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# Real Estate Market in Florida

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## **Abstract**

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Investing in real estate is a great way to become wealthy. The United States has some of the world's most expensive real estate properties, and many residents have become very wealthy in the real estate industry. The state of Florida has one of the country's most lucrative real estate markets. This thesis provides real estate investing strategies for the U.S. state of Florida and ways potential investors can start their careers in this field. Based on research from books, websites, and YouTube videos from real estate experts in Florida, this thesis will provide prospective investors with valuable information. The role of real estate is emphasized as a creator of jobs and economic growth. The thesis informs the reader on the basics of real estate, ways to find properties, laws pertaining to real estate, investing strategies, and various ways the industry impacts the state of Florida. Additionally, the thesis includes information on the geographical regions of Florida, which is suitable for investors who are unfamiliar with the geography of the state. This thesis aims to give potential investors valuable information so they can make good investing decisions. The thesis is an easy-to-read guide for understanding the complex real estate industry. Additionally, the thesis highlights the importance of the real estate industry to the state and to the economy of the United States

Keywords: real estate investing, wealth creation, entrepreneurship

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## 1. Introduction



Figure 1.1. Florida's location on the U.S. map. (Britannica, 2024)

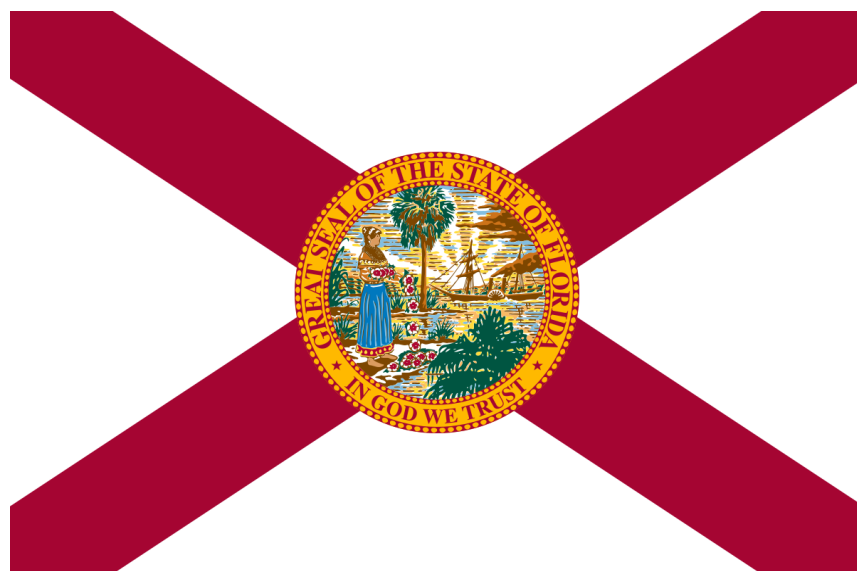


Figure 1.2. The state flag of Florida. (Wikipedia, 2024)

The beautiful state of Florida can be found in the southeastern region of the world's fourth-largest country by landmass, the United States of America. Florida is nicknamed "the Sunshine State" and has over 21 million people, making it the third most populous state in the nation. (Florida, 2024) For quite a while, Florida has been a destination for retirees, vacationers, and those from the Northern States who seek warmth. Historically, Florida has been popular, not only among the "Yankees" and retirees but also among a lot of real estate investors. In addition, the state attracts many real estate investors from all over the world. Apparently, investors love the unique landscape, booming economy, and warm weather the state of Florida has to offer. Florida offers numerous opportunities to anyone who wants to engage in the real estate industry. These range from luxury beachfront properties located in the coastal areas to more inland properties in Florida. This thesis aims to explore the complex and rewarding real estate market in Florida. This thesis offers insights into investment strategies, legal considerations, and the economic factors that make the state alluring for real estate investors.

With a strong economy backed by a growing population, Florida's real estate market offers a variety of investment possibilities. This ranges from residential to commercial properties, land development, and vacation rentals. Globally, Florida continues to attract international investors due to its unique geographical location, weather, attractions, and economy. These investors come from Canada, South America, Asia, and Europe. (Westlund R 2024)

One of the defining characteristics of Florida's real estate market is its diverse geography. With bustling cities like Miami and Orlando to beachfront communities along the coastlines, the state has a variety of properties that are suited for every type of investor. For example, Miami offers many luxury properties and vacation rentals that attract high-net-worth individuals and tourists. Properties in Orlando, due to the proximity to theme parks, will provide lucrative opportunities for investors with rental properties and commercial investments. Additionally, northern Florida offers real estate markets that appeal to investors seeking to invest in agricultural and land development.

This geographical variety not only enhances the attractiveness of Florida's market but also mitigates risk by offering investment diversification.

The real estate market in Florida is kept afloat by several key factors, such as strong job growth, favorable tax policies, and a good tourism industry. With no state income tax, Florida is also an attractive option for businesses and individuals. This further fuels demand for office spaces, shopping centers, and residential units. Additionally, Florida's tourism industry attracts millions of visitors each year. This ensures a demand for vacation rentals and short-term rentals. Collectively, these factors make Florida a lucrative state for both short-term and long-term real estate investments.

In general, basic real estate investment strategies can be utilized in Florida's real estate market. These strategies consist of buy-and-hold, vacation rentals, land development, real estate investment trusts, house hacking, et cetera. Each strategy has its own set of risks and rewards. This makes it essential for investors to understand market conditions, demographic trends, and legal frameworks before investing money. Florida's real estate market has plenty of opportunities, but it also has challenges. The state is prone to hurricanes, rising sea levels, and fluctuating insurance rates. These are all significant risks, especially for properties located in the coastal areas. Investors must be aware of these risks when considering investing for the long term. Additionally, regulatory challenges, such as local zoning laws and short-term rental restrictions, may complicate an investor's strategy for vacation rentals. Investors should stay informed about Florida's evolving legalities regarding property taxes, environmental regulations, and rental laws. Investors must ensure compliance and protect their investments.

Moreover, Florida's real estate market is influenced by demographic trends. The state continues to experience population growth of new residents. Many of these new residents are retirees seeking a warm climate and a lower cost of living. This demographic shift is leading to an increased demand for residential properties. This is mainly in the coastal and suburban areas. In addition, the state is seeing a growing population of younger professionals. These younger residents are drawn by Florida's

career opportunities, weather, and social scene. This phenomenon has spurred demand for urban apartments and commercial office spaces.

In conclusion, Florida's real estate market offers an abundance of opportunities for investors. This thesis aims to provide potential investors with the knowledge and tools necessary to enter Florida's real estate market. With careful research and strategic planning, investors can take advantage of Florida's dynamic real estate market and build successful careers in the real estate industry.

## **2. Definition of Real Estate**

Real estate is defined as property that includes land and buildings, as well as natural resources like crops, minerals, and water. It includes residential, commercial, industrial, and agricultural land, as well as any buildings or improvements permanently linked to the property. Real estate may be purchased, sold, leased, or rented for a variety of reasons, including residential residence, commercial usage, agricultural pursuits, and investment. (Peak Frameworks, 2023)

There are five types of real estate properties. These types are residential, commercial, land, industrial, and special purposes. Residential real estate includes any property utilized for residential purposes. Single-family homes, multi-family homes, condominiums, housing cooperatives, and townhouses are examples of residential real estate properties. (Chen, 2023)

Commercial real estate refers to any property utilized only for commercial reasons, such as apartment complexes, hotels, offices, parking lots, restaurants, shopping malls, stores, and theaters. Apartment complexes that have five or more housing units are generally considered commercial properties. (Chen, 2023) In British English, apartment complexes are called a blocks of flats. Special-purpose real estate is commercial real estate that is used for a specific purpose. Examples of special-purpose properties are

golf courses, government buildings, sports arenas, libraries, theme parks, places of worship, and schools. These kinds of properties cannot be easily converted for other purposes. (Investing S. of C.R.E, 2022)

Land is real estate that is undeveloped property, empty land, and agricultural properties, including farms, orchards, ranches, and forestry. Land is often referred to as the most fundamental kind of real estate. It is a limited resource that is essential to the creation of new properties. It may be categorized according to its intended function, room for growth, or environmental considerations. (Chen, 2019)

Industrial real estate properties are utilized for manufacturing, storing, and distributing purposes. These sites often need specific infrastructure and zoning. Some examples of industrial real estate properties are warehouses, manufacturing facilities, distribution centers, data centers, truck terminals, and car dealerships. (VTS, 2021)

### **3. Investing Strategies for Florida's Real Estate Market**

This section will discuss many effective investment strategies for navigating Florida's lucrative real estate industry. The goal of this chapter is to equip readers with the knowledge of the strategies needed to develop a successful and sustainable investment portfolio centered on Florida's properties. Additionally, the benefits and risks of each investment strategy will be discussed.

