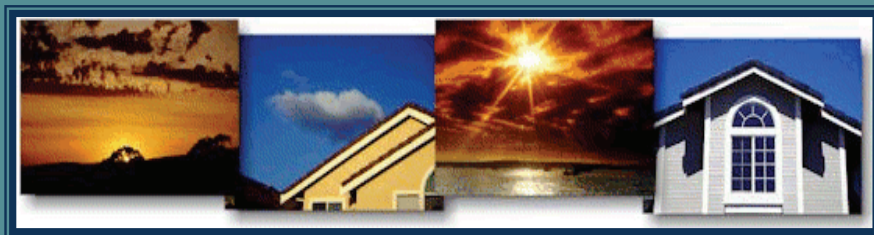


Village Realty

Buyer's Guide



A Complete Guide
to Buying Real Estate
on the Outer Banks



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About Village Realty

Village Realty is the premier sales, rental and property management company that specializes in luxury resort properties from Corolla to Ocracoke and the Inner Banks of northeastern North Carolina. For more than a decade, Village Realty has helped hundreds of people just like you realize the dream of owning a vacation home on the Outer Banks.

Village Realty Sales

From our offices located in Nags Head, Corolla, Ocracoke and Columbia, Village Realty sales agents offer clients – whether first-time buyers or seasoned investors – unsurpassed knowledge of properties from the beach to the mainland. We strive to offer buyers and sellers the highest level of service attainable while marketing the property through closing the sale.

Additionally, Village Realty has been the leader in sales and rentals in The Village at Nags Head since its inception in 1987. The Village at Nags Head was the Outer Banks' first true resort community. Those years of experience give

the entire staff at Village Realty special insight into luxury resort communities and which community might best fit a client's needs.

Whether you're looking for an investment property or are in search of your dream vacation home, Village Realty's staff of experienced sales professionals can take you there!

Rentals & Property Management

If you choose to purchase an investment property and put it to work generating rental revenue, Village Realty can offer you the advantage of our successful rental and property management program. We have set the standard for luxury resort rental programs on the Outer Banks. We provide in-house cleaning services, 24-hour maintenance, and a team of informative and helpful vacation specialists. We evaluate your home and advise you on ways to maximize your rentals and encourage repeat guests. Our experienced staff knows what is important in today's rental market and how to keep your home rented and your guests happy. It's a winning combination!

Village Realty

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The Outer Banks for Your Second Home or Investment Property

by Will Woodard, CFP®

The Outer Banks is a seductive place on a lot of different levels. The smell of the beach air, fragile topography, dynamic weather, and incredible scenery combine to emotionally “hook” folks each season. It happens to nearly everyone—cynical old-timer and unsuspecting new visitor alike, and for a good reason: Throw in a pleasant streak of weather and this is quite simply one of the most beautiful places on Earth.

The Outer Banks has been beautiful for a lot of real estate investors, too. Property values have skyrocketed for a wide range of resort properties in Dare, Hyde, and Currituck counties since the year 2000. However, the second half of 2005 and the first few months of 2006 have seen a pause in the relentless upward price spiral. Who knows, maybe buyers are in the process of reclaiming bargaining power that sellers have had a lock on the past few years.

Whether you’re a serious investor or simply a daydreaming guest starting to look around, though, there are ways to add value to the investment component of the home-buying process. Here are some ideas for making the most of your Outer Banks real estate investment capital:

- Be comfortable that you are buying *the best* property in your price range and desired neighborhood. Not every house or piece of land proves to be a winning investment. Take the time to see what’s out there in your target market, and buy the best of the available options—something you can live with and enjoy over your desired holding period that will outperform competitive properties in maintaining (and hopefully gaining) value.
- Recognize that your real estate investment may not be as liquid as you would like. Seems hard to believe after the last few heady years, but liquidity risk—that is, the ability to convert your investment to cash—may be a real issue. There may not be a buyer ready, willing, and able to pay your asking price when you’re ready to sell. Property owners can borrow against their homes easily, but *having*

to sell to raise cash at an inopportune time can create a financial nightmare. Consider this before diving in.

