

MIAMI



PART II

Miami, Journey to America's City of the Future

Cuba's loss was Miami's gain. With the Cuban population slowing down but still prominent and dominant, the city is experiencing a transition into adulthood that is built on thousands of souls who abandoned their own communities to help cleanse and articulate its diversity, the most genuine feature of this metamorphosing enclave, not devoid of its own physical and social challenges

MYM MERCHAN

Spain in Miami

Thoughts of a Cuban American of Spanish descent

TONY ARGIZ, CHAIRMAN AND CEO OF MBAF

"I'm afraid that the debt being amassed by this country may keep us from moving forward"

Tourism

Miami receives more than 23 million visitors a year, including 172,000 Spaniards

WILLIAM D. TALBERT, PRESIDENT AND CEO OF THE GREATER MIAMI CONVENTION AND VISITORS BUREAU (GMCVB)

"Spain ranks number 12 in feeder markets"

Perspectives

The former publisher of the Miami Herald recalls some experiences at the newspaper and offers his vision of the city

ALBERTO IBARGÜEN, PRESIDENT AND CEO OF KNIGHT FOUNDATION

"Miami's future is to become the Hong Kong of America"



Miami, a glimpse from the corner of someone else's eyes

Thousands of stories originating far from this city come together here, creating a unique and enveloping, yet vulnerable identity

We met Melanie Dickinson, President & Publisher of *South Florida Business Journal* early in the year, at an online conference. Introduced through a common friend, she was in Miami and María José and I were in Spain. Melanie, spirited and dynamic, had taken an interest in our initiative *Miami, viaje a la ciudad americana del futuro (Miami, Journey to America's City of the Future)*, a trilogy aiming to bring the county closer to the business communities of Spain and Latin America. The first part of the special had been published in October 2018 in *El Economista*, the world's most widely-read online Spanish daily business journal. In a subsequent meeting, this time in Miami, the three of us agreed that it would be worthwhile for the second part to also appear in *South Florida Business Journal*. The goal was to continue offering a glimpse of Miami from the corner of another person's eyes and to include a focus on Spanish companies that had recently become committed to this county in recent years, but which, often inad-



South Miami Avenue at dusk

“Miami is the Istanbul of the Americas. It is Darwinism in its purest state; only those that evolve will survive”

vertently, disregard the non-Hispanic, English speaking community. Against this backdrop, we took to the streets of Miami and this is the result, after interviewing over forty people, most of whom are leaders of the companies they represent, as well as other influential personalities in the community.

Miami, from *Pretty Woman* to *Breakfast at Tiffany's*

“When I came to Miami thirty years ago, it was the Wild West, a teenager, very unruly and spontaneous, but it has matured nicely. It's like Julia Roberts in *Pretty Woman*. After leaving the streets, she wanted to become and to enjoy the elegant life that Miami should really offer” declared Craig Studnick, Principal of ISG, a luxury real estate brokerage. Will it eventually become Audrey Hepburn? “Yes. More and more people of high net worth are moving here, because they like good food and would rather see *Les Misérables* in the Arts Center or a temporary exhibi-

tion in the Pérez Art Museum than go to a baseball game”. The power of the builders and developers is clear. One section of this special is devoted to this sector, identified as one of the seven branches of Miami's circle of power and the county's “engine of growth” in *The Global Edge, Miami in the Twenty First-Century*. This brilliant, insightful book by Alejandro Portes and Ariel C. Armony is a must-read for anyone living in Miami or considering coming here. I happened across it in Books & Books in Coral Gables, whose dark wooden floors make a lovely creaking sound as you walk over them but that in parallel coexists with Miami's new digital era. By chance, right around the corner, at 2222 Ponce de Leon Blvd are the offices of eMerge Americas, the initiative created by successful Cuban American entrepreneur, Manny Medina and the launching pad for the county's technological sector. Like the great conquerors, Medina believes that it is possible to annex to his adoptive city part of the venture capital that engenders economic growth. And to ensure that, he has begun passing on the baton to the next generation. His daughter Melissa is currently President of eMerge Americas and Felice Gorordo, an entrepreneur of Cuban descent, has succeeded him as CEO.

The Promised Land

“The city clearly has its own special magic. It's like slipping into Bosco's Garden of Earthly Delights, a painting filled with figures in five panels”

This transfer of power is also taking place in many other Cuban-led companies and institutions. Together with the Jewish community of Miami Beach, for years now, Cubans have dominated the region's politics and economy. Speaking of firsts, Tony Argiz, President and CEO of MBAF, believes that it will be difficult to pass on his generation's desire to succeed: “You have to be a Cuban refugee... you know?” For the time being, it seems unlikely that either the refugees or the immigrants are going to stop coming. Miami continues to be the Promised Land for Latin Americans. According to the *Miami-Dade County Planning & Zoning, U.S. Census Bureau*, 66% of the population here is Hispanic, with Cubans, Nicaraguans, Venezuelans and Colombians heading the list. “We are the lifeblood of the Cuban generals and as surgical residents, we are prohibited from

leaving Cuba, so I came just before”, recounts a young man, now working as an Uber and Lyft driver. He estimates that it will take him two years to complete the transition year that is necessary to validate his degrees in Florida. Having the same source of income, a Venezuelan mechanical engineer, who is currently developing a motorsports business with Italy and Japan, told me that “Miami is the Istanbul of the Americas. It is Darwinism in its purest state; only those that evolve will survive”.

I wonder how the British author of *“On the Origin of Species”* –who learned taxidermy and how to identify rock strata and colonial flora and fauna from a freed South American slave at an Edinburgh museum– would react upon seeing dogs in Miami wearing skirts, suspenders, ties... and being pushed down the streets in strollers, like babies. And how he would react to climate change. Though it isn't a topic of this special report and therefore, it doesn't appear in its pages, the implications of the powerful tourism and real estate industries made this an obvious topic of discussion during our two-and-a-half month stay in Miami. And not many of the interviewees seemed comfortable discussing it. In some off-the-record comments made about a study that revealed how the sea has already

taken over some of Miami's coastline, and in light of all of the incredible, multi-million-dollar seaside homes, one might think that perhaps the developers are wearing blinders. “No. It's the buyers who are wearing them”, responded an anonymous interviewee. If this is the case, then it is mainly Latin Americans who are sporting these blinders: Brazilians, Argentinians, Colombians... They still make up the largest group of buyers. And they also lead the way as feeder countries of Miami's tourism, which in 2018 saw another record year.

There are no signs that these flows will be changing direction any time soon, but what if they do so over the medium and long terms? What could happen if there is a stampede of Latin American buyers, tourists and bank accounts from Miami? Over the coming years, it will be interesting to see how Miami solves its own issues; climate, housing, education, infrastructure, diversity... For the time being, the city clearly has its own special magic. It's like slipping into Bosco's *Garden of Earthly Delights*, a painting filled with figures in five panels, three of which are visible and two, hidden. You have to see it, or better yet, taste it, like a good *dulce de leche* crepe, that melts in your mouth as you try to make it last just a bit longer.

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Above, a Carnival Corporation cruise ship, docked in PortMiami, on Dodge Island in April, just days before the Helms-Burton Act entered fully into force

Grappling with the Helms-Burton Act

Get ready, elections are coming up

In late April, a couple from Chicago that was heading to PortMiami, were eagerly awaiting their journey to Havana in a few hours on the Royal Caribbean's Empress of the Seas. They couldn't have imagined that they would be some of the last Americans to do so, at least for the time being. The company inaugurated this route in 2017, with President & CEO, Michael Bayley, enthused by "the next great adventure" of the ship to Cuba. But all of this went down the drain on May 2nd, when Trump decided to fully activate the Helms-Burton Act, which includes Cuban embargo resolutions and the conditions required to lift it. This gave rise to thousands of furious typhoons in the European Union. In Spain, companies such as Meliá, having major interests in the island, as well as investments in the US (Miami included), were shaken. "Pure politics", declared an analyst who prefers to remain anonymous. "For the past thirty years, every president in the White House has learned a lesson: you can't win without Florida and you win Florida with the Cuban community".

What the Cubans learned from the Jews

Since 1898, when Spain lost Cuba, until 1980, acting US Presidents have met with their foreign policy advisors

to determine foreign policy towards Cuba. This changed in the 80s, when Cubans ceased counting the hours for their return to the island, following a meeting between the leader of the Cuban exile community, Jorge Mas Canosa, and the leaders of the Jewish lobby in New York. "How is it possible that being so few, you are so powerful?" asked Mr. Mas Canosa, to which they answered: "It is true, we are small in number, but we are US citizens. We have a lot of money. We are well organized and we support our candidates or those that come seeking our support. We ask them just one question: What is your position on Israel?". The Cubans became US citizens, created the Cuban American National Foundation and began supporting their own candi-

"Trump is a macho man. If Maduro doesn't understand this now, soon he will"

dates to state and national legislature. The change in status from exiles to US citizens made the US position towards Cuba a domestic issue.

So, a turbulent period began in Miami, which continued until the end of the century. It was a period of violence and ostracism for those advocating dialogue with Cuba and/or

visiting the island. Mr. Mas Canosa had been a petit bourgeois, stripped of everything and, like many, he was a fierce anti-Castro activist. Ann Louise Bardach tells the story in great detail in her book, *Cuba Confidential*.

Cowardice, not cojones

In 1996, while Bill Clinton maneuvered to ensure his re-election, Cuban American congressmen began dusting off the Helms-Burton Act project, postponed by George H. W. Bush who felt that its Chapters III and IV would damage relations between the US and its Canadian and European allies. These Chapters threatened to sue companies that had invested in Cuba in properties that had been confiscated from Cuban American citizens, also prohibiting the entry of their executives and family members in the US.

On February 26th of 1996, something unexpected happened. Cuba shot down two small Brothers to the Rescue aircraft. This group of civil anti-Castro pilots assisted rafters fleeing from Cuba. Three US citizens died along with one exiled Cuban US resident. Having confirmed that the shooting took place outside of Cuban airspace, Clinton's top advisors met to determine how to respond to Castro. Madeleine Albright, Clinton's ambassador to the United

Nations, would later tell Fidel that the pilot's action was one of cowardice and not "cojones". And with this, an opportunity for re-election arose. In record time, less than 24 hours, the Helms-Burton Act project was signed. Upon re-election, however, Clinton reversed his position, postponing its Chapters III and IV for the same reasons as his predecessors and since the 3rd chapter, designed for the more than 200,000 Cuban Americans with small properties, was sure to flood the federal courts, hampering their normal progress. Since then, all of Clinton's successors, including Trump in 2018, have suspended its application.

Venezuela comes into play

Since the start of the century, Miami's Cubans have shared a piece of the pie with other Hispanics. The Venezuelan exodus, for which the anti-Castro Cubans have much empathy, has entered Florida with force. Many of them now vote and

Marco Rubio, knows that it is necessary to compensate for the loss of the many Cuban Americans who have eased up on their positions

Since the beginning of the century, Miami's Cubans have been sharing part of the pie with other Hispanics

others will in the future. Republican senator Marco Rubio, a major supporter of the Venezuelan cause, knows that it is necessary to compensate for the loss of the many Cuban Americans who have eased up on their positions, recognizing that the embargo had been unable to stop the regime, abandoning the Foundation to create the Cuba Study Group, led by Carlos Saladrigas, more open and pro-dialogue. And Senator Rubio made this evident to Trump, who lost Miami-Dade County in 2016. Like Clinton in 1996, he believes that Florida is necessary for re-election in 2020 and Cuba and Venezuela are key to winning.

"Trump is a macho man. If Maduro doesn't understand this now, soon he will", declares the same analyst who was quoted at the beginning of this article. "All processes of change require constant dialogue, sanctions, pressure... If the other party makes a mistake, it can serve as an excuse for military action, but the US aims for rationality." Potential scenarios? "That Maduro appreciates his own life and that of his friends and family and accepts exile; that he negotiates a democratic transition with Juan Guaidó, or that he is so hard-headed that he continues to believe that nothing will happen to him, like Saddam Hussein or Manuel Antonio Noriega." Pure politics.

