



The area is facing elevated home prices, ballooning insurance premiums and property taxes, natural disasters and a return to the office for remote workers. ZACK WITTMAN FOR WSJ

Florida Hosts Worst Housing Market in U.S.

BY DEBORAH ACOSTA

CAPE CORAL, Fla.—They came in droves via Zoom.

Thousands found an inexpensive slice of paradise in Cape Coral, a city with more canals than anywhere else in the world. House hunters were so taken with this boating community on Florida's west coast that many purchased homes sight unseen during the early years of the pandemic.

The median home price soared nearly 75% to \$419,000 in three years, transforming the character of this middle-income community that for decades has catered to retirees and small investors.

Now, three years later, "For Sale" signs line every other block. Open houses are deserted for hours. Foreclosures are ticking up. Home builders are listing half-built shells at discounts as they abandon projects to cut losses. Locals said the lack of traffic has led to an increase in vehicles speeding through empty residential streets.

"Cape Coral is the worst housing market in America right now," said José Echevarria, a Realtor. "I don't think we're at the bottom yet."

Home prices for Cape Coral-Fort Myers have fallen 11% in the two years through May, the most of any major metro area, according to an analysis for

The Wall Street Journal by the listing site Homes.com.

The area's home prices have declined for 12 out of the past 13 months, and 52% of the homes have experienced price cuts, according to Parcel Labs, a real-estate data-analytics company. While that is more than nearly anywhere else in the U.S., neighboring communities such as Sarasota and Tampa are in a similar bind.

Cape Coral also has the most homeowners underwater in the country, with nearly 8% owing more on their mortgages than their homes are worth.

Echevarria recently hosted an open house in Cape Coral. The home, bought three years ago by an investor looking to rent it on Airbnb, is fully furnished and has a pool. The asking price started at \$675,000, but the seller has cut it to less

than \$500,000, about \$100,000 below the purchase price. It has been on and off the market for a year and has received zero offers.

"We're cutting the price further tomorrow," Echevarria said last week.

Housing markets throughout the U.S. are grappling with one or more of the factors that can hurt home sales and prices, including high mortgage rates. But Cape Coral is suffering from nearly every affliction that can cause a housing market to slump.

The metro area of about 800,000 is feeling the effects of elevated home prices, ballooning insurance premiums and property taxes, natural disasters, a return to the office for remote workers, and waning demand from investors after a glut of building in the area brought rental prices down.

At the height of the recent Florida migration frenzy, Lee County, where Cape Coral is located, had 3,500 homes available for sale. Now there are 12,000 listed.

"With so much supply, very little demand and a seller base where over 50% are cutting prices, I would expect this downward trend to continue," said Jason Lewris, Parcel Labs' co-founder.

Julie and Tim Gaines live in one of the most sought-after neighborhoods in the city, in a house with all hardwood cabinets, high ceilings and a pool. They didn't think they would have to wait too long to sell it.

Fifteen price cuts and two years later, they still haven't had a suitable offer.

"I just hope that if we end up selling it's not so far down below our asking price that it puts us in debt," Julie Gaines said.

The area's apartment market is also sagging.

New developments are offering deep concessions. As of May, 64% of all multifamily properties were offering some kind of concession, more than double the rate a year earlier.

Hurricanes have also punished the west coast of Florida each year since 2022. Many homes flooded. Insurance prices rose as insurers abandoned the state.

At the same time, new state regulations meant to fortify condominium buildings after a condo collapse killed 98 people in Miami are pummeling the market. Condo owners are dumping their apartments on the market because they can't afford what can amount to sixfigure special assessments.

"There is no job opportunity," said Sherri Sprinkle, who moved to Cape Coral in 2022 from Chicago mostly because of a request by her employer, a general contractor for the retail sector. She was laid off last year.

She has just opened a permanent makeup studio and is struggling to find clients during the offseason. Now that the housing market is taking a turn, she is glad she decided to rent because she would have bought a home at the height of the market.

"The cost of living down here doesn't match the wages," Sprinkle said. "This is paradise, but there's no work. Everyone's begging for work."

Home builders who can no longer make their numbers work have pulled out of some construction projects, offering them for sale as-is.

One project, a partially constructed concrete-block home, is listed at \$190,000. The home sits on a freshwater canal. The drywall is up, but the roof is incomplete. Without doors or windows, the home is exposed to the elements. A faint line of water damage and spotted mold is visible on the ceilings of two rooms, where small spiders have settled in.

Investors are also running for the exits. Some rented out their homes but are now competing with cheaper multifamily developments. The city's Airbnb rentals drew less interest as soon as Americans began traveling abroad again.

These buyers "have stopped investing in Cape Coral," Echevarria said.

His aunt is one of them. She recently sold a rental home at a \$200,000 loss when the fundamentals stopped adding up. "It was either keep losing \$49,000 a year or just off it and get the tax break on the loss," he said.

Cape Coral was also the epicenter of the 2008 subprime mortgage crisis. At that time, cheap credit and a lack of regulation led to rampant speculation, with amateur investors scooping up multiple properties without putting any money down. When renters suddenly pulled out, those property owners went bankrupt.

Sean Dean lived through that collapse, while owning five different properties in the area. When his renters suddenly moved out within a twoweek period, he sold two houses and the banks took over the other three.

"I couldn't get rid of them," Dean said.

This time, many Cape Coral homes were bought with cash. New regulations require strict underwriting and more money down. Still, economic uncertainty and the increasing costs of homeownership are causing prices to fall fast again.

Keith Brochu, who moved from New Jersey, is also pivoting from construction work to starting a salad restaurant. At the same time, he is selling his waterfront home with access to the gulf to move further inland.

"The property tax and the flood insurance are going to go up so high in the next five years that it's not worth staying here," he said.

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