



Coldwell Banker Schmitt's Real Estate Report

Volume 17, Number 1
Winter 2018

Florida Keys Real Estate Market Comparison: January–December 2017 vs. 2016

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

| All figures are as of December 31, 2017 | Upper Keys | Middle Keys | Lower Keys | Key West | All Areas | All Areas | All Areas |
|---|---------------------|------------------------|--------------------|-------------------|---------------------|-----------|-----------|
| | Lower Matecumbe-KL | 7 Mile Bridge-Long Key | Bay Point-Big Pine | KW-Shark Key | Keys-wide | 2016 | 2015 |
| Number of Sales | 4% less 815 | 12% less 513 | 9% less 513 | 1% more 761 | 5% less 2,602 | 2,747 | 3,241 |
| Average Sale Price | 34% more \$575K | 7% less \$476K | 3% less \$436K | 5% less \$721K | 2% less \$571K | \$581K | \$527K |
| \$ Value of Sales | no change \$469M | 18% less \$244M | 12% less \$223M | 4% less \$549M | 7% less \$1.48B | \$1.59B | \$1.70B |
| Sale Price to Original List Price | 2% less 87.25% | 2% more 90.28% | 1% less 89.71% | 1% more 94.92% | no change 90.54% | 90.73% | 89.33% |
| Sale Price to Final List Price | 2% less 91.70% | 2% more 93.88% | 2% less 93.16% | 2% more 98.79% | no change 94.38% | 94.26% | 93.71% |
| Average Days to Sell | 1% less 146 | 49% more 201 | 14% less 115 | 4% less 150 | 7% more 153 | 143 | 158 |
| Pending Transactions | 45% less 61 | 14% less 60 | 16% less 79 | 4% more 109 | 13% less 309 | 354 | N/A |
| Listed Properties | 5% less 767 | 35% less 413 | 33% less 363 | 7% less 743 | 18% less 2,286 | 2,782 | 2,488 |
| Average List Price | 6% more \$1.06M | 9% more \$815K | 9% less \$695K | 7% more \$913K | 6% more \$910K | \$855K | \$828K |
| Months of Inventory | no change 11 | 23% less 10 | 33% less 8 | 8% less 12 | 8% less 11 | 12 | 9 |

KEYS-WIDE OVERVIEW OF SALES AND LISTINGS FOR ALL PROPERTY TYPES:

The **Sales** total of **2,602** properties during 2017 was **-5%** less than the **2,747** properties sold during that same period in 2016, and **-20%** less than the **3,241** sold in 2015. 2016's reduction of **-15%** from 2015 ended the streak that started in 2009 of exceeding each previous year's sales with **1,560** sales. The record for sales in a year, **3,510**, occurred in 2004 with the low of **1,166** coming in 2008. Hurricane Irma's September 10 arrival resulted in a decline of the total sales for that month to **61**. September sales during the preceding three years had ranged from **194** to **234**. The previous low was **67** in 2007 at the bottom of the real estate recession.

The **\$571K Average Sale Price (ASP)** was **-2%** less than the **\$581K** for that same time frame last year, yet **8%** higher than the **\$527K** of 2015 which places the 2017 ASP in the range of the 2008 price of **\$588K**. The peak to date for this century was **\$805K** in 2006. The low was **\$273K** in 2000.

