TROPICAL BREEZES

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The Real Estate Newsletter Of The Florida Keys!

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Florida Keys Real Estate Market
Comparison January to December 2008 Vs 2007

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

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 12/31/08:	13% Less 359	19% Less 160	8% Less 219	9% Less 428	11% Less 1,166
$ Value of Sales As of 12/31/08: (in millions $)	28% Less $218MM	24% Less $105MM	25% Less $99MM	34% Less $256MM	29% Less $679MM
Avg. Days To Sell As of 12/31/08:	5% More 271	1% More 263	14% Less 218	1% More 176	2% More 232
Avg. Sales Price As of 12/31/08:	18% Less $607K	6% Less $661K	19% Less $456K	27% Less $612K	21% Less $588K
Original List Price to Sale Price As of 12/31/08:	.6% Less 76.5%	9% Less 73.1%	No Change 75.30%	3% Less 89.4%	3% Less 78.6%
New Properties Listed As of 12/31/08:	17% Less 1,590	12% Less 867	11% Less 753	4% More 1,363	9% Less 4,573
Avg. List Price Properties *"For Sale"* As of 12/31/08:	12% Less $965K	9% Less $896K	8% Less $634K	2% Less $962K	8% Less $899K
Months of Inventory As of 12/31/08:	12% More 48	15% More 61	9% More 39	24% More 41	15% More 46
Number of Properties *"For Sale"* As of 12/31/08:	2% Less 1,448	6% Less 808	.4% More 708	13% More 1,460	2% More 4,424

KEYS-WIDE OVERVIEW

The **Number of Sales** for 2008 was 1,166, an -11% decline relative to 2007. Sales had fallen during the 1st quarter by -21%, -19% by mid-year, and -15% as of the 3rd quarter compared to the same period in 2007. A positive sales trend occurred during the period August through December 2008 when the number of sales of all property types increased by +5% over that same period in 2007. The **Dollar Value of Sales** decreased by -29% to $679MM for 2008. In 2007, it was $964MM. Year to date, the **Dollar Value** has been -30% to -32% each quarter versus 2007.

The **Average Sale Price** for 2008 was $588K, -21% less than the $740K for 2007. The average Sale Price for the 1st quarter of 2008 was $635K, $626K by mid-year, and $604K as of September 30, 2008.

Original List Price to Sale Price for 2008 was 78.6% compared to 81.3% at the end of 2007**,** a -3% drop.

The **Average List Price** declined by -8% to $899K as it continues to track downward from $931K on June 30 and $990K at the end of 2007. The peak price of $1,065K occurred at the end of 2005**.**

The 4,573 **New Properties Listed** during 2008 was -9% less than the 5,055 of 2007, and -24% from the highest amount of 6,008 registered in the Winter of 2006.

The **Months of Inventory,** which is the months required to sell the existing inventory on December 31, 2008 **if** no other properties were listed for sale, increased by +15% to 46 months (3 yrs 10 mos.). It was 40 months at the end of 2007, 37 to finish 2006, and 15 at the end of 2005.

The **Number of Properties For Sale,** 4,424, is up +2% over the 4,337 at the end of 2007. For 2006, the end of year number was 4,628, and for 2005, 3,469. The continuing high inventory of properties provides Buyers numerous purchasing opportunities in all price ranges! Sellers need to be cognizant of the fact it will take nearly four years at recent sales levels for the market to absorb the inventory. The properties that are priced to the current market are the ones that are sold, and the market has steadily declined since 2005 and will remain flat or continue the decline in 2009 until the inventory is depleted to an overall level of less than 3,000 properties for sale.

With the continuing large property inventory, 232 was the average number of days of market time needed to sell a property, an increase of +2% over the 227 of 2007, +22% from 190 in 2006, and +45% versus the 2005 days to sell figure of 160.

FOUR SUBMARKET AREA DETAILS

The Keys are divided into four (4) submarkets described mainly by the Multiple Listing Service (MLS) boundaries created by the three MLS providers in the Keys.

Number of Sales: The Lower Keys had the lowest decline in sales at -8% with 219, followed by Key West at -9% and 428 properties, the Upper Keys was down -13% with 359 properties, and the Middle Keys was down -19% with 160 sales.

