

2010

Investing in Florida



**Why now is a
fantastic time to
invest in Florida
Property, and
how you can
benefit now!**

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Why it is a fantastic time to invest in US Property, and how you can benefit now!

We predict that the next 12-18 months will provide an unprecedented opportunity to buy top quality, readily rentable, property in the USA at prices that would have seemed unthinkable even just a couple of years ago.

We strongly recommend that anyone who is serious about buying high yielding property should seriously consider property in the USA, and specifically central Florida.

In order to explain this opportunity, we've printed below the most **Frequently Asked Questions** we receive from investors.

1. Why the USA?

Because of the credit crunch, most major property markets suffered falls in property values, but few have been affected as badly as the housing market in the USA, where the credit crunch originated.

To put this into perspective, price falls of 20% in the UK have been described as a "crash", but in many parts of the USA prices have fallen by up to 50%, or even more. Both a cause and a consequence of this is that a large number of properties have been put into foreclosure or pre-foreclosure by the US banks.

It is estimated that, at one stage in 2008, around 200,000 properties were being foreclosed a month – compare that to revised predictions of 47,000 properties being repossessed in the UK in the whole of 2009, and you begin to understand the scale of the problem.

The US banks are now in the process of clearing their loan books of mortgages in default, and disposing of hundreds of thousands of properties in foreclosure, many at astoundingly low prices.

2. Why Florida?

It's true that it is possible to buy bargain property all across the USA at the moment.

But, although it is a bit clichéd, the old adage 'location, location, location' still holds true - especially when buying property in the USA.

We are aware of agents who are offering properties in areas that have been particularly badly hit by the recession and where prices have fallen significantly as a result. These properties will give an investor a high rental return and good cash flow in the short term.



However, we are not convinced that these are the best locations in which to buy for long term growth or security of capital. The properties are cheap now because the local economies have been hit very hard, and it may take years before those local economies recover. Where they have been reliant on a limited number of major industries, there is no saying that they will ever recover back to the level they were at before the recession.

Why Florida? Continued

By contrast, we are confident that the Florida property market will recover, particularly around central Florida (Orlando).

Property prices in Florida fell significantly between 2006 and the beginning of 2009, but there are signs that the market has now bottomed out in some areas.

Because prices have fallen so far in Florida, there is a great 'upside' potential when prices do eventually recover – in other words; although, they have fallen further than in some other states, they have the potential to rise higher.

Florida has for a long time been one of the most popular second home locations with Brits, but there is also a significant second home market there for US residents. Buyers are now seeing their opportunity to buy a bargain property of their dreams, and that is helping to stabilize the market.

However, more fundamentally, demand for property in Florida has historically been strong and it reports estimate that on average around 1,000 people a day relocate to Florida permanently from within the USA. We anticipate this trend will continue long term. For example, it is predicted that Medical City, which is being developed on the outskirts of Orlando, will provide 10,000 on site jobs and result in 25, 000 new residents moving into the area.

In addition, of course, Orlando is one of the world's top tourist destinations with Disney and many other top attractions bringing in 50 million visitors a year.

Overall, we expect this inherent demand for Florida property to assist with a long-term recovery in prices.



3. Why buy through us?

We specialise in finding top quality investment property for investors. Because we know the Florida market inside out, we know where to find the best properties at the best prices.

Our team has been involved in property investment for many years and it knows what investors are looking for in a property, i.e., good quality properties that provide good rental returns and excellent prospects of long-term capital growth.

Why buy through us? Continued

We only offer properties that match these strict investment criteria:

- They must be available at a price which means our buyers can purchase them at a genuine discount to the true open market value, and so enjoy *instant equity*
- They must be suitable for letting to local people as long term investments at an excellent rent
- They must be in good quality locations where properties are readily lettable
- They must be good quality properties in good quality locations where there are excellent prospects of capital growth when the market recovers
- They must be at a price which means an investor will receive an excellent return on the rent

One thing, which makes us different from the agencies who are currently offering investment property in Florida, is that we buy the property, in other words take ownership, before reselling them on to investors. This provides many advantages for an investor:

Firstly, we can assure an investor that the property is top quality. After all, we do not want to buy a property that we then find we have trouble selling!

So we individually select all of our properties and inspect all of them prior to purchase. If any work is required, we will refurbish the property prior to sale.

In addition, if you are not fully familiar with the way the property market works in the USA, you may not understand the most important implications of our buying the property first. In the USA, any debts associated with the property such as unpaid taxes pass with the property and will become the liability of the new owner. So far from buying a bargain property at a great price, an unwary buyer may find they have taken on someone else's debts and liabilities.



Therefore, by buying the properties in first, we are able to take the time to clean the titles if necessary so a buyer can purchase with full confidence.

