

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

One of the most notable factors of economic stability at the end of 2013 was the drop in unemployment in the Tri-County (Broward, Miami-Dade, Palm Beach) area to 5.9 percent compared to 8% in December of 2012. Florida was ranked #30 in 2013 (7.2%) a 1.6% decrease year-over-year, according to the Bureau of Labor Statistics (BLS). Another sign that South Florida was approaching pre-recession economic health was the 39% percent drop in new foreclosure filings. Tax revenue generated by tourism in the Sunshine State amounted to \$4.6 billion, 7% higher than 2012.¹ Growing employment in higher wage industry sectors such as Financial Activities, Professional and Business Services, and Information, may partially offset the rising cost of living. While housing prices and rents continue to rise, wages have generally flattened.

Key Findings, 4th Quarter, 2013

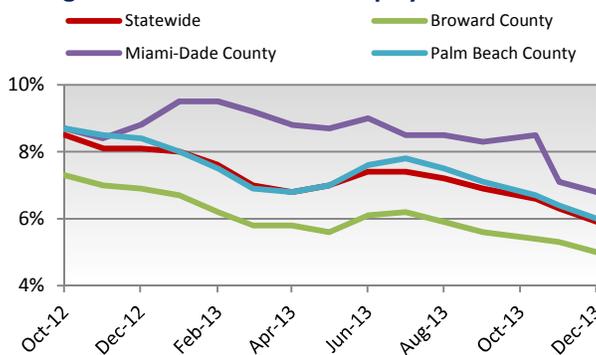
- In the last month of the fourth quarter, the Miami area recorded its lowest unemployment rate since the beginning of the economic crisis, 6.0%.
- Non-agricultural employment in the Miami MSA increased from Q4 2012 to Q4 2013, with Retail adding over 19,000 jobs. However, employment in Construction decreased by 1.4% from Q4 2012.
- Consumer bankruptcy filings were down by 10.9 percent in the South Florida region compared to the previous quarter and by 1.7% from Q4 2012.
- South Florida business bankruptcy filings were down 18.3 percent from 2012, but had no change from the third quarter of the year to the fourth.
- Overall, new foreclosure filings in South Florida decreased by 39% from the same quarter in 2012. However, new filings in Broward increased by 40.5%.
- Median sale prices for both Single-Family homes and Condominiums continued to climb in the tri-County area. Broward had the highest increases in prices for both single family homes (23.3%) and Condo prices (28.6%).
- Miami had the lowest industrial space vacancy rate in Florida (4.8%). Miami's office vacancy rate decreased by 0.6% from the fourth quarter of 2012.

¹ Source: Visit Florida

EMPLOYMENT GROWTH

Few economic data are as closely watched as measures of employment and unemployment. Unemployment rates are seen as much as indicators of social health as they are indicators of economic or labour market performance. The continuing decrease of unemployment rates in South Florida is an indicator of the steady economic growth of the area. At the end of the quarter, the area's unemployment rate of 6.0% was on par with the State's at 5.9%. Miami-Dade County recorded the highest unemployment rate at 6.8% and Broward had the lowest at 5%.

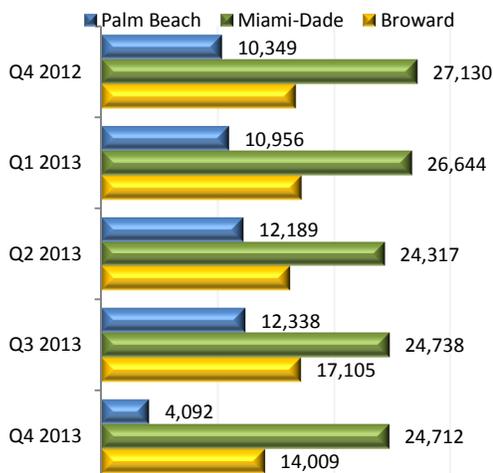
Figure 1: South Florida Unemployment Rates



Source: United States Department of Labor, Bureau of Labor Statistics.

While unemployment claims decreased across the Tri-County area, Palm Beach witnessed the most significant drop with 4,092 new claims, down 67% from the previous quarter and a 60% year-over-year change. Miami-Dade had the highest number of new claims at 25,103, and reported only slight decrease from Q3 to Q4 (0.1%). However, there was an 8.9% decrease in unemployment claims in Miami-Dade from Q4 2012 to Q4 2013.

