

End of February Real Estate Market Update for 2025 South West FL Housing

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“SW Florida’s Housing Expert with over 6372 transactions
and over \$337mil+ in SOLD Real Estate”

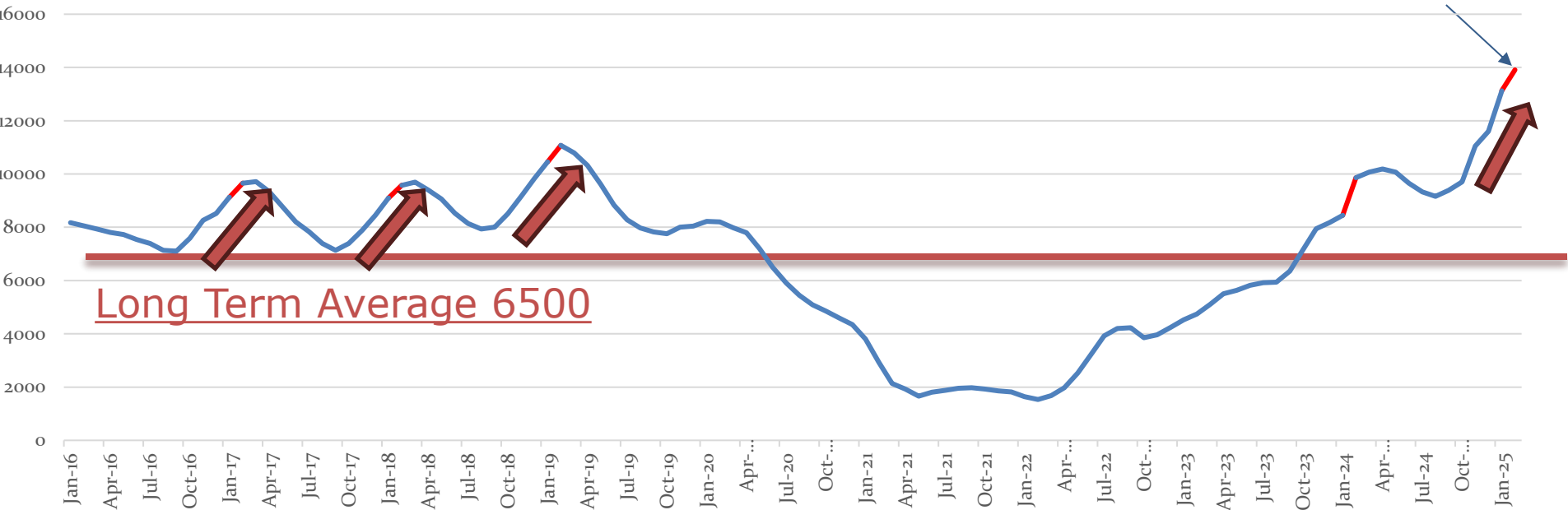
3/1/2025

www.Leecountymarketupdate.com

Supply of Inventory for sale in SW Florida

Inventory in Lee County

14001 for sale

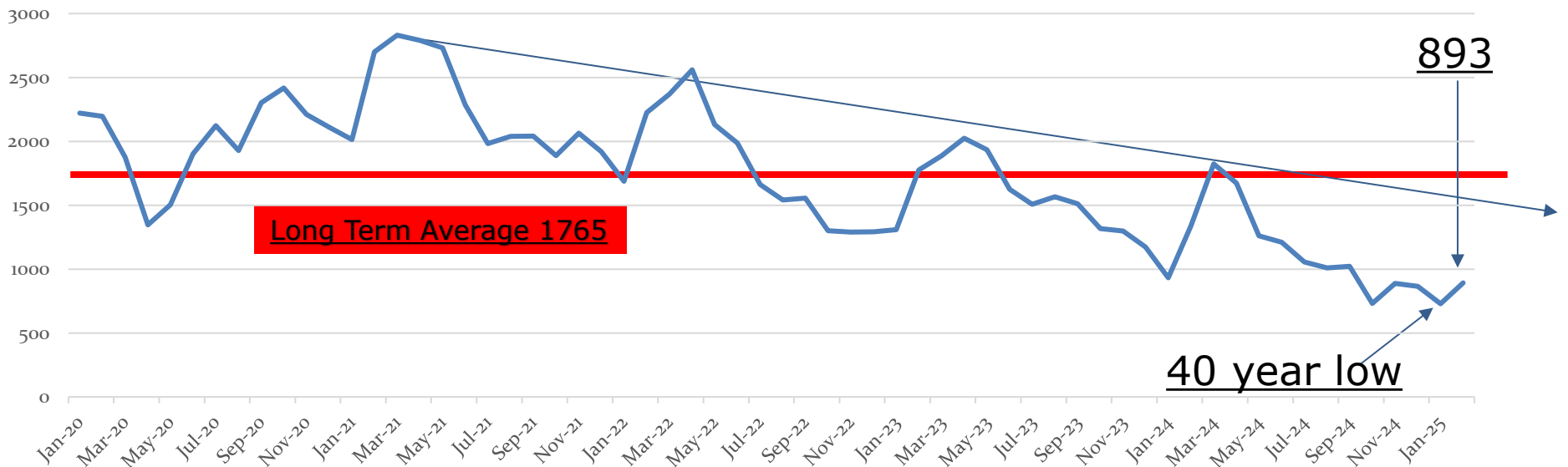


Long Term Average 6500

Inventory went up in February by 6% month over month to over astronomical 14,001 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 beating last month. Year over Year **our inventory is 41% higher than last year for February**. 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 214%** more than needed. This too pinpoints to a price decrease next month as well. **Normally our inventory goes up in February an average of 2% then continues until March's peak. This month it went up 6%.** 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 62% of total inventory, condos represent 27.0% of total inventory, and the rest are Townhomes/Villas. Of this inventory, 2165 of the existing inventory are New Construction or 15% which is down by a couple hundred from last month as builders try to sell off their inventory. High Inventory leads to higher days on market. Let's take a look

SW Florida Demand (Sales)

