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

Hello, everyone …   2 June 2010

I usually start my June newsletter with the opening of the Hurricane Season. This year, oddly, that is <u>not</u> on many Keys residents' minds. The predominant concern today is: OIL. When and how will we be impacted? Oil and hurricane season do have something in common, however, and that is the ability of both to rocket the media into hyper-drive and foaming-at-the-mouth exaggeration. Geesh. Enough already. When you have some information, just let us know! I get perturbed at any random tweet becoming the voice-of-authority.

<u>Table of Contents for this issue</u>:

Here are a couple of odds-and-ends from last month:

(1) <u>50 Seaside South</u> condo is back on the market.
(2) <u>Steamplant luxury condos</u> have been reduced drastically in price.
(3) I'm going to do an <u>analysis of Key West property purchases</u> since 1/1/2010, to be reported next month. I just have a hunch that a very surprising percentage of purchases these days are all CASH. We'll see.
(4) Familiar with the local newspaper's *Citizen's Voice* column? That's where anyone who can fog-a-mirror can get their opinions published on Page #2, anonymously. Usually, it's a comical mixture of whine, mule and puke. But look what appeared on Saturday, 22 May:

<u>The Citizen's Voice</u>: **"**Every time I drive by the corner of Flagler Avenue and Bertha Street and see the nicely renovated building with the Rick Worth painting that Realty Executives have done, I want to thank them for what they did. I don't know a soul there, but thank you." *You're very welcome!*

The multi-unit inventory dropped by one in May 2010 … 2 newbies came on-the-market, and 3 departed, net (-1). Of the newbies, <u>none</u> made it directly to the TOP matrix. These are the 3 departed:

<u>Address</u>:	<u>Type</u>:	<u>Listing Price</u>:	<u>Results</u>:	<u>Date</u>:
1317 Sunset	**duplex**	**$385,000**	**SOLD for $376,000**	**on 7 May 2010**
1403 4th St	**3-4 unit**	**$419,000**	**SOLD for $371,000**	**on 29 APR 2010**
919-921 Southard	**3-4 unit**	**$569,000**	**SOLD for $560,000**	**on 19 MAY 2010**

Jim Smith, Broker Associate
Realty Executives Florida Keys
1824 Flagler Ave
Key West, Fl 33040

<u>Closing words</u>: There are 3 boxes to use in defense of Liberty:
SOAP, BALLOT, and JURY.
Did anybody guess AMMO? Hold your fire, Kimo Sabe.

St. Petersburg Times Electronic Edition

tampabay.com

19 May 2010

Moody's warns oil spill impact on Florida could be worse than recession

Moody's report on the potential impact of the oil spill: It could hurt Florida on a major scale.

"The state's high dependence on tourism dollars and jobs is significant and a gradually worsening disaster associated with any part of Florida's 1,197 coastline miles could likely have long-term implications even greater than the recent global recession or Hurricane Ivan in 2004," said Moody's Investor Service analyst and senior credit officer Edith Behr.

In effect, the impact could simulate a double dip to the economy in a state already struggling more than most to emerge from one of the country's worst recessions.

Here's how the Moody's scenario could happen. Florida, as well as gulf coast cities in Louisiana, Mississippi and Alabama, may see credit ratings cut because of the BP oil spill, if tourism falls and property values drop. The spill may have "severe" effects if it reaches coastal communities on Florida's Panhandle since they rely so heavily on tourism and the state depends on sales taxes from the region.

"Cities, towns, school districts, and counties will likely experience a decline in property tax values, which will necessitate a reduction in services or a revenue increase to maintain current rating levels," Behr said.

In turn, lower ratings may raise borrowing costs for state and local governments in the region as investors in the $2.8 trillion municipal-bond market demand higher yields to compensate for increased risk.

Moody's rates the credit quality of borrowers in the market. Tax revenue is likely to fall over the long term for coastal cities, which may force cutbacks in services, Behr said.

"A majority of statewide bonds are secured by special taxes including tourist taxes and sales taxes," the report said. "Also, with sales taxes constituting the state's primary revenue source, further reductions in this revenue would have negative implications on school district funding statewide."

It will all **depend on the extent of damage from the oil spill**. That, Behr said, remains **too early to tell.**

St. Petersburg Times
tampabay.com

May 26, 2010   Steve Huettel, Times Staff Writer

Oil spill not affecting most Florida vacation plans - yet

The gulf oil spill hasn't caused many visitors to change travel plans to Florida's Gulf Coast - **yet**.

Nearly nine of 10 respondents to a recent AAA Auto Club South survey who planned a trip to the Gulf Coast said they have **NOT** canceled their trips in the past 30 days. Those who did change their plans cited economic reasons, not the oil spill in the gulf, AAA says.

