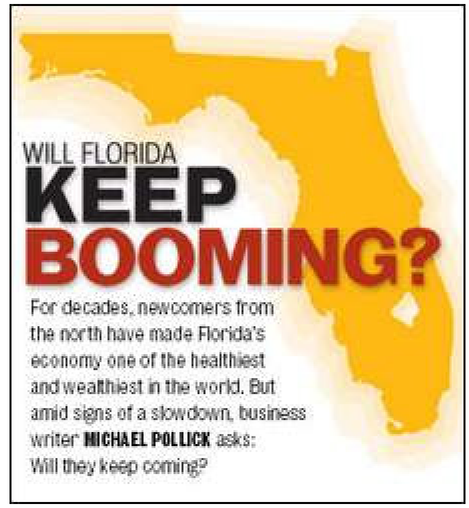
Article published Sep 30, 2007

As Florida's economy slows, will state's growth continue?



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The conventional wisdom is that booming growth for Florida is as sure as orange blossoms in spring and hurricanes in summer.

But some economists -- armed with fresh anecdotal evidence -- think that, at least in the short term, high insurance rates, high property taxes and heady competition from other retirement states is taking some of the wind out of the Sunshine State's sails.

At a time when the real estate industry is counting on growth to revive the sagging housing market, any slowdown could prove dangerous.

The old axiom says that Florida picks up 1,000 residents each day, but evidence is mounting that this long-lived assumption is no longer valid.

It already has been weakened by a demographic group called "half-backs" -- folks who have given up on Florida retirement and moved halfway back north, heading to other Sunbelt states.

Further dampening the 1,000-per-day premise is a newly disaffected flock of snowbirds, stung by fast-rising property tax bills, who are voting with their feet and leaving the state.

On top of that put Florida's real estate downturn, which began in earnest in 2006 and accelerated this year. Many workers once employed in the state's all-important housing industry are moving to work elsewhere.

"We always make these assumptions: You keep hearing '1,000 a day,' and 'every baby boomer is loaded,'" said Lou Goodkin, a Florida consultant who was among the first to warn of South Florida condominium overbuilding.

Long-term, there is still little doubt that Florida will get more crowded. If the Sunshine State captures even 10 percent of the nation's 76 million baby boomers as they retire -- the huge cohort born between 1946 and 1964 -- its population would balloon from 18 million to nearly 26 million.

"Florida is continuing to experience growth," said Tim Senter, executive director of the Council for Sustainable Florida, a Tallahassee think tank. "We will surpass New York in the next five to seven years as the third-largest state, if not sooner."

So the question might really be: Is the state on the same aggressive timetable as before, or has it slipped into a lower gear?

The half-backs

Chuck and Linda Edwards, a couple approaching retirement age, are trying to snip their Southwest Florida ties while setting up shop in a rural South Carolina town that they expect to boom.

They really fit into two categories because they are disenchanted Southwest Florida real estate investors as well as half-backs.

They moved to Bradenton from Maryland in 1993 and have spent the last 13 years investing in houses, rehabilitating them and renting them. They have done 40 in Southwest Florida, and so far, have made money on every one.

The only problem is that they have 11 in Sarasota and Manatee counties left to sell.

Late last year, the Edwardses pulled up stakes and moved to Georgetown, S.C. They will soon list a newly tuned-up, 3,500-square-foot house with large columns, fancy kitchen, and refinished wood floors for $249,900. Then they will take on a bigger project: a house half-wrecked by a large pecan tree's limbs.

"Prices are pretty cheap here," said Chuck Edwards, taking a break from working the first rehab, a 1930 house with five fireplaces in the even smaller town of Andrews, 19 miles west of Georgetown.

The Edwardses bought the Depression-era house, the wrecked one next to it, and a corner lot, all for $88,000.

Though getting closer to relatives in Maryland was part of the rationale, the couple also wanted to pursue their real estate investing careers in what they have concluded will be a stronger market.

Sarasota Realtor Diane Christner is charged with selling the Edwardses' leftover local listings. The couple's previous residence, completely renovated with 140 feet on the Braden River, is listed for just under $400,000.

"It has been on the market since spring," Christner said. "Obviously, we started up higher, around $500,000."

The Edwardses' new principal residence in Georgetown is a well-situated five-three with an annual tax bill of $1,800.

Meter on, but no one home

The 1,000-per-day figure is a statistic symbolic of Florida's generally optimistic outlook.

"Migration into Florida accounts for about 90 percent of growth," says Stan Smith, director of the University of Florida's Bureau of Economic and Business Research.

Smith heads the economic team responsible for developing official population estimates for every county and city, backed by a yearly grant from the Legislature.

