

HUD PD&R Housing Market Profiles

Cape Coral-Fort Myers, Florida

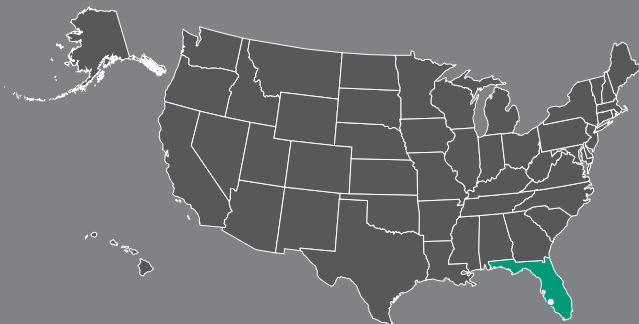


Quick Facts About Cape Coral-Fort Myers

Cape Coral, Florida

By Karen M. Ostrye | As of March 1, 2020

- **Current sales market conditions: balanced**
- **Current rental market conditions: balanced**
- **The city of Fort Myers is the spring training home of the Boston Red Sox and Minnesota Twins Major League Baseball (MLB) teams, where attendees spent an estimated \$68.9 million in 2018 (Lee County Sports Development).**



Overview

The Cape Coral-Fort Myers, FL Metropolitan Statistical Area (hereafter the Cape Coral metropolitan area) is on the western shore of Florida along the Gulf of Mexico and consists of Lee County. It is a popular destination for tourists and retirees, famous for seashells that are pushed across a plateau on the floor of the gulf and land intact on the beaches.

- As of March 1, 2020, the Cape Coral metropolitan area population is estimated at 781,200, an average annual increase of 16,400, or 2.4 percent, since 2010.
- Population growth averaged 11,300 people, or 1.8 percent, annually from 2010 to 2012. From 2012 to 2019, population growth averaged 18,050 people, or 2.6 percent, annually.
- Individuals aged 65 years and older have contributed significantly to recent population growth in the Cape Coral metropolitan area. The age cohort represented 23 percent of the population in 2010 but accounted for 26 percent of the total in 2018 (American Community Survey [ACS] 1-year estimates). The median age in the metropolitan area has increased from 44.6 in 2010 to 48.8 in 2018, compared with the median age of 37.2 in 2010 and 38.2 in 2018 for the nation.



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Economy

Economic conditions in the Cape Coral metropolitan area continue to be strong, with nonfarm payrolls expanding every year since 2010, surpassing the 2006 pre-recession peak of 232,200 jobs in 2015. Nonfarm payrolls increased an average of 3.3 percent annually from 2010 through 2019. During the 3-month period ending February 2020, nonfarm payrolls rose to an average of 248,800 jobs, an increase of 5,500 jobs, or 2.0 percent, from the 3 months ending February 2019.

During the 3 months ending February 2020—

- The professional and business services sector added the most jobs of any sector, an increase of 2,200 jobs, or 5.9 percent, compared with a year earlier. The Cape Coral metropolitan area is home to a growing cluster of outsourcing, business support, consultancy, and call center companies. Alta Resources, a business process outsourcing company, will create an additional 480 jobs at the \$21 million facility currently under construction, which is expected to be completed in November 2020.
- The mining, logging, and construction sector added 1,300 jobs, or 4.1 percent, compared with a year earlier. This growth was due in part to an increase in home construction in the metropolitan area, and work associated with the 12-story, 243-room Luminary Hotel & Co., which is under construction in

downtown Fort Myers and expected to be complete in the fall of 2020.

- The leisure and hospitality sector added 700 jobs, or 1.6 percent, compared with a year earlier. Some of the new positions can be attributed to the staffing of the SpringHill Suites by Marriott hotel, which added 100 rooms in Estero in late 2019.
- The education and health services sector added 900 jobs, or 2.9 percent. The education and health services sector is the only sector in the metropolitan area that has added jobs each year since 2001.
- The unemployment rate declined to 2.9 percent from 3.4 percent during the same period a year earlier. This is the lowest unemployment rate for the metropolitan area since 2000.

