



REGIONAL ECONOMICS

Miami: From Land Rushes to Massive Immigration

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Miami Beach became a popular vacation destination early in the 20th century. Photo courtesy of the Library of Congress photographic archives

Some of the most important forces that have molded Miami, economically and otherwise, emanated from outside Florida and even the United States.

The evolution that largely produced today's south Florida metropolis began 60 years ago. When Communists seized power in Cuba in 1959, a wave of exiles fled north, beginning a continuing influx of immigrants to Miami from across Latin America and the Caribbean. Through the mid-1980s nearly a million Cubans immigrated to south Florida. Many were middle class and successful businesspeople, according to numerous chroniclers of Miami's history. They have since been joined by Haitians, Colombians, El Salvadorans, Argentines, and most recently, Venezuelans and Europeans, among others.

This wave of immigrants is widely credited with revitalizing Miami's economy and culture.

"With its downtown in decline, its image as a tourist playground losing its glitter, and its population dispersing to the suburbs, Miami was rejuvenated by the Cuban influx of the 1960s and early 1970s," historian Raymond Mohl, then at Florida Atlantic University, [wrote in 1982](#). *Miami Herald* Pulitzer Prize-winning editorialist Jim Hampton wrote in 1980 that Cuban refugees had been "the economic salvation of Dade County," home to Miami.

An enormous in-migration to one metropolitan area is surely remarkable. Yet for Miami, it fit a pattern. The Latin diaspora is merely the latest upheaval in the city's comparatively brief but tumultuous life. Miami has always been shaped by outside forces and outside money, from Midwesterners and Northeasterners to Latin Americans and foreign buyers of luxury condominiums, said Anthony Maingot, author of *Miami: A Cultural History*. (see the sidebar.)

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Real estate, always a stalwart of Miami's economy, is the magnet for the most recent influx of international capital.

Luxury condominiums have proved the biggest attraction. In the three years preceding the Great Recession, 2004–06, the Miami metropolitan area led the nation's metropolitan statistical areas in the construction of residential buildings with five or more units, as measured by dollar value of permits granted, according to U.S. Census data. (The census doesn't break out construction starts by metro area.)

Most of the dollar value of the permits was for high-rise condos. In those three heady prerecession years, builders secured permits to develop an aggregate \$21.1 billion worth of multi-unit residential buildings in metro Miami.

They're still at it. Over the past three years, 2015 through 2017, Miami trailed only New York, Los Angeles, and Dallas in the same category.



For years Miami has been among the nation's leaders in condo construction. International buyers purchase most luxury units.

International buyers are acquiring most of the priciest properties. According to the Miami Association of Realtors, 80 percent of residences that sold for \$1 million or more are owned by someone from outside the United States. In 2017, international buyers acquired \$7.1 billion in Miami residential property, 34 percent of all residential sales in the area, according to the Realtors group. The dollar volume of international purchases was up 15 percent from 2016.

About two-thirds of foreign buyers last year paid cash, and thus no bank financing was involved, according to the Miami Association of Realtors. Cash purchases make for a quick and smooth transaction. But concerns about potentially illicit funds pouring into American real estate caused the U.S. Treasury Department in early 2016 to [temporarily tighten disclosure requirements](#) for shell companies set up to shield the identity of luxury property buyers. Treasury first applied the measure to two counties: Miami-Dade and New York, which encompasses Manhattan.

A [working paper](#) by researchers at the Federal Reserve Bank of New York and the University of Miami termed Miami-Dade "the poster child of foreign and anonymous purchases of high-end real estate." The paper's authors, Sean Hundtofte of the New York Fed and Ville Rantala, found that the dollar volume of cash purchases in Miami by shell companies and other corporate entities plunged 70 percent in the months after the Treasury rule took effect. The total volume of cash purchases, however, has not substantially changed. The researchers figure this most likely means many cash buyers who want to remain anonymous are finding other avenues to do so and stay within the new rules.

In any case, real estate along with lodging, restaurants, and wholesale trade—reflecting the busy ports and airport—remains an outsize force in Miami's economy. Real estate and rental and leasing activities accounted for more than 20 percent of the Miami metro area's economic activity in 2017, according to the U.S. Bureau of Economic Analysis, substantially larger than the 14 percent total for all U.S. metro areas.

To understand Miami, it's important to appreciate how young it is, Maingot stresses. When it was founded in 1896, several southern coastal cities—Charleston, New Orleans, Savannah, Pensacola, and Mobile, to name but a few—had been thriving for at least 200 years. Key West, 140 miles south, had been an established port and commercial center for 70 years when Miami was incorporated. In a relatively short time, however, Miami dwarfed them all.

