

# THE ETRO

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Save the Date: September 16<sup>th</sup>, 2009 at 8:00 AM  
Dewey Knight MetroForum Breakfast on "Healthcare Reform"

## Economic Development and Home Foreclosures in South Florida

By: Dr. Ned Murray, FIU Metropolitan Center Associate Director



The economic spillover of South Florida's housing market downturn began in 2007. Instability in the housing market was the first stage of the decline, followed by a steady decrease in housing values and rising home foreclosures throughout South Florida (Broward, Miami-Dade and Palm Beach Counties). The larger economic effects of the housing downturn began with increasing job loss and rising unemployment throughout the region. As noted in the Metropolitan Center's recent *South Florida Workforce Housing Needs Assessment*, working families who had already begun to leave South Florida due to rising housing costs have now

been forced to leave in search of employment opportunities.

The *South Florida Workforce Housing Needs Assessment* found that the region's economy lost 39,600 private sector jobs since January 2007. The construction industry, which was particularly impacted by the housing downturn, lost 17,600 jobs. However, as the economic spillover increased other employment sectors were impacted including finance, insurance and real estate (9,000 jobs) and retail (5,900 jobs). Continued job loss in South Florida through 2009 has resulted in higher unemployment rates. Palm Beach County currently has the highest unemployment rate (9.1 percent) followed by Broward (7.7 percent) and Miami-Dade (6.8 percent) Counties.

The home foreclosure crisis and its accompanying economic effects have impacted most states in the nation. Florida ranks fourth highest among states with the most foreclosure filings with 1 in every 164 homes in foreclosure. In the second quarter of 2008 all the counties of South Florida were included in the nation's "Top 20" metropolitan areas with the highest foreclosure rates. The Fort Lauderdale Metropolitan Statistical Area (MSA) with a 19.53 foreclosure rate per 1,000 homes was ranked sixth in the nation. The Miami MSA (16.01 foreclosure rate) was ranked tenth and the Palm Beach MSA (11.32 foreclosure rate) was ranked eighteenth in the nation.

High foreclosure rates in South Florida were the result of several factors including the proliferation of the subprime lending market during the height of the building boom, speculative investment and predatory lending practices. The home foreclosure crisis exacerbated already volatile real estate markets and fragile economies in South Florida as evidenced by an oversupply of price-inflated housing and local economies that have thrived on unbridled growth and development. Foreclosure auctions and the downward pressure they've created as banks unload distressed properties have depressed sales prices in neighborhoods and municipalities as a whole. In addition, "short sales" with asking prices below the amount due on a mortgage have further depressed surrounding home values. In short, no community in South Florida has been spared by the combined housing and economic downturn.

## How the Economic Crisis Affects the Most Vulnerable in Our Community and the Capacity of Our Human Service Network to Aid Them

By: Daniela Levine, FIU Metropolitan Center Board Member and President of the Human Services Coalition



South Florida is a study in contrasts. A playground for the rich juxtaposed against a challenge for the working class to meet basic needs. This income divide may be our most challenging problem. The recession is wreaking havoc for those in the lowest income bracket in ways not yet understood.

The recession in South Florida impacts the poor in three different areas: fewer jobs and benefits, fewer safety net services and fewer opportunities to advance. With layoffs in the retail, real estate and tourism sectors more competition exists for fewer jobs. Employers are not giving raises, and are cutting hours and benefits affecting those in the lowest paying jobs who in turn, must compete with the "new poor", those who have lost better paid jobs.

As government dollars shrink, safety net programs are cut. Charitable dollars are declining as the portfolios of foundations have shrunk by a third, and funders scale back grants, even for prior commitments. With less funds, nonprofits scramble to serve new customers losing jobs and benefits. Calls for help to the Switchboard of Miami are up by a third. In addition, career growth opportunities are curtailed with increases in college fees and reductions in many programs at community colleges and universities.

Some say that today's housing prices are more affordable. Miami had among the highest percentage of "housing burdened" renters (spending more than 1/3 of their income on housing). The reduced housing values will not lead in the near term to more rentals for low income residents. The market has lost its supply of "affordable" units to condo conversions, hurricane damage, trailer park closures and competition for housing units affordable for the workforce.

The Obama agenda has not overtly focused on the lowest income bracket, although relief does appear to be in sight with the Recovery Act for homelessness prevention and an expanded healthcare coverage. The Obama approach is a new "trickle down", with benefits to the middle class easing some of the pressure on the poor. However, those at the bottom are beginning, to take relief into their own hands.

The squatter movement is one example, in which the dispossessed are moving into homes left vacant from foreclosures, with the approval of neighbors and lending institutions that would rather see the homes occupied than become magnets for crime. Support for microenterprises, community gardens, "slow food" and "buy local" campaigns have potential for building up immunity from economic downturns. Online education and training are democratizing educational access. The expansion of national service is creating a cadre of community volunteers, working in an economic downturn at subsistence wages to rebuild the fabric of our society, one person or one nonprofit at a time.

One very promising development is the establishment of a National Office of Social Innovation within the White House, to promote new and scale effective solutions to vexing social problems such as poverty, school failure, healthcare decline and economic development in the global era.

### ANOTHER MEMORABLE THOUGHT

"The test of our progress is not whether we add more to the abundance of those who have much; it is whether we provide enough for those who have too little." *Franklin Delano Roosevelt*



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