

Why Condo Redevelopment Holds the Key to Florida Real Estate Investment

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In 2022, the Florida legislature passed a series of laws impacting the nearly 1.5 million condominium units throughout the state – along with the 28,000 associations tasked with overseeing the properties. These policy changes include stringent laws governing how condominiums are maintained, when structural inspections take place, and how association budgets and reserves are managed.

The new legislation has created a perfect storm for many residents and associations which are contending with costly repairs amidst looming deadlines. Aging condominiums are especially challenged as their residents weigh required upgrades against the reality that their buildings may be approaching functional obsolescence, making the underlying land more valuable than the structures themselves.

“In some cases, associations are bypassing compliance with the new laws in favor of terminating their condo and selling their property altogether. This dynamic is growing the inventory of available land and spelling opportunity for real estate developers and investors pursuing deals in Florida,” explains Carter McDowell, a Partner in Bilzin Sumberg’s Land Development and Government Relations Practice.

Record Population Growth Sparks a Hunt for Development Sites

As a peninsula surrounded by water on three sides, Florida is a land constrained market and the number of available development sites is limited. This scarcity of land is compounded by a surge in new residents, with the Census Bureau reporting that 320,000 Americans relocated to Florida in 2022 – more than any other state.

This population growth is fueling historic demand for residential and commercial real estate in communities across Florida, putting aging condominiums ripe for redevelopment squarely in the crosshairs of out-of-state developers seeking an

entry point into the market.

“While properties publicly listed for sale tend to attract intense competition, identifying off-market condominiums whose residents may be amenable to a sale is part art, part science,” explains Anthony de Yurre, a Partner in Bilzin Sumberg’s Land Development and Government Relations Practice.

Under the legislation enacted in 2022, every Florida condominium over 30 years old must undergo a structural evaluation conducted by a certified engineer and report the study’s findings to the local municipality. These reports ultimately become public record, creating a trove of information.

“A thorough review of these engineering reports, coupled with a deep understanding of local land use and zoning allowances, enables a trained eye to determine which properties are worth pursuing,” de Yurre adds.

Investment Opportunities Stretch Far Beyond the Waterfront

A recent wave of condominium terminations in South Florida has centered on premium waterfront sites which are destined to be redeveloped as luxury residential or hotel properties.

However, a closer look at Florida’s crop of aging condos reveals that many of these properties are situated far from the shoreline. In many instances, older properties located inland can be purchased at a lower per-unit price point and benefit from more flexible zoning, opening the door to a wider range of uses.

“So much emphasis has been on the waterfront, but in many cases, there is even greater opportunity inland, because in some cases the land is already zoned for higher density as a matter of right,” says Bilzin Sumberg Partner Sara Barli Herald, who focuses on public-private partnerships, affordable housing, and land development.

“From sites primed for affordable and market-rate housing, to office and retail, acquiring an inland property at a lower cost basis can result in a more favorable

long-term investment. The key to maximizing returns is understanding what can be developed, and at what cost, prior to executing on a purchase,” adds Herald.

Attend Bilzin Sumberg’s 2023 Redevelopment Conference in Miami

At Bilzin Sumberg, a multidisciplinary team of attorneys specializes in identifying Florida condominiums which may be suitable for redevelopment based on a host of factors, including age, required repairs, the association’s finances, property values, tax liabilities, insurance costs, and current and potential zoning.

From there, the Firm guides developers and investors through all phases of development, including the initial acquisition, securing entitlements, obtaining financing, and construction. In many instances, this involves creation of a joint venture which includes a local development partner that is well-versed in municipal affairs.

To learn more about condo redevelopment in Florida, [request an invitation to Bilzin Sumberg’s 2023 Development Conference](#), taking place on March 15th in Miami.

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