

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

South Florida's start of 2015 draws on several continuous trends from the previous quarter but in addition, several key distinguishes from the previous year. The Miami-Ft. Lauderdale-Pompano Beach (MSA) unemployment rate slightly decreased by 1%, at the close of the quarter. However, the unemployment rate slowly increased over the first quarter in Miami-Dade County – rising to 6.2% in March. The real estate market continues to show growth in median prices both for single-family and condo units. However, in some markets, the sales activity and median price has slowed down. In Miami-Dade County, the number of condo units sold decreased by 3% compared to the first quarter of 2014. In spite of the increase of single-family homes in Palm Beach by 29.6%, there has been a drop in the median asking price by 4.1%. Homeownership rates continue to dwindle, to 57.4%, as well as Rental Vacancy rates, 6.3%, which have resulted in rising rental prices and caused cost-burdens on residents. Comparable to Q4 2014, positive numbers in the state of Florida and regional economies included the rise of tourism and spending. The state of Florida had 28.4 million visitors for Q1 2015, compared to only 26.7 million in Q1 2014, up 6.2%. In addition, South Florida continued to experience decreases in consumer bankruptcies and foreclosures from the previous year.

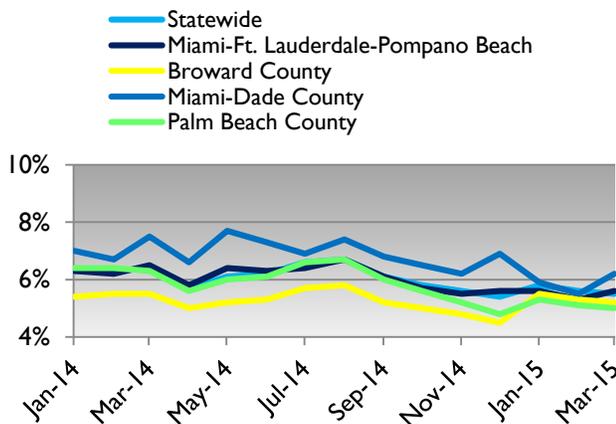
Key Findings, 1st Quarter, 2015

- Unemployment in the Metropolitan Statistical Area (MSA) of Miami-Fort Lauderdale-Pompano Beach remained the same from 5.6% in December of Q4 to 5.6% in March at the close of Q1 2015.
- Professional and Business services remained the largest sector of employment in the South Florida MSA at 17.6%, with almost 400,000 employed in the sector at the close of Q1 2015.
- Consumer bankruptcy filings were down by 21.2% percent in South Florida compared to Q1 2014, while the Middle District (Jacksonville, Orlando, Tampa, and Ft. Myers) dropped to 13.9%.
- Business bankruptcies continued to drop from the previous year in Broward County (18.2%) and Palm Beach County (45.3%). Miami-Dade County has had a growth of 6.1% since Q1 2014.
- Gasoline prices continued to drop nationwide. Including South Florida where the CPI for Gasoline fell by 29.8%.
- The increase value of the U.S Dollar is starting to have a negative effect on purchasing power of units by South American and European investors.
- National homeownership rate for Q1 2015 became the lowest quarterly rate since 1993 at 63.7%. The homeownership rate in the Miami-Ft. Lauderdale-Pompano Beach (MSA) was below the national level at 57.4%, and fell by 2% from the previous quarter.

EMPLOYMENT AND ECONOMIC GROWTH

Employment drives and influences economic growth in communities. South Florida in particular has experienced a gradual growth post-recession. The state of Florida began to see a downward trend in unemployment rates from January to March. At the end of March the unemployment rate in the state was 5.5%. The Miami-Ft. Lauderdale-Pompano Beach MSA experienced a stable quarter closing at a 5.6% unemployment rate. The county in South Florida with the highest unemployment rate belonged to Miami once again with a 6.2% rate in March. Broward and Palm Beach County had decreases in their rates over the course of the quarter, with Broward at 5.2% and Palm Beach at 5.0% by the end of the first quarter.

