

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. The economic indicators can be used by local governments, businesses and community-based organizations as 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 experienced mostly positive economic trends during the second quarter of the year. Unemployment in the Miami-Ft. Lauderdale-Pompano Beach Metropolitan Statistical Area (MSA) decreased compared to the same quarter of 2013. Employment increased in all industry sectors. Taxable sales figures for the second quarter also show increased spending throughout Florida's largest metropolitan statistical areas. The Consumer Price Index (CPI) increased by 2.4% from the previous year. The South Florida region also experienced a significant decrease in the number of bankruptcy and foreclosure filings. Existing single family home and condominium sales also both generally experienced positive trends during the quarter. Leasing activity for office and industrial real estate made strong gains during the reporting period as well.

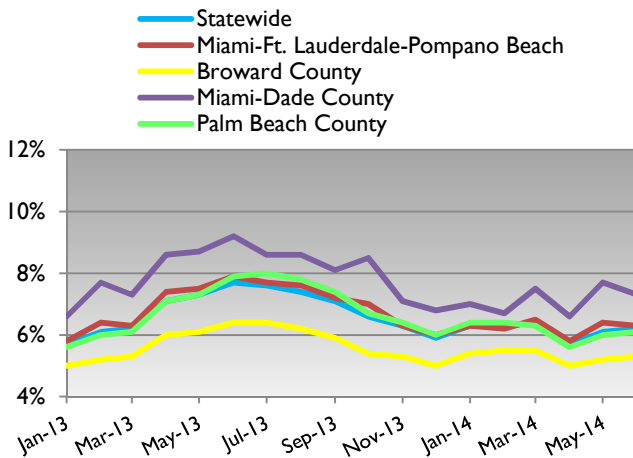
Key Findings, 2nd Quarter, 2014

- Unemployment in the Metropolitan Statistical Area (MSA) of Miami-Ft. Lauderdale-Pompano Beach was 6.2% for the quarter, down from 7.5% in Q 2 2013.
- There was employment growth throughout the region: the Construction industry experienced growth of almost 9%, followed by Retail (4%), and leisure and Hospitality (4%).
- Taxable sales in Miami-Dade grew by 6.7% compared to last year. A significant increase in taxable sales was also seen in Palm Beach (8.7%) and Broward (7.6%).
- South Florida saw decreases in bankruptcy filings for the period with Miami-Dade showing an 11.2% reduction in consumer bankruptcies and a robust 23.7% decrease in business bankruptcies.
- The Miami-Ft. Lauderdale-Miami Beach MSA recorded a continued drop in its homeownership rate. The second quarter of 2014 saw a homeownership rate of 59.1% down almost 2.0% from last year.
- Single-family home sales increased across South Florida especially in Palm Beach which registered a 12.6% increase though Broward did experience a slight decrease (-0.7%). However, the condo sales volume in the region decreased by 6.4%.
- Vacancy rates for industrial and office space decreased across South Florida from the previous year. Broward had the lowest office vacancy rate (14.1%), while Palm Beach had the lowest industrial space vacancy rate (6.3%).

EMPLOYMENT AND ECONOMIC GROWTH

The state of Florida's unemployment rate of 6.2% trended upward as of June compared to the beginning of the quarter (5.7% in April). The Miami-Ft. Lauderdale-Pompano Beach area's rate kept pace with the state's though (6.3% in June and 5.8% in April). Similar to previous months, Broward continued to report the lowest average unemployment rate for the quarter (5.2%) among the three counties. Miami-Dade again had the highest rate at 7.2 percent.

