

# HUD PD&R Housing Market Profiles

## Naples-Marco Island, Florida



### Quick Facts About Naples

Naples, Florida

By Maciej Misztal | As of June 1, 2021

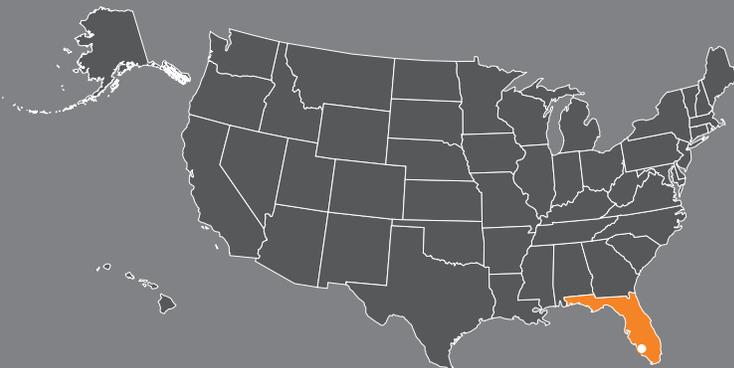
- Current sales market conditions: slightly tight
- Current rental market conditions: balanced
- With more than 70 public and private golf courses, the Naples metropolitan area has more champion golf courses per capita than any other metropolitan area in the country (National Golf Foundation). Naples is also home to the annual U.S. Open Pickleball Championship.

### Overview

The Naples-Marco Island (hereafter, Naples) metropolitan area is coterminous with Collier County, along the southwest coast of Florida. Collier County is the largest county in Florida by land mass, although 80 percent is set aside for preservation or conservation purposes. The county contains parts of four nationally protected areas, including the first national preserve established by the National Park Service, six state parks or forests, and areas bought by the county for conservation. The 34 miles of white sand beach on the western side of the county along the Gulf of Mexico are known as “the paradise coast,” which includes Naples and Marco Island—the only incorporated cities in the county with a population of more than 1,000 people.

- As of June 1, 2021, the population of the Naples metropolitan area is estimated at 400,100—an average annual increase of 7,050, or 2.0 percent, since 2010. During this period, net in-migration has accounted for all the population growth.
- From 2016 to 2021, population growth averaged 6,975 people, or 1.8 percent, annually. Net in-migration averaged 7,500 people, or all net growth, whereas net natural decline (resident births minus resident deaths) averaged approximately 540 people a year (Census Bureau population estimates as of July 1 and analyst estimates).

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- In 2019, approximately 27 percent of the population was foreign-born—almost twice the national rate of 14 percent. That share has grown faster than the national rate since 2010. In 2010, the Naples metropolitan area had a 23-percent share of foreign-born residents, compared with 13 percent for the nation. The most popular origin country is Cuba, followed by Haiti and Columbia (2010 and 2019 American Community Survey [ACS] 1-year estimates).
- The population of the metropolitan area is also older than the national median. The median age in the Naples metropolitan area was 51.8 years in 2019, compared with 38.5 years nationally. As of 2019, the portion of the population 65 years and older was 32.9 percent—almost double the 16.5-percent share nationally. The lack of state income tax helps attract retirees to the area.

## Economic Conditions

Nonfarm payrolls in the Naples metropolitan area increased every year from 2011 through 2019 and, in 2015, surpassed the pre-Great Recession peak. The local economy contracted in the months after the World Health Organization declared COVID-19 a pandemic on March 11, 2020. The state of Florida issued a stay-at-home order beginning on April 3, 2020. Although the state relaxed the order in late April 2020, many businesses observed significantly lower sales as consumers were slow to return to prepandemic behavior. Nonfarm payrolls declined in March and April 2020 by a total of 30,400 jobs, or 18.7 percent, in the metropolitan area. Through May 2021, 23,700 jobs have been regained, making up 78 percent of jobs lost. Currently, nonfarm payrolls are still 4.1 percent below the February 2020 level (not seasonally adjusted).

