

Investors are gobbling up homes in South Florida like never before. What does that mean for average homebuyers?

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Investor purchases of single-family homes shot up this year, bringing more competition for the average homebuyer in an already tense housing market.

Data from RedFin shows that investors bought anywhere between 16% and 27% of homes sold in South Florida during the fourth quarter of 2021. On a national level, they accounted for 18.4% of homes bought in that same time period, which is a record high.

According to RedFin, investors might be individuals, others are registered under LLCs and some are larger multinational private firms.

“The local homebuyer is really in a pinch,” said Sheharyar Bokhari, economist at RedFin. “If someone is coming from New York that has more money and a bigger budget and there are investors coming buying in cash that will also outbid them, it makes it more difficult for the local buyer to compete.”

In West Palm Beach, 16.1% of homes sold in the fourth quarter went to investors, a 12% increase from the year before. In Fort Lauderdale, the number is 21%, a 44% increase from the year before.

Where are they buying and why

For investors, over 70% of their purchases are single-family homes, RedFin data shows.

Not only are there just more single-family homes available, but the pandemic caused a shift where most consumers preferred single-family homes over condos due to more space and the ability to work remotely almost anywhere, explained Bokhari. For some folks, the goal is to flip the house and move on, but for others, it’s about renting the properties out.

Despite the housing market soaring, purchasing a house as an investor is still a good investment, as the housing shortage is here to stay, Eli Beracha of Florida International University’s Hollo School of Real Estate, said.

“The housing shortage isn’t going away anytime soon. You can still borrow cheaply and it looks like inflation is going to stay higher than average for some time. You can increase rents at a faster pace than you do usually. And it’s a combination that allows investors to get good returns even though prices are not low,” Beracha said.

Also, many investors believe that it will be a while before the South Florida markets starts to cool down, making it a good place to invest, said Kaley Tuning, with Native Realty.

For the most part, investors stay away from purchasing luxury or higher-end homes, instead buying ones that are lower- or mid-price, because the profit margin will be larger.

And it shows in the data: The overall median sale price in the South Florida area is \$405,000, according to numbers from RedFin. Yet the median sale price of a home purchased by an investor was lower in all three counties. In Miami, it was \$360,000; in Fort Lauderdale it was \$307,000; and in West Palm Beach it was \$365,000.

There could be some benefits for renters who are looking to get into a single-family residence, as many are turned into rental properties at market rate, which opens up the pool of single-family homes that families could get into without having to buy.

“It benefits [renters] in terms of the selection that is available. With so many investors buying up single-family homes, it opens up that market,” Beracha said.

The affordability factor

It’s already hard for some buyers to compete in a market where inventory is dwindling and many out-of-state buyers are offering thousands over asking price.

Many of the homes that investors purchased are on the lower- to mid-priced range, which adds more competition for the average middle-class buyer trying to buy a home, first-time homebuyers, and buyers who have spent years trying to save up for a home.

“Investors either already have the cash or they already have the financing in place, and because they have a better change of closing the deal, and they have a stronger offer with higher deposits and faster closing, a seller would rather sell to those,” Beracha said.

Seeing a rise in cash offers

Cash deals have taken off during the pandemic housing boom as well.

According to the latest numbers from the Broward, Palm Beaches and St. Lucie Realtors, cash deals soared 40% in February in Broward County, while cash offers jumped 13% in Palm Beach County.

For buyers who fall into the lower- or moderate-income range, it’s difficult to compete in a market where cash deals are soaring, making it incredibly discouraging for families who are trying to get into a home, experts said.

Buyers who’ve spent years trying to cobble together enough money for a purchase often aren’t able to get the home they’ve been hoping for,” said Kirk Brown, the CEO of HANDY, a nonprofit in Broward County that works to meet the needs of foster care children and those who have been placed in relative/nonrelative care in Broward County.

“They are now forced to live as renters,” said Brown. “I think the common thing is that we are having to send people out of the community to other places.”

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Something they are seeing is that many investors are making the units they are buying unaffordable to the people who are living in those neighborhoods.

“When they do rent them, the units just aren’t affordable,” added Linda Taylor, CEO of HOMES in Broward County. “What inventory we do have just isn’t affordable to people making \$40,000 a year.”

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