

55 and Over Communities in Florida Will See the Biggest Drop in Home Prices Due to Covid-19

New York City, May 21, 2020 (Issuewire.com) - Both home buyer and seller demand have weakened dramatically in the last month, as Americans hunker down to help stop the spread of the Coronavirus.

While some are still shopping online, doing virtual tours, the spring season was essentially over before it started. While traditional home sales are way down, it gets worse with the 55 and over communities as the baby boomers are staying put for the remainder of the year. 55 and over communities have become increasingly popular in southern Florida which could see home values fall as much as 25% in months to come.

Home prices were very hot at the beginning of this year and heading into the crisis, and the expectation is that while the gains in values will not be seen in 2020, prices of traditional homes will not fall more than 10% nationally. That is because unlike during the subprime mortgage crisis when there was a serious glut of homes for sale, there is now an increasingly severe shortage. Home values fell as much as 50% in some markets a decade ago, but market dynamics are far different now, and the supply-demand imbalance favors stronger prices according to Linx Data and Moody's Analytics.

In the first two weeks of March, new listings were up 5% annually on average. By the second week of April, they were down 47%, according to realtor.com. April is usually the strongest month for new listings. Furthermore, sales of homes in 55 and over communities were down nearly 60%.

"With affordable housing in extraordinarily short supply, the house price declines will continue, and given the tight mortgage underwriting and plain vanilla fixed-rate mortgage loans originated since the crisis, so too will the foreclosures," wrote Mark Zandi, chief economist at Moody's Analytics.

There has also been a slowdown in asking prices. In early March, median list prices were up 4.4% annually on average. In the first half of April, they were down 2% which shows the beginning of the downward curve. That's the slowest growth in seven years.

"Slower gains are indicative of early market response to economic uncertainty and hurdles to completing a transaction, along with lower buyer and seller sentiment," said Danielle Hale, chief economist at realtor.com. "While asking prices do not normally react so quickly to market conditions, Fannie Mae's recent housing market sentiment survey showed a bigger potential seller response to COVID-19 than the potential buyer response, which could help explain why asking prices are reacting rapidly."

All real estate is local, and prices will be under the most pressure in areas where the economies depend on leisure and hospitality, according to a new report from UBS. The report mentions Las Vegas, Port St. Lucie, and Orlando, Florida, which were some of the hardest-hit markets during the subprime crisis.

In addition, UBS lists Houston as a high risk, because of its exposure to energy companies. Oil prices have plummeted amid infighting among OPEC nations and a sharp drop in gasoline usage as millions of people around the world shelter at home.

While home sales are down dramatically, there are some transactions happening. People who have to buy or sell are still doing so, and some are out hunting for bargains, albeit hunting virtually. Realtor.com

just added live open houses to its offerings, so people can talk to an agent in real-time as the agent walks through the house. Other brokerages are doing the same. To see a live open house example, try visiting [Open House Wiz.com](http://OpenHouseWiz.com).

There will, of course, be pent-up demand at the end of all of this, but consumer confidence in the economy will play an even bigger role than usual. That is why most, including Warren Buffett agrees with the downward curve of home prices and see a potential for wide-scale price drops, at least temporarily.

“Uncertainty destroys value,” said Ken Johnson an economist at Florida Atlantic University. “The more uncertainty there is, the more a potential buyer will discount the value of the home.”

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