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2 March 2009

Hello, everyone …

I don't know about you, but I am getting concerned about the State of the Union, especially our monetary and financial systems. We surely seem to be disrespecting money. My HP12-C calculator can display no more than $9,999,999,999. That's not even $10 billion. Peanuts, these days, round-off error. Pretty soon the magician's secret will be widely known … that our money is mostly psychology and misdirection. Ouch. I was hoping it was a LOT more solid than that.

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There were several great articles in the past month. Maybe (?) I'm selecting them based on personal, common themes, I dunno. But there seems to be a lot of talk these days about stopping the charade and nationalizing big banks, and not rewarding people and organizations who have screwed-up royally. I must admit to you, those themes resonate with me. Isn't anyone *responsible*? Our President says we cannot "govern from anger". OK, so how do we turn this lemon into lemonade?

I have a friend (PhD, Management Professor, author) who wrote an interesting newspaper article with a positive spin on national economic events. I need it for "balance" this month, but I can't locate an electronic copy of it. Still looking … it'll be here next month, if my search is successful.

The multi-unit inventory grew in February … 6 departed (below), 10 entered, net +4. Six Newbies had large enough ROI to make the best-of-the-best matrix. Here are the dearly departed.

Address:	Type:	Listing Price:	Results:	Date:
423 Olivia St	**duplex**	**$ 850,000**	**SOLD for $650,000**	**on 30JAN09**
1525 Flagler Ave	**duplex**	**$ 380,000**	**SOLD for $390,000**	**on 20FEB09**
512 Grinnell St	**duplex**	**$ 749,000**	**CANCELLED**	**on 13FEB09**
1513-15 Josephine St	**duplex**	**$ 699,000**	**CANCELLED**	**on 26FEB09**
1313 United St	**duplex**	**$ 499,000**	**SOLD for $478,000**	**on 17FEB09**
614 Francis St	**3-4 unit**	**$ 749,000**	**CANCELLED**	**on 11FEB09**

Jim Smith, Broker Associate
Realty Executives Florida Keys

THE WHITE HOUSE

Washington DC Feb 18, 2009

Homeowner Affordability and Stability Plan Executive Summary

The deep contraction in the economy and in the housing market has created devastating consequences for homeowners and communities throughout the country.

(1) Responsible families who make their monthly payments have seen their property values fall, and are now unable to refinance at lower mortgage rates.
(2) Workers have lost jobs or had hours cut back, and they are fighting to stay current on their mortgage payments … nearly 6 million households face possible foreclosure.
(3) Neighborhoods struggle … foreclosures reduce nearby property values by as much as 9%.

The Homeowner Affordability and Stability Plan is part of the President's comprehensive strategy to get the economy back on track. The plan not only helps responsible homeowners on the verge of defaulting, but prevents neighborhoods and communities from being pulled over the edge too, as defaults and foreclosures contribute to falling home values, failing local businesses, and lost jobs.

The key components of the Homeowner Affordability and Stability Plan are:

- ***Refinancing Up to 5 Million Responsible Owners to Make Their Mortgages More Affordable***
- ***$75 Billion Homeowner Stability Initiative to Reach Up to 3 to 4 Million At-Risk Homeowners***
- ***Supporting Low Mortgage Rates By Strengthening Fannie Mae and Freddie Mac***

For many families, low-cost refinancing could reduce mortgage payments by thousands of dollars per year. Millions of hard-working families have seen their mortgage payments rise to 40 or even 50% of their monthly income – particularly those who received subprime and exotic loans with exploding terms and hidden fees. The Homeowner Stability Initiative helps those who commit to make reasonable monthly mortgage payments to stay in their homes – providing families with security and neighborhoods with stability.

This initiative will go solely to helping homeowners who commit to make payments to stay in their home.

- It will not aid speculators or house flippers.
- It will include households at risk of default despite being current on their mortgage payments.