During the 3 months ending May 2021—

- The professional and business services sector increased by 2,900 jobs, or 17.5 percent—the second highest job gain of any sector. The sector lost 600 jobs, or 3.5 percent, during the same period in 2020. The relatively low need for face-to-face interactions and the widespread adoption of teleworking made the professional and business services sector less susceptible to impediments due to COVID-19 countermeasures.
- The education and health services sector gained 1,600 jobs, or 7.1 percent. Elective surgeries were discouraged during COVID-19 outbreaks but have since resumed, contributing to growth in the sector during the past 3 months compared with a year ago.
- Three of the 11 economic sectors have surpassed their prepandemic peaks. Compared with February 2020, the professional and business services sector gained 2,600 jobs, followed by the mining, logging, and construction sector, with 600 jobs, and the manufacturing sector, with 100 jobs (not seasonally adjusted).

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The Naples metropolitan area gained jobs in 9 of 11 sectors during the 3 months ending May 2021 relative to a year ago.

	3 Months Ending		Year-Over-Year Change	
	May 2020 (Thousands)	May 2021 (Thousands)	Absolute (Thousands)	Percent
<b>Total Nonfarm Payrolls</b>	144.3	156.0	11.7	8.1
Goods-Producing Sectors	21.6	22.9	1.3	6.0
Mining, Logging, & Construction	16.7	17.9	1.2	7.2
Manufacturing	4.9	5.0	0.1	2.0
Service-Providing Sectors	122.7	133.1	10.4	8.5
Wholesale & Retail Trade	25.5	26.3	0.8	3.1
Transportation & Utilities	2.0	2.2	0.2	10.0
Information	1.3	1.3	0.0	0.0
Financial Activities	8.4	8.7	0.3	3.6
Professional & Business Services	16.6	19.5	2.9	17.5
Education & Health Services	22.5	24.1	1.6	7.1
Leisure & Hospitality	23.7	28.7	5.0	21.1
Other Services	8.2	8.7	0.5	6.1
Government	14.5	13.7	-0.8	-5.5
<b>Unemployment Rate</b>	10.5%	3.8%		

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

Source: U.S. Bureau of Labor Statistics



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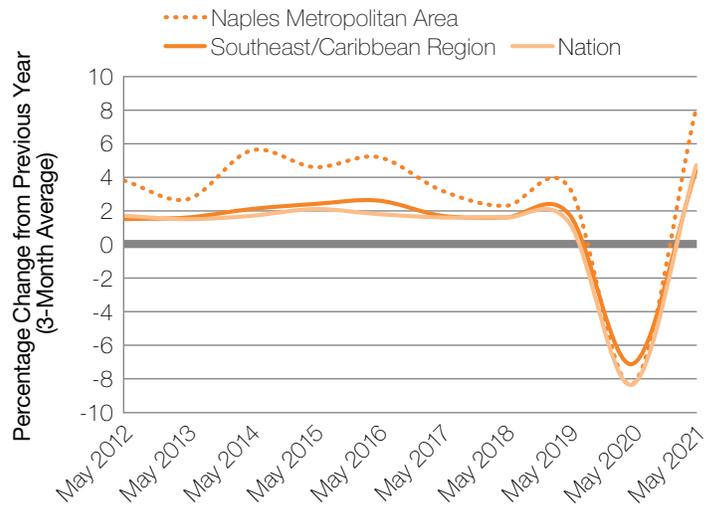
- The government sector had the only reduction in employment, down by 800 jobs, or 5.5 percent, from a year ago—all due to local government, which received decreased tax revenue stemming from the COVID-19 recession.
- The unemployment rate decreased to 3.8 percent from 10.5 percent during the same period a year earlier. The monthly rate peaked at 14.3 percent during April 2020, surpassing the Great Recession peak of 12.5 percent in mid-2010.

