

The Real Estate Newsletter Of The Florida Keys! Coldwell Banker Schmitt Real Estate Co. *The Most Trusted Name in Florida Keys Real Estate Since 1955*

Florida Keys Real Estate Market 1st Half 2008 Vs 2007

*Source: Tri-Services Multiple Listing Service (MLS) Board
Key Largo To Key West

KEYS-WIDE OVERVIEW

The **Number of Sales** for the period January through June 2008 was **628**, a **-19%** decline relative to the same period in 2007, in which there were 775 sales.

The **Dollar Value of Sales** decreased as well, **-32%** to **\$393MM**, compared to that period last year when it was **\$579MM**. That drop was the cumulative impact of:

- a **-19%** decrease in number of sales,
- a **-16%** decline to **\$626K** in **Average Sale Price**, and
- a **-10%** reduction in the **Original List Price to Sale Price** to **75.6% compared to 83.7%** at the end of June 2007.

This shift is the consequence of Sellers continuing to struggle with the realization that the market has experienced a significant change and Buyers now determine the rules versus Sellers, who had set the rules during the 2002 through 2005 Sellers market.

The **Average List Price** of **\$945K** is **-2%** lower than this time last year, continuing the trend of slightly declining listing prices through the past 2.5 years as more Sellers gain an understanding of the reality of the market changes, which now have sales prices in the 2003 to 2004 price range.

New Properties Listed Jan-June 2008 declined by **-17%** to **2,610**. They had dropped by **-22%** over the same period last year. The **Months of Inventory** (the months required to sell the existing inventory on 30 June 2008 if no other properties were listed for sale) increased by **+20%** to **43** months (3.7 years).

The **Number of Properties For Sale**, **4,540**, is nearly the same as June 2007, **4,559**. That's a lot of competition and it's in every price range. Sellers need to be cognizant of that fact. The 3.7 years of inventory provides Buyers with numerous purchasing opportunities in all price ranges!

With such a large inventory, it has taken an average of **251 days to sell**, an increase of **+17%** from the first six months of 2007.

As noted above, the **Average Sale Price** for the first six months of this year compared to last year declined **-16%** to **\$626K** Keys-wide, and **-14%** from **\$731K** at the end of 2007. It's noteworthy that the Average Sale Price at the end of the 1st quarter 2008 was **\$635K**, making the 2nd quarter 2008 reduction of **-1.4%** the lowest quarterly decline in 18 months.

MARKET AREA DETAILS

Number of Sales: The Lower Keys had the smallest decline in sales at **-12%** to **121**. Key West followed, down **-18%** with **223** properties sold. The Upper Keys declined **-21%** to **197** properties, and the Middle Keys fell **-25%** with **87** sold. A positive indicator from the 2nd quarter of this year is that sales increased over the 1st quarter by **+53%** in both the Lower Keys and Key West, and **+32%** in the Upper Keys. The Middle Keys were down **-7%** in number of sold properties.

Dollar Value of Sales: The declining trend noted in the first quarter of 2008 continued in the four market areas during the 2nd quarter with each realizing a **-30%** or greater reduction in overall value of sales during the first six months of 2008. The Dollar Value of Sales dropped by **-20%** for all of 2007. The Middle Keys and the Upper Keys had the biggest drop with **\$56M (-36%)** and **\$128M (-34%)**, respectively. The Lower Keys with **\$60MM** and Key West at **\$148MM** each were off **-30%**. (continued on page 4)

| Green (+) Red (-) | Upper Keys (Lower Matecumbe to Key Largo) | Middle Keys (7 Mile Bridge to Long Key) | Lower Keys (Bay Point to Big Pine) | Key West (Key West to Shark Key) | All Areas Keys-Wide |
|--|--|--|---------------------------------------|-------------------------------------|----------------------------|
| Total Number of Sales As of 06/30/08: | 21% Less 197 | 25% Less 87 | 12% Less 121 | 18% Less 223 | 19% Less 628 |
| \$ Value of Sales As of 06/30/08: (in millions \$) | 34% Less \$128MM | 36% Less \$56MM | 30% Less \$60MM | 30% Less \$148MM | 32% Less \$393MM |
| Avg. Days To Sell As of 06/30/08: | 5% More 248 | 14% More 260 | 22% More 285 | 32% More 212 | 17% More 251 |
| Avg. Sales Price As of 06/30/08: | 16% Less \$651K | 14% Less \$649K | 20% Less \$498K | 14% Less \$666K | 16% Less \$626K |
| Original List Price to Sale Price As of 06/30/08: | 6% Less 77.62% | 9% Less 78.57% | 3% Less 75.75% | 23% Less 70.58% | 10% Less 75.63% |
| New Properties Listed As of 06/30/08: | 16% Less 892 | 14% Less 449 | 14% Less 408 | 20% Less 861 | 17% Less 2,610 |
| Avg. List Price Properties "For Sale" As of 06/30/08: | 1% More \$1MM | 5% More \$970K | 3% Less \$672K | 8% Less \$985K | 2% Less \$945K |
| Months of Inventory As of 06/30/08: | 34% More 47 | 35% More 58 | 6% More 34 | 15% More 39 | 20% More 43 |
| Number of Properties "For Sale" As of 06/30/08: | 6% More 1,541 | 1% More 841 | 6% Less 695 | 5% Less 1,463 | .4% Less 4,540 |

