



Richard L. Dusik
President



FLORIDA BEACH REALTY
and Financial Services, Inc.

1515 N Federal Hwy, Suite 300, Boca Raton, FL 33432-1994 (USA)
Bus: 561.391.9196 • TOLL FREE: 800.817.6957 • Fax: 561.391.0219
Website: www.FloridaBeachRealty.com • E-mail: RLD@FloridaBeachRealty.com

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THE BOCA BEACH REPORT

August 2016

*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.

How Title Insurance Protects You

Title Insurance is paid for once, normally at the real estate closing. Unlike casualty-type insurance, there are no annual premiums.

The owner’s title insurance policy is usually issued in the amount of the real estate purchase price. With this coverage, the title insurer will, when necessary, pay for defending against an attack on the title as insured and will pay valid claims. This coverage lasts as long as the individual or his or her heirs have an interest in the property that is insured.

When you purchase a home, you are always offered title insurance. Don’t think that this is just an add-on expenditure for someone to make money at your expense. Title insurance is purchased to cover problems that might come up affecting the ownership of real estate. These problems may not emerge until long after the purchase was made, but can result in claims and financial losses.

Here are some of the things that can happen (and they do happen to people, often):

- Claims by children born or adopted after the date of a will.
- Claims by previously undis-

closed heirs.

- Deeds by minors, aliens, or persons of unsound mind.
- Administration of estates of persons absent but not deceased.
- Claims of creditors against real estate sold by heirs.
- Forged deeds, mortgage releases, and other documents.
- Mistakes in the public record.
- Fraudulent acts.
- Misinterpretations of wills.
- Descriptions of property that appear accurate but are not.

The Owner’s Protection

The typical protection against land title problems, including hidden hazards, is designed to safeguard the lender’s security interest in the real estate purchased. The owner of the property is not protected, unless the buyer requests and pays for an “owner’s title insurance” policy. Whereas a lender’s protective policy decreases in amount of coverage as the property is paid for by the owner, and owner’s policy does not decrease in amount of coverage. ❖

The Benefits Of Seller Financing

Seller Financing

Here is a way to increase the chance of selling a home in a slow market. With the banks tightening up on loan qualifications, seller financing may become more important. 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.

Benefits to the Seller:

- Even though mortgage money is relatively cheap, some people who would be excellent buyers cannot qualify under institutional lender standards.
- Many properties just don't meet institutional standards.
- A good amount of money from the sale is invested in a note that is extremely safe, secured by the real estate that the seller knows well, the property that was sold. This gives the seller a substantial monthly income.
- This investment, in addition to being safe, will pay a much higher interest rate than is paid in other investment vehicles. When current institutional mortgage rates are at 4%, the seller can have the proceeds from the sale invested at that rate, or higher, rather than 1% at a bank.
- By taking a small down payment, and carrying the loan, the seller may be able to defer taxes because of qualifying for an installment sale. (Internal Revenue Code, Section 453.)
- The home sells at the top price. When a

buyer is able to get excellent terms, usually there is less haggling over the price.

- The transaction may be lightning fast. With no lengthy loan qualification at a lender, the buyer can be ready to close immediately.

Benefits To The Buyer

Some of the benefits mentioned above, such as the speed of the closing will also apply to the buyer. Here are others:

- Buyer can save cash paid to purchase the home. Seller may accept a lower down payment than required by an institutional lender. Buyer will save a substantial amount by completely avoiding loan origination fees (points) that can amount to thousands of dollars.
- Although the buyer may be paying the seller a higher interest rate than the seller can get at a savings account at a bank, the interest rate may be lower than the buyer would have to pay on a bank loan.
- Seller will not charge the buyer an appraisal fee and a variety of additional costs and fees normally charged by lending institutions.

Often an older seller has a free and clear home and would be more than happy to get the benefits of a carry back loan.

Vacation Homes and Other Solutions

Institutional lenders can often get troublesome on certain properties. Vacation homes can be one that is on their problem list. Others include: 1) Land, improvement ratio, e.g. house on 15 acres. 2) Old house without concrete foundation. 3) Zoning, e.g., a single family home on a lot zoned commercial or other non-conforming zoning.

All can be a problem that can be solved instantly with carry back financing.

Planning

When a home goes on the market, the owner and broker will usually discuss a marketing plan. This usually consists of the agent responding in terms of advertising, signs, explaining the referral system, holding the home "open" and wide exposure through the multiple listing service. These are the things expected of any real estate office.

Further, an explanation is given regarding the efforts that the owner should provide: painting, cleaning, making repairs, gardening, etc. Owner financing, one of the most important marketing strategies should be discussed at this time. ❖

A Good Idea – Investing In Homes for Wealth

Houses Are Still A Top Investment

With the values of homes going up, this may be the best opportunity to invest in a home, or a rental home.