The leisure and hospitality sector is the largest payroll sector in the metropolitan area, accounting for 20 percent of jobs before the pandemic. Plentiful golf courses, sandy beaches, and a pleasant tropical climate contributed to 1.9 million overnight visitors to the area during the record year of 2019 and a total economic impact of \$2.3 billion (Naples, Marco Island, Everglades Convention & Visitors Bureau). The sector gained 5,000 jobs, or 21.1 percent, during the 3 months ending May 2021—the most of any payroll sector. During the same period a year earlier, 7,700 jobs, or 24.4 percent, were lost as measures to limit the spread of COVID-19 significantly reduced travel and events where social distancing was not possible. The number of jobs in the leisure and hospitality sector has yet to recover from the pandemic. In March and April 2020, the sector declined 47 percent, or by 15,500 jobs. Hotels, restaurants, movie theaters, and sporting venues were forced to lay off employees as travel slowed and people stayed home amid efforts to limit the spread of COVID-19. Among the closures were Esplanade Golf & Country Club of Naples, The Naples Beach Hotel & Golf Club, and The Ritz-Carlton Golf Resort, Naples, which lost 120, 290, and 1,250 jobs, respectively. Through May 2021, 10,500 jobs, or 68 percent, of jobs lost in the sector had been recovered. Current leisure and hospitality sector employment is 15 percent below its prepandemic peak.

## Sales Market Conditions

The sales housing market in the Naples metropolitan area is currently slightly tight because the inventory of homes for sale has declined, and, as a result, home prices have increased. Through May 2021, approximately 0.8 month of for-sale inventory was available in the area—down from 5.2 months a year earlier (CoreLogic, Inc.). The current economic downturn led to an uptick in mortgage delinquencies, which subsequently have been declining. The percentage of home loans in the metropolitan area that were seriously delinquent (90 or more days delinquent or in foreclosure) or had transitioned into real estate owned (REO) status was 2.7 percent in April 2021—up from 0.9 percent a year earlier and down from the recent peak of 4.4 percent in August 2020. The area share is lower than the Florida and the national share of 4.4 and 3.4 percent, respectively. Although the numbers of REO properties and

Before the pandemic, the number of nonfarm payrolls in the Naples metropolitan area grew faster than that of the nation and the region.



Source: U.S. Bureau of Labor Statistics

## Largest Employers in the Naples Metropolitan Area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
NCH Healthcare System	Education & Health Services	4,300
Publix Super Markets, Inc.	Wholesale & Retail Trade	3,075
Arthrex, Inc.	Manufacturing	2,500

Note: Excludes local government and school districts.

Source: Naples Daily News, Southwest Florida Economic Development Alliance

foreclosures were down 79 and 14 percent, respectively, from a year ago, the number of home loans that were 90 or more days delinquent has increased 273 percent (CoreLogic, Inc.). The number of loans in foreclosure or in REO status decreased partly because of a national moratorium on foreclosures for federally backed mortgages that has been in place since the spring of 2020.

During the 12 months ending May 2021—

- Sales of new homes decreased 8 percent, to 2,725 homes, compared with a year earlier, and the average price for a new home increased 30 percent to \$748,900 (Zonda). The number of sales is similar to levels in mid-2019, but the average price is a record high.