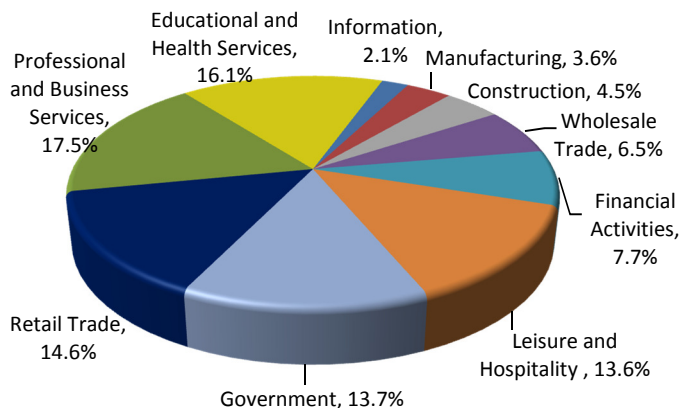
Figure 1: South Florida Unemployment Rates



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

For the Miami-Ft. Lauderdale-Pompano Beach MSA, Professional and Business Services (383,833); Education and Health Services (354,233); Retail Trade (320,833); and Government (299,867) were the top employment sectors. The Construction sector saw the highest increase in employment, up 4,200 jobs compared to the previous quarter. The Government sector experienced a significant downturn, with a loss of 7,800 jobs compared to the previous quarter.

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

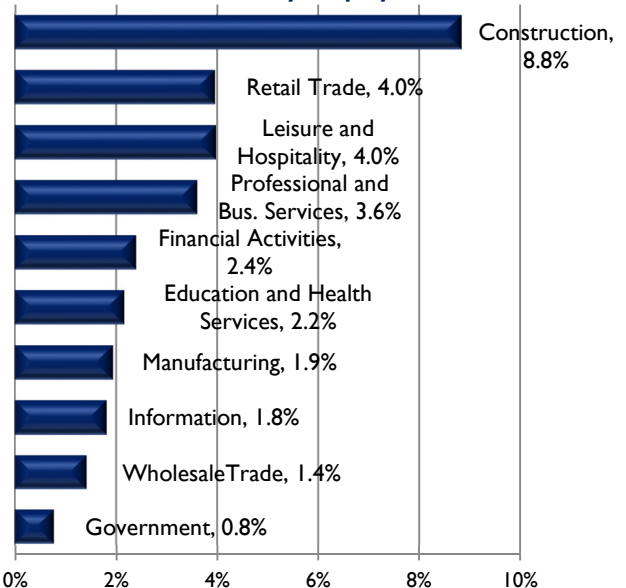


Source: Florida Department of Economic Opportunity. Graph created by FIU Metropolitan Center.

While the Bureau of Labor Statistics (BLS) indicated nationwide employment growth to be at 2.0 percent, the South Florida region experienced growth higher than the national average. Palm Beach experienced the biggest increase in overall employment (3.4%). Total employment in the Miami-Ft. Lauderdale-Pompano Beach area increased by 0.3% from the previous quarter and by 3.0% from 2013. The largest gains were in the Construction (4.1%), Financial Activities (1.7%), and Leisure and Hospitality sectors (1.0%). Government saw a marked decline in employment (-2.5%) while the Manufacturing sector also a slight decrease (-0.2%) from Q1 2014.

Industry growth was even more evident in comparison to the second quarter of 2013. The Construction sector reported over 8% growth, followed by the Retail and Leisure sectors (4%). The smallest job gains were in the Government sector, under 1%.

Figure 3: Miami-Ft. Lauderdale-Pompano Beach Q2 2013 – Q2 2014 Industry Employment Growth



