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Channel Islands - countries like no other

To be honest, the legal status of two islands - Jersey and Guernsey, just off shore the French Atlantic coast, always intrigued me. How was it possible that territories, being part of the British Islands, are considered to be "offshore zone"? Perhaps this was just another joke of the British constitutional system (I say system, not constitution, because the United Kingdom has no written basic law), but how it was possible for the European Union to allow all this mess? So when I looked deeper into this constitutional case, what I found exceeded my imagination. These two islands, which pledged allegiance to the British Queen and used the British pound as currency, were neither British nor part of the United Kingdom, nor part of the European Union either. They turned out to be almost independent states, not completely independent of course because of their allegiance to the Queen, but not as a British monarch but as a Duke of ... Normandy.

How this has been made possible? The Channel Islands were integral part of the French Duchy of Normandy in the 10th century and automatically became dependant upon the English (not British) crown when the Duke of Normandy William became King of England in 1066. Later on, with the French as official language, the islands became almost autonomous states and their rights and freedoms were confirmed in many Royal Charters and the so-called Letters Patent. This happened in the dark Middle Ages. More recently they established special relationships with the European Union, which have been set out in 1973 when the United Kingdom entered the organization called at the time European Community. In one word, these protocols allowed the Channel Islands not to harmonize their taxation and other internal policies with Brussels.

It would be exaggerated to state that these two main islands (Jersey and Guernsey) and several smaller ones are identical in their internal policies. There are some notable distinctions even if they both enjoy equal statute in their relations with London and Brussels. Because of the huge demand to move there and the few available properties, some 50 years ago the local administration in Guernsey (pop. 60,000) has decided to guarantee first the housing needs of the local population. When browsing the properties for this island, people probably will notice the division between "local" and "open" market. Well, the local market is supposed to be occupied by local residents or those who have received a special housing license by the local housing authority. Another category properties exclusively reserved to local residents are the so-called "state housings". About 1/10 of all properties (1,800 out of 20,000) can be purchased by foreigners. Usually these are luxurious properties and their prices in average are 2-3 times higher than for the average properties on the "local market". There are no new permits for residential developments on the "open market", which can explain the quick property inflation.

The other Channel Island Jersey (pop. 90,000) has slightly different system of priorities for determining who should be allowed to buy property. The prospective buyers and tenants are separated into more than 10 groups, for example one group includes those born in Jersey with 10 years residence on the island; another group includes people that have lived on the island for more than 18 years; third is composed of those foreigners which employment is essential for the community well being, etc. They all have to be granted consent by the housing committee before being able to buy real estate.

Information Achieved From: www.ired.com

New York still hotspot for international real estate investment

New York, March 1st 2004 : New York maintains its position as one of the world's hotspots for international real estate investment, judging from the conclusions of a seminar co-hosted by the NY branch of Fiabci and MANAR on February 26th 2004 at the Helmsley Hotel in New York.

Chaired by Lisa James Otto, President of the Fiabci-USA NY Council and moderated by Cynthia Crowley, President of MANAR, the panel of speakers included David Michonski, CEO of Coldwell Banker Hunt Kennedy and 2004 NAR International Liaison Officer, Fiabci member Angela Eliopoulous, President of Global Owner Property Consultants, and James A. Fetgatter, CEO, Association of Foreign Investors in Real Estate (AFIRE), also a Fiabci member.

James A. Fetgatter set the scene by giving a brief overview of the results of the 2003 Foreign Investment Survey carried out by Kingsley Associates for the 12th year amongst the members of AFIRE, who collectively have nearly $300 billion invested globally with about half of that invested in the U.S. In 2004, foreign investors are expected to earmark 56% of their cross-border allocations for US real estate and indeed the US was cited as the country providing the most stable and secure real estate investments by 60% of the survey's respondents, with Canada and France tying for second place. Germany was viewed by over 80% of respondents as the country supplying the most active foreign buyers of US real estate, followed for the first time by Australia, a new source with correspondingly significant growth potential.

Although nearly half of the average foreign investor's global real estate portfolio is allocated to investment office properties, undoubtedly in view of its perceived security (their unit size is much larger therefore allowing investing funds to meet their purchase allocation requirements more readily); its attractiveness for new as regards the USA has declined steadily since 2001 giving way to retail, multifamily and hotel/leisure properties as offering superior interest value to the US-inclined investor. Respondents expressed an overwhelming preference for equity ownership of properties at the expense of REITs, and the rate of return on REITs was expected to fall dramatically in 2004 from an average of 29% to just 8.5%.

Fetgatter noted :" As an asset class producing very respectable returns in an extremely volatile equities market, real estate has become a serious competitor for investors' dollars." For the second year running in the survey, Washington DC was considered the best global city for real estate investment, followed by London and Paris with NYC occupying fourth place. David Michonski, CEO of Coldwell Banker Hunt Kennedy, remained convinced that the city of New York is superbly placed for an investment boom set to last the whole decade, barring unforeseen events such as another major terrorist attack or a global economic slump.

