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Hello, everyone …

1 July 2012

How can it be July already!?!

Congratulations to the World Champion Miami HEAT! I played some basketball in my youth, a long time ago. So long ago, I remember when "reaching-in" was a foul! Today, the ball-handler is mugged by the defender. Bodies are so much bigger and faster. Rims seem only 8 feet high. Has evolution speeded-up?

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Recent (positive) headlines:

Housing: The Worst is Over … Really!
Building Permits at Highest Level since 2008
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Booming Rental Markets

And so on … just want you to know what's being said in some places. However, there is still pessimism in other places, too. The Eurosystem. Distressed homeowners. Unemployment. Vanished wealth. The information overload makes a person wonder what-do-you-trust?

There is optimism in the Lower Florida Keys and Key West. The comeback seems to be not happening as quickly and strongly as we would like, but "activity" is up, inventory is down, affordability is up, rates are down, etc. The real estate market landscape has a LOT of moving parts, and many of those parts seem to be moving in the right direction. Except for windstorm insurance rates, which have been crazy for over a decade, and still moving in the wrong direction. But the sentiment depends on where you sit. It's hard to try to drum-up excitement about the market when so many other people are experiencing a financial disaster. But, I think it is going to get better for everybody … slowly, maybe, but better.

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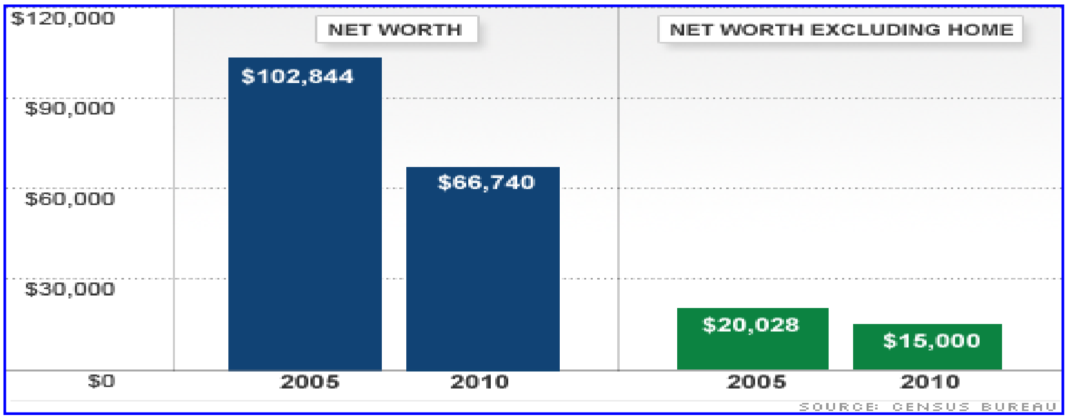
CNNMoney

By Tami Luhby June 19, 2012

Wealth implosion: It's not just housing



NEW YORK (CNNMoney) -- Americans' net worth collapsed in recent years, but don't blame the housing market for it all. Census Bureau data shows that if you strip out the effects of the housing collapse, median household net worth still fell by 25% between 2005 and 2010. The decline was driven largely by the plummeting stock market, which devastated Americans' portfolios and retirement accounts.

Overall, median household net worth declined 35% to $66,740 in 2010. The median worth of stock and mutual fund portfolios fell 33%, while the median home equity value dropped 28%. "One of the significant factors is housing, of course, but it's not that alone" said the Census Bureau. "It's how business conditions affect stock and retirement accounts."

The estimates are generally in line with what other government reports have found. Last week, the Federal Reserve released its triennial study that showed median family net worth overall dropped nearly 40%, between 2007 and 2010.

The Great Recession wiped out nearly 30 years of net worth gains for the typical household. "The median household is no wealthier than they were in 1984," said the Brookings Institution.

Digging deeper into the data shows that some groups of Americans were hit much harder than others.

(1) Asian, black and Hispanic households each lost a much greater share of median net worth, around 60%, than their white counterparts, at 30%.

(2) Younger Americans lost a greater share of their wealth than their parents' generation. Households of people age 35 to 44 saw their net worth decline by 59%. Ignoring home equity, they lost 40%. Senior citizen households, who have a more diversified portfolio of assets, fared better. They lost only 13% of their net worth, and 18% if home values aren't included.

