

Florida Keys Real Estate Market Comparison: 1st Half 2016 vs. 2015

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

| All figures are as of June 30, 2016 | Upper Keys | Middle Keys | Lower Keys | Key West | All Areas | All Areas |
|--|--------------------|------------------------|---------------------|---------------------|--------------------|-----------|
| | Lower Matecumbe-KL | 7 Mile Bridge-Long Key | Bay Point-Big Pine | KW-Shark Key | Keys-wide | 2015 |
| Number of Sales | 24% less 425 | 15% less 281 | 22% less 276 | 16% less 428 | 20% less 1,410 | 1,753 |
| Avg Sale Price | 15% more \$577K | 36% more \$510K | 28% more \$474K | 2% less \$719K | 13% more \$586K | \$518K |
| \$ Value of Sales | 13% less \$245M | 15% more \$143M | no change \$130M | 17% less \$307M | 9% less \$827M | \$908M |
| Sale Price to Original List Price | 1% more 89.19% | 1% more 89.18% | 4% more 95.77% | 2% more 93.65% | 2% more 91.95% | 90.05% |
| Sale Price to Final List Price | 2% more 93.64% | 1% more 93.00% | 4% more 97.98% | no change 97.35% | 2% more 95.49% | 93.93% |
| Avg Days to Sell | 25% less 127 | 8% more 137 | 23% less 130 | 11% less 171 | 14% less 141 | 165 |
| Pending Transactions | 34% less 61 | 20% less 37 | 24% less 35 | no change 70 | 20% less 203 | 255 |
| Listed Properties | 19% more 814 | 28% more 622 | 2% less 442 | 3% less 735 | 10% more 2,613 | 2,382 |
| Avg List Price | 10% less \$947K | 12% less \$640K | 4% more \$676K | 1% more \$737K | 4% less \$769K | \$805K |
| Months of Inventory | 57% more 11 | 44% more 13 | 25% more 10 | 11% more 10 | 38% more 11 | 8 |

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

The **Sales** total of **1,410** properties is a decrease of **20%** from the **1,753** for 2015. The record for the first six months of the year occurred in 2002 with 3,584 sales.

Pending Transactions: Pending sales dropped **20%** to **203** compared to **255** at the end of the first half in 2015. The drop in pending sales effectively projects a drop in closed sales in the ensuing months. This trend began in Q3 of 2015 and is expected to continue given current market conditions.

The **2,613 Properties For Sale** on June 30, 2016 is **10%** more than **2,382** on that date in 2015. This is also a continuation of the increasing inventory trend that began in Q4 2015 and another important forecaster of a softening market.

The **\$586K Average Sale Price (ASP)** increased **13%** from **\$518K** over the same period last year, but is still less than the peak of **\$846K** for Q1 of 2006. Of note, the ASP has risen **16%** since December of last year.

The **Average Listed Price (ALP)** of **\$769K** is down **4%** from the **\$805K** at the end of June last year and, notably, is **7%** less than at the end of December 2015. This is a confirmation of the softening market: as more listings flow into the marketplace and buyers have more choices, prices begin to decline; the simple effect of supply and demand.

The **Dollar Value of Sales (DVS)** of **\$827M** was down just **9%** compared to **\$908M** for the first half of 2015 as a result of the **13%** increase in ASP and a **20%** decrease in number of sales. This is a continuation of the trend that began to develop in Q4 2015 which also included a significant increase in listing inventory.

The **Sale Price-to-Original List Price (SP/OLP)** increased **2%** to **91.95%** from **90.05%** compared to the first half of 2015 and is the highest percentage on record. (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, thereby providing a measure of the mismatch between many sellers' initial list price and the market price acceptable to buyers.) The previous high for this ratio was **89.99%** at the end of 2015 with the lowest, **62.49%**, occurring in 2009. [\(continued on page 4\)](#)

Florida Keys Market Trends for the First Half of 2016

The Florida Keys real estate market is in an unusual situation: we are experiencing declining sales with growing inventory of properties for sale while the average sale price continues to increase for all property types. The increase in average sales price does not equate however to a conclusion that values are increasing at the rate of average sales prices.