#### **3.1. Buy and Hold Real Estate**

The buy-and-hold strategy is a long-term investment strategy in which an investor buys a property and keeps it for an extended period of time. This strategy is one of the most common investment options because the owner can sell it later. But, in the meantime, rent it out to aid in financing the property. The property value will appreciate over time, especially in Miami, Orlando, Tampa Bay, and coastal towns. (Next Generation Land

Co, 2023) Not only could this strategy provide long-term appreciation, but it could also provide investors with steady a rental income. Investors should research communities with good job markets, low crime rates, good schools, and good amenities.

Generally, the main benefit of all real estate investment strategies is the potential for monthly income. However, there are certainly benefits associated with the buy-and-hold strategy. These are long-term property value appreciation, tax benefits, and protection against inflation. Investors implementing the buy and hold strategy will take advantage of various tax deductions on mortgage interest rates, property taxes, insurance, maintenance, and depreciation. Tax deductions can improve overall returns for investors and significantly reduce taxable income.

Regarding the benefits of inflation, the buy-and-hold strategy works well with inflation. This is because, as inflation increases, so do property values. Thus, the owner can increase the price of rent, resulting in the owner earning a higher rental income. This helps to keep pace with the rise in inflation.

Other benefits of this strategy include equity building, creating leverage, portfolio diversification, and tenant-paid debt reduction. Concerning the benefit of building equity, the equity from your investment can be leveraged for future investments, for example, as collateral for loans.

Creating leverage due to real estate investments can finance a huge percentage of the purchase price with a mortgage. This allows investors to control a valuable asset with a relatively small initial investment, which could magnify the returns on investments. Additionally, portfolio diversification from real estate investments reduces overall risk. This is because real estate investments will often have a low correlation with other asset classes like stocks and bonds. Lastly, tenant-paid reduction is a benefit because the paid rent from tenants will effectively pay down the mortgage. This particular benefit reduces an investor's debt over time.

Investing in real estate has many risks, just like any other kind of investment. First, the transaction costs are much greater when buying real estate as opposed to acquiring shares of a business. Second, real estate assets are difficult to sell quickly and readily without suffering a significant loss in value. This is known as their illiquidity. Buying properties also require investors to purchase maintenance and property management, and these costs can quickly increase. There is also a chance of property depreciation and a risk of periods with low vacancy, which will impact investors' cash flow. Finally, there are also legal risks associated with real estate investment. The legalities of investing in real estate in Florida will be discussed later in the thesis.

### 3.2. Vacation Rentals

The vacation rental strategy is a short-term investment strategy in which the investor purchases real estate for leisure- or vacation-related purposes for visitors and tourists. Vacation rentals are rented for a few nights or a few weeks. They are usually fully furnished, which creates a home-like environment for its guests, making vacation rentals an alternative to hotels. This type of real estate consists of a wide range of properties such as houses, apartments, condos, and cabins. There are even unique accommodations, like treehouses or houseboats. (Next Generation Land Co, 2023)

Florida is a very popular destination for vacation rentals. Buying property in "tourist hot spots" such as Miami, Orlando, and the Florida Keys could become very lucrative. Most investors who have vacation rentals are listed on online platforms such as Booking.com, VRBO, and Airbnb. These websites have made it easier to market properties and manage bookings.

Similar to the buy-and-hold strategy, there are many benefits to this strategy, such as property appreciation, tax benefits, portfolio diversification, and steady monthly income. The differentiation of this strategy is the potential to earn higher profits in a shorter time frame. The short-term nature of vacation rentals and the premium price consumers are willing to pay is the reason for this. Additionally, properties in Miami and Orlando will

potentially have high occupancy rates, and the demand will be higher during the peak seasons. Needless to say, vacation rentals are truly a cash cow for investors.

The risks concerning vacation rentals are seasonal demands, management challenges, and changes in regulations. Regarding the demands in seasons, the demands for vacation rentals will fluctuate seasonally, which impacts the investors' income. The success of this is solely dependent upon the location of the property.

As far as the challenges of managing vacation rentals, these particular properties are risky due to the fact that they can be more labor-intensive compared to long-term leased properties. And as for the regulatory changes, Florida's local regulations regarding short-term rentals could potentially change, which will affect the legality or profitability of the vacation rental strategy.

### 3.3. Fix and Flip

The fix-and-flip strategy (also known as fixer-upper) is when the investor buys properties needing of renovation, makes improvements, and sells them for a profit. This strategy is popularized by many American television shows, such as Property Brothers and Fixer Upper, Flip or Flop, Love It or List It, and many others. The fixer-upper strategy requires an investor to have a good understanding of local markets, renovation costs, and the ability to complete projects quickly enough to maximize profit margins.

The benefits of the fix-and-flip strategy are the potential for high returns on investment, tax benefits, flexibility in the market, quick turnarounds on investment, and having the capability to have hands-on control of the property. Regarding the benefit of having high returns, successful fixer-uppers may generate significant profits in a short time. Investors may typically expect much larger returns than standard investing opportunities. This strategy also forces appreciation due to property improvements made via renovations.

As for the tax benefits, the tax burden will be reduced because any expenses related to the purchase, renovation, and sale of the property will often be deducted. Now regarding the market flexibility benefit, this allows the investor to adapt to various markets. Investors need to buy fixer-uppers in upcoming or popular markets in Florida to capitalize on these markets.

In regards to the quick turnaround benefit, it's a great short-term investment. Typically, this fix-and-flip strategy spans from a few months to a year. This makes it a short-term investment compared to other real estate investments. Furthermore, this benefit gives the investor immediate capital gain. After the sale of the property, the capital gain can be quickly reinvested into new projects.

Lastly, regarding the hands on control benefit, the investors will have direct control over the entire renovation process. The investor can customize the property to meet the demands of the target market, which will enhance the property's appeal and saleability. Investing in Florida's fixer uppers definitely carries inherent risks. Some risks associated with the fix and flip strategy are renovation costs, market fluctuations, and regulatory issues.

### 3.4. Commercial Real Estate

The commercial real estate strategy is when investors buy, own, manage, lease, and/or sell properties that are intended for business or income-generating purposes. The main goal of commercial real estate investing is to generate a profit through rental income, appreciation, or both. Properties that are considered commercial real estate are office buildings, hotels, retail buildings, industrial warehouses, apartment complexes, or any property that is used for business purposes.

Commercial real estate investing offers many benefits for investors. These are typical benefits for investing in properties, such as high income potential, property value appreciation, tax benefits, protection against inflation, and portfolio diversification. But

there are some benefits to investing in commercial real estate that separate it from the other strategies, and these are the chance to establish professional relationships and the economic impact of commercial real estate on Florida's economy.

In regards to establishing professional relationships, commercial real estate investing creates meaningful professional relationships with other investors, real estate agents, property managers, and business owners. In addition, investors can establish good relations with their tenants because of the long-term lease contracts. Regarding the impact on the state's economy, commercial real estate can contribute to Florida's economic growth by attracting businesses, creating jobs, and improving the state's infrastructure.

Despite being quite lucrative for investors, commercial real estate has several risks that potential investors should be aware of. These risks are high competition, tenant risk, market risk, financing risk, management and operational risks, legal and regulatory risks, liquidity risk, and geopolitical risks. (Everett-Allen K, 2023)

### 3.5. Foreclosures and REOs

REO is an abbreviation for Real Estate Owned and it is a home that is owned by a lender that has not been sold at a foreclosure auction. Foreclosures are homes that are taken over by lenders when the homeowners fail to make mortgage payments. By using this strategy, investors can buy homes at prices that are below the market value. The homes may require repairs, but they are potentially profitable after being refurbished.

This particular strategy shares similar benefits with many other investing strategies, such as tax benefits, the potential for high returns on investment, and portfolio diversification. But there are several benefits this strategy possesses that differ from the other investing strategies. These are the lure of being bought at below-market prices, the steady supply of foreclosures and REO properties, and the benefit of having less competition.

In regards to the benefit of being below-market, this is quite self-explanatory. REO and foreclosure homes are being offered at really low prices, which is a great deal for investors. Regarding the steady supply of foreclosures and REOs, this benefit creates continuous opportunities for investors. Recessions and personal financial hardships create many foreclosures and REO properties in the marketplace. This will provide numerous opportunities for investors to find deals on properties.

