

The analysis presented in this report was completed prior to the COVID-19 outbreak in the United States and therefore the forecast estimates do not take into account the economic and housing market impacts of the actions taken to limit contagion of the virus. At this time, the duration and depth of the economic disruption are unclear, as are the extent and effectiveness of countermeasures. HUD will continue to monitor market conditions in the HMA and provide an updated report/addendum in the future.

COMPREHENSIVE HOUSING MARKET ANALYSIS

Cape Coral-Fort Myers, Florida

U.S. Department of Housing and Urban Development,
Office of Policy Development and Research

As of January 1, 2020



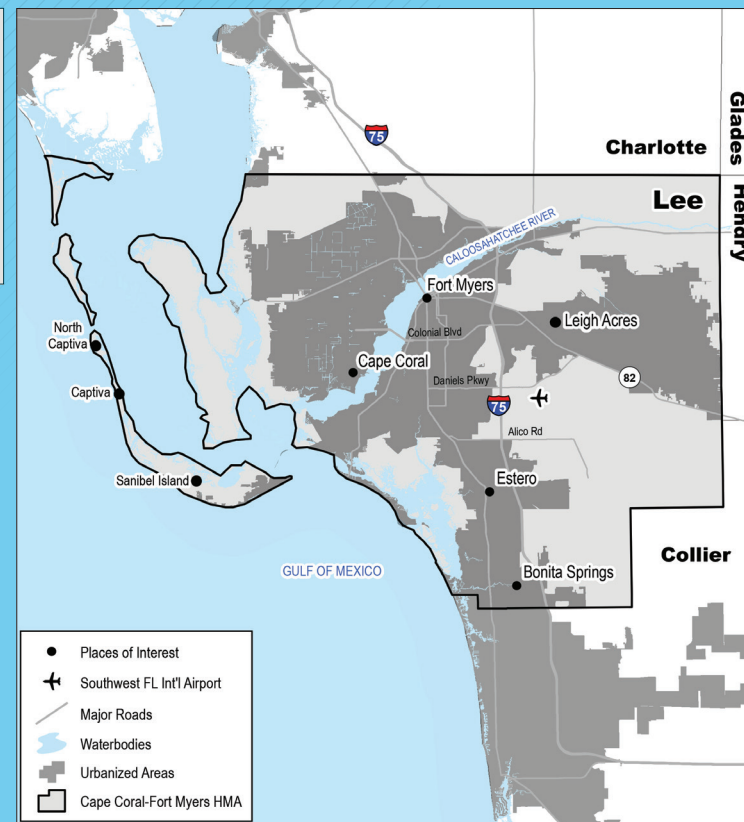
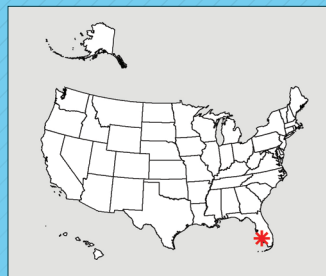
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Executive Summary

Housing Market Area Description

The Cape Coral-Fort Myers Housing Market Area, hereafter the Cape Coral HMA, is coterminous with the metropolitan statistical area of the same name and consists of Lee County on the southwestern coast of the state of Florida, along the Gulf of Mexico. The HMA is a popular tourist and retirement destination. The current population is estimated at 778,300.



Tools and Resources

Find interim updates for this metropolitan area, and select geographies nationally, at PD&R's Market-at-a-Glance [tool](#).

Additional data for the HMA can be found in this report's [supplemental tables](#).

For information on HUD-supported activity in this area, see the Community Assessment Reporting [Tool](#).

Market Qualifiers

Economy



Strong: Since 2011, nonfarm payrolls have increased by an average of 9,300 jobs, or 4.0 percent, annually.

Led by job growth in the mining, logging, and construction sector, nonfarm payrolls increased by 10,000 jobs, or 3.7 percent, to 281,400 jobs during 2019. Robust commercial and residential construction accounted for strong job growth in the construction subsector, a thriving tourist industry contributed to gains in the leisure and hospitality sector, and steady population growth led to job gains in the transportation and utilities and education and health services sectors. Nonfarm payrolls are estimated to increase an average of 3.4 percent annually during the 3-year forecast period.

Sales Market



Balanced: The sales vacancy rate is currently estimated at 2.2 percent, down from 6.6 percent in 2010.

As of January 1, 2020, the sales market is balanced, with a 4.6-month supply of for-sale housing. A total of 4,575 new homes sold during 2019, up 9 percent from 2018. During the 3-year forecast period, demand is expected for 16,550 new homes, with the 3,175 homes under construction satisfying a portion of demand in the first year.

Rental Market



Balanced: The average apartment rent in the Cape Coral HMA was \$1,202 during the fourth quarter of 2019, up 2 percent from a year ago.

The rental market is balanced, with an overall vacancy rate for all types of rental housing estimated at 10.0 percent. The apartment market is also balanced, with a vacancy rate of 5.0 percent as of the fourth quarter of 2019, compared with 4.7 percent a year earlier. Demand for 5,125 units is expected during the forecast period. The approximately 4,075 units currently under construction will meet most of the demand.

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3-Year Housing Demand Forecast			
		Sales Units	Rental Units
Cape Coral HMA	Total Demand	16,550	5,125
	Under Construction	3,175	4,075

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of January 1, 2020. The forecast period is January 1, 2020, to January 1, 2023.
Source: Estimates by the analyst



Economic Conditions

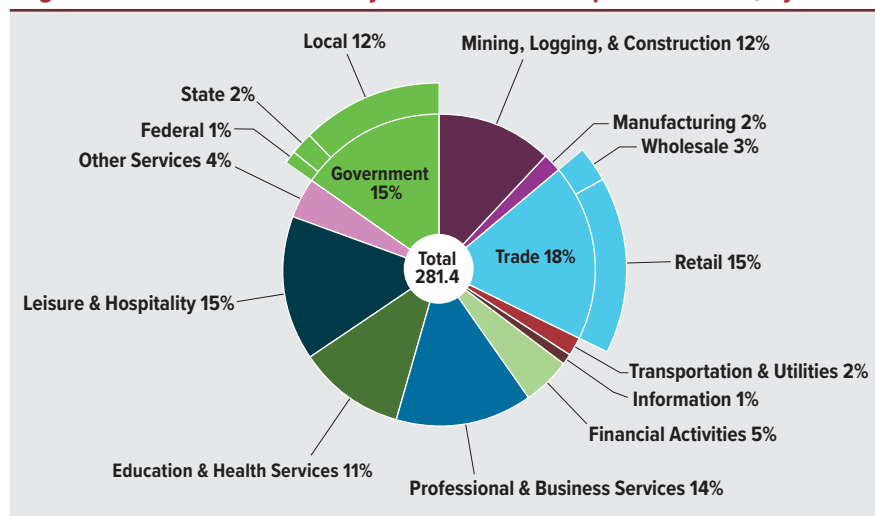
Largest Sector: Wholesale and Retail Trade

During 2019, payrolls in the wholesale and retail trade sector—which represents 18 percent of total payrolls—increased by 1,200 jobs, or 2.4 percent, compared with 2018.

Primary Economic Factors

The Cape Coral HMA is a popular retirement area and tourist destination. Beaches along the shore of the mainland and the barrier islands of Sanibel and Captiva are known for fishing and seashell collecting. Southwest Florida International Airport served approximately 10.2 million travelers in 2019, up 9 percent from the 9.4 million travelers served in 2018 (Lee County Port Authority). Visitors support the leisure and hospitality sector and the retail trade subsector, which together compose 30 percent of all payrolls in the Cape Coral HMA (Figure 1).

