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Hello, everyone …   1 May 2010

Quick Quiz: What is "The most exciting 2 minutes in sports"?   It occurs on the first Saturday in May annually. It is the Kentucky Derby! I visited Louisville KY once in February, and the city was already getting fired-up about the upcoming race (the whole race *weekend*, actually). The group I was with got a tour of Churchill Downs, and there are a lot of special moments there. I've never seen the Derby "live" personally, but they say it is crazy. And don't forget the city's other claim-to-fame: Home of the Louisville Slugger! OK, back to business … Florida Keys real estate.

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Here are a couple of follow-ups from last month's newsletter:

(1) 50 Seaside South is under contract! The price won't be known until it closes. But that's a lot of concrete and living squarefootage in a beautiful location … at a price that still astounds me.

(2) I finished reading The Big Short by Michael Lewis. You gotta read this. I must be careful what I say, lest you conclude that I see Wall Street as a big casino. Was real estate the source of the economic collapse, or the victim? Ironic that the book comes out as Goldman Sachs is charged with fraud. Not a pretty picture … though not emphasized in the book, there were a LOT of borrowers who committed fraud, too. Moody's and Standard and Poor's, dereliction of duty. Was anyone minding the store?

(3) Southernmost Stars: The top-end of the *least expensive* KW single-family homes rose from $299,000 to $314,000 in the last month. I think that's a good sign. The most seriously distressed properties are leaving the market. We know that inventory has to be cleared before normalcy returns. It's happening.

The multi-unit inventory stayed the same in April 2010 … 3 newbies came on-the-market, and 3 departed, net (0). Of the newbies, none made it directly to the TOP matrix. These are the 3 departed:

Address:	Type:	Listing Price:	Results:	Date:
1409 5th St	**duplex**	**$750,000**	**EXPIRED**	**on 17 APR 10**
1119 Catherine St	**duplex**	**$449,900**	**SOLD for $449,900**	**on 23 APR 10**
1201 Olivia St	**3-4 unit**	**$895,000**	**CANCELLED**	**on 10 DEC 09**

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BrokerAgentSocial

A network community for real estate professionals
to connect, collaborate and promote their profession.

What Sells a Home … one thing: PRICE

April 23, 2010 by Scott Friedman

The #1 thing that contributes to the sale of a home is the price of the property. Location, features, benefits...all of those have a price tag. I've heard the arguments against price being the number one reason homes sell. Most of those reasons center on an agent's ego as well as some sort of misplaced loyalty to the seller. Some of the arguments from agents:

"**If price is the only thing that matters, then we real estate agents aren't needed.**" Selling a house can be done without a real estate agent. However the vast majority of FSBO's do not sell without the help of an agent, and most end up listing. Unfortunately for the FSBO seller, they get a very low list-to-sale price ratio as compared to being listed by an agent (both stats are published by NAR). So, agents are definitely needed.

"**All you want to do is lower the price, darn the seller, and take your quick commissions!" -** A buyer will not buy something priced incorrectly; plain and simple. If it's priced right, it will sell for more and it will sell faster. The only true test of what a home is worth is what a willing buyer will pay...not what the agent or the seller thinks its worth.

"**It's all about MARKETING …staging, open houses and advertising.**" You can market a property to the hilt, however it will NOT sell if the buying public thinks it's overpriced. Today's buyer who combs the internet and does their homework won't even look at home they feel is overpriced … unless they think they can get a tremendous low-ball deal. So, let's investigate some of these marketing ideas:

Staging - one of those tools that doesn't sell a house. Yes, the house should always look its best. And, yes, if you stage a house, it will look better than the competition. BUT...staging only works to sell your house if the home is priced competitively. No amount of staging in the world can trick a buyer into grossly overpaying for a house.

Open houses - This is the biggest real estate scam ever perpetuated on sellers. NAR itself puts out a report every year that shows a very small percentage of buyers buy the home they saw open … usually around 1%. That is an astonishingly low rate of return on your marketing efforts. Open houses do provide buyer leads for the AGENT, not the seller. Poorer agents love open houses because sitting and having potential buyers come to them seems good.

