

# Leasing & Business Opportunity **INVESTOR**

NORTH FLORIDA • CENTRAL FLORIDA • WEST FLORIDA • SOUTH FLORIDA February 2009

## **B2 LUCKY SEVEN**

Siapoosh closes seven 4th quarter leases in Miami

## **FROM PEAK TO TROUGH**

Eddy Martinez, founding partner with Worldwide Development Services and sales director for Flamingo South Beach, feels the time is ripe to invest in residential rental property

## **B3 TRIO OF NEW TENANTS**

Reichel brokers 143,000 SF of leases in Boca Raton

## **B4 FLYING HIGH**

Air traffic simulation company leases 56,000 SF

## **B14 GET PUMPED UP**

Fitness franchise has the muscle to beat a recession



**ownafran.com**

Local Franchise Opportunities

What interests you?

# The Time Is Ripe To Invest In Residential Rental Property

It's "trough" time in the real estate cycle for sellers today. Sales prices of residential rental properties are at their lowest level in years, providing some great "buys." Now is the time for investors to take advantage and lock in a low price that will make the return on investment more attractive. As we eventually transition out of this current market downturn and the economy begins to recuperate, the real estate market, with time, will come back. Residential rental pricing will increase and property values will appreciate. Today's interest rate environment is also favorable for investing in residential rental properties. Rates on 30-year fixed mortgages, now around 5% in some cases, make the economics of investing that much favorable.

In today's market, there are also incentives, or upsides, for an investment in a bulk condo purchase. "Due to the extreme finan-



cial distress in the market at the present time there are opportunities to purchase units at well below their current replacement cost," according to Martin A. Schwartz, partner

at important strategies to utilize. Renters by nature want something that's ready to go and 'doesn't require much effort on their part. In many residential rental properties today, unit owners are including furniture and finishes so that the apartment is completely "turn key." This makes the property more desirable to rent and will enable the property to command a higher rental rate than a comparable, unfurnished property. To make it more desirable, the savvy residential rental investor recognizes that the better and fresher the property looks, the higher rental rate the property will command. Therefore investing in well thought out capital improvements such as new flooring, painting, upgraded appliances and landscaping can often create a much greater overall return on investment by increasing the monthly rental rate and garnering a bigger appreciation on the "back end."

Developers are taking many steps today to make the sale of their condominium properties more desirable to investors. To make things easier for investors, many projects offer add-value incentives to investors such as turnkey investor packages. As in the case of Flamingo South Beach, an investor doesn't have to pick out the furnishings themselves or take the time to "finish off" their investment; they can turn this task over to the developer and within 72 hours the unit can be completely furnished and ready for occupancy, down to the linens and silverware.

Fundamentally, selecting a residential rental investment today is not that much different than selecting any investment property. The most important factor is location

to determine what that cash flow will be. The key to a strong residential rental investment today, and always, is to work backward. One needs to start with a strong understanding of today's residential rental market and determine the range of what the renter can afford to pay. Once that is established, the investor then needs to have a understanding of the expenses involved including such items as mortgage payments, association maintenance fees (if applicable), taxes, insurance, realtors fees and other costs to arrive at a total cost analysis, which can then determine the profitability of each residential rental investment. In addition to annual recurring expenses, an investor must also factor in any capital improvements that he or she must initially make to finish or "rehab" the property.

From the total investment cycle perspective, an investor would evaluate the overall appreciation of the asset assuming a sales price sometime in the future, and would add to that anticipated appreciation of the positive cash flow generated by the investment in order to come up with a total return on the capital. In addition to appreciation, an investor needs to also factor in the tax advantages of owning an investment property such as depreciation and other tax write-offs that can contribute to an investor's total return.

In today's economy, investors are becoming more conservative. However, a residential rental property allows the investor to own a piece of investment real estate with the smallest chunk of capital since residen-



both a local, state and federal level offers incentives to the investor and the renter so that in fact the government is partially subsidizing the rental investment.

Finally, for the small investor, residential rental properties often do not require third party management and more sophisticated legal and accounting services, thereby enabling the small investor to participate without the added expenses of third party professionals and consultants.

