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THE BOCA BEACH REPORT

January 2015

*Privileged
information about
your real estate*

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This publication is not a solicitation but is an information service from this real estate office.

How Negotiations Work

There are many homes available in the current market. Finding the right property may be the easiest part of the real estate purchase or exchange. When the negotiations begin and the buyer and seller do not agree on price and terms, the difficult part of the transaction starts. It helps in these negotiations for each of the principals to be as well informed on all aspects of the transaction, the property or properties and their values and current information on financing.

The Seller’s Side

A complete list of comparable sales prices of similar properties should be furnished to the seller. This must be properties actually sold. Other properties still on the market with an “asking price” should be furnished but should be given less emphasis. Only properties that have had the final “appraisal” of a negotiated sale price should be taken into serious consideration.

The best possible information for any seller is to have a professional fee appraisal done on the property. The cost is usually small in comparison to the value, and is worth it. Some owners have found out too late that they sold too low!

In finding the value of a property, either by appraisal or by a carefully prepared list of comparable

sales by a knowledgeable broker, a “range” of values will be given to the potential seller. Rather than a specific price, a small house may be worth from \$390,000 to \$415,000. A larger property might have a range of \$2,050,000 to \$2,200,000, for instance. A sale with much cash offered may be at the lower end of the price scale, with a higher price negotiated with less cash and a sale for terms.

This gives the seller confidence in the final decision on the asking price. They might list the property at the high end of the range, but have the knowledge to seriously consider an offer at the lower end. This seller might be totally comfortable in any negotiation that starts anywhere in this range. If a final agreement of the negotiation works out anywhere near the top of the range, it would be satisfying.

The Buyer’s Side

When the buyer enters the market for a property, it also helps in the final transaction to have him/her as knowledgeable as possible. Buyers often only see the “asking” prices on properties being shown to them. They should know more. The buyer’s agent should secure information on those comparable sales to give that buyer the same confidence in negotiation that the seller possesses. ➡

(continued)

Without sufficient information available, the potential buyer may make the decision based on a lack of information - the decision to do nothing!

The Broker

With knowledgeable and confident buyers and sellers entering into a negotiation, both will have the hope of working out a fair price and terms quickly, then closing the transaction.

Negotiations should begin with a broker, since the broker furnished the needed information in advance. In addition, brokers always use written documents, signed by the parties involved, to negotiate sales or exchanges. Negotiations are handled on a point to point basis, always in writing, so both parties have a complete written record. Here is an example of a simple negotiation between a buyer and seller in a sale transaction.

1. The seller lists a property for sale through his broker. Asking price after examination of comparable sales is **\$300,000** for the property. It is free and clear of loans.
2. Broker brings an offer from a buyer. Offer is at **\$270,000**, with a cash down payment of **\$90,000**. The terms are the seller is to carry back a **\$180,000** note secured by the property, at monthly payments of **\$2,000.00** including interest at **8%**, with the balance all due in five years. (Loans carried by the seller avoid bank approvals, appraisal fees, and "points").
3. Seller counter-offers. The price is to be **\$285,000**. Buyer to pay the **\$90,000** in cash and buyer to get new bank loan for **\$195,000**, giving the seller all cash in the sale.
4. Buyer sets new terms with another counter-offer. The sale price of **\$285,000** is accepted. Buyer to pay **\$90,000** down payment. Buyer will get a new bank loan of **\$150,000**. Seller to carry **\$45,000**

balance at **\$525.00** monthly including interest at **8%**, with the balance due in five years.

5. Seller accepts these terms.

Even though these changes in negotiations are very simple, they might have fallen apart without the patient and professional help of the third party real estate broker.

Negotiations with Terms

Price is important in any sale; terms can be just as important. A seller might get his "price" but lose something more important in the terms.

Notes carried by a seller are usually at higher than bank interest. Accepting a lower interest rate on a note carried back can be the same as cutting the selling price. Think of the difference between a \$100,000 note at 6% or at 8%. The 6% note might have payments of \$844.00 for 15 years while the payment at 8% for the same 15 years would be \$956.00 a month. This is a difference of \$112.00 a month. In the 180 months in the 15 years, this would be a difference of \$20,160.00.

