

Florida Keys Real Estate Market Comparison: 1st Half 2013 vs. 2012

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

	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	ALL AREAS 2012
Green (+) Red (-)						
Total Number of Sales as of 6/30/13:	15% More 439	11% More 272	18% More 253	16% More 421	15% More 1,385	1,205
Avg. Sales Price as of 6/30/13:	7% More \$422K	5% Less \$383K	15% More \$355K	6% More \$534K	5% More \$436K	\$414K
\$ Value of Sales as of 6/30/13 (in millions \$)	22% More \$185MM	5% More \$104MM	36% More \$89MM	27% More \$224MM	22% More \$604MM	\$494MM
Sale Price to Original List Price as of 6/30/13:	5% More 80.82%	3% More 81.83%	1% More 83.50%	22% More 81.56%	7% More 81.93%	76.66%
Sale Price to Final List Price as of 6/30/13:	2% More 91.57%	1% Less 90.32%	2% Less 89.64%	No Change 93.58%	No Change 91.28%	91.57%
Avg. Days to Sell as of 6/30/13:	5% More 296	5% Less 237	5% More 251	2% Less 262	1% More 262	260
Pending Transactions as of 6/30/13:	21% More 503	14% More 305	31% More 295	21% More 444	21% More 1,547	1,274
Number of Properties For Sale as of 6/30/13:	15% Less 877	1% Less 589	4% Less 562	14% Less 701	10% Less 2,729	3,030
Avg. List Price Properties For Sale as of 6/30/13:	1% More \$779K	5% Less \$693K	6% More \$591K	1% Less \$805K	1% Less \$728K	\$733K
Months of Inventory as of 6/30/13:	26% Less 12	11% Less 13	19% Less 13	26% Less 10	22% Less 12	15

KEYS-WIDE MARKET OVERVIEW

Sales for the first half of 2013 increased **+15%** from the **1,205** during that same period in 2012. It's notable that the number of sales for the first half of 2013 exceeded that of every January through June period back through 2006 when it was **896**. In 2005, it was **1,720**.

The **\$436K Average Sale Price (ASP)** at the end of June was **+5%** more than the **\$414K** for that period last year. That ASP also is up **+3%** from the **\$422K** ASP at the end of 2012. Prior to 2013, the ASP had declined year to year since 2007 with the largest drop being **-23%** for 2009 vs. 2010. The **\$436K** for the first six months of 2013 is a reduction of **-46%** since the peak of **\$805K** in 2006 which places it in the 2002/2003 price range. This reduction in average sales price is, we believe, more the result of **73%** of buyers purchasing properties priced below **\$500K** than being a measure of a reduction in the average market value of property. During the first half of 2006, which was the peak ASP year with **\$805K**, only **33%** of buyers purchased properties priced below **\$500K**. Read the discussion on page 3 about the factors affecting the overall ASP.

The **Dollar Value of Sales** rose **+22%** to **\$604MM** compared to **\$494MM** for the first half of 2012 as a result of the **+15%** increase in total sales coupled with the **+5%** increase in ASP. With average gross sales commissions at **6%**, Keys Brokers earned about \$36 million so far in 2013, about **20%** more than last year.

Average Days to Sell increased **+1%** to **262** days from the **260** in 2012's first half. This is a measure of the number of days between the date the property was listed and the date the sale closed.

The **Sale Price-to-Original List Price (SP/OLP)** increased **+7%** to **81.93%** from **76.66%** a year earlier. (The SP/OLP compares the sale price of the property to the list price of the property at the time it first came on the market versus the list price at the time the contract was written and provides a measure of the mismatch between many sellers' initial list price and the market price acceptable to buyers. This ratio will continue to increase as the market improves. The best this ratio has been was **89.73%** in 1999.

The **Sale Price-to-Final List Price (SP/FLP)** of **91.28%** did not change from 2012. (The SP/FLP compares the sale price of the property to the list price of the property at the time the contract was written instead of the time the property was first listed, and reflects the average percentage of the final listed price that buyers are paying for properties that have sold.) This ratio will also continue to improve, as the market does. The peak for this ratio was **94.85%** in 2004.

The margin between the SP/OLP (81.93%) and SP/FLP (91.28%) is **9.3%**, which indicates, on average, a seller can anticipate price reductions during the term of the listing of about **9%** from their Original List Price to the Final List Price prior to receiving a buyer's offer. The largest reduction was **25%** at the end of 2009 and the lowest **7%** in 2001 and 2005. Additionally, sellers and buyers today can expect the contract price, on average, to be **-9%** less than the Final List Price. It averaged **-5%** from 2001-2005.