Spain and the US sign the new Double Taxation Treaty



BY JAIME MALET

The governing body of the American Chamber of Commerce in Spain (AmChamSpain), an institution that I am honored to preside over, recently celebrated the exchange of notes between the Spanish and US governments, for the implementation of a new Double Taxation Treaty (DTT), to go into effect on November 27, 2019.

It is a renewed agreement on taxation which, I am convinced, will help create a system that promotes equal opportunities for US and Spanish

Miami will benefit greatly from the implementation of this modernized Double Taxation Treaty between Spain and the US

entrepreneurs and workers, thereby resulting in greater economic growth for both countries. We are satisfied with this ratification, since the treaty

will be modernized and is sure to stimulate investments and job creation in both countries.

The treaty will favor Spain as an investment destination for US companies, as compared to other European countries which, until now, have benefited from better agreements. And, it will serve to impulse Spanish companies whose subsidiaries compete with other foreign-led organizations having tax frameworks which, until now, were more favorable in the US. For almost 10 years now, the US has

provided the largest percentage of foreign investment in Spain, with an accumulated stock of \$72.4 billion, creating over 181,500 jobs in this country. For its part, the investment of Spanish companies in the US is nearly \$80.58 billion, creating over 105,000 jobs. Miami will benefit greatly from the implementation of this modernized Double Taxation Treaty between Spain and the US.

Jaime Malet is Chairman of the American Chamber of Commerce in Spain (AmChamSpain)

ALBERTO IBARGÜEN, PRESIDENT AND CEO OF KNIGHT FOUNDATION

Miami, Mao's Little Red Book and Hong Kong

According to the former publisher of the *Miami Herald* and *El Nuevo Herald*, the city's future is "to become the Hong Kong of America"



Alberto Ibarguen in his office at the headquarters of the Knight Foundation last April. On top of the table, Mao's Little Red Book

In Miami, the last thing that one expects to come across is Mao's Little Red Book. But there it is, in the heart of the city, lying on a table in the office of Alberto Ibarguen, President and CEO of Knight Foundation, in the midst of the trade war between Trump and Xi Jinping. He purchased it years ago from a Chinese vendor on the streets of Hong Kong, expecting to see the clearly staged image that

In early 2019, Knight Foundation doubled its investment in journalism, assigning \$300 million to promote the development of the local press in the US

he had recalled from his childhood, of Mao Tse-tung swimming in the Yangtze River. "The fake news already existed", he states. The foundation run by Mr. Ibarguen invests in journalism, the arts and technology in cities where its founders once

published newspapers, with the belief that an involved and engaged community is essential for a healthy democracy. The Red Book reminds him that it is useless for a population to carry out orders if it doesn't believe in them. And he has always kept this in mind while presiding over distinct institutions.

The Fourth Estate isn't what it used to be

The son of a Puerto Rican mother and a Cuban father with Spanish ancestry, Alberto Ibarguen grew up in New Jersey. He is the former publisher of the *Miami Herald* and *El Nuevo Herald*. During his tenure there, the *Herald* attained amazing power quotas, reaching an audience of nearly one million readers. It was said that nothing could happen in the city without the *Herald* knowing about it and many things indeed happened, including the Miami International Airport (MIA) corruption scandal that was uncovered by the newspaper. "This is a city that gets its livelihood from tourism and international commerce. Without a first class airport, we were shooting ourselves in the foot, maybe even

in the head" he says. The journalistic investigation was published in installments, the last of which was entitled something like "The Wheel of Fortune" and featured a graph with the names of the involved individuals and connections. On that day, Ibarguen had a meeting in Washington, but beforehand, while getting his shoes shined, he was approached by a stranger who asked him: "You're Ibarguen, right?" "Startled, since working in journalism, you never know, I told him yes and he responded: "Thanks, now I know why MIA doesn't work, now you have to do something about it".

According to Mr. Ibarguen, the press is no longer the fourth estate. "It is a common problem in the US. I experienced a completely different era of journalism. It was a very profitable business... We had the luxury of doing things well and we could have several journalists covering city hall, the county, education... But the market left, the readers left". Ibarguen worries that nowadays citizens receive more information about events occurring 10,000 miles away than about what is hap-

pening in their own neighborhoods. "We are living in a very dangerous age, because for the first time in the history of the country, news has no relationship with geography, even though the government structure continues to be elected based on a geographic design".

300 million dollars for journalism

In early 2019, Knight Foundation doubled its investment in journalism, assigning \$300 million to promote the development of the local press in the US over the next five years. When mentioning this, Ibarguen recalls the words of David Simon, journalist and creator of his favorite TV series, *The Wire*, when speaking to Senator John Kerry at a hearing on journalism –and its challenges during the Internet era– before the US Senate Commerce Committee in 2009. The two men participated and four other individuals, offering their testimony: "Senator, I don't have a crystal ball. I can't tell you what's

"We are living in a very dangerous age, because for the first time in the history of the country, news has no relationship with geography"

gonna happen in the future, but I can tell you that today right now is a really good time to be a crook in local government. Nobody's watching". Does Mr. Ibarguen believe that corruption exists in Miami? "There has been corruption here before and I'm sure that it continues today. How could it not, with all the money that arrived here so quickly and suddenly. Before, one way of balancing this corruption was through a powerful press".

WHO DIRECTS MIAMI'S FUTURE?

According to Alberto Ibarguen, three events arose in the past that greatly benefitted Miami: the arrival of air conditioning making the city livable year round, jet propulsion making it accessible to those from other regions and the arrival of the Cubans, transforming it culturally.

And what about the future? "It's like *The Tipping Point* by Malcolm Gladwell; you have to look at the different underlying currents that people don't usually pay much attention to but which, suddenly, can create a revolution". Ibarguen believes that "Miami's future is to become the Hong Kong of America". He thinks about saying Singapore, only to reject it for being too organized for the comparison. "This Hong Kong reference is not my own. It was suggested by Professor Rosabeth Moss Kanter at the end of the 20th century and her theory was that, in a connected world, the cities that will prosper are those having a vital and growing network, like Miami's with Latin America. I believe that the city's future lies in its diversity and the development of these relationships".

"I experienced a completely different era of journalism. It was a very profitable business... We had the luxury of doing things well and we could have several journalists covering city hall, the county, education... But the market left, the readers left"

GONZALO VALDÉS-FAULI, CHAIRMAN OF BROADSPAN CAPITAL

“It’s difficult for Miami to become a global financial hub”

Many institutions channel their treasury through their Miami subsidiaries



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Cuban American ex-banker, Gonzalo Valdés-Fauli is one of the handful of businessmen and personalities that foresaw Miami’s potential as an international business center. Today, he runs BroadSpan Capital, a firm specializing in mergers and acquisitions of mid-sized companies in Latin America, the Caribbean and the US.

Question (Q): What trends do you foresee for the market?

Answer (A): There is a lot of room for mergers and acquisitions in distribution, food, energy, financial services and health. These are small-scale industries and this is necessary for their growth.

Q: Most of the operations that you carry out are concentrated in ...

A: Latin America. The advantage is that we operate in markets that the New York banks don’t handle, due to their size. Some people, like those at JP Morgan, they won’t touch the business if the operation doesn’t generate millions of dollars in commissions.

Q: In a purchase-sale transaction, for example, of a bank, for \$300 million, what would your commission be? What is the sector standard?

A: Between 1% and 2% depending on the complexity of the transaction. For example, if you have operations in different jurisdictions, that aren’t handled very efficiently or there isn’t the necessary transparency to assess the business or if there are problems with compliance or in their credit portfolio...

Q: You were one of the visionaries who foresaw Miami as a great international business center. How do you envision the future?

A: Look at all the cranes and that should give you an idea of the growth. Miami is, without a doubt, the service center of Latin America.

Q: Until 2000, Latin American capital entered Miami in large quantities, but then it slowed down. Will all of that capital one day be destined to return to the countries where it came from?

A: Capital always looks for a better return and greater security. It doesn’t depend so much on Miami, but rather, on the behavior of the economies of these countries. This is a regional financial center, with many institutions focusing on asset management, but if you need to underwrite bonds or any important operation, the banks here can’t help you. Miami hasn’t progressed as a complete finan-

“No one would invest in Venezuela and we have all of the possibilities of representing businesses and companies wishing to leave and that would go for nothing”

cial center and it is very, very difficult for this to happen, since it requires huge investments in systems. You can’t have a trading desk here like you can in New York. The advantage is that while everything is managed from there, many institutions channel their treasury through their Miami subsidiaries, since they don’t pay state income tax in Florida.

Q: In 1999, a banker was quoted in *Lat-in Finance* as saying that there was more political risk in Venezuela and Argentina than in Switzerland, but the profitability there was much greater, so he preferred to bet on those markets. Given all of the water that has flowed under the bridge since then, how would you measure current risk aversion?

A: The person who made that comment never had a traumatic experience like Cubans have... Today, no one would invest in Venezuela and we have all of the possibilities of representing businesses and companies wishing to leave and that would go for nothing.

Q: In 1999 you travelled to Cuba with your children and your father. Back then, you thought that the embargo was senseless since it hadn’t worked and was hurting the ordinary people... You believed that it was better to lift it. Do you still feel this way?

A: Absolutely

Q: Do you think that this is going to change?

A: No. No. [Serious, very serious] Unfortunately not.

AMBASSADOR MANUEL ROCHA, GLOBAL SENIOR VICE PRESIDENT OF CORPORATE AFFAIRS AT XCOAL ENERGY & RESOURCES

“This city matters”

Cubans, universities, and Swire Properties: keys to progress in modern-day Miami

Manuel Rocha grew up in New York and for twenty-four years he worked in the US Foreign Service. He earned degrees from Yale and Harvard, where he studied with former Mexican president, Carlos Salinas de Gortari and he participated in NAFTA negotiations. As Ambassador, all of his destinations were in Latin America, except for Florence, where he served as Consul. He left the Foreign Service sixteen years ago, reinventing himself in Miami.

“This city matters”, he declares. His knowledge of the region and of US foreign policy makes him an astute observer of the hemisphere’s main grievances. According to Mr. Rocha, it is essential to understand what Fidel Castro’s rise to power in Cuba meant for Miami: “He banished the Cuban bourgeoisie as well as the petit bourgeois and the professionals working for them. Without Castro and the Cuban Revolution this city would never have progressed as it has. A group of wonderful individuals came here... businessmen who never imagined staying. They were the owners of Cuba. Upon changing their status from exile to Cuban American they transformed the city and became the most powerful political group in the new Miami”.

Miami, status questionis

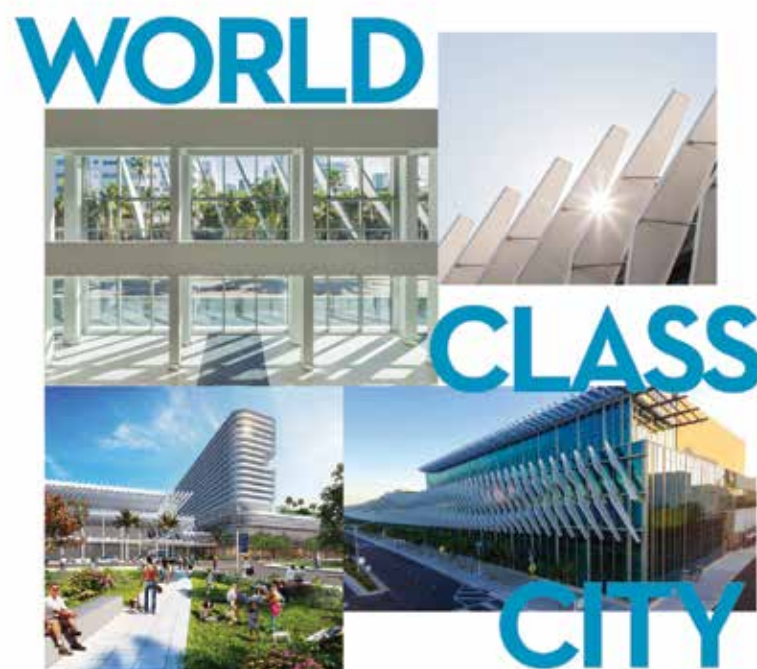
Mr. Rocha uses the example of two public education institutions that have earned notoriety under Cuban leadership: Miami-Dade College, with Dr. Eduardo Padrón, President until August, and Florida International University (FIU) whose President was Modesto Maidique



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for 21 years, until 2008. He was considered the “intellectual father” of the university, succeeded by Mark Rosenberg, the current president. They share the spotlight with the private University of Miami (UM), considered to be “the most important of Florida”, affirms Mr. Rocha. “In Miami, the Jewish community was always very important, offering the biggest donations”. Since 2016, UM has been presided over by Mexican native Julio Frenk, former Health Minister of Vicente Fox.

