

Homebuyers face stiff competition in South Florida as northerners arrive — with cash

By DAVID LYONS
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Alan Schwartz and his wife pose for a photo in their rental apartment in Boca Raton on Thursday, Feb. 25, 2021. Schwartz, who opened the wealth management firm Mondeum in Miami, is looking for a single-family home in Boca Raton with a garage and a front door that opens to the great outdoors. The search has been an uphill task. So for now, he and his wife are renting in Boca West. (John McCall/South Florida Sun Sentinel)

As homebuyers jostle for a dwindling supply of houses in South Florida, local bidders are finding themselves in a growing competition with out-of-state people who are offering cash on the spot.

Brokers are astounded by the increase in out-of-state inquiries pouring into their offices in Florida.

They describe how local buyers have lost out to COVID-driven buyers from New York and other northern states. Many callers on the other end of the line have a pile of cash ready — often the fruit of higher-priced house sales in their hometowns.

For the seller, “it’s a no-brainer — you go with the cash deal,” said Ken Johnson, a real estate economist at Florida Atlantic University. “That’s going to squeeze out locals using financing. You’ve got somebody else using cash.”

Couple that with a diminishing supply of homes to buy in South Florida, and the search for a new home “is getting tougher for everybody,” Johnson said. “Nationally the number of existing homes on the market has fallen off tremendously.

“That uniformly transfers to Florida. I wouldn’t want to be buying right now.”

Increasing demand

Since the coronavirus pandemic **severely crippled the nation’s economies** last March, prices for single-family homes have spiked and the supply has dwindled.

“I’m amazed by the number of New Yorkers who are moving here permanently,” said Craig Studnicky, CEO and president of the Related/ISG brokerage firm in Miami. “They’re not just buying second homes. This isn’t just normal winter traffic. It’s the most dynamic market I’ve ever seen. These are prominent homeowners moving here permanently. I’ve never seen this in South Florida before.”

It has created fierce competition.

Earlier this month, Redfin, the online brokerage firm, said offers made by its brokers are being increasingly challenged in bidding contests. The company said 56% of Redfin home offers faced competing bids last month, the ninth straight month that more than half of the firm’s offers were challenged. In the Miami area, the figure was 43.7%, up from 37.5% in December.

“With so few new listings hitting the market, I expect bidding wars to become more common and involve even more potential buyers as we head into the spring homebuying season,” Redfin chief economist Daryl Fairweather said in a statement

Studnicky is not only hearing from New Yorkers who are moving to Florida, but from people who live in Oregon, California, Ohio and Illinois — all places not known for driving large numbers of homebuyers to South Florida.

“People are grabbing everything they can get,” Studnicky said. “A year from now we’ll have the same conversation about condos that we’re having about houses now.”

But some new arrivals don’t believe they have an upper hand. Two New Yorkers interviewed by the South Florida Sun Sentinel are bringing new businesses to the area — one in financial services and the other in technology. And they’re not trying to take the market by storm.

They are taking their time with their searches, waiting for the right opportunities.

Alan Schwartz, who opened the wealth management firm Mondeum in Miami, is looking for a single-family home in Boca Raton with a garage and a front door that opens to the great outdoors.

The search has been an uphill task. So for now, he and his wife are renting in Boca West. “The prices that people were paying just didn’t make sense,” Schwartz said. “We were fortunate we knew someone who renovates in Boca West. We literally took it last month and we just came down yesterday. It’s bigger than our apartment in Manhattan but far smaller than we hoped. We hope in the next year to find something to buy.”

Michael Stone, a Manhattan-based staffing recruiter for technology companies, is opening an office for his firm, Stone Search, in Fort Lauderdale. He is in the process of selling his place in New York.

“I’ve been actively looking for a home in Florida,” he said. “I’m going to spend my winters there and live in the summer in the Hamptons. Finding a home is a big problem for everybody.”

Stone has immediate family in Boca Raton and in Parkland and would like to live near them. He has looked from Fort Lauderdale’s Victoria Park to Pompano Beach to West Palm Beach and deployed several brokers to help hunt for a townhome to house himself, his husband, a dog and a car collection.

Florida, he said, is “just a better lifestyle, an easier lifestyle. The winters can be so brutal.” The prices, he added, are “inflated right now.”

Other newly arrived businesses are adding to the demand for housing as they bring employees with them or create new positions. The Miami Downtown Development Authority announced Friday that more than a half-dozen firms are coming to town, creating new jobs — and more than likely additional housing requirements — for 700 people.

