

Market Update for May 2022

South West FL Single Family Housing

Written by
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“SW Florida’s Housing Expert with over 5000
transactions and over \$348mil+ in SOLD Real Estate”

6/01/2022

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.
- 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.

May 2022 will long be Remembered

- May 2022 will long be remembered by me as the potential starting point of a major correction for Lee County. Just last month, when I wrote the previous market update at the end of April, I predicted that we will soon see a correction based on evidence and data supporting that. I had no idea that the very next month we would already see a correction. It wasn't slow, nor did it slightly correct. It massively corrected and those of us in the industry felt it.

Surge in Inventory out of nowhere

The very first thing you need for a market to correct, is an increase in inventory (called Surplus) January 2020-April 2022 had plummeting inventory and record low homes for sale for 2 straight years. Then, something happened in May of this year. Inventory went up. This is the very first thing that will cause prices to go down. Higher inventory also gives you more selection to choose from when buying a home. For those of you waiting for the sign of softening, this is the 1 key stat that we should look at for SW Florida.

Current data from local MLS data shows that top 5 cities in Florida that showed an increase in inventory month over month are as follows

	City	% increase of inventory month over month
1.	Naples	18%
2.	The Villages	15%
3.	Cape Coral	9%
4.	North Port	8%
5.	Crestview	8%

Increase Inventory? Why?

As you can see 3 of the top 5 cities with the most inventory increases are in SW Florida. So why here, and why all of a sudden? In my opinion it is based on 1 main thing:

- Increased interest rates. This is more of a macro reason why demand dropped suddenly and inventory increased, but we went from 3% in December of 2021 to 5% in April of 2021 and now topping off at the end of May at 5.5%. This created such a negative impact on people to be able to afford the huge price increases we experienced in the last 2 years. For example:
 - A \$300,000 loan in December at a 3% interest rate was clocking in at a 30 year fixed around **\$1265/month**
 - That same priced home with a 5.5% interest rate climbed to over **\$1700/month**
 - That is an increase of over \$430/month! Just because of interest rates increases

Today's Interest Rates

According to Mortgage Daily News which tracks interest rates daily, take a look at the one I pulled on June 1st 2022

Mortgage Rates » 30 Year Fixed

30 Year Fixed Mortgage Rates

Average 30 year fixed mortgage rates from Mortgage News Daily, Freddie Mac, MBA and FHFA.



5.47% Interest rates? What did this do?

- This skyrocketed interest rates made homes even less affordable for many buyers, especially the first home buyers and middle class of Lee County. This halted demand causing houses to sit longer. Builders had 1000's of homes they were building throughout our county for these buyers. Problem is it was taking too long to build these homes with all the labor and material shortages we are experiencing. BUYERS COULD NOT LOCK THEIR RATE! Just because you lock a price of a home lets say in October 2021 with a home builder, doesn't mean you can lock an interest rate. Most loans are locked within 30 days of the home being complete. It costs money to lock anything longer than 30 days out.
- With soaring interest rates, those buyers who bought homes with the intent of getting market rate of under 4.5% have missed out, causing inventory increases and cancelled deals. We call these canceled deals in real estate, back on the markets, and builders call them CANS (short for cancellations).
- Some builders allocated their own dollars to help these buyers with a long term lock in interest rate. 1 builder, DR HORTON, allows buyers to lock their rate at 4.75 until September. This costs the builder many Millions of dollars to do.

May Inventory Spike

- When comparing May 2021 to May 2022, certain counties in our state have shown far bigger increases than others, while a few counties are still showing a decrease in inventory like Miami and Jefferson Counties. Below are the top 10 counties as far as inventory surge

Rank	County	Year over Year Change in inventory
1.	Hernando County (Tampa)	+70%
2.	Walton County (Crestview)	+66%
3.	Charlotte County (Port Charlotte)	+65%
4.	Collier County (Naples)	+52%
5.	Lee County (Cape Coral)	+51%
6.	Flagler County (Deltona)	+50%
7.	Manatee County (North Port)	+50%
8.	Sarasota County (Sarasota)	+49%
9.	Bay County (Panama City)	+49%
10.	Citrus County (Homosassa Springs)	+49%

What this means

- Being that all these counties in the top 10 are coastal properties and most of them right here on our coast, shows that we might be slipping back into what happened in 2007-2010. Last months market update showed similarities, but I had no idea it would start this fast. Bottom line is builders always start the crash. They did back in 2007, and it seems this month are doing it again. Let us look at a Lee County builder, and what they did in May to start what I believe is the start of the correction all buyers wanted.

