

Asian CMBS Market Review: Real Estate Securitization in India and Factors Favoring CMBS

Asian CMBS / India

Authors

ICRA

Kalpesh Gada
Head – Structured Finance Products
+ 91 22 3047-0013
Kalpesh@icraindia.com

Moody's Investors Service

Dominique Gribot-Carroz
Assistant Vice President –
Business Development
+852 2916-1120
Dominique.Gribot-Carroz@moodys.com

Bonnie Chung

Analyst
+852 2916-1167
Bonnie.Chung@moodys.com

Additional Contacts

Moody's Investors Service

Jerome Cheng
Vice President – Senior Credit Officer
Phone: +852 2916-1109
Jerome.Cheng@moodys.com

Henry Charpentier
Team Managing Director
+61 2 9270-8101
Henry.Charpentier@moodys.com

Chetan Modi
Representative Director
+91 22 2422 3152
Chetan.Modi@moodys.com

Investor Liaison

Moody's Investors Service

Brett Hemmerling
Investor Liaison Specialist
+1 212 553-4796
Brett.Hemmerling@moodys.com

Client Service Desk

Moody's Investors Service

+852 3551-3077
mdyasiainfo@moodys.com

Websites

www.moodys.com
www.icraratings.com

Table of Contents

- **Summary: Real Estate Securitization in India and Factors Favoring CMBS**
- **Indian Real Estate: Expected Diversification of Funding Avenues**
 - Conventional Funding Dominates So Far
 - Lease Rental Discounting (form of Secured Bank Lending)
 - Mortgage Registration System in India
 - Sale Proceeds Escrow Structures
 - Bankruptcy Regime in India
 - Joint Development Agreements: Step towards Securitization
- **CMBS: Key Success Factors for Issuance and Review of Asian Markets**
 - Favorable Legal and Regulatory Framework, and REIT Regulations
 - Tax Transparency and Incentives
 - Market: Quality Intermediaries, Sustained Investor Demand and Buoyant Macro-Economics
- **India: Detailed Review of Environment for CMBS**
 - Significant Issues in the Regulatory Environment
 - Stamp Duties Still an Obstacle
 - Need for Broader Investor Base and Increased Transparency
- **Case for CMBS to Flourish in India**
 - Some Mitigants to Regulatory Issues
 - Central Government Encouraging Reduction in Stamp Duties
 - Potential for New Investors
- **Other CMBS/REIT Markets in Asia**
 - Singapore: Leading the Way
 - Hong Kong: Dominated by Conventional Funding
 - Taiwan: Sporadic Issuance Expected
 - China: Developing Framework, Huge Potential for CMBS
- **Appendix A: REIT and REAT Approved Issuance in Taiwan**
- **Appendix B: List of Asian CMBS/REAT Public Transactions Rated by Moody's**
- **Related Research**

¹ Cheryle Chang, Analyst, and Christine Hung, Associate Analyst, in Moody's Investors Service's Structured Finance Group in Taiwan, and Alan Ho, Analyst in CCXI's Structured Finance Group in Beijing, also contributed to this report.



SUMMARY

Real Estate Securitization in India and Factors Favoring CMBS

Private debt: most important source of real estate funding

So far, property financing in India has been largely implemented through conventional funding methods, meaning mostly domestic bank loans and private equity. Real Estate Investment Trusts (REITs) have not yet emerged, and only a few property companies are listed.

Lease Rental Discounting (LRD) structures have been used, mostly by public sector banks, to secure their debt exposures to the real estate sector.

Sale Proceeds Escrow structures – backed by sales proceeds from projects – have also gained popularity among developers seeking project finance.

However, neither LRD nor Sale Proceeds Escrow structures are bankruptcy-remote from the developers.

SPV structures have already been tested

Interestingly, construction projects have already been implemented through joint ventures, and some banks are involved in project finance for real estate SPVs.

Real estate SPV: a first step towards securitization

Deploying real estate SPVs in a CMBS may not represent so big a leap.

Regulatory, legal, tax and market environment still challenging in India

However, based on our analysis of key success factors for CMBS, India's regulatory environment is still challenging. Title due diligence can be lengthy, and mortgage enforcement is still an issue for non-banker lenders.

Stamp duties are another major obstacle. In terms of the environment, a broader investor base and more transparency are also needed for issuance to take off.

REIT could boost issuance

The existence of a favourable code for REITs – Real Estate Investment Trusts – is among the critical factors which could significantly boost CMBS issuance. This is because REIT could potentially optimize their funding strategies with CMBS and drive issuance, as they have done in Singapore.

Singapore a success story; 96% of CMBS issuance is REIT-originated

Among other Asian countries we have reviewed in this report – Singapore, Taiwan, Hong Kong, and China – Singapore indeed has emerged as the most exemplary. In this market, REIT-originated transactions represent 96% of the USD3.2 billion CMBS issuance rated by Moody's since 2003.

Indian environment could become more favourable

Though presently there are various constraints to the growth in CMBS in India, some positive trends have emerged

In particular, the creation of real estate SPVs – a trend which has already begun – would remove many issues related to property transfers. In addition, the central government is encouraging a reduction in stamp duties.

CMBS, an alternative for securing bankruptcy remoteness and access to better rated debt

And the investor base could be broadened by the creation of REITs and Real Estate Mutual Funds. Finally, the new Basel II regulations place CMBS on a favourable footing vis-à-vis plain loans.

Cross-border issuance – if allowed - could broaden further the investor base

Should these trends continue in the coming months, CMBS could emerge in India as another funding alternative for achieving bankruptcy remoteness and access to better rated debt.

In addition and over the longer term, subject to the opening of Indian real estate debt to foreign investors, CMBS cross-border issuance could become an attractive option for real estate originators. In Singapore, 91% of the issuance rated by Moody's has been cross-border.

INDIAN REAL ESTATE: EXPECTED DIVERSIFICATION OF FUNDING AVENUES

A – Conventional Funding Dominates So Far

Private debt: most important source of financing real estate

So far, property financing in India has been largely through conventional funding means. Bank loans are available to developers at attractive terms, including long tenures, high Loan-to-Value (LTV) ratios and competitive rates. The loans are typically provided for a variety of tenures and generally secured by land/property.

Bank loans outstanding for commercial real estate¹ rose by over 50% in the year to May 2007² to INR46² billion (USD11.6 billion). However, the commercial real estate exposure of the banking system has stayed flat since May 2007, perhaps due to the efforts of the regulators to slow credit growth to the sector.

Indeed, since 2006, the Reserve Bank of India (RBI) has raised the risk weight for commercial real estate loans to 150% in addition to issuing guidelines on multiple occasions to banks to limit their exposures to the sector.

Nevertheless, real estate loans form only a small part of most banks' balance sheets, thus allowing them to continue financing real estate assets.

Limited use of public debt

Even as the bank loan market has grown rapidly, corporate bonds by real estate companies and CMBS are limited. Various factors – including transfer costs, uncertainty over foreclosure and limited investor appetite for long-tenure paper – have contributed to this situation, as discussed in subsequent sections.

Secured debt dominates

Given the higher risk perception of the real estate sector, companies in this segment do not usually issue unsecured debt. Banks in India may work on expected loss rather than likelihood of default.

Banks typically draw comfort from the security, even though the recovery from security enforcement takes time. Moreover, the SRFAESI Act³ has accelerated liquidation of real estate collateral. But transfer costs will reduce recovery post default.

Foreign debt not permitted

Foreign debt cannot be deployed in Indian real estate. Earlier, while ECBs⁴ were not permitted for the real estate sector in general, such borrowings were allowed for integrated townships of 100 acres or more.

In May 2007, the government withdrew even this exemption. Partially convertible and non-convertible preference shares are not permissible as they are classified as ECBs.

