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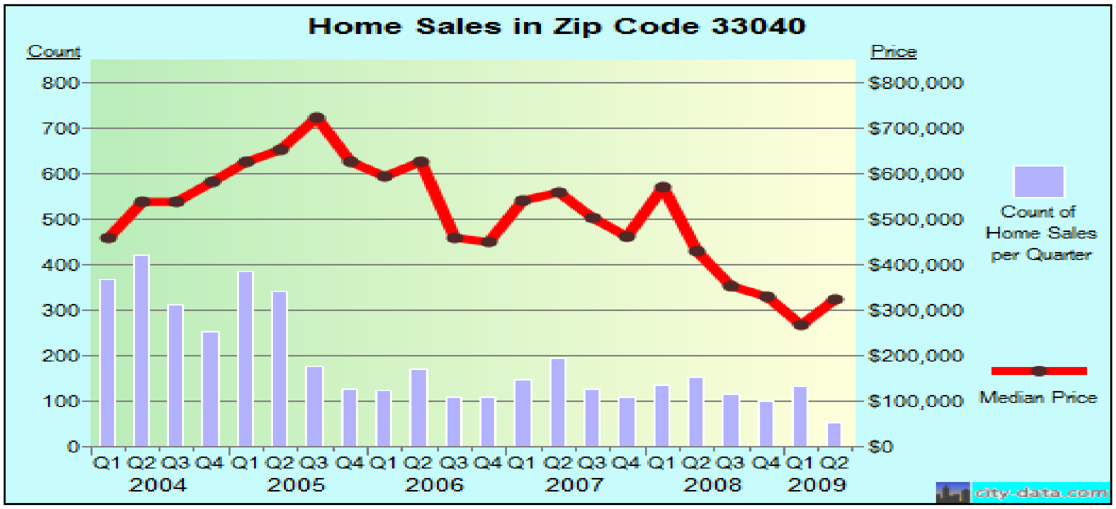
3 August 2009

Hello, everyone …



That's the last 5-and-a-half years in a nutshell.

Table of Contents for this issue:

I'll continue to stick to my current assessment of the market … the # of sales is picking-up, and they are predominantly the lower end, distressed properties. Short-sales and foreclosures are still a pain-in-the-butt, yet a necessary evil. Realtor "activity" may be at an all-time high (being busy is easy!), but nothing counts until it closes, and closings are still *way* slow.

The multi-unit inventory shrank in July … 3 departed (below), none entered, net -3. It's the s-l-o-w season! Here are the dearly departed.

Address:	Type:	Listing Price:	Results:	Date:
3739 Duck Ave	**duplex**	**$ 345,000**	**CANCELLED**	**on 7 JUL 09**
719 Francis St	**3-4 unit**	**$ 400,000**	**EXPIRED**	**on 20 JUL 09**
720 Windsor Lane	**3-4 unit**	**$ 710,000**	**EXPIRED**	**on 10 JUL 09**

I'm getting geared-up for the Leukemia Society "Team-in-Training" again this year. Training starts in mid-August for the DisneyWorld full and half marathons in early January 2010. Come and see what it's all about!

Jim Smith, Broker Associate
Realty Executives Florida Keys

The New York Times

OP-ED CONTRIBUTOR

What You Might Not Know About the Recovery

By JOE BIDEN *Vice President of the United States* July 26, 2009

SIX months ago we were confronted with a once-in-a-lifetime economic crisis. The US was hemorrhaging more than 700,000 jobs a month, the housing market was in free fall, and the fate of the financial system hung in the balance. The actions we took by passing the Recovery Act, stabilizing the banking system, pressing to get credit flowing again and helping responsible homeowners, brought us back from the precipice. We still have a long way to go, but clearly we are closer to recovery today than we were in January. The Recovery Act has been critical to that progress.

The Recovery Act remains misunderstood by many, and misconstrued by others. Critics have suggested that the entire $787 billion is being spent on pet programs. I want to set the record straight. The single largest part of the Recovery Act (more than one-third of it) is **tax cuts**. 95% of working Americans have seen their taxes go down as a result of the act. The second-largest part (just under a third) is **direct relief to state governments** which avoids laying off teachers (14,000 in NYC alone), firefighters and police officers and preventing states' budget gaps from growing wider. The bottom line is that two-thirds of the Recovery Act doesn't finance "programs," but goes directly to tax cuts, state governments and families in need, without red tape or delays.

