Good afternoon.

Welcome to:
The Globalization of Cities
How to remain competitive
in a new era of real estate.

What do we mean by
The Globalization of Cities?

What's the idea here?

And what does it have to do
with selling real estate?

As economies have globalized,
prominent cities around the world
have become ***more*** interconnected
with prominent cities
in **other** countries than they are
with less prominent cities
in their **home** countries.

Through its business firms,
London is more connected
with New York, Chicago and San Francisco
than it is
with other major British cities.

In many ways, New York
is more connected
with Tokyo, Rio, Mumbai and Hong Kong
than it is with,
say,
Salt Lake City, Utah.

(If you feel obligated
to mention a state or country
after a city's name,
it doesn't qualify
as a global city.)

Global companies have offices
in global cities.

Executives often rotate
to assignments
in one global city after another.

People who live in global cities—
especially wealthy people—
are often more oriented—
intellectually, educationally and culturally—
to other global cities
than to cities
in their home countries.

On vacations,
wealthy people travel
not to their own countrysides or smaller cities
but to other global cities.

In effect, global cities have become
a network.

When people
in these cities
think about the world,
they think about other cities
in the global network.

When wealthy people
who live in global cities
purchase new primary residences
or second homes,
many purchase properties
in other global cities.

Currently,
the ten cities most important
to wealthy people around the world are
London,
New York,
Singapore,
Hong Kong,
Geneva,
Shanghai,
Dubai,
Miami,
Paris
and Beijing.

This global network of cities
creates an enormous opportunity
for real-estate agents and brokers
to sell luxury residential properties
to the wealthy people
who live in them.

Today,
selling globally
is an **opportunity**.

Given the greater dynamism
of some economies
than that of the U.S. economy,
marketing luxury homes globally
is becoming
a **necessity**.

To sell effectively
in the network of global cities,
we real estate agents and brokers
need networks of our own.

When we are networked with one another,
we are better able
to match properties anywhere
with buyers from anywhere.

At Nest Seekers,
where I work,
we take a global networking approach
to matching luxury residential properties
with wealthy people—
wherever they may live.

Perhaps some of what we have figured out
at Nest Seekers
can help you
expand your network
into the global market
for luxury residential properties.

If you like how we approach
the global market,
perhaps you will want to become
part of our network.

I've synthesized what we have learned at Nest Seekers
into Ryan's Ten Commandments of Global Marketing.

Other speakers today
have addressed one or two of these initiatives
in greater detail.
If you were texting or checking your email then,
you get a second chance
to pay attention.

Commandment number one:

Know thine potential buyers— globally.

The primary buyers
of luxury residential properties
are the global wealthy—
wealthy people who live in global cities.

Today, the twenty cities
where the most wealthy people live are—
in rank order—
New York,
London,
Tokyo,
San Francisco, Los Angeles,
Beijing, Mumbai, Hong Kong,
Sao Paulo, Rio de Janeiro,
Delhi, Mexico City,
Osaka, Shanghai,
Chicago, Paris,
Houston, Washington DC, Dallas
and Toronto.

Globally,
high net-worth individuals—
defined as individuals
who have investable assets
of more than $30 million—
own an average of 3.3 homes.

Their main residences
and their second homes
account,
on average,
for more than a quarter
of their net worth.

The twenty-five leading global cities
outside of the United States are,
in total,
home to roughly the same number
of high net-worth individuals
as is the entire U.S.

If you're marketing only
to wealthy people in the U.S.,
you're overlooking half the people
who have the means
to buy luxury residential properties.

Over the next ten years,
the number
of high net-worth individuals in the world
is forecast to rise
by 95,000 people.

The ten cities
whose populations of wealthy people
are expected to grow fastest
over the next ten years
are, in order:
Shanghai, Rio de Janeiro, Sao Paulo,
Mumbai, Beijing, Delhi,
Mexico City, Hong Kong,
Houston and San Francisco.

For many people,
new acquisition of wealth
stimulates in them
the desire
to acquire
a new luxury residential property.

Think about it:
If you give a billion dollars to a person
who lives in a castle
and a billion dollars
to a person who lives with her family
in a one-bedroom apartment,
which person is going
to be in a bigger hurry
to buy a new home?

Knoweth what the global wealthy seek.

The global wealthy
value the lifestyle
that comes with open, cosmopolitan
environments.

Buyers from global cities
may seek some combination
of the high cultural,
luxury-consumer,
high-end social
and elegant-dining experiences
available in cities like New York and L.A.

The global wealthy
seek
both personal and property security.

They want second homes
in locations that provide
a long-term safe haven for capital.

If they have college-bound children,
they may seek a home
in a city
that has prestigious universities.

In general,
buyers of second homes
are less concerned
about tax environments
and establishing new business links.

People from other countries
often think of New York City the way
that tourists do;
not in the nuanced way
that local buyers do.

One buyer told me explicitly
that the first thing he cared about
was prime location.

To him,
prime location meant a location he had heard of:
overlooking Central Park,
in SoHo,
on Fifth Avenue
or on Park Avenue.

