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IVEY

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CADIM: THE CHINA AND INDIA REAL ESTATE MARKET ENTRY DECISIONS

Marc Folch wrote this case under the supervision of Professor Stephen Foerster solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. The authors may have disguised certain names and other identifying information to protect confidentiality.

It was decision time. Late in the evening on January 15, 2008, Richard Dansereau, president and chief operating officer (COO) of Cadim, sat alone in the boardroom overlooking the Montreal skyline. Cadim was the real estate arm of the Caisse de Dépôt et Placement du Québec (Caisse), Canada's largest pension fund management firm. Fernand Perreault, the chair of the Caisse real estate group had recently charged Dansereau with recommending whether Cadim should enter India, China, or both on a long-term basis to diversify its global real estate holdings and take advantage of the growth these two countries were experiencing. The fund's investment would potentially amount to hundreds of millions of dollars and could lead to substantial returns; however, these investments carried considerable risks. The due diligence had been done and the options narrowed, but it was up to Dansereau to make his final recommendation to the board tomorrow.

CAISSE DE DÉPÔT AND CADIM

The Caisse de Dépôt et Placement du Québec (Caisse) was the largest institutional investor in Canada. Based out of Montreal, Quebec, the institutional fund manager managed funds for public and private pensions, insurance plans and organizations. The Caisse oversaw more than $245 billion in assets and carried out more than $12 billion in transactions daily, including the buying and selling of securities and real estate. Despite its size, the Caisse had consistently outperformed the market over extended periods (see Exhibit 1).

Cadim was one of three real estate divisions of the Caisse. The first was Ivanhoe Cambridge, which invested in shopping malls, and the second was SITQ, which invested in office buildings and business parks. Cadim focused on the residential and hotel markets with its mandate to innovate and to take advantage of promising opportunities for above-average returns. The company's strategy was to partner with top-tier local real estate companies to ensure that their project management had sufficient local experience and connections to be successful.

According to Dansereau:

> When you go to Rome, do as the Romans do. You cannot force the North American way on them, but have to work with them and slowly evolve a process in between. The fundamental element is to have a local partner. It helps you to present yourself to the market with local eyes and ears. The due diligence on the partner is vital to ensure that they understand and respect your core values but are still able to get the deal done on the ground.

Cadim held considerable investments in North America, Europe and Asia. As of 2007, real estate holdings made up 18.7 per cent of the entire Caisse portfolio, for which Cadim was responsible for approximately one-third.

RICHARD DANSEREAU AND THE CADIM TEAM

Richard Dansereau was president and chief operating officer of Cadim. His duties included managing Cadim's interests in a network of real estate companies established in North America, Europe and Asia. He had joined the Cadim team in October 2000 as vice-president investments and had worked his way up to become president and COO.

The other key team members were Tony Messina, vice president investments, who led the negotiations with partnerships for new ventures; Claude Lavigne, director of investments, who was Cadim's senior management specialist on India and had been managing the deal flow and relationship with partners in that area of the world; and Sylvain Charpentier, vice president investments, who was Cadim's senior management specialist on China and had been responsible for managing Cadim's network of partners, including the firm's satellite offices worldwide.

CADIM'S SITUATION

According to members of the Cadim team, the average real estate returns in most of the developed world's real estate markets were well below the Cadim target of a 14 per cent risk-adjusted[1] internal rate of return (IRR) for stable, developed market investments. From a portfolio perspective, individual deals could be found with returns that were satisfactory, but not enough to bring the entire portfolio's returns into the target range. Thus, making exceptional performance was a very difficult task (see Exhibit 2). However, in developing countries, the average returns available were considerably higher and presented an interesting opportunity.

In Asia, Cadim was significantly invested in Japan and Korea, but these investments were mainly through funds that were managed by a third party. Cadim strongly preferred to be involved in the decision-making process, but had zero ground-level experience investing in either China or India and had no regional offices (see Exhibit 3).

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[1] *Risk adjusted returns allowed managers to compare investments with dissimilar levels of risk. If an investor was satisfied with a 10 per cent return on an average property in the home market, a premium would be needed to consider an equivalently attractive investment in a riskier country. For example, the investor might require 14 per cent before being willing to consider investing in a less politically stable environment. This additional 4 per cent was the risk premium or risk adjustment.*

THE CADIM COUNTRY ASSESSMENT PROCESS

According to Dansereau:

> Our chairman asked us "If you are not invested in China and India, I want to know why and if you are invested in China and India, I want to know why." He has a Ph.D. in economics from Western [The University of Western Ontario] and is very focused on macro factors. He really provoked us to think out of the box and open up to more emerging opportunities.

Cadim's goal when examining new countries in which to invest was to find markets where they felt comfortable investing for the long run. With the dollar amounts involved (tens or hundreds of millions per investment), quick in-and-out strategies were not generally effective and required too much staff time because the due diligence process was the same for short deals but required new projects to be located and researched far more often.

