

From housing bubble to building boom

Five years ago, tens of thousands of empty apartments in downtown Miami since the U.S. housing market crashed. Today they are sold - and new builds. Lower LTV for new buildings do Miami to avoid a new speculative bubble, hope Mayor Carlos Gimenez.

- As you can see outside so there is a lot of construction cranes everywhere. We have a lot of projects that are under construction, both residential and commercial premises. And more even more exciting projects are in the planning stage. They will truly transform Miami's appearance, said Carlos Gimenez, Mayor of Miami-Dade County in South Florida.

And it certainly looks like a new building boom is underway in downtown Miami. A few minutes walk is enough to realize that the billions now being plowed into the city center and in areas of large-Miami south and north along the Atlantic coast.

- If you were here five years ago as the city has changed considerably since then. Do you come here in five years again so has it changed again, says Carlos Gimenez.

Just five years ago, the situation was desperate in South Florida. The years before had contractors built tens of thousands of apartments. Virtually all of them had been bought with the help of voluminous bank loans. Get housing was in fact inhabited - instead, they became objects of speculation in pursuit of quick profits.

Then came the housing crash, which in turn gave the world financial crisis of 2008-2009. In South Florida, banks were left with stocks of tens of thousands of empty apartments.

"Miami is what America will look like 30 years from now."

*Carlos Gimenez,
Mayor of Miami-Dade
County in South
Florida, on the strong
demographic segment
from South America in
South Florida and
especially Miami.*

- I think this all remember what a terrible time it was. Overnight, the market crashed, banks stopped lending, the builders had no money, people had to leave their homes. And we sat with a city full of empty apartments, Miami became a "ground zero" for the apartment crash in the U.S., says Tadd Schwartz. He is a public relations consultant hired by the Miami Downtown Development Authority. It is from here that the development of the new town center is headed.

Tadd Schwartz is straight from an episode of Miami Vice. He works hard to not only sell in Miami's new, allegedly stable housing to anyone who will listen - he also markets the sydfloridanska lifestyle hard, complete with sunshine, palm trees and miles of sandy beaches at a comfortable distance.

This is one of the concept - together with a lower price level than for example in New York, a major financial center, and USA's busiest airport measured by number of flights - which means that now even foreign buyers queuing up to buy a home in Miami, according to Tadd Schwartz. Not least from Latin American countries like Brazil, Venezuela and Argentina.

For the market has resurfaced faster than anyone seems to have dared to hope for. After the crash, the banks dumped prices for apartments sold. In just a few years, the entire population gone. In addition, built thus now additionally new en masse.

But any questions about whether Miami is in the midst of construction of a new housing bubble, ready to burst about five to ten years, dismissed unison by the mayor, the PR consultant and head of the Development Authority Miami Downtown Development Authority, Alyce Robertson.

The reason is funding. Buyers today have to put in at least 50 percent own money in a newly built apartment in Miami. The higher financial outlay will have two effects, it is argued in this: reducing speculation and that people actually live in the homes.

- At the first phase people bought with borrowed money, and tried to sell the apartments quickly at a profit. Now we have a completely different market, said Alyce Robertson.

- We went from being the most over-leveraged housing market in the U.S. to be the least leveraged, add Tadd Schwartz to for safety.

Much of the previous stock of apartments rented in the alternative, which according to the development office led to both a renewal and an increase in population.

- Ten years ago we had 35 000 inhabitants in central Miami, today we close at 80,000, says Tadd Schwartz.

A look at the curve for housing index Case-Shiller gives a clear view of Miami's rise, crash and recovery. Beginning in 2000, with the index level of 100, house prices in America's 20 largest cities to over 200, thus doubling, by 2006-2007 when the market turned down. In Miami, however, rushed prices to 280 during the same period. Then was also the case more deeply, so that the average prices for the 20 largest cities and Miami met again in 2010 when the collapse bottomed out. Since 2012, prices in Miami again increased slightly more than the average, while the stock of empty flats reats out of the banks.

- And we thought that the stock of unoccupied housing would cover 2017-2018. But all gone and we build new, says Mayor Carlos Gimenez.

He is doing his part to what he can to stoke growth, the housing market and elsewhere. The taxes are kept as low as possible, explains Carlos Gimenez, which also gives other problems.

- It is a challenge to balance the budget of \$ 6 billion. We must manage the balance between what people

FACTS

• The city of Miami has around half a million inhabitants, but is included in an area of several miles in length with the same built urban settlements which together have around 4-5 million inhabitants. These include well-known Fort Lauderdale someone mil north from Miami. • The area is divided in two countys (closest comparable to a small county or large municipality). Miami in the south belongs to Miami-Dade County, Fort Lauderdale to the north belong to the Broward county. • Tourist destination is Miami, located on a long narrow sand island off Miami, is a separate municipality within Miami-Dade county. Sources: Miami-Dade County, City of Miami, Miami Beach.

want to pay in taxes and what services those who live here want, he says.

Like many others in South Florida, he is Cuban exile and came with his parents in 1960 after they fled the communist regime in Havana.

Over 50 percent of the population in Miami-Dade county is "hispanics", with Latin American descent. Several million of them are additionally illegal immigrants, and Carlos Gimenez is among those who support the proposal on the reform of immigration policy.

- We must realize that there are millions of illegal immigrants here, and somehow it must be to legalizing them to be able to get work permits, and more, says Carlos Gimenez, himself Republican.

He also thinks that the very strong demographic segment from South America in South Florida and especially Miami is both a strength and a pioneer of whither U.S. in general is heading. In some areas of Florida and along the Mexican border, Spanish is basically the official language.

- Miami is what America will look like 30 years from now. And that's what makes us special, said Carlos Gimenez.

50

percent own money
needed to buy new
apartment in Miami.