

1955 - 2005

TROPICAL BREEZES

THE REAL ESTATE NEWSLETTER OF THE FLORIDA KEYS!

"The Most Trusted Name In Florida Keys Real Estate"



SCHMITT REAL ESTATE CO.

Winter 2005/2006

Volume 4, Number 4

Florida Keys Real Estate Market Comparison January thru September 2005 vs. 2004

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

The Florida Keys real estate market continues to shift from what has been predominately a Sellers market during recent years to a more balanced market. The number of properties available for sale year-to-date has nearly doubled **+93%** to 2,702 while sales declined slightly **-17%** to 2,337 compared to the 1st nine months of 2004. By comparison for the same period in 2004 versus 2003 listing inventory increased **1%** with number of sales up **7%**. The Upper Keys had the most sales as they have for the last three years, with 827, **-16%** less, followed by Key West with 603, **-27%**. The Middle Keys with 482 properties was the only region with increased sales, up **1%**. The Lower Keys had 425 sales, a **-24%** drop.

The total dollar value of values increased just **17%**, compared to **43%** during the 1st nine months of 2004 versus 2003. The reduced level of increase is due to the **-17%** decline in number of sales. Nonetheless, the total value of properties sold was over \$1.8B compared to \$1.9B for all of 2004, and \$1.4B for all of 2003. Key West, normally the leader in total sales value increase, grew the least, **+2%** to \$630MM, followed by the Lower Keys at \$249MM up **7%**. The Middle Keys had the largest increase, **+44%** to \$388MM followed by the Upper Keys **+23%** to \$585MM.

As expected during a market shift of this nature the "Days to Sell" rose slightly, **+10%** to 154 days. All regions increased with the Upper Keys having the smallest rise, just **+1%** to 157 days. The Middle Keys rose **+11%** to 157 days, followed by Key West at 148 days, **+14%**. The Lower Keys grew the most, **+28%** to 155 days.

The Keys-wide Average Sale Price of \$788K, **+41%**, compares to \$557K at the end of September 2004, which was an increase of **+32%** compared to the 1st nine months of 2003. The Upper Keys realized a **+46%** rise to \$707K versus \$482K last year. The Middle Keys and Lower Keys both grew by **+42%** to \$806K and \$586K respectively, versus \$565K and \$412K for the same period in 2004. The Key West rise was **+40%** to \$1MM versus \$742K last year.

Keys-wide the average price of properties "For Sale" rose just **+1%** to \$1MM. The Middle Keys grew the most, **+8%** to \$1MM, followed by the Upper Keys with **+7%**, \$1.1MM and the Lower Keys, \$733K, a **+6%** rise. Only Key West experienced a decline, **-7%** to \$1.1MM.

As noted above, the inventory of properties has grown **+93%** to 2,702 compared to 1,399 last year and 1,704 at the end of October 2003. Key West led the increase, **+125%** to 975 properties versus 433 last year. The Lower Keys was up **+107%** to 526 versus 253 in 2004. Middle Keys inventory grew by **+73%** to 452 compared to 261 in 2004, followed by the Upper Keys with 749 listings, **+66%** versus 452 last year. (continued on page 4)

| | 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) |
|---|--|--|---|---|----------------------------------|
| Green (+) Red (-) | | | | | |
| Total Number of Sales Jan-Sept 2005: | 16% Less 827 | 1% More 482 | 24% Less 425 | 27% Less 603 | 17% Less 2,337 |
| \$ Value of Sales Jan-Sept 2005: (in millions \$) | 23% More \$585MM | 44% More \$388MM | 7% More \$249MM | 2% More \$630MM | 17% More \$1.8B |
| Avg. Days To Sell Jan-Sept 2005: | 1% More 157 | 11% More 157 | 28% More 155 | 14% More 148 | 10% More 154 |
| Avg. Sales Price Jan-Sept 2005: | 46% More \$707K | 42% More \$806K | 42% More \$586K | 40% More \$1MM | 41% More \$788K |
| Avg. List Price Properties "For Sale" Jan-Sept 2005: | 7% More \$1.1MM | 8% More \$1MM | 6% More \$733K | 7% Less \$1.1MM | 1% More \$1MM |
| Number of Properties "For Sale" Jan-Sept 2005: | 66% More 749 | 73% More 452 | 107% More 526 | 125% More 975 | 93% More 2,702 |