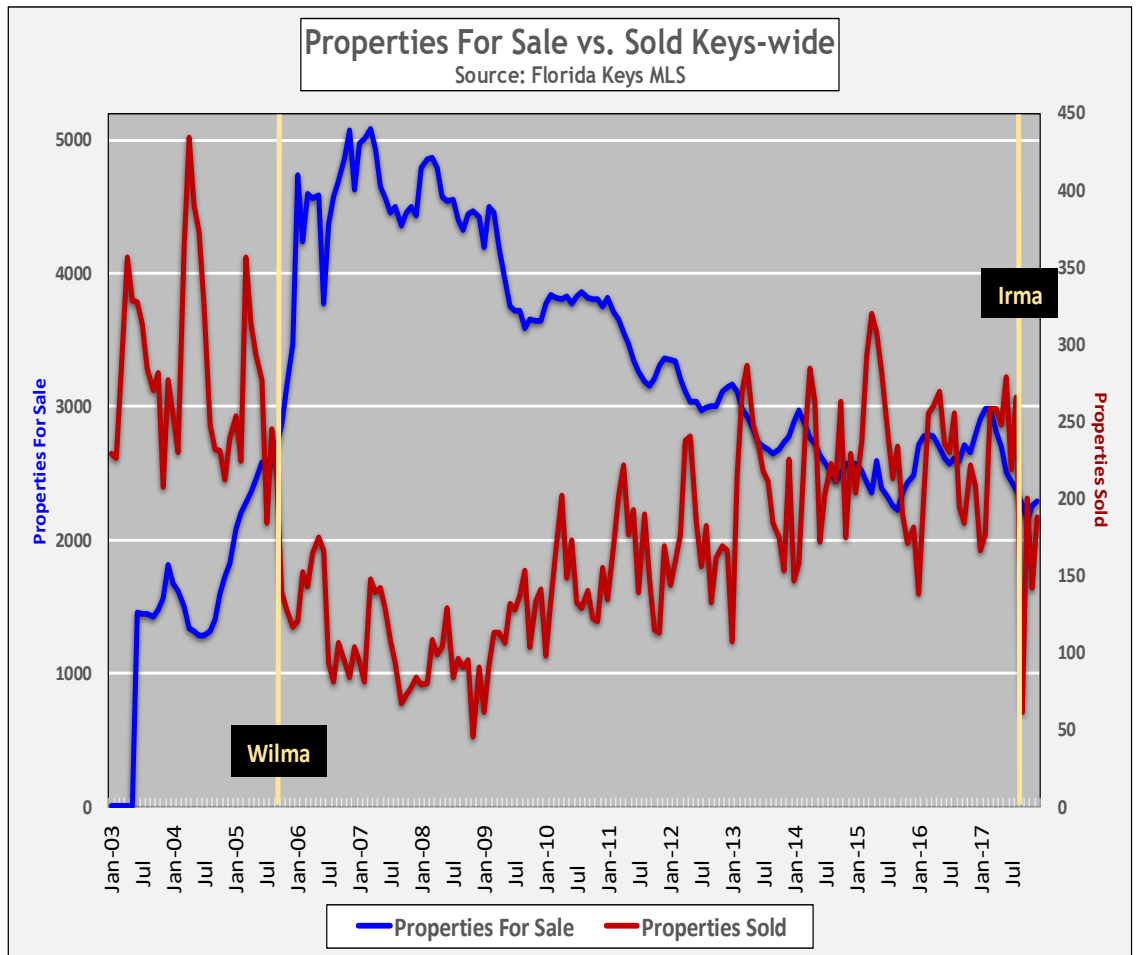
The **Dollar Value of Sales (DVS)** declined **-7%** to **\$1.48B** compared to **\$1.59B** for 2016 and **\$1.70B** for 2015 reflecting **-5%** fewer sales and a **-2%** drop in ASP. However, this is the third consecutive year of sales exceeding the billion-dollar mark which was last achieved in 2006. The record year occurred in 2005 at **\$2.3B** in sales when the ASP was **\$782K** and **2,752** properties sold. The lowest DVS occurred in 2008 with **\$685M** from **1,166** sales with an ASP of **\$588K**.

