

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 continued its economic recovery in Q4 of 2014, closing the year with strong numbers in multiple categories. The unemployment rate for the South Florida MSA, Metropolitan Statistical Area, of Miami-Ft. Lauderdale-Pompano Beach dropped down to 5% in the month of December. This brings the unemployment rate for the region to the lowest level since the recent recession. This growth has been heavily driven by the improvement in the construction industry and its multiplier effect in other industries. Construction employment has grown by 8.7% over Q4 of 2013. Other positive numbers in the State and regional economies centered on consumer spending and tourism. Florida recorded a record year for tourism with over 97 million out of state and foreign visitors. This amounted to an 8.8% rise in tourism’s taxable sales for Q4 over the previous year. The state as a whole saw solid growth in consumer spending with a statewide rise of 8.8% in taxable sales. In a final sign of economic recovery and stability in Q4 2014, both consumer bankruptcies and foreclosures continued to drop across South Florida. Miami-Dade County alone saw a reduction of foreclosures in Q4 2014 by over 1,000.

Key Findings, 4th Quarter, 2014

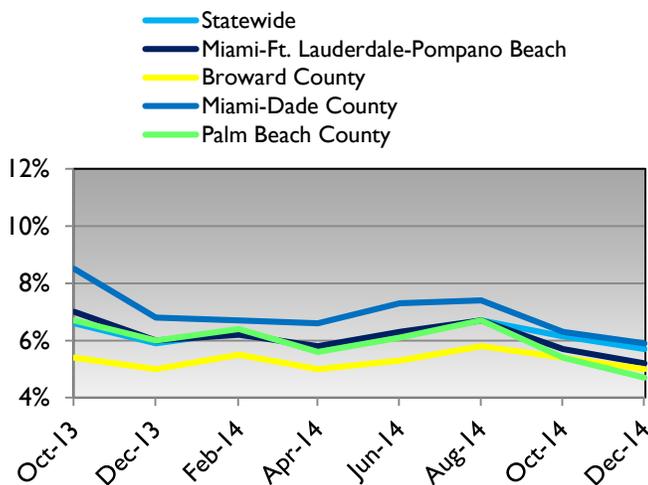
- Unemployment in the Metropolitan Statistical Area (MSA) of Miami-Fort Lauderdale-Pompano Beach dropped from 6.1% in September of Q3 to 5.6% in December at the close of Q4.
- Professional and Business services remains the largest sector of employment in the South Florida MSA at 17.7%, with over 399,000 workers were employed in the sector at the close of Q4.
- Consumer bankruptcy filings were down by 13% percent in South Florida compared to Q4 2013, while the Middle District (Jacksonville, Orlando, Tampa, and Ft. Myers) dropped 11.9% over the same time period.
- Business bankruptcies have dropped dramatically in South Florida over the past year, Broward County dropped 18.2%, Miami-Dade County dropped 26.5%, and Palm Beach County dropped 45.3%.
- Q4 saw a dramatic fall in gasoline prices worldwide, in South Florida the Consumer Price Index (CPI) for gasoline of all types saw a fall of 20.5% for all urban consumers.
- South Florida saw strong single family home sales in Q4 with Palm Beach County besting the tri-county are at a 16.8% rise over last year, Miami-Dade sales rose by 7.7%, and Broward County sales rose by 5.6%.
- Townhome and Condo sales had poor to negative growth over the previous year, Broward county had a 3.3% rise while Miami-Dade County sales fell by 3.3% and Palm Beach County sales fell by 0.7%.

EMPLOYMENT AND ECONOMIC GROWTH

The economy's primary sector of measurement is employment. Employment growth heightens spending and consumption, driving further economic growth. As the county unemployment rates continue to drop and reach full employment, generally considered 4%, wages should soon begin to rise as the employment pool shrinks. Employment in South Florida took a hard hit during the Great Recession but has shown remarkable resilience in the previous two years.

Broward County and Palm Beach County both saw their unemployment rates continue to drop to 5% and 4.7%, respectively in December 2014. Miami-Dade County's rate of 5.9% closed the quarter lower than when it began. The Miami-Ft. Lauderdale-Pompano Beach MSA's unemployment rate dropped to 5% in December at the close of the quarter, just 0.7% below the state of Florida as a whole.

