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1 July 2009

Hello, everyone … Calendar year 2009 is half over, hard to believe. Michael Jackson is completely over, also hard to believe, musical genius, tormented soul. Bernie Madoff is kinda over, good riddance, and I don't think he's the only one to blame for that scam. Recession, not so much over. Sorry this month's articles (below) are downbeat-ish. But there is some good news … the Gov of So. Carolina has re-appeared from ~~Appalachia~~ Argentina safely, all hail. How do we elect these guys?

In local real estate short-sales and foreclosures, it seems buyers aren't interested in market value, only the outstanding mortgage loan balance. Then they offer 50¢-on-the-dollar, because that's what banks appear willing to sacrifice. Market value is not in the equation. Why would a buyer pay more than what the bank is willing to give it away for? Way to go, banks. For the vulture buyers, it's kid-in-the-candy-store time. For the rest … flat-out uncharted territory. Keep your eyes on the horizon. This, too, will pass.

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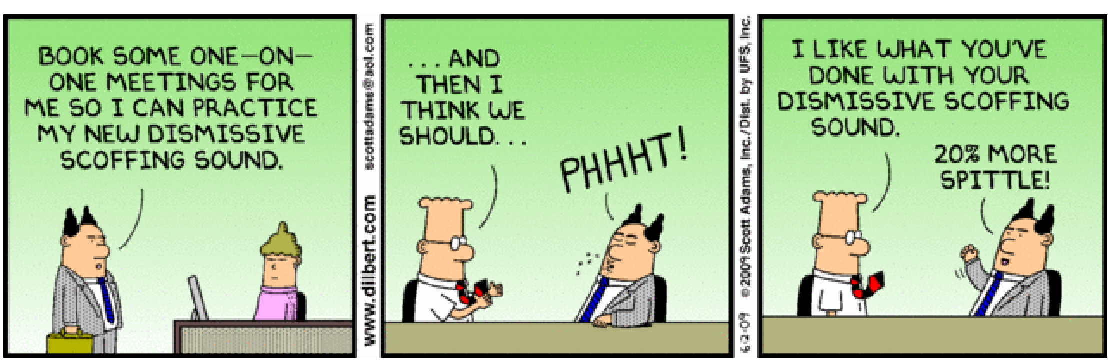
The multi-unit inventory shrank in June … 8 departed (below), 3 entered, net -5. Two of the three newbies made it to the best-of-the-best matrix. Here are the dearly departed.

Address:	Type:	Listing Price:	Results:	Date:
921 Eaton St	**duplex**	**$ 389,900**	**SOLD for $360,000**	**on 29 MAY 09**
613 Ashe St	**duplex**	**$ 590,000**	**EXPIRED**	**on 24 JUN 09**
1417 Ashby St	**3-4 unit**	**$ 899,000**	**SOLD for $845,000**	**on 26 JUN 09**
912 Fleming St	**3-4 unit**	**$1,499,000**	**SOLD for $1,200,000**	**on 7 APR 09**
226 Julia St	**3-4 unit**	**$ 950,000**	**EXPIRED**	**on 21 JUN 09**
507 Frances St	**3-4 unit**	**$ 749,000**	**EXPIRED**	**on 1 JUN 09**
1100-02 Margaret St	**> 4 units**	**$1,499,000**	**CANCELLED**	**on 12 JUN 09**
1122 Simonton St	**> 4 units**	**$1,075,000**	**EXPIRED**	**on 1 JUN 09**

In conclusion, this should be titled "**The Short-Sale Experience"** (the pointy-haired guy is the banker):



Jim Smith, Broker Associate
Realty Executives Florida Keys

THE HUFFINGTON POST
THE INTERNET NEWSPAPER: NEWS BLOGS VIDEO COMMUNITY

Banks Blocking Way Out Of Foreclosure Crisis

Brett Ellis, a real estate agent in Fort Myers, Fla., was thrilled when he got an offer for a property in May 2008. The owner, who had lost his job, wanted to short-sell for a loss rather than go into foreclosure.