When you buy from us, you will know that, unlike other agents, we are not just offering properties off a list supplied from a bank, and which we have not even bothered to inspect!

4. How can we afford to sell-on properties so cheaply?

Property values in Florida have fallen significantly over the last 2 or 3 years, in some areas by as much as 50%.

However, we can source and buy property at prices that are around 50% of today's current value.

This means we can sell property onto our customers at extremely competitive prices which are genuinely below open market value and which guarantee built in equity, and which mean that the yield as an investment, once let, is often well into double figures.

5. How do we manage to buy our properties so cheaply?

Our US partner is a licensed realtor who has extensive contacts with, and access to, many banks and the individuals within those banks who are dealing with REO (Real Estate Owned) and foreclosed property.

His extensive network of contacts, along with his considerable knowledge of, and experience in, the Florida property market means he is able to access properties for us at prices few other realtors are able to match.



6. How do we choose which properties to buy?

Our team in the US has have more than 15 years of in-depth Orlando real estate knowledge and experience and can select individual bank owned / REO (Real Estate Owned) properties that we know will sell – 1) quickly and most importantly 2) with an impressive return.

All properties are inspected to ensure quality and lettability. If any renovation works are required this will be noted and factored into the price, and we will undertake the works at closing.

We only buy properties which we are sure represent excellent value for money and which are readily letttable.

7. Are there any other costs I need to know about?

With individual bank owned / REO (Real Estate Owned¹) properties, Gainmaker has been able to and will continue to, ensure the bid price includes all properties closing with free and clear title and no or minimal closing costs. Not only does this greatly affect the 'closed' price but also ensures Gainmaker properties are immediately available for re-sale.

8. Why shouldn't I just go and buy properties myself?

The bank owned / REO (Real Estate Owned) property process is without a doubt a complex one and should only be entered into by those who really understand the market in which they are purchasing! So many people have realized the state of the economy and entered into the bank owned / REO market with the belief "how can I go wrong when prices are this low?"

The truth is, prices are low and without doubt, it is a buyers' market but that does not mean the process is simple – knowledge is not a luxury, but a necessity!

With so many properties now going into foreclosure and buyers / investors interest definitely on the increase, the bank REO procedure has slightly changed to where most properties are now initially listed with a preferred realtor who will in majority of cases list the property fairly low and will then take 'Highest & Best', which basically means they intentionally list the properties low to gain interest and ask bidders to disclose on a bank addendum their initial offer and the highest price they are prepared to go to. Any homes that do not sell through this method then appear as part of tapes.



The internet is a marvellous tool that definitely can give potential buyers / investors a high level of comfort. However, it can also be one of the most misleading tools available to the inexperienced / unknowledgeable real estate buyer / investor. For example – many editorials are written based on the author's personal experience or belief. Real estate listing prices are advertised but not the 'SOLD' price

and 'after sales' costs associated with a property are not disclosed anywhere after a sale is made.

Some clear examples of homes that our US partner placed unsuccessful bids on and they sold above the asking price are: 2550 The Oaks Blvd, Kissimmee was listed at \$176,000 on MLS². We placed a bid of \$125,000 – the offer was declined and the property actually sold for \$275,000, \$99,000 ABOVE the asking price.

633 Highgate Park Blvd, Davenport was listed at \$140'000 on MLS. We placed a bid of \$95,000 – the offer was declined and we have been told the property is now under contract for \$169,000, \$29,000 ABOVE the asking price.

¹ An REO (Real Estate Owned) is a property that goes back to the mortgage company after an unsuccessful foreclosure auction.

² MLS stands for Multiple Listings Service (or System). Every home for sale listed by a real estate agent in the USA, unless it is specifically exempted from MLS, will be listed in MLS. However, only real estate agents and other professional affiliates can access MLS directly.

9. Won't I have more choice if I go to other realtors as well as you?

Most realtors are not specifically selling investment grade property which has been selected with investors in mind. Unless you know the area, and what local tenants are looking for, there is a significant risk that a local realtor will sell you the wrong property in the wrong area.

You should also realize that purchasing real estate through a realtor in the USA is completely different to purchasing property through an estate agent in the UK.

In the US, the seller (home owner) selects a realtor that they want to work with to "list" their property and the realtor will then be referred to as the "seller's agent".

ALL listings are available to any realtor, so for example we can pull the records on MLS that match a potential buyers requirements and then show them all the properties regardless of who has listed them – possibly a 4 bed home on Westridge that is listed with Century 21; a 4 bed on Hampton Lakes that is listed with ReMax, and so forth. If the buyer proceeds to purchase, we would become the "buyer's agent" and we would work with the "seller's agent" who listed the home to close the contract.

