



Is this a good time to snap up one of those oh-so-tempting Florida bargains? It's hard to resist a big, five bedroom property with a pool for the price of a 3-bed semi in Britain, but look before you leap, says Florida real estate agent **Lesley Dolby**

## *Home thoughts from* **Florida**

**W**e can't go far these days without seeing or hearing someone discussing the real estate market. After all, the value of our properties seems to affect the majority of us in some way or another, whether it's our own personal residence, a second home or an investment from which we expect a decent yield. When it comes to what's going on in another country, it's easy to get confused by all the conflicting reports. Is the market up or down? Is now a good time to buy or should I wait? Are things improving or declining? When it comes to a very large country like the USA, where so many variable factors affect the mix, things can get even more confusing.

One of the problems we all (even professionals in the real estate business) encounter when listening to news, is that when weekly, monthly, or even

quarterly reports come out, they often reflect the short-term impact of recent events. This often skews the results, making even the most trustworthy national news sources seem unreliable at times. An example is when a government tax credit incentivises people to buy a property by a certain deadline. The data for that period will show an increase in home sales. Everyone reacts optimistically to this reported increase, thinking things are improving. Then the report for the next period shows a decrease in sales, usually because many buyers who normally would have bought during that period have in fact accelerated their purchase, to take advantage of the tax credit.

Many such variable factors, generally on a smaller scale, happen throughout the year, resulting in monthly figures that are up or down for whatever

reason. The same goes for the unemployment figures. What we all need to do is stop focusing on weekly and monthly reports and take time to stand back and look at the bigger picture.

### **So what's the bigger picture in Florida?**

Four or five years ago, when property prices in most places were booming out of control, certain places like Florida were top of the list for consumer frenzy. Although none of us should have been surprised when the places with the highest boom ended up with the biggest fall, since that's not an uncommon phenomenon, few of us really expected things to be so bad for so long.

We now see statistics where property markets have not only corrected themselves, but have also dropped even lower than pre-boom price levels, in many cases

by \$100,000 or more. Currently, values seem to be back to where they were about ten to twelve years ago, so depending on the year of purchase, the majority of current sellers have either lost up to ten to twelve years of equity, or even several thousand dollars in actual hard earned money.

### Is now really the time to buy?

There is a silver lining to this cloud! While those of us without a crystal ball cannot say with absolute certainty when we are at rock bottom, the fact is that prices are now so unbelievably low that even if we're not actually at the bottom yet, there is little left to lose if we do buy now. Buyers who procrastinated these past few years will really benefit by getting off that fence now. The pound sterling has recently strengthened against the US dollar, making prices even more attractive.

But however tempting the bargains, the bottom line is that you have to consider your own personal circumstances before you purchase property abroad. Much of the time, it's not just about the return on your investment, but also about the amount of personal satisfaction you may get from owning a property elsewhere. Everyone has

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their own comfort levels of course, but it's always good to remember that the USA generally offers a much more safe, friendly and stable environment, for both investing and visiting, than most of the alternatives.

So when we are ready to take the plunge, how do we navigate through the confusing overload of information that bombards us constantly? We need to realise that everything we see and hear, especially on the internet, is not always the way it is! It's great that we can look up anything these days within seconds, but have you ever googled a certain subject, only to find yourself ploughing through dozens of answers which either all conflict with each other, or else are duplicated because they are copied word for word from someone else's work (which may in itself also be incorrect)? That is one of the most frustrating parts of the internet, so you always need to tread with caution. If in doubt, consider the source. Does the writer actually have personal

experience and knowledge of the subject and is that openly verifiable? When purchasing a property in another country, having a Realtor (estate agent) with verifiable local knowledge and experience, who is fully on your side, working for you and representing your best interests, is your best tool for navigating through the mound of conflicting and confusing information that is hurled at us today.

### What about foreclosures – are they really good deals?

People often hear about foreclosures and short sales (pre-foreclosures) and assume they are the best deal, but this is not always the case. Agents for bank-owned properties sometimes list them purposely low to attract as many offers as possible, resulting in these properties selling for higher than listed price because of multiple bids. Also, many of these properties have been vacant and abandoned for several months, leaving them in a state of disrepair. ➤



### Yours for £130,000!

Here is an example of Disney properties that are extremely great deals, despite being regular sales, rather than foreclosures or short sales.

This large, 2 storey, 4 bed, 3 bath villa with pool and spa, which is fully furnished and includes short term rental bookings, was originally purchased for \$360,000 in 2007 and is now under contract for \$200,000.



### Extras matter

This is an example of something that helps to make a successful short term rental. The garage in this villa is converted into a very nice, well stocked games room, complete with flags from several nations to make guests feel at home.



