

Solares Hill

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Residential Real Estate Streaks to The Stars

BY BRIDGET MCDONALD

The Key West real estate market is scorching the far reaches of the troposphere like a Hera missile, yet again, driven by cash-heavy buyers purchasing their second or third homes. There seem to be no price ceilings, and the only advice is: "If you haven't bought yet, buy now." If you can.

In January and February, the average asking price of the 257 listings for single-family dwellings was \$431,780. But don't despair, the average *selling* price of the 43 homes that sold during that same period was only \$261,046. Those figures are based on the calculations of the Key West Association of Realtors, and according to "One L" Bil Ehring, the association president, the figures can be skewed very easily if, for instance, the lower priced property moves more quickly, which it usually does. But he does confirm that today in this town you can expect an asking price of about \$275,000 for a two-bedroom home and \$511,000 for three bedrooms. "All property in general is on the market for about 166 days," he says of the estimates based on activity through the Multiple Listing Service (MLS).

Is there any chance that prices could be dropping in the near future?

Short of a hurricane, you can only expect prices to continue to soar. According to those in the business, much of the money is coming from outside, people who are retired or who are buying a second or third home.

Marilyn Wild of Coldwell Banker says cash sales are becoming very common, about one in five. "I'm not sure if they are investments being flipped or what the circumstances are," she says, "but we see a lot of cash deals."

With that kind of money moving into town, it's not surprising that it's becoming more difficult than ever for the local working-class citizen to buy property in Key West. Especially when the average income is about \$20,000 a year, and though rents and real estate continue to climb, wages do not.

The average selling price for a Key West home from January through September was \$249,166 and as of March has jumped to \$261,046. That's up about \$12,000 over a five month period.

"The worst part is the homes that the average person can afford to buy, which are between \$100,000 and \$199,000 – we can't even talk about less than that – are becoming fewer," says Wild. In January and February, 61 properties between Key West and Bay Point sold in that price range. But only 32 of those sold for under \$180,000.

“Our job is to bring the buyer and seller together,” says Wild. “The buyer sets the price, and as long as people who are coming from other places are willing to pay these prices, the market will continue to go sky high.” She estimates a 60 to 40 ratio of out-of-town to local buyers.

Ehring agrees that it is definitely the buyer that is setting the market. “I get frustrated with people pointing fingers at realtors,” when it comes to the cost of renting or buying, says Ehring. “Buyers are creating the market.” He cites instances where two or three buyers have indulged in bidding wars over a piece of property that was already overpriced. “Buyers are forcing prices up,” he says. “We (realtors) just stand by while our jaws hit the pavement,” at the prices that are being paid.

Some of the newer housing developments are appreciating just as quickly as historic properties on the Island, and Kay Behmke, sales manager for Truman Annex Real Estate, says buyers of those properties are quite pleased with the appreciation on their investments. “Units that were purchased for \$140,000 two or three years ago are now selling for \$230,000 with a few upgrades.”

Upgrades can be in the form of ceiling fans, appliances, etc. There are a variety of residents at Truman Annex, says Behmke. Some are year-round and for other’s it’s a second home.

At Pritam Singh’s Key West Golf Club Development, it’s the same story. Of the 390 single-family units approved by the city commission, half have already sold. “Values have jumped from \$129,900 to \$169,900 for the same unit with slight modifications,” says sales rep John Behmke. The units went on the market in March of ’95 and began selling in November. Some units at the Golf Club have been upgraded by the developer to include a 30-foot bay area off the dining room that opens onto the community pool. These townhouse-type units, once listed for \$139,900, are now going for as much as \$330,000 for 3 or 4 bedrooms, “a great view” and 1,300-1,400 square feet, says Behmke. “These units are under-priced by about \$100,000,” he claims. He is so convinced by the return on his product, he bought 12 units himself.

At Angela and Simonton Streets, LauraMar developers have begun marketing the nine units now under construction on the .58 acre lot across from City Hall. Listed as an “Outstanding Feature” on a Greg O’Berry Real Estate spec sheet: “Ground floor opportunity for possibly the last new construction residential development in Old Town.” A 2 bedroom, 2.5 bath unit, 1395 square feet, with customized private pool and “dedeered off-street parking” goes for \$330,000.

