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# FOCUS: BANKING & FINANCE

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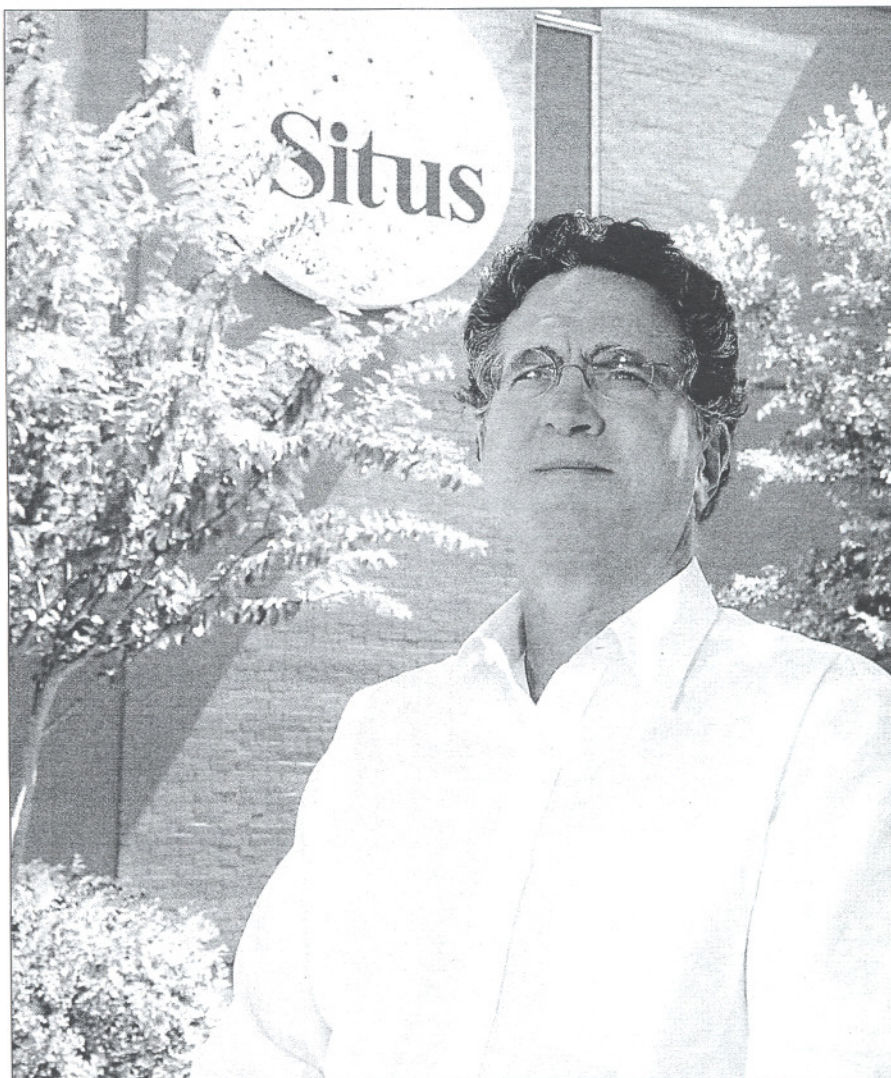
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Financial advisers in motion shift to independent practices.

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DAVID A. FARIAS/PHI

Martin Bronstein, The Situs Cos.: 'We are very bullish on the potential for international growth and have a great opportunity to expand our business.'

## Real estate financial services take a global view

BY CHRISTINE HALL  
HOUSTON BUSINESS JOURNAL

The opportunity to own or develop real estate in other countries is something that many companies consider when expanding globally.

In Houston, The Situs Cos., Stewart Information International and Realm Business Solutions Inc. are among companies that are refocusing their real estate finance efforts on the global marketplace to help companies complete the circle from finding the land they want to closing the deal.

However, financial complications can get in the way when countries have complex systems of real estate procedures.

"The information is not nearly as transparent as it is in the U.S.," says Martin Bronstein, principal and chairman of the board at The Situs Cos. "You have to hire people in the local markets and have contacts to overcome those obstacles."

### LOOKING AT THE WORLD

The 22-year-old real estate brokerage company has evolved into more service-related offerings over the years, from arranging commercial mortgages to loan services, actually collecting payments from the borrower for an institution.

Then in the early 1990s Situs got involved in underwriting, property inspection and helping banks as an outsourced option to getting loans closed.

After opening an office in New York, Bronstein and two other partners took a two-week trip around the world looking for opportunities to form relationships.

There were several areas in which Situs wanted to focus efforts to see where the market was heading. Included are:

- London, where it would provide services to lending platforms.
- India, to help do any back-office work as well as know what was going on in the outsourcing world.

• Hong Kong, to get a sense of the marketplace and how explosive the growth is.

• Tokyo, to look at opportunities to support Far East operations.

Over the next year, the company worked on relationships with clients to open an office in Western Europe, and at the end of 2004 had it up and running. In the past year it has also started talking about opening an operation in Hong Kong.

As the market for overseas development has grown, Situs' footprint spread to Latin America, which has become a retirement destination. There the company is acting as an intermediary to help finance or provide equity for projects.