Dollar Value of Sales: The decline in each quarter during 2008 continued in the four market areas during the 4th quarter. For the year, the Middle Keys was off -24% to $105M; the Lower Keys declined -25% to $99M; the Upper Keys dropped -28% to $218M; and Key West had the biggest drop of -34% to $256M. For 2007 the Middle Keys had the biggest drop -33% to $138M**;** the Upper Keys was down -29% at $299M; the Lower Keys declined -23% to $133M, and Key West at $386M dropped -10%. (continued on page 4)

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Florida Keys % Market by Property Type

(Chart Legend: Dark Green = Property Type with highest % of Market Share; Light Green = Property Type with 2nd highest % of Market Share)

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

The accompanying chart shows the percentage of sales by major property type for each market area. Not surprisingly, Residential properties lead the market by a large percentage. They have increased their market share rather significantly. In the Upper Keys, they went from **79%** in 2004 to **86%** in 2008 for a **+9%** growth rate, **73%** to **84%**, a **+15%** increase in the Middle Keys and for the Lower Keys, **+14%**, **74%** to **84%.** Only Key West experienced a decline in residential sales going from **90%** to **84%** for a **-7%** drop as Commercial sales in 2006 more than doubled from **7%** in 2004 to **15%** in 2006, though they declined to **8%** in 2008.

	Upper Keys			Middle Keys			Lower Keys			Key West		
	'04	'06	'08	'04	'06	'08	'04	'06	'08	'04	'06	'08
Residential	79%	82%	86%	73%	76%	84%	74%	83%	84%	90%	82%	84%
Res. S.F. – WF	24%	28%	28%	21%	20%	32%	45%	59%	61%	6%	8%	5%
Res. S.F. – NWF	18%	25%	25%	9%	10%	11%	13%	15%	12%	35%	42%	41%
Condo/TH – WF	14%	8%	17%	19%	16%	20%	No Condominiums In the Lower Keys			9%	7%	5%
Condo/TH – NWF	4%	3%	>1%	>1%	3%	>1%				29%	13%	26%
Mobile Home-WF	7%	8%	6%	4%	5%	3%	7%	6%	5%	3%	1%	1%
Mobile Home–NWF	10%	9%	7%	4%	5%	2%	8%	5%	5%	2%	3%	1%
Duplex /½/3-4 Units	1%	>1%	>1%	14%	10%	3%	1%	>1%	1%	4%	2%	4%
Vacant Land	19%	14%	11%	23%	20%	12%	25%	15%	15%	1%	1%	>1%
Commercial	1%	3%	2%	4%	3%	4%	>1%	2%	>1%	7%	15%	8%

Single Family Waterfront properties have increased in percentage of sales by **+17%** in the Upper Keys to **28%** of the market, **+52%** in the Middle Keys to **32%** of all sales, and **+35%** in the Lower Keys to **61%** of all property types, nearly double the percentage of the Middle Keys. Single Family Non-Waterfront properties lead the market in Key West increasing from **35%** to **41%** for a **+17%** rise from 2004 to 2008. The number of Waterfront Single Family homes in Key West are limited to smaller confined geographic areas.

The contribution to the total number of sales for the Vacant Land segment has declined in all markets and this component of the market is almost half of what it represented in 2004.

Single Family Non-Waterfront properties were the 2nd most popular property type in the Upper Keys with **25%** of the market in 2006 and 2008. For the Middle Keys, Waterfront Condominiums and Townhomes achieved the **#2** position with **20%** of the market in 2008. For the Lower Keys, the Non-Waterfront Single Family homes tied Vacant Land at **15%** of the market in 2006 then slipped to **#3** behind Vacant Land in 2008 with **12%**. For Key West, Non-Waterfront Condominiums have been the **#2** property for sales in 2004 and 2008 with **29%** and **26%** of the market in those years.

Florida Keys Residential Real Estate Market

Trends of increasing numbers of sales in 2008 over 2007 are to be found within the various residential property types of each market area as depicted in the charts on the opposite page, signaling the start of a recovery based on the results of 2008 over the same period in 2007, with **7** of the **11** charts showing increases either annually or in the last two quarters of the year. However, the average sales price is less than 2007 in all property types, and in most **(8 of 11)** the average sales price is behind that of 2004. Single family waterfront is proving to be the most resilient property type with current average prices above those of 2004 in all markets, except Key West.