Figure 2: Unemployment Claims per Quarter

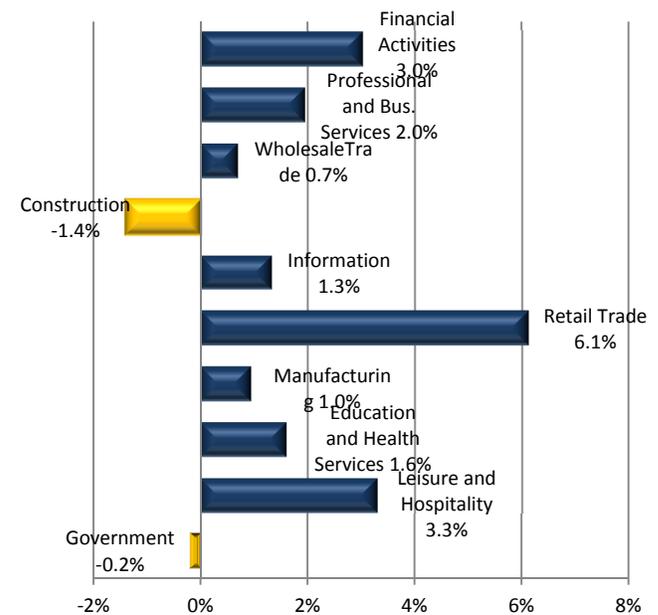


Source: Florida Department of Economic Opportunity.

Year-to-year employment growth was highest in Retail Trade, which added over 19,000 jobs in the Miami MSA. Second to that was Leisure and Hospitality, which added over 9,000 jobs to the South Florida economy. Increased employment in these sectors may be linked to rising visitors figures and a booming tourism industry.

The two sectors which reported job losses were Construction and Government. The Construction industry lost 1,300 jobs from the previous year (1.4%), but added approximately 500 in the time span from Q3 to Q4. Employment in the Government sector decreased by 0.6%.

Figure 3: Miami-Ft. Lauderdale-Pompano Beach Q4 2012 – Q4 2013 Industry Employment Growth



Source: United States Department of Labor, Bureau of Labor Statistics.

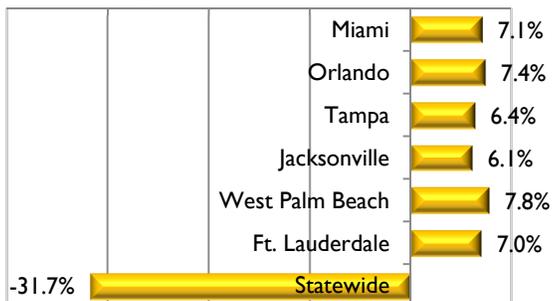
PURCHASING POWER

Personal spending accounts for almost 70% of the U.S. gross domestic product. Employment, through wages, is what enables such spending, making it a key driver of economic growth. The flow of earnings into the economy is demonstrated through the purchasing power of consumers which shows the amount of goods and services that can be purchased with a unit of currency, i.e. U.S. dollars. The three indicators discussed below – taxable sales, consumer price index and bankruptcy filings – are evidence of the purchasing power of consumers in the South Florida area.

West Palm Beach, Orlando and Miami had three of the highest growth rates from year to year in Florida’s taxable sales. December’s Tourism and Recreation figures were up 8.4% in Ft. Lauderdale, 6.8% in Miami, and 7.1% in West Palm Beach from 2012 statistics.

Miami’s economic activity demonstrated positive growth in all major taxable sales categories, with a 20.3% increase in taxes for Consumer Non-Durables and 7.4% increase for Durable Goods. The Tourism and Recreation industry brought in \$2,588.7 million in sales to the local economy. Overall, sales grew by 6.9 percent over the previous quarter, which shows consumers are confidently spending in various areas of the economy.

Figure 4: Change in Taxable Sales, Q4 2012 - Q4 2013



Source: Florida Legislature, Office of Economic and Demographic Research.