Jaime Sturgis, CEO and founder of Native Realty in Fort Lauderdale, a commercial real estate firm, said most of his clients are “by and large from New York,” with others coming from New Jersey and California.

“Many are permanently relocating their headquarters down here,” he said. “We’re also seeing a fair amount that are moving down here for investments, as well, in both residential and commercial.”

Sturgis said he recently received an unsolicited offer for his home, which isn’t even on the market. He didn’t accept it.

Moving to the Sunshine State

Real estate associations and other industry leaders say Florida home sales during the pandemic have been fueled by record-low mortgage rates and a desire by out-of-state residents to escape higher taxes and live in bigger, greener spaces in Florida.

“Homebuyers, particularly those from tax-burdened northeastern states, are purchasing in sunny South Florida and looking for larger spaces for working and schooling from home,” JTHS-MIAMI President Bill Mate of Jupiter said in a recent statement.

Single-family home prices in Broward County increased 12.2% year-over-year in January 2021, rising from \$374,450 to \$420,000. Existing condo prices jumped 22.9% year-over-year, from \$170,000 to \$209,000, according to the Miami Association of Realtors and Multiple Listing Services.

Strong demand coupled with limited supply continue to **drive prices upward in Palm Beach County**, the association said.

Single-family home prices in the county rose 16.3% year-over-year in January, increasing from \$363,000 to \$422,000. Existing condo prices increased 12.3% year-over-year, from \$195,000 to \$218,900.

Sturgis said the pandemic-era spike in prices can't be entirely placed at the doorsteps of New Yorkers.

"It's not all of their fault, so to speak," Sturgis deadpanned.

In fact, Florida was not the prime destination of New Yorkers on the move during the pandemic, according to an analysis published in December by the National Association of Realtors.

Of the 8.9 million people who moved nationally since March, it was U.S. suburbs that gained the most movers. Using U.S. Postal Service data, the analysis placed most New Yorkers on the move in the borough of Brooklyn, the Hamptons on Long Island, and in Jersey City, N.J.

Buying a bigger home

South Floridians are moving around the region, too, as many are working from home.

"There are a lot of people relocating locally — especially people in condos or apartments — and they realize if they are going to spend so much time at home they want a bigger place," he said. "Priorities have changed a little bit."

And so a thinning of inventory at various price levels is slowing the pace of sales for single-family homes, industry officials say.

They expect that the pool of houses for sale will expand later this year as the number of housing starts increases and previously reluctant sellers place their homes on the market.

Meanwhile, many out-of-towners are turning to condos, said Todd Richardson, vice president of sales and marketing for Group P6, which is selling luxury condos at the Royal Palm Residences near the Intracoastal Waterway in Boca Raton.

"Three of my last four buyers are from New York and before that we didn't have any," Richardson said. They came from Long Island in mid to late January.

"They're all friends," he said. "They have families. They were full time in Long Island and are all moving to Boca Raton."

“Ever since January it’s been more of a Northeast buyer,” he said.

Prior to that, inquiries came from people living in local country club communities who were looking to downsize their homes.

He said New Yorkers in their late 50s and early 60s are the ones heading south. “The timeline has been accelerated on retirement, if you will. It just seems on the surface that’s what’s happening.”

Richardson suggested that people who might be looking to sell their single-family homes might become stuck if they cut a deal now. “The inventory on the houses is gone,” he said. “If you sell your home, you get a great number for it. But where do you go after that?”

A short-term trend?

Not everyone is convinced that the southbound surge from New York and other Northeast states will emerge into a long-term phenomenon.

Vanessa Grout is CEO of the real estate arm of Miami-based OKO Group, which was founded by the Russian billionaire developer Vladislav Doronin. She called the movement to Florida “temporary.”

OKO currently has high-rise condo and office tower projects in Miami, and several others in Moscow. It also **acquired 7 acres of land south of the New River in Fort Lauderdale**, although it has yet to publicize what it intends to build there.

“I know Miami is as extremely popular as it’s always been,” Grout said by telephone from New York, where OKO has a luxury residential and hospitality project under way in Manhattan. “Buyers are coming down in droves to establish Miami as a potential home. The urgency is real and buyers are coming down in a relative panic to find the perfect property.”

Yet, she’ll allow only that “it’s an interesting pattern we should all keep our eye on. We can’t make any conclusions from this.”