

Buying a home in Miami-Dade is so expensive, it could hurt the economy



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Most Expensive Places to Live
LifeZette.com





about \$120,000 in 2017. They're in their early 30s and want to have children.

“We have student loans, we have a car payment,” Lopez said. “There are homes out there, but they’re not in good shape and we don’t want to overpay. We want to be responsible and live within our means. ... [Miami’s] not really a place for first-time home buyers anymore.”

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[MIAMI’S] NOT REALLY A PLACE FOR FIRST-TIME HOME BUYERS ANYMORE.

Jason Lopez

Even in the far-flung Kendall neighborhoods where they’re hunting for a single-family home or townhouse under \$300,000, South Florida’s mid-market housing crunch is squeezing out middle-class couples like the Lopezes. Now, business leaders are starting to worry that the skilled workers who power Miami’s diversifying economy will be lost under the tide of rising home prices.

“The impact goes beyond housing,” said Carlos Fernandez-Guzman, president and CEO of Pacific National Bank. “It goes deeper into the core fiber of the economy. ... This has been a concern of the business community for quite some time.”

INTERACTIVE TOOL



See where you can afford a home in South Florida

South Florida seemed to have whipped its “brain drain” problem when housing prices plummeted during the recession. Between 2011 and 2013, the region’s population of 25- to 34-year-olds with a bachelor’s degree or higher grew at the eighth-fastest rate in the nation, according to research by the Center for Population Dynamics at Cleveland State University. But home prices have soared 59 percent since the market bottomed out in 2011. And wages have barely budged.

Last year, a study on where recent college grads have the most economic opportunities ranked South Florida dead last out of 40 large U.S. metro areas because of low starting salaries and high housing costs, according to real-estate website Trulia and job-networking site LinkedIn.

“We start to get concerned about housing prices, and then a cycle comes around and prices start to drop and everyone gets comfortable that affordability is back,” said Fernandez-Guzman, the co-chair of a housing solutions task force at the Greater Miami Chamber of Commerce. “But the prices always rise again and chip away at our trained and educated workforce.”

Victor Mendelson, co-president of Hollywood-based aerospace firm Heico, employs hundreds of people in South Florida.

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WE BRING PEOPLE DOWN FROM PALM BEACH [COUNTY] AND RECRUIT THEM TO MIAMI, AND IT CAN BE HARD.

Victor Mendelson, Heico

Hiring engineers, sales people and other key employees from expensive housing markets like Southern California is easy, Mendelson said. Those newcomers see Miami as a relatively good deal. But recruiting workers from less pricey areas, including the rest of Florida?

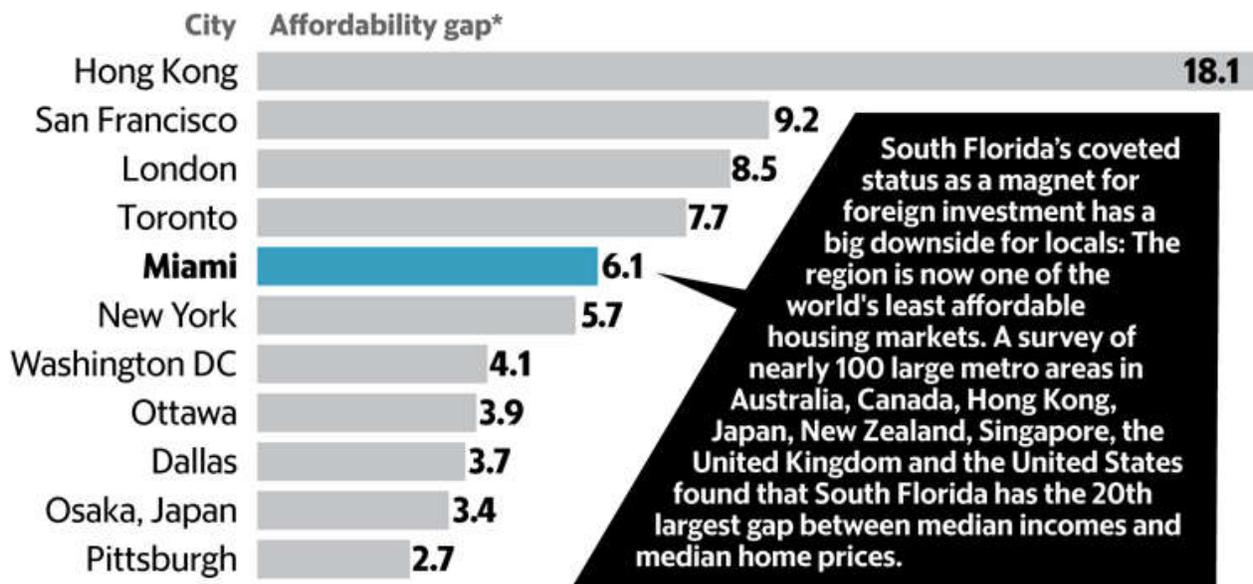
“It is a concern for us,” Mendelson said. “We bring people down from Palm Beach [County] and recruit them to Miami, and it can be hard. They’ll come down and start looking for homes and say, ‘Wow, I didn’t expect I would get so much less home for the money than I would a few miles up the road.’”

