

WHAT IS THE BEST WAY TO ENTER FLORIDA'S REAL ESTATE MARKET IN TODAY'S ECONOMY?

This may serve as a simple guide which offers options for
a startup real estate company to enter any real estate
market

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ABSTRACT

P&I International real estate (PIIRE for short) is a real estate company which left the Florida real estate market in 2006. PIIRE is now seeking the best method to re-enter the Florida's real estate market within the near future. The owners are seeking the best method to re-establish their real estate business in Florida. At this point the location in Florida has not yet been determined. The determining factors include financing options, business type entry mode, and governmental issues.

The owners of PIIRE have past experience in the Florida real estate market; however, their experience is limited to before the real estate market took a down turn. PIIRE feels that it may be ready to reassess the Florida real estate market with the current global economic situation. This thesis is completed in order to help clarify the situation of the Florida real estate market so that PIIRE can make better business decisions.

The methods which were employed in the research paper were reading, studying and analyzing many articles, books and government statistics. The information received, gathered and used is form various professionals throughout the real estate industry.

Due to the nature of the request by PIIRE, the findings of this thesis will be very useful. Not only will it be useful for PIIRE, it will also be useful for any startup company considering establishing a new real estate company in Florida. The methods which were employed could also be used for any other North American state with a few minor adjustments.

After the reading of the thesis, the owners of PIIRE will be able to make good business decisions based on the information received from this hypothesis. The paper offers facts and figures which apply directly to the needs of PIIRE and other similar businesses.

The findings of the thesis show that there are many different approaches PIIRE could use to reenter to the Florida real estate market. The options are available for a minimum amount of startup capital method, the ability to borrow and or use a large amount of capital and or many combinations in between.

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EXPLANATION OF TERMS

Agent: is an individual who is licensed to negotiate and arrange real estate transactions also known as a real estate broker

Appraisal: is a professional estimate of the value of one's property

Buyer's market: A buyer's market refers to conditions in the sales of any type of product, where supply significantly exceeds demand.

Brokerage: is a company that acts as an intermediary between purchasers and sellers in order to complete real estate transactions

FSBO/OF: For sale by owner and Owner Finance, a property is sold and financed by the property owner

Land banking is buying land on the theory that, in time, it's going to go up in value

Loan to Value: (LTV) "is an equation that mortgage lenders use to assess their risk in lending borrower money to purchase property. The loan to value equation is basically a ratio of the amount of money being borrowed to the value or purchase price of the property, whichever is less"¹

Parcels: is plot of land, usually a division of a larger area

Seller's market: A seller's market can refer to any type of market for goods or services where demand exceeds supply.

Sub-prime crisis: is an ongoing financial event which is likely to affect buyers who purchased homes in the early 2000s for a long time.

Right to work: is a law which allows the employees to make the decision for themselves, whether or not to join and support a union.

Real Estate: "A piece of land, including the air above it and the ground below it, and any buildings or structures on it. Real estate can include business and/or residential properties, and are generally sold either by a realtor or directly by the individual who owns the property (for sale by owner)".²

¹ Wise Geek, accessed 20-02-2011

<http://www.wisegeek.com/what-is-loan-to-value.htm>

² InvestorWorld.com n.d., retrieved 15 December 2010
http://www.investorwords.com/4057/real_estate.html

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1. INTRODUCTION

1.1 Back ground information

As the world turns, changes occur throughout the globe. P&I International real estate is a real estate company which once operated its real estate business from Central Florida prior the collapse of the real estate market crash in 2008. The business was successful on a small scale. PIIRE opted out of the real estate business for personal reasons. The circumstances have changed and PIIRE would like to re-enter the Florida real estate market on a larger level. The owners of PIIRE have commissioned me to uncover different methods which they could choose in order to re-enter the Florida real estate market.

During the period that PIIRE was in business, the Florida real estate market was in an upswing. The market was fast paced; it was a seller's market. The owners of properties were selling their property sometimes before they had a chance to list the property with an agent. On the contrary, the real estate market became a buyer's market after the down turn which involved the sub-prime crisis. With such a big change in the real estate market, many issues in the industry have changed which calls for the need for many realtors to reevaluate their situation and the way they have been doing business. PIIRE is not immune to the circumstances.

1.2 Purpose and Objective of the Thesis

PIIRE is now at the deciding stage to determine whether or not to re-establish and continue their real estate business where they left off. The deciding factors do include, but are not limited to the following questions. Have the Florida real estate market seen the worst? If not, would now be a good time to return or should PIIRE wait for more time to pass? Is the business climate ready for a new business? What are the options Florida has to offer for a startup company? How are the governmental aspects of Florida compared to other states in the US for starting a real estate business in the overall economy?

The thesis research question is "What is the best way to enter the Florida's real estate market in today's global economy?" The list of questions above and many others are formed under the main thesis question. Within the frame of the thesis question, a PEST analysis and a SWOT analysis was completed with theoretical and factual information which particularly pertains to Florida's real estate market and today's global economic environment. Close attention was given to how a startup real estate company may be affected. The determining factors include financing options, business type entry mode, and governmental issues.

1.3 Research Methods

The methods which were employed in the research paper were reading, studying and analyzing many articles, books and government statistics. This is more of a qualitative method rather than a quantitative method of research. The information received, gathered and used is from various professionals throughout the real estate industry. In order to get an accurate view and feel for the real estate situation in Florida in real time, the research included information from past and present situations throughout the real estate world. In this thesis you will find analysis which was also used to help in the consideration about what experts are predicting for the future in real estate. Where information was particular to Florida, it was more helpful and influential to the thesis. As a mediator, the author of this paper tries to write his findings without bias of which method PIIRE should chose to re-enter the discussed market.

Empirical data was used in the form of observation of the information received and analyzed. The real estate matter is a subject which has been popular for years in one way or another. Therefore, it is not a difficult task to compare different aspects and conditions of the real estate market in Florida.

1.4 Structure and limitations

Due to the fact that the thesis question touched on such a broad topic, it was difficult to fine tune the format of how the paper should be laid out and planned. However, once the outline was formed, it was not difficult to follow through on the structure of the established idea. As the writing process continued, one of the hindering aspects also became an advantage of writing on this topic. The issue of finding too much information became both an advantage as well as a disadvantage. While reading through the information, it became clear which points would be vital for PIIRE's decision making.

Even though the thesis topic is of interest for many people all over the world, narrowing down the topic to a few pertinent ideas became easier as the project persisted. What to include and the layout of the paper almost took a form of its own once the subject was narrowed. The thesis question is a very intriguing question and the thesis may be of interest even for those who do not have any interest in the real estate industry.

In this thesis you will find subjects and topics which the author deems important for PIIRE's decision making. Start up options will be the first topic discussed. In this section you will find the possibility for a real estate company to better understand the processes and mechanisms of a traditional real estate company. Additionally, one can learn some of the benefits and disadvantages of starting a real estate company with little or no capital. This section includes using for sale by owner with owner finance and rent with option to buy methods.

In the following chapter you will notice the method for using borrowed capital. In this section the reader will notice that there are many considerations which need to be taken into account. Borrowed capital section, illustrates what lenders are looking for in a potential borrower. It also includes some ways a borrower could gain favoritism from the lenders and gain the lenders trust. Loan to value and means of getting a better interest rate are also discussed in this chapter.

Moving forward, types of real estate companies are analyzed and broken down showing the benefits and disadvantages of a Corporation, LLC or S Corporation. The reader will find a chart showing the differences between each type of company. Here there is also information which relates to Florida and real estate businesses in particular. The reader, if he or she is considering starting a real estate company, will benefit by reading through this chapter and find the points which best apply to their own needs and wants.

2. START UP OPTIONS

2.1 A traditional real estate option

“The traditional real estate brokerage model going back 30 years has operated with certain assumptions and general practices.”³ A traditional real estate company is often set up in the follow manner. The company or brokerage firm may take any of the known business form. However, most fall under the category of a franchise or in the form of an independent owner. If the firm falls under the category of a franchise, then they will have the normal franchise fees which are common in most franchise type companies. “The vast majority of real estate agents are compensated by a broker via sharing the gross commission amount that the broker collects”.⁴ Examples of real estate franchises are Century 21 Real Estate, Coldwell Banker Real Estate and REMAX. As in most situations in businesses, there are benefits and disadvantage when a firm is part of a franchise.

The franchisees must adhere to the terms of the parent company even though the firms are “independent” and often locally owned. The franchisees may have to follow certain rules set in place by the parent company. One of these rules could be that all the agents who operate within the firm’s offices have to wear certain buttons or have to follow a particular dress code. Theses dress code or other particular rules could have been put into places for any amount of reasons. However, if it was part of the deal or the contract when the franchisee agreed to become part of the organization, then the rule must be followed. An advantage for the franchisee may be that the parent company has a good standing in the public eye. In this case the buttons or the dress code may enhance the firms’ ability to attract clients.

On the other hand, let’s say that the parent company is in Michigan and the franchisees’ firm is in Florida and there is a particular dress code to follow. The climate in Michigan is often cold and dry while the climate in Florida is hot and humid. The dress code where the parent company is, may call for warmer type clothing, while in Florida this type of clothing may be considered unthinkable for the weather there. You can see where this may create a disadvantage for the franchisees.

Additionally, there will be franchise fees due. These fees may come in many forms. Initially, the firm must pay a startup fee in order to become part of the franchise. Following, there may be fees required for training, the use of the logos and other brandings of the parent company. The fee could be compounded into one sum depending on the organizations.

Consider the other option of not being part of a franchise, if the owner of a startup real estate company chooses to take on the responsibilities of starting the traditional company form the ground up, then s/he will encounter other issues. These issues could include, but not be limited to: training and

³ Kreiser, Dale. The Traditional Real Estate Brokerage, retrieved 15 December 2010, <http://www.futurerealestateagent.com/traditional-brokerage/the-traditional-real-estate-brokerage-snapshot>

⁴ Kimmons, James. Methods of Compensating Real Estate Agents, retrieved 15 December 2010, http://realestate.about.com/od/howthemoneyworks/ss/compensation_2.htm

educating its staff, government fees at a state and federal level, advertising, fees for a logo and the list could go on. The owner would need to find a way to establish a flow of clients in order to make a profit or even be able to break even. The type of business organization is only one part of the traditional business.

Once the type of business organization has been established, the set up of the company is more or less the same within a traditional real estate company. The traditional real estate brokerage often consists of a well established office preferable located in a location where it is easily accessible by its potential clients on the ground level if possible. This building alone will often incur many overhead cost such as rent and utilities. This is a cost factors in itself which will cut deeply into the profits of the company. The firm may employ many agents where the top producing agents will have the pick of the offices within the firm. These offices will offer the best producing agents the most privacies and comfort as an additional reward for the job well done. The rest of the agents may have sheared office space or cubicles within the center of the office as a reverse incentive for them to become better producers and earn a better place in the office. The brokerage often uses forms of advertising such as traditional media advertising, including expensive print newspapers, magazines and even billboards, which are all very expensive means advertising.

Considering that the agents act as independent contractors, operation of the brokerage is treated as a separate business entity in itself. Because the brokerage makes money from its agents, the brokerage has its own agenda which is not often the same as the agents who operates under its stipulations. This set up causes conflicts between the brokerage and against the interests of the agents which as a result affect the interests of the clients. Simply put, in a traditional real estate company, the needs of the firm is first, then the brokers and the clients fall in place under the firm's needs.

So how does a brokerage make a prophet, you may ask? Also, if you have ever been involved in a real estate sales transaction, you may have also wondered, why the realtor takes such a commission of the sales for themselves. These two questions can be answered with the same answer. The brokerages take 50% of the agents' commission. With that information alone, you can see why there may be a conflict between the brokerage and the agents. Additionally, the brokers also charge a variety of fees to their agents, including corporate management fees, franchise fees, transaction fees, advertising fees, copy machine fees, long distance telephone call charges, and technology or Internet service fees. This is not the end of fees for the agent; they must also pay subscription fees, fixed and variable expenses. Below you will see a scenario of what a brokerage franchise fees and an agent's fee schedule may look like.

