

"24-Hour Cities" – Top Investment for 2004

By: Dr. Margot B. Weinstein, CIPS

Leaders of The International Real Estate Federation (FIABCI) met at the United Nations in New York recently to listen to leading economist Hugh Kelly's presentation, titled "Making It to the Top of the Urban Hierarchy." FIABCI represents high-level officials and professionals from 57 countries around the world in all areas of the real estate business. In recent interviews with the author, FIABCI leaders discussed how the "24-Hour City" creates a synergy in a community that tops their list for business investments in 2004.

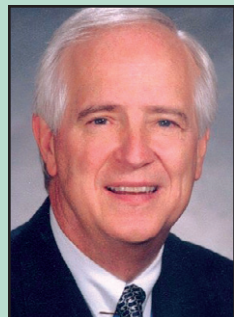
Steven Podolsky, SIOR, Principal, Podolsky Northstar Realty Partners and President of FIABCI-USA said, "One



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Evangeline Gouletas, Chairman and CEO, Skylines Equities Realty, LLC and immediate past President FIABCI-Chicago, and the only woman inducted into CAR's "Hall of Fame."



Nestor Weigand Jr., Chairman and CEO, J. P. Weigand & Sons, Wichita, Kansas and past FIABCI World President.

emerging trend to watch for in the U.S. is the creation of '24-Hour Cities' that is driving real estate decisions in major urban areas around the world. Houston, Texas, site of FIABCI's 2004 World Congress, is a perfect example of a city that has revitalized its downtown and created an environment where people can live, work and play – three elements critical to a city being perceived as a '24-Hour City,' and we are excited to bring the world to Houston to see its new downtown!"

Creating "24-Hour Cities" of Tomorrow

John Vranas of Vranas & Chioros Realty Group and Past President of CAR said, "There are seven criteria that we can measure to determine if a city currently is, or has the structural capability to be, a success on a worldwide basis. This is important to identify because as real estate investors, we want to be in a position to invest only in those cities that will be a success. Alternately, we can assist policymakers of the cities that we are invested in to identify the weakness in that city to make it world class."

Criteria for a "24-Hour City"

1. Magnet for Population.
2. Desirable Labor Force. A workforce that is educated, flexible and innovated.
3. Emerging Technologies. Is the city globally linked and technologically prepared for future innovations or is it stuck in intellectual rigidity?
4. Global Linkages. Global-connectivity to the world equals flow of capital. As the world becomes more mobile, choice becomes a powerful form of competition. It is no longer possible to avoid international business alliances.
5. Quality of Life.
6. Economic Structure and Cycles.
7. Infrastructure. Cities of tomorrow – is there sufficient infrastructure for growth?

"These criteria will not only be used to measure the future success of these cities, but will determine it. The '24-hour city' is all about productivity! Can you use fixed capital equipment for only one shift or all day long? And if you can, you will have companies flocking to invest in the most efficient equipment that will produce the most goods. It is elementary – GDP is the sum of the growth in the workforce plus the growth in productivity, or how much goods each man-hour produces. As the investment by companies increases in a city, the city will supply whatever the workers need: housing, goods, entertainment, etc.

"By identifying these criteria, real estate professionals can continue to identify the next successful city, and the next area of growth within these successful cities such as Chicago. Providing the information that investors need to make critical decisions for their capital is how we earn the bucks," Vranas concluded.

Chicago's "24-7" Future

"Unprecedented advances in technology have created 'smart buildings' located in thriving cities across America that offer tremendous buying opportunities. These buildings provide residents with 24-hour services in top markets, such as Chicago, where urban enthusiasts can live, work and play around the clock with the ultimate conveniences," Evangeline Gouletas, Chairman and CEO of Skyline Equities Realty and Past President of FIABCI-Chicago, said.

"Skylines Equities Realty recently started leasing luxury apartments at Skyline Century of Progress, a former loop office building converted into 293 rental residences on Lake Street in Chicago. The \$50 million renovation project, assisted by \$7 million in Tax Increment Financing (TIF) from the Department of Planning and Development, shows strong support for the rebirth of downtown cities, which is a trend

that is happening across major cities in America," Gouletas said.