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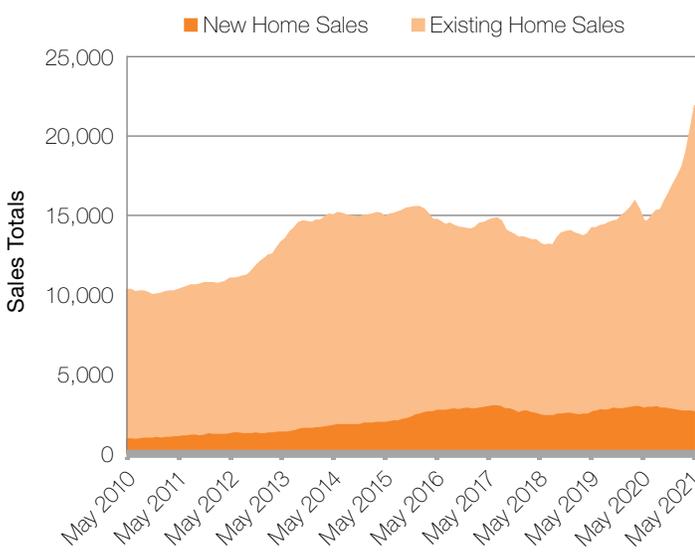
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- Existing home sales, which include regular resales and REO sales, increased 65 percent, to 19,275, partially due to completed sales that were previously postponed. The average sales price of existing homes was \$690,600—an increase of nearly 25 percent from \$554,300 during the previous year and a record high.
- REO home sales dropped by 30, or 7 percent, to 170, and made up 2 percent of total home sales. The average sales price rose 27 percent to \$421,600.
- Absentee-owner home sales, which are disproportionately investment or second-home purchases, accounted for 52 percent of existing home sales in the 12 months ending May 2021—up slightly from 48 percent a year earlier. By comparison, absentee-owner home sales accounted for 28 percent of total home sales nationally.

Annual single-family home permitting has remained relatively steady since 2015. During the 12 months ending May 2021, 3,350 single-family homes were permitted—up 12 percent from 2,975 during the 12 months ending May 2020 (preliminary data, with adjustments by the analyst).

- From 2016 through 2020, single-family home construction averaged 3,125 homes, compared with the number of homes built from 2011 through 2015—a period of recovering sales—which averaged 1,900 homes annually.

**Sales for new homes decreased and sales of existing homes increased in the Naples metropolitan area in 2021.**

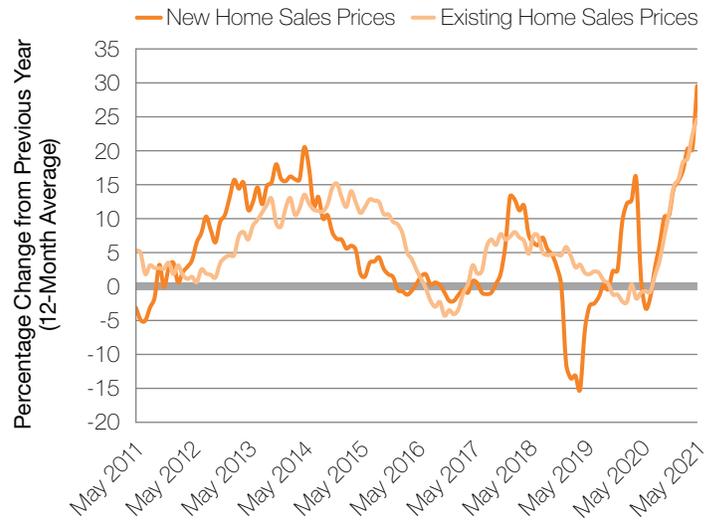


Note: Includes single-family homes, townhomes, and condominiums. Source: Zonda

- Condominium units have accounted for 31 percent of multifamily construction since 2010—a decrease from the previous decade, when the share of condominium units was 39 percent (CBRE SupplyTrack database, with adjustments by the analyst).

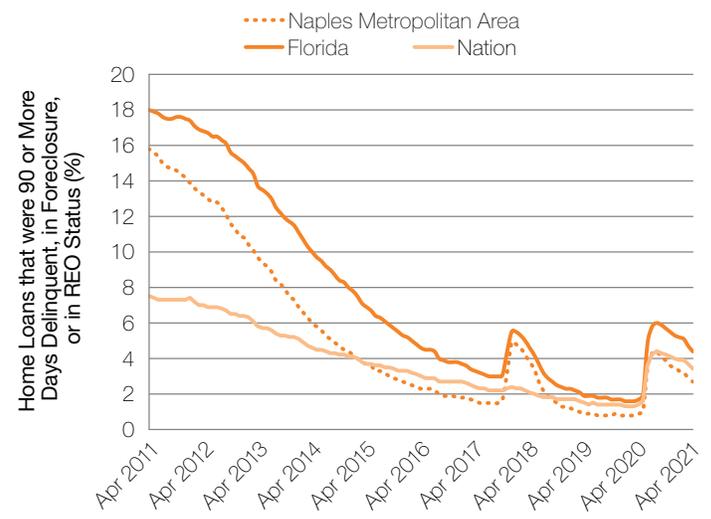
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**Sales prices for new and existing homes in the Naples metropolitan area have been rising at an increasing rate in 2021.**



