

ISSUES

SHIMBERG CENTER FOR AFFORDABLE HOUSING

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Volume XI, Number 3

June 2000

The State of Florida's Housing, 2000¹

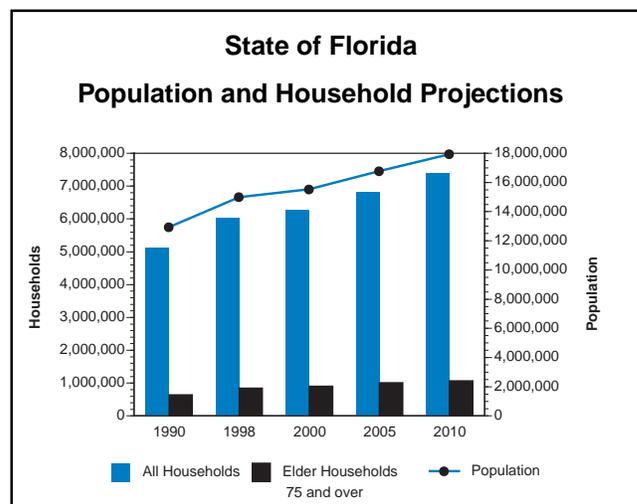
Introduction

Florida is a state of contrasts, and those contrasts are no where more apparent than in housing. The population of the state is growing, creating a demand for additional housing, yet that growth is not distributed uniformly across the state. In addition, growth is not distributed evenly across age categories, and the age structure of the population has implications for the type of housing needed. A majority of households are homeowners, but rental housing is needed to meet the needs of young and lower income households. It is a state in which single family housing units dominate, but condominiums are an important source of housing in some coastal counties and mobile homes play a key role in rural counties in the interior of the state. Housing prices have been increasing in the state, but not as much as might be expected. Affordability indices indicate that housing in the state is affordable, but the indices mask affordability problems for those in lower income categories. Finally, it is a state in which much housing has been built in recent years but the aging of portions of the stock require attention to the need for rehabilitation.

This document summarizes a larger report called *The State of Florida's Housing*. It first discusses demographic patterns in the state and the need for housing. Second, it details characteristics of the housing stock in the state. Third, it discusses the movement in house prices and the rate of appreciation in housing. Finally, it discusses issues in the affordability of housing in the state.

Changing Character of Households

Households are virtually the same thing as occupied housing units. When looking at households and household formation rates, we are ac-

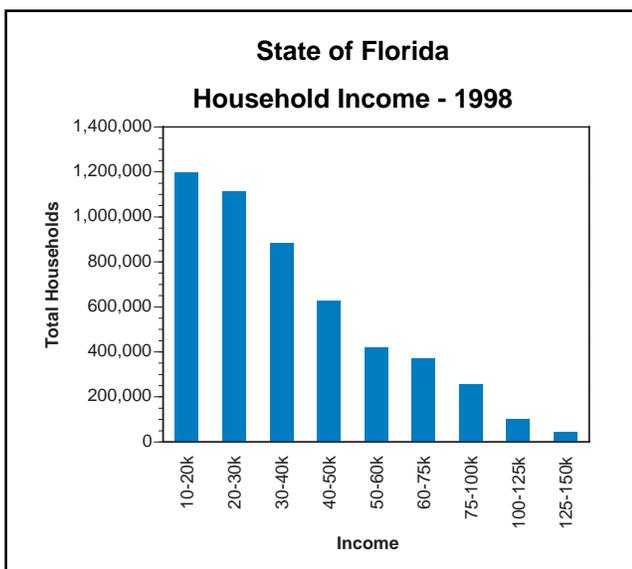
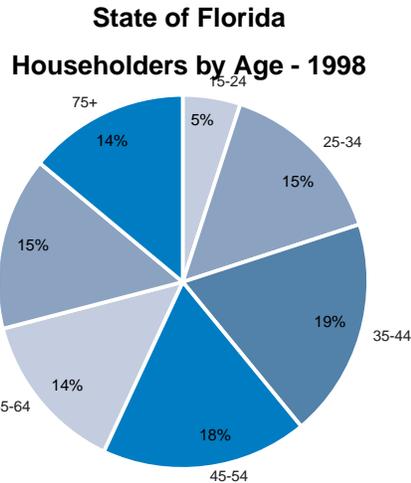


¹ Partial support for the preparation of this report was provided by the Florida Association of Realtors.

tually looking at housing demand. We project that by 2010 there will be a little over 7 million households in Florida. Starting in 2000 and projecting out to 2010, we see a need for approximately 1 million housing units in order to meet the demographic demand.

