



Realty Executives Florida Keys

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1 December 2009

Hello, everyone ...

What hurricane season?? It may have been a “moderate” hurricane season somewhere, but it was fine and dandy here in the Conch Republic. CNN is very disappointed ... no business trips to Key West this year! Not since 2005, actually. Thanx to avid subscriber, loyal Sunrise Rotarian and El Jefe of the US Weather Station in Key West, Matt Strahan. Nice job, Matt! I love the summers in the tropics ... snowbirds miss the best part of the year. And I hope you had a Happy Thanksgiving!

The first two articles are little schizophrenic this month. How do credible sources, presumably with access to the same information, draw such opposite conclusions? The answer probably conforms to the military-intelligence problem that I was exposed to in a different lifetime. The problem is not lack of information ... it is too much information, lots of it contradictory, and no sure-fire way to sort it out. For the analyst, it comes down to gut-feel. There’s enough data to support almost any point of view.

The 3rd article describes an interesting calculation that *could* be done for Monroe County, if the data were available on percentage of properties in distress and percentage of distressed sales prices compared to non-distress properties. The distinction is easily seen in a few specific areas. For example, distressed 3-bed, 2-bath condos at Las Salinas are selling for about \$220,000 whereas non-distressed 3-bed, 2-bath units at Las Salinas are asking about \$300,000. As the number of distressed properties decreases, the mythical *average* price of a similar unit increases. Too simplistic to be useful? I dunno. You’ve heard of “Occam’s Razor” ... in explaining complex processes, the simplest theory is often the best.

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The multi-unit inventory grew a little bit in October ... Of the XXX newbies, XXX came in real strong and made it directly to the TOP and are reported in the matrix. These are the XXX departed:

<u>Address:</u>	<u>Type:</u>	<u>Listing Price:</u>	<u>Results:</u>	<u>Date:</u>
1119 Catherine St	duplex	\$ 490,000	Cancelled	on 10 NOV 09
1608 Dennis St	duplex	\$ 545,000	Cancelled	on 27 OCT 09
817 Catherine St	duplex	\$ 369,000	SOLD for \$300,000	on 16 NOV 09
2209 Staples Ave	3-4 Unit	\$ 529,000	Cancelled	on 13 NOV 09
737 Olivia St	3-4 Unit	\$1,099,000	Expired	on 18 NOV 09
1910 Staples Ave	3-4 Unit	\$1,599,000	Expired	on 14 NOV 09
811 Thomas St	3-4 Unit	\$ 370,000	SOLD for \$370,000	on 4 NOV 09
316 Elizabeth St	>4 Units	\$1,799,000	SOLD for \$1,780,000	on 7 AUG 09

Have a great last month of 2009!

Jim Smith, Broker Associate
Realty Executives Florida Keys

Next wave of foreclosures

WASHINGTON (*USA Today*) – Nov. 19, 2009 – **A second wave of foreclosures is poised to hit the market, potentially undermining housing recovery efforts** as more homes add to the glut of inventory and drive down prices. These homes largely represent loans that are delinquent but have not yet resulted in foreclosure sales.

About 7 million properties are destined to go into foreclosure, according to a September study by Amherst Securities Group, compared with 1.27 million properties in early 2005.

“There’s a huge supply out there,” says Dean Baker, co-director of the Center for Economic and Policy Research in Washington, D.C. “The foreclosure process can take a long time. **When it comes to the housing recovery, we’re not home free.**” There is often a long lag time between a borrower going delinquent and the bank taking the home.

Here’s why:

- **Moratoriums.** New state laws imposing short-term moratoriums have slowed the timeline from delinquency to foreclosure.
- **Overwhelmed lenders.** Banks dealing with a surge in refinancing, mortgage modifications and defaults are overwhelmed with demand, so it can take longer to initiate a foreclosure sale.
- **Modifications.** Many loans now are first examined to see if they might qualify for a modification. This drags out the timeline and means it is taking longer for homes to go into foreclosure.
- **Asset write-downs.** Banks may in part be waiting to liquidate homes through foreclosure because they don’t want to write down the value of the asset. Lenders can keep homes on the books at a higher value until they are sold at foreclosure.

“There is a lot of foreclosed property in the pipeline that will hit the market and depress prices,” says Mark Zandi at Moody’s Economy.com. Foreclosed homes often sell at prices below those on the market and can therefore drag down overall home values.

The **shadow market of foreclosed homes** eclipses the number of homes lost this year. Zandi anticipates there will be about 2.4 million homes lost next year through foreclosure, short sales and deeds in lieu of foreclosure. That compares with 2 million homes lost in 2009.

A spokesperson at Bank of America, says the bank is projecting an increase in foreclosures in part because customers will not be qualifying for existing loan-modification programs.

Business Outlook: A Housing Recovery with a Solid Foundation

Home affordability, shrinking inventory point to sector on the mend.