The **Average Days to Sell (ADS)** increased **7%** to **153** days from **143** of 2016. The 2015 ADS was **158**. The increase results from the Middle Keys market ADS increasing **49%** to **201** from **135** ADS in 2016. The peak was **264** days in 2012 with a low of **140** days in 2004. (ADS reflects 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)** of **90.54%** was virtually the same as the 2016 record high of **90.73%**, and was **89.33%** in 2015, the previous high. The record low of **62.49%** came in 2009. (The **OLP/SP** compares the sale price of the property to the list price of the property at the time it first came on the market and provides a measure of the difference between many sellers' initial list price and the market price acceptable to buyers.) (continued on page 4)

We are often asked how Irma has impacted the real estate market. Many people anticipated conditions would be analogous to those following Hurricane Wilma in 2005 which led to a doubling of the properties for sale and a similar decrease in the number of sales. The response to Irma, however, has been completely different with fewer properties for sale and increased sales levels vs. post Wilma levels.

The chart on this page, which presents the Keys-wide real estate market from January 2003 through December 2017 was developed to assist in understanding those differences. The blue line on the chart represents the number of listings on the market for each month, with the yellow line marking October 2005 when Wilma struck, and September 2017 when Irma blasted the Keys. The red line shows the number of sales for each month during those 14 years.



Historically, the Keys market has not experienced an increase in

the number of sales without a preceding decrease in the number of listings. Otherwise stated, there is an inverse relationship between the number of buyers and the number of sellers. There also is a yearly cycle to the Keys market. Listings start to increase late in each year and then peak in the first quarter of the following year. Sales peak in April or May and decline through the third and fourth quarters. As you can see on the chart, a comparison of the blue listing line and the red sales line shows when the number of listings is low sales are high, and when the number of listings increase sales decline. It is the number of listings (sellers) which precedes and essentially dictates the number of sales.

Please notice that the Keys had a low listing inventory from 2003 through 2005 until Q2 of 2005 when the number of listings began to increase over prior years. Also, note that the number of sales was high in 2003, 2004 and the first half of 2005 before starting to decline as the number of listings started to increase just prior to the arrival of Wilma. The result of that strong buyer market was that the ASP increased **31%** in 2003, **30%** in 2004 and **39%** in 2005 as numerous buyers were flipping, which meant they quickly placed their purchases back on the market with an increased list price. Average sale prices went from **\$433K** during 2003 to **\$910K** in Q3 of 2005, a **110%** increase. The dramatic increase in ASP priced many buyers out of the market, hence the steady decline in sales prior to the arrival of Wilma. Simultaneously, the Keys had, for the previous two years, experienced the most active hurricane seasons on record. When Wilma arrived in late October there were **2,700** listings on the market. That rapidly grew to **3,500** by December and to over **4,500** in January 2006. Why all the listings? The psychological state of many home owners after so many recent close calls from hurricanes, the widespread flooding from Wilma and the decline in buyers caused them to put their properties up for sale many leaving the Keys. Buyers at the same time felt reluctant to purchase with so many people selling and leaving the Keys. Then came the great recession which continued the decline in sales for a number of years.

The turning point commenced at the beginning of 2009. Sales steadily increased during the year and listings declined below **4,000**. They continued declining to a low of **2,137** in October 2017 -- the lowest number of listings since January 2005 -- while sales increased at a modest rate each year through 2015. Then, after almost 7 years of declining listings, we experienced a **12%** increase in listings in 2016 which resulted in a **-10%** drop in sales over the prior year.

