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Hello, everyone …

1 July 2013

Close call, but the Miami Heat are the *repeat* Champions. Phew! The Kodak moment of the whole series? LeBron James blocking Tiago Splitter's dunk at the rim. I remember when I could do that. Just kidding.

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Some economists think that rising interest rates are good for housing. OK in a macro-sense. But hurtful for individual buyers who *just missed* the 3.5%-to-4.0% window. Still, I had a 15% mortgage loan once and the experts thought rates would never get below 10% again. Hang in there. Things change.

I've been tracking all the Key West sales in 2013 and I'll give you the whole analysis at the end of the year. But, at the half-way point, two things are clear:

(1) More than 50% of all sales are CASH, even with interest rates so low. And even with the threat of inflation, where textbooks would say … borrow now and pay-back with cheaper dollars later. I think a factor is windstorm insurance … with no mortgage loan, no requirement to have the insane windstorm insurance.

(2) The number of distressed (short-sale, bank-owned) sales has dropped dramatically. I don't know why. I have a hunch there are still a lot of distressed properties out there. Why are they hiding?

First month of Hurricane Season is past! Remember the prediction for the whole season was 13-to-20 named storms. June produced two … Andrea and Barry, both Tropical Storms. So far the scoreboard looks like this:

2013 Forecast: **13-to-20 named storms w/wind > 39 mph**
→ **of which 7-to-11 are hurricanes w/wind > 74 mph (CAT I + II)**
→ **of which 3-to-6 are major hurricanes w/wind > 111 mph (CAT III, IV and V)**

2013 Actual:	**2**	**Named Storms**
As of 6/30/13	**0**	**Hurricanes (CAT I and II)**
	0	**Major Hurricanes (CAT III, IV and V)**

So long, Tony Soprano!

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Kiplinger

Trusted Personal Finance Advice and Business Forecasts

By **Pat Mertz Esswein**, From *Kiplinger's Personal Finance,* May 2013

9 Ways to Make Your Purchase Offer Irresistible to Sellers

When you're competing with a lot of other buyers, your bid needs to stand out

You've found a home you can afford, in a great neighborhood with good schools. What could go wrong?

Any number of things! In markets with houses in short supply, sellers have the advantage over buyers, and bidding wars often erupt for the nicest properties. Your purchase offer should persuade sellers that you are a serious contender who will give them most of what they want, even as it protects your interests.

- **Pay cash.** Investors have been snapping up homes to flip or rent, and they usually come to the table with cash. Sellers love all-cash offers because they're less likely to fall through. If you need a mortgage, a low appraisal could cause your bank to back out of the deal. Cities attracting strong investor interest include Atlanta, Detroit, Las Vegas and Phoenix.

- **Get preapproved**. If you can't pay cash, you'll need to get a mortgage. Three or four months before you shop for a home, check your credit reports. That will give you time to dispute any errors and take short-term steps, such as paying off debts, that will improve your credit score. Then get a bank's pre-approval. It won't guarantee you'll get a loan, but it will show sellers that you have sufficient income and credit score and can afford payments on a certain amount.

- **Make your best offer on price**. You may only have one shot to get it right, so make your best offer. Base your offer on recent sale prices of comparable properties in the neighborhood so that it will pass muster when the property is appraised. If you hold back, thinking you'll sweeten the offer on the 2nd try, you may lose the property to another buyer.

- **Up the ante**. You can add an escalator clause, agreeing to ratchet up your offer if there's a higher bid from another buyer. Keep in mind that if you agree to pay more than the market value determined by an appraisal, you're on the hook for the difference from your own funds.

- **Beef up your earnest money**. This deposit signals how serious you are. Try doubling the amount that the seller requests. If you must renege on the offer for any reason allowed by the contract or state law, you'll get your money back.

- **Pay for extras yourself**. These might include some of the closing costs, homeowners association dues that must be prepaid, or a home warranty.