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

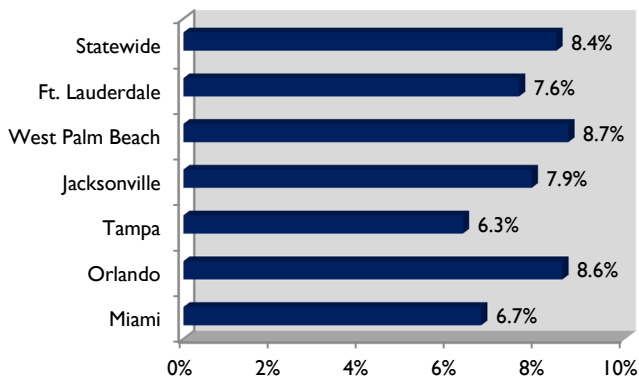
Nationwide, average weekly wages increased 11.5% over from last year. Within the South Florida region, only Palm Beach County had growth exceeding the national average, 13.4%. Broward and Miami-Dade County's average weekly wage was below these figures, showing moderate increases (5.8% and 7.2% respectively) over the previous year. The highest wage increases were reported in the Financial Activities sector (5.5%, wage \$1,333), followed by Construction (3.5%, wage \$867), and Wholesale Trade (2.7%, wage \$1,173).

PURCHASING POWER

The purchasing power of residents is influenced by multiple factors which include cost of living and wages. In addition to the wage growth reported in the previous other indicators of the purchasing power include the taxable sales collected from the sale of goods in an area, as well as bankruptcy filings. The Bureau of Labor Statistics (BLS)'s Consumer Price Index (CPI), measures the average change in prices over time for a fixed basket of goods and services. The CPI for all items in the consumer basket for the Miami-Ft. Lauderdale area increased by 2.4% over the second quarter of 2013. Food prices increased by 2.9%, while gasoline costs increased by 2.6 percent. The CPI for all items less food and energy increased as well by 2.1%.

Spending increased, based on taxable sales, in all major metropolitan areas in Florida from Q2 2013. The largest increase measured through the change in taxable sales was in West Palm Beach (8.7%), followed by Orlando (8.6%). Statewide taxable sales grew overall by 8.4%. Miami and Tampa reported the smallest increases in taxable sales, 6.7% and 6.3% respectively. The taxable sales growth in the Broward area was also below the state figure.

Figure 4: Change in Taxable Sales, Q2 2013 – Q2 2014



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

In the Miami area the increase in taxable sales from Q2 2013 was seen across all categories as tracked by the Florida Office of Economic and Demographic Research. The most significant increases were noted in Building Investment (12.5%), Autos and Accessories (9.8%) and Business Investment (7.9%). The smallest gains were in the categories of Consumer Durables (4.7%) and Consumer Nondurables (4.0%). Taxable sales in Tourism and Recreation increased by 7.7% over the previous year.

The increase in taxable sales across the state was influenced by the increase in overnight visitors. According to 2014 estimates from Visit Florida, the state's official tourism marketing corporation, almost 24 million visitors came to Florida in the second quarter of 2014 (April-June), up 1.8% from the same period in 2013.

Data from the United States Bankruptcy Courts shows that consumer bankruptcy filings decreased throughout the state. The Middle District of Florida (Tampa, Orlando, Jacksonville, Fort Myers) had an overall 12.3% decline in bankruptcy filings over the last year. The decrease in the Southern District (Miami, Broward, Palm Beach) was 7.2%. The Jacksonville area posted the most significant year to year decrease in filings with (20.4%). Of the three South Florida counties Miami-Dade had the largest decrease, 11.2%. The comparison of bankruptcies with the previous quarter is less positive. In South Florida, there was a slight increase, 0.7% from Q1 2014. Only Miami-Dade experienced a decrease in filings from the previous quarter (1.6%), while new filings increased in Broward (3.1%) and Palm Beach (4.3%).

Figure 5: Consumer Bankruptcy Filings

	Q2 2013	Q1 2014	Q2 2014	Change Q1-Q2	Change Q2 '13-14
Broward	2,010	1,933	1,993	3.1%	-0.8%
Miami-Dade	4,240	3,824	3,764	-1.6%	-11.2%
Palm Beach	1,120	1,039	1,084	4.3%	-3.2%
South Florida	7,370	6,796	6,841	0.7%	-7.2%
Jacksonville	2,133	1,579	1,698	7.5%	-20.4%
Orlando	4,355	3,846	3,917	1.8%	-10.1%
Tampa	3,727	3,137	3,403	8.5%	-8.7%
Fort Myers	927	650	753	15.8%	-18.8%
Middle District	11,142	9,212	9,771	6.1%	-12.3%

Source: U.S. Bankruptcy Court, Southern District and Middle District.

