

REAL ESTATE NEWS

Priced out of paradise: Why locals can no longer afford to live in Miami



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Priced out of Paradise: City in Transition

Miami-Dade is the most expensive metro in the U.S. for renters and one of the costliest for home buyers. This series explains why that's so and what it means for the region and its residents. Our interactive tool helps renters and buyers match their budgets to affordable neighborhoods. Future stories will explore solutions to South Florida's housing crisis.

In Miami, a mosquito-ridden backwater that grew so fast it was once anointed the Magic City, little has ever stayed the same for long. That has been the city's blessing, and its curse.

After Miami was hit by race riots, exploding crime and waves of impoverished refugees in the 1980s, [a prescient writer](#) hailed it as the City of the Future. T.D. Allman was famously right, and Miami improbably rose again.

Now that future is in full flower. But it comes with a caveat: Be careful what you wish for.

For the past 15 years, amid a relentless development boom that seemed to barely pause for an economic crash of epochal proportions, Miami has been undergoing the latest — and perhaps the most momentous — of its serial transformations. It has been a wrenching evolution from second-tier, regional metro to a true global city, with all the attendant benefits, and the growing pains, of having the world flocking to your doorstep.

In that brief span, Miami-Dade County has gone from a city where a middle income provided a comfortable life for hundreds of thousands of people to a metropolis beset by a housing crisis of alarming breadth and [a level of economic inequality](#) that matches that of Colombia. It's the consequence of stagnant real wages, housing prices hypercharged by rising demand and big foreign money, and a short supply of places to live that locals can actually afford.

Where can you afford to rent or buy in South Florida? This tool will show you

A staggering percentage of Miamians can barely afford to live in their hometown. An analysis of Census data indicates that more than 60 percent of Miami-Dade renters pay more than 30 percent of their salary on housing — a commonly accepted cutoff for affordability — making the Miami area the third least affordable city in the country. The crisis affects not only the low-paid service workers who make up the bulk of the county's workforce, but also its middle class and even professionals who strain household resources to make rent or mortgage payments.

The shifting economics have exacerbated the gulf between the haves and have-nots in Miami. One recent report put the [level of economic inequality](#) in Miami and across South Florida on a par with Colombia's and second only to New York City in the United States.

The crisis is the distressing downside of Miami's rapid ascendance into the ranks of the world's most desirable cities, said noted urbanist Richard Florida, co-author of the inequality report and part-time Miami Beach resident.

"We're at the vortex. We're at the eye of the storm," Florida said. "Many things are going well. The economy is growing. We're now seeing an influx of talented people. We're being discovered by new kinds of people. Young people are coming here. We are at an inflection point here where these changes are coming so fast.

"What Miami has is a crisis of success."

Those signs of success are indisputable: Thriving trade and a humming economy. A tourism industry second to none. An expanding spread of culture, both high and low. An endless variety of places to eat. A draw for the talented, the curious, the sophisticated and the accomplished. New businesses, with an incipient tech sector and multiplying startups and incubators.

As Miami has undergone an unprecedented, rapid transformation from languishing trouble spot to global hotspot, locals increasingly have trouble finding a place in the city to call home.

By [Daniel A. Varela](#) | [Pedro Portal](#) | [Matias J. Ocner](#)

What had been a largely suburban city and metro of shopping malls, dead streets and depressed inner-city neighborhoods as recently as the 1990s now counts an increasing number of urban districts with thrumming commerce and animated sidewalk life.

“The direction the city is going in is great,” said Michelle Garrido, a 31-year-old attorney and Miami native. “Little Havana. Art Basel. The explosion of Wynwood. It’s such a cool place to be. There is an explosion of art and culture. We’ve really expanded. My friends who went away come back, and they’re all wanting to move here.”

TITANIC SHIFT

It’s hard to overstate the speed and scope of the changes.

In 2004, when a condo boom of unprecedented scale sprang up in and around downtown Miami, there was no Arsht Center, no PAMM or Frost Science. Midtown Miami was a derelict rail yard; Wynwood, a dangerous industrial wasteland. Downtown Miami shut down at 5 p.m. Coconut Grove and downtown Coral Gables were in the doldrums. Doral was a ragtag assemblage of warehouses and gated golf communities in its infancy as a city. Sunny Isles Beach was a throwback, a curious collection of themed ocean-side mom-and-pop motels.

“I remember when Lincoln Road was dead and you could have bought the Van Dyke hotel for \$800,000,” said Avra Jain, a Miami developer and preservationist who began visiting the city in the ‘80s. The building last sold in 2012 for \$16 million, according to county records. “What’s happened in the last 10 years has been phenomenal.”

