Realty Executives Florida Keys
1824 Flagler Ave
Key West, Fl 33040
Phone: 305-296-4422
Cell Phone: 305-304-2433
FAX: 305-296-4462
jimsmith@realtyexecutives.com

Hello, everyone … 1 April 2012

Seems like the end of March came about a week too soon. It's been very busy here … not an April Fool's joke. I think our inventory of homes on-the-market is significantly down. I think affordability is at an all-time high. I think interest rates are ding-dang low. I think buyers are out in droves. I think I should have bought stock in Etch-a-Sketch. I think Tiger is back and Kentucky will win it all. And I'm not sure Tim Tebow and the NY Jets is a good idea. I think I'd like to see a pie chart of exactly who is getting how much from that $26B foreclosure settlement. March was full of surprises. And baseball is in the air.

Table of Contents for this issue:

Bear with me for a minute.

- ► In 2006, a couple buys a house for $750,000 with a $600,000 mortgage loan and $150,000 down.
- ► A few years later, the home (like all homes) has lost 40% of its value … thank you, NYC and DC.
- ► Then due to job-loss, depression, injury or business decision, they stop paying the mortgage.
- ► After 2+ years and great expense the bank forecloses, the couple is kicked-out.
- ► A new couple buys the distressed house for $400,000 with a $360,000 mortgage.

Didn't the bank just exchange a $600,000 mortgage loan for a $360,000 loan on the same collateral … AND kick a family out of the house, destroy their credit, make their $150,000 downpayment vanish, lose 2+ years of payments and pay 2+ years worth of (probably exorbitant) legal fees?

Couldn't the bank have realized the same result by reducing the first couple's mortgage loan balance by 40% to $360,000 … without humiliating and hurting the first owners, wasting 2+ years and paying the legal fees associated with the foreclosure? Maybe. But they can't reduce principal for some homeowners and not for others. *Everybody*'s property value fell 40%. So, what if they had reduced <u>all</u> home loan balances by 40%?

Years from now, when the smoke clears, I'd like to see those calculations … could the banks have been better off financially, without inflicting all the trauma? What did they do with all the bail-out billions?

Jim Smith, Broker Associate, part-owner
Realty Executives Florida Keys
1824 Flagler Ave, Key West, Fl 33040
Cell: 305-304-2433

Joyce Rosenberg, AP Business
9 March 2012

Finally: Real Estate Drought May Be Ending

It looks like the prolonged dry spell in real estate is finally ending. The housing market peaked in 2005, fell in 2006 and by 2007 the wheels fell off. There was a respite in early 2010, when the government was giving first-time homebuyers tax credits of up to $8,000. But sales immediately plunged when the credits expired on April 30 of that year.

Business started gaining some momentum in late 2011. The National Association of Realtors has said signed home sales contracts rose in the last three months of 2011. In January, they hit the highest level since April 2010. Meanwhile, sales of previously occupied in homes in January were at the highest level since May 2010. Reports from the field back the headlines.

Chappy Adams, president of Illustrated Properties in central and South Florida, says the number of sales contracts his agents have handled this year is up 50% from a year ago. Florida was one of the hardest-hit markets when sales and prices plunged.

"I'm looking at opening new offices" because demand for houses is up, Adams says. "Two years ago, I wouldn't have thought of it." He had 650 agents at the peak of the housing boom and 450 about a year ago. Now he's back up to 530 agents. Prather had to lay off 80% of his staff after the market crashed. He went from 200 agents in the spring of 2005 to 30 at the market's low point. He began hiring last year as the market started looking stronger. He's now at 70.

The arrival of 2012 brought a change in the psychology of the housing market, some believe. Credit the stock market's recovery for helping would-be buyers decide it's safe to start shopping. The Dow Jones industrial average passed 13,000 last month for the first time since 2008. The Dow is the most publicly broadcast number that the average layman can see and judge if things good or bad.

Buyers are also seeing the unemployment rate creep lower, and the number of new jobs rising and that's making them more secure about investing in a home. The housing market is also benefiting from renting becoming more expensive. Government figures show that the cost of renting climbed 2.4% from January 2011 to January 2012. More people are thinking about buying so they can get some return on their monthly payments.

