



Realty Executives Florida Keys

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2 October 2009

Hello, everyone ...

The nation’s economic meltdown and consequent real estate crisis took a distant backseat, for a couple of minutes anyway, when Tim Tebow went down against U. of Kentucky. This is Gator Country, you know. Rio de Janeiro won the 2016 Olympic bid ... how long will it take our athletes to acclimatize to the Southern Hemisphere’s reverse Coriolis Effect? Or, for Chicago to recover from being passed-over?

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I know you’re wondering ... what is a *Stalking Horse*? Here’s a clue. Didja ever see the movie “Jeremiah Johnson”? Well, Jeremiah and Bear Claw Chris Lapp were hunting elk one day in the mountains, and this dialogue is an example:

Jeremiah: Wind's right, but he'll just run soon as we step out of these trees.
 Bear Claw: Trick to it. Walk out on this side of your horse.
 Jeremiah: What if he sees our feet?
 Bear Claw: Elk don't know how many feet a horse has!

Maybe you had to be there. Anyway, I had a brush with a “Stalking Horse auction” and thought it interesting. Pretty clever ... I focus on picking up a new piece of jargon every day.

The multi-unit inventory shrank again in September ... 5 departed (below), 4 entered, net -1, same as August. Of the 4 newbies, three came in real strong and made it directly to the TOP and are reported in the matrix. These are the 5 that were voted off the island:

<u>Address:</u>	<u>Type:</u>	<u>Listing Price:</u>	<u>Results:</u>	<u>Date:</u>
1621 Rose St	duplex	\$1,249,000	Listing expired	on 30 SEP 09
701-703 Windsor Ln	duplex	\$ 500,000	Listing expired	on 30 SEP 09
421 Angela St	duplex	\$ 625,000	Listing cancelled	on 28 SEP 09
726-728 United St	3-4 units	\$ 535,000	SOLD for \$535,500	on 4 SEP 09
704 Caroline St	3-4 units	\$ 675,000	SOLD for \$675,000	on 8 SEP 09

You’ll find a solicitation in your package this month (see last article!). Several of you have made contributions in the past ... and I do think this is a very worthy cause, and personally a great experience as a running coach. It’s likely to be a difficult year for fundraising, for obvious economic reasons, and we’d be more grateful than ever if you wanted to help support the effort!! Tax deductible.

Jim Smith, Broker Associate
Realty Executives Florida Keys

EarlyBird News

Daily Briefing: Friday, September 4, 2009

A service for members of the [Florida Association of Realtors®](#)

Why don't we do something about the short sale crisis?

Dear Editor,

I will keep this short and to the point. I cannot understand why the Florida Association of Realtors (FAR), the National Association of Realtors (NAR) and all parties in between are not screaming and shouting to every legislature and news organization to resolve the critical situation in which the real estate and title industries find themselves.

THERE IS A SHORT SALE CRISIS!

Will it take a majority of title companies shutting down due to lack of revenue? More unemployed hardworking people, who have done their job, sometimes numerous times, but their firm doesn't get paid until a file closes? And who controls this process? The bank. Who is suffering? The working class people at the banks. Not the executives! They are averaging \$14 million per year in compensation!

I am just sick of it. I have had files with these banks for over five months. I have marketed the property, secured multiple fair-value, cash buyers, and submitted the necessary paperwork to the bank – only to have the bank continually say nothing, do nothing.

The local Realtor associations will be the next to feel this as their memberships dwindle. This, of course, hurts FAR and NAR.

Just today, one of the short-sale file coordinators in our office had a conversation with a rep at the bank and the rep commented that he has over 470 short sale files! They were also expecting over 19,000 more files in the next month to be split between their 450 people – that is another 42 files per person.

We should be mobilizing and making waves to make the powers in Tallahassee and Washington take note that we are being duped once again.

I would be happy to do anything I can to help. I don't want to just complain. I want to take action and help solve the problem.

Mark Dubin, *Bluffs Real Estate and Investment Properties*, Jupiter FL

Another Way to Lose the House

EDITORIAL August 28, 2009

The foreclosure crisis will get much worse before it gets any better.

The Mortgage Bankers Association found that 6,000,000 loans are either past due or in foreclosure in the 2nd quarter of 2009, the highest level ever recorded.

Worse, loan defaults are not the only cause of foreclosures. In some areas, unpaid property taxes are provoking foreclosures, even for homeowners current on their payments.

In recent years, some cities and counties that are strapped for money have sold their delinquent tax bills to private firms. These firms get to keep what they collect. They also get the right to foreclose, taking priority over mortgage lenders.

Debt collection is tough, especially when private firms go after unpaid taxes. Governments can also foreclose for unpaid taxes, but they are less likely to do so out of concern for property values and quality of life. See: "Shooting Self in Foot".

Changes in federal policy can reduce the foreclosure risk from unpaid property taxes. During the mortgage bubble, some lenders kept monthly loan payments low by not tacking on an extra amount to cover taxes and insurance.