The plan will reduce the amount homeowners owe per month to sustainable levels. Key components:

- Reduction of payments to 31% of monthly income.
- Servicers will receive an up-front fee of $1000 for each loan modification.
- As long as a borrower stays current, $1000 in principal reduction each year for five years.
- Incentive payments to servicers if they modify at-risk loans before the borrower falls behind.
- Insurance fund designed to discourage lenders from foreclosing.

Other Comprehensive Measures to Reduce Foreclosure and Strengthen Communities:

- Strong Oversight
- Judicial Modifications of Home Mortgages During Bankruptcy
- Relocation Assistance to Renters Displaced by Foreclosure
- Improve Programs to Modify and Refinance At-Risk Borrowers

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How to get the $8,000 tax credit

WASHINGTON – Feb. 17, 2009 – How does a first-time homebuyer take advantage of the $8,000 tax credit? It comes with a few rules. According to the most recent analysis, the following rules will apply – though things could change as tax professionals weigh the details:

- The deduction is worth 10% of a home's value up to $8,000, which means all homes worth more than $80,000 could qualify for the maximum amount.

- There is an income limit to qualify. A married couples' modified adjusted gross income (MAGI) should be under $150,000 and single filers' MAGI should be less than $75,000.

- Partial tax credits may be available for married couples with MAGI incomes over $150,000 but under $170,000, and single filers with incomes over $75,000 but under $95,000.

- If married couples file separately, they can both claim 5% of the home purchase ($4,000 each for a home over $80,000) on their tax returns.

- It's a tax credit, not a deduction. The ***entire*** amount goes back to the first-time homebuyer unlike deductions, such as mortgage interest, that are subtracted from gross income before tax is calculated. If qualified for $8,000, the buyer gets $8,000, even if they would not owe that much in taxes otherwise.

- The tax credit applies to homes purchased between 1/1/09 and 12/1/09 (not 12/31/09!).

- The tax credit does not have to be paid back, providing the homebuyer keeps the property for at least 36 months and resides in the home.

- The purchaser cannot have owned a home within the previous three-year period to qualify as a first-time homebuyer. However, ownership of a vacation home or rental home ***does not disqualify*** the buyer.

- The effective date to receive the credit is the first day the homeowner actually lives in the house. If construction began in 2008, that buyer could still qualify. And if construction begins in 2009 but the owner does not take possession until 2010, the buyer would not qualify.

- The tax credit can be claimed on 2008 income tax forms even though the purchase took place in 2009. A buyer could close on a home today, fill out their income tax forms tomorrow, and receive the tax credit fairly quickly.

The tax credit is not a downpayment, but it could be used toward a downpayment if first-time homebuyers plan ahead. U.S. taxpayers have money withheld from every paycheck for income taxes. If they owe more tax than the amount deducted, they pay the IRS; if they owe less, they get a tax refund.

By anticipating at least an $8,000 refund in early 2010 when they file 2009 taxes, these buyers could cut down on their tax withholding this year and save the money toward a downpayment. There is one caveat, however: Should they not buy a home in the qualifying period, they would still owe the IRS the money, and reducing their withholding amount could result in a high bill at tax time.

MULTI-UNIT PROPERTIES:

1 March 2009

address = "Short Sale" or foreclosure

DUPLEX (top 25):