But 41% of travelers who plan to visit in the future said the spill would influence their decision on whether to vacation on the Gulf Coast. 43% said it would have little or no effect, and 16% had no opinion.

"While we are encouraged that only a small percentage of travelers are canceling their current plans, we are concerned that a much larger percentage says news about the oil spill will have a greater influence on their future plans," said the senior VP of AAA Auto Club South.

The survey was conducted last weekend among 1,380 people living east of the Mississippi River. Of those, 436 planned to visit Florida in the next year, giving the survey a maximum margin of error of 4.7% points.

The results reinforce the tourism industry's worries that just the **potential** for the oil spill to foul Florida beaches will prompt travelers to take vacations elsewhere. On Tuesday, Gov. Charlie Crist described plans for a $25 million advertising campaign to counter tourists' concerns about vacationing in the state.

The print, broadcast and Internet ads promoting the Florida Panhandle should begin appearing as early as today. The Panhandle is closest to the oil spill, and its tourism businesses rely heavily on summer visitors driving from within a 500-mile radius.

In the SW coast, lodging operators are having a hard time figuring how many tourists have changed vacation plans because of the oils spill, says deputy director of the St. Pete/Clearwater Area Convention and Visitors Bureau. Many report their phones aren't ringing as much with travelers booking summer vacations. But that's hard to quantify and harder to know why. They've reported cancellation of 960 room nights - about $150,000 in business - due to the spill over the past three weeks. But that's a fraction of the 32,000 condos, hotel and motel rooms available in Pinellas County each day.

Comparisons to bookings a year ago don't help much either. Last year reflected a nationwide decline in travel as people rattled by rising unemployment and the general economic malaise took fewer and shorter trips.

The industry seemed to be turning a corner in March as travel perked up. Visitors were up 2.7% from a year earlier, said Visit Florida, the state's quasi-public tourism promotion agency. March alone was up nearly 3%. "Just as the needle was starting to move, this comes along," the agency said.

MULTI-UNIT PROPERTIES:

1 June 2010

address = "Short Sale" or foreclosure

DUPLEX (top 10):			ROI:						ROI:		
2627 Staples Ave:	$349K	Max	8.86%	On market	17MAY	**3314 Northside #17**	$219.9K	Max	13.28%	On market	20SEP
MLS113053	NEW	Min	7.71%			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):			ROI:						ROI:		
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	**327 Margaret St:**	$499K	Max	11.16%	On market	8JAN
MLS109707		Min	7.43%	**Reduced**	24DEC	MLS110031		Min	9.40%	**Reduced**	19MAY

> 4 UNITS (top 2):			ROI:						ROI:		
1301 Truman Ave:	$1.5M	Max	13.38%	On market	18JUN	**1214 Catherine:**	$549K	Max	16.76%	On market	9NOV
MLS111056		Min	11.45%			MLS111893		Min	15.31%	**Reduced**	10MAY

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.

CNNMoney.com
A Service of CNN, Fortune & Money

18 May 2010

Housing market diagnosis: Bipolar

NEW YORK -- **Bipolar** is what comes to mind when diagnosing the post-homebuyer tax credit market. Two separate forces are pulling it in opposite directions. Experts aren't yet sure which path the market will take.

Sales and prices are rising, indicating recovery. On the other hand, so are interest rates and repossessions, which most certainly do not. And then there are the millions of foreclosures that need to be sold but haven't yet been listed (so-called *shadow inventory*) that could derail a real recovery if they hit the market in floods.

Thanks to the $8,000 homebuyer tax credit incentive, buyers scrambled to beat the April 30 deadline, pushing new home sales up nearly 30% in March. But that just borrowed buyers from later months. And now we face the hangover effect. "In the months immediately following the expiration of the tax credit, we expect measurably lower sales," said the chief economist for the National Association of Realtors (NAR).

Industry insiders believe the hangover is worthwhile, however, because the credit helped stabilize housing when it most needed help. Home prices have been steadier in recent months, recently experiencing their first year-over-year rise in more than three years. Still, there are some strong negatives dragging on the market:

(1) Interest rates have been intermittently creeping up. Although nobody expects 6% until at least 2011, the days of 4.5% mortgages are behind us. (JSmith note: ironically, on the date of this article, Freddie Mac reported that mortgage rates hit a yearly low! I'm often stunned at how much we *don't* know.)

(2) Bank repossessions may surpass a million homes in 2010. But at least foreclosure filings fell in April.

(3) More than a quarter of borrowers are "underwater," meaning they owe more than their homes are worth.

(4) "Strategic defaults" -- where underwater homeowners walkway even when they can still afford to pay -- accounted for 31% of all foreclosures in March.

