Market Update for April 2022
South West FL Single Family Housing

Written by
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Disclaimer

- This market update is loaded with data which I have sourced either in the description or on the graph. Please take this data as just that. My opinion is based on my personal experience and in no way constitutes fact. The market may very well increase further, drop, or stabilize. No one can accurately predict a market. Although I feel the data supports a correction, this in no way a prediction. I merely had a power point I wrote back in 2010 which I felt pertains to todays market. Unfortunately the data I told myself to look at is even worse than it was last time. I would love to hear from all of you about your thoughts on this. Every update form here on out will not be this long, but I felt all the data needed to be presented with a history since many of you were not a part of the market back in 2006-2007.

Introduction

- As many of you may not know, I used to do market updates every month in our city to keep buyers and sellers educated with this market as it rose up in 2006-2007, and also while it crashed in 2008-2011. I stopped doing these after everything leveled off in 2014, so for many of you experiencing this market in 2022, this data might just be the thing you need to see when making a decision whether to buy or sell. Let us go back in time to 2006 so I can explain a few thing that happened back in that time, and share with you some of that data.

2006-2007 Real Estate Boom/Crash

- 2006-2007 had the makings of the worst Real Estate Crash in our nations history, 2nd to the Great Depression. The Cape Coral real estate market was flooded with investors and end users taking advantage of the Sub-Prime Loans that were out there. Investors could buy 10 homes with very little money down, and end users could state their income or worse, show no income at all to qualify for whatever they wanted. This fueled the greed of sellers, who increased their prices 42% in 1 year and another 38% the following year. Prices soared beyond the normal levels of appreciation for back to back years.

- A Record number of investors (11% of all recorded sales in 2007 up from 6% from 2004) rented these properties for less than their inflated mortgages (called negative cashflow) with the idea that the 40% appreciation they were getting back to back would continue.

- When evidence that appreciation was not going up, in fact, it was depreciating; investors dumped their properties on the market, causing inventory to increase, and dropping prices suddenly. This caused an avalanche of sellers, new home builders, and investors trying desperately to get out of the market. Distressed sellers found themselves upside down on their homes and also tried competing against these investors, further increasing inventory. As Sellers became more upside down on their houses, many went into foreclosure, making banks the new owners of 1000's of homes in Lee County alone. The banks then became the largest home owners which added even more inventory, and our prices bottomed finally in 2011 and stayed bottomed out until 2013.

My Past Self had a message

- I did these updates monthly as I watched the market daily. An investor who bought at the height of the market asked 1 question. "How come you (me) didn't see the crash happen sooner to warn people?" Since I watched the market daily, I didn't see the crash occur until about 4-6 months after it already swung. It was a great question. I watched the market everyday and myself lost everything from my home to all investments as well. So I researched what I missed. Remember, I was in my early 30's in 2007 when this happened, and never even knew a market could crash. (I was in Elementary school in the 80's last time it did)
- What I found out shocked me that the data was there all along, I just wasn't looking in the right places. It crashed so fast that even I could not see it until it had already turned.
- I made a power point in 2010 titled "If I only knew" in which I found the 5 data items that would have warned me that a crash was occurring sooner than I saw last time. It was me in my 30's, speaking to my older self, about what I should be looking for, just in case the market was prone to crash again. The next slide is an excerpt from that power point.

In Conclusion (Taken from the 2010 power point I wrote)

- The 2008 Real Estate Crash was impossible to see due to the hype of the Florida market and the fact that only those who were active real estate agents in other parts of the country in the early 80's would even remember. Instead of looking at average price, migration data, closed vs actives, etc., which is all data that is from the past, I should have also been looking at other factors. To have predicted this crash, I should have looked at the following:

- **Annual Cost to earning ratio**: It was over 50% for 3 straight years. People cannot afford over ½ their paycheck in rent/mortgage.
- **Population to Housing Start Ratio**: We had overbuilt homes for 4 years straight and in 2006, it soared indicating a potential glut of inventory.
- **Fiserv Case-Shiller Index** ratio: Ratio topped over 10% in 2004 and peaked in 2006 at 14%. This was 1 year before the major crash happened. Should be between 5-10%
- **Gas prices**: July 2006 peak over $3/gallon for the first time, signifying an economic recession in the economy was underway.
- **Investor ratio** doubled from 5.3% of all sales to over 11% of all sales in Cape Coral showing speculation was at an all time high.

If I was looking at these ratios and stats, then maybe I could have predicted it 1 year earlier instead of 3 months afterwards. Of course at that time, I would have been called crazy and pessimistic. Hopefully in my lifetime, we don't ever have to experience this kind of market again. Although, history shows it happens every 15-20 years. So if I am doing Real Estate in my 50's, maybe it will again. I think we learned our lesson this time, so this happening again is doubtful.

This market update will address all of these items

- Funny to see my own warnings from 2010. This was the reason I will start to do these monthly to better track this chaotic market. This market update will look into these data points that I should have looked at. Let us see if there are any similarities and comparisons to last market crash.
- I will warn you that this market update will be long as it will include a lot of data. I source most of the data I collected on each graph. I have always wanted these updates to be data only and keep opinions to a minimum. After this one, the market updates will be shorter. For those of you who are waiting to time this market my warning is: You Cant! Even I could not time this market. In 2021, I sold everything thinking this would end soon. I was wrong! It continued another 6 months to today and maybe will continue another 6 months. All I am saying is my opinions are based on data and facts pulled all from sources such as Redfin, Zillow, US Census, and other easy to access data points you can research yourself.
- Market Updates are mostly data driven. I will give my personal opinion but will tell you that I am no fortune teller. **Nothing is guaranteed**. I always say: “Here is my opinion and some facts to back up my point of view.” I enjoy putting these together, so I hope you find the information valuable and entertaining. Would love to hear your feedback on these so I can customize it and tailor it to my specific audience.

- Let us talk about the 2006 market a bit more for those of your who were not invested in the RE market in 2006-2008.

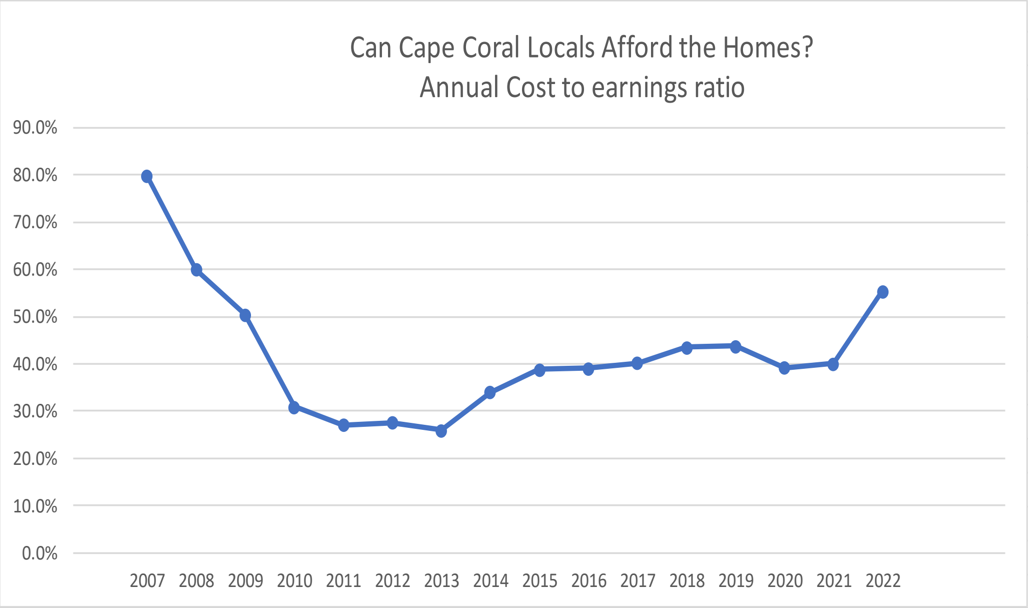
2006-2007 Real Estate

- As home prices soared in 2006 (interest rates were over 7% back then), locals could not afford the price increase. So why did the prices continue for 3 years straight and not crash immediately? Sub Prime Loans (bad word in the industry although currently they are called Non-QM) mostly one in particular called a Negative Amortization (AM) loan. It allowed the buyer to pay interest only as payments and the bank would tack on top the 6% difference on the backend of the home onto principal. When Houses starting losing value, banks pulled the plug on the loans, as there was no equity in these homes anymore and everyone went into default.
- Bottom-Line is that when locals cannot afford homes, the market reacts and crashes except when you have something fueling it like Negative AM loans
- Lets take a look at a graph

Can Cape Coral Locals Afford These Prices?

