



Realty Executives Florida Keys

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1 February 2009

Hello, everyone ...

New President, new directions, big challenges. On the lighter side, Kenny Chesney plopped down a small fortune on a Key West residence. On the endorphin side, my 42 TNT athletes did their thing at DisneyWorld in January. You had to be there to really appreciate it! There are some things words alone cannot describe ... it needs to be *experienced*. Man, what an experience! The photo at the right is a few of the full-marathoners.



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The multi-unit inventory grew slightly in January ... 4 departed (below), 5 entered, net +1. Three Newbies had large enough ROI to make the best-of-the-best matrix.

<u>Address:</u>	<u>Type:</u>	<u>Listing Price:</u>	<u>Results:</u>	<u>Date:</u>
1008 Olivia St	duplex	\$ 440,000	SOLD for \$420,000	on 22 JAN 09
701 Elizabeth St	duplex	\$ 750,000	SOLD for \$695,000	on 21 JAN 09
1121 Georgia St	3-4 unit	\$ 625,000	CANCELLED	on 27 JAN 09
719 Frances St	3-4 unit	\$ 695,000	EXPIRED	on 19 JAN 09

There is a small duplex at 812 Simonton Street. Both units have transient licenses! Whereas monthly rentals might generate \$1,200/month for each unit, transient rentals could generate twice that, with an 80% occupancy rate. In terms of ROI, that's about 14%!! Want more info??

Political persuasion aside, on Inauguration Day the Key West High School auditorium was open to everyone for a big-screen viewing of the event. The auditorium was packed, and a nice thing happened. On TV as the Chief Justice and President-Elect were introduced, the speaker said "Will everyone please rise." I think that was intended for the people actually in attendance, braving the bone-chilling weather (I won't tell you how nice it was in Key West!). **Everyone in the KWHS auditorium stood up!!** At the conclusion of the Oath, there was a huge, spontaneous cheer! It was like we were actually part of the momentous event. Which, of course, we are. Congratulations to our new President, and to us.

Jim Smith, Broker Associate
Realty Executives Florida Keys

Wall Street Voodoo

By [PAUL KRUGMAN](#) January 19, 2009

Old-fashioned voodoo economics — the belief in tax-cut magic — has been banished from civilized discourse. **Supply-side cults now contain only cranks, charlatans, and Republicans.** But recent news reports suggest a new kind of voodoo ... the belief that **elaborate financial rituals we can keep dead banks walking.** Here's a hypothetical bank called Gotham.

Gotham has \$2 trillion in assets and \$1.9 trillion in liabilities, so that it has a net worth of \$100 billion. But \$400 billion of its assets are toxic mortgage-backed securities. Gotham could not sell these assets for more than \$200 billion. So **Gotham is a zombie bank. It's still operating, but the reality is that it has already gone bust.** It still has some "value" but that is entirely based on the hope of a government bailout.

Why bail Gotham out? Because it plays a central role in the financial system. When Lehman was allowed to fail, financial markets froze, and for a few weeks the world economy teetered on the edge of collapse. Since we don't want a repeat performance, Gotham has to be kept functioning. But how can that be done?

The government could simply give Gotham a couple of hundred billion dollars, and make it solvent again. This would be a huge gift to Gotham's shareholders — and it would also encourage excessive risk-taking in the future.

A better approach would be what the government did with zombie savings and loans in the late 1980s ... it seized defunct banks, cleaning-out the shareholders. Then it transferred their bad assets to the Resolution Trust Corp; paid off enough of the banks' debts to make them solvent; and sold the fixed-up banks to new owners.

The current buzz suggests that policy makers are gravitating toward a compromise: moving toxic waste from private banks' balance sheets to a publicly owned "bad bank" that would resemble the Resolution Trust Corp, but without seizing the banks first. The bad bank would buy the assets at fair value. But what does "fair value" mean?

What I suspect is that policy makers — possibly without realizing it — are gearing up to attempt a bait-and-switch: a policy that looks like the cleanup of the savings and loans, but in practice amounts to making huge gifts to bank shareholders at taxpayer expense, disguised as "fair value" purchases of toxic assets.