				ROI: Max	ROI: Min	
1217 Packer St:	MLS110395	$999K	NEW	3.14%	2.49%	On market 1MAR
2011-13 Roosevelt:	MLS110355	$699K	NEW	2.73%	2.17%	On market 23FEB
613 Ashe St:	MLS108813	$689K		5.59%	4.74%	On market 2SEP
3739 Duck Ave:	MLS106388	$359K		6.82%	6.10%	On market 22AUG **Reduced** 24JAN
1608 Dennis:	MLS104138	$545K		5.46%	4.69%	On market 29NOV **Reduced** 1FEB
1420 Petronia:	MLS100624	$539K		4.05%	3.34%	On market 1JAN **Reduced** 19MAY
817 Catherine St:	MLS107925	$429K		4.72%	3.87%	On market 21FEB **Contract** 15AUG
1004 Watson St:	MLS109080	$799K		4.32%	3.89%	On market 6AUG
1914-15 Seidenberg:	MLS109633	$575K		6.12%	5.35%	On market 12NOV **Reduced** 23FEB
1317 Sunset Dr:	MLS109389	$550K		6.06%	5.27%	On market 1OCT **Reduced** 6FEB
1319 Elizabeth St:	MLS106590	$395K		6.60%	5.62%	On market 22SEP **Reduced** 6AUG
2514 Staples Ave:	MLS105129	$315K		9.30%	8.06%	On market 28FEB **Reduced** 2MAY
2500 Patterson:	MLS109032	$649K		3.98%	3.35%	On market 27JUL
2518 Fogarty:	MLS107689	$499K		5.45%	4.64%	On market 28JAN **Reduced** 11NOV
1907-09 Patterson:	MLS109613	$560K		5.02%	4.29%	On market 7NOV
1612 Bertha St:	MLS110089	$349K		3.52%	2.93%	On market 10JAN
701-703 Windsor:	MLS109445	$500K		4.15%	3.22%	On market 9OCT
1902 Seidenberg:	MLS107850	$625K		4.04%	3.39%	On market 8FEB
1211 Olivia St:	MLS109225	$769K		3.62%	3.06%	On market 4SEP
817 Elizabeth:	MLS107925	$499K		5.45%	4.64%	On market 21FEB
1620 Johnson:	MLS525884	$695K		3.21%	2.63%	On market 21JAN
3314 Northside #24a	MLS107613	$299K		9.10%	7.83%	On market 22JAN **Reduced** 21AUG
2333 Fogarty Ave:	MLS108035	$349K		7.09%	6.01%	On market 7MAR **Reduced** 6OCT
308 Peacon Ln:	MLS108644	$595K		5.00%	4.09%	On market 1JUN **Reduced** 17JAN
3314 Northside #12	MLS105322	$445K		5.30%	4.44%	On market 21MAR **Reduced** 7MAR

3-4 UNIT (top 15):

				ROI: Max	ROI: Min	
504-06 Catherine St:	MLS110189	$649.5K	NEW	4.27%	3.53%	On market 30-Jan
719 Francis St:	MLS107720	$500K	NEW	8.78%	7.59%	On market 12FEB **Contract**
925 Eaton St:	MLS110348	$449K	NEW	5.78%	4.91%	On market 12FEB
1614 Dennis:	MLS107921	$559K		9.25%	8.12%	On market 20FEB **Reduced** 16DEC
802 Southard St:	MLS101726	$949K		4.16%	3.51%	On market 30MAY **Reduced** 27JAN
1417 Ashby St:	MLS107904	$949K		4.81%	3.51%	On Market 18FEB **Reduced** 27JAN
726-28 United St:	MLS109831	$614K		7.99%	6.78%	On market 9DEC **Reduced** 2FEB
2618 Fogarty:	MLS109707	$695K		7.84%	7.07%	On market 24NOV
1125 Washington:	MLS107914	$764K		7.56%	6.52%	On market 18FEB **Reduced** 29JAN
507 Frances St:	MLS109236	$749K		4.45%	3.52%	On market 6SEP
1022 Washington :	MLS109261	$1.27M		4.33%	3.48%	On market 12SEP **Reduced** 28OCT
327 Margaret St:	MLS110031	$849K		5.53%	4.49%	On market 18JAN
1918 Staples:	MLS109737	$650K		6.84%	5.90%	On market 24NOV
811 Thomas St:	MLS109377	$425K		10.62%	9.24%	On market 1OCT **Reduced** 5FEB
1023 Whitehead:	MLS107712	$1.399M		5.29%	4.46%	On market 29JAN

> 4 UNITS (top 3):

				ROI: Max	ROI: Min	
1127 Washington:	MLS107641	$599K	NEW	10.54%	8.80%	On market 6FEB
1214 Catherine:	MLS109618	$699K		12.62%	11.48%	On market 9NOV
1122 Simonton St:	MLS108540	$1.075M		5.11%	3.80%	On market 7MAY **Reduced** 2FEB