Advertising - NAR reports a very small percentage of sales are a result of being advertised outside of MLS. A slightly higher percentage of homes are sold as a result of the buyer calling in on a different home, so advertising can help, but the price still has to be right. Yet sellers and agents all think that more advertising will equal a sold home.

Bottom line: List the house at a price that will cause the home to sell, as evidenced by the comps. Be willing to say "no" to the seller and walk away from listing the home if they insist on overpricing it. Overpriced listings don't sell.

The Miami Herald

High-priced Key West suddenly has affordable housing

BY CAMMY CLARK Posted on Sun, Apr. 18, 2010

During the real-estate boom, buying an affordable home was impossible for most of the tropical island's workforce. Dilapidated houses in bad neighborhoods sold for $400,000.

Then came Hurricane Wilma, the real-estate crash and national recession. Misfortune for some has turned out to be a blessing for others.

``Dreams do come true like in Hollywood -- even simple people from [the formerly] Communist Poland can buy a house in Key West,'' said a hotel housekeeper, standing next to her two kids on the wood porch of her fixer-upper, home on Pearl Avenue. They paid $157,000 for the foreclosure bought in 2004 for $370,000, appraised for $463,000 in 2006. Their mortgage payment, including property taxes and insurance, is about $200 less than they paid to rent a tiny apartment when they arrived from Poland with only green cards and high hopes for a better future. ``I'm so happy. When I leave work, I say: ``See you, I'm going to MY house. My own place in Key West.''

The Key West Realtor's Association: "If there's an upside to the downturn, finally, our school teachers and policemen and firefighters can own homes. We're back to 2002 and 2003 pricing at this point. If we're not at the bottom, we're darn close. Anything under the $400,000 mark is a real hot property these days."

A Navy couple are now homeowners. They thought the Navy's Key West area housing allowance, which is among the highest in the Navy and for their rank is about $2,100 a month, would be too little to buy a home. But they bought a two-bedroom, one-bath townhome with a view of the No. 8 tee at Key West Golf Course for $170,000. A few years ago it had appraised for as high as $418,000.

A Coast Guard Chief and his family now own a foreclosed, 3-bedroom home on a canal on Summerland Key, having paid $313,000. The sellers owed $675,000.

Low prices, the $8,000 first-time home buyer credit and low interest rates have helped many working-class people and true second-home buyers who eventually want to retire to Key West' compete with investors for the low-end properties.

Real-estate appraisers from Barefoot Appraisal said "There are certain neighborhoods that have stabilized, and some like the golf course are seeing increases in price." He also cited Smurf Village as an area where houses are being bought almost as soon as they go on the market.

MULTI-UNIT PROPERTIES: **1 May 2010**

address = "Short Sale" or foreclosure

DUPLEX (top 10):

Address	Price		ROI:	Status	Date	Address	Price		ROI:	Status	Date
2500 Patterson:	$360K	Max	6.79%	On market	27JUL	**3314 Northside #17**	$219.9K	Max	13.28%	On market	20SEP
MLS109032		Min	5.65%	**Reduced**	25MAR	MLS111626		Min	11.54%	**Contract**	12MAR
2404-07 Flagler:	$265K	Max	9.66%	On market	5JAN	**1317 Sunset Dr:**	$385K	Max	9.73%	On market	1OCT
MLS112267		Min	8.25%	**Reduced**	7APR	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%	**Contract**	13FEB
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	**1907-09 Patterson:**	$299K	Max	11.59%	On market	7NOV
MLS110648		Min	8.06%	**Reduced**	19NOV	MLS109613		Min	10.21%	**Reduced**	28MAR

3-4 UNIT (top 6):

