Realty Executives Florida Keys
1448 Kennedy Drive
Key West, Fl 33040
Phone: 305-296-4422
Cell Phone: 305-304-2433
FAX: 305-296-4462

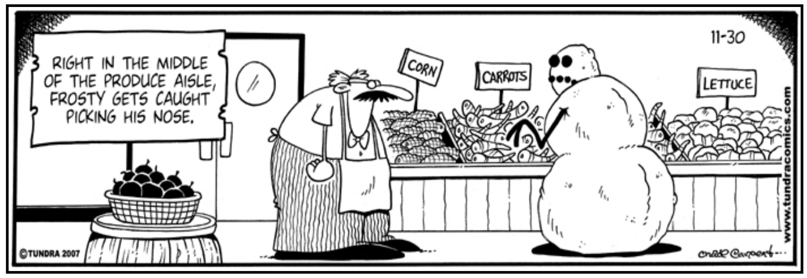
6 January 2010

Hello, everyone …

Happy New Year! Pictures say it better than I can …

New England Snow Fairy

Elin Swings a Strong 2-Iron



Strictly filler … I needed something just this size

<u>Table of Contents for this issue</u>:

(1) Cover letter
(2) Article: *Interest Rates Are Low, But Banks Balk at Refinancing*
(3) Article: *US Loan Effort is Adding to Housing Woes*
(4) Article: Multi-unit matrix
(5) Article: *Nice House, But Where's the Rest of It?*
(6) Article: *Highs and Lows of Real Estate 2009*
(7) Neighborhood Spotlight: Key Haven
(8) Southernmost Stars: 1 January 2010

The articles are heavy on the New York Times this month. They are also heavy on criticism for banks. My love for banks is a little tenuous right now, too. It's probably no coincidence that ALL my (few) closings in 2008 were <u>cash</u> purchases. And, in the last article, you might think that decades-low mortgage interest rates would be a highlight for 2008 … unless you tried to <u>get</u> one. Like having a sale on merchandise no longer in stock. Nice sale price, however. Fooled me again.

The multi-unit inventory shrank a little bit in DEC 2009 … 4 newbies on-the-market, 5 departed, net (-1). Of the newbies, none came in real strong and made it directly to the TOP, so the matrix remained the same as last month. All the departures were listing expirations … they could come back! These are the 5 departed:

Address:	Type:	Listing Price:	Results:	Date:
2518 Fogarty Ave	**duplex**	**$ 449,000**	**Listing EXPIRED**	**on 27 DEC 09**
621 Elizabeth St	**duplex**	**$ 799,000**	**Listing EXPIRED**	**on 5 DEC 09**
825 Eaton St	**3-4 unit**	**$1,395,000**	**Listing EXPIRED**	**on 31 DEC 09**
1125 Washington St	**3-4 unit**	**$ 688,000**	**Listing EXPIRED**	**on 31 DEC 09**
1401 Truman Ave	**> 4 units**	**$1,399,000**	**Listing EXPIRED**	**on 7 DEC 09**

Have a great 2010!

Jim Smith, Broker Associate
Realty Executives Florida Keys

The New York Times

Interest Rates Low, Banks Balk at Refinancing

By DAVID STREITFELD December 13, 2009

Mortgage rates in the United States have dropped to their lowest levels since the 1940s, thanks to a trillion-dollar intervention by the federal government. Yet the banks are imposing such stringent requirements that many homeowners are effectively locked out.

Refinancing could save owners hundreds of dollars a month, which could be spent, saved or used to pay down debts. **Extra spending would help lift the economy,** and lower payments might spare some people from losing their homes to foreclosure.

President Obama placed much of the blame for the recession on "the irresponsibility of large financial institutions on Wall Street that gambled on risky loans and complex financial products, seeking short-term profits and big bonuses with little regard for long-term consequences."

An estimated six of 10 homeowners with mortgages have rates that exceed 4.8% currently available on 30-year fixed mortgages, the least risky form of home loans. But only half as many refinancing applications were reported last week than at the beginning of January, the peak for the year. The total dollar volume of refinancing activity in 2009 will be about $1 trillion. In 2003, another year when rates fell, it was $2.8 trillion.

It is highly unusual for mortgage money to be available below 5%. Average rates fell as low as 4.7% in the 1940s, as the government held down interest rates to finance World War II, and stayed just below 5% until the early 1950s. Rates went above 5% in 1952 and stayed there — until this year.

The super-low rates are not likely to last much longer. The Federal Reserve program that has driven rates to such lows is scheduled to expire in March, and Fed leaders have said it would not be renewed. Some analysts believe rates may reach 6% in the spring.

