

Florida Condos: Real Estate Investors Turning Condo Projects Into Rental Properties While Individual Condo Owners Watch Their Condo Values Drop

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Florida real estate is getting a reputation around the country and around the world for being a real bargain right now for its rental property investment potential - Florida rental property investment is booming in fact.

Rental Investment in Florida Helps Florida Recover Economically

For details, read the article discussing what is happening in Orlando by Beth Kassab, Business Columnist for the *Orlando Sentinel*, entitled "[Booming rental market means good things](#)." As I commented in the *Sentinel*, I believe that a growing real estate market for rental properties here is a great thing. Why?

1. More investors - there are many people in Mexico, Israel, Brazil, Canada, and elsewhere that will find the Florida rental property investment opportunity to be perfect for them.
2. Finding innovative ways to move Florida out of the current economic condition is how we move into a prosperous future: taking the glut of residential properties (including the banking industry's shadow inventories) and marketing them as rental investments is one such pathway.

Right now, there is a significant inventory and corresponding market for single family dwellings in Florida and when a "rental property" banner is placed on them, buyers can be found who are investors, willing to take those properties off the market and pay those property taxes and those insurance payments while offering the dwellings to those who wish to make them their homes.

This helps Florida, and Florida needs the help. However, nothing is perfect these days.

Real Estate Investors Buying South Florida Condo Projects For Rental Investment

In an article published this week in the Miami Herald entitled, "[Condo owners' rights can be stripped in bulk sales](#)," by Peter Zalewski, a principal in Condo Vultures, warnings are given about one of the ripple effects of the Florida real estate rental investment wave.

When a condominium is purchased, the buyer typically recognizes that he or she will have to collaborate with the other condo owners as well as the condominium association.

However, as the Miami Herald points out, in today's Florida rental investment frenzy, a new spin on condo ownership is happening that condo owners may not have foreseen: the condominium complex or tower being transformed into a rental project by those with majority voting power. According to the article, so far this year, seven (7) condominium projects in South Florida that were in dire financial straits have opted for this.

What happens? The Florida condo project is facing foreclosure. A real estate investor enters, buying up majority ownership (and association control) by scooping up the condos from their foreclosure hole, and the buyer then transfers rights to a trust that operates the project.

Existing condo owners in the condo project are notified that they are now beneficiaries of this trust.

The trust has a new appraisal done of the condo project, by an independent third party appraiser, and the appraisal is used to value the units without consideration for the loan values that the owners may have on their individual units (which means the existing owners may be underwater).

Florida Condo Owners in Condo Projects Facing Foreclosure Between a Rock and a Hard Place

Right now, there are condo owners in Miami and South Florida who are sitting in condominiums they bought several years ago, never thinking that the project would be teetering on the side of a foreclosure cliff. Condo projects like these dot the local landscape -- empty units, problematic common areas, etc. -- and the owners are left paying mortgage notes that no longer coincide with their hoped for fair market values.

When a real estate investor sees the project for its rental income potential, and seizes upon that opportunity, then these condo owners may be in a jam. They may not like the result, but the alternative -- a foreclosed condo project -- was not a good position for them, financially, either.

Rental projects for troubled condominium projects may be troublesome, but this is one of the ways that South Florida will recover from our current economic morass.