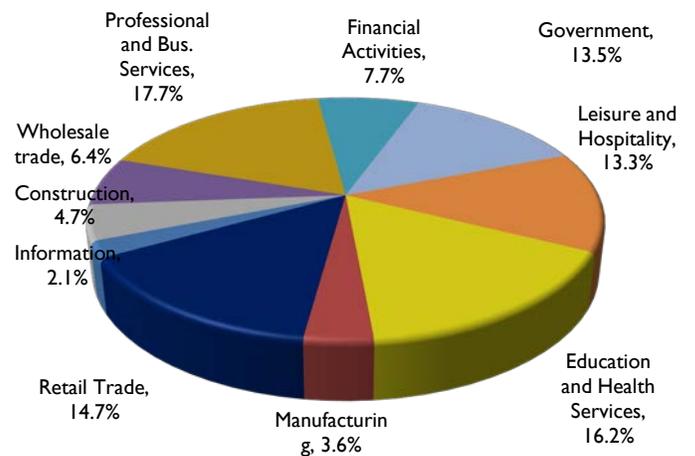
Figure 1: South Florida Unemployment Rates



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

The largest industry in the South Florida MSA has remained Professional and Business Services with an average of 399,833 employed during Q4. Professional and Business Services made up 17.7% of the region's workers and grew by 4.1% on the previous quarter. The Government and Retail Trade sectors, however, had the highest levels of growth on the previous quarter. Government employment increased by 3.1% to an average of 305,100 in Q4 and Retail Trade rose by 2.6% to an average of 332,500 employees in Q4. As a major tourist destination in the state of Florida, Leisure and Hospitality has maintained a sizable portion of the employment force at 13.3%. The sector averaged 301,033 employees in the MSA and grew by 4% over Q4 2013.

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



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

Personal and Businesses Services saw the largest annualized growth in employment at the close of Q4, growing by 4.1% over Q4 of 2013. This high number is largely due to the small size of the sector with only 105,800 workers compared to 97,300 in Q4 2013. More importantly, all sectors of the economy posted positive annualized growth, including Government following years of austerity. Notably, Professional and Business services and Retail Trade, as major employment sectors of the local economy, posted strong growth at 4.5% and 3.8%, respectively.

Figure 3: Miami-Ft. Lauderdale-Pompano Beach Q4 2013 – Q4 2014 Industry Employment Growth



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

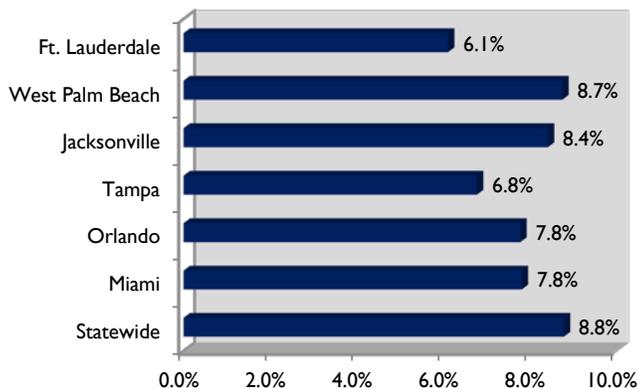
PURCHASING POWER

When examining the strength of a regional economy, purchasing power may be the most informative of economic stability. Three major illustrations are taxable sales, Consumer Price Index (CPI), and bankruptcies. Taxable sales act as a way to measure consumer spending, while CPI shows the rise or fall of consumer goods prices, and bankruptcies express the stability of both consumers and businesses in the regional marketplace.

The state of Florida saw considerable strength in Taxable Sales in Q4 2014. Most notably, December (which is normally the highest month due to holiday shopping and winter tourism) logged a record \$36.7 billion with the majority coming from Consumer Nondurables, Tourism and Recreation, and Business Investment. The Orlando-Kissimmee MSA formed the largest part of the state’s total with \$5.4 billion in Taxable Sales. As an average change between Q4 2013 and Q4 2014 however, West Palm Beach saw the largest percent change at 8.7%. Miami maintained a strong growth with a 7.8% Q4 year to year change while Ft. Lauderdale had the smallest growth of Florida’s major markets with a 6.1% growth.

Tourism is a major part of the Florida economy and Visit Florida, a private/public partnership, reported that over 22 million tourists visited the state in Q4 and a record 97 million in the whole of 2014. Tourism Taxable Sales rose by 8.8% over Q4 2013 statewide. Miami is especially tied to tourism as a source of tax revenues. Tourism and Recreation was the second highest category of Taxable Sales and the city saw a considerable \$2.87 million in Q4 2014. This figure was 18.6% higher than the previous quarter and 10.8% higher than Q4 2013.

