

Economic Currents provides an overview of the South Florida regional economy. The report presents current employment, economic and real estate market data using key indicators to measure growth and stability in the regional economy. Local governments, businesses and community-based organizations can use the economic indicators to establish benchmarks, prioritize resources, target markets and apply for funding. This report focuses on measurable indicators for five drivers of economic sustainability – employment and economic growth, household purchasing power, residential real estate stability and commercial/office market activity.

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Overview

The second quarter of 2015 was marked by mixed results in South Florida’s Metropolitan Statistical Area (MSA) of Miami-Ft. Lauderdale-Pompano Beach. Q2 2015 saw a rise in unemployment to 5.7 percent for the MSA over the previous quarter, while still below the unemployment rate at the same period last year of 6.3 percent. South Florida’s single family home sales are still growing strongly, besting last year’s total sales in Q2 by a 12 percent increase across the three counties. These numbers stand in contrast to South Florida’s condo market which is showing signs of cooldown, the area as a whole only recorded a 2 percent growth, with Miami-Dade more specifically having a 1.8 percent decline in the number of sales over Q2 2014. Despite the slowing of condo sales, the highly visible construction in downtown Miami and along the coastline of South Florida has provided for the continued growth in the Construction industry, up 6.9 percent over the same period last year. However, Professional Business Services remains the largest single employment sector in South Florida at 17.8 percent, with Education and Health Services close behind at 16.3 percent. Bankruptcies and Foreclosures provided for mixed results, down for all of South Florida over Q2 2014, but marginally up since Q1 2015 for some counties.

Key Findings, 2nd Quarter, 2015

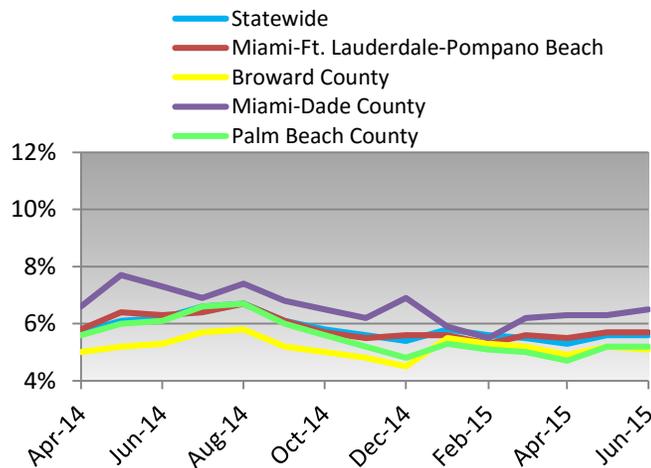
- Unemployment in the Metropolitan Statistical Area (MSA) of Miami-Fort Lauderdale-Pompano Beach increased slightly from 5.6 percent at the end of March to 5.7 percent at the end Q2 in June.
- Professional and Business Services remained the largest sector of employment in the South Florida MSA and continues to grow, its share of total employment increased from 17.6 percent in Q1 to 17.8 percent in Q2 with over 400,000 employed in the sector at the close of Q2 2015.
- Government employment has continued to decline as both a portion of the MSA workforce, 13.1 percent, as well as total number of employees, -0.9 from Q2 2014.
- Gasoline prices were down annually, by 24.2 percent since June 2014, but saw a mild rise in prices since the end of March 2015 of 10.1 percent.
- Miami-Dade saw a decline in townhome and condo sales in Q2 over the same time last year, this in stark contrast to the statewide growth of 7.3 percent over the same period.
- Foreclosures were down in South Florida from Q2 2014 by 20.4 percent, but up slightly since the last quarter for Miami-Dade by 11.6 percent and 13.1 percent for Palm Beach, while Broward’s foreclosures were down 16.1 percent.
- Rent in South Florida has risen by \$100 since the beginning of the year according to the Zillow Rent Index, representing the market’s response to the decline in rental vacancies to 5.7 percent, the lowest level in two years.

EMPLOYMENT AND ECONOMIC GROWTH

Employment provides a major indicator to measure economic health from month to month, as employment is the primary income for households, it is a catalyst for either economic expansion or retraction. The counties of South Florida, excluding Broward, have experienced slight increases in unemployment since the end of Q1 in March.