- Give some thought to the income side of the equation. Many buyers of rental/investment property fall victim to the trap of believing robust rental projections extrapolated by a gung-ho listing agent or seller. Go slowly here buyer, and don’t necessarily believe everything you read. There are a lot of new houses coming into rental management programs each season, and, frankly speaking, the projections that are on paper in front of you may never make it to your house’s bottom line. Simply put, if the cash flows look too good to be true, they probably are. This is another reason to own an exemplary property, as it will get more repeat rental business (guests love to remove uncertainty from the rental process), be more a favorite of a value hungry public or “in the know” rental reservations staff, etc., etc.
- Work with an agent who will consider your best interests in a proposed transaction. The process of buying a piece of property is exciting, challenging, and nerve-racking all at the same time, a whirlwind of emotion and anxiety. There are a lot of moving parts in the equation. To come out ahead you must be lucky, catch a “rising tide lifts all boats” market, or buy really well. This is where Village Realty can help. Village Realty has a staff of experienced professionals who know the ins and outs of the Outer Banks market. They will do their best to keep you out of the many possible pitfalls that pop up seemingly out of nowhere. Your agent should be someone you can trust for guidance, wisdom, and straight talk—not simply a cheerleader.
- Use market uncertainty to your advantage. This is where your agent can really help, as the process of negotiating to closing the property best resembles an awkward and slightly uneasy dance, with both parties simultaneously trying to keep an eye over the other’s party’s shoulder as

well as their own.

If you are a buyer looking seriously at a recently listed property that is a good fit for you, let the seller know it by your actions—make sure your first offer gets the seller’s attention and puts the seller on notice that you are serious about the property. Remember that well-priced standout properties are always in high demand and that’s no different in 2006 than in the last few years. You may have to make a quick move!

If, on the other hand you are looking at a property that has been on the market for a longer period of time, you may be able to ask for price or closing cost reimbursement concessions from the seller. With more properties on the market and national media outlets trumpeting market bubble fears, a seller may be happy to entertain your well-thought-out and thoughtful reduced offer. Your Village Realty sales professional can advise you in this regard.

Will Woodard is a Certified Financial Planner and North Carolina licensed real estate broker. He is President of Dare Capital Management & Advisory, a fee-only registered investment advisor firm with offices at 2518-E S. Croatan Highway, MP 10.5 Nags Head, (252) 480-0156. Find out more about the firm at www.darecapital.com.

Village Realty

Begin Your Property Search with www.villagerealtyobx.com

Whether you're looking for an investment property or the perfect vacation home on the Outer Banks, the easiest way to begin your search is through Village Realty's website.

As you are no doubt well aware, more and more people are researching the purchase of a home entirely online. According to the National Association of Realtors, 79% of real estate buyers and sellers begin their search online.

We are taking full advantage of this growing trend! Village Realty worked with one of the top web designers to make sure our website, www.villagerealtyobx.com, would not be all show and no substance, but user-friendly and fully functional, providing criteria-based search capabilities (that we continue to refine), so that a visitor will find just the right property to meet their needs.

On the Village Realty Sales homepage you will find two very powerful search tools in the navigation tower on the left:

1. **View Our Listings**—Here you can search all of Village Realty's many listings, which, in addition to residential listings, includes buildable lots and commercial properties in Dare, Currituck, Tyrrell and Hyde counties. The property search features allow you to select: (a) the type of property, i.e., a condo and/or house. (You may choose more than one selection in any of the first three categories by holding down the control key while clicking.); (b) the area(s) you're interested in; (c) the location features, i.e., golf course vs. oceanfront or soundfront and golf course; and (d) the price range. Then just click on Submit. As you scroll through your search results, you can add properties to a shopping cart. When you're ready to view your cart, you might need to compare the properties you've selected—just add a check mark to each property you'd like to compare and click on Compare Checked. The properties will appear side-by-side, with all details and amenities displayed, and in a printable format. Your selections may also be emailed to a friend. Now you're ready to

call or email your Village Realty broker and discuss the properties you've selected!

Also, within this search tool, once you have the Multiple Listing Service (MLS) number for one of our listings, you may enter the MLS number at the bottom of the page and access the listing quickly.

2. **Village MLS Search**—This search tool allows you to do a criteria-based search of all properties for sale on the Outer Banks that have been entered into the Outer Banks Association of Realtors Multiple Listing Service. Just pick up the phone or click on Contact Us to have your Village Realty broker provide you with more information on any of these properties.

Other helpful tools to assist you in your property search also appear in the navigation tower on our homepage: an amortization schedule, a mortgage calculator, a featured communities page that highlights new communities we're excited about, the Village View newsletter, and you can download the most current Village Realty Buyer's Guide and Seller's Guide. You may also view Village Realty's Sales Policy and see a complete list of our brokers, along with their biographies, photos and contact information.

