Sheikh Hamdan Bin Rashid Al Maktoum
C Dubai via satellite
D Bur Dubai - Creek

B



C

D

Sheikh Hamdan Bin Rashid Al Maktoum, the deputy ruler and finance minister of Dubai, recently announced an ambitious commercial property development program to solidify its reputation as the commercial focal point of the region.

The Jebel Ali airport city, a complex covering 140 square kilometres, will be the new home of Exhibition City, measuring three million square metres, with 19 halls, several hotels, restaurants and residential apartments. "This project will enhance the UAE's commercial position on the world map," says Sheikh Hamdan. It is expected to be complete by 2020.

Nearby, the Dubai International Financial Centre is planning a new 28,700 sf twin-tower development, to begin construction in September 2005, combining commercial, residential and retail space. This is just one of many giant construction projects taking place in the city.

Dubai is already considered the Middle East's main financial hub and will expand its role later this year when the Dubai International Financial Exchange (DIFX) opens its doors to business, aiming to be the number one stock exchange in the region.

"There is a need for an exchange for local companies who would normally go overseas," comments Steffen Schubert, DIFX chief executive officer. "Many go to London, Ireland or New York, up to nine time zones out of their way. But ideally, if your stock is traded, you want to be awake when it happens."

The exchange is to play a key role in the new financial 'free zone', one of several such zones in Dubai, which since their establishment in the 1970s have made the emirate the most important business hub in the Middle East.

As with the other free zones, the financial zone will allow 100 percent foreign ownership of companies, full repatriation of profits and zero tax rates for the first 50 years of operation. All laws except criminal issues have been framed to correspond with international standards and are written in English. "This has created a transparent environment that can easily be understood, where international standards are adhered to," says Schubert.

Building is underway on a series of landmark construction projects including a gate-shaped icon building, similar to La Defense in Paris, which will sit on top of a 3,600-car parking garage. The whole financial zone is expected to be complete by 2010.

Schubert sees potential demand for DIFX coming from a very large geographical area, "a region of 1.8 billion people," he points out, including India, Egypt and South Africa. "These time zones have no major capital markets. We want to be the international financial hub for the region."

Dubai is already considered the Middle East's main financial hub and will expand its role later this year when the Dubai International Financial Exchange (DIFX) opens its doors to business, aiming to be the number one stock exchange in the region.

Companies drawn by smaller Indian cities

As the Indian economy continues to boom, investors, developers and occupiers are re-examining their location choices. At one time, Mumbai and Delhi were the undisputed top two cities on the subcontinent, but the rapid advance of technology-based companies and the great improvements in the country's infrastructure created several new challengers for inward investment.

However, on sheer scale alone, Mumbai remains India's principle financial and business centre. In a recent Real Estate Investment Sentiment Index survey ranking cities across Asia, Mumbai was listed number one, but more surprisingly Bangalore was number two with New Delhi falling to number four behind Taipei.

In a more scientific survey neoIT, a US-based research company, examined 27 cities in India and ranked them according to competitiveness, giving scores according to the number, quality and education of their populations, the state of their infrastructure, their cost of living and real estate, and a series of associated factors such as governmental support, social stability and weather conditions. This list placed Gurgaon, a small high-tech city to the southwest of Delhi, in first place, followed by Bangalore and Pune. While established cities such as Chennai and Kolkata placed in fifth and sixth respectively, Mumbai was fourteenth and Delhi even further down in nineteenth place.

According to neoIT, there are three phases in the development of Indian cities; city economies based on people, then based on people and infrastructure and finally on all these factors plus finance. The availability of foreign capital has been crucial in boosting cities such as Gurgaon from a small town up to a highly important satellite of New Delhi, seen as a preferable location to the capital by many newly arrived companies.

