



MONGOLIA GROWTH GROUP REAL ESTATE STRATEGY

REAL ESTATE STRATEGY IN MONGOLIA

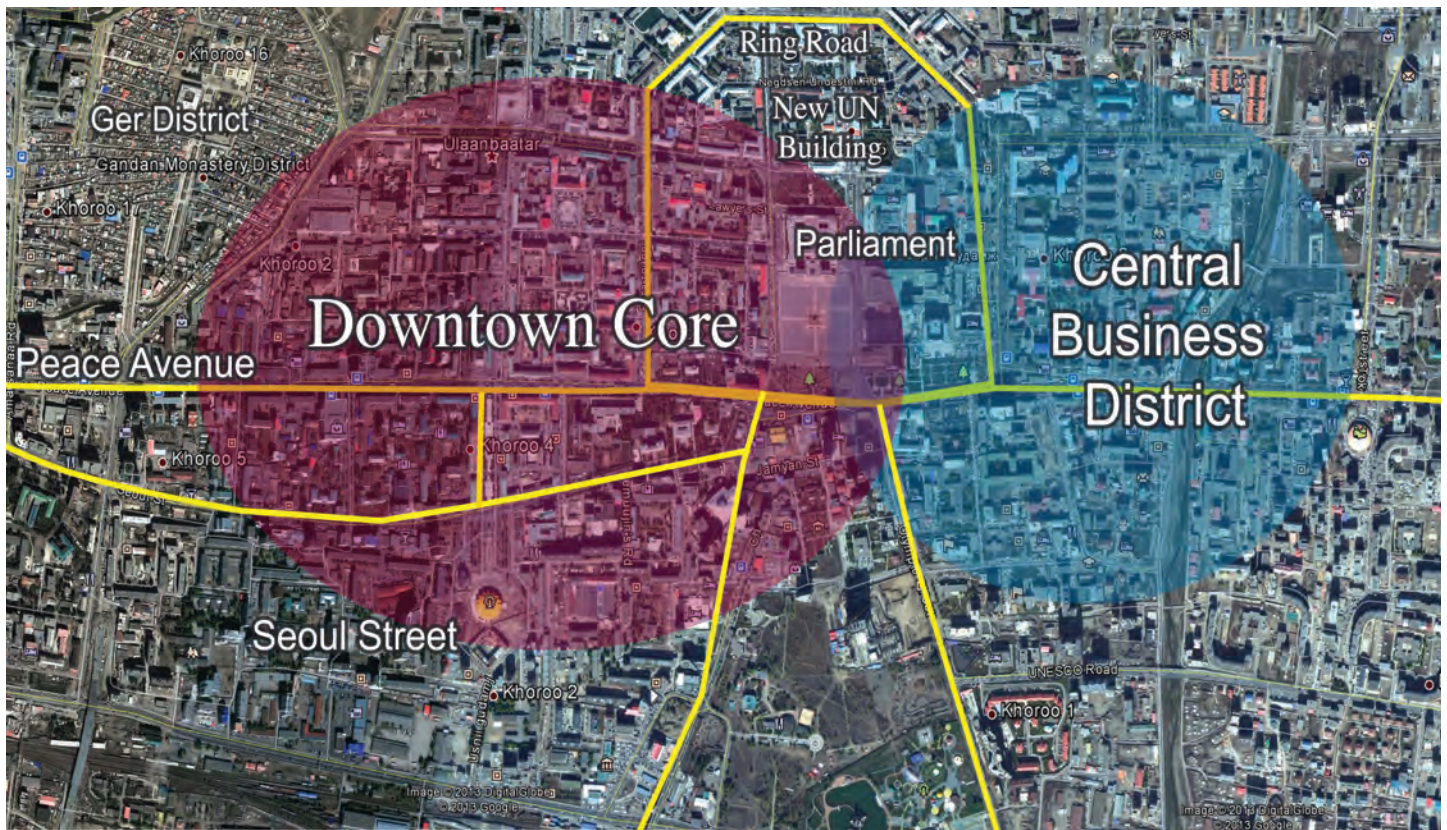
In an emerging economy, the real estate sector is highly correlated to growth in GDP and disposable income. At MGG, we see real estate as a pure way to gain leverage to the substantial growth that is occurring in Mongolia. At the same time, real estate allows us to be involved in the process of reshaping the city by building modern, safe and aesthetically pleasing buildings that will be around for decades into the future.

Real estate is all about location. Our research into other emerging economies shows that when an economy strengthens substantially, one should focus on property in the heart of the largest city. This is because eventually, older buildings are replaced by modern skyscrapers. This increase in building density increases the value of all adjacent structures as they become prized for their redevelopment potential.

At MGG, we have focused our attention on the downtown of Ulaanbaatar, as it is by far the largest city in Mongolia. More importantly, we see geographical factors that will highly influence the downtown, even more so than in other emerging market cities.



Ulaanbaatar is in a valley and hemmed in to the north and south by mountains that restrict development in those directions. This valley is itself bisected by a river and railroad tracks. The city sprawls to the east and west; however, there is only a single two lane road that cuts through middle of the city, Peace Avenue, which leads to interminable traffic congestion. Frequently, the 10km commute from the fringes of the city to the downtown can sometimes take 2 hours. Due to these factors, we believe that the city will concentrate into the downtown core so that people can walk from their jobs, to their homes and to quality shopping and entertainment. These factors should accelerate the process of vertical development and lead to the downtown becoming the most prized property in Ulaanbaatar.



The two key regions in Ulaanbaatar are the older historic Downtown Core to the west and the newer Central Business District to the east.

The historic Downtown Core is made up of residential buildings built during the 1940s to 1960s by the Soviets. Following the end of Communism, the apartments fronting pedestrian streets converted into commercial locations and built extensions to increase their footprints. These locations along Peace Avenue and Seoul Street are now some of the most valuable retail shopping locations in the city.



The Central Business District (CBD) has evolved by replacing older structures with modern skyscrapers to serve the business community. The CBD is within walking distance of many of the restaurants and shops in the Downtown Core along with much of the new residential space being built within the downtown.

Our strategy is to buy high quality retail locations on the main streets along with new structures just off the main streets.

At the same time, we are focused on accumulating redevelopment properties that will one day become the modern structures of Ulaanbaatar's future.