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Hello, everyone ...

1 January 2011

Happy New Year!! 2011 ... yike, where does the time go! And where does my money go? And where is the country going? And where did my drumsticks go (I think my two granddaughters made them disappear over the holidays). Everything seems to be going somewhere, and quickly. The older I get, the more I like the idea of a secluded, quiet island with a coupla books and my bride of 41+ years. But not *too* secluded ... flat-screen TVs are nice, with the NFL package. Don't ask me where the Miami Dolphins are going!

We have just experienced the coldest December in history in Key West, according to the newspaper. The average temperature for the month was 63 degrees! It was brutal. Normally, we average in the low 70s for this time of year. Can't complain however, not after the blizzard of last week that buried parts of the East Coast. Some people may still be marooned in airports, even a week later. Everything is relative, I guess. I think a Florida Keys relative is a LOT more tolerable than most other relatives.

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I'm going to make a few New Year's resolutions with respect to this newsletter ... trying to improve and standardize the format, starting with the *next* edition in February. I'm thinking: 3 contemporary articles, 1 neighborhood highlight, one interview transcript (see first article above) and one "wildcard". I'll retain the Southernmost Stars and try to enhance the readability of the multi-unit analysis (show fewer calculations, provide more narrative ideas). Nine pages total ... predictable, dependable, consistent, informative. Nice characteristics, I think.

Slow-going in the multi-unit inventory for December. Only one newby came on-the-market, and only two veterans departed, net (-1). These are the properties that departed:

<u>Address:</u>	<u>Type:</u>	<u>Listing Price:</u>	<u>Results:</u>	<u>Date:</u>
1203-05 1 st St	Duplex	\$ 269,000	SOLD for \$ 269,000	on 7 DEC 10
2618 Fogarty Ave	3-4 Unit	\$ 670,000	EXPIRED unsold	on 23 DEC 10

Jim Smith, Broker Associate, part owner
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I have done several guest-appearances on Barbara Bowers' local radio show "Real Estate Reality". That's KONK-AM ... 1500 on your AM radio dial. Barbara has decided to dedicate her valuable time elsewhere, and the station has OKayed me slipping in as **host for one hour per week ... Thursdays from noon to 1:00 PM**, starting 30 December! Very little "booth" experience is required (evidently!).

I'm looking forward to it, and I plan to have a guest for each show. The station has BIG plans, too. We already have enough AM power to range from Key Largo to Cuba. Soon there will be an FM channel. We are already on the Internet and various segments are saved and re-transmitted as pod-casts. Television is right around the corner. I'm told we also Twitter and Facebook and probably some other things I'll need to learn about, too. The "booth" also has a call-in feature whereby listeners can patch-in directly and ask questions, or give opinions. Hot dang ... my chance to become the real estate equivalent of Sports Talk radio's Jim Rome. Whatz up, clones? Grab a vine. Have a take, and don't suck. Maybe I have delusions? Anyway, it should be fun, and I hope it is informative.

Early next year, **KONK-AM will also publish a newspaper** ... monthly to start, with the intention to become a weekly. One of the recurring columns in the newspaper will be a transcription of selected live real estate interviews hosted on-air by ... moi! I hope those transcriptions are suitable and interesting enough to include in this newsletter. Suddenly, the idea of a "newsletter" sounds very, aaah, old fashioned. Paris Hilton need not fear me as media celebrity competition, at least not in the beginning ☺

Please go to www.konkam.com and check out the station. Physically, KONK-AM "world-headquarters" is located at 1106 White Street ... which is pretty dang close to being situated smack-dab in the middle of the island of Key West. That's our building, to the right.

I haven't put all my thoughts together yet (what else is new?). But SOON I'll develop a theme for the show and ensure it dovetails properly with the objectives of the station. It's been hinted that the show should not be a real estate sales "infomercial", where different brokerages come on-air and promote their companies or their listings ... I kinda already knew that. It'll be issues-oriented, similar to what Barbara Bowers did so well. And, as the Great Spirit knows, there are a LOT of issues out there!

