

# After the Bubble: Does Florida Still Need Affordable Housing?



by Anne Ray

It was easy to see that Floridians needed help finding affordable housing during the real estate boom of the mid-2000s, as home prices skyrocketed beyond the means of even middle-class families. Now that the housing bubble has burst, bringing waves of foreclosures and falling home prices, does Florida still have an affordable housing problem?



by Douglas White

The short answer is yes. Substantially more homeowners are cost burdened compared to a decade ago and Florida has more low-income renters without a corresponding

increase in affordable units. As a result, even without the overheated market of the boom years, the state continues to have an affordable housing problem.

The Shimberg Center analyzed housing data from the 2000 Decennial Census, the annual American Community Survey from 2005 to 2010, and county property appraisers. We focused on low-income households, defined as those with incomes at or below 60 percent of the area median income (AMI).

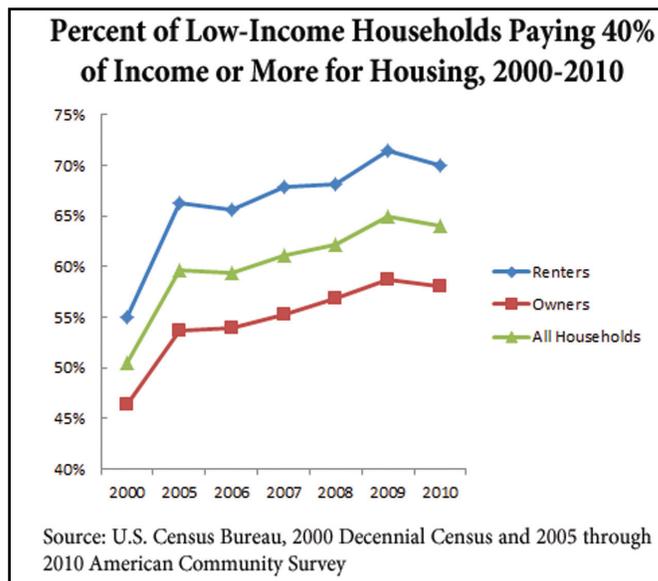
We found that home prices have indeed fallen in Florida. The median sale price statewide for a single family home peaked in 2006, at about \$276,000 (in 2011 dollars). By 2010, the price had fallen to about \$162,000—close to 2001 levels.

We also found that Florida had more than twice as many vacant units in 2010 than in 2000, although most of the increase actually took place during the boom years. Building permit data show that Florida added 960,000 housing units in 2003-2006, compared to just 238,000 in the 2007-2010 period.

Despite lower prices and higher vacancies, a growing number of Florida households are paying more than they



*Florida added vacant units during the boom years; numbers have stayed high.*



*More households are cost burdened than during the boom years.*

can afford for their housing. In 2000, half of low-income households (owners and renters) were “cost burdened,” defined here as paying more than 40 percent of income for housing. By 2005, that figure was up to 60 percent. It

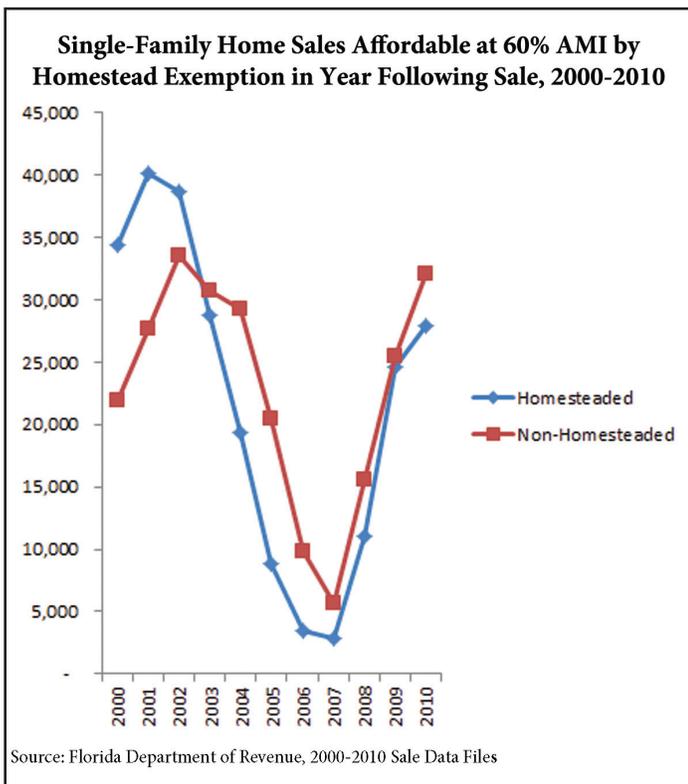
remained steady throughout the boom years, but began to climb again as the economy soured. In 2010, nearly two-thirds (64 percent) of Florida’s low-income households were cost burdened.

“For those buying a home today, affordability has certainly improved. However, affordability has not improved for America’s renters and owners more generally,” said Jeff Lubell, Executive Director of the Center for Housing Policy in testimony to Congress earlier this year. “For renters as well as homeowners who stay in place, monthly housing costs have largely remained stable or risen, while unemployment and underemployment have reduced incomes for many.”

### Homeownership: Affordable Sales Not Solving the Cost Burden Problem

More homeowners are cost burdened now than during the housing boom. In 2000, 46 percent of low-income homeowners paid more than 40 percent of their income for housing. By 2005, that figure had risen to 54 percent. Despite falling home prices, the share of cost burdened homeowners grew to 58 percent in 2010.