Below is an example of the percentage which could be paid to a real estate franchise for business transactions. Some of the major franchises charge a percentage fee "off the top" of each commission to their franchisee brokerage firms. This fee would come off the commission before the broker receives it and splits with the agent. Using a 7% franchise fee as an example:

The \$12,000 gross commission from the deal would pay franchise \$840, while broker and agent would split the remaining \$11,160.

Franchise Fee Example	
Total commission	\$12 000
Franchise Fee 7% of the total	\$840
Broker receives 50% of the balance	\$5 580
Agent receives 50% of the balance	\$5 580

Table 1: Examples of Franchise Fees

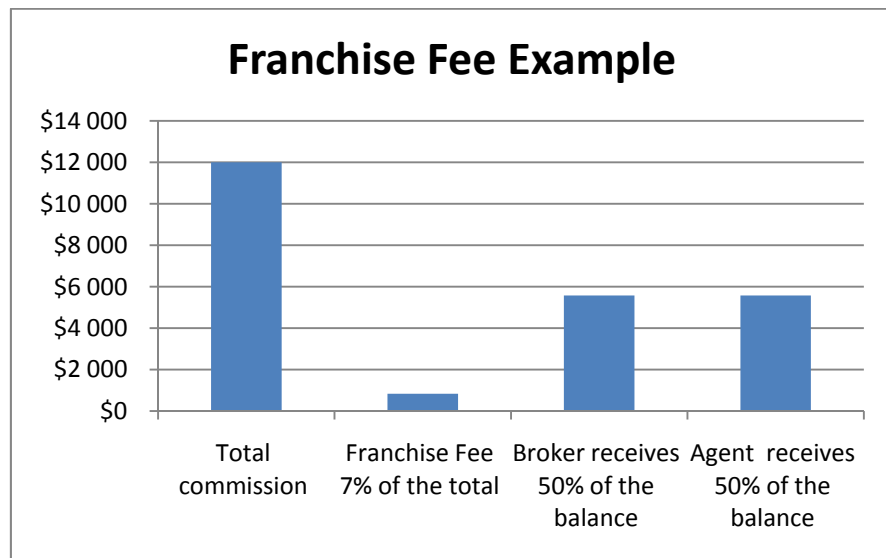


Figure 1: Examples of Franchise Fees Graphed by Percentages

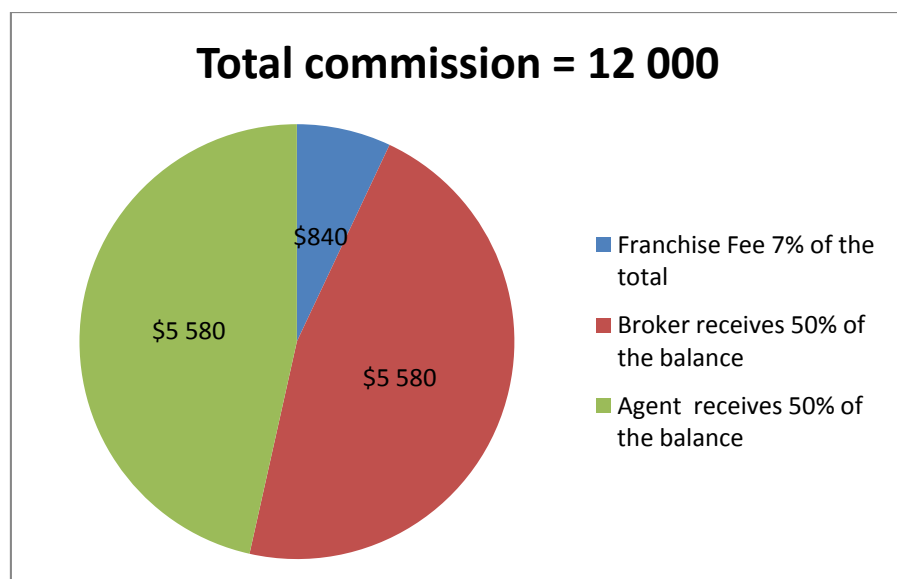


Figure 2: An example of the traditional broker and agent commission split.

The majority of real estate agents are rewarded by a brokerage firm by splitting the gross commission amount that the broker collects. This does not include the percentages charged to the client. In this case I am only discussing the way the agent is compensated. Here's an example:

1. Gross commission amount of a transaction = \$12,000.
2. Broker/Agent split of 50% broker/50% agent = \$6000 to the broker and the same to the agent.
3. The percentage split is an amount agreed to by the broker and the agent and usually reflects the amount of services and support the broker provides. It can also reflect the volume of business the agent brings in to the company.
4. If there is an agent in the process of choosing a broker to hold their license, the split is important, but should be balanced with the services and leads provided by the broker.

With no Franchise fees, but with a buyers and a sellers agent

A traditional Commission Split	
Gross commission amount of a transaction	\$12 000
Broker gets 50% of the total commission	\$6 000
Buyers Agent 25% of the total commission	\$3 000
Sellers Agent 25% of the total commission	\$3 000

Table 2: Examples of a traditional commission split with a buyer's and a seller's agent

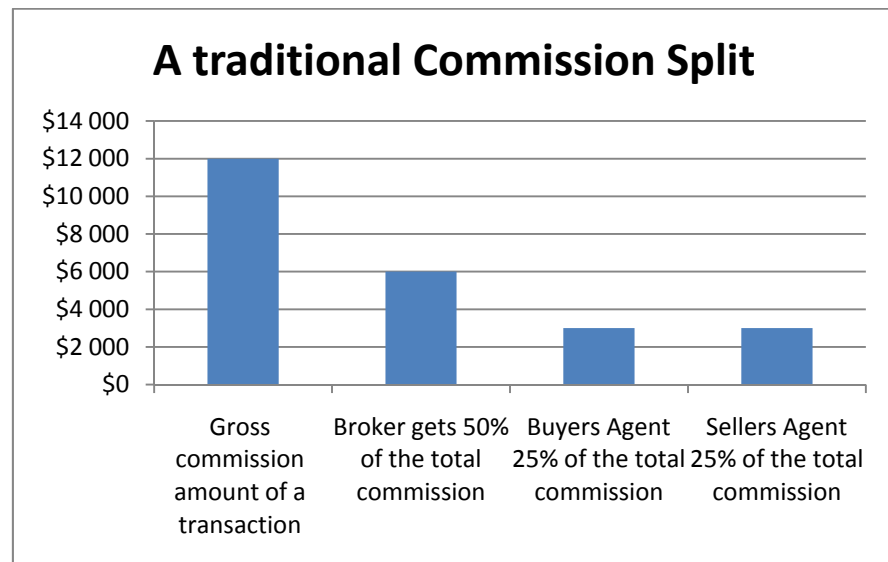


Figure 3: Examples of a traditional commission split with a buyer's and a seller's agent graphed by percentages

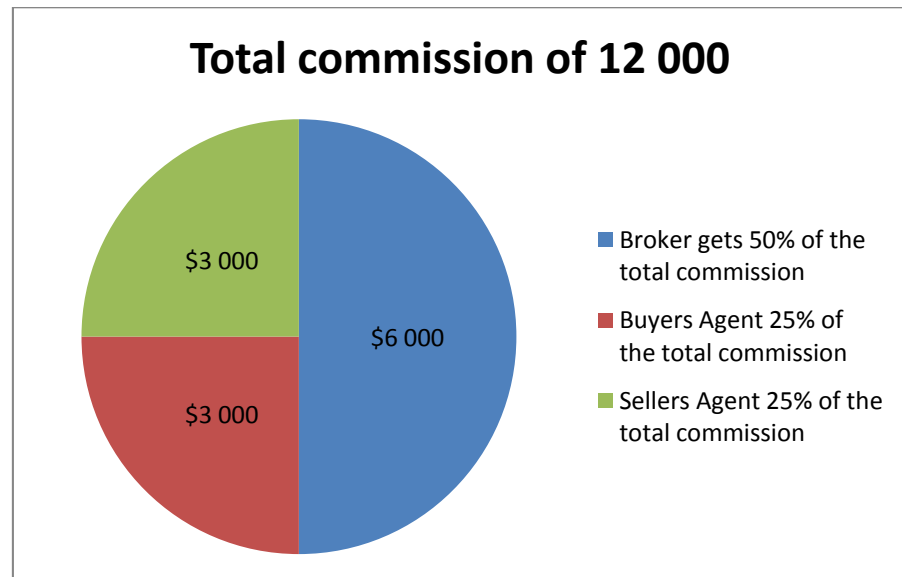


Figure 4: An example of a total commission split with a buyer's and a seller's agent involved in the deal.

An entire real estate deal may have come from a referral. This would mean that the referral fee would normally come off first and then the franchise percentage would come out of the difference. The agent or agents and broker would then split the rest.

Many consumers have the mistaken impression that their agent is pocketing the entire commission that they see on their settlement papers. It never hurts for them to be educated to these facts and understand the net commission actually received by the agent.

In a traditional real estate business, a seller would contract to have their property listed for a set percentage of the selling price. The listing brokerage lists the property in the Multiple Listing Service (MLS) and offers to share that commission with any MLS broker member that brings a buyer that completes the purchase. This is then considered to be the first split. If the broker in each of these companies is not personally involved in the transaction, then there will also be other agents to be compensated. The means and the amount of the compensation are predetermined by their written independent contract agreement; each of the brokers would then split their portion of the commission with the agents as a second split.

The fees above and many other working conditions lead the agents to feel that the broker keeps too much of their commissions: the broker may have too many unnecessary charges. The agents may feel that the broker does not provide sufficient training, nor do they provide a sufficient means and access to the newest or up to date technology or the appropriate training needed for the available products already in use. As a sales person, the agents may feel that they are not working in an environment which makes them feel motivated. As you can imagine, this list could continue as in any company which involves people working closely together. In short, the situation between and brokers and the agents creates a never ending conflict within a traditional real estate company.

2.2 Little or no Capital Start up

Little or no capital to start up may sound impossible to the closed minded; however, it is completely possible. “There are circumstances every day where people need to get rid of a piece of property.”⁵ This method calls for a more creative way of thinking. It may also be the easiest way to get started for a small company, because the company has the opportunity to learn as they grow. There are many routes for a startup real estate company to take. The first option which will be discussed is a technique which is used when buying from the owner and the owner is holding the mortgage on the property. This may be the simplest way to grow for a real estate startup company. This method requires a minimum amount of money to start. The FSBO/OF method allows the buyer to initially invest a minimum amount of capital. This capital can often range from as little as \$50.00 up to as much as the individual is will to invest into the company.

The way this method works is as follows: The seller of the property will write up a contract which can be agreed on by both parties involved, the buyer/s and the seller/s. “A real estate sales contract is a *bilateral*, or two-way, agreement. The seller agrees to sell, and the purchaser agrees to buy”⁶. Within the contract there is an agreement that the purchaser must pay a minimum deposit; however the buyer can pay more of a deposit if they like. By paying more of a deposit, this will help reduce the monthly payments or reduce the interest rate. The main components of the contract will includes the total purchase price, the monthly minimum payments, the interest rate for holding the mortgage, late fee payment terms, amount pre-payment penalties if any and any other information which may be important to the attached property. An example of a FSBO sales contract can be seen below.