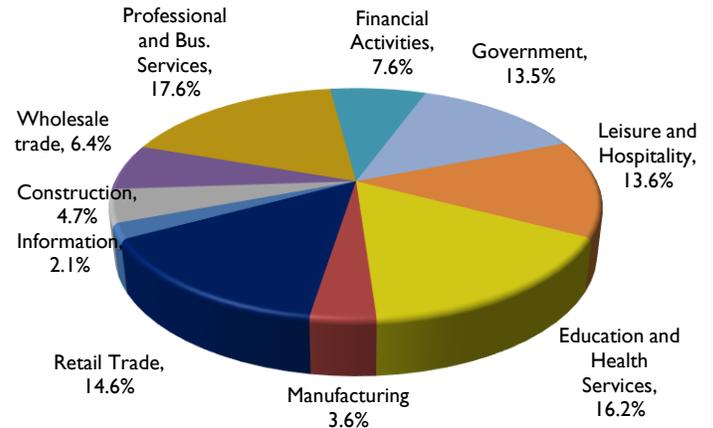
Figure 1: South Florida Unemployment Rates



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 398,900 employees – representing 17.6% of the region’s workers. Education and Health Services came in second with an average of 367,000 employees and representing 16.2%. Leisure and Hospitality had the highest level of growth from the previous quarter, with an increase of 4.3%. The average number of employees in the Government, Retail Trade, Construction, and Financial Activity Industries have all had a decline in percent change from the previous quarter. Unlike the previous quarter, the Retail Trade sector saw a significant decrease of 2.9% from the previous quarter with an average of 330,500 employees. The Government sector also experienced a decrease with a 2.37% change from the previous quarter.

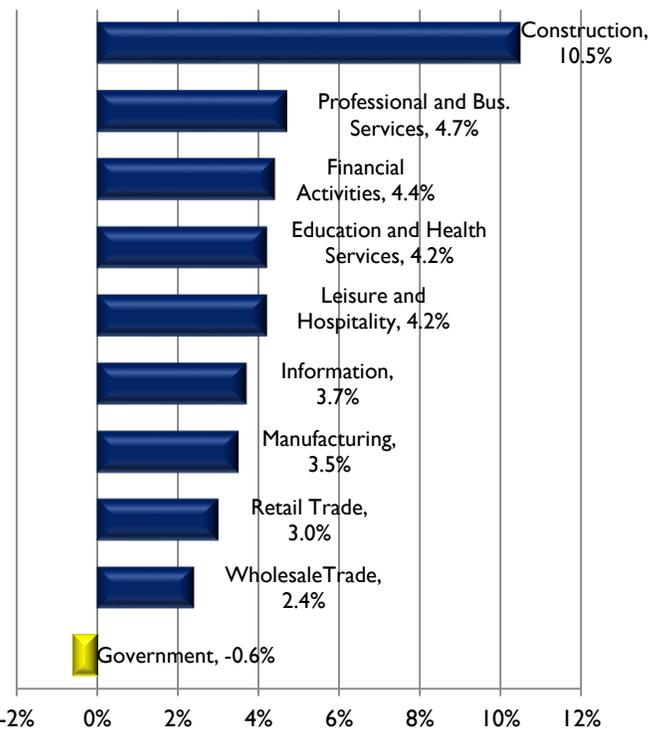
Figure 2: Miami-Ft. Lauderdale-Pompano Beach Employment



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

The Construction sector once again was the largest annualized growth in employment in the South Florida region. Over the course of Q1 2014 and Q1 2015 all sectors of the economy posted positive annualized growth with the exception of the Government sector. The Government sector has seen a decline of 0.6% over the course of Q1 2014 and Q1 2015 as well as a decline of 1.5% from Q4 2014. The Professional and Business Services industry also had a significant increase of 4.7% from Q1 2014.

Figure 3: Miami-Ft. Lauderdale-Pompano Beach Q1 2014 – Q1 2015 Industry Employment Growth



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

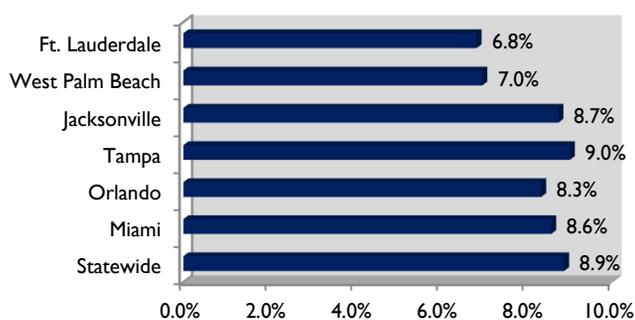
PURCHASING POWER

The strength of a regional economy can also be examined through factors influenced by purchasing power. Factors that illustrate and portray a picture of purchasing power and the effect on the economy include Taxable Sales, Consumer Price Index (CPI), and Bankruptcy Filings. The CPI measures the average change in prices over time for a fixed basket of goods and services. Taxable Sales measure consumer spending and bankruptcies demonstrate the stability of both consumers and businesses in the regional marketplace.

