

Housing Tenure and Mobility with an Acquisition-Based Property Tax: The Case of Florida

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Abstract

The purpose of this study is to empirically examine the effect on ownership tenure for residential housing under an acquisition-based property tax system. The state of Florida has an acquisition-based property tax system whereby annual assessments are capped to protect existing homeowners; the assessment is only adjusted to reflect market value upon resale. We hypothesize that such a system would lengthen the average tenure of residential home ownership, since the transactions costs of intra-state moves are magnified by the lost property subsidy. A sample of 20 Florida counties is used to examine average and median residential housing tenure at two distinct points in time to investigate changes in housing tenure. The results do not support the hypothesis. Possible mitigating factors included increased residential housing demand from a large population influx, escalating residential property values, low interest rates and easy credit availability, and homeowners adjusting to the acquisition-based property tax system.

Differing methods of property tax assessment may impact the transaction costs of relocation and the average length of tenure associated with home ownership. Current state law in Florida limits increases in residential homestead property tax assessment values until the home is sold. By capping the annual increase in property assessments, current homeowners are protected from dramatic increases in housing values associated with more volatile real estate markets. Once an existing home is sold, it is “marked-to-market” to reflect market value for property tax assessment. This tax relief measure, known as the “Save Our Homes” amendment, should result in increased moving costs and average home tenure for residential real estate properties. Because of the increased transaction costs associated with losing the reduction in assessed value, residential property owners may choose to “lock-in,” or postpone, moving to an otherwise preferred residence.

Recent new legislative initiatives have proposed allowing home owners to carry their lower homestead property tax assessment for moves within a defined geographic region. Known as portability, this issue has important implications for home owners, real estate professionals, and local governments dependent on property tax revenues. *Ceteris paribus*, the inclusion of portability in property tax assessment values would remove a significant cost associated with intra-region moves, which would lower the average length of tenure for residential home ownership.

The purpose of this study is to estimate the average tenure in residential homes in Florida following the passage of the “Save Our Homes” acquisition-based property tax. The results will serve as a benchmark for future research on acquisition-based property tax effects in other states, as well as provide a source of comparison for future studies should the current legislation be altered to include some form of portability for capped property assessment values.

Housing Tenure Choice

Tenure choice refers to the length of time an owner or renter occupies a given property. A good deal of literature has been developed concerning the factors affecting housing tenure choice, including the rent versus own decision and resident mobility. As the work in this area has progressed during the past quarter century, models of tenure choice have evolved to include the fact that the finite tenure of occupation for a given dwelling may only be observed once a move has occurred.

Henderson and Ioannides (1983) construct an early theoretical model of housing tenure choice. The model incorporates a key externality associated with rental properties; initially renters may not bear the full economic costs associated with property maintenance. As a market approaches equilibrium, landlords will increasingly raise rents to reflect not only explicit property maintenance costs but also utilization costs not fully recoverable, such as forfeited security deposits. This reduces any price advantage for renting, making ownership relatively more attractive. While their initial results indicate the demand for housing is independent of household wealth, Fu (1991) identified an error in the original analysis which, when corrected, leads to the result that housing consumption increases with increasing household wealth.

Rosen, Rosen, and Holtz-Eakin (1984) propose a simple model of housing tenure choice that incorporates future price uncertainty. When volatility in future housing prices is considered, the result is a significant influence on rent versus buy decisions. The authors find that high levels of future price uncertainty mitigate the tax advantages associated with home ownership.

Kent (1984) develops a model of housing tenure choice based on time-series data. Factors found to be significantly influencing the tenure choice decision include homeowner’s expected return on equity, federal housing subsidy programs, the number of children in the household under 18 years of age, the strength of the household balance sheet, and available mortgage credit terms.

Ioannides (1987) models the influence of residential mobility on the housing tenure choice decision. The paper makes the important point that tenure choice and housing mobility are, in fact, joint decisions. The empirical results indicate that higher levels of household wealth increase the likelihood of ownership, thus lowering the propensity for housing market mobility. However, a higher level of educational attainment within the household positively impacts both the likelihood of ownership and the mobility of the household within the market.

Ioannides and Kan (1996) model the tenure choice decision and residential mobility using dynamic programming. This delineates the choices facing a participant in a housing market as one of three: move and own, move and rent, or not move. The authors find that both current economic factors and past housing tenure decisions have significant influence on the housing tenure choice decision. Additional explanatory power is given by socioeconomic variables, such as household liquidity constraints and family size. The authors find that housing market price volatility does affect housing investment and consumption decisions, while monetary transactions costs do not.