In certain cases, regulations restrict put options and buy-back provisions designed to provide foreign investors an exit route from exposures to equities and compulsorily convertible debentures.

Realty funds popular source of equity funding

Equity from private investors is an important funding source for real estate in India. One of the popular avenues for investing private equity is through Real Estate Funds or Realty Funds, which are Venture Capital Funds registered with the Securities Exchange Board of India (SEBI).

At present, this route is open only to institutional investors and high-net worth individuals. As of September 2007, the total amount invested by venture capital funds (both domestic and foreign) in Indian real estate was USD918 million, up from USD663 million in March 2007⁵.

¹ This term is used to mean exposures to developers and projects as opposed to residential home loans, home equity loans and other products offered to individuals.

² Source: Survey of Monetary Developments, RBI, October 2007 and July 2007.

³ Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest – SRFAESI Act

⁴ External Commercial Borrowings

⁵ Source: SEBI

Public equity: only a few listed real estate companies

In the absence of REITs and Real Estate Mutual Funds (REMFs), the only way to invest in real estate in the public market is through acquiring the shares of listed property companies.

At present, the number of such companies is limited. In 2007-08, quite a few equity issues did occur, and equity raised through public offers amounted to a significant USD3 billion⁶.

B — Lease Rental Discounting Structures (form of Secured Bank Lending)

Some of the structures that issuers have considered in the Indian bank loan markets include Lease Rental Discounting and Sale Proceeds Escrow structures backed by the sale proceeds from projects. We first describe Lease Rental Discounting structures, which are a typical form of secured bank lending.

Lease rental discounting: widely used by public sector banks to secure their debt exposures

Lease Rental Discounting (LRD) is perhaps one of the most widespread structures in India. The banks, especially the ones in the public sector, employ this route to secure their debt exposures to the real estate sector.

LRD based on discounted value of rentals collateralized by mortgages

The main highlights of these structures are:

- Quantum of debt: based on the discounted value of rentals, subject to some coverage ratios. The rentals considered for sizing the loan are haircut by 15-20% to provide for maintenance & property tax outgoings and vacancy risk. The effective LTV⁷ is around 50-65%. Yields required by banks are linked to prevailing interest rates and risk perceptions, which are in turn linked to the tenant profile as well as the developer profile.
- Loan tenure can extend to 9-10 years.
- Collateral Security, which could be an equitable / registered mortgage over the property.
- Payment mechanism: escrow of rentals. Tenants are asked to send rental payments into a designated bank escrow account under lien to the lenders. The balance in the account is for debt servicing alone.

Insurance policies: another possible collateral security

Property insurance policies could also be offered as security for lenders; the lenders could be named as the beneficiaries under the policy. Insurance covers property risks, such as fire and earthquakes.

A developer does not generally insure business continuity risks. The developer is obliged, as the lessor/owner, to keep the property available for lessees/tenants, but the penalties for failure to do so depend on the specific lease/rental agreement.

Rights to rentals directly under ownership of lender

While the rentals themselves may not be assigned, there are provisions in the loan terms & conditions providing for such assignment in the event of a default.

In any event, the property is under mortgage, and post-default, the lender can become its owner by enforcing the mortgage. This brings the rights to the rentals directly under the ownership of the lender. Alternatively, the lender can force the property to be sold and retire the loan with the proceeds.

Construction risk absent

This structure is popular because there is no construction risk (only properties already completed and leased out are covered), and it is easily administered and does not impinge on the operating flexibility of the developer.

Back-up servicers are also available. For instance, property management firms are already tasked with property administration, a job that is easily outsourced for completed properties.

⁶ Source: NSE

⁷ LTV or Loan-to-Value

LRD structures not bankruptcy remote, although banks (as secured creditors) can enforce their security

Obligation to refund security deposits paid by tenants could devolve on lenders

Key risks in LRD structures are:

- Vacancy risk & risk of re-pricing of rental contracts
- The risk of developer's bankruptcy and time taken for security enforcement procedures. LRD structures are not bankruptcy remote since the property remains in the developer's name. The issue that arises is with regard to enforcement of the mortgage post-bankruptcy.

In Indian law, once winding-up proceedings begin, the court-appointed liquidator is in charge of a company's assets (even mortgaged ones, although the rights of secured creditor vis-à-vis the asset remain superior).

However, banks (as secured creditors) are not, under the SRAESI Act⁸, subject to this automatic stay and can still enforce their security, even if the borrower is undergoing winding-up proceedings.

Security deposits paid by tenants are refundable, and this obligation could devolve onto the lenders in the event of a default. Hence, this risk also exists.

Mortgage Registration System in India

Mortgages are categorised under two types: registered or equitable.

Lenders may prefer an equitable mortgage (EM) to a registered mortgage (RM) deed because of the stamp & registration duties (about 1% of the loan amount) payable if the deed is to be registered.

The drawback with EM – and the non-registration of the deed – is that it will not be recorded by the government's registration department (the Sub-Registrar's Office, which maintains a public record of properties, including encumbrances).

However, other publicly accessible records exist.

Indeed, all mortgages, equitable or registered, have to be recorded with the Registrar of Companies (a public repository of companies' information) and in the Register of Charges maintained by companies under the Companies Act, 1956 (the main constitutional framework for companies in India).

Moreover, both types of mortgages are enforceable.

The majority of Indian lenders in the residential home loan market are happy with EM. Some lenders some times prefer RM if they have any doubts about the title of the property.

For example, imagine a situation where one of the preceding conveyances in the title chain was not perfectly documented. This creates a potential title defect. By executing an RM, the executants are disseminating the fact of the creation of registered mortgage to a wider audience.

In large ticket commercial real estate debts, both forms of mortgage could be prevalent.

C – Sale Proceeds Escrow Structures

Developers seeking project finance (money for completing projects) often offer the security of cash flows from the sale of commercial and residential properties. Many developers in India pre-sell (i.e. before construction is complete).

Buyers pay either upfront or in installments over 1-3 years. The installments are some times linked to construction milestones being achieved and some times are time bound.

Once buyers are identified and contracts signed, there is a greater degree of revenue visibility. Developers offer to escrow these cash flows, whereby the payments by buyers are deposited in a designated bank escrow account. Money in the account is earmarked for debt servicing.

The lenders may also stipulate that a portion be retained for completion of construction on the project.

⁸ Sections 13(1) read with the second proviso to Section 13(9) of SRAESI Act, 2002

Performance risk critical

Performance risk is the main risk because the receivables would materialize over time and are often progress-of-construction linked. Hence, the reliance of the investors' security on the performance of the developer remains.

If the developer were to fail to complete construction on time, then the chances of the buyers paying their installments correspondingly reduces. A mitigant would involve earmarking a portion of the receivables and ring fencing them by parking them in a construction cost reserve.

Another risk could be cost overruns. For projects under construction, it may be difficult to find an alternate servicer, given the complexities of construction. Therefore, while structured payment mechanisms such as escrow of sale proceeds do provide a degree of credit enhancement, the credit quality of the debt would still be linked with the rating of the originator itself.

Sale proceeds escrow structures not bankruptcy remote from developer

Moreover, the debt is not remote from the bankruptcy of the developer because it remains an obligation of the developer.

In the event of the developer facing winding-up proceedings (say, due to default on any debt to any creditor), then there is a risk that the moneys in the escrow account may come in line with that of the developer (see below).

Structure exposed to default of buyer

While underlying properties will be sold, sales considerations are received over time and the structure will be exposed to the default of the buyers. This risk has to be studied and can be mitigated if the securitization occurs after the project has achieved some progress and some payment track record history is available with the buyers.

This situation will also mean the presence of some equity build-up in the property among the buyers.

