

Miami-Dade's Economy and Short-term Outlook

July 25, 2013

*Miami Association of Realtors:
Commercial Midyear Update*

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Overview

- **Miami-Dade's economic growth has cooled over the last 12 months.**
- **Employment growth has been very modest since mid-year 2012, compared to 2010 and 2011.**
- **Real estate sector, however, continues to gather positive momentum.**
- **National and international drivers of the local economy not expected to provide significant positive momentum for the rest of 2013, and possibly into 1st half 2014.**

Recent Trends in Local Economy

- **Labor Market**
 - **After 2 years of significant growth in “payroll” jobs in 2010 and 2011 (+40K), 2012 experienced a meager gain of 14K. Last 12 months saw virtually zero growth in total jobs.**
 - **Unemployment rates reached a peak of 12.6% in May 2010 (seasonally adjusted rates). By October 2012 job growth reduced the rate to 8.7%, but the trend reversed in 1Q 2013 rising to 9.9% in March. UR have receded since then and now stand at 9.3%.**
 - **Recent unemployment estimates, however, obscure the current weakness in the labor market. UR are not falling because of job growth, but rather primarily due to a shrinking labor force.**
 - **Data on payroll jobs data show a somewhat stronger picture; real estate sector, retail and wholesale, and manufacturing are leaders, but government sector (about 10% of total employment) is contracting.**

Recent Trends...(2)

- **Real Estate Market**

- **Foreclosure filings and REOs were up in 2012 vs. 2011, but activity moderated at end of 2012 and into start of 2013.**
- **Residential sales volume up with strong appreciation in SF home values, and even more robust gains in condo prices continuing in 2013.**
- **Commercial real estate in Miami-Dade showing clear signs of improvement with vacancy rates down, lease rates are generally up, and with positive net absorption.**

Recent Trends...(3)

- Tourism

- Sector performing well with hotel occupancy, room rates, and revenue/room higher, although pace of growth diminished near the end of 2012 and into 2013.
- This sector represents approximately 13%-14% of all private sector employment and experienced 3.1% job growth in the 12 months ending in June.
- Visitor counts through June 2013 were higher than the previous year, but growth in visitors appears to be tapering off in 2013.
- Convention Development Tax collections are running ahead of last year at this point, but pace of growth show signs of slowing.

- Taxable Sales

- Strong growth in taxable sales continues with sales exceeding pre-recession peaks.

Recent Trends...(4)

- International Trade

- International trade continued to be a bright spot in the local economy.
- Value of trade from county's airport and seaport up over 10% in 2012.
- Trade in 1Q 2013 exceeds trade in 1Q 2012 by just over 3%
- Key investments in int'l trade infrastructure and net-expansion of industrial/warehouse space are positioning Miami-Dade to seize growth opportunities from significant trade expansion expected after 2014.

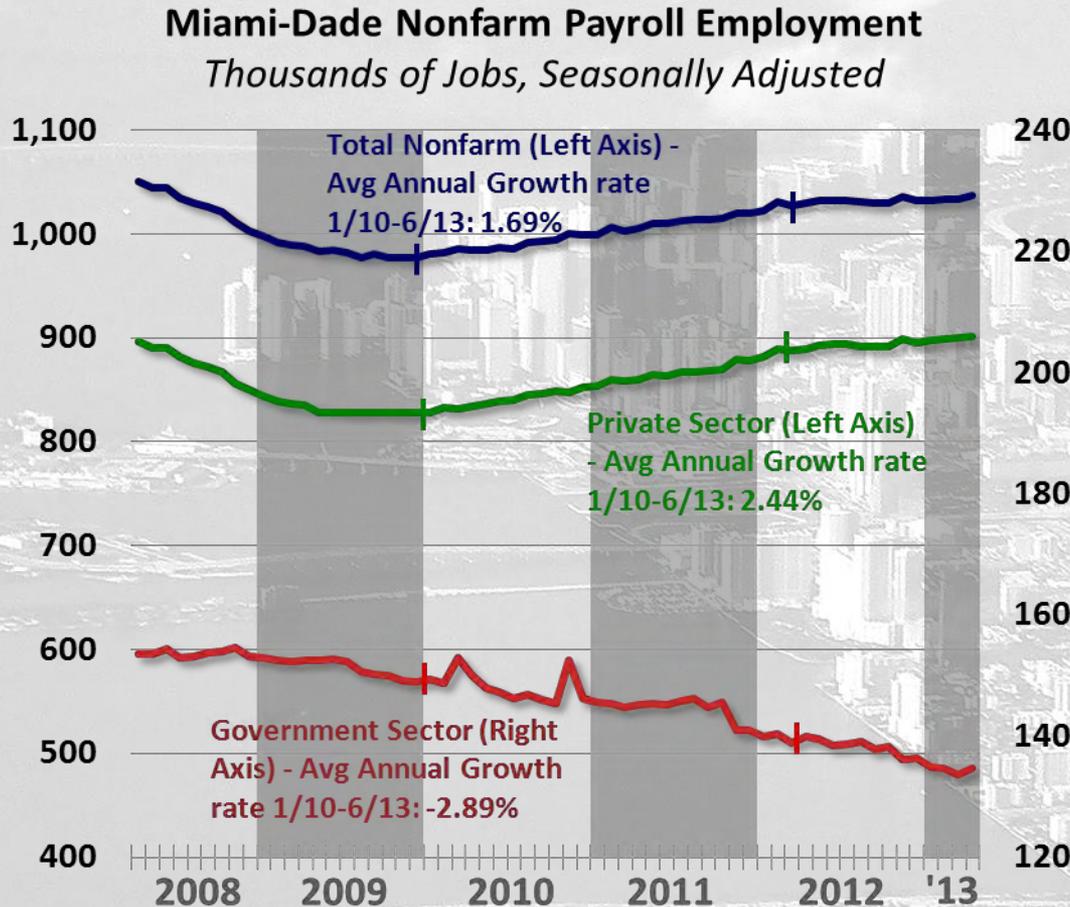
Potential National/Int'l Pressures on Local Economy Over the Next 12 Months

- **U.S. economic policy clouding short term outlook:**
 - **The economic effects of sequester are gradually becoming more evident.**
 - **Leadership in the House looking for deep budget cuts in 2013-14, leading to confrontation with Senate and Whitehouse.**
 - **Stalemate over federal budget appears likely, with possible confrontation over debt ceiling. Associated uncertainty will adversely impact business expansion plans and purchase of consumer durable goods.**
- **Eurozone and UK continue committed to austerity even in the face of a persistent economic malaise.**
- **China appears ready to accept slower economic growth to keep inflation in check and adopt structural economic reforms.**
- **Japan, however, is moving more aggressively on monetary and fiscal policy, seeking to spur faster economic growth. New approach seems to be working so far.**
- **Uncertainty over energy prices remain a forecast risk in light of the likelihood of continuing political instability in some major oil producers .**
- **Slower growth in U.S. and world economy will have adverse effects locally: diminishing chances of accelerating job gains into the 1.5-2.5% per year range over the next 12 months.**

An aerial, grayscale photograph of a city skyline, likely Singapore, viewed from a high angle. The city is densely packed with skyscrapers and buildings, extending along a coastline. A large body of water is visible in the foreground, with a bridge crossing it. The sky is overcast with soft, diffused light. The text is overlaid in the center of the image.

