

International Herald Tribune

FRIDAY, MAY 8, 2009

THE GLOBAL EDITION OF THE NEW YORK TIMES

GLOBAL.NYTIMES.COM

'Safe haven' investors look for a long-term hedge

Residential developments are seen as alternatives to stocks in 'complete shift'

BY KEVIN BRASS

Jeb Brownstein was not planning to build his dream home or retire among the palm trees when he bought a plot of land in Costa Rica last autumn. Instead, Mr. Brownstein, a restaurateur in Baltimore, simply wanted to diversify his investments.

"It offered a modest positive return and a good place to park some of my portfolio," said Mr. Brownstein, 51, who paid \$225,000 for a half-acre parcel in Del Pacifico at Esterillos, a 700-acre, or 283-hectare, development on the central Pacific Coast of Costa Rica.

Buyers like Mr. Brownstein — long-term investors seeking an alternative to stocks and other financial instruments — are becoming increasingly common in residential developments around the globe, industry experts say. Unlike second-home buyers or speculators, these buyers are more interested in stability and tax benefits than in spas and rental yields.

"It's a complete shift," said Berna-

dette Cunningham, director of Thornsett Group, which is based in Britain and is developing a series of high-end residential and mixed-use projects in England, Wales, Ireland and Belgium.

A year ago, only about one in 20 of Ms. Cunningham's clients could be described as "safe haven" investors; now, 70 percent fit the profile, she said.

Alex Michelin, director of the London developer Finchatton, is seeing similar activity. He recently sold apartments to buyers from the Middle East, Malaysia, Singapore and Russia, all of whom were primarily looking for a hedge against financial volatility in their own countries.

"During the boom time, we did not see buyers just wanting to buy as a safe haven," Mr. Michelin said. "This only occurred when the stock markets imploded and the volatility of most investments mushroomed beyond the acceptable risk appetite of most sensible investors."

For example, a recent survey of wealthy Americans by Harrison Group, a Connecticut research company, found that 63 percent of the respondents were disillusioned with traditional financial institutions. "Everybody wants safe money now," said Russ Alan Prince of Prince & Associates, a U.S. company that tracks financial trends. Wealthy investors see real estate as a "distressed



CORCORAN GROUP

asset," so it makes sense to buy now, he said. "But you have to have a lot of money, and you can't need it tomorrow."

Josep Llobet Bach, 52, a Barcelona architect, recently led a group of investors to pay \$8 million for a 106-year-old, five-story building with residential lofts in the Flatiron district of New York, with the

idea of keeping the property for at least 10 years. After investigating his options, Mr. Bach said, he chose New York over more volatile U.S. markets like Miami.

"Real estate in these places is traditionally considered like gold in time of global crisis," Mr. Bach said.

Safe haven buyers exhibit an array of characteristics that separate them from traditional residential property investors, agents and developers say. They tend to be from 45 to 55 years old, with time before retirement to hold on to an investment. And most pay cash. "They don't have to worry about the occupancy rate for a rental," said Sharon Simms, owner of Alva International, a real estate company in St. Petersburg, Florida.

Typically, these buyers look for established locations, agents say. And unlike buyers in boom years, they are not interested in bragging rights to the biggest and coolest apartment. "These are very conservative investments," said Patricia Cliff, senior vice president of Corcoran Group, a major New York real estate company. "They're not looking for major cap return."

A Dublin couple — Diedre Cowler, 42, an accountant, and her husband, Chris, 56 — consider property a more tangible asset than other investments, like the pension funds they have invested in

stocks. So they paid €230,000, or about \$306,000, for an apartment in Boniface Square, a Thornsett Group development in Brussels.

"I feel I have more control over it," Mrs. Cowler said.

With traditional second-home buyers in short supply, many developers have started focusing on such safe haven buyers in marketing programs and pricing plans. Barry Strudwick, the developer of Del Pacifico, the Costa Rica project where Mr. Brownstein purchased, says that he promotes the development as an alternative to a bank account.

Mr. Strudwick recently started offering a guaranteed repurchase plan for buyers who are willing to hold on to their properties for at least five years.

The Web site for Valle Escondido, a development in northern Panama, features a letter from the developer writing as John Galt, the hero of "Atlas Shrugged," Ayn Rand's novel of economic collapse. It praises the development as a place to "ride out the storm" for people "seeking shelter from the coming depression."

"The market we're seeing now is a market of wealthy individuals who are looking for safety," said the developer, Sam Tallaferro. "They want to park their assets somewhere else, because they see a train coming down the tracks."