As for the final third, the act is **financing the largest investment in roads since the creation of the Interstate highway system**; construction projects at military bases, ports, bridges and tunnels; long overdue Superfund cleanups; the creation of clean energy jobs of the future; improvements in rural water systems; upgrades to overtaxed mass transit and rail systems; and much more. The wide array is needed given the incredible diversity of the American economy.

Projects are being chosen without earmarks or political consideration. More than 30,000 projects have been approved, and thousands are already posted on recovery.gov — providing a high level of transparency and accountability. We have not hesitated to reject proposals that have failed to meet our merit-based standards.

Are we moving too slowly? The act was intended to provide steady support for our economy over an extended period — not a jolt that would last only a few months. Instead of quick-hit rebates, we are giving Americans a tax cut in each paycheck. Instead of pumping out all the state aid immediately, we are spreading it over the two years that it will be needed. Road projects, energy projects and construction projects are being started as soon as they pass review, and contracts are competitively bid. We have already committed more than 25% of the Recovery Act's total funds, on track to meet the deadline of spending 70% by the end of September 2010.

Addressing multiple problems simultaneously makes it an easy target for second-guessing. Critics have argued that the tax cuts are too small (or too large); that too much (or not enough) aid is going to rural areas; that too little (or too much) is being spent on roads. But the way I see it, our balanced approach recognizes that there is no silver bullet, no single thing, that can address the many and complex needs of America's vast economy. We need relief, recovery and reinvestment to cope with our multifaceted crisis — and only 159 days after it was signed by President Obama, the Recovery Act is already at work providing all three.

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

Zillow.com is a popular website that advertises "accurate" estimates of a home's market value. They manipulate public information on home sales to make the estimates, primarily County tax information. The exact calculation is a secret! There are other websites that attempt the same prediction, too (housevalues.com, homegain.com, housefront.com, cyberhomes.com) to name a few. In my opinion, these website are a great exercise in mining data, but they are poor predictor's of market value.

Realtors find that many buyers and sellers put a great deal of faith in the zillow estimate of a particular property's value (called a "zestimate"). So, I'll give zillow high marks for marketing itself. But zillow operates under a great handicap … it is unaware of many of the variables that make up a property's *value*. It only knows tax records. After years of experience with them, I know tax records are inaccurate.

I looked at all 9 Key West properties that sold in the first 3 weeks of July. I compared their actual selling price to the zillow "zestimate" of the property's value. Here's what I found:

Address:	Sold Price:	Zestimate:	Difference:	% off:
2119 Staples Ave	$270,000	$411,500	-$141,500	-52.4%
1714 Washington St	$300,000	$304,000	-$4,000	-1.3%
1232 South St	$300,000	$528,500	-$228,500	-76.2%
1615 Seminary St	$300,000	$339,000	-$39,000	-13.0%
711 Elizabeth St	$305,000	$501,500	-$196,500	-64.4%
1213 20th Terrace	$350,000	$527,500	-$177,500	-50.7%
1507 5th St	$350,000	$407,500	-$57,500	-16.4%
715 Ashe St	$465,000	$662,000	-$197,000	-42.4%
1727 Bahama Dr	$499,000	$582,500	-$83,500	-16.7%
9	$3,139,000	$4,264,000	-$1,125,000	**-35.8%**

In every case the zillow "zestimate" was too high, on the average more than a third too high. One of those sales (711 Elizabeth St) was mine! Zillow didn't know that the structure has been vacant for years and needs major renovation … public records don't show that. None of the other websites would know that either. A live buyer or seller (or their Realtor) would factor-in many other important variables … curb appeal, parking, pool, flood zone, easements, licenses, neighborhood, condition, etc., in determining market value. Public data ignores a LOT of information critical to determining the current market value of a home.

I wouldn't bet-the-farm on the Zillow.com zestimate. Zillow won't be putting Realtors or appraisers out of business!

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

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MULTI-UNIT PROPERTIES:

1 August 2009

address = "Short Sale" or foreclosure

DUPLEX (top 10):			ROI:					ROI:	
2007 Flagler:	$360K	Max	11.27%	On market 8JUN	**1725 Johnson:**	$289K	Max	8.86%	On market 19MAY
MLS110984		Min	10.03%	**Reduced** 29JUL	MLS110889		Min	7.77%	**Reduced** 28JUL
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** 2JUL	MLS109389		Min	8.60%	**Reduced** 6MAY
1319 2nd St:	$299K	Max	10.97%	On market 8MAR	**3314 Nortside #24a:**	$299K	Max	9.10%	On market
MLS110430		Min	9.92%	**Reduced** 19APR	MLS107613		Min	7.83%	**Reduced** 21AUG
1634 Johnson:	$250K	Max	11.38%	On market 10MAR	**2417 Patterson:**	$299K	Max	7.35%	On market 8MAR
MLS548158		Min	9.85%	**Reduced** 22APR	MLS110429		Min	6.61%	**Reduced** 29APR
2226 Patterson:	$499K	Max	7.93%	On market 5APR	**1907-09 Patterson:**	$399K	Max	8.06%	On market 7NOV
MLS110648		Min	7.02%		MLS109613		Min	7.02%	**Reduced** 29JUL

