

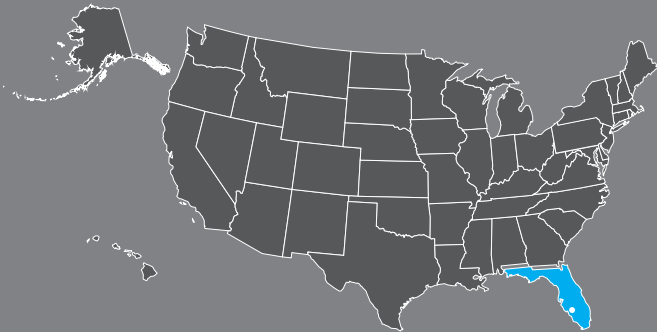
HUD PD&R Housing Market Profiles

Cape Coral-Fort Myers, Florida



Quick Facts About Cape Coral-Fort Myers

- **Current sales market conditions: soft but improving.**
- **Current apartment market conditions: balanced to tight.**
- **Economic conditions have improved in the metropolitan area since 2010; overall nonfarm payroll growth averaged 7,350 jobs, or 3.6 percent, annually from 2011 through 2013.**



By Elaine Ng | As of October 1, 2014

Overview

The Cape Coral-Fort Myers (hereafter, Cape Coral) metropolitan area in southwest Florida, about 120 miles south of Tampa and 40 miles north of Naples, is coterminous with Lee County. Because of its year-round temperate weather, the metropolitan area is a popular winter tourist destination. Tourism expenditures during the winter months of 2013 totaled \$1.1 billion, accounting for 38 percent of the total \$2.8 billion expenditures in the year (Lee County Visitor & Convention Bureau).

- As of October 1, 2014, the population in the Cape Coral metropolitan area was estimated at 678,700, an average increase of 13,600, or 2.1 percent, annually since April 2010.
- The population of the metropolitan area grew by an average of 23,050, or 4.6 percent, annually from July 2000 through July 2006, when national economic and housing market conditions were strong. Net in-migration accounted for 99 percent of population growth during that time, with an average of 22,700 people migrating into the HMA annually.
- Weak sales housing market conditions across the nation from July 2007 through July 2010 limited the ability of potential in-migrants to sell their homes and migrate into the metropolitan area, thus limiting population growth; during that period, growth averaged 9,450 people, or 0.9 percent, annually, and net in-migration averaged 7,975 people annually, accounting for 84 percent of growth.



The relocation and expansion of several companies contributed to nonfarm payroll gains, particularly in the professional and business services sector, in the Cape Coral area.

	3 Months Ending		Year-Over-Year Change	
	September 2013 (thousands)	September 2014 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	214.4	217.9	3.5	1.6
Goods-producing sectors	22.6	23.1	0.5	2.2
Mining, logging, and construction	17.8	18.3	0.5	2.8
Manufacturing	4.8	4.8	0.0	0.0
Service-providing sectors	191.7	194.8	3.1	1.6
Wholesale and retail trade	42.0	42.3	0.3	0.7
Transportation and utilities	4.0	4.1	0.1	2.5
Information	3.1	3.3	0.2	6.5
Financial activities	11.3	11.7	0.4	3.5
Professional and business services	27.8	29.4	1.6	5.8
Education and health services	24.7	25.3	0.6	2.4
Leisure and hospitality	32.7	31.7	-1.0	-3.1
Other services	8.9	9.1	0.2	2.2
Government	37.4	37.9	0.5	1.3
	(percent)	(percent)		
Unemployment rate	7.4	6.5		

Note: Numbers may not add to totals because of rounding.
Source: U.S. Bureau of Labor Statistics

Economic Conditions

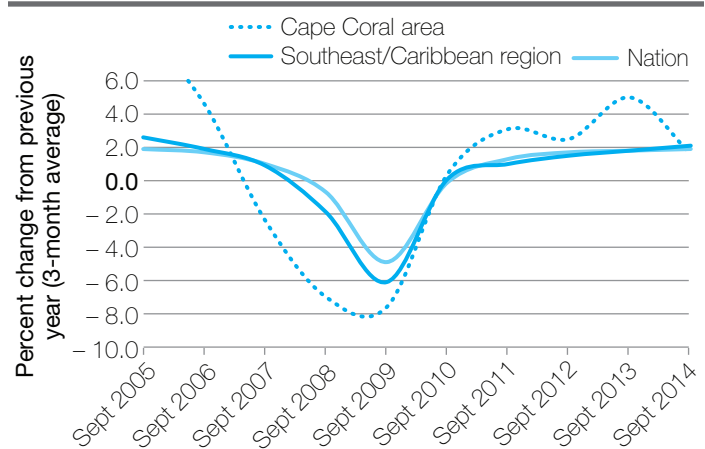
During the past year, the economy in the Cape Coral metropolitan area continued to grow after beginning to recover from previous declines in 2011.

