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FEATURE

# SECOND TO NONE

US cities like New York and San Francisco may still be the big destination points for Asian property investors, but cities such as Chicago, Miami and Boston deserve a good look as well.

STORY ELIZABETH KERR





THIS PLACE  
Boston,  
Massachusetts

THE PRAX PROPERTY 2014, U.S.



Regardless of whatever social, political or economic issues the United States faces, it remains the world's most popular destination for investment dollars. London, and the UK, is also a favourite, but overseas US property purchases totalled nearly US\$200 billion in the first half of 2016 — despite caution over Brexit and fears regarding the Chinese economy. According to JLL, Asian capital accounted for over 25 per cent of all transactions across all sectors, and as institutional investors diversify into locations like Knoxville and Houston, residential investors remain loyal to major gateways: New York, San Francisco, Los Angeles.

But the so-called second-tier is gaining traction, particularly in light of the fact that the differences between Shanghai and Dalian are much more drastic than the ones between New York and Dallas. Developers are increasingly offering glamour, lifestyle and services in luxurious towers that could rival anything in Manhattan, SoMa or Bel Air. And with prices in the gateways continuing to climb, investors are experimenting with alternate locations. "Cost is a factor as well as lifestyle. With the emphasis on 're-urbanisation', the combination of downsizing baby boomers and new home interest from millennials is fomenting tremendous demand in and near town in New England," says Ruth Kennedy Sudduth, executive vice president and director of residential brokerage at LandVest/Christie's International Real Estate in Boston. Ron Shuffield, president of EWM Realty



International/CIRE in Miami agrees, noting that per square foot prices in New York (over \$2,000) versus those in Miami (roughly \$475) and upscale Miami Beach (\$760) demand attention. "When people come here, they literally feel as though they're buying the same size and quality apartment, but for 25 per cent of the cost." Of Chicago, Magellan Group executive vice president Sean P Linnane succinctly says, "A few years ago it was only gateway cities," seeing investment. "Now I think we're on that list."

Starting on the east coast, Boston has plenty going for it, apart from once being the beating heart of the American Revolution and one of the country's oldest cities. It's also home to Harvard, MIT, Boston College and Tufts, a crucial factor for many Asian investors

**FROM TOP**  
A living room in the Millennium Tower, Boston; The Millennium Tower is nearly complete, and buyers' interest from Asia is reportedly strong

**OPPOSITE**  
A custom designed kitchen at the Millennium Tower project



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— Richard Baumert, Millennium Partners

COURTESY MILLENNIUM PARTNERS

with kids heading off to university one day. Education is a major industry but Boston, like many second-tier cities, has a diverse thriving economy and growing population that make investment a great revenue generator as well an ideal spot for a second home. “As more millennials move to second-tier cities, [we] embrace each destination’s energy and thoughtfully evolve the residential experience to exceed current desires and demands,” explains Richard Baumert, partner at Millennium Partners, whose sparkling new Millennium Tower Boston incorporated the historic Burnham Building into its design. Millennium is doing its part to revitalise the once-neglected downtown core, now “a thriving 24/7 city centre and lively residential neighbourhood.” Millennium started investing in the city centre 15 years ago, beginning with the Ritz-Carlton and its first residence. While Millennium is leading the charge, Kennedy Sudduth argues that Boston has been on the radar for some time

**FROM TOP**

The view from the US\$1 billion project Vista Tower in Chicago; The main terrace at Vista Tower, with construction starting September 2016; interior design at Vista Tower was by legendary firm Hirsch Bedner Associates

**OPPOSITE**

Vista Tower, Chicago, will loom large over of the fashionable Lakeshore East District, and is a partnership of Wanda Commercial Properties and Magellan Development Group





for its leading medical and technology industries. She agrees, however, regeneration is always a plus. "It used to be that people primarily worked in town and lived in the suburbs or country, but the burgeoning reuse animation in this recovery has pulled capital into town for both residential and commercial investment."

