

Foreign Buyers Increasingly Interested in U.S.-Based Real Estate

As Chinese spending has decreased, buyers from other countries have come in to fill that gap

Anne Machalinski



Rendering of a triplex penthouse apartment atop the Brickell Flatiron project in Miami, where South and Central American buyers made up about 60% of the purchases.
CMC GROUP/MASSIMO IOSA GHINI

In the year between April 2016 and March 2017, Chinese buyers spent \$31.7 billion on residential real estate in the United States—the most of any foreign buyer group, according to a [National Association of Realtors \(NAR\) report](#). But since mainland China tightened restrictions in August 2017 on how much capital residents can get out of the country, that spend has certainly dropped.

“There’s definitely been a decrease in spending from Chinese buyers—without question,” said Mauricio Umansky, the CEO and founder of Los Angeles-based brokerage, The Agency.

But emerging groups of foreign buyers, which vary somewhat by market, are filling in the gap, experts say.

“Foreign buyers make up a significant presence in the U.S. luxury market that will only increase as generations come here to study and geopolitical and safety factors continue to play a role,” said Shahab Karmely, the CEO of New York-based development firm KAR Properties, who is currently constructing properties in Miami.

“It’s just that at any given point, who the front runners are changes,” he continued, noting that when he got his start in real estate in the 1980s, Japanese buyers were purchasing a bulk of real estate, whereas in 2017, they only made up 2% of foreign property purchases, according to the [NAR report](#).

Jonathan Genton, the founding partner and CEO of L.A.-based Genton Property Group, agreed. “You turn off one faucet,” he said, “and another one opens.”

In Los Angeles, Asian buyers remain the most active

At Mr. Genton’s 59-unit Four Seasons Private Residences project in Beverly Hills, which he launched in Singapore and Jakarta, Indonesia, Asian buyers are showing up in a big way. “The influx of capital from Hong Kong has continued unabated,” he said.

He said he’s also seen more money coming from Taiwan of late—a sign that perhaps some Chinese buyers have diverted some funds to one of these places.

Buyers from Vietnam and Thailand, which weren’t there at the start of the sales process, are also becoming a bigger presence as he approaches the 50% sold mark, as are investors from Dubai and Kuwait in the Middle East, as well as buyers from Georgia and Turkey.

“Everyone recognizes the stability and security of the U.S. market more than ever before,” he said, noting that 60% to 70% of the building’s eventual owners will likely be foreigners.

Like Mr. Genton, Mr. Umansky said he’s seen an increase in money coming from Taiwan and Hong Kong as money from mainland China has decreased, but that the real buyer group that’s emerged of-late in the luxury L.A. market are Brits.

In total, Mr. Umansky said that foreign buyers purchased about 10 of the 35 homes that The Agency sold in the Southern California market for over \$20 million in 2017—a significant piece of the overall pie.

In New York, the trend toward Asian buyers is also continuing

Like in Los Angeles, broker Rick Pretsfelder of Leslie J. Garfield said that Asian buyers are the most prevalent foreign buyer group that he’s seen this year in Manhattan, representing about 30% to 35% of attendees at high-end showings, and 10% to 15% of purchasers.

“I haven’t seen a downturn in the number of Chinese clients who are interested in purchasing real estate,” Mr. Pretsfelder said, noting that many of them are particularly interested in townhouses, including the most expensive listings he’s currently showing.

Buyers from Taiwan and South Korea are also prevalent, he said, while buyers from Eastern Europe and Russia—common purchasers of townhouses seven or eight years ago—are nowhere to be seen.

In Miami, Latin American buyers still rule

However, in Miami, Asian buyers—including those from mainland China—have never made up a huge part of the foreign buyer mix, said Vanessa Grout, the president of CMC Real Estate, the sales and marketing arm of the CMC Group, which is currently involved with the Brickell Flatiron project.

“I went on four trips to China, and we did see a few buyers from there,” she said, “but it was more of a hope that didn’t unfold the way we anticipated it to.” A likely factor that has kept Chinese buyers and other Asian buyers from purchasing in Miami is the fact that there are no direct flights at this time.

Instead, Latin American buyers—many of whom also must contend with outbound currency restrictions from their country of origin, Ms. Grout noted—have always had the strongest presence in Miami.

And just as Chinese buyers have become less significant players in Los Angeles, Venezuelan buyers have diminished in today’s property market in Miami, likely because anyone who could get their money out of the country after the financial crisis there worsened in early 2017, already did, Ms. Grout said. Argentinian buyers have also lost their majority status.

Instead, buyers today are largely from Colombia, Peru, Mexico and Chile, Ms. Grout said, noting that South and Central American buyers will purchase about 60% of the properties in the 549-unit [Brickell Flatiron](#) project. Another 25% to 30% will come from Europe—mainly Italy—while only the final 10% will come from the states.

At his two Miami-based projects—One River Point in downtown Miami and 2000 Ocean in Hallandale Beach—foreign buyers are also likely to make up a significant portion of the total buyers, Mr. Karmely said. In fact, he expects 90% of the downtown units to go to foreign buyers, with almost all of them coming from Latin America.

“Colombia is big right now,” Mr. Karmley said, noting that his sales team is going there for a six-day visit in two weeks.

“Brazil is also coming to life again, and Mexican buyers are back in a big way,” he said, explaining that the latter group took a pause to see if the Trump presidency impacted their ability to purchase in the U.S.

In his just-launched beach project, Canadians have shown some early interest, Mr. Karmely said, although their motivation to buy, which is more about lifestyle than security, depends entirely on whether the exchange rate is in their favor. “When the Canadian dollar is strong, they’re all over the place,” he said. “But when it’s not, their spending always dries up.”

Although the first two sales went to Americans, early visitors have included Israelis, Europeans and Russians, along with Latin American buyers, of course.

As the prevalent foreign buyer group changes, just as it always has, Mr. Karmely emphasized that the bigger story here is how foreign buyers’ desire to purchase U.S.-based real estate has continued to expand and accelerate.

And that in Miami, they’ve expanded their interest away from the beach and into the downtown core, where four or five years ago, no foreign buyer would have looked, he said. “This change has been transformational,” he said. “While New York is a mature market, Miami is just coming into its own.”

The original article can be found [here](#).