Tourism/recreation spending amounted to \$76.1 billion in 2013, a 6.1% increase from 2012 according to data reported by VISIT FLORIDA. The fourth quarter saw a 1.6% rise in visitors to the state compared to the previous year. From beginning of 2012 to the end of 2013, the Sunshine State had the most visitors in Q1 2013 (26,162,000 person-trips). These visitor statistics may partially explain the increase in taxable sales in the major tourist areas in the state, in the context of a significant decline in taxable sales statewide (31.7%).

The rate of increase in consumer prices is a critical determinant of purchasing power changes. 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 CPI for the Miami-Fort Lauderdale area increased by 1.3% from the previous year. Rising prices for food and other goods account for this overall increase despite the 2.1% decrease in gasoline prices.

The third indicator that is linked to purchasing power is bankruptcy filings. Bankruptcy filings are what is known as a lagging economic indicator that changes after the economy has already begun to follow a particular pattern or trend.

Counties in the Middle District experienced a greater drop in consumer bankruptcy filings than South Florida, with Ft. Myers leading the trend with 24.4% difference from Q4 2012. Of the three South Florida counties, only Broward had a decrease in consumer filings (10.8%). South Florida business bankruptcy filings were down 18.3 percent from 2012, but had no change from the third quarter of the year to the fourth. The largest decrease was in Palm Beach (36.9%), while Miami had no change in business bankruptcy filings.

Consumer Bankruptcy Filings Change

	Q4 2012	Q3 2013	Q4 2013	Change Q3 -Q4	Change Q4 '12 - 13
Broward	1,940	1,995	1,731	-13.2%	-10.8%
Miami-Dade	3,491	4,066	3,537	-13.0%	1.3%
Palm Beach	1,113	1,159	1,167	0.7%	4.9%
South Florida	6,544	7,220	6,435	-10.9%	-1.7%
Jacksonville	1,819	1,915	1,637	-14.5%	-10.0%
Orlando	4,003	4,133	3,509	-15.1%	-12.3%
Tampa	3,695	3,555	3,254	-8.5%	-11.9%
Ft. Myers	930	890	703	-21.0%	-24.4%
Middle Distri	10,447	10,493	9,103	-13.2%	-12.9%

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

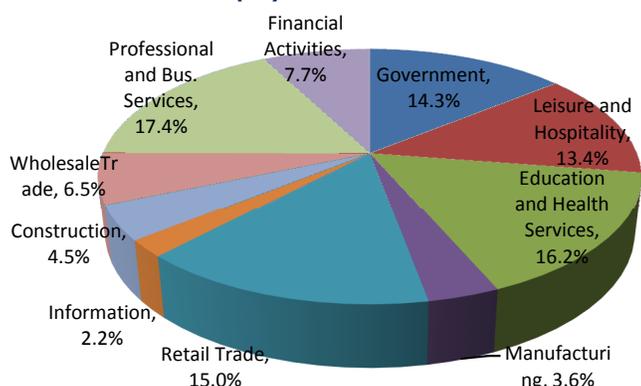
ECONOMIC GROWTH

Employment and wages are both important, interconnected indicators of the potential for economic growth in an economy. Persistent, high unemployment puts enormous downward pressure on wages. Wages that ensure the preservation of a highly skilled work force are crucial for retaining talent and sustaining growth. While a decrease in unemployment alone is a positive sign of economic recovery, wages recovery is critical for economic growth as it impacts consumption.

Wage levels are related to the types of industries that are represented in a local economy. The relationship between employment and wages seems to vary according to the industry. Employment growth in higher-wage industries such as business services, construction and manufacturing produces more positive impacts on a local economy than growth in lower wage industries such as retail and hospitality. However, low-paying jobs, such as retail cashiers and waiters, are typically the first to be added in a recovery as consumers begin shopping again.

The top employment sectors in the Miami MSA in the fourth quarter of 2013 were Professional and Business Services (17.4%), Education and Health Services (16.2%), and Retail Trade (15.0%). The highest employment gains in comparison to Q4 2012 were in Professional and Business Services (7.2%), Construction (6.9%), and Leisure and Hospitality (4.2%).