The offer was for $350,000, and Ellis knew it was as good an offer as he was going to get in this market. He immediately sent the paperwork into the bank. He waited 4 months. The bank finally told him it wouldn't take anything less than $400,000 -- a price Ellis was sure he could never get. In September, the buyer called to say, "You know what, we gotta move on, we gotta buy something else."

Now the property is sitting vacant, sliding into foreclosure. The owner's credit is destroyed, and the house is losing value every day. Ellis said he'd be surprised if the property is worth more than $290,000 when it resurfaces on the market. Add in the legal expenses involved in a foreclosure, and the bank cost itself over $100,000. It's a scenario that plays out everywhere in the US.

In a time of collapsing real estate values, where one-in-five homes are now under water, a short sale is increasingly the only option before foreclosure. It is less damaging to credit scores and spares the homeowner the shame of foreclosure. It is also a better option for banks. According to one analysis, **short sales resulted in loan losses of only 19%, compared with an average loss of 40% on homes sold after foreclosure**.

So why aren't these sales more widely used? The broad answer is that the American financial system simply can't handle a collapse of this magnitude. The fates of the banking and real estate industries are intertwined. But they don't work together -- and the result is that they end up working against each other.

The more precise answer is “securitization” … bundling together different mortgages, slicing them up, selling pieces to various investors. Securitization makes negotiating a real estate sale that results in a loss nearly impossible. The bank has to go through all of the various people who are stakeholders and it becomes a very lengthy process, and the bank is turning off the Realtors by not even getting answers back to them for months.

Once the mortgages are securitized, the owners of the pieces get paid back according to a certain pecking order. Senior investors get paid back first and if there's a loss, the most junior investors won't get anything. It's those investors who are blocking short sales. They have no reason to agree to the modification because they take a complete loss. So those mortgages are almost impossible to sell short.

Mortgages are listed on the banks' balance sheets at the value of the original loan. If they complete a short sale they must record a loss on their balance sheets. So, banks drag the process out as long as possible. In Ellis' case, the bank is still listing the original value on its balance sheet.

According to research, only 23% of short sale transactions are actually completed, principally because the mortgage servicer takes too long to respond to the offer. When these same properties are later sold at foreclosure it further depresses real estate prices.

BusinessWeek New Business June 4, 2009

Foreclosure: Now an Upscale Blight

.With the U.S. economy showing signs of life, analysts are looking for a recovery in the all-important housing sector. National Realtors Assn: Pending Home Sales Index jumped in April by the most in more than 7 years.

But housing can't revive as long as the market is being flooded with homes that are falling into foreclosure. And far from going away, the problem is broadening. It's not just about subprime anymore. Now, people with excellent credit who never dreamed of getting in financial trouble are being dragged down by a dangerous cycle of rising unemployment and falling home prices. That is going to prolong the foreclosure crisis and, inevitably, inhibit the recovery of the rest of the economy.

The Mortgage Bankers Assn: "Prime fixed-rate loans now represent the largest share of new foreclosures". Nearly 13% of prime loans were delinquent or in foreclosure, the most since they started keeping tabs in 1972.

The biggest factor in this second wave of foreclosures is the inability of distressed homeowners to sell in order to pay off their debts. According to the National Assn of Realtors, there are enough $750,000-plus homes on the market to cover more than 40 months' worth of demand at the current rate of sales. That's four times the rate of oversupply in the housing market as a whole.

Unemployment is exacerbating the problems at the top of the market. The jobless rate for adults with a bachelor's degree is more than double the rate of a year earlier. And many families in that segment of the population built their finances on the assumption of continuous full employment, so they can't cover the mortgage when even one spouse is out of work.

The economics at the top of the market aren't as advantageous as they are at the bottom, where first-time home buyers are flocking to lower-priced homes, spurred by low interest rates, temporary tax credits, and a drop in prices that has made owning cheaper than renting in many cities. At the high end, homes are too expensive for most first-time buyers, and move-up buyers can't purchase a home without selling property they already own. What's more, financing is far costlier, if it's available at all, because private investors have lost their appetite for big mortgages.

