

What is Real Estate Asset Management?

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by Robert James Oliver, CEO Mondream

Let me start by explaining to you, what is “Real Estate Asset Management”, in simple terms. Now, I've been asked to limit my presentation to five minutes.....remember that I teach this class at Sciences-Po Paris for ten lectures of three hours each, so please get comfortable!

If someone gave you Rockefeller Center, Canary Wharf, or La Defense as a gift you would probably wonder what to do with it. Essentially, you call me, give me the keys and go enjoy your life. I'll send you reports and distribution checks on a timely basis. I am the person that organizes a team to handle the day to day affairs such as: long term asset planning and capital improvements, day to day collection of rents and payment of bills, coordination of all repair and tenant renovation projects with the tenants, architects, vendors and trades, prepare and testify at court litigation, insure risks, provide seasonality, guide acquisition and disposal of assets. It is a 24 hour-seven day a week job, just as buildings are 'alive' 24 hours, seven days per week, even holidays.

You might think that you could do this. That you could hire individual experts and do this yourself, and you might be right. However, to excel at this business requires much more.

Let me ask you a question that I ask all my international real estate management graduate students in the first class; "What is Real Estate?" Simple enough question, isn't it? You would probably give the same answers they do: buildings, grounds, minerals, water, streets, towers, signs, houses, garages, restaurants, etc. etc. And you are right, but that is not the best answer. The definition of Real Estate is: "A bundle of RIGHTS"! Yes, the rights to do something with the property are what make the property valuable. And property rights are what the American Colonists fought for. The right of an individual or group of individuals to develop the property as they see fit with minimal governmental regulation is what defines real estate. Without rights, we have a feudal system that builds as a monarch sees fit and that monarch owns all the property. What makes one real estate asset manager better than all others is knowing all the rights available and how to exploit them to maximize profits. Without this knowledge, one merely collects rent and pays bills.

The next question I ask is: "How do you make money in real estate"? That is a fair enough question and one that everyone asks and some make fortunes selling books on the subject. The answers I get and that you are probably thinking of are something like: buy low sell high, raise the rents, sell the minerals and oil, repair and sell, expand, re-finance, etc. etc. And again these are all good answers, but not the best answer. You must have a vision, a clear vision, and a

vision that no one else has. Every property you see is the result of someone's vision. This building that houses the restaurant where you have just dined is the result of someone's vision. It might have been a horse stable in the 1800s and somebody knew his rights and had the vision to make an office building and emplace a store on the ground floor. Then someone had the vision to make the store a restaurant. Maybe a new asset manager will come along and replace the restaurant with a higher yielding venture like a jewelry store, or tear the building down and build a tower, much to the chagrin of preservationists everywhere. And landmark preservation and the ways of dealing with it and getting around it is the hallmark of a good asset manager. Everything you see from Rockefeller Center to the gleaming towers of La Defense is the result of someone's extraordinary vision. And it is this vision that made the investors huge profits.

You might ask where can one profit in today's International Real Estate Market? Here are some of my team's thoughts. In the US there are the standard preservation of capital moves which have minimal risk but low yield. Think about office and hotel buildings in New York, Chicago, LA, etc. They might not make much in the way of current income, but you will have long term capital appreciation as long as you choose an asset manager that can develop a plan to ride out market swings. For higher yield and comfortable safety, there are plays like multi-family residential projects in the southeast US. Modern buildings built after 1970 in population centers with robust economies. Places where the tenants are middle income or retired folks, teachers and professionals.

Europe, as in the US, also has the standard plays in 'trophy' properties in London, Paris, and Berlin. But there are other ways to make higher current income with good safety. We see opportunity in Golf and Wine Tourism. Did you know France is tied for second in the number of golf courses in Europe? Yes, tied with Germany and behind the number one which is the United Kingdom. However, few see France as a golf destination. Tell a 'baby boomer' American that one can vacation one and a half hours outside of Paris at a four star hotel with full amenities in the wine country and an attached 18 hole golf course and he will have that American Express card seeing the light of day in no time. Wine tourism is another interesting play. This is what made Napa Valley, California, a destination in the 1970s and is yet to be developed in France to any noticeable degree. And with my US wine importation business with access to licenses in all 50 States, the value add is in the exportation of the wine. Next area is Self Storage, which made millionaires out of ordinary people in the US starting back in the 1970s. People who had some extra land put up small garages and rented them as storage units. The US market, with 166 units per million of population is saturated, but look at the numbers for France, 5 per million, UK 15, Germany 1.6, Belgium 2.6. You can see the huge potential here. The buildings are the least expensive to build, staffing is minimal to none; why there is only one toilet in the facility and no insulation! Almost no regulation and no sprinklers are necessary. And I have here in the audience, Ron Gerow of E-Z Storage. I have been working with Ron and his partner to create an expansion plan. And investors are welcome. You could participate in an investment like this with a minimum 100,000 euro investment.

Well, I see my time is drawing to a close, and as I say this is a 30 hour course. But let me take a minute to thank the Franco-British Chamber of Commerce for their dynamic embrace of my initiative to hold conferences on the topic of gender equality in real estate. We held our second conference this year and presented a whitepaper that was the result of our research from a workshop held in the first year.

And thanks to our hosts, Jon Cooper and Andrea Gormley of the Spectrum IFA Group for asking me to address you today and their associates: The Franco-British Chamber of Commerce and The Institute of Directors, Paris.

I'll take questions now. Feel free to contact me privately. I have offices in Paris, New York and Luxembourg. My partner in New York is David Lederman, a well known Metropolitan developer and in Luxembourg is attorney JC dos Santos who registers and administrates funds in all tax domiciliation jurisdictions.

Thank you.

Mondream is a global real estate asset management and advisory firm. The name derives from Monde (global) Real Estate Asset Management. Its principals are:

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