

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 continued economic recovery in the South Florida region was demonstrated through multiple positive trends. Decreasing unemployment and rising employment in all industry sectors compared to 2013 point to a healthier economy. Taxable sales in the region grew by 7.6%, bolstered by local economic development as well as an increase in visitor numbers. There was a significant decrease in bankruptcies in the region, but new foreclosure filings increased from the previous year. There are some signs that the real estate market is slowing down. The volume of single family home sales increased by 6.4% in the region but the median sales prices for single family homes dropped in Miami-Dade and Palm Beach. Sales of condo units decreased by 7.3% overall in South Florida. Miami-Dade had an eight month supply of inventory for condos and Broward reported six months of supply. The commercial real estate market shows a high demand for commercial space. Vacancy rates for office and industrial space decreased and absorption increased.

Key Findings, 3rd Quarter, 2014

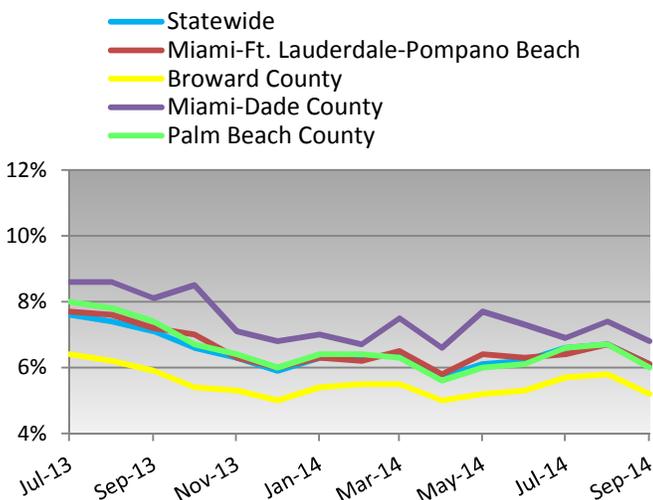
- Unemployment in the Miami-Fort Lauderdale-Pompano Beach Metropolitan Statistical Area (MSA) decreased to 6.4% average for Q 3 2014, down from 7.5% in Q3 2013.
- Increased employment was recorded in all industry sectors, led by Construction with a 7.8% growth, Retail (4.7%) and Professional and Business Services (3.5%).
- Miami-Ft. Lauderdale’s Consumer Price Index for all items increased by 2.4% with a food items rise of 3.6%, while gasoline fell 4.7% in comparison to the same period last year.
- Consumer bankruptcy filings were down by 13% percent in South Florida compared to Q3 2013, with the most significant decrease of 16.2% in Miami-Dade.
- South Florida’s counties had a combined drop of 26.2% on bankruptcy filings over last year.
- The volume of sales for townhome and condos decreased across the tri-county area, but median prices were up, with Broward reporting the highest increase of 15.5% and Miami-Dade the lowest at 3.5%.
- The area’s homeownership rate was 57.2%, its lowest point since Q1 2005’s peak of 71%. The rental vacancy rate of 7.3% was below the state’s rate of 10% and the national of 7.4%.
- The Year-to-Date overall absorption of office space in South Florida increased by 60.8%, mostly as a result of a significant boost of absorption in Broward. Industrial space absorption increased by 4.7%.

EMPLOYMENT AND ECONOMIC GROWTH

Employment is the primary means by which monetary resources are transferred to people, which permits them to use their income to live and consume. It is assumed in general, that an economy grows faster when businesses take on more labor. The employment statistics show the continued improvement of the labor market.

South Florida posted a continued drop in unemployment rate since the recent recession. The Miami-Ft. Lauderdale-Pompano Beach MSA's unemployment rate ticked down to 6.1% in September at the close of the quarter, the same percentage as the state of Florida. Miami's unemployment rate continued to be the highest in South Florida with an average of 7% for the quarter, while Broward County had the lowest at 5.6%. The unemployment rate decreased in all South Florida counties compared to the same quarter of 2013.

