

Miami's Poor Live on \$11 a Day as Boom Widens Wealth Gap

Toluse Olorunnipa
May 3, 2014 12:01 AM

As the luxury bus ferried a dozen of his clients past building sites, Miami property consultant Peter Zalewski rattled off names of 50 area high-rises being financed by money from Venezuela, Hong Kong and Argentina.

Blocks away, locals live on as little as \$11 a day.

It's another boom in Miami, which has been at the mercy of real-estate speculators since the 1920s. The latest influx of capital is deepening inequality in a city where the distribution of wealth more closely resembles a developing country than the most advanced industrialized nation.

"Miami isn't the gateway to Latin America; Miami has the same economic demographics as Latin America," said Pedro "Joe" Greer, a doctor whose 25 years of work treating the homeless and uninsured there earned him the nation's highest civilian honor -- the Presidential Medal of Freedom -- in 2009. "Seventy percent of the families we work with bring in less than \$25,000 a year."

Miami's Gini coefficient, a measure of income inequality, is the third-highest among U.S. cities after Atlanta and New Orleans. It's higher than in Buenos Aires and Rio de Janeiro and mirrors Mexico City's level. The city is also the toughest for low-wage workers to rise, according to a Bloomberg analysis of the upward mobility of fast-food employees.

Zalewski, 43, captured the jarring contrasts on the bus tour he organized for potential apartment buyers.

Cannibal Incident

"Imagine six towers -- two condos and four hotels -- all standing above you," he said as they passed the site where Kuala Lumpur-based Genting Bhd. hopes to build the world's largest casino. "If you look to your left, this is where the cannibal incident happened two years ago. This is where the gentleman ate the homeless guy's face."

The reference was to Rudy Eugene, who was shot to death by police in May 2012 as he gnawed at a homeless man in a bizarre attack beneath a causeway to the beach. Today, the men who sleep under the road wake to the sounds of construction crews building two museums bearing the names of local billionaires Jorge Perez, chief executive officer of developer Related Group of Florida, and Phillip Frost, chairman of drugmaker Teva Pharmaceutical Industries Ltd.

Miami ranked No. 7 -- above Dubai, Paris and Beijing -- among "cities that matter" to high-net-worth investors, the 2014 Wealth Report by London-based consulting firm Knight Frank LLP shows. International buyers have purchased more than \$10 billion of South Florida property since 2008, the Chicago-based National Association of Realtors says.

Condos Planned

More than 15,000 new condominiums are on the drawing board or in the works, according to Zalewski's CraneSpotters.com, which tracks regional development. That's the most since the city of 415,000 added 23,000 between 2003 and 2008, tripling its inventory. Miami anchors the South Florida metropolitan area, which has a population of about 5.8 million.

With six in 10 residents born outside the U.S., Miami has long been a fusion of cultures and classes, with neighborhoods such as Little Haiti and Little Havana.

Even as the city expanded in trade and banking, it relies on real estate and tourism, leaving it vulnerable to sharp swings and low-paid service jobs.

Home-Price Depreciation

As home prices and construction soared during the last decade's boom, the unemployment rate averaged 4.1 percent in 2006, below the U.S. average of 4.6 percent. Four years later, joblessness tripled to 13.4 percent as Miami outpaced the U.S. in job losses, foreclosures and home-price depreciation. Unemployment

fell in March to 7.5 percent, still more than the national level that month of 6.7 percent. The U.S. rate in April fell to 6.3 percent, the Labor Department reported May 2.

Even those with jobs are getting squeezed. A 2011 Harvard University study found Miami was the least affordable city for renters. More than 40 percent of low-and middle-income renters spend at least half of their income on housing, the most in the U.S., according to the Center for Housing Policy, a Washington-based research group.

Miami's average monthly rents rose 3.8 percent last year to \$1,120, according to Reis Inc., a New York-based property-research firm. The median hourly wage grew about 2 percent, U.S. Bureau of Labor Statistics data show.

Forced Move

Stephanie Clark was forced to move from her subsidized apartment after the rent increased by 10 percent to more than \$700.

"With all these big high-rises going up downtown, they can charge what they want to charge," said Clark, 57, who lives on about \$20,000 a year from Social Security disability benefits. "Next thing you know, you're paying \$700, \$800, \$900 a month. If you're making a small income, you can't afford that."

For Manny Diaz, mayor from 2001 to 2009, that's the cost of turning a city dubbed the U.S. murder capital in 1984 into a global hub with international appeal.

"Do you bring the prostitutes back and bring the drug dealers back and throw the garbage back in the middle of the street," he said in a telephone interview. "I pull my hair out trying to find an answer, and there is no easy answer."

Miami has the third-highest gap in the U.S. between households at the 20th percentile of the income scale and those at the 95th percentile, according to a February report by the Brookings Institution in Washington. The gap in Miami has grown faster than all cities except San Francisco and Atlanta since 2007, the policy-research group found.

Trailing Detroit

Miamians at the 20th percentile earned at most \$10,438, or about \$4,175 per person using the city's average household size of 2.5 people. That translates to about \$11 per day, trailing only Detroit, which filed the biggest U.S. municipal bankruptcy.

As Zalewski's bus eased through downtown, its path south along North Miami Ave. traced the divide. To the west: the 33128 postal code, where the median household income of \$19,500 means about 40 percent live in poverty, U.S. Census Bureau data show. In the U.S., where about 15 percent live in poverty, the median income is about \$53,000.

To the east lies 33131, a waterfront slice of the Brickell neighborhood, where companies including Aon Plc and JPMorgan Chase & Co. have offices and pop star Pharrell Williams owns a condo. The median income is \$78,500. Developers like Harvey Hernandez expect that number to grow.

Foreign Buyers

Hernandez, chairman of Miami-based Newgard Development Group, is building the 374-unit Brickell House, with apartments priced from \$500,000 to \$5 million. Three-quarters of the buyers came from abroad and paid in cash, Hernandez said. The sold-out 46-story tower featuring views of Biscayne Bay will open this year, he said.

It's one of at least 20 new high-rises proposed for the neighborhood. A few blocks away, construction crews for Hong Kong-based Swire Properties Ltd. are working on Brickell City Centre, a \$1 billion mixed-use project that will be Miami's largest private development.

"From the Middle East to Europe to Eastern Europe, everybody is noticing that Miami is the right place to be," said Hernandez. Local buyers, he said, "are being priced out of the market."

[Terms of Service](#) [Trademarks](#) [Privacy Policy](#)
©2018 Bloomberg L.P. All Rights Reserved
[Careers](#) [Made in NYC](#) [Advertise](#) [Ad Choices](#) [Website](#) [Feedback](#) [Help](#)