Miami-Dade County recorded a rate of 6.5 percent while Palm Beach County was 5.2 percent compared with 6.2 percent and 5 percent respectively in March 2015. This resulted in a Miami-Fort Lauderdale-Pompano Beach MSA with an unemployment rate of 5.7 percent, up slightly from 5.6 in March the previous quarter. These figures follow a statewide trend of a marginal increase of unemployment in Q2 of 2015, with Florida's unemployment rate going from 5.5 percent in March to 5.6 percent in June. Miami-Dade continued to have the highest unemployment rate in South Florida, and higher than the state average as well.

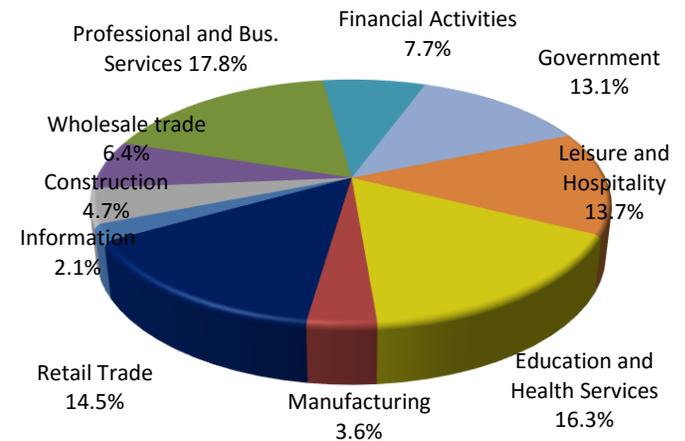
Figure 1: South Florida Unemployment Rates



Source: United States Department of Labor, Bureau of Labor Statistics. Graph created by FIU Metropolitan Center.

The Professional and Business Services sector continued to be the largest industry in South Florida MSA with an average of 402,767 employees – representing 17.8 percent of the region's workers. Education and Health Services came in second with an average of 368,773 employees and representing 16.3 percent. Financial Activities had the highest level of growth from the previous quarter, with an increase of 1.4 percent. The average number of employees in the Government, Retail Trade, Manufacturing, and Wholesale Trade Industries have all had a decline in percent change from the previous quarter. Excluding Government, the decline in percent change for the remaining previously mentioned industries were all less than 1 percent. The Government sector experienced the largest decrease this quarter with a 2.8 percent change from the previous quarter.

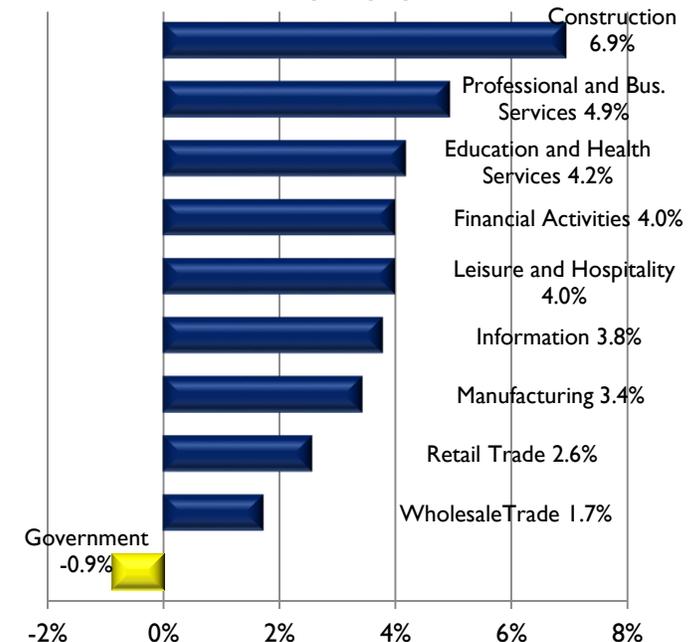
Figure 2: Miami-Ft. Lauderdale-Pompano Beach Employment



Source: Florida Department of Economic Opportunity. Graph created by FIU Metropolitan Center.

Construction has continued to show the largest annualized growth in employment in South Florida. Construction has a growth of 6.9 percent between Q2 2014 and Q2 2015, while Professional and Business Services, Education and Health Services, Financial Activities, and Leisure and Hospitality all recorded 4 percent or higher growth over the same period. Government was the only employment sector to have a decline at -0.9 percent, however this has become a multi-year trend.