Bankruptcy Regime in India

Interestingly, the word 'bankruptcy' is not mentioned anywhere in Indian company law.

The Companies Act, 1956 is the premier corporate legislation which contains provisions relating to the rights of creditors against defaulting companies.

The Act allows creditors, who have been defaulted to, to apply to the High Court to wind up the defaulting company. The Court can appoint a 'liquidator,' if it thinks fit.

Once such a winding-up application is made before the Court, 'winding-up proceedings' are deemed to have commenced. And from this point, the Court-appointed liquidator becomes the deciding authority over the company's affairs.

The liquidator is vested with wide ranging powers, including setting aside 'fraudulent preferences', disposal of the security offered to the secured creditors for distribution among them, and shunning off 'onerous'/'un-profitable' contracts.

It is conceivable that an escrow arrangement may be set aside by the liquidator on the grounds that it is onerous. There are, however, grounds to believe that an escrow arrangement – covering clearly defined cash flows and meant to secure repayments of debt validly assumed by a company – may be honored, even after winding-up proceedings have commenced.

This means that other creditors may not access the funds in the escrow account or the cash flows escrowed.

D – Joint Development Agreements: Step towards Securitization

SPV structures: cleanest and most bankruptcy remote alternative to escrow-backed structures

A relatively more bankruptcy remote alternative to escrow-backed structures for raising project finance are SPV structures.

The project assets are housed in a dedicated entity that will be prevented by covenants from investing in other projects. This arrangement reduces the SPV to a pure play on the project. Project construction would be carried out by another entity, which bears the construction risk.

SPV structures may be way to access better rated debt

This may offer a solution to accessing better rated debt.

Trend towards joint development agreements

There is already a trend in the construction industry where many projects in the residential and commercial segments are already being implemented through joint ventures (JVs) between two construction firms or between a land owner and construction firm.

The latter are called joint development agreement (JDA) arrangements, where a land owner acquires shares in a JV in exchange for the land contributed, while the construction company partner is in charge of development, construction and marketing. The final built-up area plus an (undivisible) share in the land is shared between the partners. The share of the land-owning partner in the final built-up space depends on the value of the land brought to the JV and cost of the land relative the total cost of the project.

Some times, the land owning party can be the government itself as it looks to develop its land holdings.

More developers teaming up to develop large projects jointly

We have also noticed a growing trend among developers to team together to jointly develop properties/projects. These often are large projects where the idea is to bring in the latest technology in construction & design. The projects are housed in legally distinct SPVs that can be made legally bankruptcy remote from the project sponsors.

Given such trends, it will not be very hard to find SPVs that represent pure plays in terms of project-specific risks.

Banks already involved in providing project finance for real estate SPVs

Banks already lend project finance to such SPVs and take comfort from the promoter which is backing the concern.

From this point, deploying similar SPV structures in a CMBS may not be a big leap. Promoter backing remains relevant, even in a CMBS SPV, because the construction risk remains with the project promoter. They take the mortgage of the property plus a charge on the receivables generated from sale of the space.

Collateral securities include guarantees from the promoting entities. Covenants are also stipulated on the JV, restricting/prohibiting its ability 1) to contract additional debt, 2) to take on new projects, or 3) to invest in other companies or ventures. More intrusive controls – such as a seat for the lenders on the board of the SPV – are generally absent, but a system of reporting project construction progress does exist.

Debt markets may follow suit

Banks already assume such exposures through the loan route, albeit only to reputed names.

It is conceivable that a pool of exposures to such projects SPVs will be created so as to access the diversity benefits.

Hence, debt markets may also enter the segment.

CMBS: KEY SUCCESS FACTORS FOR ISSUANCE AND REVIEW OF ASIAN MARKETS

A — Favourable Legal and Regulatory Framework, and REIT Regulations

Efficient processes for title and mortgage registration, enforcement of mortgages as well as favourable REIT codes are 3 factors in the regulatory environment, and which could help the development of a CMBS market in ex-Japan Asia.

Table 1

Legal and Regulatory Framework Factors affecting CMBS development in some Asian markets

	Singapore	Hong Kong	Taiwan	China	India
Title and mortgage registration	No major issue Titles are registered at the Land Titles Registry	No major issue Titles are registered at the Land Registry	No major issue Property titles or rights are registered at the Land Registration Office.	Issues on lack of unified registration systems and procedures	Issues on title insurance is commercially available
System	Torrens and Title Deed	Title Deed	Torrens		Title Deed
Mortgage Enforcement	No major issue	No major issue	Not relevant for Real Estate Asset Trusts (REAT) ^a	Issues on enforcement proceedings which could be lengthy and inefficient, and depend on the local jurisdictions	Issues on enforcement which is hampered by rules on adverse possession, lack of comprehensive title registries, and overloaded courts
REIT Code	No major issue High leverage permitted; Up to a maximum of 60% of its deposited property for publicly rated REIT The S-REIT code allows for gearing up to 60%. External rating from global agencies must be obtained once gearing exceeds 35%. Development exposure is allowed up to 10% of total assets on condition the asset will be held upon completion.	No major issue Some constraints Gearing ratio capped at 45% of gross assets; Development not allowed; Minimum 2-year real estate holding period requirement	No major issue Some constraints Development not allowed; REITs are close-end funds ^b	Not in existence	Not in existence now SEBI has issued draft guidelines and the code is expected to be finalized in 2008.

a. Transactions arranged under a REAT are structured in such a way that the real estate is entrusted to the REAT, which in turn raises funds by issuing beneficiary certificates. Prior to such entrustment, the trustor has to cancel all mortgages on the respective real estate. For more information on REAT, see our report "Moody's Approach to Rating Real Estate-Backed Transactions in Taiwan", March 2005 (SF53256isf).

b. During the duration of the fund, investors cannot request the trustee repurchase the outstanding certificates, nor can the trustee issue or sell additional certificates. The potential for leverage for REITs with small fund sizes will be restricted, which will lead to higher CMBS funding costs.

A centralized Torrens registration system allows for clear and reliable title ownership

Depending on the jurisdiction, interest on land is either registered through the Torrens system or the title deed system.

Torrens title is a system of land title where a register of land holdings maintained by the state guarantees indefeasible title to those included in the register. This system is the most favourable for CMBS.

The title deed system involves the registration of instruments and typically does not guarantee indefeasible title.

Although not a necessary condition, the Torrens system will be helpful for CMBS development.

Clear and reliable title deed registration can also avoid costly and lengthy due diligence and title checks

Besides Torrens system, an efficient title deed registration system would allow different types of transactions to happen in a time efficient and cost effective manner.

Existence of title insurance to manage title or mortgage invalidity risks

For jurisdictions with high uncertainties in title ownership, title insurance would be a valuable instrument to help mitigate the potential risks related to defects in title to real estate properties.

Efficient enforcement of mortgage increases likelihood of recovery in case of default

Another key factor is efficient mortgage enforcement. It allows for more favourable recovery rates in case of the default of the obligors. Conversely, if mortgage enforcement goes through a lengthy judicial process, the mortgages will bring much less benefit to a transaction and hamper CMBS issuance.

REIT under favourable regulations and guidelines can be potential originators to boost CMBS issuance

As potential originators of CMBS, REIT themselves could be favourable for CMBS. REITs may use CMBS to optimize their funding strategies and access attractive long-term financing, while it may also be a way of optimizing their risk exposures.

Singapore CMBS development is a typical example of how REIT regulations and guidelines can boost CMBS development. Low and tight leverage restrictions will allow high CMBS ratings which, in turn, provide a cheap funding alternative to REIT. As a result, many Singapore's REITs tapped into the CMBS market prior to the relaxation in leverage restrictions – from 35% to 60% – by the Monetary Authority of Singapore in November 2005. With such a relaxation, this CMBS funding strategy adopted by REITs may be adjusted accordingly.