Review of Recent Trends in Key Macroeconomic Indicators

Payroll Employment During Recession and Recovery

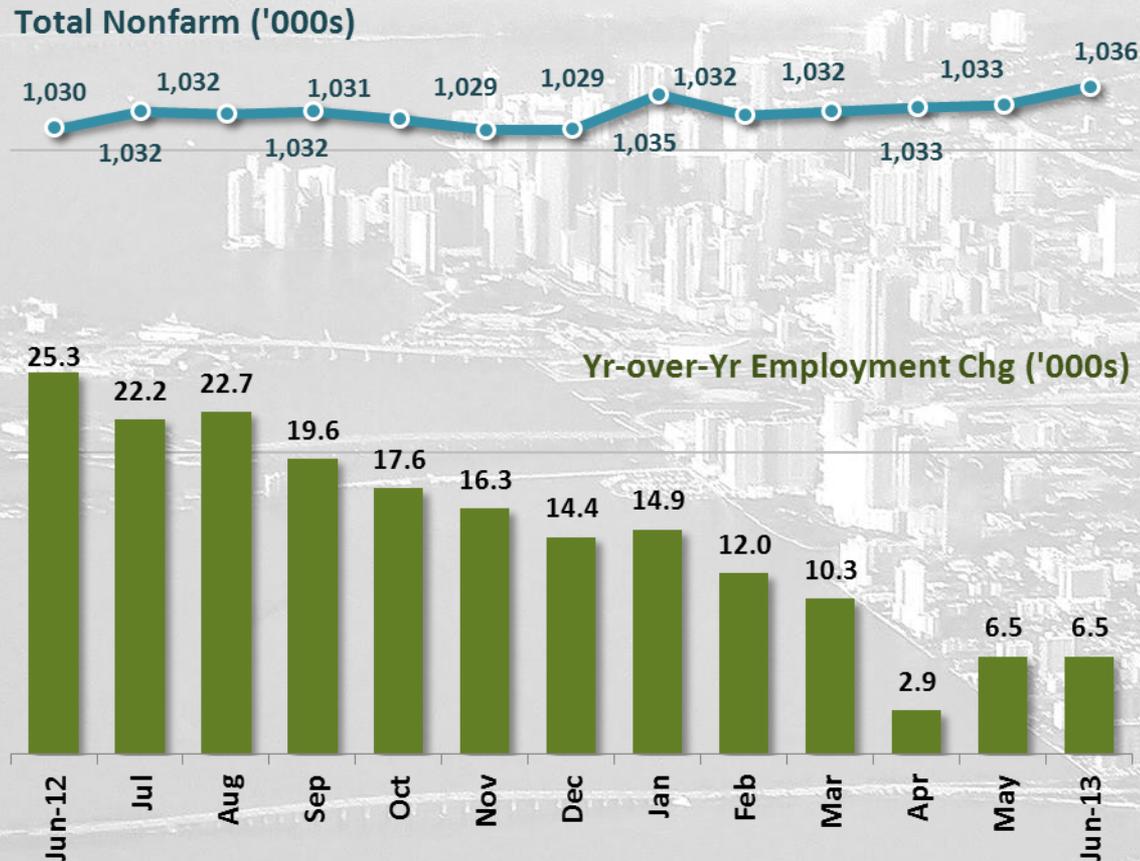


Data Source: Florida Agency for Workforce Innovation

- Payroll employment growth picked up steam in 2010 and 2011, but since then has slowed.
- From Jan 2010 through Mar 2012 average annual growth of total nonfarm payrolls +1.7%; Private payrolls, +2.4%; but Gov't payrolls, 2.9%.
- Labor market was on pace to return to pre-recession levels in 2013 prior to summer 2012.

Latest 12-Months Payroll Jobs

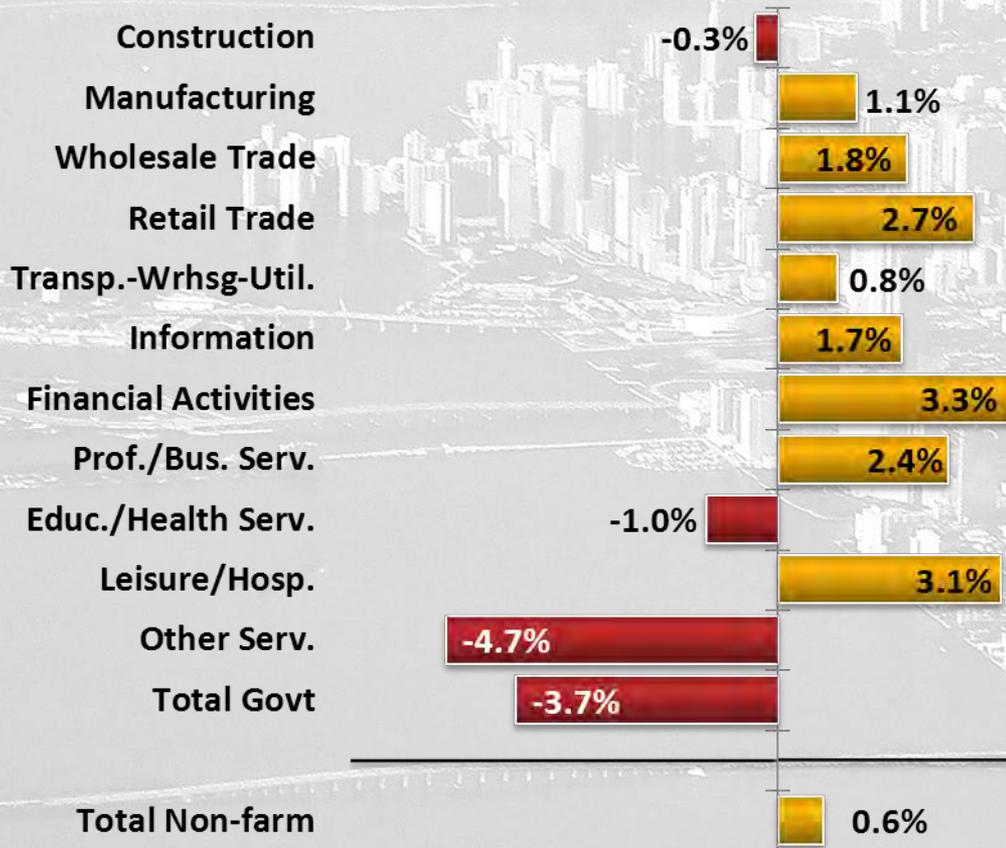
Payroll Employment (Seasonally Adjusted)



- Growth of payroll jobs nearly stagnant during the last 12 months of available data.
- Payroll jobs do not include contract workers and self-employed.

Yr/Yr Growth by Broad Sector

Employment Summary (SA) June 2012 to June 2013

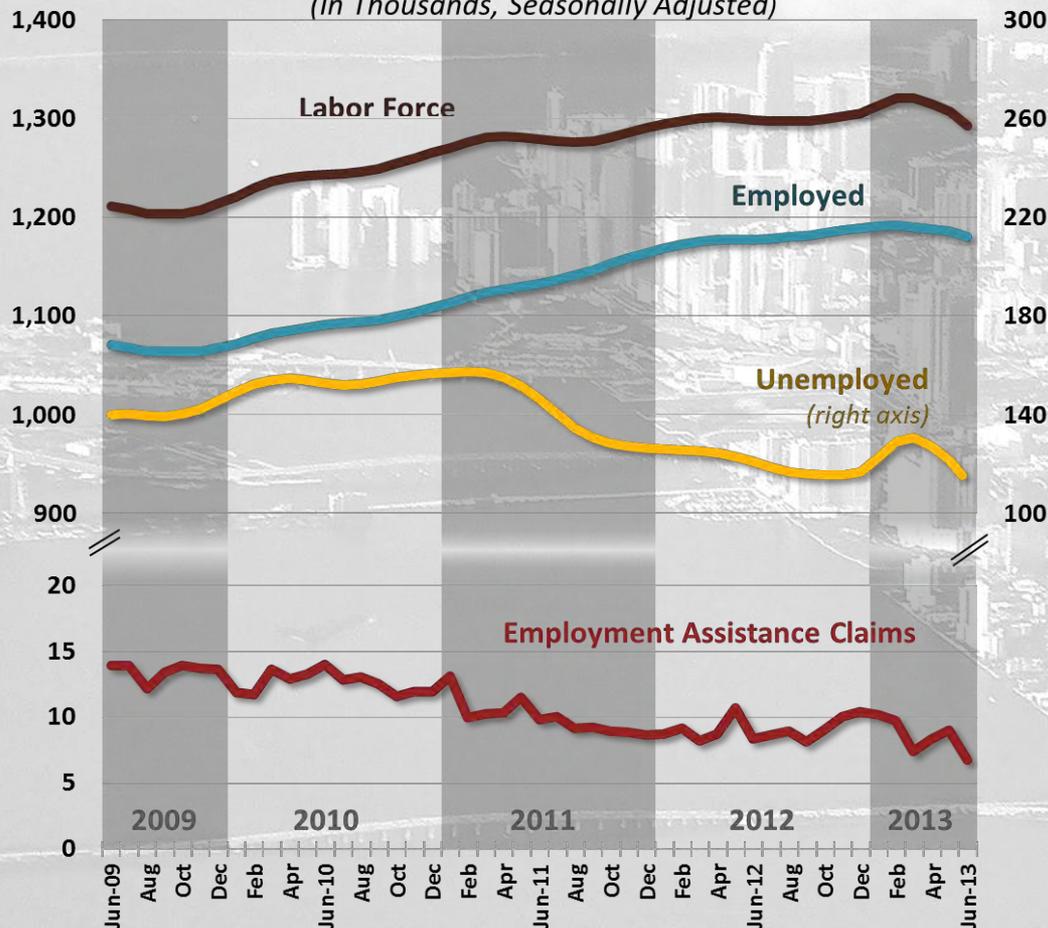


Data Source: U.S. Bureau of Labor Statistics, EDIT.

- Last 12 months suggest public sector job cuts holding back stronger gains.
- Retail and wholesale trade growing, growth in Leisure/Hospitality (consumer driven)
- Real Estate accounting for nearly all the growth in “Financial Activities.”
- Net hiring in manufacturing.
- Govt cutbacks constraining employment gains.
- ACHA leading to efficiencies in healthcare deliveries ahead of implementation.