When will this second wave of foreclosures crest? No one is sure. Foreclosures typically top out after unemployment does. While most of the subprime loans issued during the boom years have been washed out by now, there are still about half a trillion dollars' worth of option ARMs. There's an even more alarming $2.5 trillion in "alt-A" loans, which are between prime and subprime and include a big chunk of the mortgages that required little or no proof of income or assets. Most of these loans were issued to people with relatively good credit who were buying more expensive homes.

A key unknown is how many middle- and upper-income homeowners will simply walk away from homes that are worth less than the mortgages on them. So far few have, but the ranks of walk-aways may increase, exacerbating foreclosures. The clear message is that foreclosure is going upscale. And that means the housing bust won't end anytime soon.

MULTI-UNIT PROPERTIES:

1 June 2009

address = "Short Sale" or foreclosure

DUPLEX (top 10):			ROI:					ROI:	
1725 Johnson:	$349K	Max	6.91%	On market 19MAY	**613 Ashe:**	$590K	Max	6.95%	On market 2SEP
MLS110889	NEW	Min	6.01%		MLS108813		Min	5.95%	**Reduced** 15APR
3314 Northside #12:	$299K	Max	9.10%	On market 21MAR	**1317 Sunset Dr:**	$385K	Max	9.73%	On market 1OCT
MLS105322		Min	7.83%	**Reduced** 7MAR	MLS109389		Min	8.60%	**Reduced** 6MAY
1319 2nd St:	$299K	Max	10.97%	On market 8MAR	**823 Terry Ln:**	$399K	Max	6.87%	On market 1MAR
MLS110430		Min	9.92%	**Reduced** 19APR	MLS110398		Min	5.90%	**Reduced** 4MAY
1634 Johnson:	$250K	Max	11.38%	On market 10MAR	**1907-09 Patterson:**	$449K	Max	6.88%	On market 7NOV
MLS548158		Min	9.85%	**Reduced** 22APR	MLS109613		Min	5.99%	**Reduced** 23APR
2226 Patterson:	$499K	Max	7.93%	On market 5APR	**3739 Duck Ave:**	$345K	Max	7.20%	On market 22AUG
MLS110648		Min	7.02%		MLS106388		Min	6.45%	**Reduced** 6MAY

3-4 UNIT (top 6):			ROI:					ROI:	
1508 Seminary:	$525K	Max	7.65%	On market 15MAY	**1614 Dennis:**	$559K	Max	9.25%	On market 20FEB
MLS110874	NEW	Min	6.55%		MLS107921		Min	8.12%	**Reduced** 16DEC
719 Frances St:	$500K	Max	8.78%	On market 12FEB	**2618 Fogarty:**	$695K	Max	7.84%	On market 24NOV
MLS107720		Min	7.59%	**Contract** 12FEB	MLS109707		Min	7.07%	
726-28 United St:	$599K	Max	8.03%	On market 9DEC	**811 Thomas St:**	$425K	Max	10.62%	On market 1OCT
MLS109831		Min	7.02%	**Reduced** 8-Apr	MLS109377		Min	9.24%	**Reduced** 5FEB

> 4 UNITS (top 2):			ROI:					ROI:	
1401 Truman Ave:	$1.9M	Max	4.80%	On market 7DEC	**1214 Catherine:**	$649K	Max	13.79%	On market 9NOV
MLS107641		Min	4.00%	**Reduced** 24APR	MLS109618		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; 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:

- 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.

SunSentinel.com

New appraisal rules make deals harder

By Paul Owers | South Florida Sun-Sentinel, Boca Raton 17 June 2009

New rules to safeguard the integrity of home appraisals are complicating the deals they're supposed to protect. Realtors, mortgage brokers, buyers, and homeowners refinancing their loans, are feeling the effects of rules designed to prevent inflationary appraisals that helped fuel the housing boom.

"Intentions were good, but execution was very poor," said the VP of mortgage banking for WCS Lending in Boca Raton.

Since May 1, home appraisals must be ordered at arm's length, often through a national management company. Gone are the days when a lender could hire a familiar appraiser to close a deal. Now, communication between the appraiser and real estate agents is discouraged. South Florida real estate professionals and their clients say the rules contribute to low appraisals, which jeopardize home sales and refinancing applications.

