



Realty Executives Florida Keys

1448 Kennedy Drive
Key West, Fl 33040
Phone: 305-296-4422
Cell Phone: 305-304-2433
FAX: 305-296-4462

1 May 2009

Hello, everyone ...

Next Tuesday 5 May, NBC's *Today* show with Matt Lauer and Meredith Viera was scheduled to broadcast live from Key West! But the swine flu outbreak put a crimp in their plans. Jimmy Buffett was going to be a part of the program, too. They will re-schedule. You know you live somewhere special when the country wants to be greeted in the morning from Key West!

The local real estate market has been active ... lots of showings, and lots of properties on the market. Even with historically low interest rates, many buyers are using cash. There have even been lots of *closings*, mostly distressed properties and mostly lower-priced. But occasionally, there is the \$2+ million transaction, too. I would have to say, in spite of much heartbreak out there, that properties are moving. Bittersweet ... great for buyers, not so much for sellers. Where did April go?

Table of Contents for this issue:

- (1) Cover letter
- (2) Article: *Banks Ramp Up Foreclosures* (WSJ) ... several clients noticed this one.
- (3) Article: *All Eyes on Cuba* ... at least in the FL Keys
- (4) Multi-unit matrix
- (5) Neighborhood watch: Old Town properties
- (6) Article: *Housing Affordability Sets Record* (National Association of Realtors)
- (7) Article: *Get In On the Bailout* (NYTimes)
- (8) Southernmost Stars: Bargain prices for condos, townhomes and single family homes

"Old Town" boundaries are undefined, probably more a state-of-mind than a fact. It is mostly assumed that Old Town is the NW wedge of the island between Truman and White. But then ... The Meadows? Upper Duval? The Historic District is explicitly defined, and it is a LOT larger than the NW wedge. So, my sales data collection for Old Town is kinda *loosely* defined. I know it when I see it.

The multi-unit inventory grew slowly in April ... 2 departed (below), 3 entered, net +1. One of the three newbies made it to the best-of-the-best matrix. Here are the dearly departed.

<u>Address:</u>	<u>Type:</u>	<u>Listing Price:</u>	<u>Results:</u>	<u>Date:</u>
1319 Elizabeth St	duplex	\$ 395,000	SOLD for \$300,000	on 9 APR 09
1302 Flagler Ave	duplex	\$ 799,000	EXPIRED	on 8 APR 09

I reduced the multi-unit matrix to only the TOP investments in terms of ROI, plus a recurring explanation of how the Return-On-Investment is derived. I still track all multi-unit properties carefully every day, but I'll report monthly on the BEST ones only.

1214 Catherine Street was reduced again! Combined with 1212 Catherine St, the 6-8 units generate about \$120,000 annually, and you can buy the complex for under a million. Pay cash and that's 12+% on your money to take over ownership, same tenants, no changes. Finance 75% and still clear \$5,000 per month! What am I missing? Even if they are ugly, which they're not ...

Jim Smith, Broker Associate
Realty Executives Florida Keys



15 April 2009

Banks Ramp Up Foreclosures

By RUTH SIMON

Increase Poses Threat to Home Prices; Delinquent Borrowers Face New Scrutiny

Mortgage companies are stepping up foreclosures, likely leading to more Americans losing their homes just as the Obama administration's housing-rescue plan gets into gear.

J.P. Morgan Chase & Co., Wells Fargo & Co., Fannie Mae and Freddie Mac all say they have increased foreclosure activity in recent weeks. Those companies say they have lifted internal moratoriums which temporarily halted foreclosures. Some mortgage companies had stopped foreclosing on borrowers as they waited for details of the Obama administration's housing-rescue plan, which provides incentives for mortgage companies and investors to reduce borrowers' payments to affordable levels.

Now, they have begun to move through the foreclosure process. **The resulting increase in the supply of foreclosed homes could further depress home prices** and put additional pressure on bank earnings as troubled loans are written off. **Mortgage companies are taking steps to keep borrowers in their homes, only resorting to foreclosure when there are no other options.**

Citigroup says it stopped all foreclosures until March 12, at the Obama administration's request, on loans serviced for Fannie and Freddie. **It will not initiate a foreclosure sale for any borrower who is working with Citigroup and is a good candidate for a loan modification,** provided Citigroup owns the loan or has investor approval.

Wells Fargo has also increased foreclosure actions since the expiration of its foreclosure moratorium, put into place while it awaited details on the administration's plan. **Wells Fargo will continue to work with our customers to find solutions up to the point of a foreclosure.**

Fannie and Freddie have stepped up sales of foreclosed properties since their moratoriums ended on March 31. **It continues to delay foreclosures on loans that may be eligible for modification under the Obama plan.**

Mortgage companies are sorting through loan files to determine which borrowers are candidates for help. **Many intend if there is any borrower contact, they will hold off on the foreclosure process until they've exhausted every effort to assist that borrower.** Still, some borrowers who are currently talking to their mortgage companies are also likely to wind up in foreclosure once their files are reviewed.