- **Make contingencies palatable**. Most sellers prefer offers with no contingencies, but you probably can't afford to forgo the protection that contingencies provide if you want to cancel the contract. Offset a financing contingency with preapproval and a strong earnest money deposit. If you have enough cash, temper an appraisal contingency by assuring sellers that if the appraisal comes in lower than the purchase price, you'll pay the difference or split it with them (up to a certain amount). Include a home-inspection contingency, but tell sellers that you will cover the cost of any repairs. If the price tag on those repairs gets out of hand, you can back out of the deal.

- **Write a love letter to the sellers**. This will help you connect with the sellers, especially if you haven't met them. Try these points: "We're relocating from..." "We see ourselves living in your neighborhood or chose your schools because..." "We especially love..." and "We appreciate your accommodating our visits."

- **Give the gift of time**. Express your willingness to work with the sellers' timetable to go to closing. If the sellers want to remain in the home for a while after closing, offer them a "lease back". Be sure that the sellers keep their homeowners insurance during their stay. If you are bidding on a short sale, make clear to the sellers that you are patient and can wait for the bank's decision.

JSmith note: I've recommended (or considered) most of these buying strategies in the past … except the one about writing love letters. I just can't bring myself to *embrace* that, probably due to a DNA short-circuit somewhere in my double helix. But if Kiplinger thinks it is a worthy idea, I won't delete it from the article. There must be evidence that it has worked (?).

KEY WEST multi-unit properties: On-market and recent sales. 1 JULY 2013

	List Price:				$-per-Unit: (blue = under $200K ea)	
DUPLEXES:						
1612 Bertha St:	$ 410,000	ROI	**8.23%**	duplex	$ 212,500	
~~**1210 Virginia St**:~~	~~$ 427,000~~	~~ROI~~	~~**6.79%**~~	~~duplex~~	~~$ 213,500~~	Under contract 6/28/13
~~**3409 Eagle Ave**:~~	~~$ 469,000~~	~~ROI~~	~~**7.01%**~~	~~duplex~~	~~$ 234,500~~	Under contract 6/16/13
~~**316 Amelia St**:~~	~~$ 499,000~~	~~ROI~~	~~4.45%~~	~~duplex~~	~~$ 249,500~~	Under contract 6/22/13
2514 Staples Ave:	$ 595,000	ROI	**5.21%**	duplex	$ 297,500	
1122 Eaton St:	$ 599,000	ROI	**3.51%**	duplex	$ 299,500	
421 United St:	$ 699,000	ROI	**3.88%**	duplex	$ 349,500	Price reduced
~~**1223 Royal St**:~~	~~$ 699,000~~	~~ROI~~	~~2.11%~~	~~duplex~~	~~$ 349,500~~	Under contract 6/24/13
1321 South St:	$ 750,000	ROI	**3.12%**	duplex	$ 375,000	
914 Frances St:	$ 795,000	ROI	**2.49%**	duplex	$ 397,500	Short-sale
1324-28 Duncan St:	$ 799,000	ROI	**3.63%**	duplex	$ 399,500	
~~**1100 Angela St**:~~	~~$ 1,190,000~~	~~ROI~~	~~**2.55%**~~	~~duplex~~	~~$ 595,000~~	Cancelled 5/10/13
815 Eisenhower Dr:	$ 1,395,000	ROI	**2.12%**	duplex	$ 697,500	
3 UNITS:						
1614 Dennis St:	$ 649,000	ROI	**7.62%**	3-units	$ 216,333	
1821 Harris Ave:	$ 799,000	ROI	**7.27%**	3-units	$ 266,333	
622 Grinnell St:	$ 1,200,000	ROI	**2.35%**	3-units	$ 400,000	
~~611 William St:~~	~~$ 1,399,000~~	~~ROI~~	~~1.31%~~	~~3-units~~	~~$ 466,333~~	Listing cancelled
4 UNITS:						
1023 Whitehead St:	$ 850,000	ROI	**11.79%**	4-units	$ 218,750	Temporarily off market
1119-23 Simonton:	$ 1,100,000	ROI	**4.71%**	4-units	$ 275,000	Price reduced
530 William St:	$ 1,645,000	ROI	**10.36%**	4-units	$ 411,250	
Greater than 4 UNITS:						
1301 Truman Ave:	$ 925,000	ROI	**10.36%**	8-units	**$ 115,625**	
733 Whitehead St:	$ 1,000,000	ROI	**8.40%**	6-units	**$ 166,667**	
400 Simonton St:	$ 1,599,000	ROI	**2.61%**	6-units	$ 266,500	