Kan (2000) provides an advanced empirical model of the tenure choice decisions using simulated maximum likelihood methods. This model incorporates the fact that the current tenure decision depends on previous tenure decisions, as well as explicitly allowing for interdependence between the housing tenure choice decision and residential housing market mobility.

In summary, the literature indicates that the housing tenure choice decision is influenced by a number of variables. Market conditions, such as future housing price uncertainty and transaction costs associated with relocation, impact the decision to consume additional housing, as well as individual household factors, such as liquidity constraints and educational attainment. Such factors affect the mobility of housing market participants and directly impact the tenure choice decision, and the literature has developed to incorporate the interdependence of the two considerations within tenure choice models. A weakness of current models, however, is the inability to incorporate housing tenure decisions *ex ante*. The actual tenure of residential housing occupation is only observable once a move has already occurred.

Acquisition-Based Property Tax Assessments

In 1978, the state of California passed Proposition 13 (Prop. 13), a state constitutional amendment to implement an acquisition-based property tax assessment method. Prop. 13 rolled back initial assessments to 1975–1976 values, capped the overall property tax rate at 1% of assessed value, and limited annual assessment increases to 2% or the inflation rate, whichever is lower. Property assessments are marked to market value only with an ownership change.

While the original intent of the law was to impose a ceiling on property tax payments and annual increases to protect homeowners, an unintended externality has been the effect on average housing tenure due to the lock-in effect associated with the disincentive to move locally and incur higher property taxes. A stream of literature has examined the effect of Prop. 13 and subsequent amendments on housing tenure in California. Nagy (1997) examines three California Metropolitan Statistical Areas and seven areas outside the state. The results indicate both California and non-California households experienced significantly longer average housing tenure after 1978, and the author concludes that high national mortgage interest rates, and not the lock-in effect, was the likely cause for owners staying longer periods on average. O’Sullivan, Sexton, and Sheffrin (1995) address four questions associated with the effects of Prop. 13. First, they find that an acquisition-based

property tax causes infrequent movers to increase their preference for home ownership, while frequent movers are more likely to rent. Second, the authors estimate, on average, a \$206 increased household tax burden associated with a switch from conventional to acquisition-based property tax. Third, horizontal inequities in the tax are noted, including decreased burdens on infrequent movers and increased burdens on frequent movers (who are marked to market in their assessment with each move). Finally, a transfer tax is examined as an alternative to an acquisition-based tax. The authors find the transfer tax to be less efficient, less equitable, and more likely to result in greater changes in average household mobility.

Stohs, Childs, and Stevenson (2001) conduct an empirical study from 1995 to 2000 of household mobility in California, Illinois, and Massachusetts. They find substantially less movement in California households attributable to the significant tax savings available under the acquisition-based property tax system. The subsidy which results from the annual cap on increased assessments continues to grow with housing market appreciation. Sjoquist and Pandey (2001) examine the effects of an acquisition-based property tax system on data from Muscogee County (city of Columbus), Georgia from 1983 to 1997. The study highlights large disparities in the amount of tax borne by homeowners whose market values are similar, with longer tenure, higher household income, higher average age of head of household, and race of household being Caucasian all contributing to the size of the tax subsidy. While the authors did not find a substantial effect on mobility within the county, they note both horizontal and vertical assessment inequities inherent throughout the county households.

Ferreria (2004) studies the lock-in effect of Proposition 60, a later amendment to Prop. 13 that allows California homeowners age 55 and over to move to a new property of equal or lesser value than their previous home and transfer their property tax assessment. This portability function provides a unique perspective on the mobility effects associated with acquisition-based property tax. Ferreria compares mobility of 55-year-olds to 54-year-olds who were not subject to the portability exemption, and finds a 1.2% to 1.5% greater propensity to move with the exemption. Wasi and White (2005) compare California homeowner mobility to that of Texas and Florida from 1970 to 2000, and conclude that the average ownership tenure for California was 0.66 years longer. They also find a geographic influence on the lock-in effect, with California homes nearer the coast having longer average tenure than those located further inland. The authors note that increased property values associated with coastal properties make the tax subsidy associated with acquisition-based property taxes greater, decreasing mobility. Another externality associated with Prop. 13 involves the market for rental properties. Because average ownership tenure has increased, renters are less likely to make the jump to home ownership. In response, many California cities have implemented local rent control laws to protect renters from annual increases. The authors find the average tenure for home renting has also increased in California as a result of Prop. 13.