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		Min	6.55%		MLS107921		Min	8.12%	**Reduced** 16DEC
1125 Washington:	$688K	Max	8.67%	On market 18FEB	**2618 Fogarty:**	$695K	Max	7.84%	On market 24NOV
MLS107914		Min	7.51%	**Reduced** 24JUL	MLS109707		Min	7.07%	
726-28 United St:	$535K	Max	9.54%	On market 9DEC	**811 Thomas St:**	$425K	Max	10.62%	On market 1OCT
MLS109831		Min	8.15%	**Reduced** 7JUL	MLS109377		Min	9.24%	**Reduced** 5FEB

> 4 UNITS (top 2):			ROI:					ROI:	
1301 Truman Ave:	$1.5M	Max	13.38%	On market 18JUN	**1214 Catherine:**	$649K	Max	13.79%	On market 9NOV
MLS111056		Min	11.45%		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	Max income Unit #1: (12)x($1,350)x(0.95) = $15,390
	Min rent = $1,300/mo	Min income Unit #1: (12)x($1,050)x(0.95) = $11,970
Unit #2 is 1-bed, 1-bath	Max rent = $1,050/mo	Max income Unit #2: (12)x($1,300)x(0.95) = $14,820
	Min rent = $ 995/mo	Min income Unit #2: (12)x($ 995)x(0.95) = $11,343

Vacancy rate: 5%

Max sell price = 96% of ask price — Max expenses = (0.025)x(0.96)x(sell price) = $18,000

Min sell price = 92% of ask price — Min expenses = (0.025)x(0.92)x(sell price) = $17,250

Taxes + insur = 2.5% of sell price

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

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

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.

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
North Bldg: 32 units, Salt-ponds view
South Bldg: 32 units, Ocean-view
East Bldg: 32 units, Ocean-view

MLS data below is for a "*representative unit*": 2-beds, 2-baths, approx 1100 living sqft, no transient license:

	(40 units) **WEST Bldg**		(32 units) **NORTH Bldg**		(32 units) **SOUTH Bldg**		(32 units) **EAST Bldg**		(136 units) **Total**:	
	#:	Avg $$:	#:	Avg $$:	#:	Avg $$:	#:	Avg $$:	#:	Avg $$:
1998	1	$188.5K	0	----------	3	$212.3K	2	$212.5K	6	$208.4K
1999	7	$219.9K	3	$198.0K	1	$215.0K	0	---------	11	$213.5K
2000	4	$244.5K	2	$218.0K	1	$295.0K	2	$250.0K	9	$245.4K
2001	6	$259.3K	1	$234.5K	4	$275.8K	2	$281.5K	13	$269.1K
2002	1	$275.0K	3	$291.8K	1	$334.0K	1	$324.0K	6	$301.4K
2003	3	$388.5K	1	$399.0K	1	$505.0K	2	$450.0K	7	$424.2K
2004	1	$490.0K	1	$399.0K	2	$654.0K	0	---------	4	$549.3K
2005	1	$670.0K	1	$675.0K	1	$750.0K	1	$765.0K	4	$715.0K
2006	1	$675.0K	0	----------	0	----------	1	$820.0K	2	$747.5K
2007	0	----------	1	$430.0K	0	----------	0	----------	1	$430.0K
2008	3	$314.0K	0	----------	1	$610.0K	0	----------	4	$387.9K

What do you notice in the data?

(a) From 1998 to 2003, there were 8 or 9 sales per year. Since then, only 3 sales per year. With so few sales in the last five years, any sales statistics come with very low confidence.

(b) The average selling prices grew year-by-year until 2006, and the *rate of growth* was sizzling starting in 2002. Starting in 2006, the boom was over … low number of sales, low selling prices.

(b) It is clear that there is a *premium* on those units with the Smathers Beach and Atlantic Ocean view from the SOUTH and EAST buildings.

In the first seven months of 2009:

(a) 2 representative units have sold so far … for $325 (WEST Bldg) and $400K (SOUTH Bldg).

