



OAK INVESTMENT MANAGEMENT GROUP



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Trust in Real Estate

Trust is an important part of real estate. Long lag times between an in principle agreement, exchange of contracts and completion mean that there are many issues that can get in the way of doing the deal. Similarly, long cycles between putting in investment or asset management plans and their execution can obfuscate the performance of a manager.

In order to overcome these inevitable issues – whether a counter-party in a deal or with a manager – trust in the credibility, trust in the integrity of your counter-party or partner as well as trust in the mutually agreed outcome is paramount. It is very hard to execute a deal or manage a real estate investment without this trust. Where does this trust come from?

The best form of trust in real estate emerges from a straightforward track record of purchases / disposals / stewardship of real estate assets. It is only under the pressure of buying / selling / managing a real estate asset that you see a potential counter-party or partner for better and for worse. This experience allows an illuminated understanding of what can be done as well as what cannot be done – it also allows for leeway when wrinkles arise.

With the above experience comes a professionalism to diligence and pre-diligence that allows estimations of timescale (one of the most important elements of forecasting in real estate) to be broadly correct. Nothing frustrates all parties to a deal or stakeholders to an asset more than timescale that is dysfunctional or unrealistic. It also means that parties won't 'feint' too much their commercial objectives and waste time posturing. After all the principal guiding star of future trust in one another is that the commercial 'game' is an iterative one.

Also, in real estate it is of essential importance to orchestrate many parties in a coherent way. If it is a transaction then it will be many professional parties including lawyers, accountants, valuers and surveyors as well as bankers (possibly independent mezzanine providers), and the equity providers themselves on the one hand, and in likelihood all of the opposite numbers for the other team. In this 'inter-group' activity trust is very important, as it gives the benefit of the doubt to the misunderstandings that can develop when two such big groups of people start their dialogue with one another. This is not to say that they should be any less commercially minded or blind to the risks involved, but it does mean that disagreements or provocations won't be caused through misunderstanding of each other's positions.

Trust in business boils down to a justified belief that your counter-party says what they mean, and does what they say. Any business is utterly reliant on this honesty of communication as well as clarity of purpose in people's actions. Real estate transactions take longer, involves large lot sizes and has many stakeholders, as a result the premium placed on trust is a lot higher than most sectors.

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