

News

Miami Capital Markets

THE DRAGON RISING IN THE MIAMI CRE INVESTMENT WORLD

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Forget Latin America. The next big surge of foreign investments in Miami could be coming from the other side of the globe. Bisnow

Even with its Chinese government-enforced, \$50k investment maximum, the amount of investment dollars coming from China into Miami real estate is raising eyebrows, says Cervera Real Estate's Alicia Cervera Lamadrid (center). "For anyone who walks around with their eyes open in Miami, we can see just

organically more Chinese people all over the city,” Alicia said. “We know that they're doing business here. We know that big money's here. We know that small money follows big money.”

Alicia was part of our foreign investment panel at our Miami Capital Markets & Foreign Investment event last week, including ANF Group's AJ Meyer, The Related Group's Carlos Rosso, **Marcus & Millichap's Alex Zylberglait** and Riviera Point Development Group's Rodrigo Azpurua. Carlos relates a time a few years ago, after Related Group CEO Jorge Perez made a speech to a bunch of University of Miami students who were from China, a wealthy Chinese family came to Paraiso Bay's sales center and told Carlos they wanted to buy two. “You want two units?” Carlos recalls responding. The family answered “No. Two complete floors.” That family ended up buying 12 units on two floors for family members, he said.

The big reason for Chinese national investment across the US is the federal EB-5 Immigrant Investor Program, which allows foreign investors to spend from \$500k to \$1M on projects so long as they create at least 10 jobs. In turn, the foreign nationals get green cards. “The natural market for EB-5 visas is China,” Rodrigo said, and it's pumping millions of dollars into the Miami economy. “That movement of wealth is happening.” To help facilitate this, some panelists say direct flights to China from Miami are critical. “I think it's critical to have...the planes arrive here to Miami. Once that happens, it's going to change completely,” Carlos said.

Others noted that foreign investment has spread beyond Latin America as Miami's reputation has grown on the world stage. “Miami has the international brand that makes it very attractive for the wealth to come,” Rodrigo said. Carlos noted that, this past year, Related sold 2,000 units to investors from 92 different countries, including Turkey and Thailand.

Alex notes the turning point for commercial real estate in Miami was in 2015, when \$2.5B in foreign capital invested in office, retail and other nonresidential properties—up from \$468M in 2014. Alex says many of these investors eye easy-to-operate product types, such as triple-net leased retail buildings, which can yield a 5% to 7% return. But for an investor from Europe, where returns can lag at just 1%, “an anemic 5% [return] at a Walgreens on 8th Street...that's still light years ahead for those European investors.”

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