Lastly, in regards to less competition, foreclosure auctions can be a bit competitive, but they often have fewer participants than traditional real estate markets. This can reduce bidding wars and enable investors to acquire properties at lower prices. In addition, banks and lenders managing REO properties may prioritize quick sales over maximizing profits; this will lead to fewer bidding competitors compared to open market listings.

Real estate owned and foreclosure investments have a number of risks. The following risks are connected to investing in REOs and foreclosures:

**Title Issues:** Liens, delinquent taxes, and claims from other creditors are a few of the complex title issues that often surround foreclosures. Resolving these problems may take a lot of an investor's time and money, and it might cause a delay in the property's transfer or sale.

**Market Risk:** Foreclosures are not immune to changes in the real estate market, which may be rather erratic. Investors may find that their assets are worth less than what they paid for them when property prices drop. The investment's profitability may be impacted by local market circumstances or economic downturns.

**Property Condition:** Since properties that are being foreclosed are sometimes sold "as is," they may not be in ideal condition. It's highly possible that prior owners did not maintain the property, which creates repair expenses for investors.

**Legal and Regulatory Risks:** The foreclosure process is controlled by Florida's state and municipal regulations. If an investor does not understand these regulations, they may face legal problems, penalties, or improper transactions. Also, any changes in foreclosure rules and regulations may have an impact on the investor's profitability.

**Occupancy Issues:** It's very possible for previous renters or owners to continue to live in their foreclosed homes. The eviction process in Florida is legally complex and will create an expense for investors.

**Management Challenges:** Managing foreclosed properties is quite laborious, and it requires specialized skills and knowledge. If an investor does not have this skill set, then it is advised to hire the required professional experts (attorneys, contractors, and property managers), which creates another expense for investors.

**Financing Challenges:** Compared to bank loans for regular homes, financing for foreclosed properties might be more challenging to get for investors. Properties in bad condition or in a mediocre market within the state may make banks reluctant to finance them. Liquidity may be limited for investors, as they often depend on cash or other forms of alternate funding.

**Liquidity Risk:** Investing in real estate properties is not as liquid as investing in stocks or cryptocurrency. Foreclosed properties take longer to sell, especially if they require extensive repairs or are located in less desirable areas.

**Competitive Bidding:** Prices for foreclosed properties might increase due to intense competition at auction. When there is intense competition, it is possible for investors to overbid and pay more than the property is worth, which lowers prospective profits.

**Hidden Costs:** Significant hidden expenses such as property taxes, homeowner association fees, insurance, and legal fees may exist in addition to the purchase price of

the home. If these expenses are not appropriately recorded, profit margins may be weakened.

### 3.6. Real Estate Investment Trusts (REITs)

REITs are companies that own, manage, or finance income-generating real estate (Moskowitz D, 2022). REITs gather funds from several investors to buy a portfolio of real estate assets and distribute profits to investors in the form of dividends. A REIT company's portfolio includes income-producing commercial real estate such as retail centers, office buildings, apartment complexes, hotels, et cetera. When investors have REITs, they are not building or selling physical real estate properties to make money.

So there are three types of REITs: equity REITs, mortgage REITs, and hybrid REITs. Equity REITs own and manage income-generating real estate. The main income sources for Equity REITs are leased spaces and collecting rent on properties. Mortgage REITs (mREITs for short) lend money directly to real estate owners and operators or indirectly via the purchase of mortgage-backed securities; revenue is created by the interest on these financial assets. Lastly, hybrid REITs are a combination of both equity REITs and mortgage REITs.

Many REITs are registered in the U. S. Securities and Exchange Commission (SEC for short) and are openly traded on a stock exchange. These are referred to as "publicly traded REITs". Some REITs may not be publicly traded, but they may still be registered with the SEC. These are referred to as non-exchange traded REITs, or non-traded REITs.

Investing in REITs is an excellent way for investors to get exposed to the real estate market in Florida without the need to directly purchase, manage, or finance properties. This is a benefit and there are other benefits such as portfolio diversification, liquidity, consistent cash flow, expert management, and protection against inflation. There are some risks associated with both publicly traded REITs and non-traded REITs. For

example, non-traded REITs do not trade on a stock exchange and this is a huge risk. (Moskowitz D, 2022)

### 3.7. Land Development

The land development strategy is the process of turning undeveloped land into valuable real estate properties. This real estate strategy has similar benefits to the other strategies (Chen, 2019). Here are the benefits on the land development strategy:

**Potential for High Returns:** Raw land will create a lot of value for investors. When investors convert undeveloped land into real estate properties, this will give investors a substantial amount of profit when selling or leasing. Also, real estate has the benefit of appreciation, and the value of these properties will increase over time.

**Investment Portfolio Diversification:** The land development strategy can help diversify risk in a real estate portfolio by balancing reliable investments with development projects that can possibly have higher returns.

**Customization and Control:** Developers and investors can design and develop properties according to the current market demands in Florida. This will fulfill the needs and expectations of buyers or renters.

**Economic and Community Impact:** Developing raw land into real estate properties in Florida will create jobs in the state's job market and stimulate its cities' economies. Furthermore, this strategy will improve the infrastructure in Florida, which will ultimately benefit the communities in the state.

Here are the risks of land development strategy:

**High Upfront Costs and Financing:** This particular strategy is very capital-intensive, and financing these projects is quite risky. First of all, land acquisition, planning, permits,

and construction require significant upfront investment from investors. Secondly, it can be challenging for an investor to secure financing for this strategy, and if the investor secures the financing, it may come with high interest rates on loans.

**Market Risk:** Recessions can impact the demand for real estate properties. This will absolutely affect sales or rental income for investors. In addition, some communities in the state may become more popular, which will saturate the real estate market. This overdevelopment in particular areas can lead to increased competition and lower returns.

**Regulatory and Legal Challenges:** Zoning and permits can potentially become a hassle for investors. Obtaining necessary permits can be time-consuming. Unfortunately, this can potentially delay projects for investors. Additionally, investors have to deal with the state's environmental regulations for its communities. Complying with these regulations is costly and can add complexity to development projects.

**Construction Risks:** When building real estate properties, there is always the chance of delays due to weather, labor shortages, or other issues. For example, Florida has a rainy season from May to October. In the summer, it is quite normal to have thunderstorms in the afternoons and evenings; thus, these storms will slow the progress of constructing properties. The weather and these other issues can certainly affect project timelines and profitability.

**Environmental and Social Concerns:** Constructing new real estate properties may impact Florida's ecosystems. The development of raw land can lead to habitat destruction, pollution, and other environmental issues within some of the state's communities. This can potentially lead to opposition from the communities. Local communities may oppose development projects, which can potentially lead to legal battles and delays.

### 3.8. House Hacking

For the house hacking strategy, it is simply when an investor lives in one unit of a multi-family property (or even a single-family home or condo) while renting out the other units. This can help lower living costs and build equity over time for the investor. The house hacking strategy is an effective way for beginner investors to lower living costs, increase wealth, and obtain experience in real estate investing. Investors may maximize the advantages of this strategy by mitigating the risks. This can be done by carefully choosing properties, successfully managing tenants, and remaining knowledgeable about legal and financial issues. (Bonte Filipidis, n.d.).

Here are the risks of the house hacking strategy:

**Tenant Issues:** Investors may have tenant issues such as vacancies and problematic tenants. In regards to vacancies, any period without tenants can negatively affect the investor's income and their ability to cover mortgage payments. In regards to problematic tenants, these difficult tenants will cause stress, property damage, and financial loss for investors. It is highly advisable to conduct thorough background checks on potential tenants.

**Privacy Concerns:** An investor may have to share spaces with tenants, for example, if the investor is renting out a private room in their single-unit home or condominium. Having this close proximity to tenants will reduce privacy and personal space.

**Concerns about Property Management:** When an investor purchases a property and decides to use the house hacking strategy, the investor is responsible for the maintenance of the property. This will be quite risky if the investor is inexperienced with repairing properties; it may be advisable to hire professionals for this matter.

**Financial Risks:** Similar to other strategies, market fluctuations and the upfront purchase costs are risky.

**Zoning and Regulatory Issues:** The investor must ensure compliance with local zoning laws, building codes, and rental regulations in Florida. This is essential and can be complex, so this is definitely a risk.