Regarding business bankruptcy filings, in South Florida there was a -28.6% decrease in filings compared to last year and an -8.2% decrease from Q1 2014. Palm Beach had the largest decrease in business bankruptcies from 2013 (-45.1%) followed by Miami-Dade and Broward (-23.7% and -16.1% respectively).

RESIDENTIAL REAL ESTATE STABILITY

The South Florida residential real estate market presents a mostly positive picture for Q2 2014. Compared to last year, single-family home sales in the area increased by 5.7%, slightly below the statewide 7.3% increase compared to last year. Palm Beach had the largest increase in sales (12.6%), and also the largest volume of sales, 4,754. Miami-Dade had the lowest number of sales, 3,650, but also experienced an increase (4.9%). Broward County had a slight decrease in home sales (0.7%) from last year.

Median sales prices increased in all three South Florida counties during the reporting period. Palm Beach, which has the highest median sales price in the area (\$284,000), had the smallest increase year-over-year. Miami-Dade, which had the region's lowest median price for single family homes (\$245,000) saw prices rise by 8.9%, while Broward prices also increased by 9.0 percent.

Figure 6: Single Family Sales by County

County	2Q 2013	2Q 2014	Change from 2013
Miami-Dade			
Realtor Sales	3,479	3,650	4.9%
Median Price	\$225,000	\$245,000	8.9%
Broward			
Realtor Sales	4,128	4,100	-0.7%
Median Price	256,317	279,325	9.0%
Palm Beach			
Realtor Sales	4,222	4,754	12.6%
Median Price	\$270,000	\$284,000	5.2%
Florida			
Realtor Sales	63,005	67,579	7.3%
Median Price	\$171,000	\$180,000	5.3%

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

All three South Florida counties experienced significant increases in median sales prices for condos from last year as well. Miami-Dade, which has the highest condo price in the region (\$190,000), saw a 5.6% boost from last year. Palm Beach saw the average price its condos increase by 18.4%, while Broward, which has the lowest average price for a condo in the region (\$125,000) still posted an increase of 19.0% from 2013. Statewide, condo prices rose as well by 10.1 percent. Despite these increases, the condo market is showing signs of slowing down. Existing condominium sales in the South Florida region were down 6.4% from last year. Broward had the largest number of condominium units sold, at 4,514, and the smallest drop in volume (3.5%). Statewide condo sales fell by 3.4 percent.

Figure 7: Townhome and Condo Sales by County

County	2Q 2013	2Q 2014	Change from 2013
Miami-Dade			
Realtor Sales	4,735	4,489	-5.2%
Median Price	\$180,000	\$190,000	5.6%
Broward			
Realtor Sales	4,679	4,514	-3.5%
Median Price	\$105,000	\$125,000	19.0%
Palm Beach			
Realtor Sales	4,343	3,877	-10.7%
Median Price	\$114,000	\$135,000	18.4%
Florida			
Realtor Sales	31,997	30,918	-3.4%
Median Price	\$128,950	\$142,000	10.1%

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

Other indicators used to monitor the residential real estate market are the median number of days on the market and the monthly supply of inventory for homes and condos. These indicators help 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. Compared to the same reporting period in 2013 Miami-Dade and Broward had slight increases in days on the market for properties. The month worth supply of inventory of single family homes and condos in both counties also recorded increases from last year. Miami-Dade's single family inventory rose to 5 and a half months and its condo inventory rose to almost 8 months of units. Broward County's inventory of single family homes rose to almost 5 months and its condo inventory rose to almost 6 months of units.

