

'Snowbirds' boost Miami real estate revival

By David Gelles in Miami

Vince Pileggi always wanted to be a snowbird.

A telecommunications contractor from Toronto, Mr Pileggi had visited Miami for years, soaking up the sun and Latin-infused culture that distinguish the southernmost metropolis in the US.

And last year, with the Canadian dollar strong and new high-rises sprouting up around downtown Miami, Mr Pileggi put down the initial deposit for a condominium with ocean views. "I always wanted to retire down south where it's warm," he said, summing up the snowbird's desire to flee the northern chill.

Mr Pileggi is not alone. Three years after the Miami real estate market bottomed out amid the wreckage of the financial crisis, it is booming once more – especially at the high end, and especially thanks to foreign buyers.

Buoyed by strong exchange rates, relatively low real estate prices, and political turmoil in some countries, buyers from Latin America, Asia and Canada are snatching up hundreds of luxury properties in the area.

"We're in at the epicentre of the international real estate market," said Alicia Cervera Lamadrid, managing partner at Cervera Real Estate. "Miami is the meeting place for Europe, South America and the US."

Local realtors are forecasting a record number of sales topping \$1m this year, and several new projects under development will bring more than 1,000 new units online, even as downtown occupancy rates hover around 93 per cent.

"When people think of what Miami was just four years ago, they don't have a concept of what Miami is today," said Frank Nero, chief executive of the Beacon Council, a local economic development group.

The turnaround is most vivid in downtown Miami, one of the hardest hit markets during the financial crisis. As credit dried up in late 2008, half-built condominium towers loomed over the business district, leading many to predict it would take decades for the city's urban core to recover.

"Not even the palm trees were moving," said Ms Lamadrid. "It was a very stagnant time."

But as money began flowing again in late 2009, investors from around the world were quick to recognise that Miami real estate had emerged as an attractive investment opportunity. Median sale prices for downtown condos had fallen by more than half, making the market's price per square foot a bargain compared to prices in cities like São Paulo.

Now, as inventory at the high end of the market dries up, "prices are finally beginning to come up a little bit", said Ron Shuffield, president of EWM Realtors, one of the area's largest brokers. Though still well below their 2007 peaks, median sale prices for downtown properties have risen steadily for 18 consecutive months, according to EWM.

Many buyers come from overseas. "We continue to be a city of immigrants," says former Miami mayor Manny Diaz. "We're going to be a substantial beneficiary of globalisation." More than half of residents in Miami Dade

County are foreign born, the highest split in the US. In the broader South Florida region, there are more than 300,000 Brazilians.

Some of the attractions are obvious. "Brazilians like to be by the beach," said Harvey Hernandez, a Venezuelan who is chairman of Newgard Group. Newgard is developer of Brickell House, the new development where Mr Pileggi bought his condo.

Another factor attracting some foreign buyers is the weakness of the US dollar. Over the past five years, the Brazilian real, for example, has grown stronger, further enticing new arrivals from Rio de Janeiro and São Paulo. "I never dreamed I'd be following currency exchanges like I do," said Mr Shuffield.

Brickell House, the first major development to get started since the crash, will have more than 374 units, with prices ranging from \$200,000 to \$1.4m. Mr Hernandez has sold more than 200 units since he began taking orders in October, with a majority of buyers coming from overseas.

Yet with credit still hard to come by for developers, Mr Hernandez is not offering financing. Instead, buyers are paying all cash in the "preconstruction" model more common in Latin America. Buyers pay 20 per cent of the price on signing, 10 per cent when the project breaks ground, another 20 per cent when the floor of their unit is built, 20 per cent when the roof is put on, and the final 30 per cent upon delivery of their keys.

"International buyers understand preconstruction better than domestic buyers," said Mr Hernandez. "Getting in early in the project means good value.

Trophy properties are also beginning to move. In exclusive enclaves such as Star Island, some sales have topped \$25m. Ms Lamadrid said she recently closed a \$16m sale. "To be able to say that, and not be the only person in town who can say that, this is big news for our city," she said. "It speaks to how rich the top of the market is."

Mr Pileggi, meanwhile, is eagerly awaiting the completion of Brickell House so he can move down south. But he also sees his new condo as a long term investment. "The climate all year round is a hell of a lot better than it is up here," he said. "And it's like investing in a mini New York."