Outside of the Cuban community, Manuel Rocha believes that one of the most important things that have happened to Miami is the arrival in the 80s of Hong Kong’s group Swire Properties, responsible for the development of Brickell Key and later, the Brickell City Center. “It has had the greatest influence on the new Miami and the direction that it is taking”.



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Miami's "Little Spain"

In South Florida, Spanish businesses recreate their exporter and investor spirit

Mixing in with workers of other nationalities, numerous Spaniards head to work every day in the Brickell neighborhood. Their distinctive attire and accent make it easy for fellow countrymen to recognize them. Here, many of the roughly 300 Spanish companies that have invested in Miami meet. The examples abound: Air Europa and Iberia, offering direct flights to Spain; Sabadell, BBVA, Santander and Abanca banks; the ubiquitous Inditex; jewelry companies such as Tous and UNOde50; food companies such as Delaviuda and Rodilla and many others. "For me, the most important thing is to offer a bit of our culture to the places where we operate and to be a little piece of Spain here, passing on our gastronomy and values to the

Spain continues to be one of the main direct investors in the Miami-Dade County

customer", says Ignacio García Nieto, Managing Director at 100 Montaditos, part of Grupo Restalia, who believes that Miami is key: "It is the visible leader of what is happening in Latin America and it also opens the door for us to the North." Beyond Brickell, Coral Gables, Doral and Miami Beach are the next three preferred locations for Spanish companies.

Spanish engineering for American highways

Spain continues to be one of the main direct investors in Miami-Dade County. Without a doubt, its companies go unnoticed by the average citizen. For example, few people know that in 2008, ACS, through one of its American affiliates, was awarded the concession of construction works for I-595, the interstate highway connecting Miami and Fort Lauderdale with Florida's west coast, in a \$1.22 billion contract. Since then, the Florida Department of Transport (FDOT) has continued to entrust the company with contracts across the peninsula, including the expansion of I-95. In 2018, Sacyr, which already knew the market with Testa, burst onto the scene, win-



Only in Brickell Avenue do we find the headquarters of over 40 Spanish companies registered in the US

ning contracts for \$151.06 million, including the expansion of streets in the city of Homestead. OHL, with more than ten years of experience in the County, is building Miami-Dade College's Center for Learning, Innovation and Simulation, for \$44.4 million. And this year, FCC was awarded a \$210.6 million contract to collect urban waste in Palm Beach.

Not carpeting, tile please

When Inmaculada Gutiérrez –Trade Commissioner of the Spanish Embassy for the Southeastern US until this past August– first set foot on MIA's carpeting she realized the great opportunities laying ahead of the Spanish ceramic tile industry, whose 2018 sales reached \$3.9 billion. Numerous locations in Miami have been already tiled. For example? "The pavement and bollards of the Giralda Plaza in Coral Gables are made of Spanish stone supplied by Stone & Equipment",

she declares. According to the Spanish Association of Ceramic Tile and Floor Manufacturers, today the US is the market experiencing the most growth

"Developers of buildings of 500-600 units look for a very economical product"

(11.8% in 2018) and it is the second largest market behind Europe. The US receives 9.4% of the total production. Last spring, over 90 Spanish tile manufacturers were exhibitors at Orlando's Coverings trade show.

"My grandfather was already exporting to the US and going to trade shows", says Cristina Palop, President of Adex USA, an SME that opened up offices in the US in 1996. "We were planning to stay for two years

and here we are, twenty-three years later". They manage three distribution facilities, one in Doral, which is the company headquarters, and they serve approximately 700 customers across the country. The company, created in 1897, collaborated with Salvador Dalí, who painted an exclusive edition of tiles, helping to ensure that his work would reach the US. Focusing on rehabilitation and remodeling, Ms Palop explains that the shortage of assemblers in this country means that installation costs are higher than the product price. According to ICEX's CEO, María Peña Mateos, who was visiting Miami during the Coverings show, this situation is hard to resolve "because training workers is costly and bringing them over from Spain is a challenge, given the need to get them visas". So, she affirms that the strategy of the Spaniards is "not to slash prices, but to continue investing in technology and innovation to maintain high quality and differentiation as compared to products arriving from countries such as India, China or Turkey".

Krion is an example of this innovation. This ecological material is not porous, doesn't get dirty and is immune to mold. It is patented by Porcelanosa, whose Florida headquarters is also located in Doral. They used it to cover the outdoor walls of their recently inaugurated showroom, in which they invested over \$3.97 million. Miguel Romero, the company's CEO, guarantees that it is "one of the best in all of the USA" and he expects for sales to grow by 8 to 12% this year, since "historically, every time we renovate the stores, they skyrocket". As for the market's disadvantages, he states that "developers of buildings with 500 to 600 units look for very economical products" and this distances them from large real estate projects. They get their revenge with restorations.

Doral's El Dorado

According to Mr. Romero, sixty percent of everyone entering the showroom winds up buying something. This includes many of the Venezuelans living in Doral which, after Miami and Miami Beach, is the third largest contributor to the county's economy.

Established as a city in 2003, its proximity to the airport makes it an attractive location for businesses. "The impact that they have had, especially the ceramic tile industry, has been very positive; for example, KerTiles", says Juan Carlos Bermúdez, the Mayor of this city having 68,000 inhabitants, 85% of which are Hispanic, and 88 nationalities, with Venezuelans (28%), Colombians and Cubans leading the list. "Being young, we are less bureaucratic than other cities, and we focus on creating an efficient and effective city. For example? Property tax here is the second lowest of the county".



María Peña Mateos, CEO of the Spanish Institute for Foreign Trade (ICEX)

The strategy of the Spaniards is "not to slash prices, but to continue investing in technology and innovation to maintain high quality and differentiation"

Many of the *Fortune 500* companies and federal institutions are neighbors of the Spanish companies; among these, Carnival Cruise Lines, Coca-Cola, the US Southern Command and the Federal Reserve. Mr. Bermúdez, a Cuban American of Spanish descent, knows that in Spain, when referring to South Florida, they are thinking about Miami. "It would be good for Doral to be considered. *Money Magazine* just named us as one of the twenty best cities in the US to live in. This is most likely due to the possibility of working here with no need to commute".

On solid ground

This year, we have seen an increase in Spanish companies and entrepreneurs in Miami, interested in tackling the U.S. and Latin American markets from here. The Chamber already has 500 active members from distinct nationalities who we support in the achievement of their goals. On November 15th, we will celebrate our Annual Gala, where Abanca will receive the "Company of the Year" award, and Microsoft Vice President, César Cernuda will be recognized as "Executive of the Year". We are expecting Ambassador Cabanas to join us for this event, as well as other officials from Spain and the U.S.

**Juan Carlos Pereira, Executive Director
Spain US Chamber of Commerce**



Everything under the sun

Large Spanish hotel chains such as Meliá, Riú, Iberostars and Room Mate have also landed in Florida. According to consultant Giselle Alfonso, they use Miami as a showcase to attract American customers, to then take them to their most profitable destinations, typically in the Caribbean, since profitability for newly arrived companies is not high. "Americans don't have a lot of vacation time. They spend a lot of

money and aren't as flexible as other tourists. So they tend to rely on brands that they already know, usually American ones". The process of 'relocating' customers takes two or three years. Alfonso recommends the formula of going in with well-known chains in order to speed up the learning process. She gives the example of the joint venture between AC Hotels and Marriott, which became AC by Marriott in 2010.

Banker's word of honor



GIAMPAOLO CONSIGLIERE,
MIAMI MARKET CEO OF BBVA COMPASS

"In South Florida, our preferred sectors include real estate, health, transport and food chains, but we won't rule out any specific one. The goal of BBVA Compass is to grow organically within this market. For example, we have a model that very few banks use, and that creates synergies so that our business clients can also be our private banking customers."



MÓNICA VÁZQUEZ, GENERAL MANAGER OF
ABANCA USA INTERNATIONAL MIAMI BRANCH

"Spanish companies don't come to Abanca looking for the best prices, but rather, the best services. We have rejected numerous projects, mostly from local companies, since they tend to come to us after American banks have turned them down. These are high-risk operations and we are a conservative bank. Most of the operations – between 50% and 70% – are signed with the real estate sector, including shopping centers. We are financing projects having good locations, a reasonable investment, experienced partners and, furthermore, while sharing the risk with other entities in large operations."

SPAIN'S GATEWAY INTO THE US



Population in Miami-Dade: 2.76 million
Spaniards: 54,000+ (After London, Miami is the location outside of Spain with the largest number of Spaniards registered in its consulate)
Spanish businesses: 340+



