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SERVING

Boca Raton's OCEANFRONT Condominiums



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This publication is not a solicitation but is an information service from this real estate office.

Appraisals – Myths and Facts

Anything to do with original financing or refinancing real estate usually leads to a professional appraisal. About the only way to avoid an appraisal is to pay all cash and own a home free and clear of loans.

When you watch the traveling “antiques” programs on TV, you see demonstrations of appraisals in action. The idea is nearly the same in real estate valuations, but in real estate there is no “snap judgment” like on TV. Even when the appraiser is quite familiar with the area and houses nearby, every step of the appraisal is taken. There are never “snap judgments” with a professional appraiser.

Each parcel of real estate is unique, and the appraiser uses his or her general expertise and specific research to arrive at an opinion of current value.

Since appraisals are not an everyday experience for most consumers, they have some misconceptions about how the appraiser arrives at the value. Here are some facts and myths:

Myth: The primary purpose of an appraisal is to protect the buyer so that he pays only what the property is worth.

Fact: While the finished appraisal gives valuable information to the buyer and the seller, the appraiser’s primary job is to protect the lender. The lender insists on the appraisal. Lenders do not want to own overpriced property any more than they take pleasure in lending money to irresponsible borrowers. That is why the appraisal must be completed before the lender approves of the buyer’s loan.

Myth: The Appraiser uses a price per square foot formula to figure out how much each home is worth. (This is like the cost of building it again.)

Fact: There are many factors that go into the appraisal. For instance, the location of the house, its proximity to desirable schools and other public facilities, the size and shape of the lot, the square footage and condition of the structure itself. Recent sales prices of comparable properties in the area are taken into consideration.

Myth: Getting the home in spotless condition before the appraiser arrives can improve a home’s valuation.

Fact: Appraisers aren’t interested in how clean the home may be.



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They do look at the overall condition of the home for signs of neglect like cracked walls, worn or torn carpets, chipped paint, broken windows, damaged flooring and inoperable appliances.

Myth: It is not difficult to learn to be an appraiser. Anyone can call himself/herself an appraiser, get a clipboard and start in.

Fact: States are required by federal law to establish minimum standards and licensing practices for real estate appraisers. In some states, trainees must take several college-level courses, pass an examination and complete 2,000 hours of supervised experience.

Myth: Appraisers report only to the lender and do not have to reveal home defects to buyers.

Fact: It depends on the type of loan. If the mortgage will be insured by the Federal Housing Administration (FHA), the appraiser must survey the physical condition of the home and disclose potential problems to the buyer. If it is for a non-FHA mortgage, no such obligation exists. The person paying for the appraisal can request a copy.

Myth: If the home is appraised, no home inspection is needed. The appraisal is identical to a home inspection.

Fact: An appraisal is not a substitute for a professional home inspection. The appraiser is there to form an opinion of the property's value for the lender, while the inspector works for the buyer to inform the buyer of the condition of the home and its major components.

Myth: If the appraiser's value of the home does not "come in high enough" and is lower than the purchase price in the contract, the buyer will not be able to purchase the home.

Fact: It is true that this can make the transaction difficult, but the transaction can sometimes survive a "low" appraisal if the buyer and seller renegotiate the purchase price, or if the buyer makes a larger down payment. A separate escrow account could be set up to make repairs that will increase the value of the home.

Occasionally, an appraiser will reconsider his or her opinion if compelling evidence supports a higher valuation .❖

The First-Time Homebuyer

The spring homebuying season is about to take off, and the housing market is especially intimidating for first-time buyers. Home values have been soaring. Bidding wars are very common. For new home buyers it all can feel a bit overwhelming. If you're a first-time buyer, here are some questions to ask yourself.

What's your credit score?

Mortgage rates are starting to rise. But to lock in the most favorable rate, you'll need a high credit score.

Your credit score is the single most important factor in determining your interest rate.

Your credit score plays a big role in your ability to qualify for a mortgage, as well as how much it'll cost you.

So if you have a choice between paying down credit card debt or saving enough for a down payment, it's probably wiser to lower the debt, because that should help raise your credit score.

What Are your future Plans?

How long do you plan to stay in the house? In general, if you expect to be in the same place for less than three to five years, buying doesn't make as much sense. That's because real estate commissions and mortgage closing fees can eat

into your proceeds when you sell the property.

Home prices have been appreciating quickly. If strong growth in home values continues, then owning a home for just a couple of years can pay off. However, predicting the future of home prices is nearly impossible.

How much do you have for a down payment?

Loan programs through the Federal Housing Administration and the Veterans Administration allow you to make small down payments — 3.5 percent for FHA loans, and nothing down for VA mortgages

Can you handle the costs of insurance, property taxes and maintenance?

Getting into a home is just the start of the financial commitment. Once you're a homeowner, you'll have to pay not just principal and interest but also homeowners insurance and property taxes.

Homeowners insurance varies widely by location. In some states, you will barely notice your insurance premium. In others, particularly in fire-prone areas, rates have been rising sharply.

Make sure you build in the extra costs of homeownership into your budget and are prepared to



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pay expenses that occur during the time that you own the home.

Are you ready for homework?

If you answered the first four questions favorably, you're ready to buy. Now you will need to spend quite a bit of time touring homes and studying

property values. Think about the needs, wants, and must haves for your new home.