Data and Methodology

The data source is county tax roll data from the Florida Department of Revenue. The data files include every property on the tax rolls, allowing examination of the entire population

of each county, not just a limited sample. Exhibit 1 presents a representative sample of 20 counties chosen for analysis.¹

The counties were selected based on geographic location to assure that all regions of the state were represented and that there was diversity in terms of population size and location relative to the coast. Of the 20 counties, there are ten coastal and ten inland; 14 are part of a metro area, six are not (all six of which are inland). Twelve of the 13 largest metro areas are represented by at least one county. The ninth largest, Volusia, was not included because it borders on the eighth largest (Brevard). Seven of the ten largest counties are included. Of the three that are not, two (Broward and Pinellas) are the second-largest in their metro area, and the largest county in each of those metro areas is already included. The third (Duval) was excluded because of irregularities in the data files. The resulting 20-county data set represents a broad cross-section of the Florida population.

While these data files were quite large and detailed, unfortunately they do not include a simple identifier as to whether each property was commercial or residential. However, data *was* included for the value of the homestead exemption. By excluding all properties that did not have such a value listed, the analysis effectively focuses only on residential properties that receive a homestead exemption, meaning those that are occupied by full-

Exhibit 1. Twenty Representative Florida Counties

County	Metro Areas	Type	County Population (2006)	Population Rank (out of 67)
Bay	Panama City-Lynn Haven	Coastal	163,505	28
Bradford	none	Inland	28,384	51
Brevard	Palm Bay-Melbourne-Titusville	Coastal	534,359	10
Columbia	none	Inland	67,007	39
Dade	Miami-Fort Lauderdale-Miami Beach	Coastal	2,402,208	1
DeSoto	none	Inland	35,315	48
Escambia	Pensacola-Ferry Pass-Brent	Coastal	295,426	18
Highlands	none	Inland	97,987	34
Hillsborough	Tampa-St. Petersburg-Clearwater	Coastal	1,157,738	4
Jackson	none	Inland	49,288	42
Lafayette	none	Inland	8,045	66
Lee	Cape Coral-Fort Myers	Coastal	571,344	8
Leon	Tallahassee	Inland	245,625	21
Marion	Ocala	Inland	316,183	15
Orange	Orlando-Kissimmee	Inland	1,043,500	5
Palm Beach	Miami-Fort Lauderdale-Miami Beach	Coastal	1,274,013	3
Polk	Lakeland	Inland	561,606	9
Sarasota	Sarasota-Bradenton-Venice	Coastal	369,535	14
St. Johns	Jacksonville	Coastal	169,224	26
St. Lucie	Port St. Lucie-Fort Pierce	Coastal	252,724	20

time residents. Exhibit 2 summarizes the average, median, and standard deviations by county for homesteaded properties: (1) the average difference in Just (market) value (JV) and Assessed Value (AV); (2) the median difference in Just (market) value (JV) and Assessed Value (AV); and (3) the standard deviation of the difference in Just (market) Value (JV) and Assessed Value (AV). This exhibit highlights the size of the exemption in reducing taxable homestead property value.

The original “Save Our Homes” legislation was passed in 1992, and went into effect in 1995. Thus, we allow for a phase-in period of several years as homeowners adjust their decision process to reflect incorporation of the property tax cap into their decisions on whether or not to relocate in state. As taxpayer understanding of the new acquisition-based property tax system increased, the expectation would be that average residential housing tenure would increase as well.

To gauge this effect, we compute the average tenure for home ownership at two distinct points in time. For each of two years—the most recent available (2006) and the oldest available in a comparable format (2002)²—we calculate how many years the existing owner of each homesteaded property has owned that property. The tax roll data includes the date of the two most recent previous sales of that property, so to calculate tenure

Exhibit 2. Just Value Minus Assessed Value of Homesteaded Residential Properties: 2002 and 2006