Figure 1. Share of Nonfarm Payroll Jobs in the Cape Coral HMA, by Sector



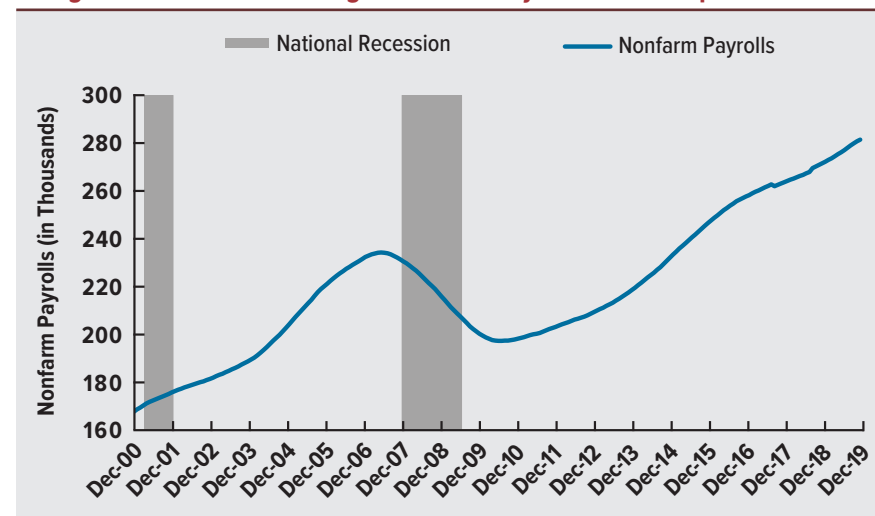
Notes: Total nonfarm payrolls are in thousands. Percentages may not add to 100 percent due to rounding. Based on 12-month averages through December 2019.
Source: U.S. Bureau of Labor Statistics

The Cape Coral HMA is the home of a growing cluster of outsourcing, business support, consultancy, and call center companies. The aging retired population has supported the growth of healthcare companies and hospitals in the past decade, and this growth has given rise to a concentration of medical research and supply companies. Skyplex Commercial Park is a developing commerce area, which has become a growing employment center within the foreign trade zone at Southwest Florida International Airport. Since 2014, an increase in job and population growth in the Cape Coral HMA has bolstered the construction industry as the development of homes, apartments, and commercial properties has increased.

Nonfarm Payroll Trends

Payrolls in the Cape Coral HMA have been increasing every year since 2011, following declines from 2007 through 2010; current payrolls are 21 percent above the pre-recessionary peak of 232,200 jobs in 2006 (Figure 2). From 2007 through 2010, nonfarm payrolls decreased by an average of 8,500 jobs, or 3.9 percent, a year, with the greatest declines in the mining, logging, and construction sector; the

Figure 2. 12-Month Average Nonfarm Payrolls in the Cape Coral HMA



Note: 12-month moving average.

Sources: U.S. Bureau of Labor Statistics; National Bureau of Economic Research

wholesale and retail trade sector; and the professional and business services sector, which posted average annual losses of 5,400, 1,500, and 1,000 jobs, or 19.1, 3.5, and 3.8 percent, respectively. During the following period, from 2011 through 2013, most sectors in the Cape Coral HMA increased, and payroll gains averaged 6,800 jobs, or 3.3 percent, a year. This growth was faster than payroll growth for the state and nation, which averaged 1.9 and 1.5 percent annually, respectively, from 2011 through 2013. Growth in the Cape Coral HMA accelerated from 2014 through 2016, with payrolls increasing by an average of 13,100 jobs, or 5.7 percent, a year, compared with growth in the state and nation, which averaged 3.4 and 1.9 percent, respectively. The mining, logging, and construction sector and the professional and business services sector led the expansion in the Cape Coral HMA, gaining an average of 2,900 and 2,200 jobs, or 14.5 and 7.5 percent, a year, respectively from 2014 through 2016. During 2017 and 2018, job growth moderated with an average annual gain of 6,900 jobs, or 2.7 percent, in the Cape Coral HMA.

Current Conditions—Nonfarm Payrolls

During 2019, nonfarm payrolls in the Cape Coral HMA increased by 10,000 jobs, or 3.7 percent, to 281,400 jobs (Table 1), following growth of 7,900 jobs, or 3.0 percent, in 2018. By comparison, during 2019, nonfarm payrolls in the state and nation increased 2.5 and 1.6 percent, respectively, following growth of 2.4 and 1.7 percent, respectively, during 2018. Most sectors in the Cape Coral HMA added jobs or remained stable. The mining, logging, and construction; leisure and hospitality; and the education and health services sectors—which increased by 2,400, 2,000 and 1,900 jobs, or 7.8, 4.8, and 6.3 percent, respectively, during 2019—led job growth, compared with a year earlier.

Current Conditions—Unemployment

The unemployment rate, which peaked at 12.5 percent in 2010, averaged 3.1 percent during 2019, down from 3.4 percent a year earlier. By comparison, the national unemployment rate declined from an average of 3.9 to 3.7 percent, and the state unemployment rate declined from an average of 3.6 to 3.2 percent during the past year (Figure 3).

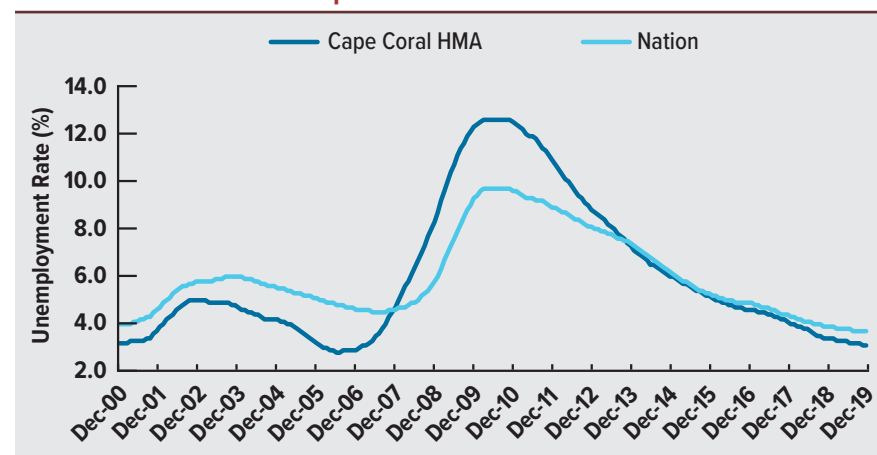
Table 1. 12-Month Average Nonfarm Payroll Jobs (1,000s) in the Cape Coral HMA, by Sector

	12 Months Ending December 2018	12 Months Ending December 2019	Absolute Change	Percentage Change
Total Nonfarm Payroll Jobs	271.4	281.4	10.0	3.7
Goods-Producing Sectors	37.0	39.6	2.6	7.0
Mining, Logging, & Construction	30.7	33.1	2.4	7.8
Manufacturing	6.3	6.5	0.2	3.2
Service-Providing Sectors	234.5	241.8	7.3	3.1
Wholesale & Retail Trade	49.2	50.4	1.2	2.4
Transportation & Utilities	5.2	5.5	0.3	5.8
Information	2.8	2.7	-0.1	-3.6
Financial Activities	13.5	13.6	0.1	0.7
Professional & Business Services	37.6	39.4	1.8	4.8
Education & Health Services	30.2	32.1	1.9	6.3
Leisure & Hospitality	41.6	43.6	2.0	4.8
Other Services	11.6	11.8	0.2	1.7
Government	42.7	42.7	0.0	0.0

Notes: Based on 12-month averages through December 2018 and December 2019. Numbers may not add to totals due to rounding. Data are in thousands.

Source: U.S. Bureau of Labor Statistics

Figure 3. 12-Month Average Unemployment Rate in the Cape Coral HMA and the Nation



Note: Based on the 12-month moving average.