### 3.9. Real Estate Partnerships

A real estate partnership represents an investment in which the strengths of two or more investors are combined into one property. The majority of partnerships are structured as active, otherwise known as general, or passive, otherwise known as limited partnerships. Generally, an active partnership is an arrangement in which all parties have equal responsibility regarding the day-to-day management. On the other hand, a passive partnership would represent outside capital from investors who are not as actively involved.

There are many benefits that the real estate partnership investing strategy can bring to an investor's portfolio. These benefits are leveraged buying power, risk mitigation, broader experience, and fast executions. Now there are absolutely some essential risks that concern the real estate partnership strategy. These risks are disagreements with partners, unbalanced workloads, and reliance on others.

### 3.10. 1031 Exchange

The 1031 exchange is the exchange of one real estate investment property for another, deferring capital gains taxes in the process. The term originates from Section 1031 of the Internal Revenue Code. The 1031 exchange is one of the strongest strategies to defer capital gains taxation within the state of Florida for real estate investors.

Briefly, here is how it works:

Subject to capital gains tax rates, taxes are normally due on sellers' resulting profits from the disposal of business or investment property. Using a 1031 exchange, the seller gets net proceeds and reinvests them in another "like-kind" replacement property—strictly within timelines—without having to pay taxes up front. Thus, the initial investment can keep growing tax-deferred, compounding returns over decades rather

than paying 25–28 percent of gains immediately to the IRS. As a result, it encourages portfolio growth; it requires that the proceeds be reinvested in property of equal or greater value.

There are a number of advantages to using the 1031 exchange for real estate investing. These benefits are deferred taxes, increased net worth, and a diversified portfolio. Similar to other strategies, there are risks that investors should be aware of. These risks are limited inventory, tight timelines, potentially deferred but not eliminated taxes, opportunity costs, and market risks.

### 3.11. BRRR method

With the BRRRR investing strategy, it entails flipping a distressed property to then rent it out and refinance with a cash-out option for buying other properties in need of renovations. The acronym stands for:

**B** - Buy

**R** - Rehab

**R** - Rent

**R** - Refinance

**R** - Repeat (Forbes, 2023)

The key benefits of the BRRR strategy are leveraged returns, strong cash flow, passive income, and portfolio growth. The risks are renovation overruns and the risks of tenants leaving damages or unpaid rent.

### 3.12. Wholesaling

Real estate wholesaling is when a wholesaler obtains a contract on a real estate property from its seller and sells the very same contract to an investor. Wholesalers start off searching for discounted properties to get under contract. Wholesaling real

estate is one of the most common strategies for beginning investors to invest without large capital.

Here is a breakdown of how it works:

A wholesaler finds motivated sellers and puts them under contract, but he does not use his own money for repairs or holding costs. Rather, he assigns the contract to another investor, an end buyer, for a small wholesale assignment fee, often one percent of the purchase price. After assignment, the end buyer assumes financing and performs repairs on the subject property before holding it for a rental or flipping it for a retail profit. (Bonte Filipidis, n.d.).

The wholesalers can recover the assignment fee and then move on to find the next wholesale deal, all without ever taking possession of the property. Wholesaling is one of those methods by which a new investor can get his or her feet wet with less risk.

Some benefits of the wholesaling real estate strategy are real estate appreciation, portfolio diversification, and an increase in net worth. The main risks of this investing strategy are the balance of supply and demand and inventory quality.

#### **4. Ways to Find Real Estate Properties**

Many investors are drawn to the real estate market in Florida—one of the states with big vibrant cities, beautiful coastlines, and extremely attractive investment possibilities. From getting that perfect vacation home to finding a viable investment property, the various diversities that Florida's real estate market has in place have something for any type of investor. This section explains where to find real estate in Florida for investing opportunities. These options will range from online marketplaces to real estate agents and many more. This section will help future investors be able to understand and use these tools to make the best decisions according to their goals and strategies in real estate. (Everett-Allen K, 2023)

## 4.1. Real Estate Agents and Brokers

For a new investor, working with real estate agents and brokers would offer many substantial benefits. When working with experienced agents and brokers, they will offer investors their vast network within the industry, knowledge of targeted markets, experience, access to great deals, et cetera. If new investors would like to work with agents and brokers, then it's imperative to find the right real estate agent or broker. (Thomas B, 2015: 134)

## 4.2. Online Real Estate Marketplaces

If an investor is looking to buy a residential home or a commercial property, then these online real estate marketplaces mentioned here would be ideal places to search. The listings on these websites provide valuable detailed information for home buyers and investors.

Here are some of the best online real estate marketplaces for residential homes:

**Zillow:** Zillow is one of the largest and most popular real estate websites in the United States. It has vast listings of homes for sale, homes for rent, and property estimates. On Zillow, there are photo-enabled property descriptions, virtual tours, and information about the neighborhood.

**Realtor.com:** Run by the National Association of Realtors, Realtor.com is another similar source of correct, current listings directly from the Multiple Listing Service. Detailed property information; high-quality photo coverage of interior and exterior views and perspectives; market data; and tools to compare neighborhoods and schools are all rolled into this great site.

**Redfin:** Redfin is a technology-driven real estate brokerage that provides granular property listings, market insights, interactive maps, virtual tours, and property history. It provides discounted commissions to sellers selling through Redfin agents.

**Trulia:** Part of the Zillow Group, Trulia hosts detailed listings with neighborhood insight containing crime maps, ratings of local schools, and all other community details. It does a really nice job of getting into the nitty-gritty of the neighborhoods you might want to move into and figuring out specific services in that area.

**Multiple Listing Service (MLS) Websites:** The websites of the MLSs draw listings from real estate agents and brokers and form one of the most comprehensive sources of property data. Most local real estate agency websites provide erstwhile users with the same listings based on the principle of an MLS, thus providing the most up-to-date and correct property information. (Thomas B, 2015: 262)

**Homes.com:** Homes.com has extensive listings of residential properties sorted by price, location, and home features, along with neighborhood data and property value estimates. It also offers tools related to the process of selling or buying a home.

**Movoto:** Movoto maintains extensive listings of residential properties and offers price comparison tools for homes, along with neighborhood statistics and market trends. Movoto also makes it easier to get access to local and skilled real estate agents.

**Century 21:** Century 21's website contains a vast database of listings, detailed property descriptions, property photos, and virtual tours. Other tools available for buyers include mortgage calculators and information about neighborhoods.

**Coldwell Banker:** Visitors to the Coldwell Banker website can get full residential property listings that include virtual tours and detailed property descriptions. Local market conditions could also be analyzed, and there is also access to experienced real estate agents.

**Remax:** A large residential property listing inventory is what Remax offers, with detailed descriptions of properties like photos and virtual tours. It also includes market analysis tools and the services of a professional will agent.

**Opendoor:** Opendoor simplifies the process of buying and selling in real estate, offering instant sellers and a variety of listings for buyers. It offers advanced and detailed

property descriptions with corresponding quality photographs and virtual tours. Opendoor prides itself on an easy-to-use platform with transparent pricing.

**ZipRealty:** ZipRealty provides detailed residential home listings and market analysis with home value estimation tools. It has detailed property descriptions, photos, and access to local real estate agents.

**HomesforHeroes:** If you are a U.S. citizen and you're an active or former law enforcement officer, EMT, paramedic, firefighter, member of the U.S. military, healthcare professional, or education professional, you may qualify to receive financial assistance for a home. Investors with this career background may log onto [homesforheroes.com](http://homesforheroes.com) for further information.

Here are some of the best online real estate marketplaces for commercial real estate:

**LoopNet:** LoopNet is among the most comprehensive and popular sources of commercial real estate online marketplaces. Its database includes all types of commercial properties for sale and lease, from offices and shops to industrial properties and multifamily buildings. LoopNet is rich in property information, featuring photos, virtual tours, and market analytics.

**CoStar:** CoStar is the internet leader in information and marketplace provision for commercial real estate. It hosts a vast database of commercial properties together with analytical market data that includes property data and research/comparison tools. CoStar has wide applications among brokers, investors, and real estate professionals.

**CREXi:** CREXi means Commercial Real Estate Exchange, Inc.—one of the fastest-growing commercial real estate marketplaces. This platform provides enormous volumes of commercial property listings for sale and lease, accompanied by property details, photos, marketing tools, and an inside online commercial real estate auction platform.

**CommercialSearch:** CommercialSearch is one of the very robust frameworks for finding commercial real estate listings across the United States. It has listings for office,

retail, industrial, and land. All property descriptions and photos, with advanced search filters, are available on the platform.

