Research

One Year Later: An Updated Look at the Housing Recovery in Florida

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One year ago, experts at the American Action Forum wrote a paper detailing the state of the housing recovery in Florida.[1] Orlando was also the final stop in a national tour of housing events highlighting the way specific hard-hit markets were recovering from the housing and economic crises.[2] Epitomizing the boom and bust of the housing bubble, prices in Florida increased 152 percent from 2000 to their peak in 2006 and subsequently fell 52 percent. Florida’s narrative last year was largely defined by high foreclosure rates, lengthy foreclosure timelines, and steep job losses, especially in the construction industry. But over the past year, Florida’s outlook has brightened; house prices have risen 24 percent since hitting bottom in 2011, the unemployment rate has fallen from 11.4 percent at the peak to 6.2 percent in February 2014, and foreclosures appear to finally be waning. Though Florida’s diverse markets are recovering, the upturn in prices has taken longer than anticipated due to the delayed clearing of foreclosures. While investors and international buyers have helped buoyed Florida’s markets, the recovery moving forward will depend more on continued growth in wages and jobs and will vary by market.

THE TRAJECTORY OF HOUSE PRICES

Figure 1 shows how the Tampa and Miami metro areas have recovered compared to other metros tracked by S&P/Case-Shiller nationally. While prices in Florida’s metros fell similarly to those in other states hard hit by the housing crisis (e.g. San Francisco, Phoenix, and Las Vegas), price improvement in Florida has lagged other states.

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SOURCE: S&P/CASE-SHILLER

While Florida’s initially slow job growth and lengthy foreclosure process prevented prices from rebounding sooner from the bust of the housing bubble, in the past year prices around Florida increased strongly, especially earlier in 2013 before mortgage rates jumped higher. Price increases have moderated in the past few months but are expected to continue increasing steadily in 2014. In the past year, prices increased the most in the Orlando metro area, jumping 18 percent from February 2013 to February 2014. Growth, though, has been strong throughout Florida; the Miami, Tampa, Sarasota, and Lakeland metro areas all saw home values increase by more than 15 percent on a year over year basis in February (See Table 1). Though prices have risen more slowly in northern Florida, metro areas like Gainesville, Pensacola, and Tallahassee did not have prices appreciate and fall to the same degree during the housing bubble as metros like Orlando and Tampa.

TABLE 1. SUMMARY OF HOME VALUES

	M-o-M % CHANGE	Y-o-Y % CHANGE	JANUARY 2000 TO PEAK	PEAK TO TROUGH	FEB 2014 VALUE AS % OF PE
MIAMI-FT. LAUDERDALE	1.2%	17.7%	183.9%	-54.8%	60.1%
TAMPA	0.8%	15.3%	140.1%	-50.2%	62.8%
ORLANDO	0.9%	18.4%	137.1%	-55.0%	59.3%
JACKSONVILLE	0.3%	12.4%	102.5%	-40.5%	69.0%
SARASOTA	0.8%	15.7%	152.8%	-53.2%	59.2%
FT. MYERS/CAPE CORAL	0.6%	13.0%	174.2%	-58.1%	54.8%
LAKELAND	0.3%	16.0%	129.5%	-53.5%	58.6%
PENSACOLA	-0.1%	3.9%	77.9%	-29.5%	75.9%
GAINESVILLE	0.1%	4.4%	110.9%	-35.1%	69.0%
TALLAHASSEE	-0.2%	2.0%	93.9%	-26.3%	75.6%
FLORIDA	0.8%	14.2%	152.0%	-51.7%	60.0%
UNITED STATES	0.1%	5.6%	63.7%	-22.6%	86.2%

	M-o-M % CHANGE	Y-o-Y % CHANGE	JANUARY 2000 TO PEAK	PEAK TO TROUGH	FEB 2014 VALUE AS % OF PE
SOURCE: ZILLOW					

While prices are generally increasing statewide, the pace of the recovery in various metros has been different; for example, average prices in the Fort Myers/Cape Coral area stand at 55 percent of their value at the peak of the bubble while prices in Pensacola are 76 percent of their peak value.

Statewide prices stand at 60 percent of where they were at their peak in early 2006. In general, prices in Florida have recovered much more slowly than the rest of the country, with average prices nationwide recovering to about 86 percent of their peak value. Even among other hard hit states, the recovery in Florida has been slow. Prices in California and Arizona have recovered to 75 percent and 68 percent respectively of their value at the peak. Progress has been slower in Nevada, although prices there fell 61 percent from peak to trough compared to 52 percent in Florida.

ECONOMIC OVERVIEW & EFFECTS ON HOUSING

At the time of our last report, Florida had recovered 115,100 of the 720,900 jobs lost in the recession (See Figure 2). The number of recovered jobs has since more than tripled; Florida has now added 497,400 jobs since the end of the recession. While 334,800 fewer people are working now than at peak employment in March 2007, in just the past year the total level of employment has risen by 211,500. In that same time, the unemployment rate also fell from 7.9 percent to 6.2 percent in February 2014, lower than the national average of 6.7 percent.