I suspect that I'm gonna get a great education! I hope the listeners (and viewers, and readers, and twitter-ers, and all those other social-networkers) do, too.

So, I'll see ya on the air-waves!

Jim Smith, Realty Executives FL Keys



Florida Banks Struggling with Recession

Three years ago, Florida had 317 banks and thrifts. Currently, the count is down to 250, and some analysts say another 50 Florida banks might disappear in the coming years. The trend is seen nationwide.

“The number of banks in the US may fall from the current 7,760 to 5,000 to 6,000 in five years, a decrease in number of 20-25%,” said the Allen C. Ewing & Co. investment banking firm. “There will be very few new banks chartered for many years, and 5,000 to 10,000 unprofitable branch offices are going to be closed. Florida will have approximately 200 banks in 2015”.

So far, 28 Florida banks have failed this year, double the number in 2009. Florida's banks and thrifts lost \$519 million through the first 9 months of 2010, compared with \$1.69 billion in the comparable 2009 period. More than 61% of those Florida banks are still losing money this year, compared with 19% nationwide.

However, signs of lower loan-loss provisions and real estate price stabilization are emerging for the first time since 2006, and 2011 may be the beginning of the return to profitable banking.

BauerFinancial Inc. rated 45 Florida banks at zero stars in the recent period. It considers 36.5% of the state's banks as “troubled or problematic.” Only Arizona and Georgia had a higher percentage of weak banks in Bauer's latest analysis. The national average was 12.7%.

Just 18% of Florida banks earned a spot on Bauer's recommended list of four- or five-star institutions, the lowest percentage in the country. The national average was nearly 60%. “It is taking more time for community banks in Florida to purge their problem assets and return to profitability because of the concentration of real estate collateralized loans in the portfolios, up to 75% in many cases,” Bauer said. None of the region's banks earned the top, five-star, “superior” rating.

FDIC's confidential list of problem banks grew to 860, up from 829 three months earlier. FDIC Chairman Sheila Bair noted shrinking loan portfolios at banks might have run its course. “Many large banks have had sizable reductions in their loan portfolios over the past couple of years, but in the 3rd quarter such reductions were notably absent. I hope we are close to seeing genuine increases in loan balances again,” Bair said.

JSmith addition: What has happened to Florida Keys banks since 2007? Quite a lot!

First State Bank ... rated 3-stars (adequate) by BauerFinancialInc.

TIB Bank ... taken over by private investment group

Marine Bank ... merged with Centennial Bank

First National Bank ... failed, taken over by Orion Bank

Keys Federal Credit Union ...receivership, rated 1-star (troubled) by BauerFinancialInc.

Key West Bank ... failed, taken over by Centennial Bank

Profile of Home Sellers by Jessica Lautz, Research Economist

The National Association of REALTORS® surveys home buyers and sellers annually to gather detailed information about the home buying and selling process. **This article focuses on home sellers and how they may have “traded up” in purchasing another home.**

Even for an experienced homeowner, selling one's home can be just as complicated and confusing as buying a home. The Great Recession presented challenges for those households who wanted to sell a property in order to purchase and move into another home.

Selected Demographics of Home Sellers:

- (1) **Married couple households account for 75% of home sellers.** Single male or female households represented about 25% of sellers, with single females being more than 2.5 times as frequent as single males.
- (2) **Sellers are getting older.** The typical age of a seller who sold a home between mid-2009 and mid-2010 was 49 – compared to 46 the previous year
- (3) A variety of seller demographics correlate to “age”. **Younger sellers tended to buy larger homes.**
 - (a) For 18-34 year-old buyers ... 100 square feet larger (median) than the home they sold.
 - (b) For 35-44 year-old buyers ... 200 square feet larger (median) than the home they sold.
 - (c) Older sellers aged 55-64 years old trade *down* the most.
- (4) **Younger sellers purchased homes that were more expensive than the residence they sold.** For 18-34 year-olds, the median purchase price was almost \$100,000 more.

