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Hello, everyone …   2 August 2010

We just completed another 2-day mini-lobster season, an annual free-for-all. I don't know if it's more dangerous for the "bugs" or the bug-hunters. It reminds me of the scene in JAWS where everyone in the town of Amity with a boat got underway to try to catch the shark … with dynamite, bows-and-arrows, shotguns, etc. From my Key West USCG experience almost two decades ago (holy cow, can it be true?) that is a bizarre two days on high-alert. Those poor little critters. The bugs, I mean. The bug-hunters, well … with the economy, Deepwater Horizon, terrorism, mid-summer blues, etc., take time to enjoy nature! Just be careful.

I think we have survived the OIL concerns which shut-down the local real estate market for the last 2 months. A news article over this past weekend stated that the NOAA authorities predict the Florida Keys will be spared. As I write this, BP is applying the ultimate kill to the well … we wish good luck!

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Check the first article. Monroe County **is** one of the 26 Counties affected. Go to the Monroe County Property Appraiser website (www.mcpafl.com) and under "Attention Property Owners", click where indicated to find out more about the Executive Order 10-169. My phonecall with them indicated the early betting is Monroe County property values have *not* been affected by the Deepwater Horizon spill. I guess shutting down the real estate sales market is not the same thing as reducing tax assessments. It's a tough thing to measure.

The multi-unit inventory shrank a tad in July 2010, dropping by one … 2 newbies came on-the-market, and 3 veterans departed, net (-1). One of the newbies made it directly to TOP matrix. These are the 3 that departed:

Address:	Type:	Listing Price:	Results:	Date:
1907-09 Patterson Ave	**duplex**	**$ 299,000**	**SOLD for $280,000**	**on 2 JUL 10**
1325 Newton St	**duplex**	**$ 495,000**	**EXPIRED**	**on 28 JUL 10**
1321 Newton St	**3-4 Unit**	**$ 995,000**	**EXPIRED**	**on 28 JUL 10**

Jim Smith, Broker Associate
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Notes From the Capitol

July 23, 2010

Dear Friends,

As you know, the oil spill in the Gulf of Mexico is capped for now. While we are relieved – and continue to pray for a permanent seal on the leak – businesses and families who depend on the Gulf for their livelihoods are struggling. These communities rely on visitors who come to Florida to enjoy our beautiful beaches, great fishing, and delicious seafood.

Unfortunately, the threat of oil and tar from the spill have frightened away many of our visitors. Most likely, we will continue to see the oil in the Gulf continue to impact our waters and our coast. As a result, it will also impact our economy due to lost business and lost wages.

It is logical to predict that the oil spill disaster will result in **declining property values**. The businesses and families of the Gulf Coast did nothing to warrant this loss, yet they carry the burden of the loss.

For that reason, I signed an Executive Order that will provide relief to property owners in the 26 counties under the current state of emergency. I have granted property appraisers authorization to provide an interim assessment of any property that may have dropped in value because of the oil spill.

Property owners can then use that documentation to file a claim with BP, or any other responsible party. Several property appraisers have contacted me, and are concerned about the loss of property value.

By law, all property was assessed for tax purposes on January 1st. However, the oil spill may have made those values unrealistic for some homeowners. **An interim assessment will give property owners the documentation they need to hold BP accountable**.

We remain vigilant to lookout for oil that may be headed our way. Our tourism industry, hotels and restaurants, fishermen and seafood workers all depend on the Gulf of Mexico and our beautiful beaches.

We have much more work to do to fight for Floridians facing this oil spill.

Charlie Crist

St. Petersburg Times
tampabay.com

Slow recovery, double-dip or worse?

By Jeff Harrington, Times Staff Writer   Sunday, July 11, 2010

This is a summer of economic discontent. Florida's unemployment is expected to creep higher. Realtors and retailers anticipate a pull-back in spending. There's daily havoc wrought by the massive oil leak in the gulf.

Where is this economy, exactly? Three economists formed a consensus that growth has slowed much more than expected, but the feared "double dip" is still unlikely. Here's how they see the rest of the year unfolding.

MARK VITNER, Senior economist, Wells Fargo ... We believe the recession ended in Florida around the middle of last year. Hiring has picked up across a broad assortment of industries, including manufacturing and construction.

