

October 2009 Newsletter

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Designations and Certifications are explained at the end of the newsletter
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Hello from South Florida,

Below are brief summaries on key issues that have an effect on South Florida Real Estate, followed by the target market specific data. [Click here for graphs](#) of the data to help analyze trends in the market place. Please make note of the trends and data points as this will be key in timing the purchase or sale of a property to your benefit. Also, it is more important than ever that you understand the incentives that might end up being the deciding factor for those whom have been thinking about buying for quite some time.

THE NEW CONDO MINI-BOOM: Over the past several months, a new wave of investors and home buyers – almost reminiscent of the market’s heyday – has been pouring into Miami’s downtown condo market and snatching up half-priced condos. Several Brickell area buildings, in fact, have sold out or are close to it. Some differences from the aforementioned heyday are: No escalating prices. And investors – primarily foreign nationals – are paying in cash and are willing to rent or hold the units until the market recovers. A renter that moved into 500 Brickell a few months ago noticed that it has been crawling with agents and condo shoppers, markedly different than the empty hallways only months ago. “My building is like night and day since we first got here,” says the renter. “There is very little developer inventory for rent on Brickell Avenue right now, that’s partially due to the fact that the developer units are selling at a very rapid pace,” said Joe Mann, an attorney and Realtor. Since June, more than 160 units have sold in the [500 Brickell building](#).

Most condo builders took out huge construction loans to build the gleaming towers that changed Miami’s skyline. Burned by the crash and plummeting prices, they too, haven’t been able to sell their units for enough to pay back their loans. Now some lenders are deciding to cut their losses by allowing developers to sell the units for less than the cost to recoup their money, in what are essentially the equivalents of residential short-sales. As far as lenders are concerned, the alternatives are not too attractive – selling to bulk buyers and vulture funds looking to scoop up the unsold remains at a steep discount or proceeding with a costly foreclosure. That option could prompt a bankruptcy and tie up a developer’s property in expensive litigation.

[Brickell on the River South](#) dropped prices in January, sparking a flurry of sales during the deepest months of the recession. Cases like this prompted a realization among lenders that troubled buildings could sell out if the price was right. After lenders balked at bulk buy offers between \$120 and \$170 per square foot at the [1060 Brickell project](#), the developer was allowed to slash prices to around \$220 per square foot in May. The result: More than 300 units flew off the shelf, closing or going under contract in 90 days, according to Walter Defortuna, chairman of Fortune International Realty.

Not all lenders are willing to accept drastic price cuts. That’s why Everglades on the Bay filed for Chapter 11 bankruptcy last month, says President of ISG Craig Studnicky. Cabi Downtown, the project’s developer, alleged Bank of America and its other lenders had refused to allow it to drop prices to the current market. Around \$250 per square foot appears to be the magic number, Studnicky said, even though that’s lower than it would cost to build such units today. “The good news is at a certain price there are a lot of buyers, more buyers than a lot of us expected,” says Alicia Cervera Lamadrid, president of Related Cervera Realty Services. Developers say foreigners are predominantly behind the new swell of

investors. At 1060 Brickell, Defortuna estimated that 80 percent of the buyers were from abroad and 98 percent had closed with cash. About half plan to use the condos as second homes; the other half will rent them out, he said. --

Source: The Miami Herald 9/5/09

With the above information I would advise prospective buyers and investors to [work with me](#) closely so that I may let you know about the next building that will be rolling out one of these price slashing strategies. I already know of 2 currently working on the marketing plan for such and the early buyers will get the best units.

Also, please contact me should you want to seriously discuss in more detail opportunities for [distressed sales of multiple units](#). This market presents unique opportunities that very well may never be seen again in one's lifetime. Please give me the opportunity to help you take advantage of this situation. I am very involved in high level discussions with many of the decision makers regarding distressed projects.