So, a buyer that is wanting to meet with several realtors "normally" doesn't understand the system and will ultimately waste everyone's time as they tend to end up completely confused.

As we know, in the UK – a buyer would visit one estate agent, look at their homes, then go next door to another, and look at their homes. In the USA, it is different – everything is available to everyone!

10. What returns can I expect when I buy a property from you?

Nothing is guaranteed and all properties are different. However, it might help to look at some of our properties.



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Example 1, 474 Boxwood Court @ Buenaventura Lakes, Kissimmee, Orlando, Florida, FL 34743



A newly refurbished, single storey, well appointed, 3 bedroom, 2 bathroom, heated and cooled single family home of 1,090 sq ft. The property comprises a spacious living room, fully equipped kitchen, master bedroom with en-suite bathroom, 2 additional bedrooms, a family bathroom, and an attached garage.

The property is in a great location at the end of a quiet cul-de-sac and within easy access of two large shopping plazas and a new Wal-Mart supercenter. Further shopping malls and factory outlets are just a short distance away, and Highway 192 which has every imaginable type of restaurant, shop, and evening entertainment.

This property previously sold for \$190,000 in Feb 2006 and was assessed at \$154,800 in 2008.

We sold this property In December 2009 for only \$90,000 (approx £56,250 at \$1.6 to £1), \$64,800 below the 2008 appraised value.

- Rental Value: estimated approx \$1100-1200 pcm
- Real Estate Tax (Council tax): \$2672*
- HOA (Service charge): \$ None

The potential gross return from this property is therefore 16% gross, or 13 % net of costs.

*Local taxes were reviewed in November 2009 and we understand that there was a substantial reduction

Example 2, 16213 Wilkinson Drive, @ Westchester, Clermont, Florida,



Renovated, 3 bedroom, 2 bathroom, 1,264 sq ft

A newly renovated, well appointed, single storey, 3 bedroom, 2 bathroom, air-conditioned single family home of 1,264 sq ft situated on the mature walled neighbourhood of Westchester. The property comprises a spacious living/dining room, fully equipped kitchen, laundry, master bedroom with en-suite bathroom, 2 additional bedrooms and a family bathroom, garden room and double garage.

Local facilities include a communal pool and play area.

Westchester is conveniently located in Clermont on Highway 27 amongst newly built restaurants and commercial retail including Walmart, Chilli's, Home depot, Publix, Sweetbay and an abundant of fast food chains. Westchester is tucked away from the hustle and bustle yet only 2 miles from the infamous Highway 192 known at the gateway to the area attraction with its 25 mile of restaurants, entertainment, retail and theme parks.

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We sold this property in January 2010 for \$95,000 (Approx £60,000 at \$1.6 to £1)

Rental Value: estimated approx \$1100-1200 pcm

Real Estate Tax (Council tax):\$ 2970 p.a*.

HOA (Service charge): \$ 24 pcm

Gross Rental Yield estimated 15%

*Local taxes were reviewed in November 2009 and we understand that there was a substantial reduction

Example 3, 1956 Lake Atrium Circle, # 137 @Plaza at Millennium, Orlando, Florida, 32839



A newly renovated, well appointed, 3 bedroom, 2 bathroom, air-conditioned condominium of 1,158 sq ft located on the ground floor. Spacious living/dining room, fully equipped kitchen, master bedroom with en-suite bathroom & walk in-closet, 2 additional double bedrooms, and a family bathroom, make up this adorable, conveniently located, lake front condo.

Plaza at Millennium is a prestigious gated community comprising a small number of low-rise, 3 storey buildings, all situated around Lake Atrium. The community is heavily landscaped with a 24hr gated entrance, lakeside community pool, stunning observation deck & a newly refurbished clubhouse with a state of the art fitness centre, laundry room & other facilities.

The property previously sold for \$129,900 but **it is available from us for only \$59,995** (approx £37,500 at \$1.60 to £1).

- The estimated rental value is \$850-\$900 pcm.
- Real Estate Tax (Council tax): \$1873 pa
- HOA (Service charge): \$346 pcm

Therefore the potential gross return from this property is 18% gross, or 8% net of costs.

Example 4, 5055 Wellington Park Circle, Manor Row # 18, Parc Central, Orlando, Florida



A beautiful, 1 bedroom, 1 bathroom, air-conditioned condominium of 879 sq ft built in 2000 and comprising a spacious living/dining room, fully equipped kitchen, bedroom with en-suite.

This condo is in the prestigious area of Manor Row in Parc Central. This section is really beautiful & the condos are only 2 stories high with no external walkways. They are built around courtyard style gardens with benches & palm trees. The community pool for is high-end and the clubhouse has the most beautiful furnishings complete with piano, & a cabana style garden room to sit in the shade.