Also, as an added convenience for you, we've included at the bottom of the navigation tower a link to our partner, Ocracoke Island Realty, whose website contains similar search tools and the most sales and rental properties available on the remote, magical island of Ocracoke.

So, you can see the path to owning Outer Banks real estate begins with www.villagerealtyobx.com!

Taxes and a Second Home or Investment Property

Second Home or Rental/Investment

The Outer Banks continues to offer unique and sound investment opportunities for your family's financial success along with opportunities for creating lasting family memories. Whether you choose to rent your home on the Outer Banks, make it a second home for strictly personal use, or a combination of the two, there are tax implications that should be considered.

Tax Considerations

The following is provided for general federal income tax guidance only and is not intended to be a substitute for independent legal or professional advice concerning specific facts and circumstances. State or local income tax rules or requirements may also apply.

When considering federal income tax implications on a second home, be aware that the IRS recognizes that the home can be treated as property for personal use, an investment to be rented or a combination of both.

Personal Use

Personal use includes use by you, your family members, a co-owner, someone with whom you exchange use of homes or anyone who pays less than the fair market rent. It is not considered personal use for a relative to rent the property at the fair market value on a full-time basis. Interest on the second home can be deducted the same as a primary home.

Investment Property

Personal use of an investment property is limited to the greater of 14 days or 10 percent of the total number of rented days. Deductions include:

- **Expenses** for overseeing the second home (i.e., travel and lodging fees resulting from a weekend trip during which you spend one day with vendors and contractors or working on maintenance);
- **Annual loss.** Before deducting a loss, however, you have to deal with the rules on passive activities; a passive loss

generally may only offset passive income. It cannot be deducted from other kinds of income, such as salary, interest and dividends unless you meet certain guidelines.

Mixed Use

If you use the second home for 15 days and rent it for 140 days, it remains a personal vacation home. It is subject to a different set of mixed-use complexities and may result in the loss of some expense deductions. (Multiply each expense by a fraction composed of days rented divided by days of personal use to determine rental deductions. Court rulings have defined the fraction as the total days rented divided by the total days in the year.)

Expenses are subtracted from rental income in this order: annual mortgage interest, property tax, advertising and commissions, operating expenses and depreciation (calculated over 27½ years).

Note: In general, losses in any given year from “passive-
rental real estate” (vacation home rental properties) are limited to the amount of passive income from other sources (such as gains from other rental properties). The IRS code does provide an exception. Losses up to \$25,000 can be deducted provided the tax payer satisfies the “active participation” test and adjusted gross income is less than \$100,000. The deduction is phased-out for adjusted gross incomes between \$100,000 and \$150,000. The tax code regarding passive real estate investments is a very complex matter and consultation with a professional tax advisor is highly recommended.

The Offer Process

Loan Pre-Approval

How much can you qualify for? Knowing this important information not only gives you confidence while you search for a property, it also adds strength to the offer that you'll make once you find it.

Simply contact the local lender in your hometown or a lender here at the beach. You can be prequalified in a matter of minutes over the telephone. The lender can then fax or send you a letter indicating that, based on your credit and the available financial information disclosed, you are qualified for a specific loan amount.

Most offers are contingent on the buyer receiving financing and allow a certain amount of time for the buyer to obtain it. During this time frame (usually 30 days), there is uncertainty by all parties and if the financing does not go through, the seller has had the property off the market for a month and may have lost an opportunity to sell it to someone else. Pre-approval can eliminate this anxiety.

Making the Offer

Oral promises are not legally enforceable when it comes to the sale of real estate. Therefore, you need to enter into a written contract, which starts with your written proposal. This proposal not only specifies price, but all the terms and conditions of the purchase.

A Realtor® usually has a variety of standard forms (including residential *Offer to Purchase and Contract* agreements) that have been utilized thousands of times and are kept up to date with the changing laws. When you use a Realtor these forms will be available to you. In addition, Realtors offer protection for all parties and cover the questions that need to be answered during the process. In many states, certain disclosure laws must be complied with by the seller, and the Realtor will ensure that this takes place.

If you are not working with a Realtor, keep in mind that you must draw up a purchase offer or contract that con-

forms to state and local laws and that incorporates all of the key items. State laws vary, and certain provisions may be required in your area.

