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THE BOCA BEACH REPORT

June 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.

Real Estate – Still The Top Investment

When there is a “correction” in the prices of homes, it only makes them a more attractive investment. With continued low interest rates, there is an opportunity to acquire more investment real estate. If you don’t want or need to move into a newer home, this might be the time to consider taking advantage of these rates to make money in real estate investments.

Other kinds of investments, like stocks, have no comparison to real estate.

Leverage: Most improved real estate can be purchased with a small down payment. The purchase of a \$250,000 property might be made with just 10% (\$25,000) down. If the property increased in value by just 10%, you would have an increase in your equity of 100%. Where else can you get that kind of profit with a 10% increase?

The use of money: Suppose you own a property valued at \$400,000 that is encumbered by just a \$50,000 mortgage. You can refinance the property and take out a great amount of cash—tax-free. If you had the same type of appreciation in a stock, you would have

to sell it in order to get the use of the capital—a taxable event.

Control of the Investment: With the real estate investment, you make the decisions that might enhance the value. You can improve or remodel the property, change the usage, or make other changes. With an investment in a stock, all of the management decisions that might affect the value are out of your control.

Choices For Investors

There are different ways that investors may use to make profits in real estate. One way is to invest for the long term by owning apartments or commercial properties. Some investors pick only land investments, spending a great deal of time choosing the areas that have the best potential for increases in value. There are some other investors that move quickly in and out of houses or small income properties, rehabilitating the neglected ones that will increase in value after a fix up.

Investors have been investing in rundown properties for a long time. Sometimes a homeowner may see an opportunity for profit right next ➡

door. With hard work and a small investment, an inexpensively purchased property that was in a rundown condition might be transformed into an attractive home.

Some owners lease the property for rental income while they hold it for long-term capital appreciation. Sometimes they refinance, getting their original down payment back, and then hold the property as a long-term investment.

Things To Watch For In A Fix Up

Before the property is purchased, the investor must determine whether the property can be profitably fixed up. Some owners do the work themselves and others hire people to do it. Either way, planning is necessary. Here are some of the things that

can be done to make a profitable fix up job:

- 1. General clean up and painting.**
- 2. Replace carpets and window coverings.**
- 3. Repair any broken or cracked windows.**
- 4. Replace outdated bathroom fixtures.**
- 5. Repair or replace broken gutters or downspouts.**
- 6. Complete new landscaping of the yard.**

Here are some of the things that can be very difficult and may make a fix up job unprofitable:

- 1. A serious termite problem.**
- 2. A wet basement.**
- 3. Inadequate plumbing or plumbing needing replacement.**

4. Broken seals on thermopane windows.

5. Building is structurally unsound. (Severe cracks, uneven settling or buckling.)

6. A new roof. While this can sometimes be handled in the ordinary fix-up, it is expensive. If all other things are favorable, check with a roofing contractor to see if the roof can be repaired rather than replaced.

Making a mistake in the purchase of a property for rehabilitation can be disastrous. Before making the offer to purchase any house that is to be fixed up for profit, hire an engineer or a competent inspector. The report from this professional will tell you what repairs are essential and some idea of costs. ❖

Easements On Real Estate

During a storm, a crew from the electric company may come on to your property to make repairs on their lines. Usually, they notify you in advance, but in emergency situations sometimes that is not possible. What rights do they have to access your property?

When the utility companies that serve your home with gas, water and electricity cross your yard to get to your home, they have a legal right of way or easement to cross your property. This legal right was given to them in a recorded document that was signed by you or by a previous owner of the property.

An easement has been

defined as a right to use and enjoy someone else's land for a particular purpose. This right has tremendous importance and certain dangers for owners of real estate. Since an easement can restrict the free and complete use of land, it could have a negative effect on the true value of that land. Whenever a property is purchased, the buyer should identify any easement and carefully consider its significance in the light of his/her plans for the property. The buyer could find that the price was too high for land that cannot be freely and fully used.

Most all easements are in one of three categories: **(1) Surface easements, (2) Subsurface easements, and (3) Overhead easements.** Within any of these

categories, a particular easement might be temporary or permanent.

• **The Surface Easement:** This is the right to use only the surface of the land. It includes right-of-way easements for highways and railroads as well as foot-paths, driveways, bicycle routes, and the like. What if a neighbor has the right to cross your land with a driveway to his property? This could change the value drastically!

• **The Subsurface Easement:** This easement is the right to use the land at a designated distance below the surface of the land. Common examples of this easement would be for ➡

Easements. (continued)

utilities. Underground water and sewer pipelines, telephone and telegraph cables and storage facilities.

Typically, a utility company would have the right to run its gas and electric lines on an owner's property (often in a five-foot deep, six-foot wide strip along the entire rear, front or side property line).