To foreign buyers,
these are brand names that you can bank on—
always.

Many foreign nationals
value living in close proximity
to celebrities.

I was showing a midtown penthouse
to a seemingly conservative financial executive
from Japan.

I mentioned that Puff Daddy
lived in the same apartment
a few floors below.

His face lit up.
"My son," he said,
"is a big fan
of Puff Daddy."

The next thing I knew,
we were putting a deal together.

Advertise to thine buyers where they dwelleth.

To find out about properties
available in distant markets,
the global wealthy read advertising.

To get your name and properties
in front of these people,
advertise directly to them.

At Nest Seekers,
we advertise
in many major international publications.

These include
The International Herald Tribune,
SouFun,
The Wall Street Journal,
Financial Times,
and any publication
that is local and read by wealthy people
in global cities.

Advertising overseas
is the #1 way
for you to build
your client base.

Buildeth— not an ark— but a global network.

To expand your business
on a global scale,
you need a network.

One way to build a network
is to set up offices
in globally important cities.

At Nest Seekers,
we have offices in three global cities—
New York, Miami and L.A.
All three are essential
to serving our global buyers and investors.

In addition to these,
we have affiliate offices with agents
in global cities around the world.

Whenever we have a property
that we think might be of interest
to an affiliate's clients,
we pick up the phone
and let them know.

For instance,
we might let an affiliate in Beijing
know that we have a new property
in New York
that offers rental returns of 4% now
and promises an appreciation of 20% or more
in four or five years.

Via Skype,
we show videos of U.S. properties
to our affiliates' clients in their offices.

If one of our clients
is moving to Hong Kong,
we refer them to a broker there
with whom we have a relationship.

Our affiliate,
in turn,
can refer our client
to bankers and other professionals
in Hong Kong
whose services he or she may need.

Recently we were marketing
a luxury residential property
in the south of France.

An affiliate broker in France
arranged for the photography for us,
listed the property for us
and introduced us
to his prospective buyers.

We sold the property
for $16 million Euros—
with us doing our part
from our offices in Tribeca.

Knoweth thine properties.

The key to working
with international property investors
is to be knowledgeable
about prime product.

If you have concentrated
your real-estate practice in New York,
you may think
that buyers from other countries
shop for real estate the same way
that New Yorkers do.

In one important respect,
that is not the case.

Buyers' brokers
are unique to New York.
The global wealthy
shop for property
on their own.

When they are buying
in your market,
the only way to convince them to work with you
is to prove to them
that you have more knowledge than they do
about what they want to purchase.

At Nest Seekers,
our listings include luxury properties
in New York City,
the Hamptons,
Los Angeles
and Miami.

For each of these properties,
I can discuss with a potential buyer
not only the property itself;
but also:

the identities and lifestyles of neighbors;

the pricing history of properties
in the neighborhood
and their trends;

the tax obligations
associated with the property;

closing costs;

real estate laws and regulations;

safety and security of the neighborhood—

in short, anything and everything
associated with the property.

Often,
your foreign buyer
will be buying
in the U.S.
for the first time.

When they are,
embrace your role
as his or her gateway
to the U.S. market
and to the value
of the properties
you are showing.

Make yourself
your buyer's center
of information and knowledge.

Explicate the tangibles.

Explicate the intangibles.

Explicate the social context
of the property.

Through rich explication
of a property's tangibles and intangibles,
you can increase the value
of the property
in the minds of your buyers.

Your knowledge
can create value—
value that can turn a property's asking price
into a bargain.

Prepareth to compare market to market.

People who can buy anywhere
want to know
not only
how one property
compares with another,
but also
how the current dynamics
of different real-estate markets
compare with one another.

In discussions with buyers,
I am prepared to talk about
the global real estate market
and how New York City
fits into it.

I can talk about
what the London market is doing,
what Hong Kong is doing,
what Brazil is doing
and what other markets are doing.

I can make a case
for why an international buyer
should buy in New York City.
I can answer the questions
that he or she has:

What's the value proposition?

Where is the best return?

I can discuss
how return calculations differ
from market to market.

For example,
in New York City,
for properties sold for more than $500,000,
the combined city and state
property transfer tax
is 1.825%.

In Hong Kong,
the stamp duty—
which is the comparable tax—
ranges from 4%
for the equivalent of $500,000 US
to 8.5%
for the equivalent of $3 million US and over.

London
has a 7% stamp duty
on homes sold for over 2 million pounds.

Someone has to pay these taxes
when the investor buys the property
and again when the investor sells.
At both ends, the taxes take value
out of the property.

Hence,
when you compare
all the costs of buying and owning
in the New York market
versus
all the costs of buying and owning
in other markets,
the returns in New York
often look much better
than returns available elsewhere.

The purchase price may be relatively high,
but the other costs are relatively low.

To all prospective buyers,
I point out
that the New York luxury market
can weather a recession.

In the recession
of the past six years,
there was no change
in the value
of New York luxury properties.