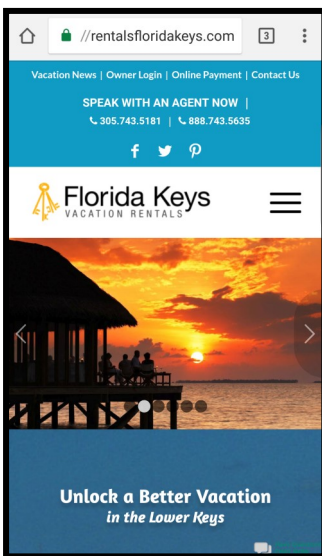
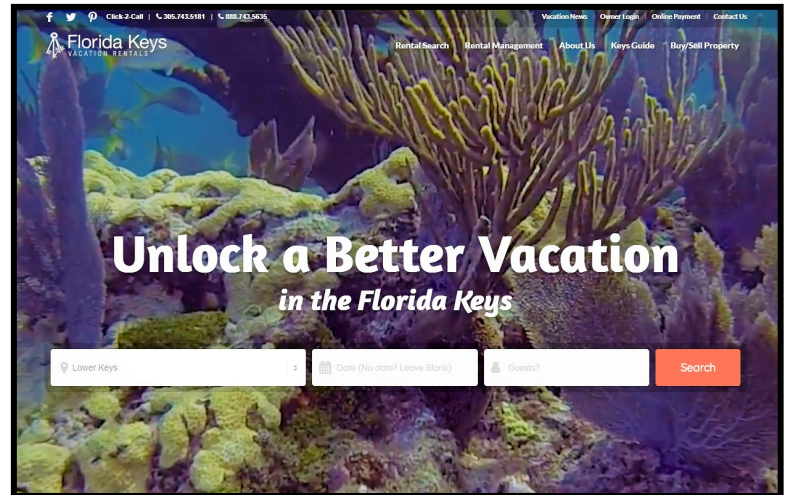
What is different about the post-Irma market? First, the market has been relatively stable, i.e., the number of listings has declined about **-5%** per year on average since 2011. Meanwhile, the ALP has increased, on average, by **4%** per year; the number of sales has increased, on average, **4%** per year; and the ASP has been rising, on average, **6%** per year. Second, the Keys has not been subject to serious hurricane threats year-after-year. Irma was the first major hurricane to strike the Keys in 12 years. Unlike after Wilma, most owners have significant equity in their properties and there are virtually no distressed properties. As a result, the mindset of most owners to date has been to repair their property and remain in the Keys. For that reason, the number of listings on the market since September 2017 has remained below the number of listings on the market each month since January of 2005 and the modest increases we've seen follow the normal annual cycle of the market: they start increasing late in each year and peak during the first quarter of the following year. We, therefore, look forward to 2018 being a good year for the Florida Keys real estate market with more sales and, ultimately, improving average sales prices.

Visit Our New RentalsFloridaKeys.com Site

Florida Keys Vacation Rentals Inc. (FKVR), our sister company, has just relaunched its website, RentalsFloridaKeys.com, with a new, mobile device-friendly interface, simplified vacation home search, and new features intended to make it a resource to help visitors get the most out of their time in the Keys as well as for finding their ideal vacation home.

FKVR manages rentals for hundreds of short-term vacation rental properties and, like Coldwell Banker Schmitt, operates from one end of the Keys to the other. Rental agents are present in our Key Largo, Islamorada, Marathon, Big Pine Key and Key West offices.

In addition, the site offers live chat available 24/7/365, a click-to-call option that directly connects visitors with a rental agent by phone during business hours, and contact forms on each property page.



Site visitors will find a simplified search app on the home page. Select a Keys area, enter the number of guests and dates (optional) then view results that show map locations and can be sorted by price and number of bedrooms.

The *Rental Search* page lets visitors fine-tune their search parameters by city/key, type of residence, bedrooms, baths and preferred amenities.

Property pages carry photos, virtual tour/video links, descriptions, a list of amenities, availability calendar and map location. Visitors can tag properties as *Favorites* for later review.

