Underwriting the Florida Commercial Premium

A Deal-Level Blueprint for Navigating State Transaction Taxes, Promulgated Title, and Due Diligence Costs

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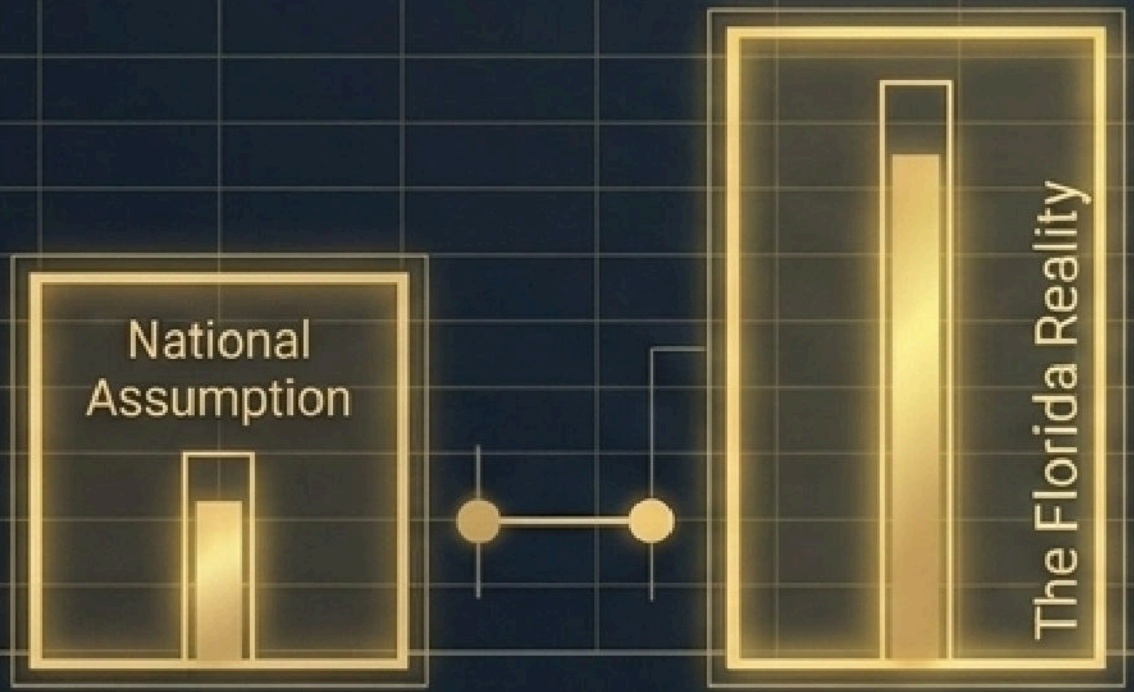
The Hidden Six-Figure Underwriting Gap

Florida commercial real estate closing costs routinely run 3.0% to 5.0% for buyers—meaningfully higher than the national average.



3.2%
of Purchase Price

(The standard national closing cost model).

4.8%
of Purchase Price

(The actual average for financed Florida commercial transactions).

The Equity Impact

On a $10 million acquisition, this 160-basis-point spread represents a $200,000 to $500,000 blind spot in cash-to-close requirements.

The Drivers

Three unique variables drive this premium: State-mandated transaction taxes, promulgated title insurance rates, and elevated hurricane/coastal insurance impounds.

Navigating Florida Custom and Allocation

Allocation Matrix

The Seller Stack (Typically 4% - 8% of Price)

- Deed Documentary Stamp Tax ($0.70 / $100)
- Owner's Title Insurance Premium (Varies by county; seller pays in many markets, but buyer pays in I-4 corridor)
- Title Search & Examination ($500 - $2,500)
- Listing Brokerage Commission (3% - 6%)
- Estoppels / HOA / CDD Payoffs

The Buyer Stack (Typically 3% - 5% of Price)

- Mortgage Documentary Stamp Tax ($0.35 / $100)
- Florida Intangible Tax ($2.00 / $1,000 of loan)
- All Lender Origination & Processing Fees
- Institutional Due Diligence (Appraisal, Phase I ESA, ALTA Survey)
- Lender's Title Policy (Simultaneous Issue)

Footer Note: Allocation is governed entirely by the Purchase and Sale Agreement. In REO and bank-controlled dispositions, sellers frequently dictate title selection.

