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TROPICAL BREEZES

THE REAL ESTATE NEWSLETTER OF THE FLORIDA KEYS!

Fall 2006

"The Most Trusted Name In Florida Keys Real Estate"

Volume 5, Number 3

Florida Keys Real Estate Market Comparison January–September 2006 vs 2005

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

Keys-Wide Overview:

As noted in the Spring and Summer Newsletters the reduction in Florida Keys real estate market activity is similar to what has occurred throughout most of the country. During the first nine months of 2006 Keys-wide: The number of sales were **-48%** less than the same period in 2005; as expected with the drop in sales the total dollar value of sales is off **-44%** to \$1B. Average days to sell a property increased **+17%** to 181 days, and the average sales price rose only **+1%** to \$800K, which is a slight drop from the mid-year **+2%** increase. As a point of comparison the overall sales price increase for 2005 was **+39%**.

The number of properties placed on the market "For Sale" during the first nine months of 2006 increased **+16%**, versus **+20%** over the 1st six months of 2006. The average "List Price" of properties remained steady as it has every quarter since September 2005. The number of properties offered "For Sale" on September 30th rose **+40%** compared to that date in 2005.

	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 9/30/06:	46% Less 441	54% Less 217	49% Less 216	44% Less 334	48% Less 1,208
\$ Value of Sales As of 9/30/06: (in millions \$)	37% Less \$366MM	55% Less \$175MM	36% Less \$159MM	49% Less \$323MM	44% Less \$1B
Avg. Days To Sell As of 9/30/06:	23% More 193	18% More 186	16% More 182	9% More 162	17% More 181
Avg. Sales Price As of 9/30/06:	7% More \$759K	7% Less \$749K	15% More \$675K	3% Less \$970K	1% More \$800K
New Properties Listed As of 9/30/06	19% More 1,799	1% Less 815	14% More 999	20% More 1,687	16% More 5,300
Avg. List Price Properties "For Sale" As of 9/30/06:	5% More \$1.2MM	No Change \$1.1MM	5% More \$761K	6% Less \$1MM	No Change \$1MM
Number of Properties "For Sale" As of 9/30/06:	68% More 1,519	65% More 746	50% More 790	31% More 1,282	40% More 4,337

The real estate market is slowly improving throughout the Keys as we experience increased buyer activity, a reduction in the pace of new properties coming on the market, interest rates remaining close to historic lows, a strong national economy, the favorable resolution of the Windstorm Insurance issue and a more routine Hurricane season. Of particular note is that we are receiving some multiple offers on properties priced appropriately for the market. Overall we expect an improving real estate market Keys wide through the remainder of 2006 and beyond.

The number of sales registered Keys-wide has been increasing month by month over the past few months, which is contrary to prior year trends. There were more sales in September than in August which indicates that we may have seen the bottom of the market.

The following addresses real estate activity by market area:

Sales in the Middle Keys remained off over 50% (**-54%** vs **-52%** at mid-year 2006), followed by the Lower Keys with **-49%** vs **-45%** mid-year, the Upper Keys **-46%** which is an **+8%** improvement from the **-54%** Jan-Jun) and Key West **-44%** compared to **-35%** during the 1st six months. *(continued on page 4)*

www.RealEstateFloridaKeys.com



Real Estate Market News

Housing Domsayers Ignore Positives

*Source: Miami Herald by
KENNETH HARNEY, President of a Maryland consulting and publishing firm, is executive director of the National Real Estate Development Center

With all the dismal reports about the home real estate market, don't lose track of something critically important: Mortgage interest rates are barely a percentage point above 40-year lows.

New mortgage applications are up sharply, the number of pending home sales is up, the national economy continues to expand moderately, and the rate of unemployment just declined again to 4.6%.

All of which raises the question: With gloom-and-doom purveyors forecasting an imminent housing bust, how could such key fundamentals as jobs, interest rates and even pending home sales simultaneously be trending in the opposite direction?