Why?

People who can afford these properties
don't need
to dump them
in a recession.

Hence, there are no lower comps
to put downward pressure on prices.

Today,
in the New York market,
all fear is gone.

Consumer confidence is back.

See-eth how what happeneth
in one land
changes house prices
in every land.

In the market for luxury residential properties,
the supply and demand
that determine market prices are
global supply
and ***global*** demand.

Political and economic developments
anywhere in the world
can have spill-over effects
on real-estate markets
everywhere.

Price reductions in one market
can absorb demand and lower prices
in other markets.

Currency devaluations
can have especially big effects
on real-estate markets.

The devaluation
of British sterling
in 2008
helped drive London real-estate prices
far below
their 2007 peak prices—
when measured in US dollars.

Buyers from countries
that had dollar-pegged currencies
made a lot of purchases.

Changes in a country's currency controls
can open a window of opportunity
to sell luxury residential properties
to that country's wealthy.

Recently South Africa relaxed restrictions
on moving money out of the country.

At Nest Seekers, we increased our efforts there.

We were able to complete several deals.

See-eth the world
through thine buyer's eyes.

If your buyers
have created their wealth themselves,
they are knowledgeable
about how the world works.

If they are entering
into a significant transaction with you,
most likely their analysis
of what's going on in their country
will become part
of your conversations.

To bond with them—
to win their trust—
be prepared to draw out their thinking;
and,
perhaps,
offer some views
of your own.

When time and chance
compel people to buy a dwelling
beyond the sea,
increaseth thine advertising.

Change, uncertainty and risk
often create anxiety.

They also create opportunity.

Political developments can shift wealth enormously.

The breakup of the Soviet Union
and the end of communism in Russia
created billionaires
who have been major buyers
of luxury residential properties
in many global cities.

Shifts of government control
from conservatives to populists
can motivate people
to move their wealth
to safe harbors.

China presents an excellent opportunity
to sell into
economic growth and turmoil.

China is well on its way
to becoming the world's largest economy.
Yet its property market
is remarkably immature.

Under Chairman Mao,
taxes on private property vanished—
along with private property itself.

Just two decades ago,
most workers lived in run-down housing
that their state-owned employers provided.

Since then,
home building has boomed.

People are buying their own homes.
Yet who owns a property is not always clear.

House prices have soared.

To restrain housing-price increases,
the government has raised
the down payment required on mortgages.

The government has begun
to implement property taxes.

Property-tax rolls
will make it easy
for the public to find out
who owns what.

Not all
high net-worth Chinese
look forward
to this sort of transparency.

For wealthy Chinese,
all these developments
increase the **relative** attractiveness
of buying properties in New York, Los Angeles
and other locations outside of China.

As these developments and concerns
have ginned up,
we at Nest Seekers have increased
our advertising and listings on SouFun—
a real estate data site
similar to Zillow in the United States—
and in other media
that reach wealthy Chinese.

When you see events
that will change
the established order in a country,
get across the message
that the properties
you have for sale
are in a stable
political and economic environment.

Let the wealthy
in countries in turmoil
know that,
in the United States,
people can own property in their own name.
They can own it
in a child's name.

They get a deed.

The government does not
arbitrarily and whimsically
take people's property away from them.

When the global wealthy
are looking to move their capital
in a flight to quality,
make sure
that your properties
become stores of value
for some of that money.

And Ryan's tenth, final,
and most important commandment is:

Upgradeth thine most valuable property.

What is your most valuable property?

Is it the penthouse condo
with the breathtaking view of the skyline?

The beachfront estate
with heliport and yacht dock?

Is it the four-story townhouse
in the historic district of your city?

No. None of these.

You
are your most valuable property.

Some of you have done commercial
as well as residential
real estate.

In commercial real estate,
what's the first question
that you ask
about every property?

What's the highest,
best use
of this property?

I believe the best use
of you and your resources
is to plug into the global network
of the wealthy.

To carry on
successful conversations and negotiations
with the global wealthy,
you need to see the world
and its real-estate markets
the way they see them.

Make the investment.

Devour the Knight Frank annual *Wealth Report.*
It lets you know
where the wealthy live,
what they care about
and what they're buying.

If you don't already,
subscribe to the *Financial Times*.

Subscribe to *The Economist*.

More importantly,
read them!

At first,
you may find them excruciatingly boring.

But,
little by little,
you'll feel your brain re-wiring.

When you read
about political and economic reforms
in Myanmar,
you'll say to yourself,
"Those reforms are going
to produce wealthy people
who want to send their children
to Stanford or Harvard or Princeton."

Suddenly
you may no longer find
political and economic reform in Myanmar
boring and irrelevant.

You may even want to go there
on a combined business trip and vacation.

There you have
my ten commandments
for tapping
into the global market
for luxury residential properties.

Wealth is being generated
in new places
and flowing into properties
in global cities.

Let's help one another
match the global wealthy to properties
and channel the flow of wealth
in ways
that benefit all of our clients—
and all of us.

Thank you.