The Florida Double-Taxation Engine

The Asset Transfer (Deed)

Deed Documentary Stamp Tax

Rate: $0.70 per $100 of consideration (statewide for commercial).

Impact: $1M purchase price = $7,000 tax.

Note: Miami-Dade's higher surtax ($1.05/$100) applies only to non-single-family, pushing commercial taxes even higher.

The Debt Creation (Note)

Mortgage Documentary Stamp Tax

Rate: $0.35 per $100 of new loan amount.

Nonrecurring Intangible Tax

Rate: $2.00 per $1,000 of loan principal (0.2%).

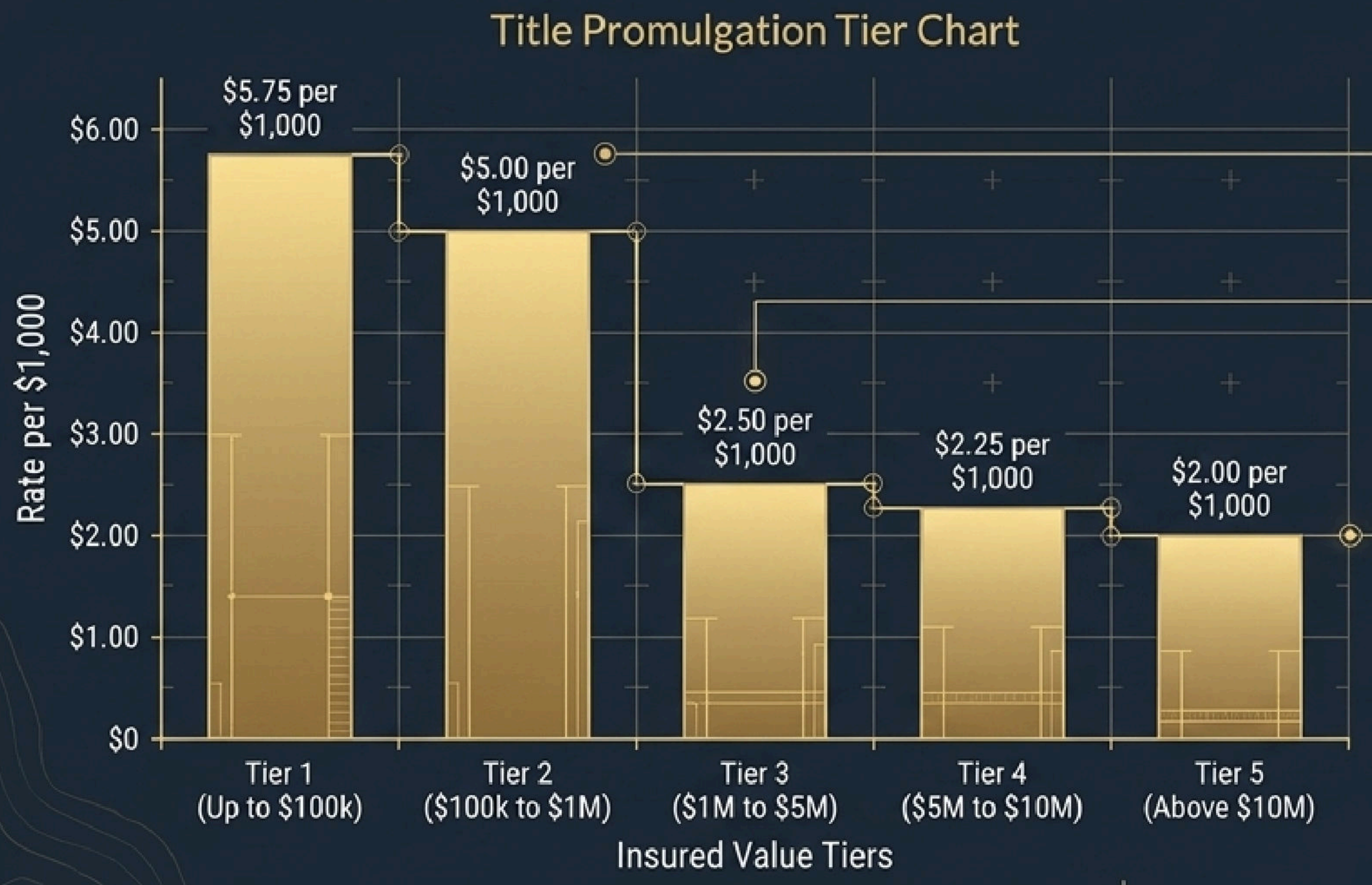
Impact: No maximum cap for commercial mortgages. Due at recording.

