

Introduction

In the second quarter of 2011 South Florida's economy continued to struggle. High unemployment and the continued instability of the residential housing market with sluggish sales despite the lower costs resulted in a quarter with few positive figures.

The unemployment rate increased to 11.8 percent, up from 11.0 percent in March 2011. South Florida has experienced year over year job gains in each of the six months January-June, but the gains decreased from month to month. There were over 23,000 jobs lost in June 2011, mostly as a result of cutting jobs in the government sector.

The high unemployment rate was accompanied by an increase in the Consumer Price Index as a result of another increase in gasoline costs. Energy prices have also contributed to the overall 23 percent increase in prices since June 2010.

The South Florida Economy also registered some positive developments including an overall increase in spending. The largest industry increases were in tourism/recreation, consumer nondurables, and retail activity. Bankruptcy filings decreased from the previous quarter and the same quarter of last year. Also, The with a 6 percent increase in employment during the past year, the Leisure and Hospitality sector continues to be the fastest growing industry.

Key Findings, 2nd Quarter, 2011

- In June 2011, South Florida's unemployment rate was 11.8 percent compared to the national average of 9.3 percent.
- Overall, South Florida lost 23,200 jobs from May to June, 2011.
- There was a 3 percent decrease in bankruptcy filings in South Florida from the First to the Second Quarter of 2011.
- For 2Q11, the largest employment gains were in Miami-Miami Beach-Kendall (+15,900 jobs, +1.7 percent), Orlando-Kissimmee-Sanford (+10,900 jobs, +1.1 percent), and Tampa-St. Petersburg-Clearwater (+10,800 jobs, +1.0 percent).

In this Issue:

Economic Growth.....	2
Purchasing Power.....	3
Employment Growth.....	4
Residential Real Estate Stability.....	5
Commercial Real Estate Activity.....	6

There were also some positive signs in the housing market, including an increase of the median sales price from the previous quarter. Single Family starts in South Florida rose to 772 during 2Q11, up from 736 in the previous quarter, and up from the bottom for starts at 346 in 1Q09. 802 homes closed during 2Q11, down from 1,165 in the previous quarter, but annual move-ins remained higher than in 2010. Total inventory fell 22.5% versus one year ago, but down only 1% versus 1Q11. Finished vacant inventory is down 25.5% versus a year ago, but down only 5.8% versus last quarter.

The moderately positive developments in the housing market are mitigated by a concern for the "shadow inventory" of distressed properties. As banks begin to release these distressed properties from their reviews, another potential peak in sales inventory is possible.

- For 2Q11, the largest job losses occurred in the Government sector.
- South Florida's existing single-family home and condo sales increased substantially from June 2010 to June 2011, but median sale prices continue to reflect the high proportion of foreclosure and short sales.
- South Florida's foreclosure activity was at a low in May 2011, but there is growing concern of a "shadow inventory" and high 90-day delinquency rates.
- Office vacancy rates have fallen to 2009 levels with the strongest showing in the Miami Downtown/Brickell submarket.

ECONOMIC GROWTH

Economic growth can be defined as an increase in productivity while inputs of labor remain the same. This change in production of goods and services over time determines the ups and downs in the business cycle. Economic growth can also be measured by looking at improvement in the quality of life, as many economists look at the GDP to determine the increases and decreases in quality of life.

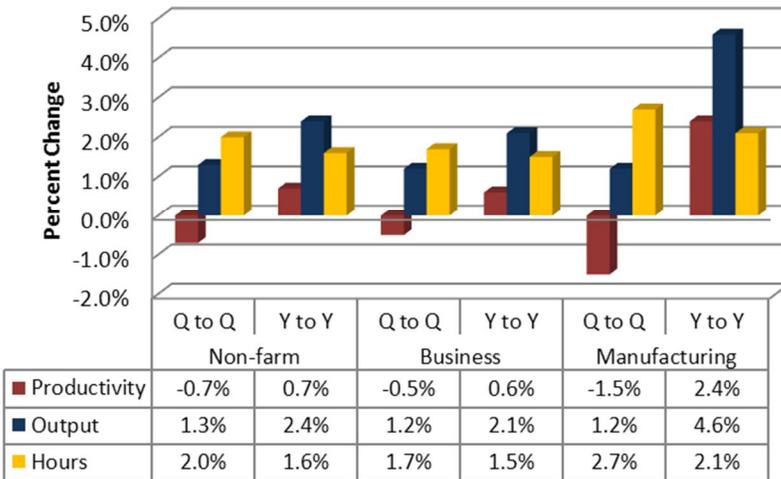
The Bureau of Labor Statistics (BLS) 2Q11 release showed that productivity was down in most sectors compared to 1Q11, but has increased overall from 2010 to 2011.

