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THE BOCA BEACH REPORT

July 2019

Privileged information about your real estate

In This Issue

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

The Contingency Escape Clause

The decision has been made to buy a home.

To buy a home or any other real estate without all of your homework completed means that you must have a way to cancel if something unusual and unexpected comes up. Waiting for all inspections, financing, etc. before making a purchase offer is a good way to lose a perfect house to another buyer. Maybe another buyer knows about contingencies.

A contingency gives the buyer a way to cancel a purchase contract and getting any cash deposit back if some future event fails to materialize. Even though the sellers have accepted the offer, the well-written contract should contain these extremely important escape clauses.

On a long distance move on a job transfer, a husband or wife buyer may not be available until the weekend. A contingency for the spouse's inspection within a few days will usually be accepted. Normally, the seller will refuse no reasonable contingency. They know that any other buyer will also request reasonable escape clauses.

Typically, the following two contingencies are written into nearly every offer on a home:

- **Financing.** You can get out of the transaction if the loan specified in your contract is not approved.
- **Property Inspections.** You can cancel the transaction if you don't approve the inspection reports or cannot reach an agreement with the seller about how to handle necessary repairs.

Other standard *contingencies* can give the buyer the right to review and approve such things as a condominium's master deed, bylaws, and budget as well as a property's title report. You might want to make the contract contingent upon your lawyer's approval of the contract or your parents' inspection of the house.

What good is an accepted offer that has several escape clauses in it? An accepted offer with contingencies ties up the property for a short period of time. This gives the buyer time to check out the property, the traffic on weekends and during school hours. The buyer does not worry about the owner selling the property to someone else while he is spending time and money inspecting it and getting all of

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his questions answered.

The Seller's Side

On the other side, the seller must protect himself. ***He or she must limit the time of the contingencies in a counteroffer if those time limits seem unreasonable.*** The seller does not want the home taken off the sales market for weeks just waiting for a simple walk-through inspection.

Inspections by relatives or approval of existing deeds, bylaws, easements, etc. should not take more than two or three days. Financing may take a few days longer, but most loans can be approved very quickly. The seller's real estate agent can give guidance on the typical time limits for various types of contingencies. The shorter the better for everyone!

By making strict time limits on removal in writing of all of the buyer's contingencies, the seller can get the house back on the market within days if the buyer cannot perform. ❖

Your Home – The best Long Term Investment

Real estate has always been the best investment for the long term. Five years from now we will look back at 2019 as the opportunity year of our lifetime.

Most everyone has a loan of some kind on their home or second home. Some have a second or a third note on the property. A very few owe large amounts on the property, but have no loans recorded against it. These owners may work for a large corporation or bank that advanced the money against the executive's personal account within the company.

If anyone could have a home free and clear of encumbrances, you would normally think it would be the very rich. However, most wealthy owners have all real estate mortgaged to the maximum. This gives them additional cash invested in their business or other investments, with a return higher than the interest rate on the loans. When mortgage interest rates dip to a low level, these investors buy more property or refinance what they have. They treat owning real estate as a business, and this is just one of their rules.

If an owner has title to a total value of $250,000 in real estate that increases in value by 10% in one year, the increase in equity is $25,000. If he increases his overall holdings to a value of $750,000 using leverage, the increase of 10% could amount to $75,000, even though the owner's equity may be just the same in both examples!

Using $200,000 in cash in a 25% leverage position could quickly mean an ownership of $800,000 worth of property. This could be a $200,000 down payment on an $800,000 apartment or diversified into several properties, such as $50,000 down on each of four $200,000 rental houses.

The long-term trend in real estate has always been higher prices. When we see the threat (or opportunity) of inflation still in the future, we must consider the possibility of using whatever means that we have to control more real estate. Our existing equity can be an answer.

Your Home Equity

If you have owned your home for a few years, you may be surprised at the amount of equity that you may have accumulated. Your wealth in equity builds up from the loan reduction from monthly payments and from increases in value. While inflation has not been in the news, most homes have been increasing in value, recently. Real estate owners who have not had great amounts of ready cash before may find that they might easily have access to $50,000, $100,000, $200,000 or more.

When you borrow money on something you already own, the proceeds of the loan is not taxable that year as income. There will be a normal tax liability on the gain, if and when the encumbered property is sold at some later date. (Check with your tax advisor.)

The borrower can use the borrowed money for anything. Some have invested in higher education to increase income. Others have used it to go into business. Many property owners borrow on one property for the purpose of acquiring other real estate. If one property can make you wealthy from appreciation, why not own two, three, or more?

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This kind of financing can be a good use of the equity in a home that the owners wish to keep. With other properties (like a rental you already own) there are other possibilities. Here are some ideas.

1. Sell the property and use the proceeds to purchase other real estate using leverage to the best advantage. On a rental, the tax may be low.

2. A second and perhaps a better idea. Exchange the equity up into a different leveraged position in another property, resulting in more income. (This can be a tax-free event if handled for you by experts.)

Sometimes, option #1 (sale) can be done, without tax problems. In one case, the sale of the taxpayer's residence, it might be tax-free. Under the present tax law, you and spouse may get up to $500,000 of gain free of tax. Most of the cash from the sale can be retained, with no tax liability. Invest the proceeds in down payments on another primary home and in down payments on other investment properties.