SW Florida Closed Sales

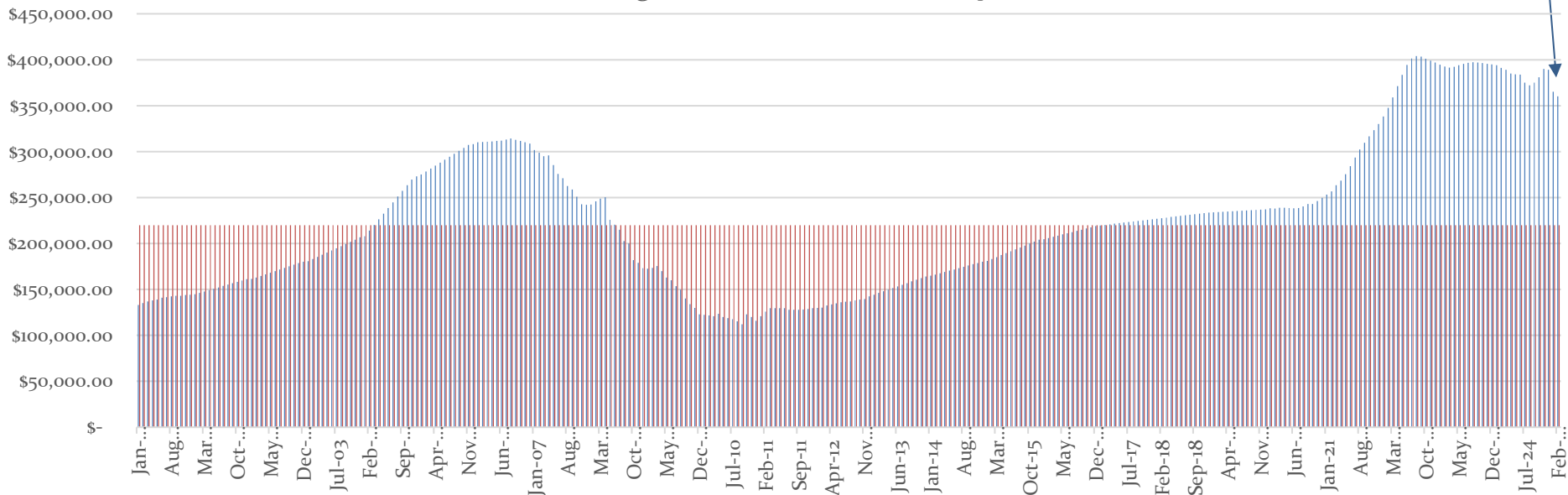


Last month in February, Sales went UP a whopping **22.5%** coming off of the actual 40 year low. ***Janaury was the worst sales volume for Single Family Homes in over 40 years, so at least February shows an uptick!*** The trend a lows for the year are all January so seeing it increase in February is a good sign in the right direction. The problem is that the peak is up at the end of March/April. The trendline shows the decrease in demand over time, and if you look at this, the demand graph continues to make lower lows and lower highs which is a downward trend. Compared to the long-term average, it is **49% lower** than the average. Some other data points are year over year demand is down 33%. Looking at past years, in 2024 Only February and March showed an uptick in demand as seen also in 2021. 2023 showed an increase form January to April, and in 2022 it ran from February to April. The common factor is demand goes down from May to January every year so let us hope sales explode in March. Rates are sitting at the time of writing this at 6.79 which is lower than last months 7.125%. Same rate we had in December of 2024, and last year this time we were .37 higher. The ongoing shock for the market is the amount of growing builder inventory we have locally. Of the 893 Sales for February, 243 were new construction or 27% of the sales. New construction is 15% of our inventory, and 27% of our sales. It's the incentives that do it. Definitely a slow down of new constructions is going to help this market in the long run

Average Home price

Average Home Price Lee County

\$360,000



Compared to last month, Average home value went down 1.37% to the price being \$360,000. The downward trend continues. Taking the low sales in February, this number is not as relevant as to when we sell 2x to 3x as much normally. There were quite a few (over 48) \$1mil+ homes that sold this month inflating this number a bit, even a \$5.9mil home in Bonita Bay this month. 243 home sales were new construction constituting for almost 27% of all sales a drop off from last month of 31%. Told you the incentives these builders are giving are astronomical. Super Stubborn graph showed another month of weakness. Even the builders had to drop their prices coming off of the lowest sales they have had in forever. Over 27% 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. It wasn't going to take long before they could not offer anymore incentives and price HAD to come down! With an inflated amount of inventory, and lowest sales continuing, I would not be surprised to see next month average home price drop a bit further. It really needs to anyway since Taxes, interest rates, and insurance premiums are still elevated. At this price, are the homes affordable?

