2024-25 Southeast Florida Housing Outlook

Modest Price Appreciation as Mortgage Rates Stay Elevated

December 2024 Update

2024-2025 Southeast Florida Housing Outlook

As of December 2024

	2019	2020	2021	2022	2023	2024F	2025F
Economy							
30-year fixed mortgage rate (average)	3.9%	3.1%	3.0%	5.3%	6.8%	6.7%	6.8%
Year-end	3.7%	2.7%	3.1%	6.4%	6.8%	6.7%	6.5%
PCE Inflation (seas. adj.), average	1.4%	1.1%	4.1%	6.6%	3.8%	2.5%	2.9%
Year-end	1.6%	1.3%	6.2%	5.5%	2.7%	2.6%	3.0%
Southeast Florida total nonfarm employment, in millions	2.43	2.25	2.37	2.51	2.59	2.69	2.73
% change	1.8%	-7.2%	5.1%	5.9%	3.4%	2.3%	1.8%
Housing							
Total existing home sales	95,760	100,897	130,336	103,814	86,365	80,474	78,532
% change	*-5.4%*	*5.4%*	*29%*	*-20.3%*	*-17.6%*	*-6.8%*	*-2.4%*
Single-family	52,109	56,486	63,865	50,332	44,386	43,574	43,663
% change	*-3.3%*	*8.4%*	*13.1%*	*-21.2%*	*-12.0%*	*-1.8%*	*0.2%*
Condominium/townhomes	43,651	44,411	66,471	53,482	42,059	36,899	34,870
% change	*-7.8%*	*1.7%*	*49.7%*	*-19.5%*	*-21.3%*	*-12.3%*	*-5.5%*
Median existing home sales price	$279,000	$308,100	$359,300	$419,900	$451,000	$454,200	$458,500
% change	*4.2%*	*10.4%*	*16.6%*	*16.9%*	*7.4%*	*0.7%*	*0.9%*
Median sales price, single-family	$347,900	$380,200	$459,500	$534,700	$565,700	$565,700	$565,700
% change	*3.4%*	*9.3%*	*20.9%*	*16.4%*	*5.8%*	*5.6%*	*4.4%*
Median sales price, condominium/townhome	$196,700	$216,500	$263,100	$311,800	$329,100	$322,600	$324,300
% change	*2.1%*	*19.1%*	*9.3%*	*19.1%*	*8.9%*	*-2.0%*	*0.5%*
Months' supply, total home sales	6.6	5.3	2.3	2.6	4.0	6.4	7.8
Months' supply, single-family	5.1	3.4	1.6	2.6	3.3	4.8	5.2
Months' supply, condominium/townhomes	8.5	7.8	3.0	2.7	4.7	8.6	11.0
Single-family active Inventory (monthly average)	22,200	16,100	8,600	10,800	12,300	16,600	19,004
% change	*1.8%*	*-27.5%*	*-46.6%*	*25.6%*	*13.9%*	*35.0%*	*14.5%*
Condominium/townhome active inventory (monthly average)	30,800	28,800	16,600	11,900	16,300	26,400	32,040
% change	*0.2%*	*-6.5%*	*-42.4%*	*-28.3%*	*37.0%*	*62.0%*	*21.4%*
Affordability							
Mortgage payment	$1,190	$1,186	$1,356	$2,108	$2,645	$2,644	$2,697
Single-family	$1,484	$1,463	$1,735	$2,684	$3,317	$3,293	$3,328
Condominium/townhome	$839	$833	$993	$1,565	$1,930	$1,878	$1,908
Income needed to afford monthly mortgage	$57,100	$56,900	$65,100	$101,200	$127,000	$126,900	$129,500
Single-family	$71,200	$70,200	$83,300	$128,800	$159,200	$158,100	$159,700
Condominium/townhome	$40,300	$40,000	$47,700	$75,100	$92,600	$90,100	$91,600
Renter households able to afford a mortgage	200,101	200,866	178,079	99,539	158,870	159,127	152,454
Percent of renter households able to afford a mortgage	*41%*	*42%*	*36%*	*20%*	*17%*	*17%*	*16%*

In this report, Southeast Florida refers to the counties of Miami-Dade, Broward, Palm Beach, Martin, and St. Lucie where Miami Association of REALTORS® (MIAMI) members conduct most of their transactions. Market statistics can be found on [News - MIAMI REALTORS®]

1. Mortgage rates are likely to remain elevated at 6.8% in 2025 as the Fed adopts a cautious stance due to potential inflationary pressures.