**Ten-X Commercial:** Ten-X Commercial is the leading online marketplace and auction platform for commercial property buyers and sellers with detailed property information, virtual tours, and market data. Ten-X Commercial Keller Williams Commercial conducts transactions of commercial real estate much more transparently and effectively.

**Brevitas:** Brevitas is a commercial real estate marketplace that offers a common platform between the buyer, seller, and broker. It offers exclusive listings and property information, marketing, and networking tools. Brevitas also opens up the chance of entering a private setting for off-market deals or private listing markets.

**RealtyMogul:** RealtyMogul claims to be a commercial real estate investing platform that enables investors to invest in commercial real estate projects, including office buildings, retail centers, multifamily properties, and industrial assets. RealtyMogul provides an in-depth look at the financial data of the investment, project summaries, and performance reports.

**Reonomy:** Reonomy is a commercial real estate data and analytics platform that provides granular property details, ownership information, and market insight. Not just a typical listing platform, Reonomy provides rich research and analysis tools for commercial properties and markets.

**CIMLS (Commercial Investment Multiple Listing Service):** CIMLS is a commercial real estate listing service that comprises a broad spate of commercial property listings, which include office, retail, industrial, and land. On this website, investors can access detailed property descriptions, photos, and market data. CIMLS is used by investors, brokers, and real estate professionals.

**42Floors:** 42Floors is a company that specializes in office space listings for lease and sale. On this website, it shows detailed property descriptions, including photos and virtual tours. The platform is designed to help businesses find the right office

space—advanced search filters are available, and one can compare different properties.

**PropertyShark:** PropertyShark offers both broad and deep property data and listings on commercial real estate, providing detailed information on a certain property, such as ownership details, property history, zoning information, and market data. PropertyShark is very useful in researching and analyzing commercial properties.

### 4.3. Real Estate Investment Networks

Real estate investing networks are proven to be a great way for upcoming investors to network with other investors, keep up-to-date on market trends, share information, find investment opportunities, and discuss with other real estate investors about their experiences and strategies.

Here are some real estate investment networks:

**BiggerPockets:** This platform is a large and very popular investing network. The platform provides forums, educational content, podcasts, and a marketplace for both deals and services. Here you can network with other investors, read articles written by industry experts, and view webinars that are available.

**Real Estate Investment Network (REIN):** REIN caters particularly to the real estate investor and gives them research-driven insight and strategy. The membership programs offer market analysis reports, networking opportunities, educational resources—basically everything an investor needs to make an informed decision.

**National Real Estate Investors Association (NREIA):** NREIA is a federation of local real estate investing associations across the United States. It allows members to network through educational seminars and finally get local and national resources. Each local chapter offers meetings and events that enable investors to connect once in a while to share knowledge with one another.

**Meetup Groups:** Meetup.com is a host to many different real estate investing groups all across the country. Most of those groups meet once a month, where investors go to network with others, share their experiences, and ask questions of guest speakers.

**Real Estate Investing Clubs:** These local real estate investment clubs are great for networking and frequenting local market activities. Most of these clubs have regular meetings, workshops, seminars, et cetera.

**Online Real Estate Investment Platforms:** Online investment platforms, which include Fundrise, RealtyMogul, and Roofstock, present fewer capital entries into investing in the asset class of real estate. These platforms are providing access to commercial and residential properties easily and making less pain for an investor who would need to put in the effort of diversifying the portfolio.

**LinkedIn Groups:** The various groups on LinkedIn are ones pertaining to real estate investing. These groups allow for the discussion of real estate news, investing strategies, and networking between professionals. Examples include "Real Estate Investment Group" and "Commercial Real Estate Network."

**Professional Real Estate Organizations:** These organized groups, like the Urban Land Institute and the National Association of Realtors, provide real estate professionals with a great deal of valuable resources, networking opportunities, and educational programs. Being part of organizations like these will expand knowledge on the industry, allowing an individual to network with other business professionals.

**Meta/Facebook Groups:** You can network and learn a lot from active Facebook groups focused on real estate investing. Groups like "Real Estate Investing for Beginners" and "Real Estate Investors Network" let you ask questions, share your own experience, and sometimes find investment opportunities.

**Local Real Estate Agencies and Brokers:** Integrated local real estate agents and brokers bring access to off-market opportunities and deep market expertise. Many agencies can also utilize open houses, educational classes, and networking events for investors.

## 4.4. Auctions and Foreclosures

For real estate auctions and foreclosures, there are special online marketplaces that offer not only a plethora of listings but also tools to help the buyer satisfy their needs at reduced prices. Some of the best online marketplaces for real estate auctions and foreclosures are:

**Auction.com:** Auction.com is a state-of-the-art platform for real estate auctions, from residential to commercial properties to foreclosures. This website has detailed information about the property, auction date, and even bid settings of the listed properties. Auction.com is user-friendly and has very comprehensive listings.

**Hubzu:** Hubzu is an online residential real estate auction marketplace for foreclosures, short sales, and REO. The website provides users with detailed property descriptions, photos, and bidding tools. Hubzu provides assistance for first-time investors in understanding the auction process.

**RealtyTrac:** RealtyTrac deals primarily with foreclosure listings. If investors decide to use it, they will be able to get access to auction properties, bank-owned homes, and pre-foreclosures. It provides very detailed property data on ownership details, loan history, and even neighborhood information. Using RealtyTrac is a rather good way to find distressed properties for investors.

**Xome:** Xome combines classical real estate listings with auction properties, offering a vast array of residential homes, including foreclosures. The website also provides detailed property information, virtual tours, and an easy-to-operate auction platform.

**Foreclosure.com:** Foreclosure.com focuses on listing foreclosed properties, such as pre-foreclosures, auctions, and bank-owned properties. It provides real estate investors with the largest database of distressed properties in the United States, accompanied by detailed information on properties, maps, and neighborhoods.

**Homesearch:** This platform belongs to Auction.com, and it is one of the biggest online real estate auction marketplaces.

**Bid4Assets:** Bid4Assets is an online auction marketplace for residential and commercial properties. On this platform, you will find foreclosures and tax lien sales. This website provides detailed property listings, auction information, and bidding tools. Bid4Assets is known for its government auctions and tax foreclosure sales.

**Williams & Williams:** Williams & Williams is an international real estate auction firm dealing in residential, commercial, and land real estate. It conducts live and online auctions and provides detailed property information, photographs, and auction schedules. This company depicts an open way of conducting auctions.

**Hudson & Marshall:** Hudson & Marshall specializes in real estate auctions, foreclosures, bank-owned property, and short sales. The website has an easy-to-use interface that is loaded with detailed property listings with photos and auction information.

**Zillow Foreclosures:** Zillow has a whole section dedicated to foreclosures, including pre-foreclosures, auction properties, and bank-owned homes. This website features detailed property information, photos, and market data.

**HomeSteps:** HomeSteps is the sales division of Freddie Mac for real estate. This website has foreclosure homes and REO properties.

**HomePath:** HomePath is Fannie Mae's division for real estate sales, providing foreclosed homes with REO properties, detailed property information, and photos, with special financing options available for buyers. Basically, selling Fannie Mae-owned properties to homebuyers and investors is what HomePath is into.

## **5. Applying for Real Estate Loans in Florida**

For new investors, looking to receive funding for investments is a strategic step that requires planning and clarity. Whether the investor is purchasing a first home, buying rental properties, or growing a commercial real estate portfolio, securing the right loan can mean everything for new investors. Florida's diversified real estate market has all

kinds of opportunities. Investors can truly earn significant amounts of money on these opportunities by properly dealing with the loan application process. (Lubin D, 2023)

Here are the types of loans that investors can pursue:

**Conventional Mortgages:** Private conventional loans, or non-government-backed conventional loans, are those provided by lenders such as banks, credit unions, and mortgage companies. These conventional mortgages are not insured or guaranteed by the federal government. This kind of loan needs a good credit score and imposes a bigger down payment compared to that of government-backed loans. (Thomas B, 2015: 346)

**Fixed-rate Mortgages:** The interest rate is fixed for the entire life of the loan, offering predictable monthly payments.

**Adjustable-Rate Mortgages:** This variety has an interest rate that changes periodically according to some benchmark or index, which will change the size of the monthly payments.

**FHA Loans:** Federal Housing Administration loans are backed by the United States government. They are made to assist first-time home buyers and people with lower credit scores or smaller down payments. FHA loans have easier qualification requirements, making them more available to a wider spectrum of borrowers.

**VA Loans:** VA loans can be used by eligible veterans, active-duty service members, and some members of the National Guard and Reserves. VA loans are government-backed with no down payment, no PMI required, and technically lower interest rates.