Let's summarize activity during the first half of this year compared to 2015 in order to provide an understanding of what is happening.

The information utilizes the chart on page 1, the *Activity by Price Bracket for All Properties* chart below, and the *First Half 2016 Vs 2015 by Property Type & Market Area* on the following page, which compares sales and average sale prices between 2015 and 2016, including the percentage of the market by property type, both Keys-wide and for each sub-market area. Please note that the total number of sales, 1,388, is 22 sales lower than the 1,410 for the chart on the first page because the chart does not include Timeshare sales as a category.

Keys Wide:

- Sales: Decreased **20%** to **1,410** vs. **1,753** over the first half of 2015, which was a record high point surpassing the **1,747** of 2005.
- Average Sale Price (ASP): Up **13%** to **\$586,946** from **\$518,117** on June 30, 2015. **\$805,551** in 2006 is the record for the first 6 months and it occurred well after sales declined and listings increased in 2005.
- Dollar Volume of Sales (DOV): Down **9%** to **\$827M** compared to **\$908M** last year. **\$1.3B** in 2005 is the record.
- Note: The *Keys-Wide Market Activity by Price Bracket for All Property Types* chart at the bottom of this page shows why during the first half of 2016 the Keys-wide ASP increased despite a decline in sales and an increase in properties listed for sale. There was an overall **20%** reduction in sales of less than **\$2M** and an **85%** increase in **\$2M+** sales compared to 2015.
- Sales Margins:
 - The margin between **Sale Price and Original List Price** has declined from **37.5%** in December 2009 to **8%**, the highest recorded to date.
 - The margin between **Sales Price and Final List Price** has compressed from **13%** in December 2009 to **4.5%**, which is also a new high.
 - The margin between the **Original List Price and Final List Price** ratios is a record low **3.5%** -- half the previous low of **7%** in 2001 and 2005 -- with the high being **25%** in 2009. (This percentage is the average price reduction for a listing.)
- Listings: Up **10%** from **2,382** in 2015 to **2,613** on June 30 this year. The peak was **5,084** in March 2007, a drop of **53%** to **2,382**.
- Distressed Property Sales: (Bank Owned & Short Sales)
 - Down from a peak of **45%** of the number of **sales** in Q3 2010 to **6.2%** of the sales.
 - Down from a high of **26%** of all **listings** in 2009 to **2.8%** of all listings.
- Activity by Price Bracket for All Properties:

| Keys-Wide Market Activity by Price Bracket for All Property Types | | | |
|--|--------------------|--------------------------|-------------------------------|
| Sales Price Bracket | Total Sales | % Change vs. 2015 | % Change 2015 vs. 2014 |
| Under \$500K | 835 | 15% Fewer | Up 15% |
| \$500K-\$999K | 421 | 3% Fewer | Up 40% |
| \$1M-\$1.9M | 125 | 2% Fewer | Up 33% |
| \$2M-\$2.9M | 28 | 47% More | Down 5% |
| \$3M+ | 18 | 38% More | Down 13% |

Activity by Property Type and Market Area Keys-wide:

- Single Family Waterfront (SFWF):**
 - Sales: Keys-wide are down **16%** - (Up **29%** 2015 vs. 2014).
 - 28%** of all sales Keys-wide
 - Average Sales Price (ASP): Up **15%** to **\$891K** due to a **43%** decrease in sales below **\$1M** with a **23%** increase in sales of **\$2M+**.
- Single Family Non-Waterfront (SFNWF):**
 - Sales: Keys-wide are down **19%** - (Up **35%** 2015 vs. 2014).
 - 24%** of all sales Keys-wide
 - ASP: Up **12%** to **\$616K** due to a **34%** decrease in sales below **\$1M** with a **42%** increase in sales of **\$2M+**.