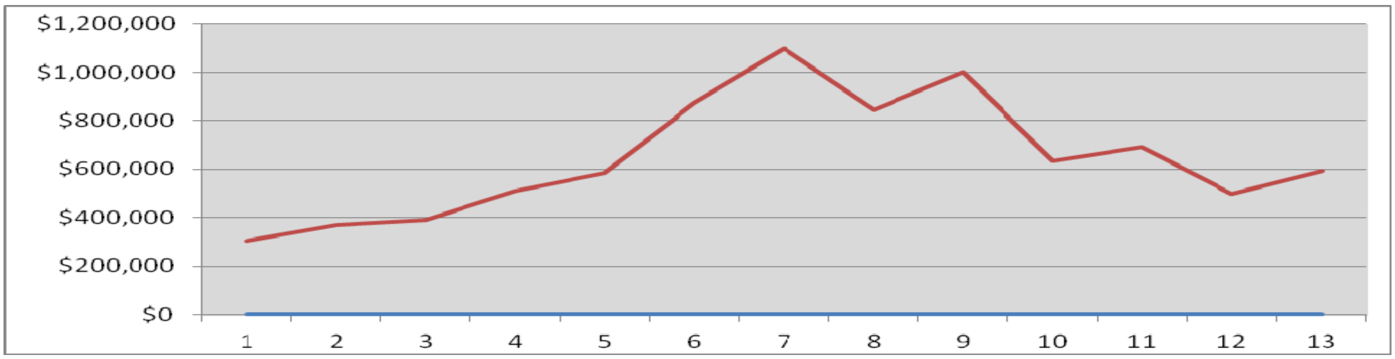
The sales recovery is stronger in some places than others. New England, the Northeast and the Midwest are busier. So are parts of Florida. But Arizona is still struggling.

With interest rates at 4% or less, prices 35% to 40% below the peak of 2005, the cost of homeownership is less than renting in many areas.

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

Cudjoe Gardens is a popular residential community of over 400 homes approximately 21 miles from Key West. It is known for deep-water canals, easy boating access to open water and concrete, ground-level homes. The sales information below is from the MLS database for the last thirteen years. It shows the average sales prices of single-family homes in Cudjoe Gardens:

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
#Sold:	17	21	17	20	32	25	21	8	13	14	15	16	22
Avg $:	**304**K	**369**K	**389**K	**512**K	**583**K	**875**K	**1.1**M	**845**K	**1.0**M	**633**K	**691**K	**500**K	**595K**
Avg $/sf:	182	216	213	302	325	440	550	553	483	354	357	313	319



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. 2008-9-10 sales were affected by the disproportionate number of smaller, distressed properties. With small sample sizes, a few unusual sales can upset the stats.

