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COMMERCIAL REAL ESTATE

Foreign investors may help local real estate market



Grace He, vice president of China-based U.S. Capital Holdings, is developing the mixed-use 321 North on the site of the Fashion Mall in Plantation. [Buy Photo](#)
CHARLES TRAINOR JR. / MIAMI HERALD STAFF

BY ROCHELLE BRODER-SINGER
SPECIAL TO THE MIAMI HERALD

Some of the biggest commercial real estate deals of 2008 came from outside the United States:

Nakheel Hotels, managed by the Dubai government, bought 50 percent of the Fontainebleau Miami Beach hotel for \$375 million. A subsidiary of Japanese investment firm Sumitomo paid \$260 million for the Miami Center office tower. Hong Kong-based Swire Properties, which developed most of Brickell Key, paid \$41.3 million for 5.5 vacant acres just off Brickell Avenue. And a Mexican company affiliated with the Jose Cuervo Group became partners in 396 Alhambra, a planned \$130 million office project in Coral Gables.

LOOKING ABROAD

As a credit crunch dries up U.S. capital for deals, many in the industry expect international investors to again be major players throughout 2009. They often have the stomach -- and the cash -- to buy now even as vacancies rise and values drop.

"They're not as squeamish as some of the investors in the United States," said real estate broker William H. Kerdyk Jr., president and CEO of Kerdyk Real Estate in Coral Gables.

Foreign buyers often work with longer time frames and have more cash than domestic groups. They have clear confidence in South Florida's long-term economic strength. And for some, this country is still the safest place to move flight capital.

Grace He, vice president of China-based U.S. Capital Holdings, agrees. Her company is developing the mixed-use 321 North on the site of the Fashion Mall in Plantation.

A private equity investor, U.S. Capital saw the mixed-use project as an opportunity to transfer its experience in urban development in China to the United States. Even as the economy makes it hesitant about which piece of the project to begin now, the company is patient about its investment. "The commitment that we're putting here for this project is a long one," he said.

Florida, he said, is not that popular with Asian developers because they aren't as familiar with it as other major U.S. centers. But her company saw it as "a place where things can be done" and where development moves quickly. She added that 321 North's "city within a city" concept is the norm in China.

Few domestic companies would have invested so much money in what may be the most uncertain economic environment they've ever encountered.

But international firms have a different perception of risk. Latin American investors, for example, have dealt with such economic events as government appropriation in Venezuela, regular threats from guerrillas and drug gangs in Colombia and the total collapse of the banking sector and massive devaluations in Argentina. They know that in the United States, by contrast, contracts will be respected and the rule of law upheld.

"They're very accustomed to dealing with very volatile, high-risk environments," said Francisco J. Cerezo, a shareholder in law firm Greenberg Traurig. The possibility of slightly overpaying for an asset or that rents will continue to drop for several years "almost pales in comparison," to what they've dealt with in their own countries, he points out.

Kerdyk says his clients -- especially Brazilians, thus far more insulated from the global economic crisis -- are in fact aggressively buying property and investing in development here. Having experienced their own economic downturns before, "they have more of a stomach for it." And they can't see the United States not getting stronger in the long term.

International businesspeople see South Florida -- particularly Miami, Miami Beach and Coral Gables -- as an international locale, a destination point for going into the Americas, and, eventually, for going into Cuba, said Carolina Rendeiro, CEO of Business Centers International. She manages two floors of business center offices the Perca Group from Mexico City purchased in 2008.

"To them, Miami is a place that will always maintain its value," she said.

SITTING ON CASH

While confidence in long-term economic strength may not be hard to come by, financing is. And many foreign groups are sitting on significant amounts of cash from recent liquidity events or conservative investing.

The ability to finance the project was key for the Mexican group that invested in 396 Alhambra.

Developer Eduardo Avila wasn't worried about financing when he acquired prime land at Le Jeune Road and Alhambra Circle nearly four years ago. But when market conditions changed, he knew he needed a partner if he wanted to build now.

A mutual friend introduced Avila to Hector Fernandez, who runs an affiliate of the Jose Cuervo Group that owns 3 million square feet of real estate in Mexico. The group was looking to diversify geographically and targeted South Florida because several of its principals have homes here.

The investors' Florida company, Agave Florida Investments, took an 80 percent interest in the project, and plans to put in at least 50 percent of the cash required for development. If the team can't find a lender, Fernandez said the company is committed to financing the project itself.

"I don't know of any [domestic] company that I could have attracted to the deal, because the American companies are typically more interested in leveraging the financing," said Avila, president of Key Realty Advisors.

LOOKING LONG-TERM

The project has permits and construction will start this month -- and the group does not plan to wait for any leases to be signed.

Fernandez said his group sees this as a long-term investment. "We are not in a hurry. We are committed to invest in this market and we are very confident that sooner or later we are going to have a very good product, and sooner or later it will be full."

In contrast, domestic investors tend to require a certain rate of return on a property within a short period, said Neisen Kasdin, a shareholder and chairman of the land use and entitlements practice group at law firm Akerman Senterfitt. "Some of the foreign investors are looking at holding a property for many years, not trading them, and accept a smaller rate of return," he added.

Still, all investment in South Florida real estate, including from international buyers, has slowed