Inventory sheet within 3 weeks of each other

- May 2nd 2022 this was the inventory sheet of available homes a particular builder had to sell in the entire city of Cape Coral
- May 27th 2022 this was the inventory sheet of available homes the same builder had to sell in the entire city of Cape Coral

CAPE CORAL, FLORIDA						
WELL & SEPTIC						
Bedrooms/Bath	Lot	Sq. Ft.	Price	Stage	Street Address	Delivery Date
4 Bed/ 2 Bath	567	1,828	\$404,650	5	500 NW 24th Ave (triple lot)	Sept
CITY WATER & SEWER ***ALL ASSESSMENTS PAID***						
Bedrooms/Bath	Lot	Sq. Ft.	Price	Stage	Street Address	Delivery Date

1 home. That was all they had to sell on May 2nd 2022. Just 1. Sales definitely outpaced construction.

CAPE CORAL, FLORIDA							
WELL & SEPTIC							
Bedrooms/Bath	Lot	Sq. Ft.	Price	Manager Special	Stage	Street Address	Delivery Date
3 Bed/2 Bath	548	1,672	\$391,135		4	1706 NW 7th Ave	September
3 Bed/2 Bath	558	1,672	\$392,635		4	2902 NW 3rd Ter	September
3 Bed/2 Bath	563	1,672	\$392,635		4	1701 NW 9th St	September
3 Bed/2 Bath	579	1,672	\$391,635		4	2207 NE 5th Ave	September
3 Bed/2 Bath	624	1,672	\$391,635		4	1632 NW 31st Pl	September
3 Bed/2 Bath	609	1,672	\$392,135		4	1829 NW 15th St	September
3 Bed/2 Bath	541	1,672	\$389,635	\$377,135	4	1202 NW 26th Ave	September
3 Bed/2 Bath	595	1,672	\$392,635		5	2745 NW 5th Ter	September
3 Bed/2 Bath	528	1,672	\$389,135		4	2618 NW 11th Ter	September
3 Bed/2 Bath	588	1,756	\$395,515		4	1706 NW 30th Ln	September
3 Bed/2 Bath	571	1,756	\$394,515		4	2044 NW 1st Ter (Corner)	September
4 Bed/2 Bath	606	1,828	\$403,650		4	535 NW 20th Ter	September
4 Bed/2 Bath	573	1,828	\$404,150		4	2812 NW 26th Ter	September
4 Bed/2 Bath	577	1,828	\$403,650		4	2908 NW 20th Ave	September
4 Bed/2 Bath	623	1,828	\$403,650		4	2477 NW 9th St	September
4 Bed/2 Bath	496	1,828	\$402,650	\$390,150	5	2504 NW 4th St	September
4 Bed/2 Bath	578	2,090	\$421,860		5	1113 NE 12th Ter	September
CITY WATER & SEWER ***ALL ASSESSMENTS PAID***							
Bedrooms/Bath	Lot	Sq. Ft.	Price	Manager Special	Stage	Street Address	Delivery Date
4 Bed/2 Bath	221	1,828	\$ 433,580	N/A	4	416 Tropicana Pkwy E	September

17 homes now to sell in just 3 short weeks. Also note that there are 2 homes with orange highlights. That was a price reduction of \$12k on those 2. Good thing you waited right?

Now take a look at June 2nd sheet.