We've been expecting a second-half slowdown, but I don't see a double dip. The financial system is able to raise capital again. Inventories are relatively lean. I think by the end of this year, we'll see a legitimate recovery in housing take hold. We're seeing a modest improvement in employment. I am concerned that we're winding down the stimulus so suddenly. Aid to the states should gradually be reduced over 3 years.

SCOTT BROWN, Chief economist, Raymond James & Associates, St. Petersburg ... In the last few months' expectations for growth have come down, but still positive. It doesn't look like a double dip, but it's possible.

We're tilted to the downside. There are residential and commercial real estate problems. State and local budgets are under strain, so there are job cuts and increases in taxes. The fiscal stimulus is going to be ramping down. The Bush tax cuts expire at the end of 2010. BUT we're much, much better off than last year in terms of the direction. We're starting to see some job gains. We thought all along this recovery really wasn't going to be rapid, and if it's slowing down a little more than anticipated, that means the recovery is going to take a lot longer.

My two biggest fears are policy mistakes where taxes are raised too soon, or the Fed starts to raise interest rates too soon. We also have the gulf oil spill taking a toll on consumer confidence. Negative psychology has an impact in the near term. The psychology is hard to gauge. If enough people expect a double dip, it could be self-fulfilling.

SEAN SNAITH, Dir: Institute for Economic Competitiveness, Univ of Central FL ... This is a gravy-boat case of recovery. This is not going to be a robust and V-shaped recovery.

I'm not ready to raise the double-dip flag at this point. It's just a deceleration into this more gradual recovery path. The labor market is no longer worsening. It will continue to take a long time for the housing market to recover, the stock market is going sideways at this time and the labor markets will be painfully slow to recover. Historically, after a recession as deep as this one, there would be a pretty strong bounce-back. Those factors are like a wet blanket on recovery.

Florida Association of Realtors

Mortgage rates scream buy, but who is listening?

WASHINGTON – July 7, 2010 – Mortgage brokers and bankers report an odd scene around the country. Mortgage rates have sunk to levels not seen in more than a half-century - a seductive 4.58% for an average 30-year fixed loan. Yet brokers and lenders report only a trickle of customers.

So what's going on? Call it a tale of the **haves** and **have-nots**.

(1) **HAVES** … those who stand to save money and have the financial standing to refinance. But rates have been low for so long, most *already* have refinanced recently. Doing so again wouldn't be worth the cost.

(2) **HAVE NOTS** … those millions of families pummeled by the housing collapse, with little or no home equity or no money to put down. Many lack credit or steady income to refinance a mortgage.

The result is that mortgage brokers are filling their days doing something other than handling a stampede of customers buying homes or refinancing.

The 4.58% average for a 30-year fixed-rate loan last week was the lowest on record since 1971, according to Freddie Mac. The last time rates were lower was the 1950s, when most home loans lasted just 20 or 25 years.

Under normal circumstances, 4.58% would be irresistible. But:

(1) Mortgage lending standards have tightened so much since the financial crisis that many people with decent but not-stellar credit can't qualify. Lenders are demanding stronger credit scores and higher downpayments or home equity.

(2) The tax credit for homebuyers that helped lift home sales expired April 30. The result is that fewer people are taking out loans to buy homes.

(3) Some borrowers with good credit and solid jobs are being rejected because their homes are worth less than their mortgage balance. About 25% of US households with mortgages are under water.

Most people in the lending industry recall the boom times with a tinge of nostalgia. Buyers and refinancers were everywhere, even with higher rates than now. In the summer of 2005, lending activity was about 30% more than it is today. Now? The phone rings a lot, but many people can't qualify.

The drop in rates this spring and summer has been a surprise. Mortgage rates had been expected to rise after the Federal Reserve ended its program to lower rates by buying up mortgage-backed securities. But then several European countries fell into crisis over their debt burdens. Investors rushed back into the safety of Treasury bonds. That drove down Treasury yields - and mortgage rates.

The costs of refinancing are generally considered worthwhile for homeowners who can shave at least three-quarters of a percentage point off their rate and plan to stay in their homes for several years.

