

Cash Not Loans: Forbes Article Discusses Why There's Record High Foreign Investment in Miami Real Estate and the Pay as You Build Investment Model

February 16, 2012 by [Rosa Schechter](#)

Forbes Magazine published an article on Valentine's Day entitled "[For Miami Real Estate, Better To Be A Foreigner](#)," which explores the huge amount of foreign investor interest in Miami real estate development. It's not a discussion of whether or not international investors are investigating Miami and South Florida real estate: that's a given.

What *Forbes'* article focuses upon is the fact that one of the key advantages is the Latin American financial model for buying real estate with cash on the table, no long-term financing strategies like America is used to doing.

[We've posted about buyers like those arriving in Florida from Brazil being ready to buy condos and other real estate in Miami and elsewhere with cash assets, not borrowed money.](#) *Forbes* isn't the first national publication to take notice of Florida real estate's growing love affair with foreign investors; however, this article does explain the great advantage of the cash purchasing model.

For new properties, this means significant savings.

Many foreign buyers, particularly those from Brazil and elsewhere in Latin America, pay cash for their Miami real estate - such as an exclusive, ocean front Miami condo. In the "pay as you build" model that is growing in popularity here in South Florida, the foreign investor buys the real estate in a series of cash payments that cover the time span of initial agreement to buy through the construction phase to completion and the exchange of keys.

By doing so, the buyer saves a significant percentage on the price of the purchase when compared to the traditional financing model that U.S. real estate uses. And the seller gets cash on the barrel head.

The "pay as you build" model of real estate investment

Here in the United States, buying real estate with cash sounds strange. After all, there are all those tax incentives (interest deductions, capital gains considerations, etc.) to consider when you've got financing for your real estate purchase. Buy a condo with cash, you're just turning one asset into another form or asset: no big tax breaks there.

Add to that the fact that the banking industry is hurting in Florida and elsewhere, and loans for real estate purchases aren't what they used to be a few years back, and it's obvious that Miami and South Florida would have a very bleak outlook these days without the foreign investment interest.

After all, [RealtyTrac has just reported that Florida default notices on home loans increased 36% comparing this year to last year.](#) Florida banking has been damaged by the housing crisis to an unprecedented extent.

[Miami has always been known as a global city](#), a welcoming metropolis to foreign visitors - especially those with Latin American ties. As the *Forbes* article points out, savvy real estate developers in the Miami area are marketing globally to bring in more and more of those foreign investors.

Not only is this a good thing for Miami and South Florida, it may be an economic lifesaver in today's economy.