Of note is the fact that SEBI's current draft REIT code for India restricts debt to a modest 20% of total assets.

B – Tax Transparency and Incentives

An attractive tax or a tax neutral environment is crucial for CMBS. It plays a role at several levels, including for the purchase or sale of a property in general, at the SPV level, and at the investors level.

Table 2
Tax Environment
Factors affecting CMBS development in some Asian markets

Key factors	Singapore	Hong Kong	Taiwan (REAT)	China	India
Transfer tax and stamp duty	No major issue as current CMBS deals have involved no property transfers	No major issue due to property holding structure and tax exemption under certain circumstances	No major issue REAT conditional exemption and deference of Land Value Increment Tax (LVIT)	Issues on transfer taxes, including stamp duty, business tax paid by the seller, Corporate Income Tax and Land Value Appreciation Tax	Issues on relative high stamp duty payable on transfer of property to SPVs
Capital gain tax	Not applicable	Not applicable	No major issue REAT conditional exemption and deference of Land Value Increment Tax (LVIT)	Stamp duty does not apply if just the mortgage rights are transferred	Some issues Capital gain tax is levied; lower tax rate if holding period exceeds 3 years
Tax applied to CMBS SPV	No major issue	No major issue	Not relevant for REAT	No major issue	No major issue SPVs for Indian ABS/RMBS are considered to be tax-neutral ^a
Withholding tax at the CMBS SPV level for investors	No major issue	No major issue	Withholding tax at the concession rate	No major issue domestically	No major issue domestically

a. This treatment is based on the income tax declaration by the investors in the SPV that they would offer the income from their investment for income tax

Transfer tax, stamp duties and capital gain tax

In a CMBS transaction, it is not uncommon that properties will be sold, transferred, mortgaged to a Special Purpose Vehicle (SPV). These processes may attract different types of tax payments.

First, when there is a property transfer or a mortgage registration, stamp duties could be levied. If they are too high, the transaction cost will be pushed up and it will in turn give less incentive to the originators.

Capital gains tax could apply to profits made on the property transfer at closing or property sale upon enforcement. Capital gains tax on the initial transfer at closing may lead to an immediate tax payment obligation which will deter originators from funding through CMBS.

Allowance for tax deference in case of property transfer

If the above taxes and stamp duties can be deferred or waived, such that the initial property transfer to the SPV has become a tax transparent exercise, this will provide a more favourable framework to CMBS development.

As a tax-free pass-through structure

In addition to initial establishment, the tax implications of a CMBS transaction during the term of the transaction are also a critical consideration. When the CMBS SPV is set up, it will be structured as a pass-through entity. All cash inflow will be distributed, such that no corporate income tax will become payable by the CMBS SPV. It is important that the CMBS SPV can achieve a tax neutral position.

Withholding taxes for investors

At the level of the CMBS investors, withholding taxes could be levied on interest income and other sources of incomes. Some specific withholding taxes could also apply to foreign investors. The lower the taxes, the better it is for the development of CMBS.

C – Market: Quality Intermediaries, Sustained Investor Demand and Buoyant Macro-Economics

Existence of reliable databases on property sectors and quality intermediaries

The availability of a recognized and reliable databases on property sectors – from the government or any other reputable source – will help improve transparency and facilitate the risk assessment process

Such databases can provide trends for prices, rentals, vacancy, take-up, supply and stock for different property types, such as private residential, commercial and industrial properties. They help promote market transparency and efficiency and provide a level

playing field for all, including individuals and small players.

Reputable and experienced intermediaries – such as, internationally established appraisers, accountants and auditors – also play an important role in CMBS execution processes.

Table 3

Market Environment

Factors affecting CMBS development in some Asian markets

Key factors	Singapore	Hong Kong	Taiwan	China	India
Property Valuation and Quality intermediaries	No major issue URA provides the official government database on property values	No major issue The Rating and Valuation Department provides a database	No major issue No centralized government database, but reliable information from reputable private organizations	Issues on lack of central official databases and meaningful statistics	Issues on data inconsistencies among different sources or non-existent information in rural areas
Investors demand, competitiveness versus conventional funding	No major issue in the past years	Issues on abundant local liquidity for conventional funding	Issues on abundant local liquidity for conventional funding	Issues on limited investors base	Issues on regulatory restriction on debt into real estate market

Sustained investor demand and competitiveness versus conventional funding

Investor appetite for CMBS is a key driver of issuance.

High demand could result in more favourable yields for originators, and make CMBS still more competitive compared to alternative funding.

The absence of restrictions related to real estate investments, from domestic and foreign investors, is also favourable to the emergence of CMBS.

In a more developed market – where past CMBS have performed well – investors could become more familiar with such transactions and become keener in investing in them.

On the origination side, relatively difficult or costly accessibility to conventional bank loans will make securitization more attractive, particularly when originators can issue better rated CMBS debt.

Favourable macro-economics

More generally, a favorable macro-economic outlook and an upward trend in the real estate cycle and rental prices could contribute to the popularity of CMBS.

INDIA: REVIEW OF ENVIRONMENT FOR CMBS

A – Significant Issues in the Regulatory Environment

Some issues are not specific to CMBS transactions

Some issues in the Indian environment are not specific to CMBS transactions. Despite a long tradition of private ownership, the presence of heavy regulation does not facilitate development of the real estate sector.

Long tradition of private ownership

The Indian legal framework provides for transfer of property and recognition of title. The applicable legislation dates back to the 19th century.

The Transfer of Property Act, 1882 is the legislation that regulates transfers of property. Hence, there is a long tradition of private ownership of property as well as land.

But real estate is heavily regulated

However, there are numerous caveats.

Real estate in India is heavily regulated at several levels. Land is a responsibility of the state, and each state has regulations governing its use.

Any residential or commercial real estate development in India has to secure numerous regulatory clearances⁹.

⁹ Municipal/state authorities approve building plans & land use; safety regulators approve fire systems; police approve commercial developments like cinemas; central & state authorities grant certificates relating to pollution control; aviation regulators grant no-objection certificates for flight paths; and municipal authorities issue completion/occupation certificates.

Property ownership both freehold and leasehold

In India, land can be either freehold or leasehold. Lease tenures and terms vary. In some places, like Mumbai, the government does not sell its land; it instead leases it on long-terms renewable for a marginal fee. The lessee is allowed virtually all the rights of an owner, including the power to mortgage (through a registered mortgage) and develop it. The title alone remains with the government.

Existence of title deed registration, but no guarantee of title

There is a title deed registration system. Registration authorities are required to verify the genuineness of the property and its title while registering a document. But, although they may verify it, the registration authorities in India do not guarantee the title ownership. Mere registration of a document of title does not assure perfect title.

Title insurance unavailable

Title insurance is not commercially available in India.

Title to property is generally presumptive rather than conclusive.

Lengthy due diligence could be necessary

Title chains often are long and buyers are well advised to undertake a title check, a process involving visits to government registration offices and placing of advertisements calling for challenges to title.

This has meant that local lawyers are often hired to do title checks, but even then, there are chances that past conveyances may not be legally perfect – say, not stamped, or registered, or lacking the consent of all those with a veto.

Adverse possession a risk

Adverse possession is yet another peculiarity, wherein if a person is in hostile (vis-à-vis the real owner) occupation of a property beyond 12 years, he/she can claim ownership rights.

Other issues could result from unregistered mortgages, or multiple/forged documents

Mortgages can be created on property in India merely by the deposit of title deeds.

Although it is not required by law, if the mortgagor is a company, the fact of mortgage can be recorded with public registries for achieving additional protection.