SALES: recent or imminent

1309 Elizabeth St
SOLD 6/6/2013
for **$439,000**

917 Grinnell St
SOLD 6/13/2013
for **$640,000**

2504 Patterson Ave
WILL SELL 7/10/2013
for **$370,000**

The Results of Idle Time spent on the Internet:

I don't remember what possessed me to check this … maybe it was the news story about the sinkhole that opened up under a house on the Florida West Coast, swallowing a man asleep on his bed. But I found a website that lists all known sinkholes County-by-County in the State of Florida. Here it is:

http://fcit.usf.edu/florida/maps ... there you'll find "**County Sinkhole Maps**"

Wow! There are thousands of sinkholes in the State! Take a peek at the Sinkhole Maps for these Counties: Hillsborough, Lee, Pasco, Pinellas, and Polk to name a few.

What causes a sinkhole? Chemistry. Much of the land in Florida is limestone and porous. Limestone slowly dissolves in water, and Mother Nature provides a lot of water in Florida. So, the land looks like Swiss Cheese underneath, and the hollow sections grow in size as the chemistry between limestone and water takes place over time. Eventually, in some areas, the support for the surface fails, and presto! Sinkhole.

But, here's the GOOD news. In Monroe County, there is only one known sinkhole! It's in the Florida Keys. In fact, it is in Key West. It was reported in September, 1978. Would you like to know *exactly* where it is? The property address is **2609 Staples Avenue**! I couldn't stand the suspense, so I drove over and took a picture of it. Here it is, and Google Earth:

Tax records tell me the house was built in 1963, and there are no indications of sales since then, only Quit Claim deeds and transfer of the property into a Trust. So, I assume the property has been in the same family since 1963. Surely (?) the family is aware of their property being "memorialized" in official State records as the location of Monroe County's only sinkhole.

It's interesting to see that all of Florida's existing sinkholes are accounted for, classified and categorized. What would *really* be interesting is to see where the next sinkholes are predicted to occur!! But, I don't think we have the technology to do that … not yet.

So, if you're interested in purchasing a Lower Florida Keys property, I think you are SAFE from the menace of sinkholes. Thank goodness … there are enough other hurdles to clear. But they can be surmounted, and it's a very good time to buy!

<u>My Current BUYERS in the Lower Florida Keys:</u>

July 2013

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 <u>you</u>, too! It will be a challenge to highlight 5 <u>new</u> 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 <u>are</u> one of my buyer-prospects, surely you will recognize yourself!

<u>Buyer #1</u>: After the last issue of this newsletter went out, I got a call from a recipient in southern California

who wanted to see ALL the listings of Key West duplexes currently on-the-market. Within a day, the buyer called back with her selection, and that same evening we had submitted a purchase offer! Wow, memories of the early 2000s when things were smokey red-hot! We are now under contract, busy inspecting and appraising and surveying and applying for financing. High insurance quotes threaten to derail the train, but we may be able to circumvent that. Intention is for the duplex to be an investment property + vacation home. Work in process.

<u>Buyer #2</u>: I read in a NAR publication that one of the most important and under-rated marketing devices is

the Realtor's sign in the front yard of a for-sale listing. That's proving to be true. I have an Old Town duplex listed for sale in a very appealing location … and I'm getting regular calls from passers-by. What's the conversion rate? Nowhere near the Spurs' Danny Green's 3-point shooting percentage! But I'll take it. A few calls have led to showings … and showings may lead to contracts. So, here's a shout-out for those under-appreciated For Sale signs!

