How Palm Beach County's economy has suffered after real-estate bust

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The collapse of the housing market has exacted a multibillion-dollar toll on Palm Beach County's once-robust economy.

About $78 billion in real estate value has evaporated since the bubble burst. Also gone are 93,000 jobs, not to mention more than $4 billion in annual wages and $3.5 billion a year in taxable sales.

And by some reckonings, the Great Recession has delivered more meaningful, if less measurable, damage to the psyche of the middle class. The instant riches of the real estate boom, along with record-low unemployment, let middle-income homeowners enjoy a brief spell of sudden prosperity. That mirage has disappeared in the past five years.

After the value of her Wellington home declined by hundreds of thousands of dollars, Monica Clark faces foreclosure, and she has developed a decidedly downbeat view of the American Dream.

"There is no middle class any more," said Clark, who runs an assisted-living facility. "There's the super-rich and the poor."

While it's not accurate to say that the middle class verges on extinction, it's no exaggeration to conclude that middle-income residents of Palm Beach County have felt squeezed in the five years since the real estate bubble.

Declining incomes are one symptom. The share of Palm Beach County families earning $50,000 to $150,000 a year fell from 49.2 percent in 2006 to 46.1 percent in 2009, according to the U.S. Census Bureau.

More significant, the value of Palm Beach County real estate has plunged by a third in the past five years, according to the Palm Beach County property appraiser. After peaking at $233 billion in 2006, the value of all residential and commercial property plummeted to $155 billion this year.

The decline in Clark's home value was even more dramatic. Her house was valued at $1 million in 2008 but only $584,045 in 2010, according to the property appraiser.

She's just one of hundreds of thousands of Palm Beach County homeowners to sustain huge declines in home equity since the boom. As a result, real estate website Zillow.com estimates that nearly half of South Florida homeowners with mortgages owe more than their homes are worth.

Dreams dashed
Some who lived middle-class lifestyles before the Great Recession learned how tenuous their financial security was. A Palm Beach County woman who lost her municipal job a year ago now crashes with her adult children.

"I went straight from middle-class to poverty," said the woman, who asked not to be identified.

A new book argues that the housing crash took down the dreams of the middle class. With home equity making up such an important part of the typical American's net worth, the real estate bust proved devastating, writes Don Peck in Pinched: How the Great Recession Has Narrowed Our Futures & What We Can Do About It.

"Housing crashed hardest in the exurbs and in more-affordable, previously fast-growing areas like Phoenix, Las Vegas, and much of Florida - all meccas for aspiring middle-class families with limited savings and moderate education," Peck writes.

The most fortunate Americans survived the real estate crash with diminished net worths but kept their jobs, were in no danger of foreclosure, and enjoyed the fruits of the stock market's rally.

"The rich and well-educated, after experiencing a brief dip in their fortunes, are, for the most part, beginning to prosper again today," Peck writes. "Much of the rest of America remains stuck in neutral or reverse. In perhaps the biggest picture, the Great Recession has exposed the United States as something that seems uncomfortably un-American: a two-speed society, with opportunities for some."

**Experts see improvement**

West Palm Beach entrepreneur Mark Rosenblatt certainly feels like his financial life has stalled. A former attorney, he owns a struggling Cold Stone Creamery ice cream store.

"We basically don't make any money," he said.

After mortgaging his house to finance his business, Rosenblatt no longer considers himself part of the middle class, but he says that group's struggles aren't helping his sales.

"They're being squeezed from all directions," Rosenblatt said. "You squeeze them, and you destroy the economy."

Not everyone has such a dour view of the weak economy's effect on the middle class. William Stronge, professor emeritus of economics at Florida Atlantic University and author of the book The Sunshine Economy, said soaring enrollments at colleges indicate that laid-off workers are boosting their skills in a bid for higher wages and more job security.

"It's probably correct to say that inequality was expanded during the recession," Stronge said. "But that doesn't mean the inequality is permanent."

Stronge and other Florida economists point to signs that the state's economy is improving. Job creation has picked up, taxable sales are increasing, and the free fall in real estate values has slowed.
"The Florida economy is recovering, but it's certainly not a vigorous and robust recovery," said University of Central Florida economist Sean Snaith. "I don't think we're looking at a 10-year malaise. It was a hell of a cycle, but cycles reverse themselves."

While economists see improvement in the job market and in overall economic activity, the billions of dollars of real estate value lost in the past half-decade won't be so quick to return, they predict.

"It'll be a while before we claw back everything we've lost" in the real estate market, Snaith said. "I've gotta believe it's going to be decades rather than years."