

REDI Economic Snapshot

Research & Economic Development Insight (REDI)

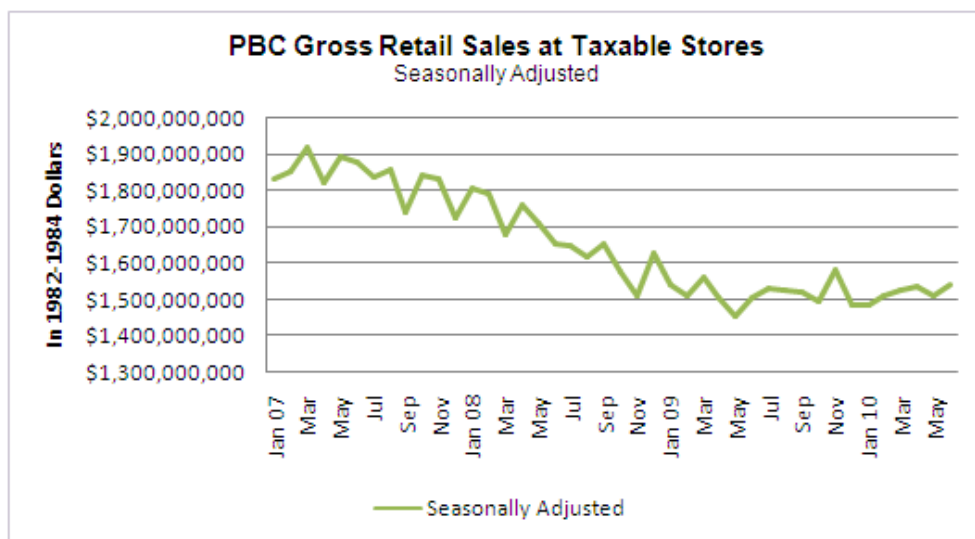
Palm Beach County Recession Ends With a Whimper

While the end of the great recession may have been indiscernible to Palm Beach County residents and businesses, the data is clear. The nascent economic stabilization that local economists observed in the second quarter of 2009 gained enough momentum to end the County's precipitous decline in jobs, housing prices and consumer spending by September of last year.

Like the nation, the County is experiencing a disappointing recovery that is still at risk of faltering due to the potential fall-out from looming hyper-devaluation of fiat currencies and the losses of the real estate bubble continuing to wear on financial markets. The County also has the additional challenge of being largely consumer rather than manufacturing driven which means small advances in population growth and tourism will provide the most likely source of fuel for the recovery.

After reaching their minimum value in May 2009 and experiencing some slight growth, retail sales in the County have now been over 2009 levels for the last four months.

According to the University of Florida's Bureau of Economic and Business Research, Palm Beach County also reversed its population decline (gaining 10,205 new residents) in 2009 and is on track to be one of the fastest growing counties in the State. The County did not experience the boom and bust of temporary census jobs registered at the national level, but local non-farm job creation has been growing slowly since Dec 2009 (July 2009 saw the peak of initial unemployment claims). The unemployment rate has been basically flat or declining since the first quarter but is expected to increase slightly as the County enters its lowest ... (cont)



EVIDENCE OF ECONOMIC STABILIZATION

- Job declines stabilized in Dec 09 with the unemployment rate flat or on the decline since the beginning of the year.
- The housing demand curve has shifted—Prices stabilizing even though inventory remains high
- Tourism employment trending up year over year
- After months of slowing declines then nascent growth, retail sales in the County have been up year over year for the last four months
- New August Filings for foreclosure down 72% over August 2009 (State filings have been in decline since April 2010)

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Benchmarks of Future Growth

While phrases like “the new normal” and “less negative is the new positive” are prevalent today, they are of little use to a local business community that is focused on setting goals and performance targets that are in line with the sluggish upside of the business cycle. Much of the information available to assist in these efforts is outdated, retrogressive or identifies nothing less than the arrival at the peak employment levels, consumer spending and housing prices of the last real estate bubble as evidence that the County has “recovered.” While monthly job creation/loss continues to vary by the thousands, non-farm employment has seen an average monthly increase of +240 jobs since January 2010. Tracking the totals at least quarterly can help local companies, nonprofits and governments stay ahead of the headlines and plan appropriately for growth.