www.RealEstateFloridaKeys.com



Real Estate Market News

Florida Keys Real Estate Market Comparison 3rd Quarter 2005 vs. 2004

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

Comparing 3rd Quarter numbers 2005 to 2004 provides an additional perspective to the market changes occurring in 2005 from the nine month data on page 1. For instance, during this recent 3 month period number of sales declined **-23%** to 786 compared to 1041 in 2004. For the same period 2004 sales grew **18%** from 876 in 2003.

The total dollar value increased **17%** compared to **56%** during the July to September period of 2004 versus 2003. Nonetheless, the total value of properties sold was \$694MM compared to \$592MM during the period in 2004 and \$384MM for 2003. "Days to Sell" rose, **+28%** to 176 days Keys-wide. It was 137 as of 30 Sept. 2004 and 166 in 2003. Keys-wide the average Sale Price grew by **+51%**, to \$873K, versus \$576K at the end of September 2004, which was an increase of **+31%** over the \$439K sales price during the same period in 2003.


| | <u>Upper Keys</u> Green (+) Red (-) <u>(Lower Matecumbe to Key Largo)</u> | <u>Middle Keys</u> (7 Mile Bridge to Long Key) | <u>Lower Keys</u> (Bay Point to Big Pine) | <u>Key West</u> (Key West to Shark Key) | <u>All Areas</u> Keys Wide |
|--|--|--|---|---|--------------------------------------|
| Total Number of Sales 3rd Qtr 2005 vs. 2004: | 6% Less 320 | 14% Less 157 | 36% Less 135 | 42% Less 174 | 23% Less 786 |
| \$ Value of Sales 3rd Qtr 2005 vs. 2004: (in millions \$) | 28% More \$236MM | 46% More \$159MM | 15% Less \$81MM | 4% More \$218MM | 17% More \$694MM |
| Avg. Days To Sell 3rd Qtr 2005 vs. 2004: | 21% More 185 | 24% More 181 | 33% More 145 | 37% More 181 | 28% More 176 |
| Avg. Sales Price 3rd Qtr 2005 vs. 2004: | 38% More \$739K | 69% More \$1MM | 31% More \$601K | 80% More \$1.2MM | 51% More \$873K |

FEMA – National Flood Insurance Program Information

You may not be aware of the September 9, 2005 District Court Ruling enjoining FEMA from Issuing Flood insurance for New development in Suitable Habitat of Endangered Species in Monroe County. This letter from FEMA/NFIP Policy Issuance 2-2005 resulted from the ruling. For details of affected properties see www.fws.gov/filedownloads/ftp_verobeach/monroe-parcels (Note the need for an _ after ftp and ~ after Monroe). This ruling has created considerable confusion about building, rebuilding, etc. in the Keys and is being addressed from numerous fronts throughout the Keys, the State of Florida and a joint response by FEMA and U.S. Fish & Wildlife Service.

For the latest information contact your local CBSREC agent.

U.S. Department of Homeland Security
 500 C Street, SW
 Washington, D.C. 20472



National Flood Insurance Program

Policy Issuance 2-2005

SUBJECT: U.S. District Court Order Regarding the Sale of National Flood Insurance Program (NFIP) Insurance in Monroe County, Florida

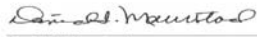
Background: On September 12, 2005, as part of ongoing litigation in Monroe County involving the application of the Endangered Species Act to the NFIP, the U.S. District Court for the Southern District of Florida issued a court order affecting the sale of NFIP insurance. This order directed the U.S. Fish and Wildlife Service to provide a list of suitable habitat for endangered species in Monroe County. It directed FEMA to not issue flood insurance for new construction in that suitable habitat. This list of locations by real estate parcel number was provided to the Court and FEMA on October 3, 2005, and can be found at the following website: www.fws.gov/filedownloads/ftp_verobeach/MONROE-PARCELS.

