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Kelly hailed for keeping streets paved with gold

BY **REW STAFF** • SEPTEMBER 25, 2013

By Konrad Putzier

New York police commissioner Ray Kelly got a standing ovation at an Appraisal Institute conference last week when he emphasized the role of the police in the real estate sector during his keynote speech.

“One reason why people invest here is that the city is safe,” he told a packed auditorium of brokers, owners, investors and lenders.

As economic turmoil spreads in Europe, the Middle East and India, the conference affirmed that New York now attracts international investors with



FOREIGN INVESTMENT IN NEW YORK REAL ESTATE TOTALS \$11 BILLION SINCE THE BEGINNING OF 2012.



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a perk it was hardly known for 20 years ago: safety.

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“When I travel around the world, everyone tells me this is the number-one place they want to invest in,” Scott Rechler, CEO of RXR Realty, said in his keynote speech at the Appraisal Institute’s annual September conference last Thursday.

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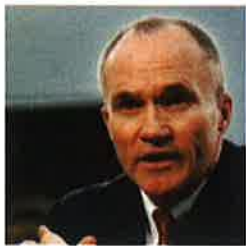
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The tenor at the meeting – boldly titled “New York: World Capital of Real Estate Investment” – was that Gotham’s safe investment climate will continue to draw in international buyers, especially from China.

Over the past years, foreign investment in New York real estate has become more important, totaling \$11 billion since the beginning of 2012. The purchase of part of the Times Square Tower by Norway’s state fund Norge for \$700 million two weeks ago was one of the latest in a series of high-profile deals involving overseas money.

“International investors are involved somewhere in all (marquee) purchases,” William M. Shanahan, vice chairman of CBRE, said in the conference’s panel discussion — either as outright buyers or as providers of equity. Despite first signs of a slowdown in foreign investments in New York real estate – they had fallen by 26% year-over-year based on a four-quarter rolling volume at the end of the second quarter, according to Real Capital Analytics – speakers at the conference were optimistic that international investors will keep flocking in.



POLICE
COMMISSIONER
RAY KELLY

This continued interest in the city’s real estate market has a lot to do with its perceived stability, as several participants in the conference emphasized.

“With so much turmoil around the world, a lot of it is capital flight,” said Marilyn K. Weitzman, president of The Weitzman Group. She added that sovereign wealth funds place a particularly high premium on wealth preservation.

“We’re the flight to safety,” added panelist Adelaide Polsinelli, senior director at Eastern Consolidated.

New-York based lawyer Edward A. Mermelstein, who helps wealthy Eastern Europeans and Central Asians invest in New York real estate, has seen more demand since the onset Europe’s fiscal crises. “It is helpful for us when things in Europe are unstable,” he said in a phone interview.

The bailout of Cyprus’ banks with significant losses for savers, many of them

Russian, showed the risk of keeping money in banks, he said. According to

Mermelstein, [BROKERS WEEKLY](#) of his clients' [CONSTRUCTION & DESIGN](#) work read [DEALS & DEALMAKERS](#)

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“The harder the assets, the more likely the wealth preservation”, he said.

“New York’s real estate market has a long track record of stability. proven over decades.”

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In the past six months, Mermelstein has also noticed a shift in investing behavior.

While his clients used to focus on buying already developed residential property with an eye on rent income, they increasingly provide equity as limited partners in reconstruction or redevelopment projects. “This shows a higher level of comfort of working within our market,” Mermelstein said, since such investments carry greater risk.

Apart from financial security, the new safety of Gotham’s streets also attracts foreign buyers.

Noting that New York is now at the top of The Economist’s livability index, Rechler said the safe investment climate could lead to a further influx of deep-pocketed Chinese and East Asian buyers, already on track to replace Europe as the primary source of foreign investments.

Ety Lee, a senior director at Eastern Consolidated who works with Chinese investors, has noticed a steady increase in demand from China. “It used to be only the super-rich, but now you see the middle class buying in New York as well,” she said in a phone interview. Although Rechler also believes “China is coming,” he cautioned that Chinese investors have a particularly hard time with the regulatory environment in the U.S., which has held back investments so far.

Investing in New York is still wrought with challenges – not just for Chinese buyers.

Polsinelli of Eastern Consolidated summed them up as “language, speed and mobility” adding, “Foreign investors need to familiarize themselves with the market.”

Eastern Consolidated has 17 languages spoken in its offices, according to Polsinelli, and helps foreigners by partnering them up with local investors who know their way around.

“Developers are more comfortable working with someone local who has knowledge of the market”, the lawyer Edward Mermelstein said. “That’s something we offer.”

Conducting the actual transaction can be another problem, according to

Mermelstein. **BROKERS WEEKLY** **CONSTRUCTION & DESIGN** **DEALS & DEALMAKERS** **RETAIL**

Kazakhstan, where the banking sector is poorly developed, due diligence is a significant hurdle.

These obstacles may have slowed foreign investment in New York **FINANCE & ACCOUNTING** **ADVERTISE** **GREEN BUILDING** **≡**
but they haven't stifled the prevailing optimism.

"New York has become more attractive", said Derek Gilchrist, general counsel of Sedesco, a subsidiary of the Turkish Sedes Holding company that redevelops small- and mid-sized buildings in New York.

"Prices are rising, and at some point it will tap out. But for now, there is a lot of investment," he said. "This is an exciting time for New York's real estate market."



PICTURED L-R: CONFERENCE CO-CHAIRS MARC NAKLEH AND JOHN KATINOS AND CHAPTER PRESIDENT ERIC LEWIS, CUSHMAN & POLSINELLI, EASTON CONSTRUCTION; GENERAL MANAGER AND VICE PRESIDENT OF THE CORCORAN GROUP; CONFERENCE MODERATOR BRIAN CORCORAN, CUSHMAN & WAKEFIELD. PHOTO BY MARGARET FOX

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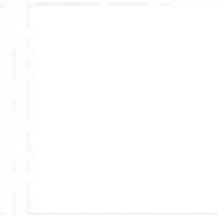
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