Banks say they are under pressure from regulators to raise their cash reserves, which means fewer loans. They also argue that a troubled economy breeds extreme caution. But some borrowers argue that **more refinancings now might well forestall losses for the banks later**.

The New York Times
Today's Headlines

U.S. Loan Effort Is Adding to Housing Woes

By PETER S. GOODMAN   January 2, 2010

The Obama administration's $75 billion program to protect homeowners from foreclosure has been widely pronounced a disappointment, and some economists and real estate experts now contend it has done more harm than good. Critics increasingly argue that the program has raised false hopes among people who simply cannot afford their homes. As a result, desperate homeowners have sent payments to banks in often-futile efforts to keep their homes, which some see as wasting dollars they could have saved in preparation for moving to cheaper rental residences.

Some experts argue the program has impeded economic recovery by delaying a wrenching yet cleansing process through which borrowers give up unaffordable homes and banks fully reckon with their disastrous bets on real estate, enabling money to flow more freely through the financial system.

"The choice we appear to be making is trying to modify our way out of this, which has the effect of lengthening the crisis," said Watershed Asset Management. "We have simply slowed the foreclosure pipeline, with people staying in houses they are ultimately not going to be able to afford anyway." Banks have been using temporary loan modifications as justification to avoid an honest accounting of the mortgage losses still on their books.

The Treasury Department publicly maintains that its program is on track. But behind the scenes, Treasury officials appear to have concluded that growing numbers of delinquent borrowers simply lack enough income to afford their homes and must be eased out. In late November the Treasury Department quietly started the Foreclosure Alternatives Program, encouraging distressed borrowers surrendering their homes. The program will pay incentives to mortgage companies that allow homeowners to sell properties for less than they owe on their mortgages — short sales. The government will also pay incentives to mortgage companies that allow delinquent borrowers to hand over their deeds in lieu of foreclosing.

The administration needs a new initiative that attacks a primary source of foreclosures … the roughly 15 million American homeowners who are underwater … owing the bank more than their home is worth. Such borrowers are inclined to walk away and accept foreclosure, rather than continuing to make payments on properties in which they own no equity. Amherst Securities Group says that being underwater "is a far more important predictor of defaults than unemployment."

From its inception, the Obama plan has drawn criticism for failing to compel banks to write down the size of outstanding mortgage balances, which would restore equity for underwater borrowers, giving them greater incentive to make payments. A vast majority of modifications merely decrease monthly payments by lowering the interest rate. The Treasury Department pointedly rejects the notion that government ought to get out of the way and let foreclosures work their way through the market, saying that course risks a surge of foreclosures and declining house prices that could pull the economy back into recession. Under the current program, the government provides cash incentives to mortgage companies that lower monthly payments for borrowers facing hardships.

"Almost three-quarters of a million Americans now are benefiting from modification programs that reduce their monthly payments dramatically, on average $550 a month," Treasury Secretary Timothy F. Geithner said last month at a hearing before the Congressional Oversight Panel. "That is a meaningful amount of support."

The biggest source of concern remains the growing numbers of underwater borrowers — now about one-third of all American homeowners with mortgages. The Obama administration clearly grasped the threat as it created its program, yet opted not to focus on writing down loan balances. "This is a conscious choice we made, not to start with principal reduction," Mr. Geithner told the Congressional Oversight Panel. "We thought it would be dramatically more expensive for the American taxpayer, harder to justify, create much greater risk of unfairness."

Mr. Geithner's explanation did not satisfy the panel's chairwoman, Elizabeth Warren. "Are we creating a program in which will reduce the number of foreclosures in the short term, but just kick the can down the road?" she asked, raising the prospect "that we'll be looking at an economy with elevated mortgage foreclosures not just for a year or two, but for many years. How do you deal with that problem, Mr. Secretary?"

A good question, Mr. Geithner conceded. "What to do about it," he said. "That's a hard thing."

MULTI-UNIT PROPERTIES:

1 January 2010

address = "Short Sale" or foreclosure

DUPLEX (top 10):			**ROI:**					**ROI:**		
3314 N'Side #23a	$275K	Max	8.76%	On market 20SEP	**3314 Northside #17**	$234.9K	Max	12.26%	On market 20SEP	
MLS111626	NEW	Min	7.43%		MLS111626		Min	10.64%	**Reuced**	24NOV
3739 Duck Ave	$319.5K	Max	8.75%	On market 21MAR	**1317 Sunset Dr:**	$385K	Max	9.73%	On market 1OCT	
MLS105322	NEW	Min	7.54%		MLS109389		Min	8.60%	**Reduced**	6MAY
1907-09 Patterson:	$399K	Max	8.06%	On market 7NOV	**3314 Nortside #24a:**	$299K	Max	9.10%	On market	
MLS109613		Min	7.02%	**Reduced** 29JUL	MLS107613		Min	7.83%	**Reduced**	21AUG
2417 Patterson:	$299K	Max	7.35%	On market 8MAR	**2007 Flagler:**	$360K	Max	11.27%	On market 8JUN	
MLS110429		Min	6.61%	**Reduced** 29APR	MLS110984		Min	10.03%	**Reduced**	29JUL
2226 Patterson:	$450K	Max	9.07%	On market 5APR	**1217-19 3rd St:**	$275.5K	Max	10.09%	On market 26AUG	
MLS110648		Min	8.06%	**Reduced** 19NOV	MLS111465		Min	8.71%		
3-4 UNIT (top 6):			**ROI:**					**ROI:**		
1821 Harris:	$475K	Max	13.93%	On market 24SEP	**1614 Dennis:**	$559K	Max	9.25%	On market 20FEB	
MLS111634		Min	12.50%		MLS107921		Min	8.12%	**Reduced**	16DEC
904 Truman Ave:	$325K	Max	11.23%	On market 28SEP	**915 Pohalski:**	$399K	Max	8.37%	On market 27AUG	
MLS111640		Min	9.56%		MLS106416		Min	7.22%		
1125 Washington:	$688K	Max	8.67%	On market 18FEB	**1508 Seminary St:**	$525K	Max	7.65%	On market 15-May	
MLS107914		Min	7.51%	**Reduced** 24JUL			Min	6.55%		
> 4 UNITS (top 2):			**ROI:**					**ROI:**		
1301 Truman Ave:	$1.5M	Max	13.38%	On market 18JUN	**1214 Catherine:**	$649K	Max	13.79%	On market 9NOV	
MLS111056		Min	11.45%		MLS111893		Min	12.56%	**Reduced**	24APR

Sample ROI calculation:

123 Blue Street duplex: on market 4/1/09, asking $750,000, MLS# 555666

Unit #1 is 2-beds, 2-baths — Max rent = $1,350/mo — Max income Unit #1: (12)x($1,350)x(0.95) = $15,390

Min rent = $1,300/mo — Min income Unit #1: (12)x($1,050)x(0.95) = $11,970

Unit #2 is 1-bed, 1-bath — Max rent = $1,050/mo — Max income Unit #2: (12)x($1,300)x(0.95) = $14,820

Min rent = $ 995/mo — Min income Unit #2: (12)x($ 995)x(0.95) = $11,343

Vacancy rate: 5%

Max sell price = 96% of ask price — Max expenses = (0.025)x(0.96)x(sell price) = $18,000

Min sell price = 92% of ask price — Min expenses = (0.025)x(0.92)x(sell price) = $17,250

Taxes + insur = 2.5% of sell price

$$\text{Max ROI} = \frac{\text{(MaxIncome - MinExpenses)}}{\text{Min Sell Price}} = \frac{27{,}360 - 17{,}250}{690{,}000} = 1.47\%$$

$$\text{Min ROI} = \frac{\text{(MinIncome - MaxExpenses)}}{\text{Max Sell Price}} = \frac{26{,}163 - 18{,}000}{720{,}000} = 1.13\%$$

Reported like this:

123 Blue Street:	$750K	Max	1.47%	On market	1APR
MLS555666	NEW	Min	1.13%		

Assumptions made in the analysis:

(1) Rental income is taken from MLS or estimated for comparable properties

(2) The following data is NOT factored-into the ROI calculations:

- Financing (assumed cash purchase)
- Maintenance expenses
- Utilities (assumed paid by tenant)
- Property management fees
- Tax benefits to owner of investment property
- Potential for appreciation

If you would like to see ROI calculations using a different set of assumptions, please contact me and I'll re-run the analysis.

This analysis is based on many assumptions and approximations. ROI estimates are believed to be reasonable, but they are not guaranteed. Prospective buyers may use this as a guide and arrive at their own determination.

The New York Times By JOHN COLLINS RUDOLF December 23, 2009

Nice House, But Where's the Rest of It?

"Stripping House — Before Foreclosure," the Craigslist ad declared, offering the cabinets, countertops, sinks, toilets, doors, appliances, sprinklers, etc. Even the trees in the yard are offered for sale, with a catch. "You dig," the seller advised.

Stripping fixtures and appliances from homes in foreclosure has become commonplace. Craigslist sells stripped items openly and does not vet the postings created by its users. A spokesperson said they have not been contacted by officials about ads for stripped items.