Unemployment Estimates

Labor Force, Employment & Unemployment
(In Thousands, Seasonally Adjusted)



Data Source: Bureau of Labor Statistics

- Number of unemployed began to decline in early 2011 through end of 2012.
- Until 2013 labor force grew at moderate pace with employment gains large enough to reduce unemployment rates (UR).
- In Feb-Mar UR rose sharply.
- In recent months UR fell despite job losses because labor force declined sharply.
- Why? Few respondents to Census Bureau surveys in MDC are *discouraged* or *conditionally interested workers*.

Unemployment Estimates

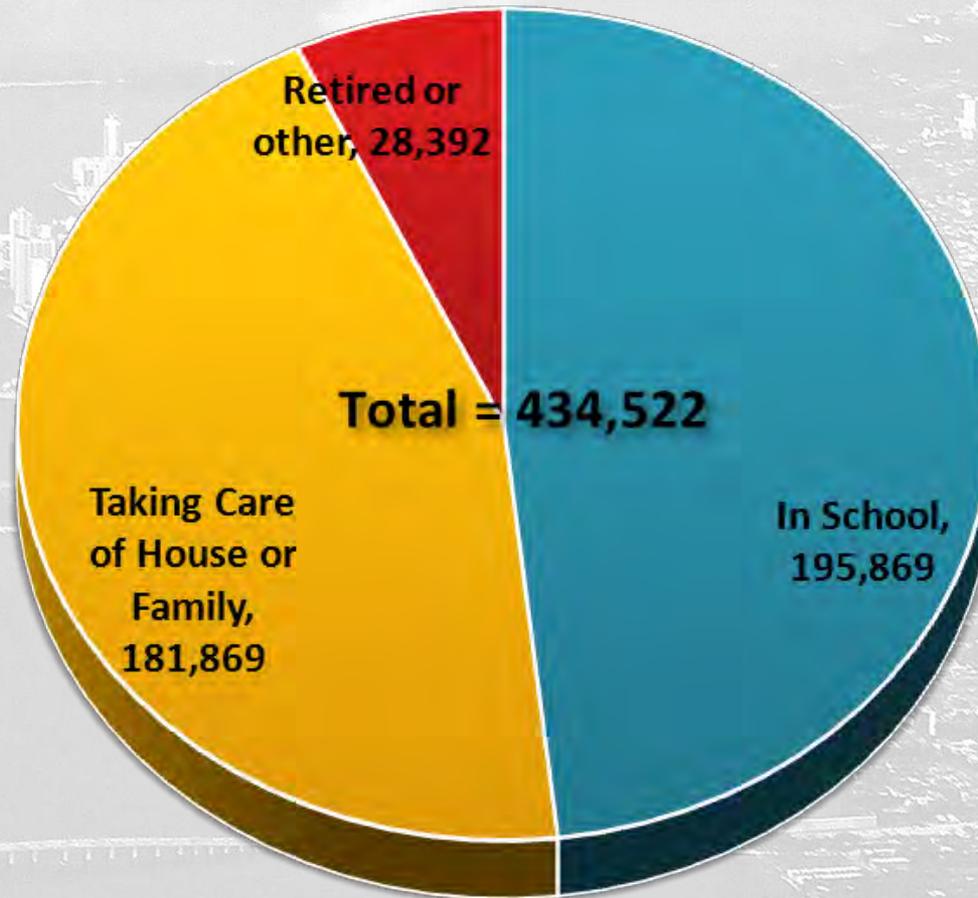
Components of Labor Force Change in Miami-Dade (2013:Q1 to 2013:Q2)

Decline in the Labor Force		65,008
Not Discouraged	In School	7,833
	Taking Care of Home or Family	60,851
	Other	(3,427)
Discouraged	Discouraged	1,427
	Conditionally Interested	(1,892)
	Not Available	217

Data Source: U.S. Census Bureau DataFerret, CPS 2013

Unemployment Estimates

2013* Population Not in the Labor Force & Reason

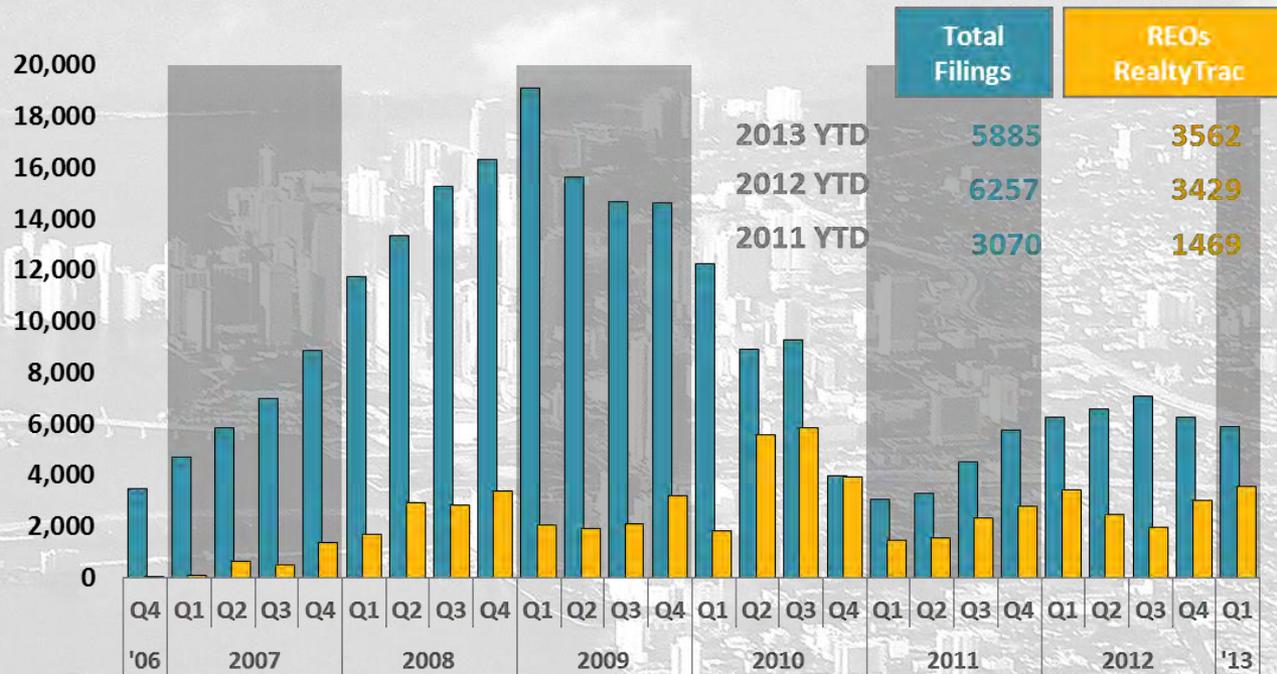


* 2013 monthly average through June.

Data Source: U.S. Census Bureau, DataFerret, 2013.

Housing Foreclosures

Miami-Dade Foreclosures Filings and REO's (completions)