Address	Price		ROI:	Status	Date	Address	Price		ROI:	Status	Date
1403 4th St:	$419K	Max	10.22%	On market	22FEB	**1614 Dennis:**	$524K	Max	10.03%	On market	20FEB
MLS112562		Min	9.40%			MLS107921		Min	8.83%	**Reduced**	5MAR
904 Truman Ave:	$325K	Max	11.23%	On market	28SEP	**1130 Elgin Ln:**	$399K	Max	11.16%	On market	5JAN
MLS111640		Min	9.56%			MLS111405		Min	10.00%	**Reduced**	5APR
2618 Fogarty:	$670K	Max	8.23%	On market	24NOV	**915Pohalski:**	$399K	Max	8.37%	On market	27AUG
MLS109707		Min	7.43%	**Reduced**	24DEC	MLS111404		Min	7.22%	**Reduced**	1AUG

> 4 UNITS (top 2):

Address	Price		ROI:	Status	Date	Address	Price		ROI:	Status	Date
1301 Truman Ave:	$1.5M	Max	13.38%	On market	18JUN	**1214 Catherine:**	$597K	Max	15.21%	On market	9NOV
MLS111056		Min	11.45%			MLS111893		Min	13.87%	**Reduced**	27APR

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; Min rent = $1,300/mo

Unit #2 is 1-bed, 1-bath — Max rent = $1,050/mo; Min rent = $ 995/mo

Max income Unit #1: (12)x($1,350)x(0.95) = $15,390
Min income Unit #1: (12)x($1,050)x(0.95) = $11,970
Max income Unit #2: (12)x($1,300)x(0.95) = $14,820
Min income Unit #2: (12)x($ 995)x(0.95) = $11,343

Vacancy rate: 5%
Max sell price = 96% of ask price
Min sell price = 92% of ask price
Taxes + insur = 2.5% of sell price

Max expenses = (0.025)x(0.96)x(sell price) = $18,000
Min expenses = (0.025)x(0.92)x(sell price) = $17,250

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

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

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.

About.com Buying/Selling

Why Do Banks Require an Arms-Length Affidavit on a Short Sale?

By Elizabeth Weintraub

Most short sales banks will insist that all parties sign an arms-length affidavit.

Question: *"We're in a terrible mess. My husband lost his job last spring, and our house isn't worth anywhere near what we paid for it. The bank turned down our request for a loan modification, so we have no choice but to do a short sale. When I told my mom that we were going to sell the house, she offered to buy it from us let us rent back, so we wouldn't have to move. But now the bank has sent us an arms-length affidavit to sign, and it looks like they won't let us sell to my mom. does the bank require an arms-length affidavit on this short sale?"*

Answer: I sense your frustration about the arms-length affidavit. Lots of short sale sellers tell me that they had initially tried to do a loan modification and were rejected by their banks. You're not alone.

The reason you are being asked to sign an arms-length affidavit is because banks are trying to put a stop to mortgage fraud. When people get into financial trouble, crooks can smell distress a mile away. These thugs crawl out of the gutters and cook up schemes that take advantage of those homeowners who are facing foreclosure. I'm not saying that your intentions were not honorable, but due in part to the short sale flippers and shady double-escrow deals on short sales, banks have cracked down.

What is the Reason For an Arms-Length Affidavit on a Short Sale? An arms-length affidavit is a document created by a short sale bank in an attempt to prevent sellers from selling to a relative and to curb mortgage fraud. The reason the bank does not want a seller to transfer title to a relative in a short sale is because **sellers cannot profit from a short sale**.

Sometimes sellers make side agreements with relatives or friends to act as a straw buyer. Then, after the transaction closes, those pretend buyers transfer title back to the seller. This practice, in affect, means the sellers have repurchased their home at maybe half the cost, which greatly benefits those sellers. But banks make the rules, and banks say sellers can't benefit. If they wanted sellers to benefit, they would have agreed to a loan modification.

