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Housing Market Soars in 2020 Despite the Pandemic

Naples, Fla. (February 9, 2021) – Like many industries, the Naples area real estate market was tested in 2020 when the COVID-19 pandemic hit and shuttered businesses in every community. Fortunately, real estate professionals obtained essential-service designation from the state. The effects of the pandemic negatively impacted the housing market during March and April, two-months that historically have been the best months for home sales during the year. As lockdown restrictions began to loosen, pent up demand for homes in Naples resulted in more homes sales during the second half of the year than during the first six months, a phenomenon broker analysts admit has never occurred in the history of Naples real estate.

“Because of the lockdowns up north, our market experienced a 38 and 54 percent drop in pending sales during March and April [respectively],” reported Mike Hughes, Vice President of Downing-Frye, Realty, Inc., and a panelist at the Naples Area Board of REALTORS®’ 2020 Year-End Market Conference on February 2, 2021. Hughes shared the virtual stage with Budge Huskey, CEO, Premier Sotheby’s International Realty; Adam Ruud, Broker, Domain Realty; and Jeff Jones, Broker at Keller Williams Naples.

“It wasn’t until May that I realized ‘the sky isn’t falling,’” said Hughes. “REALTORS® adapted quickly and became better at marketing using FaceTime, virtual tours and other creative ways to show properties. It paid off because according to the annual report, pending sales in Naples had an incredible run from July to December, with an average of 1,400 pending sales during each of those months.”

Hughes pointed out that there were 7,104 pending sales from January through June, but 9,150 from July through December. “I’ve never seen this type of improved activity in the second half of a year. We were certainly in uncharted waters in 2020.”

Pending sales for 2020 increased 28.8 percent to 16,254 pending sales from 12,623 pending sales in 2019. “These results speak volumes to the resiliency of the industry, to REALTORS® in our area, and to the desirability of our local market,” added Hughes.

Discussing closed sales for 2020, Adam Ruud began his presentation by stating, “Back in March, we faced extreme uncertainty; but REALTORS® thrived in the midst of a goliath-like challenge, and the Naples housing market emerged as the catalyst and backbone of what was an uncertain economy.”

Closed sales for 2020 increased 19.4 percent to 12,300 closed sales from 10,302 closed sales in 2019. “Closed volume for the year was also remarkable,” added Ruud, “There was a 41 percent increase in closed volume year over year, which equated to a remarkable increase from \$12.9 billion in 2019 to \$18.2 billion in 2020.”

Looking at a quarterly analysis of closed sales during 2020, the annual report showed that the first quarter had an increase of 21.1 percent in closed sales, while quarter two had a decrease of 29.4 percent. Ruud pointed out that “as Mike Hughes mentioned, the housing market rallied during the third and fourth quarters, and we had increases in closed sales of 40.6 percent and 55.5 percent [respectively].”

“Even facing many unknown challenges during the second quarter, we saw incredible efforts to close transactions despite many lockdown obstacles and economic uncertainty, which further proved to me the amazing resiliency and desirability of our area’s housing market,” said Ruud, who went on to add, “No one expected us to surge past 2019 sales levels in the third and fourth quarter like we did. It’s been nothing short of remarkable. In fact, October was the top month for closed sales in 2020, with a 65 percent increase in closed sales compared to October 2019.”

Closed sales of homes priced \$2 million and above outperformed all other price points tracked by NABOR® in 2020. With a notable 62.4 percent increase over 2019, Ruud said, “the luxury housing market in Naples proved to be an investment of choice in 2020.”

Looking at closed sales historically, Ruud pointed out that the desire to experience the coastal lifestyle has been growing in demand for many years as our data shows only 3,973 closed sales in 2007 compared to a whopping 12,300 closed sales in 2020.

Discussing home prices in Naples, Budge Huskey said, “while median prices in our area increased significantly [11.4 percent overall], this wasn’t out of line with what was witnessed on a national basis because NAR [National Association of Realtors®] reported that median closed prices in America went up 12 percent during 2020.”

“We have been beneficiaries of a tragic event that just accelerated real estate across the board in Florida,” he added. For perspective, Huskey added, “Average sales prices in the area rose 16.1 percent. I think all would agree that an increase of roughly \$100,000 in one year in average sales price in any market is extraordinary.”

Median closed prices for single-family homes in the Naples Beach area saw the greatest leap in 2020 with an increase of 27.1 percent. “This was due to unprecedented demand in high-end real estate. These are the people who are affluent, can move quickly, had the capital, and they took advantage of it in 2020,” added Huskey.

Affirming what other presenters had already said, Huskey agreed that the second half of the year performed much better, which, according to Florida Realtor® data, resulted in a 142 percent increase in closed sales of homes over \$1 million in Southwest Florida. “With active listings expected to decrease in 2021, there isn’t a reason to suggest we won’t continue to see upward pressure on prices. The good news is that we will continue to be the beneficiaries of high demand this year, with also expected higher average sales prices.”

“If there’s one thing that is kind of a harbinger of possible issues in the future, it’s inventory,” said Jeff Jones. “A year ago we had 7.2 months of supply, and at the end of 2020 we are at 3.1 months of supply. We’ve gone from a balanced market to clearly a sellers market in one year.”

Because of the popularity of single-family homes, that sector of inventory decreased 58 percent in 2020, while the condominium inventory decreased 41 percent. “The patterns of consumption are showing us that people are migrating to single family homes,” added Jones. “However, as we moved on toward the end of the year and it became very difficult to find single-family home options, people continued to want to be here so we saw condominium sales exceed single-family home sales during the fourth quarter.”