Many troubled loans will ultimately wind up in foreclosure because the borrower doesn't have sufficient income to make even a reduced mortgage payment, or doesn't respond to the mortgage company's requests for information.

Florida Keys Scenes

All eyes on Cuba

By KEVIN WADLOW

April 15, 2009

Obama's easing of travel restrictions could mean more Keys business

A Web site for the A & B Marina in Key West bills it as "The Gateway to Cuba." That could become the reality for many waterfront businesses throughout the Florida Keys following President Obama announcement that he'll loosen rules on travel to Cuba for people with relatives in the island nation.

While the prevailing thinking is that South Florida Cubans would fly to Cuba from Miami, some say Keys marinas can expect upticks in business from Miamians trailering their boats down to make the trip across the Florida Straits. Others just aren't sure. "Right now, I don't know what to expect," said Alan Lark, owner of the Cudjoe Gardens Marina in the Lower Keys. "If some of the folks in Miami decide to head down by boat, there's a good chance they could stop here before they jump off to make the crossing," Lark said. "We're actually closer to Cuba than to the Bahamas."

Obama ordered federal departments to "to take the needed steps to lift all restrictions on transactions related to the travel of family members to Cuba." **The president's plan would:**

- Lift all restrictions on visits by Americans to family members in Cuba.
- Remove restrictions on money transfers to family members in Cuba.
- Authorize U.S. telecommunications companies to seek business in Cuba.

The city of Marathon launched its expansion of Boot Key Marina in anticipation of increasing boat traffic between the Keys and Cuba. "Marathon needs to be looking down the road. When Cuba opens up, this is going to be the best place to provision your boat," Councilman Don Vasil said. He's been pushing to expand the city marina with slips with Cuba in mind.

"After the last two years, we need something good to happen," Bruce Popham, owner of Marathon Boat Yard, said Tuesday. "This could open a lot of doors. But since the new changes seem to affect mostly Cuban Americans, I don't know how significant the impact here will be."

Many U.S. boaters are eager to make Cuba a regular cruising destination, Popham said. "Boaters like to go places on the water, and Cuba is a beautiful country with wonderfully friendly people. If the law expands to include everybody, I expect it will have an impact on our business. I know a lot of locals would love to take a ride over there."

If restrictions on travel to Cuba expand to the general U.S. population, the Tourist Development Council has a marketing plan for that, Director Harold Wheeler said. But "Cuba is not yet ready for tourism in a big way. I'd hate to see them get overwhelmed and lose what makes Cuba special."

MULTI-UNIT PROPERTIES:

1 May 2009

address = "Short Sale" or foreclosure

DUPLEX (top 10):

		ROI:				ROI:	
2226 Patterson:	\$499K Max	7.93%	On market	613 Ashe:	\$590K Max	6.95%	On market
MLS110648	NEW Min	7.02%	5APR	MLS108813	Min	5.95%	Reduced
3314 Northside #12:	\$299K Max	9.10%	On market	1317 Sunset Dr:	\$435K Max	8.32%	On market
MLS105322	Min	7.83%	21MAR	MLS109389	Min	7.33%	Reduced
1319 2nd St:	\$299K Max	10.97%	On market	823 Terry Ln:	\$410K Max	6.87%	On market
MLS110430	Min	9.92%	8MAR	MLS110398	Min	5.90%	1MAR
1634 Johnson:	\$250K Max	11.38%	On market	1907-09 Patterson:	\$449K Max	6.88%	On market
MLS548158	Min	9.85%	10MAR	MLS109613	Min	5.99%	Reduced
921 Eaton St:	\$389.9K Max	6.40%	On market	3739 Duck Ave:	\$359K Max	6.82%	On market
MLS548121	Min	5.42%	6MAR	MLS106388	Min	6.10%	Reduced

3-4 UNIT (top 6):

		ROI:				ROI:	
1614 Dennis:	\$559K Max	9.25%	On market	1125 Washington:	\$764K Max	7.56%	On market
MLS107921	Min	8.12%	20FEB	MLS107914	Min	6.52%	Reduced
719 Frances St:	\$500K Max	8.78%	On market	2618 Fogarty:	\$695K Max	7.84%	On market
MLS107720	Min	7.59%	12FEB	MLS109707	Min	7.07%	24NOV
726-28 United St:	\$599K Max	8.03%	On market	811 Thomas St:	\$425K Max	10.62%	On market
MLS109831	Min	7.02%	9DEC	MLS109377	Min	9.24%	Reduced

> 4 UNITS (top 2):

		ROI:				ROI:	
1401 Truman Ave:	\$1.9M Max	4.80%	On market	1214 Catherine:	\$649K Max	13.79%	On market
MLS107641	Min	4.00%	7DEC	MLS109618	Min	12.56%	Reduced

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:
 - 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.