Figure 5: Miami-Ft. Lauderdale-Pompano Beach Employment, 4Q 2013



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

According to data reported by VISIT FLORIDA, tourism related employment has been on the rise since the state saw a dip from 2008 to 2009 in the midst of the recession. In 2013, the Tourism & Recreation industry

employed an avg. of 1,096,700 people per month, a 3.7 percent increase from the previous year, and 12.6% higher than 2009’s recorded monthly average.

Two of the industry sectors with large employment are also the sectors with the lowest average weekly wages. The average wage of a worker in the Hospitality industry was \$505 in Q4 2013, the lowest of any industry sector. The second lowest was in Retail Trade, \$573. The US Department of Labor, Bureau of Labor Statistics reported that Florida’s retail salespersons are among the lowest paid employees in the industry across the nation, along with Georgia and South Carolina. The highest paid retail professionals live in states such as California, New Jersey and Washington.

The growth in the number of business establishments is a positive sign for the South Florida economy as it shows an increase in business activity. The largest year over year growth in business establishments was in the Financial Activities and Professional and Business Services sectors, which are also high-wage sectors. However, the Professional and Business Services Sector had a 4.8% dip in the average weekly wages. A significant wage decrease was also reported in the Wholesale Trade sector (7.6%).

Comparison of Q4 2012 and Q4 2013, Miami-Fort Lauderdale-West Palm Beach, FL MSA

Industry	Establishments			Avg. Weekly Wages		
	Q 4 2012	Q 4 2013	Change	Q 4 2012	Q 4 2013	Change
Construction	14,312	14,817	3.5%	970	957	-1.3%
Manufacturing	5,749	5,826	1.3%	1,042	1,053	1.1%
Information	3,384	3,452	2.0%	1,460	1,508	3.3%
Financial activities	21,931	22,836	4.1%	1,429	1,455	1.8%
Professional and business services	47,987	49,774	3.7%	1,318	1,255	-4.8%
Education and health services	23,283	23,840	2.4%	934	945	1.2%
Leisure and hospitality	16,017	16,297	1.7%	493	505	2.4%
Retail Trade	27,166	28,039	3.2%	584	573	-1.9%
Wholesale Trade	17,900	17,861	-0.2%	1,338	1,236	-7.6%

Source: BLS, Quarterly Census of Employment and Wages, Q4, 2012 and 2013, Table created by the FIU Metropolitan Center.

RESIDENTIAL REAL ESTATE STABILITY

Real estate transactions and all the activities associated with them have a significant contribution to the South Florida economy. The real estate sector's direct impacts through employment and taxation, combined with the indirect effects it has on other sectors such as Construction, Financial Activities, Professional services etc., make it one of the most important drivers of economic activity.

Higher volume of sales and increasing home prices are often considered to be positively correlated to economic growth. According to the *CoreLogic Case-Shiller* index, Miami experienced a 15.8% increase in home prices from Q4 2012 to Q4 2013. For Palm Beach and Broward, the increases were 18.1% and 16.7% respectively. Year-to-year price increases were also reported for Jacksonville (14.0%), Tampa (16.1%), and Orlando (17.3%).

As in previous quarters the volume of condo sales outpaced single family home sales. However, there was a marked stagnation and even decline in sales in the Tri-County area. While the volume of sales remained steady in Miami and Palm Beach, there was a 1.5% decrease in single family home sales in Broward. The decrease was even greater for condos with sales in Palm Beach decreasing by 22%, as well as 1.7% in

Townhome and Condo Sales by County			
COUNTY	4Q 2012	4Q 2013	CHANGE from 2013
Miami-Dade			
Realtor Sales	4,187	4,116	-1.7%
Median Price	\$175,000	\$155,000	12.9%
Broward			
Realtor Sales	4,016	3,914	-2.5%
Median Price	\$91,750	\$118,000	28.6%
Palm Beach			
Realtor Sales	118	92	-22.0%
Median Price	\$439,583	\$475,833	8.2%
Florida			
Realtor Sales	25,076	24,538	-2.1%
Median Price	\$112,000	\$133,000	18.8%

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

28.6% increase for condos. According to Reis Reports rents have also gone up in the 4th quarter by 3.3%.