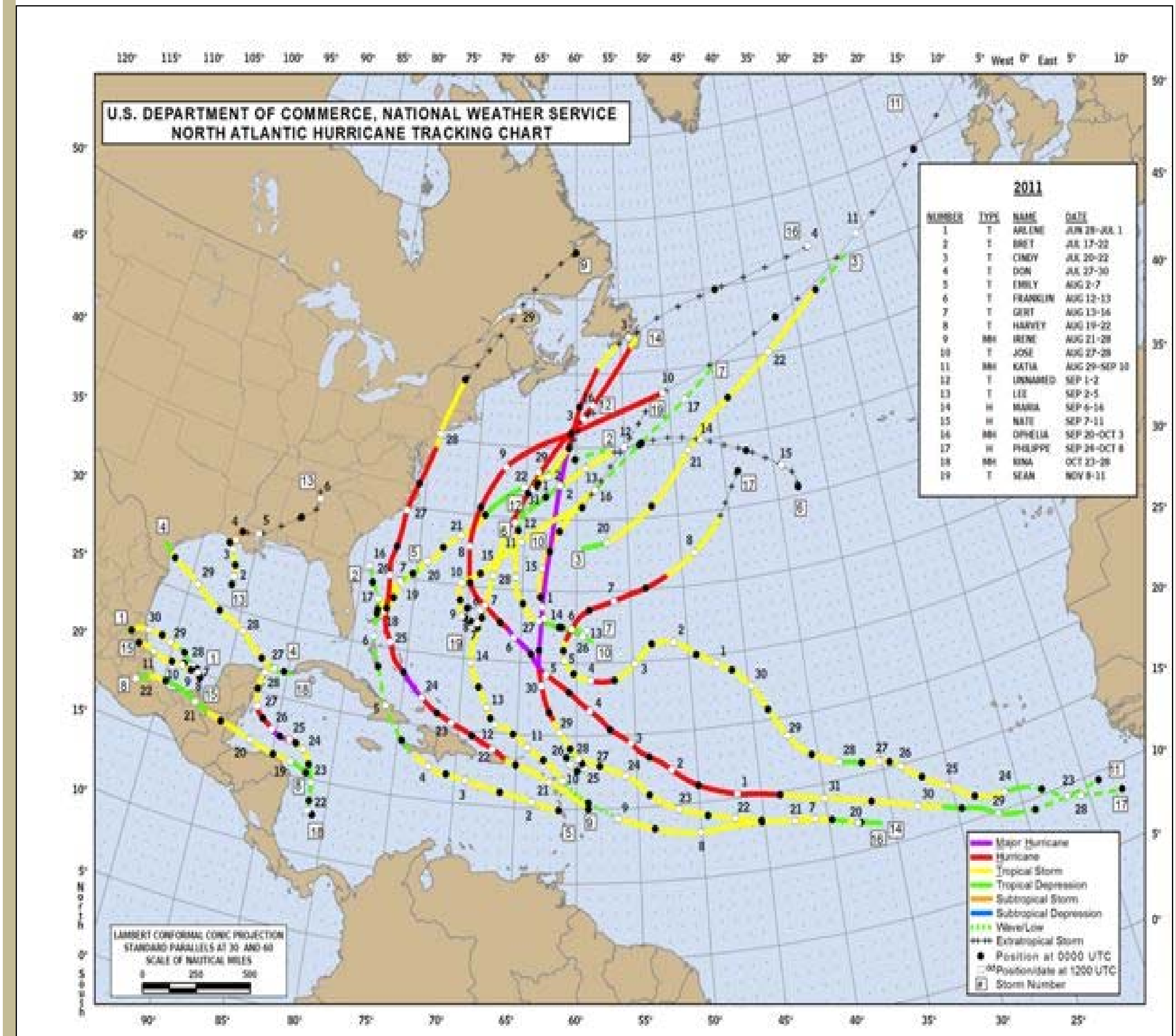
So far in 2012 there are 29 properties on-the-market, average list price is $890,648, average $/Sqft is 386.

2012 may be poised to show a very nice rebound from 2011!

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

Jim Smith, Broker Associate
Realty Executives Florida Keys
1824 Flagler Ave
Key West, FL 33040
Cell: 304-2433
jimsmith@realtyexecutives.com

2011 Atlantic Hurricane Season summary: Last year's Hurricane Season in Key West was very mild. The weather folks had "predicted" an above-normal season. Their data confirms that it was above-normal, just not in Key West or the Florida Keys.



The National Hurricane Center website (www.noaa.nhc.gov) provides a higher resolution map of all archived data on Atlantic hurricanes. I could have sent a high-rez picture, but it would have been 4+ megabytes. I might have choked-off the entire internet for a nanosecond or two.

Hurricane Irene in late August was the only Atlantic hurricane to make landfall in the continental US. Almost all of the 2011 wind events turned north before hitting the US. What location appears to have had the "busiest" Hurricane Season in 2011? I would say Bermuda, judging by all the track intersections in the graphic depiction above. Only about 3 months to go before the 2012 Hurricane Season, starting 1 June.

KONK broadcasting network
RADIO ▮ TELEVISION ▮ INTERNET

KONK Life

Hello, everyone … This will be a recurring article each month, intended to convey meaningful information from my “Florida Keys Real Estate” internet show on www.KONKNET.com, every THURs noon-to-1:00 PM. What happened in March?

Thursday #1: My guest today was **Just Me**, your host on the KONK Broadcasting Network every Thursday noon-to-1:00 PM. Last minute schedule change! Fortunately, I had launched the March newsletter just an hour before the show, so I was just *brimming* with current real estate information ☺. Sometime in the next 3 months, the station will transition to evening TV … shows will be taped live during the day and broadcast at night. Should be exciting. Not that anyone would like to see my mug on their Hi-Def flat screen.

Thursday #2: My guest today was **John North**, Residential Lending Consultant at Keys Federal Credit Union. KFCU offers standard fixed-rate mortgage loans, and they do FHA, also (not everybody does). There’s a lot to like about KFCU, including their new offices on North Roosevelt, in the former Boater’s World facility. If you’re turned-off by the Too-Big-To-Fail banks and their progeny (the world’s financial crisis), KFCU might be the anti-dote. They take deposits and make loans, plain and simple … as if banking was a *utility* like Keys Energy or FKAA. What a concept … where’s Glass-Steagall when you need it?