06/02/22

CAPE CORAL, FLORIDA

WELL & SEPTIC

Bedrooms/Bath	Lot	Sq. Ft. ^	Price	Manager Special	Stage	Street Address	Delivery Date
3 Bed/2 Bath	548	1,672	\$391,135	\$368,990	4	1706 NW 7th Ave	October
3 Bed/2 Bath	558	1,672	\$392,635	\$368,990	4	2902 NW 3rd Ter	October
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3 Bed/2 Bath	600	1,672	\$391,135	\$368,990	4	2026 NE 2nd Ave	October
3 Bed/2 Bath	624	1,672	\$391,635	\$368,990	4	1632 NW 31st Pl	October
3 Bed/2 Bath	609	1,672	\$392,135	\$368,990	4	1829 NW 15th St	October
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3 Bed/2 Bath	588	1,756	\$395,515	\$373,990	4	1706 NW 30th Ln	October
3 Bed/2 Bath	562	1,756	\$396,515	\$373,990	4	3006 NE 7th Ave	October
3 Bed/2 Bath	539	1,756	\$398,015	\$373,990	4	2805 NW 4th Ter	October
3 Bed/2 Bath	571	1,756	\$394,515	\$373,990	4	2044 NW 1st Ter (Corner)	October
4 Bed/2 Bath	606	1,828	\$403,650	\$380,990	4	535 NW 20th Ter	October
4 Bed/2 Bath	550	1,828	\$403,150	\$380,990	4	2601 NW 2nd Ave (corner)	October
4 Bed/2 Bath	573	1,828	\$404,150	\$380,990	4	2812 NW 26th Ter	October
4 Bed/2 Bath	577	1,828	\$403,650	\$380,990	4	2908 NW 20th Ave	October
4 Bed/2 Bath	623	1,828	\$403,650	\$380,980	4	2477 NW 9th St	October
4 Bed/2 Bath	496	1,828	\$402,650	\$380,990	5	2504 NW 4th St	September
4 Bed/2 Bath	578	2,090	\$421,860	\$397,990	5	1113 NE 12th Ter	September

CITY WATER & SEWER *ALL ASSESSMENTS PAID*****

Bedrooms/Bath	Lot	Sq. Ft. ^	Price	Manager Special	Stage	Street Address	Delivery Date
4 Bed/2 Bath	221	1,828	\$ 433,580	\$ 404,990	5	416 Tropicana Pkwy E	September

\$23,000 price drop?

- Yes you saw that right. We went from 1 home, to 17 homes with 2 priced dropped \$13,000 and 5 days later now there are 22 homes and all of them manager specials with reductions of \$23,000 in 5 short days. Maybe this is a start? Think that this rapid price drop will stop here, and also how will this effect the other homes on the market that are used homes? This not only is happening in Cape Coral, but also Lehigh Acres and Lee County as a whole. Lets look at the same scenario for Lehigh

Lehigh comparison

- Inventory sheet in Lehigh Acres May 2nd 2022

Least expensive home

SINGLE-FAMILY HOMES
LEHIGH ACRES, FLORIDA

Plan	Lot	Sq. Ft.**	Cabinet Color	Beds	Baths	Total Investment*	Street Address	Delivery Date
Boardwalk	16	1389	White	3	2	\$ 335,130	3210 18th St W	Aug/Sept
Boardwalk	6	1389	White	3	2	\$ 334,630	2903 39th St SW	Aug/Sept
Boardwalk	16	1389	Umber	3	2	\$ 334,630	2710 44th St SW	June
Manager's Special								

3 homes only. Also had no inventory to sell the public. Least expensive home is \$334,630

- Inventory sheet in Lehigh Acres May 27th 2022

Good thing you waited Huh?

