Florida TaxWatch

COMMENTARY

AN UPDATE ON FLORIDA'S HOUSING RENTAL MARKET

JANUARY 2023

INTRODUCTION

Florida aims to be the best state in the nation to live, work, and play, and its tremendous growth suggests such efforts have not been in vain. Florida welcomes about 808 new residents per day,[1] and for the first time since 1957, the state has the fastest-growing population within the United States.[2] While tough to manage at times, a growing population is good for the state, fueling Florida's economy with new talents and dollars, but as the state continues to attract new residents, the state must ensure that the development of housing keeps pace.

Following the COVID-19 pandemic, Florida experienced a housing boom. As discussed in the October 2021 Florida TaxWatch commentary "Beyond the Pandemic: Long-term Changes and Challenges for Housing in Florida," a collision of demographic trends, government policies, and basic supply and demand resulted in soaring house prices.[3] By November 2022, the median price of single-family homes in Florida was nearly ten percent higher than the year before.[4]

The high prices of houses make homeownership seem out of reach to would-be homebuyers, which can lead to these households choosing to be renters. This places an extra strain upon the rental market, causing price spikes. The increase of rental prices burdens the budgets of Floridians—whose budgets are already burdened by inflated prices on goods—and results in long-lasting implications for Florida's workforce.

RENTAL PRICE GROWTH ACROSS FLORIDA

Nationwide, the prices of rent have drastically grown since the days before the COVID-19 pandemic. Florida incurred a 36 percent increase in rental prices from the first month of 2020 to the last month of 2022.[5] Florida's rental prices grew especially fast in 2021. At the start of the year, the median price of rent was $1,266. By the year's end, renters were paying $1,635, a 29 percent increase.[6]

The speed of growth slowed after 2021, and prices even experienced decreases during the last four months of 2022. Although slight declines in rental prices are common during the end of the year, the national rate of decline coupled with increased vacancy rates may be promising. Preliminary forecasts suggest that relaxing rental demand and increased supply should continue easing price growth in coming months; however, since the price is not expected to decline, renters will continue to grapple with the legacy of the 2021 price hike.[7]

Rent in metropolitan areas like Miami, Tampa, and Fort Myers has drastically increased since 2020. Metropolitan areas are popular for renters looking for job opportunities, and amid the

1 Florida Demographic Estimating Conference, Executive Summary, July 2022.

2 United States Census Bureau, "Florida Fastest Growing State for First Time Since 1957," retrieved from https://www.census.gov/library/stories/2022/12/florida-fastest-growing-state.html, accessed on January 3, 2023.

3 See, https://floridataxwatch.org/Research/Full-Library/too-expensive-to-rent-floridas-rental-market-eviction-moratorium.

4 Florida Realtors, "Nov. Housing: Higher Inventory, Prices, Lower Sales," retrieved from https://www.floridarealtors.org/news-media/news-articles/2022/12/nov-housing-higher-inventory-prices-lower-sales, accessed on January 12, 2023.

5 Apartment List Rental Data, retrieved January 2023.

6 Apartment List Rental Data, retrieved January 2023.

7 Apartment List, Apartment List National Rent Report, January 2023.

rise of remote work, many of these cities have also become popular with employed persons looking for an enjoyable place to live. Households in Miami pay a median of $1,634 for a one bedroom apartment and a median of $2,079 for a two bedroom apartment, both of which cost about 36 percent more than the median prices of January 2020 (Table 1).[8]

TABLE 1. MEDIAN RENT PRICES DRASTICALLY GREW FROM JANUARY 2020 TO DECEMBER 2022

METRO AREA	1 BEDROOM PRICE (DEC. 2022)	PERCENT GROWTH	2 BEDROOM PRICE (DEC. 2022)	PERCENT GROWTH
MIAMI	$1,634	35.71%	$2,079	35.62%
TAMPA	$1,405	38.28%	$1,733	38.20%
ORLANDO	$1,380	29.58%	$1,627	29.54%
ST. PETERSBURG	$1,332	36.62%	$1,694	36.50%
JACKSONVILLE	$1,194	33.26%	$1,419	33.24%
TALLAHASSEE	$1,143	29.89%	$1,345	29.83%
FORT MYERS	$1,397	50.70%	$1,643	50.73%

SOURCE: APARTMENT LIST RENTAL DATA, JANUARY 2023.