2Q11, due to a large increase in work hours across all sectors. This may be due to companies hiring more workers and the lag time in actual output, which will eventually result in an increase in productivity.

The BLS Statistics Consumer Price Index (CPI) for 2Q11 showed a 0.5 percent increase. This indicates that in the second quarter not only is the U.S. not increasing productivity, but prices (inflation) are rising so real growth of the economy is smaller. For example, in the Non-Farming Sector there was a decrease in productivity of 0.3 percent, but minus the increase of inflation at 0.5 percent, there was negative growth of 0.8 percent.

South Florida still has one of the highest unemployment rates in the country and from May to June 2011 there continued to be a decrease in jobs over the majority of industrial sectors. The private sector experienced a 0.3 percent decrease in jobs, while public sector job loss was a significant 8.4 percent. Overall, 23,200 jobs were lost in South Florida from May to June 2011 after a significant increase from April - May.

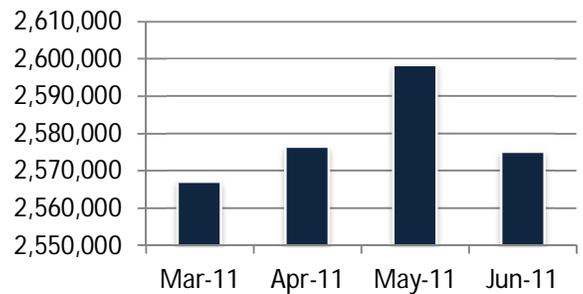
PERCENT CHANGE FROM SAME QUARTER A YEAR AGO (Y TO Y) AND ANNUAL RATE (Q TO Q), 2010-11



Source: Bureau of Labor Statistics: News Release: Productivity and Costs. Table created by FIU Metropolitan Center.

The manufacturing sector shows the largest annual decrease in productivity (1.5 percent) due to an increase in work hours which outpaced real output. However, in comparison to the same quarter a year ago, output in the manufacturing sector has actually increased significantly, and as a result had the largest growth in productivity among industry sectors. However, statistics from the BLS showed that an overall slowing in economic growth in

Employment



Source: Bureau of Labor Statistics: Economy at a Glance. Table created by FIU Metropolitan Center

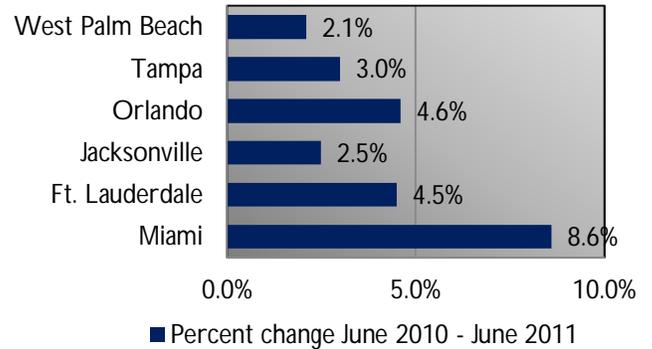
PURCHASING POWER

Purchasing power is a strong indicator of the state of the economy because it measures the amount of goods and services one unit of money can buy. The more goods and services one can buy over a period of time with the same amount of money, the stronger the purchasing power. Inflation for example, decreases the amount of goods and services one can buy thus having a negative effect on purchasing power and the country's overall economic state. The Miami-Fort Lauderdale area had a 4 percent increase in the Consumer Price Index (CPI) from June 2010 to June 2011, while the median hourly wage was estimated to be at \$15.13 in 2011, up from \$14.88 in 2010.

The 4 percent increase in the CPI was primarily due to increases in the price of gasoline. Gasoline prices have increased 37.1 percent over the past year. Increases in gasoline prices are also the cause for increases across all consumer categories because of the need to increase prices to offset rising transportation costs. Energy prices have also contributed to the overall 23 percent increase in prices since June 2010. The price of food has increased 5.1 percent over the last year with the largest increases occurring since April 2011.

