

The perfect US storm for overseas buyers

Distressed property in the Florida area is a natural target for foreigners, for investment or as a base.

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Hongkongers are well known as savvy shoppers. If anyone knows how to spot a bargain, they do. Perhaps that's why their interest has been piqued of late in the large volume of distressed property still available in the United States.

According to the National Association of Realtors, buyers from Hong Kong and China were the fourth most active international property purchasers in the US this year, following buyers from Canada, Mexico and Britain. The Chinese accounted for 8 per cent, but could soon overtake the British buyers, who are noticeably falling away.

And though offshore buyers have traditionally focused on major cities like New York, much of the year's activity has taken place in Miami, Florida. Apart from the sun, sand and trendy nightlife, they are drawn by the current mix of market conditions, which Patrick O'Neill, chief executive of Hong Kong-based O'Neill Group, describes as "a perfect storm" for investors.

He explained that the US housing market peaked in 2006 before plummeting an average 30 per cent to the low point in late 2009. While cities like New York and Washington experienced value drops in the 25 per cent range, other states like Florida, Nevada and Arizona saw drops of 60-70 per cent.

"The combination of depressed prices, historically low interest rates and overbuilt supply is the perfect storm for investors. In the Miami market as an example, investors can buy properties for less than the construction costs of building."

Miami property broker Peter Zalewski, founder of Condo Vultures, agrees, saying he has never seen anything like the current demand coming from offshore. "Eighty per cent of the sales in downtown Miami are foreign-based. This is unprecedented."

Zalewski, who hunts out "deeply discounted deals" for clients before the product makes it to market, says foreign buyers are leveraging their countries' strong currencies to accumulate bargain-priced distressed property in South Florida. Their hope is to resell "in the near future" once mortgage financing is restored to the market. "These all-cash, international buyers are focusing primarily on new, high-rise condominium units that are now trading for nearly a 50 per cent discount off of the preconstruction contract prices of the peak in 2005," Zalewski said.

He said the influence of the foreign nationals is strongest in the greater downtown Miami market - the epicentre of Florida's condo crash - where 22,250 new units were built between 2003 and this year. In the four previous decades, developers built 11,500 units in the same neighbourhood.

Here, foreign nationals account for up to 90 per cent of the transactions in certain buildings.

Zalewski says increasing economic ties are another reason for the influx from Asia.

"Buyers from Asia are increasingly looking at South Florida, and Miami in particular, as an attractive hub for servicing the Americas.

"Toss in deeply discounted, newly constructed real estate, and it is logical to see why buyers from Asia are increasingly acquiring properties in South Florida."

Patrick O'Neill, whose agency helps Chinese buyers to invest in international real estate, says their natural instincts are drawing them to the US. "Chinese buyers are extremely savvy investors and have the ability to purchase globally," he said. "Clearly the major Asia markets are near the peak and the UK, another favourite, has already rebounded. The US has only begun to recover this year, so the bargains are still available."

In the Miami area, he says, a property that sold for US\$1 million in 2006 can be purchased today for US\$300,000, which is less than the cost of construction.

"Miami is young city with a diverse population, 55 per cent foreign born, that tops 5.5 million as a region. We have a multilingual workforce; US infrastructure ranging from transportation to utilities, legal system to currency; geographical proximity to Latin America, North America and Europe; and a chic side that is accurately depicted in TV shows, movies, music videos and video games. Locals often joke that the best part of Miami is that it is so close to the United States."

O'Neill, who has also lived there, agrees.

Meanwhile, the talk around town is becoming more upbeat, Zalewski says.

"The last condo construction crane came down in October 2008, a month after Lehman Brothers failed. Foreclosure filings in South Florida are on pace for less than 60,000 in 2010, following 98,000 in 2009 and 76,000 in 2008. In 2007, lenders filed to foreclose on 33,000 properties.

"With many of the pessimistic pundits starting to finally acknowledge that a bottom is in sight for South Florida's coastal real estate, conversation is starting to intensify about the need to be buying land for the next wave of development. We do not think a tower will go up in the sky in the foreseeable future, but then again, anything is possible in Miami."

Living the high life

This is living in Miami: Condos in Four Seasons Residences, part of the Fours Seasons Hotel, are in the tallest building south of New York. Commanding spectacular views of the ocean and Miami skyline, the property comes with every conceivable luxury and

affords residents the full complement of Four Seasons hotel services.

A second property recommended by Patrick O'Neill of O'Neill Group is Millennium Tower. Located, like the Four Seasons, in the "elegant community" along Brickell Avenue, these condos offer luxurious amenities such as on-site bar and lounge, pool, exercise room and views of Key Biscayne.