MULTI-UNIT PROPERTIES:

1 August 2010

address = "Short Sale" or foreclosure

DUPLEX (top 10):			**ROI:**						**ROI:**		
2627 Staples Ave:	$349K	Max	8.86%	On market	17MAY	**3314 Northside #17**	$184.9K	Max	16.26%	On market	20SEP
MLS113053		Min	7.71%			MLS111626		Min	14.20%	**Contract**	12MAR
2404-07 Flagler:	$265K	Max	9.66%	On market	5JAN	**1317 Sunset Dr:**	$385K	Max	9.73%	On market	1OCT
MLS112267		Min	8.25%	**Reduced**	7APR	MLS109389		Min	8.60%	**Reduced**	6MAY
823 Terry Ln:	$250K	Max	11.87%	On market	1MAR	**800 Elizabeth St:**	$400K	Max	9.10%	On market	4MAY
MLS110398		Min	10.22%			MLS110803		Min	7.83%	**Contract**	13FEB
1319 2nd Ave:	$299K	Max	10.97%	On market	8MAR	**2007 Flagler:**	$360K	Max	11.27%	On market	8JUN
MLS110430		Min	9.92%			MLS110984		Min	10.03%	**Reduced**	29JUL
2226 Patterson:	$450K	Max	9.07%	On market	5APR	**1203-05 1st St:**	$269K	Max	11.32%	On market	
MLS110648		Min	8.06%	**Reduced**	19NOV	MLS113265	NEW	Min	9.86%		

3-4 UNIT (top 6):			**ROI:**						**ROI:**		
1403 4th St:	$419K	Max	10.22%	On market	22FEB	**1614 Dennis:**	$524K	Max	10.03%	On market	20FEB
MLS112562		Min	9.40%			MLS107921		Min	8.83%	**Reduced**	5MAR
904 Truman Ave:	$325K	Max	11.23%	On market	28SEP	**1130 Elgin Ln:**	$399K	Max	11.16%	On market	5JAN
MLS111640		Min	9.56%			MLS111405		Min	10.00%	**Reduced**	5APR
2618 Fogarty:	$670K	Max	8.23%	On market	24NOV	**327 Margaret St:**	$499K	Max	11.16%	On market	8JAN
MLS109707		Min	7.43%	**Reduced**	24DEC	MLS110031		Min	9.40%	**Reduced**	19MAY

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

Sample ROI calculation:

123 Blue Street duplex: on market 4/1/09, asking $750,000, MLS# 555666

Unit #1 is 2-beds, 2-baths — Max rent = $1,350/mo; Min rent = $1,300/mo

Unit #2 is 1-bed, 1-bath — Max rent = $1,050/mo; Min rent = $ 995/mo

Max income Unit #1: (12)x($1,350)x(0.95) = $15,390
Min income Unit #1: (12)x($1,050)x(0.95) = $11,970
Max income Unit #2: (12)x($1,300)x(0.95) = $14,820
Min income Unit #2: (12)x($ 995)x(0.95) = $11,343

Vacancy rate: 5%
Max sell price = 96% of ask price
Min sell price = 92% of ask price
Taxes + insur = 2.5% of sell price

Max expenses = (0.025)x(0.96)x(sell price) = $18,000
Min expenses = (0.025)x(0.92)x(sell price) = $17,250

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

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

Reported like this:

123 Blue Street:	$750K	Max	1.47%	On market	1APR
MLS555666	NEW	Min	1.13%		

Assumptions made in the analysis:

(1) Rental income is taken from MLS or estimated for comparable properties
(2) The following data is NOT factored-into the ROI calculations:
- Financing (assumed cash purchase)
- Maintenance expenses
- Utilities (assumed paid by tenant)
- Property management fees
- Tax benefits to owner of investment property
- Potential for appreciation

If you would like to see ROI calculations using a different set of assumptions, please contact me and I'll re-run the analysis.

This analysis is based on many assumptions and approximations. ROI estimates are believed to be reasonable, but they are not guaranteed. Prospective buyers may use this as a guide and arrive at their own determination.

The New York Times

Long-Term Economic Pain

By BOB HERBERT 25 July 2010

The pain is all too real. A Rockefeller Foundation analysis shows that Americans are more economically insecure now than they have been in 25 years, and the trend suggests things will only get worse.

Analysts created an economic security index to measures the percentage of Americans who experience a decrease in household income of 25% or more in one year without having offsetting financial resources. The findings were grim. More and more families are completely out of money, with their jobs, savings and retirement funds gone.