The Cape Coral metropolitan area is a major tourist destination on the gulf coast of Florida. The spring training of the Minnesota Twins and the Boston Red Sox MLB teams contributed to an estimated \$70.7 million direct spending at sports tourism events in 2019 (Lee County Sports Development). Southwest Florida International Airport served approximately 10.2 million travelers in 2019, up 9 percent from the 9.4 million travelers served in

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Nonfarm payroll growth in the Cape Coral metropolitan area exceeded national growth in the 3 months ending in February 2020.

	3 Months Ending		Year-Over-Year Change	
	February 2019 (Thousands)	February 2020 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	279.3	284.8	5.5	2.0
Goods-Producing Sectors	38.4	39.5	1.1	2.9
Mining, Logging, & Construction	31.8	33.1	1.3	4.1
Manufacturing	6.6	6.4	-0.2	-3.0
Service-Providing Sectors	240.8	245.3	4.5	1.9
Wholesale & Retail Trade	49.9	49.4	-0.5	-1.0
Transportation & Utilities	5.6	5.9	0.3	5.4
Information	2.8	2.7	-0.1	-3.6
Financial Activities	13.9	14.2	0.3	2.2
Professional & Business Services	37.3	39.5	2.2	5.9
Education & Health Services	31.0	31.9	0.9	2.9
Leisure & Hospitality	45.1	45.8	0.7	1.6
Other Services	11.6	11.8	0.2	1.7
Government	43.6	44.2	0.6	1.4
Unemployment Rate	3.4%	2.9%		

Note: Numbers may not add to totals due to rounding.

Source: U.S. Bureau of Labor Statistics

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2018 (Lee County Port Authority). Skyplex Commercial Park is a developing commerce area within the foreign trade zone at Southwest Florida International Airport, where Intrepid Aerospace Inc. recently announced plans to open a new maintenance, overhaul, and repair facility that is expected to add approximately 500 new jobs when completed in 2023.

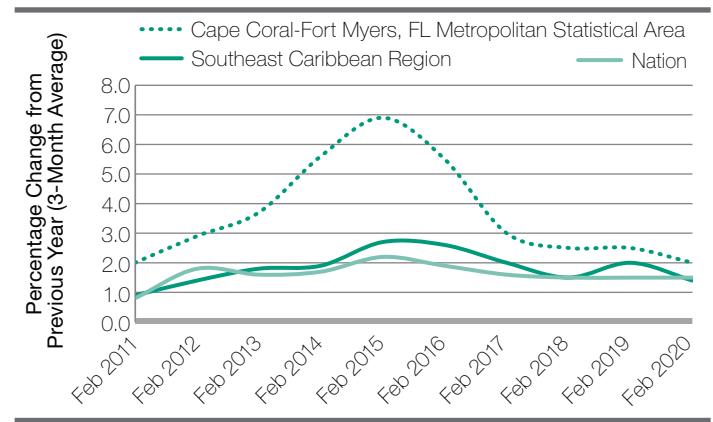
Largest Employers in the Cape Coral Metropolitan Area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Lee Memorial Health System Foundation, Inc.	Education and Health Services	13,595
Lee County	Government	9,038
Florida Gulf Coast University	Government	3,430

Note: Excludes local school districts.

Source: Lee County Economic Development

Since 2010, the Cape Coral metropolitan area added jobs at a faster rate than the state of Florida and the nation.



Sales Market Conditions

Sales housing market conditions in the Cape Coral metropolitan area are currently balanced. Home sales prices began to level off in 2016 after increasing consistently since early 2011. During the 12 months ending February 2020, the average sales price of new and existing single-family homes, townhomes, and condominiums decreased less than 1 percent to \$290,000, down from the 4-percent increase during the previous 12-month period. A total of 30,250 new and existing homes sold during the 12 months ending February 2020, up 7 percent from the 28,400 homes sold during the previous 12-month period (Metrostudy, A Hanley Wood Company, with adjustments by the analyst). The inventory of single-family homes available for sale in the Cape Coral metropolitan area has fallen from 6.6 months of supply in February 2019, to 4.6 months of supply in February 2020 (Royal Palm Coast Realtors®).