County	Average			Median			Std. Dev.		
	JV-AV 2002	JV-AV 2006	Change	JV-AV 2002	JV-AV 2006	Change	JV-AV 2002	JV-AV 2006	Change
Coastal									
Bay	\$5,488	\$80,798	1,372%	\$3,725	\$47,364	1,172%	\$11,328	\$133,726	1,080%
Brevard	\$13,300	\$94,898	614%	\$7,910	\$77,900	885%	\$23,744	\$94,327	297%
Dade	\$29,670	\$130,778	341%	\$18,639	\$99,749	435%	\$70,422	\$184,310	162%
Escambia	\$12,058	\$43,783	263%	\$7,700	\$31,900	314%	\$24,553	\$63,742	160%
Hillsborough	\$21,110	\$77,837	269%	\$15,301	\$62,580	309%	\$40,819	\$94,364	131%
Lee	\$23,638	\$110,903	369%	\$11,850	\$86,230	628%	\$68,375	\$132,441	94%
Palm Beach	\$26,955	\$137,430	410%	\$13,069	\$108,012	726%	\$111,911	\$228,823	104%
St. Johns	\$35,568	\$103,524	191%	\$13,054	\$64,145	391%	\$115,669	\$196,263	70%
St. Lucie	\$7,250	\$75,214	937%	\$4,571	\$68,331	1,395%	\$15,734	\$93,688	495%
Sarasota	\$32,328	\$144,401	347%	\$12,559	\$98,069	681%	\$86,188	\$260,028	202%
Coastal Avg.	\$20,737	\$99,957	382%	\$10,838	\$74,428	587%	\$56,874	\$148,171	161%
Inland									
Bradford	\$10,045	\$36,698	265%	\$2,937	\$17,415	493%	\$24,802	\$67,902	174%
Columbia	\$12,483	\$34,860	179%	\$5,374	\$21,495	300%	\$28,633	\$57,614	101%
DeSoto	\$10,036	\$77,430	672%	\$3,583	\$50,141	1299%	\$26,741	\$142,226	432%
Highlands	\$1,307	\$50,184	3,740%	\$198	\$39,488	19,843%	\$4,511	\$56,094	1,143%
Jackson	\$12,703	\$14,973	18%	\$5,775	\$7,672	33%	\$22,650	\$26,145	15%
Lafayette	\$17,738	\$70,001	295%	\$6,770	\$30,848	356%	\$30,245	\$116,340	285%
Leon	\$9,652	\$49,973	418%	\$7,042	\$43,054	511%	\$19,777	\$53,666	171%
Marion	\$10,568	\$45,355	329%	\$4,413	\$31,169	606%	\$33,301	\$105,913	218%
Orange	\$15,137	\$73,385	385%	\$9,772	\$64,460	560%	\$25,386	\$76,734	202%
Polk	\$11,023	\$44,942	308%	\$8,628	\$38,739	349%	\$16,234	\$44,357	173%
Inland Avg.	\$11,069	\$49,780	350%	\$5,449	\$34,448	532%	\$23,228	\$74,699	222%
20-County Avg.	\$15,903	\$74,868	371%	\$8,143	\$54,438	568%	\$40,051	\$111,435	178%

we subtract the most recent sale year of each property from 2007 for the 2006 data (and from 2003 for the 2002 data). For example, for a house which the 2006 data file indicates was last sold in 2000, we calculated the tenure as seven years. Since that property did not sell in 2006, the soonest it could sell is 2007, hence the tenure of seven years. We then compute the average, median, and standard deviation of residential tenure for each county in the data set.

The result is an accurate snapshot of how long residents have lived in their current home, but it understates actual tenure since it implicitly assumes that everyone sells the next year. Furthermore, we exclude properties owned by part-time residents, since the decision to sell or relocate a second home is subject to variables that may not be similar to those for a primary residence. Finally, due to privacy concerns, the available data does not allow one to follow individual homeowners from one year’s data file to the next.³ Therefore, these results refer to what could be thought of as “measured tenure” at the macro level rather than individual tenure at the micro level.