Why go through these contortions? The answer seems to be that **Washington remains deathly afraid of nationalization. But Gotham and its sister institutions are already wards of the state, utterly dependent on taxpayer support.** Nobody wants to recognize that fact and implement the obvious solution ... an explicit, though temporary, government takeover. Hence the popularity of the new voodoo, which claims that elaborate financial rituals can reanimate dead banks.

The price of this retreat into superstition may be high. **I suspect that taxpayers are about to get another raw deal.**

WisdomTree Investments Inc

Q4.2008 **ECONOMIC AND MARKET COMMENTARY**

BY PROFESSOR JEREMY SIEGEL

2009 doesn't have to be a very good year to be better than 2008. The past year saw equities fall the most since the Great Depression as the global economy slid into recession. But **I think that 2009 will surprise on the upside**, with both the economy and the markets doing much better than expected.

1. An unprecedented stimulus from the Federal Reserve. There is no doubt that the economic shock from the subprime mortgage collapse threatened the viability of the financial system like no other event since the Great Depression. But in contrast to the 1930s when the Fed refused to provide any help to banks, the central bank has essentially guaranteed all deposits and lent the banking system nearly \$1 trillion. Furthermore, the Fed has rapidly brought short-term interest rates down to zero, the prime rate down to 3.25%, and 30-year fixed mortgage rates down to 5%. It took the Bank of Japan, which faced similar problems in the early 1990s, nearly a decade to do the same. Even then, Japan avoided depression. We will do much better.

2. More fiscal stimulus is on the way. The Obama administration announced that it will lower tax withholding rates by about \$300 billion as well as increase spending on infrastructure. Expect further help for state governments who are facing large budget deficits. In contrast, most policymakers in the 1930s advocated increased taxes and reduced spending to cut deficits, exactly the wrong medicine for an economic downturn.

3. The decline in oil prices is a huge boom. Last summer I estimated that an increase in the price of oil from \$65 to \$130 would cut U.S. GDP growth by two percentage points. The subsequent fall below \$50 means that not only has that drag been eliminated, but **the drop in oil prices may actually spur economic growth**.

4. Capital markets are discounting a high probability of a complete collapse of the financial system. Risk premiums have reached all-time highs in the fixed-income and equity markets. Investors are clinging to treasuries at ridiculously low rates, since they were the only asset that made money in the 1930s. But a financial collapse will not happen. As soon as investors realize that this dire outcome will be avoided, they will abandon treasuries for higher-yielding assets.

My forecast for 2009:

The U.S. economy will recover faster than expected. Unquestionably, the last quarter of 2008 and the first quarter of 2009 will show a significant decline in GDP. But I think the decline in those two quarters, which some are now predicting to be -7% and -5%, respectively, will be milder, and the second quarter might surprise with an uptick. **This more optimistic forecast is based on low mortgage rates stabilizing the housing markets and increased lending by banks. Equity markets will enjoy returns of 20% or higher.** For the first time since the early 1950s, the dividend yield on stocks (now 2.55% on the Russell 3000) exceeds the interest rate on the 10-year Treasury bond. And this dividend yield already takes account of the dividend cuts announced by financial institutions and other firms. Accordingly, for the first time in more than half a century investors do not need to generate capital gains in order for stocks to beat bonds.

Furthermore, Obama has indicated that he supports continued favored tax rates on stock dividends, so that the after-tax margin in favor of stocks is even greater. U.S. Treasury bond yields will rise over 3% as the economy improves. Low-rated corporate bonds will increase in value as Treasuries fall. The Fed may not be able to hold its near-zero interest rate policy past the summer as the recovery builds.

I wish I could guarantee all these predictions, but of course I cannot. There are always risks to any forecast. The Fed must do more to encourage banks to lend to credit-worthy, non-delinquent customers. And **the Obama administration must carefully structure its recovery plan so as not to bail out those that have been profligate and penalize those that have been thrifty.**

Nevertheless, just as 2008 disappointed us on the downside, **I believe 2009 might surprise with much better numbers than most are now expecting.**

Professor Jeremy Siegel is a Senior Investment Strategy Advisor to WisdomTree Investments, Inc. He is a Professor of Economics at the Wharton School of Business with a PhD from Massachusetts Institute of Technology. This article is not to be considered a recommendation to participate in any particular trading strategy or deemed to be an offer or sale of any investment product. The user of this information assumes the entire risk.