After the offer is drawn up and signed, it will usually be presented to the seller by your Realtor, by the sellers' Realtor if that is a different agent, or often by the two together.

What the Offer Contains

The purchase offer you submit, if accepted as it stands, will become a binding sales contract (known in some areas as a purchase agreement, earnest money agreement, or deposit receipt).

It's important, therefore, that it contains all the items that will serve as a "blueprint for the final sale." These purchase offer items include such things as:

- Address (sometimes legal description) of the property;
- Sale price;
- Terms (all cash or subject to your obtaining a mortgage for a given amount);
- Seller's promise to provide clear title (ownership);
- Target date for closing (the actual sale);
- Amount of earned money deposit accompanying the offer, and whether it's a check, cash or promissory note (and how it's to be returned to you if the offer is rejected, or kept as damages if you later back out for no good reason);
- Method by which real estate taxes, rents, fuel, water bills, and utilities are to be adjusted (prorated) between buyer and seller;
- Provisions about who will pay for title insurance, survey, termite inspections and the like;
- Type of deed to be given;

- Other requirements specific to the state of North Carolina, which might include a chance for attorney review of the contract, disclosure of specific environmental hazards, or other locally specific clauses;
- A provision that the buyer may make a last minute walk-through inspection of the property just before the closing;
- A time limit (preferably short) after which the offer will expire; and
- Contingencies, which are an extremely important matter (and discussed in detail below).

Contingencies

If your offer says, “*this offer is contingent upon (or subject to) a certain event,*” you’re saying that you will only go through with the purchase if that event occurs.

The following are some common contingencies contained in a purchase agreement:

- The buyer obtaining specific financing from a lending institution. If the loan can’t be found, the buyer won’t be bound by the contract.
- A satisfactory report by a home inspector “*within 10 days (for example) after acceptance of the offer.*” The seller must wait 10 days to see if the inspector submits a report that satisfies you. If not, the contract would become void.

Again, make sure that all the details are nailed down in the written contract.

Negotiating Tips

You’re in a strong bargaining position (meaning, you look particularly welcome to a seller) if:

- You’re an all-cash buyer; or
- You’re already pre-approved for a mortgage; and

- You don’t have a present home that has to be sold before you can afford to buy.

In those circumstances, you may be able to negotiate some discount from the listed price. On the other hand, in a “hot” seller’s market, if the perfect house comes on the market, you may want to offer the list price (or more) to beat out other early offers.

It’s very helpful to try and find out why the home is being sold and whether the seller is under pressure. Keep these considerations in mind:

- Every month a vacant house remains unsold represents considerable extra expense for the seller;
- The sellers may just want out quickly to pursue other ventures; and
- Estate sales often yield a bargain in return for a prompt deal.

Earnest Money

This is a deposit that you give when making an offer on a house. A seller is understandably suspicious of a written offer that is not accompanied by a cash deposit to show “good faith.” A Realtor or an attorney usually holds the deposit, the amount of which varies from community to community. This will become part of your down payment.

The Seller’s Response to Your Offer

You will have a binding contract if the seller, upon receiving your written offer, signs an acceptance, just as it stands, unconditionally. **The offer becomes a firm contract as soon as you are notified of acceptance.** If the offer is rejected, that’s that, and the sellers could not later change their minds and hold you to it.

If the seller likes everything except the sale price, or the proposed closing date, or the basement pool table you want left with the property, you may receive a written counter-offer with the changes the seller prefers. You are then free to accept or reject it or even to make your own

counter-offer. For example, “*We accept the counter-offer with the higher price, except that we still insist on having the pool table.*”

Each time either party makes any change in the terms, the other side is free to accept or reject it, or counter again.

The document becomes a binding contract only when one party finally signs an unconditional acceptance of the other side’s proposal.

Village Reality

After the Offer is Accepted

Mortgages

Once buyer and seller have accepted all the terms of the offer, a contract is formed. If you have not already selected a lender and been approved for financing, now is the time to do so.

There are hundreds of loan programs available depending on what you are purchasing (a home or a homesite), how much of an initial investment, and whether you want a fixed or adjustable rate loan.

Other factors that will have an impact on what type of financing you choose depend on your use of the property. There are three types of use: primary residence, second home, or investment property. Down payments, interest rates, and points vary according to the specific type of use.

Primary home financing is the most flexible in terms of interest rate, points, and down payment requirements while second home financing is most common. Initial investments are usually between 10 percent and 20 percent of the purchase price.