Results

When the entire population of residential properties occupied by full-time residents is examined, we find that average tenure declined slightly from 11.20 years in 2002 to 10.83

Exhibit 3. Residential Tenure of Full-Time Residents in 20 Florida Counties: 2002 and 2006

County	Avg.	Avg.	Change	Median	Median	Change	Std. Dev.	Std. Dev.	Change
	Tenure	Tenure		Tenure	Tenure		Tenure	Tenure	
	2002	2006		2002	2006		2002	2006	
Coastal									
Bay	13.02	12.66	-0.37	8	8	0.00	13.54	12.85	-0.70
Brevard	10.29	9.15	-1.14	7	7	0.00	9.50	7.70	-1.80
Dade	12.02	11.85	-0.17	8	8	0.00	11.87	11.55	-0.33
Escambia	13.92	13.53	-0.40	9	9	0.00	13.55	13.06	-0.49
Hillsborough	10.49	10.41	-0.08	7	7	0.00	9.64	9.68	0.04
Lee	8.76	7.74	-1.02	6	5	-1.00	7.79	6.88	-0.91
Palm Beach	8.65	8.52	-0.13	6	6	0.00	8.28	8.07	-0.21
St. Johns	8.71	8.22	-0.49	6	6	0.00	7.98	7.27	-0.71
St. Lucie	9.61	8.90	-0.71	7	6	-1.00	8.60	8.27	-0.33
Sarasota	8.72	8.83	0.11	6	6	0.00	7.26	7.37	0.11
Coastal Average	10.42	9.98	-0.44	7.00	6.80	-0.20	9.80	9.27	-0.53
Inland									
Bradford	12.23	11.80	-0.43	9	8	-1.00	10.97	10.77	-0.20
Columbia	14.32	13.87	-0.45	9	9	0.00	15.13	14.40	-0.73
DeSoto	12.42	11.49	-0.94	8	8	0.00	11.90	11.16	-0.75
Highlands	9.31	9.14	-0.17	7	7	0.00	8.20	7.93	-0.26
Jackson	15.45	15.04	-0.41	10	10	0.00	14.90	14.42	-0.48
Lafayette	14.11	12.91	-1.20	8	8	0.00	15.14	13.39	-1.75
Leon	12.26	11.92	-0.34	8	8	0.00	12.50	12.28	-0.22
Marion	8.21	7.72	-0.49	6	5	-1.00	8.04	7.62	-0.42
Orange	10.56	12.83	2.27	7	7	0.00	10.21	14.83	4.62
Polk	10.84	10.14	-0.69	7	7	0.00	11.27	10.18	-1.09
Inland Average	11.97	11.69	-0.29	7.90	7.70	-0.20	11.83	11.70	-0.13
20-County Average	11.20	10.83	-0.36	7.45	7.25	-0.20	10.81	10.48	-0.33

years in 2006. As Exhibit 3 indicates, for all but two counties (Sarasota and Orange), average tenure declined over that period. In coastal counties, average tenure was generally lower and declined more compared to inland counties. The median tenure showed a less pronounced trend. Only four of the 20 counties saw a decline in median tenure (each by one year); median tenure remained the same in the other 16 counties. The standard deviation of tenure also declined slightly, indicating less variation in the overall tenure. The Appendix provides figures illustrating the frequency distribution of tenure for the coastal county group and the inland county group.

After the implementation of an acquisition-based property tax system, such as Florida’s Save Our Homes, one would expect tenure to increase over time for any given individual due to the accumulation of larger and larger tax savings from the reduction in assessed value below market value. (As Exhibit 2 illustrates, those tax savings have increased by nearly 400% from 2002 to 2006 alone.) This tax on mobility, or lock-in effect, is well established in theory. Our empirical results seem to contradict that expected outcome. However, there are several offsetting factors that skew the measured tenure downward.

First of all, Florida is one of the fastest growing states in the nation. That rapid population growth leads to sharp increases in demand for housing, which in turn leads to a large volume of new construction, which *reduces* measured tenure. Exhibit 4 indicates that

Exhibit 4. Number of Residential Properties Occupied by Full-Time Residents: 2002 and 2006

County	<u># of Properties</u>	<u># of Properties</u>	<u>Change</u>	<u>% Change</u>
	2002	2006	2002–2006	2002–2006
Coastal				
Bay	36,571	37,948	1,377	3.8%
Brevard	140,305	147,070	6,765	4.8%
Dade	405,976	436,026	30,050	7.4%
Escambia	69,479	71,510	2,031	2.9%
Hillsborough	240,271	260,333	20,062	8.3%
Lee	121,847	148,747	26,900	22.1%
Palm Beach	317,959	346,297	28,338	8.9%
St. Johns	37,328	46,963	9,635	25.8%
St. Lucie	53,316	65,507	12,191	22.9%
Sarasota	104,354	113,294	8,940	8.6%
Coastal Average	152,741	167,370	14,629	9.6%
Inland				
Bradford	6,015	6,160	145	2.4%
Columbia	13,850	14,744	894	6.5%
DeSoto	5,995	6,028	33	0.6%
Highlands	24,023	25,101	1,078	4.5%
Jackson	10,515	10,676	161	1.5%
Lafayette	1,611	1,637	26	1.6%
Leon	51,149	54,049	2,900	5.7%
Marion	77,033	88,800	11,767	15.3%
Orange	187,898	203,899	16,001	8.5%
Polk	113,265	124,334	11,069	9.8%
Inland Average	49,135	53,543	4,407	9.0%
20-County Average	100,938	110,456	9,518	9.4%

