What's Wrong with Disaster-prone US Property Markets?

Case Study: St. Petersburg, Florida

History & Background

Nathaniel Upham (1865-1942) was a banker and developer from Minnesota who co-founded and was president of the National Association of Realtors. In the economic optimism after WW1 and Florida's Roaring 20's land boom, Upham arrived looking for opportunities. He was a relative latecomer, as St Petersburg was already bursting with speculators and promoters.

Shore Acres was a wild marshland on the eastern edge of St Petersburg owned by the family of developer Hamilton Disston. Tampa's 1921 hurricane brought a 10ft storm surge, but that didn't dampen the land rush. Its population was 140,000 and few lived directly on the coastline. The clean-up was quick and officials were spinning positive news. However, Shore Acres had completely flooded and the Disstons decided to sell it and focus 5 miles inland on the higher ground they owned, which they named Disston Heights.

Upham jumped in to buy, figuring the location would draw traffic once the new Gandy bridge from Tampa opened. He dredged canals and the surrounding bay and pumped the mud to raise the land to 3ft. Competing developer Perry Snell was creating Snell Island directly south, except that he was raising the land to 5ft. The extra 2ft was better but cost more, though Upham rationalized that his canals would drain the water. To further trim costs, he shaped the land like a bowl with the center elevated only 1-2ft. These decisions would seal Shore Acres' fate for the next century.

After completing two bridges in 1923 connecting the former swampland to the rest of St Pete, Upham began marketing lots to northerners looking for seasonal homes. The Great Miami Hurricane of 1926 and a parallel recession slowed sales. The Great Depression and

WW2 essentially stopped everything. Upham died in 1942, his fortune having dwindled. After the war his two sons revived development. Sales finally picked up during the 1950's and '60's with the advent of air conditioning.

Today Shore Acres contains around 3,200 properties with an approximate value of $1.5 billion. The average year of construction is 1970. In the 80's the market shifted from seasonal to year-round owners. Along the bay stand million+ dollar houses, which are typically newer and elevated. The inside the 'bowl' are most of the older slab-on-grade ranch-style working-class houses, priced below $500K.

Residents and much of the Tampa Bay community have known of Shore Acres' flood vulnerability for decades, but the word rarely gets to out-of-state buyers. Little is disclosed by local officials, other than being a FEMA flood zone and requiring flood insurance for mortgages. Until 2025, sellers were not legally required to disclose past flooding. Instead, community and media influencers promoted feel-good messages of fine schools, community facilities, and access to amenities. Property brokers also leaned on keeping things rosy, with the Shore Acres Civic Association president being in the property sales business.

During the five-years 2000-2024 COVID catalyzed a great migration to Florida. Tampa's Metropolitan Statistical Area (MSA) grew by 7%, or around 275,000 people, 40% higher than the previous 5-year period. About 60% came primarily from northern states and the balance from other countries. The resulting demand for housing caused prices to double.

Buyers even bid up prices in high flood-risk neighborhoods like Shore Acres. In 2020 Hurricane Eta had made landfall 120 miles north as a tropical storm bringing 3-4ft of storm surge that flooded Shore Acres 1-2 feet. Clean-up was quick and in less than a year some flooded houses were on the market, their owners happy to offload them to out-of-state households bidding up prices.

One homebuying influencer called Niche rated Shore Acres #1 out of 64 St Petersburg neighborhoods for its schools, facilities, distance to amenities and 'quality of life', while totally ignoring its flood risk.