(continued on page 4)



Highlights for 2013

Market Trends Synopsis

- Sales: UP **+15%** to **1,385**
- Average Sale Price: Up **+5%** to **\$436,502**
- Dollar Volume of Sales: UP **+22%** to **\$604MM**
- Pending Sales: UP **+21%** to **1,547**
- **The Margin Between Sale Price and Original List Price has Declined**: From **37.5%** in Dec 2009 to **18% Today**.
- The **Margin between Sales Price and Final List Price** has compressed from **25%** in Dec 2009 to **9% Today**.
- Listings: Down **-46%** from **5,084** in March 2007 to **2,729** today, **-10%** fewer than from Dec-Jun 2012.
- Distressed Property Sales (Bank Owned & Short Sales)
 - Down from a peak of **45%** of the number of **Sales** in the Q3 2010 to **17%** of the **Sales**
 - Listings down from **26%** of all **Listings** in 2009 to **8%** of all Listings as of June 30, 2013.
- Activity by Property Type:
 - Single Family: Keys-wide sales are up **+16%** (**-2%** 2012 Vs. 2011) with **66%** of the properties waterfront from Stock Island to Key Largo and **16%** for Key West (due to a small number of SF waterfront properties in Key West) **54%** of all sales Keys-wide are single family homes.
 - Condominium: Keys-wide sales increased **+21%** (**no change** 2012 Vs. 2011) with **48%** of the properties waterfront.
 - Townhomes: Keys-wide sales are off **-4%** (**+16%** 2012 Vs. 2011) with **54%** of the properties waterfront. The slight decline may be a timing issue with closings as Pending TH sales rose **+17%**.
 - Duplex and Half Duplex: Keys-wide sales are up **+18%** (**-10%** 2012 Vs. 2011) with **65%** of the sales waterfront properties.
 - Boat Slips: Keys-wide sales remained the same 2013 Vs. 2012 = **20**. There were **15** BS sold in 2011.
 - Land: Keys-wide sales rose **+29%** (**+45%** 2012 Vs. 2011) with **57%** of the properties waterfront.
- Activity by Price Bracket for All Properties:
 - Sale Price Less \$500K: Sales up **+14%** (**+12%** last year) = **1,005** or **73%** of all sales
 - Sale Price \$500K-\$999K: Sales up **+14%** (**+7%** last year) = **257** or **19%** of all sales
 - Sale Price \$1MM-\$1.9MM: Sales up **+55%** (No Change 2012 Vs. 2011) = **87** or **6%** of all sales
 - Sale Price \$2MM-\$2.9MM: Sales up **+50%** (**-30%** last year) = **18** or **1%** of all sales
 - Sale Price \$3MM+: Sales Up **+40%** (No Change 2012 Vs. 2011) = **7** or **1/2 of 1%** of all sales

The chart on this page breaks down sales by property type between Key West and the balance of The Keys in an effort to better describe the contributions to all sales from these various property types and their respective sales price trends.

The single largest component of total sales is Single Family Waterfront homes outside of Key West, comprising almost **27%** of all sales. The ASP for this segment rose only **1%** in the past year. This segment was followed by non-waterfront homes outside of Key West, representing **14%** of all sales, with non-waterfront homes in Key West close behind at **13%**. Therefore, **54%** of all sales in The Keys in 2013 are comprised of single family homes. The average price of all single family homes Keys-wide in 2013 was **\$585,820** vs. **\$554,058** in 2012 for a **5.5%** increase, which is on par with the overall **5%** market increase, most of that increase occurring in non-waterfront home sales.

While there were significantly more sales of waterfront and non-waterfront condos outside of Key West, the average price of a condo in each category fell in 2013 vs. 2012. This trend is in direct opposition to condo sales in Key West, which increased both in number and average price.

Townhome sales have been a mixed bag so far in 2013 with a few more sales of waterfront units at slightly higher prices outside of Key West, while the number of non-waterfront sales plummeted as prices soared. Key West experienced more sales at higher (WF) and flat (NWF) price increases.

The number of waterfront duplex and half duplex sales increased outside of Key West while their prices fell, as non-waterfront duplex and half duplex sales declined in both number and price. In Key West, there have been no sales of waterfront duplexes or half duplexes YTD while the number of sales of non-waterfront in this category increased in number and declined in ASP.