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

Old Town sales totals for the last 8 years. These numbers do not include condos, multi-units, commercial properties or Sunset Key. This is JUST single family homes.

Month:	under \$500K	\$500K-\$750K	\$750K-\$1M	\$1M-\$1.5M	\$1.5M-\$2M	\$2M-\$2.5M	\$2.5M-\$3M	over \$3M	TOTAL:
May 09									0
April 09	3	2		1	1	1			8
March 09	5	3	2						10
February 09		3			1				4
January 09	2	1	1	1				1	6
	10	9	3	2	2	1	0	1	28
Decembr 08	6	2	3		1				12
Novembr 08		1							1
October 08	4			2					6
Septembr 08		1		1					2
August 08	3	2		1				1	7
July 08	2		1			1			4
June 08	4	1	1	3				1	10
May 08	2	1		1	2				6
April 08	2	2		2					6
March 08	3	3		3				1	10
February 08	1					1			2
January 08		2	1	1		1			5
	27	15	6	14	3	3	0	3	71
Decembr 07	1	1	2	2		1			7
Novembr 07	2	2		1					5
October 07	3	2	1				1		7
Septembr 07				2					2
August 07	1	1	1	1	2				6
July 07	1			1			1		3
June 07	1		3	2	1				7
May 07		4	3	3	2			1	13
April 07	1	1	1	1	1		3		8
March 07		5		3	1				9
February 07		4		2					6
January 07	1		2	1	1			1	6
	11	20	13	19	8	1	5	2	79
2006	7	19	11	10	10	7	4	4	72
2005	1	19	21	23	12	11	4	2	93
2004	14	48	35	26	14	11	1	2	151
2003	52	57	23	12	4	4			152
2002	89	32	10	6	1	1		2	141

This chart shows pretty clearly that:

- (1) The volume of Old Town sales in the last 4 years is only half of what it was 2002-thru-2004.
- (2) The number of sales > \$2,000,000 is off significantly compared to 2002-thru-2006.

There are many very nice Old Town properties available, at very nice prices. "Mess Deck Intelligence" is that eventually the Old Town market will recapture the magic, probably sooner rather than later. The current bear market is as much of an exaggeration as the recent boom market. Things will change.

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



Jim Smith, Broker Associate
Realty Executives Keys
 1448 Kennedy Drive
 Key West, FL 33040
 Cell: 304-2433
 jimsmith@realtyexecutives.com

Copyright 2009 by Jim Smith
 All Rights Reserved



Housing Affordability Sets Record

WASHINGTON DC: 4/1/2009: Pending home sales have edged up, hinting at a possible pickup of sales activity in coming months, according to the National Association of Realtors® [Pending Home Sales Index](#), a forward-looking indicator based on contracts signed in February 2009.

Lawrence Yun, NAR chief economist, said the market is continuing to underperform. "Pending home sales have a way to go for there to be a meaningful increase, but recent increases in shopping activity are hopeful indicators," he said. "More buyers are taking advantage of stimulus incentives and affordability, but it will take a few months before this will turn-up in measurable sales contract activity." NAR's [Housing Affordability Index](#) rose to a new high, 36.3% higher than a year ago. The HAI shows that **the relationship between home prices, mortgage interest rates and family income is the most favorable since tracking began in 1970.**

NAR President Charles McMillan, said home buyers are in an excellent position. "The drop in mortgage interest rates and home prices mean the buying power of a typical family has never been better," he said. **"If you have a good job and long-term plans, it's unlikely that you'll find a much better time to buy a home.** This is especially true for first-time buyers who can qualify for an \$8,000 tax credit this year, have a great selection of homes to choose from, and are in a favorable negotiating position."

A median-income family, earning \$59,700, could afford a home costing \$285,600 in February with a 20% downpayment, assuming 25% of gross income is devoted to mortgage principal and interest. Last year at this time, the typical family could afford a home costing \$265,600. **Homes in many areas are now selling for less than replacement construction costs – clearly an abnormal situation which will change once inventory is drawn down and supply and demand come into balance.**

Yun said he expects housing inventories to rise through early summer from a normal seasonal pattern of more sellers appearing in the spring. **"But with the positive housing stimulus incentives now in place, we expect home sales to gain momentum in the second half of the year with first-time buyers absorbing a lot of the excess inventory,"** he said. "Under these conditions, **we should see price stabilization in most markets by the end of the year.**"

Get In on the Bailout

by RONALD P. O'HANLEY

4 April 2009

US taxpayers today own a significant chunk of toxic assets residing on the balance sheets Citigroup, AIG and other financial institutions. **Can taxpayers benefit from these investments on the same terms as Wall Street?** Probably not, unless we take certain steps.