**USDA Loans:** The USDA offers loans to rural and suburban properties all across the eligible areas of the United States. These loans are for low- and moderate-income

borrowers, with no down payment required and incredibly low mortgage insurance costs, among other benefits.

**Jumbo Loans:** Jumbo loans consider properties that have values over the maximum allowed by the Federal Housing Finance Agency's conforming loan limits. These facilities are available for high-value properties seeking a higher credit score and an up-front, larger down payment, accompanied by additional documentation.

**Portfolio Loans:** In contrast to other loans, which are sold on the secondary market, portfolio loans remain in the possession of the lender. Portfolio loans are not fixed in content and hence more flexible in their terms, so they can be tailored for the borrower. Therefore, such loans are suitable for investors with unique or complex financing needs.

**Hard Money Loans:** These are short-term loans from private money lenders or investors. Basically, it is a recourse that is strictly dependent on the value of the property and not on the creditworthiness of the borrower. Such loans are often used for fix-and-flip projects or whenever there is an emergency need for financing.

**Bridge Loans:** Bridge loans are used to bridge the gap between the purchase of a new property and the sale of an existing one. These loans offer temporary financing that will assist in making a down payment or covering closing costs on a property until permanent financing is found.

**Commercial Real Estate Loans:** commercial real estate loans provide financing for properties used for business purposes, such as office buildings, retail spaces, and multifamily apartment complexes. These will be traditional banks, credit unions, or private lenders and will, without a doubt, have quite different terms and requirements than residential loans.

**Home Equity Loans:** These are the second mortgages that help you borrow money from the equity already created by your existing property. They offer one-time cash with fixed interest rates and fixed terms.

**Home Equity Line of Credit (HELOCs):** These loans provide a revolving line of credit from your home that can be used for large purchases.

**Construction Loans:** These are taken to finance the construction of new properties. The interest rates may be a bit higher, and it has a shorter term compared to traditional mortgages. The loan is often rollover-able to a permanent mortgage once construction is complete.

**SBA Loans:** Additionally, some SBA loans even provide an avenue for investment purposes for investors purchasing and refinancing commercial real estate, which would be the SBA 504 loan or even the SBA 7(a) loan. Among these many types of loans, probably one of the key features is more attractive terms and lower down payment requirements for qualified businesses.

## 6. Important Real Estate Laws for Investors

In order to comply with Florida's real estate laws and avoid litigation, the investors need to understand the laws in Florida. Many times, the guidance of an experienced attorney who is educated on Florida real estate law can provide proper information to investors. But it is also ideal for investors to be knowledgeable about the current real estate laws in the state of Florida. (Everett-Allen K, 2023)

Here are the state of Florida's real estate laws an investor should know:

Landlord-Tenant Laws

There are specific statutes in Florida that inform the relationship between landlord and tenant. These laws include, but are not limited to, security deposits, eviction procedures, and rights and responsibilities for both parties. In connection, it is necessary that the landlords and tenants understand and strictly comply with these enacted laws to avoid any legal problems going forward.

The Florida Residential Landlord and Tenant Act provides for various rights and responsibilities for landlords and tenants. For example, security deposit laws and the right to terminate a lease, as well as maintenance and repair duties. Security deposits should be returned by the landlord within 15 days if there are no claims or written notice of claims forwarded to the tenant within 30 days. In regards to evictions, a landlord may evict a tenant only for legal and grounds-based reasons and only after written notice and a court order directs the tenant to vacate the premises. (Thomas B, 2015: 153)

### Disclosure Requirements

In Florida, sellers are under legal obligation to disclose materially known defects in the property being sold. This would include problems with the structure, water damage, or any other conditions that would affect the value or desirability of the property in question.

Seller disclosures allow Florida sellers to detail any major defects they're aware of that aren't readily visible to a prospective buyer. This is to include the property's structure and systems, along with any environmental hazards. The Lead-Based Paint Disclosure is a federal requirement, mandating that if a property was constructed prior to 1978, a lead-based paint disclosure form shall be attached to this agreement.

### Property Taxes

Florida has an exemption known as a homestead exemption. This exemption reduces the amount of taxable value on their primary, owner-occupied residence. The exemption

also provides a few protections, which prevent the assessed value of the real estate from rising more than a certain percentage each year. There are, however, specific criteria and application requirements for this exemption.

The state of Florida's homestead exemption protects a share of the value of a home from assessed property taxes that are owed within the state. This will save qualifying homeowners a ton of money over the long term, as the value that a home is appraised at is significantly lowered. Also, the property tax assessments, such as Florida's "Save Our Homes" amendment, limit increases in the assessed value of property with a homestead exemption to 3% or the percentage change in the Consumer Price Index, whichever is lower.

### Zoning and Land Use Laws

Florida has zoning laws that govern usages of real property in different districts. From the point of such law, uses are provided allowable to different zones, residential, commercial, industrial, among others. It is imperative, therefore, to be informed about these laws to ensure observance upon development or modification of properties.

For zoning laws, Florida local governments have zoning regulations that dictate usage of lands for residential, commercial, and industrial land. Investors need to determine whether the local zoning laws in Florida will allow their intended use. In regards to development regulations, investors who want to develop properties or make major property changes should adhere to local building and environmental regulations and seek the relevant permits.

### Foreclosure Laws

In regards to judicial foreclosure, Florida is a judicial state; the foreclosure is done in court. It basically works through a lawsuit to get a court order and, finally, a public auction. In regards to the Right of Redemption, a borrower in Florida holds the right to

recover his property by repaying the full mortgage amount along with costs before a final court judgment in the foreclosure is delivered.

### Contract Law

In Florida, there must be purchase agreements. All purchase and sale agreements for real estate in Florida are to be in writing and should include all material terms, such as the price, financing terms, closing date, and contingencies. Also, in regards to As-Is Contracts, Florida allows "as is" contracts, where the buyer agrees to accept the property "as is." However, the buyer still may inspect the property and, upon a finding of some serious problems, may withdraw from the contract.

### HOA Regulations

HOA is short for Homeowners' Associations. In regards to HOA regulations, HOA-regulated properties have to be in line with the regulations pertaining to the use and appearance of the property. Generally, any modifications made to the property also have to be in line with such rules and regulations. The investor must take into account HOA covenants, conditions, and restrictions before any purchase is made.

As for Wetlands and Coastal Properties, Florida has stringent norms for wetlands and its coastal properties. For this reason, investors need to comply with state and federal conditions related to the development, preservation, and protection of these sensitive areas. In regards to the radon gas disclosure, Florida statutes require that sellers issue a radon gas notice to buyers, warning buyers against the danger of radon exposure.

### Title and Ownership Laws

In regards to the laws on title insurance, this insurance protects both the buyers and the lenders from any losses in case there happens to be any kind of defects or liens to the

property's ownership after the property is purchased. Afterwards, the seller must bring a clear title of the property to the buyer at the closing of the sale.

When it comes to the laws on joint tenancy and tenancy in common, the state of Florida law allows many forms of ownership, which includes joint tenancy (with right of survivorship) and tenancy in common. Each of these forms has relevant consequences for investment partnerships.

### Short-Term Rentals Laws

In regards to the local laws on short-term rentals, most Florida city and county governments have established their short-term rental regulations, which include licensing requirements, zoning category approval, and the number of occupants' height. One must adhere to the guidelines of that place when investing in a vacation rental property.

### Condo Laws

There are a large number of condominiums in Florida, so special laws have been introduced to regulate them. Laws have been made regarding the maintenance responsibilities, governance of associations, and methods to resolve disputes. If you are in any way interested in the management or acquisition of a condominium, you must become well-acquainted with these laws.

## **7. Characteristics of Real Estate as an Investment**

Applying the characteristics of real estate investing generally works for each particular state in the United States. But there are some risks that may only pertain to Florida. In this section, the characteristics of real estate investments will be discussed and how they pertain to Florida. The various factors that will be discussed are diversification,

liquidity risk, operational risk, occupancy risk, interest rate risk, leverage effects, market risk, inflation hedge, tax benefits, and capital appreciation.

## 7.1 Investment Diversification

Florida offers a lot of diversity, both geographically and economically. The state's many areas provide a range of overall investment opportunities. Investing in residential, commercial, industrial, and holiday rental properties allows investors to diversify their portfolios. Florida has many industries driving its economy, such as tourism, international trade, healthcare, agriculture, and technology. This enhances the internal diversification of the state.