Since 2010, Miami-Dade County’s population has exploded by half a million people, reaching an estimated 2.8 million in 2018, according to the U.S. Census Bureau. The downtown population, in the stretch from Brickell north to Midtown Miami, has grown nearly 40 percent since 2010, and now stands at 92,000, according to a report from the Downtown Development Authority.

Driven by an insatiable appetite for the verve and convenience of walkable living in the urban core, it’s on pace to reach 109,000 by 2021. The number of condos and apartments in that same period increased 42 percent to over 48,000, according to the DDA.

Yet it’s all come at a price that’s increasingly hard to evade.

Construction of buildings and roads never seems to cease, disrupting daily life for thousands of people across Miami-Dade. Neighborhoods are remade whole in the blink of an eye as familiar landmarks disappear — along with the people who occupied them.

Staggeringly wealthy foreign buyers and investors flood into Miami-Dade and across the rest of South Florida, driving up prices of homes and services for everyone else. Gentrification displaces longtime residents, many of them African American and Haitian American, even as it revitalizes — and whitens — swaths of the city once sapped by suburban flight.

In the historically black area of Brownsville, west of Miami's Liberty City, longtime residents are being steadily replaced by Hispanics searching for relatively affordable housing, said historian and civil rights activist Enid Pinkney. And while everyone gets along, she said, the demographic change means black Miamians, long treated as second-class citizens, are now losing their history and identity along with the few neighborhoods they could afford.

"I drank from the colored fountain and sat in the back of the bus," said Pinkney, 87, who was raised in rapidly gentrifying Overtown and has lived in Brownsville for decades. "We've come through that segregation. And now we're going through another form of segregation. It's economic. And it leaves you out because it's going to take money to survive in any of these communities now. We're still on the outside looking in."

Historian and civil rights activist Enid Pinkney on how the black community and Brownsville in particular are being affected by the affordability crisis and gentrification.

FOREIGN BUYERS

About a [third of all residential sales in South Florida are to foreign buyers](#), said Lynda Fernandez, communications chief for the Miami Association of Realtors. Because they tend to purchase the more expensive homes and condos, she said, foreigners account for 50 percent of sales by dollar value — or \$8.7 billion from August 2017 through July 2018, up from \$7.1 billion the previous 12 months.

"Miami, more than any city I know, is not being built for the locals," said renowned Miami [planner and urbanist Andrés Duany](#). "The locals have been displaced on a continual basis. Miami has displaced an awful lot of people in a short time. And displaced them out."

Super-tall towers and mega-projects encroach on neighborhoods from Overtown to South Beach, and from East Little Havana to the Grove and Coral Gables, as developers seek out every last bit of vacant or underused land to redevelop along the coast, in the urban core and close-in suburbs. And the prices for those new condos are out of reach for most locals. Up to 65 percent have been priced at \$1 million and above, estimated Anthony Graziano, senior managing partner at Integra Realty Resources in Miami.

Prices for some choice properties have soared to once unheard-of levels. An Indian Creek island estate set a single-family home record of \$50 million earlier this year, while a penthouse and an adjoining unit in the oceanfront Faena House condo in mid-Miami Beach set the record for priciest residential sale in county history when they sold together for \$60 million in 2015.

While newcomers, the young and urbanites of all stripes embrace the city's enhancements, many longtime residents and the less affluent increasingly feel left behind and pushed aside in a Miami they never wished for, and sometimes hardly recognize. They long for the slower pace, the sense of space and modest proportions of the old Miami.

“The roads that used to be human scale are now concrete jungles — buildings up to the edge of the sidewalk, no trees. That’s a serious mistake,” said Dolly McIntyre, 82, a pioneering Miami preservationist who has spent all her adult life in the city.

“These older buildings and neighborhoods add to our sense of community, our sense of continuity. When you’re driving around and landmarks you’re used to are gone, you don’t know where to turn. A community that loses its essence doesn’t know where to turn.”

Then there’s the punishing traffic that’s the consequence and chief symbol of the long expansion. Compounded by a shortage of public transit options, Miami’s congestion is by most measures among the worst in the country. The South Florida metro area [ranked 12th among U.S. cities](#) for annual hours lost by commuters sitting in traffic, according to INRIX, a Seattle-based transportation data group.

The traffic burden falls especially heavily on lower and middle-income residents who must commute longer distances to find housing they can afford farther into the edges of the county, from Homestead to far West Kendall.

Dolly McIntyre, a veteran preservationist and DHT co-founder, talks about the Miami she encountered when she came to study at UM in the 1950s, the changes she saw and what she thinks of where we are today.