(b) 9 representative units are currently on-the-market, ranging from a short-sale at $289K to $750K. Average asking price is $412K. Five of those 9 units are under contract, and not surprisingly they are the five least expensive. When those five sell, the average asking price for the remaining four will be $641K.

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Florida Association of Realtors

Scales tip toward buying a home

2009 The Associated Press

PHOENIX – July 22, 2009 – For Aaron Carter, a musician who was struggling to fit a drum set, a piano and three guitars into his 600-square-foot apartment in Phoenix, the math on owning a home finally began to work in his favor. Rent for the apartment he shared with his wife: $615. Mortgage payment for a home with twice the space: $760. And the interest on a mortgage is tax-deductible. So they jumped at the chance to buy some elbow room.

For Americans debating whether to buy or rent their homes, the scales are tipping toward ownership. Because of the slide in home prices, low interest rates and tax incentives, renters are realizing they could handle a mortgage for a just little more money. An AP analysis of 45 metro areas finds the gap between the monthly mortgage payment on a median-priced home and the median rent has shrunk from $777 a month to just $221 in the past three years. In some metro areas the gap was less than $100 a month and the gap should get even smaller.

In once-inflated markets like Phoenix, Las Vegas and inland swaths of California and Florida, where prices have tumbled more than 40 percent, sales are rising because first-time homebuyers are snapping up bargain-priced homes. Cheap foreclosures in some of those markets are now drawing multiple bids. As supply and demand even out, home prices will eventually begin to rise. But for now buyers are having no trouble finding bargains.

The study, conducted for the AP by Marcus & Millichap Real Estate Investment Services, used prices for the first three months of this year. It calculated mortgage payments by assuming a 10 percent downpayment, a 30-year fixed loan at 5.15%, and taxes and insurance of up to 1.5% of the purchase price. It assumed borrowers used private mortgage insurance.

While the analysis found the gap between what it costs to own and rent is shrinking, it's still too wide for millions who live paycheck to paycheck. Renters with jobs in the education, retail and transportation industries don't earn enough to rent the average two-bedroom apartment in many of these major cities, let alone buy, according to a recent study of 200 metro areas by the Center for Housing Policy.

Renters who want to become homeowners also face the obstacles of scraping together a downpayment and qualifying for the loan. And renters with a record of paying bills late will have a hard time getting a low interest rate.

"There's still those buyers that are having trouble getting financed," says Brad Snyder, an agent with ZipRealty in Las Vegas. "A lot of them are still just looking for that easy way in, and it's just not there."

Homeowners also have to shoulder many costs renters don't face – association fees, insurance, and some utilities. And there are still cities, among them San Francisco and Los Angeles, where it's usually still more affordable to rent – even though home prices have fallen more than 30%.

Mike Sigal, a longtime renter in San Francisco, has looked at buying a home for the past couple of years. But buying one comparable to the two-bedroom, two-bath apartment he has now would cost more than $600,000, meaning the mortgage would far exceed his $1,800 rent. "The math doesn't come out," said Sigal, 42, who runs an information services company. "I've got extreme value for my rent."

Nevertheless, homes in some parts of the country are more affordable than they've been in decades. Even Dean Baker, an economist who sounded early warnings about the housing bubble and sold his own condo in 2004, has come around. Baker, co-director of the Center for Economic and Policy Research in Washington, bought a five-bedroom house last month for $650,000, which he figures is about 20 percent below what it would have gone for at the peak of the market. "We feel we got a pretty good deal," Baker said.

TBO.com Tampa Bay Online

FloridaTrend.com DAILY PULSE

Tuesday 21
JULY 2009

Rent plan may keep people in homes

By SHANNON BEHNKEN

Losing your home to foreclosure may no longer mean you have to leave. Congress is considering a controversial plan that would allow homeowners to rent their foreclosed home for at least 5 years. The proposal is setting the real estate community abuzz. Florida doesn't need any more vacant homes.

"It's clear that the modification plans have not been as successful as Congress had hoped," said the Center for Economics and Policy Research. "We need something that will make more of an impact."

The Sunshine State's foreclosure rate remains the third-highest in the nation. 3% of Florida households have received a default notice, auction notice or bank repossession. The proposal is being considered for homeowners whose mortgages do not qualify for modification programs to make them affordable.

Some versions of the plan involve lenders keeping the home and hiring a management firm to handle the rental arrangement. Market-rate rent would be determined by a professional appraiser.

The plan was first proposed two years ago, and it has evolved and continues to be tweaked. The lender would have more of an incentive to work something out through a modification. Under the plan, the lender still could sell the home but the homeowner would come with the home. The homeowner, turned renter, would be allowed to stay until the lease runs out, which could last as long as 10 years.

