One of the primary objectives of the Shimberg Center’s Florida Housing Data Clearinghouse is to provide state and local policy makers and program planners with a centralized source for estimates of current housing supply. Accomplishing this task has been made possible by the continued support of the Florida Housing Finance Corporation. The current product of this effort is the report titled The State of Florida’s Housing, 2004. This report first discusses changes to Florida’s population that occurred between 1990 and 2000; it details characteristics of the housing stock in the state; it discusses issues in the affordability of housing in the state; and it discusses the movement in house prices and the rate of appreciation in housing. The expectation is that the information included in this study will help readers to understand the diversity, the needs, the public policy concerns, and the opportunities of Florida’s many housing markets.

The databases and reports produced by the Florida Housing Data Clearinghouse, including The State of Florida’s Housing, are publicly accessible on the Internet and may be found in the following two ways: (1) at www.shimberg.ufl.edu, select “Fla. Housing Data” to access all available materials or (2) go directly to http://www.flhousingdata.shimberg.ufl.edu/.

Introduction

The State of Florida’s Housing, 2004 is a compendium of facts on Florida’s housing. The data highlight the tremendous diversity in housing characteristics across the state, particularly between the 35 urban counties and the 32 rural counties, as well as between coastal and non-coastal counties. The characteristics of Florida’s housing reflect the characteristics of the state’s population.

The population of the state is growing, creating a demand for additional housing, yet that growth is not distributed uniformly across the state. Growth is most often a coastal phenomenon. Further, the nature of the growth differs across the state as characterized by age, income, race, ethnicity, and county of origin. The report examines the changes to Florida’s population between 1990 and 2000, Florida’s housing stock, affordability of the housing stock, and price trends and forecasts for Florida’s housing stock. In addition to this growth, many of Florida’s communities have experienced income growth from 1990 to 2000 above the rate of inflation that should afford residents an improved standard of living. Florida’s housing stock is discussed in three broad categories: single-family housing, condominiums, and multi-family housing, which are further separated into complexes with two-to-nine units and complexes with ten-or-more units. This separation highlights the difference between the rural, urban, and coastal counties. Single-family housing units dominate, but condominiums are an important source of housing in some coastal counties. Other broad trends are discussed including the total number of units, the median age of units, and the
median sales price of units in each county. The coastal and large urban counties tend to have the largest number of units and the highest median sales prices when compared to the rest of the state.

Florida is currently experiencing the highest five-year real rate of increase in housing prices that it has ever seen. House prices have increased by almost 7.0 percent per year over and above the general rate of inflation the last three years. Housing prices are predicted to continue rising with the southern portion of the state and the six largest metropolitan areas experiencing higher than average increases; lower than average price increases are forecast in the northwest part of the state.

**Population**

Florida’s population growth is diverse according to Dr. Mary White of Albright College and Dr. Douglas White of the Shimberg Center. This diversity stems from increases in foreign-born migration, state-to-state migration, as well as growth in the native Floridian population. Additionally, its population growth is not driven solely by retirees, but also stems from growth in its youth population as well as its working age population. Florida’s counties have been faced with diverse growth within their boundaries as well with some census tracts within counties experiencing large growth in the elderly population while other tracts are experiencing large increases in younger age groups. The needs of these residents are different. Large growth in the school-age population will force communities to focus on access to schools while growth in the elderly population will result in a focus on community amenities. By and large, Florida’s residents are experiencing real income increases that will affect their ability to afford housing and the type of housing they choose. Florida’s growth is continuing in its coastal communities but is also occurring in many rural areas located near urban centers. Although many are aware of the high growth in South Florida, it is evident that all of Florida has benefited over the past decade.

**Housing Supply**

Dr. Douglas White and Dr. Marc Smith, both of the Shimberg Center, point out that Florida’s housing stock includes single-family units, multifamily units, and manufactured units. Although all three types of housing units are represented, the housing inventory is dominated by the single-family home. About 58 percent of the state’s single-family housing stock is located in six major metropolitan areas: Fort Lauderdale, Jacksonville, Miami, Orlando, Tampa-St. Petersburg, and West Palm Beach-Boca Raton. The Fort Lauderdale and Miami MSAs, because of their density, also have the distinction of having the most multifamily housing of any area in the state. Although not a type of structure, condominium housing is an important housing category in some areas of the state. Broward, Miami-Dade, and Palm Beach Counties alone have 58 percent of the state’s condominiums. Significant concentrations of condominiums are also found in Collier, Lee, Pinellas, and Sarasota Counties. Clearly, condominiums tend to be a coastal phenomenon.

County property appraiser data provides a wealth of data on characteristics of the housing stock across the state. The county-by-county and metropolitan statistical area (MSA) summaries clearly show differences in the importance of single-family properties, condominiums, and multifamily properties. Also apparent are differences across the state in the age and size of units. Finally, there are significant differences in the numbers of transactions each year and in the median values of properties. The differences show that the state might be characterized as two states when thinking about the housing market, with the large urban and coastal counties at one extreme and the small, rural inland counties at the other.

**Housing Affordability**

Florida’s most affordable housing is generally located in rural counties in the interior and northern parts of the state according to Dr. Douglas White of the Shimberg Center. In general, the least affordable counties are either coastal counties or located in major metropolitan areas. After years of increasing affordability, housing became less affordable in Florida over the last year. This decline in affordability is likely due to the fact that housing prices have continued to appreciate rapidly in the state while personal income has experienced little growth over the last two years.

