

## CANADIAN INVESTORS FIND OPPORTUNITY IN FLORIDA MARKET

### Savvy Canadian investors finding top investment properties with great upside in Florida Property slump.

Toronto Canadian investors are taking advantage of the distressed US market in record numbers and are finding deals as low as 30-50% of appraised value. With over \$300 Billion expected to hit the market in the near future as banks are forced to unload inventory. Most investors are looking for income producing assets such as rented out condo conversions, builder closeouts or entitled land until the market returns.

Mark Partin of Sotheby's International in Toronto says "We have a very strong demand of international buyers looking for opportunities in the US right now. The currency rate, low property values and long term growth fundamentals make the US on sale right now." Many investors are able to get properties at 50% of value which is far less than replacement value.

Current demand seems to be highest for income producing properties which can give an immediate return with an exit in 3-5 years. Recently, a 200 unit condo conversion sold the note for just 45 cents on the dollar and the property was producing a income stream at a 7% cap. The property is of ownership quality, and the investor will just rent it out until the market turns. "Quality and location never go out of style" adds Partin.

Clifford Letovsky of Letovsky Investments in Montreal is very active in the US recently placing several hundred million in distressed investments. The US is the place to be right now- especially if you can find quality deals and have good local teams to help find deals and increase the value. We try to partner up with leading firms who can help us acquire, manage and sell the assets for maximum profit.

The good news is that we may have reached the tipping point in demand and price as buying trends suggest the bottom is near. The smart players are entering the market now looking for cash flow deals with good locations and quality product. Waiting on the sidelines will allow the aggressive buyers to capture the best deals.

The cause of this perfect storm of buying of opportunity has been the housing slump, credit tightening, currency rates and FDIC regulator control in the US market. But not all property type have been affected adds Letovsky. Most of the activity seems to be in condos, land, builder closeouts, we are not seeing much activity in retail or office, and those areas are remaining strong.

Bank regulators are now forcing banks to remove bad debt off their books which is also increasing the inventory of distressed product. "We are seeing wonderful deals in the market right now" says John Bielefeldt of Crown Realty Advisors in Florida, a firm that specializes in matching up direct bank properties with and investment clients. We are working with several large REO portfolios which really give you the best opportunities for investment. Portfolios are cheaper and the discounts greater the higher the value. The banks need to raise capital and get bad loans off their books.

Normally the banks would keep these products on the books, but as the FDIC reviews portfolios, more and more of these have been reaching the market at rock bottom prices. "Our phone has been ringing off the hook" adds Bielefeldt as investors want good product at steep discounts- the difficulty is matching up realistic sellers with proven buyers.

Michael Greene of law firm Berger Singerman says owner liability, successor issues, HOA control and budgets all need to be resolved when evaluating properties. Also going thru the reorganization process can be very beneficial to the new owner as it generally cleans up the ownership and title issues. Generally speaking adds Green "where there's... risk there's reward ...usually the best opportunities have a little hair on them—but once resolved are real winners"

Investors should review a number of key issues before jumping in adds Partin, quality product, carry costs and local partners are at the top of the list. While great deals are out there look for expertise in management and exit strategies and boots on the ground before jumping in. We buy portfolios and our resources are thin adds Letovsky, we need boots on the ground to insure the investments increase in value and are properly managed... and are real experts in the sales programs.

Overall, the distressed market is heating up as investors are seeing the bottom and don't want to get left behind as the train leaves the station. "This is a perfect opportunity to really buy quality US product at a big discount... probably once in a lifetime" Says Partin.