Figure 8: Median Number of Days on Market

County	Miami-Dade		Broward	
	Single Family	Condo	Single Family	Condo
Q1 2013	46	48	38	42
Q2 2013	40	45	31	37
Q3 2013	37	46	27	36
Q4 2013	40	47	31	38
Q1 2014	47	57	38	46
Q2 2014	43	56	35	46

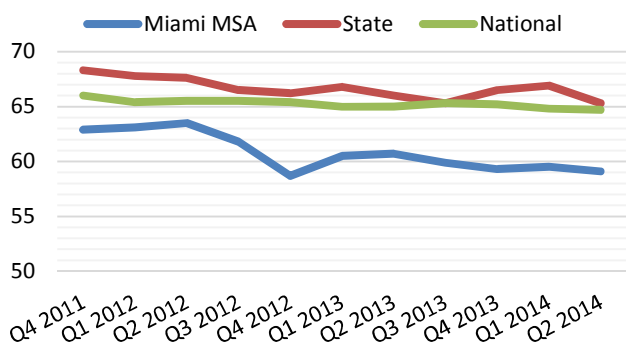
Source: Regional Realtors Associations. Table Created by FIU Metropolitan Center.

RESIDENTIAL REAL ESTATE ACTIVITY

The residential real estate market is an important component of the South Florida economy and there are several indicators that can measure its relative health. The homeownership rate can be used to identify the market share of households that contribute to the absorption of properties on the market. A higher homeownership rate also correlates with higher median income and higher net wealth, thereby depicting the financial health of households within a given MSA.

The Miami-Ft. Lauderdale-Miami Beach MSA recorded a continued drop in its homeownership rate compared to last year. The second quarter of 2014 registered a homeownership rate of 59.1% down from the 60.7% reported last year. The MSA's Q2 2014 rate is also much lower than the national and state homeownership rates (64.7% and 65.3% respectively). For perspective, the home ownership rate in 2012 reached a high of 63.5% but that was still well below national and state numbers.

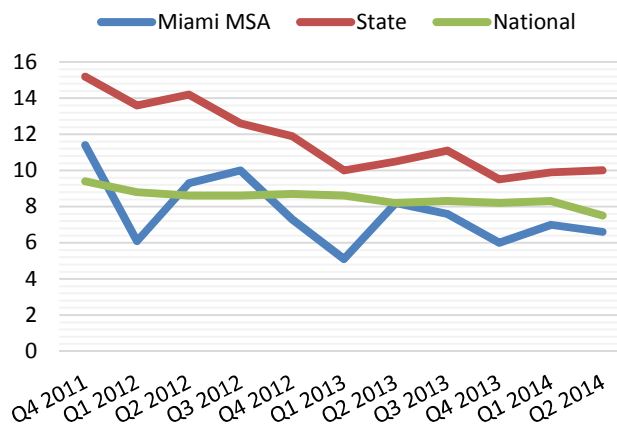
Figure 9: Miami MSA Homeownership Rate



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

As homeownership decreases, rental occupancy is likely to increase and this inverse relationship is evident in the decreasing rental vacancy rates. The MSA's rental vacancy rate dropped to 6.6% compared to last year's second quarter rate of 8.2%. The lowest vacancy rate in the last two years was reported in Q1 2013, 5.1%, and the highest in Q3 2012, 10%. Florida's statewide rental vacancy rate was at 10.0% for the second quarter of 2014 while the national average was at 7.5 percent. Zillow Real Estate Research reported that there has been a 7.4% increase in average rental price for the MSA, rising from \$1,676 to \$1,800 a month from last year during the same period.

Figure 10: Miami MSA Rental Vacancy Rate



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

South Florida foreclosure activity in the second quarter decreased by 40.3 % from a year ago. Miami-Dade County posted the largest decrease from last year (58.3%) while Palm Beach dropped by 47.9%. Following Broward County's recently revised foreclosure numbers, the County had an increase of foreclosure activity (9.0%) compared to last. Compared to Q1 2014 foreclosures in the South Florida region decreased by 11.3%.