Policy Decision: Flood insurance cannot be written on a building with an actual start of construction date on or after September 12, 2005, in Monroe County if the property is found in the list of parcels located on the above website. The Direct Servicing Agent and the WYO Companies will be responsible for verifying that buildings insured in Monroe County, including both the unincorporated area of the county and the incorporated cities within the county, are eligible for insurance. This will necessitate obtaining the real estate parcel numbers of the properties from the applicant and documentation from the community that the actual start of construction was in fact before September 12, 2005. This requirement applies to all new business with building permit or construction dates on or after March 16, 2005. It is estimated that only about 250 new buildings are constructed each year in Monroe County. This Policy Issuance will remain in force until further notice.

Any policy issued in violation of this Policy Issuance shall be void *ab initio*.

Questions regarding this Policy Issuance should be directed to Donald Beaton, Chief Underwriter, Federal Emergency Management Agency, at (202) 646-3442, or (email) donald.beaton@dhs.gov.

October 4, 2005
Date



David I. Maurstad
Acting Director
Mitigation Division
Emergency Preparedness
and Response Directorate

www.fema.gov

Yearly Mortgage Comparison As Of September 30, 2005*

| Loan Type | 2005 | | 2004 | | 2002 | | 2000 | | 1994 | | 1984 | |
|---------------------------------------|-------|------|-------|------|-------|------|-------|------|-------|------|--------|------|
| 30-yr Fixed Rate Mortgages | 5.77% | 0.6% | 5.75% | 0.7% | 6.09% | 0.6% | 7.91% | 1.0% | 8.64% | 1.8% | 14.35% | 2.6% |
| 15-yr Fixed Rate Mortgages | 5.36% | 0.6% | 5.14% | 0.7% | 5.51% | 0.6% | 7.60% | 1.0% | 8.13% | 1.8% | N/A | N/A |
| 1-yr Adjustable Rate Mortgages | 4.51% | 0.7% | 3.99% | 0.7% | 4.29% | 0.6% | 7.27% | 1.0% | 5.54% | 1.5% | 12.00% | 2.6% |

*Source: Freddie-Mac

www.RealEstateFloridaKeys.com



IMPORTANT NOTICE TO FLORIDA KEYS PROPERTY OWNERS AFFECTED BY THE RECENT HURRICANES

Certainly you are aware of the four Hurricanes that affected the Keys in 2005, with the most recent, Wilma causing extensive damage primarily due to the post storm surge from the Gulf of Mexico. If your property was damaged you may find the following of benefit to recoup your loss on your taxes for 2005 or even 2004.

Florida Keys property owners who have suffered significant damage from the recent hurricanes should be aware that uninsured hurricane losses may give rise to valuable income tax deductions available on your income tax returns. Many of you have suffered significant losses to your landscaping and docks as well as to your homes and investment properties. Much of this damage and the costs of replacement and repair may not be covered by insurance. Subject to certain restrictions, your remaining loss is deductible on your income tax return as a casualty loss.

Generally, the amount of your deductible loss is the smaller of:

- (1) The cost of your entire property (original purchase price plus improvements and additions, including landscaping and docks), less insurance reimbursements, or
- (2) The decrease in the fair market value of the entire property, less insurance reimbursements.

Please note that special deduction limitations apply to personal residences and other non-business property.