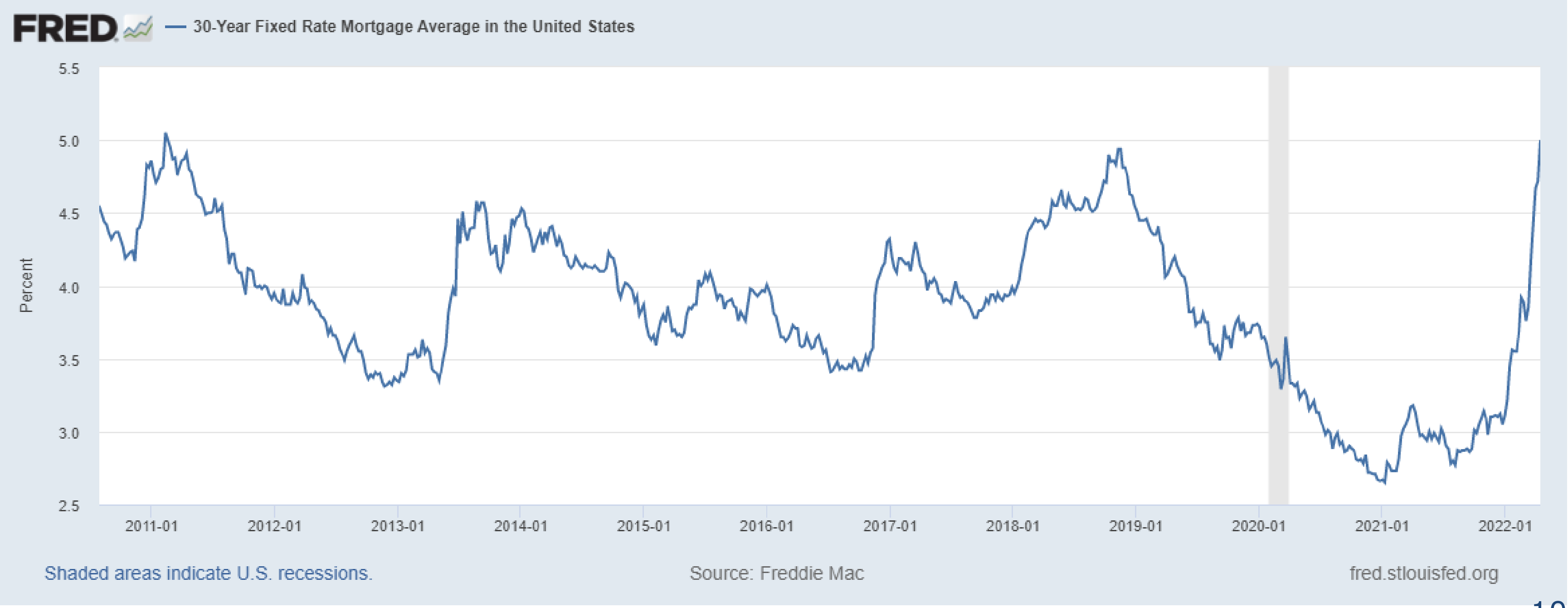
First bullet point I mentioned in 2010 is the **Annual cost to earnings ratio,** which shows the percentage of average wage in an area as compared to the average home mortgage cost. As you can see, the negative am loans allowed buyers to afford more expensive homes then they could afford. In 2007, 79.8% of the average persons income went to rent/mortgage. Impossible right? The market reacted and crashed to a level people can afford. 27-40% of their income which is sustainable. As wages go up so does real estate, but look at 2022 below. How can people afford 55.4% of their income going to rent/mortgage.

	Annual Cost to earnings ratio	Annual Cost	Annual Earnings
2007	79.8%	$ 26,567.00	$ 33,311.00
2008	60.0%	$ 20,124.00	$ 33,541.00
2009	50.4%	$ 17,061.00	$ 33,853.00
2010	30.9%	$ 10,521.00	$ 34,050.00
2011	27.1%	$ 9,272.00	$ 34,217.00
2012	27.5%	$ 9,335.00	$ 33,947.00
2013	26.0%	$ 8,990.00	$ 34,580.00
2014	34.0%	$ 12,801.00	$ 37,650.00
2015	38.8%	$ 15,038.00	$ 38,758.00
2016	39.1%	$ 15,304.00	$ 39,142.00
2017	40.2%	$ 16,340.00	$ 40,649.00
2018	43.5%	$ 17,850.00	$ 41,081.00
2019	43.7%	$ 18,071.00	$ 41,354.00
2020	39.2%	$ 16,423.00	$ 41,897.00
2021	40.1%	$ 17,069.00	$ 42,568.00
2022	55.4%	$ 24,012.00	$ 43,381.00
		Source Zillow	



Compounding the problem

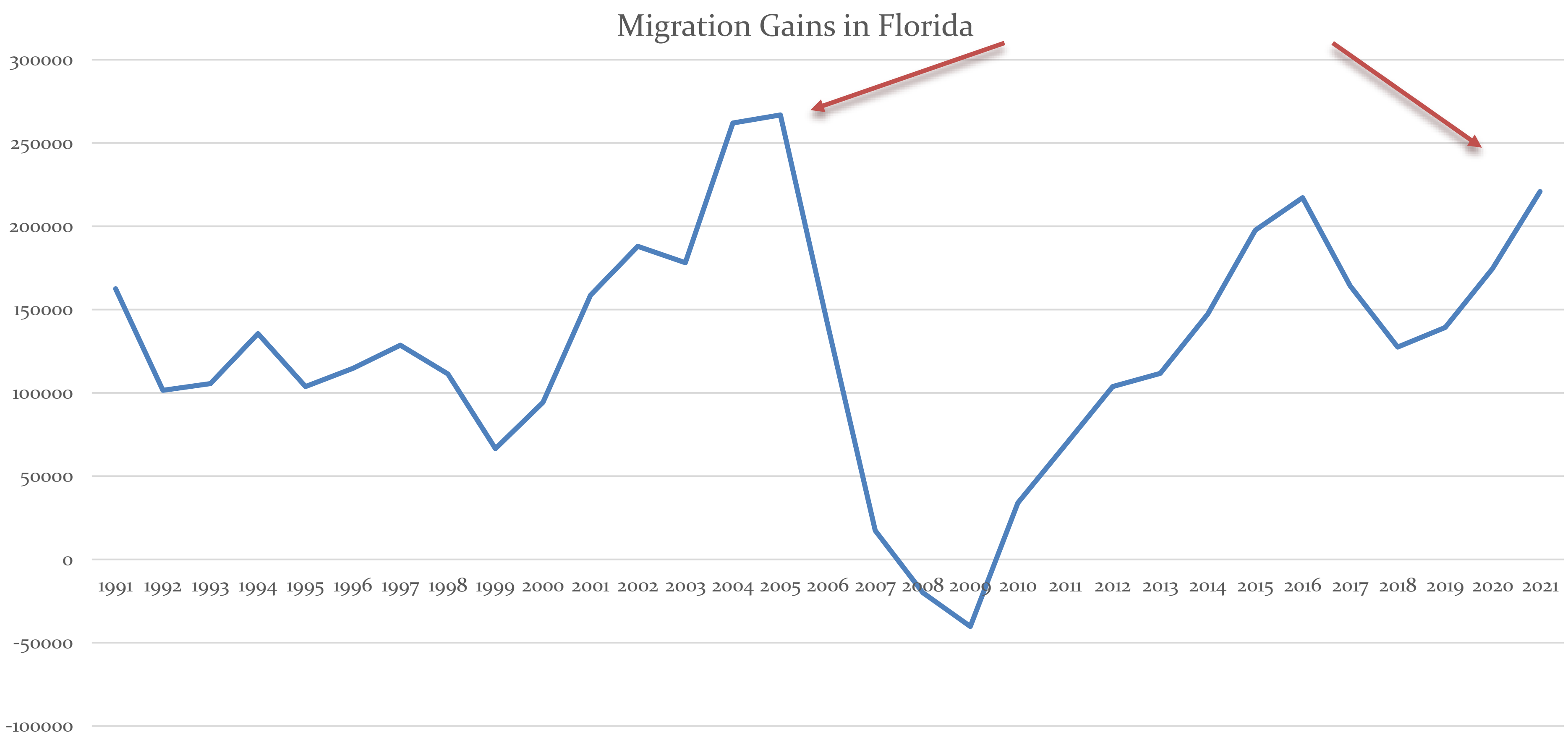
<u>Looking at this we are setup for a correction as people do not have the ability to afford these price increases we have seen. What compounds this effect is rising interest rates. When I collected this data interest rates used were at 4.5%. Now they are at 5.125% as seen below:</u>