SINGLE-FAMILY HOMES
LEHIGH ACRES, FLORIDA

Lot	Sq. Ft.**	Cabinet Color	Beds	Baths	Total Investment*	Managers Special	Street Address	Delivery Date
19	1388	Umber	3	2	\$ 329,630	\$ 317,130	3014 65th st w	July
6	1389	White	3	2	\$ 336,630	\$ 329,630	2903 39th St SW	Aug/Sept
16	1389	White	3	2	\$ 325,130	\$ 318,130	3210 18th St W	Sep
3	1389	White	3	2	\$ 338,630	\$ 326,130	2027 Wanda Ave N	Aug/Sept
10	1389	White	3	2	\$ 336,130		625 Lionel Ct	Sept/Oct
3	1756	White	3	2	\$ 372,160		5231 Bristo St	Sept/Oct
2	1756	Umber	3	2	\$ 368,160		828 Champion Ave	Sep/Oct
10	1828	Umber	4	2	\$ 365,295		1916 Holyoke Ave	Sept/Oct
14	1389	White	3	2	\$ 336,130		1931 Holyoke Ave	Sept/Oct
6	1828	Umber	4	2	\$ 367,295		667 Lomond St	Sept/Oct
9	1389	Umber	3	2	\$ 336,130		661 Lomond St	Sept/Oct
7	1499	Umber	4	2	\$ 341,050		658 Lomond St	Sept/Oct
12	1499	White	4	2	\$ 341,050		658 Vanola Ct	Sept/Oct
16	1389	Umber	3	2	\$ 336,130		666 Vanola Ct	Sept/Oct
3	1389	Umber	3	2	\$ 347,130		1028 Allman Ave	Sept/Oct
15	1499	White	4	2	\$ 341,050		626 Lionel Court	Oct
11	1756	White	3	2	\$ 361,160		1925 Holyoke Ave	Oct
8	1389	White	3	2	\$ 336,630		667 Topeka Court	Sept/Oct

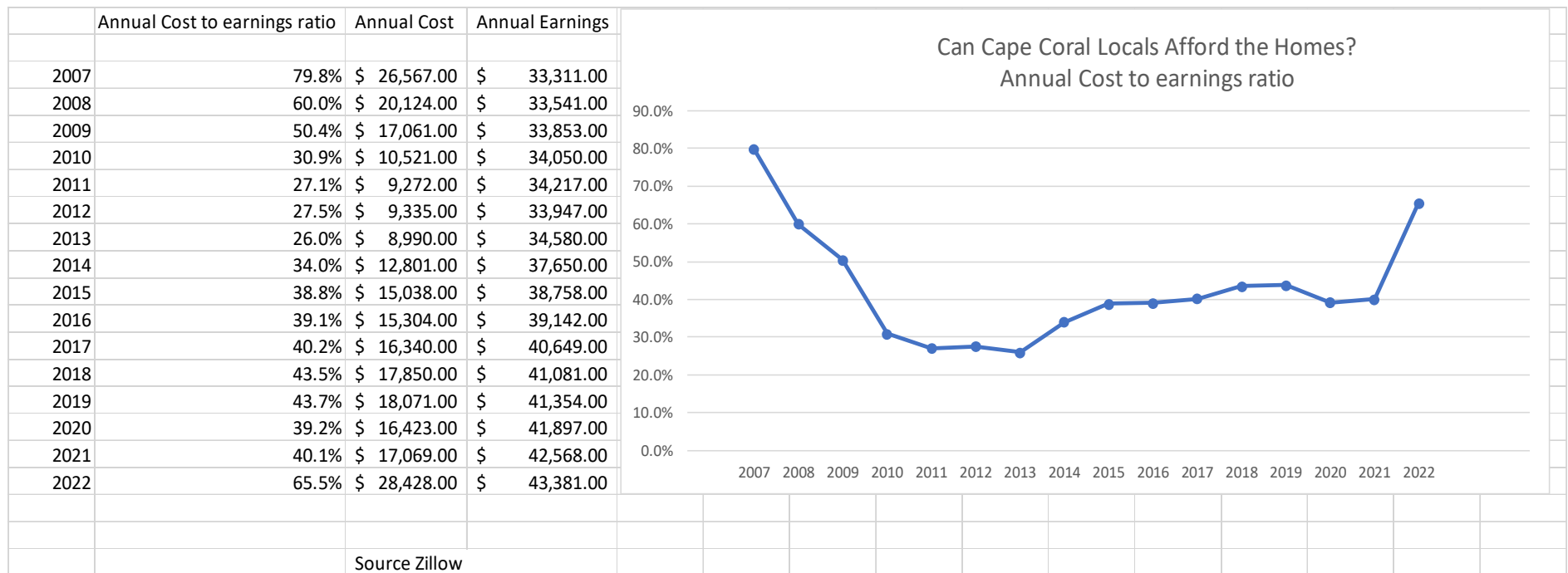
18 homes to sell and 4 manager specials with price drops ranging from \$7k-\$12k. Same home is now \$317,130. Good thing you waited

Why are they doing this?