The CPI for all items in the consumer basket for the Miami-Ft. Lauderdale area increased to 0.3% from December to February and has increased by 0.4% from the previous year. Food prices increased by 3.2% from last year, and by 0.3% from the previous quarter. Although gasoline costs have decreased drastically since the first quarter of 2014 by 29.8% there has been an increase in costs by 11% over the first quarter of 2015. There was also increase in CPI for all items less food and energy at 2.4%.

The beginning of a year is met with the conclusion of holiday and travel spending that takes place at the close of the fourth quarter of a given year. As a result, spending started off slow but picked up by the end of the first quarter, a trend that was seen in all major metropolitan areas in Florida during the first quarter of 2015. The largest spending increase between Q1 2014 and Q1 2015, as measured by the average change in taxable sales, occurred in Tampa (9.0%), followed by Jacksonville (8.7%), and Miami (8.6%), while Ft. Lauderdale had the lowest percent change in taxable sales with 6.8%. Overall, the state of Florida experienced an 8.9% increase in spending and logged \$36.1 billion by the end of Q1 2015, with the majority coming from consumer nondurables, tourism and recreation, and business investment. As the previous quarter, the Orlando-Kissimmee MSA formed the largest part of the state's total with \$5.6 billion in Taxable Sales at the close of the first quarter.

Figure 4: Change in Taxable Sales, Q1 2014 – Q1 2015



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

Regional economic activity posted increases in Taxable Sales for all categories in Miami's MSA. Tourism and Recreation obtained a 12.9% growth from the previous quarter of Taxable Sales, whereas, consumer durables declined to 12.7%. Business Investments had the largest increase between Q1 2014 and Q1 2015 at 11.9%. According to 2015 estimates from *Visit Florida*, the state's official tourism marketing corporation, approximately 28.4 million visitors visited Florida in Q1, a 6.2% increase from the first quarter of 2014.

Data from the U.S. Bankruptcy Court shows that consumer bankruptcy filings decreased in the counties of South Florida and Middle District. South Florida's (Broward, Miami-Dade, and Palm Beach) consumer bankruptcy filings declined to 21.2% from the first quarter of 2014 and fell to 4.3% from the previous quarter. Likewise, the Middle District (Jacksonville, Orlando, Tampa, and Ft. Myers) experienced a decline in consumer bankruptcy filings with a 13.9% decrease from the first quarter of 2014 and a 1.1% decrease from the previous quarter. Palm Beach County posted the most significant year to year decrease of filings with a 28% change.

In regard to business bankruptcies, South Florida had a year to year decrease of 12.9%, with Broward having the largest decrease change at 30.2%. However, there has been an overall 12% increase in South Florida from the previous quarter. Miami-Dade accounts for the largest increase in business bankruptcy filings from the previous quarter at 40.0%.

Figure 5: Consumer Bankruptcy Filings

	Q1 2014	Q4 2014	Q1 2015	Change Q4 - Q1	Change Q1 14 - 15
Broward	1933	1718	1692	-1.5%	-12.5%
Miami-Dade	3824	2962	2917	-1.5%	-23.7%
Palm Beach	1039	915	748	-18.3%	-28.0%
South Florida	6796	5595	5357	-4.3%	-21.2%
Jacksonville	1579	1474	1496	1.5%	-5.3%
Orlando	3846	2902	2936	1.2%	-23.7%
Tampa	3137	2943	2835	-3.7%	-9.6%
Ft. Myers	650	695	662	-4.7%	1.8%
Middle District	9212	8014	7929	-1.1%	-13.9%

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

RESIDENTIAL REAL ESTATE STABILITY

Real estate plays an essential role in the economy. Residential real estate provides housing, and can be seen as the greatest source of wealth for many families. In addition, there are many sectors associated with real estate activity – such as construction, finance, and investment – that contributes a driving force of economic activity.

From Q1 2014, single-family home sales in South Florida have increased by 15.9%, slightly below the statewide 18.6% increase from 2014. Palm Beach had the largest increase in sales (29.6%) and the largest volume of sales (3,955) than Miami-Dade and Broward County. Miami-Dade had the lowest volume of sales (3,187) but obtained a 10.2% increase in sales. Palm Beach County continued its declining trend in median home prices, falling at 4.1%, while Miami-Dade and Broward had an increase in median home prices with an 8.7% and 7.6% change, respectively.

