

GLOBAL PERSPECTIVES

TO LOCAL, INTERNATIONAL & LIFESTYLE REAL ESTATE



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> GLOBAL CITIES

URBAN GROWTH: *Challenges on a Global Scale*

According to the United Nations, the world's urban population is expected to increase by 380 million people by 2020. Pause for a moment and consider what 380 million more urban dwellers means. As Knight Frank points out, that's the equivalent of building five cities the size of Los Angeles every year between now and 2020, plus all the supporting infrastructure.

That level of growth would trigger a huge demand for every type of urban real estate—and huge opportunities for global real estate agents. To capitalize on those opportunities, however, real estate practitioners need to stay in the know about the challenges facing global cities, including who is involved in addressing these challenges and specific development plans.

For elected officials and urban planners, success requires **identifying the best investments** over the long term (while also eliminating wasteful practices), then carefully planning each step in the process. It takes patience, tenacity, and long-range vision. It's not unlike tackling a complex real estate development project. Your expertise in such endeavors may be a welcome addition to planning teams.

Cities with strong links to the global economy will have a distinct advantage over those that take a more insular view. Even second-tier players are becoming "global cities" by examining their unique competitive advantages, then implementing policies that attract additional global trade and investment. *(See page 3 for specific examples in the U.S.)* It's a trend that proves, once again, that "global" is the place to be!

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URBAN GROWTH:

Challenges on a Global Scale

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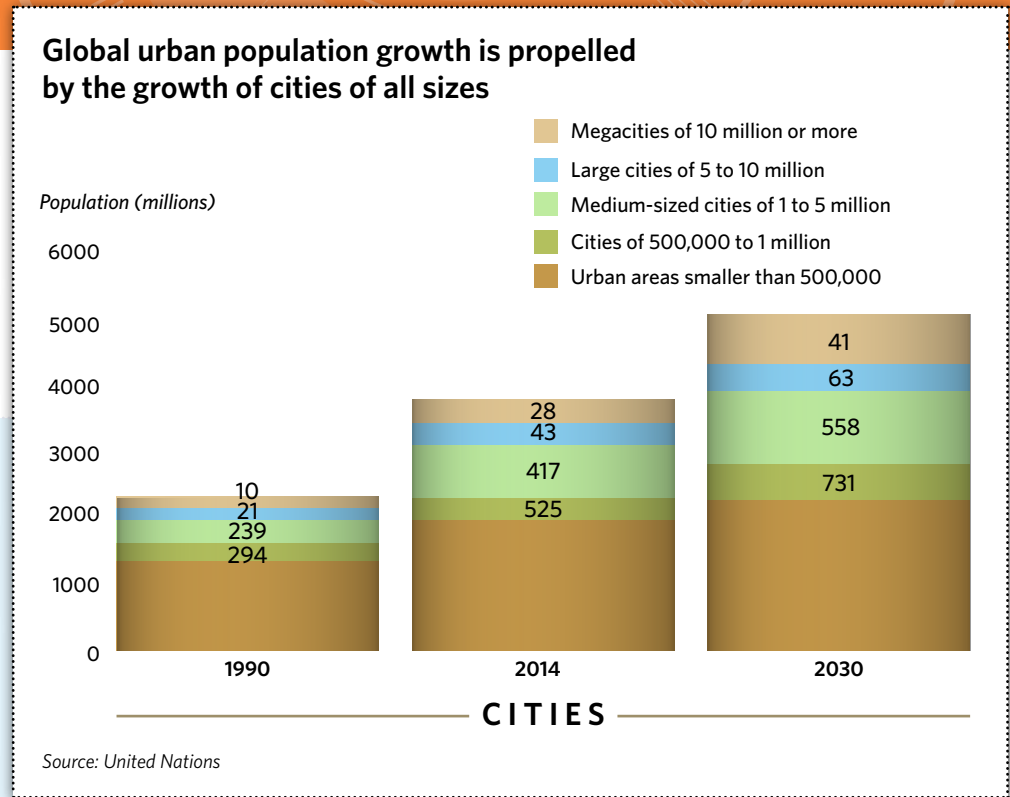
Best Practices

As urban planners, government policy-makers, investors, and real estate developers work together to shape our future cities, what are some of their most important considerations? According to Hugh Kelly, a Clinical Professor of Real Estate at the NYU Schack Institute of Real Estate and 2014 Chair of the Board for the Counselors of Real Estate (CRE), they include:

Cities vs. suburbs - Economic growth should not be a matter of urban centers prevailing over their suburban communities, or vice versa. As Kelly points out in his new book, *24-Hour Cities: Real Investment Performance, Not Just Promises*, the most vibrant urban areas are those with a strong core and strong suburbs.