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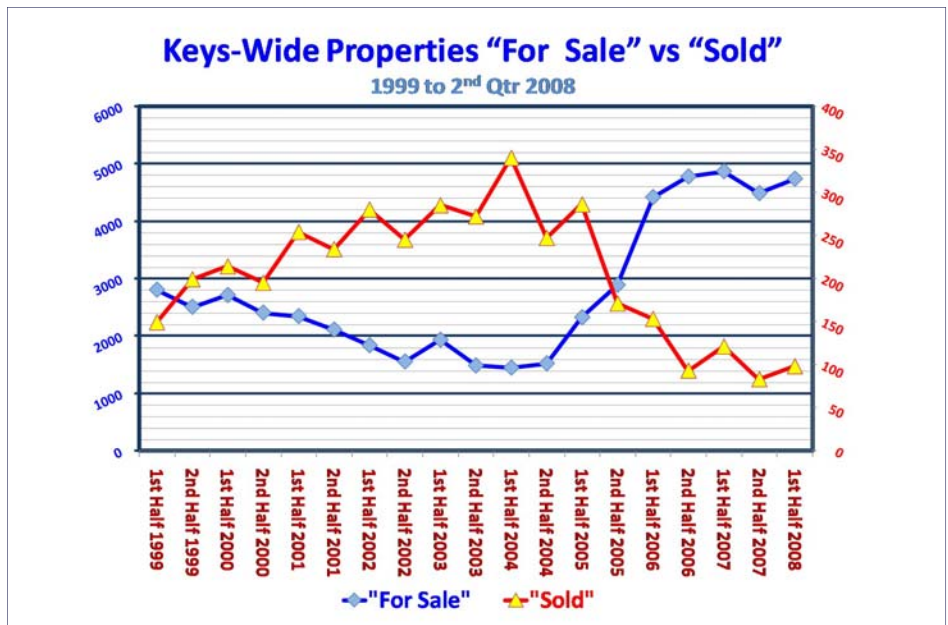
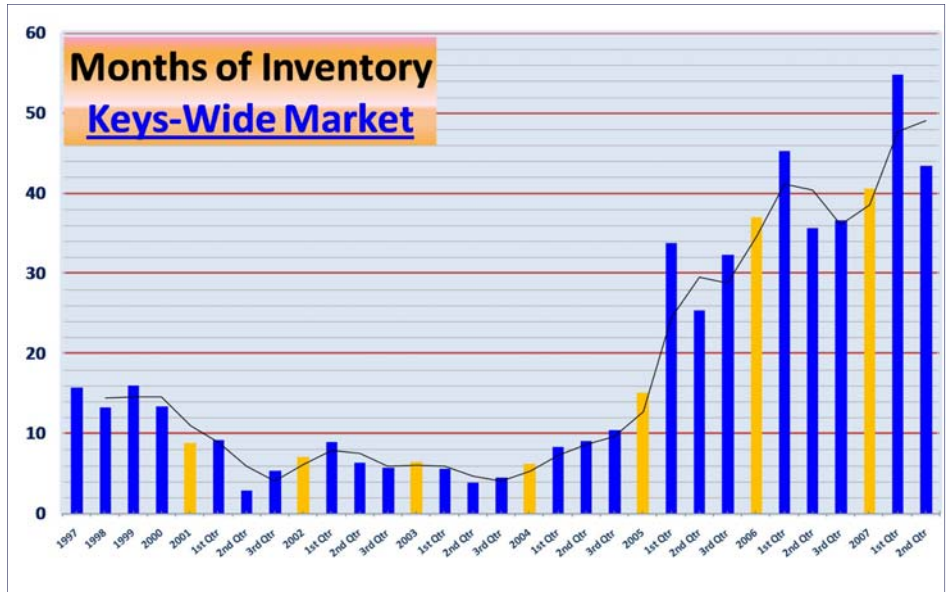
Real Estate Market News

Florida Keys Real Estate Market “Months of Inventory” (MOI)

MOI is the ratio reflecting the number of months required to sell ALL currently listed properties **IF no other properties are listed**. MOI is calculated through dividing the number of properties listed for sale by the average number of properties selling during a specified period of time (Jan-Jun 2008). When the listed inventory of properties is being absorbed by strong buyer demand, the MOI is low, as from 2001 through the 2nd quarter 2005, and, conversely, increases when buyer demand falls off and/or more properties are listed for sale as The Keys has experienced since the 2nd quarter 2005.