Looking at the characteristics of the households will give a clue about the type of housing that will be needed. Consider, first, the age of the households. We

watch the under-35 age group since it represents those people that are just entering the home buying market; they make up a large portion of the first-time homebuyers. Recently, this segment of the population has been comprised of what some people refer to as the "Baby Bust" group because it is relatively small compared to its predecessor, the Baby Boom group, and it represents the aging of the babies born during a period of reduced birth rates. However, coming on the heels of the Baby Bust is the "Baby Boom Echo", which is a large



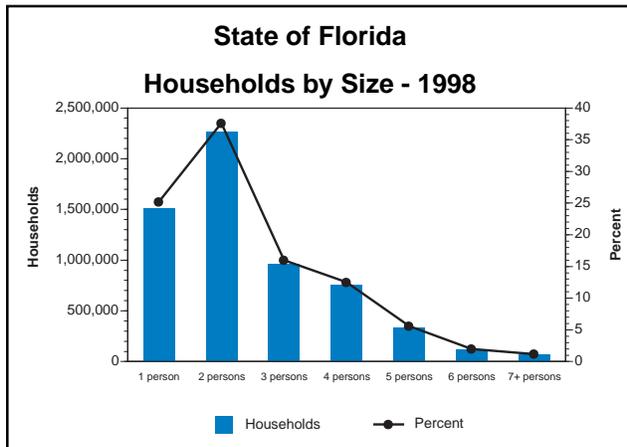
population group that is just beginning to enter the prime household formation age range. We also watch the households in the over-65 age group. In 1998 about 30 percent of the households in Florida were in this grouping. Projections for 2000 show the beginning of the anticipated increase in numbers in the under-35 group as well as the continued growth of the over-65 age groups.

We also look at household income because of its obvious impact on housing demand. Our numbers are based on constant 1990 dollars but we can adjust to current dollars by multiplying by about 1.5. We find that the largest household income group lies in the \$10,000-\$20,000 category. Adjusting to current dollars indicates that the largest household income group today ranges up to about \$30,000. So, while we have had boom markets and we know how healthy the housing markets have been, we continue to have in Florida a substantial segment of the population that is in the lower income categories. We need to continue to think about how we can provide housing for these households.

An important characteristic of households is their housing tenure — owner households and renter households. Ownership rates are higher in the older age groups and, of course, in the higher income groups. Overall, homeownership stands at about 70 percent in Florida. This percentage is slightly above the national average that is approaching 70 percent. Renter households are dominated by the younger age groups and by the lower income groups. The tenure characteristic indicates that while we promote homeownership, we also need to focus house design, location and amenities on the younger, renter households as that segment grows over the next decade.

Household size is another important factor that must be considered when looking at the housing of the future. Through the mid-1980s there was a decline in average household size. Historically, we thought of a household as comprising four persons (i.e., two adults and two children). This average has dropped and leveled off just below three persons. Our 1998 data show that the two-person household was the dominant category in Florida. This finding is not surprising given Florida's large

retired population and the younger population coming into the state.



Housing Stock

Florida’s housing stock includes single-family units, multi-family units, and mobile or manufactured units. Although all three types of housing units are represented, the housing inventory is dominated by the single-family home. About 60 percent of the state’s housing stock is located in six major metropolitan areas: Fort Lauderdale, Jacksonville, Miami, Orlando, Tampa-St. Petersburg, and West Palm Beach-Boca Raton. Fort Lauderdale and Miami, because of their density, also have the distinction of having the most multi-family housing of any other area in the state.