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

**Before the pandemic, the Naples metropolitan area had a lower percentage of home loans that were 90 or more days delinquent, in foreclosure, or recently transitioned to REO status than did the nation.**



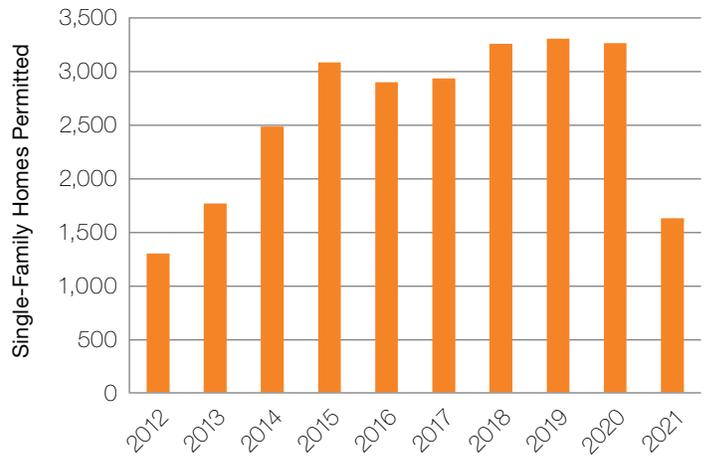
REO = real estate owned. Source: CoreLogic, Inc.



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- Valencia Trails subdivision, northwest of Naples, consists of more than 850 single-family homes with two, three, and four bedrooms and starting prices ranging from the mid-\$400,000s to the high \$800,000s; 550 lots remain available.
- Construction began in March 2021 on the 74-unit second phase of the Eleven Eleven Central condominium building on the coast in the city of Naples. Prices for current units with two-, three-, or four-bedroom units begin at \$1.3 million.

Single-family home construction in the Naples metropolitan area in 2020 remained at prepandemic levels.



Note: Includes preliminary data from January 2021 through May 2021. Source: U.S. Census Bureau, Building Permits Survey, with estimates by the analyst

Rental Market Conditions

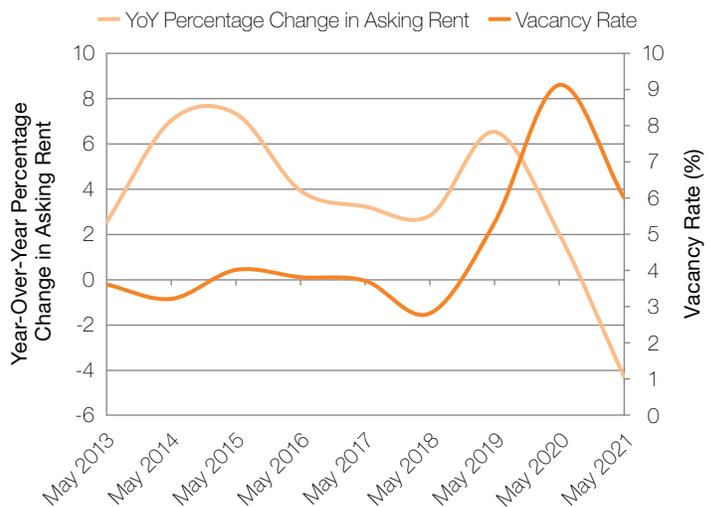
The Naples metropolitan area apartment market is currently balanced. Apartment construction has met the demands of the growing population, and the apartment market has been balanced since 2012. The declining affordability of for-sale homes had resulted in strong rental absorption in a tightening market before the pandemic.

