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THE BOCA BEACH REPORT

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What Happens When You Overbid The Home Price?

The home market has cooled a little, but there is still competition for the better homes. It's still not uncommon for buyers to find themselves in a bidding war over a house. For example, buyers are in a bidding war for the house they really want and are willing to give the seller his inflated selling price of \$495,000 (market value is more like \$465,000) plus pay \$500 of his closing costs.

Here's the problem. By overpaying for the house, it costs them more money for the down payment, more in closing costs (since many mortgage costs are based on a percentage of the mortgage), not to mention thousands of dollars more in interest over the years due to

the larger mortgage. Over the years, it will cost considerably more than the extra \$30,500. Depending on the

interest and down payment, up to \$60,000 over a few years!

But that is only the start. Because they bought at an inflated price, the equity buildup is off to a slow start. What if they're forced to sell before the house can realize some significant appreciation? They may have to bring money to closing—something no seller should ever have to do.

Keep in mind the professional investor's rule, "You don't make money in real estate when you

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House-Hunting Can Be A Pleasure

These eight tips can help make your house-hunting experience positive and rewarding when you are buying a home:

1. Location Does Count.

You must have heard the real estate slogan about "location, location, location," but it is always true. Location is crucial. Think about the commute to your place of employment? What are the local schools, shopping centers, public transportation, seniors' services and

other public amenities like? Is the area all zoned for residential? You don't want to end up next to a commercial building. Even if the home itself is perfect in every way, buying can be a mistake if it's in a bad location, and a home like that can be a particularly bad choice if you must resell the home within a few years.

2. Know What You Want.

Have you really thought about exactly what you want in a home?

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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.

What Happens When...*(Continued)*

sell, you make money when you buy!" Overpaying, over-leveraging, and overspending on closing costs will come back to haunt you later.

If you decide to overpay, make sure you know why. Make sure the overpayment works into your plans based on how long you'll keep the house. If you know you'll have to

pay more upfront (due to competing buyers, etc.) but have a long-term plan to recoup your losses, overpaying for your home could work.

For instance, you've overpaid for a property that has several extra acres that can be sold at a substantial gain. What if the acreage sale could fund an entire remodel for your home? Remember, overpaying for a house in a

stable, appreciating neighborhood may not be as bad as spending too much on a house in a deteriorating subdivision or on the edge of a warehouse district.

Keep emotions under check. Have a buying game plan and make money when you purchase the house. That is where the extra profit is found. ♣

House-Hunting...*(Continued)*

Do you and your spouse or partner agree? You could save many hours of looking if you make a list ahead of time. What are the features you must have, would like to have, what you don't want and would prefer not to have. The goal is to find a home that suits your needs without falling in love with one that doesn't suit your needs. Start the list by thinking about what you like and dislike about your current home.

3. Get All The Information.

Do some homework. Before you start, get all of the information possible about recent home sales prices, market trends, homes on the market now, neighborhood statistics and the home-buying process. Much is available on the Web. Go surfing. We will appreciate your

knowledge when we show you homes.

4. Go see Your Lender.

The home you can afford is a bottom line of your household income, your creditworthiness, interest rates, the kind of loan you select and how much cash you will be putting down. Instead of guessing or estimating how much you can afford to spend, get a banker or mortgage broker to give you a true estimate and a letter stating how much you're qualified to borrow. This amount may be much more or much less than your original estimate.

5. Take Notes On Homes You See.

When we show you homes, compare them to your original "want" list. Seeing many homes is a confusing experience for most people. Make notes about the homes you see with us. Grade each one with a "yes", "definite no" or "maybe".

6. Be comfortable. This can take time.

Wear comfortable clothes and shoes. Touring many homes can be tiring, especially if you're relocating from a distant community. You will want to see as many homes as possible in a day.

7. Be Ready To Buy.

If we find the perfect home, you should make the offer now. If the home is perfect for you, others may want it too. To save time, we may take you through a blank purchase contract in advance so you'll know what decisions you'll face when the time comes to make an offer.

8. Relax.

If you are prepared well in advance, the whole process will not be stressful. You may have an idea now, after reading this, how stressed-out home buying can be for the unprepared. ♣

You Have Questions? We Have Answers!

Q One of our friends invests in second notes secured by homes. He says that a note on a home is one of the best investments. He has recommended that we purchase some for a good return. Is this a common type of transaction? Our friend said to be aware of the terms of the note and to watch for the words, "without recourse" and "acceleration clause." What do these mean?

A It is a very common type of transaction. When an seller carries back a note on a piece of property, it may have been the only way to make the transaction, since the buyer may have been making just a small down payment. The seller may

have a second note that now pays a small amount of money per month over several years. To get a larger amount of cash now, the note is usually offered for sale at a substantial discount from its face value. This can be a very profitable purchase.

In real estate finance, the term "without recourse" refers to the lender looking solely to the mortgaged real estate as a source of repayment in the event of default. The lender agrees not to seek a personal judgment against the borrower for any deficiency.