Direct daily Miami-Spain flights:
Air Europa, American Airlines and Iberia

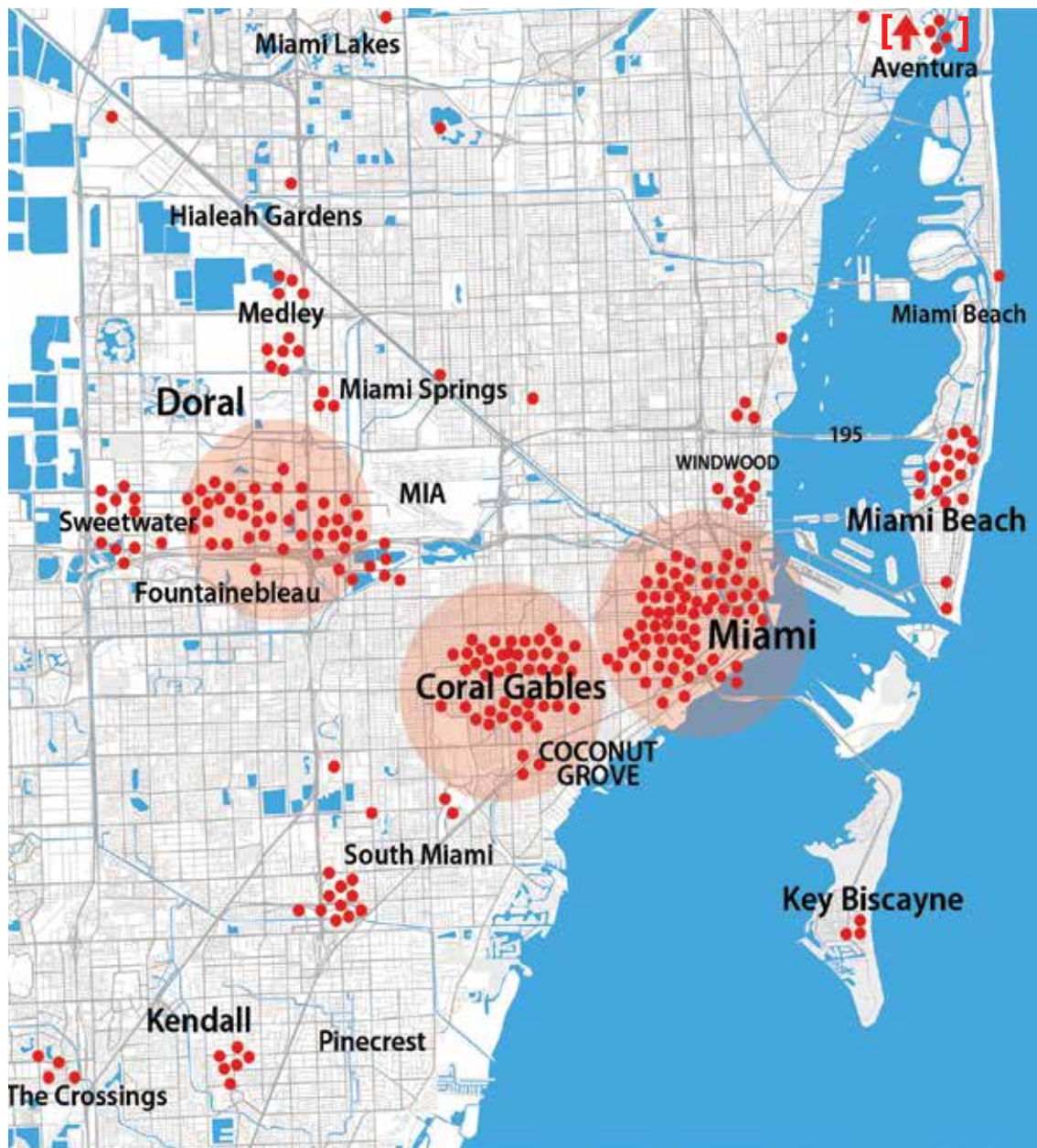
SPANISH IMPACT ON FLORIDA



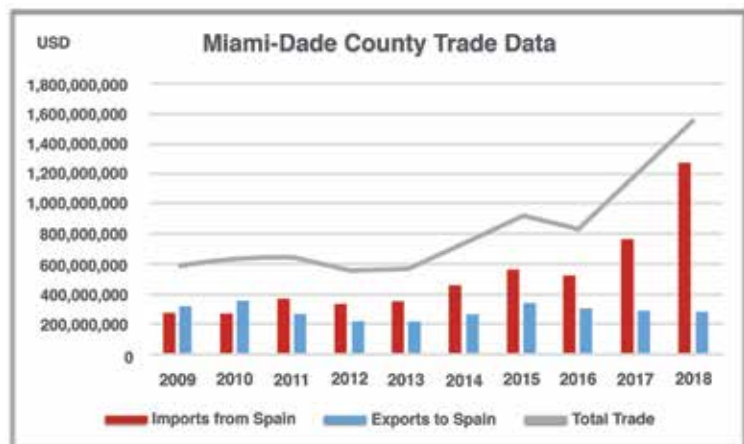
The US is currently the **number 1 destination** for direct Spanish foreign investment and Spain is its 11th largest direct foreign investor.
Cumulative total: \$82.54 billion
Total 2016- Mar 2019: \$13.47 billion

EMPLOYMENT CREATOR: More than **81,000 people in the US are employed** by affiliates of Spanish companies or owners. Approximately 50% of these affiliates have their headquarters in South Florida.

In Florida they provide jobs to roughly **25,000 workers**. Some sources raise this figure to 50,000, by including works that are subcontracted by Spanish infrastructure companies.



Every red dot roughly coincides with the location of each of the almost 300 Spanish-owned companies, according to ICEX registered in Miami-Dade County. Miami, Coral Gables and Doral are the cities with the highest density.



Figures in \$

Sources: Prepared by www.mymmerchan.com, based on data from ICEX, Datalnvex (Secretary of State and Commerce), the Consulate General of Spain in Miami, The Miami-Dade Beacon Council and Florida Enterprise.

MBAF
CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS

We help international clients devise **global tax solutions** to minimize your tax liability.

Spanish companies registered in Miami-Dade

The 50 most representative

- Food**
Chocolates Valor, Delaviuda, Mahou-San Miguel, Osborne, Pescanova, Restalia, Rodilla
- Banking**
Abanca, Banco Sabadell Miami Branch, Banco Santander, BBVA Compass
- Law firms**
Legalitas, Ontier
- Ceramic tile**
Cosentino, Porcelanosa, Roca
- Education**
Instituto de Empresa, Univ. de Salamanca
- Household appliances**
Fagor, Magefesa

- Hotels, Tourism and Travel**
AC Hotels by Marriot, Iberostar, Eurostar, Julia Tours, RIU, Room Mate, Meliá, Viajes El Corte Inglés
- Infrastructures and engineering**
ACCIONA, ACS, Eurofinsa, FCC Aqualia, Indra, OHL, Sacyr
- Real estate**
Pontegadea
- Fine and costume jewelry**
Tous
- Laboratories**
Grifols, Igenomix

- Transport logistics**
Raminatrans
- Mass media, marketing and advertising**
EFE, Mediapro, Prisa
- Insurance**
Mapfre
- General business services**
Eulen
- Telecommunications and ICT**
Amadeus, Telefónica
- Air transport**
Air Europa, Iberia

TONY ARGIZ CHAIRMAN AND CEO OF MBAF

“I’m afraid that the debt being amassed in this country may keep us from moving forward”

The head of MBAF believes that Trump’s tax reductions are failing to create jobs



Above, Tony Argiz in his office in Brickell Avenue.

With the April tax filing deadline behind him and his desk filled to the brim, Tony Argiz –descendant of Spanish grandparents who migrated to Cuba – apologizes for this. His is one of the most moving stories of Miami’s Cuban Americans. In Havana, his father had built a large business but “they took it all from him”. Fol-

lowing the Bay of Pigs invasion, the militia went to his house four times. “They knocked on the door with rifles; they went through your room, your drawers”...

Pedro Pan, Tampa and Trump

In 1962, his parents set him off as part of Operation Pedro Pan and he wound up in the care of the Sale-

sians in Tampa. “There were 30 of us out of 180, but the priests were smart and they separated us, to prevent us from speaking Spanish. Tampa in 1962 wasn’t like Miami in 2019. There was language-based discrimination”. He earned a degree in accounting at FIU and in 1977 he became the 14th employee of the company and in 1997 he began leading it. Back then, it had 60 employees and \$7 million in earnings. Today, it boasts a staff of 680 and brings in \$131 million. “Miami’s economy has been very strong, it’s not going to stop. The only thing that could hold it back is the rising sea level. It’s a problem, Trump doesn’t believe it”, he says.

“Miami’s economy has been very strong. It’s not going to stop. The only thing that could hold it back is the rising sea level. It is a problem, Trump doesn’t believe it”

The lost vote

In 2016, for the first time in his life, Mr. Argiz didn’t vote for the Republican candidate. But he does believe that curbing China is a great idea. “From my own experience in Cuba, I can’t believe in China. Perhaps ten years ago they had other projects, but today they want to control the world. They should never have been allowed to steal your intellectual property, but companies went to China in order to grow”.

In 2011, Mr. Argiz declared that the US needed tax reform created by economists who knew what had to be done, such as Ben Bernanke, former Chair of the Federal Reserve. Today, he believes that Trump’s tax reform has only resulted in financial savings for companies. “They are bringing money home but they aren’t creating jobs. In the long run, this doesn’t work. I’m afraid that the debt being amassed in this country may keep us from moving forward. I think that corporate taxes should be reduced but not to 21%. Did you watch *60 Minutes* on Sunday?” he asks me. The show had interviewed Ray Dalio, owner of one of the largest international hedge funds and one of the richest men in the US. He claims that cutting taxes creates a wealth gap and that the American dream is slipping away because opportunity is not being redistributed. If he were president, he would declare it a national emergency. Mr. Argiz agrees with him.

Bezos, Buffet, Gates

“It is estimated that the combined assets of Jeff Bezos, Warren Buffet and Bill Gates make up 60% of the US total. If we die today,

“From my own experience in Cuba, I can’t believe in China. Perhaps ten years ago they had other projects, but today they want to control the world”

my wife and I can leave our children up to \$22 million, tax free. The rest is taxed at 40%. Raising this percentage is key; it’s good to leave them enough so that they can live well, but not so much that they are discouraged from ever working again, because this affects the economy, the country, innovation”.

An early riser, hard-worker, art collector and family man –he repeatedly mentions his wife Conchi during this interview–, Mr. Argiz is known for his dedication to the underprivileged. He has a United Way medal and this year, he was the recipient of the *Sand in My Shoes* Award. His biggest regret is never having gone back to Cuba. Two years ago he tried to return but the government told him that he was not welcome there. This year he was about to go for the 500 years of Havana celebration. “The Catholic Church was going and the archbishop asked me to join him, but they talked me out of it. [Getting choked up, he takes a deep breath] My children said, ‘Who knows what could happen to you!’ I dream of the day that I can take them. It is monumental that our country and city is celebrating 500 years in the New World”.

HM Hospitales, international patient-focused preventive medicine

HM Hospitales, a leading private Spanish hospital group, is committed to offering preventive medicine to international patients (primarily businessmen, executives and diplomats) through its Personalized Early Preventive Care Department, since early detection increases the likelihood of a cure.

This department, located at the University Hospital HM Sanchinarro and considered to be one of the three best private hospitals in Spain and just minutes from the Adolfo Suárez Madrid-Barajas International Airport, is headed by Dr. Niko Mihic, and offers three types of check-ups: ‘silver’, ‘gold’ and ‘platinum’.

The goal is to prevent illnesses and to improve patient health through diagnostic tests that are needed to rule out the most prevalent pathologies. “We aim to optimize our patients’ health, contribute to their longevity with a good quality of life, or apply the so-called ‘anti-aging’ concept of medicine”, states Dr. Mihic.

Check-ups include blood tests, radiology tests, electrocardiograms, cardiac stress tests, echocardiographs, abdominal ultrasounds, audiometries, eye tests, gynecological tests, etc.

We offer genetic studies and even at very early stages our PET/CT scans provide de-

tection of tumor lesions that may go unnoticed with other diagnostic techniques. We also rely on the latest in radiological technology, such as the TAC Aquilion One.

In just three or four hours a full check-up is performed, the results of which can be

received in less than 48 hours, with medical reports available in English, Spanish or French. We guarantee personalized care and assessment by top expert specialists, ensuring intimacy, privacy and maximum comfort during your stay in a private suite.

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LEANDRO TRIPODI, AIR EUROPA'S VP OF SALES & MARKETING FOR THE US AND CANADA

“Listening closely is the key”

In 2020, only Dreamliner airplanes will serve Air Europa's two US-Spain routes

dustry: “It has a different energy; we provide a service that gives people life experiences”.

QUESTION: In 2018, Spain welcomed 83 million tourists. Two million of these came from the US, the country with the highest growth rate (12%). Are your passengers mostly travelers?

RESPONSE: Mainly leisure travelers, although corporate passengers are also very important. The US is the main feeder country to Europe and Spain is one of the top three global tourist destinations. Our hub is there, in the Adolfo Suárez Madrid-Barajas international airport. Hence, this market's importance. It is concentrated mainly on the eastern coast, which has more cosmopolitan cities for which Spain offers some very attractive attributes: gastronomy, culture, history, sports... In April 2020, our two US routes (MIA and JFK) will operate with Dreamliner planes. This is a major qualitative change, benefitting business and leisure customers alike.

P: How much profitability results from a full Miami-Madrid and JFK-Madrid flight? Will

new destinations like Washington or Boston be opened?

R: Our flights don't take off if the minimum variables aren't covered. Our average occupancy rate is extraordinary; 90% in JFK-Madrid and 85% in Miami-Madrid. The US market is hyper-competitive and our goal is to consolidate these two routes. In 2020, we will fly year round from JFK for the first time, with three weekly flights during the winter. Our biggest challenge is to maintain a good occupancy rate and profitability.

P: What's your strategy?

R: Listening closely is the key. We heard that a large part of our East Coast target audience, including the Latino community, doesn't know us. In Miami, four out of every ten people don't know who we are. There is major work to be done. We doubled our local staff to have a presence in agencies and near customers. These customers have told us that our in-flight service is excellent. That helps.

P: What did you learn from despegar.com that you can apply to Air Europa?

R: I can sum it up in a sentence that I once read: ‘In God we trust, all others bring data’. Decisions aren't made based on opinions. Instead, these opinions must be backed by numbers and analytics and they must be good for the company. Air Europa already did this. Adapting to change is also important. We know that every day, something happens. You must learn not to get frustrated by unpredictable changes or adverse situations. And mourn quickly; there is no time to grieve.

2018

Global revenue:
\$2.236 billion

Profits:
\$53.94 million

No. passengers:
11.83 million

No. passengers Jan-June 2019: 6.1 million (+14%)

Spain's largest private airline, Air Europa, is part of the Globalia family holding company, founded by Juan José Hidalgo, who created one of the country's largest tourism groups after his own image. He describes it as “a fine-tuned machine whose gears rotate smoothly.” Today, his children are at the helm.

