Tax-driven migration to South Florida won't end soon: panel

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From left: Jay Parker, Jonathan Miller, and Rochelle LeCavalier

Migration to South Florida from New York and other high-tax states is a long-term trend in its early stages, according to a group of experts.

"To use a tired baseball analogy, everybody asks: What inning are we in? I would say we're still driving up to the ballpark. This [migration] is just getting started," said Jonathan Miller, president and CEO of Miller Samuel Inc., who moderated a panel presentation in Boca Raton at the condominium sales gallery of The Residences at Mandarin Oriental on Wednesday.

"We think this is the tip of the iceberg … We have a relocation division in our company, and the phone is ringing off the hook," said panelist Jay Phillip Parker, CEO of the Florida brokerage of New York-based Douglas Elliman.

Parker predicted that migration from New York to South Florida will become increasingly apparent in Boca Raton: "You're going to start to see many more New York-based institutions calling Boca home, from restaurants to clubs to clothing stores … They recognize that more and more of their customers are coming here."

Among new arrivals from New York is Manhattan-based financial firm Stoever Glass, which has opened an office in Boca Raton, said panelist Jessica Del Vecchio, economic development manager for the city of Boca Raton.

A driving force behind the migration pattern is a tax overhaul law that limited federal deductions for state and local taxes – or SALT for short. Residents of New York, Connecticut and other high-SALT states have seen the impact of the 17-month-old law for the first time on their 2018 federal tax returns.

"I have seen people's jaws drop when they realize how much more money they have to pay in taxes," said Michael Kravitz, a tax manager at Engineered Tax Services.

Kravitz said the limits on SALT deductions will add momentum to a pre-existing "tax migration" trend in which 14 million Americans moved from high-tax to low-tax states during the 2000-2017 period.

"It is predicted that high-tax states such as California and New York will lose about 6 percent of their population by 2028, and the zero- or low-tax states like Florida will experience about 25 percent population growth," Kravitz said, citing an article entitled "The Great Tax Migration" on the Real Clear Politics website.

Parker said tax migration has expanded the market for luxury real estate in South Florida, where Northeastern residents still see value. "If you compare a luxury product in New York City today to a luxury product in South Florida, it's easily one third of the price here," he said.

In Boca Raton, luxury residential developments historically have clustered along the ocean. But luxury buyers are increasingly seek residences in active settings near restaurants and other amenities, Parker said, citing as an example The Residences at Mandarin Oriental, which is part Via Mizner, a mixed-use development including a Mandarin Oriental hotel.

"People are far less preoccupied with parking themselves on the beach and roasting. They are much more interested in walkable areas. And you can see that in the development in the downtown corridor" of Boca Raton, said panel member Rochelle LeCavalier, vice president of sales for The Residences at Mandarin Oriental.