"It's not a zero sum game," says Kelly. "Incomes earned from high-paying jobs in the city are spent throughout the region." In some cases, like San Francisco, the flow between home and work may be reversed. Adobe, for example, funds employees' commuting costs to Palo Alto if they prefer living in downtown San Francisco, while Google runs its own shuttle buses.

Transportation - Cities must constantly reinvest in their transportation infrastructure—and the cost could spike dramatically as driverless cars enter the scene, potentially requiring a complete overhaul of our roadways (adding sensors, monitors, etc.) and introducing new density problems (parking spaces for more idle cars).



"While the technology is exciting, I don't think the costs associated with autonomous cars have been fully penciled out," says Kelly. "Like any large infrastructure project, this will take longer and cost much more than expected, especially in urban settings."

Affordable housing - Living in global cities is generally an expensive proposition, with affordable housing being the tallest hurdle. Solving the problem is not just a question of creating inventory, but also a matter of creating better opportunities for inhabitants to move up the income ladder. Too often, entry-level jobs are dead-end jobs (think hotel employees, construction workers, or security personnel).

Real estate is one industry that could make a direct contribution. In fact, Kelly imagines that "the real estate industry could easily put together a program that took 100,000 people and put them on an upward track, by promoting real estate as a career instead of a job." In addition to fostering a spirit of giving back to the community, such an endeavor could make a measurable

difference in economic and income growth. It is also in the employers' interests in a period where unemployment is already down to five percent, with labor markets likely to be tightening as the boomers retire.

Solutions aren't simple, but fortunately the world is also filled with thought leaders and innovators, working across geographic borders to share actionable ideas and collaborate on successful results.





Moving Cities onto the Global Stage

Launched in 2012, the Global Cities Initiative (GCI) is a \$10 million, five-year joint project of the Brookings Institution and JPMorgan Chase designed to help the leaders of U.S. metropolitan areas strengthen their economies and become more competitive in the global marketplace, while also fostering an international network of metropolitan leaders who are committed to trade, invest and grow together.

Twenty-eight U.S. metropolitan areas are engaged in a two-phase planning process:


Phase 1 is a metropolitan export plan that helps regions cultivate a larger pipeline of export-ready firms and better connect them to export services and growing global markets.

Phase 2 is a foreign direct investment (FDI) plan that explores new forms of FDI, assesses the interaction of FDI and exports, and develops strategies to attract and retain investment.

Ultimately, each metro area produces its own market assessment, a global trade and investment plan (which is a roll-up of its export

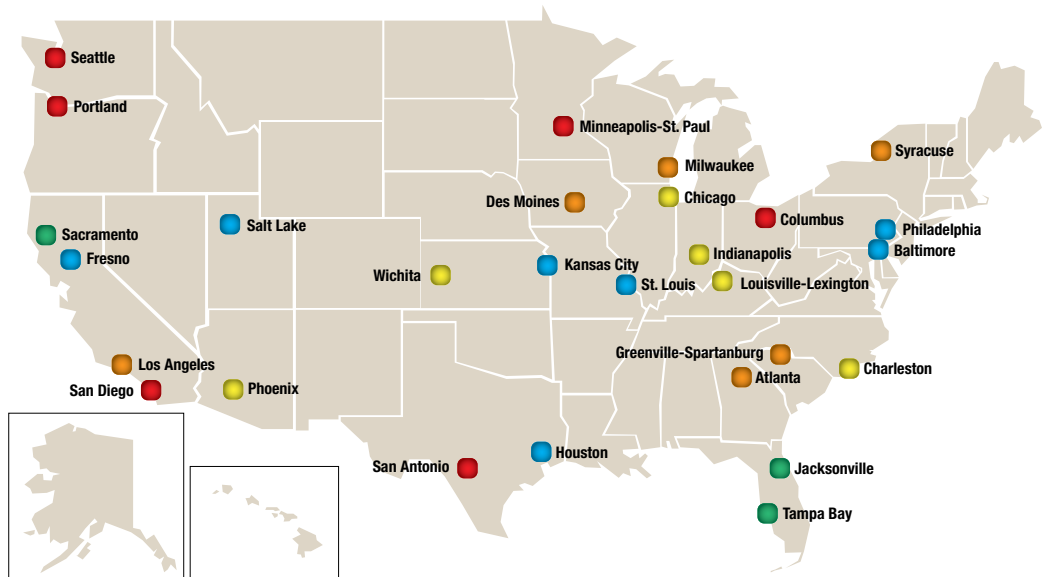
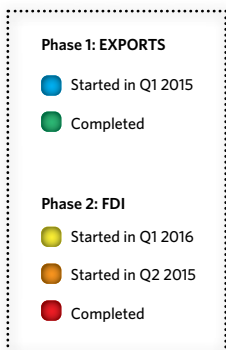
and FDI plans), an implementation plan, and a policy memo. Five cities (Columbus, Portland, San Antonio, San Diego and Seattle) have already completed unique global trade and investment plans, whereas the remaining 23 cities are at earlier stages. (See map.)