Figure 4: Change in Taxable Sales, Q4 2013 – Q4 2014



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

As the benchmark inflation guide for the U.S. economy, the Consumer Price Index (CPI) utilizes a "basket of goods" that is used to compare a consistent base of products from year to year. The primary version of the CPI relied on by economists is the CPI for all Urban Consumers (CPI-U) which focuses on products that are bought and used by consumers on a daily basis. The CPI-U is presented with a seasonal adjustment, as consumer patterns vary widely depending on the time of year, and released every other month. According to the Bureau of Labor Statistics, Miami-Ft. Lauderdale’s CPI-U for all items experienced a moderate 1.4% increase over December 2013. Food items saw a continued rise in price by 4.3% following a trend throughout 2014. Gasoline of all types also saw a considerable trend, starting in July, with December seeing the most dramatic movement. The price of Gasoline of all types has fallen a remarkable 22.2% since December 2013.

The final indicator to measure purchasing power is bankruptcy. Florida is separated into three bankruptcy districts. South Florida resides in the Southern District while most other major Florida cities reside within the Middle District. Both Florida’s Middle District and Southern District saw a continued drop in consumer bankruptcy filings. All major markets saw a significant drop excluding Broward and Ft. Myers which only fell 0.8% and 1.1% respectively. Palm Beach County saw the greatest change over the previous year with a 21.6% drop over Q4 2013 while Orlando and Miami-Dade consumer bankruptcies fell by 17.3% and 16.3% respectively. Miami and Orlando also saw the largest drop by volume over the same quarter of the previous year. Miami-Dade County recorded 575 fewer bankruptcy filings while Orlando had 607 fewer filings on Q4 2013.

Figure 5: Consumer Bankruptcy Filings

	Q4 2013	Q3 2014	Q4 2014	Change Q3 –Q4	Change Q4 '13 - 14
Broward	1,731	1,890	1,718	-9.1%	-0.8%
Miami-Dade	3,537	3,407	2,962	-13.1%	-16.3%
Palm Beach	1,167	981	915	-6.7%	-21.6%
South Florida	6,435	6,278	5,595	-10.9%	-13.1%
Jacksonville	1,637	1,639	1,474	-10.1%	-10.0%
Orlando	3,509	3,613	2,902	-19.7%	-17.3%
Tampa	3,254	3,289	2,943	-10.5%	-9.6%
Ft. Myers	703	703	695	-1.1%	-1.1%
Middle District	9,103	9,244	8,014	-13.3%	-12.0%

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

RESIDENTIAL REAL ESTATE STABILITY

Real estate activity is a significant measure of the South Florida economy. Real estate has a multiplier effect across several sectors of the economy such as construction, finance, and investment. Due to this, it's important to see South Florida's housing industry as an important measure of the financial health of both households and businesses.

Florida and South Florida all saw positive numbers for single family home sales. Florida as a whole saw significant gains in home sales in 4Q 2014 with a 14.9% rise in sales over the same period last year. Just as importantly as the rise in sales, prices continued to rise as well, signaling a health balance between supply and demand of single family homes. Palm Beach County recorded both the largest number of sales and the largest percentage increase over Q4 last year. Palm Beach County had 4,032 single family home sales in Q4 2014 making a 16.8% increase. Palm Beach County was also the only South Florida County to see a decline in median home prices, falling a slight 0.1%. Both Miami-Dade and Broward Counties also had positive sales numbers with a 7.7% and 5.6% growth over Q4 2013.

Figure 6: Residential Sales of Single Family Homes

County	4Q 2013	4Q 2014	Change from 2013
Miami-Dade			
Realtor Sales	3,182	3,426	7.7%
Median Price	\$235,000	\$246,140	4.7%
Broward			
Realtor Sales	3,585	3,786	5.6%
Median Price	270,000	275,000	1.9%
Palm Beach			
Realtor Sales	3,452	4,032	16.8%
Median Price	\$273,000	\$272,770	-0.1%
Florida			
Realtor Sales	54,009	62,080	14.9%
Median Price	\$170,000	\$180,000	5.9%

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

While single family home sales saw positive numbers in South Florida, townhomes and condos recorded poor sales figures. Only Broward County recorded positive growth in sales over the previous year with a 3.3% increase. Both Miami-Dade and Palm Beach Counties saw a decrease in Q4 over the previous year with a 3.3% and 0.7% fall in sales. Despite the lack of change in sales, all three counties saw large gains in median condo prices. Palm Beach County recorded double digit growth in median price over Q4 2013 at 12.5%, while Miami-Dade County and Broward County had 8.6% and 5.9% respectively. The climb in median price despite the lack of growth in condo sales is likely due to the shrinking number of Real Estate Owned (REO) properties—those owned by a

bank—properties and the growing inventory of new construction east of I-95 that demands higher prices.