Check with your estate planner, tax advisor and attorney before taking any action in using equity to increase your estate. ❖

Some Pros & Cons When buying A Condominium

People invest in condominiums for many reasons. Many times these dwelling units are more affordable than single-family homes. Because of this, they are attractive alternatives for first-time buyers. When an owner has limited time, the maintenance and repair responsibilities taken care of in the monthly fees is attractive. Residential condominiums are more like apartments than single-family homes. Condos usually have amenities like pools, tennis courts and recreation rooms that are part of the development. Many condominiums are located in highly desirable resorts, golf course communities or vacation centers.

Like home buying or renting, there are pros and cons about condo living. Here are some questions to consider if you are thinking about buying a condominium as a full time residence or a vacation home:

Do you like Neighbors?

Unlike single-family homes, condominium residents may share walls, floors/ceilings, hallways, entrances and parking areas with their neighbors, like apartments. Thinking of other people's privacy and right to the quiet enjoyment of their homes is part of the arrangement. In a condo, neighbors appreciate efforts to keep down the volume, walk softly, close your doors quietly and limit your vacuuming to reasonable hours. If you're a noisy neighbor, you won't get along.

The Association Has Rules

Condominium owners are bound by the association's covenants, conditions and restrictions (CC&Rs). These are legal documents that cover everything from special assessments and the election of the association's officers to the allocation of parking spaces and the use of recreational facilities. If an owner fails to follow the rules, he can be fined, and most associations have the power to attach a lien to an owner's property if the fines or assessments aren't paid. If you are a team player and are willing to follow the rules and regulations, you can be happy living in a condominium.

The Owners Have Joint Financial Responsibility

A single-family homeowner does not need to consult neighbors about financial decisions with respect to their own property. Condominium owners must agree on a variety of maintenance and repair matters. Should an older roof, an unreliable security gate be replaced this year or next year? Should a special assessment be collected for an emergency repair or extra service? How much money should be spent on landscaping? How often should the garbage be collected? If you relish the opportunity to make responsible decisions along with others, condo living might be a good choice for you.

The Board Of Directors And Management Company

Some condominium owners never volunteer for anything. Usually, being part of the condo community means you might be expected to take your turn at serving on the board of directors, joining a special committee, getting estimates for repairs or taking responsibility for other tasks that benefit the group as a whole. Many large condo complexes hire a real estate management company to handle most of these decisions, so the board has little to do. ❖

Oceanfront In BOCA

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	0	0.0%	0	SOLD OUT	N/A	0
2066	Ocean Reef Towers	55	0	0.0%	0	SOLD OUT	N/A	0
2000	Brighton	39	1	2.6%	67	1.295M	1.295M	0
S/T	**North Beach**	**106**	**1**	**0.9%**	**67**		**1.295M**	**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	6	3.9%	179	910K to 2.2M	1.317M	1
310	Boca Mar	38	2	5.3%	68	575K to 709K	642K	0
350	Beresford	53	1	1.9%	20	2.250M	2.25M	0
400	Excelsior, The	27	1	3.7%	40	2.845M	2.845M	1
500&550	Chalfonte, The	378	6	1.6%	144	750K to 1.850M	1.044M	4
600	Sabal Shores	125	1	0.8%	148	749K	749K	0
700	Sabal Point	67	2	3.0%	127	699K to 750K	725K	1
750	Sabal Ridge	31	3	9.7%	166	1.95M to 3.5M	2.65M	0
800	Presidential Place	42	3	7.1%	156	3.4M to 5.9M	4,432M	0
1000	One Thousand Ocean	52	8	15.4%	341	3.295M to 13.5M	5,571M	0
S/T	**Boca Beach**	**968**	**33**	**3.4%**	**189**		**2.683M**	**7**

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	4	4.2%	120	475K to 649K	550K	1
1200	Cloister Beach	128	0	0.0%	0	SOLD OUT	N/A	0
1400&1500	Addison, The	169	8	4.7%	105	1.35M to 3.995M	2.078M	3
1800	Placide, The	54	0	0.0%	0	SOLD OUT	N/A	0
2000	Whitehall	164	9	5.5%	122	595K to 1.325M	777K	2
2494	Aragon, The	41	4	9.8%	203	2.74M to 3.995M	3.184M	0
2500	Luxuria, The	24	0	0.0%	0	SOLD OUT	N/A	0
2600	Stratford Arms	120	3	2.5%	49	1.245M to 1.395M	1.310M	0
2800	Ocean Towers	256	7	2.7%	224	799K to 2.5M	1.505M	1
3000	3000 South	80	4	5.0%	74	749K to 1.699M	1.031M	0
S/T	**South Beach**	**1132**	**39**	**3.5%**	**134**		**1.465M**	**7**
Totals	**July, 2019**	**2206**	**73**	**3.3%**	**158**		**2,013M**	**14**
Totals	**July, 2018**	**2206**	**66**	**3.0%**	**172**		**2,210M**	**20**
Totals	**July, 2017**	**2206**	**76**	**3.4%**	**175**		**2.020M**	**12**

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 June 18, 2019. 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.