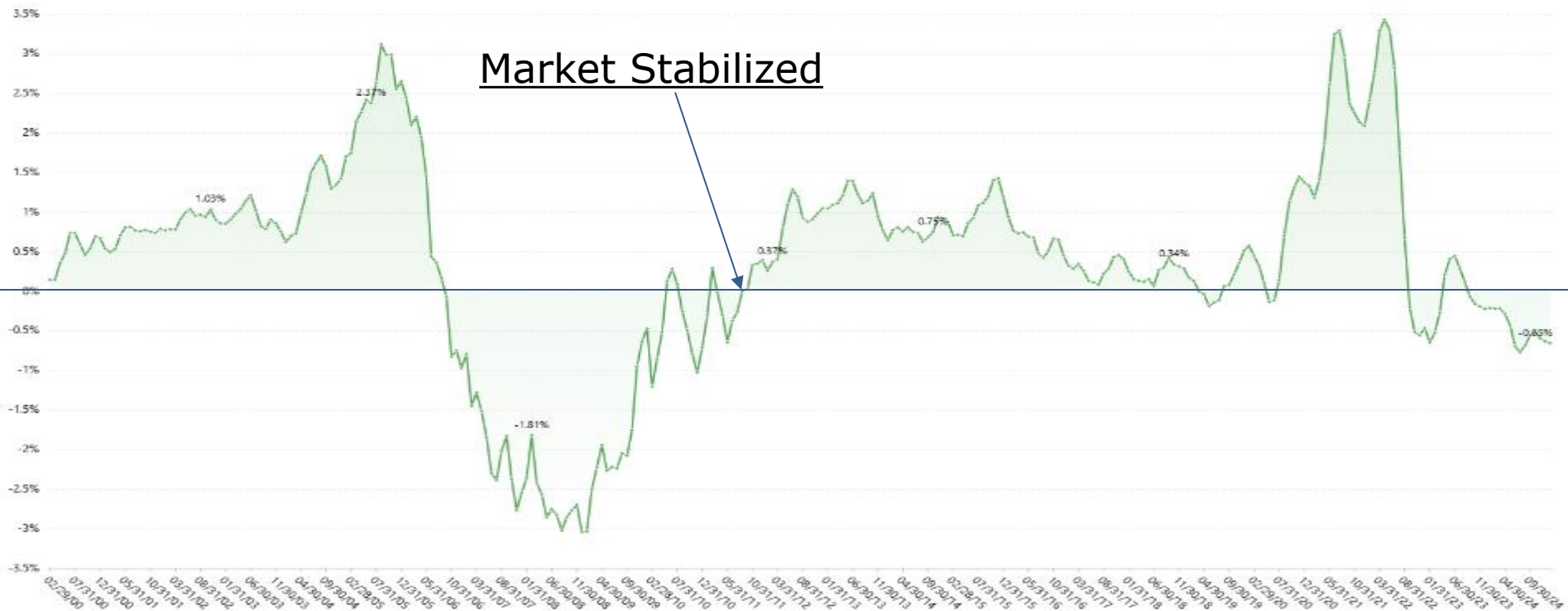
Home Payment as a % of SW Florida's Average Household income

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 39.69% of a household's gross income going toward mortgage. **This month it went UP a decent amount to 39.99 from 39.69% last month!. This is shocking because the rate went down, price went down and income went up \$72,977 to \$74,051.** I looked into what went up and since its 2025, the new tax assessed values were the culprit. In Florida, we are taxed in arrears, which means you are taxed at last years value. That made it go further up. 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 \$1604 a month which is \$23 higher than last month. So buyers can afford more of a home thanks to all factor, but taxes came in to disrupt it. Right now the mortgage payments for the average home is \$2467/month or 53% overinflated. Looking at this graph, we have a lot of work to do to get this market stabilized and we made a step in the opposite direction.

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 2006/2007, 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 **-0.65%** and last month we were at **-0.62%**, and **-0.59% the previous month** so that is **19 consecutive months of negative home value** so far. **-0.65%** doesn't sound like a lot but multiplied by 12 is 8% drop per year. The trend is getting further away. Buyers should pay attention when it starts showing a reversal pattern. I if asked 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.

Statistics as compared to last month

February 1st 2025

- Total Housing for sale 13126
- Total SF Homes Sold 729
- Total Sales Pending 1377
- **New construction 4sale 2525**
- Average Time on Market 84
- Median Asking Price \$375,000
- Median Selling Price \$365,000
- % of asking price sold 97.3%

