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Watch for more bulk buyers

From The Real Deal

BY THE REAL DEAL, MONDAY, JUNE 14, 2010.

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By **ALEXANDER BRITELL**

Gov. Charlie Crist signed into law a significant change to Florida's condominium statute late last night, giving bulk buyers a leg up in future purchases.

The highlight is a provision that protects bulk buyers from the liabilities they had been assuming by purchasing more than seven units in a condo.

Prior to the passage of the Distressed Condominium Relief Act, the Florida Department of Business and Professional Regulation's Division of Florida Condominiums deemed anyone who sold or leased more than seven units in a condo in one year a developer, meaning bulk buyers assumed the liabilities typically associated with developers, like construction warranties, along with issues of association control.

"Condominium law defines a developer as anyone who creates a condo, but also creates or offers units for sale or lease in the ordinary course of business," said Mark Grant, a partner at Ruden McClosky in Fort Lauderdale who helped draft the bulk-buyer provision.

"With the new law, it's very clear that a bulk buyer does not fit into the definition of the developer -- they're exempt."

The provision, which will go into effect July 1, has a limited two-year time window.

Supporters hope the new law will spur bulk buyers who no longer have to worry about potential liabilities. But many of the bulk deals that have been transacted this year, led by a wave of buyers in downtown Miami, involved private equity investors who weren't fazed by potential liability, and factored in that risk to their prices, said Condo Vultures Founder Peter Zalewski.

He predicted the law could have a stabilizing, if not upward, effect on bulk condo prices.

"The successor developer liability issue has been a concern and a stumbling block for institutional buyers," he said. "But it has not been a stumbling block for private-equity buyers. Private equity is going to be based on fundamentals, with some wiggle room for variances, while institutional buyers don't have that wiggle room."

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