

# Florida real estate market predictions 2021 and 2022

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Florida real estate may be red hot right now, but what about in the next couple of years? While it's difficult to make predictive statements, it's still possible to use data and trends to paint a picture of what we expect to see moving forward.

So before you make a huge purchase, ensure you're well-informed about the current market conditions as well as future predictions. We here at Vaster Capital have done all the hard work for you by compiling data and research into this guide to the Florida real estate market for 2021 and 2022.

## 1. People Will Keep Moving to Florida

Florida has long been a popular state to move to, but the COVID-19 pandemic has made the sunny state even more appealing as many can now work from home permanently. Over the past 35 years, the state has had an average of 777 domestic migrants per day. Recently, that number has increased to almost 1,000 -- with 950 more people moving to the state each day. Many of these new Florida residents come from northern states--like New York, New Jersey, Connecticut, Massachusetts, and Illinois--in search of fairer weather. Additionally, Florida doesn't have a state income tax or estate tax.

## 2. Interest Rates Will Remain Low...for Now

Florida isn't the only place that has experienced a hot real estate market. In fact, this trend has been seen all across the country due to meager interest rates that improve buyers' purchasing power. The Federal Reserve did this because of the poor economic conditions caused by the COVID-19 pandemic. But even as economic outlooks improve, the Federal Reserve plans to keep interest rates low for the foreseeable future -- at least until 2023. For this reason, buyers will be able to enjoy interest rates around 3% that will motivate them to buy property.

## 3. Demand Will Continue to Outpace Supply

Right now, property demand is higher than supply. There are several reasons why this is happening. First of all, Millennials -- a generation of more than 72.1 million -- are entering the housing market for the first time. Many have saved enough for a down payment and want to take advantage of low interest rates. Secondly, existing homeowners will become more reluctant to sell, knowing that competition will be stiff from fellow buyers. Finally, pandemic-related supply chain issues that have led to a shortage of new construction homes can usually help make up some of the gaps between supply and demand.

#### **4. The Popularity of New Construction Homes Will Grow**

As we move away from the pandemic, supply and labor issues will begin to resolve and the construction of new homes will pick up to meet demand. In March 2021, homebuilding increased by 19.4% for a total of 1.74 million units -- representing the largest month-over-month gain since 1990 and the highest overall level since 2006.

According to Freddie Mac, the construction industry has been underbuilding for at least the last decade due to the 2008 financial crisis. That led to a housing crisis in its own right. Today, the housing market is short more than 4 million units. While this gap won't close overnight, builders are taking steps to improve it.

#### **5. Multifamily Real Estate Will Be Extremely Lucrative**

While the single-family market has seen a lot of growth over the past year, multifamily will be highly lucrative as we move forward. Renters will become more financially stable as we move away from the pandemic economy and will look to rent something on their own. Vacancy levels will remain low and a 6% increase in net effective rents is predicted for the next year -- making it a great time to invest in multifamily real estate.

#### **6. Vacation Rentals Will Be More Popular Than Ever**

Sick of being stuck at home, people are anxious to travel and experience a change of scenery. As a result, vacation rentals will become more popular than ever. Vacation rental revenue in the U.S. is projected to exceed \$88 billion by 2023 -- a number that exceeds 2019's global revenue. Young people, especially Millennials, are more likely to book vacation rentals and are looking for scenic and idyllic locations for a future getaway instead of urban locations.

#### **7. Property Prices and Rents Will Continue to Rise**

High demand and low interest rates will lead to increased property prices and rents for the foreseeable future. Freddie Mac predicts that home prices across the country will rise by 6.6% in 2021 and 4.4% in 2022. Even as the market begins to adjust to post-pandemic life, interest rates will remain affordable, and more Millennials will begin to enter the market -- contributing to a steady increase in prices across the board.

## 8. Areas Across the State Will See Rapid Growth

Florida is such a large and diverse state that it's often difficult to talk about its real estate market as a whole without separating it into different areas. For instance, highly populated areas in South Florida will have a different type of market than rural areas in Central Florida. To get the best information regarding the future of Florida's real estate market for the near future, we need to break down some of the different markets across the state:

### South Florida

So what does the future look like for the South Florida real estate market? Well, you should expect more of the same. According to data from Zillow, properties in the South Florida counties of Palm Beach, Broward, and Miami-Dade are overvalued by more than 11%. In the same three counties, single-family home sales increased by 28.7% in March 2021, with the median sales price also increasing by 20.4% to \$457,500.

Although many areas around the country, including South Florida, saw a dip in demand for condos and smaller spaces during the pandemic, these sales are now starting to rebound. Condo and townhome sales in South Florida increased by a whopping 49.8% with the median sales price increasing by 15.2% to \$242,000. This trend is likely a direct result of the rising costs of single-family homes in the area -- putting them out of reach for many buyers with more modest budgets.

### Central Florida

While the Central Florida real estate market around Orlando isn't quite as active as South Florida, buyers and sellers have seen many changes. For starters, inventory has hit an all-time low -- in contrast to high demand from buyers. April 2021 inventory hit a record low that hasn't been seen since at least 1995. As a result of low supply and high demand, the median sales price in the area increased by 3.5% from March 2021 and 11.9% from a year prior to \$295,000.

### West Florida

The Tampa area in West Florida has long been considered a relatively affordable real estate market -- making it a great place for first-time homebuyers. However, as more and more people look to take advantage of this, it becomes a more challenging environment. In March 2021, the median sales price of a single-family home in the West Florida counties of Pinellas, Pasco, Hillsborough, and Hernando was \$300,000 -- a 17.6% increase from \$255,000 last March.

### **Northeast Florida**

Like West Florida, Northeast Florida has generally enjoyed more affordable home prices that have made the area a target for new buyers looking to get a good deal on a property. In April, the median sales price in the Northeast Florida counties of Duval, St. Johns, Clay, and Putnam counties was \$284,941 -- showing a 14.1% increase from a year prior. Unlike other areas that are seeing a slowdown in listings, North Florida saw a total of 4,030 listings in April -- up from 3,771 in March and 3,052 in February.

### **The Panhandle**

We see a similar trend in the Florida Panhandle. Relatively affordable prices have recently skyrocketed due to high demand and low supply. In the Greater Pensacola area, the average residential sales price was \$306,547 in April 2021 -- showing a 23.2% increase from the year before. Condos are trendy and popular in this beachy area, with 80% more units sold in the Destin area than in 2020, with an average price increase of 21% overall.