India's overall real estate market is estimated to be worth $12 billion and has been appreciating at 30 percent yearly. While foreign investors have been keen to work in India they have been thwarted by some regulations. However, the law obligating foreign investors to develop 100-acre minimum size land has been recently dropped to 25-acres. This change hopes to encourage foreign real estate investment along with real estate financing, according to the India Brand Equity Foundation. "As transparency levels increase, it will become easier to create financing vehicles," claims the Foundation. India is not only seeing a shift in the most favoured city locations, but in the fundamentals of its real estate market as well.

This list placed Gurgaon, a small high-tech city to the southwest of Delhi, in first place, followed by Bangalore and Pune. While established cities such as Chennai and Kolkata placed in fifth and sixth respectively.

Above: Gurgaon Towers
Right: Ilab Building, Progress Software, Hyderabad

Central and South America round-up

Paul Caine
Managing Director
NAI Latin America
and the Caribbean

Florencio Castro Cranwell
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Argentina

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Argentina

The **Argentinian** economy has continued to pick up after the crisis of 2002, with GDP gains of around 8 percent for 2004 and an expected 4-5 percent this year. **Mauro Keller at NAI Castro Cranwell & Weiss** believes that a 'flight to quality' is underway, with occupiers looking for class A space and vacancy rates in the prime CBD locations tumbling from 25 percent in 2003 to single digits today.

Sao Paulo also recorded falling vacancy rates towards the end of 2004 as the region's economy improved and the commercial real estate climate moved with it. "We view the situation as the beginning of a stronger market, after three relatively weak years," says **Aloisio Barinotti at NAI Commercial Properties in Sao Paulo**. "There has been a growth in export sales, industrial production, new jobs and increased retail sales. We expect this to continue throughout 2005."

Both sale and lease prices are rising throughout **Colombia**, although by Latin American standards they are relatively low. The office market has seen a rejuvenation since 2003, with Cali and Medellin particularly strong. Several retail centres are under construction, with out-of-town locations preferred. "Big box retailers prefer to build outside the CBD, which is reflected in the 95 percent occupancy rates in suburban markets," says **Luis Correa at NAI Promotora Colon in Bogota**.

In the Peruvian capital **Lima**, significant oversupply in the office sector has caused falling lease rates and high vacancy rates: in addition, many large corporations have needed to sublet space after overbuilding.

The lease rate situation is expected to stabilise in 2005 and the conditions for a new development phase may arrive by the end of the year, according to **Felipe Camet at NAI Real Estate Services in Lima**.

Venezuela's economy has been healthy thanks to the high price of oil and improving trade figures with the US, China and its Latin American neighbours. Real estate markets, on the other hand, have not yet felt much of this uplift: office sale and rental prices have decreased, retail development has stalled and industrial space is available at historically low prices.

"The manufacturing sector is expected to regain momentum during 2005," says **Francisco Espana at NAI Ferca in Caracas**.

The Central American Free Trade Agreement (CAFTA), which should soon be approved by the participants' federal governments, will provide good job expansion in the US as 80 percent of the present tariffs will immediately be cancelled, and the rest over a relatively short period of time.

The Dominican Republic is also joining CAFTA after emerging from a four-year slump. The Republic has already posted a 4.4 percent growth rate this year.

Costa Rica's hospitality industry is experiencing a boom with many investment opportunities as well as high-tech industry, while **El Salvador** is becoming a leader in the northern portion of Central America and has established some 16 Free Trade Zones.

"We view the situation in Sao Paulo as the beginning of a stronger market, after three relatively weak years"