Figure 11: New Foreclosure Filings by County

County	2Q 2013	2Q 2014	Y2Y Change	1Q 2014	Change Q1-Q2
Miami-Dade	5,663	2,364	-58.3%	2,667	-11.4%
Broward	2,520	2,746	9.0%	3,260	-15.8%
Palm Beach	3,030	1,580	-47.9%	1,619	-2.4%
South Florida	11,213	6,690	-40.3%	7,546	-11.3%

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

COMMERCIAL REAL ESTATE STABILITY

The commercial real estate market's performance is an indicator of growth and stability in the larger economy. Positive commercial real estate activity is usually associated with business and employment growth. Vacancy rates for office and industrial space, both in South Florida and for the rest of the state, decreased slightly from Q1 2014, as well as in a year-to-year comparison with Q2 2013. Broward led the state with the lowest office vacancy rate, 14.1%, while Jacksonville had the highest (19.4%). Industrial vacancy was highest in Jacksonville (10.1%) and lowest in Palm Beach (6.3%)

Commercial real estate analysts point to absorption as the truest indicator of the real estate market's health. Net absorption is defined as the difference between tenant move-ins and move-outs over a period of time. The negative absorption rates for both office and industrial space in the Jacksonville and Tampa markets shows there were more tenants were moving out of space than tenants moving in. Miami led the state in terms of Year-to-date (YTD) leasing, for a total of 1,069,985 while Broward led the state in YTD absorption, with a total of 575,933.

Industrial space availability numbers were also up slightly in all three South Florida counties when compared to Q1 2014. Vacancy rates also slightly decreased, except in Jacksonville and Tampa, from Q1 2014. Orlando had the highest YTD leasing activity for industrial space, with a total of 2,261,569, a significant increase from the 1,402,003 sq. ft. leased in the same quarter of 2013. YTD overall absorption of office and industrial space decreased in Miami-Dade and Palm Beach in comparison to the same quarter of 2013, but increased in Broward. The absorption of office space in Broward more than doubled, from 246,915 sq. ft. in 2013 to 575,933 in Q2 2014.

According to a market report prepared by the CBRE Group Inc. for the International Council of Shopping Centers, retail vacancy rates in the Miami area declined to an all-time low, decreasing to 3.9%. Asking rates climbed to \$40.35 per sq. ft. in Q2 2014, \$0.97 higher than Q1 2014 and \$5.31 higher year-over-year. The Miami area is experiencing at least 10 new developments with developers flocking to Miami's Downtown and Brickell areas. Brickell City Centre, the largest development currently under construction, will add 565,000 sq. ft. of retail space when completed later this year.

Figure 12: Commercial Real Estate Activity

Market	Inventory (sqft)		Vacancy Rate		YTD Leasing Activity		YTD Overall Absorption		Rental Rate
	Office	Industrial	Office	Industrial	Office	Industrial	Office	Industrial	Office
Miami	45,758,518	158,869,813	14.9%	6.8%	1,069,985	852,346	413,970	718,035	\$31.94
Palm Beach	24,844,507	41,786,558	18.6%	6.3%	576,794	760,124	114,662	316,079	\$27.32
Broward	28,673,663	93,773,557	14.1%	7.9%	777,959	1,568,752	575,933	735,303	\$26.66
Jacksonville	24,794,708	103,212,192	19.4%	10.1%	644,024	1,663,399	-238,317	-105,235	\$17.44
Orlando	37,227,661	105,967,994	17.3%	8.9%	1,068,299	2,261,569	146,180	778,160	\$20.13
Tampa	32,206,110	78,734,764	16.3%	6.7%	997,241	1,120,763	-293,056	-5,373	\$22.07
All Markets	4,795,142,408	3,451,855,320	15.1%	7.6%	125,388,234	220,650,974	29,793,108	95,735,083	\$26.78

Source: Cushman & Wakefield, Marketbeat 2Q 2014. Table created by FIU Metropolitan Center.



Metropolitan
Center

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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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