Thursday #3: My guest today was **Travis Yednak**, Marketing Agent for The Real Estate Book. Travis does the digest-size real estate book that you see all over … supermarkets, airports, hotels, etc. 20,000 per month in the Florida Keys! Travis is a technology whizz. I’m now convinced that a Realtor’s smart phone is a mobile computer. When you see a For Sale sign in a yard, type in the TXT number on the sign, or click on the QR code on the sign, and you have all the info there is about the property! The world in your hand. If electrons fly at 186,000 miles/second (speed of light), why does my computer take 2 minutes to boot up?

Thursday #4: My guest today was **Tina Masters**, Sales Associate with Coldwell Banker Schmitt and Chair of the KWAR Grievance Committee. We discussed the Realtors Code of Ethics, which has been in existence since 1913. If-or-when a complaint is lodged by anyone, its first stop is with the Grievance Committee. We both agree there are huge benefits to being a small Association … there’s a lot of self-regulating that happens in a small town, where everyone knows everyone else! Your reputation is everything.

Thursday #5: My guest today was **Jerry Hughes**, Sales Associate w/Real Estate of Key West and Chair of KWAR’s Education Committee. Like many other professionals, Realtors do “Continuing Ed”. Just this week, Jerry arranged for a Core Law course and a course on the Business of Baby Boomers. Jerry and I are both in that august group! Since when was March authorized to have five Thursdays?

Jim Smith, Broker Associate and part-owner
Realty Executives Florida Keys
1824 Flagler Ave
Key West, FL 33040
Cell: 305-304-2433
Email: jimsmith@realtyexecutives.com

My Current BUYERS in the Lower Florida Keys:

February 2012

These are a sample of 5 buyers I am currently working with, in no particular order … what they are searching for, what their concerns are, what issues must be overcome, etc. Some of this may resonate with you, too! It will be a challenge to highlight 5 new buyers each month … but, let's see how it goes. By my calculations, the present inventory of buyers will be exhausted in a few short months, so I'll need a steady pipeline of newbies to replenish the inventory and keep this column going. Anyway, if you are a seller (or know someone who is), maybe one of these buyers would be a good match! I hope you find this interesting, even with identities withheld. If you are one of my buyer-prospects, surely you will recognize yourself!

Buyer #1: I represented a Texas couple 2 years ago in their purchase of a beautiful Sugarloaf Shores home, and now they may become *repeat* customers (the absolute best kind) as they search for a condominium in the Miami Beach area. They are looking for an investment property in the $275K range with 2-beds, 2-baths and access to the beach. The property may also serve as homeport for their daughter if she is successful in her job-hunt in Miami, and it may also be a safe haven during hurricane evacuations from Key West. Room for Marilyn and I, too?

Buyer #2: Via Realty Executives FL Keys "lead generation" connection (www.keywesthomelistings.com) I've been in touch with a gentleman from New York City who is interested in a vacation property in Key West in the $400K-to-$600K range … single family home with pool, privacy, protected parking and close to the beach. Fixer-upper OK. Most important is great price, great investment. Might consider waterfront properties in the Lower Keys. He expects to visit Key West up to 8 times per year for the foreseeable future. Huh? The NY Jets now have Tim Tebow?

Buyer #3: A Key West citizen (good friend) is trying to make the best of a complex situation with several local properties that he owns. It may involve the cash purchase of another property to maneuver into position to retire in a few years. It's complicated! He's a fan of un-complicated condo living and is searching for a 3-bed, 2-bath unit in the $200,000 - $250,000 range. Cash purchase, quick close. Then some hard work to do on his rental properties, so that he and his wife can enjoy many happy Key West sunsets in retirement.

Buyer #4: A company specializing in VA loans hooked-me-up with a US Navy Lieutenant stationed at JIATF-South. If you are unaware of that organization, it would take too long to explain! She is in the market for a single-family home (3 beds, 2 baths) in a good area of Key West in about the $400,000 price range. No pool. She is thinking long-term … 10 years to go until retirement, and this is the place where she wants to settle down. Her family has many Florida and Key West ties! She is not in a hurry, and can wait until the ideal property comes along.