Real estate professionals can turn to the GCI plans for insights into emerging global opportunities in these markets. Specific strategies, tactics, and implementation steps are outlined, including the organizations involved in executing various initiatives related to attracting investment, building infrastructure, promoting innovation, and much more.¹

Real estate plays a pivotal role in all these endeavors. Practitioners who get familiar with and involved in civic leaders' efforts to build the global cities of the future are in an excellent position to participate in key networking opportunities and related real estate transactions. 

To learn more about the Global Cities Initiative and access participating cities' plans and related research, go to brookings.edu/about/projects/global-cities.

U.S. Metropolitan Areas Participating in the GCI Exchange



¹ Many participating cities are still in the planning stages and haven't published export or FDI reports yet. Still, an online search for "Global Cities Initiative [city name]" will likely return detailed results related to that city's efforts.

GLOBAL CITIES

MAKING THE LIST(S)

Numerous commercial real estate firms and other companies publish lists of the leading global cities. Some rankings focus on particular niche industries (like commercial real estate or banking/finance) while others evaluate various quality-of-life factors (such as access to culture, healthcare, etc.) or attempt to include multiple factors into a single, comprehensive ranking.

To reach their conclusions, publishers of these lists may rely on macroeconomic data and growth projections, while others lean more heavily upon survey-based data. Different methodologies generate different results.

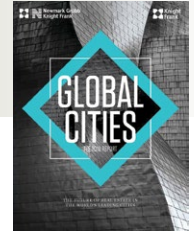
As global real estate practitioners, it's important to be aware of any valuable sources of data that can help you and your clients make better decisions. To help you identify some of the best research sources, we've summarized five recent contenders—a list of lists.

The information contained in the following reports, and others, can be helpful in understanding and identifying real estate investment opportunities from a macro perspective. (Plus, each one listed here is free!)



Global Cities: The Future of Real Estate in the World's Leading Cities

Primary focus:
Real estate investment and commercial occupiers

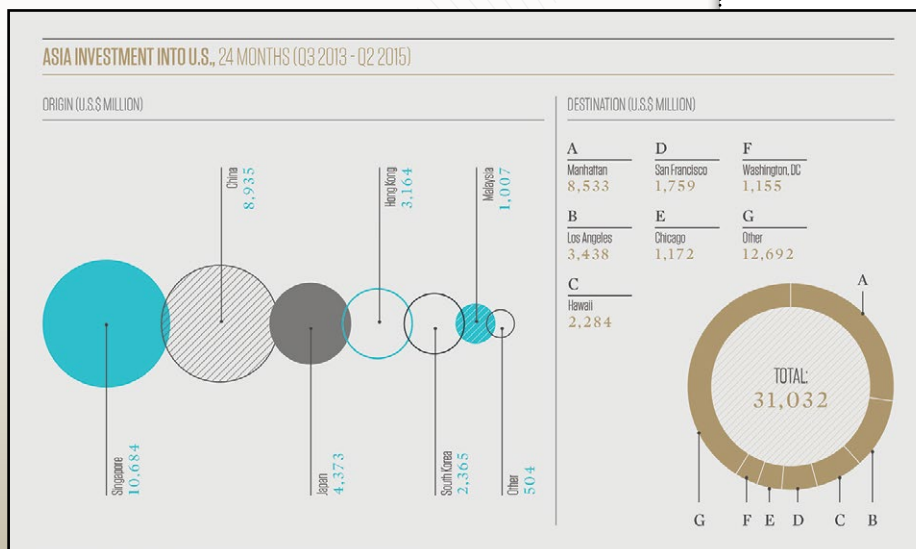


This 80-page report offers a comprehensive examination of the outlook for real estate in 21 of the leading business cities, plus a Watch List of five cities set to play a bigger role in coming years—all organized in an attractive magazine format that makes extensive and effective use of companion graphics (sample below).