Figure 3: Miami-Ft. Lauderdale-Pompano Beach Q2 2014 – Q2 2015 Industry Employment Growth



Source: United States Department of Labor, Bureau of Labor Statistics. Graph created by FIU Metropolitan Center.

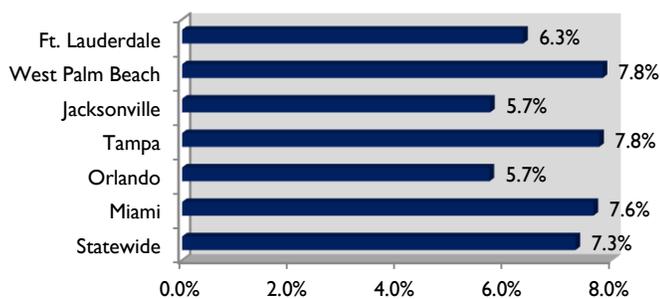
PURCHASING POWER

Purchasing power is the value of a currency in relation to goods and services. The primary measurement of purchasing power is a Consumer Price Index (CPI) which is a basket of goods whose prices are monitored to assess the change in cost. As prices go up due to inflation, purchasing power decreases. For this reason, reasonable inflation is generally 2 percent. Correspondingly, a growth in taxable sales can be read as positive consumer spending while a decline in bankruptcy filings shows financial stability for households.

South Florida’s CPI, as reported by the Bureau of Labor Statistics for the Miami-Ft. Lauderdale MSA, was at an economically healthy 1.2 percent between June 2014 and June 2015. However, All Items less Food and Energy, which helps account for two categories known for price instability, recorded a much higher 3.2 percent inflation over the same period. Food alone saw a 1.9 percent rise in prices over the same period. More representative of market price fluctuations, Gasoline (all types) experienced a dramatic 24.3 percent deflation between June 2014 and 2015, while also rising 10.1 percent between the end of Q1 2015 and Q2 2015.

Taxable sales showed positive growth across all metropolitans in Florida with the state as a whole recording a 7.3 percent growth in total taxable sales between Q2 2014 and Q2 2015. The highest growths came from West Palm Beach at 7.8 percent, Tampa at 7.8 percent, and Miami at 7.6 percent. Miami saw considerable growth in Consumer Goods with a 16 percent growth, as well as Business Investment and Autos and Accessories which had 13.9 and 13.2 percent growth respectively. Tourism and Recreation remained the largest source of taxable sales for Miami, making up almost a quarter of the total. As the second largest source of taxable sales for the state, and almost a quarter of the total, Florida had a total of \$21.8 billion in taxable sales in the Tourism and Recreation sector.

Figure 4: Change in Taxable Sales, Q2 2014 – Q2 2015



Source: Office of Economic and Demographic Research. Chart created by FIU Metropolitan Center.

Supporting this growth in sales was the state’s rise in Tourism. Over 28 million tourists visited Florida in the second quarter of 2015, up 6.8 percent over the same period last year according to Visit Florida. Florida still relies heavily on domestic tourism with 85 percent of the total tourists coming from other U.S. states and territories. Of the remaining 15 percent made up by foreign visiting tourists, the largest country of origin at over 1.1 million in Q2 was Canada, with 5 percent.

Consumer bankruptcy filings have continued their decline as the general economy has improved. The most significant decline has been that of South Florida who only saw a 7 percent drop between Q2 2013-2014, yet had a 20.4 percent drop between Q2 2014-2015. The Middle District also saw an increase in the decline as well, from a 12 percent decline between Q2 2013-2014, to a 17.1 decline from Q2 2014-2015. Miami-Dade, Palm Beach, and Orlando all recorded Q2 annual declines over 20 percent between 2014 and 2015.

Notably, all but Miami-Dade County saw a rise in consumer bankruptcy filings between Q1 and Q2 2015, who instead saw a 2.5 percent drop. South Florida as a whole recorded a 1.6 percent rise between quarters, and the Middle District had a 2 percent rise. This slight rise between quarters should not be of significant concern, Q2 has seen slightly higher rates of bankruptcy in Q1 in the areas concerned.