During the 12 months ending February 2020—

- New home sales totaled 4,650, up 7 percent from the 4,375 sales a year ago. The average sales price for a new home was \$330,400, a decrease of 8 percent from a year earlier.
- Existing home sales totaled 25,550, up 6 percent from the 24,000 homes sold during the previous 12-month period.
- The average sales price for existing homes was \$282,300, an increase of 2 percent from \$277,300 a year earlier.
- REO sales accounted for 3 percent of existing home sales, down from 4 percent a year earlier and well below the 53-percent peak in 2009.

Single-family homebuilding (as measured by the number of single-family homes permitted) increased from 2011 through 2018 as distressed inventory has been absorbed. An average of 4,650

homes was permitted each year from 2015 through 2018, up from an average of only 2,175 homes a year from 2011 through 2014. During the 12 months ending February 2020, 5,875 single-family homes were permitted in the metropolitan area, a 2-percent increase from 5,750 homes during the same period a year ago (preliminary data).

- One-third of all single-family homes permitted since 2014 were in the city of Cape Coral. This city was an early master-planned community, divided into buildable lots in the 1950s, and homebuilding has continued throughout the city recently as infill development.
- New home construction is also notable in the city of Fort Myers as builders continue to develop areas along Interstate 75, with convenient access to the economic centers of the metropolitan area. Bridgetown at the Plantation is a gated community of approximately 1,300 single-family homes located off Interstate 75, which connects to employment centers near Southwest Florida International Airport in the south and routes to downtown Fort Myers in the north. Prices in the community start at \$240,990 for a two-bedroom, two-bathroom home and \$419,990 for a three- or four-bedroom, three- or four-and-one-half-bathroom home, and nearly 90 percent of homes are sold.
- East of the city of Fort Myers, homebuilding activity is prevalent in the area of Lehigh Acres, which is located east of Interstate 75 in northeast Lee County. The Marblebrook neighborhood is currently under construction and will have 151 villas and 225 single-family homes upon completion of the first phase in late 2020. Villas start at \$154,990 for a 1,342-square-foot, two-bedroom, two-bathroom unit. Single-family homes at

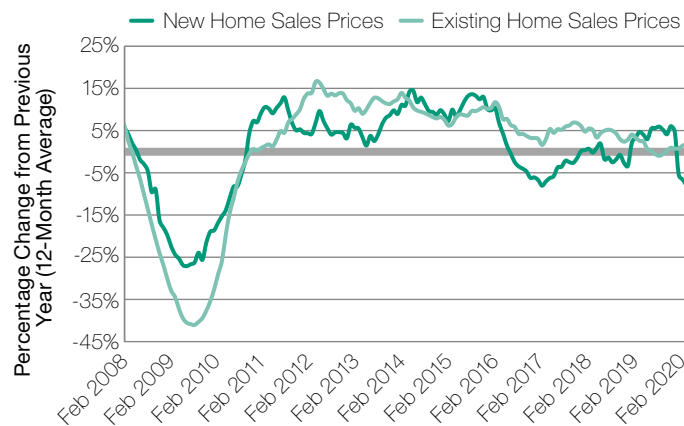
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Marblebrook start at \$194,915 for a three-bedroom, two-bathroom home.

- About 15 percent of new homes are in the southern part of the metropolitan area in the cities of Bonita Springs and Estero. Tidewater by Del Webb, a 385-home community for those

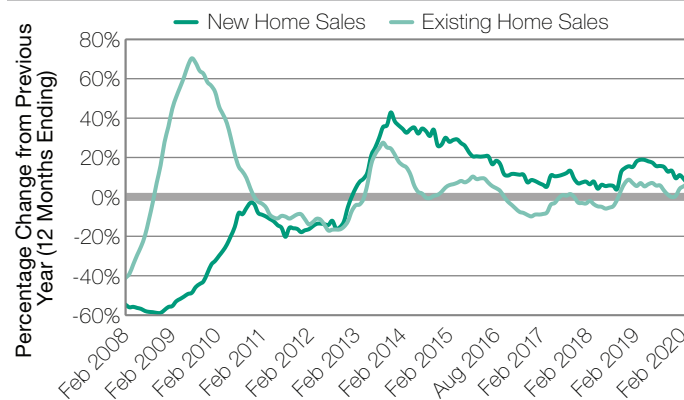
The trend in new and existing home sales price growth has slowed since 2016 in the Cape Coral metropolitan area.



Note: Includes single-family homes, townhomes, and condominiums.