That really means as interest rates go up, so does the cost to earnings ratio

- Take the new interest rate of 5.125, and the ratio goes up 3% to 58%. Also, when I am calculating the average house currently (end of April) along with accurate data, the average home payment in Cape Coral is more like $29,560 which is for a $350,000 home at 5.125% with normal taxes and insurance.
- That brings the ratio to 69.1% Annual cost to earnings ratio. Since we no longer have Sub-Prime Loans to fuel this craze, the expectations is that people will leave the county/state as they no longer are able to afford a home. This is exactly the same levels that caused our crash last time.
- This brings us to what happens when people leave an area for another area they can afford. Lets look at the Migrations gains in Florida since 1991 according to the US Census Bureau

Migration Gains in Florida (Source: US Census Bureau)



DeMigration (is that a word?)

- As you can see when the market popped, Negative AM loans were taken away, and people fled as they could not afford the city. We were gaining over 250,000 people in Florida, but then over 2-3 years, lost people in 2009. Almost all counties were impacted, but some more than others. Collier, Lee and Charlotte were the most hit counties causing Cape Coral Florida to be the most hit city in price crash in the country. The reason is simple…The counties most impacted, relied on migration to thrive. Which counties are those currently? Lets look

Top Counties in Florida that rely on Migration

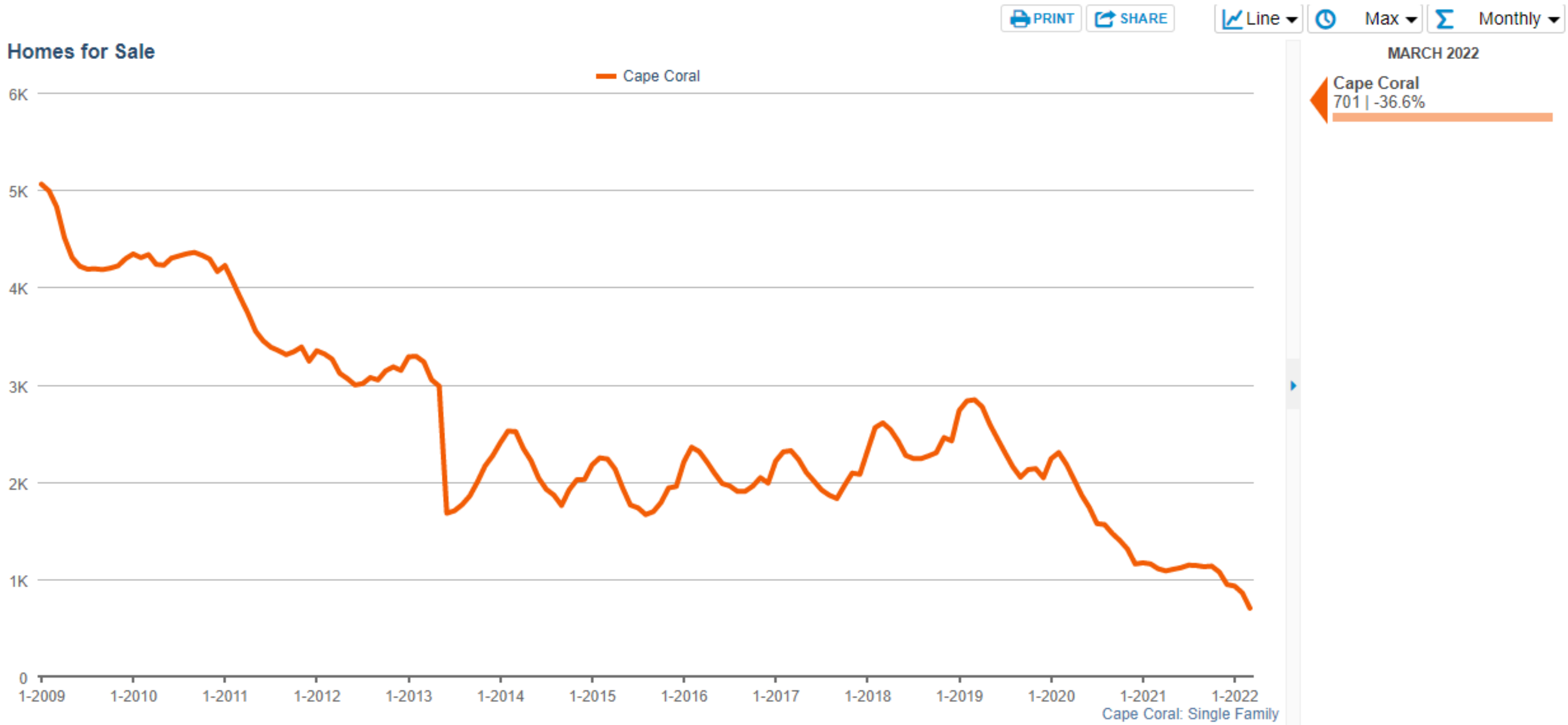
- According to data from Zillow which tracks buyers searching for homes and where they originate their inquiry from, I have compiled data indicating those counties in Florida that most rely on migration. Top 5 are as follows:
- 1. **Charlotte county** 88.5% of buyers come from outside the county
- 2. **Bay Co.** 83% of buyers come from outside the county
- 3. **Collier co.** 82% of buyers come from outside the county
- 4. **Lee County.** 78% of the buyers come from outside the county
- 5. **St. Lucie County** 76% of the buyers come from outside the county

- The county which does not rely on outside migration as much is **Miami Dade** which only relies on 40% of their buyers coming from outside the county.

- In summary, the last time we had this much migration in Florida and people could no longer afford homes, people fled and the counties that rely most heavily on migration were the most impacted. The numbers for 2021 are impressive, and they are actually higher then in 2004 when Florida was destination #1 for most. This time though we do not have the Negative AM loans to fuel the craze any longer.

Low Inventory

- Currently our market as of April 2022 has less than 550 homes for sale. To put this into perspective, back in 2004 we had over 2000 homes for sale. During the crash we had as much as 9000 homes for sale and after the crash at the start of 2013 which was the bottom we had a little over 2000 homes for sale. You can see this on the following graph



What Changed?