Tenure and Equity Earned:

- (1) **Typical sellers have owned their home for 8 years,** up from 7 years in 2009, and 6 years in 2008. The age of the homeowner corresponds to tenure. Sellers under 34 have 5 years tenure in their home on the average, compared to 12-year tenure for sellers 55-64 years old.
- (2) **Longer tenure in a home usually generates a higher equity earned when the home sells.**
 - (a) Median equity in a home sold between mid-2009 and mid-2010 (difference between purchase price and sale price) was \$33,000.
 - (b) Sellers who owned a home for one year or less typically reported a greater gain than those whose tenure was 2-5 years. One explanation for these large recent gains is that they result from the **rehabilitation and resale of formerly distressed properties.**

Why they sold:

- (1) 21% sold because their homes were too small.
- (2) 15% sold because of job relocation.
- (3) For those 55-64, moving closer to friends and family was the most common reason for selling.

For more information:

More information is available online. Reports can be purchased by visiting www.realtor.org/research and clicking on “new reports”.

MULTI-UNIT PROPERTIES:

1-Jan-11

address = "Short Sale" or foreclosure

DUPLEX (top 10):		ROI:				ROI:	
2627 Staples Ave: MLS113053	\$325K Max Min	9.75% 8.46%	On market 17MAY Reduced 29SEP	2226 Patterson Ave: MLS110648	\$450K Max Min	9.07% 8.06%	On market 5APR Reduced 19NOV
2404-07 Flagler: MLS112267	\$265K Max Min	9.66% 8.25%	On market 5JAN Reduced 7APR	1603 Flagler Ave: MLS113569	\$243K Max Min	8.73% 7.28%	On market 10SEP
823 Terry Ln: MLS110398	\$250K Max Min	11.87% 10.22%	On market 1MAR	800 Elizabeth St: MLS110803	\$320K Max Min	13.76% 12.34%	On market 4MAY Reduced 13DEC
1319 2nd Ave: MLS110430	\$299K Max Min	10.97% 9.92%	On market 8MAR	3314 Northside #12: MLS110429	\$212.9K Max Min	12.05% 10.33%	On market 9NOV
2500 Patterson: MLS109032	\$300K Max Min	10.27% 9.02%	On market 27JUL Reduced 27JUL	1203-05 1st St: MLS113265	\$269K Max Min	11.32% 9.86%	On market
3-4 UNIT (top 6):		ROI:				ROI:	
720 Windsor Ln: MLS111436	\$321.5K Max Min	9.06% 7.84%	On market 18AUG Reduced 28DEC	1614 Dennis: MLS107921	\$524K Max Min	10.03% 8.83%	On market 20FEB Reduced 5MAR
904 Truman Ave: MLS111640	\$325K Max Min	11.23% 9.56%	On market 28SEP	1500 United St: MLS113650	\$495K Max Min	9.52% 8.30%	On market 2OCT Reduced 5DEC
2618 Fogarty: MLS109707	\$670K Max Min	8.23% 7.43%	On market 24NOV Reduced 24DEC	327 Margaret St: MLS110031	\$499K Max Min	11.16% 9.40%	On market 8JAN Reduced 19MAY
> 4 UNITS (top 2):		ROI:				ROI:	
1401-05 Truman: MLS113468	\$850K Max Min	11.79% 10.21%	On market 18JUN Reduced 13OCT	1100-02 Margaret: MLS112358	\$1.3M Max Min	2.27% 1.70%	On market 21JAN

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
Min sell price = 92% of ask price
Taxes + insur = 2.5% of sell price

Max ROI = $\frac{(\text{MaxIncome} - \text{MinExpenses})}{\text{Min Sell Price}}$	=	$\frac{27,360 - 17,250}{690,000}$	=	1.47%
Min ROI = $\frac{(\text{MinIncome} - \text{MaxExpenses})}{\text{Max Sell Price}}$	=	$\frac{26,163 - 18,000}{720,000}$	=	1.13%