1. **Upper Keys:** Single Family Waterfront sales in the second half of 2008 trailed 2007 **-23%**, 40 compared to 52. Sales for the year were **-31%** less than 2007, 101 compared to 146. Single Family Non-Waterfront properties for the second half of the year were 56 compared to 44 in 2007 for an increase of **+27%**. Sales for the year were **-20%** of 2007, 90 versus 112. The Condominium Sales for 2008 exceeded 2007 **+25%**, 65 to 52, and 2006 by **+16%**, 65 to 56.

2. **Middle Keys:** The 15 Single Family Waterfront sales during the 4th quarter were up **+87%** that of the 8 in 2007, **+25%** of the 12 in 2006, while being only **-3%** of the 18 in 2005. The second half of 2008 exceeds 2007 by **+40%** and 2006 by **+22%**, and sales for the year of 51 trailed 2006 by 1, and 2007 by 7. There were 17 Single Family Non-Waterfront sales in 2008, one more than the 16 for 2007. The 12 Condominium Sales, during the second half of 2008 exceeded the 8 of the last six months of 2007, a **+50%** gain, the 6 of 2006 for a **+100%** increase, and the 33 sales for the year were 8 higher than 2007 for a **+32%** increase.

3. **Key West:** The second half of 2008 produced 82 Single Family Non-Waterfront sales compared to 58 in the same period of 2007 equaling a **+41%** boost and 75 in 2006, a **+9%** increase. The total for the year was 177 compared to 154 in 2007up **+15%**, and **-4%** less than the 185 in 2006. Waterfront Single Family homes for 2008 declined **-37%** from 2007 and **-40%** from 2006. Condominium Sales increased **+40%** going from 95 in 2006 to 133 in 2008, up **+40%**. The total for 2007 was 148, a decline of **-10%** in the 2008 period.

4. **Lower Keys:** During the second half of 2008, 55 Single Family Waterfront properties sold which was equal to the same period in 2006, and an increase over the 52 in 2007. The total for the year was 134 compared to 133 in 2007 and 141 in 2006, down **-5%**. Single Family Non-Waterfront sales for the year 2008 trailed 2007, 27 to 39, down **-31%**. There were 33 sales for 2006. The second half of 2005, 2006, and 2007 each had 21 sales, 2008 totaled 17, down **-19%**. Since there are no condos in the Lower Keys, there is no chart for this residential component.

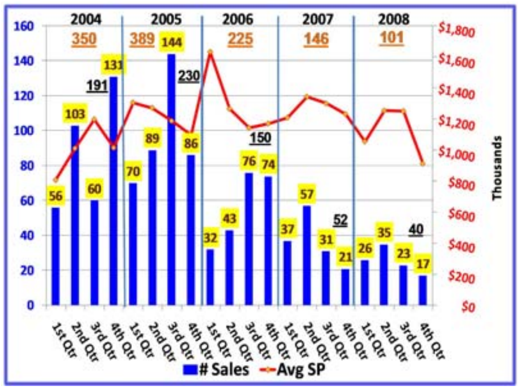
Florida Keys Residential Real Estate Market
Quarterly Sales and AVG Sales Price 2004-2008 (by area)

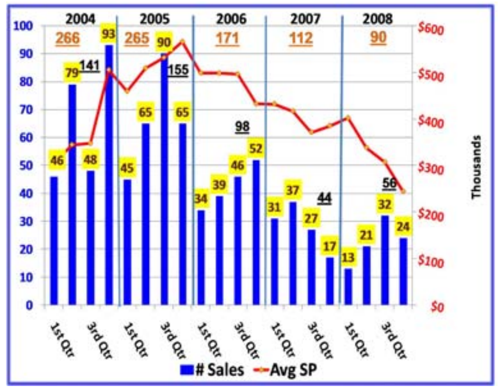
*Source: Tri-Services Multiple Listing Service (MLS) Board Key Largo To Key West

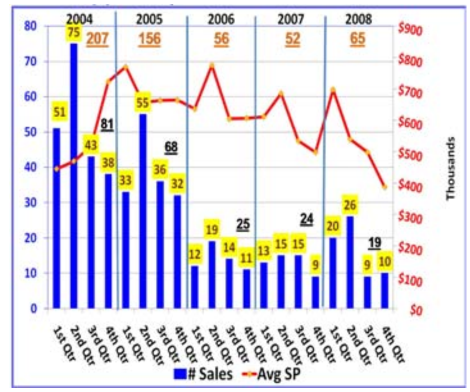
(see bottom right hand corner of this page for clarification of #'s underlined)

