

Introduction

Economic Currents provides a comprehensive overview of the South Florida regional economy. The report combines 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 quantitative measures to establish benchmarks, prioritize resources, target markets and apply for funding. The report provides measurable indicators for five drivers of economic sustainability – employment growth, economic growth, household purchasing power, residential real estate stability and commercial/office market activity.

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Overview

South Florida's economy showed signs of improvement in 3Q 2011. Unemployment rates have continued to decline, while the region gained an additional 2,600 jobs. Housing sales activity reached 2006 levels and the median sales price of single-family homes and condominiums appears to have bottomed along with some evidence of modest appreciation. Tourism dollars and foreign investment kept the South Florida economy afloat during the recent recession. However, South Florida's future economic growth and sustainability will be largely dependent on a resurgent housing market and a more diverse economic base.

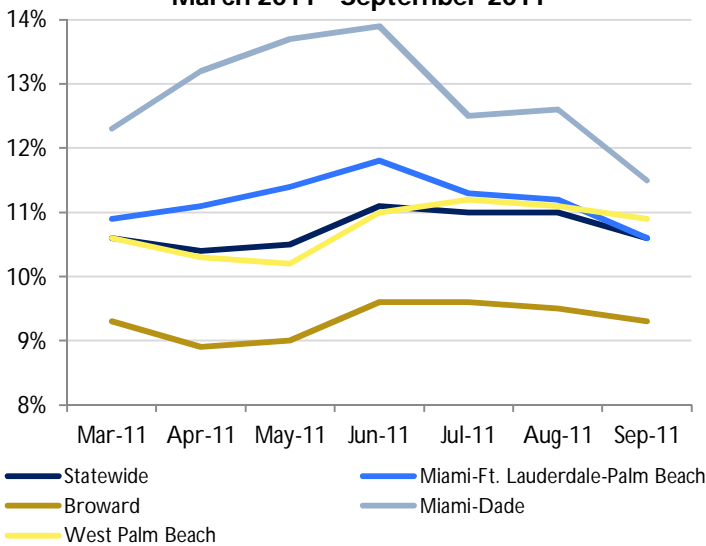
Key Findings, 3rd Quarter, 2011

- South Florida's unemployment rate continued to decrease through 3Q 2011. However, the September unemployment rate of 10.6 percent remained above the 8.8 percent national average.
- South Florida's total non-agricultural employment increased by 2,600 jobs in 3Q 2011 and 24,200 jobs since 3Q 2010.
- There was a 21.9 percent decrease in bankruptcy filings in South Florida during 3Q 2011.
- South Florida continues to show significant gains in single-family home and condominium sales. However, the vast majority were foreclosure and short sales.
- The median sales price of existing single-family homes and condominiums continued to stabilize through 3Q 2011.
- Foreclosures were still on the rise in Miami-Dade and Broward Counties, but have significantly slowed in Palm Beach County.
- Office and industrial vacancy rates were on the rise in 3Q 2011.
- Commercial lease activity was strong in 3Q 2011. Miami-Dade County's leased office space increased by 23.4 percent since 2010.

EMPLOYMENT GROWTH

The Miami-Fort Lauderdale-Pompano Beach MSA's unemployment rate fell to 10.6 percent by the end of 3Q 2011. This represented a significant decrease from the 11.8 percent rate at the end of 2Q 2011. Miami-Dade County showed the largest decrease (12.6 to 11.5 percent), while Broward County had the lowest overall unemployment rate (9.3 percent).

South Florida Unemployment Trends, March 2011 - September 2011

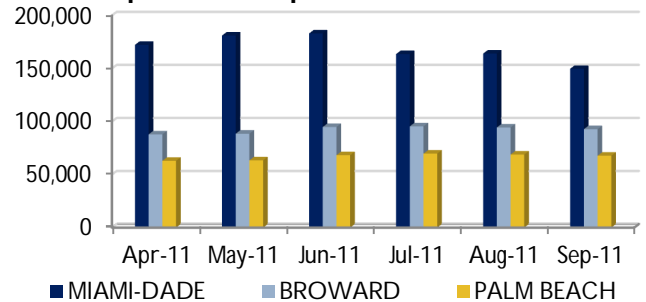


Source: Florida Agency of Workforce Innovation.

