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# Housing Market Response to Sea-Level Rise in Florida



Springer

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Volume 37

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Risa Palm • Toby Bolsen

# Housing Market Response to Sea-Level Rise in Florida

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ISSN 2211-0577

ISSN 2211-0585 (electronic)

Coastal Research Library

ISBN 978-3-030-88434-5

ISBN 978-3-030-88435-2 (eBook)

<https://doi.org/10.1007/978-3-030-88435-2>

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The registered company address is: Gewerbestrasse 11, 6330 Cham, Switzerland

*To Eliot, Emma, Justin, and Katelyn*

# Acknowledgments

The authors would like to thank Georgia State University for providing funding to support graduate student assistants and the costs of acquiring survey responses. We thank Justin Kingsland, December Weir, and Chelsea Johnson for their help in data collection, cleaning, analysis, text editing, and the creation of several of the figures in this book. We appreciate Laura Villo's assistance in handling the Amazon gift cards for the real estate agent participants. We thank Jeremy Craig for his careful review of the manuscript and his suggested changes. We thank the First Street Foundation for permission to use images from Flood Factor. We are grateful for the helpful suggestions from several colleagues including Donald Reitzes, Jan Nijman, Ann-Margaret Esnard, Nancy Marlin, and David Greenland. Jeremy Kopkas provided both editorial advice and prepared the manuscript following the publisher's guidelines for electronic submission. Of course, any errors should be attributed to the authors.

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## About the Authors

**Risa Palm** is the author of 14 books and monographs as well as numerous scholarly articles and invited book chapters. Among her previous books are textbooks for introductory human geography courses (*An Invitation to Geography*, McGraw-Hill, 2 editions), upper division courses in American cities (*Geography of American Cities*, Oxford University Press), and natural hazards (*Natural Hazards: An Integrative Framework for Research and Planning*, Johns Hopkins University Press). She has also published three monographs on earthquake hazards with Westview Press (now part of Harper Collins) including *Earthquake Insurance: A longitudinal study*, *Earthquake Insurance in California: Environmental policy and Individual Decision-Making*, and *Illusions of Safety: Culture and Earthquake Hazard Response in the US and Japan*, and another monograph on earthquake hazards with The University of Chicago Press Geography Research Papers (*After a California Earthquake: Attitude and Behavior Change*). She has received research honors from the American Association of Geographers and served as president of this association.

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# Chapter 1

## Introduction



**Abstract** Despite its vulnerability to flooding associated with sea-level rise, coastal South Florida continues to attract large numbers of new residents each day. Information about flood insurance requirements and flood-risk is widely available, but our 2018 survey found that coastal residents seemed relatively unconcerned about the future value of their homes. At the same time, some econometric studies have found that proximity to the coast may have a negative impact on both demand and sales price of coastal housing. Clearly, the south Florida coast is both an amenity and increasingly a hazard. Two other factors potentially impacted the market as of 2020. First, as of the summer of 2020, detailed, property-level information was made available about flood risk to prospective homebuyers on the website of the National Association of Realtors<sup>®</sup>. Second, the price and availability of flood insurance came into greater focus as there was serious discussion of revising the price structure of federal flood insurance for properties at substantial risk. To gain a perspective on the impacts of increased attention to the hazard of sea-level rise on the residential property market, we administered a survey in the fall of 2020 to 680 licensed Florida estate brokers and sales associates. We asked the real estate agents to describe what they observed in working with prospective south Florida homebuyers, and their assessment of local housing market trends. The analysis of their views has important implications for understanding how the risks of climate change and sea-level rise are reflected in the housing market both now and in the near-term future.

**Keywords** Real estate agents · Sea-level rise · Flood risk · Florida

Florida real estate. What image does this term suggest? Is it life on the beach with palm trees swaying and summer weather all year round (Fig. 1.1)? Is it the view of the ocean from a condominium window or the feel of pleasant breezes while walking along an oceanfront boardwalk? Is a Florida home on the coast one of your dreams?

Or do you think about the hurricanes that threaten Florida every summer and fall? Or the photos of the streets of Miami on a sunny day flooded by tidal waters? Or the summer days when the heat and humidity seem unbearable? Or do you think about



**Fig. 1.1** Florida beach. (Source: iStock photo)

the days when slick salespersons sold swampland to hapless buyers from out-of-state?

This book is about the south Florida residential real estate market and its vulnerability to sea-level rise resulting from climate change. We will explore real estate agent opinions on how prospective homebuyers assess the risk of flooding, and whether they observe that house prices are stagnant or falling in coastal areas vulnerable to flooding. And we will report on their conclusions after working with prospective homebuyers as to whether coastal south Florida is a good place to find a home or, alternatively, a risky investment in a place that will eventually be submerged by rising seas.

The question of how sea-level rise is affecting the south Florida property market is an urgent one: the residential real estate market is one of the pillars of Florida's economy, accounting for 22% of the Florida gross domestic product or over \$240 billion annually (Woetzel et al. 2020). If prices fall precipitously, households might be unable to obtain mortgage financing or affordable insurance. A decline in property values would mean losses of local property tax revenues, with concomitant deterioration of support for regional infrastructure and education. At the national and international level, a rapid decline in the value of coastal Florida property would have a jarring and cascading effect throughout the insurance and secondary mortgage markets as well as the variety of entities that have financial stakes in banking and real estate in Florida (Nicholson et al. 2018; Taylor 2020; Taylor and Weinkle 2020).

Precise estimates of the scale and timing of sea-level rise for the Florida coast, or indeed any location, remain elusive (Hinkel et al. 2019; Kopp et al. 2019).