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:

Key Haven sales history (last 11 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

Sales took a nosedive in 2008 ... only 5 transactions, the least activity in over 10 years. 27 Azalea appears to have sold *twice* in 2008, in May for \$700,000 and in December for \$650,000. The sales in 2008 were predominantly smaller, older homes in the A and B sections (one foreclosure, one dry lot). In my opinion, sales were too few to generate reliable statistics on average sale price or average \$/sqft for the development as a whole. But, there is no denying that 2008 was a tough year in Key Haven.

There are 38 residences currently on the market in Key Haven, and 7 of them are short-sales.

- (1) The average asking-price is \$1,198,774 and
- (2) The average dollars-per-sqft is \$526.
- (3) The range is:
 - (a) *from* \$475,000 for waterfront 3-bed, 3-bath, 1832 sqft home on a 6,000 lot (short-sale)
 - (b) *to* \$2,875,000 for a waterfront 3-bed, 3.5-bath, 3684 sqft home on a 23,000+ sqft lot.

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

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



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Country star Chesney plants Key West roots

By SEAN KINNEY, *The Keynoter*, 28 January 2009



This is 425 Caroline Street, the house in Key West where the UPS delivery notice for Kenny Chesney was posted. The country star has long loved the Southernmost City.

The Keys' rumor mill has been churning out reports that country music superstar **Kenny Chesney** bought a house in Key West -- and it looks like it's true.

According to records from the Monroe County, a company presumably acting on Chesney's behalf purchased the house for **\$5.7 million**. Tuesday morning, a UPS delivery notice addressed to Kenny Chesney was seen on the gate at 425 Caroline St. in Old Town, just off Duval Street.

It's not surprising that the **40-year-old Chesney, winner of 4 consecutive Academy of Country Music Entertainer of the Year Awards**, would set up shop in Key West. In March 2007, Chesney extended his "Keg in the Closet" tour to include two unannounced shows in Key West, at the Hog's Breath Saloon and Margaritaville, and a year later, he performed to a more-than-packed house for nearly five hours at Sloppy Joe's. He's also been spotted eating dinner with his band at The Island Fish Company in Marathon. This weekend, there were alleged sightings of Chesney zipping around Old Town Key West on his bicycle.

The Caroline Street house is one of Key West's most notable properties. Called the W. Hunt Harris House, the **five-bedroom, 7.5-bath home** was constructed in 1898. The **nearly 7,000 square feet of living space** includes 13-foot ceilings, a top-of-the-line cook's kitchen and a 1,500-bottle custom wine room capable of running off generator power. A guesthouse in the large backyard, built in 2007, includes more living area and a private gym. The spacious grounds boast a 42x18-foot heated swimming pool, wet bar complete with icemaker, granite countertops and teak cabinetry. **The house was listed for over \$6 million.**

Chesney rocketed to stardom following the 2004 debut of his first major-label album "In My Wildest Dreams." Since then, he has released nine other albums, the most recent being "Lucky Old Sun" in 2008. Chesney married actress **Renee Zellweger** on St. John in the U.S. Virgin Islands in 2005. That marriage was annulled, and according to reports, **Chesney is now dating former Miss Tennessee Amy Colley.**

Local runners raise \$116,000 By MANDY BOLEN *Citizen Staff*

Their legs are nearly back in working order and their medallions hang somewhere in their homes, shining proof of the excruciating 26.2 miles they endured in an effort to raise money and awareness for leukemia and lymphoma. **Forty-two Key West residents crossed the finish line for either the Walt Disney World full-Marathon or half-Marathon.**

The events were part of the **Leukemia and Lymphoma Society's Team In Training organization**, a sports training program that combines fitness with charity and offers athletes a chance to compete in arduous, sanctioned events while raising money for the society. There are certified coaches throughout the country who organize local teams and help them train for about 20 weeks. Fundraising mentors help runners reach their fundraising goal of \$2,800 each.

In Key West this year, most runners were training for the Disney races. "It's amazing, everybody finished," said team coach **Jim Smith**, who has been heading up the local training staff for the past four years. "Every year I've done this, everyone has finished. Something about having 25,000 people in Disney World cheering you on gets you through."