Nancy Suvarnamani, President, Century 21 S.G.R., Inc., CAR's Secretary/Treasurer and Chairman of CAR's International Committee said, "Chicago has people who are willing to work shifts around-the-clock. Real estate companies should take advantage of this by hiring employees to provide services to customers on a 24-hour basis."

FIABCI's World Congress Provides an Opportunity to Make Money

Nestor Weigand Jr., Chairman and CEO of J. P. Weigand & Sons in Wichita, Kansas, and past FIABCI World President said, "FIABCI members from around the world are eager to do deals here. They understand that globally the United States has it all, even in our down markets. The key is to find investor's locations in hot niche markets such as the '24-Hour Cities' with companies that provide outstanding customer service.

"I agree with comments by Sam Zell, Chairman, Equity Office Properties Trust in July's Forum Magazine that 'it is risky for those involved in adding 4.5 million of new office space in Chicago that represents nearly 20% of the total for the entire United States to a market that is not seeing any job growth.'"

"However," Weigand continued, "I have learned that in vibrant growth cities like Chicago, despite market conditions and competition, companies that are run efficiently, utilize technology and provide superior service to customers such as Sam Zell's Equity Office Properties Trust and the Ritz-Carlton Hotel will remain financially successful in the U.S.

Continued on page 17



FIABCI leaders celebrated outside the United Nations in New York after listening to a speech by eminent economist, Hugh Kelly, on "24-Hour Cities." From left to right: Nancy Suvarnamani, Vernon Jones, Jo Ann Sworan, Robert Zoretich, and John Vranas.

Panelists from across the Globe Lead International Transaction Forum

Over 100 residential and commercial real estate brokers and visiting members from the Warsaw Association of REALTORS® attended the International Transaction Forum hosted by the Chicago Association of REALTORS® (CAR) International Committee on November 19. The panel discussion was led by CAR Secretary / Treasurer and International Committee Chairman Nancy Suvarnamani. The panelists included Yvonne A. Jones, Christian Hasenoehrl, Mariusz Adam Jakubowski and Jose C. Gonzalez, with each focusing on their expertise in international real estate transactions.

Jose C. Gonzalez spoke regarding CIMA, which provides mortgage banking services primarily to members of the Latino community in Chicago. CIMA, a non-conforming lender, focuses on providing mortgages to individuals in the immigrant community who may not have extensive records necessary to qualify for mortgages with conforming lenders. CIMA has designed an application process that takes into account international employment history, credit records and citizenship status to derive a specific formula that qualifies applicants who might otherwise be unable to obtain a mortgage due to their new status in this country.

Yvonne A. Jones of Zifkin Realty discussed several examples of investors from Europe and the Middle East purchasing residential and commercial real estate in the U.S. She stressed the importance of building on relationships with foreign investors to diversify her business. Christian Hasenoehrl presented numerous structures available for foreign investors to invest in commercial real estate in the United States, including two case studies that showed how foreign investors can set up a Trust or a

REIT for the purposes of accumulating investment real estate. He also discussed some of his experiences in the acquisition of real estate abroad on behalf of major retailers Wal-Mart and Metro AG. Both Jones and Hasenoehrl stressed the importance of understanding local market conditions abroad through building relationships with partner organizations and by building a local presence.

Michael Traison and his colleague Paul Fogo led the audience on an informative discussion of real estate laws and procedures in Poland. Traison is a Managing Partner of Miller, Canfield, Paddock and Stone, which has been in Poland since 1991. Fogo is an American attorney based in Warsaw and advises multinationals, such as Tesco, on Polish real estate investments. The topic was augmented by a discussion led by the honorable Polish Consul to Chicago, Mariusz Adam Jakubowski. Both the Consul and the attorneys focused on cultural business ethics and Poland's accession to the EU in 2004, including major changes in Polish law enabling foreign entities and persons to invest in Poland with fewer barriers. While there are certain tax advantages, Fogo discussed some of the barriers involved before owning land in Poland.