Donald L. Kohn, the Federal Reserve's vice chairman, views are worth keeping in mind if you want to put the negative news on home prices and sales in perspective. Add it all up: Lower asking and selling prices on houses are integral parts of the self-correction and should help shorten the whole process. Lower interest rates should make those lower prices affordable to a broader number of potential buyers. That could become an even more important factor if mortgage rates dip below 6 percent in the coming months, as some Wall Street capital market analysts expect.

James Glassman, a managing director at JP Morgan Chase, says 30-year fixed-rate mortgages at 5 ¾ percent are a distinct possibility if long-term rates in the global bond market continue to ease. The current cyclical downturn in housing "is not your classic interest rate story" he says. Money is available at low cost, and there's a good possibility "it won't be long before we work through this."

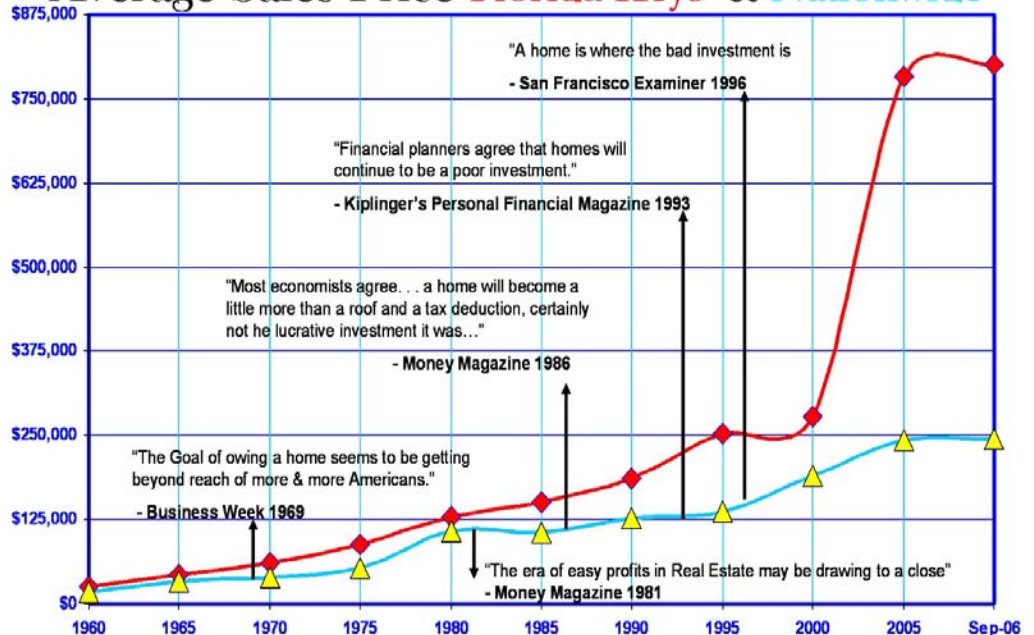
Mike Moran, chief economist of Wall Street's Daiwa Securities America, minces no words: The financial press and TV news shows are overly dramatizing what is a normal and long-predicted cyclical rebalancing, and "portraying it as a catastrophe."

Housing "is going through a correction that's badly needed," he said. "The key issue is whether it is orderly or disorderly" -- and all signs point to a continued orderly process, not a breakout bust or panic.

Doug Duncan, chief economist of the Mortgage Bankers Association, points out that national housing sales numbers are merely rolling back to 2003 levels -- "and that was a record year." Serious sellers and buyers shouldn't be misled by predictions of imminent crashes, said Duncan. Not only do the doom reports ignore the positives out there in the marketplace -- mortgage rates in particular -- but "the rhetoric is just way overwrought."

Real Estate Reality Vs. Real Estate "Opinions"

Average Sales Price Florida Keys & Nationwide



Note: The annual appreciation for existing U.S. home sale prices increased on average 6.5% annually 1972 through 2005 - Calculation based on compounded annual growth rate by National Association of Realtors

Despite What They Say... Real Estate Continues as a Sound Investment!