Source: Metrostudy, A Hanley Wood Company, with adjustments by the analyst

New and existing home sales growth has trended lower since 2013 in the Cape Coral metropolitan area.

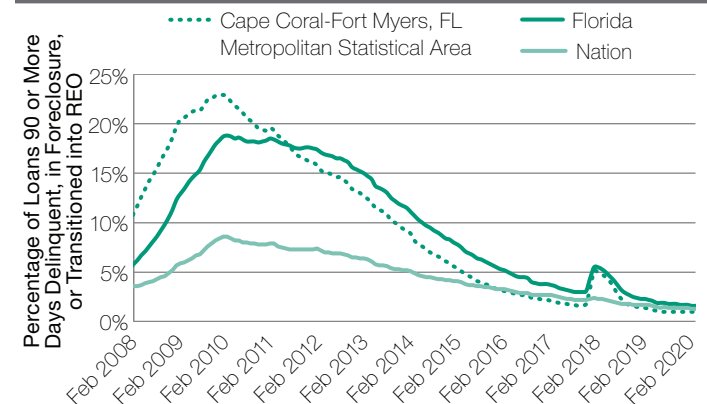


Note: Includes single-family homes, townhomes, and condominiums.

Source: Metrostudy, A Hanley Wood Company, with adjustments by the analyst

age 55 and older in Estero, is nearly all sold, with two- to five-bedroom, two- to four-bathroom homes, ranging from 1,542 to more than 2,890 square feet with prices from \$287,000 to \$445,000.

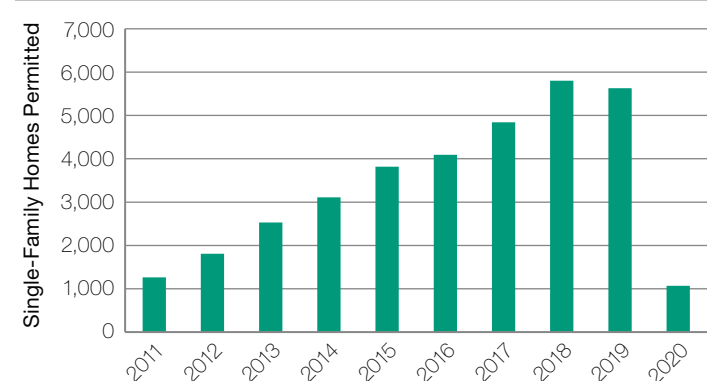
The percentage of home loans 90+ days delinquent, in foreclosure, or recently transitioned to REO status in the Cape Coral metropolitan area have reached more extreme highs and lows than those of the state and nation.



REO = real estate owned.

Source: CoreLogic, Inc., with adjustments by the analyst

The number of single-family homes permitted increased each year from 2011 through 2018 in the Cape Coral metropolitan area.



Note: Includes preliminary data from January 2019 through February 2020.

Source: U.S. Census Bureau, Building Permits Survey, with estimates by the analyst

Apartment Market Conditions

The apartment market in the Cape Coral metropolitan area is currently balanced. Apartment market conditions were soft after the Great Recession, but relatively slow construction and stronger renter household growth put downward pressure on apartment vacancy rates and upward pressure on rents until the mid-2010s.

Since 2016, rent growth has slowed, and vacancy rates have been relatively stable. During the fourth quarter of 2019, the apartment vacancy rate in the metropolitan area was 5.0 percent, up from 4.7 percent during the fourth quarter of 2018 (RealPage, Inc.).

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During the fourth quarter of 2019—