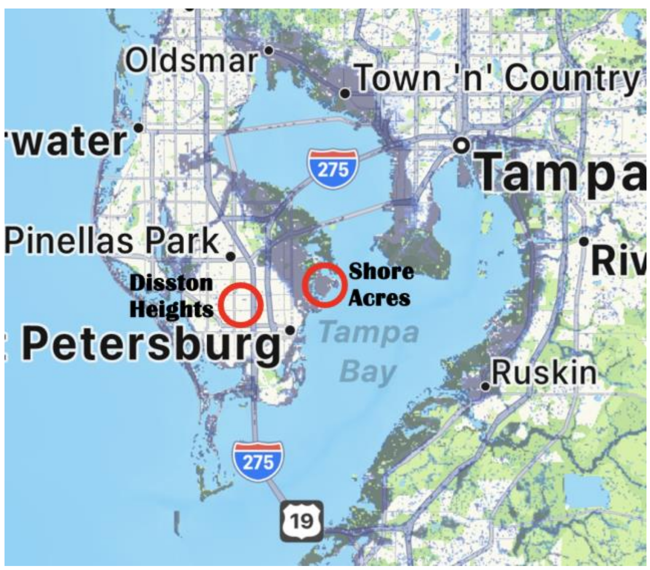
These 'happy days' were short-lived. In October 2024 Hurricane Milton struck as a Cat3 50 miles south, two weeks after Hurricane Helene, also a Cat3, hit 180 miles north. Both flooded Shore Acres. This came a year after the August 2023 flooding by Hurricane Idalia, another Cat3 that struck 150 miles north.

The 14-month 'triple punch' changed the perception of recent buyers. The financial reality drove many to sell, unable or unwilling to stay and rebuild. Shore Acres showed the highest concentration of Florida NFIP claims, totaling 1,200 that represented about 40% of the neighborhood's homes. The remaining were either uninsured or did not suffer much damage. Those insured often cannot afford to build to the higher standards required when damages exceed 50% of the building value. Most sold at land prices to post-disaster speculators.

This study examined the financial impact to buyers who purchased single-family homes in Shore Acres during the 2000-24 period and sold in the five months after Hurricane Milton. Focusing on working-class houses below $400K, it analyzed the average difference between sale and purchase prices, using public information obtained from Zillow and Redfin sources.

To drive a comparison, similar information was collected for working-class homes in a St Petersburg neighborhood which did not flood. Higher-ground Disston Heights five miles to the west was selected with 20-50ft elevations. Recall that this is the land the Disston family held on and developed after selling swampy Shore Acres in the early 1920's.

The below map is from First Street. In grey are flood-prone areas.



Data & Analysis

The data identified 36 single-family homes in Shore Acres purchased in 2000-24 that were sold below $400K in the 5 months after Hurricane Milton. These owners on average lost 35% between the price they sold and what they paid to purchase. The average loss per owner was $140K.

This figure is before brokerage or selling costs, content losses, evacuation, temporary living and repair expenses, and any insurance proceeds. It exceeds the typical homebuyer downpayment. Assuming that insurance generally covers the loan amount, these families likely lost all their equity and more.

In Disston Heights 21 single-family homes were purchased in 2000-24 that sold below $400K in the 5 months after Hurricane Milton. These owners on average gained 25% between the price they sold and what they paid. The average gain per owner was $60K. They experienced little in damage losses and the gain excluded brokerage or selling costs.

Conclusion

The total average difference between what households selling in Disston Heights gained and what those in Shore Acres lost was 60%, or about $200K. For a typical working-class household with a $65K income and say annual savings of around $10K, this represents 20 years of wealth accumulation.

In other words, the choice between two locations five miles apart impacted about half the lifetime savings that families usually build for retirement and children's education.

Had buyers in Shore Acres known what they would face, they most likely would have picked Disston Heights. Unfortunately, they became losers in a 'buyer beware' market operating without government warnings that wealth-wise set them back for decades. In fact, the lack of transparency caused buyers to bid up prices in Shore Acres more than Disston Heights during COVID. Influencers like Niche rated Shore Acres #1 and Disston Heights #16 out of 64 St Petersburg neighborhoods, ignoring flood risk.

Who won? People who bought before 2020 and sold at prices higher than they would have gotten in a transparent market. Particularly those who purchased before 2003 and during the 2009-15 Great Recession. These owners made a good profit even when selling after Hurricane Milton. The data shows that twelve pre-2003 buyers averaged a 240% gain and ten Great Recession buyers a 115% gain. Those who sold during COVID made an extra windfall on top of this.