One potential problem is that many homeowners who lose their properties may not be interested in staying as renters. And the program could have unintended consequences. Lenders would feel pressure to shed properties to avoid becoming a landlord. Investors, who would have to give up some property rights, would low-ball lenders. The result could drag down housing prices even more.

Others think the plan is a win-win for everyone involved. Investors may want to buy the homes because they know they have a long-term tenant and a steady revenue source. Lenders may like the plan because they'll be able to find buyers faster. Homeowners would be happy because they'll have a secure lease and not have to foot the bill to relocate.

Real estate analysts with Weiss Research said the plan is one of several the Obama administration is hoping will keep more homes from becoming vacant. “If you have a warm body in the house that will keep it from going into disrepair and keep the lawn mowed, that will be at least somewhat helpful."

Interesting weather data found on GOOGLE under "US Weather Facts and Extremes". I didn't know Key West had the highest average temperature! Other sources report that the winter (Nov – Apr) average is 75, summer (May – Oct) average is 85. Highest temperature ever is 97, and the lowest ever is 41. All things considered, I'll TAKE IT!!

(Note: Key West is not on the Tropical Storm or Hurricane Top-10 list!)

10 hottest cities Average annual temperature, F	
1. Key West , Fl	77.7
2. Miami , Florida	75.6
3. W Palm Beach , Fl	74.6
4. Ft. Myers , Florida	73.9
5. Yuma , Florida	73.9
6. Brownsville, Tx	73.6
7. Orlando, Florida	72..4
8. Vero Beach , Fl	72.4
9. Corpus Christi, Tx	72.1
10. Tampa , Florida	72.0

Top 10 Thunderstorm cities Avg annual number of thunderstorms	
1. Fort Myers , Florida	89
2. Tampa , Florida	87
3. Tallahassee, Florida	83
4. Gainesville , Florida	81
5. Orlando , Florida	80
6. Mobile , Alabama	79
7. W. Palm Beach , Fl	79
8. Lake Charles , La	76
9. Daytona Beach , Fl	75
10. Vero Beach , Florida	75

Top 10 Tropical storm / Hurricane prone cities Avg # of years with no storm. Totals based on data from 1871- 2007, hitting within 60 miles of the city	
1. Cape Hatteras, NC	2.49
2. Delray Beach , Florida	2.54
3. Hollywood , Florida	2.58
4. Deerfield Beach , Fl	2.58
5. Boca Raton , Florida	2.58
6. Florida City , Florida	2.63
7. Grand Isle, Louisiana	2.63
8. Ft. Pierce , Florida	2.69
9. Miami , Florida	2.69
10. Ft. Lauderdale , Fl	2.69

Southernmost Stars: **1 AUGUST 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 #301	$112,900	1	1	408	277	Foreclosure
3210 Harriet Ave	**$143,900**	**2**	**2**	**1032**	**139**	**Foreclosure**
3930 S. Roosevelt #W103	**$145,000**	**1**	**1**	**461**	**315**	**Short-sale**
3930 S. Roosevelt #W303	**$148,000**	**1**	**1**	**461**	**321**	**Short-sale**
3312 Northside #612	$150,000	1	1	656	229	Conventional sale
3312 Northside #409	**$154,000**	**2**	**1**	**631**	**244**	**Short-sale**
921 Thomas	$159,000	1	1	640	248	Conventional sale
3211 Pearl St	$165,000	2	2	1032	160	**Short-sale**
3312 Northside #702	**$164,000**	2	2	892	**184**	Conventional sale
1012 Truman Ave #103	**$174,000**	**2**	**1**	**750**	**232**	**Foreclosure**

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

3312 Northside #210 … under contract
3312 Northside #216 … under contract
3314 Northside #145 … under contract
3312 Northside #614 … under contract
1500 Seminary #1C … 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
319 Catherine St	**$219,000**	**2**	**1**	**980**	**223**	**Conventional sale**
2310 Seidenberg St	$250,000	2	1	640	391	Short-sale
1007 Watson St – Rear	**$250,500**	**1**	**2**	**646**	**388**	**Foreclosure**
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)
1725 Johnson St	**$289,000**	**3**	**2**	**1220**	**237**	**Conventional sale**
703 Windsor	$299,000	1	1	808	370	Short-sale

The following properties are *missing* from last month:

1922 Patterson Ave … listing expired
2417 Patterson Ave … under contract
1212 Catherine 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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