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THE BOCA BEACH REPORT

The Value Of Your Home

If a buyer or a seller is making any decision about the purchase, sale, lease or any other transaction of any real estate, the most important thing is knowing the value of the property. Any owner needs this information for personal planning. The government must also know value before any changes can be made in zoning, community planning or taxation.

Do you know the value of your home now? There is a need for constant knowledge of value by any owner of property held for investment purposes (and your home is an investment, isn't it?). Present value is important and an estimate of the future value of the property is just as important.

Estimating value of real estate can be difficult, and though knowledgeable professionals can make educated estimates of value, the final amount is known only when a sale takes place. The closest we can get, usually is by the appraisal from a professional appraiser. This specialist can give a fairly accurate approximation of a property's value.

When we refer to "Market Value" we have to remember that it is not necessarily the same as **market price**. Market price represents the actual dollar amount put on a property by a buyer at the time of a transaction. This might be higher or lower than the value an individual appraiser might place on the property. This difference might be due to differences of opinion. It could be that the property, to this particular buyer or seller, has a greater or lesser value because of some special consideration, such as ➤



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Privileged information about your real estate

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

In This Issue:

- The Value Of Your Home
- Use Contingencies In Purchases Like The Professionals
- NEWS FROM OUR AREA

(Continued)

- Income tax liability. It may be necessary to appraise a property to determine the liability for income taxes in a taxable exchange, or in a liquidation of a corporation owning real estate.
- For estate tax purposes. To determine inheritance and estate tax liability when real estate was owned by a decedent at the time of his or her death.
- For gift tax purposes. To determine the tax liability when real estate is the taxable gift.
- As a basis for offering investors an interest in real estate through syndication or participation in a corporation or real estate investment trust.

Market Value Vs. Market Price

While value does not need a transaction to exist (you can value something too much to sell it), price does.

Price is the **amount of money paid** for something.

Most of us have heard the old expression, **"You can name the price on your property, if I can name the terms."** There is a world of difference between an all-cash sale and a "no money down and carry-back loan with low interest".

Market price is simply the amount paid or contracted for in a particular transaction. As such, it may or may not be governed by prudent acts of the parties, unique financing agreements, or open market conditions. Using some of the creative financing ideas of recent years has demonstrated the truism that the terms and conditions of a transaction determine the price. Sophisticated market appraisals should include these factors on properties used as a recent comparable sale as surely as they do the differences in location, size, or quality of the improvements. ♣

Use Contingencies In Purchases Like The Professionals

To buy a house 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 the house to another buyer.

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 offer should contain these extremely important escape clauses.

On a long distance move on a job transfer, a husband or wife 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? Whether or not, an accepted offer ties up the property. The buyer does not worry about the owner selling the property to someone else while he is spending time and money inspecting it.

The Seller's Side

The seller must limit the time of the contingencies in a counteroffer if those time limits seem unreasonable. He 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 many 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!

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. ♣