Rental prices have grown so much that they surpassed the prices predicted by historical trends. According to the Waller, Weeks and Johnson Rental Index, a rental market is considered "overvalued" when it exceeds projections. Of the 25 most overvalued rental markets nationwide, with costs ranging from 7.06 percent to 18.05 percent higher than predictions, Florida is home to nine: Cape Coral (ranked #1), Miami (#2), North Port (#3), Tampa (#7), Orlando (#12), Deltona (#14), Palm Bay (#16), Jacksonville (#18), and Lakeland (#21).[9]

WORKFORCE IMPLICATIONS

High rent is a risk to Florida's workforce. While Florida's highest earners may be able to afford committing greater funds to their housing needs, Floridians with a smaller net income may be required to compromise other needs, such as health care or insurance, to make ends meet. Some may choose to live farther from their workplace to seek affordable housing, committing to longer commute times and greater gas prices.[10] Others may leave local communities, or even the state altogether, taking their potential earnings and talents elsewhere. Losing residents to other states could limit the strength of Florida's economy. Currently, the labor market is competitive, characterized by record high quit rates and changing workplace values (i.e., remote work). If Floridians leave their jobs and move to other states, it will further restrain an already tight talent pool.

Although other states are enduring high rental growth as well, there are enticing options that could draw away Floridians. Median rent in nearby Georgia ($1,390 per month) is about $300 less than Florida's median rent ($1,698). In Texas—a state whose size, economy, and policies are similar to Florida—median rent is $400 less ($1,298). To attract and retain the talent Florida's economy depends upon, Florida needs sufficient housing options.

Rent is often considered affordable when it costs 30 percent or less of a household's income.[11] If gross rent costs more than 30 percent of a household's income, the household is considered cost burdened, and if the household pays more than 50 percent of their income for rent, it is considered severely cost burdened.[12] Lower earning Floridians are especially susceptible to becoming cost burdened. Average median income (AMI) for Florida households is about $61,777.[13] Most households earning the AMI or less are cost burdened, paying 40 percent or more of their household income on rent (Table 2).[14]

TABLE 2. MOST FLORIDA RENTERS EARNING THE AVERAGE MEDIAN HOUSEHOLD INCOME OR LESS ARE COST BURDENED BY HOUSING RENT

WORKFORCE PARTICIPATION	AFFORDABLE RENT: 30% OR LESS OF INCOME	COST BURDENED: 30 TO 50% OF INCOME	SEVERELY COST BURDENED: MORE THAN 50% OF INCOME	PERCENT PERCENT OF HOUSEHOLD TYPE THAT IS COST BURDENED
SINGLE HOUSEHOLDER IN WORKFORCE	93,115	150,096	107,830	73%
HOUSEHOLDER OR SPOUSE IN THE WORKFORCE	36,731	66,274	49,746	76%
BOTH HOUSEHOLDER AND SPOUSE ARE IN THE WORKFORCE	62,688	76,637	32,971	64%

SOURCE: U.S. CENSUS BUREAU, AMERICAN COMMUNITY SURVEY (ACS) 5-YEAR ESTIMATE 2020.
AVERAGE MEDIAN HOUSEHOLD INCOME FOR FLORIDA WAS $61,777 IN 2021.

Wages influence whether a household can afford rent. In Florida, ten occupations supported 77 percent of all employment in 2021 (Table 3).[15] Of these occupations, only one has a median hourly wage that

8 In the Florida TaxWatch release "Too Expensive to Rent: Florida's Rental Market & Eviction Moratorium," the rental market prices were significantly higher. Within the prior commentary, Zumper Rental Data was used to provide the cost estimates. Zumper data uses the prices of listings to estimate median price. To keep consistency with the cost growth estimate provided in Figure 1, this report uses Apartment List Rental data, that estimates the price of rent based upon the amount paid by tenants.

9 Florida Atlantic University, Waller, Weeks and Johnson Rental Index, retrieved from https://business.fau.edu/executive-education/overvalued-rental-markets/index.php, accessed on January 13, 2022. Data based upon rental prices from November 2022.

10 U.S. Census Bureau, American Community Survey (ACS) 1-Year Estimates, 2021. On average, an employed Floridian taking a car to work has a 27 minute commute. This is comparable to the national average (25 minutes).

11 United States Department of Housing and Urban Development, "Rental Burdens: Rethinking Affordability Measures," retrieved from https://www.huduser.gov/portal/pdredge/pdr_edge_featd_article_092214.html, accessed on January 20, 2023.

