

## WSJ Print Edition

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## Storms Be Damned, Florida Builds Out In High-Risk Areas

BY JEAN EAGLESHAM AND CARL CHURCHILL

Driving through the mess left behind by twin hurricanes that slammed Florida, it doesn't take long to pass a construction site for another batch of new homes. Among them is La Linda Estates, which is being built in a high-risk flood zone on a barrier island near where Milton made landfall.

Florida built 77,000 new properties in high-risk flood areas since 2019, the most in the nation, according to an analysis by climate-modeling firm First Street Foundation for The Wall Street Journal.

X The building binge is putting the real-estate industry, and the banks that finance it, on a collision course with insurers. X

The new construction is one reason insurance bills for Milton and Helene are expected to be between \$40 billion and \$75 billion, according to ratings firm Morningstar DBRS. Big payouts from natural disasters are driving insurers to raise rates and pull back on coverage.

Nationally, 290,000 new properties were built in highrisk flood areas from 2019 through 2023, almost 1 in 5 of the 1.6 million built in total in that period, the First Street analysis found.

Other states with heavy new construction in areas at high risk of flooding include Texas, with 63,000 properties since 2019, California with 21,000 properties, and North Carolina with 11,000, the First Street analysis found.

"We build in some of the most silly places, knowing what could happen," said Andrew Siffert, senior meteorologist at insurance broker BMS Group. He said that new development was one of the main reasons insured losses from catastrophes are increasing.

"The lenders need to play a

role," said Robert Gordon, a senior vice president at industry body the American Property Casualty Insurance Association. He said the lenders can be on the hook for decades while insurers can raise rates every six to 12 months.

"The lenders...are really in the best position to make sure there's the right consideration of the long-term risk," said Gordon, whose family had to evacuate from Tampa ahead of Milton. "A lot of times that's not happening right now."

Even as climate change drives up the frequency and severity of natural disasters, developers keep building in harm's way. \*

La Linda Estates is made up of 13 homes on Siesta Key near Sarasota, steps from the Gulf of Mexico. Homes sell for just under \$3 million. Listings said they are at high risk of flooding and wind damage, as well as high heat. The area was still cleaning up from late September's Helene when Milton hit last week.

Dustin Anderson, a Realtor at Serhant selling the homes, said they "did not have any major damage" after Helene or Milton. The developer Pampa Sunbelt said the homes have a concrete structure and conform to Florida's design code.

People in the U.S. have moved to risky areas just as they became more vulnerable because of climate change. In the decade through 2020, the U.S. population overall grew 7.4% but rose 10.2% in the South and 9.2% in the West, including areas vulnerable to storms and wildfires, according to ratings firm AM Best.



Home insurers racked up more than \$32 billion in underwriting losses in the four years through last year, according to S&P Global. The result is premiums "have nowhere to go but up," Morningstar said in a research note on Monday.

Lenders and developers counter that they take climate risks into account for new buildings. A study by reinsurer Swiss Re found the reduction in hurricane damage because of Florida's strict building standards was significant. But it was far outweighed by the increased losses caused by an influx of millions of sunseekers.

Developers are making matters worse by skirting official flood zones while still building in high-risk areas, the First Street analysis suggests. Typically, high-risk flood zones are designated by the Federal Emergency Management Agency as official Special Flood Hazard Areas, which exclude factors such as heavy rainfall and can be outdated. \*

First Street said high-risk zones are bigger than official maps suggest. Homes built in official flood zones need to get flood insurance if supported by a governmentbacked mortgage and conform to tougher building codes, making them more expensive for buyers.

Just outside of the official zones, but inside what First Street considers high risk, those requirements don't exist. That is where developers are building. \*

Of the 77,000 recently built properties in Florida that First Street identified as at high risk of flooding, 41,000—or more than half—fell outside the official flood zones. Nationally, 211,000 properties were built outside official flood zones but within First Street high-risk areas in the five years through last year, the analysis found.

"Millions of people are at heightened risk of flooding in hurricanes, without the protection against that risk they would be afforded if flood zones were more accurate," said Jeremy Porter, First Street's head of climate-implications research.

A spokeswoman for FEMA, which is responsible for the flood zones, said it "uses the latest science and data" for its maps. "FEMA's process is careful to neither understate nor overstate the current flood risk," she said.

Trevor Burgess, chief executive of insurer Neptune Flood, said states like Florida should consider changing the building codes for areas that aren't in official high-risk flood zones, and "just go up a foot or so."

The sea level in his Florida hometown—and Milton target—St. Petersburg "is nearly a foot higher than when I was born," the 52-year-old Burgess said. He was speaking from Washington, D.C., where he had evacuated. He didn't yet know whether his house was damaged.

Builder Lennar invites home buyers to "live life in ultimate style and comfort" at a development of hundreds of houses plus a golf course in Homestead, south of Miami. The site of the development, Altamira, is in an area classified by First Street as a high flood risk.

Homestead was flattened in 1992 by Hurricane Andrew, which was the costliest storm to hit Florida for 25 years. One result was Florida's tough building code; another was that insurers began their retreat from the state. \*

A spokeswoman for Lennar didn't respond to requests for comment.

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