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SOUTH FLORIDA BUSINESS JOURNAL

3 investment lessons from Invest: Miami 2015

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South Florida Business Journal

There's no shortage of investment opportunities in industries like real estate, education, banking, arts and culture, and more, in Greater Miami, as highlighted Thursday with the release of Invest: Miami 2015, an economic review from Miami-based research firm Capital Analytics Associates.

NINA LINCOFF
Panelists discuss investment opportunities and economic development at the release of... more

Local leaders from the public and private sectors gathered at an invite-only event to discuss investment opportunities held at the Sonesta Coconut Grove hotel. To compile the report, Capital Analytics interviewed more than 200 leaders from Gov. Rick Scott to Related Group CEO Jorge Perez.

Around 100 people attended the event where Mayor Carlos Giménez of Miami-Dade County served as keynote speaker. Mayor Tomás Regalado of the City of Miami made the opening remarks, before panelists David Martin, president of Miami-based Terra Group; Matt Allen, COO & EVP of the Related Group; Wayne Brackin, COO & EVP of Baptist Health South Florida; Dr. Eduardo Padrón, president of Miami Dade College and Robert Bowlby, Miami-Dade County market president of BB&T weighed in on investment opportunities and economic development in the Greater Miami area.

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Three takeaways from their discussions:

Investments should impact residents

"Amazing experts and thinkers with the ability to travel and communicate are wanting to work in our city," Martin said. "What that's doing is increasing the pride that our community has in our city."

The challenge is to communicate the history and context of the community to these outside investors, developers, and designers, so that the Miami of tomorrow still has room for the residents of today, he said. Investment, especially in the design, architecture, and real estate realms should positively impact existing residents. "The challenge with these architects and designers is … to give them the roots of our community so that they don't come with a preconceived notion," he added.

Greater Miami has done a good job of attracting investment, but now comes the hard task of directing that investment to benefit the community, Martin said.

"We do need to do a better job of making sure that investment, and development in our businesses, is also improving the quality of life for the existing residents in our community," he said. "Our industry needs to do a better job of how we communicate our message."

There is room for domestic players

"It's a great fact that, in general, 80 [to] 90 percent of our buyers are coming here internationally," Allen said. "They're bringing their money from South America, they're bringing their money from Europe, they're bringing their money from Russia, they're bringing their money from everywhere to invest in our city."

International investment, and to some extent capital flight, has allowed condominium projects to be built faster. But at the end of the day, about half of international buyers are using the condo units as second homes, Allen said. Still, there is room in the market for domestic buyers, particularly for those that want to live, work, and play in the community.

"I'm very encouraged by what we see internationally. The greatest challenge is that we would like to see domestic buyers," Allen said. In addition to more domestic buyers, there is a need in Greater Miami for affordable housing. For the right investor, that could be a profitable hole to fill.

"We'd like to see more affordability," Allen said.

Seek diverse investment streams

Traditional lenders were slow to jump into real estate lending following the 2008 financial crisis, but today, more banks are lending commercially.

"Banks are diversifying their portfolios," Bowlby said. "The banks have gotten smarter. When we were in the peak of the recession, it was hard for any real estate developer to get a loan and that has definitely changed."

But in addition to banks ramping up their real estate lending, nontraditional lenders such as private equity, insurance companies, hedge funds and others are offering capital. For the right project, a nontraditional lender could be the right fit.

"What has surprised me is that we've come out of this and the insurance companies, the hedge funds … ßare now willing to take risks that the banks used to be able to take," Bowlby said. "There is still a lot of liquidity available to real estate developers, it's just not all coming from commercial banks."