Non-corporate owners too can create a mortgage merely by depositing title deeds. Unless such mortgages are registered with the registration office (by law, they are not bound to), it may thus be difficult to assess the encumbrances on a given property. Registration authorities in India do verify the genuineness of documents, but they do not guarantee the goodness of title.

The possibility of multiple/forged title documents also exists. These issues highlight the importance of due diligence, legal and technical, into the title and suitability of the land before commencing a project.

Enforcement of mortgage could be lengthy for some investors, such as mutual funds

Enforcement of mortgages through the conventional judicial system is typically lengthy, often running into years. The situation changed after the SRFESI Act, 2002, which provides for fast track enforcement procedures. This Act, however, is available only for banks, housing finance companies, some financial institutions and designated asset reconstruction companies. Mutual funds and most of the non-banking finance companies and insurers, for instance, are not covered by this act.

To the extent banks invest in CMBS, the benefits of this Act may be available. Mutual funds, the biggest investors in the Indian debt capital markets, do not have access to these procedures.

REIT code on the way

The India capital markets regulator, SEBI, issued draft guidelines on REITs in December 2007. Highlights included a cap on leverage at 20% of total assets, a prohibition on investments by REITs in vacant land/property developments, and a dividend distribution requirement of 90% of annual net income post tax. Taxation of REITs and the applicability of stamp duties are issues which remain unclarified.

One “Indian” REIT listed offshore in 2007

Nevertheless, the potential for REITs based on Indian assets has already been explored offshore. In August 2007, Ascendas India Trust listed in Singapore with the objective of setting up four business parks and three information technology centres in India. It is possible that the issuance cost of off-shore CMBS would outweigh onshore transactions, especially when the underlying assets are in India.

Should the Indian environment become more favourable for CMBS, Ascendas India Trust – and any future REIT with Indian assets - would become potential originators of CMBS in India.

B – Stamp Duties Still an Obstacle

Stamp duty for property transfers applied at state level

Transfer of property requires execution of appropriate conveyance documents which need to be ‘stamped’ after payment of duty and registered with the government registration offices. The transfer of immovable property is taxed at the state level.

Across states, stamp duties heterogeneous and often high

In Karnataka, a south-western state, conveyance of immovable commercial property attracts stamp duty of 8.5% of the agreement value or guideline value, whichever is higher. Registration duty is 1% of the market value.

Other states have duty rates in the neighborhood of these levels. Individual states have capped duty payable in some cases.

For instance, in Maharashtra, stamp duty payable on certain kinds of commercial real estate is capped at INR1 million (regardless of the duty payable at the ad valorem rates mentioned above).

Registered mortgage also attracts stamp duty

The registered mortgage of immovable property attracts duty (Karnataka levies 1% on the loan amount as stamp plus registration duty), thus making registered mortgages an unattractive option for lenders.

High stamp duties, registration charges and capital gains tax (applicable on profits made on the transfer of property) leads to a high incidence of cash transactions. These are typically routed through various shell companies within a group.

C – Need for Broader Investor Base and Increased Transparency

Quality intermediaries in real estate market

Traditionally, real estate development in India was highly fragmented. The state also played a large role. During India’s socialist period, state agencies – such as development authorities – exercised monopoly development rights in addition to regulatory duties.

The last few decades (especially post 1991) have seen a substantial shift with the emergence of large private players looking at scale and world class construction standards. This shift has been accompanied by the entry of internationally renowned players in both the developer as well as intermediaries segments.

Still some transparency and disclosure issues

A variety of factors discussed above have led to corporate governance issues within real estate companies in India, including inadequate transparency and disclosure.

The typical areas where there is lack of clarity are the size and number of projects executed by a property group, the exact extent of land ownership, end-use of customer advances, and the consolidated indebtedness and cash flows of the group.

To a degree, the complexity in land holding structures is attributed to regulations, such as the Urban Land Ceiling (Regulation) Act, 1976 which placed a cap on land ownership.

Property valuation remains an art, particularly in smaller cities

There is no central land registry, although such registries, where records of property trades can be accessed, do exist at the state/city level. State governments maintain their guideline values (also used by local authorities to levy property tax), but these are often dated and may not reflect market conditions.

Transactions values are often understated in order to suppress the incidence of capital gains and transfer taxes on property sales.

The absence of a reliable official / government database of property values make it difficult to establish the value of property held by a company.

This problem is greater in the smaller cities, namely, the Tier II and Tier III cities. Hence, the property trade in India is not very transparent and valuation remains an art.

Third-party valuers offer some of the best assessments

However, India has a large community of third-party valuers, who offer perhaps the only rigorous way of assessing value in the absence of a transparent and accurate record of trades.

The property market is fairly liquid, especially in the cities where substantial projects are present. Hence, the availability of valuation estimates is not an issue and this mitigates the risk to some extent.

Mutual funds focus on short-term debt

On the investor front, mutual funds—which form the key investor base for the domestic debt capital market—mostly have appetite for debt maturing within three years, as opposed to CMBS, which could have tenures of 3-9 years or more.

The illiquidity in long-term structured debt means CMBS are not favored by mutual funds. Of course, CMBS could be structured as short-term instruments, but developer/originator

Insurance companies and retirement funds exhibit limited appetite as well

Big potential for CMBS due to fast growing real estate industry

community appetite may be limited.

While insurance companies and retirement funds could be suited for investing in such paper, the investment guidelines for these institutions leave little room for such paper.

While a broader investor base and more transparency are required, the Indian macro-economics and real estate outlooks are extremely favourable for CMBS. The Indian real estate industry has seen unprecedented growth in recent years.

Demand for commercial space has been driven by strong growth in the software sector, Business Process Outsourcing (BPO) and organised retail.

On the other hand, rapid population growth, growing urbanisation, decreasing household sizes and rising income levels together with easier access to finance have pushed up demand for residential property.

These growth trends are set to continue with some participants forecasting that real estate development in India will grow from USD12 billion in 2005 to USD90 billion by 2015.¹⁰

CASE FOR CMBS TO FLOURISH IN INDIA

A - Some Mitigants to Regulatory Issues

Title due diligence: worthwhile for a limited number of properties

Possible mitigants to the current issues related to mortgage enforcement

First, title due diligence, although lengthy, could be worth implementing for commercial mortgages involving a limited number of properties.

Concerning mortgage enforcement, the SRFAESI Act provides for fast track enforcement procedures. This Act, however, is available only for banks and designated asset reconstruction companies.

Mutual funds, the biggest investors in the Indian debt capital markets, do not have access to these procedures.

A way-out would be for domestic ratings to address eventual payment of principal and interest (as opposed to timely payment of both interest & principal), but acceptance of such a rating promise in the Indian context could prove elusive. A solution could involve including a reserve fund and liquidity facility from a highly rated bank, and which could plug the cash flow gap between default and realisation of money from the security.

The availability of title insurance on a commercial scale also would help. An extension of SRFAESI Act provisions to mutual funds and NBFCs¹¹ is another possibility.

More transparency in accounting norms and greater disclosure could help enhance liquidity

SEBI considering introduction of Indian REITs

The introduction of Real Estate Mutual Funds (REMFs), entry of private equity investors, repeal of socialist-era legislation, such as the Urban Land Ceiling (Regulation) Act, 1976, and listing norms would raise transparency for accounting norms and disclosure. These steps would bring much needed liquidity to the property market.

In addition to REMFs, SEBI has initiated a process to introduce REITs. Once regulations are finalized, there could be solutions to issues such as taxation of SPVs and high stamp duties.

B – Central Government Encouraging Reduction in Stamp Duties

Creation of SPVs to house projects / properties would be crucial to minimise transfer taxes and provide bankruptcy remoteness

The creation of SPVs – from the outset – to house projects/properties, a trend which has begun, would minimise transfer taxes and provide bankruptcy remoteness.