Looking at inventory over the last 10 years, Jones pointed out that despite a 57 percent decrease in inventory levels compared to 2019, there were 15,604 new listings added in 2020. “This was the third highest increase in the last 10 years. In fact, the highest number of new listings have occurred in the past three years,” noted Jones. “This tells us that we don’t have a low supply issue necessarily; what we’re facing is definitely a high demand issue.”

The NABOR® **YE 2020 Market Reports** provide comparisons of single-family home and condominium sales (via the Southwest Florida MLS), price ranges, and geographic segmentation and includes an overall market summary. NABOR® sales statistics are presented in chart format, including these overall (single-family and condominium) findings:

CATEGORIES	YE 2019	YE 2020	CHANGE (percentage)
Total closed sales (year/year)	10,302	12,300	+19.4
Total pending sales (homes under contract) (year/year)	12,623	16,254	+28.8
Median closed price (year/year)	\$332,000	\$370,000	+11.4
Average closed price (year/year)	\$593,683	\$689,162	+16.1
New listings (year/year)	15,447	15,582	+9
Total active listings (inventory)	6,163	3,140	-49.1
Months supply of inventory (at year end)	7.2	3.1	-56.9
Average days on market	101	91	-9.9

The broker panelists agreed that the Naples area housing market soared in 2020 despite the pandemic due to the appeal of the Naples area climate and lifestyle, and record low mortgage rates.

Conference moderator, NABOR® President Corey McCloskey, proposed a series of questions to the panelists.

Q: How did COVID affect the 2020 market?

Adam Ruud: “A lot of things have emerged because of COVID, including how we use our homes and where we live. I think it’s enhanced the importance of homeownership.”

Jeff Jones: “Because of COVID, we have found that we can work from anywhere. This has driven a great migration to our area.”

Mike Hughes: “At the start of 2020, we had no idea that this virus was going to impact our market. Within two and half months, the market turned on a dime. On the positive side, we saw how well our industry adapted. Every year has challenges, but what really defines us is how you handle those challenges. I think the membership did a great job adapting in 2020.”

Budge Huskey: “The psychological and behavioral impact the virus had on people was significant. Faced with possible loss of loved ones and money tied up in things they couldn’t enjoy and didn’t truly impact their lives caused many people to ask ‘What am I doing?’ It was the people who said ‘one day, I’ll do this’, that reacted to the virus most, and it compelled those people to finally take action in 2020. The virus has people rethinking the priorities in their lives, and many felt ‘being with my family in a beautiful place rather than making more money’ was what really mattered.”

Jeff Jones: “Efforts from Florida Realtors® to get us named as an essential service at the onset of the pandemic so we could operate freely, with caution, in the market helped us tremendously in 2020. Many REALTORS® in other states did not have this opportunity.”

Q: Where did the bulk of real estate activity take place in 2020?

Budge Huskey: “This was a broad brush as every sector benefited. The higher the price, the higher the increase in sales year over year. Yet while the base of the market was strong, the high end was exceptional. We also saw an uptick in buyers from more western states like Texas, Arizona, and even Alaska last year, which is a big change from our traditional Midwest buyers.”

Jeff Jones: “New construction saved us from complete inventory meltdown in 2020. In our rural estates area, we continue to see a lot of new homes being built.”

Adam Ruud: “We only see a fraction of data from new construction, but it’s a very powerful part of our market.”

Mike Hughes: “I was surprised to see more East Coast Floridian buyers in the Ave Maria area who wanted to avoid density. But unlike other buyers, they didn’t end up working remotely, they just became commuters.”

Q: What do you think stood out in the housing market in 2020?

Budge Huskey: “What stood out for me was the first quarter. Ultimately, we are trying to figure out what ‘normal’ should be. If we look at the increase in sales in the first quarter [21 percent] that was a level of activity that was not witnessed in most other markets of the state, or for that matter, in our country. So, we were off to the races before COVID hit. I feel more bullish that once we are over this – as we were witnessing a level of desirability and demand that was not necessarily artificial or accelerated – this momentum will continue.”

Mike Hughes: “It’s interesting to see how the local real estate market intertwines with the local economy. Recent headlines said furniture stores are struggling to keep up with demand. That’s just one industry. When real estate drives the economy in an area, it has a positive ripple effect. We really saw this in 2020.”

Q: What advice can you give to homebuyers and sellers in this market?

Mike Hughes: “With a tight inventory, if you’re a homebuyer you have to be prepared to move quickly. Multiple offers are happening and are not rare so going in with a lowball offer is not a good strategy. You must present a realistic offer. If you’re a cash buyer, this helps your offer and gives you a competitive advantage. For

sellers, with our tight inventory, if you haven't listed, your timing is wonderful. We're trying to find you. Right now, the stock market is at an all-time high, but if this changes, real estate will always be a great investment.”

Jeff Jones: If there was ever a better time to have a relationship with a REALTOR® to help you manage your expectations in this market, now is the time. We have issues with appraisals, issues with prices on the rise, and issues with demand making inventory go down. A REALTOR® can help you understand the market we are in, help you with your needs and wants, and help you manage your expectations on how to make an offer and proceed through a contract.”

If you are looking to buy or sell a home in Naples, contact a Naples REALTOR® who has the ability to provide a virtual showing, an accurate market comparison, or negotiate a sale. A REALTOR® can ensure your next purchase or sale in the Naples area is a success. Search for your dream home and find a Naples REALTOR® on Naplesarea.com.

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