

Letters



It's not all sunshine and cocktails

Will investors never learn about property?

Sir, Mark Twain allegedly said: "History doesn't repeat itself, but it does rhyme." As someone who has been engaged in the real estate workout business since 1975 I can assure your readers that Twain was, as you say in the UK, spot on.

Time and time again investors - both retail and institutional - plunge into open-ended real estate funds, despite their obvious lack of liquidity. Usually, as in this cycle, it's because they see property as a relatively high yielding asset class and ignore the fact that when the market turns values drop (and are very difficult to confirm); thus assets become harder to sell and a vicious downward draught ensues.

Will they - the investors or the sponsors - ever learn? I sense another workout cycle coming!

Ted Leary

President, Crosswater Realty Advisors,
Los Angeles, CA, US