

Foreign condo buyers nurture renters, 24-hour downtown

Did we wait forever for last week's lead headline "Downtown condo sales jump 62%"?

It wasn't really forever, just a few years after a boom when such figures drew yawns from sophisticates inundated with condo sales claims that were about as valid as Bernie Madoff's investment returns.

Now, however, sales numbers are real, not puny deposits but all cash, guaranteeing that we're not about to trigger new waves of foreclosures, because there's nothing to foreclose on.

That's part of the good news.

Best civic news is that lights are on and people are home in most urban condo units.

That makes downtown hum with not only jobs – despite the economy, most offices are filled – but residents who spend on meals, culture, entertainment and goods.

That, in turn, nudges stores to remove T-shirts and electronics geared to other nations' plugs and start selling products their own city's dwellers use daily.

For years downtown has neared come-back. Now it's here.

Paradoxically, the condo bust led directly to downtown's boom.

A caution: the trip isn't over. Roads back for both housing and an urban hub downtown are bumpy. We might also take perilously wrong turns.

A key peril to this dual surge of housing and urban vitality is government. That danger is due not to lack of



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goodwill but lack of funds.

Government can stunt our urban recovery as both city and county battle strained resources. Real estate and urban recoveries hinge on policies and spending that make downtown livable and affordable.

Although the bulk of taxes come from the Brickell and downtown hub, in the past the city has redirected receipts to where voters live, not where the city lives.

If the city taps only the Downtown Development Authority's thin income stream to police and polish up the core, growth of downtown's economy and livability will slow. Foreigners who are snapping up condos are accustomed to city centers getting the best, not worst, treatment.

Another bump on the recovery road relates to those foreign buyers. They're the ones with the confidence to buy downtown as an investment. Unfortunately, Miami's core has relied on the foreign condo buyer before.

Go back 30 years to the growth of Brickell's iconic towers with distinctive architecture. Those condos were bought heavily by Venezuelans brimming with confidence who, like investors downtown today, were happy to take multiple units.

But Venezuela's economy stumbled and many of those investors dumped condos. Prices along Brickell tumbled and stayed low for years.

Could we feel that shock again? All-cash transactions are strong insulation.

But the mere fact that investors who plan to resell soon for a profit are buying thousands of units waves a cautionary flag. With gradual sales, prices might not soar but shouldn't collapse. Any

rapid selloff would be perilous.

Remember, even without more construction "new" downtown condos will enter the market for years. Reseller ST Miami has more than 1,000 brand-new units in failed projects that it plans to release gradually and seeks to handle more.

This unique situation should keep downtown prices from skyrocketing in a classic Miami boom and bust.

Because individual investors buy those condos, they're relisted as rentals. Beneficiaries are young professionals who now can afford to live downtown and are loving it, creating a large nucleus who once might have been forced to commute from far out.

A new, very urban lifestyle is taking root in Miami, but it's not Manhattan with palms. These young urban dwellers couldn't afford to live in Manhattan but can afford Miami's new rental downtown.

Thanks for that, condo boom.

Can this rental paradise last? The flow of newly released condos should keep strong pressure off rents, although they're gradually rising. The test will come when recovery heats up and jobs return.

Will the stream of Latin American investors last? That rests on economies and politics back home. With downtown Miami condos less costly than in South America and favorable currency exchange, they're firm for now.

But we've relied on foreign investors before, not always wisely. Until Japan's economy interceded, we thought the Japanese would buy up everything in Miami worth having. But Miami has far greater natural affinity with Latin America than Japan.

Ironically, the mortgage crunch helped

lure foreigners downtown. They don't battle US residents bidding up prices, because banks aren't making it easy to get a mortgage.

How solid are the investments of those foreign buyers? Only the market can tell us. Like the headline about condo sales jumping 62%, since this is Miami we're not going to have to wait forever to find out.

The only sure thing for both downtown and its condo market is that change is coming, for good or ill.

At some point the mortgage market will open up, not like mid-decade go-go days when mortgages exceeded the value of the property but wide enough to get a lot of US citizens back into the game.

Jobs, too, will return with recovery, giving more urban core workers ability and incentive to buy downtown.

As for the currency market and Latin American economies, changes are unlikely to make it much more favorable to invest in downtown Miami – though political situations in Latin America could do just that.

But a cluster of foreign investors is likely to hold onto downtown condos rather than sell. Some will become part-time or vacation homes, some owners will move to Miami.

Whatever happens, the wave of investor-buyers has insured against further erosion of condo values for the thousands of other people who already had made the urban core home.

That wave also nurtured a young middle class of urban renters who are creating a new Miami urban lifestyle by turning a nights-and-weekends downtown ghost town into a bustling 24-hour, seven-day city.