But in 2015, Hidalgo confessed in New York that of all the business lines, the airline inspired him the most. Of the \$2.236 billion billed in 2018, 60% hailed from the Americas. Of this, 25%-30% came from Miami and New York, the airline's only two US routes, the most important market after Spain. This year, the company

changed tack, appointing an Argentinian delegate, Diego García, with headquarters in Buenos Aires, for the entire American continent. “It was a milestone, giving great importance to the hemisphere”, declared Leandro Tripodi, the 33-year old Argentinian native who has been Vice President of Sales & Marketing for the US and Canada since 2019.

Based in Brickell, Tripodi came to Miami from despegar.com, when his wife accepted a job offer in town. As a boy, he dreamt of running his own hotel. An engineer, he discovered that industrial plants weren't for him and he found a love for sales and the tourism in-

China-bound Chilean salmon skips over Miami

LATAM Cargo combines passenger airlines with cargo to optimize flows and increase profitability

Ever-increasing Internet purchases and new product transport methods are changing the way that LATAM Cargo builds its business. And this is turning CEO Andrés Bianchi's work into a daily puzzle to ensure that each aircraft generates income and is profitable. Although LATAM Airlines Group has its headquarters in Santiago de Chile, the main office of its cargo business is in Miami, the nerve center for freight traffic between North and South America. Approximately 80% of the global air cargo travels East to West, taking place between Asia and Europe and between Asia and the US. This further complicates operations with South America. “We are in a very complex region, where we seek

to have an unrivalled presence and to increase the customer's value. There is a growing need for specialists with a talent for handling market niches”, affirms Mr. Bianchi.

In 2018, salmon, flowers and asparagus were the most often transported goods. “They reach their destination and they don't come back, but passengers do”, he says, explaining why their flights are round trips and why a common sector trend is to combine cargo and passenger flights, since “it is the mix that is really profitable”. He doesn't reveal how much money the company is investing in the transformation of its aircraft to permit this dual flow, but he declares that it is spending even more to substi-

Is Miami an option for transporting fresh salmon from Chile to China? Mr. Bianchi thinks that his response may not be appreciated by the Miami-Dade authorities

tute its computer systems, updating everything from sales planning to cargo delivery. “Today, clients request real time information to work with you”. Furthermore, the growth of electronic commerce has made the



Andrés Bianchi, CEO of LATAM Cargo

management of an ever-increasing volume of small shipments a major challenge for airlines.

But new markets are emerging. Mr. Bianchi uses the example of Chilean salmon. Three years ago, its main destination was the US, followed by Brazil. But now China is the second largest recipient, forcing a change in logistics. “We have the challenge of lowering delivery times from four or five days to one or one-and-a-half, combining operations with distinct companies since creating a direct service wasn't economically efficient for producers”. Is Miami an option for transporting fresh salmon from Chile to China? “My response wouldn't be appreciated by the

Miami-Dade authorities. The most frequently used route is via Chicago. Miami has done a great job. Flows with the South have improved, but Asia is complicated”, he affirms, and we ask how many airlines would be needed to make Asia-Miami viable. “That would be forcing the aircraft's autonomy and cargo capacity is the first to go. Almost all freighters arriving here from Asia make a stopover in Anchorage or Los Angeles. Flows with the Midwest, where the large industrial centers are located, are more powerful. For Asia, Miami is more peripheral. So, seeking connectivity and the opportunity to generate a distinct value, we added a flight to Chicago with shorter transits”.

IN 2018, MIAMI'S TOURISM SECTOR EMPLOYED 142,100 PEOPLE, WITH AN ECONOMIC IMPACT OF NEARLY \$18 BILLION

WILLIAM D. TALBERT III, WILLIAM D. TALBERT III, PRESIDENT AND CEO OF THE GREATER MIAMI CONVENTION & VISITORS BUREAU

“I have the easiest job in the world”

Miami saw another record year in 2018, welcoming 23.3 million tourists. Travelers from Brazil, Colombia and Argentina comprised the largest percentage of overnight visitors, at 22%, with Spain coming in at number 12, with 172,000 visitors.



Tourists in Bayside Market, a metaphor of Miami as a transit city for travelers from across the world since the days of Ponce de León

We are going to get into the meat and potatoes of this report”, declared Bill Talbert, after warming up the crowd on May 1st at his presentation to the State of the Tourism Industry in Miami-Dade meeting. President and CEO of the Greater Miami Convention & Visitors Bureau (GMCVB), Mr. Talbert barely looked at his notes, keeping the audience hanging on his every word. He cracked jokes, thanked many people for many things and praised his staff: “I have the easiest job in the world. They are the ones that do it.” He discussed the re-opening of the Miami Beach Convention Center, following a \$625 million investment. And he didn't forget his wife Cindy, seated in the third row, or fail to compliment Richard D. Fain, Chairman and CEO of Royal Caribbean Cruises. The meeting was held at the cruise line's home on Dodge Island's Terminal A. “Raise your hand if this is your first time in this building! Richard built it in partnership with Miami-Dade County. The world's largest ships dock here. This is a \$250 million private investment”. Talbert repeatedly emphasized the “private” nature of this investment.



Bill Talbert

“This new analysis found that some countries, including Spain, were undercounted. We now know that it comes in at number 12 in the ranking of feeder markets”

He also mentioned some neighboring cruise lines, such as MSC and Carnival, and others, like Virgin, that have announced their upcoming arrival to Miami.

Coined the “cruise capital of the world”, a few years ago, Miami set a new record in 2018: “Six million passengers boarded here in Miami, 12.5% more than in 2017; this means jobs”, boasted Mr. Talbert. With 23.3 million visitors, including 6.8 million “day-trippers”, the sector employs 142,100 people, for an economic impact of nearly \$18 billion. The declarations made for this special were offered following the main presentation to the sector. Rolando Aedo, Chief Operating Officer at GMCVB, a

Not-for-Profit organization whose annual budget is \$30 million, participated in these questions: “We are a global destination but we are a rather small organization.”

P: In your 2017 report, Spain sent slightly over 30,000 tourists and in 2018, there were 172,000. What happened?

B.T: For economic agents of Miami-Dade County, Spain is one of the top priority markets and we always said, how come only 30,000? This new analysis found that some countries, including Spain, were undercounted. We now know that Spain ranks number 12th in feeder markets.

P: Will this change your strategy for Spain?

B.T: We are data driven; these numbers show us that this is a market where we should be doing more. Remember the old line ‘fish where the fish are biting’ which later became ‘fish where there are fish’.

“Airbnb is playing a vital role in providing accommodation in those places that are up-and-coming and do not have hotel partners”

R.A: Within the US, the way that most customers are making their travel decisions is more of a B2C approach...in Spain –although it is changing– the B2B is playing a significant role. Our primary international strategy, not the only one, but the primary one, is working with travel agencies, the tour operators, trade fairs like FITUR... But we are also using our international network offices –we have one in Spain– and doing a lot of digital marketing. Social media is playing a critical role.

P: In 2018 the ‘Hotels First’ initiative continued, positioning hotels at the front and center in marketing efforts and global branding strategies. Do you consider Airbnb to be another partner or your main competitor?

B.T: It is part of the infrastructure and I'll tell you why. A lot of these accommodations are making money in areas of town where we are not going to have hotels, we can't

“We are not at the point of Barcelona, Venice or Amsterdam, but part of our strategy is to take more business to more of our neighborhoods, so, in addition to South Beach, it is taking business to Little Haiti, even Hialeah. We are educating people and talking about our neighborhood strategy.”

have hotels...but these guests -who are paying the hotel tax– they want the Airbnb experience.

R.A: The 16.5 million overnight visitors to Miami include Airbnb guests. Visitors decide where to stay but we give priority to the ‘Hotels First’ program, because of the economic impact.

P: In April, Christopher Nassetta, President and CEO of Hilton, in Seville's World Travel & Tourism Council (WTTC), warned of the danger of gentrification. Is this a concern for Miami?

B.T: I don't even use that word. Listen, I said it in New York and I will say it again: Any place that has too many visitors, they can come to Miami. Because, we have on average... 72% hotel occupancy. I would love to have more visitors to make it 82%. We work on de-seasonality strategies, for example, Miami Spice, to bring business to the restaurants in the summer. Our business is to



Rolando Aedo

ON GUARD!

The GMCVB strategic plan for the next five years includes topics which, five years ago, were neither common nor essential. According to Rolando Aedo, Chief Operating Officer of the organization, they are now “on our radar screen”:

Rising sea levels

“Balancing the quality of life with successful tourism is one of our main priorities as well as the city's resiliency in this area and in others such as traffic, mobility, avoiding too many people in one place”

Cruise ship pollution

“We work with cruise lines at the highest levels. No organization is perfect, including our own. They are wholly committed to best practices and are learning and trying new technology to have less of an environmental impact”

The Zika virus

“Being a tropical destination means that you are subject to certain nuisances, such as airborne diseases transmitted by mosquitos. This has been the case since the beginning of time. It is something that we constantly monitor; the Zika outbreak happened two years ago and you haven't heard from it again. We as an industry... we learn... It not only happened here, but in a variety of places; it is kind of like hurricanes; we get impacted less than in North Carolina but people don't see that.”

The red tide

“In Miami, it was in one beach. It is horrible that even one beach, for one day is closed, but we have 7,000 miles (11,265 km) of beaches. They are the bedrock of our industry and we are constantly asking ourselves how to offer support.”

bring people here and this county is huge.

R.A: We are not at the point of Barcelona, Venice or Amsterdam, but part of our strategy is to take more business to more of our neighborhoods. So, in addition to South Beach, it is taking business to Little Haiti, even Hialeah. We are educating people and talking about our neighborhood strategy. More and more people are discovering more parts of Miami and Airbnb is playing a vital role in providing accommodation in those places that are up-and-coming and do not have hotel partners. So we are—>

very confident that our strategy will disperse visitors to keep that issue under control.

P: The typical Miami visitor is quite young. Are you satisfied with the money that they are spending?

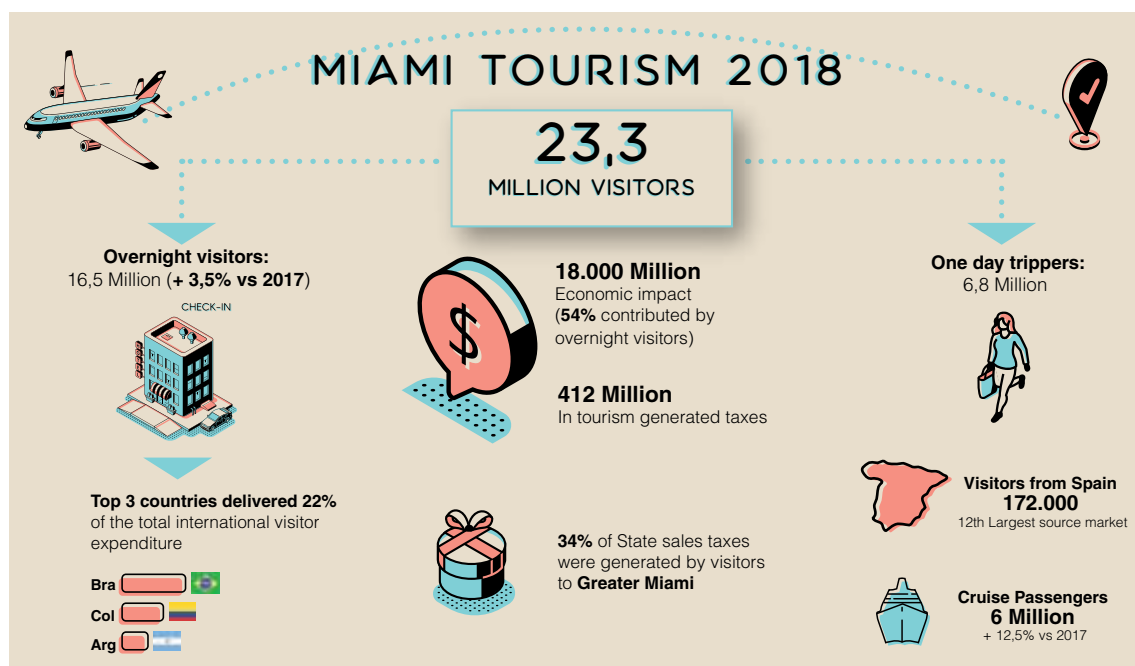
B.T: The idea that kids don't spend money... with the proper product, they spend a lot of money. It is a different group and it is global. We like them. Young will become old.