Interest rates must be negotiated as carefully as the original price. The length of time covered by the note is just as important. In the note example, the 8% interest might have been a bad negotiation over the fifteen-year period. However, if the balance of the note became due in just one year, the \$112.00 a month would be for only 12 months, for a total difference of only \$1,344.00, an amount that the seller might find acceptable.

There are no limits to the things that can enter into the terms of a real estate transaction. Price might be sacrificed for an "all cash" sale. There might be considerations negotiated for a fast "closing" or a long wait until a close, for personal or tax reasons on either side. ❖

Can You Get The Money To Build On Your Lot?

When you buy a lot to build your new home, the seller may carry back part of the value in a loan secured by the land. The lot may have a value of \$50,000 and you pay \$25,000 down payment. You then have a loan of \$25,000 on the lot that you owe to the previous owner, often the developer.

Suppose you plan on building on the lot next year. Should you pay down or pay off the loan on the lot or save for a down payment on the house?

Many lenders want you to have at least a 20% equity in your home. If you have paid off the lot loan and your new home will be valued at least 25% more than the cost of construction, then the lender's 20% equity requirement will be satisfied. Your lot serves as equity, which is the same thing as lenders are looking for in a down payment.

Building on a paid-off lot is common, and life is always easier when you simplify bank paperwork. You would have to pay off the note on the lot when you acquire permanent financing on the property anyway. One common procedure establishes a credit line as a construction loan, then converts it into a conventional mortgage after the home is completed. This cuts closing costs on two loans. However, you may wish to use two different lenders.

As a practical matter, you ought to have some ready cash as a cushion, in addition to the paid-off lot. At the very least, before granting a construction loan the bank will want to see a construction contract and blueprints, which will entail a cash outlay for design expenses. In addition, try to build up a cash reserve for the unexpected bills. You will usually have them. ❖

Your Home's Value Is Important Even When Not Selling

Most owners have a general idea of the equity in their home. If you want a very close estimate, call me. There are many reasons to keep tabs on your value. While most real estate agents are not appraisers, we do have a feel for the market. I can give you a very accurate market analysis which can give you a good idea of value.

Here are a few ways that a market analysis can help you:

- Determine the investment soundness of a room addition or remodeling.
- Make realistic judgments in planning your estate or writing a will.
- Set the right selling price in line with other recent sales which might save thousands of dollars.
- To know if your insurance coverage is adequate.
- Make the decisions necessary if you are refinancing the home.

Making a fair-market analysis is an exact, detailed skill. For instance, in arriving at the value, the calculations include the following.

1. Measuring the size of the home and the lot. Checking the age of the structure and its condition. Evaluating the number of rooms, baths, number of bedrooms and extras such as decks, spas, size of garage.
2. Examining the condition of the exterior and interior. If selling soon, it can help to determine what repairs and refurbishing can bring you the top dollar.
3. Comparing the home with similar properties in the immediate area for sale or recently sold.
4. Looking at current interest rates and lender's criteria and market conditions with my experience in real estate sales and listings.

I can help you to know the value of your home today. Only a careful inspection and calculation can establish its unique position in the real estate marketing arena. Call me for an early inspection of the home. ❖

Buying In A New Condo Development

Many buyers of a condominium are familiar with how this type of property is sold in their state. When buying an existing condo, you can look and inspect the property, check existing records of monthly charges and fees. Buying a new condominium, often as a second home or retirement home in another state, the prospectus should be studied carefully. Another state may have laws you are not familiar with. Here are some of the things to watch:

- The prospectus will include a plan of the unit you are buying, showing the rooms of certain measurements. The plan is quite rough and omits closets. *The unit may be smaller than you think.*
- What if the prospectus includes this clause: *The interior design shall be substantially similar.* This might mean that the developer can alter the size and design of your unit.
- Often the estimated common charges sound unrealistically low. Rather than rely on the developer's estimate of common charges, find out the existing charges on nearby units that are comparable.

Common charges usually include: Electricity for hallways and outside areas, water, clean-up,

refuse disposal, common areas insurance, pool maintenance, groundskeeping, legal and accounting charges, reserves for future repairs. Developer may have omitted some of the charges and reserves on unsold units.

