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THE BOCA BEACH REPORT

The Starter Real Estate Investment

There are quite a number of different investments available. Usually, people think of stocks, bonds or real estate. We recommend real estate, not just because it is our business, but also because it has the best track record during recent years. When you own a rental house or houses in your home community, you are well on your way to wealth in the future. Another possibility is an investment home or condo at your favorite vacation spot.

There are three common types of residential real estate commonly used as rental units in most areas. Privately owned rental houses, cooperative housing projects and condominiums. Since there is a large market for rental housing, residential rental prop-

erties can be a lucrative investment.

Each of these investments involves a basic human need, which are living arrangements.

Homes And Co-ops

Individual ownership of a home is quite familiar to most everyone. Joint ownerships are different. The way joint ownership is achieved is what distinguishes condominiums from co-ops. In a typical co-op, a cooperative housing corporation is the title owner of the entire property. The unit owners are tenant-shareholders of the corporation whose stock holdings entitle them to ➔



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lease to occupy a unit and use the common grounds. The corporation runs the property and the tenant-shareholders are each responsible for a pro-rata share of all operating expenses.

Condos

The condominium is the more common type of joint ownership. In a condominium, each unit owner owns an interest in real estate and is responsible for taxes, assessments, mortgage financing, and repair and maintenance work on the unit. The deed to the condominium unit also grants the owner an undivided interest in the common elements of the development. So the condominium unit owner enjoys almost all the benefits—and shoulders the same responsibilities—that a private homeowner does.

Vacation Areas

A leisure or vacation condominium can take many forms. It may be a project consisting of detached houses, townhouses, garden apartment or high-rise apartment buildings. Condominium units may run from one-room studio apartments to four-bedroom houses. Equipping each bedroom with its own bath and providing a foyer can provide flexibility. A two-bedroom apartment with a sofa bed in the living room could rent to three separate couples sharing the unit.

A condominium may even be in the form of

a condominium hotel, in which rooms are sold to investors and, when not occupied by them, are rented on a day-to-day basis. Room owners get the rental fees less a charge for management, maintenance, taxes, etc.

The Rentals

When owners rent vacation rentals, a rental agent in the resort community normally handles the rental. An owner might handle a long-term rental in his hometown, but short-term rentals, as short as a weekend, should be handled by a management specialist. The management company in a resort will have a staff comparable to a hotel staff, with cleaning persons, maintenance personnel and full time bookkeepers and office staff to handle the turnover and keep the house or unit available.

Management fees will vary widely. They will be a higher percentage than a management company would charge in a non-resort area for a month-to-month rental of a home or apartment. The tenant in a month-to-month rental may stay for years, while the resort rental may change many times in a month.

Rental Arrangements

The rental may be handled as a direct rental or on a pooled rental arrangement, depending on the agreement with the management company. ♦

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In the direct rental, each rental of the individual unit is reported separately, the management fee is deducted and the balance is sent to the owner, usually on a monthly reporting basis.

Under a rental-pool arrangement, condominium unit owners agree to place their units in a common pool. They all share the expenses of the rental operation and receive a share of the net rental income. This is figured on the basis of the proportion that their unit bears to all the units in the condominium for the

particular accounting period. The proportion is computed by determining the number of days that the unit was in the rental pool (i.e., the total rental days in the accounting period less the days in that period during which the owner occupied the unit himself).

The manager leases pooled units according to the terms of the agreement, collects and pools the rental income, pays all the rental pool's expenses, and pays each owner his net share. ♣

For Sale By Owner

Recently homeowners who wanted to list a home for sale contacted us. The man and his wife had tried to sell it themselves for two months. They told us of their bad experiences with the potential buyers who looked. Here are a few of the problems they had and some others that we have added.

We can't think of another reason for the owner to try to sell a home than the saving of the real estate commission. That decision is often being "penny wise and pound foolish." There are very many reasons for the owner not to try to sell his own home. Here are twelve that we came up with.

- The asking price may not accurately and objectively reflect realistic local market conditions. A price that is initially set too high wastes time and gives the house a negative reputation.
- Owner's information about sales of similar properties in the area will be sketchy at best and will be received with skepticism.
- A sign on the lawn or an advertisement in the newspaper will often be missed by interested buyers who have already visited a broker's office.
- Potential buyers, who have been discouraged or reluctant in the recent past, may be interested now. But owners do not know where or how to reach them.
- The sign encourages "lookers" who consider it an open invitation to see how you live. Owners waste much time with lookers who are not genuine prospects under any circumstances.

- Prospects do not confide in the owner about their personal finances. It's easier for such prospects to say they simply cannot afford the house and move along.
- Owners typically cannot explain the various mortgage possibilities (ARMs, Conventional, FHA, VA) so as to give prospective buyers something positive to think about.
- Prospects rarely will insult an owner by saying what they object to about the house. On the other hand, prospects will not hold back at all when they deal with a real estate agent.
- The key "attractive" features of the home will not be properly stressed. The owner will often not even try to discover what a particular buyer wants and is looking for. Owners will concentrate on what they like about a house and ignore what a buyer may need or want.
- Prospects will feel free to arrive at any hour, on weekends, evenings, and other times when the owner might simply prefer to be tending to other business. Selling your own home ties you down full-time for as long as it takes.
- A sale cannot be closed quickly. When a buyer says I'll buy, what does the owner do? Is he ready to present a contract of sale?
- Most prospects will first have to sell their own home. That creates a period of prolonged uncertainty. A real estate broker can help speed both sales along, suggesting bridge loans and other ways to solve problems. ♣