In conclusion, non-transparent markets generate windfall profits for long-term owners and big losses for recent purchasers who buy during boom years. Losses in risky locations can erase decades of household savings for working class families.

The cycle stands to repeat itself, as speculators who buy and refurbish damaged properties try to sell them to the next round of risk-ignorant buyers after the disaster news has faded.

The Role of Government

The findings of this study raise many questions regarding the role of government and how it affects the cycle of 'develop-profit-destroy-lose-repeat'.

Local governments tend to side on protecting 'owner-winners' rather than 'buyer-losers'. That's who elects them. It causes them to turn a blind eye on transparency and indirectly condone the status quo for the benefit of propping property values and protecting the tax base. Who then represents the rights of and fairness towards new buyers? State and national governments? Public interest groups? Their voices are faint or missing.

What to do with neighborhoods that from the beginning were incorrectly developed? Build on stilts, re-elevate the land and streets, or buy out the houses and return the land to nature? Then how much can government spend and who will be called to pay?

Should buy-outs pay the pre-disaster market price, the post-disaster market price, or something related to the owner's original purchase price? Is government responsible for maximizing a long-term owner's gain? Should these costs be borne by the particular neighborhood, the city, the state or spread over the entire country? Should we borrow and just let future generations pay?

Local governments prefer to kick the problem and cost to the federal government. Is this financially sustainable? What if the federal government is slow and becomes politically unwilling? How much 'morale hazard' is created, when one party (local) controls development rules, but expects another party (national) to pay for damages?

What should be increasingly clear is that low levels of transparency worsen the problem, rather than correct it. In a risk-transparent housing market, prices will self-adjust. Fewer people will bid up high-risk properties, making them more economic to mitigate or buy out and return to nature.

Long-term owners may see their windfall profits reduced, but unknowing new buyers won't be seeing a big part of their family wealth destroyed. Developers and spec builders will find that building vulnerable houses in risky locations is financially less attractive. Governments at all levels should push for greater consumer transparency, even if local owners and developers complain, as they often do and loudly.

In October 2024 Florida passed a law requiring that prior to a contract, sellers disclose if they ever filed a flood insurance claim or received any federal flood assistance on the property. In May 2025 the law was updated to require that both sellers and landlords disclose any flood damage while they owned the property, independent of whether a claim was filed or federal assistance received.

The law's weakness remains that disclosure is not required when properties are listed. Sellers can wait a minute before contract signing to disclose. This keeps prospective buyers in the dark, wastes their time and money aligning downpayment, financing etc, and doesn't help them filter through short-listed properties in advance. Not consumer friendly and a future update will need to correct this.

Awaken the Consumer

Infotech and data democracy are beginning to crack the transparency barrier. If one now checks a house on real estate apps Zillow or Redfin and scrolls near the bottom, they'll find a section titled 'Climate Risks' by First Street. Focus on the Flood Factor rating and see a number between 1 and 10. Anything above 6 is a serious flood risk. Shore Acres is a 10, the worst it can get. Disston Heights is rated a 1, the best it gets. Day and night; doesn't get clearer than that.

Consumers who've been alerted and informed on flooding risk and Flood Factor should bid less for a house in Shore Acres than a similar size and condition one in Disston Heights, if not totally scratching the first off their short list. Who will inform them? Not real estate brokers, property influencers and local officials. There are no public service ads or road signs to alert them either .

They're on their own to do detective work and lucky if a knowledgeable friend or relative informs them. Otherwise they may make an offer, close the sale, pay insurance and later discover they own a 'lemon' that will evaporate their equity and chew up decades of savings, forcing them to sell and move. A very expensive education in home ownership. A lesson that should be taught in schools and loudly broadcast by the media. Unfortunately it still isn't.