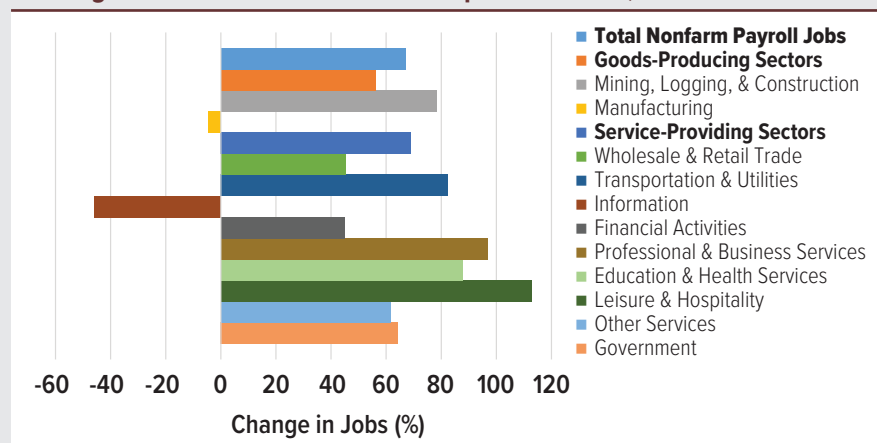
Source: U.S. Bureau of Labor Statistics

Economic Sectors of Significance

Leisure and Hospitality

The leisure and hospitality sector has been the fastest growing payroll sector in the Cape Coral HMA since 2001 (Figure 4). The HMA is popular for its beaches, golfing, boating, fishing, and mild weather. Job losses in the leisure and hospitality sector were brief during the downturn resulting from the housing crisis; jobs declined at an average annual rate of 500 jobs, or 1.7 percent, during 2009 and 2010. The sector increased by an average of 1,500 jobs, or 4.4 percent, annually, from the start of the economic recovery in 2011 through 2018. Some of these jobs can be attributed to the seven hotels that have opened since 2015, adding more than 700 rooms. Those hotels include the Fairfield by Marriott, which opened in 2018 in the city of Cape Coral and created 90 new jobs. During 2019, leisure and hospitality sector payrolls increased by 2,000 jobs, or 4.8 percent, compared with a gain of 500 jobs, or 1.2 percent, during the previous 12 months. Bonita Springs and the islands of Sanibel, Captiva, and North Captiva are known for sugar sand beaches and seashell collecting.

Figure 4. Sector Growth in the Cape Coral HMA, 2001 to Current



Note: The current date is January 1, 2020.

Source: U.S. Bureau of Labor Statistics

In 2018, 4.8 million tourists visited the Cape Coral HMA and spent \$3.1 billion, up 1 percent from spending the previous year (Lee County Visitor and Convention Bureau). Part of this revenue can be attributed to the popularity of the spring training of the Minnesota Twins and the Boston Red Sox Major League Baseball teams, where attendees spent an estimated \$68.9 million in 2018 (Lee County Sports Development).

Professional and Business Services

The professional and business services sector represents 14 percent of payrolls in the Cape Coral HMA and has been the second-fastest-growing sector since 2001. After losses of 900 jobs, or 3.5 percent, annually from 2006 through 2010, the professional and business services sector rebounded and grew by 1,700 jobs, or 5.7 percent, annually from 2011 through 2018. The Cape Coral HMA is home to a cluster of customer service, business system design, outsourcing, and call center companies. These firms are scattered from the Alico Commerce Corridor south of the airport and Skyplex Commercial Park stretching north to Colonial Boulevard along Interstate 75 (I-75). Gartner, Inc., the fifth largest employer in the Cape Coral HMA (Table 2), is a research and

Table 2. Major Employers in the Cape Coral HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Lee Memorial Health System Foundation, Inc.	Education & Health Services	13,595
Lee County	Government	9,038
Florida Gulf Coast University	Government	3,430
Florida SouthWestern State College	Government	1,441
Gartner, Inc.	Professional & Business Services	1,200
Chico's FAS, Inc.	Wholesale & Retail Trade	1,147
The Hertz Corporation	Financial Activities	1,110
Shell Point Retirement Community	Education & Health Services	1,011

Note: Excludes local school districts.

Source: Lee County Economic Development

consultancy firm that had a staff of 350 in 2012 but grew to currently employ 1,200 people. In 2018, Ace Hardware added 110 jobs with the opening of a call center, and Alta Resources, a business outsourcing company, expanded operations, adding 65 jobs. The professional and business services sector grew by 1,800 jobs, or 4.8 percent during 2019, compared with a gain of 2,000 jobs, or 5.6 percent, during 2018. Growth in this sector is expected to continue in the forecast period.

Education and Health Services

The education and health services sector has been the third fastest-growing sector since 2001 and currently accounts for 32,100 jobs, or 11 percent of total nonfarm payrolls. This sector added an average of 700 jobs, or 3.2 percent, annually from 2001 through 2018. Gains are credited to increased demand for health services as the population continues to grow and age; from 2010 to 2018, the population of residents age 65 years and older was the fastest growing cohort in the Cape Coral HMA. In addition, in 2018, Lee Health, the largest employer in the Cape Coral HMA, opened a new \$140 million medical complex in the city of Estero, and a new 41,000-square-foot NCH Healthcare Bonita emergency facility in the city of Bonita Springs. A cluster of medical research and supply companies augments healthcare facilities in the HMA. During 2019, education and health services sector payrolls increased by 1,900 jobs, or 6.3 percent, compared with a gain of 1,000 jobs, or 3.4 percent, during 2018. This sector is expected to continue to expand during the forecast period as strong population growth and an aging population continue to grow the need for health services.

Employment Forecast

During the 3-year forecast period, nonfarm payroll growth in the Cape Coral HMA is expected to continue at a slightly slower pace than the past year. Nonfarm payrolls are estimated to increase an average of 3.4 percent, annually, and payroll growth is anticipated to be relatively steady during all 3 years. Gains are expected across most sectors of the economy. NeoGenomics Laboratories, Inc., a clinical laboratory, announced plans to build its new \$25 million headquarters

Mining, Logging, and Construction

The Great Recession affected the mining, logging, and construction sector severely, which declined by an average of 5,400 jobs, or 19.1 percent, a year in the Cape Coral HMA from 2007 through 2010. The HMA economy expanded from 2011 through 2013; however, growth in the mining, logging, and construction sector lagged other sectors in the HMA partly because builders and developers that survived the housing crisis were cautious after the severe losses incurred in the late 2000s. Jobs increased by an average of 400 jobs, or 2.3 percent, in the sector, slower than the overall nonfarm payroll growth in the HMA of 6,800 jobs, or 3.3 percent, annually, from 2011 through 2013. Subsequent mining, logging, and construction sector growth averaging 2,900 jobs, or 14.5 percent, annually from 2014 through 2016 far outpaced the rate of growth of total nonfarm payrolls, which increased by 13,100 jobs, or 5.7 percent annually. During 2019, the mining, logging, and construction sector accounted for 24 percent of job growth that occurred in the Cape Coral HMA and gained 2,400 jobs, or 7.8 percent, to 33,100 jobs. Contributing to growth in the sector, Gulf Coast Regional Medical Center is undergoing a \$315 million renovation and expansion, and Southwest Florida International Airport broke ground in August 2019 on an \$80 million traffic control tower. During construction, the airport project has added 600 construction jobs. The 12-story, 243-room Luminary Hotel & Co. is currently under construction in downtown Fort Myers and is expected to be complete in August 2020. In addition, several multifamily and single-family home developments are underway, which have also added jobs to the construction subsector.

near the Alico Commerce Corridor and add 295 jobs upon completion by 2021. Conditioned Air has announced plans to build an operations center along the I-75 corridor, which will add 150 jobs when complete. In the Skyplex Commercial Park, Intrepid Aerospace Inc. recently announced plans to open a new maintenance, overhaul, and repair facility that is expected to add approximately 500 new jobs to the other services sector. Alta Resources will add a \$21 million facility that will create 480 jobs in the professional and business services sector.



Population and Households

Current Population: 778,300

From 2010 to 2018, the share of the population age 65 and older increased, whereas the share of all other age cohorts declined.