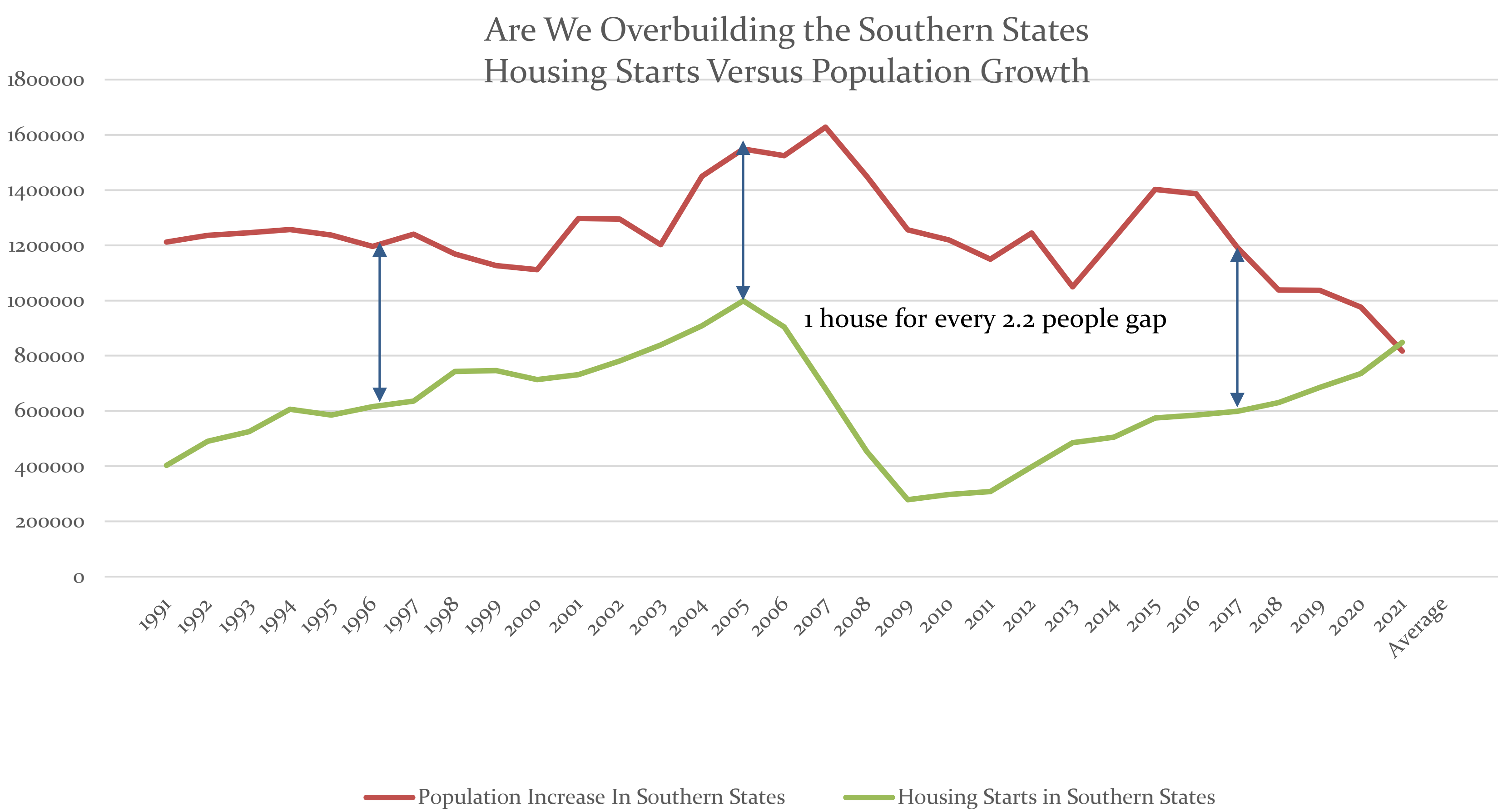
- May 2020, COVID became a thing. In the country, 100's of thousands of expired, withdrawn listing occurred in a short time frame. I (1 little agent in 1 county of 1 state) lost 8 listing myself between May and July. An estimated 1.5 Million homes disappeared that year and they didn't sell. People were just afraid of the virus and didn't want people in their home. I don't blame them. This caused the inventory to sharply drop, causing prices to increase artificially. Government adopted moratoriums which kept renters in place and allowed people to not pay their mortgages. Why would anyone sell during that time? Its was free to live!
- As inventory plummeted in the country, people went to new construction and builders loved it. They sold out of not only all their inventory, but also the ones in permitting and those reservations of lots they didn't even own yet. When sales outpaces construction, builder increased prices to slow it down. Also raising costs of labor and materials made them increase even more, driving prices even more.
- Top dollar has a new meaning now for sellers. So the question everyone has is: What puts a stop to the madness? Inventory!

Can New Construction Save the Day?

Currently Builders are building like no tomorrow. You can hardly drive anywhere without seeing a new construction on the road anywhere in Lee County. With this Tremendous depletion of inventory we experienced that started in May 2020, there are not nearly enough homes for the pent up demand. Or is there?

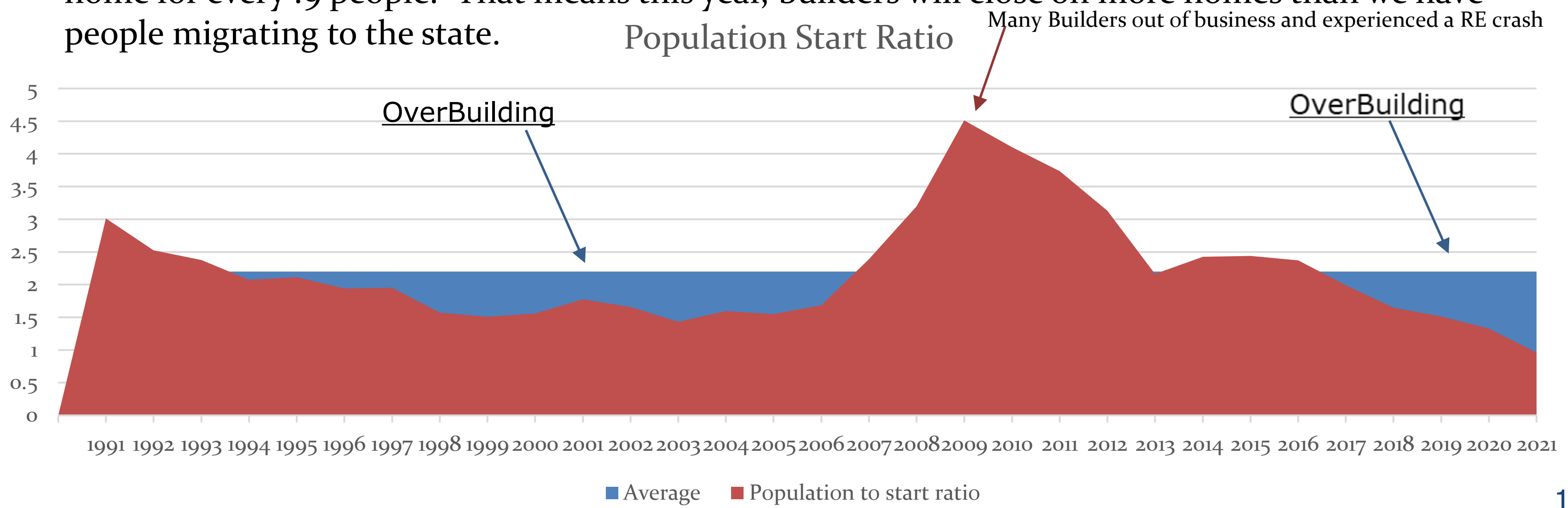
To understand that, I have compiled data as it relates to population increases. As people move into an area, you need to build homes for those people. The 20 year average is 1 new construction for every 2.2 people. Take a look at the following graph

Population growth in the Southern States (Red Line) as compared to new permits pulled for new construction (Green Line).



