**Realty Executives Florida Keys**
1824 Flagler Ave (new address!)
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4 March 2010

Hello, everyone …

Not to downplay the Winter Olympics, earthquakes, or the chilliest Jan-Feb in memory, but the big news in our small piece of the universe is that our address has changed! We physically relocated our Main Office to 1824 Flagler Avenue, almost in the dead-center of the island of Key West.

Locals know the location well, right at the intersection of Flagler Ave and Bertha. Most recently it was the home of Pak-n-Mail, and before that a law office and a bar/restaurant. Across the street from Shanna Key. And across Flagler Ave from Historic Tours of America and Discount Auto Parts (yeah!). Our backdoor neighbor is Lucky Day Café (great con leche) and next-door is the Lime Tree convenience store, quick remedy for late afternoon hunger pangs. Our new building is *prominent* in that it kinda sticks-out into the intersection! Great visibility, can't miss it. And a TON of parking.

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The buzz among Realtors is that the activity-level has ratcheted UP dramatically in the last 2 months. We hope it's the beginning of a trend and not just a temporary blip. There are lots of buyer-prospects who want to look at properties seriously now, and there are a LOT of properties on the market … so, that makes for very *busy* Realtors. But tire-kicking does not a trend make. There's more. There are a LOT of contracts being written, and an increase in the number of closings!

There are still a good many short-sales on the market, terrible to work with, but they do offer the chance at a bargain price, for those with infinite patience. And there are bank-owned properties. Much of the current activity involves these "distressed" properties … but not all. A goodly number of buyers simply feel as though the opportunity to own in the Florida Keys will never be more attractive. And they are taking action.

The multi-unit inventory grew in FEB 2010 … 6 newbies on-the-market, and only 2 departed, net (+4). Of the newbies, one made it directly to the TOP matrix. These are the 2 departed:

| Address: | Type: | Listing Price: | Results: | Date: |
|---|---|---|---|---|
| **313 Amelia St** | **duplex** | **$ 299,000** | **SOLD for $295,000** | **on 16 FEB 10** |
| **1129 Washington St** | **duplex** | **$ 533,000** | **SOLD for $405,000** | **on 10 FEB 10** |

Jim Smith, Broker Associate
Realty Executives Florida Keys
1824 Flagler Ave (new address!)
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# The NEW Home of Realty Executives Florida Keys!

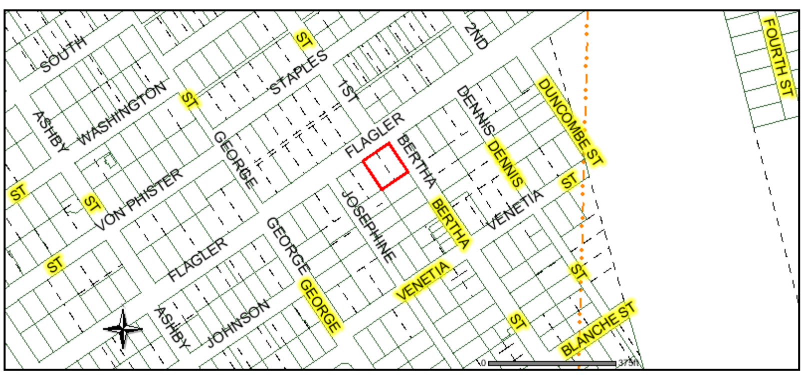
We've moved from 1448 Kennedy Drive to:

## 1824 Flagler Ave
## Key West, FL  33040

It's right at the intersection of Flagler Avenue and Bertha Street, one of the most visible locations on the island.  The building has a long history, and most recently it was home to the Pak-n-Mail operation.

**Before a needed coat of paint!**

**Much better!**




**Map**

**New (and BIG) signs are coming!**

The New York Times

# More Homeowners Walk Away

By DAVID STREITFELD February 3, 2010

In 2006, Benjamin Koellmann bought a condo in Miami Beach. After three years of plunging real estate values, after bailouts of bankers and the revival of their million-dollar bonuses, after the government's loan modification plan satisfied few, Koellmann thinks "People like me are starting to feel like suckers. Why not default and rent a better place for less?"

In a situation without precedent in the modern era, millions of Americans are in this bleak position. Whether, or how, to help them is one of the biggest questions the Administration confronts as it seeks a housing policy that would contribute to the economic recovery

New research suggests that when a home's value falls below 75% of the mortgage balance, the owners think hard about walking away, even if he or she has the money to keep paying. By the 3rd Qtr of 2009, an estimated 4.5 million homeowners had reached the critical threshold, projected to climb to 5.1 million by June — about 10% of all Americans with mortgages. "We're now at maximum vulnerability," said a senior economist. "People's emotional attachment to their property is melting into the air."

The difference foreclosure because you are out of money and purposefully defaulting on a mortgage to save money can be murky. But research indicates many borrowers are declining to live under what some call "house arrest." About 17% of owners defaulting in 2008 chose strategic default.