<u>Buyer #3</u>: A prospect I had talked to over the telephone in the last year called back with a "plan". They

would like to experiment with a monthly rental first, decide whether they like KW enough to relocate and purchase … and if so, hopefully use me as their buyer-Agent. I was happy to refer the call to a Property Mgr, banking on the idea that they will *love* KW and want to live here! So, watch out everyone … there will be at least one couple scouting all the local nooks-and-crannies in July (arts, ocean, history, restaurants, churches, bars, etc) seeking the "truth".

<u>Buyer #4</u>: I worked with a buyer/neighbor over a year ago on the purchase of a bank-owned property, but

the transaction never really got started … and the property was on-and-off the market, seemed to be going nowhere, like the bank couldn't decide what it wanted to do. Banks should not be in real estate. Suddenly the property was back-on-the-market. Boom! Buyer was still interested, we generated the paperwork quickly and got it submitted. The condition of the property is deteriorating, not unusual with properties that have been neglected for years … but salvageable! A purchase is looking good.

<u>Buyer #5</u>: I re-connected with New York friends and Key West investment property owners, a church-

related relationship. A duplex neighbor of theirs has their property on the market … (actually it's not "their" property any more, bank-owned). My clients would like to buy it and expand their KW investments. The property has attracted a LOT of interest and offers. We may be a little late to the party, but the paperwork is in process! BayView park area, under $500,000 … but may sell for significantly over asking price.

MoneyTalksNews

Improving lives for 23 years, 6 days

By **Angela Colley**, June 26, 2013

Why You Should Buy a House Now

The housing market is on the upswing in many parts of the country and now is a great time to buy. Do it soon. I can't say what's going to happen in next few months. But over the next few years, odds are home prices will increase, and so will interest rates. If you don't buy now, one day you'll look back and wish you had.

Prices have seen their lows: It's no secret the nationwide housing market took a dive during the Great Recession, with prices plunging and Americans walking away from, or losing, their homes. Fast-forward to today: Pent-up demand, decreased supply and an improving economy are showing up as higher home prices. According to the S&P/Case-Shiller Home Price Indices, housing prices nationwide were 10.2% higher in the first quarter than they were in the first quarter of 2012. And prices in some of the hardest-hit and most active markets jumped even more. While every real estate market is local and it's unlikely the recovery will continue at such a blistering pace, it's safe to say the bottom in housing prices is behind us. Another buy signal is the cost to own versus rent. Trulia found it's cheaper to buy than rent in many markets. Statistics like these suggest more demand on the horizon.

Rates have seen their lows: Just a few weeks ago, mortgage rates were at historic lows – less than 4% for a 30-year fixed-rate loan. But, those days may be fading. According to HSH.com:

> *There is some reason to expect a little settling of rates after the market upset subsides, but probably not a lot of space for rates to fall. Given the sensitive and nervous nature of the bond and stock markets at this point, there is more room to rise. Over the next nine-week period, we think that the average overall 30-year fixed will wander a path between 3.82% and 4.16%.*

Nothing's guaranteed. If the economy weakens, both interest rates and home prices could pull back. But if the recovery stays on track, it's likely both rates and prices could rise further, suggesting it's time to get off the fence and either take out a mortgage or refinance one.

Should you buy? Consider these points before you start shopping:

(1) **Can you afford it?** Most lenders suggest not spending more than 28% of your gross income on housing. That includes mortgage payment, insurance and real estate taxes.

(2) **Do you have a down payment?** During the housing crunch, many lenders were asking for 20% down, but that's changing. Some lenders are accepting 10% down from buyers with good credit, and others are going as low as 5%. FHA loans can be had for as little as 3.5% down. But remember: The more you put down, the lower your monthly payment and the less interest you'll pay overall.