Despite rising inflation and stagnating salaries, there has been an overall increase in spending, a good sign for South Florida's economy. From June 2010 to June 2011 taxable sales in Miami increased 8.6 percent with total dollars reaching \$3,084.9 million. The largest industry increases were in tourism/recreation, consumer nondurables, and retail activity. There were significant increases throughout Florida, including Fort Lauderdale (4.5 percent), Orlando (4.6 percent) and Tampa (3.0 percent). Miami had the fourth highest increase in the State behind Ft. Walton, Panama City, and Pensacola.

**Taxable Sales % Change
June 2010 - June 2011**



Source: Florida Legislature. Office of Economic and Demographic Research, 2011.

According to the United States Bankruptcy Court, Middle and Southern Districts, bankruptcy rates in the 2Q11 have decreased compared to 2Q10. The Southern District consists of Miami-Dade, Broward, and Palm Beach counties, while the Middle District consists of Jacksonville, Orlando, Tampa and Ft. Myers. The total decrease in bankruptcy filings in the Southern District was 5.8 percent, while the total decrease for the Middle District was 21.6 percent. Compared to 1Q11, the Southern District has seen bankruptcy filings decrease by 3 percent, while the Middle District decreased their bankruptcy filings by 28 percent.

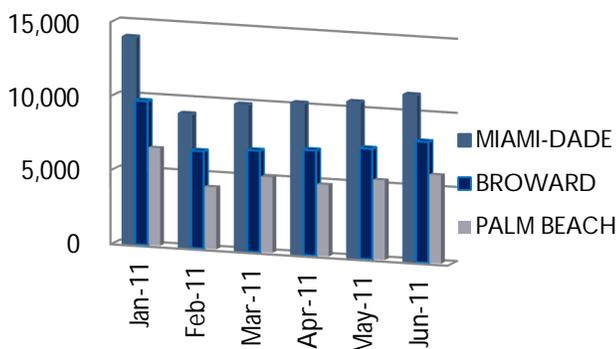
Bankruptcy Filings			
	Jun-10	Jun-11	Change
Miami	1,704	1,597	6.2%
Broward	1,059	964	9%
West Palm Beach	766	759	0.9%
Total South Florida	3,529	3,322	5.8%
Jacksonville	1,055	839	20.5%
Tampa	2,185	1,672	23.5%
Orlando	2,188	1,752	20%
Total Middle District	6,047	4,740	21.6%

Source: United States Bankruptcy Court Middle District of Florida; United States Bankruptcy Court, Southern District of Florida, 2011. Table created by FIU Metropolitan Center.

EMPLOYMENT GROWTH

In June 2011, the unemployment rate for Miami-Fort Lauderdale-Pompano Beach MSA was 11.8 percent. This is a 0.5 percent decrease from the previous month, but a 2.6 percent increase from June of 2010. New unemployment claims increased in the month of June to 25,374 compared to 23,361 new claims in May, an increase of 8.6 percent. All three counties within the MSA showed an increase in unemployment with Miami-Dade having the smallest increase of 1.4 percent. Broward County with a 9.5 percent unemployment rate was the lowest among the tri-counties.

Total Unemployment

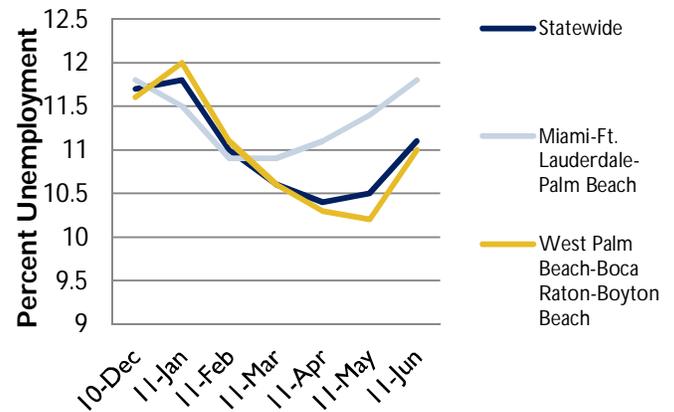


Source: Florida Agency for Workforce Innovation, Labor Market Statistics Center. Table created by FIU Metropolitan Center.

In June 2011, South Florida's unemployment rates continued to be higher than both the national percent and state averages of 9.3 and 11.1 percent, respectively. Both the nation and the state have seen small decreases from June 2010 and slight increases from May 2011, consistent with the recent South Florida trend.

