

# South Florida Distressed Real Estate

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**FORECLOSED  
& REO CONDOS!**  
*In each of these buildings,  
a number of foreclosed and  
"in foreclosure" units can  
be acquired for a third of  
their 2005 values*

## THE BULK DEAL PIPELINE HAS DRIED UP !

In a matter of only a few weeks, the market for "bulk" condos (or "broken" condos) has almost disappeared from the three counties of the Gold Coast.

This incredible development is due mainly to three large investments this past October, which together removed over 5,700 units from the market.

Some of these bulk acquisitions have even exceeded an average of \$200 per square foot, which has not only surprised most industry observers, but is most telling of the short and medium term expectations in terms of value projections shared by these major players.

These huge acquisitions launched a rush of buyers who were seeking to

seize the remaining few bulk opportunities still available. In fact, about 70% of the bulk deals left in South Florida been bought up since then.

This rush occurred at such a speed that the famous bulk deal database managed by Condo Vultures (a firm specialized in this field), which still listed some 95 properties as of September, only offered 9 as of October 30th - no doubt among the least attractive.

At the same time, the banks saw the wind changing direction. They immediately either increased their asking prices, or simply removed their properties from the bulk sale market, in order to get higher retail prices.

At Devco South, we witnessed the same changes in our bulk opportunity portfolio, which almost disappeared overnight. Within only three

weeks, 6 of the 7 projects we had selected, were sold or simply pulled from the market.

As we have been warning since the early summer and as we wrote in early September, the bulk-condo-acquisition train has definitely left the station.

As we have already explained in our earlier Information Bulletins, there will be NO MORE additional deals coming down the pipeline. Even if here and there, a few more properties become available, with this massive increase in the number of buyers, one can only imagine at what prices these last sales will become available.

For those who hesitated getting on board of one of these trains, it is now too late to profit from these historically affordable deals.

"When you do something  
you sometimes make a mistake,  
but when you do nothing,  
you always make a mistake!"

**Albert Einstein**

### Bulk Deals in September 2009

Starwood Capital (bought from Corus Bank of Chicago closed by the FDIC)	2,700+ units
Opportunity fund ran by real estate mogul Georges Peres (Related Group)	2,200+ units
The Everglades fund	800+ units

# Yet NOW is the time to cherry pick !

As most industry observers will attest, South Florida's real estate market has been anything but static.

In fact for the last year, the market has been slowly but surely evolving towards a probable resurgence in the 3<sup>rd</sup> quarter of 2010.

In certain respects, this rebound started already a year ago with the progressively climbing sales volume as witnessed by all studies.

In a similar way, since last June we have been witnessing a rebound in prices.

Bulk acquisitions are now a thing of the past.

On the other hand, time has now come to seize other opportunities for substantial profits through the acquisition of individual foreclosed units.

These "golden nuggets" are unfortunately scattered throughout tens of thousands of otherwise anonymous products, some of which could turn out to be toxic investments...

Because of this, it is most useful to be local and especially to have a good understanding of the area's various sub-markets, so that one can really acquire the best deals.



## Needles In A Hay Stack!

Although seemingly obvious, this strategy is not so simple to carry out because to benefit from this situation, one must be very organized without investing too much time, nor generating too many expenses.

Given the impressive number of personal foreclosures in South Florida, the first challenge consists in being able to unearth the good opportunities as opposed to the bad ones.

The inherent challenges of such acquisitions result from the inconsistent and dispersed nature of the products, the convoluted stages of the foreclosure process, and the need for rapid execution.

The inventory of products available is vast and varied, as well in terms of

location, as of type of buildings and layouts.

It is also necessary to understand the financial health of condominium association and know whether they need and have a restructuring program in place. If repairs become necessary, such as a roof that starts to leak, will the owner's association have the funds to repair it?

Very often the worst deals are located right next to the best! Very often the best deals are those which need most renovation work, but who will oversee the execution of this work?

These foreclosures are all at different stages of finalization having owners and other participants that often are more or less willing to cooperate!

Given all these factors, it is most likely that only a relatively limited percentage of offers to purchase will come to close.

Moreover, the "retail" market moves much more quickly than the "bulk" one and the volatility of good deals is even higher!

Hence, the key factors to success are one's capacity of taking quick deci-

sions, purchase money availability and execution speed.

When all said and done, making a profit in this type of investment becomes challenging even for real estate professionals living in Florida.

Therefore, for an outsider who is not familiar with local laws and practices, and does not have a network to call on, this kind of "solo" investment could involve high risks.

So for someone who lives elsewhere and has \$250,000 to invest, how best to profit from these attractive discounted foreclosures while managing the investment efficiently?

Properly executing this work is very complex and can quickly become too expensive, unless one can amortize these expenses over a larger number of units.

Thus the research, selection, acquisition, restoration and management of several dozen units scattered throughout a relatively wide area requires a different organization, structured to address a new set of needs.



# STRENGTH IN NUMBERS !

The ideal solution to seize the best opportunities :

## *The « **POOL** »*

To address this market as soon as possible with the speed required to successfully implement such a business plan, Devco South (a Group Lepine affiliate) is launching a real estate investment pool.

This “pool” strategy makes it possible for each investor to buy a larger number of units in partnership with other investors. Each investor will thus be joint-owner of the portfolio’s real estate assets.

Moreover, the pool allows investors to amortize the operation costs, while enabling investments diversification. By merging assets into a portfolio, the pool also minimizes the potential for unfortunate consequences should an acquired property turn out to be problematic.

This new strategic pool will specifically target the acquisition of individual units in order to quickly

build a portfolio of properties to profit from the expected imminent rebound of values.