Lower Keys Real Estate Data: **Just the facts, Ma'am ©**

The Key West Golf Club development is a gated community of 390 residences at MM5. 289 of the units are townhomes (T/H). The gate-within-a-gate "Sanctuary" contains 78 single-family residences (SFR). There are also 23 SFRs *outside* the Sanctuary. The following sales data is from MLS for 2000-thru-2008:

	Townhomes		Sanctuary SFRs		Outside Sanctuary SFRs	
	#	AVG$$	#	AVG$$	#	AVG$$
2000	38	$205K	15	$397K	4	$282K
2001	49	$224K	2	$405K	2	$318K
2002	69	$253K	9	$510K	9	$428K
2003	60	$324K	5	$590K	5	$544K
2004	53	$497K	9	$778K	7	$635K
2005	17	$645K	5	$1.03M	1	$800K
2006	6	$445K	1	$900K	1	$650K
2007	14	$406K	1	$549K	1	$730K
2008	13	**$333K**	1	**$736K**	1	**$555K**

Once again, the KWGC development is a good example of how markets tend to exaggerate both the highs and lows. The appreciation run-up until 2005 was amazing, almost 20% per year. We knew (or *should* have known) that kind of growth is not sustainable. So, market forces put the brakes on, and the numbers for 2006, 2007 and 2008 show the results. Many of these sales were short-sales … reflecting seller *distress*, not necessarily market value. What is bad news for some, is good news for others, and there are bargains to be had in this development.

Currently there are 47 Golf Course properties on-the-market (22 of them are short-sales). Using the same format as above, the breakdown of the currently listed properties is below:

2009	36	**$337K**	9	**$731K**	2	**$540K**

The complete dataset for the last 9 years' sales at KWGC is available for free … just call or Email me.

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

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The New York Times

Bailouts for Bunglers

by PAUL KRUGMAN **February 2, 2009**

What happens if you lose vast amounts of other people's money? You get **a big gift** from the Feds, but the President says harsh things about you before forking over the cash. The administration's plan for a banking system rescue is shaping up as classic "lemon socialism": taxpayers bear the cost if things go wrong, but stockholders and executives get the benefits if things go right.

The administration thinks government makes poor bank managers — as opposed to the private-sector geniuses who lost more than a trillion dollars in the space of a few years.

Something must be done to shore up the financial system. Letting major financial institutions collapse (see Lehman Bros) can be very bad for the economy's health. And a number of major institutions are dangerously close to the edge. So banks need more capital. In normal times, banks raise capital by selling stock to private investors, who receive a share in the bank's ownership in return. If banks can't (or won't) raise capital from private investors, the government should do what a private investor would: provide capital in return for partial ownership. But bank stocks are worth so little these days that pumping-in enough taxpayer money to make the banks sound would, in effect, turn them into publicly owned enterprises.

My response to this prospect is: **so**? If taxpayers are footing the bill for rescuing the banks, why shouldn't they get ownership, at least until private buyers can be found? But the Obama administration appears to be tying itself in knots to avoid this outcome.

If news reports are right, the bank rescue plan will contain two main elements: government purchases of some troubled bank assets and guarantees against losses on other assets. The guarantees would represent **a big gift** to bank stockholders. The purchases might not, if the price was fair — but prices would probably be based on "valuation models" rather than market prices, suggesting that the government would be making **a big gift** here, too.

And in return for this huge subsidy to stockholders, taxpayers will get, well, nothing.

Will there at least be limits on executive compensation? Wall Street's culture of excess seems to have been barely dented by the crisis. "Say I'm a banker and I created $30 million. I should get a part of that," one banker told The New York Times. And if you're a banker and you destroyed $30 billion? Uncle Sam to the rescue!

That $800 billion stimulus plan is probably just a down payment, and rescuing the financial system, even if it's done right, is going to cost hundreds of billions more. We can't afford to squander money giving huge windfalls to banks and their executives, merely to preserve the illusion of private ownership.