The Miami area experienced a drop in underwater mortgages during the last three months of 2013, with nearly 30 percent of homes having negative equity. In the fourth quarter of 2012 Miami-Miami Beach-Kendall, Fla. had the second highest percentage of mortgaged properties in negative equity, 40.7%, after Tampa-St. Petersburg-Clearwater, Fla. at 44.1%. The fourth quarter national rate was 13.3 percent. Statewide, 28.1 percent of Florida homes were underwater during the fourth quarter.

Statistics on new foreclosure filings for South Florida confirm the statistics for the Miami area as they show an overall decline in foreclosures. However, there was a reported

New Foreclosure Filings					
COUNTY/ AREA	4Q 2012	4Q 2013	Y over Y Change	3Q 2013	Change Q3-Q4
Broward	1,473	2,069	40.5%	2,315	-10.6%
Miami-Dade	6,269	3,070	-51.0%	2,086	47.2%
Palm Beach	3,780	1,891	-50.0%	1,512	25.1%
South Florida	11,522	7,030	-39.0%	5,913	18.9%

Source: County Clerk's Office for Broward, Miami-Dade and Palm Beach.

40.5% increase in new foreclosure filings in Broward County from the previous year.

Single Family Home Sales by County			
COUNTY	4Q 2012	4Q 2013	CHANGE
Miami-Dade			
Realtor Sales	3,178	3,182	0.1%
Median Price	\$199,000	\$235,000	18.1%
Broward			
Realtor Sales	3,643	3,590	-1.5%
Median Price	\$219,000	\$270,000	23.3%
Palm Beach			
Realtor Sales	101	101	0.0%
Median Price	\$846,837	\$1,035,167	22.2%
Florida			
Realtor Sales	52,379	54,845	4.7%
Median Price	\$150,000	\$170,000	13.3%

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

Miami and 2.5% in Broward.

Meanwhile, the median price of both single-family homes and condos went up across all three counties, outpacing the home price increase statewide (13.3%). The price increases were most significant in Broward which recorded 23.3% increase in median sales price for single family homes and a

COMMERICAL REAL ESTATE STABILITY

Economic growth and ongoing job creation influence all of the major commercial real estate sectors. Commercial real estate vacancies are a very good indicator of whether employers are growing and businesses are starting up or conversely, whether they are closing up shop.

Office vacancy rates declined in most major markets in Florida except Jacksonville and Orlando in comparison the fourth quarter of 2012. Office vacancy decreased by 1.4% in Broward and Palm Beach, and 0.6% in Miami. The decrease in industrial vacancy was even more significant in the Tri-County area, with the largest decrease reported in Miami (2.1%), followed by Broward (1.9%) and Palm Beach (1.6%).

The vacancy rate decrease occurred concurrently with a decrease in inventory – 5% in Miami and 6% in Broward while the inventory of office space in Palm Beach remained stable. The industrial space inventory in Broward and Palm Beach decreased year over year, by 1.4% and 0.2% respectively. The decrease of the industrial space vacancy rate in Miami, combined with the increase in inventory (27.1%) shows a growing demand and is a positive sign for the county's economy.

Figure 6: Commercial Real Estate Activity

Market	Inventory (sqft)		Vacancy Rate		YTD Leasing Activity		YTD Overall Absorption	
	Office	Industrial	Office	Industrial	Office	Industrial	Office	Industrial
Miami	46,617,045	205,510,396	16.2%	4.8%	2,321,277	4,529,067	492,271	3,485,620
Palm Beach County	24,920,157	41,629,897	19.0%	6.9%	1,610,699	1,634,525	428,092	867,568
Broward County	28,567,861	91,646,376	15.8%	7.2%	1,635,406	3,146,971	504,650	1,268,258
Jacksonville	23,841,811	97,113,398	19.1%	9.8%	1,967,772	3,062,360	215,814	1,505,787
Orlando	36,995,983	105,851,332	19.6%	11.7%	2,465,852	3,312,475	153,142	1,041,775
Tampa	46,081,486	133,848,203	16.1%	9.5%	2,409,596	2,338,744	388,744	511,750

Source: Cushman & Wakefield, Marketbeat 4Q2013



Metropolitan Center

The Florida International University Metropolitan Center is an applied research and training institute that provides policy solutions to public, private and nonprofit 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.

Our core areas are:
 Economic and Housing Market Analysis
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