Buenos Aires

Country Data

Country	Area km²	Pop mn	Main cities	Pop 000s	GDP bn($)	GDP growth† 2004	GDP/ capita	Inflation*	Interest rates**	Unemployment
CENTRAL AMERICA										
COSTA RICA	51,100	4.02	SAN JOSE	300	38	3.9%	9,600	11.50%	14.00%	6.60%
EL SALVADOR	21,040	6.70	SAN SALVADOR	2,100	32	1.8%	4,900	5.40%	3.40%	6.30%
HONDURAS	112,090	6.98	TEGUCIGALPA	850	19	4.2%	2,800	7.00%	12%-31%	28.50%
GUATEMALA	108,890	14.66	GUATEMALA	2,542	59	2.6%	4,200	7.20%	4.20%	7.50%
NICARAGUA	129,494	5.47	MANAGUA	959	12	4.0%	2,300	9.30%	6%-12%	7.80%
PANAMA	78,200	3.04	PANAMA	438	21	6.0%	6,900	2.00%	2.40%	12.60%
SOUTH AMERICA										
ARGENTINA	2,766,889	39.54	BUENOS AIRES	11,928	484	8.30%	12,400	4.90%	5.38%	14.80%
BOLIVIA	1,098,580	8.86	LA PAZ	1,700	22	3.70%	2,600	4.90%	6.0-15.0%	9.20%
BRAZIL	8,511,965	186.11	SAO PAULO	10,839	1,492	5.10%	8,100	7.60%	19.25%	11.80%
			RIO DE JANEIRO	6,211						
			CAMPINAS	907						
			CURITIBA	1,600						
			PORTO ALEGRE	1,416						
CHILE	756,945	15.98	SANTIAGO	4,668	169	5.80%	10,700	2.40%	3.25%	8.50%
COLOMBIA	1,141,748	42.95	BOGOTA	6,982	281	3.60%	7,000	6.10%	7.73%	13.60%
ECUADOR	283,560	13.36	QUITO	1,839	50	5.80%	3,700	2.00%	5.30%	11.10%
			GUAYAQUIL	2,039						
PARAGUAY	406,750	6.35	ASUNCION	508	30	2.80%	4,800	5.10%	8.70%	15.10%
PERU	1,285,216	27.93	LIMA	8,380	54	4.50%	5,600	3.80%	3.00%	9.60%
URUGUAY	176,220	3.42	MONTEVIDEO	1,400	49	10.20%	14,500	7.60%	6.0-7.0%	13.00%
VENEZUELA	912,050	25.37	CARACAS	3,153	145	16.80%	5,800	22.40%	14-18.0%	17.10%
THE CARIBBEAN										
DOMINICAN REPUBLIC	48,730	8.95	SANTO DOMINGO	2,135	56	1.70%	6,300	55.00%	20.3%	17.00%
PUERTO RICO	9,104	3.92	SAN JUAN	442	69	2.70%	17,700	6.50%	6.00%	12.00%

† GDP Growth rates are forecasts for 2004, where available, or the most recent quarter's figures * Inflation rates are forecasts for 2004, where available, or the most recent quarter's figures
** Interest rates reflect the federal funds rate in the USA and, where available, 3-month or short-term rates in the other markets.

Property Market Data

TREND KEY: ▲ UPWARD ◆ LEVEL ▼ DOWNWARD

Location	Prime Rents (Net of all expenses and taxes): Offices $/m² pa	Retail $/m² pa	Industrial/Warehouse $/m² pa	Prime Yields (%): Offices	Retail	Industrial/Warehouse
BUENOS AIRES	▲ 13	▲ 39	▲ 1-2	▲ 5.0-6.0	▲ 10.0-12.0	▲ 5.0
BOGOTA	▲ 12	▲ 40	◆ 6	▲ 10.0	▲ 10.0	◆ 5.0
CAMPINAS	◆ 21	◆ 26	◆ 7	◆ 7.0-8.0	◆ 8.0-9.0	◆ 7.0
CARACAS	▲ 21	▲ 45	▲ 3	▲ 11.3	▲ 12.5	▲ 7.7
CURITIBA	◆ 19	◆ 24	◆ 5	◆ 8.0-10.0	◆ 7.0	◆ 5.0
GUAYAQUIL	◆ 14	▼ 18	◆ 4	◆ 12.0	◆ 14.0	◆ 10.0
LIMA	◆ 7-14	▼ 35	◆ 3-6	◆ 1.0	◆ 10.0	◆ 1.0
MONTEVIDEO	▲ 2.5-8	▲ 3-6	▲ 1-2	▲ 7.0	▲ 8.0	▲ 6.0
NUEVO LAREDO	◆ 8 -12	◆ 8-18	◆ 5	◆ 0.1	◆ 0.1	◆ 0.1
PORTO ALEGRE	◆ 20	◆ 25	◆ 6	◆ 7.0 -8.0	◆ 6.0-7.0	▲ 6.0
QUITO	▼ 14	◆ 16	◆ 3	◆ 12.0	◆ 14.0	◆ 8.0
RIO de JANEIRO	◆ 25	◆ 30	◆ 8	◆ 10.0-12.0	◆ 8.0-9.0	◆ 8.0
SAN JOSE	◆ 18	▲ 35	▼ 7.5	◆ 0.1	▲ 0.5	▼ 1.0
SAN JUAN	▲ 18.5	▲ 18	▲ 8	◆ 6.0-10.0	◆ 6.0-10.0	◆ 6.0-10.0
SANTIAGO	◆ 30	◆ 24	◆ 4	◆ 1.0	◆ 5.0	◆ 6.0
SAO PAULO	◆ 30	◆ 60	◆ 10	◆ 12.0-15.0	◆ 10.0-12.0	◆ 9.0