An important aspect for any startup real-estate business to consider, as it is equally important for anyone considering purchasing real estate is that low price is not always the best way to go when it comes to buying real estate. As stated: “There will always be a demand for a prime location, and people will always pay a premium price to get a prime location. You have to avoid the trap of looking only at the average selling prices in your local real estate marketplace, and be willing to “overpay” if overpayment is warranted.”⁷

It is very possible to purchase a property because of low price and end up paying more than the property is worth in the long run. Careful analysis must be done before the transaction is completed. The location of the property and the surroundings are vital factors. “When it comes to real estate investing, most properties look pretty much the same to the untrained eye...But the expert sees every problem as a potential opportunity.”⁸

⁵ Barnett, G. William Are You Dumb Enough to Be Rich? : The Amazingly Simple Way to Make Millions in Real Estate. P.141

⁶ Bronchick, William. Financing Secrets of a Millionaire Real Estate Investor. Dearborn Trade Publishing A Kaplan Professional Company, 2003, P.101

⁷ Ross, George H and A J McLean. Trump Strategies for Real Estate Billionaire Lessons for the Small Investor. New Jersey: John Wiley & Sons, Inc., Hoboken, 2005. p.31

⁸ Allen, Robert G. The Road to Wealth. Simon and Schuster; Second Printing edition, 1987. P.68

Land Purchase Agreement	
Date _____, Wilburton, Oklahoma	
agrees to sell and (Buyer's Name) _____ agrees to purchase the following described real property:	
The N 1/4 of the SE 1/4 of Section 2, Township 4 North, Range 20 East, Latimer County, Oklahoma 40 acres more or less.	
Reserving a non-exclusive 30 foot wide easement for public use for ingress, egress and utilities around property and on any existing roads or pipe lines.	
Purchase price of \$48,000.00 to be paid as follows: NO down. Balance to be paid with interest from date of this contract at the rate of 9% per annum in installments of \$450.00 per month, or more, beginning on the 15th day of 1st month from the date of this contract and continuing until paid. There will be a \$5.00 late fee if any payment is delinquent over 7 days.	
If Buyer pays a total of \$2,000.00 down within 30 days from this date, interest will be reduced to 7%.	
Time is of the essence in this contract. In the event Buyer fails to make any scheduled payments when due Seller may mail Buyer, at his last known address, a 30 day notice to bring payments current. Buyer understands that if payments are not brought current within said 30 day period, Seller may keep all monies paid him and Seller will be released from any obligation of delivering title.	
Buyer may have been shown photographs of the general area where the land in this contract is located, however, no representations are made that these pictures are of the exact parcel of land being sold. There may be a deed of trust or mortgage secure by this property, which Seller will make scheduled payments until paid in full. No oil or mineral rights are being sold. Any surface damages paid will be credit first on Land Purchase Agreement and remainder, if any, to Buyer. Taxes that become due after date of this agreement will be paid by Buyer.	
The cash purchase price is \$48,000. The interest if all payments are made as agreed is \$48,175 The annual percentage rate is 9%. The total finance price with principal and interest is \$95,175. Total number of payments is 211. YOU MAY PAY THIS CONTRACT OFF AT ANYTIME AND INTEREST WILL STOP.	
Buyer may cut down trees for a building pad and corral. Buyer will not cut down any other trees or plants until this contract is paid in full. Buyer may cancel this agreement and receive all their money back within seven days from date they sign a copy of this agreement.	
This contract cannot be recorded and Buyer is aware he cannot receive a homestead exemption until he has deeded title.	
Seller: [REDACTED] P.O. Box [REDACTED] Woodland Hills, CA 91365 [REDACTED] 329-1507	SIGN HERE _____ Address _____ City, State, Zip _____ Phone _____ Social Security # _____

Figure: 5 an example of a FSBO contract

Before terms of the contract are agreed on, the buy should be sure that the terms are suitable for his/her needs. The buyers' needs should determine how long they want to hold onto the property, for long time or short term investment and what terms should be written into the contract. Some important terms to consider are pre-payment penalties and that there are no problems for early pay off of the property. In other words, how quickly do they want to make money on the property?

Consider the purchaser in this case is the startup company and they want to sell the property as soon as they can to make a profit in order to buy more properties so that they can grow their real estate business. Then it will be

very important for the buyer to make sure that there are no, or a limited amount of pre-payment penalties and early pay off fees. Both pre-payment penalties and early pay off fees are in place as assurance that the seller gets a certain amount of interest for the financing of the properties. If there are pre-payment penalties or early pay off fees and the buyer is satisfied with the terms and the amount then the transaction should continue. However, it is always best to have contracts without pre-payment penalties and early pay off fees and there are plenty of deals to be made without these fees.

Once the buyer has decided to proceed with the purchase or even as soon as true consideration about the property has been made by the buyer, the buyer should be considering means of advertising and disposing of the property for a profit. This process in itself should be considered wisely. There are a lot of determinants in this aspect of this process. One of the important factors to consider is the real estate condition of the selected property and the area which it is located. The buyer must ask, is the area being developed, how quickly, is the area heavily advertised and can s/he do a better job advertising the property. These questions and others are very important to think about, they help determine if the property is even worth the purchase. The purchase of this property may be good for another buyer; this factor has a lot to do with the buyer/s plans for the property. If the buyer plans on unloading the property quickly, s/he also has to determine how much profit they are willing to accept for the property. On the other hand, how long are they willing to hold on to the property in order to make the targeted profit goal? How long can they maintain the minimum payment in order to hold onto the property? How long before the property payments starts eating into the possible profits? These and many other questions must be considered in order for the startup company to be successful.

A liable question which could be asked is, “Why don’t the original sellers just sell the property for the best profitable price?” There can be many possible answers to this question. One can be that the original owner doesn’t have the time to hold out for the best prices and for whatever reason needs to unload the property quickly. Another is that the original owner has a set profit margin which will make them happy once they have received the money which they have planned for. When it comes to land, often the best deal is when you find a seller who is willing to sell their property whole sale. This is often the case when owners had inherited the land and or had owned it as a family property and in time have changed the use of the land. These reasons among others are very likely and possible when it comes to land for sale.

An example of this situation is as follows. Say that the Jones family purchased 140 acres of land in 1909 for \$1,000. From 1909 until 2009 the land has been used for farming and the Jones’ have always made a profit and lived well from framing the land. In the early years, the Jones’ family was not such an educated family due to the lack of finances. As time passed and the Jones’ farm became more profitable, they were able to send their children to school and better universities. As things progressed, the younger generation of the family, now being better educated than their parents, decides not to continue on with the farming. They would rather use their education and move out into the world and see and do other things with

their life. Thus raises the question for the family to decide on, “What shall we do with the 140 acres of the farm land?” The parents are too old, the kids are grown and moving away. Nobody wants or is able to maintain the property any more. Then the decision is made to sell the property. After talking with a real estate sales attorney, the family is advised to part the property into lots and sell the land in pieces. After further investigating the Jones’ decide to divide the property and sell it in parcels. The going price will be \$500 per acre.

	Year	Amount	Acre	Profit
Bought	1909	for \$1000	140	
Sold	2009	\$1000/ acre	140	\$139000

Table 3: Potential profits of land sold

The numbers in the above example could be any amount. There will be many determining factors as to what the final prices should be. The above situation is just to be used as an example. From the above example, the Jones’ decides that they are satisfied with the amount of profit they will have made from the sales of the land. The Jones feels that they have made a substantial amount of money over the years and are content with the potential profit of the anticipated sales. They feel that they are not hurting for cash; they decide that they can hold the mortgage for anyone who wishes to purchase any of the parcels of their property.

The Jones’ sale of their property is what is considered to be a whole sale on land. Now it is up to the buyer to conduct his/her research to see if the property is worth the asking price and the investment. Often sale like what the Jones’ are offering are not heavily advertised; therefore, for the buyer, as a startup business person, should be considering, as soon as conceivable, how to make a profit from the property and how long do they want to hold onto the property.

2.3 Advantages and Disadvantages of buying FSBO/OF

Buying FSBO/OF offers many advantages as well as disadvantages as in any business deals. The parties involved must decide if the terms and conditions are right for them. An advantage for the buyer is that there is no need for credit check. The seller sometimes only requires a minimum deposit at signing of the contract. At this point the buyer should adhere to the terms in the contract and make payments on time. Lack of credit check could be an advantage or disadvantage for the seller as well. This factor is mainly determined by the stipulations in the contract.

For instance, if there is a clause in the contract which reads “The buyer must make payment by the 30th day of the due date or else the buyer will be in default and the entire amount of payments will be forfeited.” Then this could be a benefit to the seller if the buyer defaults after a year. At this point the seller could resell the property for more money or determine the situation and make a decision.

On the other hand, if the buyer is always late and there is no clause to protect the seller, then the seller could spend a lot of time and energy pursuing the buyer for due payment.

What could also be considered an advantage for the buyer is that individual sellers are often easier to deal with than with banks and financial institutions. If the buyer runs into a situation where they are having difficulties making the payment, then the situation can often be solved with just one phone call or email to the owner of the property. More often than not, terms for payment will be reached which satisfy both the seller and the buyer. Once again, depending on the sellers' situation, the terms could be a benefit or a disadvantage for the seller or the buyer, but the buyer will have the say as to what terms will be acceptable.

The interest rate for the loan is something which needs to be considered carefully as well. Buying FSBO/OF could yield a higher interest rates for payment terms than by getting a loan from a banks and financial institutions. However, most people who are buying from the owner and making use of the owner finance often have bad credit scores and would not be able to get a loan from the bank or financial institutions in the first place. Or the interest rate may be equally as bad. Therefore, the interest rate can be considered to be a hindrance or a solution to the problem for an individual trying to start up a real estate company. The question of the interest rate being an advantage or disadvantage, once again this depends on the individual purchasing the property or the opportunity cost of the seller who is financing the property.

In summary of how a startup real estate business can take advantage of the FSBO and Owner Finance option, the illustration below will help demonstrate how this option could play out in a real life situation. The details will not be discussed in this example mainly because the processing details are the same in most real estate transactions.

The example is as follows: The Smiths found a property in Daytona and they know that this area is a hot spot and people are always looking to buy and build in this area. The Smiths were able to buy wholesale. They found a 5 acre lot which was selling for \$5,000. The owner/seller of the property offers owner finance. The terms of the transaction are \$200 as a down payment, \$125 as a monthly payment and the finance charges are 12.9%. This contract has no clause for prepayment penalties and no early payments fees. There is a late payment clause which states that if the payment is more than 5 days late, then the purchaser must pay an additional \$50 in addition to the monthly installment. For this type of startup option the time for paying of the loan is irrelevant because the Smiths have already done their research and they know that properties like the one in this example is going for much more than what they are paying for this property.

The Smiths sign the contract and pay their deposit on the property in May 2008. After paying on the property for five months, the Smiths decided to put the property up for sale. They conducted the necessary research and found out that the going retail price for properties like theirs, at this point, are between \$20,000 and \$70,000. The Smiths decided to put the property

on the market for \$50,000 knowing that the potential buyer will have room to negotiate a lower price and they will have room to bargain as well. After advertising, negotiating and dealing the Smiths were able to sell the Daytona property for \$45,000 in June 2009. After the Jones sold the property to the new buyers for \$45,000, they were able to pay off the balance of the original financed loan. This was a profit of \$40,000 just over a year of purchase.

Year	2008	2009
Jan.		\$ 125,00
Feb.		\$ 125,00
March		\$ 125,00
April		\$ 125,00
May	\$ 200,00	\$ 125,00
June	\$ 125,00	\$ 125,00
July	\$ 125,00	
Aug.	\$ 125,00	
Sept.	\$ 125,00	
Oct.	\$ 125,00	
Nov.	\$ 125,00	
Dec.	\$ 125,00	
Payment	\$ 1 075,00	\$ 750,00
Total Payments		\$ 1 825,00

Table 4: *Payments made from 2008 until June 2009.*

Original Purchas Price	\$5,000.00
Total payments to date	\$1,825.00
Interest for 1 year and 1 month	\$139.75
New Sales price	\$45,000.00
Deduct property price and Interest	\$5139.75
Total profit not including legal fees	\$39,860.25

Table5: *Potential profit for a FSBO deal*

2.4 Rent with option to buy

You may be realizing by now that as many options as there are to purchase a property, there are almost as many legal ways to acquire a property. The possibilities for little or minimum capital are also available. The next option which will be discussed is the rent with the option to buy alternative. This option also includes a lot of variables as in most real estate deals. Consider that the startup business owner/s have some time to invest and wait for the equity to build up in the property. In this situation the owner/ seller and the buyer/startup business owner/s have the time but the buyer doesn't necessarily have the cash on hand to invest the entire amount of the property. The seller and buyer would make a contract with the following terms or something similar.