The mortgage rate outlook remains highly uncertain during this transition phase from the Biden Administration to the Trump Administration. MIAMI Realtors® expects that the Federal Reserve Board will move cautiously in cutting interest rates as it waits for data to assess the effects of policy changes under the Trump Administration.

With this anticipated cautious stance, mortgage rates are likely to remain elevated in 2025, with the 30-year fixed mortgage rate averaging 6.8% in 2025, potentially rising to 7% in the second quarter before moving down to 6.5% in the last quarter of 2025 (vs. 5% by end of 2025 in the September 2024 Outlook Update). MIAMI Realtors® is building into the forecast a 0.25% rate cut in December 2024 and just two 0.25% rate cuts in the last quarter of 2025, bringing down the federal funds rate to a target range of 3.75% to 4.0% by December 2025 (vs. four 0.25% rate cuts in the September Update Outlook).

President-elect Trump has announced his intention to impose a 25% levy on all imports from Canada and Mexico and an additional 10% tariff on Chinese imports (on top of the 2018-2019 tariffs) to pressure these countries to control the flow of illegal immigrants and drugs.[1] However, according to a Brookings commentary, it is unclear whether these tariffs will come to fruition or whether they are a negotiating ploy to gain more concessions, with the US-Canada-Mexico Agreement (USMCA) up for review in 2026.[2] Nonetheless, this uncertainty will likely be priced in by the financial market.

Mexico is the US' largest source of imports, accounting for 15.4% of total US goods imports, followed by China at 13.9%, and then Canada at 13.6%, with a combined share of 43% of US total goods imports in 2023.[3] The US imports from Mexico and Canada include crude petroleum, lumber, cars and parts, produce, and beverage, while the US imports from China include consumer electronics, toys, and apparel.

The higher cost of lumber and energy and car parts could raise the cost of housing and transportation services which have been the primary drivers of inflation. In October 2024, the CPI rose 2.6% year-over-year, with the Shelter Index rose 6.8% and the Transportation Services Index increased 8.2%. The increased cost of lumber is likely to worsen the housing supply shortage.

If President Trump does impose tariffs, inflation could notch up temporarily, based on what occurred during the 2018-2019 tariff increases when then President Trump imposed tariffs on products such as steel, aluminum, and nearly all imports from China in a tit-for-tat tariff war. In 2018, the Personal Consumption Index rose to 2.0% from 1.7% in 2017 although inflation slowed to 1.4% in 2019.

However, the higher tariffs could also lower economic growth which could prompt the Fed to cut down interest rates as a countercyclical policy. In the wake of the 2018-2019 US-China tariff war, annual GDP growth slowed to 2.6% in 2019 from 3% in 2018, which prompted the FOMC to cut down the federal funds rate three times by a total of 0.75% in July, September, and October 2019.

[1] Trump ups the ante on tariffs, vowing massive taxes on goods from Mexico, Canada and China on Day 1 | CNN Politics
[2] Assessing Trump's proposed 25% tariff on imports from Mexico and Canada
[3] Country and Product Trade Data