Single Family Water Front Sales | Single Family Non-Water Front Sales | Condominium Sales

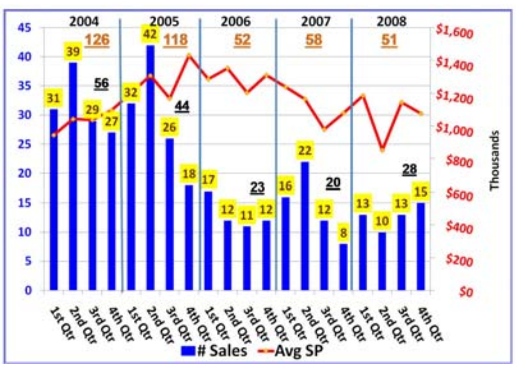
UPPER KEYS

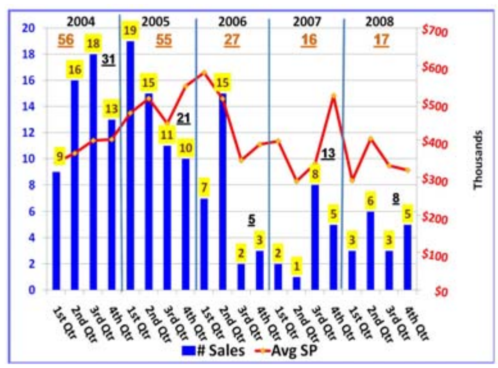


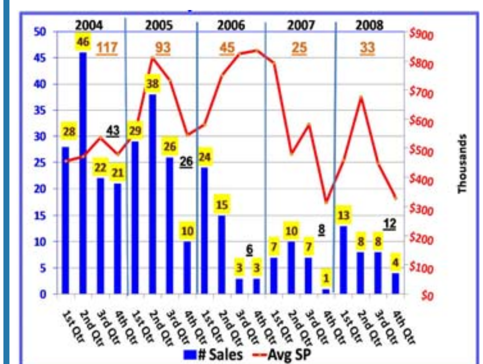




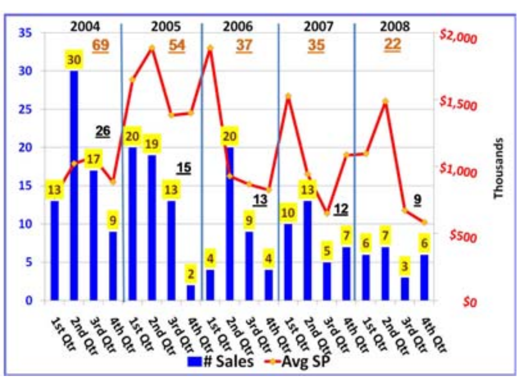
MIDDLE KEYS

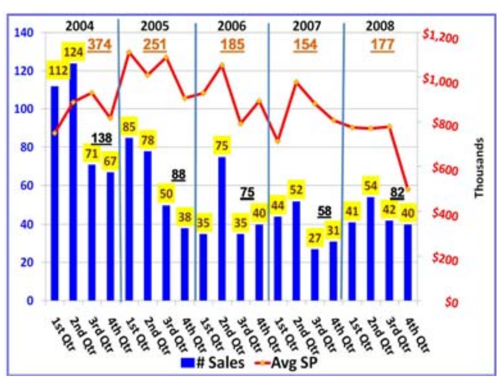


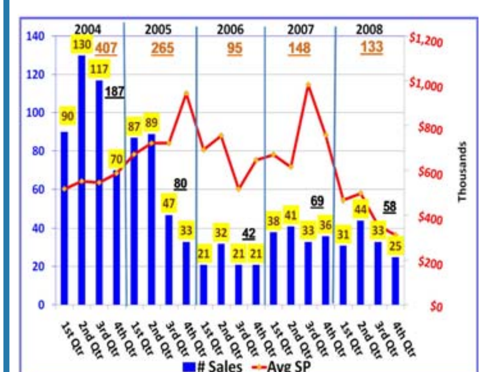




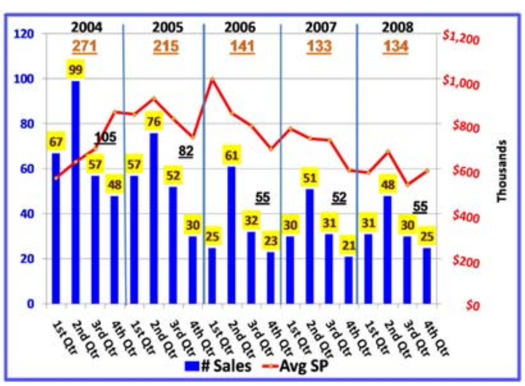
KEY WEST

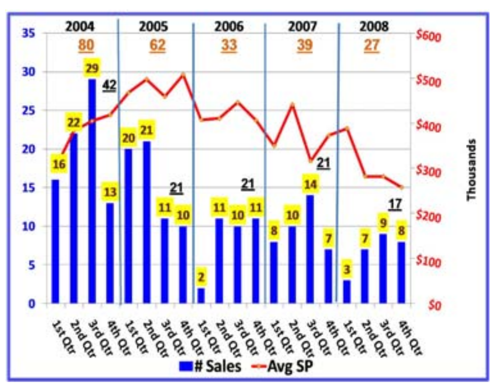






LOWER KEYS





The #'s underlined in ORANGE represent the total sales for these residential components for the year.

The #'s underlined in BLACK represent the total sales for these residential components for the 2nd half of the year.

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(continued from page 1)

Average Days to Sell: The Lower Keys dropped -14% at 218 days after having risen +34% to 253 days during 2007. The figures for Key West and the Middle Keys rose just +1% to 176 and 263, respectively, following 2007 during which they increased +55% and +37%. The Upper Keys was up +5% at 271 after expanding +28% in 2007.

Average Sale Price: The largest reduction occurred in the Key West market, -27% to $612K. The Lower Keys at $456, down -19%, was followed by an -18% drop in the Upper Keys to $607K and the smallest decline of -6% to $661K in the Middle Keys compared to 2007. For comparison, the Average Sale Price at the end of 2006 in the Keys was: UK: $770K, MK: $811K, LK: $651K and KW: $936K. The Middle Keys with the largest months of inventory has the highest average sales price Keys-wide in 2008.

New Properties Listed: Three of the four market areas continued the recent trend with a reduction in new listings arriving on the market. The Upper Keys dropped -17% with 1,590 properties, followed by the Middle Keys with 867 properties listed for a -12% reduction, and -11% in the Lower Keys with 753 new listings. In Key West, the new listings increased by +4% to 1,363.