Another option for a purchaser is the investor loan. This type of loan allows the buyer to use approximately 75 percent of rental income (actual or projected) to assist in qualifying for the loan. This might be advantageous for investors interested in a property priced higher than they could afford otherwise.

The drawbacks with the investor loan include higher interest rates and more loan points. A loan point is calculated as 1 percent of the loan amount. Investor loans often carry at least 2 points.

Other fees typical for obtaining financing include an application fee, credit report fee, and an appraisal fee. Your lender or your agent can provide you with an estimate.

If you plan to sell, or have recently sold another rental property or qualifying investment property, you may be able to defer capital gains on the sale by executing a

1031 Tax-Deferred Exchange. See page 17 for more information.

Appraisal

After you receive a loan commitment, the lender will order an appraisal on the property. Whenever a property is financed, the lender requires that the subject property appraise for an amount equal to or greater than the purchase price. All closings on financed property are contingent upon obtaining such an appraisal. If the property does not appraise for the appropriate amount the sales contract could be null and void.

Attorney

Having an attorney represent your legal interests in the purchase of real property is highly recommended. The legal fees for a real estate transaction depend on who the lender is, if any, where the property is located, and the purchase price of the property. The attorney's fee usually ranges from \$600 to \$1,000 for most transactions.

The attorney conducts the title search, issues an Opinion of Title, and obtains the title insurance for the buyer. This one-time title insurance premium provides peace of mind if clear title to the property is ever in question. If any problem arises regarding the title, the insurance company covers all fees and costs incurred in defending your legal rights to the property.

In addition, the attorney will arrange for a termite inspection (if the purchase is improved property) and a survey prior to closing. The termite report is required by the lender and costs approximately \$65. A survey may cost \$700 and may or may not be required.

Other issues that your attorney will handle include prorations for rental income (if a rental property) and property taxes. Association assessments, if any, are prorated as of the date of closing.

If you are financing the property, the attorney will review with you the Promissory Note, Deed of Trust, and other documents as required by your lender. The Promissory Note is the document confirming to the lender that you promise to pay back the loan. The Deed of Trust states that the real property you are purchasing will be acting as security for the debt.

Home Inspections

When it comes to making one of the largest financial commitments in your life, you can never know enough about the home you plan on buying. A professional home inspection lets you know what you're buying *before* you buy it!

What is a home inspection?

The purpose of a professional home inspection is to provide information for the homebuyer concerning any major structural or mechanical problems that may exist with a particular home. No home is perfect, not even a brand new one. The best way to ensure against surprises on the day of possession is to be informed ahead of time. This service can provide peace of mind for the buyer, as well as informative advice concerning the maintenance of the home and the safety of its occupants.

What is inspected in the home?

Onsite inspection of the basic systems of the home includes roof, foundation elements, electrical components, plumbing systems, heating and air conditioning and exterior elements (siding, drainage). Each one of these systems is inspected thoroughly and non-destructively as well as some of the more superficial elements such as windows, doors, porches and interior surface coverings. Some clients may wish a special inspection by a qualified technician of certain major areas that may be of specific concern to them. A home inspection can be tailored to your needs and fees vary accordingly.

It's important to note that if the home inspector discovers problems with the home *it doesn't mean that the seller has to*

fix them. They are totally negotiable by both parties. The seller may make the repairs or provide for the repairs or the seller may refuse to make the repairs. The buyer can accept the property as-is or refuse to accept the property and void the contract. It is a good idea to leave a little room in the negotiation of the sale price in the event that the seller refuses to make any repairs. There is a lot of time, effort, and emotion invested up to this point and no one wants the transaction to fall apart because of the inspection.

Home inspections are suggested rather than required and the cost of the inspection (between \$400 and \$700, depending upon the size of the home) is the responsibility of the buyer. The buyer chooses and hires the inspector of his choice.

Insurance

The first question most commonly asked by a homebuyer is: "Can I get insurance for this home?" The answer is yes.

Insurance on the Outer Banks is *a la carte* and includes coverage for hazard (fire), liability, wind, and flood (if required). Hazard insurance typically includes coverage for contents as well. Because flood insurance is a federal program, it is usually assumable (meaning you can assume the flood policy of the seller).

Any financed property located in a flood zone is required to have flood insurance. A program known as the *Beach Plan* can insure any property located on the Outer Banks. The rates for this program are set by the state and are the same, regardless of which insurance agency writes the coverage.