2. Single-family sales will stay flat as mortgage rates remain elevated.

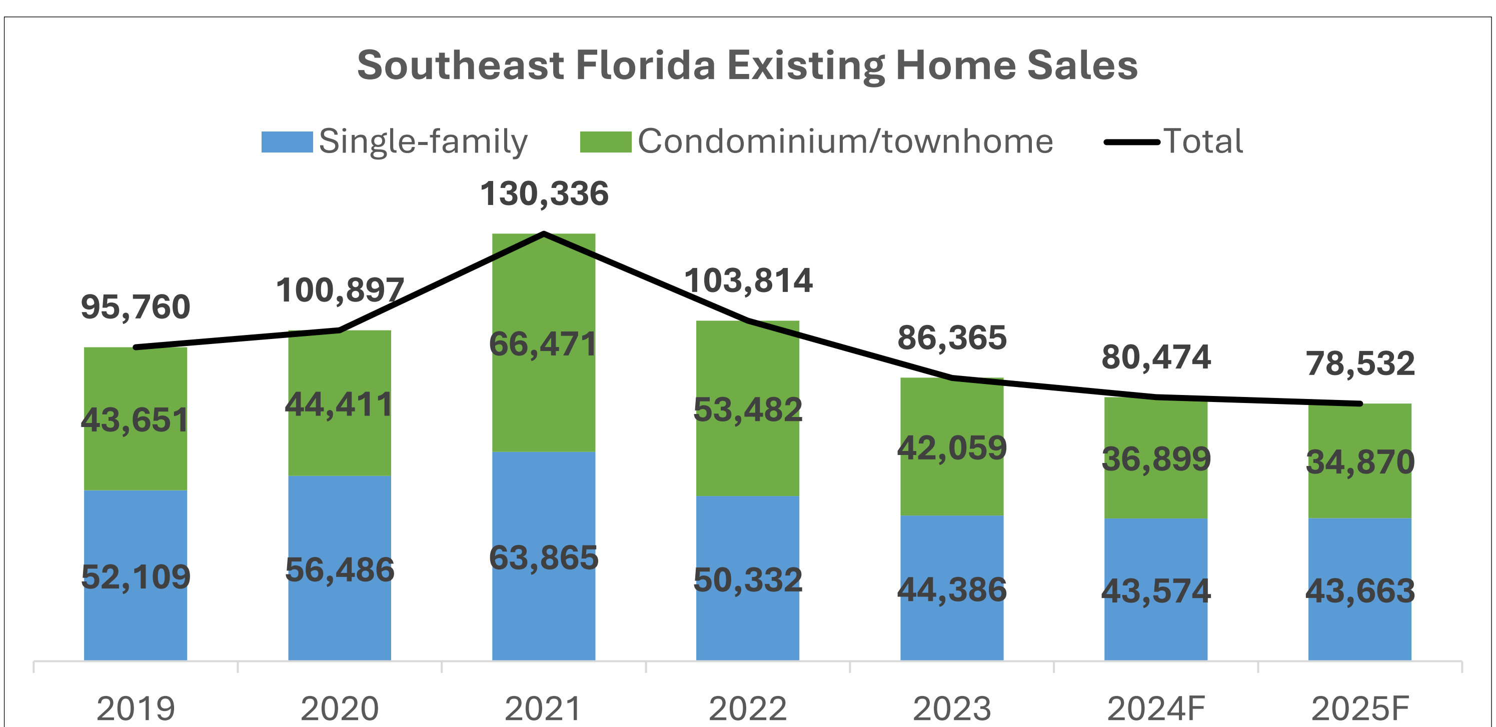
With mortgage rates remaining elevated, single-existing home sales are likely to remain unchanged (vs. 10% increase in the September 2024 Outlook Update).

While sales will remain flat overall, the first quarter and last quarters of 2025 could see home sales rebound while sales could fall in the second quarter. Home sales could slightly tick up in 2025 Q1 as interest-rate sensitive buyers take advantage of mortgage rates of below 7%. However, sales could slip again in 2025 Q2 – Q3 as mortgage rates notch up to 7% as inflation ticks up due to higher tariffs or inflation expectations build up due to increased likelihood tariffs will be imposed. Sales could pick up again in 2025 Q4 as mortgage rates decline towards 6.5% in anticipation of potential Fed rate cuts in the last quarter should inflation slow or should growth slow considerably. Overall, with mortgage rates remaining elevated, sales are likely to remain flat. In 2023 and through 2025, MIAMI Realtors® estimates that only 17% of renter households can afford a mortgage, down from 41% in 2019.[4]

The adverse impact of higher mortgage rates is evident in the decline in single-family sales during January-October 2024 as mortgage rates held at over 6.5% for most of the year. Over this period, single-family sales fell 2.4%, with sales down in nearly all markets except Miami-Dade: Miami-Dade (+1.2%), Broward (-2.0%), Palm Beach (-4.5%), Martin (-2.1%), and St. Lucie (-5.0%).

Condominium sales are projected to fall 7% as owners face the additional headwind of higher condominium assessments in compliance with the condominium building safety regulations passed in July 2022 (Senate Bill 4-D). Condominium sales from January-October 2024 fell 12.9% overall: Miami-Dade (-10.8%), Broward (-12.8%), Palm Beach (-16.2%), Martin (-6.1%), and St. Lucie (-8.1%).

