

Managing Real Estate and Property Markets in “Boom Conditions”



May 2/08

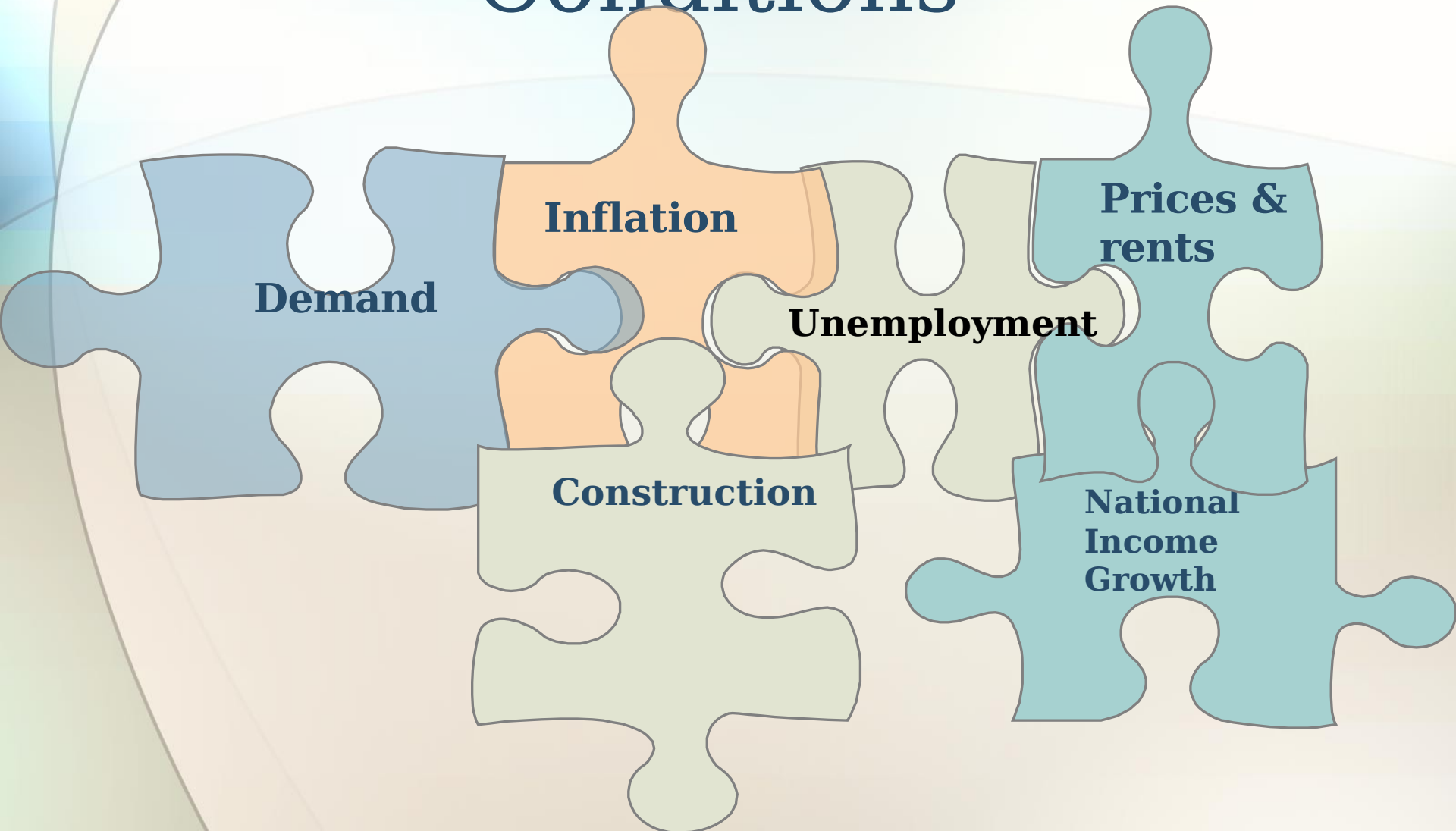
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“The Landscape ”

- What is meant by “boom conditions”?
 - Economic indicators
- “Boom” – its impact on real estate and property markets
- Insights in managing through the “boom”
 - Credit evaluation
 - Investment criteria
 - National preparedness



Factors of 'Boom' Conditions



“Times of Plenty”



- Strong growth in real GDP
- Significant expansion in construction sector
- Falling unemployment
- Increasing inflation (energy & food)
- Strong fiscal indicators
- Buoyant consumer and business confidence
- Rising expectations (consumption)



What do these factors mean for real estate & property markets?

