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# THE BOCA BEACH REPORT

**November 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.*

## Use Equity Line To Finance Improvements

Rather than move to a larger home, you may have decided to add on and remodel your present home. Your banker suggests that it would be best financially to use an equity line of credit to make the improvements and refinance the first mortgage later. That may sound like some of the costs of borrowing might be duplicated.

Maybe not. The costs to set up the equity line may be quite low. Some banks have no fees at all for the equity line. The lender’s suggestion may be a good one.

### Here’s why:

Let’s say the improvements will cost about \$75,000. Your mortgage balance is now down to \$150,000. The home should be worth approximately \$500,000 when the remodeling is done. By using the equity line for paying “as you go” you pay interest just on the outstanding balance each month. If you financed the whole \$75,000 up front, the interest would be on the total amount.

**Here’s an example.** The contractor bills you just \$14,000 at the end of the first month. Your payments and interest are based on that amount only. If you had borrowed the entire \$75,000 with a traditional second mortgage or refinanced the first loan

you would be paying interest on that full amount. The line of credit gives you the flexibility to borrow only what you need, when it is needed.

If you had refinanced the existing mortgage into one new, larger loan, the amount of the loan would have been based on the property’s value before the improvements, not the value after. It is possible you could be short of money.

Also, getting all of the money up front by refinancing the existing mortgage could require private mortgage insurance since you might need a loan that exceeded 80% of the property’s current value. This would increase your monthly payment.

So, there is homework to do with the lender. You must get the costs of the equity line, then the total estimated costs to refinance once improvements are completed. Then compare. If those costs using the equity line do not save significantly, then do the refinance at the beginning. There could be a saving.

While you are working with the lender initially, it might be a good idea to get a commitment on the final refinancing when the work is completed.

As is always recommended, obtaining financing counsel initially from more than one lender can give you the best idea of options and related costs. ❖

## Prepare Your Home Or Second Home For The Winter Season

Whether homeowners live in a temperate climate in the city or by the beach or in a colder area, more of you are owners of second homes in mountain areas. Up to 20% of owners now own a vacation home somewhere. At ski resorts, ice, snow and wind can have devastating consequences on the coziest of homes. Last winter alone there was over \$1.5 billion dollars in insured losses due to burst pipes, frozen gutters and other weather-related disasters.

Don't wait for the snow to fall to get ready for severe winter weather. A little time and effort in late Autumn can prevent the heartache of burst pipes and other disasters when a severe winter brings snow, freezing temperatures and arctic winds.

Here are suggestions for precautions homeowners can easily do (Some can apply to your primary home):

- **Check Insulation.** Look at insulation to attics, basements and crawl spaces. Add extra if it is packed down. If heat escapes through the roof it can cause snow or ice to melt up there. The water then re-freezes causing more snow and ice to build up. This can collapse a roof, and can

cause ice damming. Well-insulated basements and crawl spaces will help protect pipes from freezing.

- **Maintain Gutters.** Remove leaves, sticks and other debris from gutters, so melting snow and ice can move freely. This will usually prevent ice damming - a condition where water is unable to properly drain. You also might install gutter guards. Available in most hardware and home stores, gutter guards are screens that prevent debris from entering the gutter in the first place.

- **Check The Thermostat.** The temperature in the home should be at least 65 degrees. Since the temperature inside the walls where the pipes are located is substantially colder than the walls themselves, a temperature lower than 65 degrees may not keep the pipes from freezing.

- **Check Your Heat Sources.** The proper maintenance of furnaces, fireplaces and wood-burning stoves can prevent fire and smoke damage. Have all of them serviced at least once a year. Make sure that smoke and carbon dioxide detectors are working properly.

- **Trim Trees.** Ice, snow and wind could cause weak trees or branches to break - damaging homes, cars, even people.

- **Maintain Pipes.** Wrap pipes with insulating tape and insulate unfinished rooms such as garages that may have exposed pipes. Also, repair cracks and leaks.

- **Know The Plumbing.**

Can you shut the water off? Learn the location of the shut-off valve. Know where your pipes are located. If your pipes freeze, time is of the essence. The quicker you can shut off the water or direct your plumber to the problem, the better chance you have to prevent the pipes from bursting.

- **Be Careful If Home Is Not Occupied.** If this is a second home, be sure to turn off the water and drain the system. If the home was built in the last 20 years, the shut-off valve may automatically drain the pipes. Have a plumber check for you. You might also hire someone to check on your home on a regular basis. If there is a problem, it can be fixed quickly.

Your insurance policy is probably adequate, but check it. Standard homeowners policies usually cover winter-related disasters such as burst pipes, ice dams, wind damage caused by weight of ice or snow.

Damage to homes caused by flooding is usually excluded from most standard homeowner policies. Flood insurance is available from the National Flood Insurance Program. ❖

## Why A "For Sale By Owner" May Not Be A Good Idea

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.

Recently a homeowner 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.