The company began its due diligence by looking at the macroeconomic fundamentals to assess whether an investment showed a strong trend and foundation for mid to long-term future growth. Cadim first examined how real gross domestic product (GDP) growth and GDP per capita compared with other potential countries. Management then investigated whether the population was growing significantly, migrating to new locations, changing its buying behavior or getting richer. Also considered were the stability and magnitude of inflation, an important consideration in real estate deals involving debt financing.

If the country still looked favorable, the next question was whether Cadim could fill a significant unmet market need. Cadim examined whether the country had a major shortage of a particular type or quality of real estate. Cadim also investigated whether the country lacked experienced operators who could run properties professionally and maximize value extraction, which was one of Cadim's strengths. Finally Cadim examined whether any other unique circumstances created a significant opportunity for above-average returns.

Once opportunities had been identified, Cadim looked at the risks and assessed whether they were manageable and sufficiently counterbalanced by the attractiveness of the opportunity. Risk premiums could change significantly, depending on the amount of liquidity in the market, the "trendiness" of the investment location and other factors influencing investor sentiment. When significant capital was chasing few deals, the spreads (the average increased compensation for bearing additional risk) between New York and Mumbai might only be a couple of basis points (a basis point was one-hundredth of one per cent). In times of tight liquidity, this spread could widen to 10 per cent or more. Cadim needed to assess whether the current risk premium seemed reasonable.

CHALLENGES OF DOING BUSINESS IN RAPIDLY DEVELOPING COUNTRIES

An often stated concern about doing business in developing countries was corruption. Corruption was defined by Transparency International as "the abuse of public office for personal gain" and was quantified in Transparency International's corruption perceptions index (see Exhibit 4). According to various Cadim team members, corruption was a very real concern because in some cases conducting business without encountering corruption was unavoidable (when attempting to obtain building permits for example).

However, to condone it would have caused a major public relations and regulatory problem back home in Canada.

Corruption was not the only business practice that concerned potential investors. In developing regions, parents customarily brought their children to work with them, even to a construction worksite. Working conditions for adults were another potentially problematic area because the normal standards of developing countries would often be considered unacceptable to citizens in the investment firm's home country. However, the cost to implement the safety standards of the developed country meant that any projects that adopted those standards would be uncompetitive.

In rapidly growing countries, the growth rate did bring one advantage that mitigated a major risk of large-scale construction. If the market analysis was off, and the project caused a local oversupply, the investor often had to wait only a short period, perhaps six months to a year for the market to catch up. In contrast, in more developed countries, such a mistake would be very difficult to recover from.

Once the project was complete, repatriation of funds could also be a challenge. To maintain a solid monetary foundation for their growth, rapidly developing nations often imposed restrictions on the removal of investment returns from their country, as was the case in both India and China, which therefore required a constant stream of attractive local options to reinvest those profits. To complicate matters, in the event of significant civil unrest, the government could freeze all outgoing financial transfers to prevent the flight of capital.

THE INDIA SITUATION

India had recently been experiencing rapid growth in GDP (see Exhibit 5); however, a number of factors complicated the investment process in India and increased the risk of investments.

India was a parliamentary democracy, and as of early 2008, the government was headed by President Pratibha Patil and Prime Minister Manmohan Singh. Provincial and local ministers were elected in elections entirely separate from the federal leadership. Due to the highly fragmented nature of political power, India was generally run by minority governments (the leading party often had fewer than 150 seats out of a total of 552 seats). India had more than 40 political parties, and the party in power needed to balance multiple delicate coalition agreements that were prone to fall apart at any given time.[2] Because of this situation, any sitting government could rarely accomplish major changes or projects rapidly. According to the experience of the Cadim team, major decisions could lead to a lengthy political discussion process, which slowed the process of development and modernization.

Because of its status as a conquered British colony prior to its independence in 1947, India's citizens had a deep-seated desire that their country never be conquered again either by force or by finance. This sentiment led to a generally protectionist attitude among the major political parties,[3] and although the trend was improving, foreign investors were required to comply with many restrictive rules. For example, foreign investors were not allowed to buy existing real estate in India. Any real estate investment had to be in new construction.

The exchange rate between the Indian rupee and the U.S. dollar was quite volatile compared with most other major currency pairs (see Exhibit 6). In the preceding five years, it had not been uncommon for the

[2] *http://www.edc.ca/english/publications_10822.htm, accessed August 1, 2008.*
[3] *http://www.edc.ca/english/publications_10822.htm, accessed August 1, 2008.*

exchange rate to swing 8 to 10 per cent in three months. The rupee had generally been appreciating, and although Cadim's economists predicted the trend to continue for the foreseeable future, this trend could change rapidly.

India was still developing its economic regulatory system and therefore did not have the same degree of control and stability found in fully developed countries.[4] One symptom was a high rate of inflation (see Exhibit 5).