Figure 5: Consumer Bankruptcy Filings

	Q2 2014	Q1 2015	Q2 2015	Change Q1-Q2	Change Q2' 14 - 15
Broward	1,993	1,692	1,791	5.9%	-10.1%
Miami-Dade	3,764	2,917	2,844	-2.5%	-24.4%
Palm Beach	1,084	748	810	8.3%	-25.3%
South Florida	6,841	5,357	5,445	1.6%	-20.4%
Jacksonville	1,698	1,496	1,549	3.5%	-8.8%
Orlando	3,917	2,936	2,948	0.4%	-24.7%
Tampa	3,403	2,835	2,893	2.0%	-15.0%
Ft. Myers	753	662	714	7.9%	-5.2%
Middle District	9,771	7,929	8,104	2%	-17.1%

Source: U.S. Bankruptcy Court, Southern District and Middle District. Table created by FIU Metropolitan Center.

RESIDENTIAL REAL ESTATE STABILITY

Real estate has been a cornerstone of the South Florida economy since the original land boom at the turn of the last century. The real estate industry has been the primary actor in the expansion of condo high rises in places like downtown Miami, and along much of South Florida’s coast. Moreover, as an industry with multiplying effects, the industry’s health can be applied to construction and similar fields of employment.

Florida saw significant growth in Q2 residential home sales, recording a 15 percent increase over Q2 2014 with total sales reaching 77,724. Notably, as sales increased so did the sale prices, with median sales prices raising by 11.1 percent to \$200,000. South Florida, as a whole, had sale grow by 12 percent. Broward County had the largest change at 15.1 percent, but is still lagging in volume of sales. Broward had 4,718 single family home sales in Q2 2015, while Palm Beach Country recorded 5,383. Miami-Dade County, although it remains in last place for single-family home sales, increased its volume of sales to 3,913, larger than its Q1 figure of 3,187, and 7.2 percent above Q2 2014. Palm Beach County reversed its declining trend in median home prices, increasing by 5.6 percent. Miami-Dade and Broward also reported increases in median home prices with a 10.6 percent and 4.1 percent change, respectively.

Figure 6: Residential Sales of Single Family Homes

County	Q2 2015	Q2 2014	%Change from 2014
Miami-Dade			
Realtor Sales	3,913	3,650	7.2%
Median Price	\$271,000	\$245,000	10.6%
Broward			
Realtor Sales	4,718	4,100	15.1%
Median Price	\$290,809	\$279,325	4.1%
Palm Beach			
Realtor Sales	5,383	4,754	13.2%
Median Price	\$299,900	\$284,000	5.6%
Florida			
Realtor Sales	77,724	67,579	15.0%
Median Price	\$200,000	\$180,000	11.1%

Source: Regional Realtors Associations. Table Created by FIU Metropolitan Center.

Q2 residential townhome and condo sales did not fare as well in Florida as single family homes. Sales grew by only 7.3 percent statewide with only 2,265 more units sold over the same time period, compared to 10,145 more single family homes. However, median sales price outpaced sales, growing by 9.3 percent over the same period between Q2 2014 and Q2 2015. Similarly, Palm Beach County showed strong growth in both the number of sales and the median price, 7.3 and 9.2 percent respectively, while Broward County showed moderate growth

with a 2.6 percent rise in sales and 4 percent in median price. In stark contrast, Miami-Dade County has continued to show a slowdown in townhome and condo sales, down 1.8 percent from the same time last year. This is a cooling sign for Miami’s condo market, whose highest sales are historically in Q2, and is continuing to see the inventory of units increasing. Miami’s Q2 sales have declined to 4,409 in 2015, below the market’s recent peak of 4,734 in Q2 2013.

Figure 7: Residential Sales of Townhome and Condos

County	Q2 2015	Q2 2014	Change from 2014
Miami-Dade			
Realtor Sales	4,409	4,489	-1.8%
Median Price	\$203,000	\$190,000	6.8%
Broward			
Realtor Sales	4,630	4,514	2.6%
Median Price	\$130,000	\$125,000	4.0%
Palm Beach			
Realtor Sales	4,131	3,877	6.6%
Median Price	\$150,000	\$135,000	11.1%
Florida			
Realtor Sales	33,183	30,918	7.3%
Median Price	\$155,000	\$142,000	9.2%

Source: Regional Realtors Associations. Table Created by FIU Metropolitan Center.