R.A: You are not going to see a major shift in the main age demographic but young travelers are more adventurous, looking for organic experiences. They are exploring more of Miami and are dispersing their dollars. Their per capita might not be as great as a boomer's but their volume is going up exponentially and they are staying

in up-and-coming neighborhoods. Ultimately, the hotel product will follow and then, more traditional travelers will come. So we are excited to have young travelers! But Miami started out as a family travel destination and that is still an important part of the equation.

P: Don't you find that in Miami, some women dress too scantily outside of the beaches?

R.A: Miami has always been known as a sexy destination. One of the pillars of Miami's success is our tropical climate, our multiculturalism, our vibrancy as a destination and our sexiness. It is an ambience, cultures coming together. The sexiness of Miami is one of its greatest attractions, but like any community, there are instances where people can go to extremes. Everyone has a personal measure of tastefulness.



The bad reputation that bolstered Miami

Instead of bringing it down, Miami's crime and flaws, as portrayed on TV series and movies, actually added to its charm



mymmerchan.com

One Saturday in April, during our stay in Miami while working on this special, we decided to visit a neighborhood that is not recommended for visitors: Liberty City, one of Miami's most disadvantaged areas, gained fame as being home to the lead character of the Oscar-winning film *Moonlight*. Upon exiting the Metro, we asked a uniformed guard how long it would take to get there by foot. "Walking?" he asked incredulously in English. "I wouldn't dare go there and look at me!" We were two women. He was a thirty-something man, tall and well-built, shaking his head in disbelief. In fact, Miami has a low crime rate and visitors can stroll the streets in safety to the point that Spanish visitors tend to be surprised by the numerous police cars patrolling its streets. But, like any city, certain areas are best avoided. In fact, this summer, a nighttime curfew was once again enforced across the county for unaccompanied adolescents.

Miami earned its reputation during the 80s, when the city's crime began appearing on screen. It was the perfect place to film; the Cold War, with Moscow as its protagonist, had come to an end and the government turned its sights on drug traffickers. And Miami offered something for everyone. Its rough image enticed

audiences, and it has persisted over the years. "We got a hit on the body. Pete Zaky, a small-time shit-head from Miami. Deals coke in Liberty City", says the cop to his partner in Monroe County in the Netflix series *Bloodline*, which premiered in 2015.

"I am often asked about series like *Miami Vice* and *CSI Miami*. Honestly, I think that they helped create the brand. When I go back and look for the reasons for our successful tourism, I think of the preservation of our Art Deco District and the reinvention of the boutique hotels in South Beach. But *Miami Vice* is also up there. It made Miami look and sound much cooler than it actually was" says Rolando Aedo, Chief Operating Officer of the Greater Miami Convention & Visitors Bureau (GMCVB), recalling the show's famous scene, driving down the MacArthur Bridge that connects Miami Beach to the city, with the Genesis song playing in the background. "When you put it on a scale, there were more positives", he concludes.

Currently, film production, medical tourism, China and sporting events—the 11th Super Bowl will be held in Miami in 2020—are priority areas for the GMCVB.

THE PHILLIP AND PATRICIA FROST MUSEUM OF SCIENCE AND CELEBRITY CRUISES WILL CREATE A PROGRAM TO SPARK ENVIRONMENTAL INTERESTS IN SOUTH FLORIDA TOURISTS

The unknown attracts the masses

15% of the population in Miami make or are inclined to make cultural visits, compared to 30% of people in large US markets, according to a recent study



Frank Steslow

What is happening now in astrophysics, some of the recent discoveries about black holes and dark matter or the expansion of the universe attracts crowds to the museum. There is a deep longing for that kind of information here" says Frank Steslow, a scientist who arrived in Miami twelve years ago and President of the Phillip and Patricia Frost Museum of Science. Approximately half of the visitors of this veteran institution, which opened in its new location in Biscayne Bay in 2017, are tourists.

A study commissioned by the museum shows that on average, 30% of citizens in large American cities make cultural visits or feel inclined to do so in a given year. In Miami, that figure is only 15%. "It may be due to the average income per capita being low or because we compete with beaches, boats... while in Boston, a museum in winter sounds pretty good. Another reason is that in Miami the culture is something new and it will take a while before it matures. It is part of our challenge," says Steslow. Even so, the museum, with an annual budget of about 20 million dollars, had more than 900,000 visitors in its first year

of operation. It is a triumph compared to the 1.4 million who visit the California Academy of Sciences annually, the benchmark in the United States.

"Cal Academy has the enviable position of being in a technology park with average incomes probably three times higher than in Miami, but we have a varied international audience in Central America, South America and Europe. It is refreshing to know that culture is important to them. We try to adapt to their expectations."

The museum, which aspires to be a research institution, recently initiated a partnership with Celebrity Cruises in order to create a program that connects tourists with oceanic orography, coastal sciences and STEM content in general, using the marine environment as a tool.

"It is the beginning of a huge and unexplored opportunity. We work a lot in environmental conservation. We have a lab with the University of Miami which we use to select and grow corals, making them more resistant to rising temperatures, so once these colonies and genotypes

We create partnerships with local businesses, and we have had up to 250 people replanting the coastline at one time. It's a hard day between the mud, heat and mosquitoes, but entertaining and an excellent opportunity to create team spirit."

have become more resilient, we can generate large quantities and transplant them. We have been recovering damaged corals for a long time."

In fact, the museum's coastal restoration program has recovered 25 acres (10.1 hectares) in recent years with the collaboration of hundreds of volunteers as a workforce: "We create partnerships with local businesses, and we have had up to 250 people replanting the coastline at one time. It's a hard day between the mud, heat and mosquitoes, but entertaining and an excellent opportunity to create team spirit."



Day at the Museum

UNTIL JUNE 2019 STARTUPS IN SOUTH FLORIDA ATTRACTED \$1,54 BILLION IN V.C. FUNDING, RANKING 7TH IN THE US OUTPACING AUSTIN, CHICAGO AND WASHINGTON D.C.

Our day is coming

Miami aims to become the hub tech of the Americas



Felice Gorordo

From the waist down, with his tight jeans, Manuel “Manny” Medina could be a cowboy. But from the waist up, standing in the proscenium and gazing down, with his fingertips touching in a pose of total concentration, he looks more like an evangelist addressing his followers. This was the image that he presented last April, inaugurating eMerge Americas 2019, the B2B platform that he created with the hopes of transforming Miami into America’s next technological hub of innovation and entrepreneurship. The event is not extremely large –there were approximately

“We are a city that has developed thanks to immigrants and this is part of our secret ingredient”

16,000 attendees– but its organic growth has been significant, with over 400 companies from over 40 countries participating. Expectations for the event are great, just like Mr. Medina’s reputation. The Cuban American tech entrepreneur gained fame by founding Terremark in the 80s and later selling it to Verizon in 2011 for \$2 billion. He went on to found Xystera Technologies, receiving \$4 billion for its development. According to Felice Gorordo, who substituted him this year as the CEO of eMerge Americas, “for Medina, who came to the US at the age of 13 as an immigrant, Miami is his adoptive city and when he could, he wanted to pay it back for all that it has given him”.

The good disciple

Son of Cuban parents and grandparents with Spanish heritage, Mr. Gorordo, a Miami native, believes that Cubans are born with an entrepreneurial gene that is cultivated in their homes during childhood. He insists that the idea is not to recreate Silicon Valley in Miami Beach, but rather, “to create something unique and different, with diversity and in-

clusion as the focal point. We are a city that has developed thanks to immigrants and this is part of our secret ingredient”. His grandfather was a businessman and his grandmother was a teacher. “They had to start over. He cleaned toilets and she worked the tomato and strawberry fields of Homestead. I listened to these stories every day in my grandmother’s kitchen and at my parents’ table. We grow up with a sense of responsibility, because of the opportunities that they created for us. Their sacrifices shouldn’t go unnoticed”, he states. Mr. Gorordo considers himself a product of the system. “I’m an entrepreneur and I will continue being one”. He created a startup to facilitate the immigration process which he eventually sold, and he also worked on immigration reform in Washington for the Bush and Obama Administrations. Manny Medina enticed him back to Miami, enamoring him with his vision for the city.

Beyond Silicon Valley

Miami’s transformation is underway thanks to alliances created with the ecosystem and linked to entrepreneurs, startups, incubators, government, investors, universities and the press in South Florida and

Jeff Bezos, was raised and educated here and left in search of opportunities that he couldn’t find here”, affirms Carlos A. Giménez, Mia-

“For Medina, who came to the US at the age of 13 as an immigrant, Miami is his adoptive city and when he could, he wanted to pay it back for all that it has given him”

mi-Dade’s Mayor who hopes that the next Facebook or Google will hail from Miami. The county is a founding partner of eMerge Americas, along with the Knight Foundation, Medina Capital, Greenberg Traurig, A-Rod Corp and the *Miami Herald*.

Things appear to be headed in the right direction. Softbank is a good example of this. The Japanese tech giant institutionalized a \$5 billion venture capital fund for startups this year, focusing exclusively on Latin America. “It’s the largest of the region. And they are going to open up offices in Miami”, Mr. Gorordo states.



Manny Medina during the inauguration of eMerge Americas 2019, in Miami Beach

across Latin America. “The model is similar to that of Steve Case’s Rise of the Rest fund”, Mr. Gorordo affirms, referring to the multi-millionaire co-founder of AOL who travels across Middle America by bus, off-the-beaten path, in search of the next great idea that Silicon Valley will surely overlook. In 2018, almost \$131 billion of venture capital were invested in the US, the year sporting the most investments since the dotcom bubble. Three-fourths of these went to three states: California, New York and Massachusetts. In early 2019, Mr. Case announced that Florida and Puerto Rico would be included in his tour.

South Florida’s corporate and political elite supports eMerge Americas: “The richest man in the world,

The PayPal effect

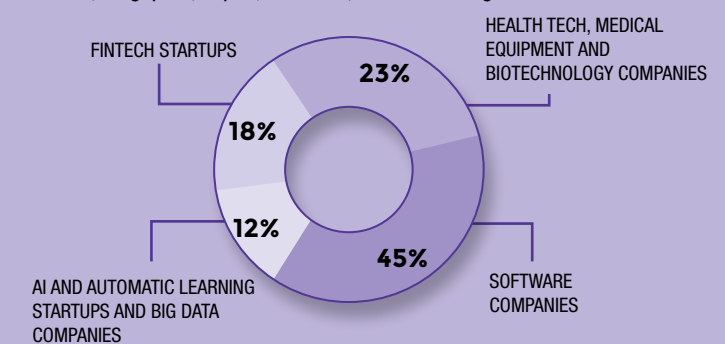
The rise, success and sale of PayPal left a handful of millionaire entrepreneurs –Elon Musk among them– who, instead of resting on their laurels went on to create a variety of tech startups using their own knowledge and capital. It is known as the ‘PayPal effect’. In Miami, the cases aren’t as striking, but they do exist. For example, there is Magic Leap, Miami’s most prominent startup, founded by Rony Abovitz in 2010, and raising \$963 million dollars in 2018. These cases and others lead Mr. Gorordo and Miami’s industry to believe that it is just a matter of time before something really big happens. “As Cubans like to say”, he concludes, “*eso viene llegando*” (our day is coming).