Reported like this:

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



JSmith add: I confess. I had not heard of “walletpop”. That’s not too embarrassing, given that there are maybe billions of comparable sources of on-line material. Near as I can figure, this is an AOL Blog. Clears that up! The information is interesting. I’d like to take a class sometime on “How To Google” most effectively. Google is a VERY powerful tool. So is my \$35 wristwatch, with 101 functions ... and I use 3 of them. Anyway, here are excerpts from the article:

Six Reasons Why You Should Google Your Address

Tara-Nicholle Nelson 13 December 2010

It seems almost negligent these days to meet with a prospective employer, set your kid up on a sleep-over or even add an old friend on Facebook *without* first googling the company’s name, the parent’s name or your old chum’s name ... just to see. Here are **6 compelling reasons to google your street address**:

- (1) **Megan’s Law**: Law enforcement makes public the names and locations of registered sex offenders. Nearly every state has such a registry. Google your address plus “Megan’s Law”. Many property owners highly value this information. (*JS: a good one ... www.nsopw.gov/core/publicregistriesites.aspx, then “offender search”, then “neighborhood search”*)
- (2) **Crime Reports**: Local police and sheriff’s offices often post a crime map. Google your address or city and “crime report”. If you’re considering buying a home, or moving to an unfamiliar neighborhood, googling the address may reveal important crime-activity information. (*JS: try ... www.neighborhoodscout.com*)
- (3) **Scammers**: Internet banditos rip-off home information and construct fake listings for sale or rent. The scammers ask for a deposit, pocket it and disappear. Google your address and look for a fraudulent listing. If you find one, contact the website operator and ask for the posting to be taken down immediately.
- (4) **Public records on your home**: These could be old or flat-out wrong for many reasons. If you find your address description riddled with errors, contact the website and inquire about corrections, *especially* if you plan to sell your property soon. (*JS: in Monroe County try www.mcpafl.com*)
- (5) **Neighborhood property sales**: By googling your address, you’ll find real estate websites that disclose public information about recent sales prices of comparable homes in your neighborhood. This will give you information about the value of your home ... and maybe ammunition to petition your County to lower your property taxes!
- (6) **Google street views**: If you’re selling, check out what prospective buyers will see! See how Google Maps Street Views depicts your home. After all, your Realtor’s photos won’t show the dump next door, or the jacked-up Conch Cruiser down the street ... but Google will. Mention to your Realtor to note that there has been exterior remodeling and paint since the last Google photo, or that your neighbor’s dumpster is gone!

JSmith add: You will find many websites that charge a fee for their services, but if you persevere, you can dig right through to the raw public information ... for free.

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

This is a continuation of the data reported in this newsletter on 1 July 2010 about the unusually high number of property purchases being made with CASH. This data (below) now represents the entire year of 2010. I'm still stunned, as the cash-buying trend continued for the whole year.

Financing Options:

All residential closings in Key West
Entire year of 2010: 1/1/10 to 12/31/10

Total number of residential closings in Key West = 432 data points
Closings that did NOT indicate a financing option = 48 data points
 = 384 total sales

		<u>Cash</u>	<u>Conventional</u>	<u>FHA</u>	<u>VA</u>	<u>Other *</u>	<u>totals:</u>
Single Family Homes	<u>Non-distress</u>	57	50	10	4	3	124
	<u>Short-Sale</u>	27	24	6	2	2	61
	<u>Bank-Owned</u>	11	10	3	0	0	24
	subtotals:	95	84	19	6	5	209
▼							
Condos and Townhomes	<u>Non-distress</u>	43	33	3	0	2	81
	<u>Short-Sale</u>	29	21	7	1	1	59
	<u>Bank-Owned</u>	21	12	1	1	0	35
	subtotals:	93	66	11	2	3	175
▼							
All Key West Sales	<u>Non-distress</u>	100	83	13	4	5	205
	<u>Short-Sale</u>	56	45	13	3	3	120
	<u>Bank-Owned</u>	32	22	4	1	0	59
	subtotals:	188	150	30	8	8	384

Other * = could be seller financing, SHP-assistance for workforce housing, loan assumption, etc.