We can also expect greater alignment of interest across developers and investors through the provision of credit enhancement in CMBS. If the credit enhancements come from the developers themselves, they would retain a stake in the project, even post securitisation.

A reduction in transfer taxes – such as stamp duties – would help reduce the incentive for evasion and encourage creation of bankruptcy remote SPVs.

¹⁰ Source : Indian Real Estate and the Prospects for REITs – Moody's - ICRA Special Comment June 2007

¹¹ Non Banking Financial Companies

Central government encouraging lower stamp duty

Stamp duty is the prerogative of state governments, but the central government has been urging the states to reduce them to 5% as part of its urban land reform efforts.

The central government is also encouraging states to move to a more transparent system of property tax, whereby updated property values form the basis of the levy. Many local bodies have made this migration. Many cities are also undertaking surveys, using geographical information systems to plug revenue leakage from untaxed properties.

These steps should help bolster property tax collections and, hopefully, help state governments reduce transfer taxes. This would in the long run simplify the valuation conundrum.

Real Estate Mutual Funds and REITs could bring in a large number of investors in real estate

Potential amendments in investment guidelines of insurance companies and retirement funds could encourage them to become CMBS investors

C – Potential for New Investors

The introduction of REMFs/REITs¹² will go a long way towards institutionalizing the real estate sector and bringing in a larger number of investors.

Changes in investment guidelines for insurance companies and retirement funds could broaden the potential CMBS-investor base.

Insurance companies and retirement funds are ideally suited for investing in CMBS. But currently, their investment guidelines leave only a little room for securities other than government securities. But it is possible that these rules may evolve.

Indeed, the same rules have also restricted appetite for other types of paper, including RMBS, which are seen as important by policy makers.

Basel II places CMBS on a favorable footing vis-à-vis plain loans

The new Basel II regulations governing bank capital also place CMBS on a favourable footing vis-à-vis plain loans.

While all bank exposures to the commercial real estate sector is risk weighted at 150% (regardless of the credit rating), exposure to CMBS will be risk weighted as per their ratings.

Securities rated the equivalent of **Aaa** to **A** on the national scale will rank for risk weighted purposes from 50-100%, lower than the 150% prescribed for direct exposure to commercial real estate.

More limited access to bank funding could boost alternative funding

The RBI's concerns regarding overheating in some pockets of the real estate sector – which may translate into an increase in risk weighting for exposures to commercial real estate, sectoral caps and appeals to commercial banks to curtail lending to the real estate market – could limit the sector's access to bank funding, thereby encouraging participants to consider alternative funding.

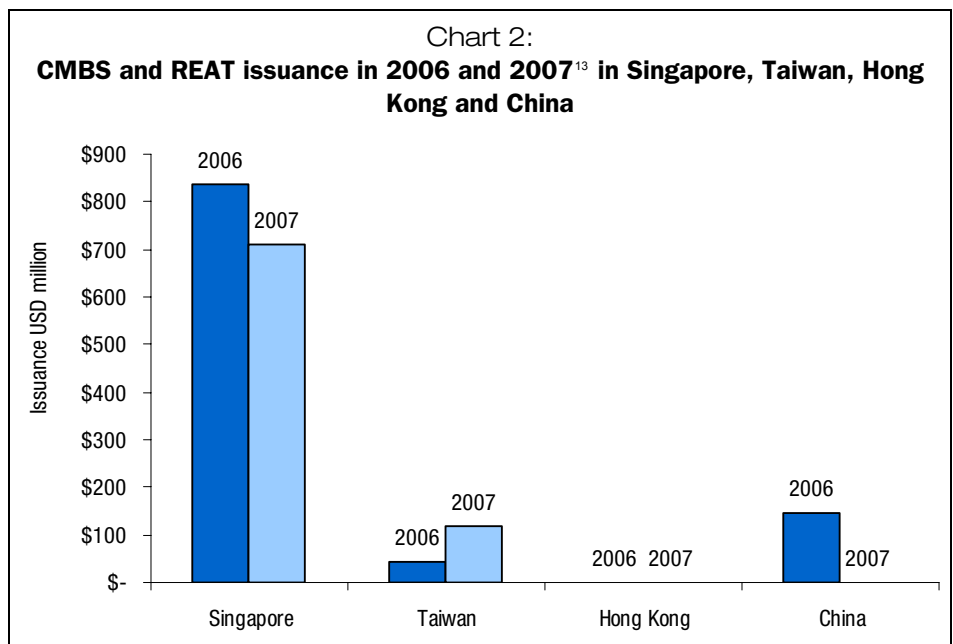
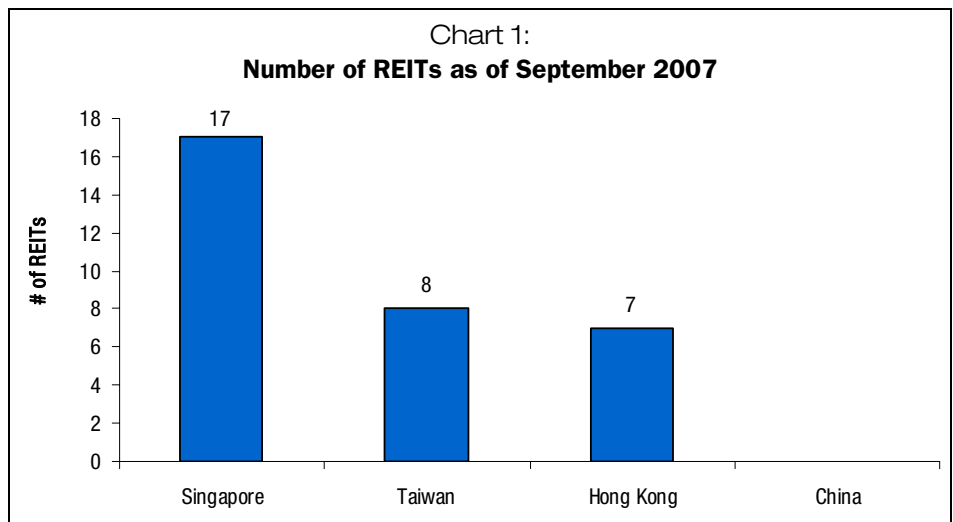
Relative advantages of CMBS could be more significant for smaller developers

Hence, the pricing advantages for CMBS could become even more significant for those smaller developers, which do not get access to the bank pricing available to the larger entities.

OTHER CMBS / REAT MARKETS IN EX-JAPAN ASIA

Since 1999, Moody's has publicly rated 21 CMBS or REAT transactions in ex-Japan Asia. Included in this report are four ex-Japan Asian markets. Singapore has been the most active recently: 96% of Moody's rated issuance in Singapore was REIT-originated, and 91% cross-border.

¹² While SEBI is yet to issue detailed guidelines for REITs, the regulations for REMFs were announced in April 2008.



A – Singapore Leading the Way

Singapore biggest REIT market in Asia, excluding Australia and Japan

Excellent environment for REITs and CMBS

URA reliable database on property values

13 Moody's publicly rated CMBS to date

The CMBS market in Singapore has been robust. The majority of its transactions were originated by REITs. As of 2007, 17 REITs were listed in Singapore and worth USD18 billion¹⁴ in market capitalization.

The success of the CMBS market has been mainly due to Singapore's favorable macro-economic conditions, government policies to promote the city as a financial hub, the upward trend in the property cycle, and Singapore's favourable REIT code in particular its gearing limit.

Among measures to promote transparency and efficiency, the Urban Redevelopment Authority (URA) acts as the official government database on property values. It provides searches for and access to a diversity of property-related information.

Since the first REIT was launched in Singapore in 2002, Moody's has publicly rated 13 CMBS, included 12 sponsored by 7 REITs¹⁵. Investors have become familiar with these transactions, which have also contributed to their success.