Those numbers become fodder for Tallahassee officials charged with divvying up sales tax revenues, projecting future infrastructure needs, and so on.

For the last three decades, for every 100 people moving into Florida, about 50 have moved out, establishing a 2-to-1 ratio of in-movers to out-movers.

The other two factors -- births and deaths -- come close to canceling each other out. Florida has around 200,000 births each year and roughly 160,000 deaths.

"That is pretty small compared with overall growth of 300,000 a year or more," Smith said.

Smith backs out his own numbers on the net effect of migration each year by estimating how much population has changed, and then subtracting deaths and adding births.

"If you consider this ratio of 2-to-1, that means that in a normal year, probably 300,000 people move out of the state," Smith said. "The important thing to keep in mind is that while there are a whole lot moving out, there are twice as many moving in."

Florida continues to show very strong growth in employment, and that is bringing more people in their 20s and 30s to the state than retirees, Smith added.

"In '06-07 there has been somewhat of a slowdown in growth, but the growth is still pretty substantial," Smith said, referring to his preliminary 2007 findings. "By comparison to previous years it is smaller, but it is important to keep in mind that 2003 to 2006 were some of the highest growth years in Florida's history."

While BEBR is not releasing its results until November, it already has sent preliminary estimates out to officials in each county.

Charlotte County has been deemed to have a 2007 population of 164,653, up 2.7 percent from a year ago, while Manatee County's 2007 population of 315,890 is up 2.5 percent.

Sarasota County, including North Port and part of Longboat Key as well as Sarasota and Venice, has come in at 387,461, up 2.1 percent from 379,386.

While these numbers are probably solid for built-up areas like Longboat Key, they might be more questionable when it comes to fast-growing areas like North Port.

BEBR has come up with a 2007 population estimate of 53,732 for North Port. That is nearly 6,000 residents more than the 47,770 population the bureau assigned one year earlier and represents a 12 percent increase.

That official number for North Port's growth is way too high, says Dennis Black, a Port Charlotte real estate appraiser and consultant. He completed his own in-depth study of North Port, where cheap and abundant building lots propelled a permitting explosion in 2003-05.

Working for a real estate client, his job included figuring out to what degree North Port was occupied or vacant. He concluded that state population estimates -- heavily reliant on the number of electric meters running -- overstated the population.

"Anytime a house is built and an electric meter is turned on, the University of Florida counts it an occupied home, and automatically assigns a population number for the average household of approximately 2.26," Black said. "It is a methodology that does not apply in Florida in today's world where we went through a rapid building expansion and real estate speculation boom."

Old adages still hold?

BEBR is not the only entity using the old in-migration ratios to predict future growth.

As recently as August, one of the state's top private economists, Hank Fishkind, was still trotting out the chart that leads to that same general conclusion.

His chart -- "Florida's Population Growth" -- was part of an presentation to the Florida Association of Community Developers. It reads: "Growth depends on net migration."

Florida's growth from other states averaged 203,590 per year from 2000 through 2006. Foreigners accounted for another 107,000.

Taking those two figures and then accounting for births and deaths gives a total population gain of 2.1 million for the seven years, or 351,177 per year. Dividing that by 365 days is 962 per day. Close enough to 1,000 for someone who wants to paint a bullish picture.

But does that formula still work?

"The answer is no," said Jack McCabe, a well-known consultant who, like Fishkind, advises developers and investors on Florida real estate trends.

"There are now more people who are leaving than who are moving to Florida," McCabe said. "I think without a doubt there is a preponderance of circumstantial evidence and anecdotal evidence to contradict the old adage that there are 1,000 people a day moving to Florida."

Among the most cited figures by those questioning the state's growth are moving van statistics and school enrollment.

Encouraged by historical growth plus the influx of new students during the boom years and economic projections by the state and BEBR, Florida's 67 school districts have built a lot of extra lockers.

But nearly half of those districts showed declines in student population during the 2005-06. State officials have no real explanation for why the state's public schools added only 500 students on a net basis last year.

They did acknowledge that 2005-06 was the first year that growth stopped.

It is too early to report the school populations for 2007, but, for the most part, enrollment is flat, early reports show.

In years gone by, Allied Van Lines gave Florida the moniker "Magnet State" because it had so many more inbound than outgoing shipments.

Earlier this year, the company reported that outbound residents outnumbered inbound for both Florida and California. The Sunbelt was a still a big draw, with Texas the No. 1 destination, followed by North Carolina and Georgia.

"We have Realtors taking Floridians by the busload to buy in North Carolina," said McCabe, who works in Deerfield Beach, part of the crowded Southeast Florida metroplex.