The New York Times

Trillion Dollar Baby

By MAUREEN DOWD **11 February 2009**

So much for the savior-based economy. **Tim Geithner did not sweep in and infuse our shaky psyches with confidence**. He did not inspire us to pick ourselves up, dust ourselves off and start all over again. Despite the touting, the Treasury chief unveiled a plan short on illumination, recrimination, fine points and foreclosure closure. The Dow collapsed on its fainting couch.

Geithner's own tax history, and his time as head of the New York Fed when all the bad stuff was happening on Wall Street, and when he left with nearly a half-million in severance, makes him a dubious messenger for the president's pledge to keep the haves from further betraying the have-nots.

Americas' already threadbare trust has been ripped by Paulson's mumbo-jumbo and the Democrats' bad judgment in accessorizing the stimulus bill with Grammy-level bling-bling. The "lost faith" that Geithner talked about cannot be restored as long as the taxpayers who are funding these wayward banks don't have more control.

Geithner is not even requiring the banks to lend in return for the $2 trillion his program will cost, mostly by having the Fed print money out of thin air, or borrowing more from China. (When, exactly, can China foreclose on us and start sending us toxic toys again?)

There's a weaselly feel to the plan. **Geithner is coddling the banks**, setting it up so that either we'll have to pay the banks inflated prices for poison assets or subsidize investors to pay the banks for poison assets. Geithner nixed pay caps on every employee at institutions taking the bailout. Geithner opposed those who wanted to kick out negligent bank executives and wipe out shareholders at institutions receiving aid. Geithner beat back the populists and protected the economic royalists. The new plan offers insufficient meddling with Wall Street.

Geithner is wrong. The pay of all the employees in bailed-out banks, not just top executives, should be capped. And these imperial suits who squander taxpayers' money after dragging the country over the cliff should all be fired. Wall Street cannot be trusted to change its culture. Just look at the full-page ads that Bank of America (which got $45 billion) and Citigroup (which got $50 billion) are plastering in newspapers, lavishing taxpayer money on preening prose.

We don't want our money spent, as Citigroup did, to pat itself on the back "as we navigate the complexities together." Bank of America cannot get back our trust by spending more of our cash to assure us that it's "getting to work" on getting back our trust.

Just get back to work and start repaying us.

The New York Times

Money for Idiots

by DAVID BROOKS 20 February 2009

Our moral and economic system is based on individual responsibility. It's based on the idea that people have to live with the consequences of their decisions. They become careful deciders. Society tends toward justice — people get what they deserve.

We've made a hash of all that. We have compensated foolishness and irresponsibility. The financial bailouts reward bankers who took insane risks. The auto bailouts subsidize companies and unions that made self-indulgent decisions a few decades ago, driving their industry into the ground. The Obama housing plan will force people who bought sensible homes to subsidize the mortgages of people who bought houses they could not afford. People who were honest on their loan forms will subsidize people who were dishonest on theirs. These injustices stoke anger across the country.

But, individual responsibility doesn't mean much in this economy. We all know people who have been laid off through no fault of their own. The responsible have been punished along with the profligate. Government's business is to stabilize the economic system as a whole.

Let me put it this way: Psychologists say when a couple comes in for marriage therapy, there are three patients in the room — the husband, the wife and the marriage itself. The marriage is the living history of all the things that have happened between husband and wife. Once the patterns are set, the marriage itself begins to shape their individual behavior. Though it exists in the space between them, it has an influence all its own. In the same way, an economy has an economic culture. Out of billions of individual decisions, a common economic landscape emerges, which frames and influences the decisions everybody makes.

It makes sense for the government to intervene to try to restore some communal order. Government has to spend money on precisely those sectors that have been behaving badly — housing, finance, etc. It has to help stabilize people who have been idiots.

Government seems to understand the big thing. The nation's economy is not just the sum of its individuals. It is an interwoven context that we all share. To stabilize that communal landscape, sometimes you have to shower money upon those who have been foolish. The greedy idiots may be greedy idiots, but they are our countrymen. And at some level, we're all in this together. If their lives don't stabilize, then our lives don't stabilize.