All three Metropolitan divisions reported significant decreases in the unemployment rate from the previous year. The Ft. Lauderdale-Pompano Beach-Deerfield Beach Metropolitan Division (MD) decreased from 10.3 to 9.3 percent; The Miami-Miami Beach-Kendall MD decreased from 12.6 percent to 11.5 percent; and, the West Palm Beach-Boca Raton-Boynton Beach MD from 12.2 to 10.9 percent from the previous year. The Miami-Fort Lauderdale-Pompano Beach MSA is now on par with the State of Florida at 10.6 percent unemployment, but significantly higher than the national unemployment rate of 8.8 percent.

South Florida's total non-agricultural employment also showed improvement in 3Q 2011. In September 2011 total non-agricultural employment was at 2,197,200 which is a 0.1 percent increase from August 2011 and a 1.1 percent increase from September 2010. This represents an increase of 24,200 jobs over the last year.

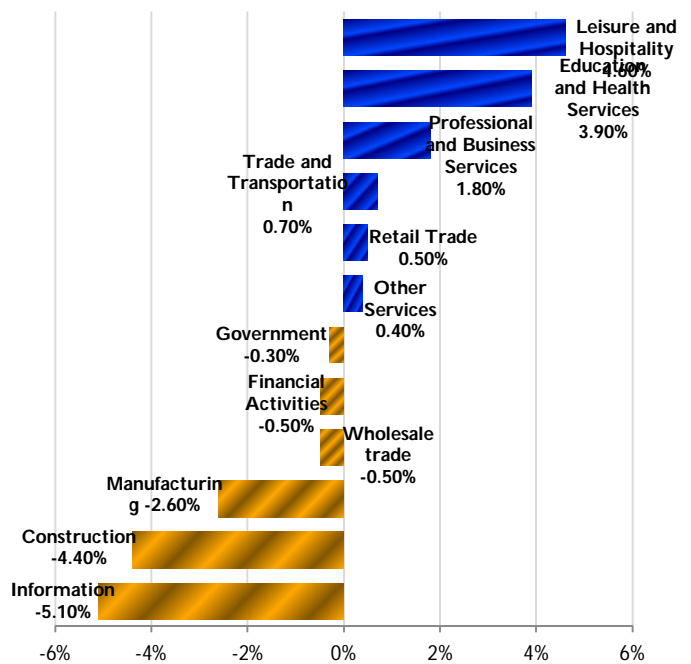
Initial Unemployment Claims, April 2011 - September 2011



Source: Florida Agency for Workforce Innovation

The Leisure and Hospitality sector continues to have the largest increases in employment with a 4.6 percent increase over the past year. Education and Health Services had significant employment growth in 3Q 2011 with the majority of these gains coming from hospitals which had a 4.2 percent increase in employment over the past year. Conversely, the Information sector had the highest loss in employment with a 5.1 percent decrease over the past year followed by the Construction sector with a 4.4 percent decrease in employment.

Employment Growth, Third Quarter 2011



Source: Florida Agency for Workforce Innovation

PURCHASING POWER

The economic strength of a region is strongly related to the spending or purchasing power of its residents, as well as the cost of living in the area. The Consumer Price Index (CPI) as defined by the Bureau of Labor Statistics (BLS) is a measure of the average change in prices over time in a fixed market of goods and services. The CPI reflects increases or decreases in prices and illustrates the relative cost of living in an area. Essentially, inflation decreases the amount of goods and services an individual can purchase which has an overall negative effect on the purchasing power of a region.

According to the BLS, the Miami CPI rose 0.7 percent in 3Q 2011. This increase can be attributed to the rising cost of food and other commodities. Between July and August, food prices increased 1.0 percent and all items (less food and energy) rose 0.7 percent. Over the last year food prices increased 6.5 percent and all other items rose 2.0 percent. Between July and August energy prices fell 0.3 percent. This includes motor fuel prices which fell 0.3 percent; utility gas down 6.3 percent; and electricity prices which were unchanged over the two month period. While these recent decreases are good for consumers, energy prices have increased 22.3 percent overall in the last year.