But there is one factor that has experts really scared: homes that are ready to be sold but haven't been put on the market. Right now, there could be more than 4.5 million homes in "shadow inventory," according to a recent report by Barclays Capital. This is a recent phenomenon. In the past, inventory was either tight or it wasn't. But now, with home prices so low and so many foreclosures on the market, both homeowners and banks have been reluctant to put properties on the market. Sidelined sellers closely watch the market for signs of a possible turnaround and rush in if there's a hint of good news. But as more sellers put their homes up for sale, supplies increase, which will depress prices again. **Rinse and repeat ad infinitum**.

That vicious cycle could cause prices to bounce up and down for years. Prices go up. Inventory rises. Prices go down again. That could play out for 3-5 years of no appreciation. That leaves more homeowners in negative equity. That's **toxic**. Any setback, like a job loss, they go into foreclosure.

BrokerAgentSocial

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

May 15, 2010

Five Bad Home Improvement Ideas

When considering adding value to a home, you consistently hear from the real estate industry that updated bathrooms and quality kitchens stand out in a home sale. Those are proven sale closers. There are certain other improvements you can make to your home that will beautify it or create convenience for your family. When it comes time to sell, however, some improvements may do **nothing** to increase the value of the property and may even turn off potential homebuyers.

Over-the-Top Renovations: Not all renovations will raise the value of your home. Just because it's bigger doesn't mean it will be perceived as better by future homebuyers. Unless your home is located in Beverly Hills or some other very posh neighborhood, don't install the bathroom with the supersized steam shower, imported Italian marble and several different spray-heads ... unless you have the money to do it for your own pleasure and enjoyment only. That kind of improvement doesn't typically do anything to increase the value of the average home.

On the other hand, if you updated an old bathroom, you could see an increase of several thousand dollars to your home's bottom line. Pour over local home listings to see what amenities are the standard in your area, then upgrade your home to meet it. If you overdo it, however, you may not recoup your investment.

Swimming Pools: If you think installing a swimming pool in the back of your home will draw hoards of homebuyers clamoring to make offers, you'd be wrong. Some consider it a perk, but others perceive it as a pain. Homeowners have even paid to have their swimming pools buried to create more yard space. If you shell out the expense to build one, don't expect your home's value to budge, unless you live in a state where they are considered the norm.

Home Office Renovations: Although a home office is often appreciated by house-hunters, it should be built with frugality in mind. Overhauling an office generally doesn't pay off when it's time to sell your home. Don't steal usable space from another living area to create a home office. Instead, make sure the space can easily be converted back into a bedroom or other living space, if needed. Expect to recoup less than 50% of your cost at sale time.

Unique Builds: Some are exotic and outlandish, but they can pique your interest. Tempted to put a classic disco ball with lights in your bedroom, a constellation ceiling in your family room or a peaceful Koi pond in your back yard? Avoid making outlandish changes to your home that will be perceived as adding work for a future homeowner. Don't be tempted … homebuyers may not share your enthusiasm.

Roof Renovations: If your roof needs repair, don't hesitate to have the work done. It will be one less issue you'll have to deal with when listing your home. If you think replacing your roof with cedar shakes or clay tiles will increase the value, think again. Although they have the ability to make your home stand out, they probably won't inspire homebuyers to pay more for them.

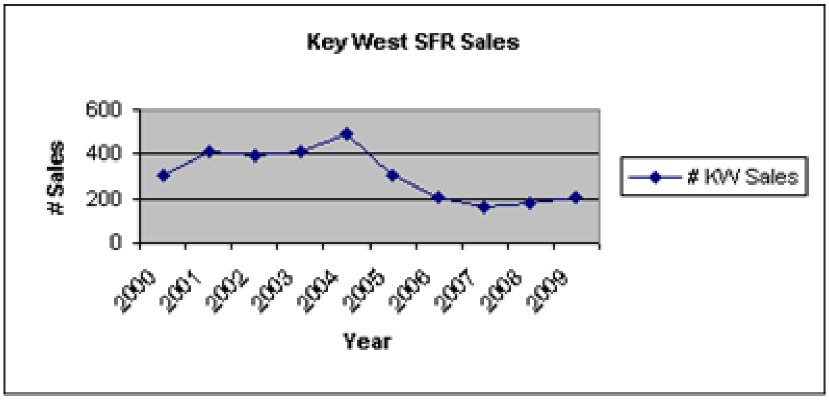
So, unless you have the money to burn, keep it simple when preparing your home to be listed on the real estate market.