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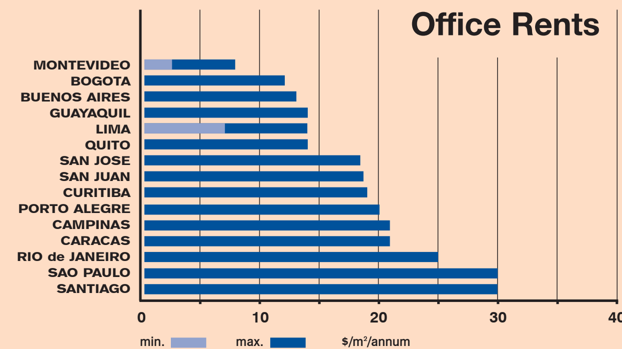
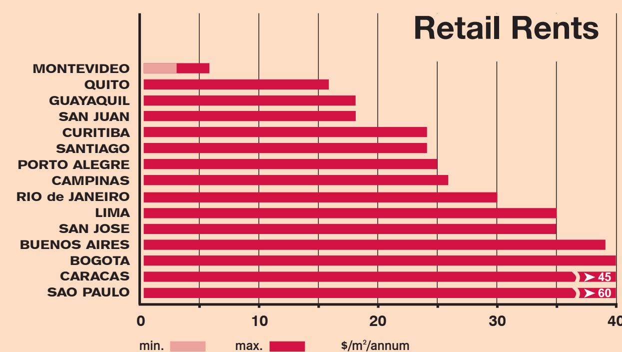
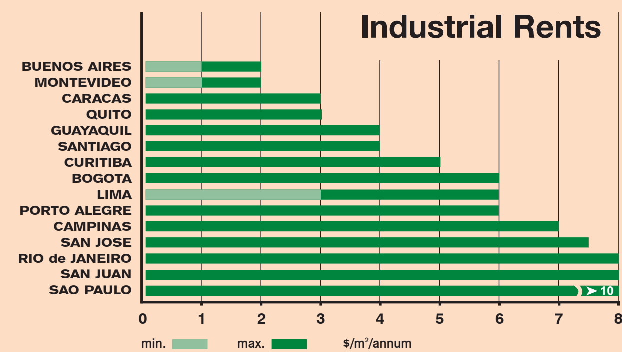
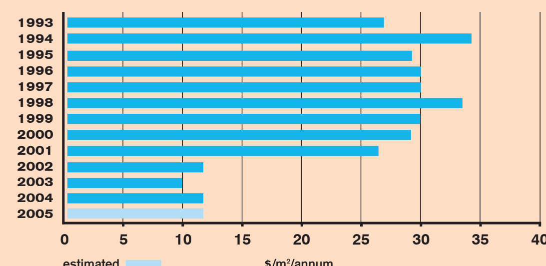






Historical Lease Values
Argentina - Class A offices



North America and Mexico round up

Real estate professionals in **New York** are calling 2005 'recovery year' after a series of positive indicators in recent months. The number of large transactions has increased, the general economy is improving, vacancy rates are slipping below 10 percent and rental prices are rising after a three-year decline. Retail has also registered gains, with some major deals such as Bloomingdales opening its first downtown location.

