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Average home price twice as much as most can afford, economist says

By Samantha Joseph

The average single-family house in Miami-Dade County costs about \$260,000, twice what most people can afford to pay, a local economist says.

Scarcity of land, rising construction costs and a low median household income places homeownership beyond the reach of many in the county, said Andrew Dolkart, president of Miami Economic Associates Inc.

The median annual income in Miami-Dade County is around \$40,000, one of the lowest in the state, he said. That is up from \$35,966 in 2000, the last Census figures available.

Most people can afford to pay only about \$116,000 for a home - about \$144,000 short of the average asking price, according to research by Integra Realty Resources Inc.

Even in Miami's poorest neighborhoods such as Allapattah and Wynwood, the average selling price of single-family homes is about \$130,000, according to a June 10 report by the city's Community Development Department.

"A lot of what we're seeing is redevelopment that most people cannot afford," which may explain why nearly half, 49%, of people in the county do not own their homes, Mr. Dolkart said.

Miami-Dade's 51% homeownership rate is significantly lower than the state's 70% and the country's 65%.

The cost of new housing rose up to 43.5% last year from 2000, Integra said, while prices for used property climbed up to 45.5%.

With salaries rising only 12%, it's clear that "home prices are rising a lot faster than income," Mr. Dolkart said.

Integra places the average cost of a new single-family home in Miami-Dade at about \$260,577 and a new condo at about \$307,663. Buyers can expect to pay about \$228,241 for an existing single-family home and about \$193,641 for a previously occupied condo.

The result is that nearly half of all households in the county spend more than 30% of their pre-tax income on housing.

An official at the county's largest homebuilder, Lennar Corp., suggested that higher spending might reflect a shift in attitude about homeownership and not just the rising cost of living in the county. Division president Anthony Seijas said that in the past five

years, buyers have spent increasingly larger portions of their net worth on property.

"Traditionally, people were not stretching as much to buy a home," he said. "They are realizing that their home is not only housing but also an investment that will appreciate in value over time."

Homeowners are not alone in being hit by escalating prices in the county, he said. He said developers spend about \$60 to build each square foot of a single-family home and about \$70 per square foot for a townhouse.

"Those are just the hard costs," he said. "On top of that, you have to add permits, interest payments, land costs, overhead. ... There are a million things you need to add."

Construction costs average about \$150 per square foot, Mr. Dolkart said, meaning that developers have to ask for about \$200 per square foot to realize a profit and cover parking and other peripheral expenses.

"It really is difficult," Mr. Seijas said. "The price of land alone has escalated to that point. It's made it very difficult to build what we call affordably priced homes."

The county's population and housing-supply projections have fallen drastically short, driving up costs, Mr. Dolkart said. He said the county's evaluation and appraisal report underestimated population growth when it predicted that Miami-Dade would grow by 30,000 people annually for the next 20 years.

According to county planners, Miami-Dade needs 10,000 to 11,000 new homes a year to accommodate growth.

Florida law requires that each county create a long-term report that outlines housing and demographic projections for nearly two decades. The latest report was released in October. Its timing, shortly after political and economic turmoil in several Latin American and Caribbean countries spiked migration to Florida, accounts for part of report's inaccuracy, Mr. Dolkart said.

The county also overreached on a plan to create housing along its transit lines, he said. According to the plan, the county would encourage developers to create up to 55,000 homes along its mass-transit system.

Based on county projections, those homes would accommodate about five years of growth.

"The notion is mind-boggling," Mr. Dolkart said. "These units, in large number, are not ever going to get built."

He said many of the proposed building sites have existing developments. The University of Miami's main campus and Vizcaya Museum and Gardens, for instance, sit along Metrorail stops.

"You have to take into consideration the existing uses that are not going to go away," Mr. Dolkart said. "UM is not going to close down so residential units can be built on its campus. ... A substantial percentage of these homes will never materialize."

Charles Blowers, the county's chief of research at its Planning and Zoning Department, acknowledged that the plan to create housing along the transit system might need revision but said projections are sound. "We thoroughly reviewed the population projections just a few weeks ago, and we are sticking with those," he said.

But for developers such as Mr. Seijas, housing costs are likely to rise unless the county "increases its supply of land" and expands its urban development boundary to allow building in areas now reserved for environmental conservation.

"It's something that will have to be looked at," he said, "in order to have affordably priced homes for middle-income families."