Miami has undergone four different configurations in just over a century, points out Maingot, emeritus professor of sociology at Florida International University. With only a few years separating each phase, Miami went from a frontier village, to a place characterized by a land rush and subsequent bust, to rapid population and economic growth during and after World War II, and finally to the arrival of the Cuban exile community and waves of immigrants from other Latin countries.

"Almost every generation, it seems Miami changes what it is," said Ken Roberts, founder and president of WorldCity, a Miami firm that tracks trade and global business, and a member of the Federal Reserve Bank of Atlanta's [Trade and Transportation Advisory Council](#).

Beginnings

In the late 19th century, present-day Miami was a settlement of a few hundred people who braved the mosquitos, swamps, and heat. Miami's big break came when Julia Tuttle, a large landholder from Cleveland—and who is generally considered Miami's founder—convinced Standard Oil co-owner and railroad and hotel magnate Henry Flagler to extend his Florida East Coast Railway 80 miles to Miami from its southern terminus at Palm Beach. As an incentive, Tuttle and another pioneering Miami businessperson, trading post owner William Brickell (for whom a portion of downtown is named), agreed to give Flagler considerable acreage.



Miami led the nation's metro areas in condo construction before the Great Recession and remains among the leaders. Photo by Kendrick Disch

Passengers boarded Flagler's first Miami-bound train in April 1896. Miami's first newspaper published its inaugural edition the next month. The editor proclaimed the town of 1,000 residents "the Metropolis of South Florida."

"Boosterism, which had had an early start with the fable of the Fountain of Youth, had now taken on its modern form," Maingot wrote.

The cheerleading worked. By 1920, Miami's population had grown to about 30,000, and tourism quickly followed. After World War I, many American workers began receiving paid vacations and pensions, allowing time and money to travel. Cars became affordable to the working class, and new highways along with the [rails smoothed the way to south Florida](#). Middle- and working-class families began visiting in significant numbers, some of them even investing in local real estate. (For a more in-depth look at tourism in Florida, read "[Sunny Days for Florida Tourism](#)" in *Economy Matters*.)

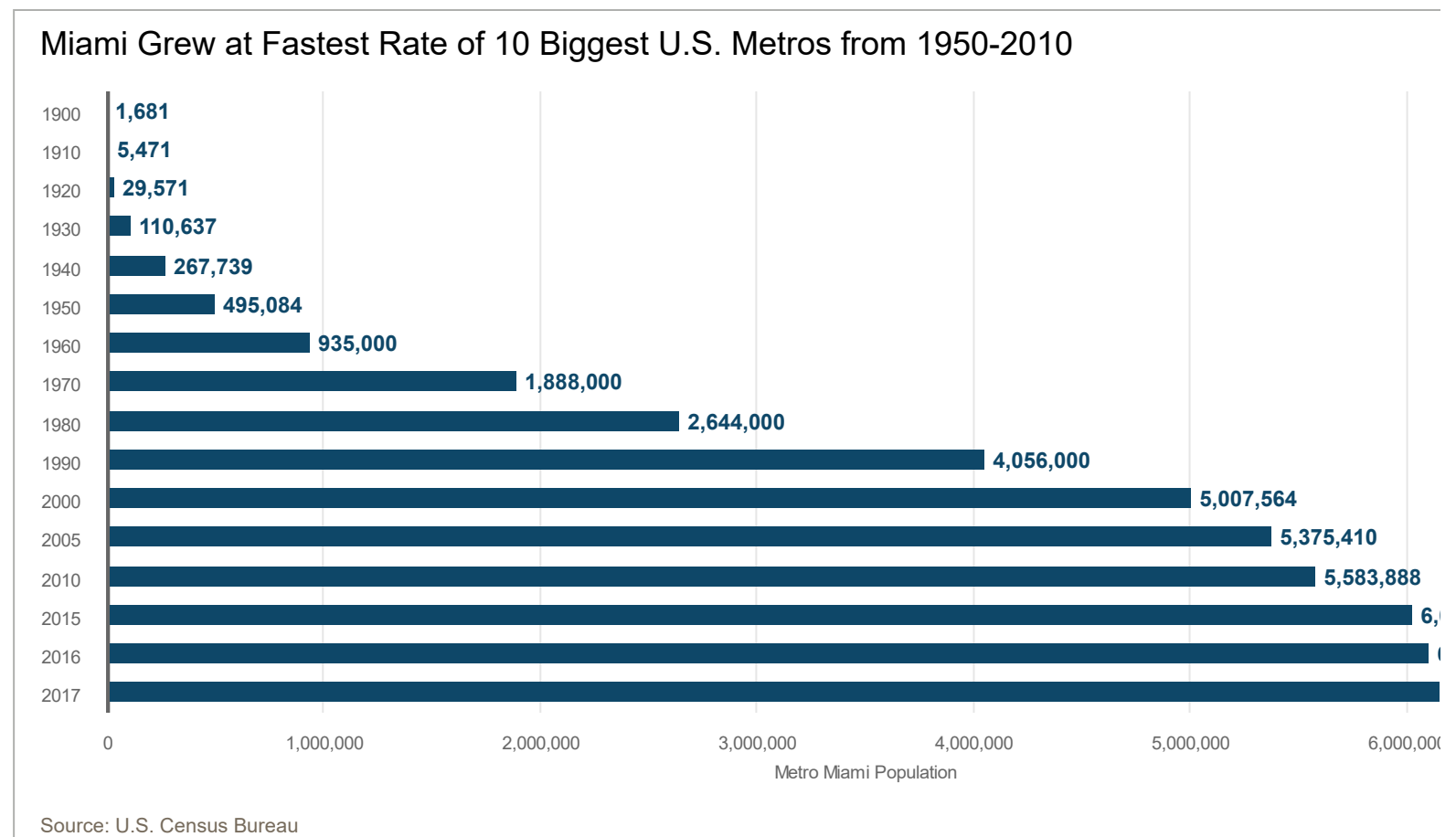
The second major phase of Miami's development became a full-blown real estate bubble amid the roaring '20s, complete with widespread property flipping. Maingot cites records showing that real estate sales in Miami soared from 4,001 transactions in the second quarter of 1919 to almost 50,000 sales in the same period of 1925.