Despite overall increases in the cost of living there have been significant increases in spending throughout South Florida. Taxable sales have increased statewide by 4.5 percent from September 2010 through September 2011. In Miami, taxable sales have increased by 8.8 percent (the highest increase in the State) followed by Ft. Lauderdale and West Palm Beach at 4.9 percent. Increases in taxable sales indicate that people are spending money and what they are spending it on.

The Tourism industry is growing in South Florida and so are the sales. Quarter to quarter taxable sales on tourism

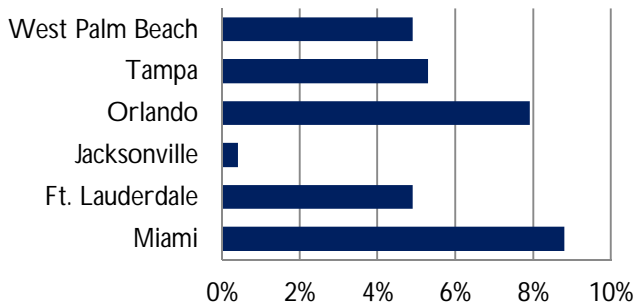
and recreation has risen by 12.6 percent in Miami, 10.9 percent in Ft. Lauderdale and 7.9 percent statewide. In addition, Miami has seen significant spending gains in consumer non-durables (10.4 percent), retail (9.3 percent) and auto & accessories (8.8 percent).

South Florida's bankruptcy rate showed a significant decrease from September 2010 to September 2011 according to the United States Bankruptcy Court, Middle and Southern Districts. South Florida's new bankruptcy filings have decreased 21.9 percent over the last year. The Middle district, including Jacksonville, Orlando and Tampa, has decreased their bankruptcy filings by 23.6 percent during this period. Broward County had the largest decrease at 27.4 percent.

Bankruptcy Filings			
	Sep-10	Sep-11	CHANGE
Miami	1,889	1,483	-21.5%
Broward	1,082	786	-27.4%
West Palm Beach	778	660	-15.2%
South Florida Total	3,749	2,929	-21.9%
Jacksonville	995	747	-24.9%
Orlando	1,999	1,601	-19.9%
Tampa	2,059	1,487	-27.8%
Middle District Total	5,632	4,303	-23.6%

Source: United States Bankruptcy Court Middle District of Florida, United States Bankruptcy Court Southern District of Florida, 2011. Table Created by FIU Metropolitan Center,

**Taxable Sales % Change
Sept 2010 - Sept 2011**



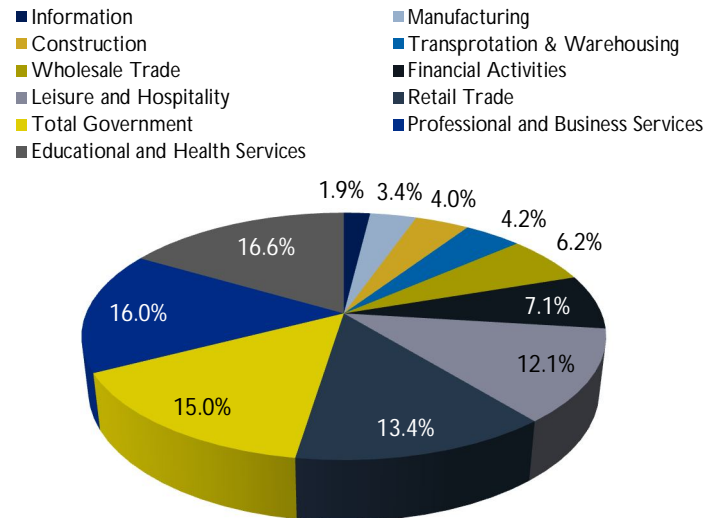
ECONOMIC GROWTH

The South Florida regional economy is classified as a “major” labor market area (LMA). LMAs are designated by the Bureau of Labor Statistics (BLS) in reporting key employment and unemployment data. LMAs are intended to capture economic integration which is determined by population density and commuting patterns. Within a defined LMA workers can generally change their jobs without changing their places of residence. Economic growth is closely correlated with employment growth due to the fact that increased employment will result in more spending which can help companies grow and produce more.