Figure 7: Residential Sales of Townhome and Condos

County	4Q 2013	4Q 2014	Change from 2013
Miami-Dade			
Realtor Sales	4,116	3,981	-3.3%
Median Price	\$175,000	\$190,000	8.6%
Broward			
Realtor Sales	3,919	4,049	3.3%
Median Price	\$118,000	\$125,000	5.9%
Palm Beach			
Realtor Sales	3,164	3,142	-0.7%
Median Price	\$120,000	\$135,000	12.5%
Florida			
Realtor Sales	24,877	26,070	4.8%
Median Price	\$132,500	\$143,000	7.9%

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

The rapid growth of new construction east of I-95 in South Florida is quickly expanding the condo inventories of Miami-Dade and Broward Counties. Broward County has seen the months of inventory for condos grow from 5.1 months in Q4 2013 to 6.1 months in Q4 2014. Miami-Dade, where most new construction has centered in the greater downtown Miami real estate market, has risen from 7 months to 8.4 months worth of condo inventory. The rise in both counties' condo inventories can be seen as well in the median number of days on the market. Broward County's median number of days on the market for condos has jumped from 38 days in Q4 2013 to 52 days in Q4 2014. Likewise, Miami-Dade's median days on the market for condos has risen from 47 in Q4 2013 to 58 in Q4 2014.

Figure 8: Median Number of Days on Market

County	Miami-Dade		Broward	
	Single Family	Condo	Single Family	Condo
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
Q4 2014	45	58	43	52

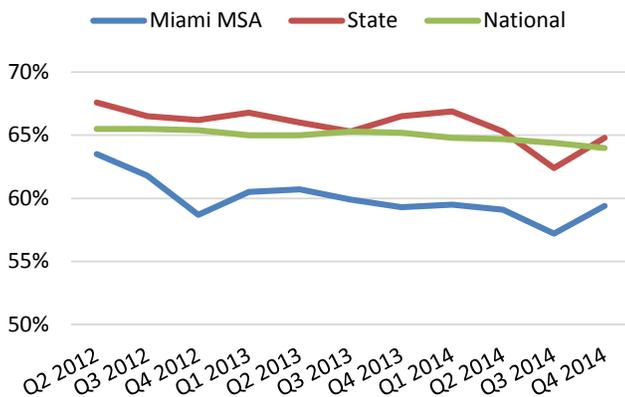
Source: Regional Realtors Associations. Table Created by FIU Metropolitan Center

RESIDENTIAL REAL ESTATE ACTIVITY

Beyond the prior statistics on sales and inventory, there are other indicators that better paint a picture of the market for the local resident. Illustrative of the real estate market a resident finds themselves in, the homeownership rates shows the ability of households to buy a property in the MSA; the rental vacancy rate shows the competitiveness of the rental market; and the number of new foreclosures by county demonstrates the financial health of the residents.

The Miami-Ft. Lauderdale-Palm Beach MSA recorded the first increase in its homeownership rate in almost two years. Q4's rate was 59.4%, a positive jump equally represented in the single family home sales for the county as previously discussed. However, the Miami MSA is still well below the national average of 64% and the state average of 64.8%.

Figure 9: Miami MSA Homeownership Rate

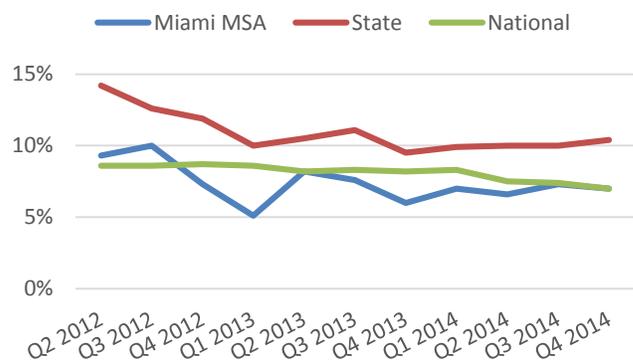


Source: Census Bureau Housing Vacancies and Homeownership (CPS/HVS). Graph created by FIU Metropolitan Center.

The Miami-Ft. Lauderdale-Pompano Beach MSA's rental vacancy rate has remained stable throughout 2014. Q4 2014 rounded out the year with a 7% rental vacancy rate, still a point higher than the Q4 2013 rental vacancy rate of 6%. As more new condo construction begins to start hitting the market in the coming year, and if the region's townhome and condo sales don't pick up, this will be an important indicator to keep an eye on. Downtown Miami's rental market alone is going under a large rental market expansion. A recent report published by the Miami Downtown Development Agency (DDA) and produced by Integra Realty Resources (IRR) cites the addition of 4,609 new rental units under construction or planned to begin construction. These units will dramatically increase inventory in local markets throughout the region and possibly drive down rental prices. Florida's statewide rental vacancy rate moved up slightly over the previous quarter to 10.4% while the national average moved down to 7.0%.