Utilities

Buyers should begin the process of setting up utility accounts in their name about one week prior to closing. If the property you are purchasing is in a rental program, make sure you ask for a **transfer of service**, otherwise the

utilities could be cut off and you'll have some upset tenants.

Detailed information may be obtained from your sales agent regarding the proper utility companies to contact for your particular area.

Closing Fees

Typical closing costs (excluding cost of financing) for the purchase of real estate are *estimated* as follows:

| | |
|--|-----------------|
| Attorney..... | \$600-1,000 |
| Survey | \$500-1,000 |
| Pest Inspection..... | \$75-100 |
| Insurance (hazard, flood, wind, liability) . | \$2,000-10,000 |
| Title Insurance (varies with price) | \$2 per \$1,000 |
| Deed Recordation | \$100 |
| Appraisal..... | \$500-1,000 |

These are estimated costs only. Please consult your attorney for exact costs, which will vary depending on individual home criteria.

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The Walk-Through

The buyers, or the buyer's real estate agent, may do a final walk-through of the home just prior to closing. This is done to confirm that all fixtures and furnishings expected to convey in the sale of the home are there and in good condition, and that no damage has occurred to the home since the seller accepted the offer. Once completed, the buyers' attorney is notified and closing can proceed.

The Closing

Most closings involve at least one, if not two, out-of-town parties. The good thing is that it is not necessary for either party to be present for the closing. All paperwork can be reviewed and signed via overnight mail—in advance of the scheduled closing date. The buyer's and seller's attorneys can handle the actual closing on the day of the closing.

An important note: *Technically the property is not legally owned by the buyer until the deed is recorded at the county courthouse, which usually happens after the closing and most times not until the end of the day. The buyer may take possession of the property only after it has been recorded.*

The Rental Company

There is much more to choosing a management company than just comparing their fees. Below are some important things to consider:

- When shopping for a rental company, visit their office. How friendly is the staff? How does the office look? Pretend you are looking for family reunion accommodations. Ask questions. How knowledgeable are they? After all, that is where your guests will be checking in. Call their 800# and ask questions as a prospective renter. Do they take time with you or are they in a hurry to get off the phone? How hard is it to get a “live” person? Choose a company for which customer satisfaction is of utmost importance. Village Realty’s rental contract states *“The goodwill of the guest is of paramount importance to the contract, the Agent and the Homeowner.”*
- Marketing program, including internet visibility and rental brochure.
- Cooperative marketing efforts with Chamber of Commerce and Tourist Bureau.
- Location of professional office building—proximity to their rental homes is important for service response time. Is there “after hours” service for the guests?
- Opportunities for “shoulder” and “off” season rentals. Your odds of increased rentals during this time of year are greatly enhanced through golf packages tied into the Outer Banks major golf courses, including The Village at Nags Head and The Currituck Club.
- Computerized reservation and accounting systems for accuracy, clarity and efficiency.
- On-line booking and reservations, owner information, etc.
- Comprehensive Web site including online booking, specials, etc.
- Are guests provided linens or do they have to bring their own? Village Realty has implemented a linen program

where owners’ homes are provided linens each year for their rental guests. There is a marginal expense to the owner for this service.

- Professional cleaning service with follow-up inspectors.
- Preventive maintenance programs.
- Vacation interruption insurance.
- Competitive commission rate structure. However, if the company’s commission appears significantly lower than others, be sure you are aware of any additional annual fees.
- Rental clientele.
- If you find that you are interested in Village Realty’s rental program, make an appointment with the rental manager to discuss the program.

Rental Income

Guests may reserve their vacation months ahead of time. Typically, the home can be reserved in November of the previous year by placing a 50 percent rental deposit (advanced rent). The balance of the rent would be due within 30 days of the actual rental week.

An interesting point here that many prospective homeowners don’t realize: The owner of the rental home receives rental proceeds every month. North Carolina law allows owners to receive up to 50 percent of the rent prior to occupancy. For example, in November your home is booked for a July rental with a weekly rate of \$2,000. The guest pays \$1,000 (50 percent of the rental rate) to reserve the week. In December, you will receive a check for \$1,000 less the management fee. This continues each month providing you with a regular stream of income throughout the year.

This advanced rent can cause complications in the event the home is sold prior to the rental weeks where money has been received. Remember, although you receive the income now, it is not actually earned (yours) until the commencement of the rental week.