The contract would read that the owner/ seller of the property, offers the buyer the ability to rent the property for a matter of two years. Within the two years the renter is allowed to sub let the property as s/he pleases. During

the two years the buyer assumes all responsibilities for the property. These responsibilities will include but not be limited to: home insurance, home maintenance (exterior and interior), local and state taxes for the property and whatever else may be required for the owner of the property. Note that the time frame for the contract can be agreed on by both the buyer and the seller, two years is only being used as an example. In some cases the time can be adjusted even after the contract has been signed as long as both parties involved are in agreement.

It would be in the best interest for the buyer to lock in a price, for the property, which is below market value or find a property which needs some work. After renovation, this should increase the value of the property once the work is done. Additionally, if the buyer can do the work, this will cut down the overhead cost and yield more income at the end of the project.

Depending on the buyers' situation, it may be to his or her benefit to rent the property for his or her personal use. Doing so will allow the buyer the time and ability to renovate the property while s/he is living there. This way, the buyer could continue on with a regular full time job or another project. The other option in this particular situation would be for the buyer to find a suitable renter who may be willing to stay in the property for two years or close to term of the contract which the buyer holds with the seller.

Additionally, the new tenant must be willing to pay enough to cover the fees which the new land lord has to pay. Being able to cover all the bills may not be a necessity if the potential income from the property will cover the entire fees and beyond. To explain this further, the land lord may be willing to take a short term loss if the projected long term income is above the required profit. I will explain this situation further in an example later in this section.

At the end of the appointed time, the property will need to be reappraised. If the housing market is still in an upswing, then the property should appraise for more than it did two years in the past. On the other hand, if the market is at a standstill or on a decline, the buyer may want to renegotiate with the seller for better terms. For this case we will presume that the market is steadily rising and the rent, taxes and all fees have been paid in a timely manner.

Now the two year term of the contract has come to an end. With the market being favorable and all the terms of the contract have been met the buyer can now purchase the property for the agreed price. For this example the selling price is set at \$200,000. The property had appraised for \$190,000 at the beginning of the contract. Now two years had passed and the market has been steadily growing. The property had been renovated inside and out, new shrubbery, tree and paints and more so that it now appraises for \$270,000.

With these numbers the buyer/ startup real estate company now has the opportunity to take out a mortgage from a bank for the amount of \$270,000 or \$256,500 (\$270,000- 5%) for a better interest rate on the loan. A few things to note is that, the lower the loan to value of the property, the better the interest rate of the loan will be. Also the lender now looks at this as a

favorable lone because the borrower have had the property in his or her position for at least two years already.

The amount of money the buyer requires depends on the plans for the equity of the property. The new owner of the property now has the option to use the profit for more investments. An additional option is to continue renting the property to a tenant for the price of the mortgage or the new owner could chose to just sell the property. The options for reinvesting or utilizing the proceeds are many and the decision will be for the new owner to decide of what to do with the cash. In a fast pace economy as it was in 2004 through 2006, this process could take a matter of weeks or even days as opposed to years.

Here is an example of a startup real estate company using the rent with option to buy method to build capital for their real estate business. Recapping, by applying the numbers which have already been mentioned and adding some more details, we will continue with the example. The months of January 2008 until December 2009 will be used in order to simplify the illustration.

	Original rents	Sublet rents	Fees and Taxes	Original rents	Sublet rents	Fees and Taxes
Year	2008			2009		
Jan.	\$ 800	\$ 900	\$ 150	\$ 850	\$ 950	\$ 175
Feb.	\$ 800	\$ 900	\$ 150	\$ 850	\$ 950	\$ 175
March	\$ 800	\$ 900	\$ 150	\$ 850	\$ 950	\$ 175
April	\$ 800	\$ 900	\$ 150	\$ 850	\$ 950	\$ 175
May	\$ 800	\$ 900	\$ 150	\$ 850	\$ 950	\$ 175
June	\$ 800	\$ 900	\$ 150	\$ 850	\$ 950	\$ 175
July	\$ 800	\$ 900	\$ 150	\$ 850	\$ 950	\$ 175
Aug.	\$ 800	\$ 900	\$ 150	\$ 850	\$ 950	\$ 175
Sept.	\$ 800	\$ 900	\$ 150	\$ 850	\$ 950	\$ 175
Oct.	\$ 800	\$ 900	\$ 150	\$ 850	\$ 950	\$ 175
Nov.	\$ 800	\$ 900	\$ 150	\$ 850	\$ 950	\$ 175
Dec.	\$ 800	\$ 900	\$ 150	\$ 850	\$ 950	\$ 175
Rents	\$ 9 600	\$ 10 800	\$ 1 800	\$ 10 200	\$ 11 400	\$ 2 100
Short term +/-			\$ -600			\$ -900
Total short term loss					\$	-1 500

Table 6: Example of rent to own option broken down

Contracted sales price	\$ 200 000
New apprasied Price	\$ 270 000
Total Short term Loss	\$ -1 500
Total Potential long term Profit	\$ 68 500

Table 7: Example of rent to own option Simplified

From the example above you can see that in the short run, the startup real estate company loses \$600 in the first year and \$900 in the second year. This is a minor setback for the short run, but it does not have to be set up that way. Additionally, if the owners of the startup real estate company do not have the capability to take the loss, then such a deal should not be done. However, following through on such a plan with these or similar numbers you can see what the possible income potential is for such an option. Now two real estate deals are never the same, therefore there will be variance from one situation to another.

Both options above demonstrate possibilities for a startup real estate company to build capital from the ground up without initially taking loans from any banks or other financial institutions. They can be considered time-consuming and tedious. However, as demonstrated, they can prove to be very lucrative. There is no guarantee in any business, but these options offer little to no capital, therefore, not much to lose if things don't go according to plan compared to the following options which will be discussed in this paper.

2.5 Borrowed Capital

Taking a loan from a bank or a financial institution is another option for a startup real estate company to attain finance capital for starting the business. "Your borrowing power is determined by looking at your income and financial commitments, as well as your current savings and your credit history."⁹ Sooner or later, the need for services of banks and financial institutions will be needed depending on the growth and expansion of the company.

There are many matters which need to be considered for the startup real estate company's owner or owners. Discussed here will be a few of the pertinent issues. These fall in no particular order of importance; however, they must be considered. The owners' credit score must be considered. The credit score is a number generated by a series of factors within your credit report. The resulting number is a prediction of how likely you are to pay your bills. This number is also a result of how an individual ranks among tens of millions of people.

The credit score can affect the size of a loan; the amount of interest paid on the loan and even if the prospective borrower qualifies for a loan at all. The higher the number, the better the borrower looks to lenders. People with the highest scores get the lowest interest rates. Lenders can use one of many different credit-scoring models to determine if borrowers are creditworthy. Different models may offer different scores. The Fair Isaac Corp. or FICO score is one of the most popular used scoring methods. The FICO scale runs from 300 to 850. The higher the score the better is the individual's credit score.

⁹ 6 steps to buying an investment home, retrieved 05 January 2011, <http://www.anz.com/aus/personal/home-loans/Investing-In-Property/6-Steps-To-Buying-An-Investment-Property/default.asp>

Fair Isaac reports that the American public's credit scores break out along these lines:

Credit score	Percentage
499 and below	2 percent
500-549	5 percent
550-599	8 percent
600-649	12 percent
650-699	15 percent
700-749	18 percent
750-799	27 percent
800 and above	13 percent

Table 8: Fair Isaac estimates of credit break down in America

Source: <http://www.bankrate.com/brm/news/credit-scoring/20031104a1.asp>. Accessed: 08-01-2011

There are three major credit bureaus which use their own version of the FICO scoring method. The three bureaus and their methods are: Equifax has the BEACON score, Experian has the Experian/Fair Isaac Risk Model and TransUnion has the EMPIRICA score. Regardless of which scoring models lenders use it pays to have a great credit score. As stated earlier, a better score affects whether you get credit or not, and how high your interest rate will be. The difference between a person with a score of 520 and a person with a 720 score is 4.36 percentage points according to Fair Isaac's Web site. According to the bankrate.com Mortgage calculator the difference for a loan in the amount of \$200,000 for a term of 30 years is \$474.79 per month and \$170,924.40 for the life of the loan.

There are a number of items which affect your credit score and each item carries a certain weight according to the Fair Isaac Corp. Public Affairs Manager, Craig Watts. The factors which are observed are how an individual pays his or her bills. This carries a 35 percent weight on the score. The amount of money one owes and the amount of available credit carries a 30 percent weight. An individual's length of credit history carries 15 percent weight. Mix of an individual's credit, which is to have revolving and installment credit. This weighs in at 10 percent. Lastly, new credit applications weighing in at 10 percent. New credit applications,

demonstrates an individual's interest in new credit which could be viewed as a negative.

Another determinant for the startup real estate company to be able to get a loan is the owners' previous loan history. The previous loan history can have an adverse or favorable affect. The lender will also take a close look at the would be borrower's past loans in the aspect of the sizes of the past loans, the repayments of said loans and the types of loans which had been taken. As you can imagine, this is to help the lender establish what type of borrower the individual will be. Are they credit worthy, will the installment be repaid on time, is the amount of loan being requested too much for the borrower. The history of the borrower will help the banks or lending institution find the answer to these and other important questions.

The amount of the loan required may be more important to the borrower rather than the lender in the case of a startup real estate company. For a startup real estate company, it is important to know what he or she can afford before they start doing the research for a property or at least have a ball park figure. From the lenders point of view, it is important because if the borrower is unable to pay or they default on the loan then there is another issue. However, for the small business owner who is just starting to grow a company, being on bad standing with the banks or lending institution could severely injure their businesses ability to grow. Therefore the amount of loan required must be carefully considered.

The lending institution will want to know about all of the borrowers' assets and liabilities. In respect of the assets, this will help the lender determine how the borrower spends his or her money. Additionally, it gives the lender an overview of what they can hold on to in case the borrower goes into default. In other words, what can be turned into cash if the need arises? It is in the lenders best interest to be able to recover the loan. When it comes to the liabilities, it is important for both the lender and the borrower. It is equally important in the case that the borrower should not be over burdened with too many other responsibilities which could hinder their ability to repay the loan.

The cost of the loan is an important consideration for the small business owner. The cost of the loan must be carefully calculated into the expected profits or planned benefits of the particular real estate deal or as part of the overall real estate portfolio. The cost of the loan may come in many forms. The obvious is the interest rate. A borrower must also consider the pre payment penalties, documents fee, lenders fees and many others fees. There are often hidden fees that a borrower may only come to notices with experience. These fees could add up and be very costly to the small business owner.

It is also not a bad idea for the owners of a startup real estate company to get pre approved for an amount of loan before they start looking for a property. It is not a must, but it helps in the result that there are no surprises in case a property is found. Also, it helps eliminate wasted time and energy for the sellers and the buyers. An example could be that the buyer finds a property which is valued at \$320,000. He or she develops a dialog with the seller and

reach terms, but after contacting the lender, the borrower is told by the lender that they only qualify for \$300,000. As a result, the deal may die and now time and energy was wasted by both the buyer and the seller.

Most lenders require that the borrower has a certain amount of their own money to invest into the property. The amount of money the lender invests compared to the value of the property is called the loan to value. The greater the LTV, the more the loan will cost the borrower. The lender considers a loan more risky when a larger portion of their money is being invested into a property. This indicates to the lender that their intuition has more at stake in comparison to the borrower. Thus they offer the loan with higher interest rates and higher fees to cover the possible lost. The buyer payments as a result are higher because of such fees and interest rates.