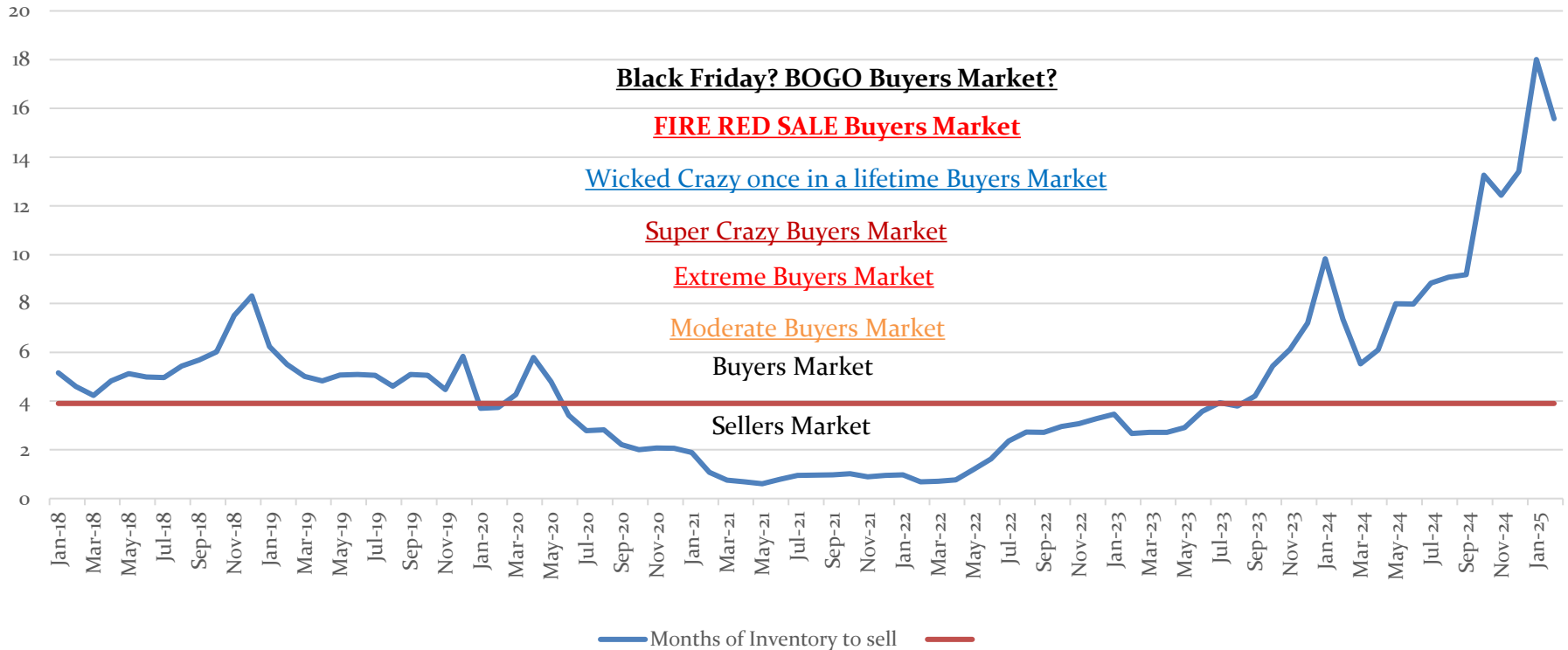
March 1st 2025

- Total Housing for sale 14001  6%
- Total SF Homes Sold 893  22%
- Total Sales Pending 1932  40%
- Total New construction 2165  14%
- Average Time on Market 81  3%
- Median Asking Price \$389,000  4%
- Median Selling Price \$375,000  3%
- % of asking price/sold 96.67%  .6%

In Summary: Inventory increased 6% this months showing a rapid increase of inventory that hit 14,000 total in Lee county. Sold inventory came off a 40 year low at 729 and went up to 893 (22%) signaling season is here. Pending sales increased a whopping 40% since last month, showing that buyers did come out of the wood work as expected for season. The % of new homes for sale is 15% of our total inventory which is a large drop from last month Average time on market went down 3% putting us as #8 city with the longest time on market in Florida! Asking price went up as did selling price on the median although we saw previous slide the average home price dropped. Is this a turnaround we wanted to see or is this just season?. We are not affordable and getting worse off. Something has to give. March is the biggest month for sales for the entire year. Seeing the huge surge of pending sales is promising for a march pop and seeing builder inventory going down is also a positive swing in the right direction.

Buyers or Sellers Market?

