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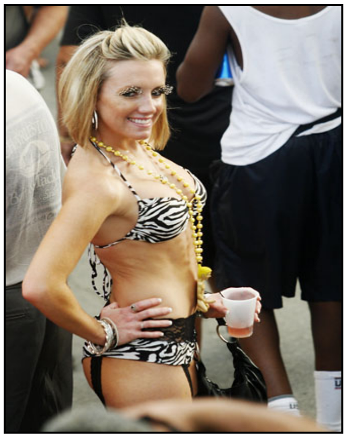
2 November 2009

Hello, everyone …




The Fantasy Fest parade and Halloween were on the same day this year. So, the City Commissioners moved Halloween to Monday, knowing that all the adults would be on Duval Street on the *real* Halloween, leaving no one to deal candy to the kids. Ya can't get anything past our City Commissioners! For a chuckle, go to www.keysnews.com for photos of Fantasy Fest. Remember, they can only print PG-13 and under. The more risqué photos are useful for blackmail, extortion and fundraising. Yes, people will pay to have their pictures deleted from your hard drive!

But, back to business. I think there is a lot of pent-up demand for Key West real estate, and the opportunity to buy in 2009 at 2002 prices is getting very hard to resist. It's way too early to declare victory, but it *feels* like the tide is turning.

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The multi-unit inventory grew a little bit in October … 3 departed (below), 5 entered, net +2, same. Of the 3 newbies, three came in real strong and made it directly to the TOP and are reported in the matrix. These are the 3 departed:

Address:	Type:	Listing Price:	Results:	Date:
815 Southard St	**Duplex**	**$ 950,000**	**Cancelled**	**on 19 OCT 09**
919-21 Thomas St	**3-4 Unit**	**$ 925,000**	**SOLD for $895,000**	**on 1 OCT 09**
410 Virginia St	**3-4 Unit**	**$1,299,000**	**Expired**	**on 20 OCT 09**

Leukemia Society Team-in-Training going well! Any/all contributions greatly appreciated.

Jim Smith, Broker Associate
Realty Executives Florida Keys

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REAL ESTATE

Key West Still Tops State Price List

Index looks at 310 U.S. markets

October 24, 2009

No matter how much prices drop in Key West, it's a good bet no one's ever going to call it a cheap place to buy. The 2009 Home Price Comparison Index, released earlier this week, shows that Key West's average price of **$815,750** earned it the **top spot** among Florida's housing markets. In 2005, it was $949,375.

"Key West's average price is very comparable to last year's figure of $818,239, while well below 2007's $929,818," noted the president of the local affiliate. "Given the twin forces of rising sales and diminishing inventory we've experienced over the last few months in the Keys, it's likely we won't see the Keys priced so affordably when the 2010 HPCI study is released."

Findings from the HPCI:

(1) The most expensive market in the country is La Jolla, CA … average price = $2,125,000.

(2) The most affordable market in the country is Grayling, MI … average price = $112,675.

(3) The most affordable market in Florida is Port Charlotte, FL … average price = $142,750.

(4) In the US, Key West was most comparable to Ridgewood, NJ ($801,250) and Queens, NY, ($793,500).

(5) Internationally, Key West was most comparable to Galway, Ireland ($746,874) and Providenciales in the Turks and Caicos ($872,225).

(6) In total, 11 U.S. markets exceeded the $1 million average price for the surveyed home.

(7) Manhattan is not included in the study because of the lack of comparable single-family homes.

The annual HPCI index provides apples-to-apples comparison of similar 2,200-square-foot, four-bedroom, two-and-a-half bath homes in the US, Puerto Rico, Canada and a sampling of other countries. The cumulative average sales price of the four-bedroom homes surveyed in the 310 US markets is $363,460.

Buyers and sellers can put the index to work at **hpci.coldwellbanker.com**, calculating what similar homes may be worth in other areas.

The New York Times

Ongoing Agony of the Banks

28 October 2009, NYTimes editorial

GMAC is circling back to the government for a third helping of taxpayer money. GMAC is struggling under the double whammy of bad car loans and the fallout from its misguided foray into mortgage finance at the height of the housing bubble. After the government applied stress tests to the banks last May, it was the only big bank that could not raise the capital it was deemed to need.

Still, GMAC's return to the public trough — where it expects to get up to $5.6 billion on top of the $12.5 billion it has received since December — should serve as a reminder that much of the American banking system is nowhere near where it needs to be despite hundreds of billions of dollars doled out by the Treasury.

If the federal government's strategy to save the banks was meant to get them back into the business of lending to American consumers and businesses, **it has not worked yet**.