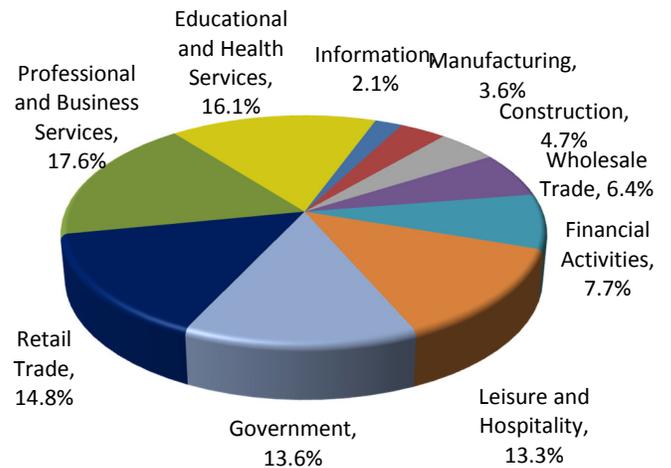
Figure 1: South Florida Unemployment Rates



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

The largest industry in the South Florida MSA remained Professional and Business Services with an average of 384,000 employed during Q3. The second and third largest industries were Education and Health Services and Retail Trade respectively, with 351,200 and 323,933 jobs each. A positive sign in South Florida's employment market has been Construction's fast growth this year. Construction had an increase in employment of 7.8% over last year and 3.6% on Q2. Construction also added 3,500 jobs in Q3 making it the largest sector of growth. The second largest sector for employment growth was Retail Trade, creating 3,100 jobs in Q3, and with an year-over-year increase of 4.7%.

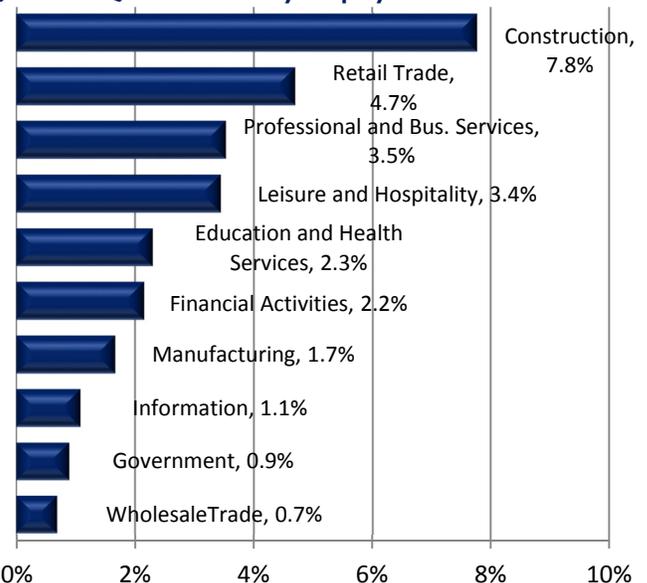
Figure 2: Miami-Ft. Lauderdale-Pompano Beach Employment



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

Tourism is a major part of the state's economy, as well as South Florida's in particular. VISIT FLORIDA reported a 3.8% increase in the number of visitors to Florida over Q3 2013, tallying a total of 23,732,000 between the months of July and September 2014. This forms a large part of employment for Florida with 1 in 9 jobs directly linked to tourism throughout the state according to VISIT FLORIDA's annual report. In the Miami-Ft. Lauderdale-Pompano Beach MSA, there were 289,400 jobs in the Leisure and Hospitality sector for Q3, up 3.4% from the same period last year.