Smith has run 38 marathons in the past 15 years and plans to continue his work with Team In Training. "In my old age, I'm looking for things I like and things that are meaningful, so I think I'll stick with this," he said. **This year's group of local runners and walkers raised more than \$116,000**, which more than doubled last year's amount, **Smith** said.

Since August, the local Team In Training participants have been writing letters, sending e-mails, holding bake sales, yard sales and car washes, hosting happy hours, brunches and a fish fry, and soliciting donations outside of grocery stores to raise the funds. It was a tough year for fundraising in the current economic climate, but that motivated the group to find more ways to raise funds, members said.

More people are joining the training event each year, and most of them are beginner runners or walkers. They met at Indigenous Park every Saturday to train as a group, as the mileage crept up to 16, 18 and even 20 miles. Some weekends the training started as early as 4 a.m. to ensure everyone would be finished before the rising sun heated the day.

Their training sessions took them to every corner of the island, looping them past Smathers Beach, out to Stock Island, along North Roosevelt Boulevard, through the Historic Seaport, across Mallory Square and through many Old Town neighborhoods. The pre-dawn pack of runners likely was a strange site to the Duval Street street sweepers and revelers who stumbled along the sidewalk, still partying from the night before.

Last year, local Realtor Frank Kirwin and his wife, Peggy, walked the half marathon. This year, they literally stepped it up and finished the entire 26 miles. "My wife's father died of non-Hodgkin's lymphoma, so it was close to home," Kirwin said. Others ran for their uncles and grandfathers who lost their battles with the disease, and they ran for the smiling, bald children who remain on the devastating front line.

Their legs refused to work properly after the grueling course, but their spirits were high, and they were constantly reminded on the backs of their teammates' shirts: **"If you think running a marathon is hard, try chemotherapy."** The Disney characters that lined the course helped, too.

The local runners' donations will be added to the national amount of \$7 million that Team in Training raised this year for the Leukemia & Lymphoma Society while training for the Disney events.

Southernmost Stars: 1 February 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 Dr #601	\$128,500	0	1	506	255	Studio, short-sale
3312 Northside Dr #714	\$134,900	1	1	656	206	<i>conventional sale</i>
3312 Northside Dr #408	\$147,500	2	1	631	234	conventional sale
1205 Virginia #2	\$150,000	1	1	432	347	Short-sale, under contract
1205 Virginia #3	\$150,000	1	1	430	349	Short-sale, under contract
3930 So Roosevelt W401	\$150,000	1	1	504	298	Short-sale
3312 Northside Dr #411	\$150,000	2	2	900	167	Short-sale
3225 Flagler #403	\$154,900	2	1	748	234	Short-sale
3930 So Roosevelt W303	\$159,000	1	1	463	343	Short-sale
3211 Eagle Ave	\$162,900	2	2	1032	158	conventional sale

3312 Northside Drive is the Santa Clara condominium complex, a 7-story building behind the Searstown shopping center. 3930 South Roosevelt is the Las Salinas condos on the east side of the island of Key West. Missing from last month: 3201 Flagler #606 was replaced by less expensive new listing.

3314 Northside #86 was replaced by less expensive new listing

Ten least expensive Single-Family Residences in Key West:

Address:	Ask Price:	#beds:	#baths:	Living Sqft:	\$/Sqft:	Other:
3221 Harriet Ave	\$164,900	2	2	1136	145	Foreclosure
3210 Eagle Ave	\$169,900	2	2	1032	165	Foreclosed, under contract
3041 Flagler Ave	\$209,900	4	2	1478	203	Foreclosed, under contract
1200 20 th Terrace	\$279,900	2	2	1453	193	Foreclosed, under contract
1401 5 th St	\$250,000	2	1	942	265	unknown
2302 Seidenberg Ave	\$250,000	2	1	640	391	unknown
2310 Seidenberg Ave	\$275,000	2	1	640	391	Short-sale
2625 Flagler Ave	\$277,000	3	1	873	323	conventional sale
1922 Patterson Ave	\$279,000	3	1	720	388	Short-sale, under contract
215 (Rear) Truman Ave	\$279,000	1	1	561	497	Short-sale

Missing from last month: 309 Julia St listing expired 16 January 2009

725 Whitehead St listing was cancelled 13 January 2009

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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