Land sales, both waterfront and non-waterfront, in all areas combined, have increased in number by **17%** in the past year while the ASP has gone from **\$116,000** in 2012 to over **\$256,000** in 2013 for an overall price increase of over **100%**.

Boat Slip sales remained flat year-over-year outside and inside Key West with sales price increases and declines, respectively.

Accordingly, it appears that the overall average price increase in 2013 vs. 2012 of **5%** reflects largely upon the similar increase in prices for the largest component of sales in single family homes at **5.5%** followed by declines in ASP for condos outside Key West, with gains in Key West followed by mixed gains and losses in land sales in and outside of Key West. Those segments that outperformed the overall market price increase of **5%** include non-waterfront homes in all parts of The Keys, condos of both types in Key West, non-waterfront lots in and out of Key West, waterfront and non-waterfront townhomes outside of Key West and boat slips outside the Southernmost City.

# SALES & AVERAGE SALE PRICE COMPARISON FOR WATERFRONT & NON-WF PROPERTIES					
Lower to Upper Keys & Key West 2013 Vs. 2012					
	Sales	ASP		Sales	ASP
Single Family WF (LK-UK)			Single Family NWF (LK-UK)		
2013	322	\$689,786	2012	168	\$259,349
2012	286	\$680,582	2013	134	\$227,176
% Change	13%	1%	% Change	25%	14%
Single Family WF (KEY WEST)			Single Family NWF (KEY WEST)		
2013	30	\$815,303	2012	159	\$676,927
2012	18	\$826,139	2013	127	\$575,468
% Change	67%	-1%	% Change	25%	18%
Condo WF (LK-UK)			Condo NWF (LK-UK)		
2013	102	\$319,495	2013	9	\$168,811
2012	74	\$331,625	2012	8	\$190,500
% Change	38%	-4%	% Change	13%	-11%
Condo WF KEY WEST)			Condo NWF (KEY WEST)		
2013	23	\$728,853	2013	63	\$356,916
2012	19	\$474,974	2012	60	\$292,951
% Change	21%	53%	% Change	5%	22%
Townhouse WF (LK-UK)			Townhouse NWF (LK-UK)		
2013	45	\$408,858	2013	5	\$215,870
2012	42	\$382,766	2012	16	\$142,663
% Change	7%	7%	% Change	-69%	51%
Townhouse WF (KEY WEST)			Townhouse NWF (KEY WEST)		
2013	52	\$433,070	2013	40	\$334,499
2012	50	\$392,533	2012	33	\$336,000
% Change	4%	10%	% Change	21%	0%
Duplex & Half Duplex WF (LK-UK)			Duplex & Half Duplex NWF (LK-UK)		
2013	34	\$400,985	2013	6	\$164,266
2012	29	\$417,572	2012	7	\$170,200
% Change	17%	-4%	% Change	-14%	-3%
Duplex & Half Duplex WF (KEY WEST)			Duplex & Half Duplex NWF (KEY WEST)		
2013	0	\$0	2013	11	\$402,655
2012	8	\$0	2012	8	\$459,150
% Change	-100%	0%	% Change	38%	-12%
Land WF (LK-UK)			Land NWF (LK-UK)		
2013	76	\$186,782	2013	45	\$61,830
2012	53	\$198,783	2012	56	\$39,586
% Change	43%	-6%	% Change	-20%	56%
Land WF (KEY WEST)			Land NWF (KEY WEST)		
2013	7	\$514,821	2013	8	\$266,113
2012	0	\$0	2012	3	\$109,667
% Change			% Change	167%	143%
Boat Slip (LK-UK)			Boat Slip (KEY WEST)		
2013	15	\$44,113	2013	5	\$131,000
2012	15	\$35,066	2012	5	\$258,800
% Change	0%	26%	% Change	0%	-49%

(continued from page 1)

Pending Transactions provide a forecast for closed sales over the next few months. (They are properties under contract and in the process of completing the contract contingencies such as inspections, financing, title search, etc. prior to closing date, which tends to be from 30 to 90 days except in the case of short sales, which can take longer). Keys-wide Pending Transactions increased **+21%** compared to 2012's first half, going from **1,274** to **1,547** during 2013. That is the highest since **1,637** for the first half of 2004, after being as low as **724** for the first half of 2008.

The **2,729 Properties For Sale** at the end of June 2013 was **-10%** less than **3,030** one year earlier and is a **-46%** reduction from the peak of **5,084** in March of 2007. This is the single most important measure of the continued improving market and we anticipate the decline to continue during 2013's Q3.