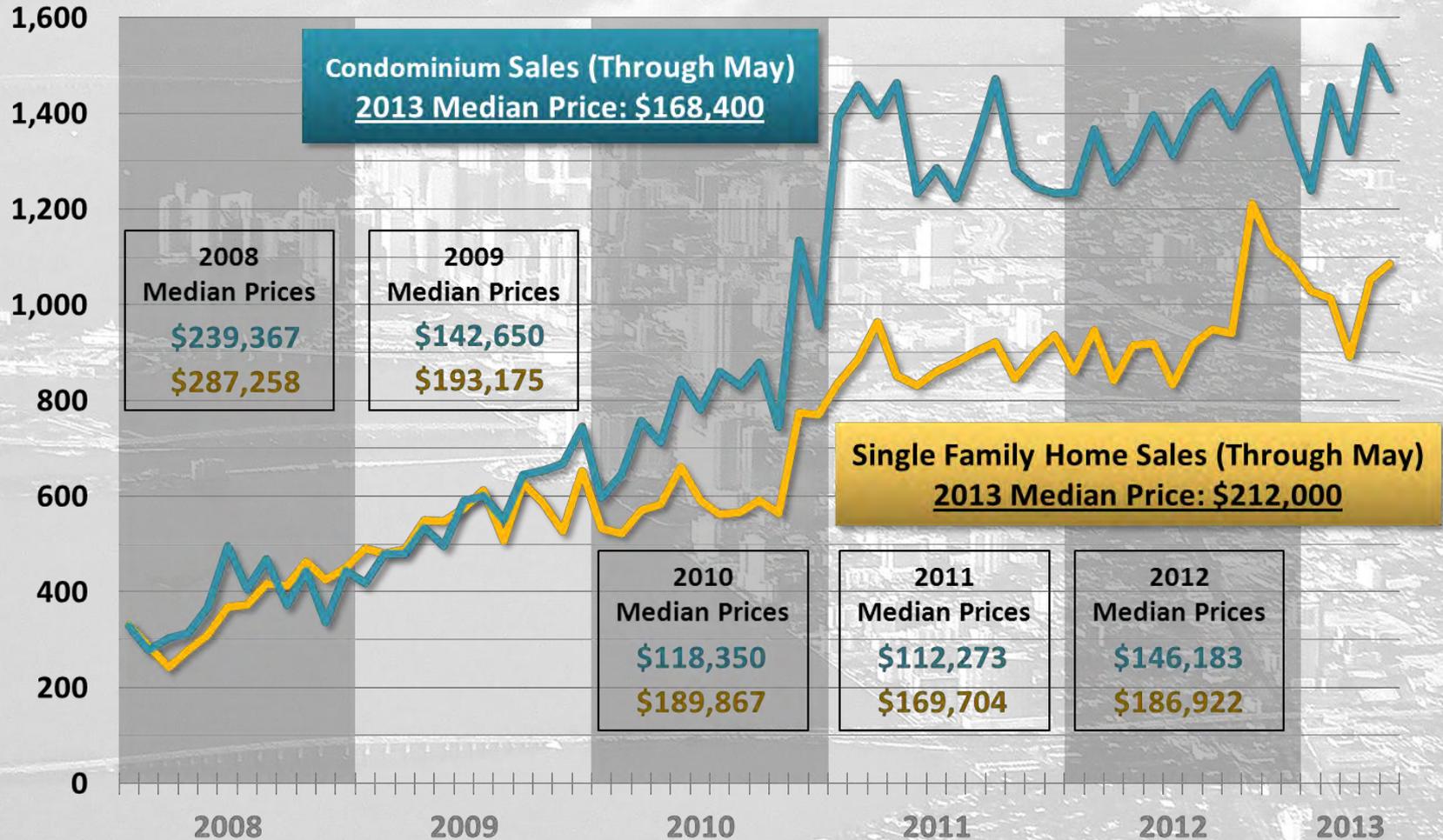


Data Sources: Miami-Dade Clerk of Courts, RealtyTrac.

- Both foreclosure filings and REOs flattened out in the second half of 2012 and the beginning of 2013.
- Filings in first quarter 2013 = 5,885; Filings in same period 2012 = 6,257
- REOs in first quarter 2013 = 3,562; REOs in first quarter 2012 = 3,429

Existing Home Sales & Prices

Miami-Dade Home Sales and Median Price



Data Source: Miami Assoc. of Realtors.

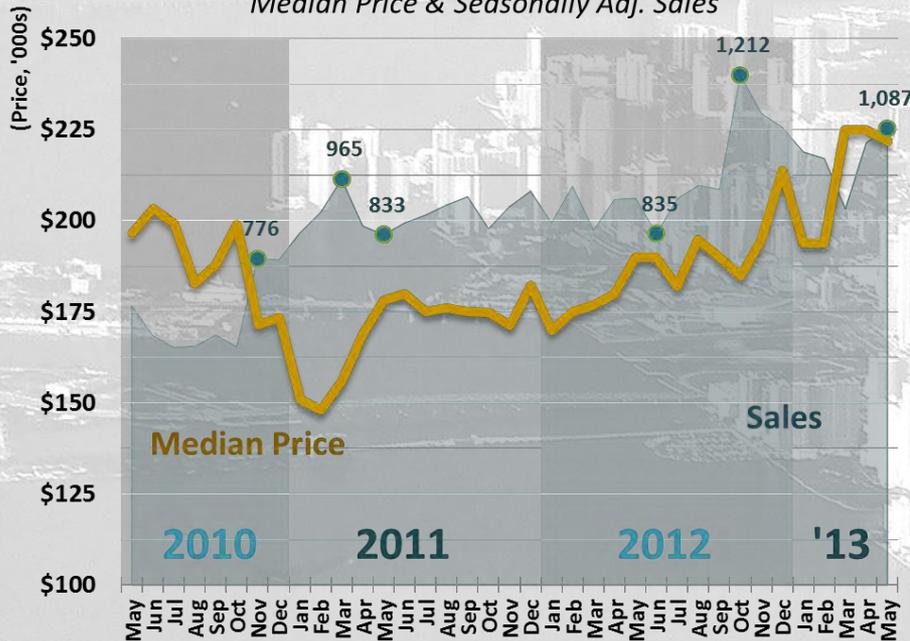
Existing Home Sales & Prices

- Homes sold through realtors YTD May up 9.4% above last year.
- Prices SF & condo homes remained strong through May.
- 40% sales in May were foreclosures or short sales vs. 50% last May.
- Good chance of price stabilization with appreciation by year's end.
- Latent demand + better credit access = stronger market in 2013 vs. 2012.

Existing Home Sales & Prices

Single-Family Home Market

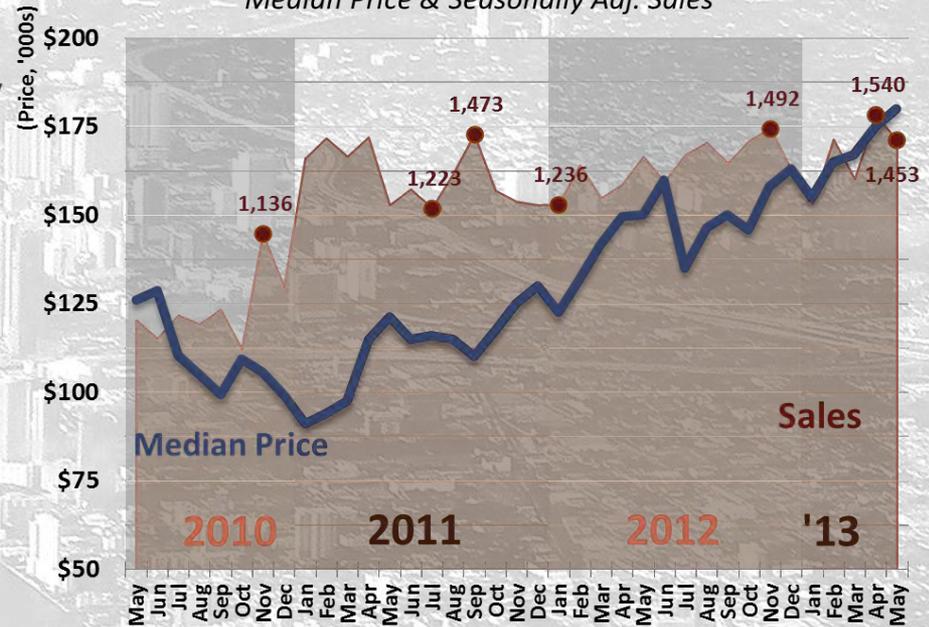
Median Price & Seasonally Adj. Sales



Data Source: Florida Realtors.