Buyer #5: I have an off-and-on listing in Cudjoe Gardens that a neighbor is interested in. The property is large and unique. I've never seen another one quite like it … 4 bedrooms, 2.5 bathrooms, 3000+ living sqft, 14-foot ceilings, beautiful pool, 2-car garage, boat davits and easy access to open water. The neighbor is *this close* to upgrading into the larger house! At the moment, they are headed back to St Louis, MO. And the decision is to let it go. But, I have a hunch they are still thinking about it! The property has a few challenges to make it their dreaming house, but they can be resolved. Go Cardinals! Some things have to be mulled over slowly ☺

The New York Times The Opinion Pages

Saving the Street From Itself

By Robert Reich, former Sec of Labor, and Professor at the University of California at Berkeley **March 15, 2012**

In 1928, Goldman Sachs and Company created the Goldman Sachs Trading Corporation, which promptly went on a speculative binge, luring innocent investors along the way. In the Great Crash of 1929, Goldman's investors lost their shirts but Goldman kept its hefty fees.

Disregard of investors is not unique to Goldman. In the late 1920s, National City Bank (eventually Citigroup) repackaged bad Latin American debt as new securities which it then sold to investors no less gullible than Goldman Sachs's. After the Great Crash, National City's top executives helped themselves to the bank's remaining assets as interest-free loans while their clients were left with worthless pieces of paper.

After millions of investors lost everything in 1929, the federal government stepped into the breach with the Securities Acts of 1933 and 1934 and the Banking Act of 1933, sponsored by Senator Carter Glass and Representative Henry Steagall. But starting in the 1970s and 1980s, Wall Street made sure that Glass-Steagall was steadily watered down – which contributed to the junk-bond and insider trading scandals of the 1980s, the dot-com scams of the late 1990s and early 2000s, the Wall-Street enablers of Enron and other corporate looters, and the wild excesses that led to the crash of 2008.

If you took the greed out of Wall Street, all you'd have left is pavement.

The problem isn't excessive greed. The problem is **endemic abuse of power and trust**. When bubbles are forming, all but the most sophisticated investors can be easily duped into thinking they'll get rich by putting their money into the hands of brand-named investment bankers. Moreover, finance has become so complex that investors don't even know when they're being taken for a ride, and so can't possibly hold a brand-name bank responsible for their losses – or for gains that are a fraction of what they might otherwise have been.

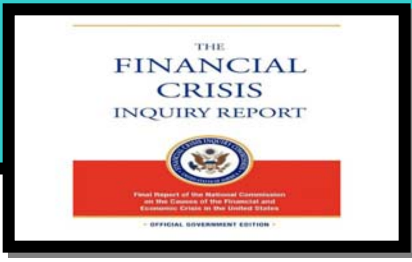
This is why we have regulations. Wall Street's shenanigans have convinced a large portion of America that the economic game is rigged. Yet capitalism depends on trust. Without trust, people avoid even sensible economic risks. If the big guys cheat in big ways, the small guys might as well begin cheating in small ways. When the game is rigged, small guys are easy prey for political demagogues with fast tongues and dumb ideas.

The Street has only itself to blame. It should have welcomed new financial regulation as a means of restoring public trust. Instead, it lobbied intensely against the new Dodd-Frank Act and refused to resurrect Glass-Steagall. The cost of such cynicism has leached deep into America, finding expression in Tea Partiers and Occupiers and millions of others who think the Street has sold us out.

JSmith note: Greg Smith publically resigned as a Goldman Sachs executive director this month. His letter was reproduced in the NYTimes Op-Ed accusing Goldman Sachs (and all of Wall Street) of having no moral compass. The atmosphere of corporate-profits-first led directly to the global financial crisis of 2008. To my knowledge, *nothing* has been done by the government or the industry to fix the system.

Financial Crisis Inquiry Commission

post #12



The Financial Inquiry Commission spent more than a year examining the causes of the financial crisis. It held 19 days of public hearings, interviewed more than 700 witnesses and reviewed millions of pages of documents.