Another major concern was the aging infrastructure. For example, the roads, electrical systems and water systems were in many locations considerably aged and not designed to handle the rapid growth recently experienced in the country.

Real Estate in India

The residential market in India was still in the early phases of its growth and was expected to continue growing. The census of India forecasted the demand for new residences would increase by 160 million between 2005 and 2030 (see Exhibit 7). Government statistics and on-site investigation had shown a housing shortage of approximately 24 million units and much of the current stock was in very poor condition.

Despite recent price increases, housing was still affordable to many Indians. Due to price drops in the late 1990s, the affordability of housing was considerably better than it had been in 1995 (see Exhibit 8).

The hotel sector was benefiting from the combination of a tourist boom and a serious lack of quality rooms ("quality" was defined as three stars or more on a five-star international rating scale). The situation was amplified by the recent arrival in India of low-cost domestic airlines, which had led to considerable internal tourism and business travel. Cadim estimated that only 75 per cent of the current deficit in quality rooms would be satisfied by 2009 and that tourism would more than double from 3.9 million travelers in 2006 to 8.9 million in 2020. The size, amenities and fixture quality of high-end rooms in India were significantly below the standards in the high-end rooms in China; however, Indian hotels were able to charge more because of the considerable shortage.

The attractiveness of office real estate in India varied significantly, depending on the location. In the core of major centers, the market was quite fragmented. Very few "A class"[5] office spaces were available because of a severe shortage in these areas of available land for new construction. Cap rates[6] generally ranged from 8 to 12 per cent. The lack of quality had caused businesses to move outside the core into business parks in the suburbs. Because of the strong growth in services, a major international consulting company had forecast that the demand for "A class" office space would increase 30 per cent annually for as many as 10 years.

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[4] *Subramanian Swamy, "Financial System Constraints in China and India: A Comparative Perspective," Indian Journal of Economics and Business, September 2006, http://findarticles.com/p/articles/mi_m1TSD/is_2006_Sept/ai_n25012659/pg_3, accessed August 1, 2008; Diana Farrell, "China and India: Room for Reform," BusinessWeek, October 26, 2006, http://www.mckinsey.com/mgi/mginews/businessweek/chinaindiareform.asp, accessed August 1, 2008.*

[5] *"A class" office space had an excellent location and access, high-quality building materials and was professionally managed. It typically attracted top-quality tenants and had higher rents comparable to new buildings.*

[6] *Cap rates, short for capitalization rates, were an industry metric for comparing the profitability of real estate. The cap rate of a building was its annual net rent (gross rent minus operational and maintenance costs) divided by the cost of the property. For additional information see "A Note on Real Estate Investment, Ivey product 9B08N025."*

Even on projects in the tens of millions of dollars, an investor could achieve net returns in the region of 18 to 22 per cent, according to Cadim's local sources.

THE CHINA SITUATION

China was the world's fastest growing major economy (see Exhibit 5); however, much like India, it presented considerable risks to investors. China was a Communist state where political power was highly centralized and primarily held by one party, in this case the Communist Party of China (CPC), which was headed by the Politburo Standing Committee. This group of nine individuals (usually men) made all major decisions of national significance. Little was known about the inner workings of the politburo, but it was believed that decisions were made by consensus and that new members were selected by negotiation among the top communist leadership.

The majority of decision power rested with the politburo, but less critical day-to-day decisions and the finer points of law and policy were decided by other government bodies. The National People's Congress was the highest of such governing bodies and its representatives were elected by the people in each region. It rarely formally defeated any motions placed before it, but served as a forum for discussion of the finer points of policy prior to the policy being put to vote. The Congress also elected the president; however, in practice the president was generally the result of a "one-candidate election." In 2008, the sitting president was Hu Jiantao.[7]

The state council was the chief administrative authority in China and oversaw the country's various regional governments. Its 50 members were selected from the top members of the Communist Party and acted as a conduit for implementing Politburo decisions across the lower levels of government.

According to Anthony Messina of Cadim, China was an interesting case in the sense that the high degree of central control actually made it easier to implement the changes needed to attract capitalist investment despite being a communist country. The sale of land leases and other assets had given the government massive cash reserves; thus, cost was not an issue. If infrastructure was needed, it was built with a speed and quality that most developed countries could not match. The most advanced rail system in the world went from downtown Shanghai to the airport in seven minutes and could reach speeds greater than 500 kilometers per hour. This technology was considered mature as of 1991,[8] but no other country in the world had been able to afford it until China paid US$700 million cash in 2001. According to Messina:

> China being a communist country can jump-start an economy like no one else. If they want to get something done, it gets done because they don't have any obstacles. They were able to create a near perfect infrastructure.

Regarding business style, an internal Cadim report indicated that despite China's adherence to communist beliefs, the Chinese people had been active in business for centuries, which had caused keen capitalistic instincts to be deeply ingrained into their culture. They knew how to organize and run a business effectively and had strong entrepreneurial drives.

