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**Exclusively Serving "Boca's Beachfront Condominiums"**

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# THE BOCA BEACH REPORT

## Negotiating For The Right Property

**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 must 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 ➡



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information about  
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## Please Clip and Mail or Call Me for More Information

As your real estate professional, I am available to assist you in your planning. Simply complete and return the following request for information or contact me today for immediate assistance.

- Purchasing a home or second home       Long distance Relocation  
 Selling a home or second home       Other \_\_\_\_\_  
 Purchasing or selling Investment Property       Please contact me between these hours \_\_\_\_\_  
 Checking on current value of my property

Name \_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_ Phone \_\_\_\_\_

E-mail: \_\_\_\_\_

If your property is now listed with a broker, please disregard this offer. We will cooperate with other brokers.

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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.

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 is satisfied and accepts these terms. ➔

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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 8% or at 10%. The 8% note might have payments of \$956.00 for 15 years while the payment at 10% for the same 15 years would be \$1,075.00 a month. This is a difference of \$119.00 a month. In the 180 months

in the 15 years, this would be a difference of \$21,420.00.

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 \$119.00 a month would be for only 12 months, for a total difference of only \$1,428.00, 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. ♣

## Buying In A New Condo Development

**M**any buyers of condominiums 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? ♣