August 1, 2025

Author

Aris Papadopoulos is the founder and chair of the Resilience Action Fund (RAF), a non-profit aiming to empower people with the knowledge and tools for long-lasting homes and communities. He authored the books '*ResilieNomics – Value in an Age of Disasters'* and '*Resilience - The Ultimate Sustainability'* and produced the PBS documentaries '*Built to Last'?* and '*Built to Last - Buyer Beware'*.

Aris was named Distinguished Expert in Resilience at Florida International University following a long career in the construction industry. He is WTC-911 survivor who helped start and chaired the UN's private sector initiative in disaster risk reduction, now known as ARISE. He also helped the World Bank's International Finance Corp create the Building Resilience Index. Aris has spoken on resilience to many national and regional media and holds engineering and business degrees from MIT and Harvard.

Isabel Rask, an incoming graduate student at Stanford Law School, performed most of the data analysis for this report as an RAF intern. She holds a chemistry degree from Duke University.

References

https://northeastjournal.org/shore-acres-the-shortcut-the-never-was-turns-100/

https://www.tampabay.com/archive/1991/01/07/builder-left-mark-on-upham-beach-shore-acres/

https://web.archive.org/web/20170430051723/http://www.sptimes.com/2002/webspecials02/andrew/day4/story1.shtml

https://web.archive.org/web/20170904201934/http://www.tampabay.com/news/weather/hurricanes/90-years-after-1921-hurricane-bay-area-officials-fear-direct-hit/1169992

https://projects.tampabay.com/projects/2022/hurricane/rising-threat/storm-surge-flood-risk/

https://www.tampabay.com/hurricane/2025/04/09/florida-hurricane-season-impact-recovery/

https://www.axios.com/local/tampa-bay/2025/03/14/immigration-helps-drive-tampa-bays-population-growth

https://fred.stlouisfed.org/series/ATNHPIUS45300Q

https://www.henlaw.com/news-insights/sink-or-disclose-new-flood-insurance-disclosure-requirement-puts-real-estate-buyers-on-higher-ground/

https://m.flsenate.gov/session/bill/2025/1015/analyses/h1015z.hat.pdf?utm_source=chatgpt.com

Appendix A: Sell vs Rebuild Scenario Analyses

A Shore Acres homeowner who purchased a 1500sf house in 2022 suffered substantial (>50%) flood damage during Hurricane Milton 2yrs later. He held a full NFIP flood insurance policy.

- Purchase price: $450K
- Down payment: $90K (20%)
- Mortgage loan: $360K (federally backed)
- Sale price to Buyer 2 months after storm: $290K (35% less)
- Closing costs: $10K (3.4% w/o broker)
- NFIP adjuster claim for building: $250K (max)
- Cost to rebuild elevated: $450K (same size)
- NFIP Increased Cost of Compliance (ICC) payout if elevated: $30K
- Temporary living costs if Owner rebuilds: $60K (2yrs)
- Closing costs for $600K sale: $40K (6.7% with broker)

Scenario 1: Owner sells, settles with bank for 1/2 the mortgage deficiency and assigns NFIP claim to Buyer, who rebuilds elevated and resells for $600K

Owner loses $90K down payment, plus $45K out-of-pocket for a total loss of $135K.

Bank gets repaid, less $35K.

Buyer invests $290, spends $450K to rebuild elevated and collects $280 from insurance, for a net investment of $460. Profit on resale is $100K (22% over 2 yrs).

Scenario 2: Owner rebuilds elevated and later resells for $600K

Owner spends $170K (net of insurance), plus $60K in temporary living expenses for an additional outlay of $230K. Upon resale he nets a $120K loss.

Discussion

Athough Owner loses $15K less by rebuilding, several reasons may lead him to sell now:

- Inability to fund $230K rebuild outlay
- Inconvenience of several years in temporary housing
- Emotional stress from returning again to a flood-prone neighborhood
- Uncertainty regarding local prices 2 years from now
- Time, effort and ability to oversee a construction project

Insurance helps finance rebuilding, but does not protect the Owner from major wealth loss. Perhaps it enables a quicker sale, compared to waiting years for a government buy-out.