Gradual growth has also been noted in the **Los Angeles** office market, with falling vacancy rates and slowly increasing lease levels. In the industrial sector, vacancy rates are even lower, at 3 percent, while retail has continued the strong performance of 2004, with big box stores making the most headway.

Office vacancy in **San Francisco** fell to 14.6 percent at the end of the first quarter of 2005, leading to a firming of rental rates for the better properties and locations. Improving fundamentals have led to a booming office investment market. **Silicon Valley** fundamentals are lagging the balance of the region but are anticipated to rebound over the next 18 months. New retail development is strong with over 15 major projects underway throughout the Bay Area.

New office space hitting the **Chicago** market has caused a jump in vacancy rates and a fall in rent levels, as existing tenants relocate to smaller spaces. Suburban conditions are more positive, although vacancy rates at more than 20 percent mean that rent rises are unlikely in the near future. Industrial space is also widely available, although retail space is much tighter for the moment. Construction of 22 retail centres with a total of 2.9 million square feet could change that.

Mergers between companies have caused extra space to hit the **Boston** office market, although conversions to residential are keeping Class B space restricted, while professionals expect rent levels to remain flat over 2005. The retail market is healthy, with big box retailers driving demand.

Houston's office market is recovering from the shock of losing Enron, with good absorption rates, though plenty of space remains available. Retail demand is the highest in several years and industrial space is slowly being absorbed.

Limited construction in **Atlanta** has meant a positive outlook for the real estate market, with net occupancy gains and gradual rental increases. Industrial space has been in high demand from investors; and a recent trend has been for warehouses to convert into retail space.

Real estate professionals in **Denver** are confident that 2005 will see recovery in all markets, after four years of difficulties. Sublease office space availability, which had been over 5 million square feet in 2003, has halved, while industrial vacancy rates dropped to 9.2 percent.

Washington DC remains a buoyant real estate location, with office vacancy rates of around 8 percent, new soccer and basketball stadia in design and a retail revival underway in the old downtown district east of the White House.

Mexico has benefited from a stable economy and low inflation, low interest rate climate, with strong demand for retail space in particular. "New industrial parks, distribution centres and value retailers continue to be in high demand," says **Moises Tartakovski at NAI Tar Internacional in Mexico City**. The office market, by contrast, is seeing reduced leasing prices due to an oversupply and a 24 percent vacancy rate in new construction. Sales in the industrial sector have been especially strong, with major deals from value retailers such as Home Depot and Wal-Mart. European and US investment funds have also entered the office market in Mexico City, and the maquiladora industry has seen major capital infusions as the risk factors continue to diminish.

Industrial activity has spiked significantly during the last 12 months in major markets throughout Mexico. Some markets like Monterrey and Reynosa never slowed and large markets such as Tijuana and Juarez have benefited by new sectors moving in to replace portions of the consumer electronics firms which consolidated to China. The automotive, medical device, home appliance, and now aerospace sectors are particularly active.

Above left: Gary Swedback (far left) and Juan Carlos Rodriguez (second from right), NAI Mexico with Valassis executives Bill Hogg and Julie Stratton at Valassis grand opening in Mexicali, B.C., Mexico. NAI Mexico supported Valassis, based in Livonia, Michigan to complete site selection, negotiation and construction management for a new 125,000 s.f. product fulfillment center.
Above right: Moises Tartakovski, President, NAI Tar Internacional, Mexico City.

All are requesting their suppliers to follow. Swedback notes, "for the first time we are actually seeing investment plans from the Chinese mainland - mixed groups of government and private firms headed to Mexico to produce for the North American market."