Population Trends

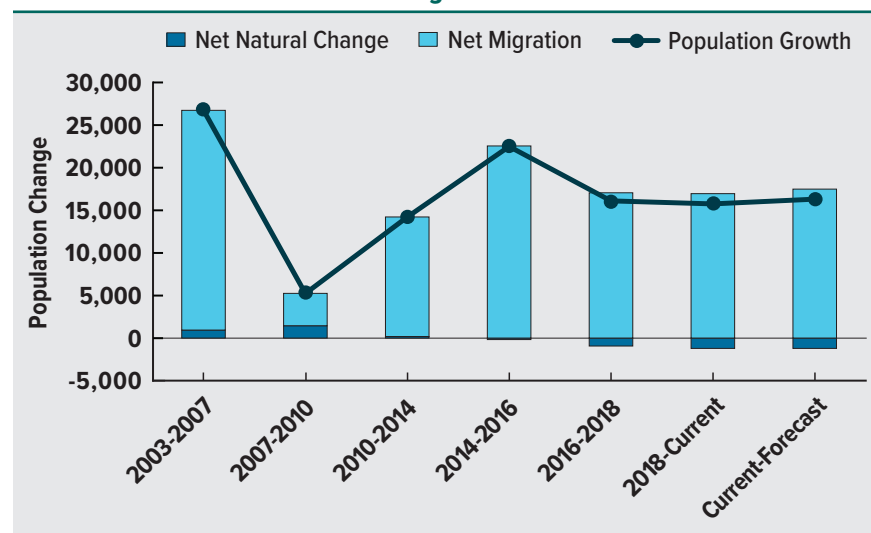
Despite relatively steady in-migration during periods of job growth, population growth in the Cape Coral HMA has slowed during the current decade partly because of a decline in net natural change (resident births minus resident deaths). Since 2010, population growth has averaged 16,350, or 2.4 percent, annually (Table 3); that growth consists of net in-migration of approximately 16,650 people, partly offset by negative net natural change of 300. Total population growth was higher from 2003 to 2007, with an average increase of 26,750, or 5.0 percent, annually (Figure 5; U.S. Census Bureau population estimates as of July 1) because of job growth that occurred in the Cape Coral HMA. Average net in-migration was 25,800 people a year, and net natural change averaged 950 people a year. Population growth was lowest from

Table 3. Cape Coral HMA Population and Household Quick Facts

Population Quick Facts		2010	Current	Forecast
	Population	618,754	778,300	827,300
	Average Annual Change	17,800	16,350	16,350
	Percentage Change	3.4	2.4	2.1
Household Quick Facts		2010	Current	Forecast
	Households	259,818	322,700	343,200
	Average Annual Change	7,125	6,450	6,825
	Percentage Change	3.3	2.2	2.1

Notes: Average annual changes and percentages changes are based on averages from 2000 to 2010, 2010 to current, and current to forecast. The forecast period is from the current date (January 1, 2020), to January 1, 2023.
Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by the analyst

Figure 5. Components of Population Change in the Cape Coral HMA, 2000 Through the Forecast

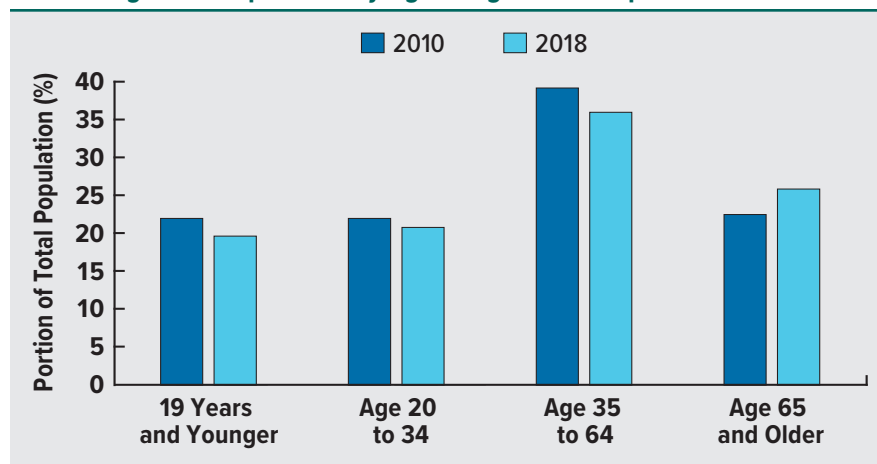


Notes: Net natural change and net migration totals are average annual totals over the time period. The forecast period is from the current date (January 1, 2020), to January 1, 2023.
Sources: U.S. Census Bureau; current to forecast—estimates by the analyst

2007 to 2010, a period of payroll decline, and averaged 5,250; that lower growth was partially because of lower net in-migration, which averaged 3,800 people annually. As the economy began to expand after the Great Recession, from 2010 to 2014, migration into the HMA increased to an average of 14,050, annually; however, net natural change averaged only 180 people annually. Payroll increases were strong, then a period of higher net in-migration of 19,800 per year from 2014 to 2018 followed. Net natural change began to decline in 2010 and has been negative since 2016.

Age Cohort Trends

The fastest growing cohort in the Cape Coral HMA is people ages 65 and older (Figure 6). Like the nation as a whole, the population in the HMA aged during the 2010s. The share of residents ages 65 and older grew from 23 percent of the HMA population in 2010 to 26 percent in 2018 and was the only age cohort

Figure 6. Population by Age Range in the Cape Coral HMA

Source: U.S. Census Bureau

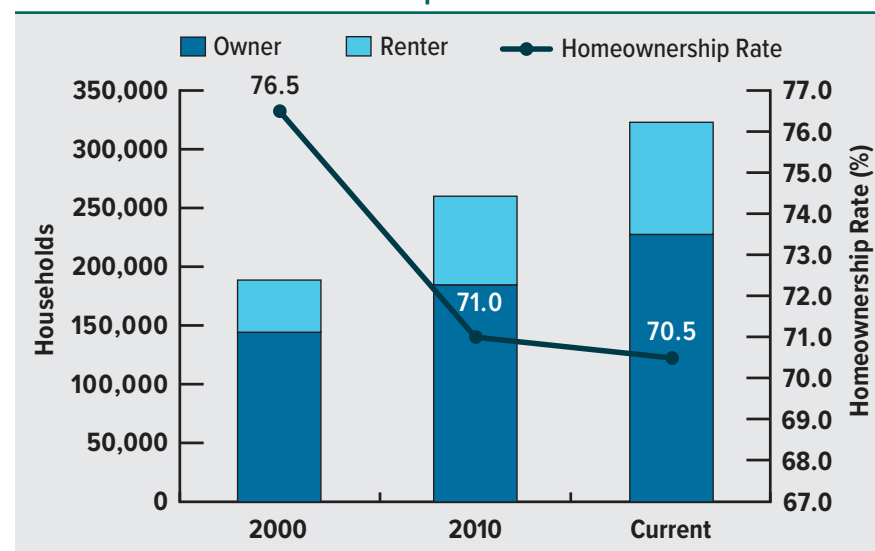
to increase as a share of the total population during this period (American Community Survey [ACS] 1-year estimates). By comparison, at the national level, this age cohort grew from 13 percent of the population in 2010 to 16 percent in 2018. The largest decrease was in the portion of the population ages 35 to 64, which declined from 40 percent in 2010 to 36 percent in 2018 in the Cape Coral HMA, compared with the national decline from 40 to 38 percent of the population during the same period. The median age in the Cape Coral HMA has increased from 44.6 in 2010 to 48.8 in 2018, compared with 37.2 in 2010 and 38.2 in 2018 for the nation. The rising share of older residents contributed to the decline in net natural change during the current decade.

Population Forecast

Population growth is expected to continue at a slower rate during the 3-year forecast period. The low unemployment rate throughout the nation may limit the number of people moving to the HMA for jobs. Net natural change is likely to stay negative because of the relatively large share of residents aged 65 and older, further slowing population growth. During the next 3 years, the population is expected to increase by an average of 16,350, or 2.1 percent, annually, to 827,300 by the end of the forecast period.

Household Trends

Household growth has also slowed during the current decade. Currently, approximately 322,700 households are in the Cape Coral HMA, an average annual increase of 6,450, or 2.2 percent, since 2010; that number is down from an average increase of 7,125 households, or 3.3 percent, annually from 2000 to 2010. The homeownership rate in the Cape Coral HMA decreased from 76.5 percent in 2000 to 71.0 percent in 2010. The current homeownership rate is estimated at 70.5 percent (Figure 7). Student households represent less than 1 percent of all households in the HMA; however, the share is expected to be greater in the neighborhoods closest to Florida Gulf Coast University. Student enrollment at Florida Gulf Coast University was 15,000 during the fall of 2018, with approximately one-third of students living on campus and the rest commuting from neighboring areas, both within and outside the HMA.

Figure 7. Households by Tenure and Homeownership Rate in the Cape Coral HMA

Note: The current date is January 1, 2020.

Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by the analyst

Household Forecast

Household growth is expected to continue to mirror population growth in the Cape Coral HMA. Households are expected to grow an average of 6,825, or 2.1 percent, annually—the same percentage growth as population growth. By the end of the forecast period, 343,200 households are expected to be in the HMA.