Doing the necessary amount of homework will give you a better feel for the market. I can help you with all of the questions that you have about home buying. Don't hesitate to give me a call, I'm here to help you find the perfect new home for you. ❖

Managing Your Vacation Rental

After you buy a second home in a seasonal resort, you find that the expenses of that ownership go on for the whole twelve months of the year. During the year you only use the home for part of that time. Many owners have solved the expense problem by renting the property part of the year. If you rent it, you can use a management firm or manage it yourself.

When You Hire A Management Firm

Whether you choose a local Realtor's management office or a large firm specializing in management of hundreds to thousands of properties, you should get the same professional attention. A company's past performance and depth of experience are important considerations when selecting a property management organization. Interviewing a management company's clients, tenants, vendors and others in the real estate community, and inspecting properties being managed by the organization gives a good indication of the organization's management experience, effectiveness, methods and style.

The Small Firm. A local Realtor with a great reputation can do an excellent job as your rental agent. The firm will advertise widely and build up a clientele of repeat guests who are known to them. The smaller organization with limited rentals available can handle them professionally and efficiently.

The Large Management Company. The large company does the same basic job of management as the smaller firm. There may be advantages as the bigger firm managing many houses and condos will have a large staff for maintenance and cleaning which could mean a quicker turnover in readying a property for a new rental.

Some large rental and management companies have an office open 24 hours like the front desk of a hotel. A "vacancy" sign out front invites guests with no reservations during slack seasons. Guests are sent out to the home or condo with keys and a map or escorted out by maintenance personnel.

The Contract

The Rental Management Agreement has many provisions. Here are some of the most common:

- The agreement is usually an exclusive agreement which stipulates that owners may not personally rent the unit. However, owners may reserve the condo or home for a certain number of days per season.
- The revenue split may vary with each company, and is usually 50% - 50% split between agent and owner, although some may be 40% - 60%. Turnover of tenants many times a month is expensive. Credit card fees are usually paid by rental agent and travel agent; commissions charged to owners.
- The agent's expense covers all that are associated with renter occupancy, such as: replacement of missing household items, front office operations, reservations, group reservations, marketing and sales programs, key control, minor maintenance and monthly accounting.
- Owner expense includes utilities, major maintenance, replacement due to normal wear and tear, annual cleaning and upgrade. Owner must obtain public liability insurance and proof of insurance must be provided to agent.

These are the major items on the list. There will be others, many depending on the specific location of the property being managed and the management company.

Manage It Yourself

If the owner just rents the house occasionally to friends and relatives, the management might be quite simple and can be done from home. If the home is rented more often, professional management must be considered. Professional management, as we have shown, consists of clean-up, laundry, proper maintenance, administration of a budget and bill payments. ❖

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	0.00M	0
2070	Athena	4	0	0.0%	0	SOLD OUT	0.00M	0
2066	Ocean Reef Towers	55	0	0.0%	0	SOLD OUT	0.00M	0
2000	Brighton	39	0	0.0%	0	SOLD OUT	0.00M	0
S/T	North Beach	106	0	0.0%	0		0.00M	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	0	0.0%	0	SOLD OUT	0.00M	1
310	Boca Mar	38	0	0.0%	0	SOLD OUT	0.00M	0
350	Beresford	53	0	0.0%	0	SOLD OUT	0.00M	0
400	Excelsior, The	27	1	3.7%	58	4.995M	4.995M	0
500&550	Chalfonte, The	378	1	0.2%	3	1.6M	1.6M	3
600	Sabal Shores	125	5	4.0%	19	750K to 1.899M	1.147M	2
700	Sabal Point	67	2	3.0%	41	749K to 1.075M	912K	0
750	Sabal Ridge	31	0	0.0%	0	SOLD OUT	0.00M	0
800	Presidential Place	42	1	2.4%	18	5.995M	5.995M	1
1000	One Thousand Ocean	52	2	3.8%	111	6.25M to 6.999M	6.625M	0
S/T	Boca Beach	968	12	1.2%	40		2.783M	7

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	2.0%	119	1.889M to 2.4M	2.144M	0
1200	Cloister Beach	128	0	0.0%	0	SOLD OUT	0.00M	1
1400&1500	Addison, The	169	1	0.6%	41	5.75M	5.75M	0
1800	Placide, The	54	0	0.0%	0	SOLD OUT	0.00M	0
2000	Whitehall	164	0	0.0%	0	SOLD OUT	0.00M	2
2494	Aragon, The	41	0	0.0%	0	SOLD OUT	0.00M	0
2500	Luxuria, The	24	1	4.2%	55	6.495M	6.495M	1
2600	Stratford Arms	120	0	0.0%	0	SOLD OUT	0.00M	2
2800	Ocean Towers	256	3	1.2%	16	1.315M to 1.99M	1.567M	2
3000	3000 South	80	0	0.0%	0	SOLD OUT	0.00M	0
S/T	South Beach	1132	7	0.6%	54		3.033M	8

Totals	June 2022	2206	19	0.8%	45		2.875M	15
Totals	June 2021	2206	26	1.2%	201		2,721M	19
Totals	June 2020	2206	77	3.5%	161		1,867M	6

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 May 18, 2022. This representation is based in whole or in part on data supplied by FlexMLS.
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