Florida is also experiencing a large population expansion. Florida experiences one of the highest rates of population growth in the United States, which is fueled by both interstate migration and immigration from abroad. This demographic increase certainly creates the need for residential and commercial real estate, especially in the state's largest cities such as Miami, Orlando, and Tampa. (Florida Real Estate, 2022)

## 7.2 Liquidity Risk

The real estate market in Florida's major cities is known to have high demand that leads to faster sales. Despite this fact, real estate is an illiquid asset. Florida's "hot" markets, such as Miami, Orlando, and Tampa, have had shorter selling times compared to the state's slower markets. This can mitigate liquidity risk, especially if the properties are properly maintained or located in popular areas for retirees, vacationers, or businesses. (Everett-Allen K, 2023)

## 7.3 Operational Risk

Florida's real estate market has operational risks that are unique to the state. In the coastal areas, the risks of hurricanes and saltwater damage will increase the cost of maintenance on properties. Investors in these coastal areas that are vulnerable to

hurricanes and tropical storms must purchase higher insurance premiums and budget for repair costs, which will disrupt their cash flow due to property damage. Also, there are regulatory risks that investors have to be aware of. For example, in Miami Beach, the local government has implemented stricter regulations on short-term rentals like Airbnb.

#### 7.4 Occupancy Risk

Florida's economy is very reliant on the tourism industry, which can create occupancy risks in many of the state's most popular cities. These particular markets will experience rental demand that fluctuates due to being based on seasonal patterns, economic downturns, and external factors such as pandemics and natural disasters. Investors with vacation rentals and properties with short-term leases have to secure long-term tenants to mitigate occupancy risks. Due to Florida's high population growth, mitigating these risks can be executed

#### 7.5 Interest Rate Risk

In general, the Florida real estate market is likely to be affected by interest rate changes, especially due to the large amount of leverage typically used in real estate transactions. If rates rise, the cost of financing properties will increase, which will reduce profit margins for investors.

#### 7.6 Leverage Effects

Investors in cities with high population growth can use leverage effectively. During times of strong market appreciation, leverage can increase returns significantly. But, in some markets or regions prone to recessions or tropical storms, leverage can also amplify losses. Florida's high growth in certain metropolitan areas, such as Miami and Tampa, means that leveraged investments can potentially offer higher returns. However, investors must be cautious with leverage in more volatile or speculative regions where the market could experience corrections (Florida Real Estate, 2022)

## 7.7 Market Risk (Systematic & Unsystematic Risk)

Unfortunately, Florida is exposed to climate risks due to frequent hurricanes, flooding, and rising sea levels. These risks are very high in coastal markets such as Miami, Naples, and the Florida Keys. (Florida Real Estate, 2022) These are systematic risks that will frequently torture investors in the coastal regions. In addition, real estate properties in flood zones will carry additional insurance costs and are vulnerable to price volatility due to these environmental concerns.

Many markets in Florida have economic cycles and are too dependent on tourism. This reliance on tourism also presents systematic risk. Economic recessions can lead to downturns in tourism, which will affect the vacation rental of investors and the hospitality business. Investors would have to diversify their portfolios or focus on properties with year-round demand. For example, investors can invest in properties near universities, healthcare hubs, or business districts.

Each area has its own unsystematic risks. These risks are varying local regulations, zoning laws, and market conditions. For example, investing in the Orlando market may involve risks because of the theme park industry, while investing in the Fort Lauderdale market may be more impacted by the cruise line industry.

## 7.8 Inflation Hedge

In general, property appreciation and rent growth are beneficial to investors in any real estate market in the country. So, Florida's strong population growth and demand for housing have increased property appreciation in home values. This makes real estate a strong hedge against inflation in the state.

## 7.9 Tax Benefits

There is no state income tax in the state of Florida. This makes it an extremely attractive location for investors. There is the homestead exemption, which reduces property taxes for primary residences. Investors can be provided with a tax advantage when investing

in residential properties. There are also 1031 exchanges. Similar to other states in the country, Florida's investors can defer capital gains taxes through 1031 exchanges. (Florida Real Estate, 2022)

### 7.10 Capital Appreciation and Cash Flow

In Florida's high-growth areas, the property values have gone through appreciation because of the demand from both domestic and international buyers. Investors will have cash flow from rentals because of Florida's high tourism levels and growing population. This is creating a strong demand for both short-term and long-term rental properties.

## 8. Factors Impacting the Florida Real Estate

Demographic changes are essential to the Florida real estate market, indicating demand for different types of housing and influencing development trends. These demographic changes are concerned with the rate of change in the population, its age structure, both internal and international migration, and socioeconomics. A response toward these demographic trends is therefore expected of investors in Florida's real estate market for them to adjust strategies and satisfy the changing requirements within the population.

Environmental factors have a strong influence on the Florida real estate market. They may change property values, demand, or even market stability. Understanding these environmental factors is crucial for both buyers and sellers in the Florida real estate market, as they can significantly impact property values, insurance costs, and overall market trends. Florida's real estate market is impacted by these environmental factors: climate change, rising sea levels, hurricanes and tropical storms, high temperatures during the summer, and sinkholes.

Geopolitical, social, technological, and infrastructure factors greatly impact the real estate market of Florida. Geopolitical and social factors influence the Florida real estate

market through migration trends, economic policies, climate change initiatives, demographic shifts, urbanization, cultural preferences, education, employment opportunities, infrastructure development, and technological advancements. With an understanding of such factors, it could assist investors to properly make a decision to ride out the dynamic Florida real estate market.

## **9. The Importance of Florida's Real Estate Industry**

The importance of the real estate industry in Florida is quite clear. To put it simply, having a home is one of life's basic requirements. Florida's real estate industry supports the state's economy by generating employment and housing. Wealth may be generated by savvy Floridian real estate investors of all experience levels through smart business choices. Consequently, the real estate industry is very important to the state's economy and lifestyle for a variety of reasons. A few of the reasons include tourism, retirement homes, increasing population, job market, natural beauty, vacation, and second homes.

The Florida real estate market serves as the foundation of the state's economic well-being, with a variety of sectors hinging on it, while its contribution ranks at the forefront in the U.S. economy as a whole. Florida has the fourth highest GDP in the country, and it's the third largest state by population (Florida, 2024). Needless to say, the state of Florida is high importance for the country. The reasons the state's real estate industry is important are clear.

## **10. Regions of Florida**

Florida is the 22nd largest state in the country; it is 65,758 square miles long (170,213 square kilometers). Florida consists of eight regions: Northwest, North Central, Northeast, Central, Central East, Central West, Southeast, and Southwest. (Florida, 2024)

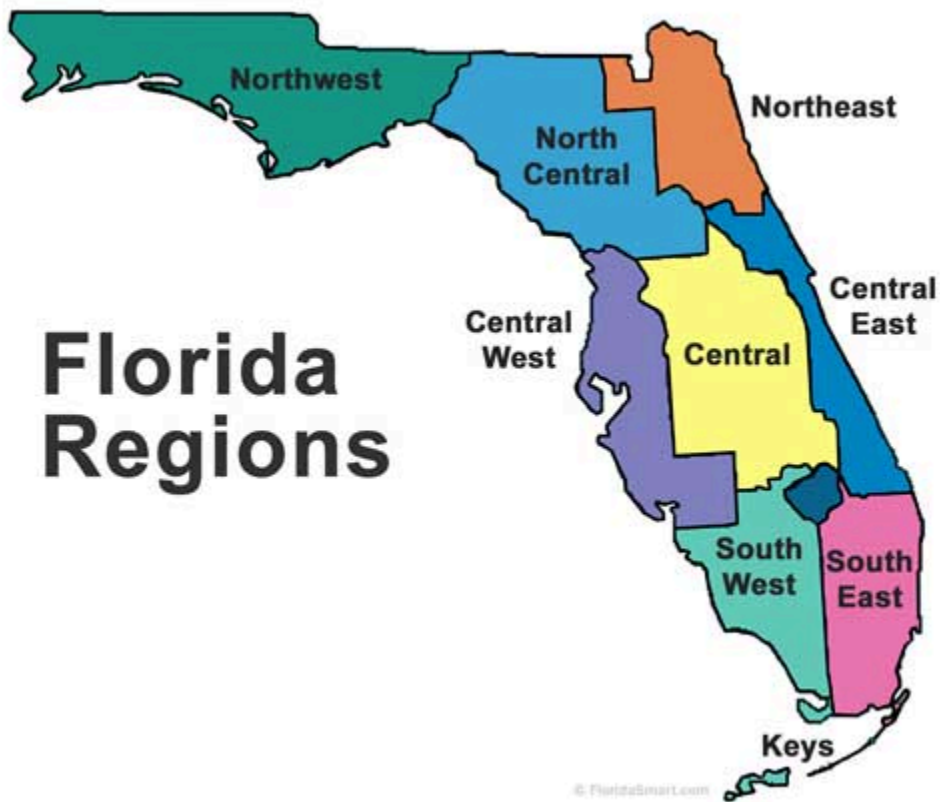


Figure 10.1. Map of Florida's regions. (Reddit, 2022)

Each region has its own unique characteristics and attractions. But, quasi-officially, Florida consists of three regions: North Florida, Central Florida, and South Florida (Florida, 2024). For the research purposes of this thesis paper, the differences, characteristics, and attractions of the three regions are discussed. There are many similarities between each region, such as amazing beaches, golf courses, and palm trees.

