

End of December Real Estate Market Update for 2024 South West FL Housing

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“SW Florida’s Housing Expert with over 6370 transactions
and over \$335mil+ in SOLD Real Estate”

1/1/2025

www.Leecountymarketupdate.com

Supply of Inventory for sale in SW Florida

Inventory in Lee County



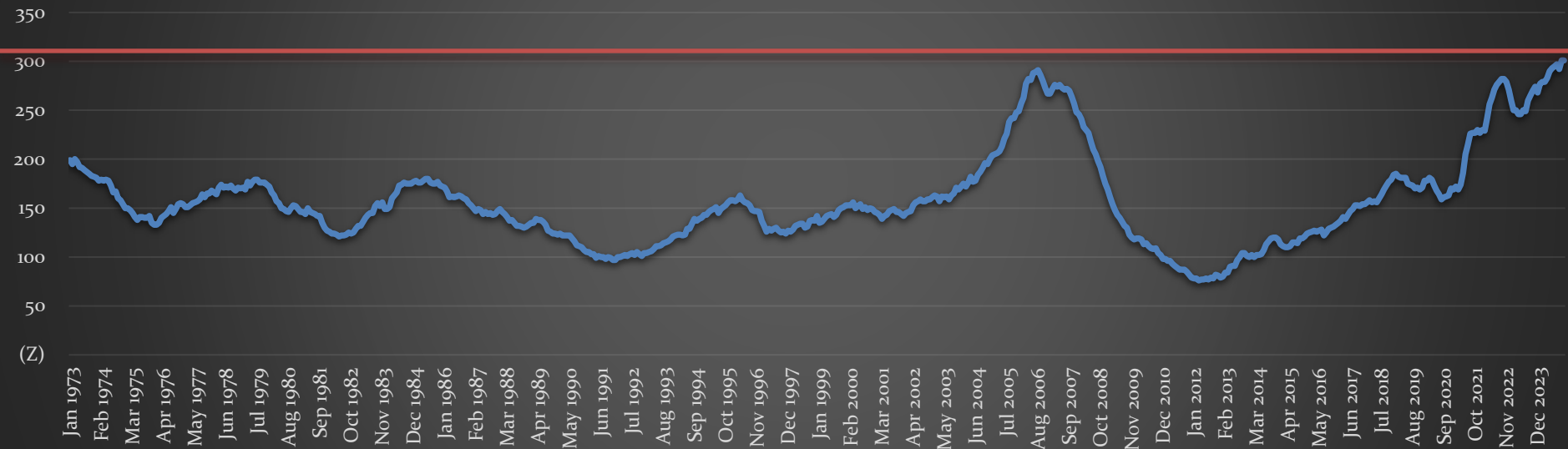
11604 for sale

Inventory went up in December by 5% month over month to over astronomical 11,600 units for sale. I have to go back past 2009 to see inventory that great making this month the highest inventory in over a decade. Year over Year **our inventory is 42% higher than last year for December which is up from 39% from last month.** Rapid increase in inventory normally means prices are likely to continue to go down. Our long term 10 year average is at 6500 housing units for sale, so comparing the current inventory to that, means we have a Surplus of homes of over 78% more than needed. This too pinpoints to a price decrease next month as well. **Normally our inventory goes up in October an average of 2-3% per month and runs all the way until March. This month it went up 5%.** It looks even more promising to buyers for the near future. MORE INVENTORY MEANS LOWER PRICES and Price reductions, BUT also normally means lower demand. Single Family Homes constitute 63% of total inventory, condos represent 25.8% of total inventory, and the rest are Townhomes/Villas. Of this inventory, 2325 of the existing inventory are New Construction or 20%. Let us take a deeper dive into this part of it.