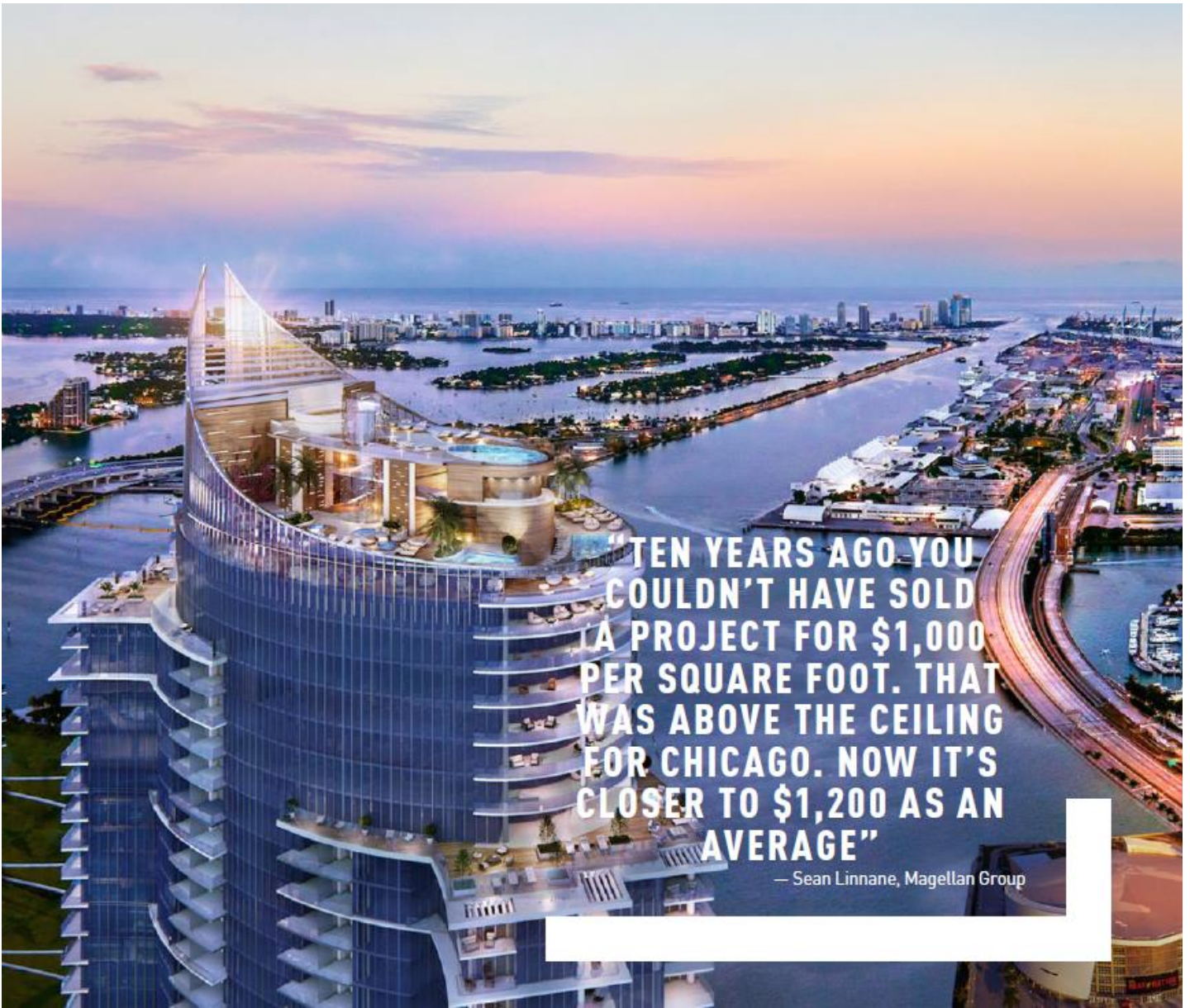
The \$700-million Millennium Tower Boston is 442 luxury residences spanning 60 storeys in the Handel Architects-designed tower, perched atop the old Filene's department store. The largest residence measures 13,000 square feet (and are priced up to \$12.5 million) and the tower boasts full concierge services, Michelin-starred chefs serving residents at The Club, health and wellness facilities, and the developer's social lifestyle programme, La Vie. The Burnham



Building is loaded with retailers (including, amazingly, downtown Boston's first supermarket) and dining outlets by celebrity chefs like Michael Mina and Ken Tomonaga (PABU).

Heading south the Miami, the "capital" of Latin America, is riding high. Hong Kong's Swire Properties is in the midst of completing its ambitious mixed-use Brickell City Centre, an exemplar of how far Miami has come relatively quickly. With its massive infrastructure investment, renewed arts and culture industries, the world's busiest cruise terminal and of course status as gateway to the (once) booming South American economies led by the 'B' in BRIC, Miami has transformed into the US's premiere lifestyle property investment. As a bonus, "Typically, since the global recession, most of Miami's properties have doubled in value, but we're still 25 per cent below the peak values president Ron Shuffield.