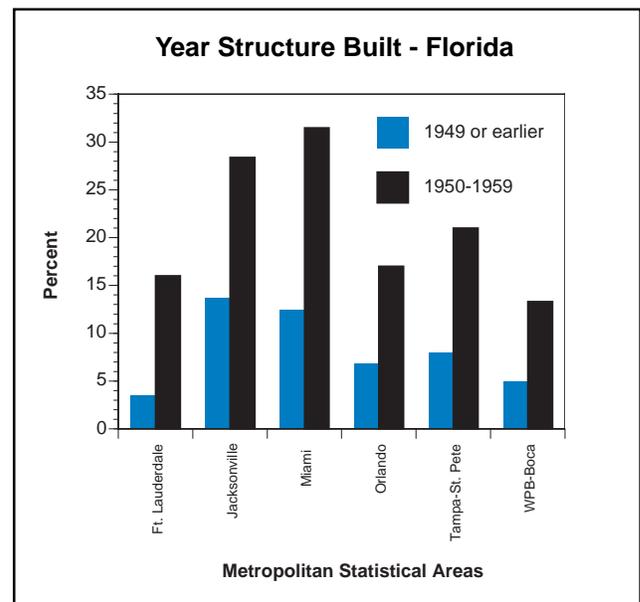
Although not a type of structure, condominium housing is an important housing category in some areas of the state. Seventy-eight percent of all condominium housing in the state is located in seven counties. Broward, Dade, and Palm Beach Counties alone have 60 percent of the state’s condominiums. The other four counties are: Collier, Lee, Pinellas, and Sarasota. Clearly, condominiums tend to be a coastal phenomenon. By contrast, mobile or manufactured housing is largely a rural, inland phenomenon.

Finally, an important characteristic of the existing housing stock is its age. We examine the extent to which the age of the stock exceeds 40 years. The forty-year mark is considered by some as the

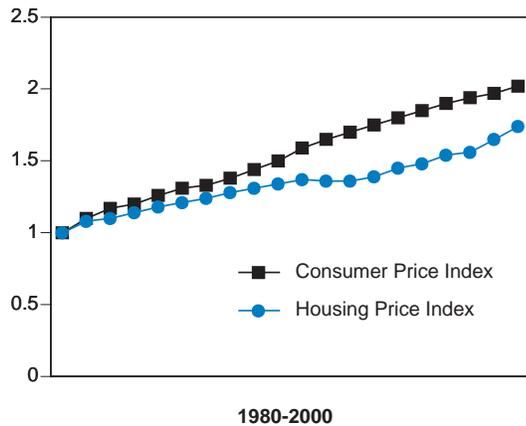
age at which rehabilitation and remodeling are commonly considered. Since much of Florida’s housing stock was built from the 1950s forward, the housing industry needs to think in terms of meeting the coming demand for rehabilitation and remodeling. Jacksonville and Miami are two metropolitan areas with older housing stocks that need to have serious consideration given to the rehabilitation market.

Locational Aspects

The macro features of the population movement in Florida continued a southward shift for a number of years and then, more recently, has turned northward. In our work with local jurisdictions, one of the major concerns, particularly in the south, is called “build-out.” Build-out is the condition where there simply is no more land available on which to build homes. The shortage of land also creates concern for the price of the limited supply. We believe that these concerns are harbingers of Florida following the national trend toward a movement to smaller, outlying jurisdictions. Of course, the full impact of this trend will have to be balanced to some degree by growth management in the state, any changes that may be made to the growth management act, and the effort to encourage higher density development. Although the state’s growth has been concentrated primarily in and around the six major metropoli-



Comparison of Housing Price Index in Florida and Consumer Price Index, 1980-2000



tan areas and generally in the southern portion of the state, we may be seeing other parts of the state experience more rapid growth. This change is particularly true for the over-65 group that has come to Florida to get away from the congestion that is emerging in Florida's densely populated urban areas.

Housing Appreciation

Dr. Dean Gatzlaff at Florida State University prepares the *Gatzlaff Index of Housing Prices in Florida*. These indices are calculated for each Florida's Metropolitan Statistical Areas (MSAs) as data are available, and use a "repeat sales" methodology to track changes in housing prices over time.² For the state, the index has been calculated from 1980 to 1999 and shows that house prices have increased over that period from a level of one in 1980 to 1.73985 in 1999. In other words, prices in the state have increased by almost 75 percent over the 19 year period. This increase compares to an increase in the Consumer Price Index of roughly 100 percent the same period. Thus over the period housing price appreciation has not kept pace with inflation on average in the state. Between 1980 and 1990, appreciation was over 37 percent. Since 1990 it has been only about 27 percent as appreciation rates slowed this decade in the face of high interest rates early in the decade and declines in the growth rate of the state. In the

last years of the 1990s, appreciation rates were higher including an over five percent increase in the past year statewide.