### Make it comfortable

The age of a home and to some extent, the neighbourhood it is in, are less important for a short term rental than having nice, comfortable furnishings and modern conveniences like a large flat screen TV.



### Include the 'must haves'

An example of a must have in today's short term rental villas – a computer centre with access to the internet.

This is OK if you are local and have time, energy and resources to fix them up, but if you live thousands of miles away, you'll need to pay someone else and rely on them to do it. Another thing to consider is that unlike a regular sale, where you can normally get a response to your offer from the seller within 24 - 48 hours, banks usually take days and even weeks to respond to offers, often negatively. There is also more paperwork involved with foreclosure offers and everything has to conform to the bank's requirements.

If you do decide to buy a foreclosure or a short sale, you must have your finances in order prior to making an offer. If paying cash, you will need to submit proof of funds (usually in the form of bank statements) and if you plan to finance the purchase, you

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will need to submit a pre-approval letter from your lender. Most banks handling foreclosure sales will not consider offers without the necessary paperwork in place at the time of the offer.

The fact that there are so many distressed properties on the market has actually caused a general downward pressure on the property market as a whole, so everyone else who wants to sell, even if they are not in financial trouble, finds themselves being forced to sell at prices much lower than expected, many times for much less than what they originally paid. Today's sellers have to compete with so many

distressed properties, with most ending up taking a big hit and buyers ending up with the bargains. This is very good news for buyers, who do not necessarily have to confine their search to foreclosures to get a good deal.

While there are definitely some good foreclosure properties out there and not all are total wrecks, going through the purchase process is not for the faint of heart or the impatient. If you prefer less hassle, there are still some great non-distressed property deals out there – you just have to crunch the numbers and weigh up the pros and cons for your own personal comfort level.

### How about obtaining financing in the US?

Once you do decide to go ahead with a purchase in Florida and plan on obtaining a US mortgage, there are things to consider beforehand. After the major collapse in the US banking industry, mainly caused by the relaxed lending standards in the previous boom years, banks became overly cautious and were also forced to tighten controls significantly. This has resulted in longer time periods required for loan approval, tighter scrutiny of a potential borrower's assets, income and personal circumstances, larger required down payments and more conservative valuation of the property being purchased. Also, there are now fewer actual lenders available to choose from, especially in the market for foreign national lending.

This does not mean that it is impossible for foreign nationals to obtain US mortgages, but that borrowers should be prepared for fewer financing options, longer approval times, tougher requirements and larger down payments (generally 25% to 35%, depending on the lender). The good news is that 25% to 35% of today's prices is still less than the previous 20% to 30% of yesterday's higher prices! Interest rates are also currently lower than they have ever been and even though foreign nationals generally pay slightly

higher interest rates than residents buying owner occupied properties, rates are still very affordable, especially when combined with the lower property prices.

### What are the current trends in rental income?


Along with just about everything else in the world of discretionary consumer spending, renting a villa or condo in the Disney area is cheaper than it once was. Short term rental owners are no different from other business owners when needing to offer competitive deals. It would be untruthful and indeed very strange if it could be said that rental rates and occupancy rates had increased, while property prices have dropped so much! However, while tourism numbers may have lowered slightly (but not by much) and rental rates have become competitively lower, the fact is that many properties previously used as short term rentals are now out of the supply chain. Many Disney area properties are now being purchased by residents, rather than investors looking to rent short term.

Short term rental ownership has never been an easy ticket to riches and never will be, but many short term rental owners are still very successful when they treat their venture like a business, stay on top of things and make sure their property offers what today's

consumer is looking for.

British owners renting to a mainly British market should be in a good position to provide what their customers want, and may have an advantage over local owners as many holidaymakers, of whatever nationality, feel more comfortable dealing with their own countrymen. The downside of relying mainly on the British market is that the number of Brits heading for Florida rises and falls with the state of the UK economy, the value of the pound and the price of transatlantic air travel.

Those looking to buy properties as a pure investment (renting out full time to residents, with no personal use), will find that yearly rents have also become lower, with more competition among landlords to find tenants. However, here again the corresponding property prices and property taxes are lower, which makes it a little easier to make the numbers work.

So at the end of the day, while we will always suffer from periods of oversupply or overdemand, the age old laws of economics will always balance themselves out over time. Investments always come with varying degrees of risk, but weighing up all the current factors, there really have been few better times to buy than now! 

*Lesley Dolby is Broker/Owner of Dolby Properties in Orlando. [www.dolbyproperties.com](http://www.dolbyproperties.com)*



### Local attractions

Some Disney area neighbourhoods include golf courses, which is always a very popular feature for both buyers and short term rental guests.