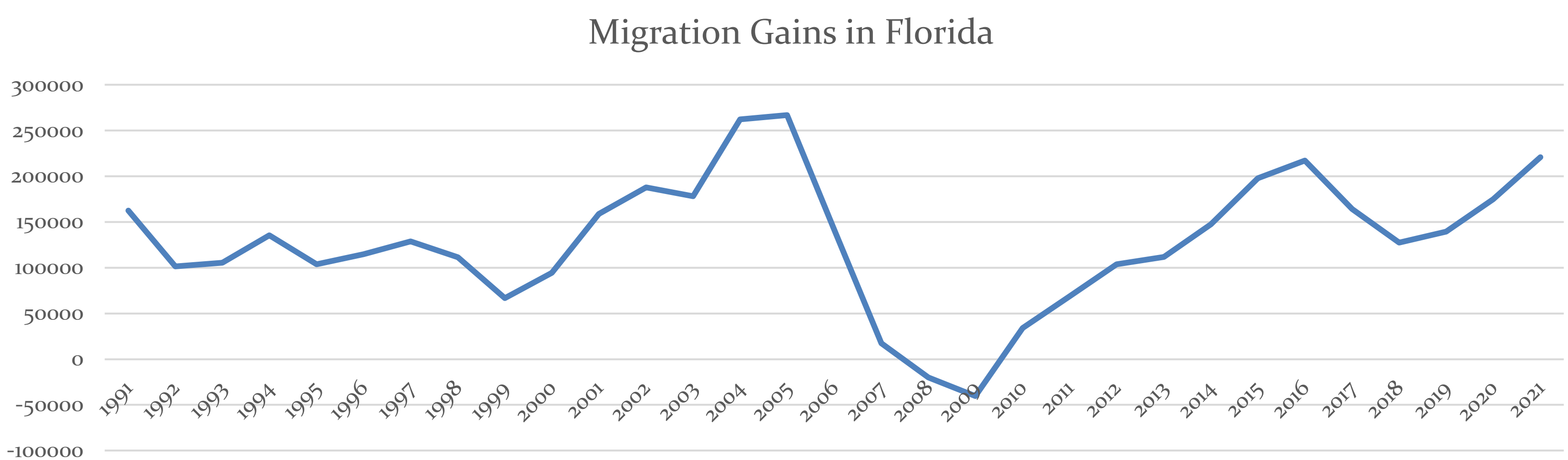
Population to Start Ratio

- There needs to be a gap between these graphs. For every 2.2 people migrating, we need 1 house permit. As you can see, there are years we over build and years we underbuilt. To better explain this take a look at the graph below. Keep in mind that we need to build 1 home for every 2.2 people. The 2.2 Average is the blue graph. Where you see blue are the years we were OVER Building and the Orange Mountain peaks are the years we were UNDER BUILDING. For the years of 1998-2006 our state was over building with the average of 1 house for every 1.5 people. Then in 2008-2012, we crashed and were under building only 1 home for every 4 people. From the years of 2013-2017, we rebounded back to normalcy, we were building 1 house for every 2.2 people again. Then from 2018-2020 we were back to overbuilding a bit with 1 home for every 1.5 people, but in 2020 and 2021 we were building 1 home for every .9 people. That means this year, builders will close on more homes than we have people migrating to the state.



Migration gains in Florida

There is a common misconception that we have all these NY'ers, and Northern people come to Lee County. Especially the years of 2020-2021. This is true, but last time, we also had an abundance of northerners come into the state in 2005. So it feels exactly the same as it did before. Take a look at the graph below



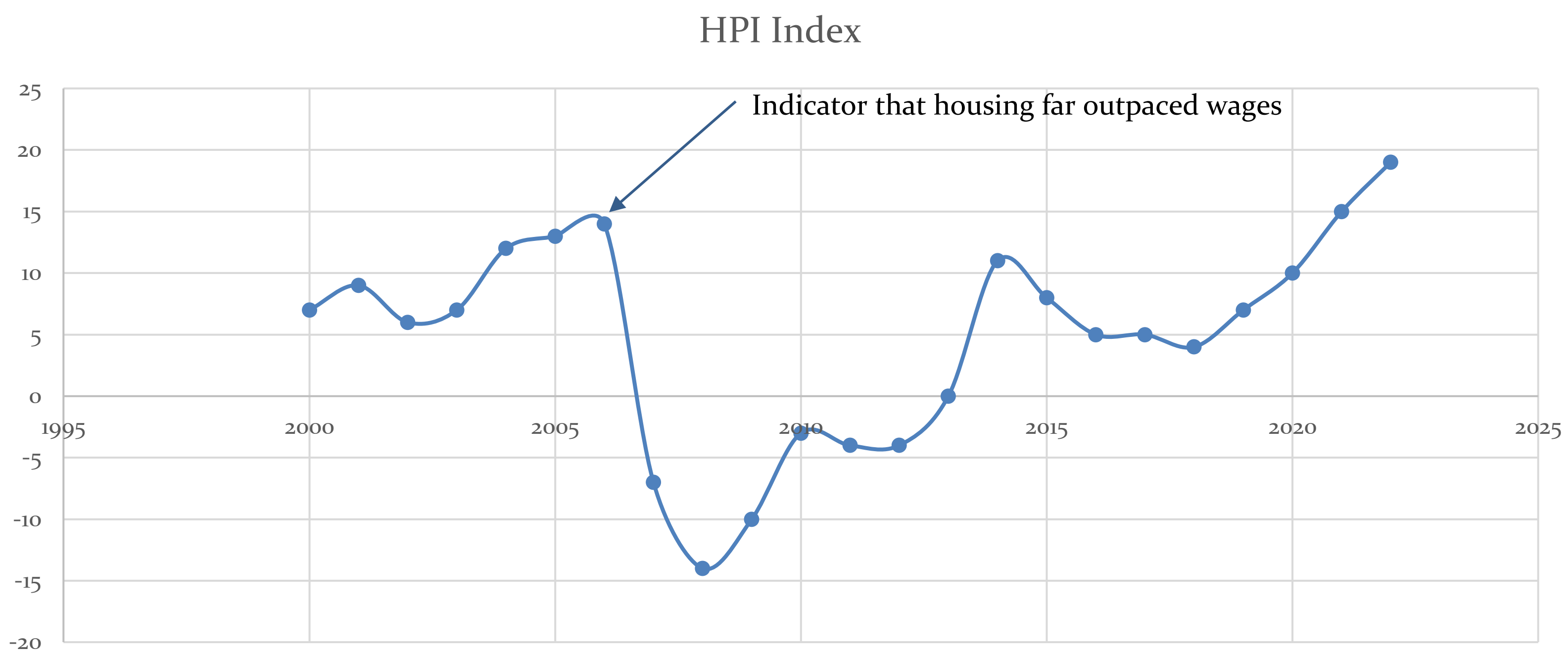
This graph shows the rise and fall of migration of people coming to Florida. The question many asked me prior was what constituted the rapid decline of people coming in 2006? That was easily answered with our average household income, could not afford the massive price increases our market faced, which in turn, drove people away from Florida. Sound familiar?

House Price Index (HPI)

- The government tracks housing and uses the S&P Case-Shiller Index to measure the movement of Single Family property prices to serve as a tool and indicator of house price trends, and also is a tool to track rates of mortgage defaults, and overall affordability (I know this is a run-on sentence). This is one of the graphs my younger self mentioned in a power point I did back in 2010 about why we crashed and what I should have looked at to better educate clients about a pending housing crash. I filled in the rest of the years to show current data Lets take a look at the graph to see

HPI INDEX

- In 2006, the year before the Big crash, the HPI index of housing hit an all time high at 14% which was a function of looking at the increase % change from the previous year. As you see up to 2020, it was making its way close to 10% until COVID occurred. After that it shot way up to now over 19%.



Unless wages go up as well, any time HPI has been double the average wage increase for an area, then it cannot be sustainable. Average wage increase in Lee County is 5% year over year. So Affordability is 4x the wage increase. Back in 2005 average wage increase was 3.5% so once it hits 4x, it crashed last time.

Shillers warning in 2005

- One of the men who came up with the index, Robert Shiller, wrote a book in 2005 entitled Irrational Exuberance. In the book, he described the current housing market as a "rocket taking off". He also expressed skepticism over "the long run stability of home prices, given that the rise in home prices was much higher than the rise in income" Does that sound anything like our current market?