As a landlord and Manatee County commissioner, Joe McClash thinks he can trust what he sees on this coast.

"I see traffic being down. I see permits being down. I see more vacancies," McClash said.

He thinks construction workers, in the broadest sense, are the people most noticeable by their absence.

"When you look at how many construction workers it takes to build one house -- it is at least a hundred -- from the person who sells the house to the person who pours the concrete to the person who sells the furniture," he said.

"Being in the rental business, I see it, because these people have left. They didn't leave before, but they are gone now," McClash said. "Every time somebody leases, you ask them where they are going. They are all over the place -- Alabama, North Carolina, back to Mexico."

In North Port, where the housing boom turned bust with a vengeance, Larry Tenbusch has been building affordable retirement homes for 24 years.

He stays in close touch with many former clients, and, through them, feels he has a good handle on Northern sentiment toward Florida, particularly among blue collar workers.

"In Chicago or Jersey, it used to be, 'I can't wait to retire and go to Florida,'" Tenbusch said. "Now the story I'm hearing is, 'Why would you want to move to Florida? You can't get insurance. The taxes are high, and the housing is not a bargain.' The word on the street is that we are not as desirable a place as we were at one time."

Tenbusch's clientele, mostly working class folks, help reinforce the point that the consultant, Goodkin, makes -- that not all baby boomers are rich.

"Twenty percent of them have money to burn. Then another comparable sized group is going to be very comfortable in their retirement years," Goodkin said. "The rest of them, which is 60 percent of the boomers, are going to be very challenged in their retirement years."

Demagnetized from Florida

One of those recently demagnetized retirees is Tom Deir.

Earlier this month, the 66-year-old, who retired to Sarasota in 1997 after a career as a maintenance coordinator with United Air Lines, was packing up his possessions to move to a small town just outside Charlotte, N.C.

His wife found their new rental in Mooresville, N.C.

"I'm getting double the space for $70 more a month than what I'm paying here," Deir said.

He is moving to a two-bedroom unit with a lanai fronting a golf course.

In Sarasota, Deir has taken a number of jobs to add income to his pension over the years.

"Driving a bus woke me up," he said. "Sarasota is filled with either the rich or the poor. I don't see the middle-class making it. And as the years go on, it gets tougher."

Then there are the snowbirds, always a mainstay for Florida's residential real estate brokers.

They buy a home or condo, head down for the winter, then back north when Florida gets too sultry. Southwest Florida's economy has come to depend on them.

Up in Brooklyn for the summer, 72-year-old Stan Chamberlin is close to deciding whether Florida will or will not be part of his future.

A part-time resident since 1991, Chamberlin reiterates a theme common among his compatriots: living on fixed incomes, they are getting hammered on their Florida property taxes.

The Legislature's special summer session was supposed to help them out, but it ended up providing only a modest, one-time rollback while creating a lavish replacement plan for the property tax cap now enjoyed by all those who have filed for homestead exemptions.

With the homesteaders capped at a maximum taxable home appreciation of 3 percent per year, second-home owners have been called upon to pick up the slack.

Sitting by an offshoot of the Intracoastal Waterway, Chamberlin's Florida home was pricey even when he bought it in 1998 for $400,000. He was content to pay the taxes, about $7,000 per year.

His next-door neighbor, a doctor who lives in Florida full-time, moved in about the same time and has a similar home on a similar lot.

"Last year, my taxes were $23,500 and my neighbor's were $8,000," Chamberlin said. "That is more than my Social Security."

Chamberlin plans to give Florida a year or so to turn things around to his satisfaction.

"I'm not a guy who issues ultimatums," he said. "I just do what I am going to do."

Another snowbird close to pulling the plug is Winnie Nelon of Massachusetts. Along with a brother and a sister, she owns a bayfront home on Longboat Key that was built 50 years ago by her grandfather.

"I've been going to Longboat Key since I was 2 years old," said Nelon, 56. "The house was built when I was 4."

When she started considering selling in 2001, the taxes on the winter retreat were $14,000. Last year, they were $35,000.

Nelon networks with dozens of snowbirds, both domestic and Canadian. "I think the general consensus is, if we had an easy way to sell our houses, we'd be out of there," she said.

Chamberlin is mailing a reprint of a special report by the Canadian Snowbird Association, "Florida Tax Crisis/How Did We Get Here?" to all the state's legislators, agency chiefs and Gov. Charlie Crist.

"Most snowbirds and non-homesteaders are outraged," Chamberlin writes in his cover letter.

"With their pleas for fairness ignored by Florida's legislators, they are spreading the word throughout the Americas and the rest of the world that Florida is not a place to own real estate."