An "acceleration clause" is a common provision of a mortgage

and note providing that the entire principal shall become immediately due and payable upon the occurrence of a specified thing, usually a default. Without this clause, the mortgagee may have to file separate foreclosure suits as each installment of the mortgage debt falls due and is in default.

If you are considering any kind of money transaction regarding a note secured by real estate and are not familiar with all of the terms of the note, mortgage or trust deed, you should consult with an attorney. ♣

Profit From Remodeling And Upgrading Homes

Remodeling a home has always been popular with homeowners who wanted to upgrade to make the home more interesting and livable. Now with prices leveling again, it makes sense to do things to make the home interesting to the new owner before listing for sale. It can be profitable.

The Owner-Occupied Home

When owners live in a home for a while, they see things that can be done. They also can put up with the work going on around them, particularly when it will lead to a later profit. A tenant in a rental does not expect to be disturbed, so owner-occupied homes make up the largest number of homes that are remodeled.

Here is why more remodeling is happening:

- With building codes throughout the country, homes have been well built for decades. Some developers in most areas have become specialists in remodeling some of the older homes into new designs.
- The homeowner knows the value of a home in the current condition and is aware of the increase in value that a remodel will bring. It makes sense to make a profit.

homes that can be remodeled for profits.

- The well-to-do young to middle-age professionals use more imagination in leading the good life at home. They may add skylights, finished basements, fireplaces, sun porches, decks and spas, upgraded bathrooms and kitchens with upgraded counter tops and built-in appliances.

A Profitable Improvement

When an owner wants to completely remodel a home, it is practically a rebuilding. This can change an old structure into a new, modern building. When doing smaller, individual changes, the owner must be very selective. Some changes cost a great deal, but do not add much to the value.

One of the most effective improvements in a home or rental property is the addition of a fireplace. Although the average cost of adding a fireplace is about \$6,000, the average added value to the selling price is \$10,000. This is a good return on the investment if a sale is coming up.

However, there are different kinds

of fireplaces. Do your homework and add the right one. The old-fashioned open-hearth fireplace may lose more heat than it generates. Heated room air may be drawn up the chimney, which pulls colder air into the home through the tiny cracks and gaps in the home.

In the newer designed fireplaces, the heat-circulating model may be the most efficient. It has a motor driven blower that circulates room air around the back of the firebox, which blows warmed air into the room. Some models of heat circulating fireplaces have thermostats and multi-speed blowers. These increase the efficiency of the unit and reduce the need for other heating equipment to heat the rest of the home.

Your Income Property Upgrade

There is a large increase in the remodeling of rental structures also, although the volume is not as high as in owner-occupied homes. In any area where there are high vacancy rates and severe competition for tenants, owners are remodeling in order to stay in the rental business. Also, the increase in rent levels has given the owners money to do this work. Rental unit's percentage of the overall remodeling expenditures has grown by 10% in recent years. ♣

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)

<u>Address</u>	<u>Condo Name</u>	<u>TA</u>	<u>AA</u>	<u>%A</u>	<u>List Price Range</u>	<u>PC</u>
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%	589K to 995K	0
2000	Brighton	39	4	10.3%	1.35M to 1.85M	0

Boca Beach

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

<u>Address</u>	<u>Condo Name</u>	<u>TA</u>	<u>AA</u>	<u>%A</u>	<u>List Price Range</u>	<u>PC</u>
250	Marbella	155	11	7.1%	750K to 2.9M	2
310	Boca Mar	38	3	7.9%	589K to 649.9K	0
350	Beresford	53	1	1.9%	1.12M to 1.895M	1
400	Excelsior, The	27	8	29.6%	2.995M to 5.95M	1
500&550	Chalfonte, The	378	12	3.2%	596K to 2.75M	0
600	Sabal Shores	125	9	7.2%	449K to 1.499M	1
700	Sabal Point	67	2	3.0%	799K to 999K	1
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)

<u>Address</u>	<u>Condo Name</u>	<u>TA</u>	<u>AA</u>	<u>%A</u>	<u>List Price Range</u>	<u>PC</u>
1180	Cloister del Mar	96	7	7.3%	469 K to 949K	0
1200	Cloister Beach Towers	128	9	7.0%	465K to 799K	0
1400&1500	Addison, The	169	16	9.5%	1.295M to 2.65M	0
1800	Placide, The	54	5	9.3%	769K to 1.249M	1
2000	Whitehall	164	10	6.1%	585K to 1.995M	1
2494	Aragon, The	41	6	14.6%	2.595M to 5.5M	0
2500	Luxuria, The	24	3	12.5%	4.9M to 6.45M	0
2600	Stratford Arms	120	11	9.2%	924K to 1.29M	0
2800	Whitehall South	256	18	7.0%	624.9K to 1.399M	2
3000	Three Thousand South	80	2	2.5%	699K to 899.9K	0
TOTALS:		2154	144	6.7%		10

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 January 25, 2007. 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.