Three dynamic world regions attracting capital

Donald L. Stevens

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Over the last decade rapid economic and political developments in three world regions have reshaped the global economy and drawn the attention and the investment capital of the US, the EU and Japan. China, India and Central Europe – the most dynamic regions in the world in the eyes of many observers – are building manufacturing and service platforms that will be the most competitive globally, and have sustained progress in government and market based reforms that will attract increasing shares of capital.

Companies in the US, EU and Japan are becoming aware that their own business strategies need to include a China option, an India option or a Central Europe option for both manufacturing and services. In addition, selling into these markets has great promise. The growth in these three developing regions attracts capital to the companies themselves as well as capital for building infrastructure in each region.

As one example, on our first visit to Shanghai in 1989 the tallest building was 26 stories. In January 2006 our delegation of business professors from US universities was told that today Shanghai has more than 2000 buildings more than 40 stories. A visit to Chengdu in the west of China provided evidence of huge infrastructure development in China’s interior as well. For China, much of the most visible dynamism is associated with real estate.

Over the last 15 years China has moved from drab, subsistence level public housing to a new policy encouraging private ownership of housing (at least ownership in terms of long term renewable leases). This shift in conjunction with rapid economic development has resulted in huge demand for private housing.

For our Winter 2005-06 Global Forum we addressed global real estate in several sessions, heard from a former US Ambassador on the rise of India, learned from a noted law professor about how our traditional notions of personal privacy are being invaded by digital technology, and were brought up to date on economic issues by a panel of experts from our Global Advisory Board.

David Stanford of RealFoundations briefed the Forum on the rise of real estate as a global asset class. He pointed to the Asia Pacific Region as one of great promise over the next 20-40 years with a market size of $3.1 trillion. Prof. Glenn Mueller addressed real estate investment trusts, both domestically and globally, as key investment vehicles adding liquidity to this asset class.

Raj Bhandari and Tim Morris offered two perspectives on globalization of real estate capital flows. Bhandari pointed out that in 2005 new legislation in India relaxed restrictions on foreign investments in real estate and stimulated demand.

Morris, a pioneer in global real estate investing, presented his insights on a number of global markets and the significant increase in the free flow of capital across borders to finance real estate deals.

Kent Richey’s expertise is in advising on complex real estate transactions globally and he analyzed the components of successful real estate deals.
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As I write this, we are about to embark on a journey to India for the India Global Forum. We will visit companies, CEOs and entrepreneurs who are making India a world class business services hub in IT, business process outsourcing, high tech and consulting. In a week of visits in Bangalore and New Delhi we expect to see firsthand how and why India has made sustained progress since 1990. Our next Global Forum Report will focus on these experiences.