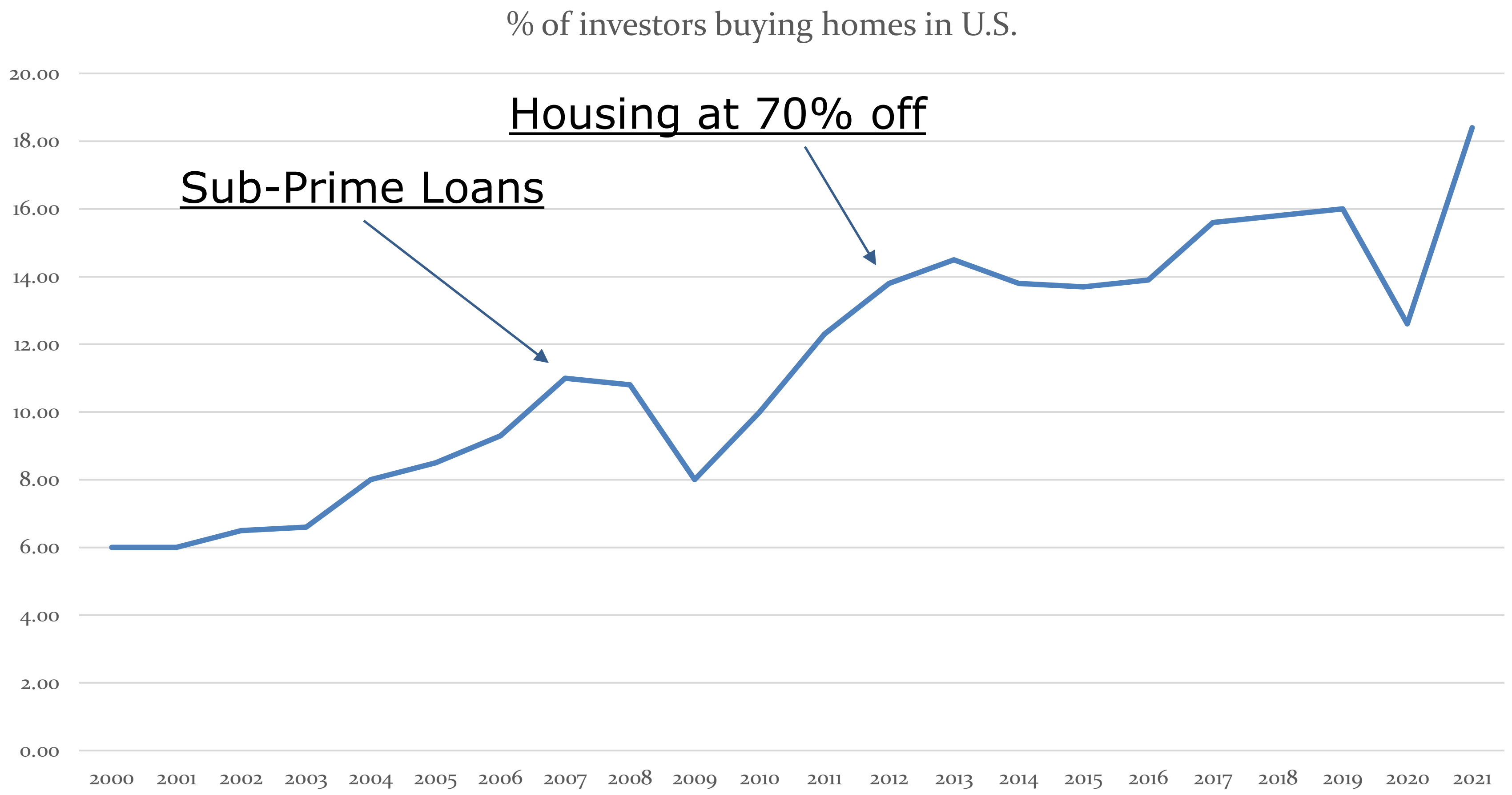
Investors are at it again

- Back in 2006, I had made a mention that we had double the amount of investors buying homes in Lee County than ever before. This was a time when investors could buy 10 homes and structure it to do it with low money down. They did this with the bogus sub prime loans out there and used a negative cashflow system talked about earlier.
- 5 years later, houses plummeted 60% and houses were less than $100k. Investors scooped back in and bought them up to cash flow them with renters. Now fast forward 11 years to today. I start this point with a question. DONT LOOK AT THE NEXT SLIDE WITHOUT ANSWERING THIS QUESTION:
- **Which time do you think we have had the most investors buying homes? Was it:**
  - A. When you could buy 10homes for 1 with Subprime loans in 2006?
  - B. When you could buy Homes under $100k in 2010?
  - C. When the houses are at an all time high in price in 2022?

  Take a look at the following graph to get the answer.

% of Buyers Who Are Buying as Investors

<u>If you answered 2022 you were right…More investors are buying homes now than ever before.</u>



What does this mean?

- When investors dominate a particular market, the impact is felt immediately. Major players like Black Rock and Vanguard with their Billions of dollars, sensed on opportunity caused by COVID to make a quick buck. According to Senator Sherrod Brown, the Chair for the Senate Committee on Banking, Housing "One of the reasons housing prices have gotten so out of control, is that corporate America sensed an opportunity. They bought up properties, they raised rents, they cut services, they priced out family home buyers, and they forced renters out of their homes"

- Earlier in 2020-2021 Zillow was scooping up homes for asking price, then immediately put them back up for sale for a much higher price, doing very little if anything at all to the home. In 2021, they lost over $550 Millions and had to layoff ¼ of their staff as well as their stock price dumped getting caught inflating key markets. In December, their stock price was over $105/share. Now it sits as of writing this, under $45 per share.

- Investors, just like in the stock market, will dump properties in a minute when they sense a downtick in growth. Just like Zillow did when they lost $550,000,000. At the end of last year, 100% of the homes they owned were upside down. Unlike common people, investors can take losses like these and rebound. Do not feel sorry for Zillow as in 2020, they made almost $1Billion dollars of revenue from "Flipping Homes" For them it is still a profit.

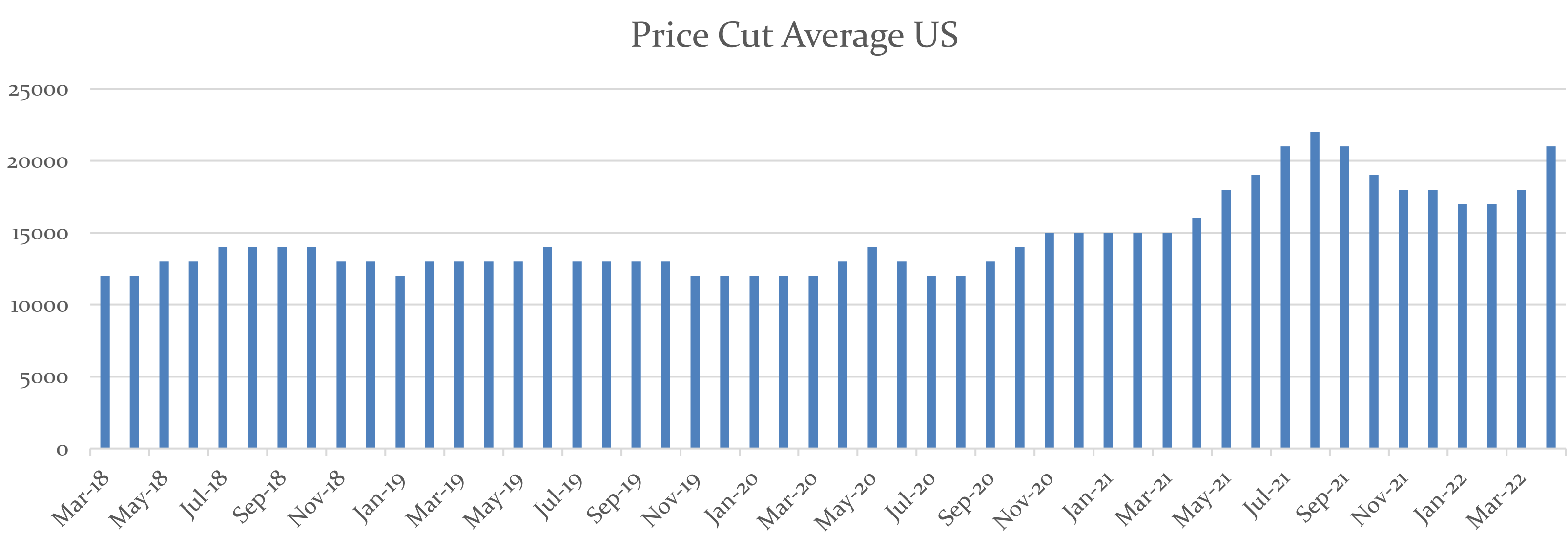
- If Big institution Investors decide to call it quits, they could singlehandedly crash a market no different than they did back in 2006.

Wait, I thought subprime loans killed the market last time?

- No. What killed the market in 2006 was the panic by sellers to get out when the market started dropping. The then 11% investor pool decided to get out of house flipping, and started competing against themselves and started dropping their prices. The record number of new construction homes by builders also joined in the frenzy as they were completed. As home prices dropped significantly and quickly, so did the equity the normal home buyers had in their home. Eventually, the houses were upside down and those Negative AM loans were recalled forcing people to short sale or go into foreclosure. This forced the market even further as banks now were owners of too many homes and they dumped those homes adding even more inventory.
- What caused the crash bottom line was that people could not afford the homes at the prices they were at. Artificial stimulation of any market causes a violent response. The old saying in any market is "Euphoria almost always leads to Hysteria".