Treasury's plan encourages "private money" to buy toxic assets. Most of the investor's purchase price will be covered by government loans at low interest. The private money will come mainly from sophisticated institutions like pension funds, university endowments and hedge funds, which rightly sense a potentially profitable investment opportunity.

There has been only passing reference to *individual* investors ... who should be allowed to buy toxic assets for exactly the price that will be paid by big institutions. In fact, robust retail participation is critical to the success of the program. Americans are angry that the financial elite may profit from taxpayer money, and this could alleviate some of the anger.

The attractiveness of the investment opportunity in the Treasury program depends entirely on the purchase price. Nobody knows how the game will turn out, but it is plausible to assume that **some smart investors will make a lot of money**. That happened in the 1990s, when private investors bought distressed assets from the Resolution Trust Corp, created to clean up the savings and loan crisis. **This time around, it would be wise to spread the profits more widely.**

Enabling participation by retail investors will require ingenuity. First, these investments carry big risks which must be understood by all investors. Second, it's not readily apparent how we could get individual investors involved. Most mutual funds, for example, probably couldn't buy toxic assets, because their regulations say that their customers must be able to sell their shares quickly — and selling a toxic asset is not a quick process. Private investment partnerships, like hedge funds, can buy the toxic assets, but they cannot be offered to the general public.

What we need is a not-yet-invented investment vehicle that would enable ordinary citizens to own a piece of the distressed American financial system. The new vehicle would be open to small investors able to commit to a long-term investment. **The US savings bond may be a useful model**, since it compels people to invest for the long-term without a complicated prospectus or offering memorandum. **The Treasury auction process may be another helpful model.**

During WWII the US sold war bonds to individuals. Today, we are in the midst of a major financial crisis. What we need for this fight are not war bonds but special equities, representing an ownership interest in a huge pool of troubled assets.

If the Treasury's investment program works, then some big institutions will do very well. And if they do well at the expense of the little guy, the inevitable — and justified — outcry will endanger the overall financial recovery plan. To avoid that, we need to enable the investors on Main Street to invest alongside investors on Wall Street.

Ronald P. O'Hanley is the president and chief executive of BNY Mellon Asset Management.

Southernmost Stars:

1 May 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 #601	\$ 99,900	1	1	408	245	Conventional sale
3312 Northside #301	\$112,900	1	1	408	277	conventional sale
3312 Northside #216	\$120,000	2	2	896	178	Short-sale
3210 Harriet Ave	\$143,900	2	2	1032	139	Foreclosure
3312 Northside #614	\$145,000	1	1	600	242	Short-sale
3314 Northside #35	\$149,000	2	2	1050	142	Short-sale
1207-09 William St #1	\$150,000	2	1	560	268	Short-sale
3231 Pearl St	\$160,000	2	2	1032	155	Short-sale
3314 Northside #141	\$169,900	2	2	1046	162	Conventional sale
3635 Seaside Dr #210	\$170,000	2	2	772	220	Short-sale

The following properties are *missing* from last month's report:

3312 Northside #210 ... listing cancelled

3221 Harriet St ... under contract

3218 Harriet St ... under contract

3311 Pearl St ... under contract

3312 Northside #408 ... under contract

1500 Seminary St #1-c ... under contract

3675 Seaside Dr #431 ... under contract

3211 Pearl St ... replaced by less expensive

Ten least expensive Single-Family Residences in Key West:

Address:	Ask Price:	#beds:	#baths:	Living Sqft:	\$/Sqft:	Other:
2117 Fogarty Ave	\$197,000	3	1	1292	153	Short-sale
1313 8th St	\$225,000	2	1	1168	193	Short-sale
1728 Laird St	\$247,900	3	1	1086	228	Short-sale
3359 Donald Ave	\$256,500	3	2	1248	206	Short-sale
1916 Staples Ave	\$269,000	2	1	880	306	Short-sale
3425 Flagler Ave	\$269,000	2	2	1200	224	Short-sale
213-Rear Truman Ave	\$279,000	1	1	484	576	Short-sale
215-Rear Truman Ave	\$279,000	1	1	561	497	Short-sale
1922 Patterson Ave	\$279,000	3	1	720	388	Short-sale
701 Windsor	\$285,000	2	1	802	355	Short-sale

The following are *missing* from last month:

1222 Florida St ... under contract

1222-Rear Grinnell ... under contract

2302 Seidenberg Ave ... listing expired

527 Bahama St ... under contract

1401 5th St ... listing expired

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

Realty Executives Florida Keys

1448 Kennedy Drive

Key West, FL 33040

Cell: 305-304-2433

jimsmith@realtyexecutives.com

Copyright 2009 by Jim Smith

All Rights Reserved