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REAL ESTATE

First-time homebuyers out of luck in scorching housing market

By **AMBER RANDALL**
SOUTH FLORIDA SUN SENTINEL | AUG 09, 2021



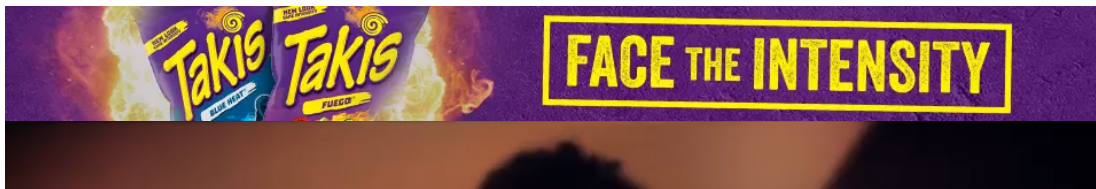


Construction continues on townhomes in the Saddlewood community in Lake Worth Beach on Friday, Aug. 6, 2021. (Amy Beth Bennett / South Florida Sun Sentinel)

The scorching housing market is making it especially tough for first-time homebuyers who want to move beyond renting.

Builders, by and large, focus on more-expensive, more-profitable homes at a time when demand is so high that even established homeowners can't find a new place to buy.

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As a result, the number of new entry-level homes — generally two bedrooms and around 1,400 square feet — has fallen to its lowest level in five decades, according to loan guarantee agency Freddie Mac.

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The number of new starter homes fell from about 418,000 per year in the 1970s to about 55,000 by the 2010s, Freddie Mac says.

In Palm Beach County, only 54% of homes are affordable for a family making the median income, according to the second quarter housing index from the National Home Builders Association.

Broward County is lower at 53%. Miami-Dade fares the worst in South Florida, with only 29% of homes affordable for median wage earners.

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For many developers, the cost to build a smaller home — including the permitting fees, rising lumber costs and a labor shortage — makes it difficult to pass on those costs to an entry-level buyer, said Robert Dietz, chief economist with the National Homebuilders Association.

Dietz blames what he calls the “five L’s”: lack of labor, lack of lots, lending to builders, laws and lumber challenges.



Construction continues on townhomes in the Saddlewood community in Lake Worth Beach on Friday, Aug. 6, 2021. (Amy Beth Bennett / South Florida Sun Sentinel)

Those issues have existed for years, but the COVID-19 pandemic and soaring real estate market exacerbated the situation, Dietz said.

The pandemic sent builders scrambling to meet demand for larger homes with more space for remote work.

First-time buyers, with less money for down payments and possibly lower credit, have a hard time competing in such a hot market, said Patty Da Silva, a real estate broker in Cooper City.

Some are forced to stretch their budgets for older homes, said attorney Gabriel Coelho of real estate law firm Ball Janik in Miami. Others resign themselves to renting or staying at home with family until the market cools down.

Median rent % change by ZIP code

February 2020 vs. June 2021

ZIP Code	Median Rent
33334	\$2,429
33321	\$2,319
33313	\$1,925
33309	\$2,195
33319	\$1,917
33024	\$2,098
33328	\$2,675
33311	\$2,145
33020	\$2,266
33021	\$2,220

Source: [RentHub](#) • Note: Data for each month represents a rolling window of the previous 90 days

“We are squeezing people into the rent cycle” said real estate economist Ken H. Johnson at Florida Atlantic University. Many face rent increases year after year, making it even harder to save for a home.

Rent in a city like Delray Beach, for example, increased 15% in a year. Rent increased 5% in Pembroke Pines during that time and 9% in West Palm Beach, according to data from Zumper, an online rental platform.

The key to helping renters move into home ownership might lie with more affordable renting options, some experts say.

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“If we build more affordable rental housing, what happens is we create a pathway for these families to gain control of their finances, establish good credit, and begin saving for eventual homeownership,” said Matthew Rieger, CEO of the Housing Trust Group, a multifamily residential developer.

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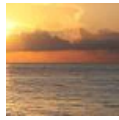
Matt Berkis, vice president of sales and marketing for Mattamy Homes, recognizes the need for more starter homes.

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Mattany Homes is building the Saddlewood community in Lake Worth Beach, a collection of townhomes and villas that start in the low \$400,000s.

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About 50% of buyers have been millennials, many of them first-time buyers, Berkis said.

Other buyers have taken more drastic steps and given up on South Florida entirely.

“We are also seeing a bit of people move up farther north to the Port St. Lucie area to be able to get into their first home,” Berkis said.

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