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LREJ

Latin
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Journal

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This week we speak with Nancy Lashine, Managing Partner and Co-Founder of Park Madison Partners. Many institutional investors are looking into Latin America for the first time and her interview provides a framework for performing initial due diligence.

With a series of successful meetings at the Andean Real Estate Forum, we are now shifting our focus to the Institutional Real Estate Latin America Forum, taking place at The Plaza Hotel in New York on June 2nd and 3rd.

We are pleased to announce Jeffrey A. Barclay of Goldman Sachs will be joining us to share his views on the global real estate markets and the macroeconomic landscape. Mr. Barclay is head of the Real estate Investment Group (REIG), which is a part of the Alternative Investments & Manager Selection (AIMS) Group within the Investment Management Division. REIG invests in both direct commercial real estate and fund managers on behalf of Goldman Sachs Asset Management and Private Wealth Management Clients.

For more details, [download the forum agenda](#).

Best regards,



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Advisor Interview: Nancy Lashine, Managing Partner and Co-Founder, Park Madison Partners



LREJ: Give us some background on your firm.

NL: Park Madison Partners is a real estate placement firm. We raise private equity capital for real estate fund managers. We work extensively in the emerging markets including Latin America, Asia and Eastern Europe. Our focus is to be the bridge between institutional investors and real estate managers.

LREJ: What is your current experience in Latin America?

NL: We have been active in Brazil since 2009. We've worked with one manager raising two funds. The first one is in excess of \$200 million and the second is capped at \$500 million of equity investment. We've also been active in Colombia helping to raise a fund there.

LREJ: Why is it important for investors to invest in real estate in Latin America?

NL: It's different for each investor but it includes diversification of their portfolio. Because the countries are less developed and existing stock is generally limited, there is an opportunity for fund managers and other investors to develop and build institutional quality assets.

In terms of property types there are the "four major food groups:" residential, office, retail, and industrial. Residential and retail are typically the first place that investors start. Many investors like to invest in emerging markets to capitalize on the emerging middle class story. Clearly it's happening in Brazil, Colombia, and Peru. As more people move into the middle class, they're able to buy homes. The demand for residential is enormous in these markets. The economic viability of residential projects depends on the mortgage market and the profit margins on development. You have to consider inflation, commodity costs, land values, and whether or not you have good builders that can stay on budget to keep profit margins consistent.

After residential many investors move to retail in these countries because after people buy houses, then TVs, refrigerators, and cars are typically the next step. Office is also an important theme in the major cities. Multinational tenants look for quality space that meets international standards, but they often can't find it and it has to be built for them. Industrial becomes important after retail when you want to focus on the distribution of goods.

LREJ: Investors tend to be more familiar with Brazil, but given lower levels of GDP currently, how do you see things unfolding? Where do you see capital flows increasing in the region?

NL: Brazil is the largest market in South America by both GDP and population. It had an amazing 10 year run of high sustained growth rates. Much of the FDI has gone into commodities, especially oil. What's really helped Brazil is the growth in internal consumption. There are also huge agrarian opportunities as well. A lot of the internal consumption and growth has been coming from within and not just based on exports. It's a very strong long term market. The question is: is now the right time? Should we wait for the dust to settle and see if there are distressed opportunities?

The World Cup and Olympics have increased infrastructure and hotel building activity. What will happen after those events? We'll have to see.

When you look at other countries in Latin America, there was recently another free trade agreement passed between Colombia, Peru, Chile, and Mexico. Colombia in particular is an extremely well-run country with professional managers throughout government, and as a result foreign investment has been flowing in. The Colombians recently reformed their tax code so that foreign investors can be on the same playing field as local investors. There's also stable inflation and currency. In each of these markets you also see the growth of pension funds and this of course relates to the emerging middle class story. More people are saving within the country, and as the pension funds become larger they become natural buyers in real estate. So you're seeing institutional capital flow internally within these countries.

LREJ: How do you aid your clients to evaluate opportunities in Latin America?

NL: Someone called me recently and they're looking to go into Latin America for the first time. In those types of discussions, we talk about how much time they should spend and which managers they need to see. When Park Madison goes into a market, we talk to everyone and develop a view as to who has the best track record. I would advise every investor to do the same thing. Generally we talk to one of the major brokers in the market. In Brazil, for instance, we spent a lot of time with CBRE. We also talk to law firms about tax regimes and legal structures.

LREJ: What characteristics do you look for in a GP?

NL: That's what we do for a living and we're pretty darn good at it. To find a good partner in Latin America and the emerging markets, there are two critical characteristics. First, you need a manager who has strong local knowledge, expertise and contacts so they can source the right deals at the right price and execute efficiently. To do that the manager needs to be a local player. The second thing that you need is an organization that understands that this is not their money, and that they are a fiduciary for an institutional investor. That includes transparency and good accounting practices as well. If you put those two things together - local expertise with a strong fiduciary mindset - you will have a successful manager relationship.

Everyone will look for a different bent in the market. Some managers might be more focused on certain property types and some might have a heavier focus on development than others. You have to be confident that your partner has the right strategy, timing, and the ability to execute. For Park Madison, figuring this out can take us six to twelve months of due diligence. We spend a lot of time understanding the track record, whether it's according to GAAP or some other standard. We also hire a private investigator to talk to people in the market that we wouldn't have access to. They check legal documents, court records and former employees and partners. You need someone who speaks the language in the native tongue as well.

LREJ: Why is it valuable for investors to attend Latin Markets' meetings?

NL: We thought your event last year in June was fantastic. It was really well attended and I met a variety of people I hadn't met before. The panels were also well-staffed with really interesting speakers, including some of the top real estate managers in Latin America. I was amazed by how many panels I actually wanted to attend. That's not normal for me. These events provide some great insight for investors, whether you're completely new to the region or a seasoned veteran. We would recommend them to anyone with an interest in Latin America investments.

About The Latin Real Estate Journal and Latin Markets

The Latin Real Estate Journal is a Latin Markets weekly newsletter featuring interviews with pension funds, sovereign wealth funds, foundations, endowments, family offices and real estate fund managers active in Latin America.

Latin Markets is the world's leading provider of Latin America focused investment forums, regional summits, and streamlined market intelligence. Our platform provides a comprehensive and fascinating perspective of the opportunities in this diverse and booming region.

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