MIAMIANS' LOVE AFFAIR WITH CITY STRONGER: "Soul of the Community" is a three-year study conducted by Gallup and funded by the Knight Foundation. This year, the second of the project, Miami had the most significant jump in community attachment when compared to other large cities in the survey, which was released this month and can be [reviewed here](#). In all, 26 U.S. communities are being studied. Positive qualities – especially Miami's openness, aesthetics and social offerings, like culture and entertainment – caused a statistically significant increase in the overall level of attachment compared to last year.

Miami-Dade scored 3.62, a statistically significant increase from a score of 3.42 last year. That was also higher than all the other Knight communities overall, which measured at 3.58. In an unexpected twist, the economic difficulties of the past year may have helped Miamians to appreciate the joys of home.

"What's interesting this year in Miami is the perception of residents caring about each other is also significantly higher," said Katherine Loflin who is an Aventura-based consultant contracted by Gallup to help communities understand the information. Peoples' measures of connections with others – through clubs, neighbors, close friends and family – rated four percent higher this year. **That may prove important to Miami's economic future. Gallup's studies over the years show a correlation between community attachment and the strength of the local economy.** – Source: The Miami Herald 9/29/09

QUICK HEADLINES:

- Miami Beach won a costly legal battle with a developer to open a long-promised South Beach baywalk to the public, after contending a prominent architect and leading lawyer schemed to avoid the obligation. --Source: The Miami Herald 9/13/09
- State transportation officials said that the new toll express lanes on Interstate 95 in Miami-Dade have significantly sped up traffic; Florida Department of Transportation has claimed victory against chronic traffic congestion on I-95 – at least northbound traffic in Miami-Dade. --Source: The Miami Herald 9/25/09
- Miami-Dade County was the No. 1 County in the nation for spending on federal lobbyists, even more than the largest county in the U.S., Los Angeles County. --Source: The Miami Herald 9/17/09
- Incentive programs for making homes more energy efficient can help borrowers qualify for larger loans and save on closing costs. [Email me](#) so I can give you more information on this. --Source: The Miami Herald 9/13/09
- The Case-Shiller index, which uses a complex algorithm to measure repeat sales of the same homes in a market, rose in July by 1.3 percent in the greater Miami metropolitan area, following a .5 percent increase in June. – Source: The Miami Herald 9/30/09

DON'T FORGET ABOUT THE HOME BUYER TAX CREDITS: There are 2 separate tax credits for qualified home buyers. The most recently passed tax **credit for \$8,000 that does not need to be repaid**, is for those purchasing a principal residence on or after 1/1/09 and before 12/1/09. And **on 5/29/09**, The Federal Housing Administration released details of a **plan in which borrowers who use FHA loans can get advances from lenders that effectively let them receive the credit before they complete their taxes** (Source: The Miami Herald 5/30/09). There are income limits and other guidelines, of which the below website will help you understand better. Or you can contact your accountant for more specific details.

The other home buyer tax credit is for \$7,500 and does have to be repaid over time. It is available for those that purchased a principal residence on or after 4/9/08 and before 1/1/09.

-- Source: <http://www.federalhousingtaxcredit.com>

The below chart is data from the past 90 days for **Condominiums**, ending 9/30/09. The data is taken from South East Florida's Multiple Listing Service (MLS) for the cities and townships of Miami Beach (South Beach, Mid Beach, & North Beach), Surfside, Bal Harbour, Bay Harbor Islands, and Fisher Island. The paragraph below the data will explain in more detail what is included in this analysis. Please don't hesitate to pose any questions you may have, or simply give me a call or send me an email to discuss Real Estate in general. This data will help to analyze market conditions from month to month.