"What's different about Latin America is that we can get ahead of our clients in terms of the market, whereas we are catching up to our clients in the Far East," Bronstein says.

Working with other countries, Bronstein has seen a big push in certain countries where insti-

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## GLOBAL

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tutions and hedge funds are purchasing nonperforming loans. Situs has then gone in and analyzed the real estate, consulting on how to price the bids to make the loans and how to reposition the assets.

## EDUCATION PROCESS

Stewart Information International has also strategically located its offices in major financial centers around the world.

Through those offices the company is able to provide services such as title insurance.

Unlike the U.S., many countries have land registration systems where title insurance is not something people think about, says Mike Skalka, chairman and CEO of Stewart Information International.

"Title insurance is a fluke in the U.S. because after the Revolutionary War, public record was maintained for public use," he says. "Everywhere else it is maintained for government use. For example, in England if you want to find out information on my property you have to have my permission."

What makes it a more challenging environment is the fact that the typical lender is no longer just a bank or financial institution but can be a real estate investment trust or an insurance company.

And, similar to The Situs Cos., Stewart Information International is also working

with individuals buying second homes or who have real estate investments and the need to secure their assets.

Thus, the company is spending time educating consumers on their options.

"In Europe in particular, they had never heard of a land claim," Skalka says. "Here you file a claim with the insurance company, and so we don't hear about it often. Overseas, though, the loser pays the winner's attorney's fees, not like here."

The education process is still going on as more companies expand overseas, he adds, as well as for Stewart itself.

The company has found that other countries prefer tailored services for a specific purpose. For example, in London there are requests for single risk instead comprehensive.

"The land registration works fine, but with the gap-type coverage they ask for, there is often time delays in the registries because of government bureaucracies," Skalka says. "The lender and the borrower need that money right away, so we cover that gap between the closing and registration, particularly in Central Europe."

## NEW PERSPECTIVE

While experts rave about Europe's potential, Mark Kingston sees his next big endeavor in Asia.

"Where we go is a function of employment practice, legal, government, cost of doing business and issues on currency," says Kingston, president and CEO of

Realm Business Solutions. "Every country is a new battleground, but we found Asia to be the most concentrated."

The company offers a range of real estate software solutions for acquisitions, data and analysis, asset management, budgeting and forecasting, accounting and lease contract management.

Three years ago, Kingston started noticing the need for transparency and securitization in European and Asian markets.

In Japan the company met with key advisers and found that the government

wanted to increase foreign capital but was having a problem with transparency. For the past couple of years, Realm has been working with participants in the market to understand and define general accounting practices, ultimately leading to the launch of the Japanese version of its acquisition software Argus in September.

"The software gives the ability for someone in Japan to build a financial analysis and send it off to other countries, where someone else can open up the same solutions in their local language with local mechanics," he says.

Realm also sees that there are investors looking to diversify their holdings across markets, so the company decided to start expanding Argus in more languages. A Chinese and Korean version will launch in 2007.

None of the expansion would be done if

not for foreign advisers.

"No one knows the market like locals," Kingston says. "A great cord of feedback on how to modify the product and build the business is from locals."

To fulfill its goal, Realm has formed relationships with key leaders in the government as well as academic world.

## MOVING FORWARD

By looking globally, all three of the companies have been able to optimize their strengths.

The Situs Cos. is recognizing the economics of transactions and the needs of clients to have the information they need to get loans approved and work through financing properties.

"Situs has brought to the table the ability to securitize debt, take a look at properties and sell the loan so the level of

risk is covered in all of the information. No one in Western Europe has that level of expertise," Bronstein says. "We are very bullish on the potential for international growth and have a great opportunity to expand our business."

Realm Business Solutions is also watching the global market. The company forecasts that Asia will be the area of greatest activity over the next five years. As a result, a driver to do business there will be where the company can get the best resources. ■

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*A great cord of feedback on how to*

*modify the product and build the business is from locals.*

**Mark Kingston**

Realm Business Solutions

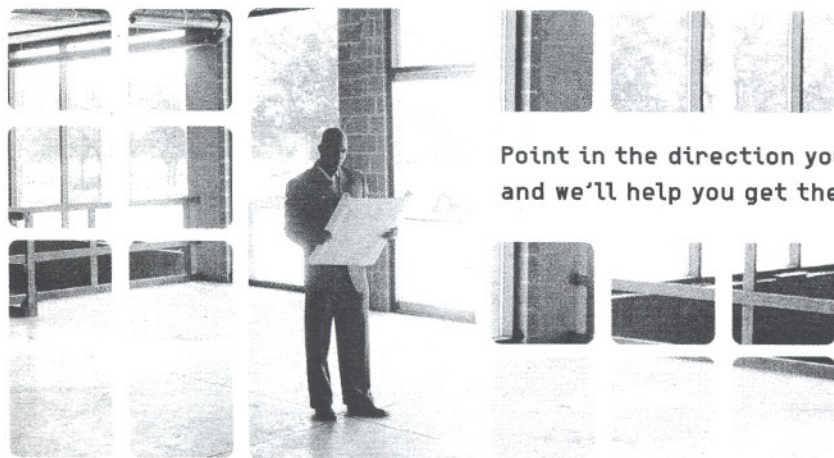


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**Mike Skalka**

Stewart Information International

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