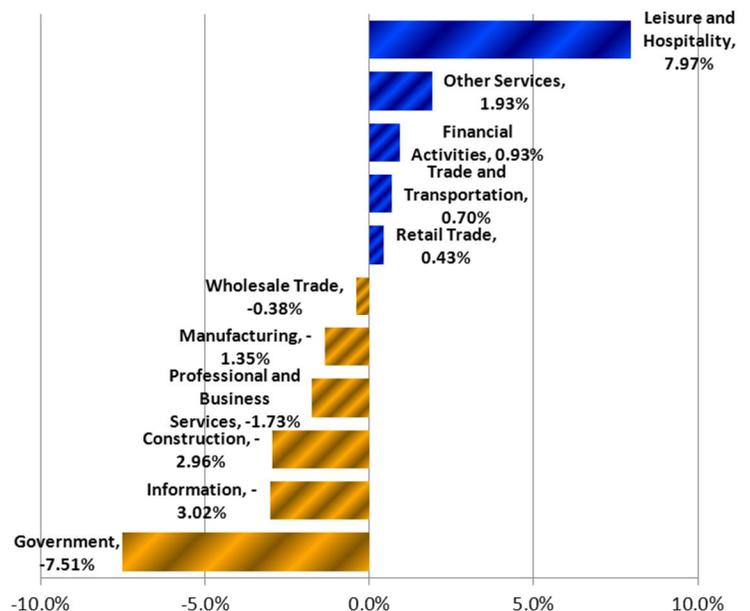
South Florida's total non-agricultural employment was 2,166,000 in July 2011, which represented a 15,100 decrease from June 2011. Miami-Dade County's 1.7 percent increase in employment during the past year continues to be the largest growth in South Florida.

Unemployment Rates



Source: Florida Agency for Workforce Innovation, Unemployment Statistics. Table created by FIU Metropolitan Center.

The Leisure and Hospitality sector's 6 percent increase in employment during the past year makes it the fastest growing industry, followed by Transportation, Warehousing and Utilities and Education and Health Services, both growing at 2.3 percent in new employment.



Source: Florida Agency for Workforce Innovation. Table; FIU

The largest job losses occurred within the Construction, Manufacturing and Information sectors with a total of 4,670 jobs lost over the last year.

RESIDENTIAL REAL ESTATE STABILITY

Standard & Poor's Case-Shiller Home Price Indices released in May 2011 showed an increase in the monthly growth rates in sixteen of the twenty City Composites for two consecutive months. The Twenty City Composite is an index of the nation's largest Metropolitan Statistical Areas (MSAs).

According to Case-Shiller, the total growth rate of all 20-City Composites was 1 percent from April-May. Home prices in the Miami MSA rose 1.2 percent from April to May and 1.6 percent since February. The year-to-date numbers are not as positive, falling 7.78 percent since May of last year. The recent rise in housing prices is speculated to be a seasonal occurrence and may not suggest sustained increases in South Florida's home prices.

	Broward		Miami		Palm Beach		Change for Region
	June 2010	June 2011	June 2010	June 2011	June 2010	June 2011	
Existing Single-Family Home Sales							
Realtor Sales	1,205	1,274	686	923	1,087	1,184	13.5%
Median Price	\$155,900	\$196,000	\$203,300	\$185,400	\$232,700	\$204,900	0.9%
Existing Condominium Sales							
Realtor Sales	1,416	1,511	855	1,131	1,061	1,273	17.5%
Median Price	\$69,400	\$76,900	\$128,800	\$119,800	\$94,800	\$76,300	7%

Source: Florida Association of Realtors, July 2011. Table from The Metropolitan Center, FIU.

The June 2011 Florida Association of Realtors (FAR) Monthly Sales Report showed a continued increase in the number of existing single-family home sales in all three counties in South Florida. Miami-Dade County showed a 47 percent increase from June 2010 to June 2011 followed by Palm Beach County at 21 percent and Broward County at 9 percent. Condominium sales activity was also higher in the tri-county area with new sales increasing by 22 percent during the last year. However, median sales prices continue to drop throughout the region with the exception of existing single-family homes in Broward County which were up 5 percent and existing condominiums in Miami-Dade County which increased by 8 percent. Overall, existing single-family homes and condominium sales activity

remains high in South Florida, but median sales prices reflect the high proportion of foreclosure and short sales.

In recent months, South Florida has experienced a decline in foreclosures. However, from March through June 2011 there has been an increase in home foreclosure activity. Palm Beach County had a substantially high 113 percent increase in foreclosures during 2Q11. Overall, the South Florida MSA had an average increase in new foreclosures of 23.7 percent, slightly higher than the state's increase of 20.6 percent.

