



# ***Harry's Take***

August 10, 2021

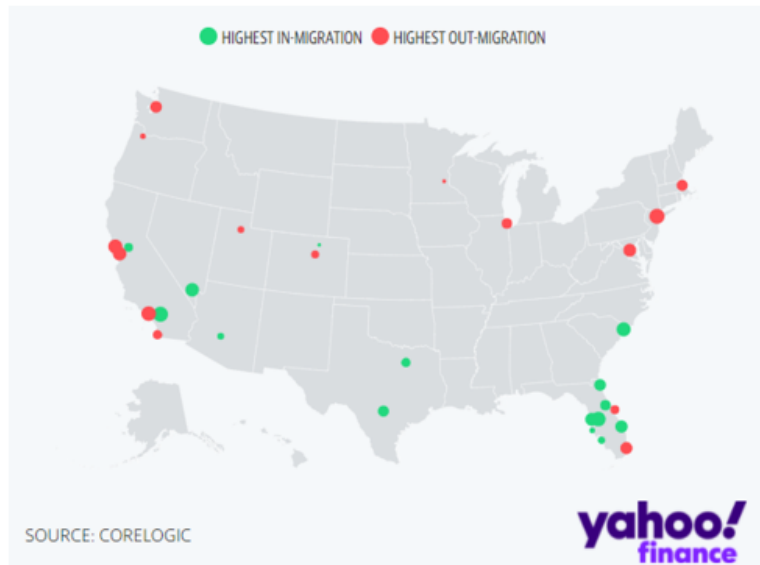
## **Housing Prices Suddenly Soar in Low-Supply Sunbelt Cities, Thanks to COVID**

The second housing bubble is coming to a final crescendo. Housing prices went up 14.6% over the last year and 30-year average mortgage rates are down to 3% or a bit lower. In a lot of areas, housing is up 25% to 30% or more...

And COVID has a lot to do with it.

All of a sudden, more people than normal are shifting out of major cities like New York, L.A., San Francisco, Miami, DC, and Chicago and into more-affordable and less-dense suburbs—and more people want to own rather than rent. Basically, COVID is just accelerating (in the very short term) a longer-term trend of movement into more-affordable Sunbelt cities with better weather. This chart sums up the shifts since COVID hit last year. Green dots show areas to which more people are moving and red dots show the “loser” areas people are leaving.

## COVID Has Accelerated Sunbelt Migration, Especially Into Florida



Source: <https://news.yahoo.com/top-15-us-metros-during-covid19-corelogic-120028907.html>

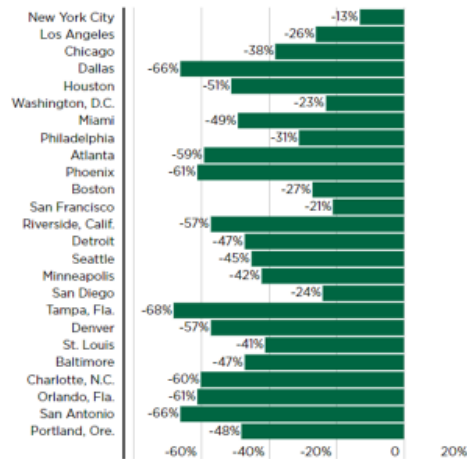
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In descending order, the top 3 cities for in-migration are Riverside-San Bernardino-Ontario, CA; Lakeland-Winter Haven, FL; and Myrtle Beach, SC. With in-migration to Tampa-St. Petersburg, Port St. Lucie, and Jacksonville also very strong, Florida benefits the most. Migration is strong to Las Vegas, NV, and in Texas, migration to San Antonio now beats migration to bigger cities like Dallas.

Supply also strongly affects price increases. This chart shows which Sunbelt cities have the greatest supply limitations: Tampa tops it at -68% with the highest price increases, followed by Dallas and San Antonio at -66%, Phoenix and Orlando at -61%, and then Charlotte, NC, at -60% and Atlanta at -59%. Rounding this group out are Riverside, CA, and Denver at -57%.

## Final Housing Bubble Surge Since 2020 Driven by Falling Supply

The number of active listings fell 48% year over year in the second quarter among the 50 most populous metros.



For complete data and methodology, see NerdWallet's First-Time Home Buyer Metro Affordability Report - Q2 2021.

Source: <https://infogram.com/q2-2021-active-listing-change-1h7z2l8w5w0lx6o?live>

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**But you know my warning: This second real estate bubble will be the final one for a very long time. Be careful what you buy, if you choose to buy at all. Don't be fooled, the COVID phenomenon will not last long (likely not past the end of this year), and the crash will be worse in the places that bubbled up the most.**

I must admit that I just bought a house in Palmas Del Mar, Puerto Rico, in a safe, high-quality, country club development that is a bit farther out and, hence, is more affordable.... And on top of that, I found a steal. Certain areas like mine in Puerto Rico make up a unique market that will stay buoyant as long as the tax program attracting affluent gringos continues. But few attractive cities in the U.S. and across the globe will hold up in this final bubble burst, largely between late 2021 and 2024.

Harry

Got a question or comment? You can reach us at [info@hsdent.com](mailto:info@hsdent.com).