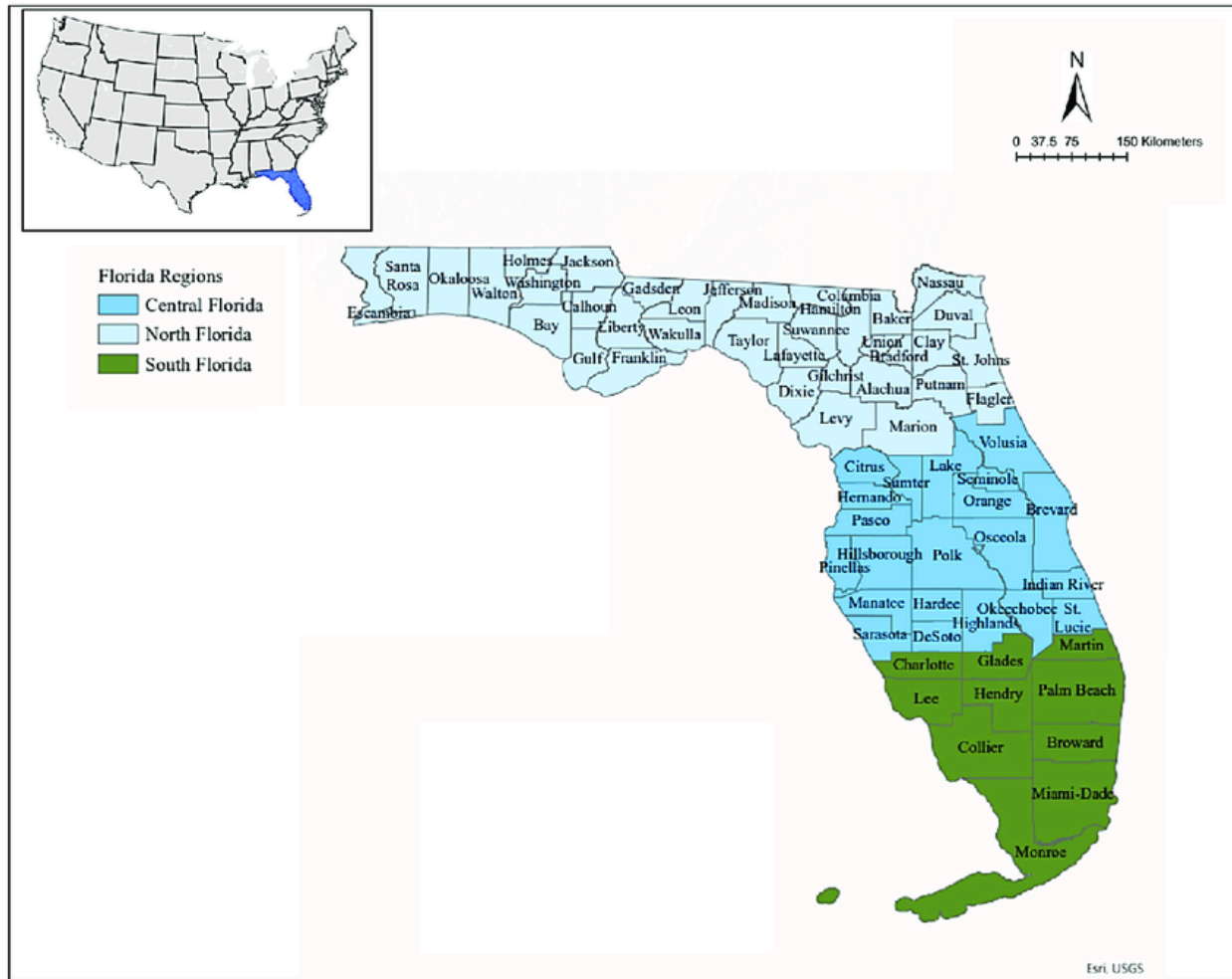


Figure 10.2. Map of Florida's state counties. (ResearchGate, 2022)

## 10.1. North Florida

North Florida is the northernmost part of the state. Its most notable cities are Jacksonville, Tallahassee, Pensacola, St. Augustine, and Gainesville. It has rolling hills, forests, and rivers, and the climate tends to be more temperate than the other two regions of Florida (Florida, 2024). Some attractions in North Florida are the city of St. Augustine (which is the oldest city in the United States), outdoor recreational activities, festivals, et cetera.

Residents of North Florida consider the region to be the most “Southern” in the state. Meaning it is the region that upholds “Southern” values, i.e., the Republican Party, Christianity religion, conservative views, Southern hospitality, et cetera. Unfortunately, the Florida Panhandle area of this region is nicknamed the “Redneck Riviera.” It has a bad reputation, and North Florida is my least favorite region of Florida! The region’s characteristics may steer some investors away.

## 10.2. Central Florida

Central Florida is in the middle of Florida. Tampa Bay, Orlando, Daytona Beach, and St. Petersburg are the most popular cities there. Central Florida is mostly known for its world-class theme parks. These theme parks include Walt Disney World Resort, Universal Orlando Resort, Sea World Orlando, and Legoland Florida Resort. The Walt Disney theme park receives over 17 million visitors per year, which makes it the most visited theme park in the world. This region also has other great theme parks and zoos. Daytona Beach located on Central Florida’s Atlantic Coast, is the headquarters of the stock car auto company Nascar, which holds the iconic Daytona 500 each year. (Florida, 2024)

Central Florida is the home to many major professional sports teams. In addition, another great attraction in Central Florida is the Kennedy Space Center, where the National Aeronautics and Space Administration launches its space missions. Overall,

Central Florida has a variety of entertainment, natural beauty, good weather, economic possibilities, and educational institutions. This makes it a lively, popular area of the state of Florida, which is ideal for many of Florida's residents. This region's attractions will definitely attract many investors.

### 10.3. South Florida

South Florida is located in the southernmost section of the state of Florida, and it is also the southernmost section of the continental United States. It is the only region to have tropical climates. South Florida is renowned for its vibrant culture, sandy beaches, ethnic diversity, and thriving cities. The most notable cities are Miami, Miami Beach, West Palm Beach, and Fort Lauderdale. (Florida, 2024)

Miami is the most visited city in Florida and is ranked the second most visited city in the country behind New York City. Miami is a business hub and cultural melting pot influenced by Latin America, the Caribbean, and other ethnic backgrounds. South Florida has plenty of great attractions, such as Miami's lively nightlife, the beaches, nature, etc.

Similar to its counterpart, Central Florida, South Florida hosts many major professional sports teams. South Florida is absolutely the most popular region in the state of Florida. This region is extremely popular for investors.

## 11. Conclusion

In conclusion, Florida continues to be a great state for investment in real estate because of its economy, tax benefits, warm climate, cultural diversity, and wide range of investing opportunities. This makes Florida's real estate industry an attractive destination for both domestic and foreign investors. This thesis is valuable because it offers insights and strategies on how best to navigate the real estate market in Florida. This thesis discussed lucrative investing strategies such as buy-and-hold, fix-and-flip, vacation

rentals, commercial real estate, et cetera. Factoring this in, all investors can make good decisions, mitigate risks, and harness their opportunities in Florida.

There are many good strategies, but there are many risks as well. The main risks investors may face are hurricanes and rising sea levels, fluctuating insurance costs, and the impact of local regulations on short-term rentals. Furthermore, climate change and market risks influenced by tourism also pose risks for investors. Investors must approach these risks strategically and comply with the legal framework of their target markets, which include zoning laws, property taxes, and real estate regulations.

Despite these challenges that potential investors may face, the opportunities outweigh the risks. With careful research, strategic planning, and an understanding of market dynamics, prospective investors can capitalize on Florida's lucrative real estate market.

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