COUNTY	FORECLOSURES		% Change
	Mar-11	Jun-11	
Broward	2,199	1,979	10%
Miami-Dade	2,749	3,074	11.8%
Palm Beach	1,196	2,547	113%
South Florida	6,144	7,600	23.7%
Florida	19,710	23,769	20.6%

Source: RealtyTrac, July 2011. Table created by The Metropolitan Center at FIU.

South Florida continues to have one of the highest foreclosure rates in the nation. As of June 2011, one in every 348 homes was foreclosed on in Miami-Dade County, nearly double the foreclosure rate for the Nation. There is growing concern over a large "shadow inventory" of distressed properties. South Florida also contains many of the zip codes with the highest 90-day delinquency rates in the nation.

COMMERCIAL REAL ESTATE STABILITY

Commercial real estate market performance is an important indicator of growth and stability in the larger economy. According to Cushman & Wakefield's Second Quarter National Office Report, the overall vacancy rate in Miami-Dade County fell to 16.8 percent for office space, which is the lowest level since 2009, and to 6.9 percent for industrial space down from 8.8 percent in 2010. These decreases in vacancy rates along with positive and increasing absorption mark improving conditions in Miami-Dade County for the commercial real estate market.

Cushman & Wakefield reported that Palm Beach County's direct office vacancy decreased annually from 22.3 percent in 2Q10 to 19.4 percent in 2Q11. The Central Business District (CBD) reported a notable 6.2 percent decrease over the past twelve months in direct vacancy to a current rate of 16.0 percent.

The rest of Florida is also showing growth in the commercial real estate market. The majority of Florida's major cities showed a decrease in vacancy rates, with the exception of Orlando and Tampa. Absorption rates were also higher with the exception of Tampa.

Cushman & Wakefield report that the Miami Downtown/Brickell submarket experienced considerable activity during the first half of 2011. Met Square is being added to the completed Wells Fargo Center and the Marriott Marquis will consist of shops, restaurants, a movie theatre, a 1,400-space parking garage and a Whole Foods market. Brickell CitiCentre, is slated to break ground this year. During the past two years Swire Properties, the Miami-based development arm of a Hong Kong conglomerate acquired 9.1 acres for to \$70 million. The development will consist of approximately 4.6 msf of hotel, retail, office, and entertainment venues. The Miami Herald headquarters building and 13.9 acres on Biscayne Bay was purchased by an affiliate of Malaysia-based Genting Group for \$236 million. The global investment group plans to build a 7-msf complex that will include a convention center, hotel, retail and office space. It will bring \$5.4 million to the city and \$9.6 million to the county in annual tax revenues. Overall, with new projects on the horizon, vacancy rates falling and absorption increasing, the commercial real estate market looks to be on the rise Miami-Dade County, as well as across Florida.

Market	Inventory (sqft)		Vacancy Rate		YTD Leasing Activity		YTD Overall Absorption	
	Office	Industrial	Office	Industrial	Office	Industrial	Office	Industrial
Jacksonville	24,358,077	100,099,967	21.5%	11.6%	501,395	780,411	162,079	146,615
Palm Beach	24,983,676	41,681,598	20.1%	8.8%	700,311	607,883	384,307	182,212
Orlando	37,694,268	106,252,353	30.7%	14.0%	37,694,268	1,818,363	158,901	493,178
Tampa	31,924,493	78,896,753	19.5%	8.8%	958,104	1,167,051	39,007	401,360
Miami -Dade	48,873,950	162,914,858	16.8%	6.9%	1,339,621	2,540,671	90,498	756,602
Ft Lauderdale	30,081,780	92,623,764	16.9%	9.6%	751,853	1,340,237	213,126	-325,568

Source: Cushman & Wakefield, Marketbeat United States Office Report, 2Q11; Table by the FIU Metropolitan Center



**Metropolitan
Center**

The Florida International University Metropolitan Center is an applied social science research and training institute focusing on economic development, planning, performance improvement and policy solutions to public, private and non-profit organizations in South Florida.

The Metropolitan Center is a part of the School of International and Public Affairs in the College of Arts and Sciences.

Our core areas are:

Economic and Demographic Research
Housing Market and Policy Research
Local Government Planning and Management
Applied Social Science Research and Evaluation
Leadership Training and Organizational Development

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