The glimmer of good news is that net worth was steadier between 2009 and 2010, according to Census figures. Overall, it decreased only 4% and, if home equity is excluded, it rose 8%.

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

La Brisa is a 136-unit condominium complex with gated-entry located at the intersection of Bertha St and South Roosevelt Blvd. The complex contains four 4-story buildings:

West Bldg: 40 units, Bertha St view
South Bldg: 32 units, Ocean-view
North Bldg: 32 units, Salt-ponds view
East Bldg: 32 units, Ocean-view

Sales data below is for the standard 2-bed, 2-bath unit of approx 1100 living sqft, which may or may not have a transient license:

	(40 units)		(32 units)		(32 units)		(32 units)		(136 units)	
	WEST Bldg		**NORTH Bldg**		**SOUTH Bldg**		**EAST Bldg**		**Total**:	
	#:	Avg $$:	#:	Avg $$:	#:	Avg $$:	#:	Avg $$:	#:	Avg $$:
1998	7	$193.5K	4	$181.0K	2	$216.0K	6	$202.5K	19	$196.1K
1999	8	$210.7K	4	$194.8K	5	$230.8K	5	$209.4K	22	$212.1K
2000	4	$244.8K	2	$218.0K	1	$286.2K	5	$265.0K	12	$252.2K
2001	5	$261.2K	2	$242.3K	4	$275.8K	5	$283.6K	16	$269.5K
2002	3	$281.3K	8	$272.3K	1	$334.0K	2	$325.0K	14	$286.2K
2003	3	$388.8K	1	$399.0K	6	$477.5K	4	$489.8K	10	$489.7K
2004	2	$571.0K	5	$466.3K	6	$690.0K	1	$519.0K	14	$581.0K
2005	1	$670.0K	3	$558.7K	2	$757.5K	2	$701.0K	8	$657.9K
2006	1	$675.0K	1	$725.0K	0	----------	2	$912.5K	4	$806.3K
2007	0	----------	2	$407.5K	0	----------	1	$684.0K	1	$499.7K
2008	5	$319.7K	0	----------	1	$610.0K	0	----------	6	$368.1K
2009	3	$322.5K	1	$252.0K	2	$422.5K	0	----------	6	$344.1K
2010	1	$350.0K	1	$270.0K	2	$406.5K	1	$450.0K	5	$376.5K
2011	1	$327.5K	1	$245.0K	1	$390.0K	0	----------	3	$320.8K

From the data you can see that La Brisa sales prices reflected the big run-up in the early 2000s, the peak in 2006, then the beginning of the downturn. The last 4 years have fluctuated, and 2011 (with only 3 sales) is too little data to provide meaningful information.

Four La Brisa condo units have sold so far in 2012 for an average price of about $345K … not bad for only half a year!

Currently, these La Brisa units are on-the-market for sale:

	WEST		NORTH		SOUTH		EAST		TOTAL	
2012	2	$339.5K	1	$439.0K	1	$396.0K	2	$427.0K	5	$394.7K

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

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What are AVMs?

AVMs are on-line, home-value estimators, known as **A**utomated **V**aluation **M**odels. The most common ones are Zillow.com, Homes.com, Trulia.com, and Cyberhomes.com.

AVMs offer quick answers, but data limitations reduce their accuracy. Different AVMs have access to the same public information databases, but they use different algorithms and consequently produce different results.

Reliance on public information presents two critical data issues:

(1) Timeliness: There is often a significant time lag in reporting information.

(2) Availability: Lack of data decreases accuracy. In some parts of the country, sales price (for example) is not public information. We know from experience that tax records are often incorrect in reporting squarefootage, number of bedrooms, number of baths, etc.

Would you be surprised to learn that the market for "free" data is a multi-million-dollar enterprise? AVMs make money through advertising, and they capture users' information and sell the "leads". AVMs have two primary goals:

(1) Draw traffic to advertisers

(2) Capture and sell the "leads"

For AVMs, accuracy is not paramount. For AVMs, investing in greater accuracy does not help them meet their primary goals. Keep in mind that AVMs are technology companies, not real estate companies.

For buyers and sellers, accuracy is paramount! Accuracy is a combination of:

(1) Science … manipulation of hard, public information like recent nearby sales prices, square-footage, number of rooms, etc.