Home Sales Market

Market Conditions: Balanced

The average existing home sales price increased 4 percent during 2019, while the average new home sales price remained relatively unchanged.

Current Conditions

The sales housing market in the Cape Coral HMA is currently balanced because low levels of new home construction, strong job growth, and increased net in-migration contributed to the absorption of the excess inventory created during the construction boom before the Great Recession. As of January 1, 2020, the sales vacancy rate is estimated at 2.2 percent (Table 4), down from 6.6 percent in 2010 when the market was extremely soft. The average home sales price increased during 2019, furthering a 10-year trend; however, total home sales declined because the inventory of existing homes for sale is slightly low. In December 2019, 4.6 months of supply was available, down from 5.7 months in December 2018 (Royal Palm Coast Realtor® Association).

Table 4. Home Sales Quick Facts in the Cape Coral HMA

Home Sales Quick Facts	Cape Coral HMA		Nation
	Vacancy Rate	2.2%	NA
	Months of Inventory	4.6	3.2
	Total Home Sales	30,250	6,209,000
	1-Year Change	-4%	-3%
	New Home Sales Price	\$322,100	\$386,400
	1-Year Change	0%	2%
	Existing Home Sales Price	\$267,900	\$296,400
	1-Year Change	4%	4%
	Mortgage Delinquency Rate	1.0%	1.4%

NA = data not available.

Notes: The vacancy rate is as of the current date; home sales and prices are for the 12 months ending December 2019; and months of inventory and mortgage delinquency data are as of December 2019. The current date is January 1, 2020.

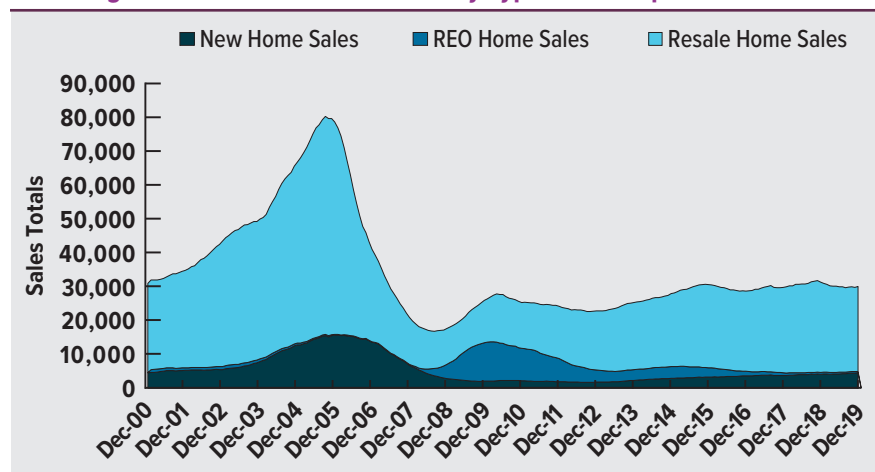
Sources: CoreLogic, Inc.; Metrostudy, A Hanley Wood Company

New Home Sales

New home sales, which include new single-family homes, townhomes, and condominiums, have increased since 2013 but remain below the levels of the early 2000s. Approximately 4,575 new homes sold in the Cape Coral HMA during 2019, up 9 percent from the 4,200 homes sold during the previous 12 months (CoreLogic, Inc., with adjustments by the analyst). New home sales averaged 12,500 from 2003 through 2006—a period of strong economic growth—but declined at an average annual rate of 28 percent from 2007 through 2012; sales then reached a low of 1,825 because of the housing market collapse. From 2013 through 2018, sales increased as jobs were added to the local economy, increasing at an average annual rate of 15 percent. Condominiums have represented a smaller portion of new home sales compared with the mid-2000s. In 2006, condominiums composed 31 percent of all new home sales. By 2012, condominiums had declined to 14 percent of new home sales and continued to decline to 6 percent in 2019.

Existing Home Sales

After steep declines in the mid-2000s, existing home sales in the Cape Coral HMA have stabilized in recent years. Existing home sales (including regular resale and real estate owned [REO] home sales) totaled 25,650 in the HMA during 2019, down 6 percent from 2018, and REO properties accounted for less than 2 percent of existing home sales (CoreLogic, Inc., with adjustments by the analyst). Existing home sales peaked from 2003 through 2005, averaging 52,950 a year when lending practices were less stringent. During 2006 and 2007, home sales declined at an average annual rate of 52 percent, to a low of 14,550 in 2007; 2 percent of these were REO properties (Figure 8). Existing homes sales increased 36 percent from 2007 through 2009; however, the portion of homes that were REO properties increased almost five-fold annually and represented 43 percent of all existing homes sold in 2009. During the economic expansion that followed, population and household growth began to accelerate. From 2013 through 2018, existing home sales increased at an average annual rate of 2 percent and the number of existing sales attributed to REO home sales declined by an average annual rate of 27 percent.

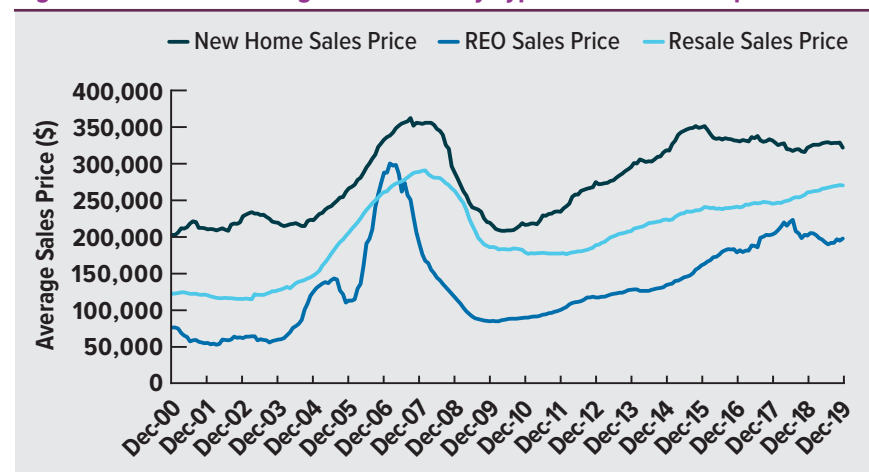
Figure 8. 12-Month Sales Totals by Type in the Cape Coral HMA

Delinquent Mortgages

The impact of the foreclosure crisis was significant in the Cape Coral HMA, and the rate of seriously delinquent mortgages peaked in January 2010 at 22.9 percent, much higher than the national peak of 8.6 percent during the same month. The rate of seriously delinquent mortgages declined rapidly, and as of December 2019, the rate of seriously delinquent mortgages was 1.0 percent, down from 1.4 percent during December 2018. By comparison, the rate for the nation was 1.4 percent during December 2019, down from 1.7 percent a year ago.

New Home Sales Prices

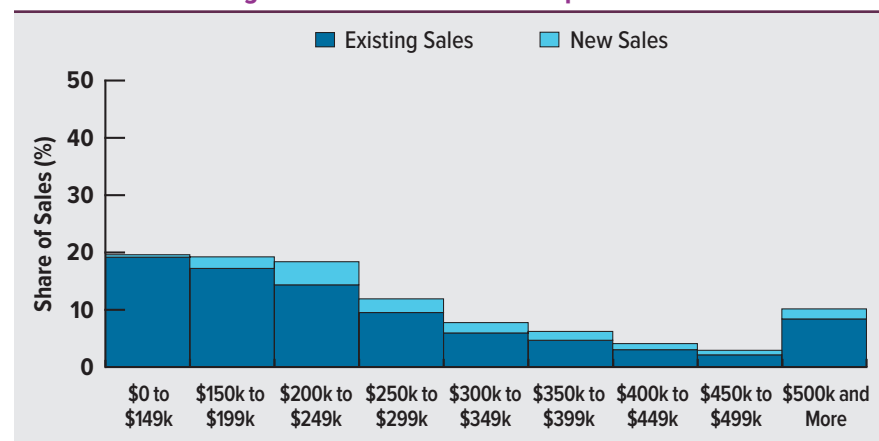
New home sales prices, which include new single-family homes, townhomes, and condominiums, in the HMA have trended upward since 2010. New home prices increased at an average annual rate of 17 percent from 2005 through 2007 in the wake of economic expansion. The average new home sales price peaked at \$355,200 in 2007. The 2007-to-2009 national recession caused new home prices to fall an average of 31 percent a year from 2008 through 2010, to a low of \$216,000 (Figure 9). As the economy expanded, the demand for homes

Figure 9. 12-Month Average Sales Price by Type of Sale in the Cape Coral HMA

grew, and the average price of a new home increased 5 percent annually from 2011 through 2018. The average sales price of a new home was \$322,100 during 2019, relatively unchanged from a year earlier. The average sales price of a new condominium was 5 percent higher than the average price of a new home in 2007, whereas the average sales price of a new condominium was 9 percent lower than the overall price for new homes during 2019. During 2019, sales were greatest among new homes priced from \$200,000 through \$249,000 (Figure 10).