What Does an Arms-Length Affidavit Contain? Banks create their own arms-length affidavits. Therefore, the language can vary from one affidavit to another. Following are the points contained in a basic arms-length affidavit:

- No party to the short sale contract is a family member, business associate or a person who shares a business interest with the seller.
- There are no hidden terms nor special agreements among the buyers, sellers and / or agents.
- Once the transaction closes, the sellers will not rent back the home nor regain title to it.
- None of the parties will receive any compensation except for the commission paid to the agents.

If you sign an arms-length affidavit on your short sale and then violate it, you could be held liable for mortgage fraud. Mortgage fraud falls under jurisdiction of the F.B.I. Moreover, if anybody tells you that it's OK to sell to a relative, make sure that you clarify your relationship with the buyer to the bank before closing. I don't know of any banks that will let you do it.

I also realize this doesn't sound fair, but it's how banks have decided to handle it. I hope you can find an arms-length buyer before your home goes to foreclosure.

The New York Times

Punks and Plutocrats

By PAUL KRUGMAN

Next up ... financial reform. The White House believes Republicans won't want to be cast as allies of Wall Street. I'm not so sure. The question is how many GOP senators believe they can claim that regulating big banks is doing those big banks a favor.

We used to have a workable system for avoiding financial crises, resting on government guarantees and government regulation. On one side, bank deposits were insured, preventing a recurrence of the immense bank runs of the Great Depression. On the other side, banks were tightly regulated, so that they didn't take advantage of government guarantees by running excessive risks. However, that system gradually broke down because of bank deregulation and the rise of "shadow banking".

Now what? As the financial system plunged into crisis, the government (conservative Republican administration) stepped in to rescue troubled financial companies, so as to avoid a complete collapse. There's every reason to believe that this will be the rule from now on ... when push comes to shove, no matter who is in power, the financial sector will be bailed out. Debts of shadow banks, like deposits at conventional banks, now have a government guarantee.

Wall Street should be obliged to behave responsibly in return for government backing. Who could be against that? Well, John Boehner, House minority leader, recently told bankers to balk at efforts by Congress to impose stricter regulation. "Don't let those little punk staffers take advantage of you" he urged.   Barney Frank, chairman of the House Financial Services Committee, promptly had "Little Punk Staffer" buttons made up and distributed to Congressional aides.

And the Senate GOP. No bill will become law if Senate Republicans stand in the way of reform. GOP strategists circulated a memo claiming that reform is a "big bank bailout bill," rather than a set of bank restrictions. Sure enough, a GOP Senator claimed tougher oversight is actually a bailout, because "the market will view these firms as being too-big-to-fail and implicitly backed by the government." Um, Senator, the market *already* views those firms as having implicit government backing. In any future crisis those firms will be rescued, whichever party is in power.

Are we going to regulate bankers so that they don't abuse the privilege of government backing?   It's regulation, not future bailouts, that reform opponents are trying to block.   So it's the punks versus the plutocrats — those who want to rein in runaway banks, and bankers who want the freedom to put the economy at risk again, enhanced by knowledge that taxpayers will bail them out in a crisis.

HOUSING REVIEW

SOME INDICATORS POSITIVE, BUT WEAKNESS PERSISTS IN HOUSING MARKET

In the midst of the worst housing downturn since the 1940s, signs of stabilization in housing starts and sales began to appear in early 2009. Ongoing job losses, house price deflation, a relentless stream of foreclosures, and tighter mortgage credit, however, continue to place a housing recovery at risk.

After fueling unsustainable house price appreciation, credit markets did an about-face in 2008. The poor performance of loosely-underwritten subprime loans and of an increasing number of prime loans forced financial institutions to take massive write-downs on their mortgage portfolios and ignited a broader banking crisis. The collapse of the financial system in late 2008 took the already depressed housing market down to unprecedented levels. As private mortgage credit all but disappeared, the fate of the mortgage market soon rested in the hands of the federal government.

Rental markets also came under increased stress, as declining rents and property values put pressure on multifamily owners to refinance or obtain credit to finance necessary maintenance and repairs. Small multifamily properties, largely low-rent and owned by low-income owners who financed through the same channels and on similar terms as those who financed owner-occupied single-family units, were hit just as hard by foreclosures, surprising many tenants with eviction due to the delinquencies of their landlords.

