

# The Miami Herald

**SOUTH FLORIDA REAL ESTATE**

## **A Lopsided comeback: How the housing recovery favors the rich**

Analysis of 11 years of home sales in South Florida, parsed by ZIP code shows the boom, bust and recovery left a wider gap between the rich and the poor

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South Florida's housing rebound has been remarkable.

Lured by Miami's cachet as an emerging international gateway and luxury getaway, foreign investors ranging from Russian oligarchs to Brazilian supermodels to anonymous Channel Islands companies have rushed in with mounds of cash.

Along Miami Beach's North Bay Road and Sunset Islands, Key Biscayne and Gables Estates, the elite are shelling out millions of dollars to buy teardowns to make room for new Gatsby-esque spreads.

**MIAMI HERALD INVESTIGATION**

### **BOOM, BUST & BACK**

Developers are hawking one new pre-construction condominium tower after another. They feature gilded amenities fit for Dubai or Hong Kong (one will be topped with a private helipad; another, equipped with private automobile elevators). Glass-walled penthouses tout 360-degree views of the city, the ocean and Biscayne Bay.

But that's only part of the story.

Miami's housing comeback is heavily lopsided. Many ordinary people in South Florida are still under water. Others can't get a mortgage for a simple 3/2 and instead shell out an outsized portion of their income for rent.

The gulf between the haves and have-nots has been widening around the nation, but in few places so diametrically as in South Florida.

The growing gap between the region's rich and poor emerged starkly in an analysis of 11 years of home sales data in Miami-Dade and Broward counties parsed by ZIP code.

The Florida Center for Investigative Reporting worked with the Miami Herald to prepare and analyze the data, which included more than 870,000 home and condo sales tracked by county property appraisers and the Florida Department of Revenue.

The takeaway: While affluent enclaves like South Beach, Brickell Avenue, Coral Gables and Pinecrest have made big strides since the historic crash, the rebound in home prices has bypassed the inner city, and it has made only modest marks on the southern and western reaches of Miami-Dade.

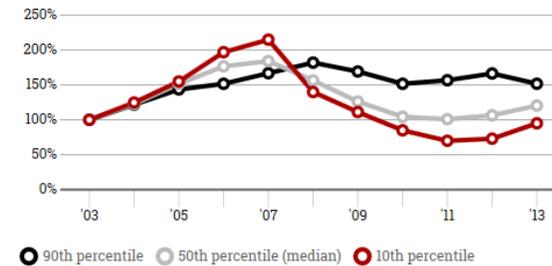
## How different areas performed

# Widening price gap between highest and lowest-cost homes

After the housing bubble burst, the value of the highest-priced homes in Miami-Dade and Broward counties dropped but never fell below the highest prices of 2003. The lowest-priced homes fell well below what they cost in 2003 and remained below that 2003 benchmark in 2013.

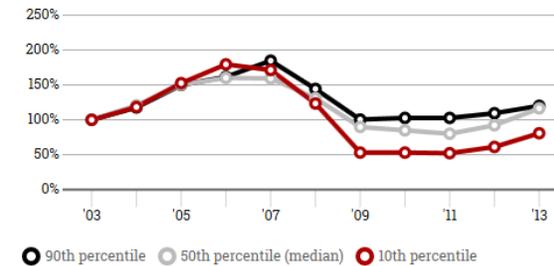
### Miami Dade

MEDIAN SINGLE-FAMILY HOME PRICE AS A PERCENT OF 2003 MEDIAN PRICE



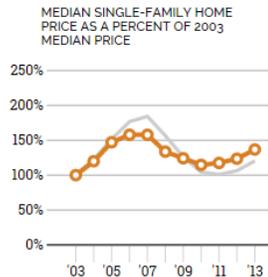
### Broward

MEDIAN SINGLE-FAMILY HOME PRICE AS A PERCENT OF 2003 MEDIAN PRICE



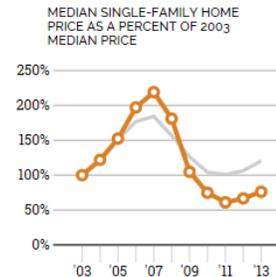
**Affluent suburbs**  
Single-family homes in affluent suburbs like Coral Gables and Pinecrest never fell below their 2003 values and are headed back to their peak values.

ZIP CODES: 33156 33134 33143 33146  
33158



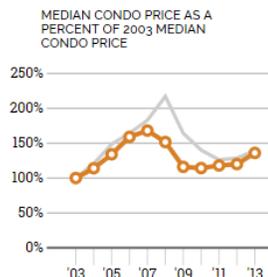
**Inner city**  
Compared to their 2003 prices, Miami-Dade's inner city single-family homes experienced a big upswing followed by a bigger downturn. Some are below their 2003 prices.