New Graph showing historical data of Builder homes for sale

New Homes for Sale by Builders in South 1973-Present

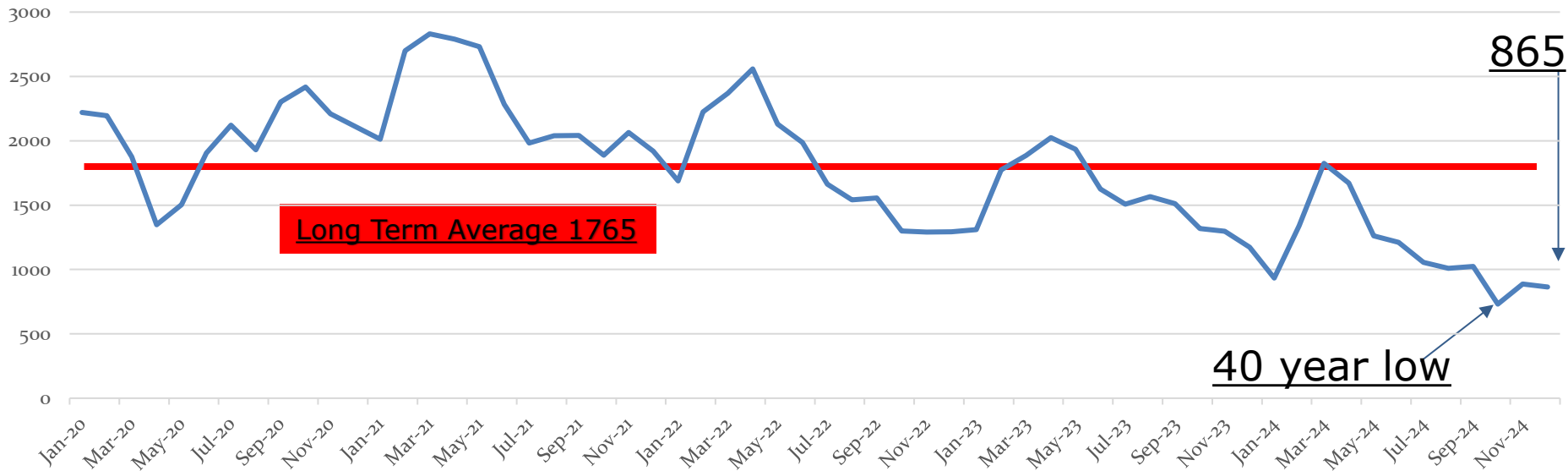
New homes for sale by builders in 1000's (Source: US Census Bureau)



The graph above shows New homes for sale by Builders in Southern states dating all the way back to 1973. It shows the Builder pipeline on builder lots which shows that it has hit a level bigger than that of the 2008 Real Estate Crash. Just this month Builders reported over 300,000 homes for sale in the south, making it the highest ever recorded. This will mean Builders are going to get desperate to sell, and give even more incentives across the board like the lower interest rate buydowns and price reductions. With all of these incentives given, it is starting to hit their bottom line with Lennar, the 2nd biggest builder just reporting a drop of 9% YOY revenue, and last month DR Horton reporting a 4% drop in Revenue. With this current trend, I expect that new construction will continue to see reductions in price going into 2025, and as buyers, you may want to start getting your ducks in a row so you are ready to strike when the time is right. The process is easy. Just go to the link at the end of this video or by [clicking here](#) or going to www.teacherscanbuyhomes.com to get started even if you are not a teacher

SW Florida Demand (Sales)