A major concern for Cadim was the difference in both language and culture between Canada and China. In India, most business people spoke English, and business practices had significant western influence due to

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[7] *Economist Intelligence Unit China Country Profile 2007.*
[8] *Transrapid International, "The Transrapid Story," http://www.transrapid.de/cgi-tdb/en/basics.prg?a_no=31, accessed August 6, 2008.*

the extended colonization by Great Britain. In China, however, an interpreter was generally required, and business customs differed considerably from those in Canada. Cadim did not have the internal human resources to create a high-level team familiar with deal-making in China. The legal system also posed concerns because it was considerably different from those Cadim was accustomed to. Its objectivity and uniformity were also an uncertainty because the system was rapidly evolving to keep pace with the country's development.

Despite occasionally scaring other nations because of its strong political stances, the Chinese political leadership had shown strong intentions of maintaining harmonious relationships with Taiwan, the United States and Japan. According to Cadim's local sources, however, if the Chinese authorities sensed power slipping away, they might resort to drastic measures, such as invading Taiwan. This scenario would have dire consequences for the global economy and would likely cause effects worse than the September 11, 2001 terrorist attacks on the United States, which had sent financial shocks around the world and had deepened a U.S. recession.

According to Cadim's local sources, as long as growth continued to be positive and standards of living rose, there was little risk of civil unrest in China. A major recession, however, could cause widespread disorder because much of the population was already under stress as a result of the changes that development had forced on their way of life. Additionally, due to the government's rather authoritarian style, certain elements of the population would likely welcome political change and make use of any widespread public discontentment to further their goals.

The economic regulatory systems in China were still not fully developed because they were relatively new (in their current capitalistic form).[9] The banking, legislative, financial and judicial systems all suffered from a considerable lack of transparency and had not had time to build up the institutional experience held by more established systems. According to Charpentier, who was responsible for managing Cadim's partnership network and its worldwide satellite offices, "The North American way of doing business does not work in all countries because it depends on transparent economic and legal systems." Therefore, assumptions about Cadim's ability to enforce contracts and defend itself legally might not prove accurate. Regarding the currency, since it had been unpegged from the U.S. dollar in 2006, the Chinese yuan had shown a continuous trend of appreciation (see Exhibit 9).

The regional legal environment in China was quite fragmented, with considerable differences, depending on the location. A number of foreign companies had encountered significant challenges by not relying on sufficient local expertise. On the national level, the central government had complete control over the legal system and could institute disruptive changes very quickly with no grandfathering[10] of projects in progress. As a result, the laws governing an investment one day might not be the laws governing it the next. Regarding enforcement, due to the poorly regulated power of many judicial and enforcement officials, the legal system was less impartial and reliable than those in most fully developed countries.

From a real estate perspective, China presented several interesting legal challenges. Land was leased from the government for terms of 60 years for residential property and 40 years for commercial property.

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[9] Subramanian Swamy, "Financial System Constraints in China and India: A Comparative Perspective," Indian Journal of Economics and Business, September 2006, http://findarticles.com/p/articles/mi_m1TSD/is_2006_Sept/ai_n25012659/pg_3, accessed August 1, 2008;
Diana Farrell, "China and India: Room for Reform," BusinessWeek, October 26, 2006, http://www.mckinsey.com/mgi/mginews/businessweek/chinaindiareform.asp, accessed August 1, 2008.

[10] Grandfathering was a common guideline in most legal systems whereby a property that met the legal requirements prior to a change was not required to meet the new standard. For example, a house built in 1930 could still legally have 1930s wiring even though it did not meet current specifications.

However, because no one knew for sure what would happen when these leases expired, banks would not offer mortgages longer than the specified land lease term. If 10 years was left on the term, the buyer might need to agree to very high amortization payments, which could be problematic for the resale of properties. Additionally, even when a land lease had been purchased from the government, a clear land title was not possible in China. Because it was public land, citizens had been making their homes wherever they could for hundreds of years; "vacant" land was never truly vacant. According to several Cadim executives with local experience, professional claimants sometimes made title claims against investors as a form of extortion.

In terms of the environment, several regions of China were prone to earthquakes, including the central part of the mainland near Sichuan and southeast coast, which was subject to shocks from the fault in Taiwan (see Exhibit 10). Most modern buildings were designed to resist most seismic events, but could not fully mitigate the risk.

The Chinese Real Estate Market

Chinese real estate growth had been dominated by residential and infrastructure construction in major centers to accommodate the massive rates of migration from the countryside to cities (between one million and two million people migrated annually into Shanghai alone). China had been building the equivalent of a city the size of New York at least once a year, but could still not keep up with demand.

Historically, it had been nearly impossible for most Chinese citizens to obtain good quality housing because the government bought all available stock for its employees. With the boom in construction and the increase in average household wealth, however, this situation was gradually changing and was unearthing a massive pent-up demand.