12 United States Department of Housing and Urban Development, "Rental Burdens: Rethinking Affordability Measures," retrieved from https://www.huduser.gov/portal/pdredge/pdr_edge_featd_article_092214.html, accessed on January 20, 2023.

13 U.S. Census Bureau, American Community Survey (ACS) 5-Year Estimates, 2017-2021.

14 U.S. Census Bureau, American Community Survey (ACS) 1-Year Estimates, 2021.

15 Florida Department of Economic Opportunity, Statewide, Regional, and County Projections, 2022 – 2030.

TABLE 3. MOST OF FLORIDA'S JOBS CANNOT SUPPORT FLORIDA'S MEDIAN RENT ON A SINGLE SALARY

OCCUPATION	TOTAL EMPLOYMENT	MEDIAN HOURLY PAY	AFFORDABLE RENT	DIFFERENCE BETWEEN AFFORDABLE RENT AND MEDIAN RENT
ALL OCCUPATIONS	8,605,610	$18.23	$947.96	$ (750.04)
OFFICE AND ADMINISTRATIVE SUPPORT OCCUPATIONS	1,247,660	$17.83	$927.16	$ (770.84)
SALES AND RELATED OCCUPATIONS	969,590	$14.22	$739.44	$ (958.56)
FOOD PREPARATION AND SERVING RELATED OCCUPATIONS	818,970	$12.00	$624.00	$ (1,074.00)
TRANSPORTATION AND MATERIAL MOVING OCCUPATIONS	720,860	$14.97	$778.44	$ (919.56)
BUSINESS AND FINANCIAL OPERATIONS OCCUPATIONS	596,080	$29.83	$1,551.16	$ (146.84)
HEALTHCARE PRACTITIONERS AND TECHNICAL OCCUPATIONS	563,590	$29.77	$1,548.04	$ (149.96)
MANAGEMENT OCCUPATIONS	502,370	$45.82	$2,382.64	$ 684.64
CONSTRUCTION AND EXTRACTION OCCUPATIONS	398,060	$19.17	$996.84	$ (701.16)
EDUCATIONAL INSTRUCTION AND LIBRARY OCCUPATIONS	397,860	$23.52	$1,223.04	$ (474.96)
INSTALLATION, MAINTENANCE, AND REPAIR OCCUPATIONS	375,640	$22.13	$1,150.76	$ (547.24)

SOURCE: DEPARTMENT OF ECONOMIC OPPORTUNITY, 2021 WAGE ESTIMATES; APARTMENT LIST RENTAL DATA.

can afford Florida's median cost of rent ($1,698) alone.[16]

Many households, however, have more than one revenue stream, whether earned by a spouse or roommate. Certain occupations, such as Office and Administrative Support Occupations, should be able to afford the median rent if at least two householders are employed by the occupation. Other occupations, such as Sales and Related Occupations or Transportation and Material Moving Occupations, would need more than two householders employed by the occupations to afford rent.

High rent may also place pressure upon critical workers, such as firefighters, nurses, and police officers. Consider a firefighter living in Miami, one of Florida's cities with the highest rent. Based upon the latest data from Florida's Occupation Employment and Wage Statistics (OEWS), the median wage of a firefighter in Miami is $30.91. A firefighter could afford a one bedroom apartment. If the firefighter wants more space to support a growing family, they will have difficulty affording a place with a second room. The median monthly cost of a two bedroom apartment is $2,079, 39 percent of the median income of a firefighter.

As a state known for its aging population, Florida should be especially weary of the effects upon younger residents. Young professionals and early career families earn less than experienced workers, making them less adaptable to rising rent. If these individuals cannot afford to work in Florida, not only does the state lose talent for current business activities but also talent that could develop and serve as the future of Florida's experienced workforce.

AFTERMATH OF EVICTION MORATORIUM

Cost burdened households are ill-equipped to withstand rental price increases. When a household fails to keep up with rising costs, they are at risk of eviction. To protect vulnerable households from homelessness during the economic instability of COVID-19, a federal eviction moratorium was in place from September 2020 to late August 2021.[17] When the country's economy strengthened, the eviction moratorium was lifted. By the time the eviction moratorium

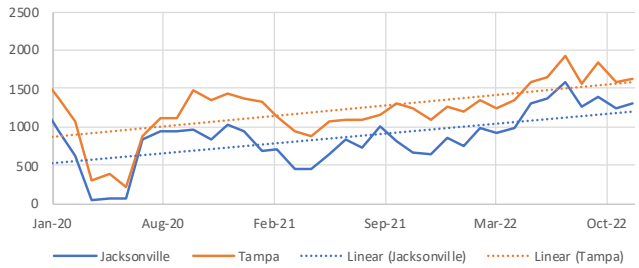
16 Rent is considered affordable if the occupant can spend 30 percent or less of their income to cover the expense.