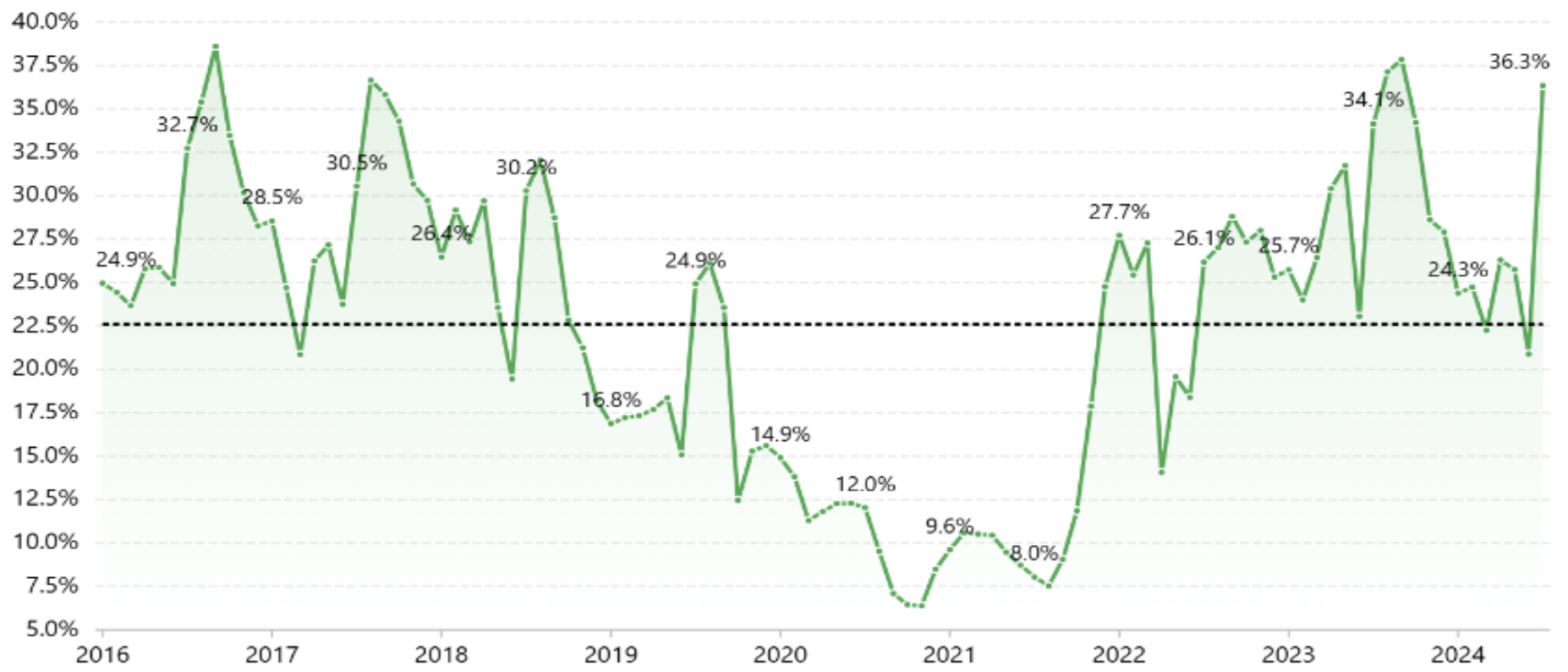
Months of Inventory to show Buyers Market vs. Sellers Market



Last month I had to name 2 new buyer's markets. With the increase of sales and pending sales, it did drop. Promising! Went from Black Friday Buyers market to Fire Red Sale Buyers market. It's a step in the right direction with it going from 18 months of inventory to 15 months of inventory. Total Buyers market still! Fire Red one at that. Last time we were in a normal buyer's market was November 2023. Not stabilizing yet. Inventory going up, and price finally dropping, we hoped interest rates dropping would have helped but it did the opposite and interest rates went up last month. 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 buyer's market. Anytime we hit over 3.9 months of standing inventory, then I call that a buyer's market. Currently, we have over 15 months of inventory. That is a signal we have not had nationwide since 2006. The higher the severity, the more leverage buyers have over Sellers who really need to sell and price reduce.

Price Cut % Lee County

Long Term Average 22.5%



With all the choices buyers have, increasing inventory, and low sales, you can only imagine price reductions would increase. Looking for trends, I spot that the previous peaks stating in 2016 all occurred in March. Except for the COVID mess, we have gotten back to this trend, except it isn't March. Expect price reductions to peak next month with this analysis as it should. I wonder if it will break the record set in 2016 of 38%. Back then there were a touch over 10,000 housing units for sale. With a higher amount currently, I would expect it to increase as well.