GMAC's sorry state is bad enough news for Main Street. It is the main source of financing for General Motors and Chrysler dealers around the country. That means it is virtually assured to get the additional money it needs for the same reason that the government bailed out the automakers and then gave them the windfall profits of the cash-for-clunkers initiative: too many auto-sector jobs are on the line.

But GMAC is hardly the only hobbled financial institution in the country. Bank of America reported a $1 billion loss in the last quarter and is still limping along, dragged down by its bloated portfolio of bad loans. Citigroup relied on accounting gymnastics and a dubious decision to stockpile few reserves against potential loan losses in order to make a $100 million profit.

The mere fact that these banks are still going concerns is because of the government's willingness to ply them with cash. **But neither is lending much**.

The banks that do have the financial wherewithal — like Goldman Sachs and JPMorgan Chase, which made combined profits of nearly $7 billion in the third quarter — are not making their money through lending. They are making it from trading complex financial products that few people understand.

This will not do. It is nigh impossible for economic recovery to take hold when credit is sputtering as it is. For the Obama administration's financial strategy to be a success, the banks must do more than survive. **They must lend again**.

MULTI-UNIT PROPERTIES:

1 November 2009

address = "Short Sale" or foreclosure

DUPLEX (top 10):

			ROI:					ROI:	
3314 Northside #17	$239.9K	Max	11.96%	On market 20SEP	**1725 Johnson:**	$289K	Max	8.86%	On market 19MAY
MLS111626		Min	10.37%	**Reuced** 23OCT	MLS110889		Min	7.77%	**Reduced** 28JUL
3314 Northside #12:	$299K	Max	9.10%	On market 21MAR	**1317 Sunset Dr:**	$385K	Max	9.73%	On market 1OCT
MLS105322		Min	7.83%	**Reduced** 2JUL	MLS109389		Min	8.60%	**Reduced** 6MAY
1319 2nd St:	$299K	Max	10.97%	On market 8MAR	**3314 Nortside #24a:**	$299K	Max	9.10%	On market
MLS110430		Min	9.92%	**Reduced** 19APR	MLS107613		Min	7.83%	**Reduced** 21AUG
1634 Johnson:	$250K	Max	11.38%	On market 10MAR	**2007 Flagler:**	$360K	Max	11.27%	On market 8JUN
MLS548158		Min	9.85%	**Reduced** 22APR	MLS110984		Min	10.03%	**Reduced** 29JUL
2226 Patterson:	$475K	Max	10.02%	On market 5APR	**1217-19 3rd St:**	$275.5K	Max	10.09%	On market 26AUG
MLS110648		Min	8.50%	**Reduced** 17AUG	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	**811 Thomas St:**	$425K	Max	10.62%	On market 1OCT
MLS107914		Min	7.51%	**Reduced** 24JUL	MLS109377		Min	9.24%	**Contract** 9OCT

> 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%		MLS109618		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

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

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

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

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.

Bloomberg.com

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Leaving home loans behind

SAN DIEGO – Oct. 13, 2009 – Scott Conroy pays the mortgage every month on his one-bedroom condo in San Diego, even though it's worth 33% less than what he owes, and it may take more than a decade to break even. Like Mr. Conroy, homeowners who can afford their monthly payments are weighing whether to sell and pay the difference, stick it out until housing prices recover, or **walk away**.

In the US, 26% of borrowers owe more than their home is worth. In parts of California, Florida and Nevada, it's as high as 75%.

Strategic defaults, in which homeowners stop paying their mortgages while remaining current on other debts, rose to 588,000 last year. 67% of those who walked away defaulted on their primary residences.

Strategic defaulters represent about 4% of all homeowners underwater. That trickle could become a flood as the likelihood recedes that home prices will soon return to their peak values.

More homeowners may opt to take a hit to their credit score rather than come up with cash to cover the loss, especially in California and the nine other U.S. states where the legal repercussions of foreclosures are less than other parts of the country. Those 10 states are so-called nonrecourse, prohibiting deficiency judgments after most home foreclosures: Alaska, Arizona, California, Hawaii, Minnesota, Montana, North Dakota, Oklahoma, Oregon and Washington. The bank can repossess your home in those states, but not other assets.

A 2007 law exempts from tax up to $2 million of debt forgiven in a foreclosure or similar proceeding for a primary residence, according to Internal Revenue Service. The tax break extends to 2012.

Short sales or deeds-in-lieu of foreclosures are considered the same as a foreclosure on your credit score. A foreclosure remains on a credit report for seven years. Credit scores can begin to rebound in as little as 2 years if bills are paid on time.