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SOURCE: BUREAU OF LABOR STATISTICS

To put these numbers in perspective, Florida would need to add about 25,000 jobs on average each month to recover all of the jobs lost in the recession by next year. Job gains averaged 17,500 per month in 2013, up from the 2012 average of 13,800 per month. Preliminary job numbers for February showed an increase of 33,400, an impressive jump after consistently weak numbers throughout the winter. The employment outlook for the state overall is positive, but can vary dramatically depending on region and metro area.

Unemployment rates fell across the board on a year-over-year basis in all of Florida’s largest metro areas, though rates still vary. While monthly rates changes show increases, local area employment rates are not reported on a seasonally adjusted basis. Shown in Table 2, rates in metro areas like Palm Coast, Lakeland-Winter Haven, and Sebastian-Vero Beach are still well above the statewide average of 6.2 percent. While the overall picture is improving, high unemployment deeply affects the recoveries of some markets, restraining the ability to buy a home and the willingness to sell. Unemployment rates in all major Florida metro areas remain above the pre-recession low of 3.3 percent in 2006.

TABLE 2. UNEMPLOYMENT RATE BY METRO AREA

	CURRENT RATE (JAN 2014)	PEAK RATE	Y-o-Y RATE CHANGE	M-o-M RATE CHANGE
CAPE CORAL-FORT MYERS	6.0	13.3	-1.9	0.2
CRESTVIEW-FORT WALTON	5.0	8.8	-1.0	0.6
DELTONA-DAYTONA BEACH-ORMOND BEACH	6.4	12.1	-1.8	0.4
GAINESVILLE	5.1	8.7	-1.0	0.3
JACKSONVILLE	6.0	11.4	-1.5	0.4
LAKELAND-WINTER HAVEN	7.2	12.8	-1.7	0.4
MIAMI-FORT LAUDERDALE	6.2	11.9	-2.0	0.2
NAPLES-MARCOS ISLAND	5.6	13.1	-1.9	0.2
NORTH PORT-BRADENTON-SARASOTA	6.1	12.8	-1.8	0.4
OCALA	7.4	14.3	-1.7	0.6
ORLANDO-KISSIMMEE-SANFORD	6.0	11.9	-1.7	0.5
PALM BAY-MELBOURNE-TIT	7.0	11.8	-1.5	0.5
PALM COAST	9.3	16.2	-1.7	0.5
PANAMA CITY-LYNN HAVEN	6.5	11.7	-2.4	0.2

	CURRENT RATE (JAN 2014)	PEAK RATE	Y-o-Y RATE CHANGE	M-o-M RATE CHANGE
PENSACOLA-FERRY PASS-BRENT	6.3	10.8	-1.4	0.6
PORT ST. LUCIE	7.7	14.0	-1.8	0.5
PUNTA GORDA	6.2	12.8	-1.9	0.4
SEBASTIAN-VERO BEACH	7.7	15.6	-1.8	0.6
TALLAHASSEE	5.6	9.4	-1.2	0.3
TAMPA-ST. PETERSBURG-CL	6.5	12.5	-1.5	0.6
SOURCE: BUREAU OF LABOR STATISTICS				

Employment is directly and indirectly connected to housing for many reasons. The unemployed or underemployed cannot easily get a mortgage or make payments on a current mortgage. High local unemployment can also cause concern about job security and discourage home buying or selling. Apart from stubbornly high unemployment, the slow growth in wages has constrained housing markets nationwide. Shown in Figure 3, hourly earnings in Florida have been generally flat for the past few years even as the unemployment rate has slowly fallen. However, hourly earnings increased more strongly in 2013 than 2012; year-over-year percent changes in 2013 averaged 1.6 percent, up from 0.8 and 0.1 percent reported in 2012 and 2011 respectively.

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SOURCE: BUREAU OF LABOR STATISTICS

Home construction, perhaps more than house prices, will ultimately herald the recovery of Florida's housing markets. The construction industry in Florida took a brutal hit during the housing crisis. Prices in Florida are on average 60 percent of their peak level during the bubble. Yet comparatively, permits in December 2013 were less than one-third of what they were in August 2005 when permits reached their highest level. In fact, permits fell from a monthly high of 26,831 in 2005 to 2,281 in 2009, recovering to a monthly average of 7,241 in 2013.

That monthly average of housing permits in 2013 stands at 41 percent of the pre-recession average. While investors have been credited with helping to buoy prices in Florida, homebuilding has not picked up as quickly as prices in the past two years.

Shown in Figure 4, single family and multifamily construction have recovered differently. In Florida, and nationally, multifamily housing has recovered more quickly than traditional single-family homes; demand increased as more people have started renting over buying, be it because of generational changes, more limited ability to buy a home (previous foreclosure, un- or underemployment, credit restraints, etc.), or some other reason. In 2013, average monthly multifamily permits were 55 percent of the pre-recession average while single family permits stood at 36 percent. From February 2013 to February 2014, multifamily permits increased 34 percent while single family permits actually fell one percent.