Toronto's economy has grown strongly in recent months, with industrial markets especially positive, including high demand for warehousing units. A shortage of office space has kept rental levels steady, while retail vacancy rates are also low. **Vancouver's** hosting of the 2010 Winter Olympics is bringing up to 8 billion Canadian dollars of infrastructure investment. Office space is in high demand as the city's population grows; industrial vacancy rates are at just 3 percent, while tourism keeps the retail market solid. **Montreal's** popularity as an office and industrial location - particularly for science parks - has continued to grow, putting pressure on vacancy rates. The Pierre Elliot Trudeau airport is expected to expand, adding to the economic activity in the West Island, according to local professionals.

Country Data

Country	Area km²	Pop mn	Main cities	Pop 000s	GDP bn($)	GDP growth† 2005	GDP/ capita	Inflation*	Interest rates**	Unemployment
CANADA										
	9,200,000	31.4	TORONTO	4,683	1,020	3.00%	32,484	2.00%	2.50%	6.80%
			VANCOUVER	5,600						
			OTTAWA	1,200						
			MONTREAL	3,607						
MEXICO										
	1,972,545	106.20	MEXICO CITY	19,024	748	4.54%	6,195	5.19%	7.13%	4.14%
			GUADALAJARA	3,908						
			MONTERREY	3,416						
UNITED STATES										
	9,500,767	285.02	NEW YORK	8,086	12,280	0.80%	43,084	2.80%	3.00%	4.50%
			LOS ANGELES	3,820						
			CHICAGO	2,869						
			HOUSTON	2,010						
			PHILADELPHIA	1,479						

† GDP Growth rates are forecasts for 2005, where available, or the most recent quarter's figures * Inflation rates are forecasts for 2005, where available, or the most recent quarter's figures
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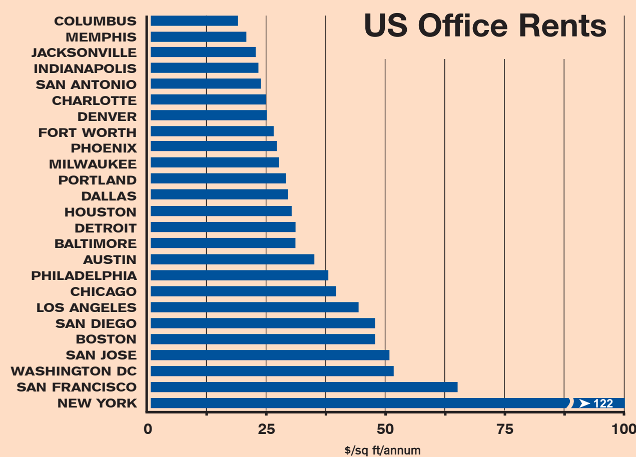
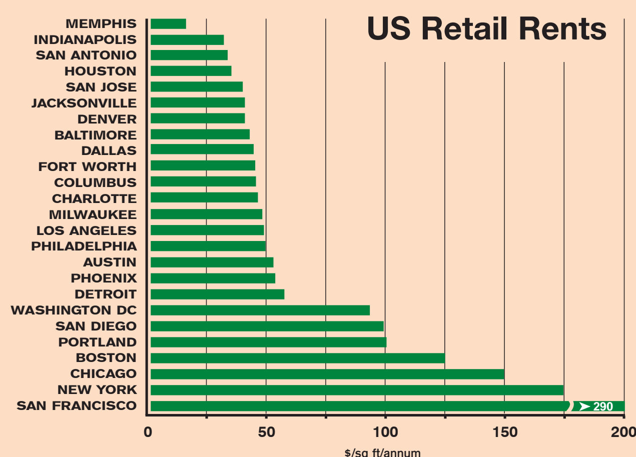


