Playing Through

Noted Economist: Now's A Good Time To Look For A Golf Home

by Ingo Winzer

The last 10 years were a terrible time for Americans who were thinking about retirement.

First, back before the 2008 recession hit, anyone planning to buy a retirement property faced skyrocketing prices and a gut-wrenching choice. If you didn't buy immediately, you might never be able to afford that nice place near the shore or in the mountains. On the other hand, forking over such fistfuls of money would make a big dent in your savings.

Then came the recession and a flurry of body blows. The value of your home -- your biggest financial asset -- began falling. If you tried to sell, you found there were no buyers. And to cap off the carnage, the government decided to help out the big banks by pushing interest rates -- and your investment income -- close to zero.

No wonder anyone over 50 is angry (me too). The home-price bubble, the recession and bailouts for borrowers at the expense of savers all followed from government actions to help someone besides us.

Out of the wilderness

For years now, seniors could do little about this except sit home and sulk, or start ranting and join the Tea Party. But this wilderness period is over and finally the wheel of fortune has turned. Government hasn't become any smarter, but the famously invisible hand of the marketplace has come full circle to produce opportunities for buyers of retirement properties that didn't exist before.

Most importantly, it has ended the long slide in home prices. With some exceptions -- places where the local economy is still doing poorly -- the value of homes has gone up in the last couple of years.

As a bonus -- because vanished demand cut their prices so much -- retirement in many local markets is now a bargain. Where, and by how much, is what I'll discuss below.

Two additional points: Many seniors are able to take advantage of the current real estate opportunities because retirement portfolios have been repaired by shifting into better-yielding investments, riding the tails of a rising stock market. And the age demographics of the US population ensure that values in this sector of the housing market will rise faster than average home values for years to come.

Good math and an economic analysis

The underlying math is simple. Right now there are 33 million Americans aged 60 to 70 who are ready to retire in some way. Over the next decade, they will be followed by 44 million Americans who, today, are aged 50 to 60.

It's a simple question of supply and demand. Over the next decade, builders will not be able to put up retirement properties fast enough to satisfy the surge in demand; therefore, the value of a good retirement property bought in the next few years will go up and up.

Every property is unique, every golf and retirement community is different, and every investment in real estate has its own risks. You can always buy a turkey in a bull market. But you can reduce your risk if you buy in a local market that is more likely to attract other buyers in the future.

Two measures that gauge the attractiveness of local markets are population growth and job growth. A growing local economy is good for retirees. Sure, you can have a great retirement community in a place that isn't growing - some people prefer that - but most retirees want restaurants, shops and other services.

We'll look at local markets in several distinct retirement areas: the Florida Panhandle, the Florida Sunset Coast, the Florida East Coast, the Carolinas Coast, and Inland Carolinas.

Florida's Panhandle

This area stretches from Gulf Shores in Alabama to around Mexico Beach, just east of Panama City, and is traditionally popular with retirees from the Midwest. Compared to other Florida areas, home prices here took much less of a hit after the recession; from peak to trough, prices fell between 30 and 40 percent. In the past year, prices rose in the single digits and we expect more of the same next year. Prices are still around 20 percent below where they should be; this is the bargain that's available right now.

The local economies are growing somewhat below average, but population growth in the last three years has been strong, especially in the Fort Walton Beach area. Home prices are around $240,000 in Fort Walton Beach, up 9 percent in the past year. Prices are lower towards Pensacola, $185,000, where the increase was 6 percent. The slowest local economy is Panama City, where prices were up just 3 percent.

Florida's Sunset Coast

From Tampa at the northern end to Naples and Marco Island in the south, this stretch of Florida coast serves several retirement demographics. The further south you go, the more expensive homes get. The average price is $185,000 around Tampa Bay -- although closer to $140,000 near Lakeland – and $200,000 around Fort Myers, and $320,000 in Naples.

Prices in this swath of Florida suffered severely in the downturn; on average, homes lost 50 percent of their peak value, but prices have recently been on the upswing -- up 8 percent in Tampa, 11 percent in Fort Myers, and 20 percent in Naples in just the past year. These very sharp increases overstate the actual value increase of the average home; they mainly reflect appreciation of foreclosed properties that had heavily depressed values to begin with, but they make the point that values are going higher rather than lower. We forecast a moderate rate of price increases in coming years.

The local economic picture supports a moderate increase in demand in the near future. Job growth is just average in Tampa-St. Pete, Lakeland, and the Bradenton-Sarasota area, somewhat above average in Fort Myers and Naples.

