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THE BOCA BEACH REPORT

July 2017

Privileged information about your real estate

In This Issue

A Contingency When Buying A House

There are great real estate deals to be had out there.

To buy a house or any other real estate without all of your homework completed means that you must have a way to cancel if something unusual and unexpected comes up. Waiting for all inspections, financing, etc. before making a purchase offer is a good way to lose a perfect house to another buyer. Maybe another buyer knows about contingencies.

A contingency gives the buyer a way to cancel a purchase contract and getting any cash deposit back if some future event fails to materialize. Even though the sellers have accepted the offer, the well-written contract should contain these extremely important escape clauses.

On a long distance move on a job transfer, a husband or wife buyer may not be available until the weekend. A contingency for the spouse's inspection within a few days will usually be accepted. Normally, the seller will refuse no reasonable contingency. They know that any other buyer will also request reasonable escape clauses.

Typically, the following two contingencies are written into nearly every offer on a home:

- **Financing.** You can get out of the transaction if the loan specified in your contract is not approved.
- **Property Inspections.** You can cancel the transaction if you don't approve the inspection reports or cannot reach an agreement with the seller about how to handle necessary repairs.

Other standard *contingencies* can give the buyer the right to review and approve such things as a condominium's master deed, bylaws, and budget as well as a property's title report. You might want to make the contract contingent upon your lawyer's approval of the contract or your parents' inspection of the house.

What good is an accepted offer that has several escape clauses in it? An accepted offer with contingencies ties up the property for a short period of time. This gives the buyer time to check out the property, the traffic on weekends and during school hours. The buyer does not worry about the owner selling the property to someone else while he is spending time and money inspecting it and getting all of his ➟

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questions answered.

The Seller's Side

On the other side, the seller must protect himself. ***He or she must limit the time of the contingencies in a counteroffer if those time limits seem unreasonable.*** He does not want the home taken off the sales market for weeks just waiting for a simple walk-through inspection.

Inspections by relatives or approval of existing deeds, bylaws, easements, etc. should not take more than two or three days. Financing may take a few days longer, but most loans can be approved very quickly. The seller's real estate agent can give guidance on the typical time limits for various types of contingencies. The shorter the better for everyone!

By making strict time limits on removal in writing of all of the buyer's contingencies, the seller can get the house back on the market within days if the buyer cannot perform. ❖

The Wealth Hidden in Your Home

Real estate has always been the best investment for the long term. Five years from now we will look back at 2017 as the opportunity year of our lifetime.

Most everyone has a loan of some kind on their home or second home. Some have a second or a third note on the property. A very few owe large amounts on the property, but have no loans recorded against it. These owners may work for a large corporation or bank that advanced the money against the executive's personal account within the company.

If anyone could have a home free and clear of encumbrances, you would normally think it would be the very rich. However, most wealthy owners have all real estate mortgaged to the maximum. This gives them additional cash invested in their business or other investments, with a return higher than the interest rate on the loans. When mortgage interest rates dip to a low level, these investors buy more property or refinance what they have. They treat owning real estate as a business, and this is just one of their rules.

If an owner has title to a total value of $250,000 in real estate that increases in value by 10% in one year, the increase in equity is $25,000. If he increases his overall holdings to a value of $750,000 using leverage, the increase of 10% could amount to $75,000, even though the owner's equity may be just the same in both examples!

Using $200,000 in cash in a 25% leverage position could quickly mean an ownership of $800,000 worth of property. This could be a $200,000 down payment on an $800,000 apartment or diversified into several properties, such as $50,000 down on each of four $200,000 rental houses.

The long-term trend in real estate has always been higher prices. When we see the threat (or opportunity) of inflation still in the future, we must consider the possibility of using whatever means that we have to control more real estate. Our existing equity can be an answer.

Your Home Equity

If you have owned your home for a few years, you may be surprised at the amount of equity that you may have accumulated. Your wealth in equity builds up from the loan reduction from monthly payments and from increases in value. While inflation has not been in the news, most homes have been increasing in value, recently. Real estate owners who have not had great amounts of ready cash before may find that they might easily have access to $50,000, $100,000, $200,000 or more.

When you borrow money on something you already own, the proceeds of the loan is not taxable that year as income. There will be a normal tax liability on the gain, if and when the encumbered property is sold at some later date. (Check with your tax advisor.)

The borrower can use the borrowed money for anything. Some have invested in higher education to increase income. Others have used it to go into business. Many property owners borrow on one property for the purpose of acquiring other real estate. If one property can make you wealthy from appreciation, why not own two, three, or more?

This kind of financing can be a good use of ➠

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the equity in a home that the owners wish to keep. With other properties (like a rental you already own) there are other possibilities. Here are some ideas.

1. Sell the property and use the proceeds to purchase other real estate using leverage to the best advantage. On a rental, the tax may be low.

2. A second and perhaps a better idea. Exchange the equity up into a different leveraged position in another property, resulting in more income. (This can be a tax-free event if handled for you by experts.)