(2) Art … allowance for subjective factors like style, condition, appeal, features, views, insurability, lend-ability, configuration, orientation, potential, history, etc. These things require human intervention.

The SCIENCE portion is where AVMs can play a role for buyers … a place to start, a "first cut", just-the-facts-ma'am. The ART portion can't be adequately modeled by computer, and yet it is arguably the most important determinant in the purchase decision.

Property Appraisers in each County use an AVM, also … one configured for "industrial use", so to speak. They do aggregate-evaluations for classes of properties, then tweak those results with exterior observations of individual parcels. We've shown in earlier newsletters that the Property Appraisers estimated "market value" is about 25% lower than the actual sale prices of residences.

AVMs are useful for home-shoppers as a first look, but buyers should not become dependent on them. No matter how good the technology, the best valuations require boots-on-the-ground.

JSmith note: Realtors have to maintain proficiency and stay current with changing laws and procedures. The information above was drawn from a "Continuing Education" class, sponsored by the South East Florida Realtors Association last month. No surprise, but technology improves faster than customers can keep up with it. AVMs have their place, but they don't provide the complete, reliable, repeatable *answer*.

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 May?

Thursday #1: My guest today was **Terri Bersach**, District 4 Vice President of the Florida Association of Realtors. District 4 is holding a Florida Realtors conference in Key West this weekend, and Terri agreed to be on the show to bring news from the “mainland”. The Miami Realtors Association includes almost 30,000 Realtors!! That’s not a typo … more Realtors than the entire *population* of Key West! By contrast, the local Key West Association of Realtors has about 340 members. Let’s see, how many “Orders of Magnitude” is that? Much of our discussion centered on international buyers, social network platforms for marketing and how Realtor Associations are “property rights” advocates in Tallahassee and Washington DC. It was good to look at bigger-picture issues for one Thursday. Terri did a great job!

Thursday #2: My guest today was **Paul Williams**, Urban Forestry Manager for the City of Key West and Director of the City’s “Tree Commission”. Great show, what a wealth of information! Quick … what does “dbh” stand for? OK, I’ll tell you … diameter at breast height. No giggling. And that’s not the only thing I learned. Which trees are *protected* in Key West? Why are Australian Pines and Norfolk Island Pines not protected? Did you know Australian Pines are really oak trees? Did you know Norfolk Island Pines are not named after the city in Virginia? (It’s Norfolk Island off of Australia.) Paul and I barely scratched the surface of his responsibilities to the City and the many functions of the Tree Commission … and he has a counter-part at Monroe County, Kim Gabel. So much to discuss, so little time! I will have Paul on the show again to continue my education, and yours. Maybe Kim Gabel, too!

Thursday #3: My guest today was **Just Me**, your host for “Florida Keys Real Estate” at the KONK Broadcasting Network! I tried to focus on real estate, but I’m nervous about the 5th game of the NBA Championships tonight. Go HEAT!

Thursday #4: My guest today was **Fred Hilderbrandt**, owner of Island Surveying Inc. Fred is a very experienced surveyor in the Florida Keys, and he can tell many tales! There may be no one who has personally visited and tromped-around more Florida Keys properties than Fred. In my book, that’s a PLUS for the survey profession … it’s a hands-on business! And a second PLUS is that it’s *engineering*, minimizing the BS. Boo-yahh. Surveying is a business within the real estate “industry”, so when Fred is doing well, that’s a good sign for all of us. And Fred is doing well! Did I mention the Miami Heat are now the NBA Champions?

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My Current BUYERS in the Lower Florida Keys:

July 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: A long-time "subscriber" to this newsletter from the Washington DC area called me to ask if I would be interested in assisting him in an IRC 1031 Exchange. He is selling an investment property in VA and wants to replace it with another investment property in Key West. Of course, I would! The definition of a "Class A" buyer if there ever was one … motivated under penalty of greater taxes, and under unbendable time constraints! He's looking for waterfront property in the $500K-to-$600K range that would command about $3,000 in rent. Yes, indeed, we have those. Great spirit, send me more 1031 Exchangers!