The New York Times

Banking on the Brink

By: **PAUL KRUGMAN** **23 February 2009**

Alan Greenspan, a staunch defender of free markets, said "It may be necessary to temporarily nationalize some banks in order to facilitate a swift and orderly restructuring." I agree. The case for nationalization rests on 3 observations:

(1) Some major banks are dangerously close to the edge — without government rescue, they would have failed already.

(2) Banks must be rescued. Avoid another Lehman Brothers. Citigroup or Bank of America cannot implode.

(3) The U.S. government can't (fiscally or politically) bestow huge gifts on bank shareholders.

Let's be concrete. There's a reasonable chance that Citi and BofA, together, will lose hundreds of billions over the next few years. And their excess of assets over their liabilities isn't remotely large enough to cover those potential losses.

The reason they haven't already failed is that the government is implicitly guaranteeing their obligations. They're zombie banks, unable to supply the credit the economy needs. The banks need more capital, but they can't it from private investors. So the government has to supply the necessary funds. But here's the thing … the funds needed to bring these banks back to life would greatly exceed what they're currently worth (combined less than $30 billion). And if it's basically putting up all the money, the government should get ownership in return.

Still, isn't nationalization un-American? No, it's as American as apple pie.

The FDIC has been seizing banks at the rate of about 2/week. When the FDIC seizes a bank, it takes over the bank's bad assets, pays off some of its debt, and resells the cleaned-up institution to private investors. And that's exactly what advocates of temporary nationalization want to see happen.

Why does the Obama administration propose alternatives to nationalization, involving huge handouts to bank stockholders? Offering guarantees against losses on troubled assets would be a great deal for bank stockholders, but not nearly so much for the rest of us: heads they win, tails taxpayers lose. A "public-private partnership" to buy troubled assets from the banks, would offer investors a one-way bet: if the assets rise in price, investors win; if they fall substantially, investors walk away and leave the government holding the bag. Again, heads they win, tails we lose.

Why not just go ahead and nationalize? The longer we live with zombie banks, the harder it will be to end the economic crisis. Long-term government ownership isn't the goal … major banks would be returned to private control as soon as possible. Instead of calling the process nationalization, we should call it "pre-privatization."

The Obama administration believes "that a privately held banking system is the correct way to go." **So do we all**. But what we have now isn't private enterprise … banks get the upside, taxpayers bear the risks. What we want is a system in which banks own the downs as well as the ups. And the road to that system runs through nationalization.

Southernmost Stars: **1 March 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 #714	$134,900	1	1	656	206	conventional sale
3312 Northside Dr #408	**$139,900**	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, **under contract**
3312 Northside Dr #411	$150,000	2	2	900	167	Short-sale, **under contract**
3225 Flagler #403	$154,900	2	1	748	234	Short-sale
3312 Northside #216	**$159,000**	**2**	**2**	**896**	**178**	**Short-sale**
3930 So Roosevelt W303	$159,000	1	1	463	343	Short-sale
3211 Eagle Ave	$162,900	2	2	1032	158	**Under contract**

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. Next month, I will start omitting properties already under contract. 1016 Howe St is not considered in this analysis because it is only 144 living sqft for $150,000 … $1,042/sqft! A bit much!!

Missing from last month: 3312 Northside #601: Listing expired unsold on 31 January 2009

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
527 Bahama St	**$240,000**	**3**	**2**	**744**	**323**	**Short-sale**
1222-Rear Grinnell St	**$249,000**	**2**	**1**	**690**	**361**	**Short-sale**
1401 5th 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	**$270,000**	3	1	873	323	**Under contract**
1922 Patterson Ave	$279,000	3	1	720	388	Short-sale, under contract

(See above) Next month, I will start omitting properties already under contract.

Missing from last month: 1200 20th Terrace: SOLD on 6 February 2009 for $240,000
215-Rear Truman Ave: Listing expired on 23 November 2008

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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