Police are stymied. Many states have no specific criminal prohibition against stripping fixtures from a property before foreclosure. Mortgage contracts do prohibit such behavior, but violating those provisions is a civil matter, not a criminal offense. Florida, a state swamped by foreclosures, said such behavior would have to be sorted out between borrower and lender in civil court. Convictions are rare.

Statistics on foreclosure stripping are elusive, and experts disagree on just how widespread the practice is. Yet the problem is serious in housing boom-and-bust areas like Arizona, Florida and Las Vegas. Banks are largely powerless to stop stripping. They can pursue strippers in court, but the expense outweighs the gain.

Not all legal experts agree that existing law is insufficient, given that homeowners who strip a house are violating their mortgage contracts. General fraud statutes might be stretched to apply. Yet few prosecutors or the police are making arrests or bringing cases.

The key to reducing the number of homes being stripped, experts suggest, lies not with the law but with lenders. Already, some indicators suggest that mortgage servicers are delaying the final step in a foreclosure — seizing the home — in part to limit the number of homes being stripped and vandalized.

In Florida, the online trade in stripped goods is brisk. As in most of the country, **sympathy for banks is running low**, and opportunism is running high.

Justin Cellini, with cash from relatives, was able to buy a 4-bedroom house in Hollywood FL that had been stripped by its former occupants. He paid $111,000. "I'm actually thankful that they stripped the house," Mr. Cellini said. "It wound up costing me a lot less money in the end." He has been refurbishing it on the cheap, by buying fixtures and appliances from, take a guess … Craigslist.

BrokerAgentSocial
A network community for real estate professionals to connect, collaborate and promote their profession.

The Highs and Lows of Real Estate in 2009

By Dan Polimino 30 December 2009

It was the best of times, it was the worst of times; it was the age of wisdom, it was the age of foolishness; it was the epoch of belief, it was the epoch of incredulity; it was the season of light, it was the season of darkness; it was the spring of hope, it was the winter of despair; we had everything before us, we had nothing before us; we were all going directly to Heaven, we were all going the other way.

Charles Dickens' quote accurately describes how many of us in the real estate industry felt during the course of 2009. Lowlights galore. Some of you may even be thinking, "were there any high points in real estate this year?"

Yes there were. I'll try to recap the top five lowlights and top five highlights.

The Lowlights:

- Clearly, we started the year worse off than anyone imagined. People not only contracted their buying, but they also went into hibernation mode and some agents wondered if they would ever sell a home again. Even veteran agents had never seen it so bad.
- Some price-points like the Luxury market saw drops in value more than 30% in less than a year.
- Lending has hit a new low. Never has it been so hard to borrow money for the average person. The regulations, guidelines, and qualifications are getting harder every day. At this juncture, **I am not convinced that banks are remotely interested in helping Americans get back on their feet**.
- The mortgage industry is now being controlled by a few large banking institutions that have too much power and too much control. This is bad for consumers, bad for competition, and bad for capitalism.
- The appraisal system has run amuck. It's in complete disarray and if you wait a week, it will change again. We need stability here soon.

The Highlights:

- More people were able to buy their first home. The first-time home buyer tax credit worked and stimulated the industry.
- The 4th quarter looks to have much stronger real estate sales than originally predicted. Improvements in the economy, buyer confidence, low home prices, low interest rates and incentives have brought buyers off the sideline.
- Today we have a much more qualified buyer than in many years past. People who own homes now or recently bought homes are the ones that can truly afford them.
- We made great headway in weeding out fraud, deception, cheating, and people looking to take advantage of others.
- We came out of an election year, banks failing, and unprecedented amount of foreclosures. Still the real estate market continued to operate. We got deals done and actually improved the forecast for everyone.

Happy New Year everyone and let's pray that we have more to write about in the Highlights column for the year 2010.

Lower Keys Real Estate Data: Just the facts, M'aam ©

The following statistics are from the MLS database concerning Key Haven, a popular residential area of about 450 single-family, mostly-waterfront homes at mile-marker 5, just past the Golf Course:

Key Haven sales history (last 12 years):

Year:	# Residences Sold:	Avg Sell Price:	Avg $/sqft:
1998	10	$ 349,300	$ 179/sqft
1999	14	$ 441,700	$ 203/sqft
2000	16	$ 458,000	$ 208/sqft
2001	19	$ 549,700	$ 260/sqft
2002	17	$ 616,600	$ 298/sqft
2003	23	$ 688,700	$ 338/sqft
2004	22	$ 1,009,455	$ 469/sqft
2005	20	$ 1,429,437	$ 660/sqft
2006	10	$ 1,028,150	$ 556/sqft
2007	21	$ 997,207	$ 466/sqft
2008	5	$ 656,980	$ 371/sqft
2009	17	$ 578,629	$ 277/sqft

Prices had a great run-up through 2005, and then fell. Sales took a nosedive in 2008 … only 5 transactions, the least activity since I've been keeping records. 2009 was a turnaround in number-of-sales, but prices were down. The sales in 2008 and 2009 were predominantly smaller, older homes in the A and B sections (four foreclosures, three short-sales, one tear-down, one dry lot). The average selling price is a little misleading, until you consider which properties sold … not representative of a true cross-section of Key Haven homes.