SPANISH CONNECTION

According to Felice Gorordo, CEO of eMerge Americas, Spain plays a major role in the region’s transformation into a technological center, as seen, for example, with Venture City, “one of Miami’s most important funds and accelerators. Its founder and CEO, Spain’s Laura González-Estéfani, has an amazing spirit and soul and has created a bridge between Miami and Madrid with a hundred million dollar fund. Miami’s transformation includes Ibero-America and Spain. Our mother country is very important and Ms González-Estéfani leads this chapter”. Mr. Gorordo also discusses contacts at South Summit, the Spanish platform created by María Benjumea, which connects the main innovators of southern Europe and Latin America “with some of the world’s most powerful investors and companies”. Its investment portfolio totals \$56 billion.

WHERE IS VENTURE CAPITAL HEADED IN SOUTH FLORIDA?

Origin of capital: Silicon Valley, New York, Boston, Saudi Arabia, China, Latin America, Singapore, Japan, Denmark, the United Kingdom...



2018 Year End Report, eMerge Insights, South Florida Venture Activity and Investment Trends.



BERNARDO GUTIÉRREZ DE LA ROZA, FOUNDER AND CEO OF ONTIER

“Miami is a necessity”

Ontier sets its sights on the creation of legal tools in the IT sector

A few words about this Spanish law firm, which has been in Miami since 2013 and whose corporate headquarters are located in London. First, Joaquín Muñoz is one of its attorneys. He was the first lawyer to ever win a “right to be forgotten” lawsuit against Google in a 2014 European Court of Justice judgement. Second, since 2012, it has advised Carlos Slim’s Group. Third, for a second consecutive year, it was named one of the 25 best law firms advising startups by *El Referente*, a journal for entrepreneurs that raises awareness about some of the most innovative initiatives across Spain. The firm specializes in operations valued at \$5.5 to \$55 million, also taking on more complex cases that surpass these figures. And it hopes to take advantage of what it has learned these past four years advising the technological product developers, to transfer this knowledge to other sectors. Ontier is in 14 countries, 9 of which located in Latin America.

“What is taking place is revolutionary. Amazing applications can be developed in someone’s bedroom”, declares Bernardo Gutiérrez de la Roza, founder and CEO of Ontier. “We identify their needs and our call is to be on their side. It is complicated and a challenge for our office, since the legal world is quite rigid and we flee from this rigi-

Joaquín Muñoz was the first lawyer to ever win a “right to be forgotten” lawsuit against Google in a 2014 European Court of Justice judgement

dity. But that makes us different”. He gives the example of establishing fees in the US. “The US law firms have a very different way of working and their lack of flexibility clashes with the Latin culture. First, you pay them by the hour, whereas our clients know how much it will cost them and what they are going to need from day one. And we aren’t in Miami for altruism. Every project demands a minimum profitability. We are at the break-even point but we have to close this year with profit sharing. Miami is a necessity. Our clients ask for it”.

With its focus on technological law, three years ago Ontier joined forces with IE Law School and the Law Schools Global League to promote the creation of new legal tools and to award innovative projects through the Global Legal Tech Venture Days. “It’s a sort of summit for startups”. The second edition began in July 2019 and will conclude in 2020. “The semifinals will take place in ten cities. We demanded that one of these be Miami”.

DANIEL MARTÍNEZ SÁNCHEZ, FOUNDER AND OWNER OF FLAMINGO VINTAGE POUND

“I pay a fortune in insurance”

High unskilled worker turnover is one of the main difficulties for companies

His unconventional look may raise some eyebrows among bankers, but Daniel Martínez Sánchez, a 34-year-old Spanish entrepreneur is well-mannered and determined. And he isn't ashamed to say that he regrets not having studied more, but he recognizes that the jobs that he has held since the age of 15 have served him well in developing the infrastructure of Flamingo Vintage, his bulk sale used clothing business. He invoices \$6.68 million annually, 50% in the US, and employs 170 people.

“At 21, I packed my bags and moved to the US to make a living. I had some doors slammed in my

face and couldn't find any work”, he recalls. But he learned to move on his own. In Los Angeles, he stumbled upon a market that he liked: the vintage clothing stores. And he discovered the bulk sale distribution channels. “It seemed like an original idea and I thought, why not implement this model with retail sales”. He returned to Barce-

“In two years, the American business has brought in the same amount as the Spanish company has in a decade, but with lower profit margins”

lona, saved up \$11,000 and created Flamingo Vintage Kilo. In Spain, he operates 30 stores. Two years ago, he decided to make the move to New York with his wife and daughters where he founded Flamingo Vintage Pound. Currently he owns three warehouses and eleven stores in New York, Texas, California and Florida. “In two years, the American business has brought in the same amount as the Spanish company has in a decade, but with lower profit margins”.

He hopes to open ten stores a year in the US. Are you afraid of being copied? “It's easy to sell clothes, but I'm my own provider.” He

explains that the complex part is accessing raw materials at the right price. “The product arrives in 100-pound bales of pressed clothes. If you don't sell what is inside, are you going to throw it out and lose money? I've gone broke five times in ten years”. The social networks make sales more efficient. He also supplies wholesale merchandise to Japan, China, Italy and France.

Difficulties in Miami? “The staff turnover. Here you need \$5,000 a month. I pay \$15 an hour because I can't afford to pay more. Most of my employees are students who leave when they find something better. It forces you to invest a lot in training”. Hurricanes also worry him. “Splash some water on a bale of clothing and in three weeks it is damaged”. His last scare was Irma in Houston. “I pay a fortune in insurance but there is no coverage for clothing warehouses there or here in Miami. I saw photos of the flooded warehouse. Imagine



the sensation of losing everything, but then the firefighters entered and there wasn't a drop of water inside. It was a miracle, one of the most amazing moments of my life! I said to myself: go for it, let's conquer the world!”.

ANDREA NACHTIGALL, PRESIDENT AND CEO OF CLOUD 9 WORLD

“When I wake up, I remember the little girl that was able to keep her father from hitting her”

Cloud 9 World was created in Miami and today it is used by a million students across nine countries

Children today are arriving at school with more traumas than ever, spending more time alone, or in broken homes with their grandmothers... When I wake up, I remember the little girl that was able to keep her father from hitting her and the child that managed to have talks of inclusion, respect and self-control in his house... It is a long and hard process. The best part is that they give back to society what they receive”. These are the words of Andrea Nachtigall, President and CEO of Cloud 9 World, a values education program that attempts to give every child the opportunity to become whatever

“82% of all Americans haven't purchased a book in the past five years and with us, at the end of the cycle, they will have read over 40”

they dream of becoming. Twelve years ago she founded the company with two Colombian colleagues: María Candelaria Smith, Vice President of Media and Communications and Lorenza González, Vice President of Logistics. They have reached one million children across nine

countries, with an annual cost for schools of just \$22 per student, including books. “82% of all Americans haven't purchased a book in the past five years and with us, at the end of the cycle, they will have read over 40”.

The key is involving parents, so that the program is reinforced at home. Fifty personality traits are covered, with school teaching one per month. “Oddly enough, in a disadvantaged area of the Bronx, they choose compassion while in private schools they opt for humility, gratitude and acceptance and in areas of economic and social difficulties, they choose perseverance and determination, necessary in order to go forward”, says Ms Smith. Part of the effort includes covering certain traits that should be prevented, such as bullying. “The volume (of bullying) in our schools has decreased dramatically, because the children have learned about tolerance, respect, kindness and empathy”, adds Ms Nachtigall.

At St. Stephen's Episcopal Day School in Coconut Grove, the children gathered to tell this reporter their story. “They aren't afraid to express their emotions with a microphone in front of 200 people because since the age of 3 they have been familiarized with the vocabulary”,

states Jorge Bagayo-González, the school chaplain. He believes that the stories in the teaching material are perfect for explaining things from a theological perspective. “If you tell them that a boy who loves rhinos is trying to save one, you are humanizing the story and that helps you to connect with them and it makes it easy to extract stories from the Scriptures, the Koran or the Torah, since they already understand the human dilemma that means feeling empathy for others. Otherwise, it won't enter their heads. For me, it works in religion, for others, in technology or sciences...”. According to Inge Wassmann, Director of Innovation, “they can make change happen. We don't place limits on their initiative or creativity”.



Andrea Nachtigall



From left to right: Candelaria Smith, Inge Wassmann and Jorge Bagayo-González at St. Stephen's Episcopal Day School

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Miami's coming of age

Real estate developers and agents trust that appreciation will take place in luxury property and diversify their business in Latin America while the sector adjusts prices

If Miami were a person, how old would it be? This question was recently posed in the sector and the conclusion is that it would be somewhere in its twenties or thirties, having clearly come of age. Not a hint of vulnerability, even considering that it could be swallowed up by the ocean. This is Miami and here, properties to the east of I-95, between Coconut Grove and Fort Lauderdale, have seen annual appreciation rates of 9% over the past 25 years –not including property taxes, maintenance fees, and renovations, which would have lowered this percentage to 5% or 6%— according to last year's Miami Report, an industry insight published by the International Sales Group (ISG) since 2010.

“This year we are seeing much more interest thanks to developer incentives”

Shareholders, relax... Or maybe they shouldn't?

In April, a Latin American man resembling a soap opera star arrived with his daughters to the Brickell City Center's 42nd floor penthouse, converted into the sales office of this mixed-use development project. Behind them was Craig Studnicky, Principal of ISG and directing sales at Reach & Rise, the complex's luxury residential towers. He greets me, apologizing for the five-minute delay: “I have a family downstairs and they want to buy an apartment”. Mr. Studnicky is from New Jersey, has spent three decades in Miami and I have been told that one of his virtues is the incredible motivational spirit that he brings to his sales team. “2018 was the slowest year for condo sales in Miami in the last 25 years and 2017, the second slowest. This year we are seeing much more interest, thanks to developer incentives. Also, mortgages have lowered a bit. South Americans and Central Americans love owning a first or second home in Miami. It's their plan B. But the strength of the dollar has made it expensive to buy with *pesos* and *reales*”. Reach & Rise was already on the market in 2017 and



the shareholders at Swire Properties, its Chinese owner company, were getting nervous. “I got a call from the CEO of Swire in Hong Kong, asking if it would be possible to include a study on appreciation in Brickell Avenue condominiums over the last 25 years in the 2018 Miami Report”. Upon learning that the annual appreciation rate was 9%, they calmed down.

Supply shock

This year, the report warns that the supply side has received a “shock”. The strong dollar has slowed down the launching of large groundbreaking projects, so “even with the lowest absorption rate of the past two years, the pending inventory should be absorbed over the upcoming 18-24 months”. How did it get to this point? Mr. Studnicky believes that it's the quality

standards used in Miami: “If you are a strong developer and you want to build in New York the bank will give you a loan just like that [*snapping his fingers*] but here they tell you: You need to sell at least 50% before we'll give you a loan, to know that the market has accepted your product and price”. The

“The strength of the dollar has made it expensive to buy with pesos and reales”

challenge is doing this while the South Americans, the primary pre-construction property buyers, are preferring to rent until the dollar weakens.

Developers also get tired

Meanwhile, developers offer discounts in order to start the next cycle. This seems like a contradiction –supply shortage and low prices– but it isn't one, if you keep in mind ‘developer fatigue’. “Developers get tired. Look at this building; it has been finished for months and Swire Properties is paying the real estate taxes and maintenance on the unsold units. Most large developers aren't comfortable starting up new promotions when they still have inventory”.

Edgardo Defortuna, President of Fortune International Group, disagrees to some extent. “Many developers are waiting for the right timing and there is no great rush to build. Most of us have land with little or no financial burdens, since it was purchased in cash or with

private investments and projects under development that we haven't launched for precautionary reasons. We wait so that we can absorb what we are building, but if there is demand, the supply will soon meet it”. According to Mr. Defortuna, the market is becoming increasingly sophisticated and buyers who used to be impulsive are now quite selective. “The buyer is much more prepared and the sale goes much slower. Even so, high quality and credible properties are being sold at a good pace, compared to other US markets”.

But they will always have... Latin America

Of course, large developers such as Fortune International or Related Group have already begun their internationalization. It is almost a dogma of faith to admit that one out of every four people living in the center of Miami lives in a building that was built by Related, the largest condominium developer in Florida, which almost went bankrupt in 2006. “When the international market doesn't come to Miami, we go to the US or beyond... to Argentina, Brazil or Mexico, where we are carrying out projects that are more focused on the local buyer”, explains Carlos Rosso, President of Related Group's Condominium Development Division. “This offers us brand presence and allows us to build loyalty with our buyers in these countries. We are very optimistic about Mexico. We are starting on a third tower in Cancún; we have a very interesting project in Zihutanejo and we are going to begin others in Tulum, Mexico City and Guadalajara. We will continue to grow”.