The **12 Months of Inventory (MOI)** declined from **15** at the end of June last year and is a drop of **-22%**, continuing down from **55** months on March 31, 2008. The 2013 reduction in MOI is the result of the decreased inventory of properties for sale coupled with an increasing number of sales. MOI provides a measure of the rate of sales versus the supply of properties and is also known as the "absorption rate."

The **Average Listed Price (ALP)** during 2013's first half of **\$728K** is down **-1%** from last year. The ALP peak was **\$990K** at the end of 2007, having decreased **-26%** since then.

SUB-MARKET DETAILS

Number of Sales: All Keys Markets experienced increased sales. The **Lower Keys** led with **+18%** to **253** from **214** in 2012. **Key West** followed at **+16%**, **421** compared to **363** a year ago. The **Upper Keys** with **439** sales versus **383** increased by **+15%** followed by the **Middle Keys** at **+11%** and **272** sales over **245** during 2012's first half.

Average Sale Price: The **Lower Keys** led with **+15%** to **\$355K** compared to **\$310K** in 2012. **Upper Keys** ASP rose **+7%** to **\$422K** from **\$395K**. **Key West** increased **+6%** going from **\$502K** to **\$534K**. The **Middle Keys** ASP decreased **-5%** to **\$383K**, down from **\$404K** last year.

Dollar Value of Sales: The **Lower Keys** increased **+36%** to **\$89MM** versus the **\$66MM** in 2012 as a result of the large increase in number of sales and a higher ASP. **Key West**, with **\$224MM** compared to **\$177MM** in 2012, improved by **+27%** followed by the **Upper Keys**, which was up **+22%** to **\$185MM** over **\$151MM** a year ago. The **Middle Keys** change was just **+5%** to **\$104MM** from **\$99MM** in 2012, the result of a **-5%** decline in ASP.

Pending Sales: **Lower Keys** Pending Sales increased significantly, **+31%** to **295** vs. **225** during the first half of 2012. **Key West** and the **Upper Keys** each improved by **+21%** achieving **444** and **503**, respectively, over **366** and **416** last year. **Middle Keys** Pending Sales were up **+14%** to **305** from **267** a year ago.

Average Days to Sell: **Key West** declined **-2%** to **262** versus **268** followed by the **Middle Keys** which was down **-5%** with **237** compared to **249** during the first half 2012. Both the **Upper** and **Lower Keys** markets rose by **+5%** to **296** days and **251** days respectively, over the **283** and **240** of last year. We continue to believe the average sale periods reported are artificially low as they do not accurately account for the property being previously listed with one or more brokers prior to being sold. Additionally Short Sales have impacted the Days to Sell as some have taken over a year to finally sell.

Number of Properties For Sale: All market areas experienced a reduction in properties listed for sale as they did during that same period a year ago. The **Upper Keys** had the largest decline, **-15%** to **877** from **1,028** last year and **1,117** in 2011. **Key West** was next, **-14%**, with **701** compared to **818** on June 30, 2012 and **909** in 2011. The **Lower Keys**, with **562** listings vs. **587** a year ago, was down **-4%**, after totaling **632** at the end of June 2011. **Middle Keys** properties for sale were off by **-1%** to **589** from **597** in 2012 and **687** in 2011.

Months of Inventory (MOI): MOI declined in all areas with the **Upper Keys** and **Key West** each down **-26%** to **12** and **10** MOI, respectively, from **16** and **14** last year. They were followed by the **Lower Keys** **-19%** to **13** vs. **16** during the same period in 2012. The **Middle Keys'** **13** MOI compared to **15** a year ago was down **-11%**.

Average List Price (ALP): The **Lower Keys** again rose **+6%** to **\$591K** from **\$558K** in 2012 and **\$541K** in 2011. The **Upper Keys** List Price also increased, **+1%** to **\$779K** from **\$769K** last year, and **\$773K** in 2011. **Key West**, with **\$805K**, decreased by **-1%** from **\$812K** last year and **\$757K** in 2011. The **Middle Keys** was off **-5%** at **\$693K** from **\$732K** in 2012. **\$691K** was the ALP in 2011.

What do the Numbers Forecast? With all the good news overall about real estate locally and nationally, why haven't we seen the overall average sales price rise with the increase in number of sales and decrease in number of listings? Average sales prices have been relatively flat since early 2010 while the number of listings has declined from about 4,500 to just over 2,700 and sales have gone from an annual rate of 1,500 to 2,500 (what we project for 2013). The answer is described on page 2 and 3.



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