Condominium Market

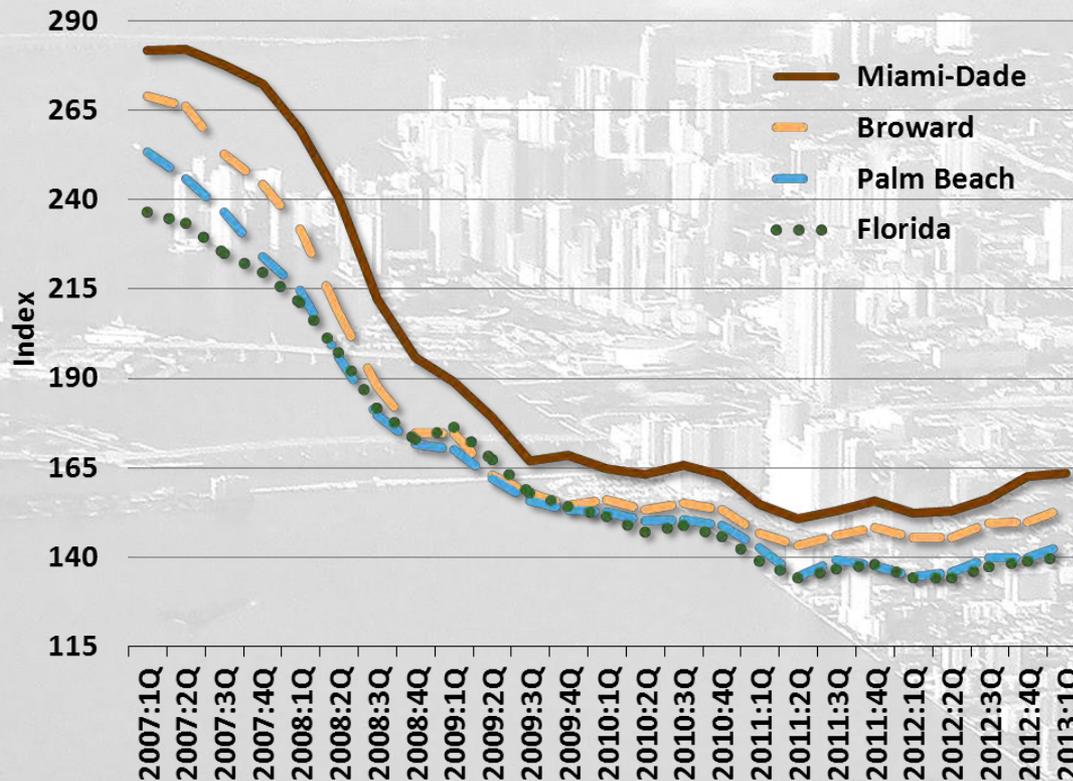
Median Price & Seasonally Adj. Sales



Same Sales Housing Price Index

FHFA Housing Price Index

1st Quarter 2000 = 100

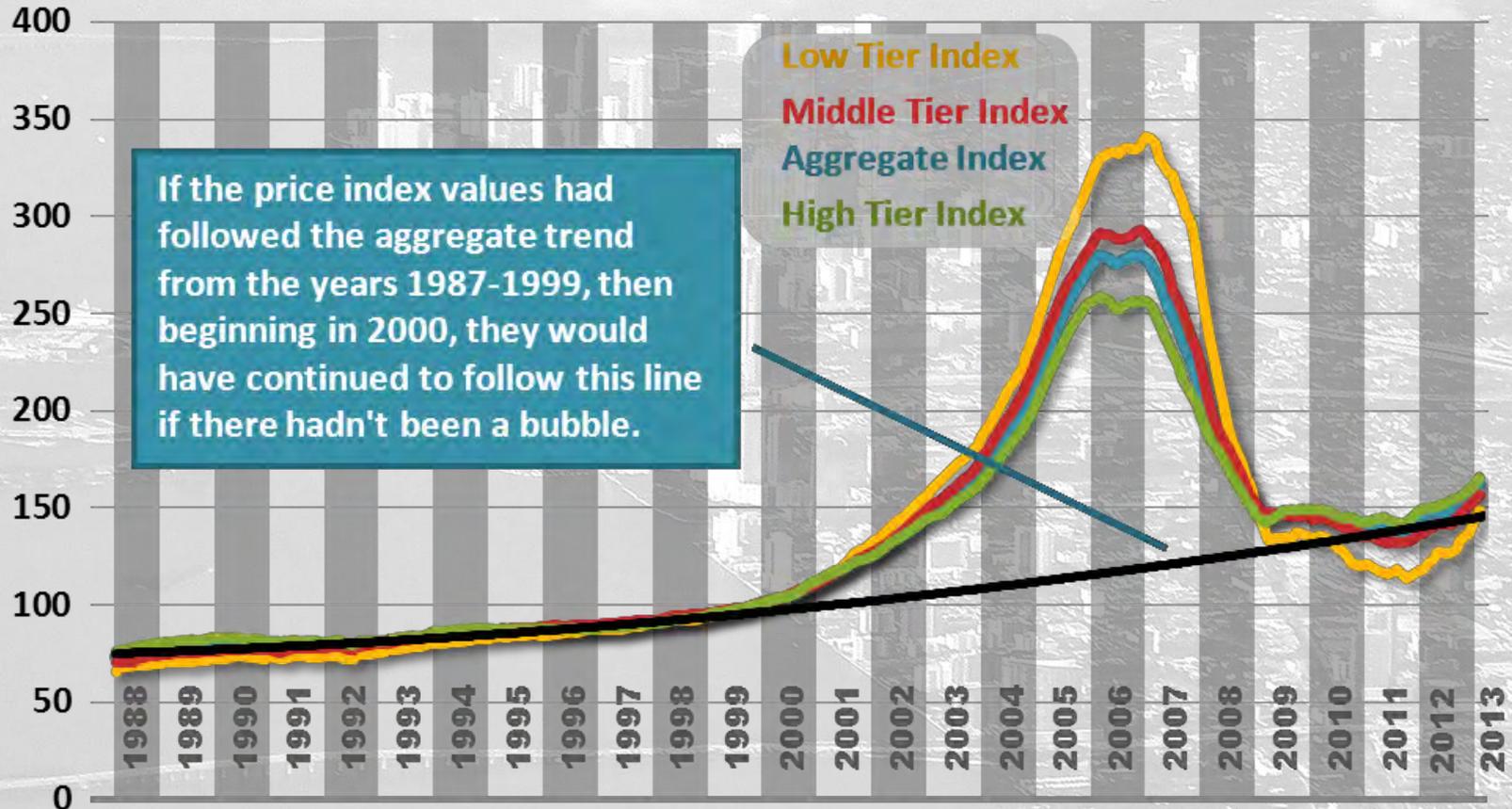


- Federal Housing Finance Agency (FHFA) also indicates that Miami-Dade home prices continue to trend higher.

Data Source: Federal Housing Finance Agency

Same Sales Housing Price Index

Case-Shiller Index - Deviation from the Long Term Trend* of Each Housing Price Tier (Through April, 2013)



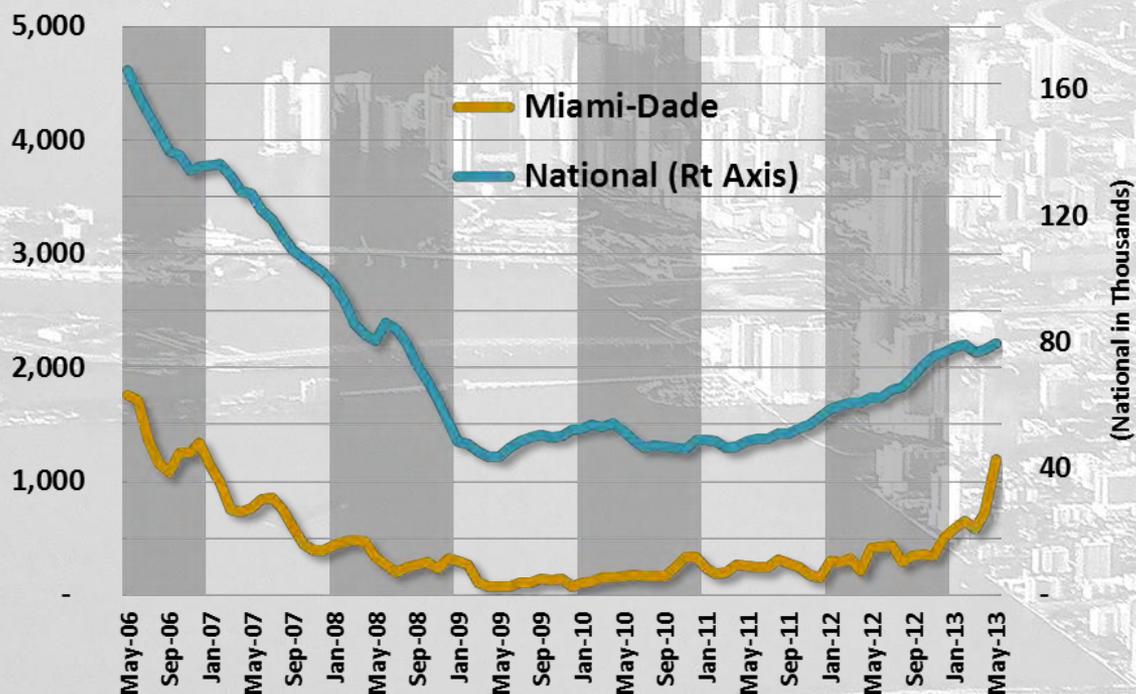
* Long run trend based on data from Jan 1987 through December 1999.

Data Source: S&P Case-Shiller; R.E.R Economic Policy & Analysis.

Housing Units Authorized by Permit

Monthly Residential Building Permits

(Seasonally Adjusted 3-Month Moving Average)