A common theme among the featured cities is new infrastructure development. Airports, railways, port facilities and power stations will reshape business districts, housing, shopping and leisure facilities. Real estate plays a key role in each of these endeavors. Knight Frank's latest report aims to be a useful tool in helping participants spot opportunities.

It features city profiles, regional dashboards, and detailed discussions of several themes, including the future of office spaces, capital markets trends, flexible apartments for relocated workers, key retail trends, and more.

Access the 2016 report:
knightfrank.com/globalcities





Global Cities: Index/Outlook

Primary focus: Comprehensive ranking



The latest edition (2015) of AT Kearney's report examines 125 cities, in terms of their ability to attract and retain global capital, people and ideas, as well as their future prospects. Two rankings are provided:

Global Cities Index: an assessment of a city's **current performance** across five dimensions: business activity, human capital, information exchange, cultural experience, and political engagement.

Global Cities Outlook: a projection of a city's **future potential** based on four dimensions: rate of change in personal well-being, economics, innovation, and governance.

Sixteen "Global Elite" cities appear in the top 25 of both lists. New York and London are the only two cities among the top 10 of each list.

Americas	Ranking	
	Index	Outlook
New York	1	4
Los Angeles	6	21
Chicago	7	17
Toronto	13	20
San Francisco	22	1
Boston	23	3

Europe/Middle East/Africa	Ranking	
	Index	Outlook
London	2	2
Paris	3	19
Brussels	12	24
Berlin	17	13
Amsterdam	25	9

Asia Pacific	Ranking	
	Index	Outlook
Tokyo	4	18
Singapore	8	14
Seoul	11	10
Sydney	15	11
Melbourne	19	15

Access the 2015 report:
atkearney.com/research-studies/global-cities-index/2015

Global Financial Centres Index

Primary focus:

Competitiveness of financial centres



Originally published by Z/Yen Group, now managed by Long Finance, the Global Financial Centres Index (GFCI) provides profiles, ratings and rankings for 86 financial centres. Sixteen additional cities are actively being researched and will join the index once they receive a sufficient number of assessments.

The index is calculated using both instrumental factors (105 factors measuring business environment, financial sector development, infrastructure, human capital, and reputational and general factors) and an ongoing survey of international financial services professionals.

The GFCI is updated every three months; findings are published every six months (March and September); the most current release is GFCI 19.

Access the March 2016 report (GFCI 19):
longfinance.net/global-financial-centre-index-19/992-gfci-19.html

Top 10 Cities in GFCI 19 Ranking

March 2016

Rank	City	Rating	Change in Rank	Change in Rating
1	London	800	—	↑4
2	New York	792	—	↑4
3	Singapore	755	↑1	↑5
4	Hong Kong	753	↓1	↓2
5	Tokyo	728	—	↑3
6	Zurich	714	↑1	↓1
7	Washington, D.C.	712	↑3	↑1
8	San Francisco	711	↑1	↓1
9	Boston	709	↑3	—
10	Toronto	707	↓2	↓7

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MAKING THE LIST(S)

World's Most Competitive Cities

Primary focus:

Corporate expansion and business site selection



Conway—the longtime publisher of *Site Selection* magazine and provider of integrated services for crossborder corporate investments—partnered with Moody's Analytics, Tractus, and Oxford Economics to publish the 2015 edition of *The World's Most Competitive Cities*.

At the center of the report is the Conway Projects Database, which tracks private-sector corporate facility investments (of at least \$1 million invested, 20 new jobs created, or at least 20,000 sq. ft. of new workspace). Added to this data are metropolitan area-level economic indicators and unique, real-world perspectives on the attractiveness of certain locations for investment.

The report is arranged by 12 business sectors that are among the most important to the world economy:

- Aerospace
- Automotive
- Business & financial services
- Chemicals & plastics
- Electronics
- Energy
- Food & beverage
- IT & communications
- Life sciences
- Machinery, equipment & construction
- Metals
- Transportation & logistics

Each sector includes select city highlights and regional snapshots (example, right). Mini profiles are also included for nearly 80 spotlight cities.



Access the 2015 report:
<http://siterelection.pubexp.com/i/592128-2015>

City Momentum Index: The Rise of the Innovation-Oriented City



Primary focus:

Commercial real estate

The City Momentum Index (CMI) tracks the speed of change of a city's economy and commercial real estate market, identifying cities with the most dynamic urban economies and most rapidly adapting to transformations in technology and infrastructure.