Note: Single Family Homes combined account for **52%** of all sales Keys-wide.
- Condominium/Townhome/Duplex/Half-Duplex:**
 - Sales: Keys-wide decreased **4%** - (Down **1%** 2015 vs. 2014).
 - 26%** of all sales Keys-wide
 - Waterfront: **60%** are waterfront properties.
 - ASP: Up **13%** to **\$486K** due to a **7%** decrease in sales below **\$1M** with a **33%** increase in sales of **\$2M+**.
- Mobile Homes:**
 - Sales: Keys-wide declined **18%** - (Down **3%** 2015 vs. 2014).
 - 7%** of all sales Keys-wide
 - Waterfront: **37%** are waterfront properties.
 - ASP: Up **19%** to **\$238K** due to a **79%** decrease in sales below **\$400K** with a **175%** increase in sales of **\$400K+**.

Note: Residential Properties combined account for **85%** of all sales Keys-wide.
- Land:**
 - Keys-wide sales decreased **28%** - (Up **27%** 2015 vs. 2014).
 - 11%** of all sales Keys-wide
 - Waterfront: **45%** are waterfront properties.
 - ASP: Up **8%** to **\$168K** due to a **46%** decrease in sales below **\$200K**.
- Commercial:**
 - Keys-wide sales decreased **38%** - (Up **37%** 2015 vs. 2014).
 - 2%** of all sales Keys-wide
 - ASP: Up **34%** to **\$1.9M** due to a **183%** decrease in sales below **\$2M** and a **28%** increase above **\$2M**.
- Boat Slips:**
 - Keys-wide sales decreased **54%** - (Up **154%** 2015 vs. 2014).
 - 2%** of all sales Keys-wide
 - ASP: Up **34%** to **\$158K** due to a **93%** decrease in sales below **\$50K** and a **32%** increase above **50K**.

| 1st Half 2016 vs 2015 by Property Type & Market Area | | | | | |
|--|-------------|-------------|-----------|-------------|-------------|
| Market Area | UK | MK | LK | KW | Keys-wide |
| Single Family - Waterfront | | | | | |
| # Sold | 134 | 65 | 156 | 37 | 392 |
| % Chg vs 2015 | -18% | -8% | -15% | -8% | -14% |
| Avg Sale Price | \$1,145,504 | \$1,050,296 | \$646,245 | \$727,366 | \$891,565 |
| % Chg vs 2015 | 13% | 28% | 19% | -6% | 15% |
| % of Entire Market | 32% | 24% | 56% | 9% | 28% |
| Single Family - Non Waterfront | | | | | |
| # Sold | 100 | 34 | 46 | 156 | 336 |
| % Chg vs 2015 | -19% | -13% | 7% | -26% | -19% |
| Avg Sale Price | \$360,688 | \$369,119 | \$309,025 | \$925,045 | \$616,491 |
| % Chg vs 2015 | 13% | 34% | 19% | 16% | 12% |
| % of Entire Market | 24% | 12% | 16% | 38% | 24% |
| Condo/Townhome/Duplex/Half-Duplex | | | | | |
| # Sold | 86 | 111 | 2 | 163 | 362 |
| % Chg vs 2015 | -24% | 7% | 0% | 3% | -4% |
| Avg Sale Price | \$395,403 | \$456,957 | \$352,500 | \$556,365 | \$486,518 |
| % Chg vs 2015 | 5% | 31% | -20% | 10% | 13% |
| % of Entire Market | 21% | 40% | 1% | 39% | 26% |
| Mobile Homes | | | | | |
| # Sold | 37 | 7 | 29 | 19 | 92 |
| % Chg vs 2015 | -33% | -50% | -22% | 217% | -18% |
| Avg Sale Price | \$259,859 | \$240,400 | \$233,861 | \$202,160 | \$238,267 |
| % Chg vs 2015 | 19% | 42% | 33% | -3% | 19% |
| % of Entire Market | 9% | 3% | 10% | 5% | 7% |
| Residential Properties % of Entire Market | 85% | 79% | 84% | 90% | 85% |
| Lots & Land | | | | | |
| # Sold | 57 | 42 | 41 | 11 | 151 |
| % Chg vs 2015 | -22% | -13% | -49% | 57% | -28% |
| Avg Sale Price | \$160,218 | \$122,944 | \$162,678 | \$402,857 | \$168,194 |
| % Chg vs 2015 | 19% | -22% | 20% | -14% | 8% |
| % of Entire Market | 14% | 15% | 15% | 3% | 11% |
| Commercial | | | | | |
| # Sold | 5 | 4 | 5 | 10 | 24 |
| % Chg vs 2015 | -50% | -33% | 67% | -50% | -38% |
| Avg Sale Price | \$1,103,500 | \$1,263,750 | \$471,900 | \$3,401,200 | \$1,956,000 |
| % Chg vs 2015 | 104% | 90% | 0% | 55% | 34% |
| % of Entire Market | 1% | 1% | 2% | 2% | 2% |
| Boat Slips | | | | | |
| # Sold | 0 | 12 | 0 | 19 | 31 |
| % Chg vs 2015 | -100% | -71% | -100% | 36% | -54% |
| Avg Sale Price | \$0 | \$97,612 | \$0 | \$205,612 | \$163,806 |
| % Chg vs 2015 | 0% | 414% | 0% | 56% | 230% |
| % of Entire Market | 0% | 4% | 0% | 5% | 2% |
| All Properties By Market Area | | | | | |
| # Sold | 419 | 275 | 279 | 415 | 1388 |
| % Chg vs 2015 | -23% | -15% | -9% | -8% | -23% |
| Avg Sale Price | \$588,944 | \$525,735 | \$473,317 | \$725,538 | \$594,019 |
| % Chg vs 2015 | 15% | 39% | 28% | 7% | 14% |