Kieran Bowers

Swire Properties foresees investments of up to \$5 billion

Without a doubt, the Brickell City Centre (BCC) is probably the most emblematic modern building in Miami. It is believed that, at the time of its construction, following the real estate debacle, it was the largest project in the US. In its first phase, \$1.05 billion were invested, creating jobs for thousands of workers and re-stimulating the market. Zara, Victoria's Secret and Apple represent one third of its available retail space. “The average age for our consumers is 42 and the medium household income is \$140,000”, says Kieran Bowers, President of Swire Properties Inc. The company came to Miami, its only US location, during the 80s and they developed the exclusive Brickell Key. Over the next 5-7 years, they anticipate an investment plan of between \$3.5 and \$5 billion. “The company firmly believes that here it is possible to implement a very clear development project, taking advantage of what already exists. Miami is a great way to access South America, a bit like Hong Kong, the nexus of trade between China and Asia, as well as Europe”.

PINE TREES ON THE ROOFTOPS



Margarita Blanco

Managing to grow South Florida's native vegetation on the 12th and 40th floor rooftops of the BCC is quite a feat, considering its urban location. For example, there are the pine trees: “For five years, we conducted soil testing so that, upon transplanting them, they would be just like they are in their habitat. Steel tension cables secured the roots to the concrete that acts as their planter”, explains Margarita Blanco, Director of ArqGeo. Two years ago, Hurricane Irma was a litmus test for the trees. “They all resisted. They lost a lot of leaves, but four months later they had all quickly grown back”.

THE MARKET CORRECTS ITSELF



Giselle Alfonso

Real estate consultant, Giselle Alfonso believes that the market has begun to correct itself. “There is a lot of inventory, especially in available condominiums and most of it is found in the

city center. There are different reasons for this: one is overbuilding taking place in certain areas, another is the fact that homeowner's associations are very expensive. Furthermore, it is not easy to get a mortgage from a bank to purchase a condominium and when they do grant them, they ask for between 20% and 30% up front”. This makes it difficult for young buyers. “The Federal Housing Administration offers a loan program for first time homebuyers, known as the FHA-loan, with a down payment of just 3% the purchase price, but various requirements must be met and most of the condos in Florida aren't eligible”.

Born in Miami to Cuban parents, Bernie Navarro presides over Benworth Capital, a private investment company specializing in residential and commercial mortgage loans. He founded the company after selling his former development business, on the eve of the bursting US housing bubble. “They said we were crazy... that it was spree. But we saw that the market wasn’t behaving as it should have”, he explains. Then they called them crazy again when the new company opened right in the midst of the “2008 Apocalypse”. They had a new approach: “raising private capital to set up a fund and invest in Florida. We saw that banks weren’t entering a lot of the markets where they used to operate and a gap would be created”. Today, the fund manages \$225 million in assets coming from 80 Latin American and US investors, predominantly Cuban Americans.

A playground for millionaires

According to Mr. Navarro, lots of inventory is entering the market and he believes that a price adjustment will take place in the condos. He estimates that it will be around 20%, but he says that the drop that occurred in the past will never happen again, since now, the financing mechanism is different: “Before, they asked for a 10% deposit to start building. Now, it’s 50%”. In single family homes, he doesn’t anticipate a large adjustment. His concern, however, is housing accessibility. Over the last quarter of 2018, the average housing price in Miami was \$350,000. Few cities in the US surpassed it. “It



Bernie Navarro

is a tale of two cities: one that is just beginning, made up of immigrants, and the other that is the shop window



mymerchan.com

Rich city, poor city

Miami is a tale of two cities: one of the wealthy, the other of the immigrant. The challenge is to make sure that the former doesn’t drive out the latter.

“In order to have access to a \$400,000 home, a couple would need to earn approximately \$120,000 a year”.

seen across the globe. To have access to a \$400,000 home, a couple needs to earn approximately \$120,000 a year. We just aren’t seeing this. It is a real problem. If we don’t solve it, Miami is going to become a playground for the rich, and no one wants to see that happen. While in many ways the city has been very good for the community, a lot of people here have not benefitted from its wealth”.

On the other side of the coin, we find the luxury developments, only apt for millionaires. For example, at the Aston Martin Residences, prices start off around \$800,000. One of the penthouse apartments runs for \$50 million.

A new breed of Argentinian developers

In her black dress and pearl necklace, which she caresses with her hand as she speaks, Havana-born and Miami-raised Alicia Cervera has a distinguished air about her. She is the Managing Partner of Cervera Real Estate, in charge of marketing the Aston Martin Residences, a site located in the mouth of the Miami River, in the city center. In April, construction workers set the foundation of this future skyscraper. The sales office is accessed by pulling on a leather cinch and behind the threshold, a pearl white Aston Martin appears, immaculate and defiant. There is no one and nothing else, just a staircase and some piano music in the background. Debussy? I asked, when reaching the first floor. “No! Carry On by Novo Talos.”

With its glass wall that is almost flush with the bay, there was an entertaining view of the boats at sail that Friday afternoon. They are neighbors of

“Miami is much more economical than London, Hong Kong, Tokyo or New York and these are the cities that we are being compared with”.

Amancio Ortega’s Epic hotel. In fact, the property previously belonged to Pontegadea, the Spanish billionaire’s real estate investment branch, and a former partner whom he failed to see eye to eye with. The courts decided that it would go to a third party, delivering it to Argentina’s Coto family, owners of that country’s famous supermarket chain.

Appreciation in mind

“47% has been sold”, says Ms Cervera. The last three buyers were a Mexican, a Miami-native of Cuban heritage

and a Brazilian, but Ms. Cervera notes the trend of businessmen who, having lived in cities such as New York and Chicago, believe that Miami has become sufficiently interesting so as to possibly move here. And Europeans are also on the rise, although statistics reveal that Venezuela, Argentina and Brazil are the biggest buyers, followed by Colombia and Mexico.

What are the probabilities of short and medium term appreciation? “Miami is much more economical than London, Hong Kong, Tokyo or New York and these are the cities that we are being compared with. When they see that we are selling at an average of \$1,000 per square foot, they can’t believe it. It is also less expensive than Miami Beach which continues to be a lovely beach, but for everyday living, the city is the city. It is like living in Madrid and having Marbella just seven minutes away”.

CERVERA, LOUD AND CLEAR



Alicia Cervera

“I had the honour of meeting the US Treasurer and I asked her: We are investing a lot of time, funds and energy keeping out dirty money. What are we doing to help people with clean finances who are in countries with dirty governments? Not all Venezuelans have dirty money! What do they do when it is almost impossible for them to get it out? Because they aren’t going to go and ask for permission from Maduro! There is no response. A lot of the ‘illegal’ money in Miami is perfectly clean in its country of origin, but it is coming by unusual means, since it is impossible for it to come out through transparent channels”.

Heard in Miami



CRAIG STUDNICKÝ

PRINCIPAL AT INTERNATIONAL SALES GROUP (ISG)

“I am sure that there are some who resent that there are people buying real estate with money that they didn’t pay taxes on. I take it as a fact that there is a lot of black money that buys real estate and continues buying real estate in Miami. But living here? You don’t know if your neighbor has legitimate money or not. You just care that he is nice. That if you need a cup of sugar, you can just knock on his door and get one.”



LUIS A. MARIN CUADRADO

MANAGING PARTNER OF SAXUM INTERNATIONAL

“We are focused on and continue to see opportunity and growth in the middle class residential segment –everything under \$500,000- especially in the main urban centers and their surroundings, where the supply still fails to reach the great demand that exists. Despite the lowering of interest rates, purchasing levels have remained stable, due to the high housing prices, a result of this limited supply and the constant demographic growth, which is now also fostered by Florida’s tax advantages, as compared to other states like New York.”



CARLOS ROSSO

PRESIDENT OF THE CONDOMINIUM DEVELOPMENT DEPARTMENT OF RELATED

“Who directs Miami’s future in our sector? Market appetite is the decisive factor, which may be difficult to understand since for condos, it depends greatly on foreign buyers. Unlike Spain, Buenos Aires or Mexico, where, generally speaking, they are local buyers who will live there, here, a large percentage of people buy as an investment or to use the property as a vacation home, or to safeguard their capital. It is a market driven by factors that are external to Miami”.



EDGARDO DE FORTUNA

PRESIDENT OF FORTUNE GROUP

“Name-brand buildings are successful in Miami. We seek to differentiate; right now, we are with Ritz Carlton, a fully residential project where the competitive advantage is that the hotel chain is in charge of training all of the staff. Every employee receives 120 annual hours of training, and is selected by the management team. That ensures quality control of the service. That’s why we have entrusted a hotel brand instead of design brands like Aston Martin, Porsche or Fendi”.

From the horse's mouth



ERICH DE LA FUENTE
FOUNDING PARTNER AND CHAIRMAN, UNITED STATES / REGIONAL LATIN AMERICAN OFFICE LLYC

“In the US, founding a company is easy; there is no fear of failure. A lot of powerful businessmen begin their speeches saying ‘this is the third company that I have built, I failed twice’. Admitting this isn’t taboo... Transparency is essential for companies. The more see-through and open you are, the better, since at the end of the day, the customer can relate to you. People make mistakes; companies too, but here, if you have a track record of being genuine and working well, you will be forgiven. This is the land of second chances”.



EDUARDO LATHAM
SENIOR CLIENT PARTNER AT KORN FERRY

“The difference between Miami and the rest of the US is that it is the only city where being Hispanic makes you a first-class citizen. It is a very unique thing and a lot of people want to be here for that very reason. I work almost exclusively with Latin American *Fortune 500* affiliates. Normally, the best talent for these companies comes from the region: Brazil, Mexico, Argentina, Colombia... When these people come to Miami, they never go back, because from here, they are sent off to Europe or to the headquarters of the multinationals... It is very difficult to attract talent, especially from non-Hispanics, even when they speak Spanish, because of the culture shock”.



CLEMENTINA GAY
EXECUTIVE DIRECTOR AT UNITED STATES – MEXICO CHAMBER OF COMMERCE IN FLORIDA

“This year, a lot of people have asked me if a surge and capital flight from Mexico to the US took place following the election of Manuel López Obrador. My response was a resounding no: there hasn’t been and unnecessary alarm has been stirred up. Tax reform reducing corporate taxes to 21% sounds good to Mexican investors, but I have yet to receive a single trustworthy or official bit of data from institutions in Florida to prove that this massive influx took place. I can confirm though that since 2018, many US companies are looking to us to manufacture in Mexico, since bringing goods in from China is starting to become very expensive”.



GERMÁN HERRERA
EGON ZEHNDER’S INDUSTRIAL PRACTICE LEADER FOR NORTH AMERICA

“Florida’s real estate crash meant that the baby boomers who were trained to direct traditional companies and that should have been starting to retire a decade ago, have remained in their positions for some ten years longer than they should have, in order to replenish their savings. This has prevented their successors, the Generation X—a much smaller group— from advancing. On the other hand, the CEO’s and upper management that, in the past, would spend 10-12 years in a position, are now rotating more frequently. So, there is less supply, less training and more rotation, resulting in a lack of prepared individuals. If we add to this that nowadays, humbler, more flexible and more generalized leaders who understand that everything is changing are being sought out, you have the perfect storm”.



JULIÁN LINARES
ENTREPRENEUR AND INTERNATIONAL RELATIONS ADVISOR TO THE MAYOR OF MIAMI

“Small and mid-sized Spanish companies don’t need to fear the US, and they do. I have a lot of faith in today’s Spanish youth. They are well-prepared and there are some very valuable people out there, but they don’t take the plunge out of fear... Business opportunities? I think right now the number one opportunity in the US lies in health. An explosion is going to take place as the baby boomers age. Assisted living facilities will be the business. It is highly regulated, but clients are sure to come and there is a lot of buying power here” .

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