Michonski explained : "The dollar has declined by about 40% in value against the world's major currencies which means, in concrete terms, that New York real estate is on sale with a 40% discount". The NY housing market, under-built for the last 15 years, is already strong, and is set to improve, with several factors supporting this market buoyancy. Firstly, investors like locations with which they are familiar and New York often occupies a 'top of mind' position in this respect. Immigration is currently on the biggest scale in US history, with NY being a natural arrival point and, of this large and continuing flow of immigrants, as many as 20% will buy their first home in the US during the 12 months following their arrival. Also, Internet technology is improving market efficiency, which particularly benefits major centers like NY. Current demographic trends towards increasing numbers of smaller households are also strengthening housing demand in the city, due in large part to the singles boom and the rise in non-nuclear families. Finally, the prestige, power, cultural and economic leadership of New York continues to grow, making the city even more attractive to purchasers. Although the main overseas investors in the NY residential market are traditionally from the UK, Germany and the Netherlands, growing interest is coming from Eastern Europe, Russia, Brazil, Israel and India.

Information Achieved From: www.FIABCI.org

US Office Market should pick up

New York,

Office property markets in the U.S. and to a lesser extent Latin America appear poised for recovery this year after three years of weak corporate-tenant demand, according to three reports on global office markets. Asian-Pacific markets remain robust, while Europe isn't expected to improve much.

The reports indicate the worst may be over for many of the world's office markets, which suffered as a result of sluggish economies and corporate cutbacks. They also signal that any recovery that does occur will be modest.

The three real-estate services groups -- **Colliers International**, Grubb & Ellis Co. and Global Property Alliance, a consortium of international real-estate services companies -- were most enthusiastic about the Asian-Pacific region, mainly because of improving economic conditions. "A lot of these [markets' economies] are doing well," said Ross J. Moore, director of research at **Colliers**, of Boston, citing China, Hong Kong, South Korea, Australia, New Zealand, Japan and India. "They are all on the way up. We have no reason to expect that that's not going to continue."

Mr. Moore expects the Asian-Pacific region's vacancy rate to fall to 12.9% from 13.4% in 2003, and rents to rise to $32.25 a square foot from $30 in 2003. He cautions, though, that there still is a lot of construction occurring, particularly in Tokyo, Beijing and Shanghai, which could lead to oversupply.

The U.S. office market continued to be pummeled last year, with vacancy rates hitting the highest levels since the recession of the early 1990s. Still, leasing of space picked up slightly in the second half of the year. The firms believe leasing activity will continue to improve, though slowly, based on the modest job growth seen so far.

down the unemployment rate by very much, it seems to be enough to increase leasing activity during the first half of the year," said Robert Bach, national director of market analysis at Grubb & Ellis, of Northbrook, Ill., which worked on its report with London property-services firm Knight Frank.

Mr. Bach expecs the U.S. office vacancy rate to fall to around 16.9% in 2004, from 17.5% in 2003, and for average asking rents to continue to decline until mid-year and then stabilize.

In Europe, lack of tenant demand is generally continuing, resulting in poor leasing activity, said Seth Dudley, executive vice president in charge of the international services group for New York real-estate services firm Studley, which is a member of Global Property Alliance, of London.

Considerable construction of top-quality office space in some Latin American markets has resulted in some oversupply, leading to expectations that office markets in Latin America will recover slowly.

In Mexico City alone, four million square feet of office space was completed in 2003, according to Grubb & Ellis. The vacancy rate is expected to rise as 3.5 million more square feet are likely to be added in 2004, Mr. Bach said.

Article Achieved From: www.colliers.com

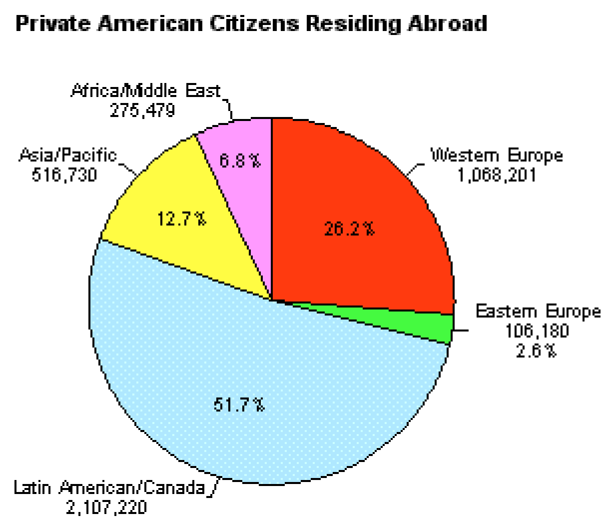
Private American Citizens Residing Abroad

Top Ten Countries Worldwide

In total, there are 4,073,810 private American citizens residing abroad. 1,247,705 live in the ten countries listed below. Mexico has the highest population of private American citizens with a total of 1,036,300. This total represents 25% of all private American citizens residing abroad.