The Building Safety Act (SB 4-D) mandates associations existing on or before July 1, 2022 to complete a study of their reserve funds by December 31, 2024 and to conduct milestone inspections on the structural integrity of buildings three stories or more that are 30 years old (25 years old for buildings located within three miles of a coastline) by December 31 and every 10 years. The University of Florida reported that 74% of condominium buildings in Miami-Dade, Broward, and Palm Beach counties were built in or before 1993.[5]



[4] Miami Association of Realtors® analysis based on a 10% downpayment and a mortgage payment to income ratio of 25%.
[5] Demetri Psarianos, "Cause and Effect of Florida's New Condo Law | Due Diligence | Business (ufl.edu)", University of Florida

3. Buyers will see a modest uptick in single-family home prices with mortgage rates remaining elevated and a mild increase in inventory.

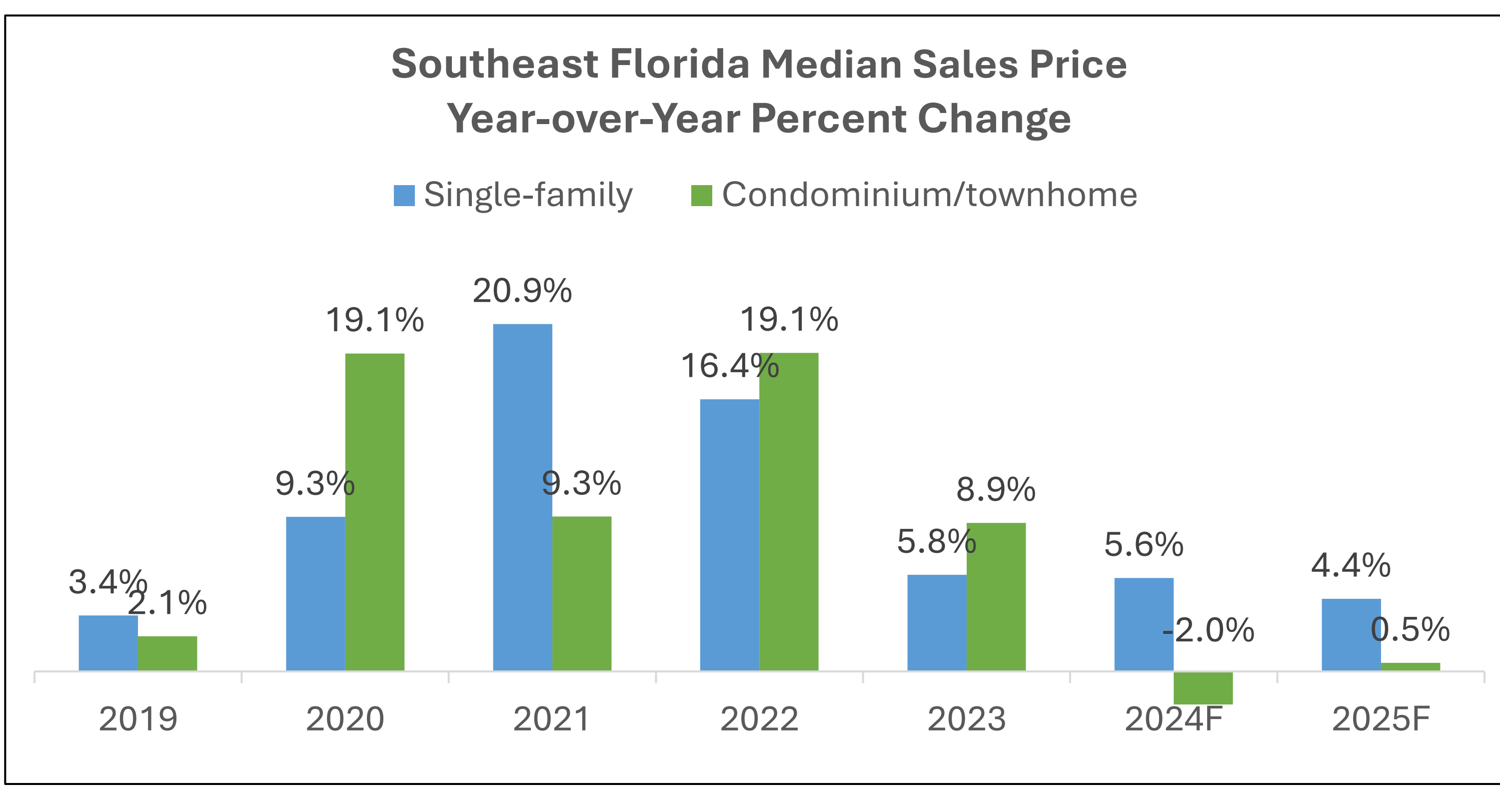
With mortgage rates remaining elevated, homebuyers will continue to see an uptick in prices but at a modest pace compared to prior years. Due to the cumulative impact of past price increase on affordability and the uptick in inventory of homes for sales, single-family home prices are projected to increase at a moderate pace of 4% in 2025 (vs. 6.1% in the September 2024 Outlook Update).