Figure 3: Miami-Ft. Lauderdale-Pompano Beach Q3 2013 – Q3 2014 Industry Employment Growth



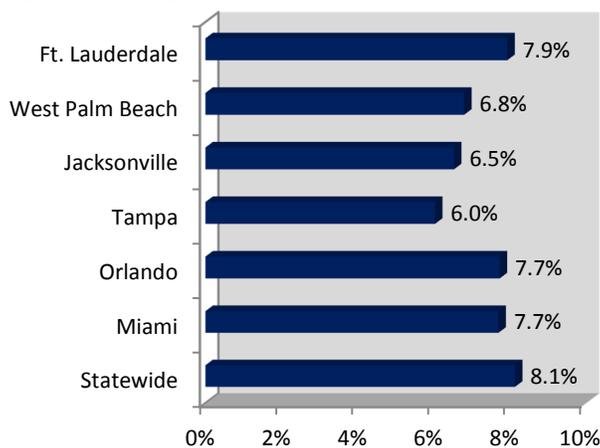
Source: United States Department of Labor, Bureau of Labor Statistics. Graph created by FIU Metropolitan Center.

PURCHASING POWER

While industry level-characteristics are an important indicator of the strength of a local economy, it is also important how those translate into the purchasing power of area residents. Income and the costs of goods and services are the most important determinants of purchasing power. Spending can boost the local economy as consumers recycle their income back into the local economy. The three indicators discussed below – taxable sales, consumer price index and bankruptcy filings – all gauge economic activity from that perspective.

Ft. Lauderdale had the highest growth rate from year to year in taxable sales at 7.9%, followed by Orlando and Miami, 7.7%. The most notable increase in taxable sales for Miami was in the Autos and Accessories category with a 5.4% growth over Q2 and a considerable 13.5% growth over Q3 2013. Miami also experienced a rise in taxable sales for Building Investment at 12.3% over last year, as well as Business Investment (9.6%). Tourism and Recreation are a large part of South Florida's economy and the category saw growth in taxable sales in all three counties. Miami had the largest growth of the three counties in Tourism's taxable sales with a 9% increase over last year. The state as a whole averaged a growth of 8.5% in taxable sales in Tourism for Q3. This increase as well as increased in some other categories, including retail, is linked to the continued increase in the number of visitors to the state. According to VISIT Florida, the state had almost 4% more visitors compared to the same quarter of 2013.

Figure 4: Change in Taxable Sales, Q3 2013 – Q3 2014



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

The Consumer Price Index (CPI) is the benchmark inflation guide for the U.S. economy. It uses a "basket of goods" approach that aims to compare a consistent base of products from year to year, focusing on products that are bought and used by consumers on a daily basis. The most watched metric is the CPI for all Urban Consumers (CPI-U), which is presented with a seasonal adjustment, as consumer patterns vary widely depending on the time of year. According to the Bureau of Labor Statistics, Miami-Ft. Lauderdale's CPI for all items experienced a 2.4% increase from August 2013 to August 2014. Food items saw a notable rise in price by 3.6%, while gasoline followed the national trend and fell 4.7% in comparison to the same period last year.

Consumer and business bankruptcies are also good predictors of the health of the local economy. Both Florida's Middle District and Southern District, of which South Florida is a part, saw a continued drop in bankruptcy filings. South Florida experienced a greater drop in consumer bankruptcy filings than counties in the Middle District in Q3 2014. Bankruptcies in South Florida fell by 8.2% from the previous quarter and 13% from the third quarter of 2013. Ft. Myers led both regions with a significant 21% decrease in consumer bankruptcy filings from Q3 2013, falling from 890 to 703 filings. However, Miami-Dade County had the largest drop in volume from the previous year with 659 fewer filings for the quarter. South Florida saw a marked improvement in business bankruptcy as well. Filings were down 26.2% from Q3 2013, and 12.1% from Q2 this year.