<u>Price Range</u>	<u>Active</u>	<u>Closed</u>	<u>Listings Expired</u>	<u>% Listing Expired</u>	<u>% Sold</u>	<u>Avg DOM</u>	<u>Average Discount</u>	<u>New vs Resale</u>
\$0 - \$199,999	921	145	193	20.96%	15.74%	125	5%	7 vs. 138
\$200,000 - \$249,999	287	20	63	21.95%	6.97%	172	13%	5 vs. 15
\$250,000 - \$299,999	342	32	82	23.98%	9.36%	155	9%	8 vs. 24
\$300,000 - \$349,999	220	24	30	13.64%	10.91%	155	15%	12 vs. 12
\$350,000 - \$399,999	272	27	58	21.32%	9.93%	184	11%	12 vs. 15
\$400,000 - \$499,999	300	25	66	22.00%	8.33%	147	10%	9 vs. 16
\$500,000 - \$599,999	276	25	38	13.77%	9.06%	143	9%	16 vs. 9
\$600,000 - \$699,999	202	16	36	17.82%	7.92%	80	10%	11 vs. 5
\$700,000 - \$799,999	117	14	28	23.93%	11.97%	161	14%	12 vs. 2
\$800,000 - \$899,999	101	4	22	21.78%	3.96%	279	14%	2 vs. 2
\$900,000 - \$1,179,999	147	13	25	17.01%	8.84%	159	10%	12 vs. 1
\$1,180,000 - \$1,399,999	101	8	14	13.86%	7.92%	186	18%	7 vs. 1
\$1,400,000 - \$1,799,999	125	9	31	24.80%	7.20%	403	12%	9 vs. 0
\$1,800,000 - \$2,199,999	76	6	10	13.16%	7.89%	282	12%	6 vs. 0
\$2,200,000 - \$2,699,999	72	4	7	9.72%	5.56%	160	17%	4 vs. 0
\$2,700,000 - \$3,199,999	51	4	9	17.65%	7.84%	137	19%	4 vs. 0
\$3,200,000 - \$3,999,999	51	2	8	15.69%	3.92%	192	23%	2 vs. 0
\$4,000,000 - \$4,999,999	39	3	7	17.95%	7.69%	190	15%	3 vs. 0
\$5,000,000 +	58	2	13	22.41%	3.45%	148	11%	2 vs. 0
<u>Totals:</u>	3758	383	740	19.69%	10.19%	182	13%	143 vs. 240

As you can see, I have broken the data into price ranges, and then you can see the amount of **Active** condos for sale, how many Real Buyers **Closed** on a condo for sale, how many of those listing agreements **Expired** unsold, then further calculated what **percent** of the Active condos for sale **Expired** and **Sold**. Then I calculated the Average Days on Market (**Avg DOM**), which is the amount of days it took the condos that sold to obtain a Real Buyer. Then I show the **Average Discount**, which is the percentage the Listed Price was discounted to the Actual Sale Price for all Closed Sales. The last column is for Closed Sales that were **newer construction**, which I considered to be anything built after 1995, **versus**

older buildings built before 1995. I track this data for Condominiums and Single Family Homes separately due to their differences. I also track the data for the more luxurious buildings of South Beach, please feel free to email or call for that data.

The next set of data below is the same information for **Single Family Homes**. The one difference is that the last column is the **Average Age** of the homes Sold.

<u>Price Range</u>	<u>Active</u>	<u>Closed</u>	<u>Listings Expired</u>	<u>% Listing Expired</u>	<u>% Sold</u>	<u>Avg DOM</u>	<u>Average Discount</u>	<u>Average Age</u>
\$0 - \$399,999	41	13	6	14.63%	31.71%	66	5%	1944
\$400,000 - \$499,999	21	8	4	19.05%	38.10%	213	8%	1946
\$500,000 - \$649,999	27	3	11	40.74%	11.11%	166	7%	1942
\$650,000 - \$799,999	36	8	12	33.33%	22.22%	143	14%	1946
\$800,000 - \$999,999	51	5	10	19.61%	9.80%	108	9%	1942
\$1,000,000 - \$1,299,999	45	5	8	17.78%	11.11%	183	17%	1933
\$1,300,000 - \$1,599,999	40	2	3	7.50%	5.00%	441	7%	1950
\$1,600,000 - \$1,999,999	47	4	10	21.28%	8.51%	92	25%	1983
\$2,000,000 - \$2,999,999	71	8	8	11.27%	11.27%	160	16%	1961
\$3,000,000 - \$3,999,999	35	2	8	22.86%	5.71%	243	14%	1954
\$4,000,000 - \$4,999,999	16	0	4	25.00%	0.00%	n/a	n/a	n/a
\$5,000,000 - \$5,999,999	18	1	1	5.56%	5.56%	87	15%	1933
\$6,000,000 - \$6,999,999	13	1	1	7.69%	7.69%	293	41%	1933
\$7,000,000 - \$9,999,999	21	1	1	4.76%	4.76%	310	27%	1984
\$10,000,000 +	30	1	4	13.33%	3.33%	386	40%	2003
Totals:	512	62	91	17.77%	12.11%	206	17%	1954