But affordable homes in good neighborhoods do exist. They're just hard to find. In order to help South Floridians searching for a home, the Miami Herald has updated an online tool with new data that can help buyers find hidden-gem neighborhoods. The tool uses home price data from Zillow, school grades from the Florida Department of Education and crime statistics from software mapping company Esri to help readers identify undervalued areas.

Mid-market crunch

Miami isn't another middle-of-the-road American city like St. Louis or Minneapolis anymore. (No offense, friends.) It's become a metropolis with a global brand, attracting out-of-town companies and enjoying a cultural renaissance. But its success has also made it one of the least affordable cities in the United States — and one of the least affordable in the English-speaking world, according to the 2016 Demographia International Housing Affordability Survey.

Miami is one of world's least affordable cities



* NOTE: The affordability gap measures the difference between median household income and median home price.

Source: Demographia International Housing Affordability Survey

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Foreign investors have driven home prices out of whack with local incomes. In the year between August 2015 and July 2016, foreign nationals spent \$6.2 billion on South Florida residential real estate, according to the Miami Association of Realtors. That's 39 percent of total home spending in the region.

The gap between incomes and home prices makes South Florida the nation's eighth-worst market for first-time home buyers, a Bloomberg study found. The other cities in the top 10 were all in California, except for Honolulu.

In today's local housing market, it's not just a question of providing government-subsidized homes for construction and service-industry employees. (Although affordable housing for those workers is desperately needed, too, advocates say.) The middle of Miami's residential real-estate market is hot — and inventory is falling at alarming rates.

Over the past two years, the number of single-family homes on the market between \$250,000 and \$600,000 has dropped 18 percent, according to Mike Pappas, president and CEO of the Keyes Company. Homes are now staying on the market for 57 days, down from 79 days in 2014.

57

Days mid-market homes spend on the market, down from 79 in 2014

The \$250,000 to \$600,000 range is crucial because it captures the spread of homes that two-income couples with college or advanced degrees could expect to afford in South Florida, based on typical earnings and recommended housing costs.

The mid-market feeding frenzy is happening even as luxury condo sales tank. Foreign buyers drove the latest real-estate boom, now ground to a halt by a strong dollar. But there was a downside to all that investment: South Florida developers chasing foreign cash are building primarily luxury homes, driving up construction and land costs, and making it difficult to produce homes at more affordable price points.

“You hear about people looking at 45, 50 homes,” Pappas said. “They’re making multiple offers. They’re getting outbid by cash. ... There is product out there. But it takes a lot of work to find.”

Sales for mid-market homes soared 27 percent in December, according to the Miami Association of Realtors. The price range between \$300,000 and \$600,000 accounts for nearly 40 percent of all sales in Miami-Dade County, according to the Realtor's group.

“It's the strongest market in South Florida,” Pappas said. “It's the sweet-spot of all sweet-spots.”

All that competition and not enough new construction makes life tough for locals.

“It’s very difficult to find value,” said Bruce Lamberto, a city of Miami Beach employee who owns six rental homes in Northeast Miami-Dade. “A year ago, I looked at a house that was listed for \$175,000. Today, a similar home is listed for \$275,000.”

