



# Florida's Housing Boom

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I have just finished reading a *Regional Economic Review* prepared by Mark Vitner, Senior Economist for Wachovia, dated September 8th, and entitled ***How Sustainable Are The Forces Driving Florida's Latest Housing Boom?*** The 32-page report surveys the State's 15 major housing markets as to housing demand, construction permits, unemployment and population growth. Most of the 15 markets remain "exceptionally strong with demand still exceeding the available supply." The expectation is that overall sales will remain strong through the end of the decade, although not at the unbelievable pace that we have seen in recent years.

The report bases this on five fundamental factors driving the state's housing market:

1. The low mortgage rates.
2. Strong job growth and low unemployment as Florida led the nation in payroll employment growth the last two years.
3. Population growth, which has added 1.35 million residents in the last four years, 400,000 alone in 2004. Most of the gain, 87%, comes from in-migration and most of these new residents are working-age adults desiring to purchase homes.
4. Demographics are boosting demand in other ways as well with the Baby Boom generation buying second homes. In 2004, thirty-six percent of overall existing



home sales were for second homes, with two-thirds being for investment purposes and the remainder for vacation homes.

5. A strong demand from overseas buyers. The NAR estimates that international buyers accounted for 15% of Florida's total home sales in 2004.

Also interesting is a statement that "for all the talk about speculation being the primary driver behind the current Florida's building boom, the data does not seem to

support that contention." The only negatives in the report were comments regarding a possible oversupply of condos on Miami Beach.

The report concludes that "higher home prices will not snuff out Florida's housing boom" and that prices are still significantly lower in most of the Florida markets than they are in the Northeast where most of our in-migrants come from.

If you would like to see the report in total, it is located on the Wachovia website at <http://www.wachovia.com/ws/econ/view/0,,2672,00.pdf>