In October 2024, the median single-family sales prices rose on a year-over-year basis in all counties except Palm Beach County: Miami-Dade (8.5%), Broward (7.0%), Palm Beach (-0.2%), Martin (7.5%), and St. Lucie (2.0%).

Single-family sales prices have remained firm with inventory expected to hover at five months' supply in all counties, indicative of a nearly balanced market.

Condominium/townhome sales prices are likely to stay flat in 2025 (same forecast as in the September 2024 Outlook Update) due to a sharper buildup in inventory.

As of October 2024, active inventory was over six months' supply in Miami-Dade (11 months' supply), Broward (9 months' supply), Palm Beach (8 months' supply), Martin (7 months' supply) and St. Lucie (9 months' supply). Due to the buildup in inventory, the median condominium sales prices decreased in most counties in October 2024: Miami-Dade (2.5%) and Broward (2.7%) but dropped in Palm Beach (-3.2%), Martin (-6.8%), and St. Lucie (-5.1%).



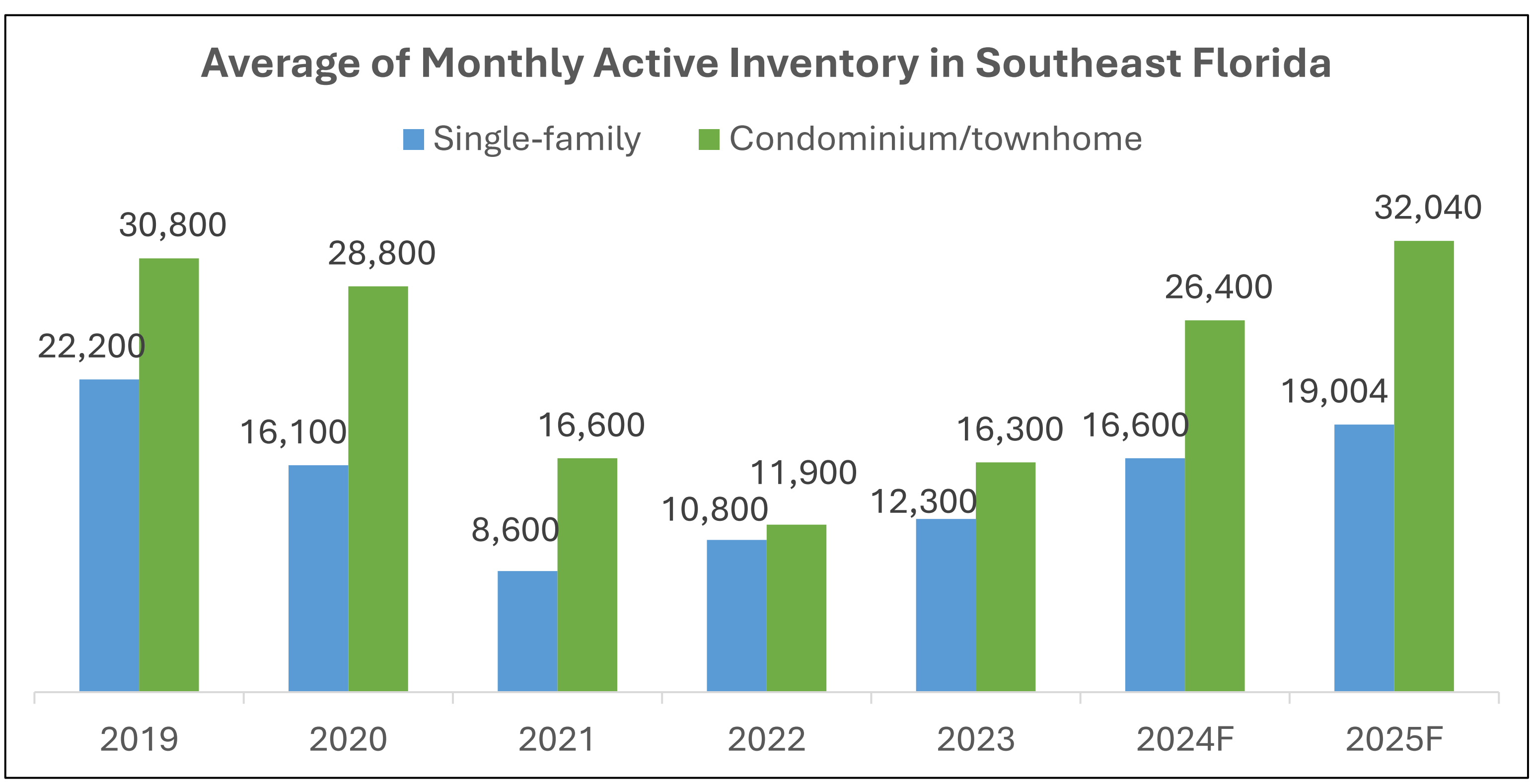
4. Inventory of single-family homes will increase modestly, with the tightest supply in the lower price tier and the most inventory in the million-dollar market.