ZIP CODES: 33147 33127 33142 33150  
33167 33168



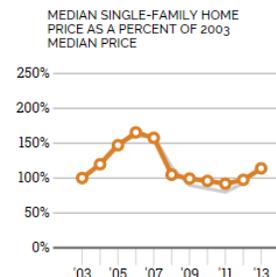
**Luxury Condos**  
Miami-Dade's luxury condos, dipped closer to their 2003 prices during the crash than the median of condos in the county as a whole.

ZIP CODES: 33129 33131 33139 33109  
33154 33160 33132 33137 33180



**S.W. Broward**  
Southwest Broward's single-family homes in Miramar experienced similar ebbs and flows compared to their 2003 prices as Broward County did as a whole.

ZIP CODES: 33027 33028 33029



SOURCES Miami Herald and Florida Center for Investigative Reporting, with data from Florida Department of Revenue and Miami-Dade Property Appraiser GRAPHICS Lazaro Gamio, Kara Dapena

Similarly, the coastal areas of Fort Lauderdale have bounced back from the downturn, but the urban core is still hurting, and many homes are worth less than they were more than a decade ago.

Home prices in wealthy neighborhoods fell less during the crash, and they rebounded sooner and stronger than in more modest areas. Demand for upscale urban living bid up prices for closer-in areas, trumping outlying suburbs where a fenced backyard also brings a long commute.

The broad middle market — including newer suburban communities in places like Southwest Broward — performed in between the extremes, still far below the housing market’s highs, but making steady gains in prices.

## INNER CITY STILL STRUGGLING

And the long-suffering inner city was the hardest hit of all.

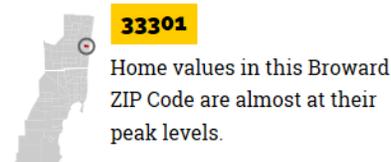
“Miami is a tale of two cities,” said R. Donahue Peebles, a prominent Miami developer and chairman and CEO of Peebles Corp. “What has propelled the recovery is the luxury market — first luxury condominiums and then the very high-end, single-family-home market.”

Like much of the nation, the region has wrestled with a sluggish economy and, until recently, tepid job growth. “The difficulty has been at the low-end of the housing market and the middle market,” said Peebles, whose firm cinched a deal for a mixed-use redevelopment project on public land in Miami’s blighted Overtown that which will include some affordable rental apartments.

In the depressed inner city of Miami-Dade, in a cluster of ZIPs covering areas such as Liberty City, Brownsville, Little Haiti and North Miami, the median single-family home price nosedived 72 percent from its peak to bottom. Last year, home values in those sections were 24 percent below 2003 levels.

Lost home equity is more pivotal for homeowners at the lower end, of course, because a residence is typically the biggest asset a family has.

The same splintered recovery exists in Broward County’s neighborhoods. In ZIP 33301, the tony swath of homes along Las Olas Boulevard and Fort Lauderdale beach that boasts the county’s highest median home price, prices fell just 25 percent from peak to bottom. For 2013, the median single-family home price of \$770,000 was 13 percent below the 2006 peak of \$887,500.



Median home value in 2013	\$770,000
Median home value in 2006	\$887,500

At the bottom of the spectrum, the median home price in the northwest Fort Lauderdale neighborhood of ZIP 33311 was \$98,500 last year. That's down 61 percent from its 2007 peak and 13 percent below its 2003 level.

The contrasts and contradictions are many.

## **RICH — AND POOR**

Miami ranked among the world's top 10 cities, alongside London, Paris and New York, in a recent luxury property report from Christies International Real Estate, the luxury brokerage.

The city boasts so many glitzy estates that NBCUniversal's Style network last year launched Hot Listings Miami, a short-lived reality TV show about selling luxury properties. Another stab at the concept, Bravo's Million Dollar Listing Miami, begins airing in June.

Meanwhile, 20.7 percent of Miami-Dade families with minor children were living below the poverty line in 2012, compared with 14.7 percent in 2008, according to U.S. Census data.

"Those whose credit scores got hurt the most are the low-income people. So it's a vicious cycle," said Peter McDougal, housing finance director at Neighborhood Housing Services of South Florida, a nonprofit that helps people of modest means buy and keep homes.

Driving through north-central Miami-Dade early this year, McDougal spied a boarded-up bungalow — one of many in the area. "Who's going to buy that house?" he asked. "Is that going to appreciate?"

Distressed properties depress home values for everyone around.



Marsha Halper / Miami Herald Staff Teresa Gonzalez and family dog "Spongy" stand outside their new home at Dupuis Pointe, a 27-home subdivision on 4.2 acres at Northwest 31st Avenue and 63rd Street in Miami.

