



Foreign Buyers See Big Opportunity in Housing Bust

As housing market struggles to recover, foreign buyers see an irresistible opportunity

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The Viceroy, a swanky condominium complex in downtown Miami, gives the impression that the United States is in another real estate boom. The sales office is strangely exuberant. Buyers gush about the glam condos — designed by hipster tastemaker Kelly Wearstler — and their hotel-like amenities: poolside libations, daily housekeeping and room service food stirred up by a celebrity chef.

Since January, 262 of the Viceroy's 372 units have sold. But there's a twist: Almost 90 percent of the buyers are foreigners. And they all paid cash.

The Viceroy's story is playing out across Miami. Individual investors from as far as Argentina, Canada, Colombia, France, Israel, Italy, Norway and Venezuela are swarming the city's sales offices to get in on what they see as one of the greatest real estate fire sales in the history of the United States.

At one time, these people would have invested in the U.S. stock market. Now they see the opportunity of a lifetime in the nation's debilitated housing market. The idea is to rent out the properties and then sell them once the economy turns around.

The math is seductive: Prices at the Viceroy are roughly 52 percent off the 2007 peak. Units once sold for as much \$670 a square foot. Today the average price is \$319.

"I have never seen such a high concentration of foreign nationals acquiring real estate," says Peter Zalewski, who has been in real estate for 15 years and founded Condo Vultures, a consulting and brokerage firm. "Eighty percent of the sales in downtown Miami are foreign-based. This is unprecedented."

Miami is hardly the only hot spot for buyers from outside the United States. Real estate brokers say they've seen a surge in Washington, New York, Las Vegas, Los Angeles and San Francisco. In Seattle, Asians are buying property sight unseen, says Joe Brazen of Brazen Sotheby's International. In New York, 25 percent of buyers at the Armani-designed 20 Pine building, near the World Trade Center site, are from overseas.

"It's a positive in a sea of negatives," says Jonathan Miller, chief executive of Miller Samuel, a real estate consulting firm in New York.

This year in Phoenix, for the first time, there have been more buyers from Canada than from California, according to real estate data outfit Information Market. With the Canadian dollar approaching parity with its U.S. counterpart, the opportunity was simply irresistible to Jim Chuong, a 38-year-old Novartis sales manager from Toronto.

Chuong, whose house in Canada is already paid off, used to invest in U.S. stocks. Now he's investing in Phoenix condos, paying \$50 a square foot for units that would cost \$500 a square foot in Toronto.

"It's ridiculous is what it is," Chuong says.

For foreigners with cash, the deals can make them money from day one. Chuong buys two-bedroom condos for less than \$40,000 in low-crime areas. He only picks up units that already have renters. After paying association fees and taxes, he walks away with \$300 a month, pre-tax, on each. The deals are now easy to do, thanks to the cottage industry of companies that has grown up to manage virtually everything for foreign buyers, down to badgering renters for the monthly check.

For the international investor class, the United States' bloated inventory of homes, high unemployment and weak currency make for an unusually attractive buyer's market.

"Never before have all these things come together like this," says Patrick O'Neill, chief executive officer of the Hong Kong-based O'Neill Group, which helps Chinese invest in international real estate. O'Neill says Chinese buying in places like New York is on track to double this year.

"Unless you want to go to Baghdad," O'Neill says, "the United States is the best you can get."

The trend is showing up in the statistics. In a National Association of Realtors report released in July, 28 percent of brokers reported they had worked with at least one international client, up from 23 percent a year earlier. Among those, 18 percent had completed at least one sale, compared with 12 percent in the 2009 report.

"I was going invest in the stock market, but I decided to invest in real estate instead," says Diego Garcia, a Mexico City native on assignment in New York City with Pfizer Inc., where he is a regional finance director. Garcia paid \$850,000 for a Manhattan one-bedroom in a gleaming new high-rise that he plans to live in for now. "I'm a conservative guy," Garcia says, "and this was more conservative."

That's not to say there aren't steep risks. An economic jolt could easily throw the whole plan into disarray. The housing market is far from a recovery. In many places, prices continue to fall. What happens if currency values reverse and a foreign owner needs a quick sale? Or a renter bolts in the middle of the night, leaving an empty unit and no cash flow?

It's not as if foreign buying can be counted on for a housing market turnaround. Overseas buyers represent a mere 7 percent or so of today's total. Yet in some cities, such as Miami and Washington, the foreign sales are helping to stabilize the markets.

In past downturns, buying a property in the U.S. was the prestigious purview of the wealthy, but today the market is within reach of the swelling ranks of the global upper-middle class.

Colombians, who often call Miami the most beautiful city in their country, have always been drawn to Florida. The difference now is the upside-down economics. It is cheaper to buy in Miami than in Bogota, and you can fly between the two cities for \$59 each way.

"Muchos muchos muchos muchos opportunity," says Elsa de Blaschke, who owns a construction company with her husband in Barranquilla, Colombia, and is hunting for an investment property to buy in Miami. De Blaschke chose not to invest the capital at home because she says Florida offers a better chance of a bigger return.

"The international buyer pool is better than we have ever seen it before," says Phillip White, president of Sotheby's International, based in New York.

To match demand, U.S. brokerages are hiring agents who can speak foreign languages and are pouring more resources into marketing overseas.

In October, agents from 11 Sotheby's International branches will descend on Hong Kong's convention center to regale wealthy buyers there with slick visuals on showcase properties. In Toronto, agents from Florida Home Finders play to crowds of 800 every other Sunday at a Holiday Inn banquet hall. Jenny Huertas, Condo Vultures' international sales director, throws seminars for potential clients across South America.

"Their jaws drop. They can't believe it," Huertas says. "They think these deals are too good to be true."

