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## A Group Seeks to Take Foreign Currency Fluctuations Out of Miami Condo Market

Venture initially plans to make \$300 million of loans to investors who prefer to borrow funds to close deals for units

*By Peter Grant*

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A real-estate investment group has rolled out a \$300 million lending business targeting foreign investors who already have made big down payments on units in Miami condominium projects but prefer to borrow the balance when the units are delivered.

The group, led by investment firm Pebb Capital, of Boca Raton, Fla., and New York, already has done its first deals with buyers of more than 20 units in the Echo Brickell, a Miami luxury tower with 172 apartments that opened the end of last year. Most of the borrowers were investors from countries such as Venezuela, Argentina and Brazil who earlier had put down at least half of their units' costs, said Todd Rosenberg, managing principal of Pebb.

Florida law allows condo developers to use down payments to finance many of their construction costs. Dozens of projects have been launched this way during the current cycle because construction loans from traditional lenders have been smaller and harder to obtain since the 2008 crash.

Many of the buyers in Miami have been from Latin and South American countries where political and financial uncertainties are much greater than in the U.S.

"People feel their money is safe here," said Mr. Rosenberg. "It can be a frightening world if you're someone who has been successful" in a South American or Latin American country.

The venture—which also includes Yale Mortgage Funding, a Florida mortgage broker, and GPC Truss—initially plans to make \$300 million of loans to such investors in Miami area condo projects. Eventually the venture hopes to expand to other North American markets, like San Francisco, New York and Vancouver, that also have become popular with foreign buyers, Mr. Rosenberg said.

Buyers could have a wide range of reasons for opting to borrow from the venture to close deals rather than coming up with cash, including foreign currency fluctuations and, in the case of Chinese buyers, government controls on exporting capital. "I think we ultimately end up in multiple markets where you see foreign investment capital coming in," Mr. Rosenberg said.

The venture, named Pebb Yale Truss Lending, will limit its loans to 50% of a unit's price. Buyers will need to come up with additional cash as well if they put less than 50% down.

Foreign buyers increasingly have become a fixture in major markets throughout the world.

Often they don't occupy units. Rather they use them as a way to preserve their wealth and, possibly, to make some return from rising values or renting out their apartments.

In Miami, foreign demand has helped fuel a condo boom in recent years. Since 2012, 6,300 new units have been delivered in the downtown Miami market, according to Integra Realty Resources, a real-estate tracking firm. About 5,000 units are under construction and 864 condos are in the planning stage, Integra said.

The surge in supply has contributed to a softening of the market. Home sales volume fell to 3,355 dwellings in the first quarter of 2018, compared with 3,487 in the first quarter of last year, according to the Elliman Report on the Miami coastal and mainland market.

The median luxury condo sales price was \$837,500 at the end of the first quarter, down from \$845,000 at the end of the fourth quarter of 2017, the report said.

Pebb Yale Truss is offering investors short-term loans for terms of one-to-five years at interest rates in the mid-7% to mid-8% range. The venture is trying to convince developers to offer buyers the non-recourse loan option when it is time to close.

"The developers look like heroes because they can say to all their buyers: 'Hey, you don't have to bring any money to the closing,'" Mr. Rosenberg said.

Mr. Rosenberg said the venture's loan process is streamlined. When it comes to checking out the

borrower, it primarily needs to determine the money isn't part of any money laundering or illegal scheme.

Because the venture only lends to investors—not people planning to live in the units—loans don't require as much paperwork as traditional residential mortgages.

Pebb Yale Truss is focusing on buyers of units in the \$500,000 to over \$5 million price range.

The Pebb Yale Truss offer was well received among foreign buyers of the Echo Brickell, according to Ryan Shear, principal of Property Markets Group, one of the project's developers. "It wasn't document intensive. A lot of the underwriting was to the real estate itself."

Mr. Shear said the rates were "super-fair." He noted that other lenders in the Miami area that offer comparable loans charge rates in the double-digits.

Mr. Rosenberg launched Pebb Capital in 2014 with his father, Jeff Rosenberg, and brother-in-law Ian Horowitz. The firm has invested in about \$1 billion of student housing, rental apartments, parking and other commercial real estate throughout the country.

GPC Truss is a partnership between a Latin American family office and Ghitis Property Co., a firm led by former Trammell Crow Co. partner Leo Ghitis.