Last year, Neighborhood Housing Services completed development of 27 new single-family homes at the DuPuis Pointe subdivision, an ambitious affordable housing project on 4.2 acres at Northwest 31st Avenue and 63rd Street in Gladeview. Armed with federal stimulus money, the housing nonprofit erected a veritable oasis of attractive, energy-efficient homes.

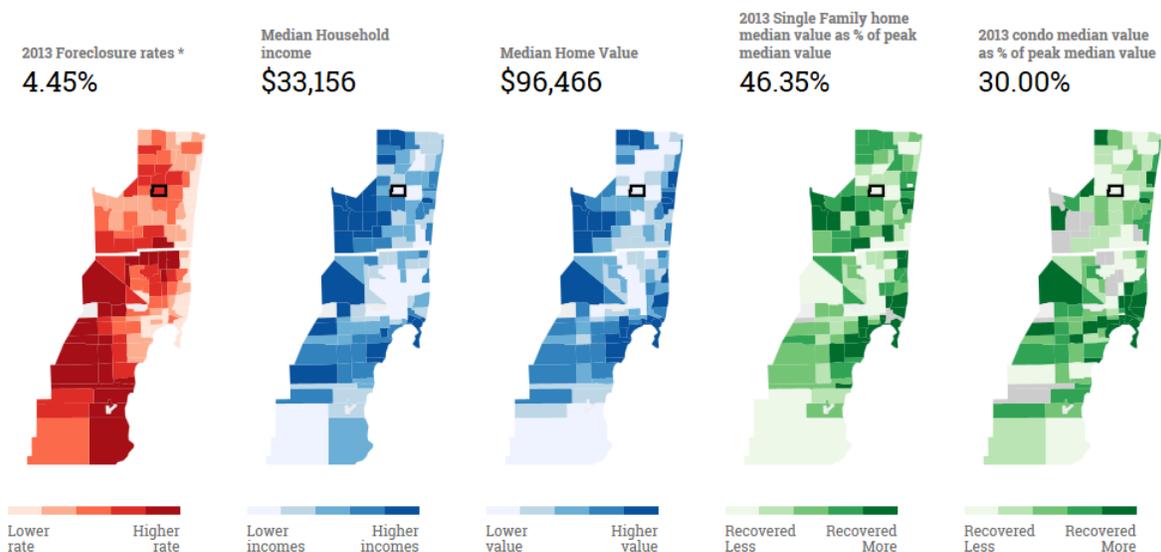
But when the housing nonprofit obtained appraisals on the new houses, they came in tens of thousands of dollars below the development costs, which averaged \$220,000 to \$225,000, McDougal said.

As a result, the buyers — all people of modest means who got favorable mortgage terms — ended up getting even better deals, acquiring the houses for \$150,000 to \$175,000. But there is a flip side: Those low appraisals, based on comparable sales in the vicinity, underscored how tough it has been for the depressed area to come back.

“It’s another stake in the ground of low property values,” said Arden Shank, president and CEO of Neighborhood Housing Services.

## South Florida, in five metrics

Median values of properties in high-income areas of South Florida are almost back at their peak levels. The median value of single-family homes in 33148, which encompasses Key Biscayne, is at 94% of its peak value in 2008. However, median value in low-income areas remains depressed, with some ZIPs' median values being below their 2003 median values.



NOTE Color scales are determined by grouping ZIP codes into quantiles. Foreclosure rates are the share of residences receiving some type of foreclosure filing in 2013. SOURCES Miami Herald and Florida Center for Investigative Reporting, with data from Florida Department of Revenue and Miami-Dade Property Appraiser; Claritas; RealtyTrac GRAPHIC Lazaro Gamio

## HIGHER VALUE, LESS VOLATILITY

By contrast, the county’s affluent areas were spared. In the ZIPs covering Coral Gables and Pinecrest, for instance, the median price of a single-family home fell 27 percent from peak to bust, compared with a 45 percent loss in home values countywide during that dark period.

And they've snapped back better, climbing in 2013 to just 7 percent below their peaks in those upscale enclaves. Miami-Dade houses as a whole remained 35 percent below the peak last year.

In April, a four-bedroom, 4 1/2-bath condo on Fisher Island, whose ZIP code 33109 is often named as one of the nation's richest, sold for \$7 million in the Palazzo del Mare building, according to the listing broker, Luxury Living Realty. The 3,690-square-foot unit, which had been updated but is substantially the same, went for \$3.2 million during gloomy 2009.



Carl Juste / Miami Herald StaffThe Icon Bay condominium project rises above small residential homes in Miami's Edgewater neighborhood on east of the 2700 of Biscayne Blvd.