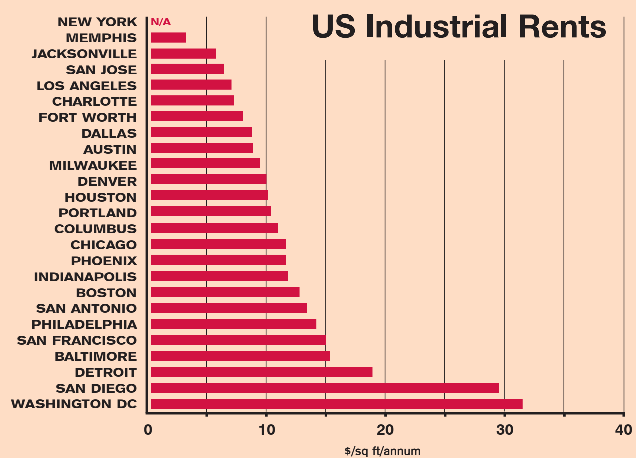
Property Market Data

TREND KEY: ▲ UPWARD ◆ LEVEL ▼ DOWNWARD

Location	Population	Prime Net Rents ($/sq ft/annum) Offices	Retail	Industrial/Warehouse	Prime Yields (%) Offices	Retail	Industrial/Warehouse
UNITED STATES							
NEW YORK, New York	8,086,000	122.00 ▲	175.00 ▲	n/a	5.8 ▼	5.1 ▼	n/a
LOS ANGELES, California	3,820,000	45.00 ▼	49.50 ▲	7.40 ▲	6.6 ▼	6.4 ▼	6.8 ▼
CHICAGO, Illinois	2,869,000	40.00 ▼	150.00 ▲	12.00 ◆	6.3 ▲	6.9 ▼	9.2 ◆
HOUSTON, Texas	2,010,000	32.00 ▼	36.72 ▲	10.20 ▼	7.0 ◆	6.7 ▼	9.3 ▲
PHILADELPHIA, Pennsylvania	1,479,000	38.00 ▼	50.00 ▲	14.00 ▲	8.4 ◆	6.2 ▼	8.0 ▲
PHOENIX, Arizona	1,388,000	27.60 ▲	55.00 ▲	12.00 ▲	8.0 ▼	7.9 ▲	8.0 ▼
SAN DIEGO, California	1,267,000	48.00 ◆	99.00 ▲	29.40 ▼	7.1 ◆	7.2 ▼	7.7 ▼
SAN ANTONIO, Texas	1,215,000	24.00 ◆	36.00 ▲	13.50 ◆	7.9 ◆	8.3 ◆	8.3 ◆
DALLAS, Texas	1,208,000	31.00 ▼	44.00 ◆	9.00 ▲	9.0 ▼	7.0 ◆	7.9 ▼
DETROIT, Michigan	911,000	32.00 ◆	60.00 ▲	18.00 ◆	7.8 ◆	7.6 ▲	9.3 ◆
SAN JOSE, California	898,000	51.00 ◆	39.00 ▲	6.60 ◆	7.5 ◆	5.8 ▼	7.5 ◆
INDIANAPOLIS, Indiana	783,000	23.50 ◆	30.00 ◆	12.50 ◆	8.5 ◆	7.0 ◆	8.0 ◆
JACKSONVILLE, Florida	774,000	23.00 ▼	40.00 ▲	5.50 ▲	8.0 ▼	7.8 ▼	9.0 ▲
SAN FRANCISCO, California	752,000	65.00 ▼	290.00 ◆	15.00 ▼	7.5 ▲	6.5 ◆	8.0 ▼
COLUMBUS, Ohio	728,000	18.00 ◆	45.00 ◆	11.50 ▲	8.0 ◆	7.0 ◆	9.0 ▲
AUSTIN, Texas	672,000	35.00 ▼	54.00 ◆	9.00 ◆	7.8 ◆	7.5 ▲	8.0 ◆
MEMPHIS, Tennesee	646,000	20.00 ▼	17.00 ◆	3.00 ▲	8.0 ▲	7.5 ▲	8.0 ▲
BALTIMORE, Maryland	629,000	32.00 ◆	42.00 ▲	15.50 ▲	8.9 ▼	6.3 ◆	9.0 ◆
MILWAUKEE, Wisconsin	587,000	28.00 ▲	48.00 ◆	9.50 ◆	9.0 ◆	7.5 ◆	8.5 ▲
FORT WORTH, Texas	585,000	27.00 ◆	44.50 ◆	8.50 ◆	9.2 ▼	7.0 ◆	8.5 ◆
CHARLOTTE, North Carolina	585,000	25.00 ◆	45.00 ▲	7.50 ▼	8.3 ◆	7.2 ▼	9.0 ▲
BOSTON, Massachusetts	582,000	48.00 ▲	125.00 ▲	13.00 ▲	6.4 ▼	7.1 ▲	9.4 ▲