Supply conditions will continue to ease in 2025 but only slightly. In the single-family market, months' supply will hover at 5 months' supply. This is because the elevated mortgage rates could discourage current homeowners from moving and selling (rate lock effect), so supply is not likely to build up sharply even as demand softens due to slightly higher mortgage rates in 2025. The active inventory of single-family homes is projected to average roughly 19,000 per month, up 14% from the level in 2024 but still 14% below the average monthly level in 2019.

In the single-family market, buyers will continue to encounter a lack of supply homes in the $600,000 and below price tier because only 30% of single-family listings as of October 2024 were at this price tier. With 3 months' supply of homes at the $400,000 to $600,000, properties continued to sell fast, typically in about a month.

At the same time, buyers will find the largest inventory of active listings in the million-dollar segment where million-dollar homes listed accounted for the largest share of active inventory as of October 2024 in Miami-Dade (42%), Broward (32%), Palm Beach (36%), and Martin (32%). This inventory will likely mostly be absorbed by out-of-state buyers who tend to have higher incomes than locals.

In the condominium/townhomes market, the average level of active inventory is projected to increase to 11 months' supply to an average monthly level of 32,000 homes, up 21% from the 2024 level and 4% above the pre-pandemic average monthly level in 2019.



5. High-income buyers and out-of-state movers will continue to drive sales.

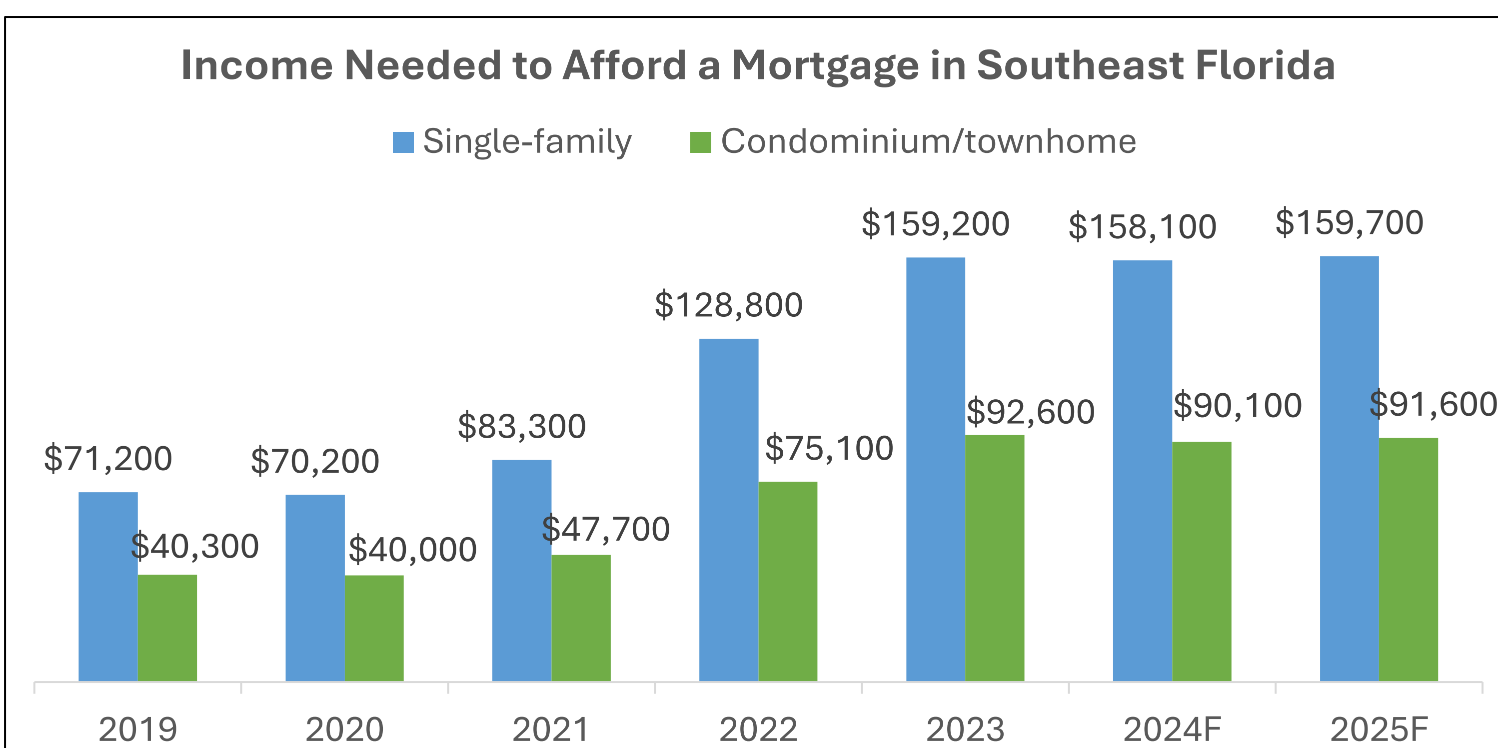
The large inventory of homes for sale in the upper price tier and elevated mortgage rates affecting affordability means that high-income buyers will drive the market in 2025.