RICHER, POORER

Miami has long been a city defined by extremes, but the long buildup has heightened social and economic inequality, making Miami both much richer and much poorer, with fewer in the middle. By one commonly used measure, the Gini coefficient, Miami-Dade ranks [second-worst in the nation for inequality](#). That’s worse than Los Angeles, San Francisco and Washington, D.C., according to a pair of reports co-authored by Florida for the [Miami Urban Future Initiative](#), a think tank at Florida International University.

To look at the contrast another way, one of those FIU reports notes that, while the top 5 percent of Miami households earn an average of \$202,461 each year, the lowest 20 percent of households earn just \$19,775.10, or more than 10 times less.

That sharp level of inequality is reflected in some jarring urban juxtapositions, such as multimillion-dollar condos overlooking some of the city’s poorest dwellings. Discount retailers in Midtown Miami sit across the street from the dauntingly exclusive designer boutiques at the newly amped-up Miami Design District.

“You’ve got Louis Vuitton a block from Target,” noted Jain, who after reviving the legendary Vagabond Motel on Biscayne Boulevard has turned to [restoring apartments for affordable housing](#). “That’s crazy.”

The yin to the yang, she emphasized, is that intense redevelopment has vastly improved life in Miami's once blighted urban core, an accomplishment she attributes to "forward thinking" by leaders such as former Miami Mayor Manny Diaz, who engineered the rezoning and planning that led to the creation of Midtown Miami. His administration's developer-friendly policies helped nurture the boom of the early 2000s as a way to revitalize the city.

"People didn't live downtown," Jain said. "And what would Edgewater be without Midtown Miami? Midtown Miami was a container yard. Now look at it. It's a center for living. And I think we're just getting started. We were really just a big town. We have just come into being a city."

The City of Miami has changed dramatically since its genesis and the rising prices along with new sprawling skyscrapers are the evidence.

By [Daniel A. Varela](#)

MID-LEVEL STRUGGLE

Not so long ago, many people could live comfortably in Miami on mid-level earnings, though some Miamians, blacks and Hispanics in particular, have long struggled economically. But development in the urban core was stagnant and the city, as a place to live, was unappealing. Little of note had been built in Brickell since the 1980s condo collapse. Crime was rampant, amenities scant and places to shop few and far between.

Diaz, who took office in 2001, said he had to beg developer Jorge Pérez and his Related Group to build condos in the historic downtown core on the north side of the Miami River, something unheard of at the time. Related's One Miami, with a walkway bedecked with high-level public art at the mouth of the river, was such a success that other developers quickly followed Pérez to Biscayne Boulevard, which had not seen a new high-rise in 20 years.

The boom — along with an overhauled police department, dropping crime and new investment in infrastructure and culture like two new downtown museums — rapidly changed the dynamics in the city. By 2006, the first year of Diaz's second term, critics were complaining that downtown and Brickell developers were building condos at prices beyond the means of most city residents.

His riposte, delivered in the state of the city address that year: "Four years ago, Miami had no affordable housing problem because no one wanted to move here."

At one point in his administration, he recalled in an interview, there were 135 permits for major projects in and around downtown. Over 100 buildings were completed in 96 months. The city's tax base, \$13 billion when Diaz came into office, is now nearly \$54 billion.

"You can't really look at today without understanding where we started. We were in the tank. It was bad," Diaz said, who has frequently lectured at universities across the country on the city's transformation. "I thought this place could explode. Honestly, I didn't think it would explode like this."

LITTLE FOR LOCALS

Much if not most of that new condo construction, though, has been aimed at high earners and global denizens [who see Miami as a bargain](#) when compared with world cities like New York, London or even Toronto. Miami comes in 60th in a [ranking of cities around the world](#) by cost of living compiled by global consulting firm Mercer.

Yet Miami and South Florida also rank near the top as one of the most unaffordable places to live in the world, according to FIU's Miami Urban Future Initiative report.

South Florida is one of the least affordable areas in the country when it comes to renting. How does this compare to other cities around the U.S.?

By [Marta Oliver Craviotto](#)

That seeming paradox is explained by the [region's low predominant wages](#).

In a metro where the median household income sits at a meager \$49,930 but the median cost of a condo at \$250,000 and a home at \$345,000, most residents are shut out of home ownership. Fully 85 percent of Miami-Dade workers are in low-wage jobs, said Ned Murray, associate director at FIU's Metropolitan Center. Overall wages in the tri-county area have risen 13 percent since 2011, slightly above the national increase of 12 percent.

More than 40 percent of South Florida's homeowners and 53 percent of renters are classified as "cost-burdened" because they pay more than 30 percent of their household income on housing, Florida concluded in a recent report he co-authored for FIU's Urban Future Initiative.