Figure 5: Consumer Bankruptcy Filings

	Q3 2013	Q2 2014	Q3 2014	Change Q2 -Q3	Change Q3 '13 - 14
Broward	1,995	1,993	1,890	-5.2%	-5.3%
Miami-Dade	4,066	3,764	3,407	-9.5%	-16.2%
Palm Beach	1,159	1,084	981	-9.5%	-15.4%
South Florida	7,220	6,841	6,278	-8.2%	-13.0%
Jacksonville	1,915	1,698	1,639	-3.5%	-14.4%
Orlando	4,133	3,917	3,613	-7.8%	-12.6%
Tampa	3,555	3,403	3,289	-3.3%	-7.5%
Ft. Myers	890	753	703	-6.6%	-21.0%
Middle District	10,493	9,771	9,244	-5.4%	-11.9%

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

RESIDENTIAL REAL ESTATE STABILITY

Real estate activity is of vital importance for South Florida's economy as it has significant multiplier effects across other sectors, including construction, finance, and investment. Florida's housing industry has been one of the hardest hit in developments as well as many other sectors of the Florida economy, not the least of which are the banking and construction industries.

Florida experienced a solid gain in single family home sales over Q3 2014 with a 7.6% rise in sales. In South Florida the sales volume increased by 6.4%. Palm Beach had the highest increase in volume of sales (18%) of the three counties. Sales in Miami-Dade increased only by 0.2% compared to the same quarter of 2013. While overall for Florida the median sales price for single family homes increased by 4%, in South Florida only Broward showed increase, by 3.1%. The median price in Palm Beach decreased by 0.6% while in Miami it dropped by almost 10%. Interestingly, the median price for single family homes in Broward was higher than in Miami.

Figure 6: Residential Sales of Single Family Homes

County	3Q 2013	3Q 2014	Change from 2013
Miami-Dade			
Realtor Sales	3,544	3,552	0.2%
Median Price	\$230,000	\$250,000	-9.7%
Broward			
Realtor Sales	4,068	4,117	1.2%
Median Price	\$273,000	\$281,500	3.1%
Palm Beach			
Realtor Sales	3,704	4,370	18.0%
Median Price	\$275,000	\$273,263	-0.6%
Florida			
Realtor Sales	60,082	64,633	7.6%
Median Price	175,000	\$182,000	4.0%

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

South Florida and the state as a whole saw a significant decrease in townhome and condo sales from Q3 2013 to 2014. Sales dropped 4.6% statewide and by 7.3% in South Florida. The volume of sales decreased by 9% in Miami and 9.9% in Palm Beach. Despite the drop in sales, median sale prices increased in comparison to Q3 2013. Miami continued to have the highest median sales price for condo units and showed a 3.5% increase from the previous year. The price increase was most significant in Broward (15.5%).

Figure 7: Residential Sales of Townhome and Condos

County	3Q 2013	3Q 2014	Change from 2013
Miami-Dade			
Realtor Sales	4,483	4,080	-9.0%
Median Price	\$183,550	\$189,900	3.5%
Broward			
Realtor Sales	4,304	4,155	-3.5%
Median Price	\$110,000	\$127,000	15.5%
Palm Beach			
Realtor Sales	3,486	3,141	-9.9%
Median Price	\$116,000	\$129,361	11.5%
Florida			
Realtor Sales	27,779	26,506	-4.6%
Median Price	\$130,000	\$139,000	6.9%

Source: Regional Realtors Associations. Table 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 buyer versus sellers and whether it is wise for an investor to finance new construction or wait for current inventory to be absorbed.

In 2014 single family homes in Miami-Dade and Broward remained a consistent number of days on the market while condos had a notable increase during the previous three quarters. Median number of days on the market for was 57 days condos in Miami-Dade and 50 days in Broward. The months supply of inventory for condos in both counties also recorded a corresponding rise. Miami-Dade's condo inventory rose to 8.1 months worth of units for Q3, almost two months higher than the same period last year. Broward County's condo inventory rose to 6 months' worth of units, almost a month and a half above Q3 2013.

