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THE BOCA BEACH REPORT

September 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.

Time To Invest In Another Home For Wealth?

Wealthy People Invest In Real Estate. Is it because they are wealthy that they invest in real estate or does real estate make them rich? We think owning real estate can make you rich.

After a person owns a home to live in, maybe an investment in another house would be something to think about. The benefits of having a tenant paying off a mortgage for the owner are very satisfying. It is a "no-brainer". It's so simple, if someone else is paying off your mortgage, you get rich!

Rather than buy a house or apartment property as a rental property, it might be wiser to invest in a condo or a townhouse, or more than one, if possible. It appears that the demand for these properties will be strong well into the future.

There are reasons for this demand for condos and townhouses.

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. The elderly people who have increased dramatically in numbers will have a major impact on the market for real estate for many decades to come. Many of these will try to remain close to family and friends. The convenience and good locations of many of the condo developments will make them desirable to this group.

4. As the population ages, the trend is for them to move to the South and the West. These areas of the country will need more housing that will be of the type that older Americans will prefer - usually the condo or townhouse.

After the recession, the demand for starter houses has remained strong well into the next decade. The pool of households headed by young (under 35) adults is increasing. This results in demand for the small house, and increases the demand for condos and townhouses.

Call me to get started on your plan for increasing wealth. Now may be the best time in decades. ♦

Some Tips From “House Flippers”

Most of us have heard about “house flippers”. They are the people who buy, remodel and resell houses for quick profits. They want to resell as soon as possible, without spending much money on the fix-up so they have found the best and most inexpensive ways.

Even if you are not a “house flipper”, but are just wanting to sell your home, here are some essential things that should be done.

Surveys show that it’s not necessarily the most extensive remodeling projects that return an excellent profit. The secrets of the flippers might help you to make a home improve in appearance before a sale netting a lot more money.

Rather than spend a fortune to give a home appeal, go for the tricks these professionals use that makes the money spent on renovation go farther.

Doors Are The First Things That Visitors See

A new front entry door, minor kitchen and bathroom remodels, creating an attic bedroom and replacing the garage door are among the low-budget yet high-yielding home improvement projects.

Most houses have been occupied by the

same family for years or decades so when they prepare to sell, it’s very dated. The key is to modernize elements of what is outmoded. It could be as simple as a fresh, neutral-toned paint job, changing the knobs on the kitchen cabinets, or replacing a vanity top or getting rid of the window coverings. Heavy drapes are out.

Clean Like You Have Never Cleaned

Buyers are attracted to homes that are stain-free, look new and are move-in ready. If there is wallpaper of any kind, anywhere, get rid of it. Removing wallpaper, painting walls, changing light fixtures and doorknobs, adding hardware to cabinets, and cutting the clutter helps update a house and makes it more appealing to potential buyers.

In kitchens, replace the laminate countertops with quartz or granite. You may avoid the expense of changing kitchen cabinets by changing the cabinet doors or painting them. New appliances are a must. A modern kitchen makes the whole house look good, while an old kitchen ruins the appearance of everything.

If the house has an attic that can be converted to a bedroom, it can be the best thing that you can do. It is one of the most valuable additions to any home – it adds living space! You are utilizing space that is already there. ♦

The Golden Rule – Location - Location - Location

Real estate experts say that the three most important things in the value of a home are, “Location, location and location”. This may sound a little facetious, but it is not.

- If new homes are being built in the area, they should be more expensive and more attractive than the existing homes. The neighborhood is being upgraded rather than downgraded.
- Streets are well lighted, clean, and are in good condition.
- Good schools. Are the schools well equipped and well staffed? How do the students rate on college aptitude tests? Are these schools close enough to the home you wish to buy?
- Easy access to shopping. Is your chosen neighborhood close to schools, churches, recreational and entertainment facilities? What are the

particular interests that you have that you want to be near?

- A neighborhood with clean streets that are lined with trees. Most of the lots have been improved, with very few vacant lots.
- 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.
- The crime rate in the area should be low.

When we show you through a neighborhood to choose a new home, you will be aware of all 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. ♦

How Options Work

When you purchase an option to buy real estate, you acquire the right to purchase that real estate at any time within a specified period at the price specified in the option. Usually, you must pay something to acquire the option. What you pay for the option depends on the circumstances, but it will always be small compared to the price of the property. If you fail to exercise the option, you lose only the amount that you paid for it.

Buying The Optioned Property

When you exercise the option and purchase the property, the amount that was paid for the option is added to the amount paid for the property to determine the basis. The person who had granted the option adds the amount paid for the option to the sale price and that will increase his gain or reduce his loss.