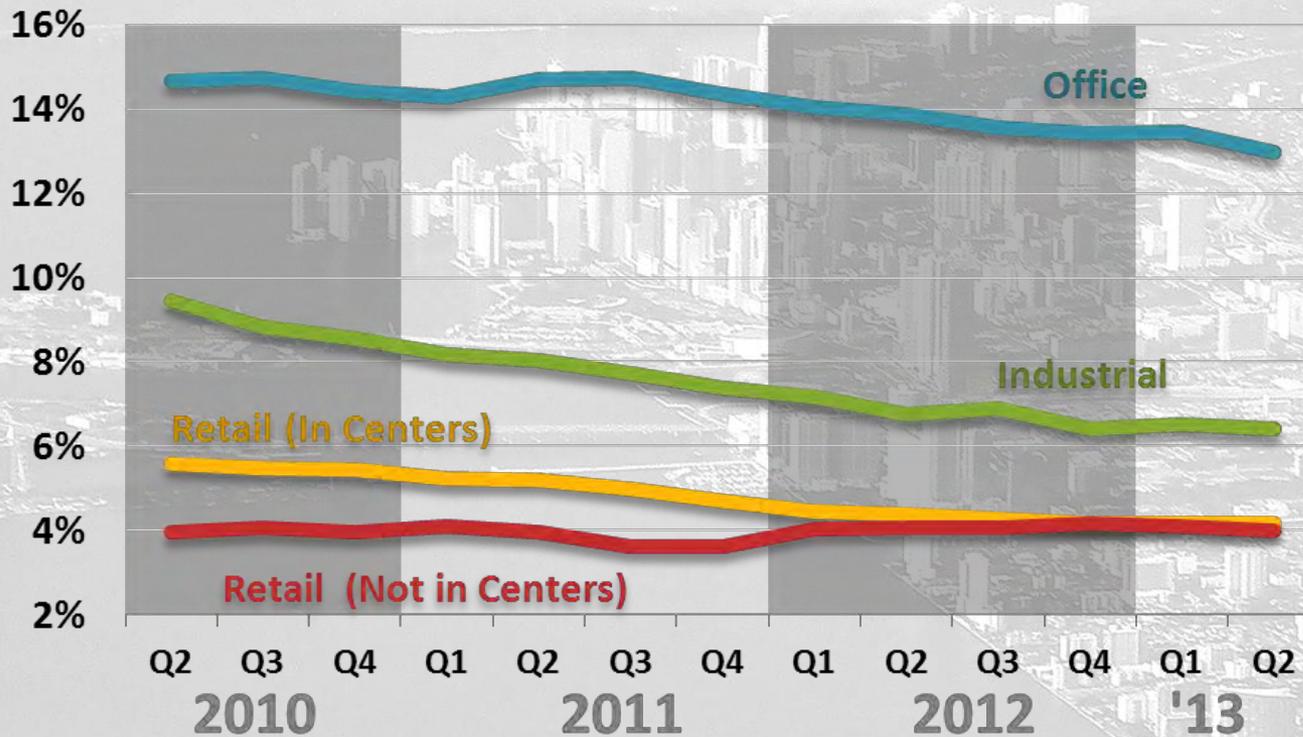


Data Source: US Census Bureau

- Units authorized by permit remain much below pre-housing bust levels, but picked up year-to-date.
- Large share (73%) of authorized units were in multi-family structures (5+ units) over last 12 months.
- 7,683 permitted units in last 12 months, up 118% from 12.

Commercial Real Estate

Miami-Dade Commercial Vacancy Rates

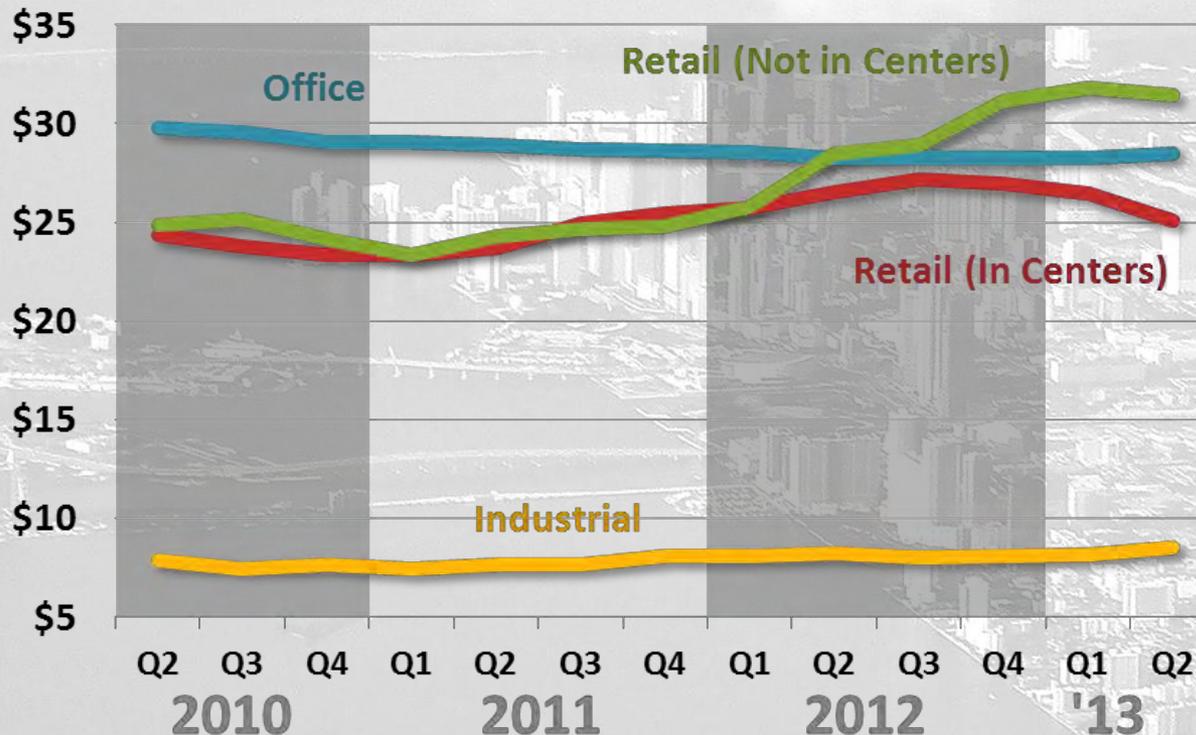


Data Source: CoStar Group

- Office vacancy rates still high but have seen a consistent decline in last 2 years.
- Industrial vacancy rates have fallen significantly.
- Vacancy rates for retail has remained locked in the 4% range since 1Q12.

Commercial Real Estate

Miami-Dade Commercial Lease Rates

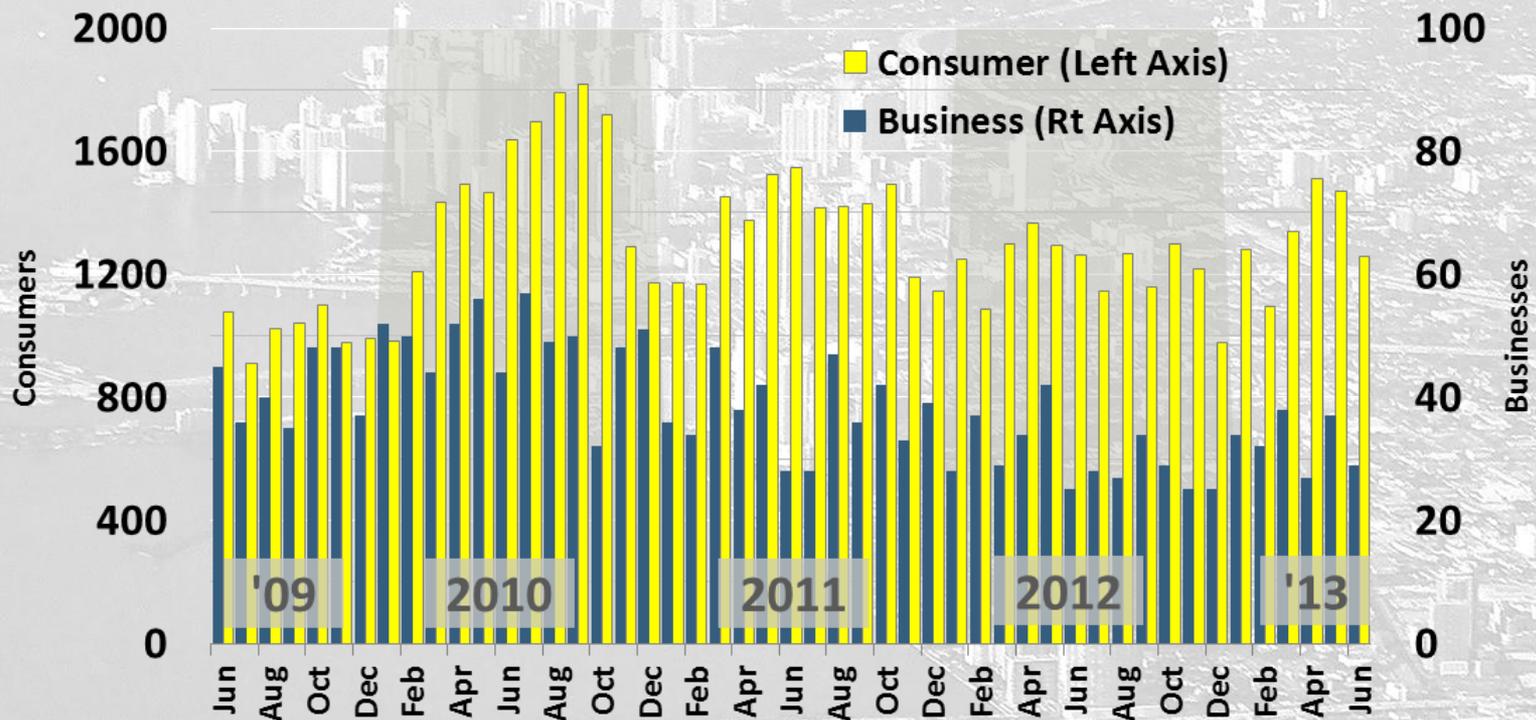


Data Source: CoStar Group

- Industrial and retail lease rates showed strong gains in 2012, slowed in 2nd half and this year.
- Office lease rates may have turned corner, up two in a quarters in a row.
- Commercial property values should improve some this year as vacancy rates continue to improve.
- Stronger gains require stronger employment gains.