Depending on the plans the startup real estate company has for the property they intend on investing into, the type of loan will also be important. Along with the type of loan, the terms of each loan are also important. There are many types of loans available for individuals today. There is the fixed-rate mortgage; the main idea of this kind of mortgage has been around for the longest time. However, now you can get a fixed rate mortgage for 10, 15, 20, 30, 40 and even 50 years, all of which are completely amortized. Interest-Only mortgage and adjustable-rate mortgage are an additional two among many more. Additionally there are FHA Loans and VA loans which are backed by the government. "FHA mortgage loan types are insured by the government through mortgage insurance that is funded into the loan."¹⁰ For the investor, each loan must be researched and fine tuned to best fit his or her needs in order to yield the best return.

Borrowing capital is a very popular way to help grow a startup real estate company. It is an imperative part of the company's success. Being able to secure a loan with the correct interest rate and the correct loan amount is also important. This may require some shopping around to find the best loan for the cause. As with most loans, the process is long and can be tedious. A lot of paper work is involved and borrower may have a difficult time staying focused on the end result.

2.6 Forming a Corporation, LLC, S Corporation with investors

"According to the Florida Division of Corporations, a corporation is a legal business entity which is given many of the same legal rights as an individual."¹¹ There is the option for a startup real estate company to build the business in the form of a Corporation, LLC or S Corporation. "The most important feature of a corporation is that it exists entirely separate and apart from its owners."¹² There are many advantages and disadvantages for a startup real estate company in the structure of one of the mentioned business type above. Below you will see a chart of the main differences between a

¹⁰ Weinraub, Elizabeth. Mortgage Loan Types, retrieved 08 January 2011
<http://homebuying.about.com/od/financingadvice/qt/0507loantypes.htm>

¹¹ Florida Business, Primer on Forming a Business in Florida, retrieved 09 January 2011
<http://www.florida-court-forms.net/florida-business.html>

¹² Poznak, J.L. What is a Corporation, retrieved 08 January 2011
<http://www.poznaklaw.com/articles/corpb.htm>

Corporation, LLC and an S Corporation. The entity the owners choose should be a personal choice and should be examined carefully so that it meets their needs. These choices must depend on the owners' needs.

The choice should also be made with the duration of the entity's life in mind. The form of the business can be changed, but it will not be without time effort and money. Therefore, it would be best to make the best decision by carefully analyzing the company's needs in details the first time, if possible.

2.7 Entity Comparison Chart

The following table provides a comparison between Corporation, LLC and S Corporation.

	C-Corp	LLC	S-Corp
Type of Ownership	Stock, there may be different classes.	Membership interests. There may be different classes of membership.	One class of stock. Which may be voting or non-voting.
Eligible Owners	No restrictions.	No restrictions.	100 shareholder limit. No non-individual and no non-resident alien shareholders.
Management	Managed by director(s)and officer(s).	Managed by all members or designated manager(s).	Directors and officers.
Allocations of Ownership	None. Dividends must be paid based upon stock ownership.	Permitted if the allocations have substantial economic effect.	None. Income, gain, and loss pass-through to the shareholders based on the percentage of shares owned.
Liability of Owner	There is limited liability for shareholders, officers and directors.	There is limited liability for owner(s) and manager(s).	There is limited liability for shareholders, officers and directors.
Duration	Indefinite	Dissolves at the time specified in the Operating Agreement or upon the loss of a member unless other members agree to continue.	Indefinite
Transfer of Ownership	Shares freely transferred.	There may be restrictions under certain state laws.	Shares can be transferred only to eligible S-corporation shareholders
Meetings can be held anywhere	Yes	Yes	Yes

Table 9: Entity Comparison Chart

Source: LaughlinUSA.com

Even though there are many differences between a Corporation, LLC and S Corporation, the focus of this section, is not to suggest one form over another. The purpose of this section is to suggest the possibility of one of the entity as a real estate business startup option. I cannot stress enough, the importance of the owner or owners employing the services of well established attorney to help them make the best decision for the form of their company. Along with a good attorney, a qualified CPA will also need to be employed. The CPA has the ability to have the owner or owners set up the operation of the business correctly. Improper formation and operations could be very costly in the long run.

According to the Florida Division of Corporations, a corporation is a legal business entity which is given many of the same legal rights as an individual. The most important aspect of a corporation is that it exists

completely apart and separate from its owner or owners. The entity must have at least one owner. Corporations are owned by shareholders and a board of directors usually makes most of the major decisions. On the other hand, an LLC does not have stockholders. It is composed of members. The members are the owners of the company and are usually considered the equivalent of stockholders.

The main reasons corporations are formed, is to grant the owner or owners involved in the business of the corporation limited liability protection. This limited liability protection is one of the many advantages to incorporating a Florida business. A corporation is incorporated (or formed) under the laws of particular state or country. The corporation is then governed by the laws of that particular state or country. A limited liability company is a hybrid Florida business entity having characteristics of both a corporation and a partnership. It is similar to a corporation because it provides its owners with limited liability for the actions and debt of the company, but it is taxed more like a partnership.

The main point to starting a real estate company in the form of a Corporation, LLC and S Corporation, is that it offers the owner or owners the ability to raise larger amounts of capital than if they were to raise the money on their own. Forming one of the types of the entity above, the owners can easily reduce the burden of a large sum of capital. Otherwise the capital may be too difficult for one or two individuals to rise on their own. Forming a business entity as one listed above, will make it easy for the owners to share the capital with the partners and or shareholders depending on the type of company they choose to establish. Excluding the LLC form of a business, the owner or owners has the option to share the burden with as many shareholders or stockholders as they feel is comfortable for their company.

Besides the fact that capital can be divided and issued, the bank may also look at the company in a favorable manner as well. In the event that the company needs a loan from a bank, the bank will see that the burden of the loan is not carried by one individual, but by many. Therefore, the bank may find it easier to authorize loans because the loan is being backed by many people. Additionally, it may also be considered more favorable by the major stake holders as well. If there are more shareholders who are involved, it may be considered that there are more who can pick up the loose ends of those who are not able to carry the financial burden

On the other hand, the more shareholders or stockholders there are involved, the more there are to pay when the time come for the payouts. However, this is what is to be expected while doing business. It is only fair that those who invest get paid when the time comes.

There are other disadvantages as you can imagine. Building trust in order to raise capital and raising capital will be two initial concerns. As a startup company, there is no established track record as yet. The owner or owners may think; we have enough friends to collect a certain amount of money in order to start our business. However, this is much easier said than done. People are skeptics in nature, and we often want to see the proof before we

plummet into an adventure. We need even more proof especially in an adventure which we are not in full control of. On the other side of that coin, the entrepreneur may feel that they don't want to take money from their friends and family. Or they may think what if I fail, will I be able to repay the debt or will I destroy the friendship? These are some disadvantages which may occur on a personal level.

A traditional real estate, little or no capital, rent with option to buy, borrowed capital or forming a corporation, LLC, S Corporation with investors are four main entry options which a startup real estate business may use to enter the Florida's real estate market in today's' economy. None of the options are set in stone. However, it is a good start and the options are available. History has shown that most of the successful real estate businesses are successful because they become very creative as they progress in their real estate adventures. The most important factor which contributes to their success is the ability to find the options and the course of action which best fit the owner's and company's needs.

Not only is it important to consider what form of business a start up Real Estate Company should consider. It is also important to consider why and why chose a particular market. In the following chapter we will discuss some particular point as to why the Florida real estate market. This will be done in the form of a pest analysis.

3. PEST ANALYSIS

The chart below lists some of the specific elements which relate to Florida's real estate market. The list may not be complete, however, it does point out some important facts which should be considered while considering the issue of establishing a company within the Florida real estate market.

<p>Political Factors</p> <ul style="list-style-type: none"> ➤ Governmental support ➤ Tax breaks ➤ Politically stable ➤ Great infrastructure 	<p>Economical Factors</p> <ul style="list-style-type: none"> ➤ Expected economic growth ➤ Startup Capital ➤ Government Spending ➤ Consumer confidence
<p>Social Factors</p> <ul style="list-style-type: none"> ➤ Health Consciousness ➤ Population growth rate ➤ Age distribution ➤ Career opportunities ➤ Leaser time ➤ Living Conditions ➤ Income distribution 	<p>Technological Factors</p> <ul style="list-style-type: none"> ➤ Research & Development ➤ High speed train ➤ Kennedy Space Center ➤ Grumman ➤ Bowling

Figure 6: PEST Analysis Factors Specific to Florida's Real Estate Market

3.1 Political Factors

“The housing crisis was exacerbated by the government's role in encouraging home buying. In fact the American dream demanded ownership, and the federal government was in the business of making those dreams possible.”¹³ In the same manner, the government plays an important role in trying to jump start the economy once again. The government of Florida has taken this into consideration and is making many efforts to help rectify the housing situation in Florida's market. “Florida's government and economic development leaders work together to ensure that the state's business climate remains favorable to companies of all sizes.”¹⁴

There are many issues which influence Florida's political factors directly and make it a favorable place for a start up Real Estate Company to enter

¹³ Martinez, Matthew A. How to Make Money in Real Estate in the New Economy. P. 5

¹⁴ Business Climate, retrieved 14 February 2011
<http://www.eflorida.com/WhyFloridaSubpage.aspx?id=5444>

the market. Such benefits include the fact that the tax structure in Florida is set up in a way to attract entrepreneurs and new businesses. The competitive cost and the government policies makes it easy for a company to plan for the future and better the chances of making a profit as the business grows. The regulatory agencies of Florida also provide less costly, quicker and predicting permitting processes for major projects while considering the environmental standards.

Additionally, “The state of Florida is one of the nine states of United States of America which does not impose a personal income tax on its citizens unlike many other states in the country.”¹⁵ The economic development leaders and the government in Florida work together to make sure the business situation remains favorable for companies of all sizes who wishes to be a part of Florida’s economy.

Florida is also a “right to work state”. It is one of twenty two states which have the “right to work” law in the North America. The “right to work” law allows the employees to make the decision for themselves, whether or not to join and support a union. The law reads as follows:

The right of persons to work shall not be denied or abridged on account of membership or non-membership in any labor union or labor organization. The right of employees, by and through a labor organization, to bargain collectively shall not be denied or abridged. Public employees shall not have the right to strike. (Constitution Amended by General Election, 1944; Revised by General Election November 5, 1968)¹⁶

Business owners in Florida can have the peace of mind knowing that Florida ranks among the best states for companies because of its pro-business state tax policies. Florida also offers a competitive cost of doing business and a streamlined regulatory environment. Along with the Florida’s pro-business tax structure which offers the businesses of Florida a limited corporate tax shelter, and Florida’s over all political environments, these facts make Florida one of the best states to enter the market for a start up real estate Company.

¹⁵ Florida Economy 2010, retrieved 14 February 2011
<http://www.altiusdirectory.com/Business/florida-economy.php>

¹⁶ National Right To Work Legal Defense Foundation to Work, Retrieved 16-02-2011
<http://www.nrtw.org/rtws.htm>

FLORIDA— A Top State for Business FLORIDA. INNOVATION HUB OF THE AMERICAS.®
TAX ADVANTAGES
<p>Florida's stable and highly favorable tax climate provides advantages that make a Florida location profitable for every type of business. Progressive legislation also ensures that Florida remains a worldwide hub for new and expanding businesses.</p>
<p style="text-align: center;">Florida has...</p> <ul style="list-style-type: none"> • NO corporate income tax on limited partnerships • NO corporate income tax on subchapter S-corporations • NO state personal income tax guaranteed by constitutional provision • NO corporate franchise tax on capital stock • NO state-level property tax assessed • NO property tax on business inventories • NO property tax on goods-in-transit for up to 180 days • NO sales and use tax on goods manufactured or produced in Florida for export outside the state • NO sales tax on purchases of raw materials incorporated in a final product for resale, including non-reusable containers or packaging • NO sales/use tax on co-generation of electricity
<p style="text-align: center;">Florida offers Sales and Use Tax Exemptions on...</p> <ul style="list-style-type: none"> • Machinery and equipment used by a new or expanding Florida business to manufacture, produce or process tangible personal property for sale • Labor, parts and materials used in repair of and incorporated into machinery and equipment • Electricity used in the manufacturing process • Certain boiler fuels (including natural gas) used in the manufacturing process • Semiconductor, defense and space technology-based industry transactions involving manufacturing equipment • Machinery and equipment used predominantly in research and development • Labor component of research and development expenditures • Commercial space activity — launch vehicles, payloads and fuel, machinery and equipment for production of items used exclusively at Spaceport Florida • Aircraft parts, modification, maintenance and repair, sale or lease of qualified aircraft <p style="font-size: small; padding-top: 10px;">Production companies engaged in Florida in the production of motion pictures, made for television motion pictures, television series, commercial music videos or sound recordings</p>
<p style="font-size: small;">Combined with Florida's other business advantages and excellent quality of life, this cost competitive environment creates an unbeatable value proposition for both business owners and employees alike.</p>

Figure 7: Florida's Tax Advantages

Source: http://www.eflorida.com/Why_Florida.aspx?id=470

Accessed: 16.02.2011

3.2 Economical Factors

Economically, Florida has been one of the leading states when it comes to the down fall of the Sub-prime market which relied heavily on its real estate market. In the same manner, experts say that Florida will be one of the leading states to bring the U.S. real estate market out of the recession as well. Florida, like the nation's economy, is already showing signs of emerging out of the recession.

