

WORDS | John Howell

Gold standard

Maria Babaev is a Russian. A very smart Russian. If she had been around fifty years ago she would probably have been a spy in a James Bond movie. Instead her mission is to sell luxury property on the Gold Coast



Maria came to the US from Russia 16 years ago. She is now an elite broker, the managing director of her own real estate company and the owner of a web portal – www.luxurylongisland.com. Of course, Maria is not the stereotypical immigrant to the US, who used the land of opportunity to grow from absolute poverty to be a multimillionaire. When

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she came to the US she already had an MBA and her first job was working on Wall Street, where she stayed for six years, managing relations with over a hundred European banks. Amongst her long list of accomplishments and credits

you will see that she is a member of the Russian Nobility Association.

So what does Maria do? How did she get there? What can we learn from her?

Maria’s entry into the world of international real estate came on 9/12. Yes, the day after 9/11. She realised that there was more to life than working on Wall Street and decided to join the rich and famous on Long Island. She had always had a keen interest in real estate and took the opportunity of setting up a small brokerage.

Initially, this was just a regular brokerage dealing with regular buyers from the US. However, she soon realised that, if her business was to grow and prosper, she would need to differentiate herself from the masses of local competition – and there are masses of brokers on Long Island.

One obvious way of doing this was to use her Russian heritage and language skills (she is, of course, a

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native Russian speaker) to service the needs of the growing number of Russian buyers wanting to do business and buy real estate in New York and, in particular, in Long Island.

Long Island, and especially the Gold Coast (where Maria does much of her business), has long been a favourite retreat of the rich and famous. It was the setting of the Great Gatsby and home to the Vanderbilts, the Roosevelts, JP Morgan and FW Woolworth. More

recently, Paul McCartney bought a home in the Hamptons and it continues to attract the wealthy looking for a good life (think great shopping, good food, parks and the very best schools) only 40 minutes or so from Manhattan.

It has also proved very popular with wealthy Russians, who can see the similarities between the Gold Coast and the luxurious villas they have enjoyed outside Moscow.

So, 10 years and two children after starting her business, Russians are now Maria’s main clients. Some arrive direct from Russia. Others already live in other parts of New York or elsewhere in the US and wish to ‘upgrade’ to life in Long Island.

In order to attract these clients she advertises widely and does a huge amount of highly effective marketing. She places ads in the Russian press and on television. She has a large network of collaborating estate agents based in Russia but who visit in order to know and understand the market.

Her properties appear on a large number of national and international MLS, portals and websites and, of course, she has her own website dedicated to luxury property in Long Island.

Most of her sales are in the range of \$2.5 million to \$15 million. Naturally enough, when buyers are spending this much on a home, they expect far more than someone who will just open the door and show them round. They need a team. People who are truly knowledgeable about the local market and the values of local property. People who can help them structure their purchase in the way that makes the best financial sense. People who can deal with visas and immigration. People who



Life of luxury | Russians wishing to ‘upgrade’ their lifestyle go to Maria to find a spot on the much-coveted Gold Coast

can remodel the house, or furnish it, to the high standards that they will be expecting.

Maria thinks that having this team is a large part of her success – though understanding the buyers' culture and language, having a lot of patience, being willing to work long hours and a great deal of hard work have all also played their part. "The Russian buyer is very savvy," says Maria. "They are good negotiators. They are usually paying cash and they want not just a bargain but a steal".

Who are her buyers? "Most think of themselves as coming from Moscow, where they all have a base, but many actually come from far further afield: for example the Ukraine, Kazakhstan and Azerbaijan". Most find their way to Maria by personal recommendation, her website or her huge network of contacts rather than via her associated brokers in Russia.

Two much more recent changes to Maria's business are the arrival of 'ordinary' Russians and the Chinese.

"In the past," says Maria, "a lot of my Russian buyers were luxury peacocks. They were very wealthy and they spent very large amounts of money. They are the sort of people who would scarcely think twice about spending \$30 million on a property in Long Island or \$50 million on a property in Miami."

Of course, these buyers still exist – and are still among her clients – but the pool is small and shallow, so Maria has grown her business by looking elsewhere. "My new buyers tend to be more down to earth. They are spending \$5 million to \$7 million and they are doing it as a 'Plan B'. They are arranging for their family to be able to leave Russia, either immediately or in the future."

Some are coming to settle in the US – the EB5 visa program is very popular – but others come for just a few months each year. They are often wealthy businessmen who do not want to get caught up with the US tax system. "They are attracted to Long Island because of its facilities, its image and its proximity to downtown New York."