Top 10 Countries Worldwide

	Country	U.S. Citizens
1	Mexico	1,036,300
2	Canada	687,700
3	UK	224,000
4	Germany	210,880
5	Italy	168,967
6	Philippines	105,000
7	Australia	102,800
8	France	101,750
9	Spain	94,513
10	Israel	94,195
	All Other Countries	1,247,705



Pie 1

Regional Distribution

Out of the more than four million Americans living abroad, more than half (51.7%) live in either Latin America or Canada, with Western Europe (26.2%) being the next most popular region.

Information Achieved From:

National Association of Realtors

NATO: Why it exists? Why it's enlarging?

NATO is again enlarging. This time it will pass from 19 to 26 members. On April 2, 2004 on a special ceremony in Brussels 7 new members will join the treaty, Bulgaria, Estonia, Latvia, Lithuania, Romania, Slovakia and Slovenia. Their road to Brussels was long and winding. Once welcomed on board, their security concerns become the western concerns. Any threat to their independence becomes threat to the independence of the United States, Canada and France. But why NATO is still in an enlargement mood? What kind of security threats it wants to counter? Why such military organization has to exist on the European soil if there is no clear and present danger as was during the Cold War?

NATO was created to respond to the threats coming from East after West Berlin was put under economic blockade for 15 months and the communists took power in Czechoslovakia in late 1940's. Only integrated western defense, only a political and military unity among the democratic countries in West Europe could have saved them, as they thought, from becoming next victims in the line of the Stalin's expansionism. Including West Germany into the alliance was a big insurance against new type of German militarism. Right now the Soviet Union doesn't exist for quite some time, Germany as quite remote from any idea of military domination over Europe, but NATO still exists and expands.

The political critics of the alliance see in its presence only a consequence of the American political domination over Europe. They would like to see NATO dissolved as the Warsaw Pact was closed some 14 years ago. What can the adherents of the NATO usefulness, and I surely count among them, say in its defense?

First, in cases like Kosovo or other potential hot spots on the European political map, the existence of NATO is essential for early warning and adequate prevention of hostilities. This doesn't mean that NATO will always be able to forecast and prevent any major hostility in the continent. It existence will make sure that any such conflict won't turn into power struggle between major European powers, and that instead of fighting among themselves they will seek an uniform solution.

Second, West Europe still doesn't have uniform foreign policy on each and every issue in the world. New conflicts and developments around the globe could force the European countries that now form NATO to take some position. Forming different configurations of countries in Europe could be perceived by the others within the continent as potential threat. Dismantling NATO won't dismantle the need for security in Europe, for protecting the interests of the countries included in the alliance. Instead of one organization we'll have to face 2-3 smaller ones.

Third, establishing 2-3 groups of countries in Europe will mean increased defense spending in each and every country. The smaller NATO countries surrounding Germany won't feel secure without additional protection. For them some kind of American presence will be needed in order to fill the gap. Without the United States all continental Europe from London to Warsaw will have to unite to balance Germany. Will the Germans feel secure with such sanitary cordons around them? Won't they try to break this artificial isolation by making again deal with Moscow? Russia will be more than happy to help and to enter again the European political scene by making one European country enemy to another, but what will be the benefit of that for the Europeans?

Forth, the enlargement will make the new members more interesting for the foreign investors. Their domestic and especially their foreign policy will become much more

NATO Con't

predictable, an important element in decision-making for every domestic and foreign investor. The trade between these new members and the NATO core will increase, as will increase the mutual trade between these countries. Being part of one team they won't represent any real security threat to any other within the team as was so often in the past. Thus the economic links between them won't be endangered in case of major international crisis.

Fifth, the new members need strong and clear signal that their fate is linked to that of the West. Remaining outside NATO could have meant for them that they were again left at the mercy of outsider powers, as was the case in 1945.

Sixth, right now there is no present external danger for many of the new NATO members. But how can't we be sure that this period of tranquility is something more than a temporary window of opportunity? The European history is full of examples of shorter or longer peaceful periods followed by disastrous wars. If some countries in Europe need special protection, it's easier to be found in East than in West Europe.

Thus we see that NATO is still a useful organization both as a military bulwark of the West and as a political forum for supranational coordination. Its role and importance didn't decrease significantly after the Cold War as to give a credit to the argument that it would be better for the Europeans to live without it. New security challenges, including the new terrorist threats, make this organization a fine tool for continental crisis management, although it's not 100% effective. Including in NATO 7 new members will mean enlarging the Western zone of security, will increase the investment attractiveness of Eastern Europe and will move it from the Western periphery toward its core.

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