

What impact will Hurricane Ian's damage have on Sarasota-Manatee real estate?



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Sarasota-Manatee's real estate market had already begun to turn before Hurricane Ian whipped the area with screaming winds and heavy rain, disrupting life and damaging or destroying property.

Still, the area was spared the worst of Ian's perils and — according to local real estate experts — could prompt displaced residents of Lee and Collier counties to seek properties here while their homes are rebuilt.

Also, people who were seeking to buy real estate in Fort Myers and Naples may now instead look to Sarasota and Bradenton, strengthening sales here, although experts doubt the market will bear steep price increases, since interest rates earlier this year started cooling the red-hot market.

Demand for housing could also rise from workers pursuing jobs in construction as the region rebuilds from Ian. The combined pressures are likely to lead to higher rental rates for the Sarasota-Manatee market, according to building industry experts, a local economist, affordable housing advocates and real estate professionals.

Compounding affordability issues in the Sarasota-Manatee area is that the worst damage in Sarasota and Charlotte counties from Ian occurred where much the remaining affordable housing options existed in the region.

Local service workers and moderate income residents have been on the ropes since rent prices skyrocketed in the area last year, but Ian could be the punch that knocks them to the canvas.

"Ian is the knockout blow" to affordable housing, said Gulf Coast Community Foundation senior vice president Jon Thaxton. Thaxton said the damage inflicted in the North Port and Port Charlotte area will have ripple effects throughout the Sarasota-Manatee real estate market at an already tough time for some of the most vulnerable residents in the area.

From the job losses during the COVID-19 pandemic to drastic rent hikes experienced in 2021 and into this year, the area's more moderate-income residents have found it increasingly difficult to live along this stretch of the Gulf coast.

He said that the market-driven housing developments that have sprung up for the past 25 years in Sarasota have not provided places to live for the service workers needed for Sarasota-Manatee's tourist-driven economy. Thaxton said that most of the affordable housing options still available were located in south Sarasota County or Charlotte County, both among the hardest hit areas in the state by Ian. "The kicker is they have absolutely zero resources to respond to the situation," he said.



Video of Hurricane Ian flooding near Arcadia, Fla.

A man from Louisiana took reporter Chris Anderson on his airboat Saturday, Oct. 1. This is video from a small creek that flooded near Arcadia, Fla. by County Road 661, the north entrance into town. *Chris Anderson, Sarasota Herald-Tribune*

But even in North Port, the median home value has nearly doubled since 2017, when the price for a single-family home was about \$200,000. By this past August, the median sales price for a home in North Port had grown to \$385,000, according to data maintained by Realtors of Punta Gorda, Port Charlotte, North Port, DeSoto Inc.

The affordable housing options were in older neighborhoods less prepared for the storm, with outdated storm-water management systems and older structures more likely to sustain damage during a hurricane. Thaxton said that the long-term economic forces pushing residents with lower incomes into older neighborhoods in flood-prone areas was a disaster waiting to happen. "If we wanted to script a disaster," he said, "we couldn't have done it better."

Chris Jones, founder of Florida Economic Advisors and a faculty member at the University of South Florida, agreed that affordable housing is "challenging for every jurisdiction in the state," as Florida continues to see population migration, which then drives rents higher. However, the overall real estate market in Sarasota-Manatee will likely see a boost from the residents needing to repair properties temporarily relocating to the area. Storm damage, especially flood damage, can take months to repair. Given the widespread damage in Florida, construction workers will also be at a premium, possibly lengthening the time for repairing properties and bringing an influx of more people.

Jon Mast, chief executive at Manatee-Sarasota Builders Association, said the rebuilding effort from Hurricane Ian will take years, which will cause disruption to the construction industry's labor market as well as creating a "materials crisis" for local contractors as storm damaged properties vacuum up plywood, concrete and other building supplies that would have instead went to building new projects. The impacts on materials could be delayed, since many contractors had been dealing with COVID-related supply chain snarls for the past two years by stockpiling construction supplies. But those stockpiles will only last so long.

"It's going to be a real problem in about six months," Mast said. "They (builders) are prepared for it now, but in the coming months, you will see shortages. How big, we don't know yet." Compounding the problem, the area never fully saw the return of carpenters, roofers, drywall installers, electricians and other construction trade professions after the Great Recession put many construction companies out of business.

Many construction trade professionals retrained for other jobs and did not return to construction work once the industry recovered, Mast said. However, because so much needs to be rebuilt in Lee and Collier counties, as well as in Charlotte and southern Sarasota counties, it is likely construction workers will permanently move to the area from outside of Florida. That could permanently increase the labor supply for the Manatee-Sarasota construction industry, Mast said.

