

Foreign Investors Still Stimulating Miami's Real Estate Boom

Article By:

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Miami, once the poster child for the recent housing bubble and subsequent crash, now has the strongest housing market in the U.S. and is one of the exclusive high-end real estate "export" economies in the world. This remarkable transformation is due largely to the huge influx of foreign cash, according to a recent [Miami Downtown Development Authority study](#) conducted by Integra Realty Resources.

A real estate export economy basically refers to one in which foreign investors purchase real estate, not in which to reside, but as an investment. In Miami's case 90% of all the new downtown construction is due to demand from foreign investors. Less than 11% of these are being used as primary residences. Further, most of these foreign buyers are interested in "high-end" real estate and are paying cash, as evidenced by Miami's current luxury property building frenzy. These luxury properties are buyer financed, requiring hefty, pre-construction deposits.

[Reuter's Zachary Fagenson provides an example](#): the least expensive unit in the under-construction Dezer Development is \$5.5 million. Twenty-two billionaires have already put down deposits toward this project, consisting of 132 apartments "with a private elevator for delivering sports cars to owners' units." The developer contends that he is "going to have a collection of the wealthiest people not only in Miami, but in the world." International marketing specialist Helen Jeanne Nicastrì adds that "in terms of investment value, Miami is taking its place amongst world-class cities and is currently number eight in the world for luxury cities in quality surveys." Jonathan Miller, president and CEO of Miller Samuel, adds, "High-end real estate is the new global currency."

Peter Zalewski in the Miami Herald points out that the areas of South Florida that have experienced the greatest recovery in condo and townhouse prices are the areas where foreign nationals are most active. And conversely, the weakest recovery has taken place in areas dominated by domestic buyers.

South America, Europe, and China are the most prevalent places from which Miami's foreign investors originate. According to Lizette Alvarez of the New York Times, "Real estate developers credit South Americans for spurring the current housing boom." And quoting real estate developer, Jorge Perez, she writes, "South Americans are the game changers — they are the ones that allowed the housing market to bounce back." The aforementioned downtown development study finds they comprise 65% of Miami's foreign buyers. This could be due to South America's unstable currencies - investors want to move their cash reserves from there into American real estate.

The study also finds that domestic buyers constitute 10% of buyers with the remaining 25% primarily made up of Europeans and Asians. [For wealthy Chinese investors, the U.S. is the foremost destination for real estate investment](#) according to Forbes. Prohibited from buying multiple houses in China, they lead the way in U.S. foreign investment, spending \$22 billion on American real estate during the year ending March 2014. Miami, along with Los Angeles and New York, are the most prevalent cities in which they buy additional homes abroad. And while the Chinese may not be the largest in terms of number, they are very active in the luxury, high-end Miami market, spending an average of \$590,826 per home. Saddy Delgado, vice president of Sotheby's International, says, "Chinese buyers are starting to see Miami as a hot spot and are realizing prices aren't as high as New York and other major cities."

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