Keller Williams Realty recently represented a client who agreed to sell a Boca Raton home for $1.085 million. A Miami appraisal came in at $1.025 million. "The seller didn't want to drop the price. The buyer said, 'Why should I pay more than the bank says it's worth?' " The sale was lost.

The new rules were proposed by NY Attorney General Andrew Cuomo, who pushed for the standards after investigating industry appraisal practices. They govern only loans that will be sold to Fannie Mae and Freddie Mac, and not loans guaranteed by the FHA or VA.

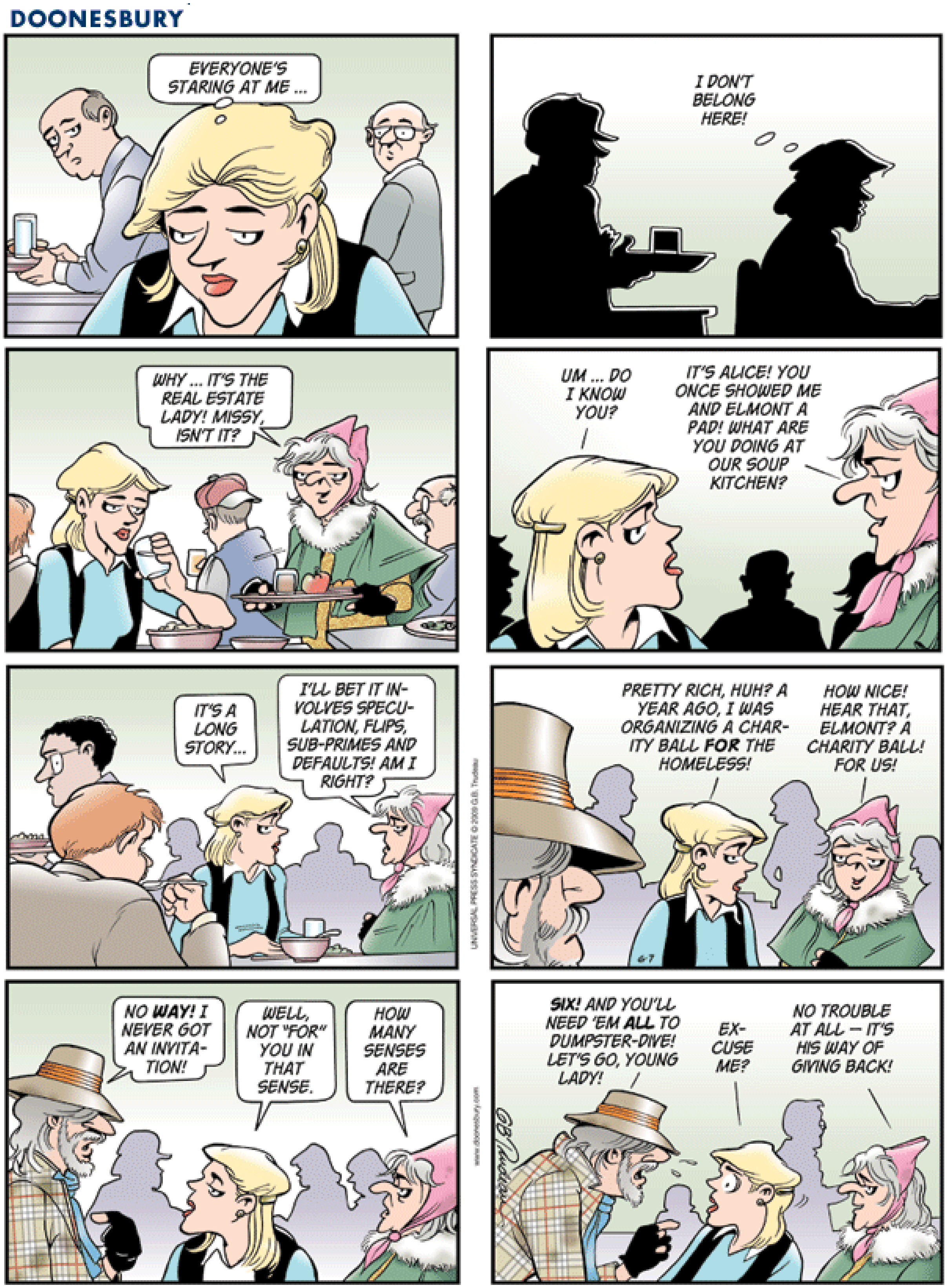
A problem, according to Realtors and mortgage brokers, is that the management companies assign appraisers who don't know the area and lose experienced appraisers by taking a large percentage of the fees. Another common complaint: appraisers value properties on the low end to appease lenders, which are scrutinizing appraisals now after suffering large loan losses in recent years.