the number of residential properties occupied by full-time residents increased by more than 9% from 2002 to 2006. Because the population in 2006 includes many residents who did not live in Florida in 2002, the average length of tenure is skewed downward since each of those new residents, by definition, has tenure of at most four years.

To address this bias, the analysis was repeated using a revised data set, which does not include in the 2006 population any properties that were built after 2002. As Exhibit 5 indicates, when that adjustment is made, average tenure did actually *increase* slightly from 11.20 years in 2002 to 11.44 years in 2006, rising in 14 of the 20 counties. In inland counties, average tenure increased more than in coastal counties. Median tenure also increased slightly. As before, standard deviation declined slightly, but not as much as in Exhibit 3 where new construction was included. The decline in the standard deviation in both tables can be explained by the rapid turnover of residential properties discussed below.

A second consideration is that rapid housing price escalation over 2002–2006 may have led to an increase in home sales, which in turn would *reduce* measured tenure. That

Exhibit 5. Residential Tenure of Full-Time Residents in 20 Florida Counties Excluding New Construction*: 2002 and 2006

County	Avg.	Avg.	Change	Median	Median	Change	Std. Dev.	Std. Dev.	Change
	Tenure	Tenure		Tenure	Tenure		Tenure	Tenure	
	2002	2006		2002	2006		2002	2006	
Coastal									
Bay	13.02	13.36	0.34	8	9	1	13.54	13.06	-0.48
Brevard	10.29	9.18	-1.11	7	7	0	9.50	7.71	-1.79
Dade	12.02	11.90	-0.12	8	8	0	11.87	11.57	-0.31
Escambia	13.92	14.06	0.14	9	10	1	13.55	13.18	-0.37
Hillsborough	10.49	11.10	0.61	7	8	1	9.64	9.83	0.20
Lee	8.76	8.47	-0.28	6	6	0	7.79	7.12	-0.67
Palm Beach	8.65	8.92	0.27	6	6	0	8.28	8.15	-0.13
St. Johns	8.71	9.29	0.58	6	7	1	7.98	7.53	-0.45
St. Lucie	9.61	10.05	0.44	7	7	0	8.60	8.59	-0.01
Sarasota	8.72	9.31	0.60	6	7	1	7.26	7.48	0.22
Coastal Avg.	10.42	10.56	0.15	7.00	7.50	0.50	9.80	9.42	-0.38
Inland									
Bradford	12.23	12.19	-0.05	9	9	0	10.97	10.89	-0.08
Columbia	14.32	14.76	0.44	9	10	1	15.13	14.70	-0.44
DeSoto	12.42	11.94	-0.48	8	8	0	11.90	11.41	-0.49
Highlands	9.31	9.54	0.23	7	7	0	8.20	8.04	-0.16
Jackson	15.45	15.50	0.05	10	11	1	14.90	14.53	-0.37
Lafayette	14.11	13.51	-0.60	8	9	1	15.14	13.62	-1.52
Leon	12.26	12.59	0.33	8	8	0	12.50	12.43	-0.07
Marion	8.21	8.47	0.26	6	6	0	8.04	7.82	-0.21
Orange	10.56	13.80	3.23	7	8	1	10.21	15.19	4.98
Polk	10.84	10.87	0.04	7	8	1	11.27	10.31	-0.95
Inland Avg.	11.97	12.32	0.35	7.90	8.40	0.50	11.83	11.89	0.07
20-County Avg.	11.20	11.44	0.25	7.45	7.95	0.50	10.81	10.66	-0.15

Note:

* 2006 data excludes properties that were built after 2002.

price increase also led to a rise in the number of speculative home purchases, which would reduce tenure even further. Exhibit 6 provides the market value data from the property tax rolls for each of the 20 counties. The average market value went up by 93% and the median market value went up by 96%. In coastal counties, the average rose by 102% compared to the increase in inland counties of 79%. This disparity is consistent with the results in Exhibit 5, which shows that average tenure in existing homes increased more in inland counties than in coastal counties.