Sometimes, option #1 (sale) can be done, without tax problems. In one case, the sale of the taxpayer's residence, it might be tax-free. Under the present tax law, you and spouse may get up to $500,000 of gain free of tax. Most of the cash from the sale can be retained, with no tax liability. Invest the proceeds in down payments on another primary home and in down payments on other investment properties.

Check with your estate planner, tax advisor and attorney before taking any action in using equity to increase your estate. ❖

The Right Insurance For Condo Owners

If you don't own a condominium now, there may be one in your future.

Many property owners call a condominium their only home today. This type of home can be of modest price and up to high-rise city, beach and mountain resort condos. Those can be valued in the millions of dollars. Some owners may have a home in a metro area and a vacation condo in a resort.

Insurance is carried by condominium associations in special policies that give them proper coverage. Owners of units should consider a type of insurance carried by the developer or association. This Insurance is available to condo owners who live in a project that purchases blanket coverage on the structures. Here are some of the types of coverages:

Personal Property will cover things like clothing and furniture. Be sure this is replacement cost insurance or you might receive a settlement based on a depreciated basis.

Building Property covers the inside of the unit that the owner maintains, such as lighting, cabinets, floor and window coverings.

Loss of Use. While the association covers the buildings, this part of the policy pays certain expenses if a condo is damaged and uninhabitable.

Additional Living Expense covers the expenses that the owner faces over the normal amounts spent for food, shelter and related items, during the time required to repair or replace the unit or to relocate elsewhere for a certain period of time.

Loss Assessment will pay the owner's share of any extra assessment required if the condo association has an insured loss and the insurance does not cover all of it.

Personal Liability pays for legal defense against claims or suits resulting from someone being injured in the unit. It also pays the owner's legal liability for financial damages from these claims or suits.

Medical Payments to Others pays necessary medical expenses for guests who are accidentally injured in the unit.

Inflation automatically increases the amount of coverage of this policy by an inflation index.

The condo association has insurance for the areas for which it is responsible. The owners' insurance must provide coverage for those things that are their responsibility. Some associations have an Areas of Responsibility List, which defines those obligations.

It is a good idea for the condo association and the owners to have the same insurance carrier to avoid gaps in coverage. In most complexes, some units are rented. If so, landlord insurance is required. As in many types of insurance, taking a higher deductible can reduce costs. Take a copy of the condo governing documents and association insurance policy to your insurance agent so that he/she fully understands your insurance responsibilities. ❖

Oceanfront In BOCA

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%	65	1.189M	1.189M	0
2000	Brighton	39	2	5.1%	13	1.075M to 1.295M	1.185M	0
S/T	**North Beach**	**106**	**3**	**2.8%**	**30**		**1.186M**	**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	4	2.6%	55	899K to 1.495M	1.101M	0
310	Boca Mar	38	0	0.0%	0	SOLD OUT	N/A	0
350	Beresford	53	0	0.0%	0	SOLD OUT	N/A	0
400	Excelsior, The	27	2	7.4%	510	2.95M to 5.495M	4.223M	0
500&550	Chalfonte, The	378	4	1.1%	84	820K to 1.05M	904K	1
600	Sabal Shores	125	9	7.2%	229	518K to 1.05M	733K	1
700	Sabal Point	67	3	4.5%	69	975K to 1.15M	1.072M	0
750	Sabal Ridge	31	0	0.0%	0	SOLD OUT	N/A	0
800	Presidential Place	42	5	11.9%	258	3.999M to 5.75M	4.720M	0
1000	One Thousand Ocean	52	4	7.7%	111	4.3M to 7.9M	6.268M	0
S/T	**Boca Beach**	**968**	**31**	**3.2%**	**180**		**2.418M**	**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	4	4.2%	224	409K to 674K	505K	0
1200	Cloister Beach	128	5	3.9%	186	488K to 525K	503K	2
1400&1500	Addison, The	169	9	5.3%	224	1.25M to 2.775M	1.861M	2
1800	Placide, The	54	1	1.9%	48	950K	950K	0
2000	Whitehall	164	5	3.1%	167	699K to 1.025M	862K	1
2494	Aragon, The	41	3	7.3%	208	2.65M to 4.95M	3.617M	0
2500	Luxuria, The	24	4	16.7%	175	5.495M to 7.45M	6.378M	0
2600	Stratford Arms	120	2	1.7%	102	999K to 1.495M	1.247M	2
2800	Ocean Towers	256	8	3.1%	168	689K to 1.595M	1.117M	4
3000	3000 South	80	1	1.3%	71	695K	695K	0
S/T	**South Beach**	**1132**	**42**	**3.7%**	**182**		**1.786M**	**9**

Totals	**July, 2017**	**2206**	**76**	**3.4%**	**175**		**2.020M**	**12**
Totals	**July, 2016**	**2206**	**61**	**2.8%**	**129**		**1.829M**	**19**
Totals	**July, 2015**	**2206**	**42**	**1.9%**	**125**		**2.067M**	**18**

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 June 21, 2017. 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.