Walking away is called "**jingle mail**," because homeowners just mail their keys to the bank, setting off foreclosure proceedings

It would cost about $745 billion, slightly more than the size of the original 2008 bank bailout, to restore all underwater borrowers to the point where they were breaking even. Using government money to do that would be seen as unfair by many taxpayers. But doing nothing about underwater mortgages could encourage more walk-aways, dealing another blow to a fragile economy.

Wall Street believes homeowners signed contracts, and as adults they should be held accountable. Of course, this is not necessarily how Wall Street itself behaves. Moreover, it was the banks that helped drive prices to unrealistic levels by lowering credit standards and unleashing a wave of speculative housing demand.

Inside Mortgage Finance magazine reports little sympathy from lenders for their underwater customers. "A lot of people who are complaining were the ones who refinanced and took all the equity out any time there was any appreciation. The banks will damn-well <u>not</u> help."

**MULTI-UNIT PROPERTIES:**

**1 March 2010**

address = "Short Sale" or foreclosure

| DUPLEX (top 10): | | | ROI: | | | | | | ROI: | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **1119 Catherine St:** | $449.9K | Max | 8.24% | On market | 26JAN | **3314 Northside #17** | $219.9K | Max | 13.28% | On market | 20SEP |
| MLS112405 | | Min | 7.27% | | | MLS111626 | | Min | 11.54% | **Reuced** | 10FEB |
| **2404-07 Flagler:** | $285K | Max | 8.80% | On market | 5JAN | **1317 Sunset Dr:** | $385K | Max | 9.73% | On market | 1OCT |
| MLS112267 | | Min | 7.50% | | | MLS109389 | | Min | 8.60% | **Reduced** | 6MAY |
| **823 Terry Ln:** | $250K | Max | 11.87% | On market | 1MAR | **800 Elizabeth St:** | $400K | Max | 9.10% | On market | 4MAY |
| MLS110398 | | Min | 10.22% | | | MLS110803 | | Min | 7.83% | **Reduced** | 18NOV |
| **1319 2nd Ave:** | $299K | Max | 10.97% | On market | 8MAR | **2007 Flagler:** | $360K | Max | 11.27% | On market | 8JUN |
| MLS110430 | | Min | 9.92% | | | MLS110984 | | Min | 10.03% | **Reduced** | 29JUL |
| **2226 Patterson:** | $450K | Max | 9.07% | On market | 5APR | **3314 Northside #23A** | $224K | Max | 11.33% | On market | 4NOV |
| MLS110648 | | Min | 8.06% | **Reduced** | 19NOV | MLS111861 | | Min | 9.69% | **Reduced** | 15FEB |

| 3-4 UNIT (top 6): | | | ROI: | | | | | | ROI: | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **1403 4th St:** | $419K | Max | 10.22% | On market | 22FEB | **1614 Dennis:** | $559K | Max | 9.25% | On market | 20FEB |
| MLS112562 | NEW | Min | 9.40% | | | MLS107921 | | Min | 8.12% | **Reduced** | 16DEC |
| **904 Truman Ave:** | $325K | Max | 11.23% | On market | 28SEP | **1130 Elgin Ln:** | $410K | Max | 10.80% | On market | 5JAN |
| MLS111640 | | Min | 9.56% | | | MLS111405 | | Min | 9.66% | | |
| **1125 Washington:** | $688K | Max | 8.67% | On market | 18FEB | **719 Frances St:** | $400K | Max | 11.44% | On market | 13NOV |
| MLS107914 | | Min | 7.51% | **Reduced** | 24JUL | MLS544226 | | Min | 9.97% | | |

| > 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

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

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

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.*

The New York Times

# Financial Reform Endgame

**By PAUL KRUGMAN** **March 1, 2010**

We've been through the 2nd-worst financial crisis in the history of the world, yet all momentum for serious banking reform has been lost. Should the country accept a watered-down bill, or no bill at all. I hate to say this, but the second option is starting to look preferable.

The House has already passed a fairly strong reform bill. The Senate could probably do the same, but with near-universal Republican opposition to reform and the wavering of some Democrats, prospects look bleak. House Republicans, offering an alternative proposal, claim to end banking excesses by introducing "market discipline" … promising not to rescue banks in the future. But that's a fantasy. Governments always, when push comes to shove, end up rescuing key financial institutions in a crisis.

Relying on the "market" to keep banks safe has always been a path to disaster. Even Adam Smith, the father of free-market economics, argued that bank regulation was necessary, and called for a ban on high-risk, high-interest lending. And the lesson has been confirmed again and again, from the Panic of 1873 to today.

I suspect that Republicans understand the need for real reform. But their strategy of opposing anything the Obama administration proposes, coupled with the lure of financial-industry dollars, has trumped all other considerations. That said, some Republicans might be persuaded to sign on to a much-weakened version of reform … one that eliminates the creation of a strong, independent agency protecting consumers. Should Democrats accept such a watered-down reform? **I say no**.