Synthesis Node

Combined state-level taxation on a $15M acquisition with a $10.5M mortgage generates exactly **$162,750** in unmitigable tax liability before a single dollar is spent on title or due diligence.

State-Promulgated Title Insurance Scaling

***Context Note:** Florida title insurance rates are set by the state (Rule 69O-186) and cannot be negotiated between insurers.*



Strategic Callout

The Tiered Calculation: Rates apply only to the portion of insured value within that specific bracket. A $5M property generates a ~$15,575 base premium.

Strategic Callout

Simultaneous Issue Discount: When a lender's policy is issued at the same closing as an owner's policy, the lender's premium is drastically reduced.

Strategic Callout

Endorsements: Institutional lenders require ALTA endorsements (3.1 Zoning, 9 Restrictions, 17 Access), adding incremental costs.

The Institutional Due Diligence Sequence

ALTA/NSPS Land Title Survey

Cost: $4,000 – $12,000

Driver: Mandatory for title insurers to remove standard survey exceptions. “Table A” optional items (flood zone, parking counts) significantly alter pricing.

Phase I Environmental Site Assessment (ESA)

Cost: $2,200 – $6,000+

Driver: ASTM E1527-21 standard. Central/South Florida industrial assets frequently escalate to Phase II ($8k-$25k) if historical contamination is flagged.

Legal & Structural

Cost: $3,500 – $15,000+

Driver: PCA (Property Condition Assessment), lease audits, and buyer-side real estate counsel.

MAI Commercial Appraisal

Cost: $3,500 – $10,000+

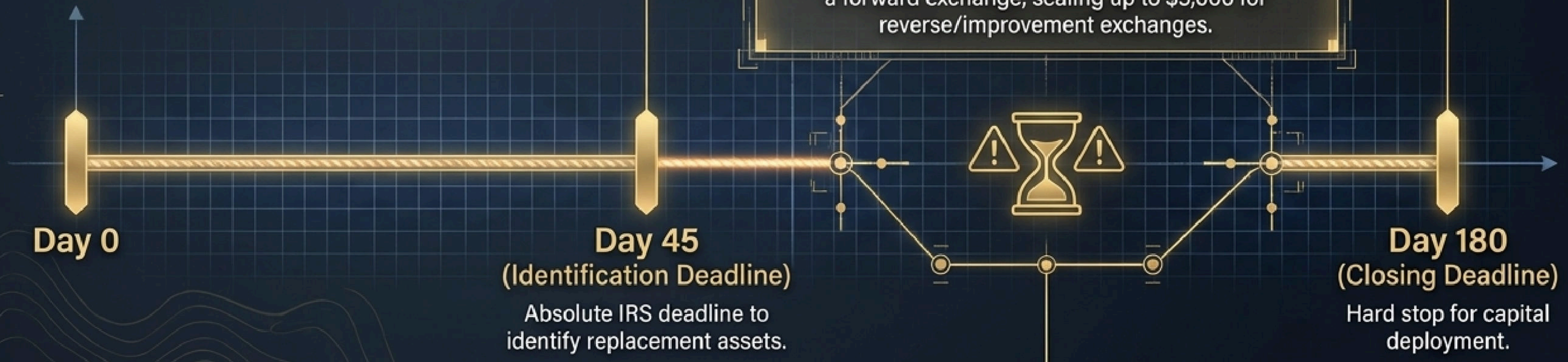
Driver: FIRREA-compliant, ordered directly by the lender. Timelines stretch 2-6 weeks.