Existing Home Sales Prices

The average price of an existing home in the Cape Coral HMA increased at an average annual rate of 20 percent from 2003 through 2007, in the build-up to the foreclosure crisis. When the economy contracted and the volume of lower priced REO home sales increased, the average existing home sales price declined at an average rate of 21 percent annually from 2008 through 2010. In 2006 before the widespread foreclosure crisis, REO properties sold at an average price of \$288,000, higher than the overall average price of \$261,200 for regular (non-distressed) resale homes. This price indicates that

Figure 10. Share of Sales by Price Range During the 12 Months Ending December 2019 in the Cape Coral HMA

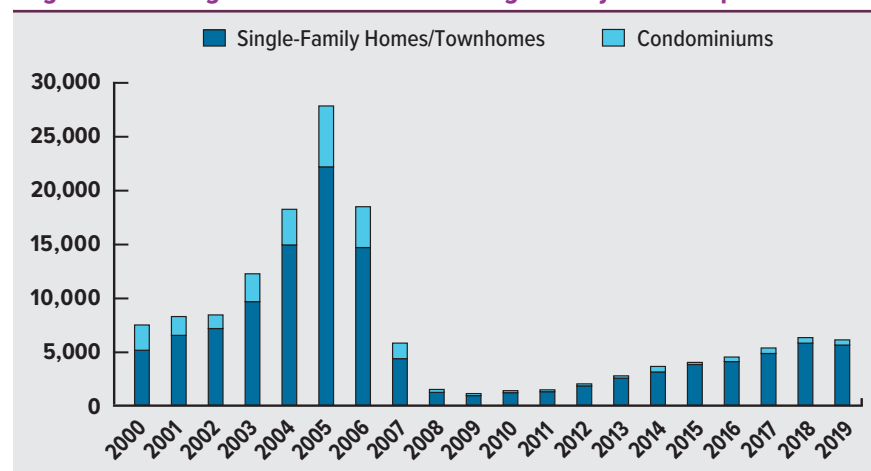
Note: New and existing sales include single-family homes, townhomes, and condominium units.

Source: Metrostudy, A Hanley Wood Company

many foreclosures were higher priced homes that brought up the average sales price. By comparison, in 2010 when foreclosures were flooding the market, the average sales price of an REO property was \$89,450, compared with a regular resale price of \$178,900. The inventory of available REO properties was cleared from 2011 through 2018 and the average existing home sales price increased at an average annual rate of 8 percent. The average sales price of an existing home was \$267,900 during 2019, up 4 percent from 2018. The largest concentration of existing home sales during the past 12 months has been for homes priced below \$150,000.

Sales Construction Activity

Sales construction activity in the HMA, as measured by the number of homes permitted, increased from 2010 through 2018, but declined during 2019 and is well below the historically high levels of the early 2000s (Figure 11). An average of 21,550 homes were permitted annually during the boom period from 2004 through 2006; however, this figure fell to an average of 2,750 homes, annually

Figure 11. Average Annual Sales Permitting Activity in the Cape Coral HMA

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

Sources: U.S. Census Bureau, Building Permits Survey; 2000 through 2018—final data and estimates by the analyst; 2019—preliminary data and estimates by the analyst

from 2007 through 2009, when the economy was weak. For-sale home permitting increased an average of 24 percent each year from 2010 through 2018 as existing inventory had been absorbed and the economy expanded. During 2019, 6,100 homes were permitted in the Cape Coral HMA, a 3-percent decline from the 6,300 homes permitted during the previous 12 months (preliminary data, with adjustments by the analyst).

Recent new home construction, about 7 percent of which were condominiums, has occurred throughout the HMA. The city of Cape Coral, where about one-third of new single-family homes has been built since 2014, was an early master-planned community divided into buildable lots, so additions there are mostly infill of single-family homes that are scattered throughout the city. The 1818 Parkway Condominiums community underway in the city of Cape Coral will consist of 52 two- and three-bedroom units, with one-car garages. The price for a 1,500-square-foot, two-bedroom, two-bathroom unit is \$209,900 and a 1,925-square-foot, three-bedroom, two-bathroom unit is \$219,900. New homes in the city of Fort Myers have accounted for about 20 percent of all homebuilding

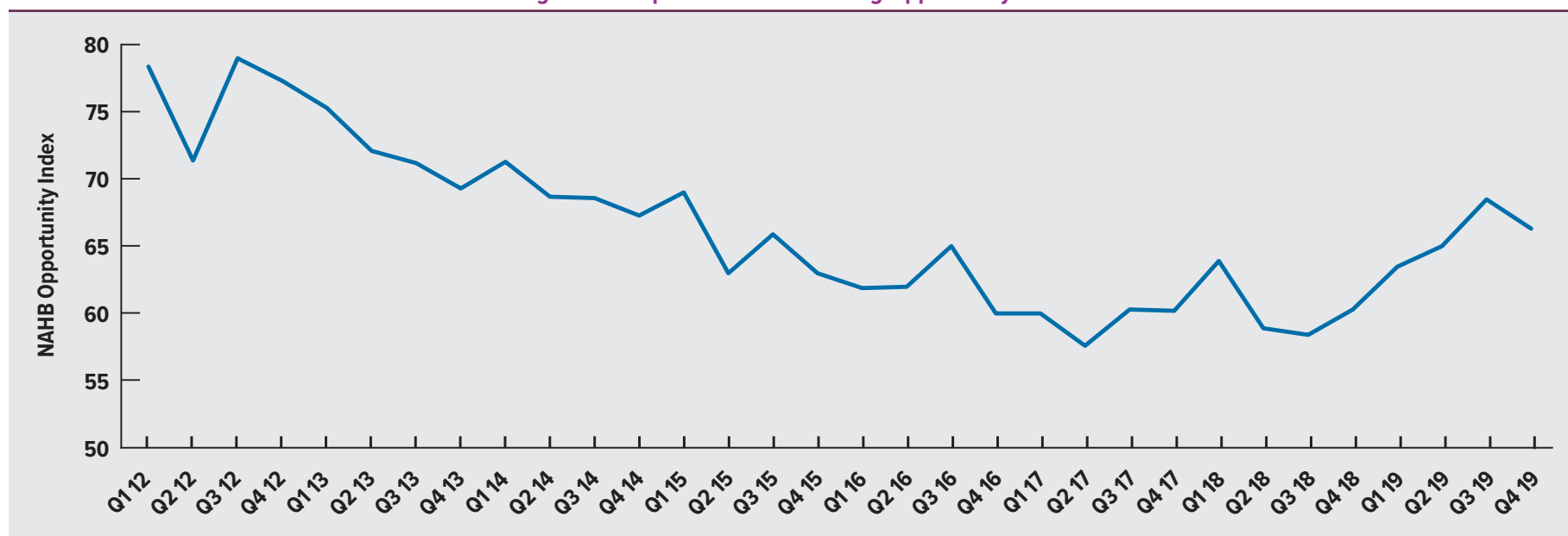
in the HMA since 2014; that homebuilding includes concentrated development along Treeline Avenue, east of I-75 near Skyplex Commercial Park and the Alico Commerce Corridor. Bridgetown is a gated community of single-family homes that is currently under construction in this area, with approximately three-fourths of the planned 1,300 homes either complete or underway. Prices 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, respectively. Marblebrook is a community of villas and single-family homes currently under construction in the Lehigh Acres area, east of the city of Fort Myers with easy access to I-75 and employment centers via state route 82. The community will have 151 villas and 225 single-family homes on completion of the first phase in 2020. Villas start at \$154,990 for a two-bedroom, two-bathroom unit and single-family homes start at \$194,915 for a three-bedroom, two-bathroom home. Nearly all 385 homes have

sold at Tidewater by Del Webb, an active adult community for those ages 55 and over in the city of Estero. Those homes range from two- to five-bedrooms, with two- to four-bathrooms, priced from \$287,000 to \$445,000.