Homeowners may struggle and save to buy their first home. Many of them then dream about the time when the mortgage is paid off and there are no more payments. Wouldn't it be great if at the time you pay off the mortgage on your home, you also paid off two or three other homes? Someday you could sell them for a good price or keep them for rental income in retirement.

You can do just that. Just save a bit more, buy another home as a rental, and the dream can come true. After the down payment, the monthly rent may pay off the loan every month.

Rather than buy apartment units as rental property, it might be wiser to invest in a small house, condo or townhouse, or more than one, if possible.

There are reasons for this demand for small houses and condos. Here are some of them:

1. There has been a trend for young people to stay single longer and wait to get married.
2. There is an increase in the numbers of nontraditional households (single parent, singles-not-married, married two-income, no children) that should create a demand for smaller houses, condos and townhouses.
3. People who are in their golden years have increased dramatically in numbers. They have a major impact on the market for real estate and will have for many decades to come. Many of these will try to remain close to family and friends. The convenience and good locations of many houses and condos will make them desirable to this group.
4. As the baby boom population ages, the country will need more housing that will be of the type that older Americans will

prefer, usually the small house, condo or townhouse.

Your Net Worth

Along with all of other benefits of owning a home are the benefits of wealth that accrue to the homeowners. The net worth of the people who own a home is on average much higher than those who rent property. (Net worth is your "bottom line" after subtracting debts from assets.)

The figures come from Harvard's Joint Center For Housing Studies and show that the average homeowner had a net worth of somewhere in the \$250,000. Renters had a median net worth of \$8,700. The wide difference is startling.

The reason that may come to mind first is that people who buy homes were wealthier in the first place. True, but even among people with similar incomes the difference is considerable. For example, renters with annual incomes of \$60,000 or more had a net worth of \$50,700. Comparable homeowners had a net worth of more than \$300,000.

After the home is purchased, payments on the loan each month reduce the mortgage. Over the long run, even including recessions, houses have a record of increases in value. The combination will do wonders for the net worth of the homeowners, even if they have no cash savings.

When wealth builds up in equity over the years, it can usually be tapped and used by owners by the use of refinance or home equity loans.

The study did not include owners who own a second or third home, but certainly the wealth of these owners would be much higher than the average owner.

Owning a rental home or homes automatically adjusts for inflation. Real estate goes up in value while other types of investments may not.

Give me a call when you want to get started in investment homes! ❖

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	1	1.8%	105	1.3M	1.3M	3
2000	Brighton	39	2	5.1%	249	1.495M to 1.995M	1.745M	0
S/T	North Beach	106	3	2.8%	201		1.597M	3

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	3	1.9%	93	775K to 1.025M	930K	1
310	Boca Mar	38	2	5.3%	167	315K to 475K	395K	0
350	Beresford	53	2	3.8%	81	1.385M to 2.6M	1.993M	0
400	Excelsior, The	27	2	7.4%	434	2.95M to 5.995M	4.473M	0
500&550	Chalfonte, The	378	2	0.5%	97	889K to 929K	909K	1
600	Sabal Shores	125	5	4.0%	150	549K to 925K	735K	0
700	Sabal Point	67	0	0.0%	0	SOLD OUT	N/A	0
750	Sabal Ridge	31	2	6.5%	150	1.5M to 1.8 M	1.650M	0
800	Presidential Place	42	2	4.8%	84	4.699M to 5.8M	5.250M	0
1000	One Thousand Ocean	52	4	7.7%	195	2.295M to 8.9M	5.885M	0
S/T	Boca Beach	968	24	2.5%	160		2.473M	2

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	5	5.2%	104	489K to 724K	545K	0
1200	Cloister Beach	128	4	3.1%	110	475K to 539K	519K	0
1400&1500	Addison, The	169	6	3.6%	86	1.95M to 3.15M	2.266M	0
1800	Placide, The	54	1	1.9%	33	1.15M	1.15M	1
2000	Whitehall	164	6	3.7%	109	659K to 1.15M	897K	1
2494	Aragon, The	41	3	7.3%	29	3.195M to 5.25M	3.965M	0
2500	Luxuria, The	24	0	0.0%	0	SOLD OUT	N/A	1
2600	Stratford Arms	120	1	0.8%	67	1.05M	1.05M	2
2800	Ocean Towers	256	4	1.6%	45	698K to 1.379M	1.016M	4
3000	3000 South	80	2	2.5%	158	615K to 685K	650K	2
S/T	South Beach	1132	32	2.8%	88		1.318M	11

Totals	Aug, 2016	2206	59	2.7%	123		1.802M	16
Totals	Aug, 2015	2206	37	1.7%	136		2.489M	15

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 BeachesMLS on July 19, 2016. This representation is based in whole or in part on data supplied by FlexMLS.
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