

Will South Florida's Real Estate Market Prices Plunge As The Seas Rise?

BY KAREN RUNDLET



Credit npr.org

An aerial view of Ford Zachary Taylor Historic State Park and the Port of Key West.

Plenty of local realtors will describe South Florida's housing market as recharged. The latest reading from the popular Case-Shiller Index showed sales of single-family homes up 13.5 percent from a year ago in August.

There is continued demand for waterfront properties, fueled in large part by international cash buyers from countries like Canada and Brazil. In Miami-Dade County, for instance, the category of luxury properties selling at price points above \$600,000 and below \$1 million, saw growth in sales of almost 68 percent.

However, the question remains. If you add the threat of rising sea levels to the real estate investment equation in South Florida, are rooms with an ocean view actually a terrible place to put your money?

Opinions Are Mixed

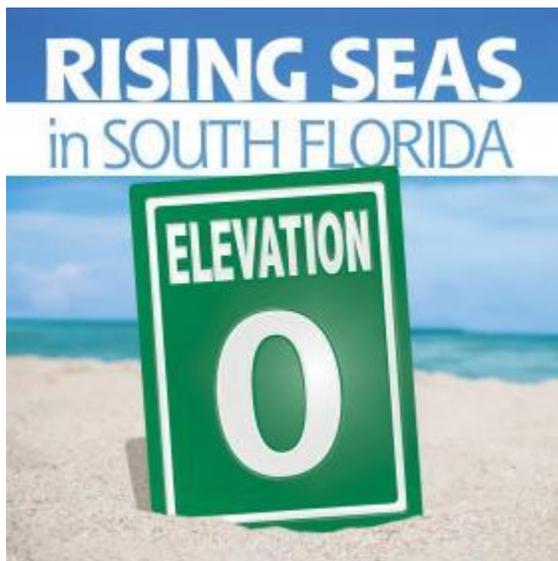
Experts disagree in their predictions. Some say we should be most concerned about South Florida's future by the end of the century. Others say the gradual emergency of rising sea

levels will be a problem as soon as a decade from now. With those timelines in mind, does that make a 30-year mortgage on a home in South Florida a foolish financial decision?

Wayne Pathman is a local land use attorney who has lived in Miami Beach his entire life. He's been pretty outspoken about the need to start planning for rising sea levels. Pathman sees things in his neighborhood now that he doesn't remember seeing when he was younger.

"I don't recall as a young child or as a young adult ever having to worry about flooded areas that would flood even though it didn't rain," says Pathman.

That led to his work with the Miami Beach Chamber of Commerce, where he led a committee that pushed the issue of rising sea levels.



[Enlarge image](#)

Credit Claudia H. Munoz

Pathman also visited the Netherlands, a low lying country with nearly 50 percent of its land mass below sea level. The housing market in the Netherlands would literally be underwater, if not for aggressive flood control measures. The Dutch have been working through their water challenges for about 800 years. They've built dykes, water squares and entire housing developments on stilts. Dutch firms were even brought in to create a more thoughtful stormwater strategy for New Orleans after Hurricane Katrina.

Culturally, he believes the business community is behind in terms of studying and acting on this issue.

"They're either not aware or there's no requirement for them to be there and there's nothing that's changed in our codes or our construction patterns to require their involvement," Pathman says.

But more importantly, no one wants to kill the market with negative talk about one of the region's primary economic drivers – growth. Several realtors who read the stirring article published in *Rolling Stone* in June described it as overblown or dramatic, although they

didn't deny that rising sea levels was a formidable issue. No one could point to a developer who had even tried to address it with one of their new projects. Dr. Ken H. Johnson is a director at Florida International University's Hollo School of Real Estate. He said while he's still examining the issue of rising sea levels on the local housing market, he's almost certain prices won't drop until the final hour. In other words, it won't be a gradual decline over years but a sudden thud. Johnson points to similar studies on beach erosion. Property values only started to slide when catastrophe was around the corner.

Knowing that, Johnson says, "The marketplace is not necessarily going to provide a mechanism to solve this and perhaps we're going to need governmental intervention."

Role Of Insurance Industry

Whether or not any of our homes will be here 30 years from now, in 2043, the insurance industry may actually play a larger role in influencing real estate prices. The industry will start dictating values as they measure risk. It makes sense that interest rates will climb and deductibles will rise. We're already seen it. After all the payouts following Hurricane Sandy, the National Flood Insurance Program is more than \$20 billion in debt. Last year, the price of insurance went up for folks living in known flood zones.

Pathman says there is potential fallout for the larger economy too. Just his opinion, of course. "Eventually though, the insurance companies, who are also some of the biggest lenders for projects and development, will stop lending or stop insuring which will have a downturn then on the market."

Even after a few quiet hurricane seasons in South Florida, nobody has forgotten Hurricane Wilma or Hurricane Andrew. What happened after Hurricane Andrew is exactly what Pathman says we should be doing to get ahead of the slow emergency of rising seas.

"We reacted with good planning, we reacted with changes in our codes and we were able to recreate those communities that were hit the hardest by Andrew," says Pathman, "I think the same can be done with rising tide."

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