There are future plans for Florida economic improvements already in place. Written by Eric Spiegel in the Orlando Business Journal "At the end of October, Florida got a much-needed ray of hope for its hard-hit economy: The Federal Railroad Administration granted Florida's Department of Transportation an additional \$800 million in federal funding for high-speed rail, bringing the total to \$2.05 billion."¹⁷ This additional amount of money makes it easier for the state of Florida to generate income into its economy. The future high- speed rail is expected to stimulate the job market in more ways than one.

The rail system will be a catalyst for creating jobs in the production and maintenance high- speed rail in the short and long run alike. In addition, the rail system is expected to generate revenue for the state of Florida just by the mere fact that the rail will make commuting throughout Florida much easier for workers. The rail is expected to bring in between \$2.1 billion to \$2.9 billion annually with business sales and wages which are directly and indirectly related to the rail.

We cannot over look the space industry which is also considered to be one of the principal contributors to Florida's the economy. Statistics show that the space industry is worth \$4.5 billion. From that \$4.5 billion, the average annual wage of aerospace workers is approximately \$52,000. The amount of people employed at Kennedy Space Center (KSC) is 15,000. The amount of employees' employed by Kennedy Space Center is the reason why Florida is ranked 4th place among the states in aerospace employment which is a total of 23,000 jobs.

The economy of Florida is also heavily influenced by immigrants and foreign investors from all over the world. It is heard from all over the world that "Florida is set to be one of the bargain hotspots of 2010 for real estate investors with some properties selling for as little as \$47 a square foot, according to a new report."¹⁸ In many situations the prices of properties are below what they were in 2003. There is no surprise the word about Florida being the hot spot in the US is falling on ears of investor from all over the world. The state of Florida is especially popular with British and European buyers who feel it's best to return to the market now while the prices are still low and make the best use of the exchange rate.

¹⁷ Spiegel, E. Rail offers Florida economic growth, jobs, retrieved 14 February 2011
Published, Friday, November 12, 2010, 6:00am EST - Last Modified: Thursday, November 11, 2010,
7:06am EST

<http://www.bizjournals.com/orlando/print-edition/2010/11/12/rail-offers-florida-economic-growth.html>

¹⁸ Property Wire, Excessive Supply in Florida Real Estate Presents Opportunities For Investors. Published Tuesday, January 26,2010

**The Top Four States Attracting International Purchasers
Are Arizona, California, Florida, and Texas.**

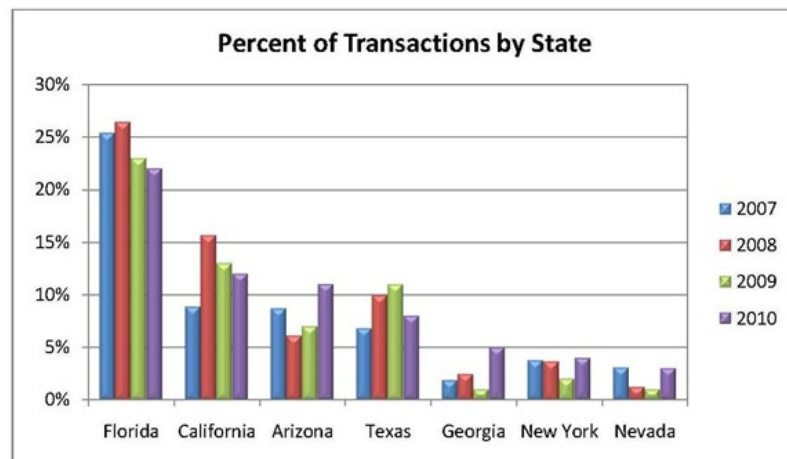


Figure 8: Percent of Foreign Investors Transactions by State

Source: http://newsodrome.com/real_estate_news/foreign-investment-in-u-s-real-estate-2010-the-stats-realtors-report-20717071/. Accessed: 16.02.2011

The recession rebound is now in Florida. Even though the sales of existing single-family home market dipped 15%, Sales of existing condominiums in Florida rose 11% in November according to the latest report from Florida Realtors. Tami Luhby from CNN Money writes, “Though the state is still digging out from the overbuilding excesses of the housing boom, home builders are ramping up their operations for the first time in four years. They are buying land, hiring workers and actually selling homes.”¹⁹ This is an indication that the easily manageable properties are starting to be picked out of the Florida’s real estate pot. This will lead to a chine of events. The properties are diminishing, then prices will go up and the real estate economy will return to its “correct” state. As an investor, it is best to get in on the ground level while it’s still right to invest.

3.3 Social Factors

Some of the social aspects of Florida are as famous as Florida itself. An example of this would be Disney and Universal Studios which are located in Orlando, Central Florida. There is also Daytona Beach, where the NASCAR races are held. In addition further south, there is the notorious Miami South Beach. Besides these obvious attractions, there are many other interesting features which cause people to flock to Florida. One such feature is the fascinating Florida Everglades which attracts biologist and spectators from all over the world.

Along with the above listed attractions, Florida in known for the sun. Being mostly surrounded by water, Florida offers an ample amount of open beaches where one could easily spend his or her entire day sitting and relaxing. “The National Association of Realtors says in its latest bulletin

¹⁹ Luhby, Tami CNN Money, Rebuilding Florida One house at a time. Accessed 15-03-2011. http://money.cnn.com/2010/04/16/news/economy/Florida_home_building/index.htm

that there should be a gradual improvement in property sales in 2011.”²⁰ There is no wonder why Florida is also known as the “Sunshine State”.

Tourism is one of the biggest money makers for Florida. It is expected that central Florida should experience a quicker comeback from the recession than most other areas in Florida because of attractions like Universal Studios and Disney World. There is no wonder that Florida is rated as the top travel destination in the world. The tourism industry of Florida makes up for about a quarter of the state’s economy. It is estimated to be about \$57 billion generated because of the warm tropical weather and miles of beaches attracts about 60 million visitors to Florida every year.

When it comes to population, Florida has been ranked as one of the fastest growing states in the US for many years. This growth is not expected to change anytime soon. It is only natural that as people visit the Florida, some will fall in love with what it has to offer and find a way to return on a more permanent manner. Below you will see a chart which illustrates this fact from 2010 to what is expected in 2015. “In this table, the "P" columns show total population in the corresponding year. For example, P2000 refers to the total population in year 2000. The "%" columns show the percent of state population relative to the total U.S. population in the corresponding year.”²¹

Rank	State	P2010	%2010	P2015	%2015
1	California	38,067,134	12.32	40,123,232	12.45
2	Texas	24,648,888	7.98	26,585,801	8.25
3	Florida	19,251,691	6.23	21,204,132	6.58
4	New York	19,443,672	6.29	19,546,699	6.06

Table 10: Total Population Estimates & Projections for 2010 through 2015

Source: <http://www.proximityone.com/st0030t.htm>

Accessed: 15-02-2011

With plans for a high-speed rail line which has the potential of bringing an economic growth and job creation to Florida, it is expected to generate about 20,000 to 27,000 new jobs. This information is according to a study from the U.S. Conference of Mayors and Economic Development Research Group Inc. The rail will also lead to shorter commuting time which not only increases the job market, but it also offers the ability for Florida’s residents to have more leaser time to spend on their personal needs.

3.4 Technological Factors

Florida’s flat land, moderately predictable weather and the competitive cost of doing business, makes it very attractive for different types of companies. These variables make it attractive for high technological, biological and innovated companies. Mentioned earlier, was the space industry which is well known throughout the world. Additionally you will find a number of biological and innovative companies who are already grounded in the state

²⁰ Property Wire, Florida Condo Prices Continue Their Slide
<http://www.nuwireinvestor.com/articles/florida-condo-prices-continue-their-slide-56744.aspx>

²¹ Proximity Resources to create and apply insight, State Total Population Estimates & Projections.

and many which are trying to get their foot into the system offered by Florida's environment.

In the respect of the day to day use of technology, Florida is as up to date as most other modern states and countries. The infrastructure is in place to make the best use of high speed technology, Satellite systems and any other modern technology which is available to the public and private sectors. This scope of technology growth will not change any time soon, it will only continue to grow and develop as information and technology becomes more prevalent.

4. SWOT ANALYSIS FOR FLORIDA'S REAL ESTATE MARKET

The SWAT analysis chart below has taken into consideration the Strengths, Weaknesses, Opportunities, and Threats which directly relates to a start up real estate company which have decided to enter the Florida's real estate market. The chart also takes into account the possible clients, investors, local and international conditions. Specific objective concerning the business goals and plans are accounted for. The list in the chart involves the identifying of internal and external factors. These factors reflect some favorable and unfavorable issues which need to be contemplated, in order to achieve the objective of a start up real estate company entering the Florida real estate market.

The objective of the start-up real estate company is to successfully enter the real estate market with a feasible amount of capital. The start-up real estate company aim, with the help of the SWOT analysis, is to be able to enter the market with the least amount of challenges and be better prepared for success.

The information used for the SWOT analysis was received from sources such as Property Wire, Florida Economy 2010, Florida Business, Primer on Forming a Business in Florida and many others which can be found in the appendix of this thesis. The information gathered are estimates and no guarantee. Therefore it is best for PIIRE and any other party considering investing into a start up real estate company to consider the information presented below. This will help in being best prepared for a successful future within their company.

<p>Strengths</p> <ul style="list-style-type: none"> ➤ Strong Governmental support for local businesses ➤ Great Tax breaks from state and local government ➤ Politically stable State and market ➤ Great infrastructure for real estate and new companies entering the market ➤ Continuous economic growth expected ➤ Low start up capital needed ➤ Continuous expected Population growth ➤ Great Career opportunities ➤ Prices are lower than they have been in years ➤ Easily accessible by air through many international airports. ➤ Information and research is easily attainable for Florida's market ➤ Owners/ operator know the market very well ➤ Owners/ operator have a lot of well established local business contacts ➤ Owners/ operator has the ability to react quickly to changes in the environment and the market 	<p>Weaknesses</p> <ul style="list-style-type: none"> ➤ Consumer confidence of foreigners may be low ➤ From a foreigner investors point of view it could be a seasonal location ➤ The tropical weather may be cause for unpredictable storms and hurricanes ➤ The local banks have tighten up on their lending habits ➤ New player to the market ➤ There may be an initial cash drain ➤ There is no established reputation about the company ➤ There will be a weak knowledge of the company
<p>Opportunities</p> <ul style="list-style-type: none"> ➤ Investors can buy low now with confidence ➤ Local competitors have become discouraged ➤ Due to the foreign exchange rate Pounds and Euros are worth more than the Dollar ➤ Local companies will welcome the idea of partnering up with foreign investors ➤ It can be easy to market Florida's real estate globally ➤ There is cost advantages from proprietary know-how 	<p>Threats</p> <ul style="list-style-type: none"> ➤ Strong competitive market ➤ Florida is coming out of its recession while the European markets are just seeing the blunt of the global recession ➤ The overall economic situation for Florida and the investors involved which could affect the market's demand ➤ Possibility of a natural disaster ➤ Environmental issues caused by over population ➤ The possibility of an increase or decrease in state regulations relating to foreign investor or home owners

Figure: 9 SWOT analysis chart pertaining to the Florida's real estate market

5. CONCLUSION

The real estate market can be considered to be an entity of its own. As in most economies there are always changes. The changes which the Florida real estate market is experiencing is not the first and more than likely will not be the last. The state, the country and the world is going through a recession and different phases will apply to different areas of the world as well as different business sectors within the particular areas of the world. The real estate industry is not immune to such phases.