Fundamental to any residential rental property investment today is betting correctly on the underlying economic viability of the area. Renters need jobs so the key to a strong rental market is a strong employment base. The savvy investor in residential rental real estate always selects properties and markets that will be showing steady and consistent employment areas with positive or at least neutral population growth. The steady long term growth in population and employment in Florida over the years has made, and will continue to make, Florida a strong location for residential rental invest-

in the real estate practice group of Miami-based Bilzin Sumberg Baena Price & Axelrod LLP.

The process of selecting a bulk purchase investment that will lead to healthy occupancy and maintain steady occupancy should include key steps, he pointed out. "This is a due diligence item. An investor needs to make a demographic survey of the rental market in the area in which the prospective purchase will be occurring. Is there a strong rental market in the area? Is the market saturated? What are comparable units in the market renting for? Can the project be competitive?"

Current market trends show that residential rentals are becoming more popular today than property ownership. Traditionally, residential rental properties strengthened when the economics of residential ownership were not as great. In other words, residential rental properties did best when it was difficult for people to own. However, today that paradigm is changing. People are renting today not only for economic reasons but also for lifestyle amenities and personal preference. In today's society of increasing mobility, renting a residence is the obvious solution for a newcomer or someone who cannot commit to a long term situation.

Economically, residential rental properties require less capital than owning and, therefore, appeal to a large segment of the population. Lifestyle issues that have given rise to increased numbers of rentals include the country's high divorce rate, which leads to separate households and a greater propensity for rental properties. In addition, many older and affluent people today choose to rent their housing. They appreciate the fact that they don't have to worry about maintenance and repair issues and can save their capital for other types of investments. They also gain the freedom to not be "tied down" to a specific property or location.

In order to maximize the return on residential rental property today, there are im-

portant factors to consider. Renters have the same fundamental needs as buyers. They want a property that is close to where they work and offers other amenities such as shopping, retail, dining and recreational activities. Second, renters are looking at the general amenity package that the property offers and are interested, as a buyer would be, in the features, layout and amenities of the rental unit, along with the amenities that the building or complex offers.

Today more than ever, residential renters don't want to be perceived as "second class" citizens. The best residential rental properties don't look like rental properties and will give the renter the same pride of ownership as the nicest "for sale" properties.

It's important when selecting the residential rental property to consider the demographics of the rental customer and to cater to that particular group. For twenty-something singles, amenities such as pool areas, gym facilities and sports facilities become the most important factor. For older renters, luxury amenities in the rental unit, especially in the kitchen and bathroom areas such as high-end fixtures, appliances and countertops become more important. For family renters, adequate outdoor play areas, yard space and proximity to good schools become paramount in their decision making. What's important to remember is that each demographic type will have their own "hot buttons" and that the investor needs to focus on the demographic profile of the renter, which may be much different than the owner. Separate what you would like or another owner would like from that which would appeal to the desired demographic target.

In today's economic climate, when looking at the overall investment, one needs to analyze it from both a yearly recurring revenue position and an overall "investment cycle" approach. From a yearly cash flow perspective, one needs to evaluate the positive cash flow generated, and work backwards

rental properties are often apartments and townhouses and the entry price point is much lower than other forms of commercial property investment. This allows the small investor to play the game while larger commercial properties have much higher "antes" because of their larger cost. A second advantage of residential rental properties is that in many instances, the government on

ment. Eddy Martinez is a founding partner with Worldwide Development Services and sales director for Flamingo South Beach, a 362-unit bay-front condominium development on Miami Beach, FL. He has been working in the real estate industry for more than 10 years. emartinez@flamingomiami.com.

## Commercial Space

### Plant City, FL

**\$20.00 per Square Foot plus \$4.65/Sq Ft CAM**

SPECIFICATIONS	
Address	East Alexander Street & Highway 39 Plant City, FL 33566
Zoning	Commercial
Building Size	22,614 Sq Ft
Space Available	1,000 Sq Ft

LOCATOR MAP

SITE PLAN

**Alexander Crossings**  
*Opening Soon!*

- Proposed 22,614± SF retail center located near intersection of James Redman Parkway (US Highway 39) and East Alexander Street
- Signalized entry into Wal-Mart Super Center
- This fast-growing interstate corridor provides an opportunity to enter the high growth residential market of Plant City
- Office/flex space available

Country Retail  
Mark Sord

Office Phone: (407) 248-9828  
E-Mail: mark@countryretail.com

Fax: (407) 248-9833