Recovery Tracker

PBC All Jobs: 560,252, Aug 10

Years until hitting 12/2006 Employment Level (Peak)

20 Year Average
+597 Jobs Per Month

8 (601,961 Jobs)

Years until hitting 10/2005 Employment Level

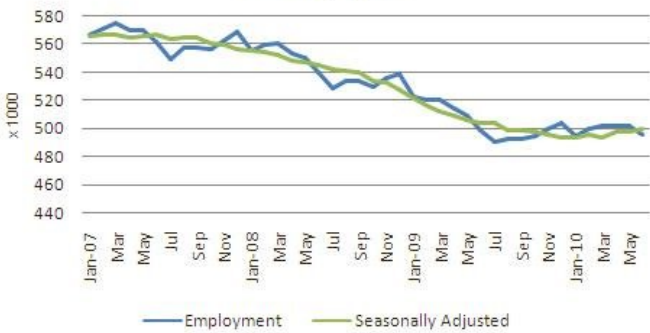
4 (576,213 Jobs)

Unemployment Rates (US 9.5)

FL	11.7	ORL	11.9
JAX	11.9	PB	12.5
MIA	14.4	TMP	12.6

PBC Non-Agricultural Employment

Seasonally Adjusted



Palm Beach County Recovery Continued

...tourist season of the year. The labor market lags the general economy which is why the County's upturn in jobs was six months after the upturn in sales. In addition, the fact that PBC sales data turned around at the same time as the Nation suggests that tourism (which is primarily driven by National consumption) is the industry that has led the local economy out of the recession. The low point in employment for leisure and hospitality was in January 2010, and since then it has shown a fairly dramatic rise.

The shift to recovery is also evident in the supply and demand dynamics of the residential real estate sector. At the start of the real estate correction in 2007 both sales and prices went into a free fall. As the County moved into its “foreclosure” phase, prices continued to fall but sales (demand) began to rise. With new foreclosure inventory on the decline over the last five months, the County's recovery phase is characterized by a more composed inflow of supply which has flattened prices for well over a year without diminishing minor upticks in sales.

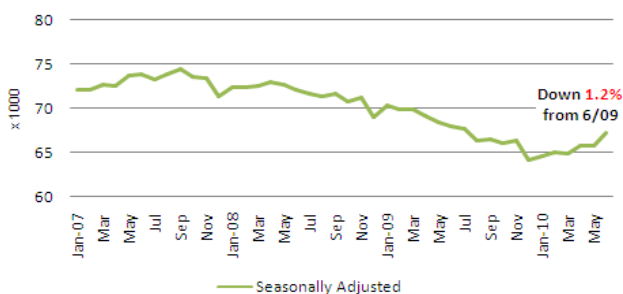
PBC Existing Homes



Even without the complexities of unwinding properties financed through Commercial Mortgage Backed Securities (approx. 20% of all loans nationwide) growth in the commercial real estate sector can often lag job recovery by 12 to 24 months. However, continued bank write-downs, the numerous new platforms for CMBS and growing REIT capital should provide some pressure to at least close the valuation gap between buyers and sellers; particularly for investment grade, income producing real estate that offers investors yields competitive with the Federal Funds rate.

PBC Leisure and Hospitality Employment

Seasonally Adjusted



The great recession significantly altered Palm Beach County's employment and real estate markets and its personal wealth landscape. High home inventories and global uncertainty are likely to depress the progress of the County's recovery into the foreseeable future.

EDRI ECONOMIST ROUNDTABLE

An association of academic, public and private sector economists advancing objective research and analysis of the issues that impact Southeast Florida's economic development and prosperity.

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Data Sources: FL Agency for Workforce Innovation, FL Association of Realtors, Bureau of Economic & Business research