SW Florida Closed Sales

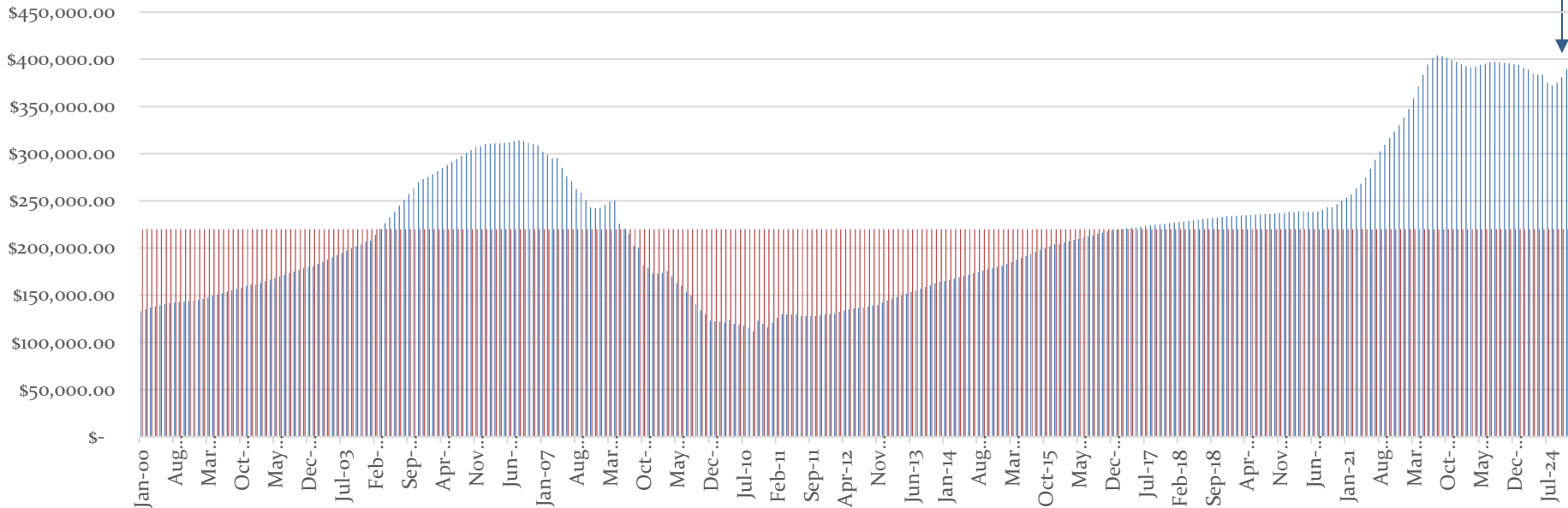


Last month in December, Sales went down as expected **2.5%** coming off of consecutive 40 year lows. By itself, it would be the #2 worst month in 40 years for sales and compared to the long term average, it is 51% lower than the average. Given the environment we are in, this isn't a surprise. It should continue to be at all time lows until the end of January. What is really interesting is that the 5 worst months of sales in the last 40 years have all occurred this year. #1 is October 731 sales, #2 is December with 865 sales, #3 November with 888 sales, #4 is January 2024 with 933 sales, #5 is August with 1010 sales, The graph also shows the historic demand peaks in March, which are progressively getting lower every year since 2020. Looking at past data helps us predict the next months results. The Fed's dropping the short term rates did not roll into mortgage rates which are sitting at 7.16%, an increase from last month. I do know many were waiting for the election to buy homes, but the volatility coupled with home buying sentiment kept it at significant lows. The big shock is the amount of growing builder inventory we have locally. The next graph goes over that aspect.

Average Home price

Average Home Price Lee County

\$389,000



Compared to last month, average home value went down **.26%** to the Average home price being \$389,000. With record low sales though, this number is not as relevant as to when we sell 2x to 3x as much normally. There were quite a few \$1mil+ homes that sold this month inflating this number a bit, even a \$7.7mil home in Bonita Beach. 326 home sales were new construction constituting for almost 40% of all sales. Told you the incentives these builders are giving are astronomical. Super Stubborn graph, but this is also due to builders offering incentives. Over 37% of our sales are brand new construction, but Unlike last time, this time builders are trying like mad to keep price points higher by offering up MEGA incentives totaling over **\$50k-\$90k** to buy down rates. Sell for higher price, but offer up interest rates so low that the monthly payment would be identical as if the house did drop \$80k in price. With an inflated amount of inventory, and lowest sales continuing, I would not be surprised to see next month average homeprice plummet.. At this price, are the homes affordable?

Home Payment as a % of SW Florida's Average Household income

House Payment as compared to income



NO! This graph factors in the mortgage payment which includes Property Taxes, insurance, interest rate, and average home price for the month and divides the areas median household income. This is a measure of relative homebuyer affordability given the prevailing home values and current rates. Last month we were at 39.5% of a households gross income going toward mortgage. **This month it went UP a decent amount to 40.55%!.** This is due to the average home prices staying the same, but interest rates going up from from 6.88% to 7.16%, even though we increased in household income going from **\$72,521** to **\$72,869**. The way you figure out what home mortgage prices should be is taking household income and multiplying it by long term average which for us is 26%. To reach affordability off of these new numbers, the average monthly payment that is affordable is \$1578 a month which is \$2 higher than last month. So currently it is less affordable than last month. Right now the mortgage payments for the average home is \$2307/month or 46% overinflated. Looking at this graph, we have a lot of work to do to get this market stabilized and this month it went further away from stability.

Home Value Growth Month over Month for Lee County



Tracking Month over Month home value growth helps pin point changes in the market and signals a crash and/or bottom. As you can see from this graph the years from 2013-2021 shows a steady line of positive growth with a rapid escalation in 2022 and part of 2023 which is almost identical to that seen in 2005-2006. The bubble popped last time in February 2007, which signaled the start of the crash when this graph first hit negatives. It remained negative until January 2012 or **59 consecutive months** until it stabilized late 2012. Currently **The Zillow Home Value index** is at **-.59%** and last month we were at **-.51%**, so that is **17 consecutive months of negative home value** so far. This graph quickly asks the question are we stabilized? Answer is not even bottomed yet and has a long way to go AND it is getting further away further supporting we have an affordability problem

Price Cut % Lee County

Long Term Average 22%











Remember 2 months ago we finally hit our average % of price drops? Well short lived it was. Now we are climbing back up again with 25% of all active listing reducing their price in December. This was expected as the inventory grows and more people put themselves on the market, they understand that we are not the crazy market we were last year, but this uptick is also stating that we are not the market we were last month either. With almost record breaking lows in December, and increasing inventory, I would expect this trend to continue up.