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
Q3 2014	45	57	36	50

Source: Regional Realtors Associations. Table by FIU Metropolitan Center

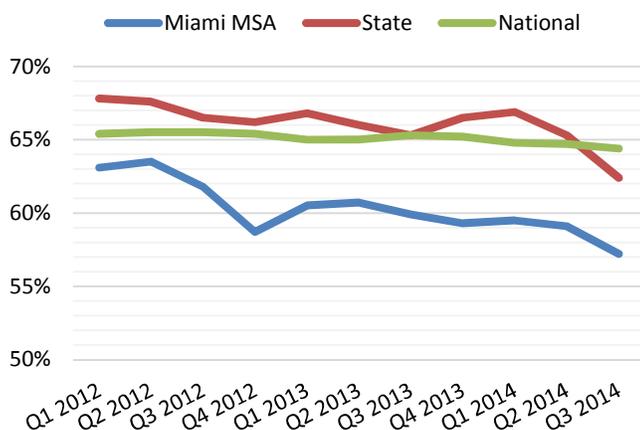
RESIDENTIAL REAL ESTATE ACTIVITY

The residential real estate market is large component of the South Florida economy and there are many indicators that can measure the quality and health of various aspects of the market. Foreign investors are attracted to Florida’s housing market and this is shown in the high volume of cash sales.

The Florida residential real estate market was heavily dominated by cash sales and Florida metros took the top five spots nationwide for cash sales according to a recent RealtyTrac report, *U.S. Institutional Investor & Cash Sales, Q3 2014*. The Miami-Ft. Lauderdale-Pompano MSA had the highest in the country with 59.1% of residential sales being cash sales. Miami itself also saw a rise in institutional investor activity. Institutional investors are entities that purchase over 10 properties per year. Institutional investor sales rose from 6.3% to 8.6% between Q3 2013 and Q3 2014. Institutional investments and cash sales are skewed towards distressed assets and may help clear foreclosed and bank-owned properties from the market. On the other hand, however, these investments may make it more challenging for middle income families to compete for properties.

The homeownership rate can be used to identify the market share households contribute to the absorption of properties. A higher homeownership rate also correlates with higher median income and higher net wealth, thereby illustrating the financial health of households within an MSA. The Miami-Ft. Lauderdale-Miami Beach MSA recorded a continued drop in its homeownership rate. The third quarter rate was 57.2%, its lowest point since Q1 2005’s peak of 71%. The MSA’s Q3 rate is also much lower than the national and state homeownership rates which are 64.4% and 62.4% respectively.

Figure 9: Miami MSA Homeownership Rate

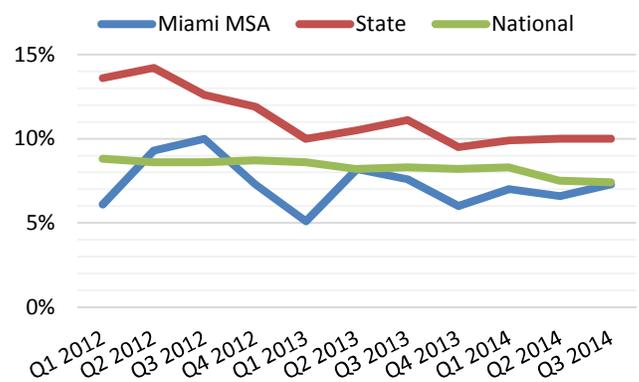


Source: Census Bureau Housing Vacancies and Homeownership (CPS/HVS). Graph created by FIU Metropolitan Center.

As homeownership decreases, it can be expected that the rental vacancy rates will decrease. The Miami MSA’s rental vacancy rate has remained stable with a Q3 rate of 7.3%, below the state’s rate of 10% and the national of 7.4%. Miami’s rental vacancy rate for the quarter was lower than the 7.6% in the third quarter of 2013, but higher than the 6.6% rate reported for Q2 2014.

Zillow Real Estate Research however reports that there has been a 13% increase in median rental prices for the MSA, rising from \$1600 to \$1800 a month, between the beginning of 2013 and the current quarter of 2014.