And just as the rich areas beat the poor in the housing debacle, the trendy, close-in areas of Miami-Dade outperformed the 'burbs, hands down.

The cachet of close-in urban living has dramatically lifted property values in red-hot areas like Edgewater, Midtown and the Upper East Side. In ZIP 33137, median prices for both single-family homes and condos have soared between 2003 and 2013.

The median price of a single-family home in ZIP 33137 rose 80 percent between 2003 and 2013 to \$595,000 and is just 4.8 percent below its 2007 high.

That reflects strong demand by people to live near the buzz of the city coupled with the run-up in prices as developers rush to buy land — often older single-family homes — for redevelopment into apartments and condos.

Last year, the median price of a condo in ZIP 33137 straddling Biscayne Boulevard from Northeast 20th Street to Northeast 62nd Street was \$367,900 — within a hair of its 2006 high of \$373,400 and 2.3 times its 2003 level. The spike in the condo median reflects a spate of new luxury construction in those neighborhoods, along with higher prices for older inventory.

## **SOUTHWEST BROWARD**

During the boom, the suburbs of Southwest Broward, which blossomed with new communities after Hurricane Andrew spurred an exodus from southern Miami-Dade, basked in the spiraling home values, too.



Emily Michot / Miami Herald StaffA home for sale at 385 Sabal Way in Weston. The 4-bedroom 3 1/2-bathroom home has a list price of \$1,075,000.

The median single-family home price in the cluster of ZIPs 33027, 33028 and 33029 covering much of Pembroke Pines and Miramar, jumped 65 percent to \$450,000 during the boom before falling for five consecutive years to bottom at \$250,000 in 2011, down 44 percent from the peak.

Foreclosures hit the Southwest Broward area even harder than the county as a whole, according to data from RealtyTrac. And the suburbs' rebound in values has been slower than the overall county average.

## **HARD-LUCK HOMESTEAD**

In Homestead, which is much farther out, strawberry fields began turning into homes and townhouses when prices in the closer-in neighborhoods spiraled out of reach for many.

The demand for housing, reflected in the recovery in home prices, is roughly following that same dynamic. The higher prices rise closer in, the more the outer areas begin to regain traction.

In 2012, when Caribe Homes developer Fernando I. Martinez and his brother-in-law Mario Aguilar gingerly resumed building in South Miami-Dade, they looked first to Cutler Bay. There they completed four small projects totaling 48 homes. In March, the partners launched sales at a partially built development in beleaguered Homestead.

Homestead, which was a center of intense development during the boom, was among the biggest losers during the crash, with median single-family home prices falling between 61 percent and 75 percent.

“Homestead was hit harder. It’s further south,” Aguilar said on a recent visit to the Leeward Isles II project, where Caribe has regained control of 60 lots. “You give this place a couple of years, it’s got a lot of potential.”

Martinez, who is past residential president of the Miami Association of Realtors, said because of the rise in prices farther north, including Kendall, “people are being pushed further south to find an affordable home.”

Caribe is in good company. Major builders like Lennar Homes and D.R. Horton have stepped up construction in Homestead, which is one of the only spots left in Miami-Dade with big tracts of land available.

When the region’s home prices tanked, debate over housing affordability in Miami was muted for a time, overshadowed by other economic ailments. But it’s again coming to the foreground.

Thirty-eight percent of the working households in the Miami area spent at least half of their income on housing costs in 2012, according to a September 2013 report by the Center for Housing Policy, a Washington research group. Miami tied Los Angeles as the metro area with the largest share of working households with a severe housing cost burden, the center said.

But again, Miami is full of contrast.



Hector Gabino / el Nuevo Herald Staff Brickell and Downtown Miami are home to increasingly more expensive condo developments.

## **A GLOBAL DESTINATION**

In March, Miami ranked No. 7 among the global cities most important to the wealthy, according to The Wealth Report 2014, published by Knight Frank, a London-based real estate consulting firm. The study refers to the world’s fat cats as the “UHNWIs,” or ultra high-net worth individuals, defined as those with

at least \$30 million in assets, excluding the primary residence. The cities' rankings are based on their economic activity, quality of life, knowledge and influence and political power.

Miami — the only U.S. city besides No. 2 New York that was included in Knight Frank's list of the top 10 global cities — ranked ahead of Dubai, Paris and Beijing.

William G. Hardin III, a professor of real estate and finance at Florida International University, said the new condo boom in full swing in Brickell and Miami Beach spawns an odd dynamic in which most people who live in Miami-Dade can't afford the pricey new buildings going up.

“The product being built on Brickell is not, in essence, for people who live and work in South Florida,” Hardin said of the units, which are fetching \$500 to \$1,000 a square foot or more. “The people who live and work in South Florida are priced out of the market.”