Average List Price: For the first time in recent years, all four market areas saw a decline in the Average List Price. The Upper Keys led the market declining -12% to $965K, from $1.1MM at the end of 2007. The Middle Keys dropped -9% to $896K, from $986K at the end of 2007. The Lower Keys average list price fell by -8% to $634K versus $687K at the end of last year, and Key West was down -2% to $962K versus $987K for 2007.

Months of Inventory: The biggest increase, +24% to 41 months was in Key West followed by the Upper Keys at +12% with 48 months, then the Middle Keys at 61 months, up +15%. The smallest increase was in the Lower Keys at +9% to 39 months.

Number of Properties for Sale: The Lower Keys inventory increased just +.4% to **708**, while Key West inventory grew by +13% at 1,460 properties. Upper Keys properties for sale declined -2% to 1,448. The Middle Keys led in inventory reduction down -6% to **808** properties.

What is ahead for The Keys Real Estate Market?

If the various economic stimulus packages have the desired impact, mortgages remain so affordable, and lending continues to increase, we could see the bottom of the market in 2009. Based on the trends of the past six months which signal a continued increase in the number of sales, especially in the single family and condo sectors, we should experience more sales in 2009 vs. 2008 with prices continuing to be under pressure for at least the first half of 2009.

Never in our 54 year company history have we seen the confluence of historically low interest rates coupled with large inventories providing Buyers with tremendous choice and prices, which in many cases are well below replacement costs. By the time the bottom is broadly recognized it will long have passed and one of the above three components of this Buyer's market will change followed by the others, possibly in quick succession.

More Florida Keys History For You

The Hub of Marathon, early 1930s.

This general store was at the crossroads where the railroad intersected with the dirt road connecting the fish house business with the Overseas Highway.

If you would like a FREE Comparative Market Analysis, contact one of our five offices at the toll free numbers below. We are the Most Trusted Name In Florida Keys Real Estate.

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