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THE BOCA BEACH REPORT

March 2013

*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.*

A Good Time To Start Real Estate Investments

Loans are becoming available for houses and small apartments. Buyers with a decent down payment can buy excellent rental properties. Prices and values have declined in real estate to the point where almost any investment will give the investor cash flow. We recommend real estate, not just because it is our business, but also because it has the best track record during recent years. Sales have slowed but are returning in real estate, the best time for investment.

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 properties can be a very lucrative investment.

Each of these investments involves a basic human need, which is living space.

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 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, town-houses, 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 week-end 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.

In the direct rental, each rental of the individual unit is reported sepa-

ately, 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. ❖

Problems With "For Sale By Owner" Homes

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

Problems....(continued)

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 week-ends, 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. ♦

Real Estate Sales Nearly Always Need Negotiations

The natural focal point of a real estate purchase contract is the selling price of the home, but the price isn't the only factor that determines the net bottom line for both the buyer and the seller. Is a bargain for the buyer really a bargain if he or she is paying all the transaction costs? Is a top price for the seller really a top price if the buyer wants all the furniture to be included in the purchase price? Or if the buyer can't come up with the down payment or qualify for a mortgage?

Before you decide to go ahead with a great price, here are five other bottom-line points to consider:

1. What are the estimated transaction costs and who will pay for what?

Typical costs include the brokers' commission, a home inspection, a termite inspection, escrow or attorney's fees, a title search, an owner's title insurance policy, transfer taxes and recording fees. The price tags on these items vary greatly around the country. Who pays for what is a matter of both local custom and negotiation.

2. How much money is the buyer putting into escrow and how soon?

A big deposit – called "earnest money" – and a substantial down payment are generally seen as a sign that the buyer is serious about completing the transaction. From the seller's point of view, the more money the buyer places in escrow and the sooner the money is transferred, the better.

3. Is there a mortgage financing contingency and how specific is it?

The mortgage escape clause is a must for buyers, unless they're paying all cash for the home. Without this contingency, buyers can be legally obligated to purchase the home even if they can't obtain financing. Further, an open-ended statement that says the buyer will obtain a loan "at the prevailing rate of interest" leaves the buyer completely exposed to interest rate fluctuations. A statement that says the loan must be at an interest rate "not to exceed xx percent" and on specified terms is preferable.

4. What furniture, fixtures and appliances, if any, are being sold with the property?

Technically, anything that's permanently affixed to or

installed in the home is real property. Everything else is the seller's personal property. This distinction is a narrow one and it naturally leads to a fair amount of confusion. Are built-in appliances real property or personal property? What about a shelving system? A chandelier? Window coverings? Potted plants in the backyard? Sellers who intend to remove anything that's attached to the home should have that spelled out in the contract. And the same goes for buyers who expect to acquire any of the furniture or other movables.

5. What will happen if either side breaches the contract?

Unless an unmet contingency triggers the abandonment of the contract, it's a binding legal document. Buyers who fail to perform can lose their deposit money. Sellers who try to back out can be sued for "specific performance," which forces the sale of the home to the buyer. Many contracts also specify that disputes must be brought in small-claims court or presented for arbitration or mediation.

Tip: Ask your real estate agent to go over the standard contract with you before you receive or make a purchase offer. That way, you'll know what to expect and be prepared to negotiate the best deal you can get. ♦

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	3	5.5%	676	559K to 849K	668K	0
2000	Brighton	39	1	2.6%	112	1.14M	1.14M	0
S/T	North Beach	106	4	3.8%	535		851K	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	12	7.7%	205	599K to 1.275M	832K	0
310	Boca Mar	38	1	2.6%	47	299K	299K	0
350	Beresford	53	0	0.0%	0	SOLD OUT	N/A	0
400	Excelsior, The	27	4	14.8%	558	2.949M to 5.95M	4.137M	0
500&550	Chalfonte, The	378	10	2.7%	155	575K to 1.375M	751K	4
600	Sabal Shores	125	6	4.8%	636	319K to 875K	456K	2
700	Sabal Point	67	4	6.0%	115	369K to 449K	423K	0
750	Sabal Ridge	31	4	12.9%	187	999.9K to 1.499M	1.224M	0
800	Presidential Place	42	0	0.0%	0	SOLD OUT	N/A	1
1000	One Thousand Ocean	52	8	15.4%	381	2.9M to 15.25M	7.869M	0
S/T	Boca Beach	968	49	5.1%	293		2.176M	7

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	2	2.1%	121	270K to 650K	460K	1
1200	Cloister Beach	128	3	2.3%	145	271K to 295K	282K	3
1400&1500	Addison, The	169	22	13.0%	277	675K to 3.8M	1.294M	0
1800	Placide, The	54	5	9.3%	87	599K to 1.275M	839K	1
2000	Whitehall	164	8	4.9%	155	375K to 899K	568K	0
2494	Aragon, The	41	5	12.2%	284	1.999M to 6.5M	3.533M	0
2500	Luxuria, The	24	2	8.3%	22	5.95M to 7.95M	6.973M	0
2600	Stratford Arms	120	4	3.3%	167	595K to 795K	691K	0
2800	Whitehall South	256	8	3.1%	78	495K to 995K	583K	2
3000	3000 South	80	4	7.5%	117	539K to 679K	609K	2
S/T	South Beach	1132	63	5.6%	186		1.118M	9
Totals	March 2013	2206	116	5.3%	242		1.556M	16
Totals	March 2012	2154	108	5.0%	258		1.119M	20

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 January 29, 2013. 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.