- The answer is simple. To kick start the slowing sales. The slow down was due to the rise of interest rates. Locals cannot afford these homes, so builders will drop prices to reflect that until sales get back to their acceptable numbers for the month. Remember the graph from last month of the affordability index? Let me update it here to show you what it looks like with a 5.5% interest rate.

Can Cape Coral Locals Afford These Prices?

Updated graph of the affordability index. With interest rates increased to over 5.5%, the prices have to go down to get the index ratio back under 50%. With 5.5% interest rates it is over 65%!



The price reduction just saved everyone \$150/month toward that goal, but is it enough?

This is just the start









- For a major correction to occur, the first to start the price reductions are builders, then investors are next, then the normal owners of resale properties will not be able to compete with new homes, so they would follow. Remember we have a record number of investors who bought in these past few years, so we will see if they follow in the price reduction madness in the next few months. If they do, expect prices to rapidly start to fall, which for buyers is a great thing. This is the main point of this months update. Stayed tuned for June's update, but for now let us look at current statistics and compare them from last month.

April 2022 to May 1st in Cape Coral

April 1st 2022

- Total Homes for sale 547
- Total Sold 588
- Sales Pending 638
- New homes for sale 324
- Average Time on Market 19
- Average Asking Price \$605,149
- Average Selling Price \$572,423
- % of asking price to sold 100.8%

May 1st 2022

- Total Homes for sale 626 
- Total Sold 519 
- Sales Pending 617 
- New homes for sale 367 
- Average Time on Market 16 
- Average Asking Price \$589,950 
- Average Selling Price \$586,824 
- % 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.

Statistics as compared to last month in Cape Coral

May 1st 2022

- Total Homes for sale 626
- Total Sold 519
- Sales Pending 617
- New homes for sale 367
- Average Time on Market 16
- Average Asking Price \$589,950
- Average Selling Price \$586,824
- % of asking price to sold 100%

June 1st 2022

- Total Homes for sale 859 
- Total Sold 593 
- Sales Pending 595 
- New homes for sale 491 
- Average Time on Market 18 
- Average Asking Price \$575,707 
- Average Selling Price \$570,348 
- % of asking price to sold 100.0%

In Summary: Total homes for sale climbed 37% in 1 month with only a sold increase of 14%. Pending sales dropped 3% in the month of May with an increase of new listings climbing 33% which is the highest increase we have had for over 2 years now. Average time on market increased and with houses sitting longer prices asking prices dropped 2% in 1 month and sold prices also dropped 2%. All of these stats indicate a correction occurred in May mostly fueled by increased interest rates, massive price reductions by builders and resale home owners.

May 2022 Recap!!

- Summary:
 - This month 16 homes came on the market/day versus last months 10 homes/day
 - Last month 21 homes came off the market/day versus this months 19/day
 - 2nd consecutive month of increasing inventory.
 - 1st time pending sales have dipped below new listings in over 2 years.
 - Demand has dropped off significantly mostly due to increasing interest rates.
 - Builders have reduced their prices 6% in May 2022 alone which should have a trickle down effect.
 - Amount of actives homes for sale went up 37% in 1 month to hit over 800 which is a 19 month first.

Conclusion

- In Conclusion, This was a sudden move by local builders to generate sales. It was definitely needed, to offset the rising interest rates. Fundamentals are still all over the place. Even with housing dropping by the \$10,000's, the affordability Index is still too far off for Lee County. Increased inventory will be welcome by most buyers, but I expect as prices drop, buyers will take a backseat to see how far sellers are willing to drop their price even further. The market has had a "Cooling Off" period right now, not only here, but throughout the country as well. We will have to see what impact the Fed raising interest rate will have on the market next month, and I am curious to see when investors join in. For those of you who waited, it paid off a bit this month.
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