The highest appreciation rate among MSAs was in Naples, where the 1980 to 1999 index moved from one in 1980 to 2.05 in 1999. Other MSAs with appreciation rates above the state average for the 1980 to 1999 period include, in descending order, Panama City, Miami, Jacksonville, Sarasota, Orlando, and Fort Walton Beach. Several MSAs did not have sufficient data to calculate the index for 1999, but none likely would exceed the state average given their level in 1998.

Housing Affordability

The affordability of housing is a major issue nationally, and it is no different in Florida. By some measures, affordability increased substantially towards the end of the last decade, primarily as a result of lower interest rates during that period. However, the use of indices focuses only on the average and masks what is happening at the low end. For households of lower income, the loss of affordable housing from the stock and price increases that have exceeded the growth in incomes, among other factors, have led to a worsening problem of housing affordability.

As a means of examining the number of households with a housing affordability problem, we calculate a number called cost burden. This number is our estimate of the number of Florida households paying more than 30 percent of their income toward housing costs. The 30 percent figure corresponds to that used in federal housing programs. Our estimate is that in 1998 there were about 1.75 million households paying more than 30 percent of their income toward housing costs. By the year 2010, we project that number to increase to 2.1 million assuming no change in existing policies and programs. About 44 percent of all renter households are estimated to have a cost burden as compared to about 22 percent of owner households. Almost 30 percent of the cost burdened

² A description of the repeat sales methodology can be obtained from the authors.

households have incomes below 30 percent of the respective median income for their county. Over 75 percent of the households with a cost burden have incomes below 80 percent of the county median for their county.

Impact of Housing on the Florida Economy

There are a number of ways in which the impact of housing on the Florida economy might be measured. For example, we might examine the number of jobs created in the construction and related industries, the payroll on those jobs, or the materials cost of a housing unit. We examine two simple measures. First, in 1998 there were 253,823 sales of single family housing units (new and existing). With an average sales price of over \$100,000, these transactions total over \$250 billion in sales. This figure is the basis from which transaction fees, transfer taxes, mortgage fees, purchases of new furnishings and equipment, and other expenditures flowing into the economy are generated. Second, the total value of the single family housing stock in the state was over \$341 billion in 1998. This figure is the basis for property taxes as well as a measure of the wealth of households. The figure does not include condominiums, multifamily rental structures, or mobile homes.

Conclusion

Florida's population is expected to continue to increase, with the number of households increasing by about one million over the next decade, creating a corresponding need for additional housing units. Most households in the state are homeowners, as the homeownership rate in the state has risen to over 70 percent. The rate of homeownership has increased in part as a result of the aging of the baby boom generation; as households become older they are more likely to become homeowners.

Housing prices in Florida are generally below national averages, yet the greatest housing prob-

lem in the state is housing affordability. Indices of affordability show that on average the affordability of housing has improved in the state in recent years. However, an affordability index masks the problems that households with incomes below the median income have in obtaining suitable housing without paying more than 30 percent of income toward housing costs. Whether the 30 percent of income standard is an appropriate criteria, whether some households pay more than 30 percent of their income as a conscious choice to overinvest in housing, and other issues indicate that it is difficult to derive a single number of housing need. However, it is clear that there is a substantial need in Florida. The affordability calculations also indicate that the most severe needs are for households with incomes below 30 percent of median income. This is a group that is difficult to reach with state programs, but one that becomes even more vulnerable with changes in the federal public housing program.

While housing affordability is a problem in Florida, substandard housing is less pervasive. In part, this is a reflection of a relatively young housing stock in Florida that has been built in response to the recent rapid growth of the state. There are, however, areas of older housing stock in the state that are in need of rehabilitation and the aging of the existing housing stock will lead to additional needs for rehabilitation in the coming years. Florida is dominated by single family housing, and this type of housing (including manufactured housing) is particularly dominant in non-metropolitan counties. Condominiums are largely concentrated in a few coastal counties.



Ordering Information

The complete *State of Florida's Housing* report will be available for purchase by the end of October at a cost of \$50. A separate, 200-page data appendix providing detailed county-by-county estimates and projections will also be available for an additional \$75.

If you wish to order a copy of these publications, please contact the:

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