Economic insecurity has been increasing for at least a generation and perhaps longer, with very dangerous levels being reached in this latest recession. In 1985, when the unemployment rate was 7.2%, the portion of American families that were "economically insecure" was 12%. But over the past few decades the percentage of insecure Americans has tended to steadily rise. In 2002 there was a 5.8% unemployment rate, but "economically insecurity" had jumped to 17%. In 2009 more than 1-in-5 Americans experienced a 25% or greater loss of household income (without a financial cushion) over the prior year — the highest in 25 years. A decrease of this magnitude in available income is a heavy blow. As the study points out, "The typical individual who experiences a decline of at least 25% in household income requires between six and eight years for income to return to its previous level."

Put another way, the bottom is falling out for increasing numbers of Americans, and with the national employment situation stuck in an extended horror zone there is little to stop the free fall. In addition to tracking the percentage of Americans suffering household income losses of 25% or more, the index also shows that families are suffering steeper income declines than in previous decades.

Only the very well-to-do are out of the range of this buzz saw. "The fact that Americans are facing a very real and growing risk of large-scale economic loss is true across the spectrum. It's true of less affluent people more than more affluent people, but it's true of the more affluent as well".

Policy makers seem bewildered by the terrible economic state of ordinary working Americans, including those once considered solidly in the middle class. Despite warnings back in 2008 that we were on the verge of another great depression, the big financial institutions and corporate America seem to be doing just fine now. But average Americans are hurting with no end to the pain in sight.

More than 14 million people are out of work and many more are either underemployed or so discouraged they've just stopped looking. Sitting on fat profits even as the economy continues to struggle, big corporations have made it clear that they are not interested in putting a lot more people back to work any time soon. Long-term solutions will require extensive job creation and a strengthening of the safety net, but that doesn't seem to be on the national agenda.

The New York Times

Biggest Defaulters on Mortgages Are the Rich

By DAVID STREITFELD July 8, 2010

The well-off are losing their master suites and saying goodbye to their wine cellars. The housing bust that began among the working class and progressed to the suburban middle class is now striking the upper class. The rich have stopped paying the mortgage at a rate that greatly exceeds the rest of the population.

More than 1-in-7 homeowners with loans over a million dollars are seriously delinquent, according to analytics firm CoreLogic. By contrast, about 1-in-12 mortgages below the million-dollar mark is delinquent. The CoreLogic data suggest that the well-to-do are purposely dumping their financially draining properties, just as they would any sour investment. "The rich are different: they are more ruthless," said CoreLogic.

Lenders are fearful that many of the 11 million or so homeowners who owe more than their house is worth will walk away from them, especially if the real estate market begins to weaken again. The so-called strategic defaults have become a matter of intense debate in recent months. Critics say this trashes communities.

The data suggest that the rich do not have concerns about "civic good" uppermost in their mind, especially when it comes to investment and second homes. Nor do they appear to be particularly worried about being sued by their lender or frozen out of future loans by Fannie Mae, possible consequences of default.

The delinquency rate on investment homes where the original mortgage was more than $1 million is now 23%. For loans under $1 million, it is about 10%. When the stock market crashed in September 2008, that sent the percentage of troubled million-dollar loans spiraling up much faster than the smaller loans.

"Those with high net worth have other resources to lean on if they get in trouble," said CoreLogic. "If they're going delinquent faster than anyone else, that tells me they are doing so willingly." Willingly, but not necessarily publicly. The rich may develop the attitude that "I just decided to let it go, give it back to the bank. I just didn't feel like it was a good investment."

"They may be less susceptible to the shame and fear-mongering used by the government and the mortgage banking industry to keep underwater homeowners from acting in their financial best interest," CoreLogic said.

One troubled Silicon Valley homeowner is trying to maneuver his way out from under his debt and figure out the next big thing. His 5-bedroom house, drained of hundreds of thousands of dollars of equity over the last 13 years, is scheduled for auction. Nine months ago, after his latest business (he has had several) failed in what he called "the global meltdown," the man, a technology entrepreneur, said he quit making his $9,000 monthly payments. "I'm going to be downsizing," he said.

The New York Times

They Did 800 Years of Homework

By CATHERINE RAMPELL 2 July 2010

The modern shareholder and superior information can avoid past pitfalls. "How different the investor of today!" The ad ran in The Saturday Evening Post on Sept. 14, 1929. A month later, the stock market crashed.

Financial sleuths, Reinhart and Rogoff have spent years investigating wreckage from nearly a millennium of economic crises and collapses. They have wandered the basements of rare-book libraries, riffled through monks' yellowed journals and begged central banks worldwide for centuries-old debt records. And they have manually entered their findings into one of the biggest spreadsheets you've ever seen.