For those loans, generally subprime, Alt-A (a notch above subprime) or jumbo loans, neither federal law nor pressure from mortgage investors compelled the inclusion of taxes and insurance in the monthly payment. In 2008 the FED altered the rules, but the changes were weak. They require taxes and insurance to be included, but only for subprime loans and only for a year. After that, lenders can let borrowers opt out of paying those charges as part of their monthly bills.

Excluding the charges might help lenders, because it increases the likelihood that borrowers will need to refinance to cover unexpected expenses. But it puts many borrowers and whole communities at risk. What is needed is a rule that requires the inclusion of taxes and insurance in the monthly payment for all types of mortgages and that disallows opt-outs until borrowers have made at least five years of steady payments.

The issue is also one more reminder that the nation badly needs an independent consumer safety regulator for mortgages and other loans — and that the Fed is not the right choice for the job.

MULTI-UNIT PROPERTIES:

1 October 2009

address = "Short Sale" or foreclosure

DUPLEX (top 10):		ROI:		ROI:			
3314 Northside #17: MLS111626	\$260K Max NEW Min	10.84% 9.38%	On market 20SEP	1725 Johnson: MLS110889	\$289K Max Min	8.86% 7.77%	On market 19MAY Reduced 28JUL
3314 Northside #12: MLS105322	\$299K Max Min	9.10% 7.83%	On market 21MAR Reduced 2JUL	1317 Sunset Dr.: MLS109389	\$385K Max Min	9.73% 8.60%	On market 1OCT Reduced 6MAY
1319 2nd St.: MLS110430	\$299K Max Min	10.97% 9.92%	On market 8MAR Reduced 19APR	3314 Nortside #24a: MLS107613	\$299K Max Min	9.10% 7.83%	On market Reduced 21AUG
1634 Johnson: MLS548158	\$250K Max Min	11.38% 9.85%	On market 10MAR Reduced 22APR	2007 Flagler: MLS110984	\$360K Max Min	11.27% 10.03%	On market 8JUN Reduced 29JUL
2226 Patterson: MLS110648	\$475K Max Min	10.02% 8.50%	On market 5APR Reduced 17AUG	1217-19 3rd St.: MLS111465	\$275.5K Max Min	10.09% 8.71%	On market 26AUG
3-4 UNIT (top 6):		ROI:		ROI:			
1821 Harris: MLS111634	\$475K Max NEW Min	13.93% 12.50%	On market 24SEP	1614 Dennis: MLS107921	\$559K Max Min	9.25% 8.12%	On market 20FEB Reduced 16DEC
904 Truman Ave.: MLS111640	\$325K Max NEW Min	11.23% 9.56%	On market 28SEP	915 Pohalski: MLS106416	\$399K Max NEW Min	8.37% 7.22%	On market 27AUG
1125 Washington: MLS107914	\$688K Max Min	8.67% 7.51%	On market 18FEB Reduced 24JUL	811 Thomas St.: MLS109377	\$425K Max Min	10.62% 9.24%	On market 1OCT Reduced 5FEB
> 4 UNITS (top 2):		ROI:		ROI:			
1301 Truman Ave.: MLS111056	\$1.5M Max Min	13.38% 11.45%	On market 18JUN	1214 Catherine: MLS109618	\$649K Max Min	13.79% 12.56%	On market 9NOV 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
Min sell price = 92% of ask price
Taxes + insur = 2.5% of sell price

Max expenses = (0.025)x(0.96)x(sell price) = \$18,000
Min expenses = (0.025)x(0.92)x(sell price) = \$17,250

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.

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

Recently there was a foreclosed commercial property in Key West being sold at a "Stalking Horse" auction. I had never heard of that before, so I did what anyone would do. I googled it.

1. Something used to cover one's true purpose; a decoy.
2. A sham candidate put forward to conceal the candidacy of another or to divide the opposition.

The term *stalking horse* originally relates to hunting wild fowl. Many birds flee immediately on the approach of humans, but tolerate the close presence of horses and cattle. Hunters would therefore slowly approach their quarry by walking alongside their horses, keeping their upper bodies out of sight until the flock was within firing range. Animals trained for this purpose were called stalking horses.

In business, a Stalking Horse is an attempt at testing-the-market for a potential (hostile) takeover. The anonymous party has a valuable reputation that could be damaged by the failure of the takeover. So the anonymous party arranges for a third party (the stalking horse) to make the initial bid and generate a reaction in the market. The stalking horse is an exercise in assessing accurately the degree of risk, so that a full-blooded challenge is only mounted by the main party when there is a real likelihood of success.

Also, a bankrupt company may choose a stalking horse to make the first bid on the bankrupt company's assets. Once the stalking horse has made its bid, other potential buyers may submit competing bids for the bankrupt company's assets. In essence, the stalking horse sets the bar so that other bidders can't low-ball the purchase price. There are rules. If the stalking horse's bid is the only bid, the stalking horse must follow through and close the transaction. If the stalking horse is out-bid by a competitor, the stalking horse agrees not to re-enter the bidding. Also the stalking horse is paid for its efforts by the seller, often handsomely.