(3) **How's your credit?** The average successful mortgage applicant has a 764 credit score. Get your credit reports and scores at least six months before you start applying and work on raising your numbers. Lower credit scores mean higher rates, which can cost tens of thousands in extra interest over the life of a loan.

(4) **Are you staying put?** Homebuying is for the stable. Transaction costs are high … it can take years to break even. If you're unsure about your ability to stay put for at least 5 years, you may be better off renting.

How to get started: If now's the time, here are the first steps:

(1) **Get preapproved for a mortgage**. Shopping without preapproval is a waste of time.

(2) **Think before you shop**. Focus on the features you *need* first, then those you want. Don't overbuy. Remember, every extra square foot costs more to buy, maintain, heat, cool, furnish and clean.

(3) **Find a real estate agent**. You can buy without one, but a good agent can save you a lot of time and money. And keep you out of trouble.

CNNMoney
A Service of CNN, Fortune & Money

By Les Christie @CNNMoney July 1, 2013

Thousands of borrowers to get mortgage payments reduced

Starting July 1st, hundreds of thousands of struggling borrowers could be in for a pleasant surprise: a quick and easy way to get their mortgage payments back on track -- and save considerable money.

Through a new effort called the **Streamlined Modification Initiative**, borrowers with Fannie Mae or Freddie Mac mortgages who are at least 90 days behind on payments will start receiving offers from lenders to lower mortgage payments.

The Federal Housing Finance Agency (FHFA), which oversees Fannie and Freddie, won't say how many delinquent homeowners will receive the modifications, but the Mortgage Bankers Association reported in May that about 1.1 million borrowers are behind on their loans by three payments or more.

FHFA claims to have helped 2.7 million borrowers keep their homes through its other foreclosure prevention efforts, such as the Home Affordable Modification Program which was launched in March, 2009.

Unlike those previous efforts, however, the Streamlined Modification Initiative won't require borrowers to file any financial paperwork. Instead, they just need to make the new payments for a trial period of three months and then the modification becomes permanent. The extensive paperwork and procedures that other foreclosure prevention initiatives require has been a major obstacle in getting people the help they need. Paperwork gets lost, borrowers are asked to provide documents over and over again, and evaluating a borrower's eligibility can be time consuming.

Lenders will lower a borrower's monthly payments by either extending the term of the loan -- usually from 30 to 40 years -- and reducing the interest rate. The new program **falls short of reducing the principal** on the loan, a move FHFA has consistently blocked. Nevertheless, the changes could mean big savings for anyone with a high-rate loan who was unable to refinance to the historically low rates of the past couple of years.

Modifying a 30-year, $200,000 loan with a 5.5% rate to a 40-year term with a 4% rate will reduce the monthly payment to $835 from $1,135 -- a $300 difference. Requirements:

(1) The loans must be at least 12 months old, held by Fannie Mae or Freddie Mac
(2) Borrowers can't be more than 24 months behind on payments
(3) Principal balances must be 80% or more of the value of their homes.

The new program is scheduled to last through December 2015.

Lower Keys Real Estate Data: Just the facts, Ma'am ©

Las Salinas is a popular 216-unit condo complex on the Key West east side. For the 13 years from 2000 to 2012, this is how the real estate market has treated Las Salinas:

		500+ sqft 1-bd, 1-ba	750 sqft 2-bd, 2-ba	1070 sqft 3-bd, 2-ba	1250 sqft 3-bd, 2-ba	**Total**
2000 ……..	#Sold	3	5	5	1	**14**
	Avg $	$111,000	$143,900	$162,200	$160,000	**$144,600**
2001 ……..	#Sold	0	5	12	2	**19**
	Avg $	none	$163,400	$180,100	$180,000	**$175,700**
2002 ……..	#Sold	3	9	13	7	**32**
	Avg $	$142,300	$207,700	$219,400	$244,000	**$214,300**
2003 ……..	#Sold	3	7	7	2	**19**
	Avg $	$278,700	$303,200	$306,500	$322,000	**$302,500**
2004 ……..	#Sold	4	11	5	2	**22**
	Avg $	$311,800	$419,200	$438,000	$477,000	**$406,900**
2005 ……..	#Sold	4	5	6	1	**16**
	Avg $	$401,438	$498,600	$554,167	$590,000	**$511,051**
2006 ……..	#Sold	0	5	0	0	**5**
	Avg $	none	$349,000	none	none	**$349,000**
2007 ……..	#Sold	0	3	6	4	**13**
	Avg$	none	$358,000	$342,317	$372,500	**$359,492**
2008 ……..	#Sold	0	1	2	0	**3**
	Avg$	none	$300,000	$299,500	none	**$299,667**
2009 ……..	#Sold	1	3	7	2	**13**
	Avg$	$145,000	$186,333	$213,286	$206,500	**$200,770**
2010 ……..	#Sold	3	7	2	0	**12**
	Avg$	$134,000	$189,571	$225,000	none	**$181,583**
2011 ……..	#Sold	2	4	4	1	**11**
	Avg$	$137,950	$193,000	$188,975	$215,000	**$183,618**
2012 ……..	#Sold	0	8	11	1	**20**
	Avg$	none	$185,188	$218,272	$249,000	**$206,575**

Interesting how there are several years where the 2-bed/2-bath units sold for higher than the 1070 sqft 3-bed/2-bath units! In 2012, the average selling prices were about the same as 2002, the vanished decade. Five 2013 sales show continuing price gains. Inventory is low … only five units on-the-market.

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

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Southernmost Stars: **1 JULY 2013** 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 #514	**$136,500**	**1**	**1**	**528**	**259**	**Short-sale**
3312 Northside #231	**$172,900**	**2**	**1**	**736**	**235**	**Conventional**
1016 Howe St #9	**$174,900**	1	1	144	**1215**	Transient license!
419 William St #6	**$184,000**	efficiency		300	**613**	Conventional
1016 Howe St #10	$195,000	efficiency		110	1773	Transient license!
3312 Northside #215	$199,000	2	1	800	249	Conventional
3312 Northside #104	$199,900	2	1	736	272	Conventional
60 Merganser Dr	**$219,184**	2	1	780	**281**	Foreclosure
2521 Fogarty #2	$230,000	2	1	667	345	Conventional
3930 S Roosevelt #N-110	**$248,000**	**2**	**2**	**806**	**308**	**Conventional**

Missing from last month: 157 Golf Club Dr … under contract
3314 Northside #47 … replaced by less expensive unit
1011 Varela St #3 … replaced by less expensive unit

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

Address:	Ask Price:	#beds:	#baths:	Living Sqft:	$/Sqft:	Other:
727 Emma St	**$299,000**	**2**	**1**	**640**	**467**	**Conventional**
718 Thomas St	$349,900	2	2	855	409	**Conv: Temp off-market**
1112-rear Margaret St	**$359,000**	2	1	664	**541**	Conventional
3525 Flagler Ave	**$360,000**	3	2	1104	**326**	Conventional
1609 Trinidad Dr	**$365,000**	**3**	**2**	**1083**	**337**	**Foreclosure: auction only**
717 Galveston Ln	$369,000	1	1	532	694	Conventional (ren proj)
909 Catherine St	$369,000	1	1	740	499	Conventional
2831 Flagler Ave	$375,000	3	2.5	1300	288	Conventional
723 Thomas St	**$399,000**	**3**	**2**	**1110**	**360**	**Conventional**
1329 20th St	**$399,000**	**4**	**2**	**1513**	**264**	**Short-sale**

Missing from last month: 3307 Donald Ave … under contract 1232 3rd St … under contract
1711 Johnson St … under contract
3412 Flagler Ave … replaced by less expensive unit

Almost 1/3 turnover from last month's STARS! Last month prices had to rise to capture the "bottom 10", but June back-tracked a little with 3 properties replaced by less expensive units. The market is 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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