The MOI chart on this page provides a history of the MOI from 1997 to date Keys-wide. The vertical bars represent the months of inventory for each time period. The full year is shown for 1997 through 2001. Starting with 2002, the chart itemizes the four quarters of the year, with the last quarter designating the year. The thin black line shows the trend of the vertical bars as the MOI changes. We also created MOI charts for each of the four market areas but haven't shown them because they all exhibit trends similar to those reflected in the Keys-wide MOI chart.

Keys-wide, the lowest MOI recorded has been 3 during the 2nd quarter of 2002. MOI was below 10 from 2001 until the 3rd quarter of 2005 when the MOI began changing as a consequence of the combined plummeting number of sales and skyrocketing inventory, as depicted in the Keys-wide “For Sale vs. Sold” chart.



During the second half of 2005, the number of sales decreased compared to prior years, as the cumulative effect of price appreciation and hurricane threats impacted the market negatively, leading to a rapid increase in the number of properties listed for sale. The result was a jump to 34 MOI during the 1st quarter 2006, followed by a continuing upward trend due to the well-documented factors that have affected the national real estate market ever since.

The MOI historically fluctuates seasonally with a high point in the 1st quarter followed by a low ebb and then steady increases to year-end.

The Keys-wide For Sale vs. Sold chart clearly illustrates the mirror image or inverse relationship between Supply and Demand. Virtually without exception since 1999, this chart shows that when sales are high, inventory is low and vice versa. In a market such as the Florida Keys where the supply of new inventory is almost non-existent, and there is no threat of overbuilding, the dynamics of our market can be isolated to existing supply.

Based on this chart, it appears that a healthy and balanced market with increasing prices can be described as an inventory of less than 3,000 properties Keys-wide. One could make the argument that if our inventory was to fall below 3,000 properties resulting in a MOI of less than 15 months, prices would stabilize and start appreciating again. With overall inventory down from 5,000 properties to just over 4,500, and new listings coming on the market falling consistently, we are clearly headed in that direction.

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Amendment 1 Property Tax Information

Understandably, property owners continue to have questions about the impact of Amendment 1 that Florida voters passed by a 65% majority in January of this year, creating changes to Florida property owners' tax bills. The following is an overview of the four sections of Amendment 1, describing what each section is and how it might apply to certain property owners.

PART 1: PORTABILITY

Portability allows those who receive a homestead exemption to transfer their Save Our Homes benefit to a new home under certain conditions. Under the old system, many people were unable to move because a move would result in a large increase in their taxes. That was due to the yearly 3% cap for homesteaded property. If property values increase more than 3% every year, a homesteaded property's assessed value nevertheless caps out at 3%. The good news was that homeowners residing in a home for a number of years realized a substantial tax benefit by means of a lower assessed value. The bad news was that each time the homeowner purchased a new home, they lost any accumulated tax benefit from the old home, and the assessed value reset to the market value of their new home.

Under Amendment 1, homeowners take the accumulated tax benefit with them when applying it to another homestead within two years of selling the homesteaded property. For those selling in 2008 or later years, their Save Our Homes benefit goes with them provided they transfer it within the same year or the following year.

To take advantage of portability, sellers make two separate applications: one for the new homestead exemption, and one to transfer the Save Our Homes benefit. The application forms DR-501T and DR-501R are on the Florida Department of Revenue web site.

FAQ REGARDING PORTABILITY:

1. How much is the portability benefit worth?

You can transfer up to \$500,000 of portability benefit to a new homestead. If your new homestead is worth more than your old one, you transfer the dollar amount. If your new homestead is worth less than your old one, you transfer the percentage. For instance: your current homestead is assessed at \$300,000, but under Save Our Homes, \$150,000 of that is exempt. If you move to a new home that is assessed at \$500,000, your portability benefit will be \$150,000. If you move to a new homestead that is assessed at \$200,000, your portability benefit will be 50%, or \$100,000.

2. Is the change of homestead and transfer of Save Our Homes automatic?

No. You need to apply for each benefit separately.

3. How do I apply for portability?

Turn in a completed application form to the office of the county appraiser in the county in which your new homestead is located.

4. Does portability only apply if I buy a new home?

No. If you already own a second property, you can transfer your homestead exemption from one property to the other and transfer the Save Our Homes benefit as well. Remember that your Homesteaded property must be your primary residence.