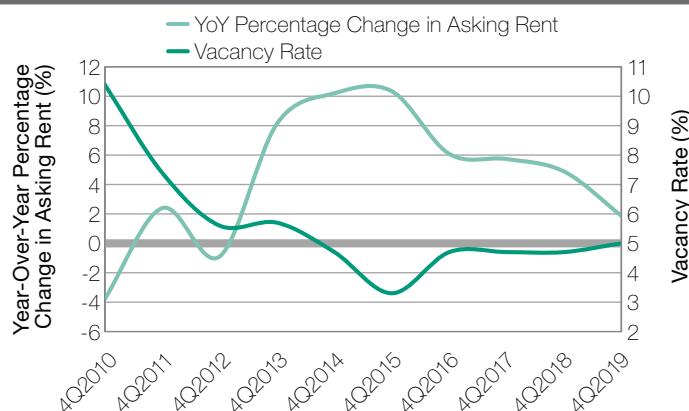
- The average asking rent in the Cape Coral metropolitan area was \$1,202, a 2-percent increase from \$1,180 a year earlier. This is lower than the percentage increase in the average asking rent for the nation, which rose 5 percent to \$1,414 during the fourth quarter of 2019, up from \$1,353 a year ago.
- The RealPage, Inc.-defined South Lee County market area, which includes the waterfront communities of Fort Myers Beach and Bonita Springs, had the highest average asking rent in the metropolitan area at \$1,248. The vacancy rate in the market area was 5.2 percent during the fourth quarter of 2019. Both the average rent and vacancy rate were relatively unchanged from a year ago.
- The RealPage, Inc.-defined North Lee County market area, which includes the city of Fort Myers and Southwest Florida International Airport, had a vacancy rate of 4.7 percent, down from 3.8 percent a year earlier.
- The North Lee County market area had the highest percentage increase in average asking rent at 7 percent, to \$1,123.

In response to strengthening economic conditions and solid demand, multifamily construction in the metropolitan area, as measured by the number of multifamily units permitted, was elevated overall from 2015 through 2019. During the 12 months ending February 2020, 4,375 multifamily units were permitted in the metropolitan area, up from 4,150 units during the previous 12 months.

- As of March 1, 2020, an estimated 4,325 multifamily units were under construction in the Cape Coral metropolitan area.
- From 2011 through 2014, an average of 590 multifamily units was permitted annually, compared with 2,825 units from 2015 through 2019.
- Two-thirds of the units currently under construction are in the city of Fort Myers. Legacy Gateway Apartments, across from Skyplex Commercial Park and less than 1.5 miles from the Red Sox Spring Training Fitness Center, is currently under construction and is expected to begin leasing in April 2020. The community will include one-bedroom units with rents ranging from \$1,431 to \$1,632, two-bedroom units with rents ranging from \$1,758 to \$2,040, and three-bedroom units with rents ranging from \$2,090 to \$2,260.
- The Cape at Savona Point apartment property is an example of an infill development in the city of Cape Coral. The property is expected to open in June 2020, with rents starting at \$1,295, \$1,495, and \$1,775 for one-, two-, and three-bedroom units, respectively.

- Development in the city of Bonita Springs accounts for 15 percent of the multifamily units under construction in the metropolitan area. The Mosaic at Oak Creek, a 273-unit community that is under construction in downtown Bonita Springs, will open in April 2020 and will include one-bedroom units with rents ranging from \$1,220 to \$1,425, two-bedroom units with rents ranging from \$1,475 to \$1,600, and three-bedroom units with rents ranging from \$1,775 to \$1,800.

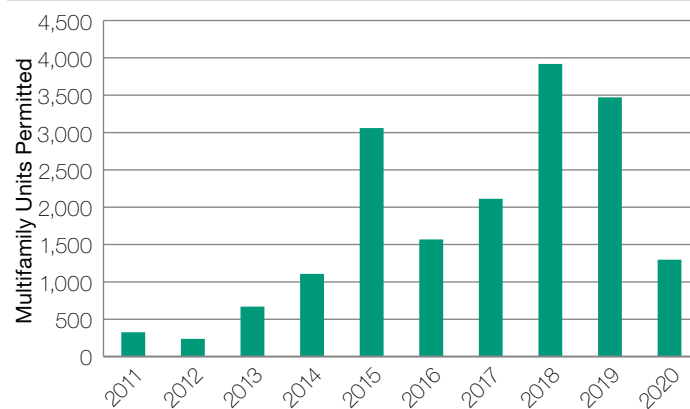
Multifamily rent increases have slowed, and vacancies have leveled off since 2016 in the Cape Coral metropolitan area.



4Q = fourth quarter. YoY = year-over-year.

Source: RealPage, Inc.

The number of multifamily units permitted has been elevated in recent years compared with earlier in the decade in the Cape Coral metropolitan area.



Note: Includes preliminary data from January 2019 through February 2020.

Source: U.S. Census Bureau, Building Permits Survey, with estimates by the analyst