- Surge in demand
- Rising cost of inputs and finished prices
- “Polarisation” of marketplace (rich/
“others”)
- Middle income “sandwiched”
- High liquidity- compromised risk ev
- Short term consumerist approach



Demand for Housing

Monthly Income					
Age	Up to	2,501 -	5,001 -	8,001+	TOTAL
0-25	2,500 3,960	5,000 6,659	8,000 3,100	1,038	14,757
26-35	8,972	16,081	10,751	5,997	41,801
36-45	7,511	10,474	6,710	3,940	28,635
46-55	4,486	5,810	3,550	2,002	15,848
56-60	1,069	1,153	628	440	3,290
61 & Over	1,455	887	435	284	3,061
TOTAL	27,453	41,064	25,174	13,701	107,392
% TOTAL	26%	38%	23%	13%	



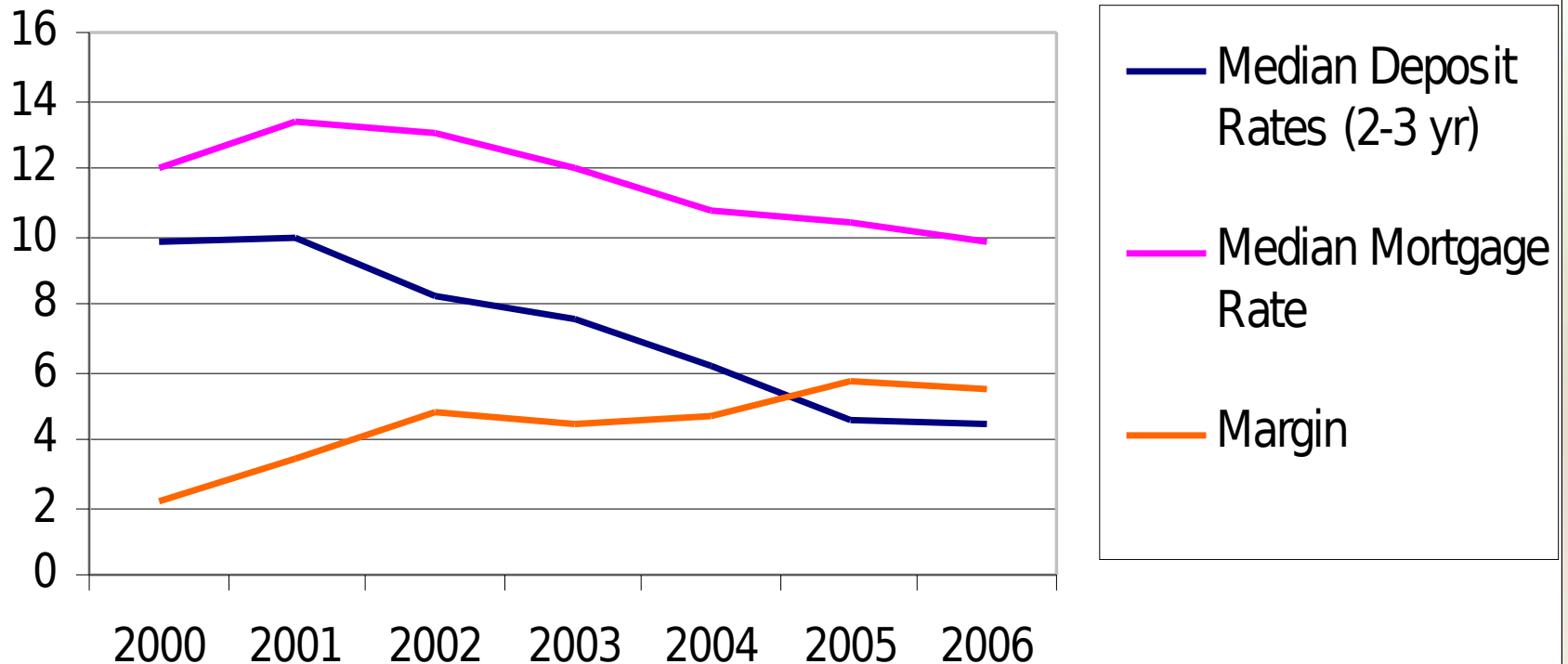
Pricing & Affordability

Location	Jan 2007	Dec 2007	% Variance
Fairways	TT\$ 6.0mn	TT\$ 6.9mn	+15%
Diamond Vale	TT\$ 1.2mn	TT\$ 1.8mn	+50%
Victoria Gdns	TT\$ 3.4mn	TT\$ 3.8mn	+11%



Liquidity & Interest rates

Mortgage Market Interest Rates 2000-2006



Keys to management...

- At the individual/project level
 - Credit Evaluation
- At the institutional level
 - Investment criteria
- At the national level
 - The demand/supply continuum





Credit Quality and Evaluation

- Introduction of the fifth 'C' of credit
- Assumptions in respect of income growth/improved credit rating
- The secondary mortgage
- Reverse mortgage





Investment in Real Estate

- Speculation
- Securitization
- Asset appreciation





Improving Supply

- 100,000 units over 10 years
- The private sector role
- Subsidies
- Financial management



Issues to Ponder

- Management to be effected at every level
- Every aspect of the 'boom' phenomena must be addressed
- Individual/Institutional/Governmental responsibility
- Individual/Institutional/Government discipline



Thank you