While home prices declined considerably during the past year, there was little evidence of broad improvement in housing affordability on a household level. The latest figures through 2007 reported 17.9 million households paying more than half their incomes to housing. This burden was especially prevalent for low income renter households, 51% of whom spent more than half their incomes on housing. For homeowners, the collapse in house prices wiped out gains in wealth from years of appreciation and left millions in homes worth less than their outstanding mortgage balances.

Minorities were hit hardest by this downturn and continue to suffer the greatest rates of severe housing affordability challenges. They had high unemployment rates before the downturn and have seen the highest share of job losses since. High-cost loans and foreclosures are heavily concentrated in low-income minority neighborhoods, and foreclosure rates in these neighborhoods are significantly higher than in low-income white neighborhoods, even after controlling for income levels.

The government hopes to stem the cycle of foreclosures and price declines through a mortgage modification program and tax credits for first time homebuyers. It is still too soon to tell whether these actions will be enough to jump-start housing demand, alleviate pressure on financially stressed homeowners, and build consumer confidence in the market. Headwinds remain for a housing turnaround.

The State of the Nation's Housing 2009 **is available at www.jchs.harvard.edu**

Southernmost Stars: **1 MAY 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:
3930 S. Roosevelt #W101	**$134,900**	**1**	**1**	**517**	**261**	**Foreclosure**
1016 Howe St #4	$149,000	1	1	144	1035	Short-sale
1207-09 William #1	$155,000	2	1	560	277	Short-sale
419 United #3	$160,000	1	1	343	466	Short-sale
1016 Howe St #3	**$165,000**	**1**	**1**	**254**	**650**	**Conventional**
3321 Eagle Ave	**$169,900**	**2**	**2**	**1136**	**150**	**Foreclosure**
1445 S. Roosevelt #410	**$199,000**	**1**	**2**	**522**	**381**	**Conventional**
408 Petronia St #B	**$210,000**	**0**	**1**	**300**	**700**	**Conventional**
3930 S. Roosevelt #W210	**$234,900**	**2**	**2**	**804**	**292**	**Conventional**
3655 Seaside #226	$235,000	2	2	772	304	Conventional

Missing from last month:
- 1012 Truman #103 … under contract
- 416 Petronia #3 …listing expired
- 3229 Flagler #204 … listing expired
- 3223 Harriet Ave … under contract
- 122 Golf Club … under contract
- 1445 S. Roosevelt #412 … sold

Ten least expensive Single-Family Residences in Key West:

Address:	Ask Price:	#beds:	#baths:	Living Sqft:	$/Sqft:	Other:
3321 Eagle Ave	$169,900	3	1.5	1136	150	Foreclosure
221 Petronia St	$225,000	3	2	1155	195	Short-sale
715 Chapman St	**$275,000**	**1**	**1**	**860**	**320**	**Short-sale**
2026 Staples Ave	**$290,000**	**3**	**2**	**1787**	**162**	**Short-sale**
2625 Flagler Ave	**$298,888**	**3**	**1**	**873**	**342**	**Conventional**
315 Virginia St	**$299,000**	**2**	**1**	**846**	**353**	**Short-sale**
1907-09 Patterson Ave	$299,000	4	2	1500	199	Conventional sale
825-rear Southard St	$299,000	2	1	720	415	Conventional sale
713 Galveston Ln	**$305,000**	**2**	**1**	**672**	**454**	**Conventional sale**
3327 Donald Ave	**$314,000**	**3**	**2**	**1248**	**252**	**Conventional sale**

Missing from last month:
- 728 Windsor Ln … under contract
- 1107 Thomas St … listing cancelled
- 2400 Fogarty Ave … under contract
- 2307 Patterson … under contract
- 2405-07 Flagler … under contract
- 19 Whistling Dk … listing cancelled

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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