Morality and social stigmas play an important role in whether someone who can afford the payments will walk away, said a professor of finance at Northwestern University's business school, in a July study on strategic defaults. 81% of 1,646 homeowners interviewed think it is morally wrong.

"If you know someone who's done it, you're way more likely to do it," said the professor. "That's the scariest part … that there might be some contagion to this."

Borrowers should speak to their lenders before getting into financial difficulty and defaulting. But some homeowners are frustrated by the lack of help for homeowners like them who keep paying. It seems like the banks are more willing to work with people who aren't making their payments rather than people who are.

The New York Times

Wall Street Smarts

By CALVIN TRILLIN October 13, 2009

“If you want to know why the financial system nearly collapsed in the fall of 2008, I can tell you in one simple sentence,” the guy at the bar said. “O.K.,” I said. “Let’s hear it.”

“The financial system nearly collapsed,” he said, “because smart guys had started working on Wall Street. Income is now in inverse proportion to academic standing in the class, partly because everyone in the lower third of the class had become a Wall Street millionaire.”

I reflected on my own college class. The top student had been appointed a federal appeals court judge — earning, by Wall Street standards, tip money. A lot of the people with similarly impressive academic records became professors. I could picture the future titans of Wall Street dozing in the back rows of some gut course like Geology 101, popularly known as Rocks for Jocks.

“Don’t get me wrong: the guys from the lower third of the class who went to Wall Street had a lot of nice qualities. Most of them were pleasant enough. They made a good impression. And they weren’t really greedy. They just wanted a nice house in Greenwich and maybe a sailboat.”

“The amount of money that could be made on Wall Street with hedge fund and private equity operations became just mind-blowing. At the same time, college was getting so expensive that people from reasonably prosperous families were graduating with huge debts. So even the smart guys went to Wall Street, maybe telling themselves that in a few years they’d have so much money they could then become professors or legal-services lawyers or whatever they’d wanted to be in the first place. That’s when you started reading stories about the percentage of the graduating class of Harvard College who planned to go into the financial industry or go to business school so they could then go into the financial industry. That’s when you started reading about these geniuses from M.I.T. and Caltech who instead of going to graduate school in physics went to Wall Street to calculate arbitrage odds.”

“Do you think *our* guys could have invented, say, credit default swaps? Give me a break! They couldn’t have done the math. When the smart guys started securitizing things that didn’t even exist in the first place, who was running the firms they worked for? Our guys! The lower third of the class! Guys who didn’t have the foggiest notion of what a credit default swap was. All our guys knew was that they were getting disgustingly rich, and they had gotten to like that. All of that easy money had eaten away at their sense of enoughness.”

The theory sounded too simple to be true, but right offhand I couldn’t find any flaws in it. I found myself contemplating the sort of havoc a horde of smart guys could wreak in other industries. I saw those industries falling one by one, done in by superior intelligence. “I think I need a drink,” I said.

Southernmost Stars: **1 November 2009** 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:
1016 Howe St	$110,000	0	1	144	764	Short-sale (+ transient lic)
3312 Northside #313	**$145,000**	2	1	856	**169**	Short-sale
1012 Truman Ave #103	**$149,900**	2	1	750	**200**	Foreclosure
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 #702	$164,000	2	2	892	184	Conventional sale
1207-09 William #1	$165,000	2	1	560	295	Short-sale
3312 Northside #513	**$179,000**	**2**	**1**	**856**	**209**	**Conventional sale**
3930 S Roosevelt #W-112	**$189,000**	**2**	**2**	**807**	**234**	**Short-sale**
1318 Duncan St	**$195,000**	**2**	**1**	**750**	**260**	**Foreclosure**

Missing from last month's report:
3312 Northside #301 … under contract
3312 Northside #216 … under contract
3312 Northside #711 … 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	Convntl sale, tear-down
2403 Staples Ave	**$230,000**	**4**	**2**	**1564**	**147**	**Short-sale**
2311 Seidenberg St	**$239,900**	**3**	**1**	**860**	**279**	**Convntl sale, needs renov**
3314 Northside #17	**$239,900**	3	3	1537	**156**	Foreclosure (duplex)
1715 Catherine St	**$250,000**	**3**	**1**	**993**	**252**	**Short-sale**
728 Windsor	$260,000	2	1	654	413	Conventional sale
215-Front Truman Ave	**$299,000**	**1**	**1**	**561**	**533**	**Short-sale**
213-Front Truman Ave	**$299,000**	1	1	484	**618**	Short-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:
1126 Stump Lane … under contract
2310 Seidenberg St … listing cancelled
701 Windsor Lane … listing expired
703 Windsor Lane … listing expired

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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