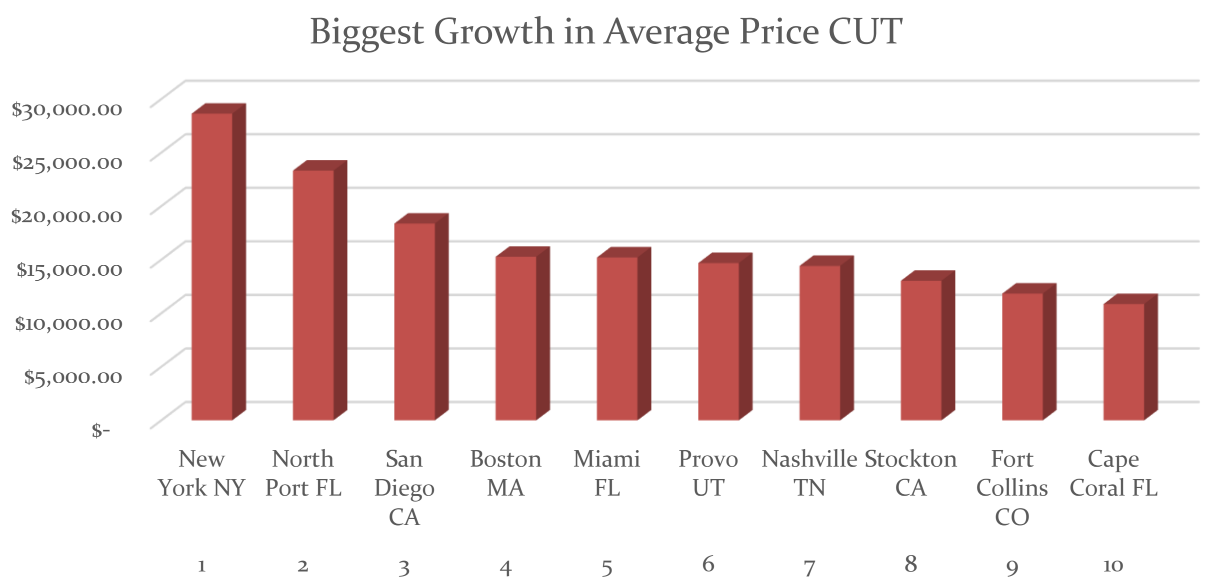
So Price Reductions will be the Start of the Real Estate Bubble/Correction

- Lets take a look at April 2022 data to see if it has already started. In the country, the average over the last 5 years price cut is about $14,500. Here is a graph showing where we are currently:



In certain market though it is getting really bad.

- These are the top 10 cities in the country where they had the biggest increase in price cut growth compared to last year. Price reductions are a sign of the market stalling and in 2006 was 1 of the things I really should have looked at to accurate predict a crash. Take a look at the 10 worst cities. (Source Zillow)



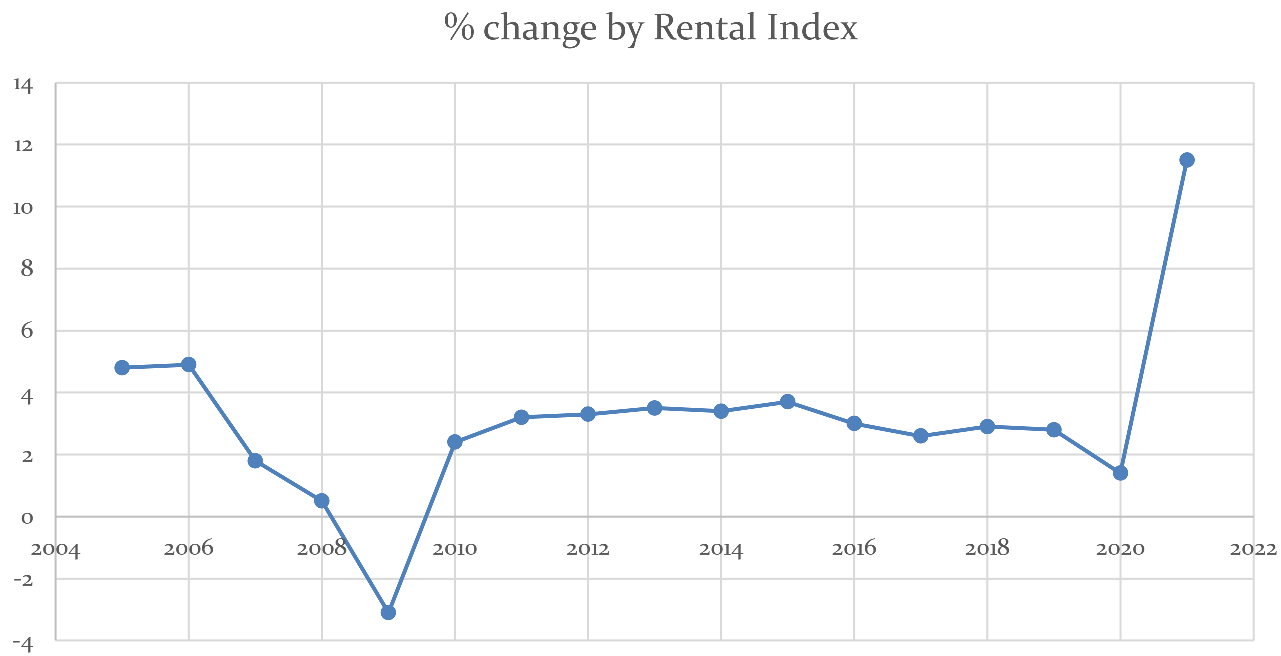
Cape Coral

- Cape Corals Stats according to Zillow:
  - Average Price cut in 2021: $15,510
  - Average Price cut in 2022 $26,366

  That is an increase of 69% in 1 year. When this number skyrockets like it did, shortly afterwards the amount of listings that price cut in a chain reaction, tend to go up equally as sharp. Currently, Lee County FL for instance, 10% of all listings have had a price cut per week. That means 10% of the current homes on the market will cut their prices every week. I will monitor this trend but with increases in price amount being top 10, so will the % of listings price dropping.

Last statistic

- So another thing I really didn't look at nor was it readily available was the data on Rental Index increases and total eviction%. The Rental Index is a Year over Year increase or decrease of rent over the course of time. Here is Lee county Florida



Rental Index

- When Rental index increase over 5% and average wage only went up 1.5% in 2006, renters could not afford their existing rent and evictions started soaring. As we crashed in price from 2006-2010 at the bottom, rental index went back to 3% which was the average increase in Lee County wages. There it sat for 10 years. It wasn't until 2020, when landlords didn't increase rent due to COVID. Then suddenly it went up close to 12% and went even further in 2022. Average rent was $1,400 in 2001. Currently the average rental is over $1850/month which as of writing this gets you a 1 bedroom apartment in Cape Coral. That is an increase in less than a year of 32%.

- Reason is that insurance and taxes to landlords went up and thanks to people staying put since COVID, there are no rentals to rent. Lack of Supply means increased prices because what choice do renters have? What I learned in 2008, is if people cannot afford a place, they move. Increasing rent might be fine for a few months, but as people struggle, the evictions should increase drastically. Another stat I should have looked at back in 2007-2008.

Comparing the 2 years

2006-2007

- Annual Cost to Earnings Ratio 66%
- Population to Housing start ratio 1.6
- Case-Shiller Index 14%
- Gas Prices 3.11/gallon
- Investor ratio 11%
- Rental Index 4.5%

2022 Current

- Annual Cost to Earnings Ratio 60%
- Population to Housing start ratio .9
- Case-Shiller Index 19%
- Gas Prices 4.08/gallon
- Investor ratio 18.4%
- Rental Index 11.5%

Cost to earnings ratio averages at 38% so both are almost double the sustainable %. We are building more homes than people coming, Case-Shiller Index is worse, Gas is higher, Investor ratio is greatly increased, Rental Index is more than doubled.