PART 2: ADDITIONAL \$25,000 HOMESTEAD EXEMPTION

The second part of Amendment 1 is an additional \$25,000 homestead exemption. The exemption is available to anyone who is already claiming the original \$25,000 exemption. In order to claim it, you don't have to do anything. It will automatically be applied to your 2008 tax assessment. This is how it will be calculated:

First 25,000 of value - exempted from taxes

Second 25,000 of value - fully taxable

Third 25,000 of value - exempted from all taxes except the school taxes

Why isn't the second 25,000 of value exempt? It is designed to protect cities and towns within Florida that may have many lower assessed property values, particularly in more rural areas. If the exception applied to the second 25,000 of value, many of these cities and towns would not collect enough revenue to run their local governments.

Why does the second 25,000 exemption still allow for the schools taxes to be collected? The simple answer is that the revenue is needed to fund our schools.

PART 3: TANGIBLE PERSONAL PROPERTY EXEMPTION

According to the Dept. Of Revenue, Tangible Personal Property is all goods, chattels, and other articles of value. It includes: machinery, equipment, furniture, fixtures, signs, window air conditioners, supplies, leased, loaned, borrowed, or rented equipment used in a business, mobile home attachments on rented land (carport, screened porch, Florida room, etc.), furniture and appliances in rental properties.

The third part of Amendment 1 provides for a \$25,000 exemption on all tangible personal property. Business owners must complete the TPP return and file it by April 1 each year. If it's determined that your total tangible personal property is less than \$25,000, you won't have to file again. The first \$25,000 of tangible personal property is exempt from taxation under Amendment 1.

PART 4: 10% NON-HOMESTEAD ASSESSMENT CAP

The final part of the amendment is a 10% limitation on assessment of non-Homestead property, both residential and non-residential. As of January 1, 2008, state law requires that all non-homestead property be assessed at just market value, and be reassessed annually, but the change resulting from the reassessment cannot exceed 10% of the current assessed value, and the assessed value cannot exceed the market value. In 2009, owners of non-homestead property will be able to apply for the 10% non-homestead assessment CAP.

In practical terms, it means that as of January 1, 2008, the assessed value of your non-homestead property will be equal to its market value. If your property is appraised at \$350,000, it will be assessed at \$350,000 for tax purposes. In 2009, if you apply for the 10% CAP, the property assessment cannot be any higher than \$385,000 - 10% above this year's assessed value - no matter how much the market value increases. If the market value of the property is less than that, then the assessed value can be no higher than the market value.

You'll find more information and forms needed to apply for the various exemptions at the DOR web site <http://dor.myflorida.com/dor/> or at your county appraiser's web site.

(continued from page 1)

Average Days to Sell: All four market areas of The Keys have required more than **200** Days to Sell. Key West was the shortest at **212**, a **+32%** increase over the same time period in 2007, and **+21%** since the end of 2007. The Upper Keys was up **+5%** to **248** days. The Middle Keys, up **+14%**, required **260** days versus **256** at the end of 2007. The Lower Keys, despite the highest number of sales, was **285** days, an increase of **+22%**; and **+12%** since the end of 2007.

Average Sale Price: The largest reduction occurred in the Lower Keys market, dropping **-20%** to **\$498K** compared to the first six months of 2007. The Upper Keys at **\$651K**, down **-16%**, was followed by a **-14%** drop in Key West to **\$666K**, and **\$649K** in the Middle Keys versus the sales price during the same months in 2007.

New Properties Listed: The good news is that the trend of all four market areas experiencing a reduction in new listings continues. Over the first six months of 2008 Key West had the biggest reduction, **-20%** to **861**, followed by the Upper Keys at **-16%** with **892** properties. The Middle and Lower Keys were down **-14%** less **449** and **408** properties for sale, respectively.

Average List Price: Key West also led the market in declining List Price, down **-8%** to **\$985K**. The Lower Keys average list price dropped **-3%** to **\$672K**. The Middle and Upper Keys saw increases of **+5%** to **\$970K** and **+1%** to **\$1MM**, respectively.

Months of Inventory: The biggest increase, **+35%** to **58** months occurred in the Middle Keys, followed by the Upper Keys at **+34%** to **47**, then Key West at **+15%** to **39**. The smallest increase was in the Lower Keys at **+6%** to **34**.

Number of Properties for Sale: Two market areas of the Keys had fewer properties available for sale at the end of June 2008 compared to June 2007. They were the Lower Keys with **-6%** less to **695**, and Key West at **-5%** fewer to **1,463**. The Middle Keys showed only a slight increase of **+1%** to **841**, and the Upper Keys had the largest gain of **+6%** to **1,541** properties on the market. Overall, the number of properties for sale Keys-wide was down slightly **-0.4%** -- and remained above **4,500** with **4,540** properties listed for sale.

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