Harry's Take

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Five Home Markets Are at Risk of Imminent Decline: Four Are in Florida

A recent report from CoreLogic showed that, at a 50% to 75% confidence level, there is a 70% chance of price declines in five major real estate markets in the next 12 months:

1) Provo-Orem, UT,
2) Lakeland-Winter Haven, FL,
3) North Port-Sarasota Bradenton, FL,
4) Cape Coral-Ft. Myers, FL, and
5) Port St. Lucie, FL.

I like that. I know that there is some couching and a double qualification here, but this is still the most definitive statement I've heard from a ratings agency.

Note that the four markets in Florida are more in the central area, not in southern Florida (from Miami to Palm Beach), where prices are even higher. Buyers have bid up the formerly more-affordable areas as well. Also, note that CoreLogic is forecasting that these declines will begin soon, within 12 months. Now, Florida looks like it has the bubbliest real estate market of all, given that New York–New Jersey and California have a higher floor of prices, due to better wages and business conditions.

In the Great Recession, total home sales declined for 16 months before price declines and the recession set in. This time, home sales have been falling for 21 months. Some see that as a sign of resilient prices… I see it as a sign of higher speculation and bubble-like activity. The reason, as all data continue to reflect, is simply low inventory. That largely has happened because people are trapped in their mortgages by rising rates from the Fed rate hikes we've gotten since March 2022. People can't afford to sell their homes and then finance a 3%+ higher mortgage rate over 30 years. That's why inventory is so low. It's not a good sign! That's why leading markets like Florida continue to bubble even after the last bubble burst 34% nationwide... and I am forecasting that this present bubble burst will be more like 50%, just to get prices back to early 2012 levels.

The urgency of CoreLogic's warnings here is refreshing, as most economists stretch to see a soft landing in this extreme tightening cycle, which likely is not even over yet… **when historically, a soft landing has never yet happened!**

If you are considering selling your overpriced house, do not dally. At the least, consider the money you will save and free up if you sell at the top of this bubble rather than waiting to see if prices drop. Housing freezes up fast and takes longer to come back… It took six years to bottom in the Great Recession, whereas stocks took only 21 months. But most of the damage will be done by early 2025, with bargains galore likely well into at least 2026 or 2027.

This wouldn't be so urgent if we'd not just gotten a second real estate bubble between early 2009 and 2023. And I am predicting that this time, home prices will go back only to 2012 price levels; stocks will fall back to early 2009 levels. It could get worse than that. But a 50% fall in average home prices would show how crazy this second housing bubble has been… You'd think we would have learned more from the first bubble.

Harry

Got a question or comment? You can contact us at info@hsdent.com.