In 2003, the central bank took several steps to restrict credit to the real estate market (decreasing allowable loan amounts as a percent of value, for example) and had made it far more difficult for local companies to obtain funding. Some real estate types had experienced considerable upward pressure on prices, and the government had taken steps to restrict credit in the country in order to reduce the likelihood of a bubble. This approach had created a strong demand for foreign partners such as Cadim.

As in India, net real estate returns were in the 18 per cent to 22 per cent range.

CONCLUSION

Dansereau had reviewed all the facts, but the path was far from clear. Both countries offered interesting opportunities, but were the risks worth it? The decision to invest in China or India, or both would potentially alter the course of Cadim's strategy for years to come and might determine the course of Dansereau's career. If the investment into China and India was made and paid off, it could open the door to significantly above-market returns for Cadim. On the other hand, it could also cause the loss of hundreds of millions of dollars that pensioners relied upon to support their retirement.

Exhibit 1

COMPARATIVE INVESTMENT RETURNS

Year	Caisse	S&P 500	Nasdaq	Pension Average**
2007	5.6%	11.9%	11.1%	–2.0%
2006	14.6%	13.1%	5.6%	13.0%
2005	14.7%	6.8%	13.3%	12%
2004	12.2%	6.9%	–4.2%	10%
2003	15.2%	22.0%	46.7%	14%
2002	–9.6%	–20.8%	–28.4%	–5%
2001	–5.0%	–11.7%	–18.1%	0%
2000	6.2%	–10.0%	–39.2%	10%
1999	16.6%	13.0%	85.4%	12%
1998	10.2%	36.2%	38.6%	7%
10 yr return*	**110.30%**	**70.8%**	**71.1%**	**95%**

* Growth of $1 invested at the start of the 10-year period

** Mercer regularly releases reports including average Canadian pension fund returns

Source: http://finance.google.com, http://www.mercer.com/summary.htm?siteLanguage=100&idContent=1292695; www.caubo.ca/.../2006_Concurrent_Sessions/Health%20of%20Defined%20Benefit%20Plans_by_Michel%20St-Germain.ppt; http://www.mercer.ca/pressrelease/details.htm?idContent=1256285, accessed August 6, 2008.

Exhibit 2

CAISSE INVESTMENT RETURNS BY TYPE

	2007		2006	
	Return %	**Value Added* b.p.**	**Return %**	**Value Added* b.p.**
Fixed Income and Currencies	3.9	10	4.0	11
Equity Markets	5.6	70	20.9	188
Hedge Funds	5.5	90	5.7	68
Private Equity	13.6	850	22.0	583
Real Estate	12.0	–340	20.2	217
Overall Return (2007)	6.9	70		

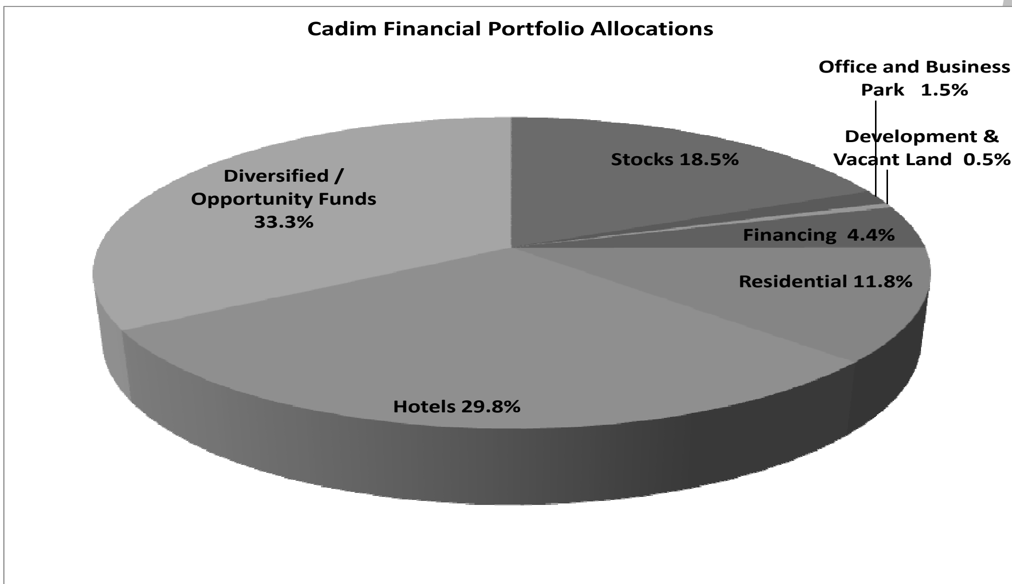
*In relation to benchmark indexes

(Note: b.p. stands for basis point or one-hundredth of a per cent)

