Florida Housing Value Metric: August 2020 – On-going Research

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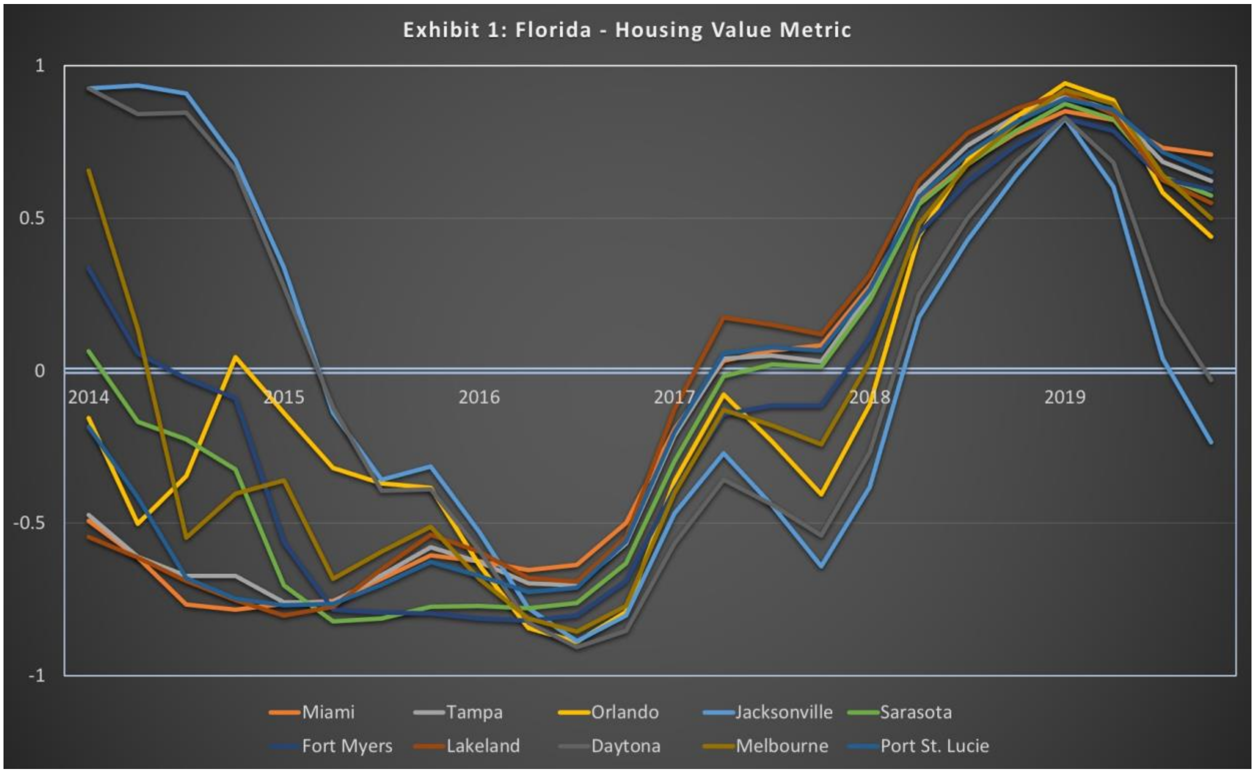
Abstract

Using methodology extended from Beracha and Johnson (2012), this analysis finds that eight of ten key metro areas in Florida (Miami, Sarasota, Melbourne, Tampa, Fort Myers, Port St. Lucie, Orlando, and Lakeland) are **noticeably overpriced** based on their historical pricing. This finding is as of August 2020.

Introduction

Property prices are continuing to rise at an astounding rate even in the presence of COVID-19. While many attribute this increase to a number of factors (low mortgage rates, increasing migration to Florida, and inventory shortage), others worry that housing markets around the state are on the verge of collapse due to a potential mortgage crisis or an extended persistence of COVID-19. Accordingly, it seems wise to investigate the extent to which, if any, that housing markets around the state are overpriced.

Extending methodology from Beracha and Johnson (2012) and mapping the degree of *over* or *under* pricing between 1 and -1, this brief analysis finds that eight metros (Miami, Sarasota, Melbourne, Tampa, Fort Myers, Port St. Lucie, Orlando, and Lakeland) are significantly overpriced relative to their historic values. While two metros, Jacksonville and Daytona show little sign of overpricing. In fact, Jacksonville comes in with a negative score, which is suggestive of some degree of underpricing.



About the Data

Data is incorporated from many sources – Federal Reserve Economic Data (FRED), Zillow, and Federal Housing Finance Agency (FHFA), among others. Due to data paucity, the run of quarterly data only extends back to 2014.[i] The ten chosen metro areas all have the key elements of both a repeat sales index and a repeat rental index. Thus, metro areas such as Tallahassee, which is missing a rental index, are omitted from the analysis.

Scores approaching 1 imply a high degree of historic overpricing for an area. Metric values approaching -1 suggest a high degree of historic underpricing, while values approaching zero indicate a housing market is near its long-term pricing trend.

Scoring and Housing Cycles

Consumers of real estate and real estate services, real estate professionals, and real estate policy makers should be aware:

- Market scores approaching 1 are indicative (though not exclusively) of housing markets that are approaching the peak of their current cycle.
- Market scores approaching -1 are indicative (though not exclusively) of housing markets that are approaching the bottom of their current cycle.
- Market score estimating zero provide minimal evidence of where a particular housing market is in their current housing cycle.

Real estate decisions by all should take into consideration at what point are they located in their current housing cycle. For example, scores nearing -1 would, on average, indicate a good point at which local governments might take actions such as the purchase and redevelopment of land for affordable housing purposes.

ENDNOTES

[i] Small data sets are inherently troubled with data entropy issues making the results prone to degrees of variability. However, the choice to produce this analysis was weighed against the need for current information and the potential variability in the Metric Value scores. All employing this data in their decision making should use this data with this caution in mind: a candle in a dark cave far exceeds total darkness.