Parc Central consists of 5 desirable neighbourhoods, all within a 24 hr guard gated community, which offer its residents a multi-level state of the art fitness centre, racquet ball,

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tennis, sand volleyball, on site sports director & aerobics instructor and spin classes! 5 pools w/ wi-fi, full indoor basketball court, day spa, Sauna, movie theatre & sports bar/restaurant.

This condo previously sold for \$194,000. **It is available from us for only \$68,000** (approx £42,500 at \$1.60 to £1)

- Rental Value: estimated \$800-\$900 pcm
- Real Estate Tax (Council tax): \$2220 pa
- HOA (Service charge): \$214 pcm

The potential gross return from this property is therefore 15.8% gross, or 8.8% net of costs.

11. If I buy a property to let as an investment, can you help me let it out and manage it? And can I get a mortgage?

We will be more than happy to put you in touch with Florida's largest letting agent who will find you a tenant and who will manage the property on your behalf.

In fact we will be more than happy to put the property up for renting when we receive your reservation deposit with a view to having it let by the time your property purchase closes, if possible.

We can also introduce you to a 'partner' mortgage broker who will be able to help you apply for a mortgage.

Despite the credit crunch our mortgage broker has access to bank finance for non-US citizens.

Mortgage products and terms are in a state of flux but as a general guide we can help arrange loans up to 70% of the purchase price (or the appraised value whichever is lower – when you buy through us it will be based on purchase price which is invariably significantly below the appraised value) for a term of up to 30 years, capital repayment, and at a fixed rate, probably around 6%.

The minimum loan amount is \$50,000 meaning a minimum purchase price of \$71,500.

Currently the main lenders have concentrated on loans for houses. However, recently Fannie Mae announced that loans on condos are to be made available again soon and we think that this could have a positive effect on property values.

We have to admit that many of the properties we have sold have been at prices too cheap to qualify for a mortgage, something which we are extremely proud of!

12. Can I use the property myself as a holiday home?

There is no reason why you can't use the property yourself when it isn't rented out.



However, we are specifically looking for properties which will appeal to the local long-term rental market and which will make excellent investments.

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Often these properties are in excellent (sometimes gated) communities with communal pools, club house etc, or will have their own pool and facilities, and will be within relatively easy distance of the main attractions, so making them suitable for your own holiday needs as well.

13. Can I let the property short-term for holiday lets?

Unless otherwise stated our properties are suitable for long term lets only.

Properties for holiday lets are restricted by law to certain zoned areas and not all properties can be let short-term on a commercial basis (although, naturally you can use a property that is not in a 'holiday zoned' area yourself, or allow friends and relatives to use it, providing you don't let it to them on a commercial basis).

Occasionally we are able to offer properties that are zoned for holiday lets as well as being suitable for long-term letting.

14. The yields on your properties are very high. Why ?

It's true that many of our properties provide a gross double figure return.

To obtain a comparable double figure yield in the UK the assumption would be that you would have to buy a poor quality property, or a property in a poor location.

By contrast all of our properties are good quality properties in good quality areas.

The yields are so good simply because these properties are so cheap and capital values have fallen further, pro rata, than rents.

15. How long do you expect this opportunity to be around?

That is hard to answer.



We have already seen evidence that prices in some parts of Florida (specifically central Florida/Orlando) are stabilising and perhaps even increasing again.

The US Government has tried hard to stimulate the housing market by offering tax incentives to buyers. However, as in the UK, we are unlikely to see a full recovery until bank lending increases again.

Our view is that this opportunity may last another 12 months, perhaps 18 months maximum.

Whatever happens, it is likely than we look back in a few years time we'll see that now was the best time to buy!

16. Are your prices negotiable?

Not really. There are many people looking to buy in the US at the moment, and we are confident that our prices are cheaper than you are going to find elsewhere. Most potential buyers appreciate that our prices are already substantially below the true market value of the property and are happy to pay our full asking price.

17. What should I do next if I want to buy a property?

Firstly, let us know what your budget is, and tell us what type of property you are looking for and the buying criteria that are important to you.

We shall then notify you as soon as a suitable property is available to purchase from us.

If you decide to proceed with the purchase we shall send you a contract to sign, and we will provide you with details of our attorneys escrow account so that you can send a 10% deposit.

If you intend to buy using a mortgage we shall ask you to send a 30%, being the balance between the purchase price and the mortgage amount.

We will then arrange for a contract to be sent to you. This can be signed in the UK (or elsewhere) in front of your lawyer, or you can even treat yourself to a trip to Florida to sign in the office of our attorney!