Financial Distress: Consumers and Local Businesses

Bankruptcy Filings: Miami-Dade



Source: U.S. Bankruptcy Court, Southern District

Financial Distress Among Consumers

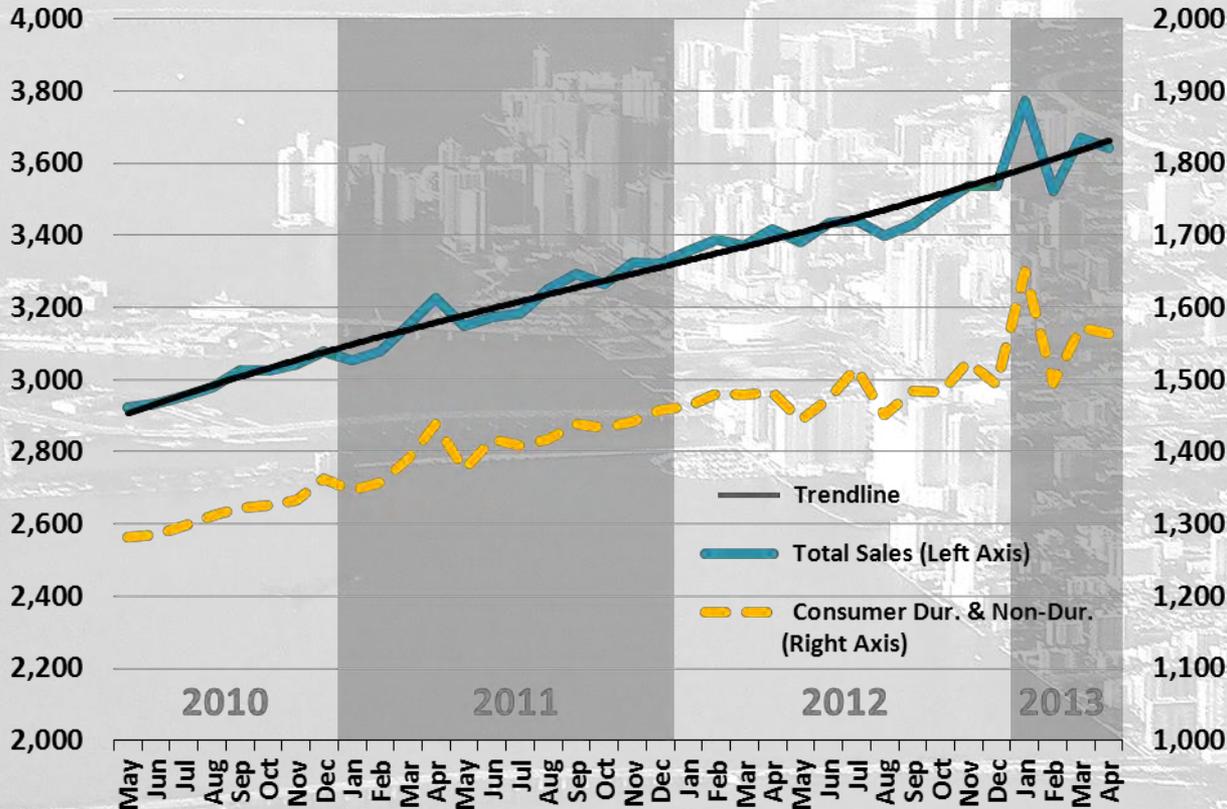
- **Consumer bankruptcies rose quickly during the recession and, although declining, continue at high levels.**
- **Average monthly filings:**
 - **2007 = 390;**
 - **2010 = 1,475;**
 - **2011 = 1,361;**
 - **2012 = 1,218;**
 - **2013 = 1,326 (Jan -June)**
- **Personal bankruptcy filings lag behind the business cycle. Filings will begin to decline when job growth accelerates and unemployment rates decline.**

Financial Stress on Local Businesses

- **Business bankruptcies rose quickly during the recession, decreased in 2011 (-23%), and again in 2012 (-20%) and increased in the first six months of 2013 (1%) over the same period last year.**
- **Average monthly filings:**
 - **2007 = 25;**
 - **2010 = 49;**
 - **2011 = 38;**
 - **2012 = 30;**
 - **2013* = 33 (Jan -June)**

Taxable Sales

Miami-Dade Taxable Sales
Seasonally Adjusted, Million \$

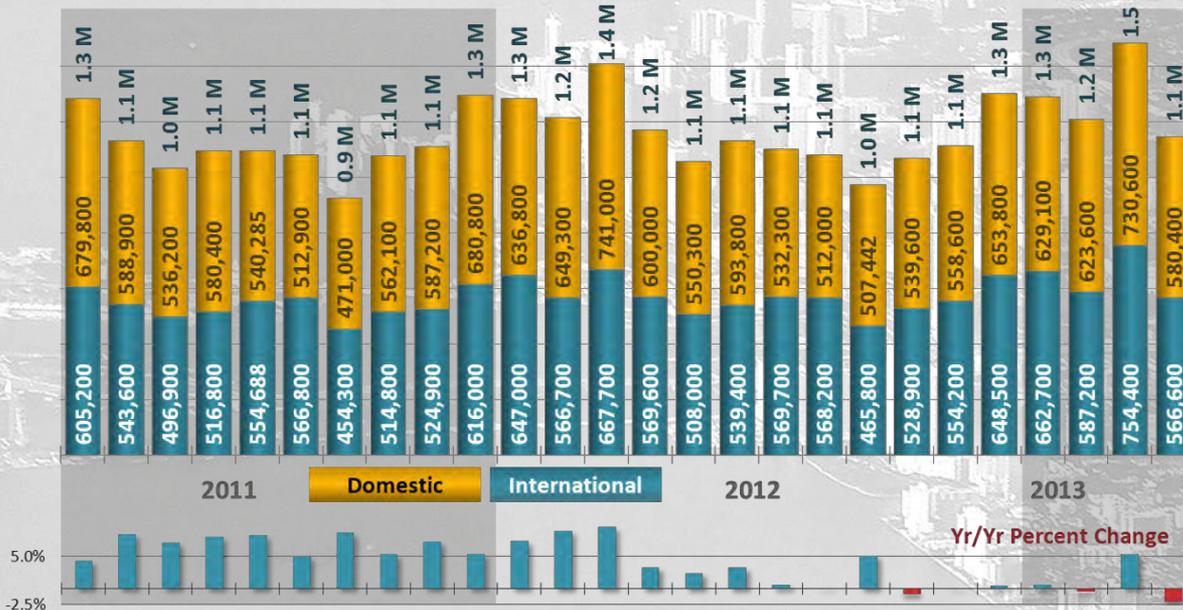


- Taxable sales continue to increase (since spring 2009).
- Sales have been erratic in 2013 however continue along the long-term trend.

Data Source: FL Office of Economic & Demographic Research; OEDIT

Tourism

Overnight Visitors to Miami-Dade County

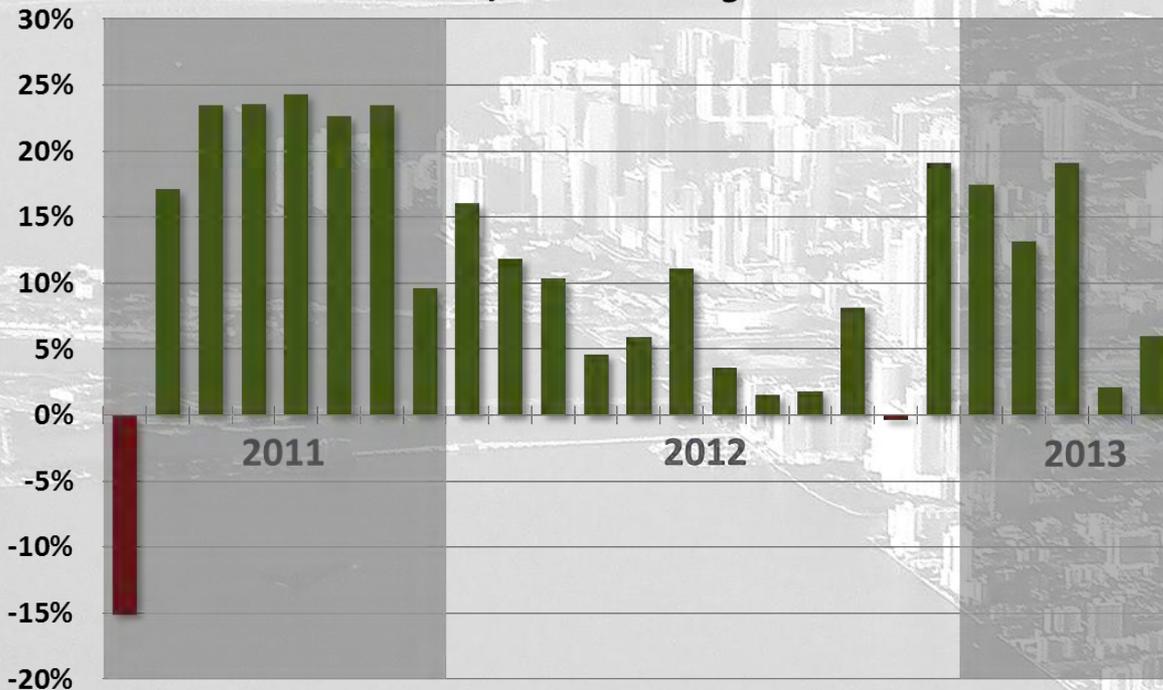


Data Source: Greater Miami Convention and Visitors Bureau.