According to Tami Luhby of CNN Money, Rebuilding Florida – one house at a time, published on April 16, 2010, housing activity is on the rise in Florida. The homes are not yet built up to the same standards as they had been before the recession. However, builders are gradually getting there.

P&I International real estate Company as well as other companies, not necessarily only within the real estate realm must make decisions which can account for the time and place in which they chose to do business. These decisions should not only account for time and place of business. However, there should be careful consideration about what capital should be spent, how to raise the capital and where the capital will come from.

In addition to the capital, the targeted markets' general economic state should also be considered. All three stages should be considered for the targeted market. The three stages should include, where have the targeted market been, where are the targeted market now and where will the targeted market be in the near and distant future.

The finding of this thesis indicates that now is a good time for P&I International real estate to re-enter the Florida real estate market. There are skeptics and there may always be. However history has shown that it may be the case that people who are willing to take a chance and go against what may be considered the “norm”, may be able to make a great difference in the world.

According to Matt Hudgins author of “Stars are Aligned for Bullish Apartment Outlook in 2011” indicates the importance for the investors to act now when it comes to purchasing real estate in the Florida market. “The U.S. economy has added 874,000 jobs since employment bottomed last December, and the 151,000 jobs added in October represented more than twice the number analysts had expected.”²² It is not difficult today to read an article about Florida's real estate and note that the articles are indicating that now is the time to move for the investor who wants to invest in Florida's market.

The majority of situations, experts and surveys indicate that now is a good time for a Florida real estate investor or company. Either a startup company or an existing real estate company stands to make a profit if they have a little time and money. The amount of capital spent will determine the amount of profit to be made.

Considering all the elements in place when it comes to Florida and the real estate market there, P&I International real estate has a great chance for a successful business. Taking into account the fact that the job market is in an upswing, the

²² National Real Estate Investor, Stars are aligned for Bullish Apartment Outlook in 2011. Published Dec 1, 1020

housing prices are in some cases lower than they have been in over 15 years, consumer confidence is begging to rise. “The Consumer Confidence Index is now at a three-year high, due to growing optimism about the short-term future,” says Lynn Franco, director of The Conference Board Consumer Research Center. Additionally, P&I International must also consider the exchange rate between the US and other countries with which they plan on doing business with. In today’s market most of the developed foreign countries currency has an advantage over the US dollar.

The best method which P&I International real estate may use to re-enter the Florida real estate market may be a combination of the methods listed above. It may be a wise decision to re-enter the market with a little or no capital entry mode and then get a feel for the “new” market and trends, then expand into a broader or different method. This would ensure that P&I International have a minimum chance of losing capital. However, if P&I International do not act as quickly as the market can, this could account for a loss in the long run. My meaning of this is, if P&I International is not aggressive enough, then they also take the chance of having a lot of potential profit slipping through their hands.

Throughout this thesis P&I International real estate will find a number of useful information which will help in their decision making. It is possible that the subject matter may raise more questions. However, it is likely that the most important questions have been answered in one way or another. It is with confidence that I can say that the thesis question of “What is the best way to enter Florida’s real estate market in today’s economy?” has been answered. P&I International real estate will have to determine how much capital they wish to start with and where would they like to receive the capital from. These two factors will determine how profitable the organization will be.

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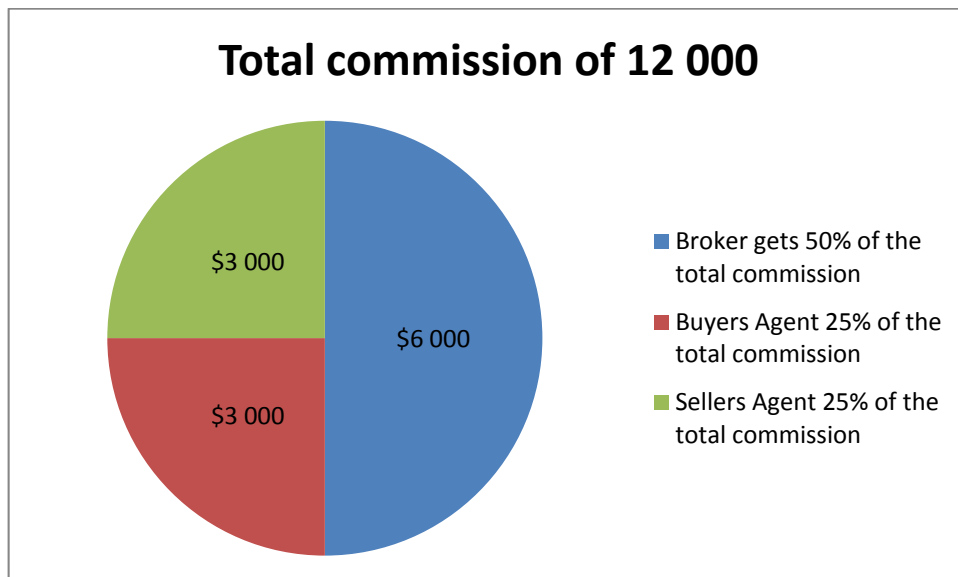
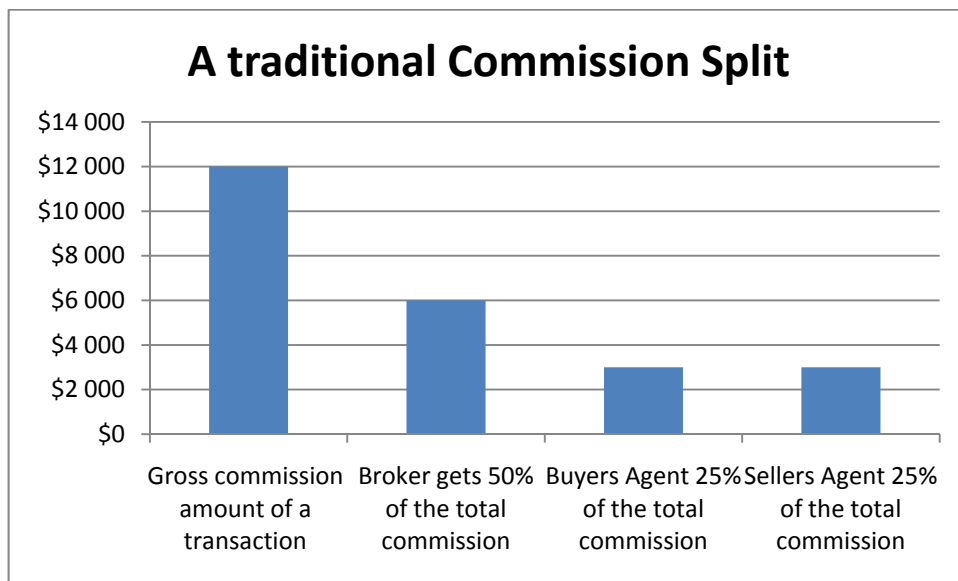
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7. APPENDIX

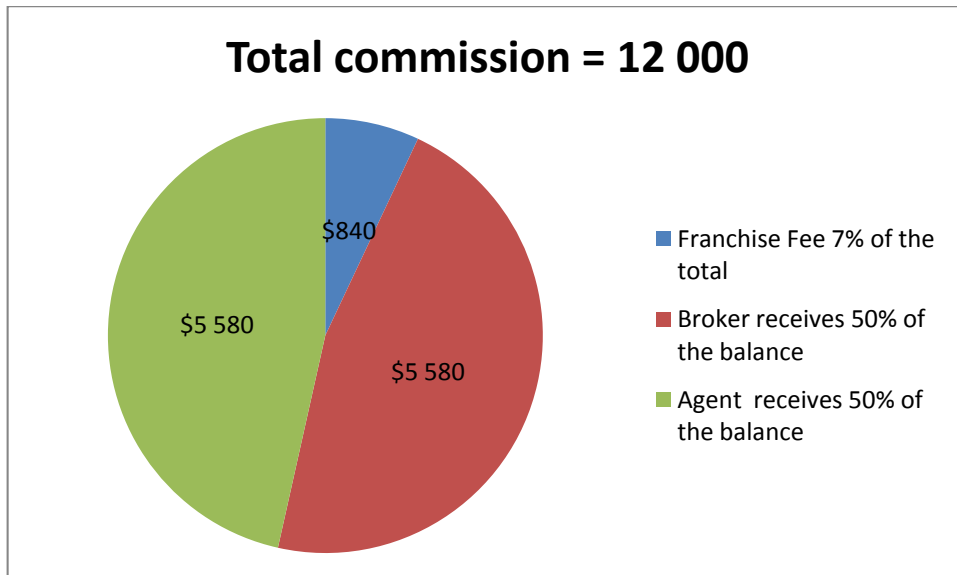
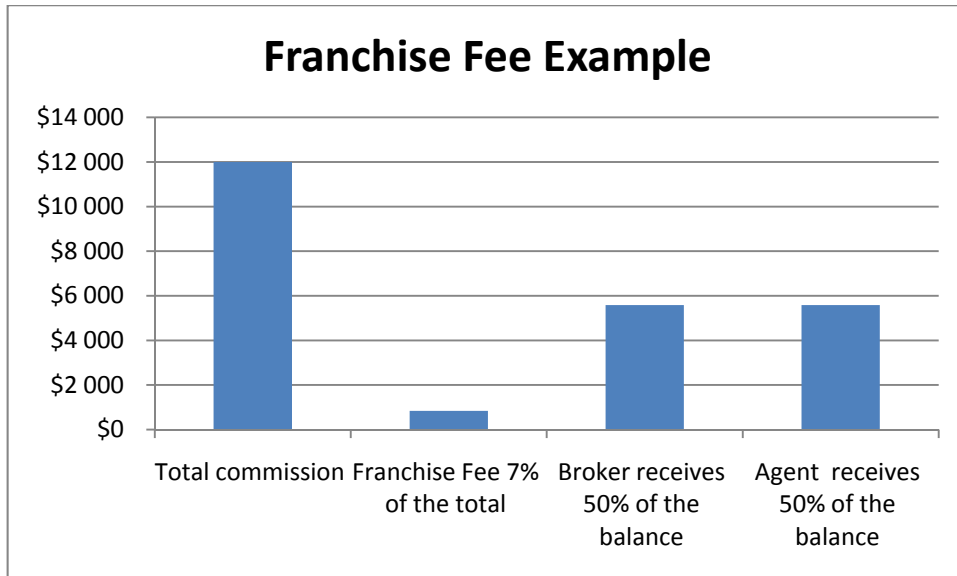
Commission Split examples

A traditional Commission Split	
Gross commission amount of a transaction	\$12 000
Broker gets 50% of the total commission	\$6 000
Buyers Agent 25% of the total commission	\$3 000
Sellers Agent 25% of the total commission	\$3 000



Franchise Fee Examples

Franchise Fee Example	
Total commission	\$12 000
Franchise Fee 7% of the total	\$840
Broker receives 50% of the balance	\$5 580
Agent receives 50% of the balance	\$5 580



FSBO and Owner Finance Examples

	Year	Amount	Acre	Profit
Bought	1909	for \$1000	140	
Sold	2009	\$1000/ acre	140	\$139000

