A Wake-up Call for a Shrinking World

Apr 25, 2014 Joseph Greenblatt

In a very real sense, the world is shifting around us. You may not see the shift taking place, but you might be missing out on a vast field of opportunity.

This shift is taking place at the hand of foreign investors. For proof, you need look no farther than this year’s annual survey conducted by the Washington, DC-based Association of Foreign Investors in Real Estate (AFIRE).

Polling its 200 international members, representing 21 countries around the world, AFIRE reveals that of the top five international investment targets, four are based in the United States. For the record, while London ranked number 1, New York, San Francisco, Houston and Los Angeles came in at numbers 2 through 4 respectively.

Further, according to the survey, the U.S. remains the most stable and secure country for investment by a margin of more than 50 percentage points over the second country, Germany. This is the widest margin since 2006.

Over the years, I have asked myself what the relevance of taking a more global stance would be for my business. And I’ve certainly asked that question more broadly as it pertains to IREM’s membership. I can in all confidence say now that it’s no longer a question. As the above statistics reveal, an international awareness and sensitivity is vital to our business, regardless of how we define our market—global, regional or local. The trend is clear. As Neil Diamond once said, “They’re coming to America.”

Our membership, indeed real estate practitioners across the globe, needs to take notice of this important development. Despite the old adage, real estate is in effect no longer a local business. It is now playing out on the global stage, and the influx of offshore capital into the U.S. will only continue, especially in the wake of the hoped-for repeal of the Foreign Investment In Real Property Tax Act of 1980.

Many successful real estate practitioners have no intention of conducting business overseas. They have defined their scope of business and sphere of influence as their local market or region. But how prepared are they for the offshore capital invasion?

The question is an important one, because as with all clients and employers, it is incumbent upon the professionals of this industry to anticipate needs that arise. If you are not already, you will
likely soon be working with cross-border, international investors, tenants or developers. In the case of foreign investors, that need may mean needing to understand different cultures and customs. Failing to comprehend their goals is tantamount to turning your back on a potential client.

To fully embrace these goals, we have to be constantly mindful of best practices as defined in their cultures, not just our own. Indeed, how we define terms might be totally opposed to best practices employed elsewhere. In fact, as contrary as this may be to our more nationalistic tendencies, it is possible that we can learn from how things are done elsewhere.

The discussion here is really about moving beyond the status quo, especially if your business goal is to reach beyond mere survival to achieve real growth. What has worked in the past carries no guarantee of success going forward, and this is especially true when the very nature of the clients and employers we serve is shifting.

Our customers have always relied on the knowledge and professionalism we possess to solve their specific problem or need. To assume that the answers they seek can be rooted only in the past is a mistake. They come to us—no matter where they come from—with an expectation of understanding. That is a challenge we must rise to, no matter who is doing the asking.

The foreign invasion I’m describing is nearer than you think. In January of this year, the Royal Institute of Chartered Surveyors (RICS) officially launched an initiative to establish an International Property Measurement Standard for Offices. A true hands-across-the-water movement, RICS has been joined by nearly 40 other associations, including the Building Owners & Managers Association International (BOMA), which itself has long been a champion of measurement standards; CoreNet Global; the Appraisal Institute, the International Monetary Fund and the British Property Federation.

Each of these groups can play a vital part in helping you bridge the knowledge gap between a local and a global business. And I urge every professional to take advantage of the tools that are at your disposal. Gaining an understanding of the cultural and business expectations of global investors, developers and users will be a key to your future.

It is no longer enough to rest on our collective, dare I say provincial, laurels. You may have no plan to manage assets in Shanghai or Prague. But will you be ready when the next wave or foreign investors arrives in your town?

*Joseph Greenblatt, CPM, is the 2014 president of the Institute of Real Estate Management. He also is president and CEO of Sunrise Management, AMO, in San Diego, responsible for directing the day-to-day operations of the company, its portfolio of more than 12,000 residential units, and its 350 employees office in San Diego and Sacramento, Calif; Tempe Ariz; and Las Vegas.*