The most reliable method of determining the decline in your property's market value is by an appraisal performed by a competent appraiser. With respect to your landscaping and docks, an acceptable method may be the actual cost of restoring them to their pre-hurricane condition. However, in many cases this may not be physically possible due to the loss of large trees and government-imposed building restrictions. It is advisable to take photographs of the property showing it in its damaged condition and immediately after the restoration or replacement. Photographs of your property from before the hurricane would also be helpful.

In many neighborhoods in the Florida Keys a significant part of the area's attraction, and thus its value, was attributable to the landscaping, foliage, and blend of greenery with the surrounding waters. In some cases, your own property may have suffered minimal damage. However, you may still have realized a significant drop in your property's value, due to either the destruction of other surrounding properties, or due to the loss of your neighborhood's foliage.

The position of the Internal Revenue Service is that only the loss caused by actual physical damage to your property is deductible, not a loss in value due to its location in an area which has suffered significant property damage. However, the courts have allowed deductions for such losses depending on the specific circumstances. Some of the key factors to look at in determining whether your loss may qualify are:

- (1) The extent of the damage to the surrounding area.
- (2) Will the neighborhood conditions and character change as a result of the damage?
- (3) Has the usefulness of any part of your property decreased due to its surrounding conditions?
- (4) Is the resulting decline in market value of your property from these conditions temporary or permanent?

A special rule is also available to you as a result of the President of the United States declaring the Florida Keys to be a designated disaster area. Property owners with casualty losses in this designated area may deduct their losses on either their 2005 income tax returns or elect to claim them on their 2004 income tax returns by filing an amended return. Subject to your particular circumstances, your casualty loss should generally be claimed in the year providing you with the most tax benefit.

We understand that many of the issues discussed here are quite complex, and the most appropriate course of action for you will depend on your specific situation. Since we cannot, and do not, render legal or tax advice, you should contact your personal tax advisor as required. However, we at Coldwell Banker Schmitt Real Estate Co. are committed to assisting you with your property requirements during this difficult time. Give us a call at any of our five office locations from Key Largo to Key West.

(continued from page 1)

We anticipate the demand for all types of properties throughout the Florida Keys to remain strong. With an average sales price increase of **+34%** per year over the past three years, one would anticipate some slowing of the rate of increase. Florida Keys real estate remains an excellent opportunity for owners and investors in comparison to other resort markets as it has the unique benefit of a sub-tropical climate and a very limited supply of new properties available because of building restrictions.

Should you or someone you know be interested in purchasing or selling property anywhere in the Keys, contact one of our modern fully staffed offices from Key Largo to Key West to experience the personal interest and professional attention to your needs that continues to make CBSREC **"The Most Trusted Name in Florida Keys Real Estate."** You can contact us via email at buyparadise@bellsouth.net or visit us online at www.RealEstateFloridaKeys.com and check out our Vacation Rental website at www.RentalsFloridaKeys.com.

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

More Florida Keys History For You



The Long Key Fishing Lodge as seen from the Long Key Viaduct.

If you would like to receive **"Tropical Breezes"** electronically instead of by mail, Please let us know by emailing us at: TropicalBreezes@cbschmitt.com

Moving Forward by Giving Back



COLDWELL BANKER SCHMITT
CHARITABLE FOUNDATION

When you buy or sell with Coldwell Banker Schmitt Real Estate Co. you are also helping the less fortunate in the Florida Keys with a contribution.

Look For The Little Conch House With A Big Red Heart!

If you would like to make a donation call (305) 289-6503.

**COLDWELL
BANKER**

**SCHMITT
REAL ESTATE CO.**

11050 Overseas Hwy. — Main Office
Marathon, FL 33050
Toll Free: 800-366-5181
Office: 305-743-5181
Fax: 305-743-7012

www.RealEstateFloridaKeys.com

PRESORTED STD.
U.S. POSTAGE
PAID
PERMIT NO. 15
Marathon, FL

1955—2005

THE MOST
TRUSTED
NAME IN
FLORIDA KEYS
REAL ESTATE