

## **Another Blow To Commercial Real Estate - Storms And A Lack Of Carriers At Fault For Doubling Of Commercial Insurance Rates In Florida**

A lack of bank capital to fund investments and high-interest rates have contributed to stalling many commercial real estate (CRE) projects in 2023. But increasingly high commercial insurance premiums are threatening to bring CRE investment to a hard stop in some locations.

At the end of last year, the Insurance Information Institute reported that premiums for commercial insurance went up by an average of 9.4% nationally in 2022, with bigger jumps in Texas, Florida and California from 30% to 50%. While premiums are up across the country in 2023, it's Florida that continues to get pounded — not only by natural disasters but the premium increases that follow.

Commercial real estate research firm Yardi Matrix predicts that Florida insurance rates are expected to go up by 45% to 50%, with a doubling of premiums “not out of the question.” The escalating costs threaten to affect everything from CRE site selection to construction timelines and could contribute to deals dying before projects start.

“In the last few months, it has become much more of a forefront issue for CRE. In Florida especially, in order of magnitude,” West Palm Beach-based [Shoreham Capital](#) Managing Partner Doug Faron told Benzinga. “Insurance costs for a townhome in a multifamily property that used to be \$600 to \$800 a unit are now between \$1,400 and \$2,500.”

Faron said it's no longer just a coastal issue for Florida developers battling high insurance rates. “Even Orlando, as an inland city, has been affected by a combination of last year's devastation caused by Hurricane Ian as well as legislation that's been taken advantage of by lawyers and some contractors.

Those elements have also drastically reduced the number of Florida insurance choices, contributing to higher rates.”

Florida lawmakers have slowly begun addressing the issue, making it more challenging for homeowners to sue insurers in an attempt to get companies to come back to the state.

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“In the near term, the insurance rates have had a dramatic effect on what developments have been possible. It makes deals that might have been penciled in before not penciled in later. It’s also impacting the supply of housing,” Faron said. “For us, it makes our business be much more selective on sites and the projects we choose to build. It’s harder to find deals we can get done, and it’s having a huge impact on the pipeline.”

As for the rest of 2023, Faron said there is one hope that all Floridians are counting on to get insurance prices down.

“If there are less mass casualty occurrences and a lighter storm season, it might get insurance companies to come back to the state, and then we might see rates come down.”

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