In 2025, the household income needed to afford a single-family home in Southeast Florida's counties is estimated to be $159,700 while the income needed to afford a condominium/townhome is estimated to be $91,600.[6] Meanwhile, the average household income of a 2-earner family earning average weekly wages in the Miami-Fort Lauderdale-West Palm Beach Metro area as of October 2024 is $108,944 based on an average weekly wage of $1,047. Only 17% of renter households are estimated to afford a home.

Million-dollar home buyers have taken up a higher share of single-family sales since 2019. During January-October 2024, Palm Beach County had the highest share of million-dollar home sales, at 25% (7% in 2019) followed by Miami-Dade County at 23% (8% in 2019), then Martin County at 20% (6% in 2019), and lastly Broward County at 18% (5% in 2019).

Wealthier buyers tend to be from out-of-state. MIAMI's analysis of Internal Revenue Service migration data shows that households who moved to a Southeast Florida county in 2022 from another Florida county, another state, or from abroad had higher income on average than households who moved out of the county or lived in the same county. Households who moved to Palm Beach County had the highest average income at $260,100 followed by Martin County at $209,600. In Miami-Dade County, the average adjusted gross income of households who moved to the county was $175,600, which is 78% higher than the average income of households who left the county ($98,800) and 79% higher than the income of households who lived in the same county ($98,100).[7]

Miami-Dade County continues to experience higher migration levels from high-cost states like New York, California, and Illinois compared to the pre-pandemic level, using driver license exchanges as an indicator. Out-of-state driver license exchanges rose in 2024 Q1-Q3 compared to the same period in 2019 among New York (+33%), California (+54%), and Illinois (+30%) driver license exchanges.[8]



[6] Miami Association of Realtors® analysis based on a 10% downpayment and a mortgage payment to income ratio of 25%
[7] Income-Flows-from-Migration_2019_2022.pdf
[8] Miami-Dade County's Out-of-State Driver License Exchanges in 2024 Q1-Q3 are Up 20% from Pre-Pandemic Level - MIAMI REALTORS®

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