

DECEMBER 06, 2017 | PAUL OWERS

Q&A: Foreign Investors See Security in Commercial Real Estate

Marcus & Millichap's Alex Zylberglait Addresses Market Conditions, Outlook



Alex Zylberglait, a senior managing director of investments for Marcus & Millichap in Miami, has built a niche working with foreign investors in South Florida over the past decade.

The native of Argentina said the key is being able to help foreigners overcome cultural barriers.

"Being from Latin America myself has allowed me to forge strong relationships with clients," he said. "They're loyal, so if you perform for them, they tend to stick with you."

Zylberglait joined Marcus & Millichap in 2003 and has closed more than \$700 million in deals involving office, single-tenant net-lease, industrial, land and retail properties. In 2015 he was named NAIOP's Office Broker of the Year and won his company's Chairman's Circle of Excellence Award - Marcus & Millichap's highest sales honor.

CoStar News: How would you describe the state of the commercial real estate market in South Florida?

Alex Zylberglait: » I think, at this point, the market is still moving up. The deal volume is a little slower than last year and the year before, but nevertheless, it's still at a healthy level. The only area that has some relative weakness is secondary assets in secondary markets. Investors there are looking for bigger discounts. They're saying, 'With potential choppy waters ahead, I believe I have to buy it right.'

So you anticipate a slowdown heading into 2018?

»Some investors are feeling a little jittery because of the run-up in the stock market. We've been on an eight-year run and people expect that to slow down at some point. But some think it's going to be a soft landing.

We've heard about foreign capital making its way into the commercial sector across the tri-county region. Why are foreigners jumping into commercial real estate in bigger numbers?

»We've seen a fair amount of foreign capital moving over from residential to the commercial sector. The shift began in 2012-13 and peaked in 2015. Commercial gives foreign investors more diversification, better prediction of cash flow, more security. Many of their tenants are well-established businesses and good credit tenants that are more reliable than, say, mom and pop renters. Also, financing is a lot more prevalent, so that makes it easier to get into commercial real estate.

What countries are investors coming from and what types of properties are they buying at this point in the cycle?

»They're coming from Latin America, primarily. We're also seeing capital come from the Middle East - Turkey and Israel.

It's all asset types. But if we were ranking them, single-tenant net-lease is the easiest to get into. After that, you have retail, industrial, office and some hotels that are in the better locations.

Also, I'm noticing that a lot of foreign buyers are starting to take advantage of strong market conditions and selling some of their assets. They bought well as the market was recovering and now they want to cash in some of their chips and access their equity.

I have a client - a group from Argentina - that bought a shopping center in Doral, with a Starbucks as an outparcel. They're selling just the outparcel, and it's the kind of property that should get a lot of attention from buyers. I have another client - a group from Colombia - that purchased a class A office building from the bank out of foreclosure. They put some money into it and renovated it and sold it for just under \$8 million. They were able to make a nice profit, let's just say.

What about Chinese investment here?

»Chinese investment has been very, very limited. There's a lot of discussion about it, a lot of potential, but for now Chinese investors are attracted to the West Coast. As we open up more direct flights from South Florida to Asia, that will open up more investors coming here. There have also been some plans discussed for a Chinatown in North Miami. So those could be catalysts. I think it's only a matter of time.

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