Bill Burton, of Boca Raton, was trying to refinance into a loan with a 4.75% interest rate. He has a high credit score and lives in an upscale development. But his Deerfield Beach lender said the bank turned him down after insisting that the appraiser include in his report two sales from a less-desirable community nearby. "I can't fathom not being approved," Burton said. "It's a disgrace." But appraisers and the management companies blame the flood of foreclosures and short sales for skewing the value estimates downward.

Two management companies that do business in South Florida say the complaints are unfounded. Elite Appraisal Management in Michigan said the firm grades appraisers and assigns them to nearby properties. Valuation Logistics in Oregon typically keeps $25 of the average $450 appraisal fee, hinting that appraisers are getting almost all of their money.

The livelihood of real estate agents and mortgage brokers depends on sales. Changes that appear to stand in the way of that are sure to draw criticism. Regardless, more conservative appraisals likely are here to stay. It's a political reality.

<u>Sunday 7 June 2009</u>: Miami Herald. The real estate business is tough right now!



But generally it's not <u>this</u> tough. Except for a few.

Southernmost Stars: **1 JULY 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 #210	$ 99,000	0	1	441	225	Conventional sale
3312 Northside #614	**$ 99,000**	1	1	600	217	Short-sale
3312 Northside #301	$112,900	1	1	408	277	Foreclosure
3312 Northside #216	$120,000	2	2	896	178	Short-sale
1500 Seminary #1C	**$141,000**	**2**	**1**	**640**	**220**	**Short-sale**
3314 Northside #145	**$150,975**	**2**	**1.5**	**1046**	**144**	**Foreclosure**
3312 Northside #612	$150,000	1	1	656	229	Conventional sale
921 Thomas	**$159,000**	**1**	**1**	**640**	**248**	**Conventional sale**
3211 Pearl St	$165,000	2	2	1032	160	Conventional sale
3312 Northside #702	**$169,000**	**2**	**2**	**892**	**190**	**Conventional sale**

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

3312 Northside #601 … under contract
1207-09 William St … under contract
3225 Pearl St … SOLD for $116K
3255 Flagler #403 … under contract

Ten least expensive Single-Family Residences in Key West:

Address:	Ask Price:	#beds:	#baths:	Living Sqft:	$/Sqft:	Other:
2420 Patterson Ave	**$210,000**	2	2	1509	**139**	**Conventnl sale, tear-down**
1922 Patterson Ave	$239,000	3	1	720	332	Short-sale
2310 Seidenberg St	**$250,000**	**2**	**1**	**640**	**391**	**Short-sale**
1916 Staples Ave	$269,000	2	1	880	306	**Conventional sale**
728 Windsor	**$270,000**	**2**	**1**	**654**	**413**	**Conventional sale**
701 Windsor	$285,000	2	1	802	355	Short-sale
3314 Northside #24a	$285,500	3	3	1404	203	Short-sale (duplex)
1212 Catherine St	$299,000	3	1	910	329	Short-sale
703 Windsor	$299,000	1	1	808	370	Short-sale
2417 Patterson Ave	**$300,000**	**4**	**4**	**1619**	**185**	**Short-sale (duplex)**

The following are *missing* from last month:

2119 Staples Ave … under contract
2407 Patterson Ave … under contract
1300 Ashby St … 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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