During the 3 months ending September 2014—

- Nonfarm payrolls averaged 217,900 jobs, an increase of 3,500 jobs, or 1.6 percent, compared with the average of 214,400 jobs recorded during the same period a year ago. By comparison, nonfarm payrolls increased by 10,200 jobs, or 5.0 percent, during the 3 months ending September 2013 because of increased tourism in the metropolitan area; during the same period, the leisure and hospitality and the trade, transportation, and utilities sectors added 2,775 and 2,100 jobs, increases of 9.3 and 4.8 percent, respectively.
- The professional and business services sector increased by 1,600 jobs, or 5.8 percent, from the same period a year earlier because of the expansion and relocation of several corporate headquarters for companies such as Chico's FAS, Inc., which has added 150 new jobs since 2011.
- The only sector to experience a decline in nonfarm payrolls was the leisure and hospitality sector, which declined by 1,000 jobs,

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Nonfarm payroll growth in the Cape Coral area slowed after exceeding regional and national growth from 2010 to 2013.



Note: Nonfarm payroll jobs.
Source: U.S. Bureau of Labor Statistics

Largest employers in the Cape Coral area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Lee Memorial Health System	Education and health services	10,425
Lee County	Government	5,200
Publix Super Markets, Inc.	Wholesale and retail trade	4,400

Note: Excludes local school districts.
Source: Lee County Economic Development Office



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or 3.1 percent, because of slower growth in tourism expenditures. During the third quarter of 2014, tourism expenditures in the metropolitan area totaled \$479 million, an increase of \$9.2 million, or 2.0 percent, from the third quarter of 2013. By comparison, tourism expenditures grew by \$12.4 million, or 2.7 percent, from the third quarter of 2012 to the third quarter of 2013, when the leisure and hospitality sector added 2,775 jobs, a 9.3-percent increase (Lee County Visitor & Convention Bureau).

- The unemployment rate declined from 7.4 percent during the 3 months ending September 2013 to 6.5 percent, the lowest unemployment rate during the 3 months ending September since the 5.2-percent rate in 2007.

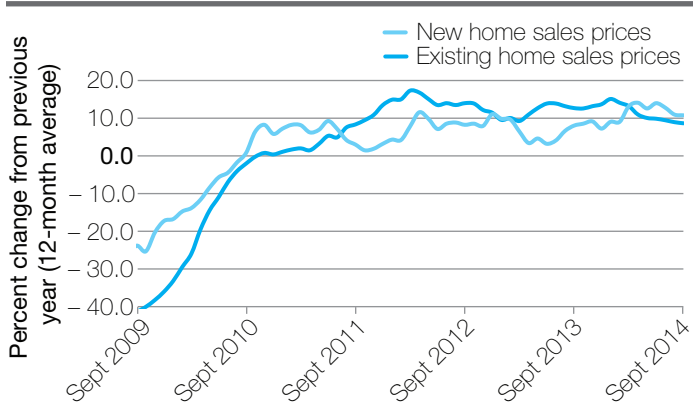
Two other major expansions and relocations in the metropolitan area, in addition to those by Chico's, are under way at The Hertz Corporation and Gartner, Inc., both of which will continue adding jobs in the professional and business services sector during

the next 3 years. Hertz, which is in the process of relocating its corporate headquarters from New Jersey to the city of Estero, has started construction of the \$70 million campus that is expected to be complete in 2015. The company has already begun adding some of the eventual 700 jobs, 400 of which are to be filled locally and the remaining 300 of which are to be filled by relocating current Hertz employees from New Jersey. By the time hiring is complete in 2017, the estimated annual economic impact of the relocation on the local economy is about \$190 million (Florida Gulf Coast University [FGCU]). Gartner, an information technology company, will add 400 jobs to its Fort Myers operations by the end of 2019. The company's new 120,000-square-foot Fort Myers facility, which is expected to be complete by mid-2016, was motivated by \$1.48 million in incentives from Enterprise Florida, the Lee County Economic Development Office, CareerSource Florida, and the Florida Department of Economic Opportunity.

Sales Market Conditions

The sales housing market in the Cape Coral metropolitan area is soft but improving, with an estimated sales vacancy rate of 4.8 percent, down from 6.6 percent in April 2010. During the 12 months ending September 2014, 22,050 existing single-family homes, townhomes, and condominiums sold, 75 fewer than the 22,125 homes sold during the previous 12 months (Metrostudy, A Hanley Wood Company). The average existing home sales price increased 9 percent, to \$225,600. During the same period, new home sales increased by 525 homes, or 31 percent, to 2,150, and the average new home sales price increased 11 percent, to \$340,700. The current home sales level remains below the peak levels recorded in 2005, when 65,100 new and existing homes sold.