Despite a slowdown in South America, Miami is still a prominent investment location, and is the most invested location in the US for overseas buyers. Projects like Brickell City Centre and the ambitious 30-acre Miami Worldcenter (which includes the sold-out residential project RISE) are boosting the entire city to prestige status. "Little Havana for example has seen tremendous growth and redevelopment. It's repositioning and bringing back some of its Spanish and Cuban heritage. It had its difficulties back in the 1980s and '90s but now you see people heading there to dine and soak up the culture," says Miami Worldcenter founding principal Art Falcone. But Miami doesn't need much extra to recommend it. "The three greatest



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AVERAGE"**

— Sean Linnane, Magellan Group



**CLOCKWISE FROM  
TOP**

The skydeck and lounge at the Paramount in Miami; The Paramount Tower sits in the heart of a nine-acre development in Miami; Miami is broadening its appeal after a slowdown from Latin American buyers

things we have in Miami are the weather, ease in getting here from anywhere in the world, and we have such wonderful diversity of our cultures. Florida is also one of just seven states that does not have an income tax. Adding to Miami's global appeal, Florida International University has a hospitality school in Tianjin, so we already have great reciprocal programmes occurring between our two markets," notes Shuffield. Miami's airport has more daily non-stop international flights than any other in the US and serves over 100 carriers.

That ease of access bodes well for PARAMOUNT, the second residence at Miami Worldcenter. The tower's 513 units sit at the heart of the nine-acre development, which includes two hotels, a convention centre, dedicated rental units, serviced apartments and one million square feet of retail space. The flats ranging in size up to nearly 2,400 square feet are precisely the kind of active, al fresco, contemporary homes one would expect from the art deco capital of the world. The building has its own football pitch to go with the comprehensive lifestyle amenities. Prices begin at approximately US\$700 per square foot.

Finally, in the Midwest, in Chicago, Magellan Group's 96-storey, US\$1 billion Vista Tower is poised to loom over the Lakeshore East district come 2020. Striking distance from dining in The Loop, the Chicago Riverwalk, Millennium Park, the Art Institute of Chicago and shopping on the famed Golden Mile (Michigan Avenue), Vista Tower represents the evolution of Chicago's status as a viable urban alternative. "Ten years ago you couldn't have sold a project for \$1,000 per square foot. That was above the ceiling for Chicago. Now it's closer to \$1,200 as an average," begins Linnane. Chicago is a major urban centre, once the most crucial in the US, and as Susanna Cherubin-Delisi, broker at CONLON/Christie's International Real Estate sees it, global uncertainties and political instability are underpinning demand for what she sees as greater value in the second tier. "Chicago is the perfect example, it is a city where supply and demand are on the rise and new home developments are in-line with investor expectations. Moreover, this city is a leader in technology, communications, transportation, and many other industries. Chicago has one of the busiest airports in the world, O'Hare, and has the largest number of railroad freight and highways in the US."

The city's economy is also valued at \$590 billion, third largest in the US.

Major multinationals are opting to return to the city and are bringing enormous professional staffs with them – multinationals such as Boeing, Motorola, McDonald's and United Airlines, the latter two of which have moved into landmark addresses (Oprah Winfrey's old studio and the former Sears Tower). GE Healthcare recently announced plans to relocate from the UK. And like so many other cities, millennials are making their presence known, which is good for investors. "The vast majority of the tenant pool is likely to be people that come to those employers at the executive level, don't have kids, are in their 20s and 30s and want to walk to work. There's huge number of these with these relocations coming to the city," theorises Thomas C Kirschbraun, international director for capital markets and international residential services at JLL in Chicago.

Vista's 406 residences are located within one of the tower's three stems designed by Studio Gang Architects, and will also include a Wanda Vista Hotel (China's Wanda Group is making its US property debut as co-developer). Residences average 2,500 square feet (priced between \$1 and \$17 million) with interiors by Hirsch Bedner and are loaded with modern appliances and tech, and the building features a theatre, resident's lounges, spa facilities, outdoor terrace, and 24-hour security, maintenance and concierge services. The exterior blue glass is meant to create a sense of wavy movement, mimicking the waves on Lake Michigan right next door.

Ultimately, second-tier doesn't equate to second rate, just to good value. As Baumert notes, "Boston's emergence as a highly desirable world-class city make real estate a strong value proposition when compared to cities like Hong Kong, New York and London." But there are downsides. Popularity can drive prices too high to generate good yields. Boston remains good value compared to New York, and Chicago rents are currently sitting at roughly half of those. "Hopefully this will not rise too much and too fast, and the Chicago market will remain affordable and appealing to savvy global investors. I think the Chicago market is 'here to stay'," finishes Cherubin-Delisi. "I recommend that investors who are thinking about exploring the Chicago market start acting soon." 🏠