A professional organization is being assembled to focus on the specific needs of this market. The goal of this pool is to invest its entire liquid assets to assemble a portfolio of residential real estate properties, acquired on a unit-by-unit basis, according to predefined selection criteria as approved by its board of directors.

These individual units will be acquired in the area extending generally from Boca Raton to Hollywood, subject to available opportunities.

Fortune favors the brave !

**Virgile**

### INVESTISSEMENT OBJECTIVES

#### Investment Horizon:

From 2 to 4 years

#### Fund Raising Objective:

\$5,000,000 USD

#### Acquisition Objectives:

From 60 to 100 individual units (properties)

#### Profit Objectives:

Even though no guarantees can be given on such investments, it is highly possible that the acquired properties will become sellable for between 50% and 100% more than their acquisition price, and this within the targeted investment horizon.

#### Acquisition Strategy

- ✓ To buy mainly in the footsteps of “bulk” purchases,
- ✓ To acquire properties, which are being sold between 25% and 50% of their peak sales price,
- ✓ To buy properties, which can be rented for more than their annual operating expenses, net of all expenditures,
- ✓ To buy properties in communities where the original developer ran into important problems causing prices to fall more than elsewhere, yet where there is a turn around plan in the works,
- ✓ To buy properties that need renovation work, which are normally shunned by out-of-town purchasers.

#### Management Strategy

- ✓ As the acquisition are completed, the units will be renovated, improved if it is necessary and put for rent,
- ✓ The leases will provide a clause allowing for early termination in the event of resale.

#### Sales Strategy

Concurrently with the leasing efforts, the properties will be put for sale targeting foreign markets such as Quebec, Ontario, France, England, South America and other traditional markets for Florida.

#### Targeted Properties

- ✓ The properties will be especially condominiums bought on a unit-by-unit basis,
- ✓ The properties being liquidated by the banks having foreclosed on them,
- ✓ Properties in communities where there has been, or where there is about to occur a wholesale transaction,
- ✓ Properties in areas with traditionally strong buyer demand,
- ✓ Properties in areas with traditionally strong renter demand.



# A WINNING FORMULA !



Joining a **Pool** of sophisticated investors in partnership with a Manager which is a Canadian group known for its professionalism and ethics having extensive local experience, this is a **Winning Formula** to profit from the exceptional opportunities currently available in this market.

A **Winning Formula** because the Manager is also co-investing in the Pool alongside the other investors.

A **Winning Formula** because the investors are for all practical-purposes owners of the real estate assets, and that these will not be burdened by any mortgages.

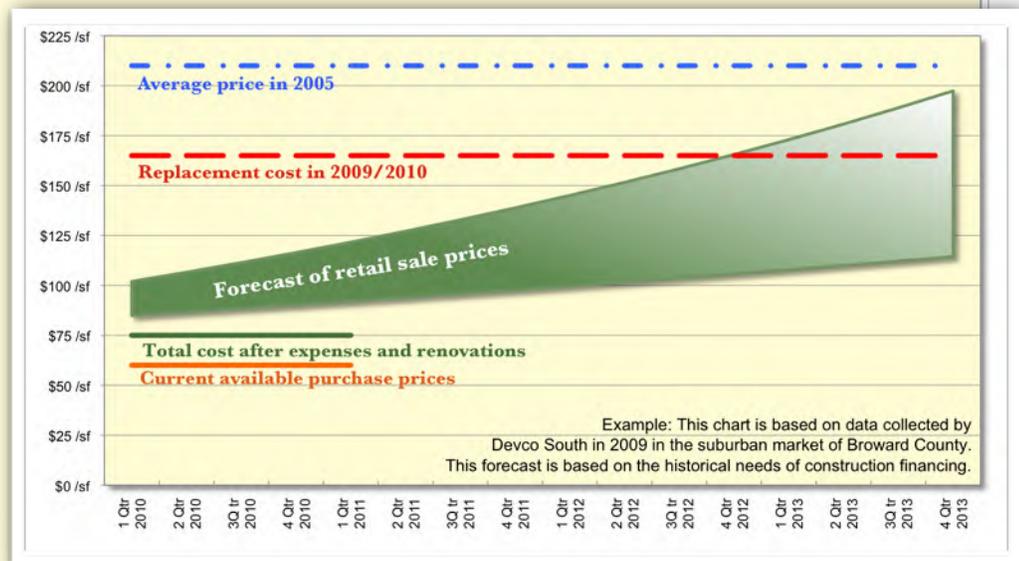
A **Winning Formula** because the carried interest earned by the Manager as performance incentive, is calculated as increasing performance thresholds are achieved, and based on profits actually incurred and received.

A **Winning Formula** because the investors control the Manager in terms of resource allocations and have final say on asset distributions.

A **Winning Formula** because risks are amortized among a basket of various assets diversified by type and location.

Finally, a **Winning Formula** because risks are reduced, the investments secured, and its performance optimized by a Manager whose track record is beyond question after more than 50 years in the business, of which 32 in the **Pool's** focus area.

Those who think that a **Pool** formula with *Devco South* and *Group Lepine* might fit with their investment objectives, should promptly seek more information before this opportunity disappears, or the **Pool** closes. This **Winning Formula** will only be available to those who can act immediately!



[www.DevcoSouth.com](http://www.DevcoSouth.com)

Devco South's mission is to leverage its 30 years of financial and practical experience in the South Florida residential real estate market for the benefit and profit of its investors and financial partners.

715 NW 1st Avenue  
Fort Lauderdale FL 33311  
USA

**Phone:** +1 (954) 634-0100  
**Fax:** +1 (954) 634-0105

## Warning

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