The owner is restricted from either building on top of the easement or from denying ready access to the company for work on those lines.

Anyone purchasing a property for a home and planning an in-ground swimming pool had better learn the exact details of any utility ease-

ments that could deny the free use of the area where the pool will be located.

- **Overhead Easements:**

This easement is the right to use space at a designated distance above the surface of the land. It usually will include power lines but could also include aviation routes.

When the land borders an airport, an easement may be granted so that aircraft are permitted to cross the land at a lower elevation during take-offs and landings. A light-and-air easement (a refinement of the overhead) provides for open space in a specified area, prohibiting

owners of adjacent properties from erecting any structure on those properties in such a way as to block out the light and air.

Usually an easement passes along with the land when the land is sold. The easement itself is a separate legal interest and it can be sold or transferred or leased.

Before investing in any property, be sure to check any easements on it. Insist that the documents of sale identify and describe the exact nature of any easements. Don't be caught unaware of a restriction that can drastically change the use of the land that you will own. ❖

The Benefits Of Owning Instead Of Renting

Another article in this issue recommended acquiring additional real estate as an investment. We forget sometimes that there are people that can afford to own a home, but still rent.

Sometimes we have gotten a question from the person who is renting a house or apartment on why they should bother to own a home. They feel that there are benefits to renting that outweigh the problems of owning and keeping up a home. There may be a few advantages to renting—about the only one that we can think of is the advantage of lower costs if the person must move very often. It would take a few years of ownership to offset the closing costs on a sale if you must move. On the side of the benefits of home ownership, here is a short list that

a renter can never have in his wildest dreams.

- The property taxes and mortgage interest payments are exceptional annual tax deductions.

- Under the current federal tax laws, the gain when a home is sold makes most capital gains for nearly all homeowners totally tax-free. Many owners are planning the strategy of serial buying and selling. This can add many thousands of dollars to your net worth before retirement.

- If any financial emergency strikes the family, the homeowner can investigate the possibility of a home equity loan.

- There is a saving plan in making payments on a home. Each month, part of the monthly payment on

an amortized loan goes to pay off the principal and the equity grows. Probably the home is also increasing in value.

- If the owner has a fixed rate mortgage, there is the security of knowing that the payment will not increase and no landlord can start an eviction. The renter has no control over rent increases and the possibility of eviction.

- The homeowner has the freedom to paint any room in whatever color, no matter how it looks. The property can be remodeled any time as long as the proper permits are secured; the garden can be changed to suit personal tastes. If any improvements make the value of the property go up, the owner gets the benefits of the increase at the time of the sale. ❖

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%	166	549K to 799K	636K	0
2000	Brighton	39	2	5.1%	19	1.15M to 1.195M	1.173M	0
S/T	North Beach	106	5	4.7%	107		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	17	11.0%	122	599K to 1.275M	795K	1
310	Boca Mar	38	0	0.0%	0	SOLD OUT	N/A	0
350	Beresford	53	0	0.0%	0	SOLD OUT	N/A	1
400	Excelsior, The	27	4	14.8%	649	2.249M to 5.45M	3.811M	0
500&550	Chalfonte, The	378	5	1.3%	128	450K to 775K	591K	3
600	Sabal Shores	125	5	4.0%	346	375K to 795K	509K	1
700	Sabal Point	67	2	3.0%	40	645K to 1.895M	1.27M	1
750	Sabal Ridge	31	1	3.2%	211	1.149M	1.149M	2
800	Presidential Place	42	0	0.0%	0	SOLD OUT	N/A	0
1000	One Thousand Ocean	52	6	11.5%	259	2.9M to 12.95M	6.674M	0
S/T	Boca Beach	968	40	4.1%	222		1.950M	9

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	1	1.1%	117	650K	650K	1
1200	Cloister Beach	128	3	3.3%	71	265K to 699K	451K	3
1400&1500	Addison, The	169	16	9.5%	299	715K to 3.25M	1.197M	4
1800	Placide, The	54	1	1.9%	157	799K	799K	1
2000	Whitehall	164	4	2.4%	258	475K to 899K	642K	3
2494	Aragon, The	41	5	12.2%	248	2.295M to 6.5M	3.847M	0
2500	Luxuria, The	24	3	12.5%	85	4.995M to 7.5M	6.313M	0
2600	Stratford Arms	120	2	1.7%	31	749K to 795K	772K	0
2800	Whitehall South	256	8	3.1%	106	520K to 995K	591K	2
3000	3000 South	80	2	2.5%	254	540K to 650K	595K	2
S/T	South Beach	1132	45	4.0%	228		1.865M	16

Totals	June, 2013	2206	90	4.1%	219		1.846M	25
Totals	June, 2012	2154	93	4.3%	279		1.001M	21

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 April 30, 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.

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