17 Princeton University, Eviction Lab, Accessed January, 2023.

was lifted, households were able to earn more reliable incomes; however, they were now faced with rental prices significantly higher than the prices prior to the eviction moratorium.

Princeton University's Eviction Lab tracks eviction rates in several large cities nationwide, including Tampa and Jacksonville (Figure 1). In these two Florida cities, eviction filings increased in the months following the end of the moratorium in August 2021. In December 2022, 1,341 evictions were filed in Jacksonville, which is 34 percent more than the average filings in December from 2012 through 2016. In the same month, 1,621 evictions were filed in Tampa, 14 percent higher than the month's average. Based upon the comparable trends of Jacksonville and Tampa, it could be possible that other Florida metropolitans experienced similar increases in filed evictions.[18]

Figure 1. After the Eviction Moratorium was Lifted, Jacksonville and Tampa Filed More Evictions Per Month



CONTRIBUTING FACTORS TO RENTAL MARKET PRICE INCREASES

Although the eviction moratorium momentarily ensured households could afford their housing, the price was ultimately pushed upon future renters. To maintain their businesses, landlords needed to raise rent to make up for the income lost during the eviction moratorium. Even though the eviction moratorium influenced a quick influx in price, it is only one contributor to Florida's current pricing challenge. The main contributor that Florida will need to overcome is a long history of demand outgrowing supply.

Each year, demand in the rental market has notable growth. According to the U.S. Census Bureau, about 2.5 million Floridians were occupying rental units in 2019. In 2021, an additional 100,000 residents were renting units in Florida.[19] In part, the growth in demand signifies a strong economy. Persons who once lived with relatives or friends are now financially equipped to create households of their own. Similarly, a strong economy attracts residents from other states looking for gainful careers in Florida.

Demand in the rental market is also heavily influenced by the supply of the housing market. Millennials are at prime homebuying age while retiring Baby Boomers are ready to downsize their homes. The first time homebuyers and retirees often look at the same lower-priced homes, and there is not a large enough supply to accommodate all parties, trapping some would-be homebuyers in the rental market.

Meanwhile, the supply of both houses and rental units has experienced slow growth within the past decade. Based upon filed building permits, a peak number of housing units was constructed in 2005, with 287,000 units under construction in Florida.[20] In 2008, often known as the Great Recession, the construction of new units steeply dropped due to high production costs (labor and building materials, impact fees, etc.). As a result, a record low number of permits was filed in 2009, with only 35,000 units under construction. Since then, construction has steadily risen, with 213,000 permits filed in 2021. It is expected that this number could have been higher if not for supply chain disruptions caused by the COVID-19 pandemic.

Despite these setbacks, Florida has added 119,000 single family homes and 121,000 multifamily buildings—a total of about 476,000 units—to the rental market within the last decade.[21] All of these new units, however, rent for more than $1,000 per month. The state lost about 31,000 units costing less than $1,000 to disrepair or price increases.[22]

LOOKING AHEAD

"We need to recognize the changing needs as well as the varied demographics of a diverse, mobile and to a certain extent remote work-force. We need affordable rental property for all income levels and family sizes."

–Senate President Kathleen Passidomo

The varied use of housing units is heavily intertwined with Florida's success. Both as homes to the workforce and as passive sources of income, such as vacation homes or rentals, the state's economy depends upon a reliable housing supply. With the prevalence of remote work, the state will also need enough housing units to welcome new residents who choose to bring their earnings from across the nation into Florida. Entering the 2023 Session, the Florida Legislature will tackle the challenge of determining how to best assist home and rental seekers, whether with support for making attainable housing affordable or accelerating and incentivizing construction to ensure the state can continue accommodating for the growing demand upon its housing units.

18 Princeton University, Eviction Lab, Accessed January, 2023.

19 U.S. Census Bureau, American Community Survey (ACS) 1-Year Estimates 2019 and 2021.

20 United States Census Bureau, New Privately-Owned Housing Units Authorized by Building Permits in Permit-Issuing Places in the State of Florida, retrieved in January 2023.

21 Units added from 2010 to 2019.

22 Shimberg Center for Housing Studies, 2022 Rental Market Study, June 2022.

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