
February 23, 2012

Cash-rich Venezuelans help resuscitate Miami real estate

By Kevin Gray

MIAMI, Feb 23 (Reuters) - Many Venezuelans have long had a love affair with Miami, but rarely has it been so intense - as least judging by the property market.

The cash-rich South Americans are leading a charge into Miami real estate, helping to spur a recovery in a market that once stood as a poster child of America's housing bust.

Enticed by what they view as cheap real estate prices and paying in cash, Venezuelan buyers have snapped up condominiums, apartments and houses as investments or second homes.

They are joined by other South Americans cashing in on recent heady economic growth in their region, which also weathered the global downturn fairly well.

Wealthy Venezuelans, faced with dwindling investment opportunities back home and worried about what they describe as a crackdown on the country's domestic housing market by leftist President Hugo Chavez, have become sought-after clients for real estate developers and brokers.

"They pull out their checkbooks right away," said Harvey Hernandez, a Venezuelan-born managing director of the Newgard Group, which is developing BrickellHouse, one of the first condo towers scheduled to be built since the real estate crash.

At BrickellHouse, more than half of the tower's 374 units have been sold, with Venezuelans representing around 40 percent of the buyers. The tower, located in Miami's financial district with views of Biscayne Bay, is slated to start construction later this year.

Venezuelans have also helped reinvigorate real estate markets in Miami suburbs like Doral and Weston, home to large Venezuelan expatriate communities.

"It's the Chavez effect," said Cleto Puzzi, a Venezuelan who sold an apartment he owned in Spain and bought two in Doral that he now rents. "You can't invest in Venezuela these days."

The Venezuelan leader's penchant for expropriations has rattled many well-to-do Venezuelans. Last year, Chavez introduced legislation that makes it more difficult for landlords to evict delinquent renters, spooking property owners and chilling interest in one of the few investment options in Venezuela.

"Chavez basically has served as the greatest backstop the South Florida and Miami condo market has seen," said Peter Zalewski, a principal with the real estate consultancy Condo Vultures.

The wave of property buying by Venezuelans and other South Americans has re-energized Miami real estate developers who are rolling out new projects even as Florida remains among the states hardest hit by the housing collapse. It has also transformed Miami into a top real estate destination for international buyers.

"Latin America has really helped to breathe new life into our market," said Jorge Perez, the chairman and chief executive of Related Group, a leading South Florida developer.

Venezuelans, like many Latin Americans, have historically turned to Miami real estate as a safe haven against political and economic volatility at home.

According to the Miami Association of Realtors, Venezuelans were the top foreign buyers in 2011 and accounted for 15 percent of all sales to international buyers, followed closely by Brazilians and Argentines.

Last year, sales of houses and condos in the Miami area rose a record 46 percent compared with 2010, the association said. Condo prices finally began to rebound in the second half of last year, and December also saw an appreciation in single-family homes for the first time since the recession.

Latin Americans are turning to Miami real estate as property prices back home have soared.

A recent report by Miami-based RelatedISG, a real estate sales group, said prices of downtown Miami apartments and condos trail those at newly built properties in several South American cities, including Rio de Janeiro, Sao Paulo, Buenos Aires and Bogota.

Prices in downtown Miami average more than \$400 a square foot, the report said. That compares with \$1,000 a square foot for properties in Rio de Janeiro, \$900 in Sao Paulo and \$550 in Buenos Aires.

Surging real estate prices in Brazil have also sent Brazilians on the hunt for Miami property.

For Brazilians, "everything is so cheap. Going to dinner, buying a shirt, buying a condo," said Jacques Claudio Stivelman, the president of Miami-based Shefaor Development and a native of Brazil.

Big-spending Brazilians are drawing particular interest among Miami realty agents who say they come looking for high-end oceanfront properties.

"Brazilians are buying in the million dollar plus range," said Zalewski.

Foreign interest is not only limited to buying real estate. International developers are also heavily involved in more than 20 planned building projects, many of them likely to be marketed to foreign investors.

The interest from Latin Americans has led real estate developers, many of whom were stung during the U.S. housing crash, to adopt new financing and sales models.

Before the bust, Miami condo and real estate developers and property buyers relied heavily on bank financing. But as the market unraveled, developers watched as clients walked away from their deposits and banks, worried about falling housing prices, shut off lending.

Empty condo towers soon dotted Miami's downtown skyline.

With Latin Americans and other non-U.S. buyers now representing a majority of real estate sales in Miami, developers have unveiled a more cash-focused financing option familiar to foreign buyers.

The pay-as-you-go model means buyers pay at certain stages of construction. It is used widely in Latin America and requires buyers to pay as much 80 percent of the property's final price before construction is completed.

"I don't think this is a long-term approach, this is a reaction to the way this market is in its current form," said Perez.

Ivan Martinez, a 40-year-old lawyer in Caracas, recently bought two apartments at BrickellHouse for \$250,000 and \$400,000.

"Miami is like a second home for me," he said, rattling off trips he had made since he was a child. Venezuela's political instability, he said, was a key factor in his decision.

Some realtors who work frequently with Venezuelans said they expect their interest in Miami real estate to remain strong, particularly if Chavez wins a presidential election later this year and extends his 13 years in power.

Eli Santurio, a sales manager at Keyes Realtor, said many realtors were joining Venezuelans in keeping a close eye on the run-up to the October vote.

"That's what everybody is talking about," she said. "If Chavez wins, then sales could increase big time."