Figure 6: Residential Sales of Single Family Homes

County	Q1 2015	Q1 2014	%Change from 2014
Miami-Dade			
Realtor Sales	3,187	2,893	10.2%
Median Price	\$250,000	\$230,000	8.7%
Broward			
Realtor Sales	3,420	3,172	7.8%
Median Price	282,000	262,000	7.6%
Palm Beach			
Realtor Sales	3,955	3,051	29.6%
Median Price	\$275,000	\$286,825	-4.1%
Florida			
Realtor Sales	59,599	50,251	18.6%
Median Price	\$182,000	\$168,000	8.3%

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

In addition, South Florida experienced a slight increase in median home prices for condos from Q1 2014. Palm Beach County had the largest increase in median home prices over the course of a year with a 12.4% change. Sales continued to decline in Miami-Dade, with a 3.0% decrease from Q1 2014, yet the median home price increased by 4.8%. Both Broward and Palm Beach County saw a growth in sales of 3.7% and 0.4%, respectively from Q1 2014.

Figure 7: Residential Sales of Townhome and Condos

County	Q1 2015	Q1 2014	Change from 2014
Miami-Dade			
Realtor Sales	3,744	3,859	-3.0%
Median Price	\$196,500	\$187,500	4.8%
Broward			
Realtor Sales	3,884	3,747	3.7%
Median Price	\$127,000	\$120,000	5.8%
Palm Beach			
Realtor Sales	3,297	3,283	0.4%
Median Price	\$134,900	\$120,000	12.5%
Florida			
Realtor Sales	26,637	24,860	7.1%
Median Price	\$145,500	\$135,000	7.4%

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

According to a study conducted by Integra Realty Resources (IRR) for the *Miami Downtown Development Authority*, the close of Q1 2015 shows early indications that Miami is entering a stabilized and extended housing market cycle. The report highlights that absorption of the prior cycle, pricing, and core demand demonstrate that projects reaching the construction phase will be completed while projects in the early to middle stage of the sale process will be at risk as construction costs increase and demand decreases. An indicator illustrating this trend is the median number of days single-family and condo units stay on the market. The median number of days on the market helps inform when the market is favorable for buyers versus sellers and whether or not investors should finance new construction or delay until existing units are absorbed. Miami-Dade and Broward County have both seen rises in the median number of days single family and condo units stay on the market, most notably the steep increases in condos. Miami-Dade's median number of days on the market for condos rose from 57 in Q1 2014 to 63 in Q1 2015. While, Broward's median number of days on the market jumped from 46 days on the market to 51 in Q1 2015.

Figure 8: Median Number of Days on Market

County	Miami-Dade		Broward	
	Single Family	Condo	Single Family	Condo
Q3 2013	37	46	27	36
Q4 2013	40	47	31	38
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

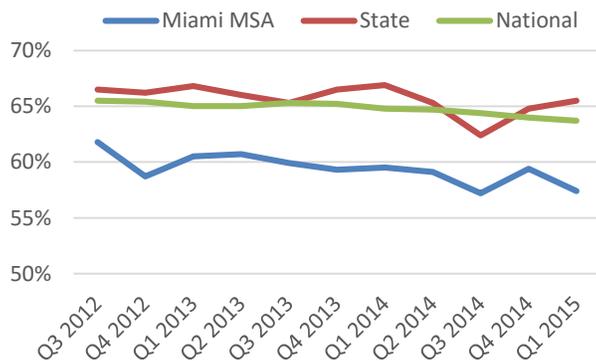
Source: Regional Realtors Associations. Table Created by FIU Metropolitan Center

COMMERCIAL REAL ESTATE STABILITY

The state of the residential real estate market can also be measured by additional indicators. The homeownership rate is used to identify the market share of households that contribute to the absorption of properties on the market. In addition, a higher homeownership rate correlates with higher median income and higher net wealth, thus depicting the financial state of households within a given MSA.

The national homeownership rate continued a downtrend at the close of the first quarter 2015 with 63.7% - the lowest quarterly rate since 1993. The trend is not only evident nationally but visible in South Florida where, as reported by the Census Housing Vacancies and Homeownership, the Miami-Ft. Lauderdale-West Palm Beach MSA homeownership rate has dwindled to 57.4% for Q1 2015, down 2% from the previous quarter and well below the state (65.5%) and national level. This decrease demonstrates that more residents are becoming renters than homeowners.

Figure 9: Miami MSA Homeownership Rate

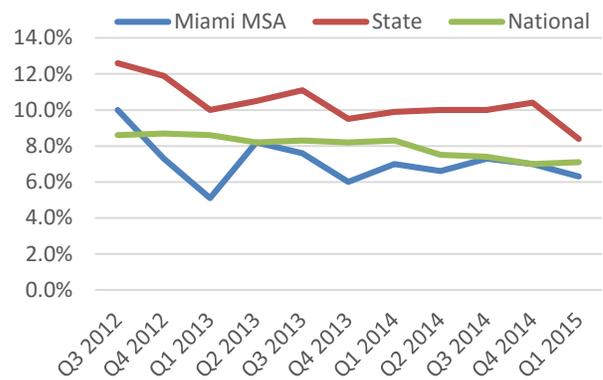


Source: Census Bureau Housing Vacancies and Homeownership (CPS/HVS). Graph created by FIU Metropolitan Center.