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(continued from page 1)

The **Sale Price-to-Final List Price (SP/FLP)** of **95.49%** is an increase of **2%** from **93.93%** for the first half of 2016, which also established a record high. (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 begin to soften as the number of listings continues to rise and sales stabilize. The previous high for this ratio was **94.85%** in 2004 with the lowest, **87.10%**, occurring in 2009.

The margin between the SP/OLP (**91.95%**) and SP/FLP (**95.49%**) is **3.54%** which indicates, on average, a seller can anticipate price reductions during the term of the listing of about **3.5%** from their Original List Price to the Final List Price prior to receiving a buyer's offer. Additionally, sellers and buyers today can expect the contract price, on average, to be approximately **4.5%** less than the Final List Price. From 2001-2005, that average was **5%** with the highest being **12.9%** in 2009.

Average Days to Sell (ADS) decreased by **14%** to **141** days from the **165** for the first half of 2015. This is an indication that buyers are moving quickly on well-priced properties as they are perceived to have the best value. (ADS is a measure of the number of days between the date the property was listed and the date the sale closed.)

The **11 Months of Inventory (MOI)** is **38%** more than the **8** MOI at the end of the first half of 2015 and continues to show the change in the market we've been discussing. (MOI provides a measure of the rate of sales versus the supply of properties and is also known as the "absorption rate.")

What do the Numbers Forecast?

With the number of properties listed for sale continuing to increase concomitantly with declining sales we expect the market to eventually experience decreasing average sale prices. This has already occurred in various property types. Since buyers have **10%** more properties to choose among, and pending sales have declined **20%**, the trend of fewer sales and more listings will continue. There remains an immutable relationship between listings and sales: When listings increase – sales decrease and vice versa. The question remains "What is the cause of this market slowdown?" A large portion of the Keys real estate market consists of vacation home and second home sales. Nationally that sector is down over **18.5%** and the Florida vacation market is down **5%** according to National Association of Realtors statistical reports released in April of this year. The upcoming elections and general global economic uncertainty appear to have produced a cautious attitude regarding discretionary spending on real estate by potential buyers.