It’s true that more affordable homes may be available to the segment of low-income families now looking



*Affordable home sales are rebounding, although at least half are sold to investors.*

to buy a house. Before the boom, in the early 2000s, Florida routinely saw 50,000-70,000 sales of single family homes per year at prices that would be affordable to a household at 60 percent of AMI (although the sales were not necessarily made to low-income buyers). The majority of these homes were granted homestead exemptions in the following year; this means they were intended as primary homes rather than as investments or second homes.

Starting in 2003, affordable home sales dropped sharply, particularly to owner occupants. At their lowest point in 2007, less than 9,000 affordable home sales took place, and only one-third of these homes received homestead exemptions. Now, affordable home sales are on the rise. In 2010, there were approximately 60,000 affordable home sales. Slightly less than half of the homes later received homestead status.

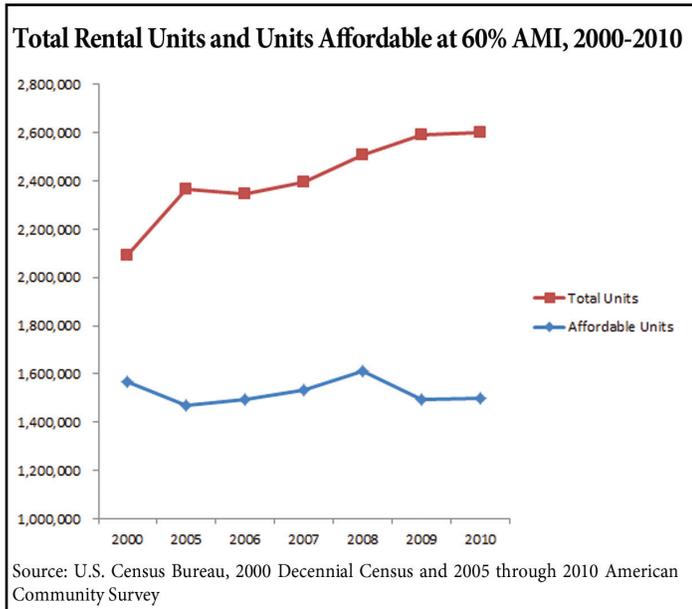
As the rising cost burden numbers make clear, however, a loosening home sales market alone does not solve the state’s affordable housing problem for low-income households. In any given year, most low-income households aren’t homebuyers, especially as availability of mortgage credit has tightened. Many factors point to continued high housing cost burdens for low-income homeowners staying in their current homes, including high levels of unemployment depressing incomes and continued high mortgage expenses for those households who bought homes during the boom. Lubell also cites rising energy costs, which affect families’ utility bills and transportation costs.

### Renters: More Competition, Fewer Affordable Units

The rental housing supply may be receiving a boost from the “shadow inventory” of homes and condos formerly occupied by homeowners and now available for rent. However, this boost clearly is not outweighing counter pressures on the affordable rental housing stock—rising poverty levels, high unemployment, and new competition from homeowners displaced by foreclosure.

The number of renters in need rose throughout both the boom and the bust. In 2000, just over half of low-income renters (55 percent) paid more than 40 percent of their income for housing. By 2005, two-thirds of low-income renters were cost burdened, a figure that rose to 70 percent by 2010.

Unlike home prices, rents are not falling relative to incomes. Florida added half a million rental units in the last decade, but the number of units affordable for low-income renters remained flat. In other words, the entire net increase in Florida's rental stock during the 2000s came from units with rents aimed at higher-income households. At the same time, competition for the affordable units grew. Florida added over 166,000 low-income renter households in the 2000s.



*Florida added half a million rental units in the last decade, but affordable units remained flat.*

Consequently, the share of rental units affordable to low-income households fell steadily throughout the decade. In 2000, three out of four rental units were affordable to households with incomes at 60 percent AMI. By 2005, that percentage had fallen below two-thirds; by 2010, only 58 percent of rental units were affordable.

As always, the loss of affordable housing units has been particularly acute for “extremely low-income” (ELI) tenants—those with incomes at or below 30 percent of AMI. In 2000, for every 100 ELI renter households, Florida had 48 rental units that were affordable and not already rented by tenants with higher incomes. By 2006, that number had dropped to 38 units per 100 tenants; by 2010, to 33 units per 100 tenants.

If the shadow inventory of homes were providing a large number of new affordable rental options, we would expect to see a sharp post-boom increase in

renters living in single family homes rather than traditional apartment buildings. In fact, Harvard’s Joint Center for Housing Studies identifies this as a national trend: “According to the [American Housing Survey], the number of renters living in single-family homes increased by 1.7 million between 2005 and 2009. In contrast, there was a net decline in single-family renters in the four years prior to 2005.”

The pattern in Florida has been different, particularly for low-income renters. Florida saw modest increases in the share of low-income renters in single-family homes during the boom years, from 25 percent in 2000 to 29 percent in 2007. Rather than increasing during the housing market collapse, use of single-family homes has remained steady at 30 percent in 2008-2010.

One reason the vacant inventory may not be absorbing low-income renters is a mismatch in household and unit size. Nearly two-thirds of low-income renter households in Florida are small, with 1-2 household members. However, most currently vacant units are designed for larger households; 42 percent are two-bedroom units, and another 36 percent have 3 or more bedrooms.

In short, Florida’s changing housing picture shows that home prices are nearing early 2000s levels, but that substantially more homeowners are cost burdened compared to a decade ago. The state has added low-income renters without a corresponding increase in affordable units. As a result, even without the overheated market of the boom years, the state continues to have an affordable housing need. [HNN](#)

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