The market implications of a higher inventory, and there by higher supply without a heightened demand, is a lower rent value per property. Zillow Real Estate Research reported in December, at the close of Q4, 12 straight months of median asking price rents in the Miami-Ft. Lauderdale MSA at \$1800, well above the national and state median asking prices. The Zillow median rental asking price in December for Florida was \$1400 while nationally the median asking price was \$1450. Both Florida and national median asking prices have declined over the same period of time whereas Miami's MSA has stayed stubbornly high.

Figure 10: Miami Rental Vacancy Rate



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

South Florida posted positive foreclosure numbers, all three counties recorded drops in new foreclosure filings between Q3 and Q4 of 2014. Miami-Dade had the largest drop at -12.1%, Broward recorded a -10.6% drop, and Palm Beach filings fell by -6.4% with all three counties creating a cumulative -10.2% fall in new foreclosure filings for South Florida. Similar positive figures were posted on an annual change between Q4 of 2013 and Q4 of 2014. Miami-Dade County again posted the largest drop at -34.6% while Palm Beach also had a significant change at -25.9%. Broward County was the only county of the three to record a growth in new foreclosure filings at 7.3%.

Figure 6: New Foreclosure Filings

County	4Q 2013	4Q 2014	Y2Y Change	3Q 2014	Change Q3-Q4
Broward	2,172	2,330	7.3%	2,606	-10.6%
Miami-Dade	3,070	2,008	-34.6%	2,285	-12.1%
Palm Beach	1,891	1,401	-25.9%	1,497	-6.4%
South Florida	7,133	5,739	-19.5%	6,388	-10.2%

COMMERCIAL REAL ESTATE STABILITY

Commercial real estate activity provides insight into the vitality of the business community. The increase and decrease of commercial real estate inventory, leasing activity, and absorption takes in to account both the expansion and retraction of business as well as the growth or stagnation of commercial property. Meanwhile the vacancy rates and market observations allow to differentiate between the movements of the previous mentioned indicators. The commercial real estate industry plays a significant role in supporting growth, jobs and sustainability.

Vacancy rates continued to decline across all markets and sectors of commercial real estate. Broward County had the lowest office vacancy rate at 12.7% and Palm Beach County had the lowest industrial vacancy rate at 6.2%. Jacksonville has remained the city with the highest commercial vacancy rates in Florida with a slightly lower 18.6% in office and slightly higher 9.8% in industrial over the previous quarter.

Broward County had the greatest drop in office vacancy rate compared to Q4 2013 falling by 3.1%. Meanwhile both Orlando and Palm Beach County had the largest changes in industrial vacancy rate, each dropping by 1%. All major U.S. markets saw a combined drop in their vacancy rates of 1% in industrial and 0.8% in office.

Miami maintained the top spot in Florida markets for the largest industrial and office inventory by square foot (sqft). Miami's industrial space remained almost unchanged from Q4 2013 at 159.9 million sqft, while office space shrank considerably by almost 1 million sqft to 45.7 million sqft.

All markets in Florida saw positive absorption numbers for Q4. Broward County recorded the largest sqft absorption of office space at 969.7 thousand sqft, while Orlando had the largest of industrial real estate at 2.8 million sqft. Meanwhile, a significant market absorption for South Florida in 2014 was Amazon's leasing of 335,841 sqft of warehouse space west of the city of Doral.

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	45,697,720	159,984,237	14.7%	6.7%	2,236,921	2,736,666	540,248	1,914,869	\$32.08
Palm Beach	24,915,127	41,786,558	17.9%	6.2%	1,252,335	1,495,829	361,984	346,938	\$27.77
Broward	28,673,663	94,003,189	12.7%	7.3%	1,497,291	3,321,011	969,748	1,462,218	\$26.50
Jacksonville	24,756,320	103,391,811	18.6%	9.8%	1,391,513	3,256,866	11,518	386,807	\$17.66
Orlando	37,365,478	107,615,726	16.8%	8.5%	2,645,838	4,923,792	319,562	2,769,576	\$20.49
Tampa	32,170,197	80,225,582	15.7%	6.8%	2,697,155	2,984,559	20,354	1,293,984	\$22.46
All Markets	4,817,801,985	13,557,317,279	14.5%	7.0%	267,137,623	469,123,790	70,791,544	238,565,943	\$27.00

Source: Cushman & Wakefield, Marketbeat 4Q 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.

Our core areas are:

Economic and Housing Marketing Analysis
Training and Organizational Development
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