****

Parts I and II of the FCIC report were "Setting the Stage". This begins Part III called "The Boom and Bust" with six Chapters: Credit Expansion, the Mortgage Machine, CDOs, All-In, the Madness and the Bust. This post covers **The Madness**:

The CDO machine should have died a natural death by 2006 … housing prices had peaked, and AIG slowed its insuring of sub-prime mortgage packages. But, no. Wall Street discovered it didn't need the golden goose anymore. It started buying a significant share of the risks of its *own* deals. The machine became self-fueling:

(a) More and more senior CDO tranches were held by the originators
(b) Mezzanine tranches were bought by other CDOs
(c) Equity tranches (high risk, high yield) were bought by hedge funds

The mortgage madness kept going long after housing prices began to fall. The willing suspension of prudent mortgage underwriting standards was called "the madness". There was too much profit to stop the madness. CDOs stimulated greater demand for mortgage-backed securities, especially those with high yield … the very risky ones. But Wall Street believed that with their own magic mathematics, and having bought AAA-ratings, the risk had been eliminated.

A few hedge funds recognized the housing bubble was bursting, and they realized that buying credit default swaps (insurance) against all these very risky CDOs was an efficient way to bet against the housing market. They did, very cheaply and with great leverage. They profited spectacularly, buying insurance against something they didn't even own. In effect, they made side-bets on the risks undertaken by others. The other side of the zero-sum game was often the major financial institutions, who were battered.

Owning securities was not what securities firms normally did … they would structure them and sell them, but not buy them. There was an old adage "We are in the moving business, not the storage business." But they were driven by short-term profit and market share … losing their bearings. Earnings and profitability took precedence over risk management and internal controls. Wall Street saw the crises coming. AIG executive Gene Park told the FCIC (paraphrasing):

"I didn't know if there was a train coming, but I wasn't getting paid enough to stand on those tracks."

Commission conclusions: Credit rating agencies (Moodys, S&P, Fitch) failed abysmally in their central mission to provide quality ratings to protect investors. Their business model (Wall Street firms paying for their own ratings) seriously undermined the quality and integrity of those ratings.

Speculators fueled the market for synthetic CDOs to bet on the future of the housing market. There were many conflicts-of-interest as Wall Street shorted (bet against) the market in its own accounts while selling long to its customers.

Southernmost Stars: **1 April 2012** 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:	$/Sqft:	Other:
3312 Northside #305	**$ 96,500**	**1**	**1**	**528**	**183**	**Short-sale**
3312 Northside #308	**$130,000**	**2**	**1**	**631**	**206**	**Short-sale**
1830 Fogarty #7	$149,000	1	1	572	261	Affordable Housing
1830 Fogarty #6	$149,000	1	1	598	249	Affordable Housing
3312 Northside #204	$160,000	2	1	736	217	Conventional
3312 Northside #515	$169,000	2	1	800	211	Conventional
3317 Eagle Ave	**$169,600**	3	2	1032	**164**	Foreclosure
3312 N Roosevelt #616	$175,000	2	2	831	211	Conventional
3930 S Roosevelt #414W	**$178,900**	**2**	**2**	**805**	**222**	**Foreclosure**
3312 Northside #702	$179,000	2	2	831	215	Conventional

Missing from last month: 1830 Fogarty #4 … under contract
3029 N Roosevelt #2 … under contract
2601 S Roosevelt #207-A … under contract

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

Address:	Ask Price:	#beds:	#baths:	Living Sqft:	$/Sqft:	Other:
1701 Johnson #1	$249,000	2	1	850	293	Conventional
1209 Margaret St	$259,000	3	1	864	300	Conventional
1208 Florida St	$264,500	3	2	948	279	Short-sale
1218-Rear Packer	$279,000	2	1	578	483	Conventional
1121 Watson St #2	**$299,000**	1	1	420	**712**	Short-sale
1305 20th St	**$299,000**	3	2	1003	**298**	Short-sale
2008 Patterson Ave	**$299,000**	**3**	**1.5**	**850**	**352**	**Short-sale**
1730 Bahama Dr	**$309,000**	**3**	**2**	**2187**	**141**	**Foreclosure**
1617 Catherine St	$310,000	3	1	1301	238	Conventional
2625 Flagler Ave	$319,000	2	1	817	390	Conventional

Missing from last month: 1512 18th Terrace … under contract
2929 Patterson … replaced by a less expensive property

Looking back, I started tracking "Southernmost Stars" in September 2008 … 3.5 years ago. At that time:

(1) Bottom 10 condos or townhomes ranged from $139,000 to $194,000 … larger spread.
(2) Bottom 10 single-family homes ranged from $229,000 to $299,999 … $20,000 rise.

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.

Jim Smith, Broker Associate, part-owner
Realty Executives Florida Keys
1824 Flagler Avenue
Key West, FL 33040
Cell: 305-304-2433
jimsmith@realtyexecutives.com