Waterfront property is in very high demand, and according to realtors who specialize in waterfront condo sales, there is not much available, and what there is sells quickly. At places like La Brisa, the new condos across from Smathers Beach, only 11 of the 72 condos that begin at \$160,000 are available, all on the Salt Pond side of the development. All of the ocean front views are sold. They go for \$173,000 for one bedroom, \$300,000

for three bedrooms. At the Key West Beach Club two bedrooms go for about \$330,000; and 3-4 bedrooms, about \$500,000 when they're available. At Key West by the Sea, one of the high-rise ocean front properties on Atlantic Blvd., units start at \$160,000. Down the road at 1800 Atlantic, two bedrooms start at \$200,000.

"A lot of our buyers are people who have come down here to vacation and have paid ridiculous hotel rates," says one agent. "They decide they can buy their own place and rent it out when they're not using it." Most of these buyers are coming from the mid-Atlantic and Midwest, with a few Europeans getting into the market. These are usually retirement or vacation homes. Money does not seem to be an issue.

And if those figures don't boggle the mind, what about Sunset Key? This island, known for years as Tank Island, was created years ago when the Navy dredged to make a deep-water harbor. Now it's been cleared, tons of sand have been hauled in to make a beach, palm trees planted, underground utilities installed and waterfront lots, 50 by 120 ft., start at \$650,000. Just the lot, mind you. If you want something larger, waterfront "homesites" cost up to \$1.5 million. You can build your own house, or the developer will build you one for about \$480,000. But you'd better hurry because there are only 82 approved units, each to house a single family. Four have already sold, and the models just opened in November. "All of our customers so far have been buyers in the (Truman) Annex who were just dying to get out," says Sunset Keys salesperson David Putnam. "Our clientele is experienced Key Westers, experienced buyers, multi-millionaires looking for quality construction and a waterfront view."

Jim Blum, co-owner and broker at The Real Estate Company of the Keys, an affiliate of Sotheby's, says business is excellent. "If a property is priced right it sells immediately, if it's overpriced it will sit there for a while." Blum's company concentrates on high-end property and currently, of the 11 properties in Key West listed at over \$1 million, five are listed through Sotheby's. Many of his sales come from brochure referrals available at Sotheby's auctions around the country. "Someone buying a \$6 million diamond will see a brochure on a Key West property for \$5 million. It's amazing how many of our sales come to us that way." He says a lot of his clients are buying their third and fourth homes, and many of those are paid for in cash. "The more expensive the property, the less likely the buyer needs financing."

Martha Robinson of Prudential Knight Realty says it's all a matter of supply and demand. "There are more buyers coming into Key West than there are properties," she says. Her buyers, too, are coming from the Northeast and many are paying cash. "Many have been coming here for years to visit and are ready to buy a vacation home or rental property," says Robinson. She echoes the concerns of other brokers at the lack of lower priced properties available to the local and working class. "I have a client right now who works at the hospital and can afford about \$130,000. There are only five or six properties listed at that price range," she says. "And when they do come in on the MSL, they are usually sold before you can even show them."

If you're not among the money-to-burn crowd, and are just struggling to pay your rent, this may interest you. Sara Cook, who has a real estate sales and rental company, agrees that area rents are going up about \$100 per month each year. That's \$1,200 a year. Because of that she says a lot of people, single-parent families in particular, are being forced to leave town.

Ehring, who sees part of the problem as the low wages of the Key West employed, says the situation is definitely out of hand. "It's like the law of physics," he says. "If you squeeze a water balloon in one area, the water will find a way out in another area." He explains how the market affects rentals as well.

"The market is in a place that we ask what we think we can get for a rental and if you can't pay it, there's another person behind you who can." With rentals, he says, it's necessary to pay the ever-unpopular first, last and security just to protect the buyer's investment. Deadbeats, damage to property, and the amount of time it takes to evict a tenant makes it necessary. If you're paying that much for a house, the insurance, taxes and mortgage have to be covered in the rent. "People don't make investments to lose money," he points out.

And vacation rentals are going the same route. "When I rent a vacation rental at \$25,000 for two and a half months, I cringe because that's about what I make in a year. But people just pull out their check books and ask how much we need for a deposit."