Housing Affordability—Sales

The affordability of owning a home in the Cape Coral HMA has declined overall since the early 2010s. Homeownership is still considered affordable in the HMA, although affordability has declined because increasing home prices outpaced income growth. The National Association of Home Builders' (NAHB) Housing Opportunity Index (HOI) for the HMA, which represents the share of homes sold that would have been affordable to a family earning the local median income, was 66.3 during the fourth quarter of 2019, up from 60.3 during the fourth quarter of 2018 (Figure 12). The HOI peaked at 79.0 during the third quarter of

Figure 12. Cape Coral HMA Housing Opportunity Index



NAHB = National Association of Home Builders. Q1 = first quarter. Q2 = second quarter. Q3 = third quarter. Q4 = fourth quarter.
Sources: NAHB; Wells Fargo

2012 because a significant inventory of distressed homes suppressed home prices, but the HOI has since trended downward as existing inventory was absorbed. The HOI hit a low point of 57.6 during the second quarter of 2017 and has begun to trend upward again as wage growth has been faster than house price growth. According to the HOI, the HMA was more affordable than 148, or 62 percent, of the 238 ranked metropolitan areas in the nation during the fourth quarter of 2019 as compared with 169, or 73 percent, of the 233 ranked metropolitan areas during the second quarter of 2017.

Forecast

Based on current and anticipated economic and household growth and sales market conditions in the Cape Coral HMA, demand is estimated for 16,550 new

homes during the next 3 years, with demand evenly distributed each year of the forecast (Table 5). The 3,175 homes currently under construction are expected to meet a portion of demand during the first year of the forecast.

Table 5. Demand for New Sales Units in the Cape Coral HMA During the Forecast Period

Sales Units	
Demand	16,550 Units
Under Construction	3,175 Units

Note: The forecast period is from January 1, 2020, to January 1, 2023.
Source: Estimates by the analyst



Rental Market

Market Conditions: Balanced

Increasing rental demand from strong population and job growth has contributed to rising rents in the Cape Coral HMA since the early 2010s.

Rental Market Conditions and Recent Trends

The overall rental market in the Cape Coral HMA is currently balanced. As of January 1, 2020, the overall rental vacancy rate is estimated at 10.0 percent, down from 17.4 percent in April 2010 (Table 6). Like other HMAs with a large supply of vacation homes, the balanced rental vacancy rate in the Cape Coral HMA is higher than in areas of the country with less short-term and vacation rentals. Although these types of rental units are not considered a part of the housing supply, they can easily move into the available supply of rental housing if the owners decide to rent the properties long-term.

Table 6. Rental and Apartment Market Quick Facts in the Cape Coral HMA

Rental Market Quick Facts		2010 (%)	Current (%)
	Rental Vacancy Rate	17.4	10.0
	Occupied Rental Units by Structure		
	Single-Family Attached & Detached	41.0	44.0
	Multifamily (2–4 Units)	18.0	12.0
	Multifamily (5+ Units)	35.0	39.0
Apartment Market Quick Facts	Other (Including Mobile Homes)	5.0	4.0
		Current	YoY Change
	Apartment Vacancy Rate	5.0	0.3
	Average Rent	\$1,202	2.7
	Studio	\$1,131	5.1
	One-Bedroom	\$1,053	2.6
	Two-Bedroom	\$1,255	1.8
	Three-Bedroom	\$1,419	2.8

YoY= year-over-year.

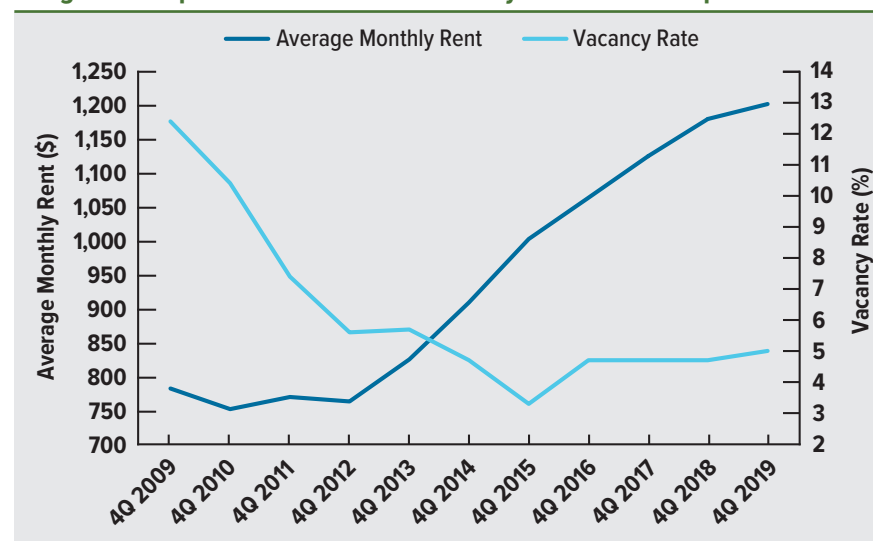
Notes: The current date is January 1, 2020. Percentages may not add to 100 due to rounding.

Sources: 2010 and 2018 American Community Survey, 1-year data; RealPage, Inc.

Apartment Market Conditions

The apartment market in the Cape Coral HMA is also balanced. During the fourth quarter of 2019, the apartment vacancy rate was 5.0 percent, up from 4.7 percent a year ago and well below the high point of 12.4 percent during the fourth quarter of 2009 (RealPage, Inc.). Following the Great Recession, limited apartment construction through 2014 allowed for the absorption of excess vacant units and improvement from soft market conditions. Rent growth has been strong since 2014, averaging 7 percent a year from the fourth quarter of 2014 through the fourth quarter of 2018. This strong rent growth is because of strong job growth and net in-migration, which increased demand for apartments, and the completion of new luxury apartments, which raised average prices. The average apartment rent in the Cape Coral HMA was \$1,202 during the fourth quarter of 2019, up 3 percent from a year ago, and 58 percent higher than the average rent during the fourth quarter of 2012 (Figure 13).

Figure 13. Apartment Rents and Vacancy Rates in the Cape Coral HMA



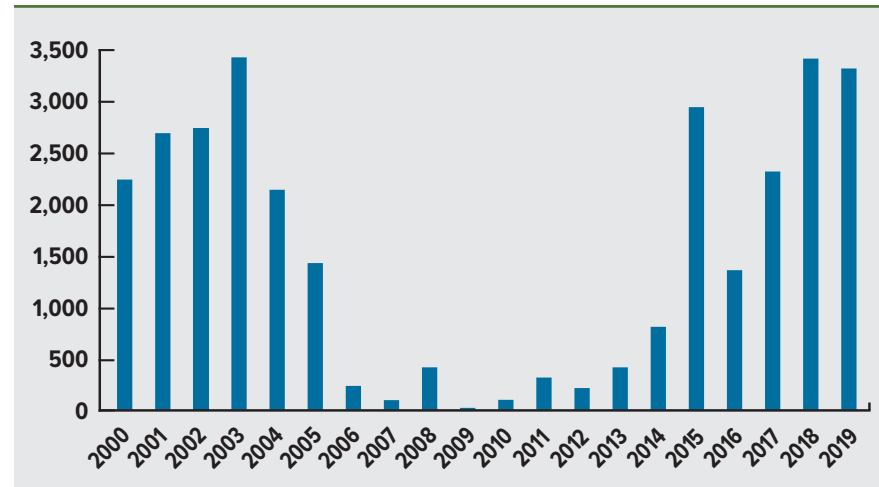
4Q = fourth quarter.

Source: RealPage, Inc.