The Miami MSA’s largest industries for employment are Educational and Health Services, Professional and Business Services, Retail Trade and Leisure and Hospitality. These core industry sectors have shown modest growth in employment over the last year. The Miami MSA’s smaller industry sectors including Construction, Manufacturing, and Government continue to lose jobs. The Information sector lost the most jobs with a 5.1 percent decrease in employment from September 2010 through September 2011. Construction lost 4.4 percent employment, while Manufacturing lost 2.6 percent employment. Although South Florida is experiencing modest job gains it continues to shed jobs in important industry sectors such as Construction and Manufacturing which decreases the competitiveness of the region and stymies economic growth.

State employment projections (EP) for 2011 through 2019 were released by the Florida Department of Economic Opportunity during 3Q 2011. Employment projections show steady job growth in the Construction sector in each of the three counties. Specialty trade contractors and occupations involved with the construction buildings have the highest job growth rates. Other industries projected to have the fastest growth in employment include Educational Services and Professional, Scientific, and Technical Services.

Miami MSA Non-Agricultural Employment, Oct., 2011.



Source: Florida Agency for Workforce Innovation, 2011.

Employment Projections for Fastest Growing Industries, 2011-2019

	Employment		Percent Change
	2011	2019	
Miami-Dade			
Petroleum and Coal Products Manufacturing	993	1,267	3.45
Specialty Trade Contractors	18,536	23,318	3.22
Construction of Buildings	7,170	8,885	2.99
Museums, Historical Sites, and Similar Institutions	974	1,178	2.62
Management of Companies and Enterprises	8,335	10,012	2.51
Broward			
Specialty Trade Contractors	21,800	29,339	4.32
Construction of Buildings	5,667	7,493	4.03
Educational Services	21,681	28,646	4.02
Waste Management and Remediation Service	2,055	2,698	3.91
Chemical Manufacturing	1,342	1,739	3.70
Palm Beach			
Construction of Buildings	4,720	6,649	5.11
Specialty Trade Contractors	15,221	21,318	5.01
ISPs, Web Search Portals, and Data Processing Services	638	870	4.55
Professional, Scientific, and Technical Services	35,503	45,802	3.63
Rental and Leasing Services	1,647	2,121	3.60

Source: Florida Department of Economic Opportunity, 2011.

Table created by FIU Metropolitan Center.

RESIDENTIAL REAL ESTATE STABILITY

Standard & Poor's Case-Shiller Home Price Indices released in September 2011 showed that nationally home prices did not register a significant change in 3Q 2011. Nationally, home prices are back to their first quarter of 2003 levels. As of September 2011, the annual rate of change in 14 of the 20 MSAs and both Composites, covered by S&P/Case-Shiller Home Price Indices, improved versus August. The S&P/Case-Shiller Home Price Indices are the leading measures for the US residential housing market, tracking changes in the value of residential real estate both nationally as well as in 20 metropolitan regions. The September 2011 S&P/Case Shiller Report indicated that South Florida's residential market has been fairly stable through 2011 after five years of steady decline.

The September 2011 Florida Association of Realtors monthly sales report showed a continued and significant increase in realtor sales for existing single-family homes and condominiums. Miami-Dade County had a 45 percent increase in existing single-family home sales from September 2010 to September 2011 followed by Palm Beach (34.3 percent increase) and Broward Counties (10.7 percent increase). Miami-Dade County also had the largest increase in existing condominium sales (58.3 percent increase) followed by Palm Beach County (33.3 percent increase) and Broward County (5.5 percent increase). The median sales price of existing single-family homes continued to show a decrease in all three counties from the previous year though prices appear to be stabilizing through the first three quarters of 2011. From September 2010 to September 2011 the median sales price of existing single-family homes decreased in all three counties with the largest decrease (20 percent) in Palm Beach County. The median sales price of existing condominiums increased in both Miami-Dade and Broward Counties in the past year. Miami-Dade County had the largest increase at 16.7 percent, while Palm Beach County decreased by 11 percent.