There have been a wide variety of commercial properties securitized, from retail and office buildings to industrial and business parks, logistics buildings and warehouses.

¹³ 2007 issuance in Singapore includes ABCP used to fund real estate-backed transactions

¹⁴ Source: Reuters

¹⁵ One of the originators – RCS Trust – is a joint venture of 2 REITs

Deferred payment deals another prominent asset class in Singapore

In addition to traditional CMBS, which rely more on going-on rental collections and the value of mortgaged properties, another prominent asset class in Singapore is securitization of progressive/deferred payments from the purchasers of yet-to-be completed residential projects. Through such a securitization exercise, developers recoup the initial project investment costs and fund the remaining construction costs.

Among the first Asian CMBS in 1999 and 2000

Four CMBS in Hong Kong were rated by Moody's in 1999 and 2000. At that time, developers lacked funding sources. But with abundant liquidity, CMBS issuance ground to a halt in 2001.

First REIT in 2005; two new REITs listed in 2007

In 2005, the first REIT was launched by the Hong Kong Housing Authority on behalf of the government. As of December 2007, there have been 7 REIT listings.

A favourable framework, but conventional funding abundant

Their properties are in Hong Kong and China. The types range from car parks, retail, commercial to office buildings.

The most recent IPOs were Regal REIT and RREEF China Commercial Trust in March and June 2007.

Hong Kong REIT code appears to be less favourable in comparison with Singapore

The securitization market in Hong Kong is equipped with a clear legal framework, seasoned intermediaries and records in CMBS issuance. However, ample liquidity in the capital market – coupled with lower cost funding alternatives – has made CMBS less attractive for potential originators.

As a result, unlike Singapore, Hong Kong REITs have not driven CMBS issuance. In addition to abundant local liquidity, this could also be due to certain restrictions under current regulations, including a prohibition on real estate development activities by such entities, a 2-year minimum real estate holding period, and a maximum 45% gearing ratio.

Legal framework for REITs and REATs since 2003

C – Taiwan: Sporadic Issuance Expected

The Real Estate Securitization Law (RESL) was enacted in July 2003 and provides a sound legal foundation for the development on REIT and REAT in Taiwan. Other than the absence of a mortgage, all the essential elements in a REAT deal are the same as those in any CMBS.¹⁶

***8 REITs and 9 REATs to date
Smaller transactions compared to Singapore***

As of 31 December, 2007, a total of 8 REITs and 9 REATs have come to the market (chart 3 in appendix A). The average REAT size¹⁶, close to USD75 million as of 31 December, 2007, is typical of domestic transactions in Asia, while average CMBS issuance in Singapore was USD236 million over the last two years and mostly cross-border.

Limited diversification of properties

The underlying properties of Taiwan real estate securitization deals are office buildings, and only a few are retail, logistics and serviced apartments. In addition, these properties are highly concentrated in Taipei.

Taiwanese REITs are not driving REAT deals

Unlike REITs and CMBS in Singapore, Taiwanese REITs are not driving REAT deals. REAT cannot be used by Taiwanese REITs as an optimized funding source.

Sluggish trend in rentals, lack of growth and abundant liquidity decrease market potential

Although it has a well-structured legal framework, Taiwan's real estate securitization market is constrained by the lack of growth in the commercial real estate market and abundant liquidity.

Restrictions on REIT and REAT investments

In addition, there are restrictions on the type of properties in which the trusts can invest. REIT and REAT are only permitted to invest in properties generating steady income. Investments in developing or undeveloped real estate are not allowed.

To further assure the asset quality of a REIT, regulators posted stringent standards in July 2006 on asset diversification and quality. Such guidance provides better protection to investors.

But, on the other hand, it may also suppress supply of new REITs. Since the announcement of these standards, only one new REIT has come to the market.

¹⁶ For more information, refer to our special report: Taiwan's Securitization Market – Solid Growth in a Nascent Market, February 2006

D – China: Developing Framework, Huge Potential for CMBS

CMBS debut in 2006

The first CMBS debuted in China in 2006. The USD145million Dynasty transaction was cross-border and backed by 9 retail properties in various capital cities of China.

The transaction was successfully launched in spite of complications associated with its multi-jurisdictional structure and the security package needed to address legal and administrative issues.

The structure used in the first CMBS is of very limited application due to new regulations

The Chinese government has introduced measures to curb excessive growth in the real estate market and to reduce speculative activities. These measures govern the property holding structure, the level of registered capital of a real estate Foreign Investment Enterprise (FIE), and the use of shareholder loans for capital injections and distributions.

As a result, the structure used in the first CMBS is of very limited application. As such, future China CMBS may need to incorporate adjustments to property holding structures and changes in relevant security packages.

New Property Law: improvement in legal framework

The PRC Property Right Law (Property Law) was promulgated and approved by the National People's Congress (NPC) on 16 March 2007 and effective 1 October 2007.

One section involves the grant of security interests over property in various forms, including mortgages, pledges and lien. With regards to CMBS, the most notable changes concern the expedited enforcement procedures.

Mitigant to the tax burden: transfer of mortgages only

The tax concerning property transfer is a significant issue for CMBS issuance. However, potential domestic transactions could transfer just the mortgage rights – instead of the property – to a Special Purpose Trust (SPT). As such, stamp duty would not apply.

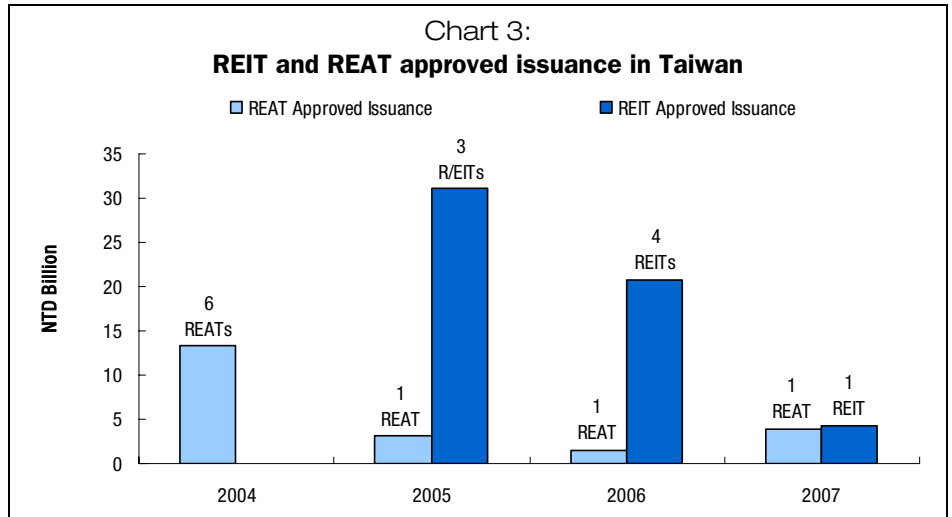
3 “Chinese” REITs listed offshore but Chinese regulatory framework still to be developed

To date, 3 REITs focusing on Chinese assets have listed offshore: one in Singapore – CapitaRetail China Trust – and two in Hong Kong – GZI REIT and RREEF China Commercial Trust which listed in June 2007. But China lacks a framework for domestic REITs.

China has potential for sustainable growth in CMBS in the long run

Moody's still believes that China has the potential for sustainable CMBS growth. Some of the positive economic factors include continuous growth of the Chinese economy; increasing numbers of foreign enterprises; the 2008 Olympic Games, and the 2010 Shanghai World Exposition.

