Urban Land Institute Los Angeles

YLG Spotlight: Sophie Haas

Paving the Road for International Real Estate

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Sophie Haas, Associate Vice President, Investments of CIM Group, talks about her business experience in Latin America and the lessons she applies today from having lived and worked in five cities across three continents.

Due to her unique and diverse cultural and professional background in Latin America, the United States, and Europe, Sophie is a key member of CIM's Investments team, where she focuses on owning, developing, and operating real assets in Latin America. Originally from Austria, Sophie went to a French school in Vienna, and moved to Boston to complete her undergraduate degree at Bentley University. She started her real estate career in 2010 at Jones Lang LaSalle ("JLL") in Buenos Aires and then transferred to JLL New York. At JLL, Sophie focused on developing real estate strategies for international clients. Before joining CIM Group, Sophie completed her MBA at Columbia Business School focusing on Real Estate Finance.

Q: Did you always want to work in real estate?

Sophie: Growing up in Vienna, Austria's capital, a city known for its Imperial palaces, I was used to seeing well-preserved, beautiful historical architecture without experiencing much change to the city's landscape. At about ten years old, I started spending almost all my summers with my family in the U.S. During one of my earlier trips, I was fascinated to see how rapidly landscapes in the U.S. could change. One year I would see an empty parcel of land, and two years later I would see a beautiful retail and apartment complex with children playing outside on the lawn. At an early age, I knew that I wanted to become part of this transformation, and positively impact communities. Subsequently, I started focusing my educational and career decisions in the real estate field.

Q: What drove you to work in Latin America?

Sophie: Austria has always been a very special place for me, but I wanted to start my career in a place where I could drive change and implement the lessons I had learned from the U.S. real estate market. At Bentley University I had established friendships with many students from Latin America, and I quickly became intrigued by their culture and heard that the area was quickly evolving and presenting a lot of real estate opportunities. I decided to learn Spanish, move to a continent I had never been to before, and seek out my first real estate job, landing me at Jones Lang LaSalle in Buenos Aires in 2010.

My responsibilities at JLL included managing a 20 million square foot real estate portfolio spanning over eleven different countries in Latin America for one of the largest global consumer product companies. Working for an internationally recognized real estate services firm, I had to rise to the challenge to become an expert in most of the markets where my client had a presence. Also, by negotiating real estate transactions on behalf of my client, I learned how to navigate business cultures in various Latin American countries. Unlike in the U.S. where one can estimate an appropriate property value with a few clicks online, it was, and still is, challenging to obtain consistent and quality information to determine good estimates of property values in Latin America. Most of the data I used was from personal relationships built throughout my years in the region. Opaque underwriting practices and limited capital structures in Latin America, made it difficult to get to realistic valuations, but revealed that it was even more important to have strong relationships with local experts. These are some of the invaluable lessons I learned through my time there.

Q: Where do you see most of the opportunities in Latin America today?

Sophie: When I moved away from Austria and lived in many places, my focus was finding an apartment at an affordable rate with shared amenities that would allow me to connect with locals. In New York and Boston, I could find numerous options. From my experience in Buenos Aires, such apartments were much harder to find. Most rental apartments were and still are owned by your typical “moms and pops” who are unsophisticated landlords and do not operate properties in the most efficient manner as would an experienced institutional manager. The difficulty of finding quality apartments in Latin America is not exclusive to expats; most of my Latin friends have similar issues—they are young professionals, part of the rising middle-class and still live with their families until they get married. This may be due in part to cultural reasons, but many also said that they could not afford to purchase or rent their own apartment at this stage in life—in their twenties or early thirties. They were looking for cost efficient alternatives so that they could move away from their family homes, be closer to their workplaces, and be located more in the urban areas that provide easier access to retail and entertainment options. To those of us living and working in the U.S., we have witnessed this trend of urbanization and increased demand of rental units for decades. It has not been until now that the same trend is being mimicked in Latin America, creating a large supply deficit and the need of amenitized urban apartments.

For example, statistics in Mexico reflect this demographic shift—the number of households in Mexico with $50,000 of annual income is expected to grow to 7.1 million people by 2020, reflecting a 50% increase compared to these households from the past ten years. From what I have seen, this demographic trend is causing the multi-family demand to increase and is now expanding from the U.S. to Mexico and reaching other countries throughout Latin America.

Latin America’s continued trend in urbanization, the shift to a rising middle-class population and overall increasing population will continue to drive up the demand for the institutional quality multi-family buildings that we are accustomed to seeing in the U.S.

Q: What are some of the challenges you have experienced in doing business in Latin America?

Sophie: One of the challenges of doing business in the region is the lack of real estate data. When I was working for JLL in Latin America, it sometimes took us weeks to put together property surveys because we often had to call almost every single landlord or even visit the building to get information on the site. In the U.S., most of the real estate data that we need is readily accessible at the click of a button. Although the access to information has been improving in Latin America, the resources are definitely much scarcer than in the U.S.

Speaking the language is critical. From my experience, speaking Spanish (or Portuguese in Brazil) and working with good local partners are vital elements for all developments and investments. The due diligence, entitlement, and permitting process is by no means uniform. Zoning and code requirements vary greatly within and between countries and are not always straight-forward and easy to interpret. It seems the market is just not as used to larger scale developments yet. Infrastructure and utilities are still limiting real estate development projects, but I have seen increasingly more government incentives in the region aiming to improve infrastructure. Financial markets are still relatively constrained, debt is very expensive and still relatively hard to source. Overall, the region is very relationship driven—relationships are your key to sourcing site opportunities, capital, and negotiations.

Having lived in five different cities across three continents, I found that real estate is highly-influenced by local customs and needs. Because of this, I believe that one of the biggest challenges in Latin America is bringing the expertise and efficiencies of building and operating apartment buildings from proven countries such as the U.S., while adapting to and respecting the cultural elements of those countries, which can often vary from neighborhood to neighborhood. I know all of this does sound very challenging—but every challenge presents an opportunity.

**The information Sophie sites is based on her own opinions and not those of the company/ies that have employed or currently employs her.*