Buyer #2: A businessman from the Tampa Bay area called because he had seen my "For Sale" signs in Key West. He and his wife just sold a home, and they are planning for retirement in 2 years. At that future time, they want to begin splitting the year between Key West and Pennsylvania. In the meantime, they want to purchase in Key West and rent-out the property for 2 years … taking advantage of depressed prices and low interest rates. They are looking for Key West or Golf Club properties in the $300K price range, fixer-upper OK … condo, townhome or single-family, all are candidates! We can do this, before prices exceed $300K!

Buyer #3: A young couple with children received a note about a property that I sent to their parents! It wasn't right for the parents, but the young couple loved it. They got a Pre-Qual from a local lender, made an offer and we began to negotiate price and terms. But, whoaaa … they decided to really think about their financial situation and plan accordingly. They have decided to wait until they sell a boat before buying a house. It's risky. Their *dream* home may not be available in late summer, but there may be other single-family homes, 3 beds min, $300K price range.

Buyer #4: A couple from Homestead, Florida contacted me about a Keys getaway or vacation home, in preparation for retirement in several years. They would like to buy into the market now, use the property as desired in the meantime, then eventually move into it … or, sell it and upgrade in the Key West area. They'd like to keep their purchase under $250,000 if possible, and they have a boat, so it would be nice to have a place to moor it (waterfront property!). They have done thorough internet research, and we have looked at quite a few homes so far. Ongoing!

Buyer #5: A good friend from *way back* in Coast Guard days found me. He had been stationed in Key West years ago, and visited often since then. A favorite, special place! Nearing the end of his 2nd career in Washington DC as a consultant, he's thinking about a Key West vacation home, or possible "snowbird" winter residence. By the end of the summer, he will have the finances in place and he might want to start a serious search for that magical place-in-the-sun among the T-Shirt and Birkenstocks crowd. Old Town in his crosshairs!

Tara-Nicholle Nelson June 6, 2012

Four Ways to WIN with Multiple Offers

The market is turning, and the multiple-offer situation is happening more and more often. How can a buyer improve their chances of winning the bid when there are multiple offers? Making a victorious offer is more art than science. There are a number of seller priorities that buyers can address in optimizing offers. Here are four strategies for besting the other buyers who are vying for 'your' home:

1. Offer more than asking price (if the market data justifies it). You would be amazed at how many bargain-seeking, recession-trained buyers simply don't do this. Many think they're scoring a deal by making low offers, even in the face of competition. This ignores two essential truths of home buying:

(a) **Essential Home Buying Truth #1:** A bargain price does not a deal make, if you don't get the home.

(b) **Essential Home Buying Truth #2:** In the time it takes to get 'unstuck' from a rigid, lowball offer strategy, you might end up facing even more competition for fewer homes a few months down the road.

Offer more than the list price - not just more than your earlier plan. Talk with your agent about this - and involve your mortgage pro up-front to ensure you don't overextend yourself. Recent sales data and your personal budget must justify the amount you offer, otherwise you're cruising-for-a-bruising when it comes time to have the place appraised - or make the monthly payments.

2. Show off your close-ability. Remember the flip side of Essential Truth #1: a great deal that doesn't close is no deal at all. Sellers are on high alert from the last few years of very high contract cancellation rates. Sellers give top priority to offers with both strong prices and a strong close-ability. Assure the seller you can close.

(a) Shorten contingency periods (seller will get certainty that you'll close the deal sooner than later)

(b) Back-up your over-asking price (minimizing the risk of later appraisal problems)

(c) Make an all-cash or high-down payment offer (if your resources allow)

(d) Obtain inspections, appraisals or bids before offering, then waive those contingencies up front.

3. Work with a well-respected agent and mortgage pro. It can be advantageous to work with an agent who other agents (read: the seller's listing agent) know and love … or at least one they have heard of and respect. No seller wants to entrust their most important transaction (and no listing agent wants to trust their livelihood) to someone they've never heard of and/or who has no track record of getting deals to close, smoothly.

4. Express your love for the home. Here's a tip from the last market peak … buyers can write love letters.

(a) Tell the sellers about yourself or your family

(b) Express how much you love their home

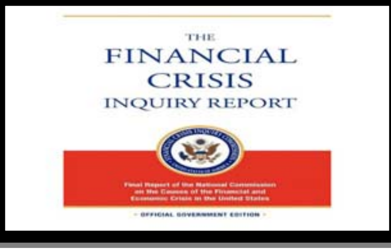
(c) Paint the picture of why it would be such an ideal setting for the next phase of your life.