- The estimated vacancy rate for all rental units (including single-family homes, mobile homes, and apartments) was 7.4 percent as of June 1, 2021—a decline from 16.9 percent in 2010.
- The apartment vacancy rate in May 2021 was 6.0 percent—down from 9.1 percent a year earlier (Moody’s Analytics REIS), partly a result of COVID-19 impacts. The average rent dropped 4 percent to \$1,300. By comparison, the average rent increased 2 percent in May 2020 compared with May 2019.
- In 2019, 29 percent of renter households lived in single-family homes—down slightly from 2010 (American Community Survey 1-year data). During April 2021, the vacancy rate among professionally managed three-bedroom single-family homes for rent was 2.1 percent, with an average monthly rent of \$4,625—up 21 percent from a year earlier (CoreLogic, Inc.).
- The vacancy rate for independent-living developments for seniors increased from 8 percent in the first quarter of 2020 to 15 percent in the first quarter of 2021. The average rent

increased 3 percent to \$3,850 (Moody’s Analytics REIS). Independent-living facilities in the metropolitan area offer a plethora of amenities for the 55-and-older age cohort, such as housekeeping, laundry services, and community activities. Some amenities were curtailed during the pandemic, making independent-living communities less attractive than regular apartments.

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The apartment vacancy rate in the Naples metropolitan area started decreasing in 2020.



YoY = year-over-year. Source: Moody’s Analytics REIS

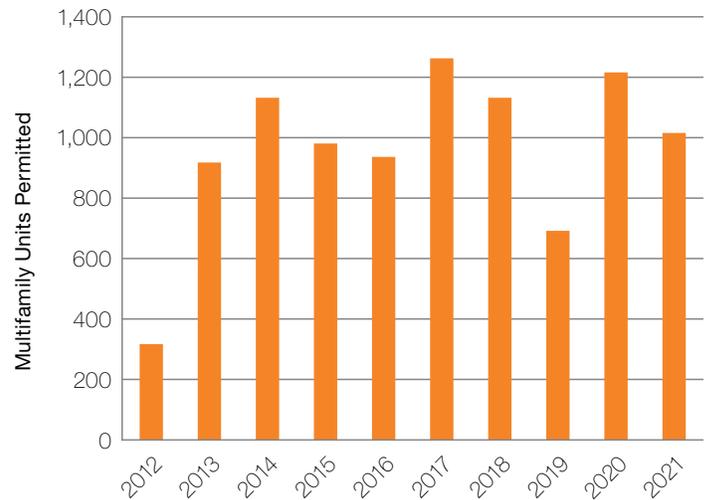


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In the 12 months ending May 2021, multifamily construction activity in the Naples metropolitan area, as measured by the number of units permitted, totaled 1,450 units—up 35 percent from 1,075 units during the previous 12 months (preliminary data).

- The number of multifamily units permitted increased significantly from a decade low of 320 in 2012 to a decade high of 1,275 in 2017.
- In 2021, the number of multifamily units permitted through May was 1,025 units; the number of multifamily units permitted in 2021 is on pace to exceed every year since the Great Recession.
- The 200-unit The Crest at Naples Apartments in North Naples is nearly complete. Rents for the one-, two-, and three-bedroom units start at \$1,350, \$1,950, and \$2,300, respectively.
- Recent multifamily construction includes many developments targeted to seniors. One such development, the 275-unit Moorings Park Grande Lake, is expected to offer two-, three-, and four-bedroom units and is scheduled to be completed at the end of 2022.

After a slow 2019, the number of multifamily units permitted in the Naples metropolitan area rebounded in 2020.



Note: Includes preliminary data from January 2021 through May 2021.  
Source: U.S. Census Bureau, Building Permits Survey, with estimates by the analyst