Yearly Mortgage Comparison As Of September 30, 2006*

Loan Type	2006		2005		2004		2002		2000		1994	
30-yr Fixed Rate Mortgages	6.40%	0.5	5.77%	0.6%	5.75%	0.7%	6.09%	0.6%	7.91%	1.0%	8.64%	1.8%
15-yr Fixed Rate Mortgages	6.08%	0.4	5.36%	0.6%	5.14%	0.7%	5.51%	0.6%	7.60%	1.0%	8.13%	1.8%
1-yr Adjustable Rate Mortgages	5.51%	0.7	4.51%	0.7%	3.99%	0.7%	4.29%	0.6%	7.27%	1.0%	5.54%	1.5%

*Source: Freddie-Mac

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(continued from page 1)

As expected with a **-44%** drop in number of sales the total dollar value of sales was down in every market area; **-55%** for Middle Keys, **-49%** in Key West, **-37%** Upper Keys, and **-36%** across the Lower Keys. Days on Market to Sell a property during the January-September period was the highest in the Upper Keys, 193 days or **+23%** vs 2005, **+18%** at 186 days for the Middle Keys, 182 days **+16%** in the Lower Keys and **+9%** to 162 days in Key West.

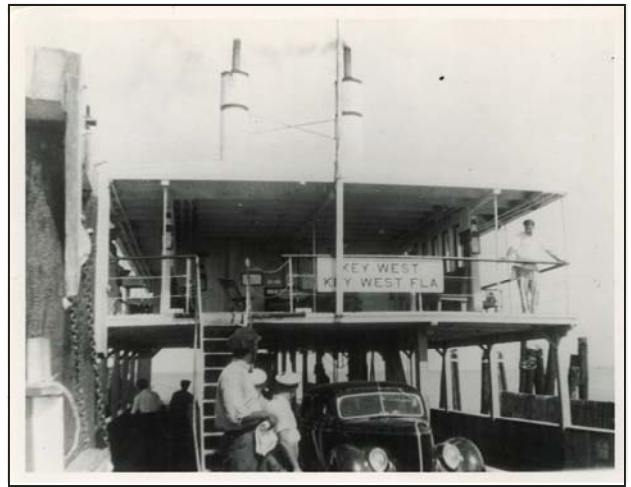
Average Sale Price declined **-7%** in the Middle Keys to \$749K vs \$806K last year. Key West was off **-3%** at \$970K compared to \$1MM. The Upper Keys increased **+7%** to \$759K from \$707K and the Lower Keys grew the most, **+15%** to \$675K vice \$586K at the end of September 2005.

New properties coming to the market "For Sale" during the 1st nine months of 2006 increased in all market areas compared to 2005 except for the Middle Keys where they declined just **-1%**. Key West had the biggest gain at **+20%** followed by the Upper Keys with **+19%** and Lower Keys at **+14%**.

The average "List Price" of properties on the market "For Sale" remains about the same with **+5%** increases in the Upper and Lower Keys, no change for the Middle Keys and a **-6%** drop in Key West.

The number of properties offered "For Sale" increased the most in the Upper Keys, **+68%** compared to **+98%** on December 31, 2005. The Middle Keys was **+65%** vs **+12%** at the end of 2005. The Lower Keys had **+50%** growth which is half of the **+102%** number on December 31, 2005. The **+31%** for Key West is down from **+73%** at the end of last year.

More Florida Keys History For You



Ferry boat landing at Marathon in the vicinity of Hog Key on the West end of Key Vaca. During construction and operation of the railroad and before the railroad bridges were converted, cars transiting the Keys from Key Largo to Key West were transported between the islands by ferry.

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"**.

Key Largo (877) 289-0035 Islamorada (800) 207-4160
Marathon (800) 366-5181 Big Pine (800) 488-3050
Key West (800) 598-7727



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