



DOWNTOWN LOS ANGELES

# LA, NY draw investors

## Which states and cities attract more buyer interest and investment: New York and Wall Street or Los Angeles and Hollywood?

WORDS: ANNA-MARIE SMITH :: PHOTOGRAPHS: SOTHEBY'S HOMES

Steady demand has New York realtors competing for prime stock, and there is a simultaneous flurry of development happening in downtown Los Angeles (LA).

Cautious institutional investors continue to explore the post-2006 market by strengthening asset bases across all fronts, while economists' warnings of a short-term buyers' market falls on deaf ears as individual buyers — previously deemed unfit by retail bankers — are flipping houses with the help of exploitative moneylenders.

Wall Street's global real estate and equity funds are balancing existing portfolios by diversifying geographical and sector spreads.

The August 2014 UBS Global Investors Index shows the US with a total market capitalisation of about \$495bn, and Canada about \$20bn. North America was the best-performing listed real estate market, with net total USD returns of 2.84% against overall US dollar total returns of 2.20%, and Asia ex-Australia the lowest at 1%.

Greater direct investment in the commercial and residential sectors is taking place among various global funds, most

notably by private equity firm Blackstone Property Partners. The company's raising of capital for its first core-plus real estate fund saw its acquisitions within the US office, industrial, retail and apartment sectors complemented by entity-level investments in real estate operating companies.

Jamie Boys, investment manager at Catalyst Fund Managers, says that when considering US opportunities, global fund exposure provides optimum diversification and liquidity.

Wall Street institutional investors offer physical ownership of assets in listed companies such as Blackstone through global and private equity funds, "whereas individual ownership of a single high-value yet unsecured asset in one region and one city, such as an office block in Manhattan that might provide more liquidity than

another area, presents a broad range of risks," says Boys.

New York realtors say the city's status as a desirable investment destination goes beyond prime office space. Central government and private educational institutions are attracting investment to the residential and commercial hospitality and retail sectors.

Senior VP brokerage manager at Sotheby's Homes New York, Diane Levine, says: "The US is very welcoming of foreign money as it recognises the needs of investors for security in value, as recently seen in the \$1.95bn sale of the Waldorf Astoria to a Chinese institutional investor."

Top-end investors in the US have back-and-forth relationships with asset managers, says Levine, as portfolio holdings, in particular of foreign buyers looking to the US for safe investments, are constantly changing. Sotheby's International

Realty's Luxury Lifestyle Report of June 2014 reports that wealthy Americans who own on average three houses rank their investment priorities as lifestyle, water frontage, legacy ownership and return on investments.

Levine says this makes dual home ownership in desirable locations such as Hollywood and New York City a reality. "Interest in both markets is common as many buyers have a connection with both Hollywood and New York, and not necessarily out of choice for one or the other, but rather the need to spend time in both cities." She says the only time investors choose the West Coast over New York is when Chinese investors elect to invest closer to home.

Demand for serviced flats offering 360-degree views — as at One57 in the centre of New York — is outstripping demand for waterfront homes on Long Island and Manhattan.

Owners of second homes, especially American buyers, are willing to pay a premium for the safe housing of students in central locations. **South African-born Sotheby's Homes realtor Natascha Tillmanns, whose clientele includes two South African buyers, says that even though the market is slowing down, ongoing stock shortages are ensuring good rental returns and long-term capital growth.**

However, perceived value for money in California's outdoor lifestyle, coupled with an entrepreneurial local environment, is driving local

and foreign investments on the West Coast. Motivating factors include the emergence of LA as the largest US retail market and its status as a creative capital supported by manufacturing, trading, financial, banking and IT. Asian companies and property funds are increasingly backing large residential and mixed-use developments in previously undesirable districts which offer more affordable office and residential purchases and rentals.

Hollywood and surrounds continue to lure individual buyers, not all of whom are associated with the film and IT industries but who are seeking luxury homes after Southern California's slow recovery from the property bubble.

US investors are assured of healthy competition on all fronts.



NEW YORK APARTMENT



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*Diane Levine, senior VP brokerage manager, Sotheby's Homes New York*

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