

SOUTH FLORIDA
SunSentinel

December 11, 2021

REAL ESTATE

What will 2022's real estate market look like? A dive into supply, prices, rents and more

After a year of record price growth in the South Florida housing, what does 2022 hold? We asked experts to weigh in on a range of topics, from affordability to mortgage rates to migration and supply and demand.

Home prices will grow, but slower than the past year

Experts predict that prices for homes should increase, but not at the record pace they did over the past year and a half.

“We don’t expect to see the same price appreciation we had last year, though we don’t expect to see a decline in pricing,” said Eli Beracha, director of the Hollo School of Real Estate at Florida International University.

A realtor.com forecast predicts that South Florida housing prices may rise almost 6% over the next year, while a Zillow forecast predicts that home price appreciation could shoot up by 15%.

A few factors are going to cause a slower growth: more inventory as sellers try to capitalize on the hot market, new developments hitting the market and an increase in mortgage interest rates.

Demand from foreign and out-of-state buyers will continue to drive South Florida's housing market, but experts also expect new inventory to alleviate some of the pressure that has been fueling the pandemic-era housing boom.

“I see a pretty hot market, with a little extra inventory coming into the market place. That may affect the balance a bit, but I don't foresee a huge relief for buyers,” said Patty Da Silva, broker at Green Realty Properties in Cooper City.

On a national level, home prices could grow about 3%, according to relator.com.

Experts say the market will still favor sellers, as demand and limited inventory will keep the balance in their favor. Bidding wars and multiple offers on homes will probably still be a common.

Another factor in pricing? The supply chain issues and lack of labor. Both will continue to lead to increased construction costs and thus higher prices for buyers, said Brett Forman, executive managing director, eastern US at Trez Capital.

“It is more expensive and the labor, as well as the supplies, are more expensive, so naturally this will lead to price increases from top to bottom making it far more difficult to deliver affordable product,” said Forman.

Rents will rise, tightening the rental market

Rents won't stop growing in the new year. Factors include dwindling inventory, demand from people who have been priced out of the housing market and newcomers to the region renting before they purchase a home.

“We have such a finite amount of supply to begin with that it's going to be a strong market through 2022,” said Nathan Zeder of the Jills Zeder Group said.

In fact, experts predict that rents will rise an additional 8% in the South Florida area after seeing year-over-year increases of more than 20%.

“Miami is going to be looking at a lot of affordability challenges,” said Zillow Economist Nicole Bachaud. Her research indicates that South Florida will become the most unaffordable region in the country for renters relative to income in the new year.

More buildings will come to the market in 2022, as compared to the past few years, but it may not be until 2023 or 2024 that inventory levels catch up with demand and rents start to level off, explained Ryan Shear, managing partner at PMG.

“I don’t think rents will go down next year, there is a time coming, but there isn’t enough supply right now to hamper rent growth,” he added.

Those looking for a rental should be prepared for a competitive market, and should expect to be less picky and expand their search criteria, Zeder added.

Dr. Edward Murray, associate director of the Jorge M. Perez Metropolitan Center at Florida International University, noted that “there is a severe shortage which is driving up prices. Adding to the pressure is the fact that most South Florida households can’t afford to buy, so they have no choice to rent, thus adding to the demand.”

Mortgages rates to inch higher

Low interest rates of 2.8% and lower have drawn buyers to the market, but interest rates are projected to rise to about 3.6% and possibly higher by the end of 2022.

Most experts say it’s unlikely that the rise will dampen the market — there is such huge demand for housing in South Florida that a slight uptick won’t have a significant effect.

Many of those flocking to South Florida are coming from states where home prices are substantially more expensive, so they’re less affected by an uptick in mortgage rates.

In fact, news of higher interest rates could cause buyers to swarm the market in the beginning of the year, as they try to beat the increases, said Stuart Rohatiner, CPA with Gerson Preston.

“Even with the rate increases we anticipate; we won’t see them jump significantly in the next 12 months,” said Heather Zatik, Centennial Bank’s Senior Vice President of commercial lending.

However, rising interest rates can have a negative effect on first-time buyers, causing them to have less purchasing power and pricing them out of the market, Rohatiner added.

“For the average homebuyer, it will be less affordable, and many are likely to be priced out of the market,” said Zatik.

Yes, inventory is coming back, but it’s not enough

A lack of inventory will be one of the biggest issues facing homebuyers this year.

“Inventory is our biggest worry,” said Tony Rodriguez-Tellaheche, Owner & Managing Broker of Prestige Realty Group.

“There is a lot of development advertised,” said Ignacio Diaz, co-owner and managing partner of developers Group P6, “but the question is, is there going to be enough supply to meet that demand?”

After years of underbuilding, it will take a few years before South Florida can catch up to how much housing is needed, experts say.

Here are some projects that are coming to the market in 2022:

- 2000 Ocean, Hallandale Beach. Expected to open in the first quarter of 2022 with 64 luxury condos already fully furnished.
- Shoma Village, Hialeah. Expected to open April 2022 with 304 apartments ranging from studios to three-bedrooms.

- Amrit Ocean Resort & Residences, Riviera Beach. Expected to open 2022 with 182 new construction oceanfront condos.
- Yotelpad Miami, Miami. Expected to open February 2022. The condominium is already all sold out.
- Smart Brickell Tower 1, Miami. Expected to open March 2022. All 50 condos have been sold.
- Society Biscayne, Miami. Expected to open Spring 2022 with a total of 646 apartments still available. Pre leasing started Friday.
- Ocean Delray, Delray Beach. Expected in January 2022 with 19 condominiums on the beach, priced between \$6 million-\$10 million. Only two residences remain available.
- Estates at Acqualina, Sunny Isles Beach. Expected to open in early 2022 with 248 condos in two towers; the South Tower, featuring 154 residences is sold out. There are a limited number of residences remaining in the North Tower.

Affordability

The affordability crisis won't be solved anytime in the near future, and affordable housing is crucial to making sure workers stay in South Florida's economy.

"The housing that we have now and that price of that housing is already out of reach for the average worker," said Skip Miller, on the board of directors with the Housing Leadership Council of Palm Beach County. "Any increase in housing prices will just make that problem worse."

Existing home prices are already unaffordable to over 90% of South Florida's households, and the further rise in prices could have the greatest affect on workers in lower wage service sector jobs, explained Dr. Edward Murray, associate director of the Jorge M. Perez Metropolitan Center at Florida International University.

In terms of affordable housing, Broward County can expect to see five to ten low-income tax credit housing projects announced, but nothing that will help fully address the dire need for affordable housing, Murray added.

<https://www.sun-sentinel.com/real-estate/fl-bz-real-estate-market-2022-20211211-zowyebbx2zhjfdz77vfjaag46y-story.html>