Latest News

An Article came out in February by Construction Coverage, which analyzes the US residential housing markets and has developed a composite score that ranks local markets on key data from Redfin. They take into consideration

- Price Reductions
- % of homes that sold over asking
- 1-year median change in price
- Days on Market
- % sale to list

To generate their score. Sounds like me and my market updates. The next slide will go over the results which were shocking.

The article you can find by going to

<https://constructioncoverage.com/research/hottest-real-estate-markets-us#results>

Top Hottest and Coldest Markets

Hottest Markets

1. Sunnyvale, CA
2. Union City CA
3. Lawrence MA
4. Santa Clara CA
5. Clifton NJ
6. Berkeley CA
7. Daly city CA
8. Rochester NY
9. Norwalk CT
10. New Britain CT

Coldest Markets

1. Port Charlotte FL
2. Conroe TX
3. Cape Coral FL
4. North Port FL
5. Leander TX
6. The Villages FL
7. Lake Charles LA
8. Palm Coast FL
9. Amarillo TX
10. Boca Raton FL

Further Breakdown

The article also breaks down each city by size of Large, Medium, and Small cities. As far as SW Florida goes Here is the Following breakdown

1. Cape Coral FL ranks 617 out of 620 hottest or #3 Worst in US
2. Fort Myers/Bonita FL ranks 576 out of 620 hottest or #44 Worst in US
3. Lehigh Acres ranks 506 out of 629 hottest or #123 Worst in US

The top 5 hottest states are all **New England States**

The Bottom 5 states are **Florida**, **Texas**, Montana, **Idaho**, South Carolina.

Worst Large City is Jacksonville FL, Worst Medium City is Cape Coral FL, and Worst Small city is Port Charlotte FL.

If you also look at the states who built the least and most Homes last year, it falls into line.

Top 5 states building the most homes are **Idaho**, Utah, North Carolina, **Texas**, **Florida**

Top 5 states building the least homes are **Rhode Island**, Alaska, Illinois, **Connecticut**, **Massachusetts**

Isn't it fascinating that 3 of the top 5 states that built homes are also in the 5 least hottest states this year. AND 3 of the 5 states that built the least, are now in the top 5 hottest states in the US.

Overview of these data points

- End of February was supposed to be the actual start of our season where inventory starts getting gobbled up and demand picks up drastically. A shot and a miss so far. Yes demand increased, but so did inventory. Also coming off of a 40 year low is a good step but if I looked at the actual sales number, it would have been the #4 worst month in 40 years. Huge gap up of Inventory breaking 14k. A promising thing is new construction numbers dropped a lot meaning the builders have started to sell off the huge amount of inventory. We have **over 15 months of inventory still**. Prices are dropping consistently. Builders are continuing to run the show with their 3-4% interest rate buy downs and price reductions. **Builder inventory has gone down from their all time high locally last month**. 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 or after a crappy sales month.)
- **Inventory went up 6%** in the month of February. In perspective, normally during this time of year, our inventory normally goes up 2% from the end of Jan to end of Feb.
- **Demand increased 22% in February.**
- **Pending sales went up 40% from all time lows indicating season has started. Curious to see if they all close next month.**
- Home Value growth year over year is still **under the stabilization line** showing 19 consecutive months of negative home value growth.

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
- constructioncoverage.com

Advice for Sellers

- Season for SWFL is here now. If you ever thought of selling your home, this next month is your time to cash out of the fake equity you gained because of COVID.
- Price yourselves according to the market
- Market your home differently than the competition because 14k homes is a big pile
- Open Houses are currently working thanks to the NAR lawsuit
- If you feel you are upside down on your home there is a way to get out from under it without costing you any money. I did 3 of them last year and 2 this year alone

Advice for Buyers

- Patience
- Patience
- Patience
- Builders still have an astronomical amount of inventory and the biggest pockets for incentives. If season ends in April, then you will really see patience pay
- 14k homes is a huge pile of inventory to sell. Sellers are going to be motivated and never be afraid IF you love the home or product to make an offer, but remember how you structure it is more important than the price 5x fold. HINT Ask for my opinion on how to do it

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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