Most speculators in the Florida land boom never visited the state, buying and often quickly reselling property based on blueprints alone, according to numerous accounts, including [one from the University of South Florida](#). It was during this time that George Merrick began developing Coral Gables, with the Grand Biltmore Hotel as its centerpiece. Merrick also donated 600 acres to establish the University of Miami.

The good times didn't last, though. The land boom fizzled and tourism dried up. Merrick's Coral Gables Corporation entered bankruptcy as the Great Depression dawned. Even Flagler's Florida East Coast Railway fell into receivership.

"Everybody was speculating [in the 1920s], and then that crashed," Maingot said in an interview. "We've had several of these crashes."

Merrick's Grand Biltmore became a military hospital during World War II. Later, it housed the University of Miami medical school and then sat empty for years until it was restored and reopened as a hotel in the late 1980s.



Federal Reserve Bank of Atlanta

Seismic change

World War II's impact went beyond the Biltmore, of course, bringing seismic change to Miami's entire economy. Nearly 300 hotels in the area housed 78,000 military personnel who trained there, according to *The New History of Florida* by Gary Mormino, a historian at the University of South Florida. Miami and the rest of Florida surged in the 1940s, fueled by federal spending that soared tenfold from 1940 to 1945. According to Mormino, Floridians earned \$424 million in total income in 1933, more than doubling to \$2 billion 10 years later. The Miami area's population, meanwhile, climbed from 268,000 in 1940 to nearly 500,000 a decade hence.

After the war, many GIs who had trained in south Florida returned, this time as permanent residents. This movement helped to create a broad working class, Maingot said. At the same time, droves of retirees from the Northeast began migrating to Miami Beach. Between 1950 and 1980, Miami Beach's southern tip, South Beach, morphed into one of the nation's early retirement communities. Also during the 1950s, Arthur Godfrey and Jackie Gleason hosted nationally broadcast television variety shows from Miami Beach, promoting it as a vacation destination.