Such a love letter may not hurt. It might score a counter-offer when the seller might otherwise have accepted another, much-higher offer. If your offer price is close to your competitor's, it might just score you a home.

JSmith note: My recent, personal experience with multiple offers punctuates item #2 above. I've had sellers forego another $15,000 in price in exchange for more certainty in closing. It's a sign of the times, especially with mortgage loans being so difficult to obtain. Avoid trouble. Cash is king.

Financial Crisis Inquiry Commission

post #15



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.

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Parts I, II and III of the FCIC report have been covered previously. This begins Part IV called "The Unraveling" with nine Chapters focusing on early 2007 through the full-blown crisis of September 2008. This post covers summer 2007 and **Disruptions in Funding**:

In the summer of 2007, the declining housing market was becoming worrisome, and market participants were looking under every rock for signs of hidden or latent sub-prime exposure. They found it … the market for asset-backed commercial paper (ABCP) … a crucial, usually boring backwater of the Financial Sector. Commercial paper is short-term, unsecured lending … it's how large institutions raise money for immediate, temporary needs (like payroll). It's backed only by the credit-rating of the issuing company. When that company is exposed to high risk, its creditworthiness falls and it is unable to borrow.

In June 2007, a German Bank (IKB) was willing to take long positions in synthetic CDOs, which made IKB a favorite of US investment banks and hedge funds who were trying to dump them. IKB lost 100% of its investment. IKB's commercial paper was held by a number of US investors. This episode served notice that even risk-averse portfolios like IKB probably held toxic mortgage assets. Panic seized the short-term markets.

In August 2007, Countrywide CEO Angelo Mozillo realized his company was unable to "roll its commercial paper" or borrow on the short-term markets due to risky assets. No non-conforming mortgage product could be sold into the secondary market without egregious discounts. Countrywide had committed to borrowers that they would fund loans, and they faced lawsuits if they did not follow through. On 22 August, Bank of America bought a 16% stake in Countrywide. In October, Countrywide reported its first loss in 25 years. On 11 January 2008, Bank of America purchased Countrywide. Mozillo was quoted:

"When it's between your ass and your image, you hold onto your ass."

Disruptions quickly spread to other parts of the money market. Investors dumped their repo and commercial paper holdings, fleeing to safer money-market funds and Treasury bonds. Market participants were unsure of each other's sub-prime exposure, and they became unwilling to lend to each other. On 5 September 2007, Moodys wrote "A general distrust has contaminated many asset classes. What had been liquid is now illiquid. Good collateral cannot be sold or financed at anything approaching true value."

Commission Conclusions:

(1) The Shadow Bankers (Wall Street) and the commercial banking system had inadequate supervision and regulation. When the mortgage market collapsed, contagion spread uncontrollably to other markets and firms with little or no exposure to mortgage markets.

(2) The Financial Sector had grown enormously in the years leading up to the crisis. It wielded great political power, and it used that power to weaken institutional supervision and market regulation. This de-regulation made the financial system especially vulnerable to the crisis, and it magnified its effects.

msn Money

Bank: We're defaulting, but don't you dare

MarketWatch

Ally Financial is shedding its risky mortgages in bankruptcy court, and it doesn't want its mortgage customers to get any funny ideas.

"**Dear Homeowner**," the letter begins. (That's me, homeowner.)
As you may have read, Residential Capital LLC announced restructuring under Chapter 11, including GMAC Mortgage . . . The restructuring does not change your obligations as a mortgage borrower. You must continue to make your scheduled mortgage payments on time and in full.

I can only guess why they sent me this letter. Maybe they're afraid I'm going to do what they are doing.

ResCap is a subsidiary of Ally Financial, which was founded in Detroit as GMAC in 1919. It nearly collapsed in the 2008 financial crisis after it had made a bold expansion into "liar loans" and other subprime mortgage products. Additionally, the US auto industry it serviced was near death. To keep GMAC alive, the Fed allowed it to become a bank holding company -- giving it the ability to borrow from the Fed at nearly 0%. The US government also gave it a $17.2 billion bailout, of which it still owes nearly $12 billion.