Representative of the growth of condo inventory in South Florida is the median number of days on the market for a unit. The number of days for both Miami-Dade and Broward Counties has appeared to stabilize at 59 days and 51 days, respectively. Correspondingly, the number of months’ worth of inventory has also stabilized, with Miami-Dade dropping from 9 months to 8.9 since the last quarter, and Broward dropping from 6.5 months to 6.1 months.

Figure 8: Median Number of Days on Market

County	Miami-Dade		Broward	
	Single Family	Condo	Single Family	Condo
Q1 2014	47	57	38	46
Q2 2014	43	56	35	46
Q3 2014	45	57	36	50
Q4 2014	45	58	43	52
Q1 2015	51	63	48	51
Q2 2015	44	59	37	51

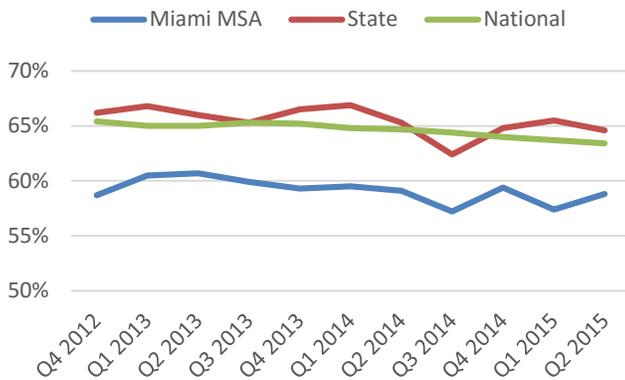
Source: Regional Realtors Associations. Table Created by FIU Metropolitan Center.

RESIDENTIAL REAL ESTATE ACTIVITY

While indicators such as sales, prices, and market inventory provide important measurements for the health of the economic vitality, indicators such as homeowner rate, rental vacancy rate, average rent, and foreclosures are important indicators to the economic vitality of the population.

The homeownership rate across the country, as well as in Florida and the MSA, showed a continued decline in Q2. The national rate fell to 63.4 percent from 64.7 percent a year ago. The national homeownership rate has fallen from its 2004 peak of 69.2 percent, and this quarter reached the lowest rate in 48 years. Florida's rate mirrored the national with a 0.7 point decline, falling from 65.3 percent in Q2 2014 to 64.6 percent this quarter. Though recovering slightly from the last quarter, the Miami MSA is still down at 58.8 percent this quarter from 59.1 percent a year ago. Miami's slight improvement over the previous quarter is likely due to high single family home sales.

Figure 9: Miami MSA Homeownership Rate

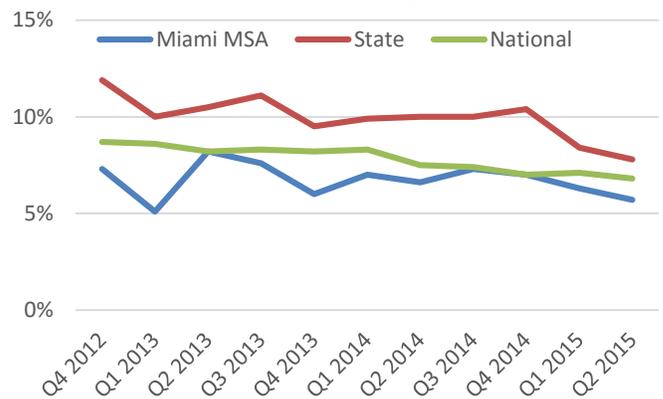


Source: Census Bureau Housing Vacancies and Homeownership (CPS/HVS). Graph created by FIU Metropolitan Center.

As fewer households are able to, or simply chose not to, own a home, there is greater demand for units on the rental market and the across the board decline in the rental vacancy rate exhibits just that fact. In the past year, the national vacancy rate has dropped from 7.5 percent to 6.8 percent, the state rate has dropped from 10 percent to 7.8 percent, and the Miami MSA, a market heavily reliant on rentals due to a much lower homeownership rate, has fallen from 6.6 percent to 5.7 percent.

As the rental vacancy rate drops, a corresponding increase in rent will occur due to the increase of demand to the supply of units, and as expected, Zillow's Rental Index recorded across the board increases in rents from the previous quarter, and even greater from the beginning of the year. Nationally, rents are up from \$1,475 in January to \$1,575 in June; Statewide, rents are up from \$1,400 in January to \$1,500 in June; and higher than them both, Miami's MSA is up from \$1,800 in January to \$1,900 in June.