Statistics as compared to last month

December 1 1st 2024

- Total Housing for sale 11048
- Total SF Homes Sold 888
- Total Sales Pending 1247
- **New construction 4sale 2280**
- Average Time on Market 75
- Median Asking Price \$399,500
- Median Selling Price \$390,000
- % of asking price sold 97.6%

January 1st 2025

- Total Housing for sale 11600  4%
- Total SF Homes Sold 865  2.5%
- Sales Pending 1064  15%
- Total New construction SF 2325  2%
- Average Time on Market 78  4%
- Median Asking Price \$392,500  2%
- Median Selling Price \$389,000 
- AVG % of asking price/sold 95.00%  3%

In Summary: Inventory increased 4% this months showing a rapid increase of inventory that hit over 11,500 total in Lee county. Sold inventory hit the #2 40 YEAR LOW with 865, and dropped 2.5% month over month. Pending sales dropped 15% since last month, showing that buyers were not jumping over the fence once the election happened as reported. The % of new homes for sale is 20% of our total inventory which is the same percentage than last month, but even more shocking is that of the pending sales, new construction is over 27% of those. Average time on market went up 4% after drastically going down last month! With low sales this number is not as relevant. It was at 30 days about a year ago, so it has more than doubled. Asking price went down 2% as Selling price remained the same. All of this points to a diminishing market and what we expected in the coming Winter. In the future, we will look to see if any of these start to show signs of stabilization, which unfortunately we are not seeing any except the price going up a bit.

Buyers or Sellers Market?

Months of Inventory to show Buyers Market vs. Sellers Market



WICKED CRAZY ONCE IN A LIFETIME BUYERS MARKET. I had to make 2 more brackets 2 months ago! With record low sales and over 11500 homes for sale in Lee County it would take over 13 months to get through it all, IF no one else came on ever again. Total Buyers market! Super Extreme Wicked Crazy One at that for a 3rd consecutive month. Not stabilizing yet. Inventory going up, and price being stubborn, we hoped interest rates dropping would have helped but it did the opposite and interest rates went up. A buyer's market occurs when supply exceeds demand. When inventory is high, and there are plenty of homes for sale, but there is a low number of interested home buyers, then we call that a buyers market. Anytime we hit over 3.9 months of standing inventory, then I call that a buyers market. Currently, we have over 13 months of inventory. That is a signal we have not had nationwide since 2006 and of course COVID. The higher the severity, the more leverage buyers have over Sellers who really need to sell.

Overview of these data points

- End of Year December is expected to be slow. We saw a huge gap up of inventory, and a drop of demand. Builders have a new record amount of homes for sale in the South to levels we have not seen since 2006. As this inventory increases, builders will be even more prone to offer up incentives to keep sales going. We have over 13 months of inventory creating a Crazy Wicked Extreme buyers market for the 3rd straight month. Prices are still being stubborn and remaining too high also explaining the lack of demand. Builders are continuing to run the show with their 3-4% interest rate buy downs and price reductions. Builder inventory is also at an all time high. If you asked me what my buyers are buying, I would tell you builder products but only when they are at their most vulnerable (i.e. end of month and quarters when sales matter the most.)
- **Inventory went up 4%** in the month of December. In perspective, normally during this time of year, our inventory normally goes up 2% from the beginning of December to years end.
- **Demand dropped 2% in December after it increased a whopping 21%** in the month of November
- **Pending sales decreased 15%**. Meaning we expect sales to drop based on these numbers.
- Home Value growth year over year is still under the stabilization line showing 17 consecutive months of negative home value growth.
- Builders own a majority of homes for sale and a record number in our area since 2006

Data acquired comes from the following sources

- US Census Bureau
- Zillow.com
- FRED (Federal Reserve Economic Data)
- Realtor.com
- SWFLMLS (Our local board of realtors)
- Mortgage Brokers Association or MBA
- Bureau of Labor Statistics BLS.GOV
- Zillow
- Reventure APP
- Umich.edu

Call me anytime to discuss anything!!!

To get prepared to be a buyer in this market, you need to get qualified first. I can help. Go to www.teacherscanbuyhomes.com and fill in a 3 minute survey to get started.

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