1031 Exchange Execution Constraints

For exchange buyers, Phase I ESA backlogs, appraisal delays, or title defects are not just closing costs—they are schedule risks that can trigger full capital gains recognition.

The Cost Layer

Qualified Intermediary (QI) fees add $750–$1,500 for a forward exchange, scaling up to $5,000 for reverse/improvement exchanges.



The LGS Solution: REOMind.ai pre-screens deals for execution velocity, matching 1031 buyers on the clock with inventory that can clear the due diligence stack within statutory timelines.

How DSCR Dictates the Capital Stack

DSCR doesn't just determine approval—it is the primary driver of closing-statement reserves, rate pricing, and origination fees.

The Leverage Dial

Permanent Financing (DSCR 1.25+)

- Standard origination fees (0.5% - 1.0%).
- Normalized tax and insurance impounds (typically 6 months funded at close).

Transitional / DSCR Portfolio (DSCR 1.10 - 1.24)

- Elevated origination (1.5% - 2.0%).
- Maximized tax/insurance escrows (12-18 months).

Bridge Financing (DSCR < 1.10 at funding)

- Requires massive Debt Service / Interest Reserves.
- Can add $25,000 to $250,000+ in mandatory cash-to-close requirements while awaiting pro-forma stabilization.

Coastal Note: Post-2022 insurance constraints mean lenders frequently require 18–24 months of insurance escrow in flood-prone submarkets, regardless of DSCR.

Financing Structure Cost Matrix

Scenario: $1M Florida Multifamily Acquisition | 70% LTV ($700,000 Loan) | Assumed NOI $85k

	Conventional Bank (1.21 DSCR)	DSCR Portfolio (1.15 DSCR)
Loan Origination Fee	0.75% ($5,250)	1.50% ($10,500)
FL Note Doc Stamp Tax	$2,450	$2,450
FL Intangible Tax	$1,400	$1,400
Tax/Insurance Impounds	6 mo ($9,000)	12 mo ($18,000)
Debt Service Reserve	$0	3 mo ($13,500)
Title, DD & Recording	$26,500	$29,000
Bottom Line	**Total Closing Costs:** ~$44,600 (4.5% of price)	**Total Closing Costs:** ~$77,400 (7.7% of price)

The DSCR portfolio product requires an additional $32,800 in closing liquidity—a 3.3% premium paid for speed and tolerance of transitional assets.

The Total Cash-to-Close Benchmark

Scenario: $10M Institutional Grade Deal | 65% LTV | Financed Acquisition

The Buyer's Itemized Stack

Loan Origination Fee (0.5-1.0%):	$32,500 – $65,000
Doc Stamp Tax — Note ($0.35/$100):	$22,750
Florida Intangible Tax (0.2%):	$13,000
Owner's Title Insurance (Promulgated):	~$15,000
Lender's Title (Simultaneous):	~$5,000
ALTA/NSPS Survey:	$4,000 – $12,000
Commercial Appraisal:	$3,500 – $8,000
Phase I ESA:	$2,200 – $6,000
Lender Underwriting/Processing:	$2,000 – $4,500
Settlement / Recording Fees:	$2,000 – $4,500

Total Buyer Closing Costs: ~$162,000 – $226,000 (Excluding Down Payment)

Note: Excludes property tax/insurance impound reserves, which scale variably based on DSCR.

Institutional-Grade Execution

Michael R. Linton | Florida's Commercial Real Estate Authority

39 Years of Transaction Experience

Florida Broker License #BK703722

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Deal Sourcing: 1031DealFlow.com

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Advisory Services: HireMikeLinton.com

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Capital Markets: Linton Global Capital

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