The long-awaited housing recovery is finally under way. In fact, homebuilding added solidly to third-quarter economic growth, its first positive contribution in 3 1/2 years. Will it last?

Unlike past housing rebounds, this one has received an extraordinary amount of policy support. Tax credits, programs to aid refinancing and loan modifications, and direct Federal Reserve involvement in the secondary mortgage market have all played roles in **reversing the mother of all housing slumps.** As this assistance ebbs, the recovery will surely feel the loss, but **the upturn is built on a solid foundation of improving economic fundamentals that will keep the rebound going.**

Policy alone cannot explain the 24% gain in existing home sales since January, nor the 22% increase in new-home purchases, the 40% rise in single-family housing starts, and the recent upturn in home prices. **The primary driver is historically high affordability.** Fixed 30-year mortgage rates are at 5%, a multi-decade low, and prices have plunged a total of 30% since May 2006. **Homes are well undervalued.**

Affordability is typically the No. 1 issue for first-time buyers, who also have been helped by Washington's \$8,000 tax credit. The National Association of Realtors estimates the program will account for some 350,000 of this year's projected increase in sales of existing homes, but that's only about a third of the 1.1 million rise in existing-home sales since January.

The share of first-time buyers has most likely risen in recent months, with people scrambling to get a closing date before the Nov. 30 expiration of the tax credit. **It now appears Congress will extend the program,** which will add a dollop of sales support in 2010.

A key reason prices are firming-up has been the rapid shrinkage in the inventory of unsold homes.

Builders' inventory: It would take 7.5 months to sell the inventory at the September sales rate, down from a peak of 12.4 months in January. **Supply may dip below the pre-2006 average of 6 months by yearend.**

Existing homes: September supply fell to 7.8 months, down from a peak of 11.3 months in April 2008 and the lowest in 2 1/2 years. **Inventories may drop below 7 months by yearend.**

However, don't expect housing activity—and prices in particular—to rise at the rate of recent months. That pace will be difficult to sustain as policy support begins to fade. Plus, *economists are wary of a so-called shadow inventory that could lift supply later, reflecting foreclosed homes that banks may be holding off the market, and a possible crush of would-be sellers next spring.*

All these factors are likely to limit the potential strength of the housing recovery. However, the thrust from **exceptionally favorable buying conditions will not disappear anytime soon,** and the broader economic recovery and improving credit markets will only add further fuel.

Foreclosure glut keeps clamps on sale prices

If Floridians want home prices to start rising again, they had better get a grip on foreclosures. Here's why: Owners of foreclosure homes — and those bracing for foreclosure after missing mortgage payments — constitute close to half of all home sellers in Florida.

Distressed properties sell for much less on average than conventionally marketed homes. Bank-owned houses, for example, sell for about two-thirds the price of homes not owned by banks.

Yet even with that hippo hitching a ride on the housing parachute, home prices in some areas have held steady since about February. Can you imagine how prices would behave were the foreclosure load suddenly lightened?

Fortunately, we can. Let's start with today's market, with foreclosure homes making up 50% of all sales.

(1) For ease of calculation, let's assume nondistressed homes sell for an average of \$100,000. With \$100,000 as a starting point, distressed properties would go for an average of about \$66,000 ... two-thirds of the nondistressed price. Average those together, and you get an average sales price of \$83,000.

(2) Now let's assume the market share of foreclosure-threatened homes shrinks to a 25% of all sales. Using those \$100,000 and \$66,000 figures, you get an average sales price of \$91,500. In the blink of an eye, the typical home will have appreciated on paper from \$83,000 to \$91,500, a healthy 10% gain.

Not all areas would profit equally. The most distressed counties would get the biggest jump from a diminution of foreclosures. Pinellas County has the smallest percentage of distressed property sales ... 23%. So if foreclosures became a less serious problem, average home prices would rise more modestly.

Pasco County's distressed sales came to about 33% of the market. But, unusually for the region, foreclosure and pre-foreclosure homes collect about 90% of the price of conventionally sold homes. As in Pinellas, any price bump would be less spectacular.

The biggest question is when will foreclosures cease being the dead weight that has crushed housing values for most of the past three years. Most economists assume they'll continue to flummox the market for at least another year.

But here's to the day when banks cease to be the home sellers of choice. With the foreclosure foot off their necks, it could be surprising how high home prices can jump.

MULTI-UNIT PROPERTIES:

1 December 2009

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		
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:	\$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.



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Extended Home Buyer Tax Credit 2009/2010

Bringing the Dream of Homeownership Within Reach

As part of its plan to stimulate the U.S. housing market and address the economic challenges facing our nation, Congress has passed new legislation that:

- (1) Extends the 1st-Time Home Buyer Tax Credit of \$8,000 until **April 30, 2010**.
- (2) Expands the credit to **\$6,500 to current homeowners purchasing a home between 7NOV09 - 30APR10**.

