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THE BOCA BEACH REPORT

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*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.

Should A New Home Have A Professional Inspection?

Real estate agents usually recommend that a buyer of a home hire a professional inspector when they make the offer on the property. The contract can be worded that the offer is contingent on the result of the inspection. Wording can be added spelling out who will pay for any things that must be corrected in the home.

How many deficiencies do you think are found by inspectors that have been there since the home was built? Some in almost all homes, very many in a few homes.

A New Home May Have Imperfections

Have you ever bought a new home directly from the builder? You may have thought there could be no more of a problem-free situation than owning a new home with all new appliances, new windows and crack-free walls.

Unfortunately, no new home is perfect, no matter the price. The general contractor hires sub-contractors to do much of the work. Different crews are in and out, doing their part of the work. Deliberate cutting corners are rare, but mistakes are inevitable, some small, and some large.

What does the City or County Building

Inspector do in the periodic inspections while a house is being built? Their job is to make sure that the house being built conforms to building codes. They do not pay any attention to the quality.

Building A Home? Hire An Inspector Early

The same inspector who might be hired to inspect an existing home can be hired to do inspections five or six times during construction of your new custom home. This inspector can be involved from the start.

In the negotiations with the builder for the contract for the construction, bring up the subject of the inspector and his/her role in the project. The inspector will assist both the owner and the contractor during the construction. If the builder balks at having an inspector around periodically, you may want to do business with another builder.

The inspector will add \$1,000 to \$1,500 to the price of the construction, but the completed home should be as perfect as possible.

If you do not know an inspector in your area try www.ashi.org, which is the web site of the American Society of Home Inspectors. ❖

“Location, Location, Location” Is Always True

We have all heard that the most important consideration in buying a home is: “Location, Location, Location”. You are aware of the attributes of the good location. You want streets that are well lighted and clean. Good schools are necessary, even when your children are grown. (Someday you will sell and the buyer may have children.)

You have to be fairly close to shopping in an area that has a low crime rate.

When we show you through a neighborhood to choose a new home, you will be aware of these “location” characteristics. When we show a home, all of the important places that are a part of the neighborhood are also shown so that you can make an intelligent decision.

Everyone’s Preference

Location is near the top of any buyer’s list of needs when looking for a home. We agree that loca-

tion is all-important. When we look at a home and the neighboring homes, we hope we can picture what will happen to the area or tract of homes in the future. You must, however, understand exactly what location means to you and the value of your property. How your property will appreciate in value later is related to how well it is located and maintained today.

In an area where everyone takes care of homes and here is an obvious pride of ownership, the neighborhood and values will prosper. There may be one owner in a neighborhood of well-kept homes that doesn’t quite keep up, but just one may be no problem. This neighbor may change by the example and pressure of the pride-of-ownership owners.

However, once in a while, there may be a whole development or tract where many of the owners or renters have let go and most of the homes and yards are shabby. It

may be a twin (originally) of the neighborhood of well-kept homes. Because of the overall appearance and condition, the value of the homes is lower.

What is the overall appearance of the neighborhood? There would be danger signs if there were cars, boats or trailers jacked up in the street or driveways. This whole neighborhood may be in critical condition. Some of the homes may be for sale at what may seem is a bargain price. It is not. It is a “bad” location. It might improve in time with the right new owners.

Real estate agents are reluctant to show homes in this area unless the buyer is a sophisticated investor who knows the area and wishes to take the chance because of the lower prices. ❖

We’ll Help With Your Real Estate Investment

Buying an investment home is a great idea while prices are down. Interest rates are as low as they have been for years. In short, opportunities are great for investing. Some of our clients have asked about real estate instead of returning to the stock market. Now is the best time before interest rates increase again.

When you own a home, you are already an experienced real estate investor.

As real estate professionals, we advise our clients who are ready to begin to invest in real estate properties to use that first-hand experience. We advise these

clients to parlay their involvement, thoughts, and reactions concerning their own residence into a strategy for making money from investments in land and buildings. Specifically, an investor might consider the following investment possibilities:

- Multi-family houses, usually two to six families. The new investor might live in one of the units.
- Single-family houses to rent or to fix up.
- Old houses to remodel and convert into small apartment units.
- Small apartment buildings, preferably under six or so units.
- Mixed commercial and residential property such as a shoe repair

or hardware store downstairs and a rental unit or two upstairs.

- A local condominium apartment building to rent.
- A vacation condo unit or house at a resort. If you own one, buy another.

THE KEY: Each of the foregoing investments involves a basic human need: living arrangements. That offers the beginner a chance to get his/her feet wet in an area about which he/she already has ideas. Our advice will have helped steer you, the beginner-investor, into “comfortable” situations. ❖

Reporting The Tax On The Sale Of A Home

Since the 1997 tax law changes reporting the tax on selling a home is easier. If you are married, you can exclude up to \$500,000 of the profit from the sale. If you are single, you can exclude up to \$250,000. If the gain on the sale is less than \$250,000, say \$200,000, you can only exclude up to that amount.