Three factors are the primary determinants of the affordability of housing: household income, housing prices, and mortgage rates. For a household considering homeownership, an additional factor is the rate of appreciation in housing prices. One measure of housing affordability is the cost of homeownership, commonly conveyed through housing affordability indices such as that published by the National Association of Realtors (NAR). These indices generally indicate that affordability increased substantially toward the end of the last
decade, primarily as a result of lower interest rates during that period, but have lessened through the beginning of the current decade as a result of rising housing prices. An affordability index is presented in The State of Florida’s Housing for all counties in Florida and for the years for which sufficient data are available (at least 25 sales each year, as these sales data provide the basis for the calculation of a median sales price of a home). The index presented differs from those of the NAR index because the property appraiser data are the source for home sales transaction prices rather than the Multiple Listing Service™ used by the Realtors. Also, the median incomes used are for household income rather than for family income.

The number of counties with an index value below 100 totaled eighteen in 1995 and declined to thirteen in 1998. However, after 1998 the number of counties with an index value below 100 started to rise, and twenty-three counties fell in this category in 2002. As would be expected, the number of counties with an index value above 150 fell from seventeen in 1995 to 12 in 2002. These numbers point to a lessening of housing affordability in Florida in 2002.

In interpreting the affordability indices for each county, several caveats should be considered. First, as a result of the limited sales transactions in some smaller counties, the median sale price may vary considerably from year to year. This fluctuation in the estimated median house price produces an exaggerated variability in the calculated affordability index. Second, the calculation of the index using median house prices and incomes may mask the distribution of affordability across the various income brackets within a county or MSA. For example, if house prices in a county tend to be tightly distributed around their median value, while incomes are more widely dispersed, then affordability problems will exist at the lower income ranges that are not identified by the affordability index. Thus, standard indices based on median house prices and median incomes are only one measure of housing affordability. What the affordability indices provide is an indication of the relative change in affordability within counties over time, and the relative affordability of housing across counties.

### Housing Price Trends

Thirty-year fixed mortgage rates continued to decline from an average of 6.54 percent in 2002 to 5.82 percent in 2003. This decline, coupled with a relatively stable state economy, continued to fuel rapid house price increases across the state of Florida in 2003 according to Dr. Dean Gatzlaff of Florida State University’s Real Estate Center. Estimates indicate that, on average, single-family house prices in Florida increased by 9.04 percent in 2003, down slightly from 9.31 percent the year prior. In comparison, single-family house prices in the United States during this same period were reported by the Office of Federal Housing Enterprise Oversight (OFHEO, 2003) to have increased by 5.56 percent. In only Rhode Island (11.81%) and California (9.44%) did statewide house price appreciation exceed Florida’s rate.

Interestingly, these rapid house price increases were achieved during a period of historically low general inflation (1.88%), resulting in a 2003 inflation-adjusted appreciation rate for single-family homes in Florida of 7.16 percent. On average, house prices have increased almost 7.0 percent per year over and above the general rate of inflation over the last three years. This percentage represents the largest inflation-adjusted rate increase during any three-year period recorded, including the high appreciation period of the 1970s. Estimates indicate that questions regarding the U.S. economy and the uncertainties associated with the war in Iraq have not slowed recent house price appreciation.

During the 2001 to 2003 period house price increases have exceeded general inflation in each of the state’s 20 Metropolitan Statistical Areas (MSAs). Preliminary estimates indicate that, on average, house prices in Florida have increased by 8.75 percent annually since 2001. When compared to the 1.94 percent average annual rate of general inflation over this same period, average real house price appreciation is found to be 6.81 percent. Although mortgage interest rates are expected to rise from their current levels causing appreciation rates to diminish during the latter half of this decade, continued population growth and supply limitations will likely moderate this effect. The persistence in the 2001 to 2003 price trends has resulted in an upward revision to previously reported Florida house price appreciation forecasts. On average, Florida house prices are forecast to increase by about 6.0 percent per year during the 2004 to 2010 period, resulting in an average annual increase of 6.9 percent for the decade.

### Summary

Florida’s 67 counties include 35 urban counties and the 32 rural counties. The urban counties can also be divided into those that are a part of the six major metropolitan areas and fifteen other metropolitan areas. Almost 94% of the single-family homes and 98% of condominiums are located in these urban counties. The rural counties can be further divided into coastal and non-coastal counties. Besides housing differences in the
urban and rural counties, there are often also a number of differences in housing characteristics between coastal and non-coastal counties.

These housing differences reflect the differences in the characteristics of the population in different areas of the state. The population of the state is growing rapidly and is occurring throughout the state, but not uniformly. Different areas of the state are characterized by differences in the distribution of households by age, income, race, ethnicity, and county of origin. The report has shown that many areas of Florida are heavily reliant on increases in the foreign born population while other areas of the state are experiencing much larger increases in their native-born population or increases in the number of U.S. citizens migrating from other states.

In contrast, there are also areas of the state that have experienced population growth simply due to the relocation of Floridians from one county to another. This report has also shown there is great variability in the age of counties’ residents with some counties experiencing large growth in their elderly population, others experiencing large growth in their adult working age population, and others experiencing increases in their juvenile population. These are only a few of the differences that highlight the possibility that different counties will face different housing problems in the future. Single-family housing units dominate the state, but condominiums are an important source of housing in some coastal counties and manufactured housing plays a key role in rural counties in the interior of the state. In spite of Florida’s large gains in their housing stock, housing costs have continued to rise. Although the rate of appreciation is expected to slow, estimates indicate the rate will exceed 6 percent for the rest of the decade. As housing prices continue to increase in Florida, housing affordability is becoming more of a problem. This point can best be illustrated by the fact that this year’s housing affordability index has the most counties below 100 since 1995.