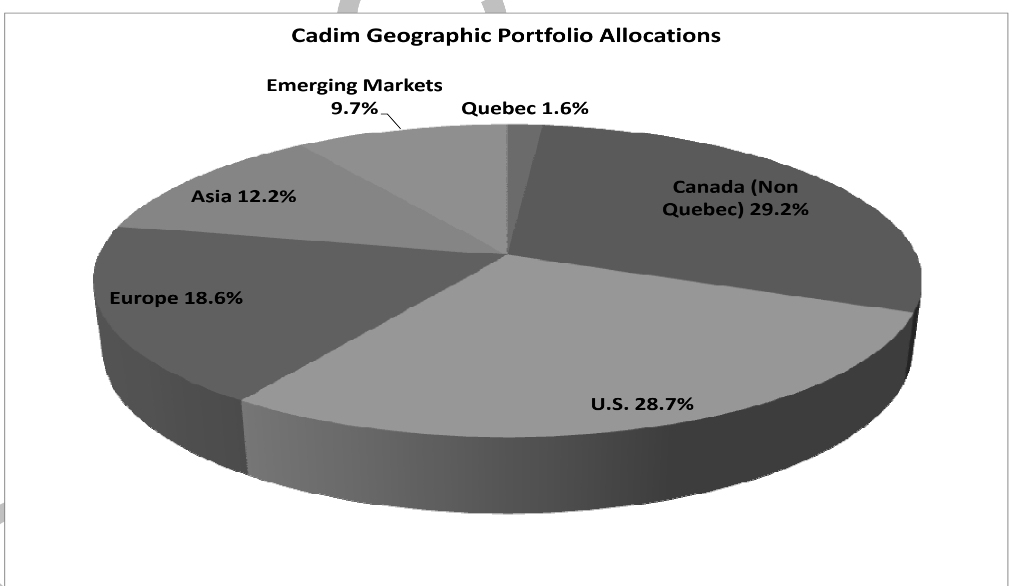
Source: Internal Cadim Report

Exhibit 3

CADIM'S PORTFOLIO DISTRIBUTION



Note: Stocks refers to shares in companies and funds whose primary business is real estate.



Source: Case writer's simplification of documents provided by Cadim

Exhibit 4

CORRUPTION PERCEPTIONS INDEX (SELECTED COUNTRIES)

2006 Corruption Perceptions Index

Country Rank	Country	CPI Score
1	Finland	9.6
1	Iceland	9.6
14	Canada	8.5
15	Hong Kong	9
17	Japan	7.6
20	USA	7.3
70	China	3.3
70	India	3.3
70	Mexico	3.3
111	Viet Nam	2.6
121	Russia	2.5
160	Iraq	1.9

Source: Transparency International, "2006 Corruption Perceptions Index," http://www.transparency.org/news_room/in_focus/2006/cpi_2006__1/cpi_table accessed August 6, 2008.

Exhibit 5

GENERAL ECONOMIC STATISTICS

Statistics 2003-07	India	China	Canada	USA	Eurozone	Japan	World
GDP Growth Rate							
2007	9.2%	10.7%	2.7%	3.2%	3.1%	2.2%	5.3%
2006	8.4%	10.2%	2.9%	3.2%	1.7%	2.6%	4.7%
2005	6.2%	9.1%	2.4%	4.4%	2.4%	2.9%	4.9%
2004	8.3%	9.1%	1.7%	3.1%	1.0%	2.7%	3.8%
2003	4.3%	8.0%	3.4%	2.5%	N/A	–0.3%	2.7%
GDP Per Capita (US$)							
2007	$ 3,800	$ 7,700	$ 35,600	$ 44,000	$ 29,900	$ 33,100	$ 10,200
2006	$ 3,400	$ 6,800	$ 33,900	$ 41,600	$ 28,100	$ 31,600	$ 9,500
2005	$ 3,100	$ 5,600	$ 31,500	$ 40,100	$ 26,900	$ 29,400	$ 8,800
2004	$ 2,900	$ 5,000	$ 29,800	$ 37,800	$ 25,700	$ 28,200	$ 8,200
2003	$ 2,540	$ 4,400	$ 29,400	$ 37,600	N/A	$ 28,000	$ 7,900
Inflation (consumer)							
2007	5.3%	1.5%	2.0%	2.5%	1.8%	0.3%	3.2%
2006	4.2%	1.8%	2.2%	3.2%	2.2%	–0.3%	N/A
2005	4.2%	4.1%	1.9%	2.5%	2.1%	–0.1%	N/A
2004	3.8%	1.2%	2.8%	2.3%	2.0%	–0.3%	N/A
2003	5.4%	-0.8%	2.2%	1.6%	N/A	–0.9%	N/A
Population (Millions)							
2007	1,130	1,322	33	301	490	127	6,602
2006	1,095	1,314	33	298	457	127	6,525
2005	1,080	1,306	33	296	457	127	6,446
2004	1,065	1,299	33	293	456	127	6,379
2003	1,050	1,287	32	290	N/A	127	6,302
Population Growth							
2007	1.6%	0.6%	0.9%	0.9%	0.2%	0.1%	1.2%
2006	1.4%	0.6%	0.9%	0.9%	0.2%	0.00%	1.1%
2005	1.4%	0.6%	0.9%	0.9%	0.2%	0.01%	1.1%
2004	1.4%	0.6%	0.9%	0.9%	0.2%	0.01%	1.1%
2003	1.5%	0.6%	0.9%	0.9%	N/A	0.01%	1.2%