South Florida Residential Market Activity

	Broward		Miami-Dade		Palm Beach		Change for Region
	Sept. 2010	Sept. 2011	Sept. 2010	Sept. 2011	Sept. 2010	Sept. 2011	
Existing Single-Family Home Sales							
Realtor Sales	974	1,079	582	848	801	1,076	27%
Median Price	\$202,000	\$188,800	\$188,000	\$176,600	\$225,900	\$180,300	-11%
Existing Condominium Sales							
Realtor Sales	1,214	1,281	833	1,319	825	1,100	29%
Median Price	\$70,100	\$71,900	\$99,400	\$116,000	\$86,200	\$76,700	3%

Source: Florida Association of Realtors, September 2011. Table by FIU Metropolitan Center.

COUNTY	FORECLOSURES		% Change
	June 2011	Sept. 2011	
Broward	1,979	2,553	29%
Miami-Dade	3,074	3,424	11%
Palm Beach	2,574	1,798	-30%
South Florida	7,627	7,775	2%
Florida	23,769	24,077	1%

Source: RealtyTrac, September 2011. Table created by FIU Metropolitan Center.

South Florida's foreclosure activity increased by only 2 percent in 3Q 2011. However, there have been significant changes within each county. Broward County saw a 29 percent increase in the number of new foreclosures in the recent quarter, while Palm Beach County decreased by 30 percent. Florida continues to have the second highest foreclosure rate in the country preceded only by California. South Florida has one of the highest foreclosure rates in the state.

Foreclosure and short sales have driven down median sale prices. According to RealtyTrac, the September median sales price of all homes in Miami-Dade County was \$231,306 while the average sales price of all foreclosure homes was \$130,466. Foreclosure sales accounted for 76 percent of all sales activity.

COMMERCIAL REAL ESTATE STABILITY

Commercial real estate market performance is an important indicator of growth and stability in the larger economy. Positive commercial real estate activity is generally a precursor to business and job growth. According to Cushman and Wakefield's Third Quarter 2011 Office and Industrial Reports, the State of Florida is performing well overall. Vacancy rates are slowly falling and absorption rates are up statewide. In addition, commercial leasing activity is also rising steadily. However, South Florida's industrial vacancy rates have increased since 2Q 2011 in all three counties. Only Palm Beach County showed a decrease in its office vacancy rate. In Miami-Dade County vacancy rates increased significantly in 3Q 2011, up 2.4 percent for office space and 1.2 percent for industrial space. Overall, industrial vacancy rates in South Florida are down slightly from 2010 and comparatively lower than other metropolitan areas in the State of Florida.

Leasing activity in Miami-Dade County has shown significant improvement with an increase of 23.4 percent from 2010 for office space and an increase of 3.8 percent from last year in industrial space. The highest marked improvement for industrial leased space was in the Airport West/Doral area with a 17 percent improvement from the Third Quarter of 2010. Broward and Palm Beach Counties are also showing steady increases in lease activity. Palm Beach and Miami-Dade Counties continue to show positive absorption rates, while Broward County continued to show a negative absorption rate through 3Q 2011.

Market	Inventory (sq ft)		Vacancy Rate		YTD Leasing Activity		YTD Overall Absorption	
	Office	Industrial	Office	Industrial	Office	Industrial	Office	Industrial
Jacksonville	24,453,173	100,626,200	21.3%	11.0%	806,518	2,048,022	246,357	1,185,927
Palm Beach	24,849,193	41,738,414	19.6%	8.7%	1,003,390	786,729	487,327	206,259
Orlando	37,709,994	106,093,475	20.4%	13.5%	1,348,000	83,529,207	255,837	946,972
Tampa	31,946,862	79,013,813	18.6%	7.3%	1,776,062	2,467,309	181,413	1,482,830
Miami-Dade	49,302,158	162,814,859	19.2%	8.1%	2,094,908	4,036,369	193,505	902,403
Broward	30,006,953	92,946,580	17.2%	9.3%	1,124,571	1,890,402	-35,416	-316,512

Source: Cushman & Wakefield, Marketbeat United States Office/Industrial Report, 3Q11. Table by FIU Metropolitan Center.



Metropolitan Center

The Florida International University Metropolitan Center is an applied social science research and training institute focusing on economic development, planning, performance improvement and policy solutions to public, private and non-profit 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 Demographic Research
- Housing Market and Policy Research
- Local Government Planning and Management
- Applied Social Science Research and Evaluation
- Leadership Training and Organizational Development

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