Tampa-St. Pete is the important market in this region, bigger than all the others put together. Population growth in Tampa over the last three years was close to the U.S. average, about 1 percent per year. This suggests a recovering market but by no means an overheated one. Fort Myers and Naples, on the other hand, have been growing at twice the national rate. Home prices in Tampa are pretty much where they should be, and you won't find many bargains.

Florida's East Coast

From Daytona Beach to Miami Beach, and including Ocala inland, this area comprises the largest stretch of retirement communities in the U.S. As on the Sunset Coast, home prices are lower in the north, higher in the south, and with a detour halfway down at Palm Beach.

Ocala presents the most affordable homes in the region at around $140,000. From Daytona Beach to Fort Pierce, prices are in the $160,000 to $180,000 range. And from West Palm Beach down to Miami, average prices are above $250,000.

Partly because of the easy accessibility from the Northeast, many retirement properties here start off as winter vacation homes or investment properties. The possibilities for investment speculation produced a boom in prices before the recession, and a huge bust afterwards, with a drop in prices from peak to trough of 50 percent and more. Worst hit were the smaller markets like Port St. Lucie and Vero Beach where speculative overbuilding was the strongest.

Home prices are now again on the rise, but -- as on the Sunset Coast -- recent large price increases are misleading because they mainly are from foreclosed properties. That said, the average price increase in the past year was 10 percent, a bit less in Ocala. We expect moderate price increases in these markets over the next three years.

Despite recent price increases, bargains remain from Daytona Beach down to Fort Pierce -- and especially in Ocala -- but there are very few in the more southern markets.

Population growth in most of these markets is slightly above the national average. Job growth is very close to the national average in all of these markets, although Vero Beach lags a bit. Overall, this represents steady growth that will produce steady home price increases rather than speculative investment returns.

Carolinas Coast

These communities run from Wilmington in North Carolina down to Brunswick in Georgia. With the exception of the cities -- Wilmington, Charleston, Savannah -- the lack of other economic opportunities along the coasts has allowed widespread development of vacation and retirement communities.

Average home prices range from $150,000 in Brunswick and Myrtle Beach to $270,000 in Hilton Head and Charleston. These communities were less affected by speculative investment than those in Florida; peak home value losses along the coast after the recession were around 25 percent. Price increases in the last year were around 4 percent -- a bit higher in Charleston, a bit lower in Hilton Head and flat in Brunswick.

There are still bargains to be had around Savannah and Wilmington. The weak prices in Brunswick suggest there are bargains to be found there too, but the slow population growth -- well below the national average -- means second and third looks are in order.

Job growth is close to the national average in these markets, but we don't have data for Brunswick or Hilton Head. With the exception of Brunswick, population growth is well above the national average, especially in Hilton Head and Myrtle Beach.

Inland Carolinas

These communities include Raleigh, Charlotte and Asheville in North Carolina; Greenville in South Carolina; Charlottesville in Virginia; and Knoxville in Tennessee. Because they are part of larger urban areas, they present different attractions than the Florida markets. They generally are economically more stable and more oriented towards golf.

We can't separate the retirement communities from their urban areas when we measure home prices, jobs and population, but this isn't such a big problem because their popularity depends partly on the vibrancy of the surrounding economy. People like retiring here because the big cities are close by.

Average home prices are much the same in all these markets, close to $200,000, but higher in Charlottesville at $270,000. The peak-to-trough loss in home values after the recession was modest, from 10 to 15 percent. There are therefore fewer bargains to be found, with the best possibilities around Raleigh and Greenville. Home prices in all these markets were up around 5 percent in the past year. We expect 5 percent increases for the next few years.

The local economies have grown at remarkably similar rates in the past year, very close to the national average. The main way you can separate these markets is by their population growth. For Asheville and Greenville, that growth has been average; for Knoxville and Charlottesville, it has been below average; and for Raleigh and Charlotte, it has been about twice the national average.

Tale of two cities for fast growth

One of the fastest-growing markets in the country is Raleigh, NC. Its population in the last three years increased 6.9 percent (more than double the national average), and job growth in the last 12 months was 3.5 percent (compared to the 2.2 percent national average). Myrtle Beach is a much smaller market (and therefore more volatile), but the corresponding stats are 8.3 percent and 3.5 percent.

Where you retire depends on what you want -- mountains, rivers, lakes, the seashore. Many people want sun but some also want a change of seasons. Some people can afford more home than others. The good news, now and in the near future, is that the prices of retirement properties are again affordable, that they've stopped going down, and that they'll increase at a steady pace in most local markets throughout the next decade. Despite reports of sharply higher prices in Naples, for example, you don't have to rush out before it's too late. There's no particular hurry, take your time -- but now IS a great time to start looking.

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