- The prospectus does not mention parking spaces. Each unit must have spaces designated and marked. If not, you may be leasing spaces from the developer.
- What if the prospectus does not state exactly how many units will be built in the development in different phases? If many more units are built, pools and other facilities are not adequate for the number of residents.
- The prospectus specifies that the developer shall be the property manager of the completed condominium. If the language used to spell out the common charges and management fees is not explicit, the owner's association may not be able to control monthly charges and fees.
- The prospectus might include this clause: *Transfer of ownership (of the common areas from the developer to the homeowner's association) will take place 30 days after the last unit is sold.* What if the developer deliberately does not sell one unit, continues to manage the condominium with highly profitable operating contracts with his subcontractors? ❖

Boca BEACHFRONT Availability

The following is a summary of the available and pending residences located on the East (BEACH) side of OCEAN Blvd. (A1A) in Boca Raton. 0.1% to 3.9% is Low Inventory * 4.0% to 6.9% is Balanced Inventory * 7.0% to 9.9% is High Inventory * 10.0% + is Excessive Inventory

North Beach

(North of Palmetto Park Road on North OCEAN Blvd. - Listed from North to South)

Address	Condo Name	TA	AA	%A	ADOM	Price Range	Average	PC
2150	Aegean	8	0	0.0%	0	SOLD OUT	N/A	0
2070	Athena	4	1	25.0%	46	2.95M	2.95M	0
2066	Ocean Reef Towers	55	1	1.8%	141	799K	799K	0
2000	Brighton	39	2	5.1%	77	1.05M to 1.4M	1.225M	0
S/T	North Beach	106	4	3.8%	85		1.550M	0

Boca Beach

(South of Palmetto Park Road to the Boca Inlet on South OCEAN Blvd. - Listed from North to South.)

Address	Condo Name	TA	AA	%A	ADOM	Price Range	Average	PC
250	Marbella	155	0	0.0%	0	SOLD OUT	N/A	0
310	Boca Mar	38	0	0.0%	0	SOLD OUT	N/A	1
350	Beresford	53	0	0.0%	0	SOLD OUT	N/A	2
400	Excelsior, The	27	3	11.1%	147	2.85M to 6.2M	4.083M	0
500&550	Chalfonte, The	378	7	1.9%	93	599K to 995K	744K	4
600	Sabal Shores	125	7	5.6%	183	549K to 1.15M	729K	0
700	Sabal Point	67	4	6.0%	116	500K to 1.995K	1.193M	2
750	Sabal Ridge	31	0	0.0%	0	SOLD OUT	N/A	0
800	Presidential Place	42	2	4.8%	78	3.695M to 4.195M	3.945M	0
1000	One Thousand Ocean	52	3	5.8%	37	3.3M to 11.499M	6.431M	0
S/T	Boca Beach	968	26	2.7%	119		2.097M	9

South Beach

(South of the Boca Inlet on South OCEAN Blvd. - Listed from North to South)

Address	Condo Name	TA	AA	%A	ADOM	Price Range	Average	PC
1180	Cloister del Mar	96	1	1.1%	184	\$1.199M	1.199M	0
1200	Cloister Beach	128	1	0.8%	2	\$365K	365K	0
1400&1500	Addison, The	169	4	2.4%	257	999K to 2.599M	1.636M	0
1800	Placide, The	54	2	3.7%	114	635K to 875K	755K	0
2000	Whitehall	164	1	0.6%	139	450K	450K	1
2494	Aragon, The	41	4	9.8%	173	2.295M to 3.495M	2,935M	0
2500	Luxuria, The	24	2	8.3%	96	5.495M to 5.7M	5.598M	0
2600	Stratford Arms	120	2	1.7%	25	849K to 875K	862K	0
2800	Whitehall South	256	9	3.5%	98	625K to 1.099M	836K	4
3000	3000 South	80	2	2.5%	225	520K to 549K	535K	1
S/T	South Beach	1132	27	2.4%	132		1.547M	6

Totals	Jan. 2015	2206	58	2.6%	113		1.794M	15
Totals	Jan. 2014	2206	84	3.8%	184		1.673M	14

Key:

TA = Total Number of Apartments in Development * AA = Number of Apartments Available For Sale
 %A = Percent of Apartments in Development For Sale * ADOM = Average Number of Days on Market per Listing
 PC = Number of Apartments SOLD and Pending Closing

This information is compiled from FlexMLS on November 17, 2014. This representation is based in whole or in part on data supplied by FlexMLS. FlexMLS does not guarantee or is not in any way responsible for its accuracy. Data maintained by FlexMLS may not reflect all real estate activity in the market.