New Construction

Selecting the Site

Custom construction is the way to go for many. The home can be designed to suit your needs and the paint color and interior selections are yours to choose.

Selecting a homesite can be a challenge. Finding just the right view in the right neighborhood is more difficult than in years past as choice homesites have become scarce.

- Some things to consider when selecting your homesite:
- Obtain an existing survey, if possible, before you purchase the site just to make sure that the home you have in mind will fit. Also, knowing the flood zone and the elevation may have an impact on the home's design.
- Since many homesites are close to sea level, a septic evaluation should be completed to determine if the site is suitable for your future home.
- Review architectural guidelines, restrictive covenants and conditions specific to the community (if any) to ensure that your desired home can be built in the community.

Although most of the above information can be obtained prior to making an offer, you don't typically spend any money on the land until you have a contract on it. In order to ensure that you secure the homesite while protecting your interests, the Offer to Purchase would be made contingent upon the acceptable results of all of the above.

Selecting Your Builder

Your builder can either make this an exciting, pleasurable experience or a miserable, regrettable one. Who you select is crucial. And the basis for your selection is even more crucial.

Custom building long distance requires a builder who is accessible and sensitive to your needs. When considering a builder, make sure you know with whom you will be dealing and how you can get in touch with them. You don't want to have one-sided conversations with voice mailboxes during construction. A missed call could lead to expensive change orders.

A few other things to consider:

1. Avoid comparing square footage costs. The cost of the home is a direct result of the selections that you choose for the home. For example, the same 2,000 square foot home with wood floors, granite countertops, solid pine doors, and ceramic tile will certainly cost more per square foot than the same size home without those selections. Most quality builders say to figure \$135 to \$150 per square foot depending on your selections.
2. Outer Banks construction costs may be higher than in your geographic area. Many factors effect cost, such as a shortage in labor, lack of competitive building suppliers, restrictive coastal construction requirements, and the time of year.
3. It's a very good idea to involve your builder in the plan design. Many times the builder knows of an alternative way to do something that may save thousands of dollars. That curved wall that you may want could put you over your budget. *Consult with the builder.*

Real Estate Agency in North Carolina

The law requires a real estate agent to form one of the three agency relationships discussed below

Traditional Real Estate Agency

ALL AGENTS REPRESENT THE SELLER Throughout the country, most real estate agents have been representing the seller in real estate transactions. That means that all these agents were representing the seller even if they were working with the buyer.

This relationship is called sub-agency. The real estate company that lists the property is called the listing broker.

The real estate company working with the buyer is called the sub-agent, or cooperating broker, because that company actually works through the listing broker. Although the buyer had access to a real estate agent, that agent did not legally represent the buyer.

The duties of agency are owed directly to the seller in all situations where there is no buyer agent. Village Realty firmly believes that sub-agency does not provide for adequate buyer representation. Therefore, Village Realty does not practice sub-agency nor cooperate with sub-agents.

Duties of the Agent to the Buyer: Honesty and fairness; disclosure of all material facts; and, refrain from unfair or deceptive trade practices that are prohibited by consumer legislation.

Duties of the Agent to the Seller: Loyalty, obedience, skill, care, diligence, disclosure of information, and accounting.

Buyer Agency

BUYER AND SELLER ARE EQUALLY REPRESENTED In real estate transactions, an agent relationship is formed between the broker (company) and the client. The client generally works with one agent who is associated with the broker. In times past, the seller has typically been the client.

When a buyer is represented by an agent, all fiduciary duties are owed to the buyer and not to the seller. The buyer and their agent have the freedom to discuss property values and negotiating strategies. The buyer can obtain information from their agent concerning the marketing history of the property, special contract provisions, the seller's motivation for selling, and other information which a seller's agent could not provide.

Although the traditional agent will work hard to find the perfect property for the buyer, the traditional agent has limitations because of the duties owed to the seller. A buyer's agent does not work under these restrictions. The buyer agent's client is the buyer. In turn, the buyer works exclusively with one agent.

Duties of the Buyer Agent to the Buyer: Loyalty and obedience, skill, care, diligence, disclosure of information, and accounting.

Duties of the Buyer Agent to the Seller: Honesty and fairness; disclosure of all material facts; and, refrain from unfair or deceptive trade practices that are prohibited by consumer legislation.

Dual Agency

BUYER AND SELLER ARE EQUALLY REPRESENTED WITHIN THE SAME BROKERAGE FIRM Village Realty lists property for sale thereby forming an agency-client relationship with sellers. Throughout the listing period, the agent is obligated to put the seller's interest first.