WASHINGTON, DC	563,000	52.00 ▲	90.00 ◆	32.00 ◆	6.5 ▲	7.4 ▲	8.4 ▲
DENVER, Colorado	557,000	25.00 ▲	40.00 ◆	10.00 ▼	6.5 ▼	7.0 ▼	8.1 ◆
PORTLAND, Oregon	539,000	30.50 ◆	100.00 ▲	10.50 ▼	8.2 ◆	7.0 ◆	9.0 ▼
CANADA							
CALGARY	1,037,100	20.15 ◆	79.80 ◆	7.10 ◆	6.5 ◆	8.0 ◆	6.5 ◆
EDMONTON	1,001,600	15.10 ◆	30.25 ◆	6.70 ◆	6.5 ◆	8.0 ◆	6.5 ◆
MONTREAL	3,606,700	16.00 ◆	n/a	5.50 ◆	6.5 ◆	8.0 ◆	6.5 ◆
OTTAWA	1,142,700	37.00 ◆	42.00 ◆	9.25 ◆	6.5 ◆	8.0 ◆	6.5 ◆
TORONTO	5,203,600	26.00 ◆	42.00 ◆	7.15 ◆	6.5 ◆	8.0 ◆	6.5 ◆
VANCOUVER	216,000	35.30 ◆	33.60 ◆	8.40 ◆	6.5 ◆	8.0 ◆	6.5 ◆
MEXICO							
CIUDAD JUAREZ	1,550,000	14.00 ◆	13.00 ◆	4.5-5.55 ▲	14-16 ◆	14-16 ◆	14-16 ◆
GUADALAJARA	4,250,000	10-17.00 ▼	30-40.00 ▲	4.50 ◆	14-19 ◆	12-16 ◆	12-15 ◆
MATAMOROS	486,941	8.4-18.00 ◆	3.70 ◆	3.84-4.56 ◆	14-19 ◆	12-16 ◆	12-15 ◆
MEXICALI	865,822	3.6-8.40 ▲	6-12.00 ▲	3.36-4.20 ◆	14-19 ◆	12-16 ◆	12-15 ◆
MEXICO CITY	18,131,000	25.00 ▲	20.00 ▲	6.00 ▲	9.6 ▲	9.4 ▲	9.6 ▲
MONTERREY	3,850,000	10-25.00 ◆	30-60 ▲	3-6.00 ◆	14-19 ◆	12-16 ▼	12-15 ▼
NUEVO LAREDO	363,919	8 -12.00 ◆	8-18.00 ◆	5.00 ◆	0.1 ◆	0.1 ◆	0.1 ◆
QUERÉTARO	897,603	8.6-11.00 ◆	8-18.00 ▲	3-5.00 ◆	10-12 ◆	10-16 ◆	10-14 ◆
REYNOSA	403,718	8-15.00 ▲	8-18.00 ▲	5.00 ◆	1.0 ◆	1.0 ◆	1.0 ◆
TIJUANA	1,625,000	15-22.00 ◆	12-16.00 ◆	3.8-5.25 ▼	14-19 ◆	12-16 ◆	12-15 ◆

Property market data information has been provided by NAI Global offices based on their experiences during the fourth quarter of 2004 and first quarter of 2005. The numbers represent an average rather than a current value. These tables and charts are intended to show an overview of market conditions and are not indicative of actual results. NAI Global accepts no liability for any loss or damage arising from their contents. Professional advice should be sought for specific transactions.





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