Between 2011 and 2017, rents in Miami-Dade grew by 24 percent, according to U.S. Census figures. The cost-burdened rate for homeowners is second only to the New York City area and Los Angeles, and for renters, it's the worst in the nation.

The region's vulnerability to hurricanes only raises the stakes. In the Florida Keys, just south of Miami, Hurricane Irma in 2017 destroyed or badly damaged much of the island chain's skimpy supply of affordable housing, exacerbating a long-standing housing crunch so severely that an estimated 3,000 people simply left. In Miami-Dade, much of the housing occupied by low-income people is rundown or built under old windstorm codes, and thus especially susceptible to hurricane damage.

Today, after a decade and a half of a luxury-building boom that is only now slowing, many of the condos from Sunny Isles to Miami Beach, downtown Miami and Brickell are second or third homes for wealthy people. Many sit vacant during much of the year, though a precise number is not known. Others have gone unsold.

Around 45 percent of residential properties in Miami-Dade don't have a homestead exemption, figures from the county appraiser show — meaning they are likely second homes or rental properties. Real estate experts say the glut of luxury condos means supply far exceeds demand. There are enough condos priced at \$1 million and up at the moment to meet demand for two years, said Ron Shuffield, president and CEO of EWM Realty International in Coral Gables.

“What we've done is we built rich people's housing,” Florida said. “We have every developer and his brother building a starchitect-designed condo. We built for a market that doesn't exist. What we're not doing is building the housing people need.”

Miami-Dade is one of the most expensive areas in the nation for renters

GLOBAL CITIES

Miami is hardly alone.

Other cities that have become world hot spots, like San Francisco and Seattle, face growing and often severe housing crunches, but their prevailing wages are much higher than Miami-Dade's. Geographical constraints — in the form of the Everglades to the south and west, the Atlantic Ocean on the east and built-out Broward County to the north — also play a part. Land costs are high and housing supply limited in part because there's little room to grow out. But building up is also more expensive, adding to the cost of condos and apartments.

Ultimately, experts say, boosting wages and attracting better-paying jobs is the best way to correct the imbalance. But few places across Miami-Dade, with the exception of Doral, have succeeded in creating a “critical mass” of advanced industry jobs, Murray said.

Efforts to close the mismatch between wages and the cost of housing in the county, like a broad push to seed and attract tech startups and workers, have scored some notable successes, but have yet to make a big dent in the overall picture.

One answer, of course, is simply to build more housing that those who live here can afford.

Miami-Dade County and private developers of affordable housing — that is, housing that meets a federal definition for people of low income — have built thousands of units across the urban core with scant public attention, using substantial state and federal subsidies to do so.

But the supply is hardly enough to meet the need, and experts say there is no way to ramp up production sufficiently to close the gap. Annie Lord, executive director of advocacy group Miami Homes for All, estimates the need for housing meeting federal affordability criteria at 130,000 units across the county.

Another complementary approach, some preservationists and developers say, is to [rehab the county's vast stock of older housing](#), which provides the most affordable rents and costs but is often rundown, instead of tearing it down and building from scratch. That housing frequently is located in central urban locations close to work, keeping a lid on transportation costs that only add to the cost burdens borne by low-income residents. It would also keep communities whole.

Though there are signs that construction is slowing, it's unlikely that Miamians have seen its end. Even as the luxury condo boom sputters out, rental apartment towers are sprouting. Developers have proposed entirely new districts and neighborhoods where nothing existed. Some are in locations that not long ago hardly merited a glance from developers, but are suddenly among the most coveted spots, including Little Haiti and Allapattah.

Given the relative economic attractiveness to outsiders plus the temperate weather, low taxes and the rich menu of amenities Miami now offers, it's likely the well-to-do will continue to buy and invest in Miami. And that developers will continue to cater to them, FIU's Murray said.

"We haven't seen the end of it yet," he said. "We're running out of buildable land. All of a sudden places like Little Havana and Allapattah are becoming very attractive. Overtown has been engulfed. I don't think there is an area that will go untouched."

There is perhaps one thing experts say could put an end to Miami's global rise: climate change and sea-level rise.

Predictions vary on when seawater will swamp the coastline, but most urban experts expect the impact will be felt long before waves begin lapping at the foot of late star architect Zaha Hadid's phantasmagorical [One Thousand Museum](#) condo tower on Biscayne Boulevard.

If insurers begin pulling out, perhaps after hurricane surge batters downtown Miami, banks won't write mortgages. The bottom would then drop out of the real estate market, tanking the local economy, some believe.

"Miami is being set up as the poster child for end of the world by water," Duany said. "What is going to devastate us is the loss of real estate value when you can't get a mortgage because you can't get insurance.

"It then could be that Miami Beach again becomes affordable."