Covering 120 major established and emerging business hubs, the CMI captures the dynamics of a city's real estate market—its rates of construction and absorption, price movement and the attraction of a city's built environment for cross-border capital and corporations. It is based on 37 variables covering 10 topics.

CMI's current Top 20 list is overwhelmingly dominated by innovation-rich cities. In addition to summarizing developments around the world, the report claims that city stakeholders are increasingly aware of the importance of real estate in attracting corporations and talent via smart and productive commercial buildings.

Transformational Projects and Policies for Top 5 Cities in the CMI 2016

1	London	<ul style="list-style-type: none"> ▪ US\$22 billion Crossrail project ▪ Imperial West and UCL East new university campuses ▪ Nine Elms mixed-use development and London Underground's Northern Line extension
2	Silicon Valley	<ul style="list-style-type: none"> ▪ Shift to densification and transit-oriented development ▪ Silicon Valley BART extension
3	Dublin	<ul style="list-style-type: none"> ▪ Continued Docklands regeneration ▪ Interconnection and extension of Luas tram system
4	Bangalore	<ul style="list-style-type: none"> ▪ Expansion of Namma Metro ▪ Development of Chennai-Bangalore and Mumbai-Bangalore Industrial Corridors
5	Boston	<ul style="list-style-type: none"> ▪ First city master plan in 50 years underway (Imagine Boston 2030) ▪ New waterfront neighbourhood under development (Seaport District) ▪ Reform and improvements to public transportation underway

Access the 2016 report:
jll.com/research/165/city-momentum-index-2016



Embracing **ALL** City Inhabitants

When global real estate practitioners think about global cities, their thoughts typically skew toward the luxury end of the spectrum or lucrative commercial development projects. While these are vital elements of urban economic growth, there's another side of the coin that's too often ignored—the plight of urban poverty.

Every city faces different advantages and challenges, but they all share a responsibility to provide every resident access to a city's amenities, services and opportunities. The most vulnerable urban citizens—roughly 1 billion people living in slums—often lack access to a city's most basic services, such as clean water.

With urban populations expected to rise dramatically, it becomes even more important to include low-income segments in the growth planning process. It's not simply a matter of "doing the right thing." There's also strong evidence that smart, inclusive policies can generate win-win results for the city at large, making them better and safer places to live.

Taking Up the Challenge

IHC Global Coalition for Inclusive Housing and Sustainable Cities (previously the International Housing Coalition) is one organization dedicated to giving voice to the most pressing issues standing in the way of shared prosperity and sustainability in cities. Formed in 2005 by the National Association of REALTORS® (NAR), the Canadian Real Estate Association (CREA) and Habitat for Humanity International (HFHI), IHC Global now includes 32 organizations. As it expands its efforts to embrace a global agenda, membership has also been opened to individual supporters.

Key themes for IHC Global are:


- Inclusiveness is necessary for cities to thrive
- A shared vision for their city among private sector, non-profits, local governments and communities is important to its future
- Inequality can be reduced when all residents have access to the amenities, services and opportunities of the city
- Adequate housing is a critical element in reducing inequality and making cities safer, better places to live
- Major barriers to inclusion can be overcome

Success Stories

Members of IHC Global include concerned, action-oriented people, businesses and organizations. The group identifies and illuminates the issues, shares information about steps being taken globally (not limited to actions by IHC Global members), and shares actionable information with all stakeholders. Success stories include:

Sanitation - In Haiti, a small business has stepped in to train and employ unskilled workers to collect recyclable solid waste. It pays the workers a wage for this work and recycles the plastics and other materials for other uses, thereby also earning a return on their investment in sophisticated recycling equipment.

Affordable, decent housing - In the U.S. state of Maryland (Montgomery County), an innovative mandatory inclusionary-zoning law provides a density bonus allowance to builders providing affordable housing. The program has been modified in various ways since it began in 1976, resulting in over 11,000 units developed for renters and first-time homebuyers with moderate incomes.

Hunger and nutrition - In Africa, some success has been found in peri-urban vegetable growing. The agriculture is aimed both for the local markets as well as to supplement nutrition of the growers. 

"The challenges we face can be daunting, but the successes are also encouraging," explains Judith Hermanson, PhD, President and CEO of IHC Global. *"Our agenda stresses the importance of comprehensive planning that engages with all community members and drives equitable investment from both the government and the private sector. IHC Global is committed to the idea that inclusiveness benefits everyone!"*



To learn more about IHC Global's activities, visit ihcglobal.org.



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GLOBAL CITIES



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