New and existing home sales prices in the Cape Coral area have increased since late 2010.



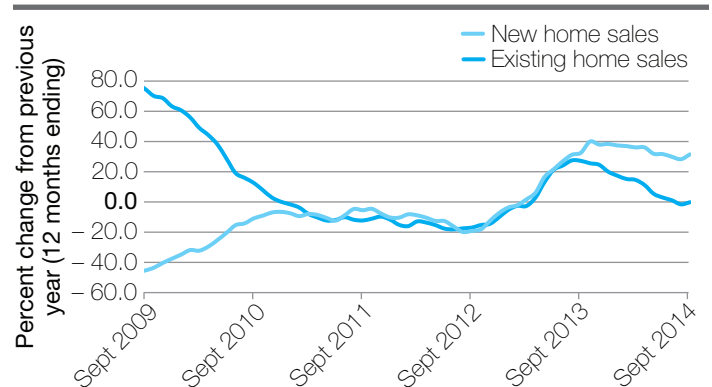
Note: Includes single-family homes, townhomes, and condominiums. Source: Metrostudy, A Hanley Wood Company

During the 12 months ending September 2014—

- Condominiums accounted for 29 percent of total home sales in the metropolitan area because of its popularity as a second home destination.
- Condominium sales in the metropolitan area increased by 280 homes, or 4 percent, from the previous 12-month period, to 7,000 homes (Metrostudy, A Hanley Wood Company). The average price of condominiums sold was \$204,250, up \$20,600, or 11 percent.
- Distressed sales comprised 18 percent of all existing home sales in the metropolitan area, relatively unchanged from the previous year but significantly less than the average of 41 percent from 2008 through 2011.

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Since March 2013, new home sales have increased at a higher rate than existing home sales in the Cape Coral area.



Note: Includes single-family homes, townhomes, and condominiums. Source: Metrostudy, A Hanley Wood Company



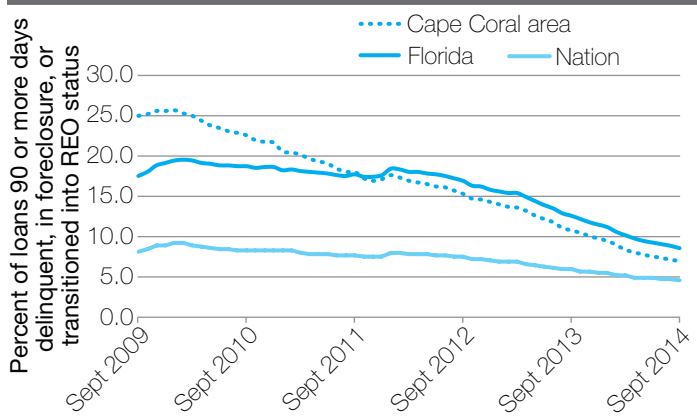
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- The percentage of home loans in the metropolitan area that were 90 or more days delinquent, were in foreclosure, or transitioned into REO (Real Estate Owned) status declined from 10.8 percent in September 2013 to 7.0 percent in September 2014 (Black Knight Financial Services, Inc.).

Single-family home construction activity, as measured by the number of single-family homes permitted, has increased since 2010 but remains significantly below the peak levels recorded in the mid-2000s.

- During the 3 months ending September 2014, 800 single-family homes were permitted, a 14-percent increase from the 700 homes permitted during the 3 months ending September 2013 (preliminary data).

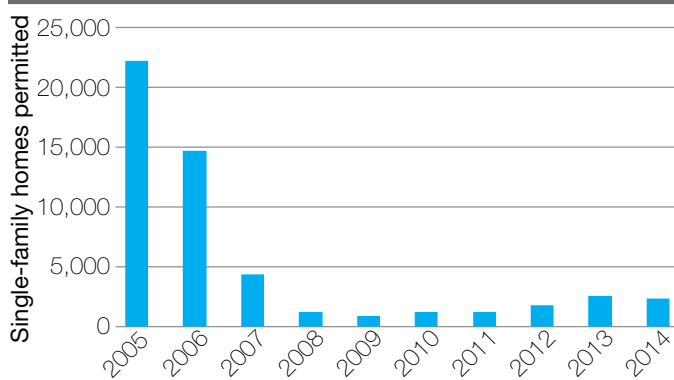
The percentage of distressed loans and REO properties in the Cape Coral area has declined since 2010 but remained above the national rate.



REO = Real Estate Owned.
Source: Black Knight Financial Services, Inc.