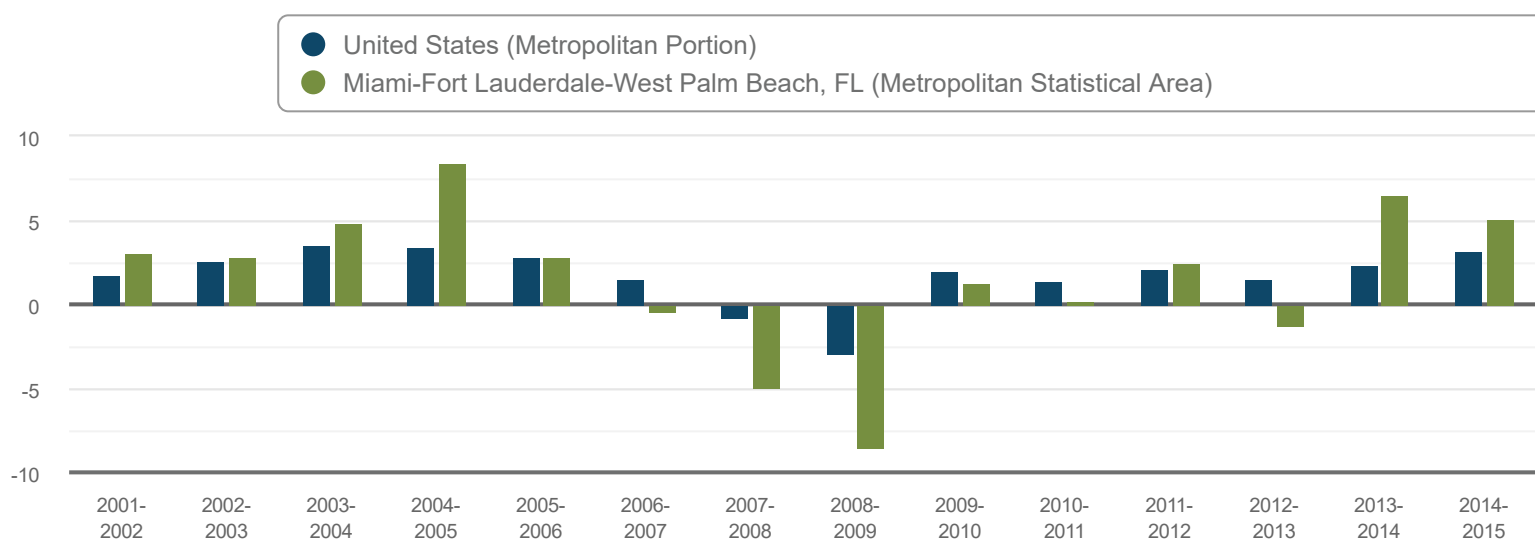
Tourism surged. Between World War II and 1955, nearly 100 hotels opened in Miami Beach. This boom included construction of Miami Beach's signature art deco hotels, patterned after the architecture of Havana. Fueled by retirees and military migrants, the Miami metro area population more than doubled during the 1950s, according to census figures, to nearly a million in 1960.

That surge of transplants merely hinted at what the coming decades would bring. The rise to power of Cuba's revolutionaries on New Year's Day 1959 triggered Miami's most profound transformation. The next four years would see some 200,000 Cubans head to Florida, a figure that would ultimately exceed 700,000, many of them middle-class professionals and entrepreneurs.

Widely credited with revitalizing Miami economically, the influx also remade the metro area demographically and culturally. The Latin population of metro Miami, mostly Cubans in the early years, climbed from 4 percent in 1950, to 23 percent in 1970, to over 40 percent in 1990. It remains about 43 percent. As of 2014, the Miami metro area was home to 2.6 million people of Hispanic or Latin origin. Of these, 1.1 million were Cuban-Americans, according to the Pew Research Center.

Miami's Economy Has Been Volatile

Year-over year % change in GDP



Source: U.S. Bureau of Economic Analysis

Federal Reserve Bank of Atlanta

Miami rides globalization wave

After initial shocks caused by massive immigration faded, Miami's established business elite joined the new immigrant elite and capitalized on the city's burgeoning global economic opportunities, observed Jan Nijman, founding director of the Urban Studies Institute at Georgia State University, who spent 21 years as a professor at the University of Miami. Miami is a nearly unparalleled example of the forces of globalization at work, according to a late 1990s [academic journal article](#) by Nijman.

In 40 years—a short time in the life of a city—globalization transformed Miami from a resort town to a "dynamic metropolis in the center of a growing economic region comprising North and South America and the Caribbean," he wrote. Economic globalization jumpstarted the flow of capital and goods, leading to the development of international economic regions like the one in which Miami is a hub. (The Atlanta Fed opened a [branch](#) office there in the early 1970s.)

Miami's massive immigration of people fluent in the languages, cultures, and business practices of Spanish, Portuguese, and Creole people made it a powerful player in the globalizing economy, Nijman pointed out.

Consider the finance industry. The initial surge of Cuban exiles set in motion Miami's emergence as an international banking center. Political and economic events in Latin America and the Caribbean sparked significant capital flight into Miami beginning in the 1970s. As a result, many domestic and international banks offered wealth management services for foreign clients. Since the mid-1990s, when more than 50 foreign banks had offices in Miami, the number has contracted by about half. Many institutions consolidated U.S. operations for routine efficiency reasons, while tighter bank secrecy and money laundering regulations also have increased compliance costs.

Meanwhile, south Florida retailers attracted abundant customers from the south. Many found American goods, from luxuries to daily staples, more accessible and affordable in Miami than in their home countries. "Those malls became shopping carts for Latin America," Roberts said.

As people migrated to Miami, so did businesses. Roberts's firm publishes a directory that lists more than 1,400 multinational companies with Miami operations, many of them the Latin American headquarters of European and American firms.

With such connections, trade between Miami and Latin America has grown steadily. In 2017, the Miami customs district—mainly Miami International Airport, Port Everglades in Fort Lauderdale, and Port of Miami—handled roughly a quarter of all U.S. merchandise trade with South America, Central America, and the Caribbean, according to census data. Miami International, according to its website, handles more international freight than any other U.S. airport.

"Miami is flexible and open to whatever opportunities turn up," Maingot said, "from no matter where."



Charles Davidson

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