The macro economy may have influenced the average tenure of home ownership, since lower interest rates would tend to increase the consumption of residential housing, particularly for first-time home buyers.⁴ An increase in new homeowners would *reduce* measured tenure as defined here, since those individuals would by definition occupy properties for shorter lengths of time.

Finally, a fourth mitigating factor is that there may have been a large increase in tenure in the short-run, i.e. before 2002, that was thus not reflected in the data. Because we measure the initial tenure period in 2002, seven years after the law went into effect, it

Exhibit 6. Average Market Value of Residential Properties Occupied by Full-Time Residents: 2002 and 2006

County	Avg. Market Value	Avg. Market Value	Change	Median Market Value	Median Market Value	Change	Std. Dev. Market Value	Std. Dev. Market Value	Change
	2002	2006		2002	2006		2002	2006	
Coastal									
Bay	\$83,268	\$193,061	132%	\$69,279	\$146,224	111%	\$61,786	\$195,257	216%
Brevard	\$100,764	\$224,285	123%	\$80,760	\$184,045	128%	\$78,477	\$165,653	111%
Dade	\$147,620	\$300,408	104%	\$110,435	\$227,476	106%	\$194,461	\$362,353	86%
Escambia	\$79,696	\$130,993	64%	\$67,540	\$107,485	59%	\$60,895	\$113,560	86%
Hillsborough	\$118,811	\$217,140	83%	\$94,683	\$171,595	81%	\$106,803	\$186,977	75%
Lee	\$136,753	\$290,499	112%	\$97,000	\$221,600	128%	\$177,822	\$272,107	53%
Palm Beach	\$162,766	\$342,524	110%	\$111,000	\$262,534	137%	\$340,467	\$538,564	58%
St. Johns	\$186,242	\$321,370	73%	\$132,720	\$241,680	82%	\$246,587	\$367,693	49%
St. Lucie	\$89,614	\$206,170	130%	\$75,300	\$177,700	136%	\$62,967	\$142,163	126%
Sarasota	\$169,007	\$350,649	107%	\$111,800	\$238,050	113%	\$218,154	\$458,634	110%
Coastal Avg.	\$127,454	\$257,710	102%	\$95,052	\$197,839	108%	\$154,842	\$280,296	81%
Inland									
Bradford	\$65,439	\$105,959	62%	\$51,318	\$79,222	54%	\$52,888	\$95,292	80%
Columbia	\$70,255	\$111,681	59%	\$56,710	\$88,829	57%	\$56,356	\$90,159	60%
DeSoto	\$69,002	\$159,333	131%	\$52,394	\$116,000	121%	\$57,927	\$178,809	209%
Highlands	\$61,136	\$132,811	117%	\$52,814	\$110,607	109%	\$40,959	\$102,492	150%
Jackson	\$61,548	\$74,443	21%	\$47,602	\$57,547	21%	\$50,131	\$59,813	19%
Lafayette	\$61,930	\$126,578	104%	\$48,279	\$86,766	80%	\$51,606	\$135,473	163%
Leon	\$109,410	\$180,497	65%	\$95,762	\$156,377	63%	\$71,978	\$124,910	74%
Marion	\$77,407	\$140,034	81%	\$62,986	\$116,497	85%	\$66,376	\$145,893	120%
Orange	\$126,669	\$230,740	82%	\$102,076	\$192,644	89%	\$110,758	\$188,730	70%
Polk	\$80,533	\$140,056	74%	\$67,560	\$122,720	82%	\$59,095	\$97,222	65%
Inland Avg.	\$78,333	\$140,213	79%	\$63,750	\$112,721	77%	\$61,807	\$121,879	97%
20-County Avg.	\$102,893	\$198,962	93%	\$79,401	\$155,280	96%	\$108,325	\$201,088	86%