- Growth in tourism nearly stop in late 2012.
- Year-over-year growth rate in visitors averaged less than 1% Since July of 2012.
- CDT generated in YTD FY13 up 10% over same period last year.
- Key regions of origin include Northeast US, South America, Southern US, Europe & Midwest US.

Tourism

Rev. per Available Room Through Dec. 2012
Year/Year % Change

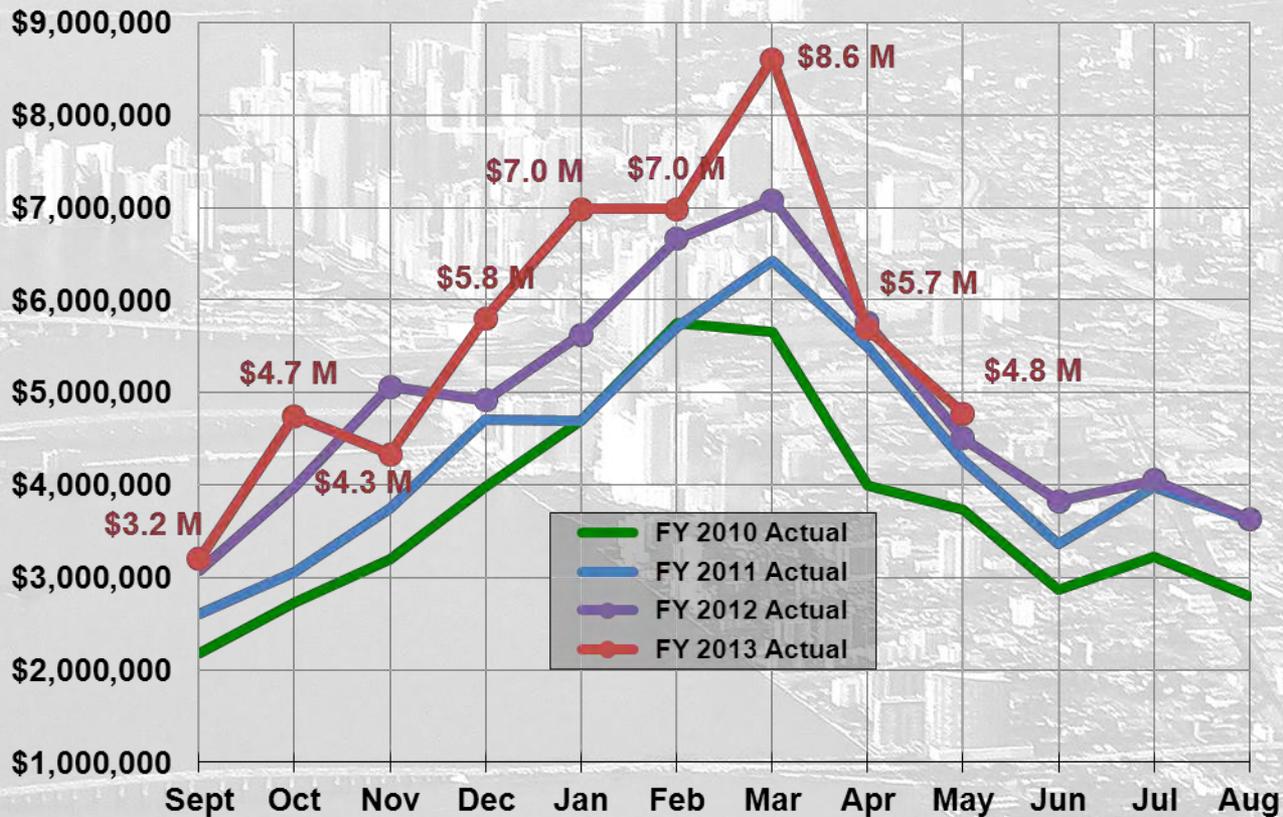


Data Source: Greater Miami Convention and Visitors Bureau

- Revenue per available room failed to grow on a year/year basis in only 2 of the past 24 months.
- Growth slow considerably the last 2 months but has averaged 8.6% over the last 12.
- 2011 average growth was 13%. In 2012 the average was 8% and 2013 YTD, 12%.

Bed Tax Collections

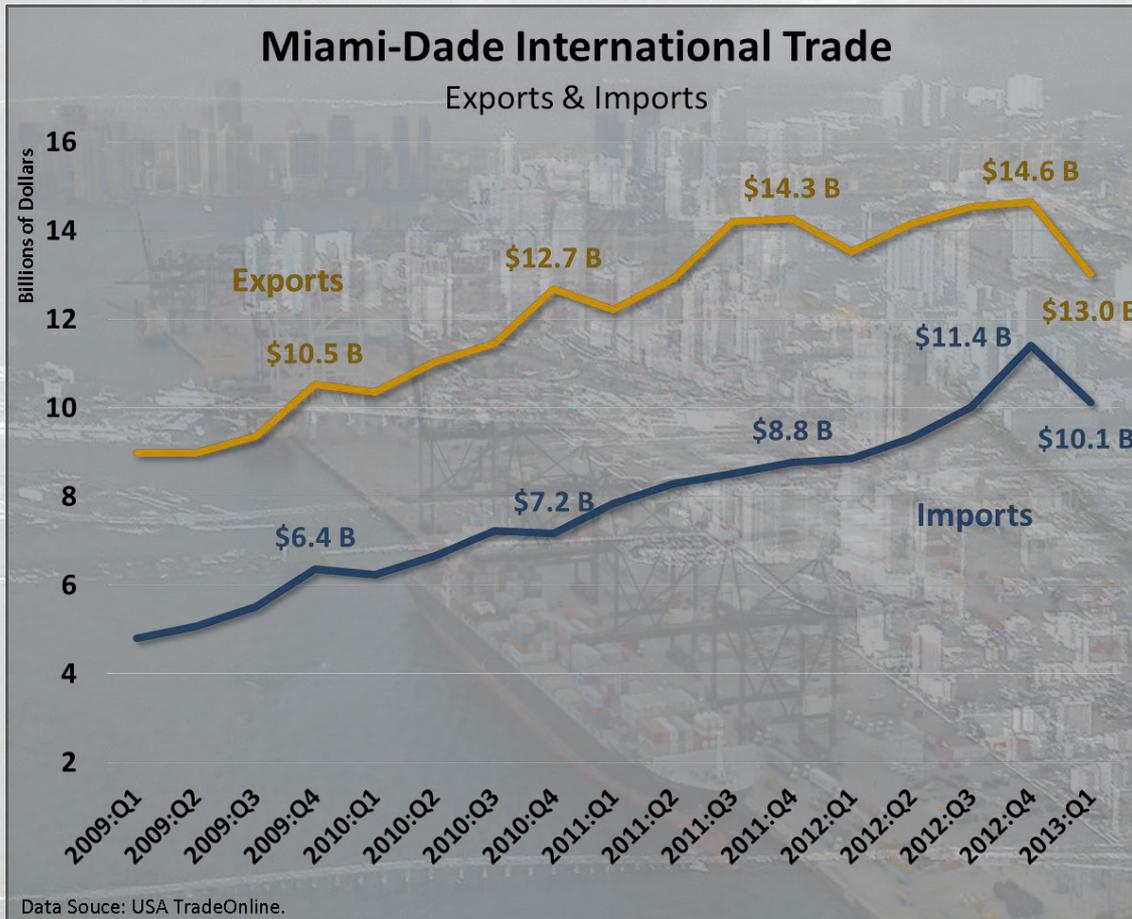
Convention Development Tax Revenues
 •(by month generated)



1. The Convention Development Tax is a 3% bed tax collected in Miami-Dade County, except Bal Harbour and Surfside.

Source: Miami-Dade County Finance Department

International Trade



- The value total trade in the first quarter of 2013 was 3.4% above the first quarter of 2012.
- Total trade in 2012 from MIA and POM was 11% above 2011.
- Three years of steady growth at MIA and POM.
- 2012 saw continuing diversification in value of trade among trading partners (+Europe, +Asia).

International Trade

Miami-Dade Imports and Exports (Billions of US \$)



Data Source: USA Trade Online.

- South America remains the largest trading region for Miami-Dade ports with Brazil leading the way when measured in terms of value. (EX fell 4.4%)
- Central America & the Caribbean are the most important source of imports by value.
- The 5 largest partner countries by value are Brazil, Colombia, Switzerland, Costa Rica and China (No.1 when measured by tons).

An aerial, grayscale photograph of the Miami skyline, showing numerous high-rise buildings and a dense urban area. The text is overlaid on this image.

Q & A

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