It is easy to see the attraction of Long Island's Gold Coast but what attracts these people to the US instead of, say, London or Paris? "Value," says Maria. "They see incredible value in the US. It is as if the whole country was on sale. They can buy a \$14 million home for \$8 million. That's a big saving and they can see the value in what they are buying."

"Plus, the dollar has probably weakened against their own currency. They compare the cost of buying in Long Island with what they would have to pay for the same property back home. It is a compelling proposition."

In fact, according to Maria, a lot of her clients already have a property in

the UK or in France. The property in the US is an extra home – but possibly the one to which they will, eventually, move their family.

What key skills does Maria need in order to deal with these clients? "Apart from understanding their language, their culture and their needs, it is mainly patience. These deals can take a long time. They are rarely simple. I may start off talking to an advisor. A few weeks later a family member may come to look at the property. After that will come a decision maker and after that there will be dealings with professional advisors about all aspects of the buyers relocation to the US. The other vital thing is privacy. The buyers need to understand that everything they say and do is confidential."

Maria is confident that this Russian market is going to continue to grow for many years.

The Chinese market is much more recent. It is only in the last 18 months or so she has been seeing the Chinese in any numbers but they already constitute 10% to 15% of her clients – and the number is growing rapidly.

Almost all of the skills that she has developed whilst dealing with the Russians apply in just the same way when dealing with the Chinese. Some are investors but most are also looking

Two recent changes to Maria's business are the arrival of 'ordinary' Russians and the Chinese

for their 'Plan B'.

Maria also expects this market to grow enormously over the next few years.

For the Russian and the Chinese investors, many will buy a property and use it only occasionally for personal visits. Some – but by no means all – will want to rent it out when they are not there. The rest are content that they have bought an absolute bargain and to wait for it to grow in value.

In addition to these two key markets, Maria is also seeing a growth in buyers – both investors and potential residents – from India, South East Asia and Europe. "In fact, the whole world seems to be buying in Long Island!"

What does Maria think will happen to the US market in general? "It's difficult to call. I don't think you can talk about the US market. Each small area of the US has its own and very individual market."

For general guidance, Maria is very impressed with the work and views of Schiller (www.schillerreport.com). He has changed his outlook from 'stable but growing next year' to 'possible further small falls, followed by five years or more where the market is pretty flat'. Maria reckons that this is



Patience | One of the key skills in Maria's line of work is dealing with complications

pretty much on the button although, she adds, "Right here in Long Island the sub \$1million market is rock solid. We won't see any further falls there. However, for more expensive properties the market is still a little soft and we could see a further small fall – say 5% – before it stabilises and then grows again."

At a national level, she is worried about the impact of the 'shadow inventory' that might be released into the market. These are the properties that are either already in foreclosure but have not yet been sold or properties where the owners are delaying going to market in the hope that prices will improve. The banks and, in some cases, the owners cannot or will not wait for ever. If a lot of this inventory is released into the market at the same time it will be bad for prices. Maria does not think there is much shadow inventory in Long Island but accepts that, both locally and nationally, the position is far from clear.

What does she think about the phenomenon of short sales? She doesn't deal with many. There have been some opportunities – she recalls a recent case where a property sold for \$5 million and the bank took a haircut for \$2 million – but they are not a major part of her business. Her buyers are looking for quality and, often, short sales (even when they are available) do not give them what they want.

Maria has, obviously, made a great success out of bringing foreign buyers to Long Island. What does she think about the market for people in Long Island buying overseas? "We do not presently see many such enquiries." This is despite the fact that, with her international reputation and as part of a group of specialist luxury property

brokers with 500 brokers in 30 key countries around the world, she is well placed to both capture and deal with such buyers.

If such business develops, Maria would like to see it come from her existing clients. People who have, perhaps, already bought or sold a property through her and now wish to buy something in (say) London or Paris. "One thing is sure: I would only take on this business if I could offer them the same level of service that I offer in Long Island."

Where does Maria see her business going next? "I want to continue doing what I do best. Luxury property. An emphasis on foreign buyers. Quality clients. Exceptional service."

"I want to continue to grow my business and my brand and, especially, to grow the web based side."

"I reinvest in the business all of the time and fine tune it whenever it is necessary to do so. For example, I found that many of my buyers also wanted to check out Connecticut as a possible alternative location, so I also became a broker there."

Finally, what tip would Maria give to an agent or broker selling property in the US but wanting to get involved with international buyers? "Three things. First, acquire a deep and detailed knowledge about property in your area. These buyers are savvy and demanding. They are looking more for a consultant than someone just to show them the property. Second, be patient. As I have already said, these deals take a long time – and you have to fund your business until the deals come through. Third, you need a good team to support you."

I suspect we will be hearing more of Maria Babaev. 