Don't forget to look at the overall data I have been collecting and determine for yourself what trends, etc. you see; please click here to take you to some graphs that should prove to be very insightful:
<http://www.miamipropertiesandparadise.com/professional11.shtml>

If you are a bargain hunter looking for distressed properties, please [contact me](#) so that I may setup an automatic short sale or foreclosure search notification for you. I have found that the best deals usually go the quickest, and to be proactive in your distressed property search is the best way to go about finding a bargain. In the course of continually researching and familiarizing myself with the inventory of the very localized market in which I practice, along with the banking relationships I have cultivated, I have been able to do a lot of the research and legwork recognizing the best potential values in my target markets, or in some instances in other specific buildings or locations where there is excellent value for the product. Please understand that this service I provide adds significant value to the process, and only contact me if you are serious about buying and planning to be loyal. Please don't hesitate to [contact me](#) directly for any such information.

CORUS' FAILURE MAY BE GOOD: Following the failure of Chicago's Corus Bankshares and its seizure by federal regulators, speculation Monday focused on the fate of the lender's \$4 billion in commercial loans, a good quarter of them secured by condominium projects in South Florida. FDIC spokeswoman LaJuan Williams-Dickerson said regulators would begin marketing the assets to potential buyers for a private placement transaction that is expected to be completed in about 30 days. She could not say whether the assets would be sold to a single buyer or in loan pools.

Corus was one of the largest condominium construction lenders in South Florida during the real estate boom, financing 34 projects in Miami-Dade, Broward and Palm Beach counties. It held more than \$1 billion in South Florida loans at the time of its Friday seizure, most of which were nonperforming. Much like a death after a long and painful illness, Corus'

failure was met with a sense of closure and relief from some local real estate analysts and developers, who said now the condo market could hit the reset switch and begin moving forward.

“They made all the loans that shouldn’t have been made right at the end of the cycle. They represented the largest portfolio of troubled projects, so, in that respect it’s kind of like the last hurrah,” said Jack Lowell, vice president of Flagler Real Estate Services. Corus also controlled a large portion of the unsold condo units in the greater downtown Miami market. A new investor, who would not be fighting to minimize losses, would likely slash prices to quickly sell inventory. “That will be good for pre-sale buyers and new buyers,” said Inigo Ardid, vice president of Key International. – Source: The Miami Herald 9/15/09

AUGUST EXISTING HOME SALES DATA FOR THE LOCAL MARKET– WHAT DOES THE DATA TELL YOU?