Source: IndexMundi, "Historical Data Graphs per Year," http://indexmundi.com/g/g.aspx?v=65&c=ch&l=en, accessed July 16, 2008.

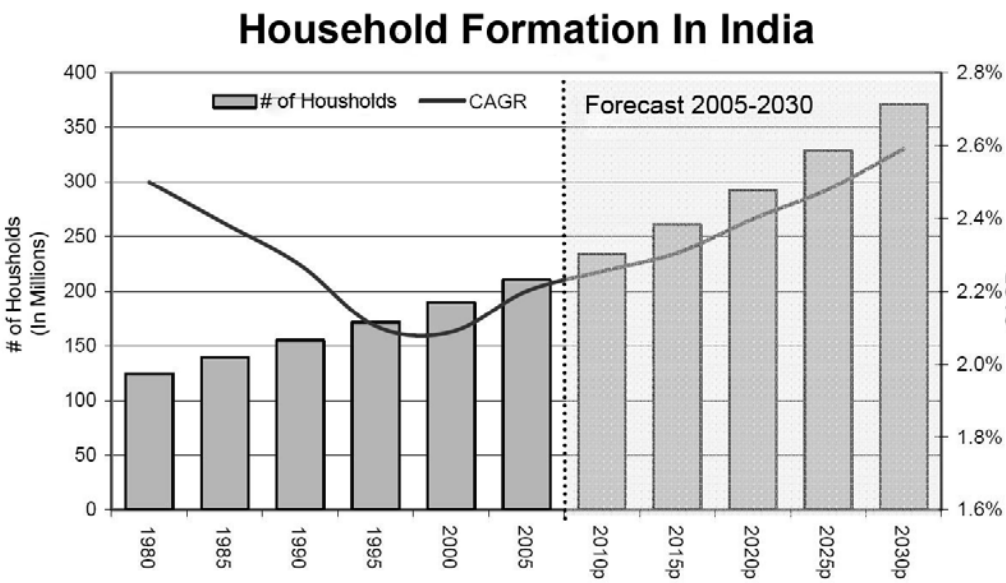
Exhibit 6

U.S. DOLLAR – INDIAN RUPEE EXCHANGE RATE 2004–2007

Source: FinData.co.nz, http://www.findata.co.nz/Markets/Quote.aspx?e=FOREX&s=USD%20INR, accessed August 4, 2008.