Graphic Profiles: Key West Single-Family Residences for the last 10 years (sales data from MLS)

Key West Single-Family Home Sales (10 years)

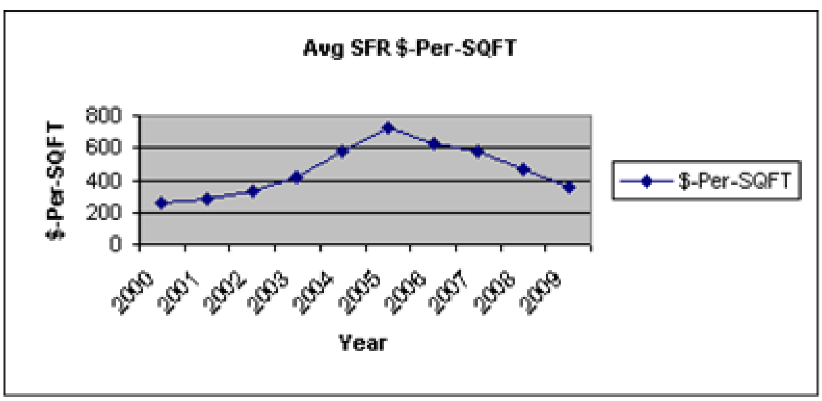
Year end:	# Sales:
31-Dec-00	305
31-Dec-01	414
31-Dec-02	398
31-Dec-03	416
31-Dec-04	489
31-Dec-05	302
31-Dec-06	208
31-Dec-07	157
31-Dec-08	176
31-Dec-09	206
28-May-10	103

2010 estimate = 247



Year end:	Avg Price:
31-Dec-00	$395,854
31-Dec-01	$419,878
31-Dec-02	$495,366
31-Dec-03	$645,366
31-Dec-04	$889,665
31-Dec-05	$1,148,024
31-Dec-06	$1,036,726
31-Dec-07	$918,066
31-Dec-08	$811,937
31-Dec-09	$584,140
28-May-10	$603,155

Year end:	$/Sqft:
31-Dec-00	260
31-Dec-01	288
31-Dec-02	331
31-Dec-03	424
31-Dec-04	578
31-Dec-05	722
31-Dec-06	627
31-Dec-07	584
31-Dec-08	465
31-Dec-09	357
28-May-10	384



Notes: After 4 and 5 years of declining measurements, look what has happened so far in 2010!

(a) The number of sales of KW SFRs appears that it will be **UP again for 2010.**
(b) The average sales price for KW SFRs is **UP for 2010.**
(c) The average $-Per-Sqft for KW SFRs is **UP for 2010.**

Southernmost Stars: **1 JUNE 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:
419 United St #4	**$144,900**	**0**	**1**	**304**	**477**	**Foreclosure**
3655 Seaside #55303	**$144,900**	**2**	**2**	**772**	**188**	**Conventional**
1016 Howe St #4	$149,000	1	1	144	1035	Short-sale
1207-09 William #1	**$165,000**	2	1	560	277	Short-sale
1016 Howe St #3	**$175,000**	1	1	254	650	Conventional
3075 Flagler #25	**$175,000**	**2**	**2**	**1008**	**174**	**Short-sale**
1223 2nd St	**$178,700**	**3**	**1**	**907**	**197**	**Foreclosure**
3205 Harriet Ave	**$190,000**	**3**	**2**	**1270**	**150**	**Short-sale**
1445 S. Roosevelt #410	$199,000	1	2	522	381	Conventional
3930 S. Roosevelt #W210	$234,900	2	2	804	292	Conventional

Missing from last month: Las Salinas #W101… under contract; 419 United #3 … under contract; 3321 Eagle Ave … under contract; 408 Petronia #B … expired 5/1/10; 3655 Seaside #226 … under contract

Ten least expensive Single-Family Residences in Key West:

Address:	Ask Price:	#beds:	#baths:	Living Sqft:	$/Sqft:	Other:
1107 Thomas St	**$225,000**	**2**	**1**	**1102**	**204**	**Short-sale**
221 Petronia St	$225,000	3	2	1155	195	Short-sale
728 Windsor	**$260,000**	**2**	**1**	**654**	**398**	**Conventional**
2315 Patterson Ave	**$262,000**	**2**	**2**	**960**	**273**	**Foreclosure**
2307 Patterson Ave	**$270,000**	**2**	**1**	**864**	**313**	**Short-sale**
715 Chapman St	$275,000	1	1	860	320	Short-sale
2625 Flagler Ave	**$294,900**	3	1	873	342	Conventional
315 Virginia St	$299,000	2	1	846	353	Short-sale
3327 Donald Ave	**$304,000**	3	2	1248	252	Conventional sale
713 Galveston Ln	$305,000	2	1	672	454	Conventional sale

Missing from last month: 3321 Eagle Ave … under contract; 2026 Staples … under contract; 1907-09 Patterson … under contract; 825 rear Southard … 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.

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