Notes:

- (1) 188 out of 384 sales were CASH purchases ... **48.9%**
- (2) 150 out of 384 sales used conventional mortgage loan financing ... **39.1%**
- (3) 179 out of 384 sales were distressed properties (short-sale, bank-owned) ... **46.6%**
- (4) 38 out of 384 were FHA or VA loans ... **9.9%**

Normally less than 10% of buyers pay cash. Conventional wisdom is that with interest rates so low, and inflation around the corner, buyers should be borrowing money. But they are not. Whatz up?

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



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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 (canal, lake and open water) at mile-marker 5:

Key Haven sales history (last 13 years):

<u>Year:</u>	<u># Residences Sold:</u>	<u>Avg Sell Price:</u>	<u>Avg \$/sqft:</u>
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
2010	11	\$ 616.727	\$ 311/saft

Prices had a great run-up through 2005, and then fell. 2009 saw 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, and one dry lot). 2010 appears to represent a small turnaround in prices. In the past few years, the "average selling price" is a little misleading, since it includes many distressed properties ... not representative of a true cross-section of Key Haven homes.

There are 28 residences currently on the market in Key Haven: 5 currently under contract and all of those are short-sales. Of the remaining 23, five are short-sales.

- (1) The average asking-price is \$1,223,155 and
- (2) The average dollars-per-sqft is \$443 and
- (3) The range is:
 - (a) from \$350K for waterfront 2-bed, 3-bath, 1409 sqft home on a 6,000 lot
 - (b) to \$2.775M for an openwater-view 3-bed, 3.5-bath, 3684 sqft home.

I have compiled year-by-year Key Haven sales statistics for each individual property, for the last thirteen 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.

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Southernmost Stars:

1 January 2011

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:
3075 Flagler Ave #25	\$145,000	2	2	1008	144	Short-sale
3930 S. Roosevelt #103W	\$145,000	1	1	461	315	Short-sale
3305 Eagle Ave #56	\$152,000	2	2	1032	147	Foreclosure
419 United #3	\$160,000	1	1	343	467	Short-sale
716 Emma St #2	\$175,000	1	1	400	438	Foreclosure
3312 Northside #704	\$175,000	2	1	856	204	Conventional
3312 Northside #613	\$185,000	2	1	736	251	Conventional
524 Margaret St #101	\$189,000	0	1	370	511	Short-sale
3930 S. Roosevelt #210W	\$197,500	2	2	804	246	Conventional
3675 Seaside #342	\$199,900	2	2	772	259	Foreclosure

Missing from December:

1016 Howe St #3 ... under contract

3930 S. Roosevelt #103W ... replaced by less expensive property

Ten least expensive **Single-Family Residences** in Key West:

Address:	Ask Price:	#beds:	#baths:	Living Sqft:	\$/Sqft:	Other:
323 Angela St	\$135,000	3	1	840	161	part-interest conventional
2307 Patterson Ave	\$195,000	2	1	864	226	Short-sale
313 Catherine St (rear)	\$239,000	1	1	224	1067	Conventional
315 Virginia St	\$249,000	2	1	846	294	Short-sale
713 Galveston Ln	\$263,000	2	1	672	391	Conventl, needs renov
1128 Olivia St	\$280,000	1	2	720	389	Short-sale
2012 Roosevelt Dr	\$290,000	3	2	1515	191	Conventional
2819 Seidenberg Ave	\$295,000	3	2	1243	237	Conventional
1133 Von Phister	\$299,000	2	1	678	441	Short-sale
2009 Seidenberg Ave	\$299,000	3	3	1214	246	Short-sale

Missing from December:

2315 Patterson Ave ... under contract

Not very much activity at the least-expensive end of the market for December 2010!!

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.



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