Members of CAR's International Committee have been working closely with real estate professionals in Poland since 1998 to form a shared commission program, much like the Multiple Listing

Service (MLS) used in the U.S. Because of this collaboration, International Committee members and their Polish counterparts have opened doors in the U.S. to this new business opportunity. The Polish association spent some time in Chicago learning more about real estate, specifically how CAR works, how real estate transactions are handled here, and how property is taxed.

CAR's International Committee recognizes that the real estate boom is not limited to Chicago or the U.S., but is expanding globally. The Committee serves its members by creating and developing educational and business opportunities in the U.S. and abroad to further enhance these relationships.

Attention Good Neighbors!

Applications are now being accepted for the 2004 GOOD NEIGHBOR AWARDS. The program is open to property owners and developers whose improvements or construction have made a positive impact on the quality of property in their neighborhood. All categories will be considered, i.e., single family homes, commercial space, multi-family units, community outreach development, condominium conversions, rehabs, historical preservation, green space, etc.

The GNA is the premier rehab and redevelopment award of the Chicago real estate industry. It is designed to recognize the exceptional efforts of individual property owners, developers, community and civic organizations whose contributions have improved our neighborhoods. When properties make a significant impact on the surrounding area, the entire community benefits. For more information or to request an application, please contact Sylvia Falkowski at 312.214.5509 or at sfalkowski@chicagorealtor.com. Deadline for applicants is March 18, 2004.



Good Neighbor Awards

May 20, 2004
Union League Club

"24-Hour Cities"

Continued from page 16

"Although technology helps companies provide information and efficiency, investors who want to do deals in every segment of the industry must remember that real estate is still a relationship business, especially with foreign investors who want to 'See the whites of your eyes' to do a deal. FIABCI's World Congress will be held in Houston, Texas on May 24-29, 2004. The World Congress will provide people with an opportunity to meet and do deals with professionals from around the world representing all areas of the business," Weigand concluded.



Dr. Margot B. Weinstein, CIPS
Vice President, Kington Group, Inc.
Practitioner/Educator/Writer

CIPS DESIGNATION

Just Four Letters Can Make a World of a Difference

Do you want to:

- ...make money from international transactions?
- ...do more business in expanding markets?
- ...expand your "farm" throughout the world?
- ...be recognized as an international resource in your community?

If you answered "yes" to any of these questions, then you want the CIPS Designation!

The Certified International Property Specialist Network (CIPS Network) is the specialty membership group for international practitioners of the National Association of REALTORS®, the world's largest trade association. The CIPS Network is comprised of 1,500 real estate professionals who deal in all types of real estate, but with one common element: they are focused specifically on the "international" market. Whether traveling abroad to put deals together, assisting foreign investors, helping local buyers invest abroad, or serving an immigrant niche in local markets, CIPS members are consumers' best resource to ensure they are dealing with a professional skilled in the unique aspects of international real estate.

Through NAR's alliances with 62 national and regional Cooperating Associations around the globe, the CIPS Network is attracting a growing number of members from outside the U.S. The Network has over 1,000 CIPS designees (individuals who have completed a week-long education program on international real estate) with approximately another

300 CIPS Network members working to complete their course work and other requirements for designation status. 300 CIPS Network members live and work outside the U.S. and belong to one of NAR's international partners. You can locate a CIPS Network member through the online directory at www.realtor.org, using search features to locate someone with specific business, location and/or language specialties. This site includes information about NAR's Cooperating Associations, market profiles of more than 40 international markets, U.S. international local councils, CIPS Network membership information and resources and more. The majority of this site is open to the public, but there are a few pages available only to NAR members.

CIPS Institute, a five day prerequisite introductory course, is an analysis of the international real estate business environment, including capital flow, currencies, government regulations and cultures. CIPS instructors know how foreign real estate investment has impacted your market and are eager to share their insights with you. The course qualifies for 6 hours elective Continuing Education credit in Illinois.

Instructor: Manfred Chemek, "1995 Instructor of the Year"
Location: Chicago Association of REALTORS®
200 N. Michigan Ave., Suite 601, Chicago, IL 60601
Dates: February 9-13, 2004
Time: 8:30a.m.-5:30p.m.
Cost: \$1,050
Questions: Contact Linda Meyer at (312) 214-5544 or email lmeyer@chicagorealtor.com