Rules are simple: besides selling your house for a profit, you must have owned and lived in the house for two out of five years before the sale. This is not a one-time exclusion either: you can use this exclusion every time you sell a house, as long as you haven't sold another house in the last two years. If you're married, you have to meet additional requirements to take the \$500,000 exclusion:

- You must file a joint return.
- You or your spouse, or both of you must own the house.
- You and your spouse must have lived in the house.

Even if you don't meet the ownership and use tests there are also exceptions where you may be able to take the exclusion. You may be able to take a partial exclusion even if you can't take the whole exclusion.

Married couples can face some complicated situations when selling a home these days. Here's how to deal with them:

- Suppose you are filing a joint return, but were not sharing the residence you sold with your spouse, you can claim an exclu-

sion of up to \$250,000. Your spouse can also claim a \$250,000 exclusion on the sale of another owned home that served as his or her residence.

- If only one of the couple meets the requirements for ownership and use, you and your spouse can take separate \$250,000 exclusions. For example: One spouse moves to take a job in another state, making the couple ineligible to claim the full \$500,000 exclusion. The spouse who remains in the home can exclude up to \$250,000 when the house is sold, while the out-of-state spouse can take a partial exclusion, based on the length of time they lived in the house.

- When you marry someone who has used the exclusion within the last two years, you are limited to a maximum exclusion of \$250,000. But after two years have passed since either of you claimed the exclusion, you can exclude \$500,000 of gain on your joint return the next time you sell a house if both of you meet the ownership and use requirements.

This exclusion applies only to your principal residence, which is the home where you spend most of your time. Your vacation home used only seasonally does not qualify. While the residence can be a variety of types, a mobile home, trailer, houseboat, condominium, or stock you hold in a cooperative apartment. An investment in a retirement home does not qualify if you do not receive a legal interest in the property.

Be sure and check with your tax advisor before reporting exclusions or taxes on a capital gain on the sale of a home. ❖

Seller Financing

The seller can assist the buyer by acting as the lender, financing all or part of the sale. The term given to such seller financing is carry-back financing. Literally, the seller is carrying back part or all of the financing on the property instead of the buyer financing with a bank or savings and loan.

When the property is free and clear of loans, seller financing is no problem. If there is a small institutional loan still on the property, it must be assumable and allow additional

financing. The agent must ascertain this when property is listed.

Seller financing is a vital part of any successful sales program. If the seller is aware of all of the benefits, it can cut the sales time of a property by expanding the market. Many more buyers would be able to purchase the property.

Many sellers of real estate do not need all of the money that will come from a sale. Often the seller must go out and look for a place to invest the proceeds, to get the best possible return. ❖

Professional Experience In Real Estate Can Be Profitable For You

Experience only comes from working in an occupation or profession for a long period of time. Every one of hundreds of transactions in real estate is different. This means the “experienced” practitioner in real estate has learned many things about property and people that are not taught in books.

When you make the decision to buy or sell a home or other real estate, you want the quickest, trouble-free transaction at the most favorable price. Your search starts in earnest when an expert real estate professional represents you exclusively. Here is why I can do the best job for you.

- My recommendation for a selling price will be “on the money” to save time in the sale. Often a seller will realize more on the sale than he/she would have without professional representation. For a buyer, I also can advise on the reasonable price for each home available on the market.
- In addition to values of properties, I can answer any question about taxes, costs and services that can affect your transaction.
- My experience with many buyers and sellers can help a buyer determine how

much home can be purchased with existing resources and can show some financing methods that might be unique.

- When I represent you, your precious time is saved. Instead of spending hours or days doing research, ask me. I will have instant answers to many of your questions, plus know where the answers are to any others.
- I’ll soak up the stress that comes with a purchase or sale. Instead of you being overwhelmed with details, I’ll take care of them.
- When you are a seller, I’ll show the home to its best advantage. Prospects will be advised of all aspects of the property, protecting you from any later objections.
- For a buyer, I’ll show a variety of homes suited to your needs, and can suggest simple changes that could make a certain home a good choice.
- I know and cooperate closely with all of the other real estate professionals in our market area. These contacts with friends “in the business” can often produce a buyer or seller for us in record time. ❖

Your Real Estate Brokers

How can we be of service to you? When you are buying or selling a home, of course. At other times, we can handle property management for any properties you might own. Let us help in determining the value of your home, anytime you need to know.

Call this office when you need services of an expert in this community’s real estate. We have the records of all properties for sale at all times. Today’s interest rates, availability of loans, and any other financial information that can affect your property is as close as your phone.

Keep our newsletter as a file of useful real estate information and to remind you to call us whenever you need “Professional Service”.