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IT’S VERY DIFFICULT TO FIND VALUE.

Bruce Lamberto, investor

There are now only 4.6 months of supply available for mid-market homes. A balanced market generally has between six and nine months of supply, meaning the mid-market is firmly in seller’s territory. And more people keep moving to South Florida: Miami-Dade, Broward and Palm Beach counties added 500,000 residents over the past five years.

Meanwhile, middle-class buyers complain that many attainable homes need thousands of dollars in repairs or aren’t up to code. Seven in 10 Miami-Dade homes were built before 1980, according to U.S. Census data. Homes generally need extensive renovation after 30 or 40 years of wear and tear.

“Sellers are very aware of the amount of buyers in the market and the lack of inventory,” said Ray Duran, regional sales manager at Quontic Bank in Coral Gables. “It definitely puts the sellers in a stronger position at the negotiating table.”

Homes get more expensive as they get closer to big employment centers. Trulia calculated that a middle-class family in South Florida spends 69 percent of its income on housing, transportation and utilities. That’s the third-highest rate in the nation after San Francisco and Los Angeles.

The lack of affordable inventory combined with traffic gridlock is even influencing the way companies work. Thanks to improvements in communications technology, roughly 20 percent of Sprint’s 1,200 South Florida employees now have the option of working remotely. That can save them the option of choosing between an affordable mortgage payment and a soul-crushing commute.

“You don’t need to be in the office all day long,” said Sprint regional president Claudio Hidalgo. “By using technology, we end up saving on office space, the need for a car, housing.”

Ugly math

It might seem strange that Miami is less affordable than other expensive cities like New York, Seattle and Boston. But workers in those cities earn more money on average. So even though homes are more expensive, they are also more attainable because of higher wages.

In the Boston metro area, for instance, the median home sells for \$435,000 and median household income is \$80,500, according to the Demographia International Housing Affordability Survey. That means homes cost 5.4 more times than income. In Seattle, homes are 5.5 times more expensive than incomes. In New York, it's 5.7. The gap in the Miami metro area stands at 6.1. In North America, only Toronto, Honolulu and the major cities in California are less affordable, Demographia found.

The disparity between worker incomes and average housing costs in South Florida can be daunting: In Miami-Dade, the median household makes \$43,000 per year, according to U.S. Census figures. In Broward, it's \$52,000.

Using a calculation favored by housing experts — that households should spend no more than 3 1/2 times their income on housing — a typical Miami-Dade buyer should spend roughly \$150,000 on a home. A Broward home buyer should spend \$182,000.

That doesn't compare well to median sales prices.

\$305,000

Median sales price for an existing single-family home in Miami-Dade County

Existing single-family homes in Miami-Dade sold for \$305,000 and condos for \$210,000 in December, according to the Miami Realtor's association. In Broward, single-family homes went for \$320,000 and condos for \$150,000, according to the Greater Fort Lauderdale Realtors.

The math looks better for a two-income, college-educated couple in Broward but still leaves them coming up short in Miami-Dade. That couple's earnings qualify them for a \$288,000 home in Miami-Dade and for a \$320,000 home in Broward.

One warning sign about what Miami could become lies just to the south: the Florida Keys.

In the Keys, many workers in the tourism industry have been priced out. Even teachers, firefighters and police officers find themselves commuting from South Dade.

“You have to have people who work in the restaurants,” said Martin Flynn of Tri-Star Affordable Development, which has worked on several projects in the Keys. “You have to have people who are going to teach your kids.”

County leaders understand they need to protect local workers and companies. But they also see the upside in being a city that has arrived on the world stage, said Jaret Davis, a Miami native who is co-managing shareholder of law firm Greenberg Traurig and chair of the Beacon Council, Miami-Dade’s taxpayer-funded economic development arm.

“When I was growing up, when Miami was mentioned it was with Dallas, Detroit and St. Louis,” Davis said. “Now you hear it being named with the New Yorks and San Franciscos. We are on the radar of every major country.”

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This article includes comments from the Public Insight Network, an online community of people who have agreed to share their opinions with the Miami Herald and WLRN. Become a source at [MiamiHerald.com/insight](https://miamiherald.com/insight).

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- Free registration: midmarket.bpt.me



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