Exhibit 7

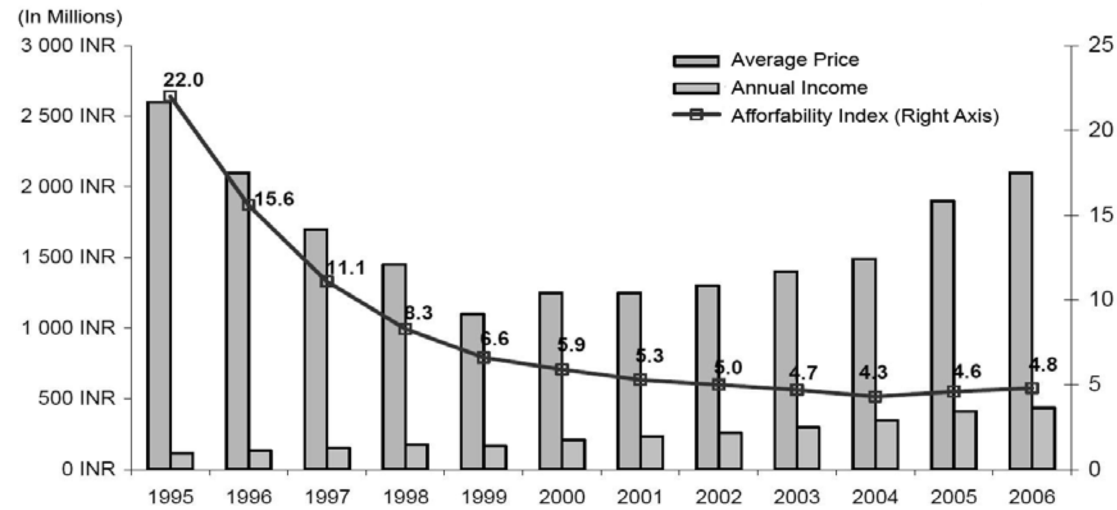
HOUSEHOLD FORMATION IN INDIA



Source: Cadim, U.S. Census Bureau, International Database, Census of India

Exhibit 8

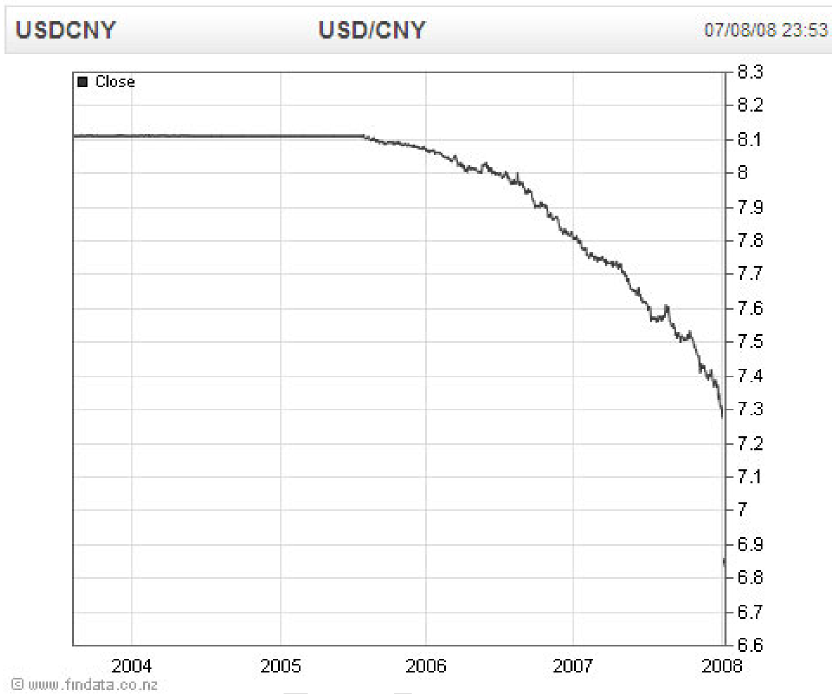
IMPROVEMENT IN HOUSING AFFORDABILITY IN INDIA



Source: HDFC

Exhibit 9

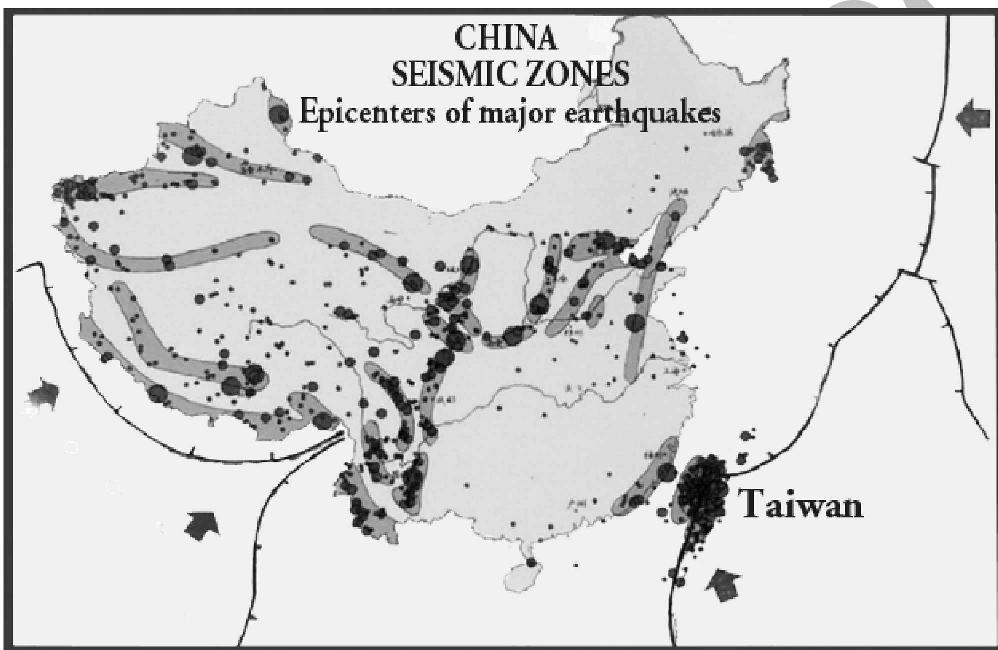
U.S. DOLLAR – CHINESE YUAN EXCHANGE RATE, 2004-2007



Source: FinData.co.nz, http://www.findata.co.nz/Markets/Quote.aspx?e=FOREX&s=USD%20CNY, accessed August 4, 2008.

Exhibit 10

SEISMIC ZONES OF CHINA



Source: Dr. George Pararas-Carayannis's personal research pages, http://www.drgeorgepc.com/EarthquakesChina.html, accessed August 3, 2008.