

Property Prices in Florida Just Keep Going up – True or False?

Property owners in the UK have now experienced a fairly consistent period of growing property prices. Sometimes the growth has been moderate, sometimes – and in some parts of the country in particular – it has been very fast indeed. A large portion of the increased spending power of many families is funded by the rising value of property over the years since the previous generation climbed the first steps of the property ladder.

Consequently, the current generation of British homeowners could be forgiven for assuming that property prices simply keep on rising; it's just what they do. And it's no surprise that when they look at property further afield, British buyers often assume that the same unwritten laws apply in other countries too.

However, such assumptions can be dangerous when considering buying property in Florida. There are enough underlying similarities to make the careless buyer think they are just getting a great deal on amazing properties – but also enough differences to recommend that the careful buyer does their research and enters in to any purchase with their eyes fully open.

Clearly, the future resale value of a property is an important consideration for the vast majority of buyers. Just how important depends on how you intend to get value from your property while you own it. Do you expect to live in the property for a long time, or is this something you want to do for a specific phase of your life? Do you expect to sell up in the foreseeable future, or are you more likely to rent the property out?

Directly and indirectly, property prices impact on all kinds of things – like mortgage rates, rental values and your eventual return on investment; so all property owners have an interest in what path they follow.

So – is it true that property prices in Florida just keep going up and up?

The simplest, broadest historical answer would have to be “yes” – but that has to be immediately qualified by saying that this does not guarantee that this is a trend that will be universally true for all properties all over Florida for all time. There are many factors that will affect the value of your Florida property over the next few years – some of them are very large scale and outwith our individual control, others we can influence ourselves.

Broad Similarities

As in the UK, the Florida property market has recently gone through a period of rapid price increases driven by demand in key areas. In both countries, the developers have responded to the demand by building new homes in record numbers – and the signs are now pointing to an overall

slow-down in both supply and demand, with fewer plans in place for new developments, and a flattening of the price increase graph.

Increases in mortgage rates are expected to have an ongoing effect on demand, and predictions for the immediate future are for steady growth in property values – but at a substantially lower rate than in recent years.

Not everyone thinks this is a bad thing. For property owners looking at the long term, an ongoing steady increase in the value of their property is often preferable to the boom and bust cycles that can leave them very uncertain as to their financial security. And for new buyers, slow steady growth means they can take the time necessary to make a considered decision about buying property in Florida without the added pressure of rapidly-increasing prices all around them.

The value of property in the USA is in general tied to the local job market – just like the UK, where the economic draw of the South East has led to recent dramatic price increases. Across the whole of the USA, the last overall drop in property values came in the Depression, when unemployment was as high as 25%. Since then, the overall trend has been for more jobs with higher average incomes, resulting in a long period of sustained increase in property values.

Of course, the devil is in the detail, and – just as in the UK - not all areas of the country have enjoyed the same increases. Indeed, even within Florida itself, there are important regional differences that you need to be aware of when considering a property purchase there.

Local Differences

Some of the factors under consideration may seem at first to be very general. For example, an adjustment of the value of the dollar against the pound, or an increase in the cost of aviation fuel will affect much more than the price of property in Florida. However, when you consider the significance of Florida as a destination for British holidaymakers, who all arrive by air – the impact of these changes is magnified disproportionately on the Florida property market. While no-one is predicting a dramatic drop in property prices, the combination of these general factors with local situations suggest that potential buyers should keep a watchful eye on values across the State.

For example, the Orlando area has seen a recent dramatic rise in the number of British-owned properties. A large proportion of these were bought during a period of booming prices, funded by mortgages that were calculated on optimistic occupation levels.

It is likely that in the near future, these owners will have to lower their expectations, especially if factors such as the aforementioned exchange rates and travel costs result in significantly reduced visitor numbers (and rental incomes). Under these circumstances, many of these owners may

choose to bail out of the market, creating a glut of rental-level properties and no doubt impacting on values.

It is also fair to say that there have been large numbers of rental properties purchased in popular areas across Florida without enough thought given to the effect of the increasing competition. This has created a large pool of attractive properties – some of which again may become available at lower than expected prices if their rental income cannot cover the owners' costs.

Finally, at a very local level, a potential buyer might be well advised to pay careful attention to local zoning regulations. For example, although zoning restrictions on rental properties are not uncommon, some areas even have restrictions on things like swimming pools. Understanding the relationships between neighbouring zones – or identifying unique properties that (legally) provide a solution to local zoning restrictions can give you an immunity to price fluctuations based on trivialities such as fuel costs and exchange rates!

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