APPENDIX A – REIT AND REAT APPROVED ISSUANCE IN TAIWAN¹⁷ (NTD BILLION)



¹⁷ Source: Banking Bureau; Approved Issuance as of 31 December 2007; Maximum approved issuance for REITs; including subordinated pieces for REATs

APPENDIX B – LIST OF ASIAN CMBS/REIT PUBLIC TRANSACTIONS RATED BY MOODY'S

Location of Assets	Closing Year	Name of the Issuer	Class	Issuance (millions)	Rating
China	2006	Dynasty Assets (Holdings) Ltd.		USD 145.00	A2
Singapore	2003	Silver Maple Investment Corporation Ltd.	Series 018 RCF *	USD 72.10 Up to SGD 52	Aaa Aaa
Singapore	2004	CapitaRetail Singapore Limited	A B C	EUR 67.50 EUR 13.50 SGD 33.00	Aaa Aa2 A2
Singapore	2004	Silver Loft Investment Corporation	A1 A2 A3 A4	USD 90.00 USD 147.00 USD 47.00 USD 56.60	Aaa Aaa Aa2 A2
Singapore	2004	Silver Maple Investment Corporation Ltd.	Series 022 2nd RCF *	USD 195.50 Up to SGD 20	Aaa Aaa
Singapore	2004	Emerald Assets Limited	P1-AAA-001	EUR 144.00	Aaa
Singapore	2005	Platinum AC1 Limited		EUR 320.00	Aaa
Singapore	2005	Orion Prime Ltd.		EUR 186.20	Aaa
Singapore	2005	Silver Maple Investment Corporation Limited	RCL * S 025	Up to SGD 70 USD 255.50	Aaa Aaa
Singapore	2006	Blossom Assets Ltd.	A B	EUR 80.40 EUR 15.00	Aaa Aa3
Singapore	2006	Silver Oak Ltd.	A1 A2 B	USD 427.00 EUR 30.00 USD 86.50	Aaa Aaa Aa2
Singapore	2006	Star Topaz Ltd		SGD 260.00	Aaa
Singapore	2007	Silver Maple Investment Corporation Limited		EUR 175.00	Aaa
Singapore	2007	Emerald Assets Limited		EUR 197.50	Aaa
Taiwan	2004	Entrustment of Tong Yang Chia Hsin International Corp. IBM Building to International Bank of Taipei	A B	NTD 1,630.00 NTD 500.00	Aaa.tw A3.tw
Taiwan	2005	Entrustment of Shin Kong Zhong Shan Building to Land Bank of Taiwan	A B C	NTD 873.00 NTD 223.00 NTD 124.00	Aaa.tw A2.tw Baa3.tw
Taiwan	2005	Entrustment of Shin Kong Dun Nan Building to Land Bank of Taiwan	A B C	NTD 1,130.00 NTD 400.00 NTD 120.00	Aaa.tw A2.tw Baa2.tw
Hong Kong	1999	Harbour City Funding (1) Ltd	A B C	USD 329.46 USD 119.97 USD 125.68	Aaa Aa2 A2/A3
Hong Kong	1999	Hong Kong Turbo Mortgage Funding Limited	A B	USD 241.36 USD 60.99	Aaa Aa2
Hong Kong	1999	Windsor House Securitisation Limited	A B C	USD 133.13 USD 45.02 USD 56.76	Aaa Aa2 A3
Hong Kong	2000	Commercial Plaza Securitisation	A B C D E	HK\$492.00 HK\$215.00 HK\$159.00 HK\$186.00 HK\$195.00	Aaa Aa3 A3 Baa3 Ba3

* Revolving Credit Facility

RELATED RESEARCH

Special Reports

- 2007 Review and 2008 Outlook - Structured Finance in India: Growth Continues,, March 2008 (SF125198)
- 2007 Review and 2008 Outlook - Asian Structured Finance: Will the Year of the Rat Prove More Favorable for Cross-Border Markets?, March 2008 (SF127997)
- ICRA Rating Feature: update on Indian Structured Finance Market, June 2007
- Indian Real Estate and the prospects for REITs, June 2007 (103316)
- 2007 First Half Review and Second Half Outlook - Asian Structured Finance, September 2007 (SF105602)
- 2007 First Half Review and Second Half Outlook - Structured Finance in India, September 2007 (SF105601)
- 2007 First Half Review and Second Half Outlook - Structured Finance in South Asia, September 2007 (SF105739)
- 2007 First Half Review and Second Half Outlook - Structured Finance in Taiwan, China, Hong Kong , September 2007 (SF105628)
- 2006 Review and 2007 Outlook: Asian Structured Finance, January 2007 (SF90208)
- Taiwan's Securitization Market –Solid Growth in a Nascent Market, February 2006 (SF68237)
- Securitization in New Markets: Moody's Perspective, September 2006 (SF74362)

Rating Methodology Reports

- Moody's Approach to Rating Real Estate-Backed Transactions in Taiwan, March 2005 (SF53256)

New Issue Reports

- Silver Maple Investment Corporation Ltd, CMBS / Singapore, February 2007 (SF90911)
- Okeanos Investment Corporation Limited, ABS / Singapore, January 2007 (SF90913)
- Dynasty Assets (Holdings) Limited, CMBS / People's Republic of China, October 2006 (SF84749)

To access any of these reports, click on the entry above. Note that these references are current as of the date of publication of this report and that more recent reports may be available. All research may not be available to all clients.

SF120803isf

© Copyright 2008, Moody's Investors Service, Inc. and/or its licensors and affiliates including Moody's Assurance Company, Inc. (together, "**MOODY'S**") and/or **ICRA** Limited and/or its licensors and affiliates (together, "**ICRA**"). All rights reserved.

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY COPYRIGHT LAW AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S AND ICRA'S PRIOR WRITTEN CONSENT. All information contained herein is obtained by **MOODY'S** and **ICRA** from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, such information is provided "as is" without warranty of any kind and **MOODY'S** and **ICRA**, in particular, make no representation or warranty, express or implied, as to the accuracy, timeliness, completeness, merchantability or fitness for any particular purpose of any such information. Under no circumstances shall **MOODY'S** or **ICRA** have any liability to any person or entity for (a) any loss or damage in whole or in part caused by, resulting from, or relating to, any error (negligent or otherwise) or other circumstance or contingency within or outside the control of **MOODY'S** or **ICRA** or any of their directors, officers, employees or agents in connection with the procurement, collection, compilation, analysis, interpretation, communication, publication or delivery of any such information, or (b) any direct, indirect, special, consequential, compensatory or incidental damages whatsoever (including without limitation, lost profits), even if **MOODY'S** or **ICRA** are advised in advance of the possibility of such damages, resulting from the use of or inability to use, any such information. The credit ratings and financial reporting analysis observations, if any, constituting part of the information contained herein are, and must be construed solely as, statements of opinion and not statements of fact or recommendations to purchase, sell or hold any securities. **NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY SUCH RATING OR OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S OR ICRA IN ANY FORM OR MANNER WHATSOEVER.** Each rating or other opinion must be weighed solely as one factor in any investment decision made by or on behalf of any user of the information contained herein, and each such user must accordingly make its own study and evaluation of each security and of each issuer and guarantor of, and each provider of credit support for, each security that it may consider purchasing, holding or selling.

MOODY'S hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by **MOODY'S** have, prior to assignment of any rating, agreed to pay to **MOODY'S** for appraisal and rating services rendered by it fees ranging from \$1,500 to approximately \$2,400,000. Moody's Corporation (MCO) and its wholly-owned credit rating agency subsidiary, Moody's Investors Service (MIS), also maintain policies and procedures to address the independence of MIS's ratings and rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold ratings from MIS and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually on Moody's website at www.moody.com under the heading "Shareholder Relations - Corporate Governance - Director and Shareholder Affiliation Policy."

ICRA is an associate of **MOODY'S**. **MOODY'S** has a minority share ownership stake in **ICRA**.