There's no question that consumers need much better protection. A Federal Reserve official summarized the case perfectly in 2007: *"Why are the most risky loan products sold to the least sophisticated borrowers? The question answers itself — the least sophisticated borrowers are probably duped into taking these products."*

Sometimes highly imperfect reform is better than nothing, like with health care. An imperfect health care bill can be revised in the light of experience, and steady pressure to make it better. But financial reform is different. Weak financial reform, wouldn't be tested until the next big crisis. It would only create a false sense of security and a fig leaf for politicians opposed to any action, then fail in the clutch. Better to take a stand, and put the enemies of reform on the spot.

The only way consumers will be protected is if there's an agency whose whole reason for being is to police bank abuses. It's time to draw a line in the sand. No reform, coupled with a campaign to name and shame the people responsible, is better than a cosmetic reform that just covers up failure to act.

The Palm Beach Post

# Blame it on <u>SAVE OUR HOMES</u>: Despite home-value plummet, assessments going up

By **JENNIFER SORENTRUE** Feb. 4, 2010

More than 42% of Palm Beach County's homesteaded property owners might be in for a surprise when they get their property tax bills this year. Even though property values plummeted last year, at least 150,000 property owners are going to see their homestead's assessed value go **<u>up</u>**, according to the Property Appraiser.

Even though the law has limited homestead owners' assessment increases to no more than 3% a year since 1992, the Save Our Homes Amendment has a **down-side,** too.

**If a homesteaded property's market value drops but still remains higher than its assessed value, then the appraiser's office must increase the assessed value by the lower of either the state's consumer price index or 3%. This year's increase will be 2.7%**.

Unless local governments lower their tax rates, the assessment increase means a tax increase for many longtime homeowners. With many local governments facing budget shortfalls, it is unlikely they will trim their rates.

Meanwhile, 45,000 homestead owners will see their tax shields created by the Save Our Homes Amendment vanish this year. The increase in their property's assessed value, coupled with a drop in market value, will likely wipe away the tax savings those homeowners have received from the amendment, which was created to keep the assessed values of homestead properties artificially low to avoid huge tax increases caused by a booming housing market.

"Obviously it is going to be a shock for taxpayers," said TaxWatch, which has been critical of the Save Our Homes Amendment. "It really is going to be an unwelcomed surprise at the worst possible time."

If tax rates are kept flat, the owner of a $200,000 home with a $50,000 homestead exemption would pay about $23 more next year in county property taxes. That figure assumes the assessed value of the property increased by 2.7%. That same homeowner would pay $115 more next year, assuming the same 2.7% jump in the property's assessed value. And this is in spite of the dramatic <u>drop</u> in the value of their homes!

**Southernmost Stars:** **1 March 2010** 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 #4 | $149,000 | 1 | 1 | 144 | 1035 | 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 |
| **416 Petronia #3** | **$175,000** | **1** | **1** | **409** | **428** | **Foreclosure** |
| 3930 S Roosevelt #313W | **$184,000** | 2 | 2 | 802 | 236 | Short-sale |
| 112 Golf Club Dr | $192,500 | 2 | 1.5 | 780 | 247 | Short-sale |
| **1223 2nd St** | **$197,900** | **3** | **1** | **907** | **218** | **Foreclosure** |
| **3229 Flagler #204** | **$210,000** | **2** | **2** | **763** | **275** | **Conventional** |
| **1445 S Roosevelt #412** | **$225,000** | **1** | **1** | **666** | **338** | **Conventional** |
| **3655 Seaside #226** | **$235,000** | **2** | **2** | **772** | **304** | **Conventional** |

*Missing* from last month's report:

419 United #3 … under contract
3655 Seaside #421 … under contract
3930 S Roosevelt #302S … unknown?
3312 Northside #513 … under contract
1445 S Roosevelt #410 … cancelled

**Ten least expensive Single-Family Residences in Key West:**

| Address: | Ask Price: | #beds: | #baths: | Living Sqft: | $/Sqft: | Other: |
|---|---|---|---|---|---|---|
| **3312 Eagle Ave** | **$179,000** | **2** | **2** | **1032** | **174** | **Short-sale** |
| **3231 Harriet Ave** | **$202,000** | **2** | **1.5** | **1032** | **196** | **Short-sale** |
| 2420 Patterson Ave | $210,000 | 2 | 2 | 1509 | 139 | Convntl sale, tear-down |
| 221 Petronia St | $225,000 | 3 | 2 | 1155 | 195 | Short-sale |
| 3314 Northside #17 | $224,900 | 3 | 3 | 1537 | 156 | Foreclosure (duplex) |
| 728 Windsor | $260,000 | 2 | 1 | 654 | 413 | Conventional sale |
| 2307 Patterson Ave | $270,000 | 2 | 3 | 864 | 313 | Conventional sale |
| 1107 Thomas St | $225,000 | 2 | 1 | 1102 | 248 | Short-sale |
| 323 Angela St | $285,000 | 3 | 1 | 840 | 339 | Conventional sale |
| 2405-07 Flagler Ave | $285,000 | 4 | 2 | 1479 | 193 | Short-sale (duplex) |

*Missing* from last month:

3325 Pearl St … under contract
3314 Northside #23A … 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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