Figure 10: Miami MSA Rental Vacancy Rate



Source: Census Bureau Housing Vacancies and Homeownership (CPS/HVS). Graph created by FIU Metropolitan Center.

Foreclosure filings continued to decrease compared to Q2 2014 in South Florida, falling by over 1,300 foreclosures and 20.4 percent. The majority of the decreased filings came from Miami-Dade and Broward Counties, who each had a decrease of over 500 foreclosures. Despite positive numbers comparing Q2 2014 to 2015, Miami-Dade and Palm Beach Counties saw an increase between Q1 and Q2 this year, 11.6 percent and 13.1 percent respectively. Broward County, however, recorded a decline by 16.1 percent between quarters.

Figure 11: New Foreclosure Filings

County	Q2 2014	Q2 2015	Y2Y Change	Q1 2015	Change Q1-Q2
Broward	2,655	2,027	-23.7%	2,417	-16.1%
Miami-Dade	2,364	1,825	-22.8%	1,636	11.6%
Palm Beach	1,580	1,398	-11.5%	1,236	13.1%
South Florida	6,599	5,250	-20.4%	5,289	-0.7%

Source: County Clerk's Office for Broward, Miami-Dade and Palm Beach. Table Created by FIU Metropolitan Center.

COMMERCIAL REAL ESTATE STABILITY

Commercial real estate activity helps provide a better economic depiction of the health of the private sector. The expansion or retraction of commercial real estate can illustrate a corresponding action in the business, categorized by industrial or office, and activity can be monitored on a quarterly basis. Commercial real estate can include office buildings, warehousing, storage and transportation facilities, or retail space.

Inventory, unoccupied space, stayed stable throughout Florida's markets, with office inventory levels remaining similar year over year and industrial inventory increasing slightly. The only outlier from this trend was Miami's 3.1 percent drop in office inventory which primarily due to a lack of new construction, the market has responded with a significant 687,974 sq. ft.

Q2 saw a continued drop in vacancy rates across Florida, and across the country. Office vacancy saw the most significant

drops, with Broward County, Orlando, and Tampa's vacancy rates each dropping by roughly 2 percent. Miami, Palm Beach, and Jacksonville saw a decline in vacancy by roughly one percentage point. All six Florida markets reported between 0.5 and 1 percentage point declines in their Industrial vacancy rates.

Miami's Direct Rent Asking Price for commercial real estate was \$33.10 at the end of Q2, 20.6 percent higher than the average for all markets which was \$27.44, and 16.5 percent higher than the next most expensive area for commercial real estate which is Palm Beach with an asking price of \$28.42. When examining the Miami figure by neighborhood, some areas such as Miami Lakes have asking prices that are below the average for all markets, while many other neighborhoods in Miami are well above the national average. South Gables/South Miami, for example, stands out due to its high asking price of \$44.07.

Figure 12: Commercial Real Estate Activity

Market	Inventory (sq. ft.)		Vacancy Rate		YTD Leasing Activity		YTD Overall Absorption		Overall WTD
	Office	Industrial	Office	Industrial	Office	Industrial	Office	Industrial	Office
Miami	44,344,467	160,653,679	13.6%	6.3%	1,211,819	1,620,989	477,664	1,305,571	\$33.10
Palm Beach	25,020,287	42,430,871	17.5%	5.5%	483,282	435,631	167,058	894,152	\$28.42
Broward	28,713,663	94,309,476	12.1%	6.6%	589,590	950,120	166,494	644,331	\$26.61
Jacksonville	24,877,760	103,282,961	18.5%	9.4%	875,605	1,410,123	59,203	678,563	\$17.78
Orlando	37,062,827	108,808,159	15.5%	7.9%	1,270,088	1,939,880	473,568	1,356,335	\$20.85
Tampa	32,213,347	80,396,780	14.4%	7.6%	1,054,713	1,076,010	327,799	310,725	\$22.61
All Markets	4,866,899,930	13,777,506,389	14.2%	6.7%	134,988,734	242,151,734	32,130,385	113,345,922	\$27.44

Source: Cushman & Wakefield, Marketbeat 2Q 2015. Table made by FIU Metropolitan Center.



Metropolitan Center

The Florida International University Metropolitan Center is an applied research and training institute that provides 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.

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