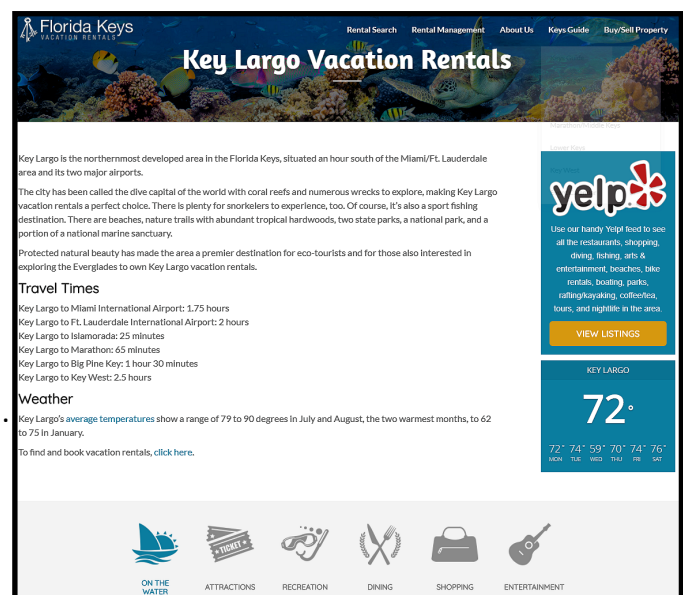
The site Keys Guide presents detailed information about each area with suggested activities and attractions, up-to-the-minute weather information, and a Yelp interface which lets visitors see reviews and rankings for restaurants, shopping, diving, fishing, arts & entertainment, beaches, bike rentals, boating, parks, kayaking, coffee/tea, tours

and nightlife. It also carries the live Keys-wide calendar of events maintained by the Florida Keys Tourism Development Council.

New to the site is a portal through which guests can pay online once they've received a confirmation code from us, making it a safe, secure and simple process.

Our owner portal lets property owners view their availability calendar integrated with the time they've blocked out, statements and reports, and current reservations in the system.

The Vacation News page carries our blog and a feed from our Facebook page (Facebook.com/FLKeysVacationRentals/). Please visit and let us know how you like it.





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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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(continued from page 1)

The **Sale Price-to-Final List Price (SP/FLP)** of **94.38%** also was virtually the same as the **94.26%** last year and a very slight increase over the **93.71%** of 2015. (The FLP/SP 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.) The peak for this rate was **94.85%** for 2004 and the low, **87.10%**, occurred in 2009.

The margin between the **OLP/SP (90.54%)** and **FLP/SP (94.38%)** is **3.84%**. That margin indicates, on average, that sellers can anticipate a price reduction of about **3.8%** from their original listing price during the listing term prior to receiving a buyer’s offer. The previous low of **7%** occurred in 2001 and 2005, with the largest variance being **25%** at the end of 2009. Similarly, sellers and buyers today can expect the contract price, on average, to be **-5.6%** less than the final list price and about **-9%** less than the original list price. From 2001-2005, the average margin for **FLP/SP** was nearly **-5%** with the high being **-13%** for 2009 when the **OLP/SP** was **-37.5%**.

Pending Transactions (properties under contract that have various contingences to complete prior to closing, usually within the next 30 to 60 days) provide an indication of the number of properties that will close in that time frame. On December 31, 2017, **309** properties were pending, a **-13%** decrease from the same date in 2016.

The **2,286 Properties For Sale** at the end of December 2017 was **-18%** less than the **2,782** in 2016 and **-8%** less than the **2,488** on that date in 2015. It is a **-55%** reduction from the peak of **5,084** in March of 2007. This is the single most important measure of our market. Based on the historical relationship between listings and sales, the number of sales cannot increase over prior periods until the number of listings decreases over prior periods. See the page two feature for additional information concerning this rule of Keys real estate.

The **11 Months of Inventory (MOI)** is a **-8%** decrease from the **12** months in **2016** and a **22%** rise over the **9** months of inventory at the end of 2015, and is **-80%** below the **55** months of March 31, 2008. The lowest **MOI** to date was **3** and it happened at the end of Q2 in 2004. (**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)** for 2017 of **\$910K** is up **6%** from **\$855K** last year and **10%** over **\$828K** at the end of 2015. The ALP peak was **\$990K** at the end of 2007, however, overall the ALP has steadily increased since the 2012 low of **\$695K**.

What do the Numbers Forecast? As noted above, the single best barometer of the market is the number of listings for sale and that number remains the lowest since the beginning of 2005. See page two to understand why we feel 2018 will be a good year for Keys real estate as interest rates remain low, buyer interest continues to be steady and there has not been a dramatic increase in the number of listings on the market as we saw following Hurricane Wilma.

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