Their best seller ***This Time Is Different*** is a quantitative reconstruction of hundreds of historical episodes in which perfectly smart people made perfectly disastrous decisions. It is a panoramic opus, covering crises from 66 countries over the last 800 years. Mr. Rogoff, an international chess grandmaster, is Chief Economist at IMF. Mrs Reinhart, former Chief Economist at Bear Stearns, is his deputy. Both are PhDs.

Economists began turning away from empirical work in the early 1970s, instead falling in love with theoretical constructs, a shift that has no single explanation. Some analysts say it may reflect economists' desire to be seen as scientists who describe and discover universal laws of nature. "Economists have physics envy. Economists like to think that there is some physical, stable state of the world … if they get the model right. The mainstream of academic research in macroeconomics is theory-rich and data-poor, putting theoretical coherence and elegance first, and investigating the data second," says Mr. Rogoff.

Critics say much of that theory-driven work is built on the same disassembled and reassembled sets of data points that quants have whisked into ever more dazzling and complicated mathematical formations. Generally the data is from just the last 25 years or so and from the same handful of rich countries

"There is so much inbredness in this profession," says Ms. Reinhart. "They all read the same sources. They all use the same data sets. They all talk to the same people. There is endless extrapolation, and for years that is what has been rewarded." Lately, a few economists have been looking beyond hermetically-sealed theoretical models and into the historical record.

This Time is Different was begun in 2003 and published last September, just as the nation was coming to grips with the financial crisis and a tattered job market. Despite bailout after bailout, stimulus after stimulus, economic armageddon still seemed near. Given this backdrop, it's perhaps not surprising that a book arguing that the crisis was a rerun, and not a wholly novel catastrophe, managed to become a best seller. 100,000 copies have been sold. The book is non-ideological, more focused on patterns than policy recommendations.

Southernmost Stars: 1 August 2010 The least expensive properties currently on the market on the island of Key West. Changes from last month are in **blue**!

Ten least expensive Condos or Townhomes in Key West:

Address:	Ask Price:	#beds:	#baths:	Living Sqft:	$/Sqft:	Other:
1119 Georgia St	**$ 99,900**	1	2	573	**174**	Foreclosure
419 United St #4	**$124,900**	0	1	304	**411**	Foreclosure
1207-09 William #1	$165,000	2	1	560	277	Short-sale
3075 Flagler #25	$170,000	2	2	1008	169	Short-sale
24 Merganser Ln	**$170,900**	**2**	**1**	**780**	**219**	**Foreclosure**
1016 Howe St #3	$175,000	1	1	254	650	Conventional
3675 Seaside #139	**$179,900**	**2**	**2**	**772**	**233**	**Foreclosure**
3205 Harriet Ave	$190,000	3	2	1270	150	Short-sale
1445 S Roosevelt #410	**$199,000**	**1**	**1.5**	**522**	**381**	**Conventl w/trans license**
3930 S Roosevelt #414W	**$205,000**	**2**	**2**	**805**	**255**	**Short-sale**

Missing from last month: 3655 Seaside #55303 … sold; 1016 Howe #4 … under contract; 1223 2nd St … under contract; 3312 Northside #613 … under contract

Ten least expensive Single-Family Residences in Key West:

Address:	Ask Price:	#beds:	#baths:	Living Sqft:	$/Sqft:	Other:
3231 Harriet Ave	**$202,000**	**2**	**1.5**	**1032**	**196**	**Short-sale**
221 Petronia St	$225,000	3	2	1155	195	Short-sale
2412 Seidenberg Ave	**$239,000**	2	1	730	341	Short-sale
1908 Staples Ave	**$243,500**	**2**	**1**	**1080**	**225**	**Foreclosure**
2307 Patterson Ave	$270,000	2	1	864	313	Short-sale
2400 Fogarty Ave	$270,000	2	1	838	322	Short-sale
901 Catherine St	$275,000	3	1	690	399	Conventional
3327 Donald Ave	**$279,000**	**3**	**2**	**1248**	**224**	**Conventional**
713 Galveston Ln	**$285,000**	**2**	**1**	**672**	**424**	**Conventl, needs renov**
2625 Flagler Ave	$288,500	3	1	873	330	Conventional

Missing from last month: 1107 Thomas St … under contract; 728 Windsor Ln … under contract; 2315 Patterson Ave … under contract; 715 Chapman Ln … 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.

REALTY EXECUTIVES ®

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