Who Qualifies for the Extended Credit?

- (1) 1st-time home buyers who purchase between November 7, 2009 and April 30, 2010.
- (2) Current home owners purchasing a home between November 7, 2009 and April 30, 2010, who have used the home being sold or vacated as a principal residence for 5 *consecutive* years within the last 8.

Property Eligibility? Primary residences: single-family homes, condos, townhomes, and co-ops.

How Much Is Available? The maximum allowable credit for first-time home buyers is \$8,000. For current homeowners, it is \$6,500.

How is a Buyer's Credit Amount Determined?

- (1) **Price:** credit may only be awarded on homes purchased for \$800,000 or less.
- (2) **Buyer Income:** Single buyers with incomes up to \$125,000 and married couples with incomes up to \$225,000—may receive the maximum tax credit.

If the Buyer(s)' Income Exceeds These Limits, Can He/She Still Get a Credit? Yes, some may still be eligible. The credit decreases for buyers who earn between \$125,000 and \$145,000 for single buyers and between \$225,000 and \$245,000 for home buyers filing jointly. The amount of the tax credit decreases as his/her income approaches the maximum limit. Home buyers earning more than the maximum qualifying income—over \$145,000 for singles and over \$245,000 for couples are not eligible for the credit.

Can a Buyer Still Qualify If He/She Closes After April 30, 2010? As long as a written binding contract to purchase is in effect on April 30, 2010, the purchaser will have until July 1, 2010 to close.

Will the Tax Credit Need to Be Repaid? No, if the buyer occupies the home for 3 years or more. However, if the property is sold during this 3-year period, the full amount credit will be recouped on the sale.



Florida Monthly magazine, in their September 2009 edition, released the results of their annual reader survey to identify “The BEST of Florida” in 128 different categories ... things like the best orange grove, the best shelling, the best microbrewery, the best steakhouse, etc. The Florida Keys, and places within easy reach of the Keys, received prominent mention!!

Here is where we rank BEST in the entire State of Florida:

- The best MALLs: **Sawgrass Mills** and **Dolphin Mall** ... frequented often by Key Westers!
- The best HOME STORE: **Home Depot** ... we have one
- The best BIKE SHOP: **Tavernier Bicycles and Hobbies** ... in Tavernier
- The best DIVE SHOP: **Ocean Divers** ... in Key Largo
- The best FINANCIAL INSTITUTION: **BB&T** ... we have one
- The best INTERIOR DESIGN CENTER: **D’Asign Source** ... in Marathon
- The best STATE PARK: **Pennekamp Coral Reef State Park** ... in Key Largo
- The best FISHING SPOT: **The Hump** ... at Islamorada
- The best SUNSETS: **Mallory Square** ... in Key West
- The best MAIN STREET: **Duval Street** ... in Key West
- The best DRUG STORE: **CVS Pharmacy** ... we have several in Key West
- The best SEAFOOD RESTAURANT: **Fish House Restaurant and Seafood Market** ...in Key Largo
- The best RESTAURANT: **Fish House Restaurant and Seafood Market** ...in Key Largo, double winner
- The best HOMETOWN CAFÉ/DINER: **Rib Daddy’s** ... in Key Largo
- The best PLACE TO HAVE A PICNIC: **Bahia Honda State Park** ... in Big Pine Key
- The best HAMBURGER: **Jimmy Buffet’s Margaritaville** ... original in Key West, copies elsewhere
- The best SANDWICH SHOP: **Subway** ... several in Key West
- The best KEY LIME PIE: **Blond Giraffe** ... original in Key West, copies elsewhere
- The best PRIVATE UNIVERSITY: **University of Miami** ... in Coral Gables
- The best CONCH FRITTERS: **Fish House** ... in Key Largo
- The best GOLF RESORT: **Doral Golf Resort and Spa** ... in Miami
- The best PLACE TO SPOT CELEBRITIES: **South Beach** ... in Miami
- The best MARGARITAS: **Jimmy Buffet’s Margaritaville** ... original in Key West, double winner
- The best GROCERY STORE: **Publix** ... we have one
- The best CINEMA and CAFÉ: **Tropic Cinema** ... in Key West
- The best WEEKEND GETAWAY: **Key West** ... Yessir
- The best weekly or bi-weekly NEWSPAPER: **The Keynoter** ... in Key West