Figure 10: Miami Rental Vacancy Rate



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

Foreclosure filings had mixed numbers in Q3 2014. New filings were down from the previous quarter but still higher than the same period last year. New filings decreased by 4.5% from the previous quarter for the South Florida region but increased by 7.3% from Q3 2013. The year-over-year increase was most significant in Broward County at 10.6%.

Figure 8: New Foreclosure Filings

County	3Q 2013	3Q 2014	Y2Y Change	2Q 2014	Change Q2-Q3
Broward	2,357	2,606	10.6%	2,746	-5.1%
Miami-Dade	2,086	2,285	9.5%	2,364	-3.3%
Palm Beach	1,512	1,497	-1%	1,580	-5.3%
South Florida	5,955	6,388	7.3%	6,690	-4.5%

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 contributes to the understanding of local economic conditions by serving as an indicator of business activity. The commercial real estate industry plays a significant role in supporting growth, jobs and sustainability. Conversely, gradual economic improvement and job creation also drive absorption of space.

Office and industrial vacancy rates have continued their decline across Florida during Q3. Broward County had the lowest office vacancy rate at 13.2% and Palm Beach County had the lowest industrial vacancy rate at 6.3%. Jacksonville had the highest commercial vacancy rates in Florida with 19% for office and 9.7% for industrial space. Broward County had the greatest drop in office vacancy rate compared to last year's Q3, falling by 3.1%. Meanwhile Palm Beach County had the largest change in industrial vacancy rate dropping by 1.1%. All major U.S. markets saw a drop in their vacancy rates, falling to a

Leasing activity increased throughout the state during Q3 with Orlando remaining as the market with the largest square footage signed to a lease obligation, year to date (YTD). Net

absorption measures the difference between tenant move-ins and move-outs over a period of time. The negative absorption rate for office space in Jacksonville and Tampa means that more companies were downsizing or subleasing space than companies expanding and adding space. The overall absorption increased for all other major markets in Florida in comparison to the same quarter of 2013. The quarterly comparison shows rising leasing rates for office space in all major markets in Florida with the most significant increases in Tampa (\$0.57 per sq.ft.), Miami (\$0.36) and Jacksonville (\$0.28).

Miami has continued its impressive low retail vacancy trend dropping down to 3.8% by the end of Q3, according to a report by commercial real estate firm CBRE (Coldwell, Banker, Richard Ellis Group, Inc.). One large retail event during the quarter was the opening of IKEA in the western edges of Miami-Dade County in August. The retailer opened its 417,000 square foot facility, adding a large increase in regional retail occupancy.

Figure 12: Commercial Real Estate Activity

Market	Inventory (sqft)		Vacancy Rate		YTD Leasing Activity		YTD Overall Absorption		Overall WTD
	Office	Industrial	Office	Industrial	Office	Industrial	Office	Industrial	Office
Miami	45,720,518	159,121,816	14.7%	6.6%	1,725,435	1,889,582	499,787	1,232,201	\$32.15
Palm Beach	24,844,507	41,786,558	18.1%	6.3%	950,108	1,168,190	249,095	332,784	\$27.49
Broward	28,673,663	93,773,557	13.2%	7.7%	1,230,704	2,463,706	821,505	895,691	\$26.67
Jacksonville	24,798,013	103,384,499	19.0%	9.7%	989,775	2,507,807	-83,401	372,429	\$17.76
Orlando	37,361,037	106,169,762	17.2%	8.8%	1,997,899	3,609,275	213,521	1,226,171	\$20.38
Tampa	32,197,905	80,192,853	15.7%	6.7%	1,929,585	2,487,093	-78,902	1,443,859	\$22.45
All Markets	4,807,237,583	13,486,513,068	14.8%	7.2%	197,314,072	348,132,768	46,026,210	165,203,491	\$26.96

Source: Cushman & Wakefield, Marketbeat 3Q 2014. Table made 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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