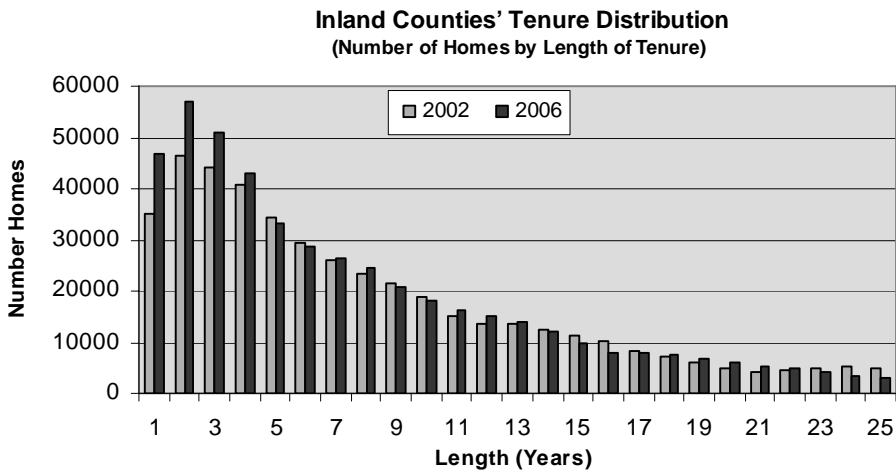
is certainly possible that the majority of changed consumption behavior for residential housing had already been incorporated into household investment decisions.

Conclusion

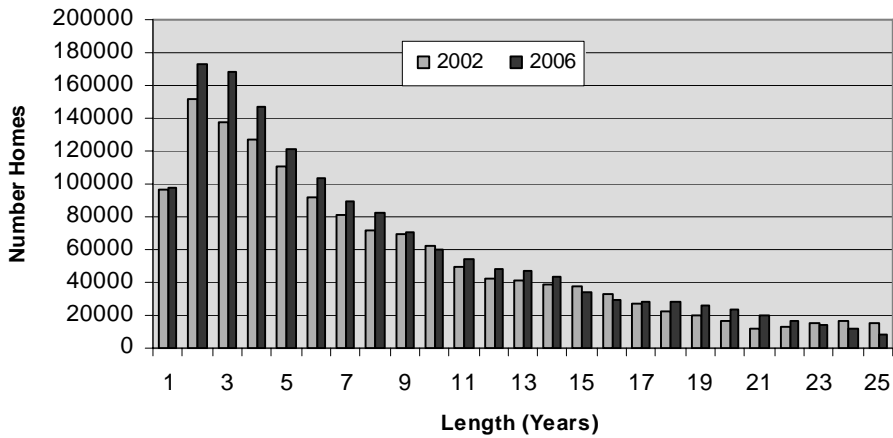
This paper extends the literature on tenure choice for residential real estate by estimating the average length of housing tenure for a sample of Florida counties at two distinct points in time. Given the existing acquisition-based property tax system in place that penalizes property owners moving in-state by marking their assessed value to market, one would expect average housing tenure to lengthen over time. The results do not support this assumption. We find that average housing tenure declined slightly in both inland and coastal counties between 2002 and 2006. However, those findings are consistent with a statewide economy that was experiencing low interest rates, rising existing housing values, and significant new construction of residential housing, each of which would reduce measured tenure. When we adjusted for one of those three factors (new construction), we found that tenure increased slightly. This topic warrants further investigation. Additional studies on average housing tenure in other markets with acquisition-based property taxes, as well as effects on taxpayer housing consumption choices over time, will aid in understanding the effects of property tax policy on residential housing decisions.

Appendix

Frequency Distribution of Tenure for Inland and Coastal Counties



Coastal Counties' Tenure Distribution
(Number of Homes by Length of Tenure)



Endnotes

- ¹ Metropolitan areas are geographic entities defined by the U.S. government for use in collecting, tabulating, and publishing government statistics. A metro area contains a core urban area (or central city) of 50,000 or more population. As noted below, in an effort to assemble a diverse sample of counties, we have chosen six counties that are more rural in nature and thus do not contain a city of 50,000 or more. Therefore, those six, indicated above by “none,” do not belong to a metro area at all.
- ² In order to more fully assess the impact of SOH, we would have liked to have data from before the implementation of SOH. However, the data available for the years before 2002 are not comparable to this more recent data.
- ³ The Department of Revenue removes the property owner’s Social Security number before releasing the data files.
- ⁴ Interest rates went from 6.54% in 2002; falling to 5.84% in 2004; and rising again to 6.41% in 2006. Source: Primary Mortgage Market Survey, 30-year fixed-rate mortgage, Freddie Mac.

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