Example: John buys a one-year option to purchase a rental house from Mary for a \$300,000 purchase price. John pays Mary \$15,000 for the option. At the end of one year, John exercises the option and buys the house. His basis for the house is \$315,000 (\$300,000 purchase price plus the \$15,000 option cost). Mary's full sale price realized from the sale, in the year of the sale, is also \$315,000.

(Since long-term capital gains are over one year, one-year options are usually written for one year and ten days. This gives the principals an opportunity to avoid some tax.)

The buyer of the option controls the property for a year (and ten days). If it increases in value, he gets the profit. The seller of the option

usually feels that the property is sold when the option is purchased.

When The Option Expires

When the option is not exercised, its lapse is treated as a sale of the option on the day that it expires. The kind of loss from the forfeited amount paid for the option depends on the nature of the property that was optioned. If the property would have been a capital asset if acquired, the loss is a capital loss. The holding period of the option determines if it is long-term or short-term. When the option expires, the payment is ordinary income for the grantor of the option.

Example: In the previous example, let's say that John does not exercise the option, and at the end of the year it expires. Since the rental property would have been a capital asset if acquired, the \$15,000 forfeited is reported as a capital loss. Mary reports the \$15,000 as ordinary income in the year of the expiration.

Selling The Option

The gain or loss from the sale of the option has the same character as a gain or loss from the sale of the property. So, if the property would be a capital asset when acquired, gain or loss from the sale of the option is a capital gain or loss. The holding period depends on how long the option was held.

Example: In our example, suppose that John sells the option for \$25,000 after six months. The \$10,000 gain is a short-term capital gain. The sale of the option has no tax consequences for Mary.❖

Benefits In Owning A Second Home

A resort home or condo located at or near golf courses, tennis clubs, ski areas, lakes or oceans is an outstanding investment.

Other than just being able to use it as a second home, there are other benefits used by some owners of these properties. Here's a partial list of extra benefits:

- Tax benefits that include depreciation allowances and deductions for property expenses (for properties that are rented).
- Long term property appreciation.
- The opportunity and challenge to own and operate a "small business".

- A possible retirement residence.
- A place to entertain friends, family, or business customers and clients.
- The status, pride and pleasure of owning a home at a resort.

When the investor looks at such a property as a rental, the first question usually is, "Will I have a positive cash flow with the investment?" This can be estimated only on a specific property when we know (1) the size of the down payment made on the property, (2) the property's expenses and (3) the amount of rental income.❖

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%	135	1.3M	1.3M	3
2000	Brighton	39	1	2.6%	182	1.395M	1.395M	0
S/T	North Beach	106	2	1.9%	159		1.348M	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	2	1.3%	106	775K to 889K	837K	2
310	Boca Mar	38	1	2.6%	272	475K	475K	1
350	Beresford	53	3	5.7%	79	1.385M to 2.6M	1.778M	0
400	Excelsior, The	27	2	7.4%	464	2.95M to 5.995M	4.473M	0
500&550	Chalfonte, The	378	3	0.8%	166	849K to 929K	889K	0
600	Sabal Shores	125	4	3.2%	194	549K to 925K	712K	0
700	Sabal Point	67	1	1.5%	17	989K	989K	0
750	Sabal Ridge	31	2	6.5%	180	1.5M to 1.8 M	1.650M	0
800	Presidential Place	42	3	7.2%	76	4.699M to 5.8M	5.066M	0
1000	One Thousand Ocean	52	1	1.9%	84	6.35M	6.35M	0
S/T	Boca Beach	968	22	2.3%	154		2.172M	3

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	4	4.2%	109	489K to 724K	611K	1
1200	Cloister Beach	128	4	3.1%	66	469K to 649K	545K	0
1400&1500	Addison, The	169	5	3.0%	107	1.85M to 3.15M	2.329M	0
1800	Placide, The	54	1	1.9%	63	1.15M	1.15M	0
2000	Whitehall	164	6	3.7%	139	635K to 1.15M	878K	0
2494	Aragon, The	41	3	7.3%	59	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%	97	1.05M	1.05M	0
2800	Ocean Towers	256	5	2.0%	42	698K to 1.379M	1.083M	4
3000	3000 South	80	2	2.5%	188	615K to 685K	650K	1
S/T	South Beach	1132	31	2.8%	96		1.332M	7

TOTALS	Sept. 2016	2206	55	2.5%	122		1.669M	13
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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 August 18, 2016. This representation is based in whole or in part on data supplied by FlexMLS.
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