

EXCLUSIVE

The X Factor for Distressed Condo Investors

By [Jennifer LeClaire](#) | Miami

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MIAMI—What if Governor Scott signs pending legislation that's sitting before Florida lawmakers provides protection to condo owners in bulk sales? It's an X factor that could change how distressed asset investors look at opportunities.

Jason Kellogg, a partner at Miami-based litigation firm **Levine Kellogg Lehman Schneider + Grossman** explained how two concurrent bills—SB 1172 and HB 643—would force bulk buyers of condominium complexes to pay a premium to holdout owners who don't want to dissolve the association in part one of this interview. Now, Kellogg explains exactly how these X factors could pan out.



GlobeSt.com: Traditionally bulk buyers buy units with the intent of dissolving the homeowners association, is this always the case? In what instances would it be beneficial to keep the association intact?

Kellogg: It's all dictated by the market. If the rental market is strong and the condominium building is in good shape then a bulk buyer may be incentivized to rent its units without first converting the condominium. With its share of the condominium units, the bulk buyer can control the association board and steer the ship until the market dictates converting the condominium fully to rental apartments, or selling the building and underlying land.

GlobeSt.com: How do you think the bills might influence investors and purchasers of bulk units if Governor Scott signs it into law?

Kellogg: If Governor Scott signs the bill into law, it would give potential buyers piece of mind that if the market declines, they won't be left in the lurch provided they continue to pay their mortgage and association fees. The new law may dissuade some new bulk unit buyers in buildings with a high percentage of original owners. But by and large, bulk buyers can resume business as usual.

The onus continues to fall on lenders, who's first mortgages will be deemed satisfied even if the condo sale does not fully pay off the mortgage. However, the bills do provide an exception for delinquent mortgagors that allows lenders to continue to pursue those owners who don't pay their mortgages.



GlobeSt.com: Bulk buying is a typically heightened during an economic slowdown as buyers look to capitalize on distressed properties, could these bills create an unintended consequence for the market as we see signs of cooling?

Kellogg: Possibly, but the more likely outcome is that bulk buyers remain sufficiently incentivized to continue taking distressed properties off the market.