

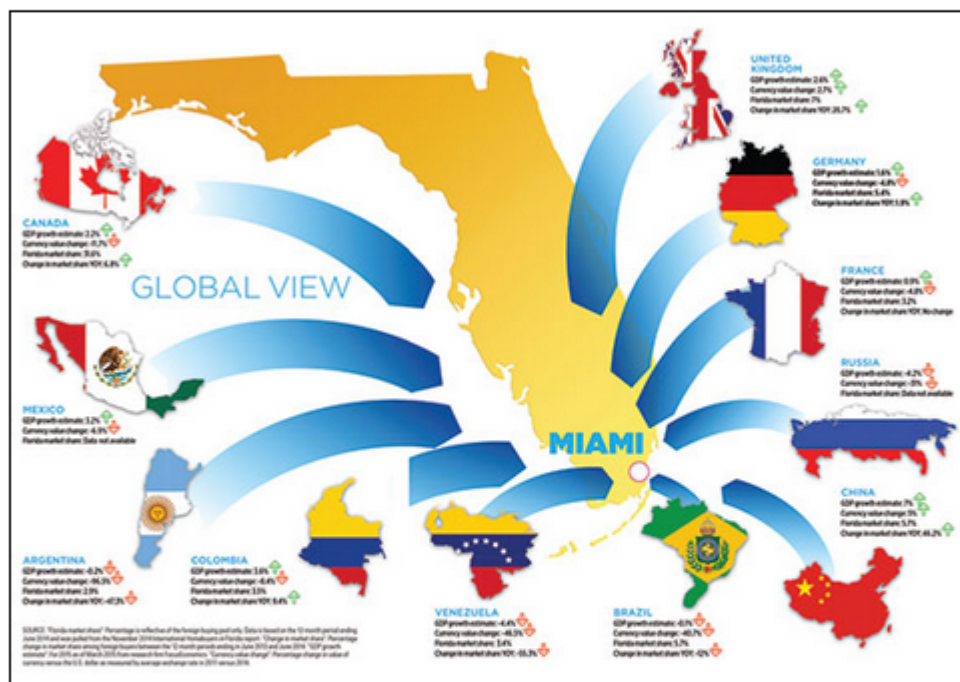
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From Russia — and elsewhere — with less love

Economic conditions worldwide are shifting how foreign capital flows into South Florida

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By Francisco Alvarado



As the U.S.

dollar continues to gain strength in a growing economy, the buying power of the primary foreign investors helping to fuel South Florida's current boom cycle is sputtering.

Currency devaluations along with other destabilizing economic and political factors in Latin America, Europe and Russia are making it harder for buyers from those regions to convert their funds to flight capital.

"We had a slow December and a slow January," Philip Spiegelman, a principal with International Sales Group, said of sales to foreign investors. "February wasn't on fire either. We are interpreting that to mean the market is taking a deep breath."

During the 12-month period ending in June 2014, international real estate deals accounted for 29 percent of all transactions in Miami-Dade and Broward counties, compared to 35 percent during the previous 12-month period, according to a report by the National Association of Realtors.

The Downtown Development Authority's 2015 Residential Real Estate report warns currency exchange rates are having an adverse effect on the Miami condo market.

"Fluctuations between South American and European currencies against the U.S. dollar make the future reliability on foreign investors uncertain," stated the report, which was prepared by Integra Realty Resources and released in March.

Daniel de la Vega, president of ONE Sotheby's International Realty, agreed. "The value of currencies in relation to the dollar is the number one issue we are all keeping an eye on," he told *The Real Deal*.

The 2014 exchange rates for the main South American feeder markets of Argentina, Brazil and Venezuela slid 97 percent, 41 percent and 47 percent, respectively, since 2011, the year that foreign investment in Miami hit full throttle. The numbers are less drastic when comparing 2013 to 2014, with Argentina down 48 percent, Brazil down 9 percent and Venezuela down about 4 percent.

Europe's economic woes are making landfall on Miami's shores, too.

"While the euro has not diminished as much as the South American currencies, its slide versus the U.S. dollar has only recently started and is expected to continue to decrease over the next six to 12 months," the report states.

To the east of the Eurozone, the Russian ruble has lost 43 percent of its value in relation to the U.S. dollar when compared to 2013, per the DDA report. The negative impact of that flailing currency is already evident in Sunny Isles Beach, a city that had become a safe haven for Russian buyers. Lana Bell, a broker for ONE Sotheby's specializing in the area, said she has not had new Russian clients since the fall of 2014. "They are not buying anymore," she said. "Not until the crisis ends in Russia."

But there may be new hope in China. The purchasing power of the Chinese yuan has increased by nearly 8 percent compared to 2011, according to the DDA report. The appreciation of the yuan, in addition to a cooling Chinese economy, high domestic property prices and continued interest in immigration to the U.S. has ramped up Chinese nationals' appetite for overseas real estate investment.

In New York City, Chinese investors spent almost 43 percent more in the real estate market in 2014 than the previous year. In Miami, the December sale of The Capital at Brickell site to CCCC International USA LLC, a subsidiary of Beijing's China City Construction and New York-based American Da Tang Group, was an early indicator that the Chinese were starting to show increasingly strong interest here. The company bought the 2.78-acre property for \$74.74 million.

In March, American Da Tang Group opened an outpost in Miami to focus on acquiring properties for Chinese buyers interested in the region. Meanwhile, Swire Properties, a developer out of Hong Kong and Mainland China, has been doing business in Miami for more than three decades and is currently developing the \$1.05 billion mixed-use project Brickell City Centre downtown.

These maneuverings have sparked interest from brokerage firms like ONE Sotheby's and ISG. "We are going to Hong Kong to present some of our projects because we are seeing increased interest from Chinese buyers," said ONE Sotheby's de la Vega.

Still, replacing buyers from countries in political and economic distress with Chinese buyers is going to take time, said ISG's Spiegelman. "The Chinese are cautious investors," he said. "To grow that market might take five to 10 years."

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