- The asking price may not accurately and objectively reflect realistic local market conditions. A price that is



(continued)

initially set too high wastes time and gives the house a negative reputation.

- An 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 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 weekends, 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—Risks And Returns

Anyone that owns just one parcel of real estate is an "investor" in property. When we talk about investments, what we really mean is profit - an increase in our capital at the least risk for the highest return. But, always remember, there is a risk. That is why the returns are so high!

The increase can come in various ways. An increase in value is still one of the best ways of making money in real estate investments. Here are a few basic ideas to keep in mind when dealing in real estate; a few of the things the professionals are doing:

1. Buying and upgrading houses and income property. This is one of the primary ideas. Upgrading a property by making it more valuable to someone else, then selling it, or maybe refinancing it and holding it.
2. Investing in real estate paper without a direct real estate

purchase. Buying mortgages, contracts, leases. By purchasing these instruments at a discount whenever possible, an investor can get a very high percentage return on the investment with only a small amount of risk.

3. Making a tax deferred exchange of business or investment real estate rather than just selling and making a taxable profit. Putting off paying taxes keeps those dollars working until a later year.

4. Borrowing money on property already owned. You can borrow on property owned without incurring a tax liability in that year.

5. Investing in land. Splitting properties that are large into a number of smaller parcels. Buying wholesale and selling at retail!

Each owner has his/her own idea of the type of real estate investment plan that would be the most desirable.

Some feel that a real estate invest-

ment is a highly leveraged residential income property. Others want the income property, but want no residential income. They only want a leased commercial property. A retail store, a bank, grocery store or an office building would be the only investment or tenant worth considering.

Among those preferring residential property, some investors would only consider single family homes or duplexes as investments. Some investors own dozens of them.

What is your plan? There are many ideas and plans used by investors in property to make profits. We have been exposed to most of them and know them. We use them for ourselves in our own estate planning and in the planning for our clients. ❖

# 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	1	25.0%	7	3.2M	3.2M	0
2066	Ocean Reef Towers	55	1	1.8%	100	549K	549K	0
2000	Brighton	39	1	2.6%	164	1.15M	1.15M	1
<b>S/T</b>	<b>North Beach</b>	<b>106</b>	<b>3</b>	<b>2.8%</b>	<b>90</b>		<b>1.633M</b>	<b>1</b>

## 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	14	9.0%	255	549K to 1.35M	770K	0
310	Boca Mar	38	1	2.6%	61	497K	497K	0
350	Beresford	53	2	3.8%	53	1.15M to 1.495M	1.323M	0
400	Excelsior, The	27	5	18.5%	571	2.249M to 4.999M	3.864M	0
500&550	Chalfonte, The	378	3	0.8%	36	685K to 840K	741K	3
600	Sabal Shores	125	4	3.2%	18	579K to 975K	821K	2
700	Sabal Point	67	3	4.5%	163	418K to 1.895M	1.354M	0
750	Sabal Ridge	31	1	3.2%	366	1.195M	1.195M	0
800	Presidential Place	42	1	2.4%	132	4.550M	4.550M	0
1000	One Thousand Ocean	52	4	7.7%	265	2.9M to 13.95M	6.688M	0
<b>S/T</b>	<b>Boca Beach</b>	<b>968</b>	<b>38</b>	<b>3.9%</b>	<b>232</b>		<b>1.982M</b>	<b>5</b>

## 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%	69	447K to 650K	549K	0
1200	Cloister Beach	128	1	0.8%	232	389K	389K	0
1400&1500	Addison, The	169	8	4.7%	443	795K to 3.25M	1.564M	0
1800	Placide, The	54	3	5.6%	110	645K to 1,299M	871K	1
2000	Whitehall	164	4	2.4%	109	429K to 725K	562K	2
2494	Aragon, The	41	4	9.8%	418	2.295M to 6.5M	3.946M	0
2500	Luxuria, The	24	3	12.5%	240	4.7M to 7.95M	5.983M	0
2600	Stratford Arms	120	2	1.7%	80	749.5K to 795K	772K	2
2800	Whitehall South	256	4	1.6%	88	520K to 695K	601K	1
3000	3000 South	80	1	1.3%	97	540K	540K	1
<b>S/T</b>	<b>South Beach</b>	<b>1132</b>	<b>32</b>	<b>2.8%</b>	<b>240</b>		<b>1.784M</b>	<b>7</b>

<b>Totals</b>	<b>Nov. 2013</b>	<b>2206</b>	<b>73</b>	<b>3.3%</b>	<b>230</b>		<b>1.881M</b>	<b>13</b>
<b>Totals</b>	<b>Nov. 2012</b>	<b>2206</b>	<b>87</b>	<b>3.9%</b>	<b>322</b>		<b>1.667M</b>	<b>18</b>

### 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 FlexMLS on October 2, 2013. This representation is based in whole or in part on data supplied by FlexMLS. FlexMLS does not guarantee or is not in any way responsible for its accuracy. Data maintained by FlexMLS may not reflect all real estate activity in the market.