There are 30 residences currently on the market in Key Haven: 6 currently under contract, 2 short-sales and 1 foreclosure.

(1) The average asking-price is $1,253,750 and
(2) The average dollars-per-sqft is $486 and
(3) The range is:
   (a) *from* $599K for waterfront 3-bed, 3-bath, 1832 sqft home on a 6,000 lot
   (b) *to* $2.69M for a waterfront 4-bed, 4.5-bath, 3739 sqft home, 12,748 sqft lot.

I have compiled year-by-year Key Haven sales statistics for each individual property, for the last twelve years. It's an excellent database for anyone who likes to play with numbers to uncover hidden trends. You can analyze sales by section, by size, by age, by re-sales of the *same* property, etc. If you would like to have the actual data, please send me an Email … I'll be happy to share it.

If you want the facts, you should be talking to ***Realty Executives Keys***. No BS.

Jim Smith, Broker Associate and part-owner
Realty Executives Florida Keys
1448 Kennedy Drive
Key West, FL 33040
Cell: 304-2433
jimsmith@realtyexecutives.com

***Southernmost Stars*:** **1 January 2010** The least expensive properties currently on the market on the island of Key West. Changes from last month are in **blue**!

Ten least expensive Condos or Townhomes in Key West:

Address:	Ask Price:	#beds:	#baths:	Living Sqft:	$/Sqft:	Other:
1012 Truman Ave #103	$149,900	2	1	750	200	Foreclosure
1207-09 William #1	$165,000	2	1	560	295	Short-sale
3655 Seaside #119	**$167,000**	**2**	**2**	**772**	**216**	**Short-sale**
3029 N Roosevelt #3	**$177,360**	**2**	**1.5**	**800**	**222**	**Affordable housing**
3312 Northside #513	$179,000	2	1	856	209	Conventional sale
3675 Seaside #135	**$189,000**	**2**	**2**	**772**	**245**	**Short-sale**
112 Golf Club Dr	**$192,500**	**2**	**1.5**	**780**	**247**	**Short-sale**
1318 Duncan St	$195,000	2	1	750	260	Foreclosure
1445 S Roosevelt #410	**$199,000**	**1**	**1.5**	**522**	**381**	**Conventional sale**
66 Merganser (Golf Club)	**$217,400**	**2**	**1.5**	**780**	**279**	**Conventional sale**

Missing from last month's report:

3312 Northside #313 … under contract 3930 N Roosevelt #W-112 … under contract

3229 Flagler #204, 2601 S Roosevelt #226, 3675 Seaside #239 … replaced by less expensive units

Ten least expensive Single-Family Residences in Key West:

Address:	Ask Price:	#beds:	#baths:	Living Sqft:	$/Sqft:	Other:
309 Julia St	**$ 89,900**	**3**	**2**	**1300**	**69**	**Foreclosure**
3321 Eagle Ave	**$169,900**	**3**	**1.5**	**1136**	**150**	**Foreclosure**
2420 Patterson Ave	$210,000	2	2	1509	139	Convntl sale, tear-down
221 Petronia St	**$225,000**	**3**	**2**	**1155**	**195**	**Short-sale**
3314 Northside #17	$234,900	3	3	1537	156	Foreclosure (duplex)
728 Windsor	$260,000	2	1	654	413	Conventional sale
1107 Thomas St	$273,000	2	1	1102	248	Short-sale
3314 Northside #23a	$275,000	3	3	1358	203	Conventional sale
323 Angela St	$285,000	3	1	840	339	Conventional sale
3314 Northside #24a	$285,500	3	3	1404	203	Short-sale (duplex)

Missing from last month: 2311 Seidenberg St … under contract
213-215 Truman Ave … replaced by less expensive units

Least expensive does not necessarily mean *best value*. That is determined subjectively by factoring-in other variables like appreciation potential, amenities, special features, location, condition, age, style, appeal, etc.

Jim Smith, Broker Associate
Realty Executives Florida Keys
1448 Kennedy Drive
Key West, FL 33040
Cell: 305-304-2433
jimsmith@realtyexecutives.com