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It is a pleasure to be here with all of you at the 2nd Regional Conference in the lovely city of Beirut to share my views on the regulatory reform issues currently being discussed and debated around the globe. I can't begin without thanking the Arab Centre for the Development of the Rule of Law and Integrity for their extraordinary efforts for piloting such an important project for safe guarding businesses of today and for securing a better tomorrow. I have the utmost admiration for all the participating national teams of each of the respective four countries who have partnered and have commissioned on such important work to improve the rule of law in the region and most importantly to work towards modernising the commercial laws in MENA. As a legal reform specialist and a legal practitioner in the corporate and real estate industry for the last 10 years I have very often advised investors, boards of directors and government I have witnessed growth of the real estate sector and the evolution of real estate developments and the changing regulatory landscape from the start in one of the most vibrant and dynamic cities of the world. It is the last session of the conference but nevertheless the most important one, I am invited to speak of the lessons for the financial and legal reform, which I sincerely hope that we take as we all depart to our respective destinations. As most of you know that the real estate crisis which we are experiencing today is not new, the globe went through the Japan experience, Hong Kong experience the 1987 Housing Crisis in US and of course the recent US sub prime crisis which led to the world's unprecedented global financial crisis. The Globe has had its share of experiences but the real question is have we learnt from the past crisis and how many more crisis the globe will need to go through to be able to learn to prevent a bigger catastrophe in the future? As I speak there are fears of an imminent bubble in China, you will be amused to

learn that investors are still buying up commercial real estate properties at sky rocketing prices. All the big banks are getting involved, as if the U.S. housing bubble had never occurred. China is being warned of and asked to learn lessons from Dubai. So the lessons I will be talking about is not only from Dubai but also from the past many crisis which we have yet to learn. It is important to ensure judgments and decisions for regulatory reform are made on correct information. You will be surprised to learn that very often bubbles are created by misinformation to the investors or lack of information of the investors. For example one of the key drivers to the bust is that there was misunderstanding of the factors influencing prices. When the property market is hot the prices of real estate grow on a spiral but have we questioned ourselves that what influences the prices of properties for example what influenced the high prices in boom times of Hong Kong, Japan or Dubai is it the simple economics of demand and supply? you will be surprised to learn that is not necessarily these factors and I would like to highlight to you one of the factors which influenced the price. Many people all over the world seem to have thought that since we are running out of land in a rapidly growing world economy, the prices of houses and apartments should increase at huge rates. => That misunderstanding encouraged people to buy homes for their investment value and this was a major cause of the real estate bubbles around the world whose collapse fuelled the economic crisis.

THE FACT OF THE MATTER IS THAT we do not really have a land shortage. Every major country of the world has abundant land in the form of Sahara and forests. Less than 1% of the earth's land area is densely urbanised, and even in the most populated major countries, the share is less than 10%. One of the biggest lessons to take from this is that we need to correct the misunderstanding and unrealistic expectations of the real estate markets and the end consumers in this industry. Sound judgments are made on good facts and if this is not corrected we may not be able to prevent the next global catastrophe which may be waiting for us.

Though crises have complex causes, it seems evident that liberalization of financial markets or real estate markets, especially if not accompanied by appropriate regulation, seems to almost always lead to costly and damaging crises. This implies that financial crises are not inevitable, but may be prevented by appropriate public policy, and especially by effective regulation.

When we opened our real estate market back in early 2004 to foreign investors the market was young and was not regulated and there was very little regulatory framework as the industry grew at a phenomenal rate it demanded for laws and regulations. The laws which were issued by demand and were market driven. In the last few years we in Dubai issued a numbers of laws and regulations to regulate the real estate industry however the ripples of US credit crisis and global liquidity crunch hit the real estate market the complete comprehensive legal and regulatory framework is not complete and the relevant authorities are committed to continue their efforts to regulate the current and future market. It was acknowledged that the market did not just need laws but it required to be adequately regulated and as a result Real Estate Regulatory Authority was established in August 2007. RERA is a fairly new agency but has done some excellent work in regulating this market in a short span of time. In the midst of difficult real estate times, when the liquidity was tight in the market and where many developers failed to finish the projects in a timely manner or where investors defaulted in payment this of course naturally meant that there were disputes, RERA initially played a pivotal role to act as a mediator between the Developer and Investor but the number of disputes was on a high toll and quite wisely and promptly a specialised property court was established. It was established in Sep 2008 and between Jan 2009 and May 2009 520 cases were registered 145 judgments were already passed on them and cleared by May . Talking of effective judiciary. This was an excellent initiative which was positively welcomed by our

investors and it was truly admirable. Lesson: We assessed the problem, acknowledged the difficulty, found a solution and promptly actioned and this rarely happens so quickly in many parts of the world. As a result of the excellent work done so far by the Dubai government in a short span of time agencies such as RERA and the Land Department, we were ranked by the World Bank Doing Business Report 2010 as the second easiest country to register property in the Arab world. We have one of the most efficient transparent and cost effective procedures to register or transfer property. The hottest lessons: 1. We always regulate to a particular time and point what we have learnt and must acknowledge to work towards the new global climate is that whilst we formulate next set of laws and regulations we ought to be innovative and using our sound judgments of the current and past global crisis formulate laws and regulations which go beyond a particular point. 2. Another lesson which we have learnt that we are not necessarily after more regulations but more effective and sound regulations which provides the right balance and gives the investor confidence and protection. It should take account of:

- Protection of consumers and investors from financial abuse.
 - Robust supervision and regulation of financial institutions
 - Develop a single set of high quality accounting standards
3. Loan originators must keep part of their risk. Their function is to judge the credit worthiness of borrowers and also assess the property. Allowing them to offload the entire risk of default on someone else invites disaster. 4. Rating Agencies, we need clarity on their status they should probably be called financial journalist because the recent crisis have proven to us their conducts are based on their opinions. They need to be far more transparent and probably be regulated, supervised and monitored.
5. Going forward central bank will have to reform as an institution and also formulate a better systematic monitoring system. 6. When the globe was first hit with the recent financial crisis, many of the G20 meetings and global

discussions were reiterating about engineering a global financial regulatory architecture, as an idea it is ambitious and excellent but one thing we should not underestimate is the strength of strong domestic regulations if domestic regulations are weak and not comprehensive they can cause domestic failure in difficult times. One excellent example of this is Turkey, during the biggest financial tsunamis of the world Turkey's financial sector was not at all affected. Their GDP's shrank but not a single bank panicked or failed.⁷ Despite enjoying prosperity in a booming real estate market, it is important to closely monitor on the following questions. How can an investment driven economy, ensure high returns on investment and how can it promote sustainable high paced growth?⁸ It is important to keep a watch of the ratio of home prices to per capita income and the ratio are indicators that bubbles in the real estate have expanded to a dangerous position.⁹ Diversification is important and not to excessively invest in one particular industry.¹⁰ Real Estate is a long term asset and therefore requires substantial amounts of equity in order to provide an appropriate asset liability match. The entire globe is going through transition and it is important what kind of reform we action during this transition as this will always remain integral part of the development. This is a golden opportunity which we must all seize and work towards at. I would like to conclude by saying that The Role the law plays in the great transition period is pivotal but we can't underestimate the role we play in what the law is and can, in the future become.