- From 2004 through 2006, an average of 17,300 homes were permitted annually because a significant number of speculative housing developments were constructed.
- Condominium development followed roughly the same trend as speculative single-family housing development; new condominium construction declined 98 percent, from an average of 3,700 units permitted annually from 2004 through 2007 to an average of 85 units permitted annually from 2009 through 2012.
- Projects under way include the Tortuga master-planned community, a 369-unit condominium and villa development in Fort Myers that began construction in 2007 but had stalled until recently because of weak sales market conditions. More than one-half of the planned units have been constructed, and completion of the entire development is expected by December 2015. Condominium units start at \$164,000 and villa units start at \$204,000.

Single-family home construction in the Cape Coral area has increased since 2011 but represented only one-tenth of single-family permitting in 2005.



Note: Includes preliminary data from January 2014 through September 2014.
Source: U.S. Census Bureau, Building Permits Survey

Apartment Market Conditions

The apartment market in the Cape Coral metropolitan area is balanced to tight, partly because of an 11-percent average annual increase in the student population at FGCU since 2005 (FGCU data).

During the third quarter of 2014—

- The apartment vacancy rate was 4.0 percent, down from 5.4 percent during the third quarter of 2013 (MPF Research).
- The average monthly rent increased nearly 7 percent, to \$880, from \$825 during the third quarter of 2013.
- Asking rents in the metropolitan area averaged approximately \$760, \$910, and \$1,035 for one-, two-, and three-bedroom units, respectively.

- FGCU, which enrolls 14,100 students, houses 4,225 students in on-campus housing, and the remaining 9,875 students reside off campus (FGCU data). Students who reside in off-campus housing account for an estimated 2,475 renter households, or 3 percent of the overall renter households in the metropolitan area, and typically reside near the Fort Myers campus.

Multifamily construction activity, as measured by the number of multifamily units permitted, increased in the past year as builders responded to tightening apartment market conditions.

- Approximately 170 multifamily units were permitted during the 3 months ending September 2014, up 21 percent from the 140 units permitted during the 3 months ending September 2013.

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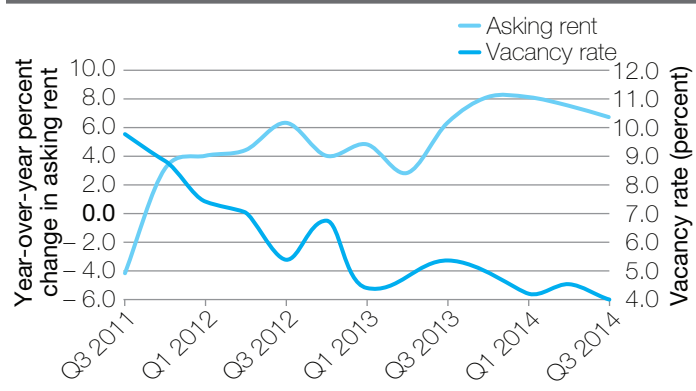


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- Multifamily construction activity peaked from 2003 through 2006, when an average of 5,975 units were permitted annually.
- When net in-migration slowed because of the effects of the national housing crisis, multifamily construction activity declined to an average of 480 units permitted annually from 2007 through 2011.
- Recent projects include University Village, a planned development with a mix of commercial, retail, and residential space,

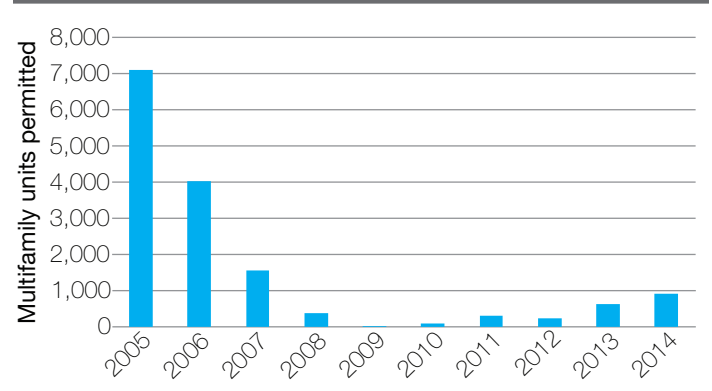
including two- and four-bedroom apartments in 16 buildings for 1,400 FGCU students. The development represents a partnership between the Miromar Development Corporation and FGCU. Construction of University Village is expected to begin in January 2015, with student occupancy on the first phase of the development beginning in the fall semester of 2015.

Declining vacancy rates resulted in positive rent growth in the Cape Coral area.



Source: MPP Research

Multifamily building activity in the Cape Coral area has increased since 2012 but remained well below the peak levels from 2003 through 2006.



Note: Includes preliminary data from January 2014 through September 2014. Source: U.S. Census Bureau, Building Permits Survey