Furthermore, the homeownership vacancy rate in Q1 2015 was 1.0%, a decrease of 0.9% from the previous quarter. As demand for rental housing grows faster than available supply, it becomes harder to find units to rent. In the first quarter 2015, the rental vacancy rate (the percentage of conventional rental units that are vacant and for rent) in Miami-Ft. Lauderdale –West Palm Beach fell to 6.3%, down 0.7% from the previous quarter, and down 4.8% from Q1 2010. According to a report from New York University’s Furman Center and

Capital One Financial Corp, between 2006 and 2013, the number of renters in the City of Miami increased by 23.1%. The decrease in homeownership rates, decrease in rental vacancy rates increase in renters and depicts a struggle with the costs of housing that could ensue soon. The national median renting asking price continues to climb - becoming transparent at the close of Q1 2015. According to research provided by Zillow Real Estate, the median rental asking price nationally was \$1,529, compared to \$1,475 in December 2014. The state of Florida’s median rental asking price also increased to \$1,495, up \$95 from December 2014. Moreover, Miami’s MSA median rental asking price is above the national and state level at \$1,850.

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 between the previous quarter and Q1 2015 for Miami-Dade and Palm Beach County, falling to 18.5% and 11.8% respectively. Broward, on the other hand, had a growth of 3.7% in foreclosure filings from Q4 2014. Annual changes depict a drop in foreclosure filings in all three counties since Q1 2014, with Miami-Dade County posting the largest drop at 38.7%.

Figure 11: New Foreclosure Filings

County	Q1 2014	Q1 2015	Y2Y Change	Q4 2014	Change Q4-Q1
Broward	3,260	2,417	-25.9%	2,330	3.7%
Miami-Dade	2,667	1,636	-38.7%	2,008	-18.5%
Palm Beach	1,619	1,236	-23.7%	1,401	-11.8%
South Florida	7,517	5,289	-29.6%	5,739	-7.8%

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

Commercial real estate activity helps comprehend the current local economic conditions of an existing place by serving as an indicator of growth and stability in the larger economy. Commercial real estate includes spaces for jobs in retail, spaces for offices and manufacturing. Indicators in commercial real estate activity have the ability to illustrate and portray current and continuous trends within the market. These activities are crucial and supplemental due to the commercial real estate industry playing a heavy role in supporting growth, jobs, and sustainability.

For the first quarter of 2015, vacancy rates continued to slightly decrease. Broward County accounted for the lowest office vacancy rate at 12.8%, while Palm Beach had the lowest commercial vacancy rate at 5.7%. As the previous quarter,

Jacksonville accounted for the highest vacancy rate in office and industrial space, with 18.5% and 10.2% respectively. Absorption is defined as the difference between tenant move-ins and move-outs for a period of time, and used as an indicator to measure the real estate market’s health by commercial real estate analysts. For Q1 2015, Jacksonville had negative absorption rates for office and industrial space – indicating that more tenants were moving out as opposed to moving in.

Although Miami continued to have the highest number of office and industrial space there was a slight decrease for both respectively from the previous quarter. According to a recent survey conducted by the National Association of Realtors (NAR) for the MIAMI Association of realtors, China is one of the fastest growing segments of South Florida international buyers, representing 2% of all international closed sales in Miami-Dade and Broward County in 2014.

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	44,245,262	159,837,656	14.4%	6.4%	338,912	839,998	158,032	530,266	\$32.13
Palm Beach	25,020,287	42,335,237	17.9%	5.7%	188,042	117,477	77,285	715,237	\$28.12
Broward	28,713,663	94,119,856	12.4%	6.5%	292,024	436,512	79,719	567,492	\$26.94
Jacksonville	25,012,839	103,006,824	18.5%	10.2%	553,395	792,062	-58,648	-84,561	\$17.64
Orlando	36,972,349	107,914,070	16.5%	8.1%	681,846	703,001	76,569	249,298	\$20.67
Tampa	32,200,312	80,308,141	15.2%	7.8%	388,521	401,462	38,014	60,675	\$22.54
All Markets	4,839,862,962	13,678,124,590	14.4%	6.9%	59,896,460	107,758,029	11,160,414	50,244,800	\$27.19

Source: Cushman & Wakefield, Marketbeat IQ 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

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Our core areas are:

- Economic and Housing Marketing Analysis
- Training and Organizational Development
- Survey and Opinion Research

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