Statistics as compared to last month in Cape Coral

March 1st 2022

- Total Homes for sale 788
- Total Sold 721
- Sales Pending 790
- New Listings for sale 111
- Average Time on Market 20
- Average Asking Price $599,900
  Average Selling Price $535,160
- % of asking price sold 100.7%

April 1st 2022

- Total Homes for sale 547
- Total Sold 588
- Sales Pending 638
- New Listings for sale 324
- Average Time on Market 19
- Average Asking Price $605,149
- Average Selling Price $572,423
- % of asking price to sold 100.79%

In Summary: Total active homes for sale in Cape Coral is down to 547. A decrease of 30% from the previous month. Sold homes that closed is also down 18% in 1 month showing a slow down in closed sales. Pending sales are down 19% from last month showing as well a slow down in the market. There was an increase of 290% for the month compared to last month. Average time on market dropped slightly meaning the market tis still fast moving although slower than before. Asking price went up slightly but sold price increased 7% in 1 month! With interest rates going up significantly since March, the slow down was expected but clearly there is not enough inventory to buy still.

Statistics as compared to last month in Cape Coral

April 1st 2022		May 1st 2022	
Total Homes for sale	547	Total Homes for sale	626
Total Sold	588	Total Sold	519
Sales Pending	638	Sales Pending	617
New homes for sale	324	New homes for sale	367
Average Time on Market	19	Average Time on Market	16
Average Asking Price	$605,149	Average Asking Price	$589,950
Average Selling Price	$572,423	Average Selling Price	$586,824
% of asking price to sold	100.8%	% of asking price to sold	100%

In Summary: Total Active homes for sale in Cape Coral is up to 626. The first increase in inventory for the entire year of 2022. Sold homes that closed is down 11% in 1 month showing a slow down in closed sales. Pending sales are down 3% month to month. New homes for sale in April is still a dismal number. Average time on market went down 15% and is at record breaking pace. Asking price went up down slightly, and selling price went up 2% from the previous month. This could all be signs that the increase in interest rates is slowing the market, which in turn will increase standing inventory, thus driving prices down in the next months.

April 2022 Recap!!

- Summary:
  - This month 10 homes came on the market/day, and 21 came off every day.
  - Over 1000 homes came back on the market in April from pending
  - Total Surplus increased for the first time in 18 months.
  - Sellers market is extreme with properties disappearing twice as fast as they appear
  - Owners are not coming on fast enough for the demand, but demand is dropping off drastically in April.
  - Average time on market dropped drastically from 19 days to 16, showing that many homes disappear within days instead of weeks.
  - Amount of homes for sale went up 14% in 1 month to hit over 600 which is an 18 month first.

Conclusion

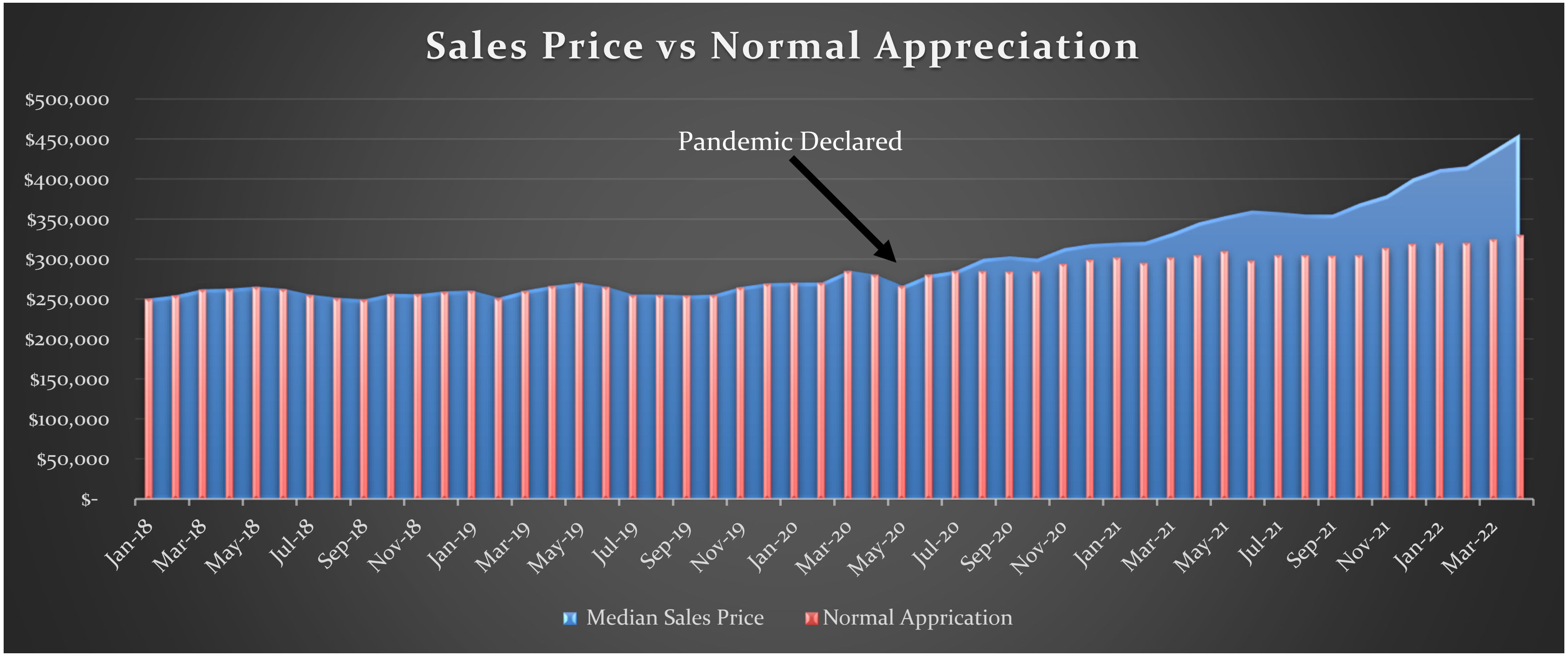
- In Conclusion, The market since May 2020 (COVID pandemic) has changed abruptly and chaotically…no, more like violently. The fundamentals are all out of whack! This reminds me very much of the last boom we had where fundamentals of real estate were thrown out the window. The only thing history can predict is that it repeats itself. Last time we had a major swing in price, we corrected back to normal but not until we violently swung the other direction. In 2010, I made a power point warning me to look at other data. If I did then, I could have predicted that crash. Looking at those bullet points in 2022 show exactly the same as last time, but for different reasons. Last time we crashed in 1 ½ years, but stayed bottomed out for 3 years due to the overwhelming amount of foreclosures we had due to upside down garbage loans. This correction should not last as long, nor be as violent in nature. I look at 1 very appealing graph to predict how much we SHOULD CORRECT. If for 8 years, prices were chugging along at 2-3% appreciation every year. If we take away 2020 and 2021 numbers and look at January prices of 2020 before the pandemic, then we can calculate what our pricing should be and compare.
- Jan 2020 prices: $293,000
- Jan 2021 prices should be $301,790 with the same appreciation we had for 8 years
- Jan 2022 prices should be $310,843 with the same appreciation we had for 8 years
- Jan 2023 prices should be $320,169 with the same appreciation we had for 8 years

BUT currently, prices, thanks to COVID, are at $537,000. That means home prices on average are off by possibly $200,000 overall. In Cape Coral, it might be over $120,000 off, so the average home should adjust 37% downward to stay on target. This will not happen in months, but possibly 1-2 years. When it starts is a topic for next months update. The next slide shows a graph comparing these projections.

- If you ever have any questions about the local real estate market, or to go over how this affects your particular type of home, I am 1 phone call away 1-239-980-2792 email ed@villarealty.com.

- To find out the value of your home instantly go to https://marketvalue.edzoller.com/

Final Graph showing Normal Appreciation versus current pricing



As you can see, since May of 2020, the market changed drastically. Normal appreciation of 2-3% which we experienced since 2014 for 6 straight years started separating from the norm in June of 2020. This is most in part from the drastic decline in Inventory caused by COVID. As homes were pulled from the market, prices went up faster than expected. Now, the gap in price is over $120,000 or 37% over appreciated. We will see if this corrects, which should be this year in my opinion.

Presentation brought to you by

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Over 1500 homes sold!

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