Year	2008	2009
Jan.		\$ 125,00
Feb.		\$ 125,00
March		\$ 125,00
April		\$ 125,00
May	\$ 200,00	\$ 125,00
June	\$ 125,00	\$ 125,00
July	\$ 125,00	
Aug.	\$ 125,00	
Sept.	\$ 125,00	
Oct.	\$ 125,00	
Nov.	\$ 125,00	
Dec.	\$ 125,00	
Payment	\$ 1 075,00	\$ 750,00
Total Payments		\$ 1 825,00

Original Purchas Price	\$5,000
Total payments to date	\$1 825.
Interest for 1 year and 1 month	\$139.75
New Sales price	\$45,000
Deduct property price and Interest	\$5139.75
Total profit not including legal fees	\$39,860.25

Year	2008			2009		
	Original rents	Sublet rents	Fees and Taxes	Original rents	Sublet rents	Fees and Taxes
Jan.	\$ 800	\$ 900	\$ 150	\$ 850	\$ 950	\$ 175
Feb.	\$ 800	\$ 900	\$ 150	\$ 850	\$ 950	\$ 175
March	\$ 800	\$ 900	\$ 150	\$ 850	\$ 950	\$ 175
April	\$ 800	\$ 900	\$ 150	\$ 850	\$ 950	\$ 175
May	\$ 800	\$ 900	\$ 150	\$ 850	\$ 950	\$ 175
June	\$ 800	\$ 900	\$ 150	\$ 850	\$ 950	\$ 175
July	\$ 800	\$ 900	\$ 150	\$ 850	\$ 950	\$ 175
Aug.	\$ 800	\$ 900	\$ 150	\$ 850	\$ 950	\$ 175
Sept.	\$ 800	\$ 900	\$ 150	\$ 850	\$ 950	\$ 175
Oct.	\$ 800	\$ 900	\$ 150	\$ 850	\$ 950	\$ 175
Nov.	\$ 800	\$ 900	\$ 150	\$ 850	\$ 950	\$ 175
Dec.	\$ 800	\$ 900	\$ 150	\$ 850	\$ 950	\$ 175
Rents	\$ 9 600	\$ 10 800	\$ 1 800	\$ 10 200	\$ 11 400	\$ 2 100
Short term +/-			\$ -600			\$ -900
Total short term loss					\$	-1 500

Contracted sales price	\$ 200 000
New apprasied Price	\$ 270 000
Total Short term Loss	\$ -1 500
Total Potential long term Profit	\$ 68 500

Land Purchase Agreement

Date _____, Wilburton, Oklahoma

_____ agrees to sell and (Buyer's Name) _____ agrees to purchase the following described real property:

The N 1/4 of the SE 1/4 of Section 2, Township 4 North, Range 20 East, Latimer County, Oklahoma 40 acres more or less.

Reserving a non-exclusive 30 foot wide easement for public use for ingress, egress and utilities around property and on any existing roads or pipe lines.

Purchase price of \$48,000.00 to be paid as follows: NO down. Balance to be paid with interest from date of this contract at the rate of 9% per annum in installments of \$450.00 per month, or more, beginning on the 15th day of 1st month from the date of this contract and continuing until paid. There will be a \$5.00 late fee if any payment is delinquent over 7 days.

If Buyer pays a total of \$2,000.00 down within 30 days from this date, interest will be reduced to 7%.

Time is of the essence in this contract. In the event Buyer fails to make any scheduled payments when due Seller may mail Buyer, at his last known address, a 30 day notice to bring payments current. Buyer understands that if payments are not brought current within said 30 day period, Seller may keep all monies paid him and Seller will be released from any obligation of delivering title.

Buyer may have been shown photographs of the general area where the land in this contract is located, however, no representations are made that these pictures are of the exact parcel of land being sold. There may be a deed of trust or mortgage secure by this property, which Seller will make scheduled payments until paid in full. No oil or mineral rights are being sold. Any surface damages paid will be credit first on Land Purchase Agreement and remainder, if any, to Buyer. Taxes that become due after date of this agreement will be paid by Buyer.

The cash purchase price is \$48,000. The interest if all payments are made as agreed is \$48,175 The annual percentage rate is 9%. The total finance price with principal and interest is \$95,175. Total number of payments is 211. YOU MAY PAY THIS CONTRACT OFF AT ANYTIME AND INTEREST WILL STOP.

Buyer may cut down trees for a building pad and corral. Buyer will not cut down any other trees or plants until this contract is paid in full. Buyer may cancel this agreement and receive all their money back within seven days from date they sign a copy of this agreement.

This contract cannot be recorded and Buyer is aware he cannot receive a homestead exemption until he has deeded title.

Seller: [REDACTED]

P.O. Box [REDACTED]

Woodland Hills, CA 91365

[REDACTED] 329-1507

SIGN HERE _____

Address _____

City, State, Zip _____

Phone _____ Social Security # _____

	C-Corp	LLC	S-Corp
Type of Ownership	Stock, there may be different classes.	Membership interests. There may be different classes of membership.	One class of stock. Which may be voting or non-voting.
Eligible Owners	No restrictions.	No restrictions.	100 shareholder limit. No non-individual and no non-resident alien shareholders.
Management	Managed by director(s) and officer(s).	Managed by all members or designated manager(s).	Directors and officers.
Allocations of Ownership	None. Dividends must be paid based upon stock ownership.	Permitted if the allocations have substantial economic effect.	None. Income, gain, and loss pass-through to the shareholders based on the percentage of shares owned.
Liability of Owner	There is limited liability for shareholders, officers and directors.	There is limited liability for owner(s) and manager(s).	There is limited liability for shareholders, officers and directors.
Duration	Indefinite	Dissolves at the time specified in the Operating Agreement or upon the loss of a member unless other members agree to continue.	Indefinite
Transfer of Ownership	Shares freely transferred.	There may be restrictions under certain state laws.	Shares can be transferred only to eligible S-corporation shareholders
Meetings can be held anywhere	Yes	Yes	Yes

FLORIDA— A Top State for Business

FLORIDA. INNOVATION HUB OF THE AMERICAS.™

TAX ADVANTAGES

Florida's stable and highly favorable tax climate provides advantages that make a Florida location profitable for every type of business. Progressive legislation also ensures that Florida remains a worldwide hub for new and expanding businesses.

Florida has...

- NO corporate income tax on limited partnerships
- NO corporate income tax on subchapter S-corporations
- NO state personal income tax guaranteed by constitutional provision
- NO corporate franchise tax on capital stock
- NO state-level property tax assessed
- NO property tax on business inventories
- NO property tax on goods-in-transit for up to 180 days
- NO sales and use tax on goods manufactured or produced in Florida for export outside the state
- NO sales tax on purchases of raw materials incorporated in a final product for resale, including non-reusable containers or packaging
- NO sales/use tax on co-generation of electricity

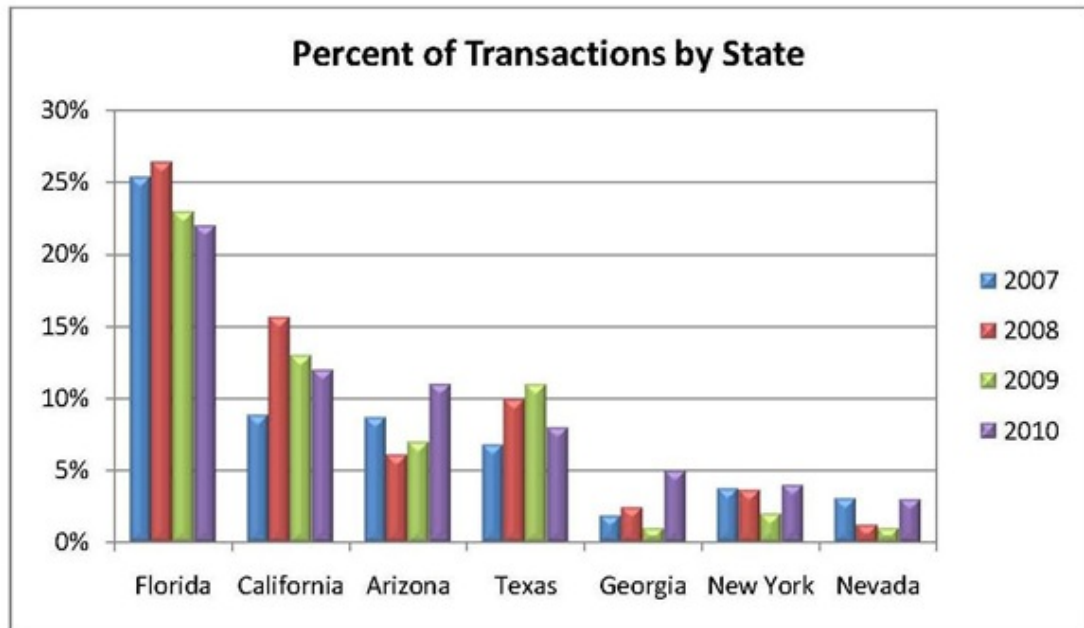
Florida offers Sales and Use Tax Exemptions on...

- Machinery and equipment used by a new or expanding Florida business to manufacture, produce or process tangible personal property for sale
- Labor, parts and materials used in repair of and incorporated into machinery and equipment
- Electricity used in the manufacturing process
- Certain boiler fuels (including natural gas) used in the manufacturing process
- Semiconductor, defense and space technology-based industry transactions involving manufacturing equipment
- Machinery and equipment used predominantly in research and development
- Labor component of research and development expenditures
- Commercial space activity — launch vehicles, payloads and fuel, machinery and equipment for production of items used exclusively at Spaceport Florida
- Aircraft parts, modification, maintenance and repair, sale or lease of qualified aircraft

Production companies engaged in Florida in the production of motion pictures, made for television motion pictures, television series, commercial music videos or sound recordings

Combined with Florida's other [business advantages](#) and [excellent quality of life](#), this cost competitive environment creates an unbeatable value proposition for both business owners and employees alike.

**The Top Four States Attracting International Purchasers
Are Arizona, California, Florida, and Texas.**



SWOT analysis for Florida's Real Estate Market

<p>Strengths</p> <ul style="list-style-type: none"> ➤ Strong Governmental support for local businesses ➤ Great Tax breaks from state and local government ➤ Politically stable State and market ➤ Great infrastructure for real estate and new companies entering the market ➤ Continuous economic growth expected ➤ Low start up capital needed ➤ Continuous expected Population growth ➤ Great Career opportunities ➤ Prices are lower than they have been in years ➤ Easily accessible by air through many international airports. ➤ Information and research is easily attainable for Florida's market ➤ Owners/ operator know the market very well ➤ Owners/ operator have a lot of well established local business contacts ➤ Owners/ operator has the ability to react quickly to changes in the environment and the market 	<p>Weaknesses</p> <ul style="list-style-type: none"> ➤ Consumer confidence of foreigners may be low ➤ From a foreigner investors point of view it could be a seasonal location ➤ The tropical weather may be cause for unpredictable storms and hurricanes ➤ The local banks have tighten up on their lending habits ➤ New player to the market ➤ There may be an initial cash drain ➤ There is no established reputation about the company ➤ There will be a weak knowledge of the company ➤
<p>Opportunities</p> <ul style="list-style-type: none"> ➤ Investors can buy low now with confidence ➤ Local competitors have become discouraged ➤ Due to the foreign exchange rate Pounds and Euros are worth more than the Dollar ➤ Local companies will welcome the idea of partnering up with foreign investors ➤ It can be easy to market Florida's real estate globally ➤ There is cost advantages from proprietary know-how 	<p>Threats</p> <ul style="list-style-type: none"> ➤ Strong competitive market ➤ Florida is coming out of its recession while the European markets are just seeing the blunt of the global recession ➤ The overall economic situation for Florida and the investors involved which could affect the market's demand ➤ Possibility of a natural disaster ➤ Environmental issues caused by over population ➤ The possibility of an increase or decrease in state regulations relating to foreign investor or home owners