The Key West "Stalking Horse" auction was not exactly in alignment with the above examples ... it was a hybrid, which evidently the seller was authorized to construct. Call it a "*Southernmost Stalking Horse*" auction if you like, but the local rules were explained:

- (1) The first bidder is the Stalking Horse. If there are no other bids, he makes the purchase.
- (2) A second high bidder becomes the new Stalking Horse, and he pays a fee (say 5% of the bid) to the old Stalking Horse. The fee is paid regardless of whether or not the new Stalking Horse closes the purchase.
- (3) Anyone can bid, including old Stalking Horses. Any subsequent high bidders become the new Stalking Horse, and they pay the fee to the last Stalking Horse. The auction continues until there are no more bidders.

Interesting. In this particular case, the process seemed highly elaborate (and weird) for a relatively crappy property. But it makes you think. Since bidders pay-to-play, there were no half-hearted bids. And the first Stalking Horse bid was acceptable to the seller, but low, leaving room for a later "bargain" purchase. And the Stalking Horse fees kept all the bidders in the game. It worked. The property sold.

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



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“Everyone is an athlete. The only difference is that some of us are in training, and some of us are not.”

Dr. George Sheehan, cardiologist, author, runner

Hello, recipients of my monthly Key West real estate newsletter ...

Once again I'm excited to be the Marathon Running Coach for the Key West Chapter of the Leukemia and Lymphoma Society "Team-in-Training". In mid-August we began training for the Disney marathon and half-marathon in Orlando FL on 9-10 January 2010. Also, the ING full-and-half marathons in Miami on 31 January 2009

Many first-time endurance athletes are currently in training with TNT. Every participant has dedicated this experience to a relative, friend or co-worker with leukemia or lymphoma. AND all of us are raising money to support blood cancer research.

In 2007 we had 22 athletes from Key West participate in TNT. We raised over \$60,000 and everyone completed their event. Last year we doubled the number of participants, raised over \$121,000 and everybody finished! See the photos below ... you probably know some of these local athletes.

You might see us on Smathers Beach and South Roosevelt early on Saturday mornings. Active fundraising is ongoing. It's a **win-win-win** for us.

(1) Each individual is striving to achieve a difficult athletic goal, and they will **win!**

(2) As a team, we are bringing together widely diverse personalities, occupations and abilities. The team bonds (and **wins!**) every Saturday as we run in our TNT shirts that say "If you think running a marathon is hard, try chemotherapy."

(3) The fighters against blood cancer will **win**, too, as each athlete raises almost \$3,000 for research.

I hope that you will be able to support us in our fundraising for this worthy cause. Any contribution will be greatly appreciated, and it is tax deductible. We have an answer to the question ... what have you done today to make yourself proud? Thank you in advance for your participation!

Jim Smith, TNT Coach



2009 DisneyWorld Half-marathoners



2009 DisneyWorld Full-marathoners

Checks may be made out to "Leukemia and Lymphoma Society" and mailed to Coach Jim Smith, 25 Allamanda Terrace, Key West, FL 33040. For more information, please visit www.teamintraining.com.

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:
1016 Howe St	\$110,000	0	1	144	764	Short-sale (+ transient lic)
3312 Northside #301	\$112,900	1	1	408	277	Foreclosure
3312 Northside #216	\$120,000	2	2	780	154	Short-sale
3930 S Roosevelt #W-401	\$150,000	1	1	504	297	Short-sale
3312 Northside #404	\$150,000	2	1	790	190	Conventional sale
3312 Northside #711	\$160,000	2	2	896	179	Conventional sale
3312 Northside #702	\$164,000	2	2	892	184	Conventional sale
1207-09 William #1	\$165,000	2	1	560	295	Short-sale
3312 Northside #313	\$165,000	2	1	856	193	Short-sale
1012 Truman Ave #103	\$169,000	2	1	750	232	Foreclosure

The following properties are *missing* from last month's report:

3312 Northside #215 ... under contract	3211 Pearl ... under contract
3312 Northside #409 ... under contract	3930 So Roosevelt #W-303 ... under contract
3312 Northside #612 ... under contract	3930 So Roosevelt #E-113 ... under contract

Ten least expensive Single-Family Residences in Key West:

Address:	Ask Price:	#beds:	#baths:	Living Sqft:	\$/Sqft:	Other:
2420 Patterson Ave	\$210,000	2	2	1509	139	Conventnl sale, tear-down
1126 Stump Lane	\$227,900	1	1	540	422	Foreclosure
2310 Seidenberg St	\$250,000	2	1	640	391	Short-sale
728 Windsor	\$260,000	2	1	654	413	Conventional sale
3314 Northside #17	\$259,900	3	3	1537	169	Foreclosure (duplex)
213-Front Truman Ave	\$279,000	1	1	484	576	Short-sale
323 Angela St	\$285,000	3	1	840	339	Conventional sale
701 Windsor	\$285,000	2	1	802	355	Short-sale
3314 Northside #24a	\$285,500	3	3	1404	203	Short-sale (duplex)
703 Windsor	\$299,000	1	1	808	370	Short-sale

The following properties are *missing* from last month:

2515 Seidenberg St ... sold	1217-19 3 rd St ... under contract
1715 Catherine St ... under contract	

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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