Rental Construction Activity

Multifamily construction, as measured by the number of units permitted, has trended upward in the past 5 years after almost a decade of limited building activity. An average of only 290 units were permitted each year from 2006 through 2014 because building slowed in the years surrounding the Great Recession (Figure 14). A decline in apartment vacancy rates caused developers to increase apartment construction after migration into the Cape Coral HMA increased, and as a result 2,950 multifamily units were permitted in 2015. An average of 2,350 rental units were permitted annually from 2016 through 2018, which is slightly below the average of 2,775 units a year from 2000 through 2003. The average from 2016 through 2018, however, was higher than the average of 1,775 units annually during 2004 and 2005 when less stringent lending standards made homeownership an option for many renters. Based on preliminary data, 3,325 rental units were permitted in the Cape Coral HMA during 2019, down slightly from 3,425 units during 2018, the highest annual figure since 2003.

Figure 14. Average Annual Rental Permitting Activity in the Cape Coral HMA



Note: Includes apartments and units intended for rental occupancy.

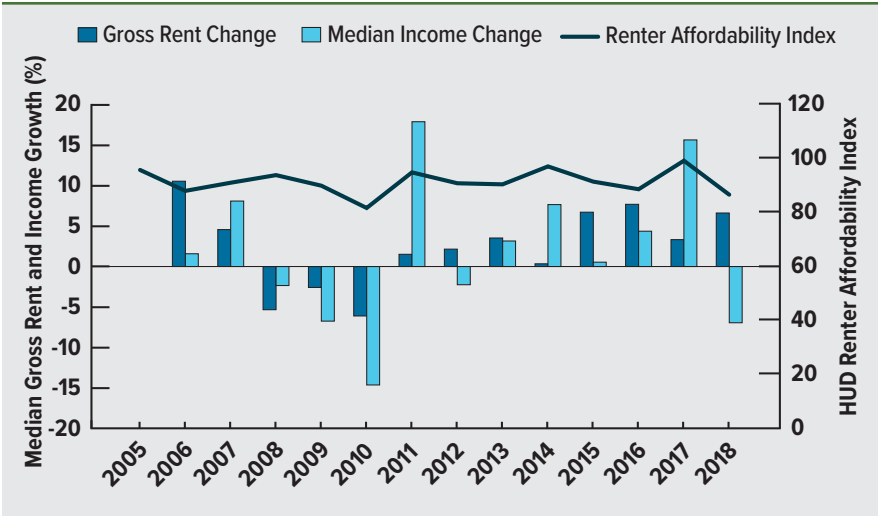
Sources: U.S. Census Bureau, Building Permits Survey; 2000–2018 final data and estimates by the analyst; 2019 preliminary data and estimates by the analyst

Nearly one-half of the rental units permitted in the Cape Coral HMA since 2014 were in the city of Fort Myers, with many rental options located close to employment centers and adjacent to parks and natural features. Amavida, a 460-unit mixed-use age-restricted community next to Lakes Park opened in December 2018 and has restaurants, services, and a clubhouse that doubles as a Category 5 hurricane shelter. Designed to allow aging in place in a luxury setting, the independent-living, assisted-living, and memory care residences range from 500 to 1,700-square feet, with monthly prices, which include some meals, housekeeping, valet and other services, ranging from \$2,500 to \$5,500. Apartment construction has been prevalent in the area to the west of I-75 near the Colonial Boulevard interchange. The Edison, a 327-unit apartment community, recently began lease-up and is located across from Calusa Nature Center & Planetarium and less than 1 mile from I-75. Rents for the one-bedroom units currently range from \$1,350 to \$1,815, two-bedroom units range from \$1,555 to \$1,870, and three-bedroom units range from \$1,970 to \$2,025. Legacy Gateway Apartments—which is across from Skyplex Commercial Park, adjacent to Flag Pond Preserve, 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.

Housing Affordability: Rental

Although the affordability of owning a home has been declining, rental units have remained generally affordable in the HMA. Average income growth for renters has kept pace overall with average rental growth in the Cape Coral HMA since 2010. After a decline from 2008 through 2010, the median gross monthly rent in the Cape Coral HMA increased an average of 4 percent, annually, during the subsequent 8 years, to \$1,190 in 2018 (ACS 1-year data). From 2011 to 2018, the median income for renter households in the Cape Coral HMA rose an average of 4 percent a year to \$43,347. The HUD Rental Affordability Index, a measure of median renter household income relative to qualifying income for a median-priced rental unit, has fluctuated with rent and income changes and was 86.6 during 2018 (the latest data available); this figure is down from 99.3 in 2017 but above a low of 81.7 in 2010 (Figure 15).

Figure 15. Cape Coral HMA Rental Affordability



Source: American Community Survey, 1-year data

Forecast

During the 3-year forecast period, demand is expected for an estimated 5,125 market-rate rental units in the Cape Coral HMA (Table 7). Demand for new rental units is expected to be relatively constant during the forecast period. The 4,075 units currently under construction will satisfy most of the rental demand in the Cape Coral HMA during the next 3 years.

Table 7. Demand for New Rental Units in the Cape Coral HMA During the Forecast Period

Rental Units	
Demand	5,125 Units
Under Construction	4,075 Units

Note: The forecast period is January 1, 2020, to January 1, 2023.

Source: Estimates by the analyst

Terminology Definitions and Notes

A. Definitions

Building Permits	Building permits do not necessarily reflect all residential building activity that occurs in an HMA. Some units are constructed or created without a building permit or are issued a different type of building permit. For example, some units classified as commercial structures are not reflected in the residential building permits. As a result, the analyst, through diligent fieldwork, makes an estimate of this additional construction activity. Some of these estimates are included in the discussions of single-family and multifamily building permits.
Demand	The demand estimates in the analysis are not a forecast of building activity. They are the estimates of the total housing production needed to achieve a balanced market at the end of the 3-year forecast period given conditions on the as-of date of the analysis, growth, losses, and excess vacancies. The estimates do not account for units currently under construction or units in the development pipeline.
Distressed Sales	Short sales and real estate owned (REO) sales.
Forecast Period	1/1/2020–1/1/2023—Estimates by the analyst.
Home Sales/ Home Sales Prices	Includes single-family home, townhome, and condominium sales.
Other Vacant Units	In this analysis conducted by the U.S. Department of Housing and Urban Development (HUD), other vacant units include all vacant units that are not available for sale or for rent. The term therefore includes units rented or sold but not occupied; held for seasonal, recreational, or occasional use; used by migrant workers; and the category specified as “other” vacant by the U.S. Census Bureau.

Rental Market/ Rental Vacancy Rate	Includes apartments and other rental units such as single-family, multifamily, and mobile homes.
Seriously Delinquent Mortgages	Mortgages 90+ days delinquent or in foreclosure.

B. Notes on Geography

1.	The metropolitan statistical area definition noted in this report is based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated February 28, 2018.
2.	Urbanized areas are defined using the U.S. Census Bureau 2010 Census Urban and Rural Classification and the Urban Area Criteria.
3.	The census tracts referenced in this report are from the 2010 Census.

C. Additional Notes

1.	The NAHB Housing Opportunity Index represents the share of homes sold in the HMA that would have been affordable to a family earning the local median income, based on standard mortgage underwriting criteria.
2.	This analysis has been prepared for the assistance and guidance of HUD in its operations. The factual information, findings, and conclusions may also be useful to builders, mortgagees, and others concerned with local housing market conditions and trends. The analysis does not purport to make determinations regarding the acceptability of any mortgage insurance proposals that may be under consideration by the Department.



3.	The factual framework for this analysis follows the guidelines and methods developed by the Economic and Market Analysis Division within HUD. The analysis and findings are as thorough and current as possible based on information available on the as-of date from local and national sources. As such, findings or conclusions may be modified by subsequent developments. HUD expresses its appreciation to those industry sources and state and local government officials who provided data and information on local economic and housing market conditions.
4.	In this analysis conducted by the U.S. Department of Housing and Urban Development (HUD), other vacant units include all vacant units that are not available for sale or for rent. The term therefore includes units rented or sold but not occupied; held for seasonal, recreational, or occasional use; used by migrant workers; and the category specified as “other” vacant by the Census Bureau.
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