Single Family Homes – Miami-Dade	2008	2009	% Change	Single Family Homes - Broward	2008	2009	% Change
Sales	469	570	+22%	Sales	604	816	+35%
Price	\$276,000	\$194,800	-29%	Price	\$269,800	\$217,000	-20%
Inventory	16,833	9,768	-42%	Inventory	14,454	7,774	-46%
Condos – Miami-Dade				Condos – Broward			
Sales	483	567	+17%	Sales	550	883	+35%
Price	\$210,400	\$144,700	-31%	Price	\$133,300	\$85,100	-36%
Inventory	24,905	18,291	-27%	Inventory	19,341	13,225	-32%

--Source: Florida Association of Realtors; EWM Realtors; The Miami Herald 9/25/09

PROPERTY TAXES & INSURANCE: As a property owner or potential property owner, I urge you to keep up to date on the various progress, legislation, and proposed legislation in order to help you better understand how these important issues affect you; please see the below link that will take you to the Florida Association of Realtors Legislative Center, which will help to explain the numerous moving parts concerning these issues:

<http://www.floridarealtors.org/LegislativeCenter/TopInitiatives/index.cfm>

INTEREST RATES & RELATED NEWS: The FOMC announced on 9/23/09, after their 2-day meeting, that interest rates remain unchanged near zero.

It is important to note that different types of loans are ‘pegged’ to different rates, so please make sure to stay in touch with your mortgage broker or banker to keep up to date on interest rates, as this can directly affect many Real Estate related decisions. In addition to the lowered rate when securing a mortgage to buy property, another common question you will see with rates near historic lows is whether or not it is a good idea to refinance. This discussion might be a good one to have with a reputable mortgage broker or your banker and see if this would make sense financially. Or feel free to visit my website and the [Mortgage Center](#) for more helpful information. This is the website to the Federal Reserve’s Monetary Policy section: <http://federalreserve.gov/monetarypolicy/default.htm>

Exchange rates play a vital role in Real Estate related decisions for foreign buyers or sellers, a good source to track currency exchange rates is:

<http://www.xe.com/ucc/>

I hope this email finds you well and looking forward to comparing this month's data with last month's data to spot trends and decide for yourself the status of the local Real Estate market, of which I work within 24/7. You are receiving this because we have been in touch about Real Estate here in the South Florida area, most likely property at the Beach. As you read the newsletter from month to month it will contain data that will help you to analyze market conditions. In addition, it is an unobtrusive way to stay in touch with you regarding my Real Estate Consulting Services.

That is all for this month's newsletter and I welcome suggestions, feedback, and of course I am here if you or anyone you know is thinking of buying or selling property here in South Florida. If you wish to further discuss any of the above issues in more detail, or any other Real Estate related topics, please don't hesitate to call or email. I would like to leave you with the following quote by Winston Churchill:

"The pessimist sees difficulty in every opportunity. The optimist sees the opportunity in every difficulty."

DESIGNATIONS AND CERTIFICATIONS:

These Designations and Certifications were specifically chosen by me to give my effort, time, and money, as well as meeting the required experience because I feel that this shows my dedication to continually learning and evolving as a Real Estate Consultant. Plus, the market that I practice in is a natural one to achieve such designations to separate myself from the other professionals within my field. Keep in mind these not only prove education but also transactional experience in order to obtain the designations and certifications.

Realtor® - Membership in the largest professional association known as the National Association of Realtors or N.A.R.

C.I.P.S. – Certified International Property Specialist, member of CIPS network; Designation shows education and transactional experience in the International Arena of Real Estate.

C.D.P.E. – Certified Distressed Property Expert, member of Distressed Property Institute; Designation shows education and experience in the continually evolving and complicated short sale and foreclosure markets.

C.L.H.M.S. – Certified Luxury Home Marketing Specialist, member of Million Dollar Guild; Designation shows education and transactional experience in the top tier level within my market, Million Dollar Guild is the highest level of membership with proven experience in numerous \$1M+ transactions.

GREEN Certified – also known as GREP-GL, Green Certified Real Estate Professional – Green Leadership; Certification shows education and leadership within the Green Real Estate Industry.

T.R.C. – Transnational Referral Certification; Certification shows education in researching Real Estate throughout the world and allows me to refer and to be referred from 28 International Real Estate Organizations in the Global marketplace.

R.E.O.S. – Real Estate Owned Specialist, shows extensive experience and knowledge in the distressed property class known as REO, also known as foreclosures or bank owned properties.

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