



Richard L. Dusik
President



FLORIDA BEACH REALTY
and Financial Services, Inc.

1515 N Federal Hwy, Suite 300, Boca Raton, FL 33432-1994 (USA)

Bus: 561.391.9196 • TOLL FREE: 800.817.6957 • Fax: 561.391.0219

Website: www.FloridaBeachRealty.com • E-mail: RLD@FloridaBeachRealty.com

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THE BOCA BEACH REPORT

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Getting 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. ♦

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 prop-

erties 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

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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.

- | | |
|--|--|
| <input type="checkbox"/> Purchasing a home or second home | <input type="checkbox"/> Long distance Relocation |
| <input type="checkbox"/> Selling a home or second home | <input type="checkbox"/> Other _____ |
| <input type="checkbox"/> Purchasing or selling Investment Property | <input type="checkbox"/> Please contact me between these hours _____ |
| <input type="checkbox"/> 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.

Negotiating...*(Continued)*

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.

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

➡

Negotiating... (Continued)

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 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

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	List Price Range	PC
2150	Aegean	8	0	0.0%	TEMPORARILY SOLD OUT	0
2070	Athena	4	0	0.0%	TEMPORARILY SOLD OUT	0
2066	Ocean Reef Towers	55	4	7.3%	750K to 1.19M	0
2000	Brighton	39	3	7.7%	1.35M to 1.799M	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	List Price Range	PC
250	Marbella	155	15	9.7%	749K to 2.9M	0
310	Boca Mar	38	3	7.9%	589K to 649.9K	0
350	Beresford	53	2	3.8%	1.15M to 1.895M	0
400	Excelsior, The	27	9	33.3%	2.995M to 7.495M	0
500-550	Chalfonte, The	378	10	2.6%	594.9K to 2.75M	0
600	Sabal Shores	125	8	6.4%	475K to 1.499M	0
700	Sabal Point	67	1	1.5%	799K	0
750	Sabal Ridge	31	1	3.2%	1.35M	0
800	Presidential Place	42	2	4.8%	3.75M to 3.875M	0

South Beach

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

Address	Condo Name	TA	AA	%A	List Price Range	PC
1180	Cloister del Mar	96	5	4.2%	449.9K to 949K	1
1200	Cloister Beach Towers	128	10	7.8%	574.5K to 849.9K	1
1400-1500	Addison, The	169	13	7.7%	1.395M to 2.65M	0
1800	Placide, The	54	4	7.4%	1M to 1.295M	0
2000	Whitehall	164	8	4.9%	634K to 1.995M	0
2494	Aragon, The	41	6	14.6%	2.75M to 5.5M	0
2500	Luxuria, The	24	3	12.5%	4.9M to 11.5M	1
2600	Stratford Arms	120	8	6.6%	995K to 1.29M	0
2800	Whitehall South	256	17	6.6%	670K to 1.499M	1
3000	Three Thousand South	80	2	2.5%	725K to 988.5K	0
TOTALS:		2154	134	6.2%		4

Key:

TA = Total Number of Apartments in Development * AA = Number of Apartments Available For Sale
 %A = Percent of Apartments in Development For Sale * PC = Number of Apartments SOLD and Pending Closing

This information is compiled from RMLS, Inc., on November 22, 2000. This representation is based in whole or in part on data supplied by the RMLS, Inc. RMLS, Inc. does not guarantee or is not in any way responsible for its accuracy. Data maintained by RMLS may not reflect all real estate activity in the market.