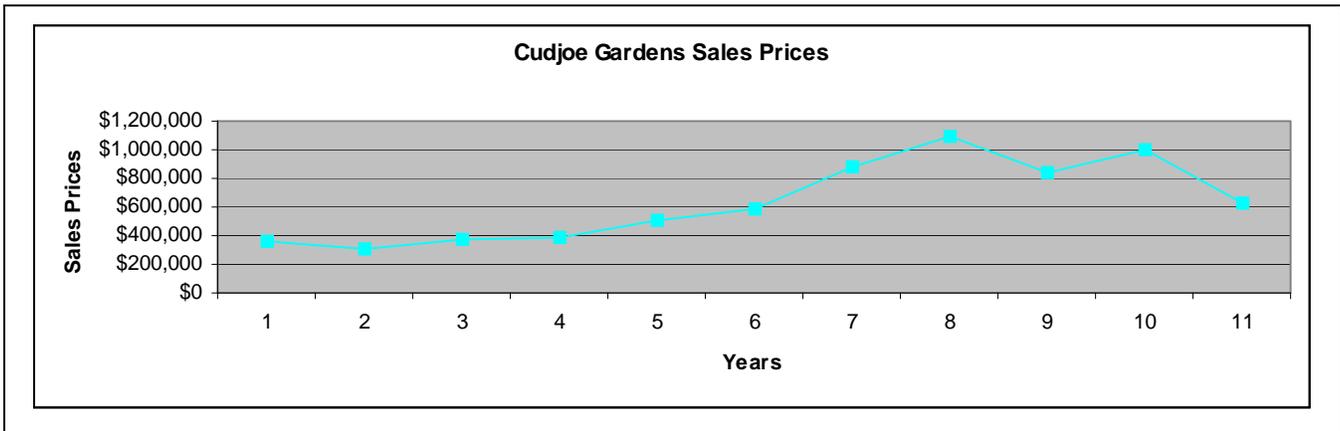
In case you’re interested, these are the winners in other major categories:

- The best AIRPORT: **Tampa International Airport** ... been there, very nice
- The best BAR-B-QUE: **Sonny’s Real Pit Bar-B-Que** ... in Gainesville
- The best OUTDOOR CAFÉ: **Blue Parrot Ocean Front Café** ... on St George Island
- The best HOT DOG: **Coney Island Sandwich Shop** ... in St Petersburg
- The best AQUARIUM: **The Florida Aquarium** ... Tampa Bay
- The best BEACH: **St George Island State Park** ... on St George Island
- The best PUBLIC UNIVERSITY: **University of Florida** ... in Gainesville. Go Gators!

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

Cudjoe Gardens is a popular residential community of over 400 homes approximately 20 miles from Key West. It is known for deep-water canals, easy boating access to open water and ground-level homes. The sales information below is from the MLS database for the last eleven years. It shows the average sales price levels of single-family homes in Cudjoe Gardens:

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
<u>Homes sold:</u>	15	17	21	17	20	32	25	21	8	13	14
<u>AVG sell \$\$:</u>	\$354K	\$304K	\$369K	\$389K	\$512K	\$583K	\$875K	\$1.1M	\$845K	\$1.0M	\$633K
<u>AVG \$/Sqft:</u>	196	182	216	213	302	325	440	550	553	483	354



1998 through 2001 showed a small rate of sales price growth, probably less than the Keys-wide norm. But beginning in 2002, Cudjoe Gardens started getting noticed as an area of hidden value, and then the boom was ignited! Average selling prices cracked the \$1,000,000 ceiling in 2005. 2006-7-8 marked the downturn in values, although 2007 showed a good rally. 2008 seems unjustifiably low. But you have to look at which properties sold ... were they a fair representation of the whole population? My review of the raw data says it was not. 2008 sales were affected by the disproportionate sale of smaller properties and distressed properties. With small sample sizes, just a few unusual sales can easily upset the statistics.

So far in 2009: 14 properties have sold, average sale price is over \$700,000, average \$/Sqft is 360.

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



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Southernmost Stars:

1 December 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:
3312 Northside #313	\$145,000	2	1	856	169	Short-sale
1012 Truman Ave #103	\$149,900	2	1	750	200	Foreclosure
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
3229 Flagler #204	\$210,000	2	1	763	275	Conventional
2601 S Roosevelt #B-108	\$219,900	1	1	754	292	Conventional
3635 Seaside Dr #226	\$235,000	2	2	772	304	Conventional
3675 Seaside Dr #239	\$249,000	2	2	770	323	Conventional

Missing from last month's report: 1016 Howe St ... under contract
3930 S Roosevelt #W-401 ... under contract
3312 Northside #404 ... under contract
3312 Northside #702 ... 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
2311 Seidenberg St	\$239,900	3	1	860	279	Convntl sale, needs renov
3314 Northside #17	\$234,900	3	3	1537	156	Foreclosure (duplex)
728 Windsor	\$260,000	2	1	654	413	Conventional sale
33124 Northside #23a	\$275,000	3	3	1358	203	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)
1107 Thomas St	\$273,000	2	1	1102	248	Short-sale

Missing from last month: 2403 Staples Ave ... 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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