Village Realty also may form agency-client relationships with buyers. Throughout the listing period, the agent is obligated to put the buyer's interest first.

Dual agency arises when a buyer-client desires to view seller-client property. Typically, each client, the buyer and the

shows their buyer-client one of their seller-client's property. In either situation, dual agency has been created.

Dual agency or the possibility of dual agency occurring must be disclosed and allowed by all parties involved in the transaction. As a dual agent, the real estate agent must not disclose confidential information to either party. **The agent has an obligation to both clients to disclose facts which are, by law, considered material to the transaction. The agent(s) must treat the interests of the buyer and the seller equally.**

If two different agents are involved in a dual agency situation, in some cases, Village Realty can designate one agent to work with the buyer-client and one agent to work with the seller-client. This is called **designated agency** and provides each client with an agent who can provide negotiation assistance.

Village Realty's Policy Regarding Agency

Village Realty and its agents shall act as single agents when representing the buyer or the seller, or as dual agents when showing or selling a seller-client property to a buyer-client. Buyers working with a Village agent are always clients; sellers who hire Village Realty to sell their property are always clients. In transactions where Village Realty is selling a property listed with another real estate company, the seller is not a client but is due to be treated with honesty and fairness by the buyer agent.

When establishing relationships with buyers or sellers, disclosure is made to them that our policy is one of disclosed dual agency. Under a dual agency relationship, the agent, with agreement of both buyer- and seller-clients, limits by contract his/her fiduciary duty to disclose confidential information about one party to the other. Confidential information includes the possibility that the seller-client will accept a price other than the asking price or that the buyer-client will pay a price higher than the price offered; the motivation of a party for engaging in the transaction; or other confidential terms that one party desires not be disclosed to others can be included in the dual agency consent agreement so long as the terms of the agreement do not violate any statute or rule. As required by law, material facts about a property must always be disclosed.

The Facts About a Section 1031 Tax-Deferred Exchange

Always consult with your financial advisor, CPA, and/or attorney to determine the tax consequences for your individual situation.

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What Is a Tax-Deferred Exchange?

It is a process that allows a taxpayer to exchange an investment or business property and defer the payment of the capital gains tax. Normally, there is a delay between settlements of the property being relinquished and the replacement property.

What Authorizes a Tax-Deferred Exchange?

While exchanges have been used for many years, in June 1991, IRS regulation 1.1031 (k) provided specific and clear guidance to implement the famous “Starker” case decisions.

What Are the Criteria for a Tax-Deferred Exchange?

The properties must be like-kind. This means that the property being relinquished must currently be used as an investment or business property. It is not important how the buyer plans to use the property. The replacement property the exchanger desires to purchase must be identified in 45 days, be located in the United States, and be settled in 180 days. It is not important how the property is currently used, only that it will be used by the exchanger as an investment or business property. Like-kind investment or business property includes: townhouses, rentals, land, farms, office condos, warehouses, vacation rentals, etc.

How Are Capital Gains Figured?

The potential capital gains that can be deferred are simply the profit plus all the depreciation taken on the property being relinquished.

What Are the Reinvestment Requirements in an Exchange?

To be totally tax free, the acquisition cost of the replacement property(ies) must be equal to or greater than the

adjusted sales price of the relinquished property. The total cash equity (equity less selling costs) from the relinquished property must be reinvested in the replacement property (ies). Any cash not reinvested (known as “cash boot”) is subject to capital gains tax. The replacement property must have mortgage debt or new cash added – equal to or greater than the mortgage paid off, or assumed, on the relinquished property.

How Is the Replacement Property Identified?

Normally, up to three potential replacement properties are identified by address or legal description. The identification must be in writing, signed by the exchanger and delivered to the qualified intermediary.

What Is the Role of the Qualified Intermediary?

The 1031 tax regulation provides for the use of a qualified intermediary when accomplishing a deferred exchange of investment or business real estate. The qualified intermediary plays an important key role by:

- Providing the required exchange agreement;
- Accepting assignments of all exchange contracts;
- Providing notification of the assignment to all parties;
- Furnishing instructions to the settlement agent;
- Establishing a qualified escrow account;
- Receiving the 45-day identification notice;
- Delivering escrow funds for settlement;
- Arranging for direct deeding of properties; and
- Giving a final accounting of escrow funds and interest earned.