Jones, the USF economist, said while some areas like Naples and Fort Myers will be negatively impacted by Ian, the Sarasota-Manatee region stands to benefit. He pointed to Hurricane Andrew that decimated Miami-Dade County in 1992. He said that about that time, Collier and Lee counties experienced home construction booms as some residents from the east coast migrated to the west coast. "That's not only logical," Jones said about the likely boost to Sarasota sales, "it has history backing it up."

However, in the long run, Hurricane Ian's damage will have limited impact on Florida real estate, he said, since people have short memories. He cited one qualifier, pointing to the insurance markets. If insurance companies decide after Ian that Florida has too much risk for reasonable rates, that would have a long-term effect. "The biggest risk comes from the insurance market," Jones said.

Sales impacts

Alex Krumm, a past-president of Realtors Association of Sarasota and Manatee, said it's too early to tell what impact the hurricane will have on sales, but that immediately after the hurricane, there had been some impact on existing contracts.

The act of God provisions in a contract could have been triggered, which could slow down some closings.

Craig Cerreta, managing director of Premier Sotheby's International Realty's Sarasota office, said if a house is damaged during the hurricane, the seller would need to repair the property to the state it was in when the housing contract was signed.

Cerreta said despite the slowing of the real estate market, sales have still been strong and comparable to 2018 and 2019, both strong years for the area. There will be some short-term impact on buyers who had been interested in Southwest Florida before Ian as the images of destruction are fresh in those potential buyer's minds.

"Memories fade quickly," he said. "The majority of buyers will reevaluate their priorities within 30 to 60 days and reestablish their search. Long-term demand will not be negatively impacted." He said real estate agents in his offices have already begun receiving calls from snowbirds who typically rent in Naples or Fort Myers looking for the 2023 season. He expects similar interest in properties for sale, noting that Hurricane Ian decreased supply and will likely increase demand. He echoed Jones' comments about the insurance industries potential impact following the devastation. "Rapid inflation of homeowners and flood insurance over the coming months and years could have a longer lasting impact on Florida's west coast than the fear of storms themselves," he said. Prices had been trending downward until Hurricane Ian.

Sharon M. Neuhofer, president of Realtors of Punta Gorda, Port Charlotte, North Port, DeSoto Inc. and a broker associate with Coldwell Banker Sunstar Realty, said her area had almost returned to normal just a couple weeks after the hurricane passed through.

The Punta Gorda resident said much of that city had been rebuilt after Hurricane Charley devastated the small Florida city and the area didn't suffer nearly as much damage this time. She said there have already been new contracts to sell properties signed in Punta Gorda after Ian and that buyers are still looking in the area. Pricing had started to normalize, she said, before the hurricane, and she expects the rate of increase in property values to go back to historic norms seen in years past. "Our days of 20% to 30% price appreciation are gone," she said, while noting that's not due to the hurricane, but market forces.

Jones said he doesn't know exactly what prices will do, but that the market had been rejecting the historically high single-family home prices, not just in Florida, but across the country. Cerreta also agreed with Jones' assessment that prices aren't likely to shoot up because of Ian. Still there's going to be some impact. "The reality is we are likely to see lower inventory and increased demand," he said.

Mobile homes affected

Jim Ayotte, chief executive for the Florida Manufactured Housing Association, said his industry could see increased demand and also help alleviate some of the affordability issues facing Southwest Florida in the coming years. He said newer manufactured housing preforms as well as site-built housing in winds up to 150 mph as Florida's building codes have been strengthened since Hurricane Andrew.

They can also be built at a fraction of the cost and much faster than site-built homes, he said, because of the efficiencies created by modular construction. "The problem we are going to run into is the demand is certainly going to outstrip our capacity," he said, noting there are only nine home building plants in Florida that create about 3,500 homes per year.

William Russell, president of the Sarasota Housing Authority, said he does not know the extent of the damage to North Port, but that only six of the organization's 1,700 people receiving help through a federal voucher program were displaced by Hurricane Ian.

He said he's been focused on the ongoing affordable housing building projects the organization has in the pipeline, pointing to the the leasing effort for Lofts on Lemon, a 128-unit affordable housing development in north Sarasota.

He said that Amaryllis Park, a 84-unit affordable housing development for the elderly, has recently been leased up and his organization has started work on another 84 units of affordable housing at Cypress Square near Amaryllis Park.

Despite the construction projects that have been completed or in various stages of planning or construction, there's still a vast need for more units that the new projects will not meet.

"I'm certainly worried about it," he said. "If we lose any affordable housing units there (south Sarasota County), it's going to make a tough situation even worse."