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THE BOCA BEACH REPORT

July 2011

*Privileged
information about
your real estate*

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

Opportunities For Wealth Are Better Than Ever

With the foreclosures and the recession, the real estate market has changed to an extreme "buyer's" market. The investor interested in long-term ownership is getting in on the low prices. There are some incredible bargains out there.

Real estate is still booming. It is still the best investment for the long term. Five years from now we will look back at 2011 as the opportunity year of our lifetime.

Most everyone has a loan of some kind on their home or second home. Some have a second or a third note on the property. A very few owe large amounts on the property, but have no loans recorded against it. These owners may work for a large corporation or bank that advanced the money against the executive's personal account within the company.

If anyone could have a home free and clear of encumbrances, you would normally think it would be the very rich. However, most wealthy owners have all real estate mortgaged to the maximum. This gives them additional cash invested in their business or

other investments, with a return higher than the interest rate on the loans. When mortgage interest rates dip to a low level, these investors buy more property or refinance what they have. They treat owning real estate as a business, and this is just one of their rules.

If an owner has title to a total value of \$250,000 in real estate that increases in value by 10% in one year, the increase in equity is \$25,000. If he increases his overall holdings to a value of \$750,000 using leverage, the increase of 10% could amount to \$75,000, even though the owner's equity may be just the same in both examples!

Using \$200,000 in cash in a 25% leverage position could quickly mean an ownership of \$800,000 worth of property. This could be a \$200,000 down payment on an \$800,000 apartment or diversified into several properties, such as \$50,000 down on each of four \$200,000 rental houses.

The long term trend in real estate has always been higher prices. When we see the threat (or opportunity) of inflation still in the future, we must





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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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consider the possibility of using whatever means that we have to control more real estate. Our existing equity can be an answer.

Your Home Equity

If you have owned your home for a few years, you may be surprised at the amount of equity that you have accumulated. Your wealth in equity builds up from the loan reduction from monthly payments and from increases in value. While inflation has not been in the news, most homes have been increasing in value. Real estate owners who have not had great amounts of ready cash before may find that they might easily have access to \$50,000, \$100,000, \$200,000 or more.

When you borrow money on something you already own, the proceeds of the loan is not taxable that year as income.

There will be a normal tax liability on the gain, if and when the encumbered property is sold at some later date. (Check with your tax advisor.)

The borrower can use the borrowed money for anything. Some have invested in higher education to increase income. Others have used it to go into business. Many property owners borrow on one property for the purpose of acquiring other real estate. If one property can make you wealthy from appreciation, why not own two, three, or more?

This kind of financing can be a good use of the equity in a home that the owners wish to keep. With other properties (like a rental you already own) there are other possibilities. Here are some ideas.

1. Sell the property and use the proceeds to purchase other real estate using leverage to the best advantage. On a rental, the tax may be low.

2. A second and perhaps a better idea. Exchange the equity up into a different leveraged position in another property, resulting in more income. (This can be a tax-free event if handled for you by experts.)

Sometimes, option #1 (sale) can be done, without tax problems. In one case, the sale of the taxpayer's residence, it might be tax-free. Under the present tax law, you may get up to \$500,000 of gain free of tax. Most of the cash from the sale can be retained, with no tax liability. Invest the proceeds in down payments on another primary home and in down payments on other investment properties.

Check with your estate planner, tax advisor and attorney before taking any action in using equity to increase your estate. □

Always Use A Contingency In A Purchase Contract

There are great real estate deals to be had out there. Don't let the bad news about the recession keep you from investigating.

To buy a house or any other real estate 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 a perfect house to another buyer. Maybe an other buyer knows about contingencies.

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 contract should contain these extremely important escape clauses.

On a long distance move on a job transfer, a husband or wife buyer 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

On the other side, the seller must protect himself. He or she 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 most loans can be approved very quickly, even in this market. The seller's real estate agent can give guidance on the typical time limits for various types of contingencies. The shorter the better for everyone!

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. □

Call Me For Real Estate Help

While our firm may have the listings on most of the homes in your area, a few may be listed with other real estate offices. If you are interested in knowing any information on any home for sale in the neighborhood, I have the information at my fingertips. No need to contact a whole list of

different agents.

If you want to know the price any home in the area is listed for, just call me, and give me the address. If you have several homes in the area on your list, save time by making only one call. There is no need to contact all of the offices on the signs;

I have all the information on everything on the market.

If you are interested in seeing any home that is for sale, I can show any of them. Just let me know the time and place! □

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	ADOM	Price Range	Average	PC
2150	Aegean	8	0	0.0%	0	SOLD OUT	N/A	0
2070	Athena	4	0	0.0%	0	SOLD OUT	N/A	0
2066	Ocean Reef Towers	55	9	16.4%	470	490K to 899.9K	626K	0
2000	Brighton	39	2	5.1%	278	1.175M to 1.3M	1.238M	0
S/T	North Beach	106	11	10.4%	435		737K	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	ADOM	Price Range	Average	PC
250	Marbella	155	7	4.5%	400	535K to 1.45M	802K	0
310	Boca Mar	38	0	0.0%	0	SOLD OUT	N/A	0
350	Beresford	53	3	5.7%	185	1.025M to 1.1M	1.058M	0
400	Excelsior, The	27	4	14.8%	138	3.495M to 7.95M	4.924M	1
500&550	Chalfonte, The	378	6	1.6%	163	499K to 795K	657K	2
600	Sabal Shores	125	12	9.6%	276	349K to 1.15M	673K	2
700	Sabal Point	67	3	4.5%	244	449K to 695K	538K	0
750	Sabal Ridge	31	2	6.5%	61	1.098 to 1.3M	1.199M	0
800	Presidential Place	42	4	9.5%	354	2.995M to 4.2M	3.686M	0
S/T	Boca Beach	916	41	4.5%	255		1.445M	5

South Beach

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

Address	Condo Name	TA	AA	%A	ADOM	Price Range	Average	PC
1180	Cloister del Mar	96	3	3.1%	196	339K to 377K	364K	0
1200	Cloister Beach	128	3	2.3%	132	325K to 475K	417K	2
1400&1500	Addison, The	169	18	10.7%	389	699K to 2.199M	1.300M	1
1800	Placide, The	54	5	9.3%	160	647K to 850K	716K	0
2000	Whitehall	164	4	2.4%	71	324K to 699K	468K	1
2494	Aragon, The	41	8	19.5%	255	1.8M to 6.5M	3.093M	0
2500	Luxuria, The	24	3	12.5%	123	3.85M to 4.995M	4.248M	0
2600	Stratford Arms	120	6	5.0%	149	635K to 762K	694K	2
2800	Whitehall South	256	11	4.3%	284	399K to 1.799M	717K	5
3000	3000 South	80	4	5.0%	131	399.9K to 675K	518K	0
S/T	South Beach	1132	65	5.7%	246		1.274M	11
Totals	June 2011		117	5.4%	267		1.283M	16
Totals	One Year Ago		116	5.4%	186		1.265M	24

Key:

TA = Total Number of Apartments in Development * AA = Number of Apartments Available For Sale
 %A = Percent of Apartments in Development For Sale * ADOM = Average Number of Days on Market per Listing
 PC = Number of Apartments SOLD and Pending Closing

This information is compiled from RMLS, Inc., on May 24, 2011. 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.