The bailout for GMAC was also a bailout for Cerberus Capital Management, owning 51% of the company. It was also a bailout for General Motors, which required another bailout on top of that.

GMAC was apparently so embarrassed at becoming a ward of a state that it re-branded itself as Ally Bank in 2009, and then its parent company became Ally Financial in 2010. In a stroke of marketing genius, Ally began running a series of commercials to distract consumers from its extraordinary bailout. The ads suggested that the other banks were the cheaters, taking advantage of customers in ways that are amply apparent, even to children. A slick-talking banker conned children out of toys using treacherous contract language, and then a voiceover declared: "Even kids know it's wrong to hide behind fine print. Why don't banks?"

Ally is 74% owned by the taxpayers, and it has come up with a plan to launder its bad mortgages and related liabilities by taking a subsidiary through bankruptcy. This is a novel way for a commercial bank to shed bad loans, but I suppose Ally has to do something after failing a financial "stress test" from the Fed in March.

If only I could restructure my finances the way Ally is restructuring its finances. The property I mortgaged through GMAC is a rental house, and it would be much more profitable without those pesky monthly payments. If only I could form a subsidiary to hold my GMAC mortgage and then have that subsidiary file bankruptcy.

Of course, I'd have to write to my tenant, so that he didn't get the wrong idea:

Dear Renter: I am restructuring my GMAC mortgage. This does not change your obligations as a tenant. You must continue to make your rent payments on time and in full. Yes, GMAC is not making its payments. And I am not making my payments. So why should you? Well, to borrow a line from an Ally commercial, "It's just the right thing to do."

Hey, even kids know a bad example when they see one. Why don't banks?

Southernmost Stars: **1 July 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:
1830 Fogarty #6	$149,000	1	1	598	249	Affordable Housing
3312 Northside #204	$158,000	2	1	736	215	Conventional
3314 Northside #115	**$164,900**	**2**	**1.5**	**736**	**158**	**Foreclosure**
3312 N Roosevelt #616	$175,000	2	2	831	211	Conventional
508 Louisa St #1	$179,000	1	1	214	836	Affordable Housing
3314 Northside #35	**$199,000**	2	2	960	**207**	Conventional
1207-09 William #3	**$225,000**	**3**	**2.5**	**1183**	**190**	**Foreclosure**
3343 Flagler Ave	**$254,520**	**3**	**3**	**1618**	**152**	**Foreclosure**
3930 S Roosevelt #E-403	**$249,999**	**3**	**2**	**1070**	**233**	**Conventional**
3930 S Roosevelt #E-302	**$249,000**	**3**	**2**	**1050**	**237**	**Conventional**

Missing from last month: 3317 Eagle … under contract; 1830 Fogarty #7 … under contract; 3314 Northside #33 … under contract; 524 Margaret #2 … SOLD for $185,000; 3930 S Roosevelt #106-E … under contract

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

Address:	Ask Price:	#beds:	#baths:	Living Sqft:	$/Sqft:	Other:
316 Julia St	**$149,900**	2	1	610	**246**	Convntionl, rehab needed
1200 6th St	**$235,000**	**2**	**1**	**740**	**318**	**Conventional**
1209 Margaret St	**$249,900**	3	1	864	**289**	Conventional
2333 Fogarty Ave	**$259,000**	**2**	**1**	**838**	**309**	**Conventional**
1121 Watson St #2	**$279,000**	1	1	420	**666**	Short-sale
2008 Patterson Ave	**$289,000**	3	1.5	850	**341**	Short-sale
1305 20th St	**$290,000**	**3**	**2**	**1003**	**289**	**Short-sale**
1617 Catherine St	$299,000	3	1	1301	230	Conventional
813-Rear Eaton St	$315,000	2	2	812	388	Short-sale
2922 Flagler Ave	**$325,000**	**4**	**2**	**1488**	**218**	**Short-sale**

Missing from last month: 1611 Bertha St … under contract; 1218-R Packer St … under contract; 1730 Bahama … SOLD for $260,000; 2929 Patterson … under contract

As you can see, 9 of last month's 20 least expensive homes went under contract or sold during the month of June. That's 45% of the Southernmost Stars inventory. April was 25%. May was 30%. Things are moving!

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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