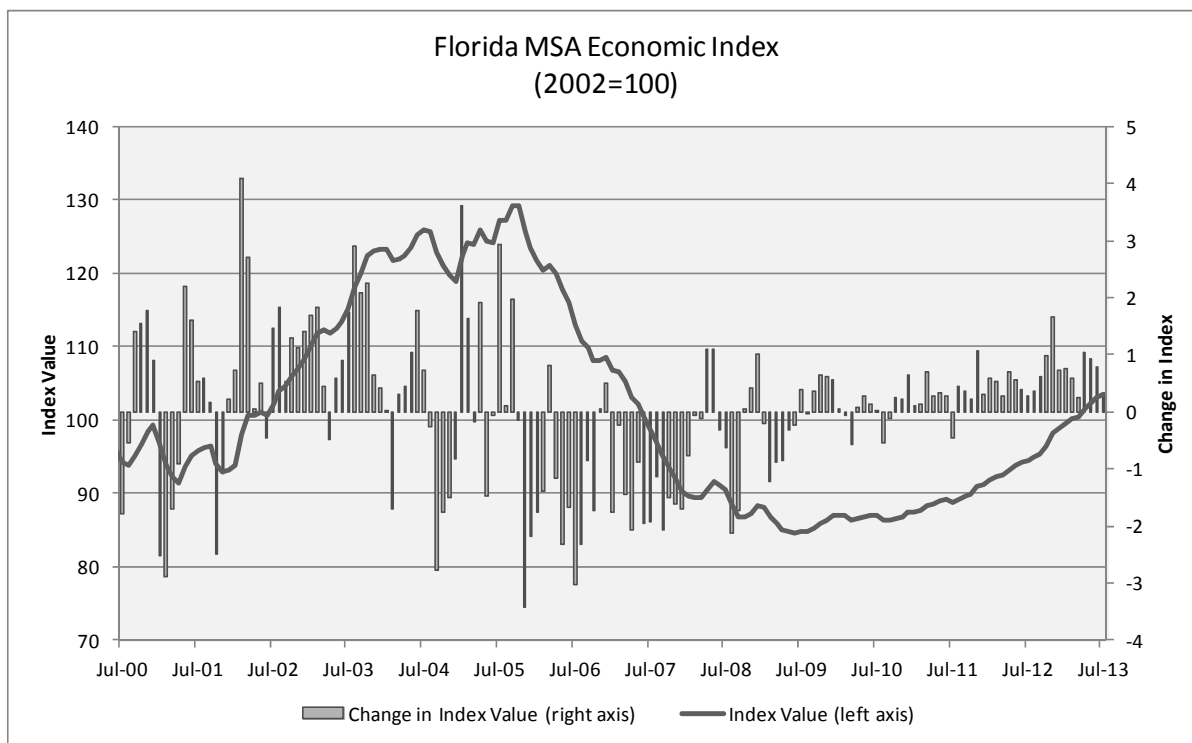


**ECONOMIC ACTIVITY - STATE OF FLORIDA**

**Econocast Index of Economic Activity for the State of Florida and its Metropolitan Statistical Areas - September 2013**

The Econocast Index of Economic Activity – a gauge of economic performance for the State and its MSAs – saw gains decelerate to 0.33% in July compared to 0.77% in June. This marks the fourth month of declining momentum and the slowest gain in twelve months. Gains picked up slightly on an annual basis, growing 9.54% in July compared to 9.49% last month. Breadth of strength across markets fell notably with only ten out of 19 showing gains from June to July. Longer term gains remain robust though with 18 out of 19 markets advancing compared to the same month last year.



Source: Fishkind & Associates, Inc.

The chart above shows the Index of Economic Activity for the State of Florida on a monthly basis through July 2013. The solid line represents the index value and the bars plot the monthly change in the index.

*Note: This edition of the Index institutes revised MSA geographical definitions from the Federal OMB which redistributes some counties amongst MSAs and also reduces total FL MSAs to 19 from 20.*

## INDEX LEVEL

The main driver of the slow performance in July was a pullback in housing starts. Although unemployment claims also fared worse, they did not impact the overall index as dramatically. The resale housing market held steady; pricing was flat while sales volume picked up.

Housing starts were down 9.2% in July following a sizable decline in June. This puts new construction at 4,902 units per month (both single and multifamily) which is the lowest level in 10 months. The year over year measure is 16.9% higher though because of the strong uptrend that's been in place for this metric. To provide perspective, Florida's population growth and household formations support about 10,000 starts per month. The gap is partly due to the large shadow inventory of foreclosed properties left over from Florida's epic housing bust. Existing single family sales jumped 10.2% from June to July as many buyers looked to lock in deals before further interest rate increases. As of this writing, 30 year mortgage rates stand above 4.5% - over 115 basis points higher than post recession lows seen at the end of 2012. Median resale pricing continues to post new highs, although the pace of gains is slowing. July saw prices 0.2% higher than last month, and over 20% higher than the same month last year. As we've said in previous newsletters, interest rate increases are causing affordability issues. This is hindering demand for lower tier price options, and we expect to see the effect on pricing more clearly once the final surge of buyers looking to lock in prices clears. Unemployment claims remain in a downtrend, although the uptick from June to July (+16.5%) was the largest in over twelve months.

Narrowing the focus to the local market level, the Cape Coral-Ft. Myers MSA had the largest monthly gain led by a nearly 10% increase in resale volume. Although housing starts were flat from June to July, they have been in a strong uptrend in recent months which is reflected in the current index value by the use of a four-month moving average. The Panama City Beach MSA had the worst performance from June to July where all components fared worse except for resale volume. Again, it is likely this reflects buyers looking to lock in low rates. Most troubling was the 15%+ increase in unemployment claims – the largest in 11 months – although this metric tends to produce volatility.

Year over year strength was concentrated in the major metropolitan areas of the state with the Orlando MSA faring particularly well. Miami was not far behind. These areas continue to be buoyed by robust gains in housing markets and job growth due to diverse economic bases. In contrast, an area like the Punta Gorda MSA, which had the worst year over year performance, is home to only one or two principal industries. Its main focus is retirement, but with homes still relatively affordable around the state, most buyers are opting for Sarasota County to the north, or Lee and Collier Counties to the south.

The table on the next page shows the index level, monthly change, annual change, and the 12 month trailing average of the month to month percent change for each MSA within the State of Florida and the State as a whole.

The 12 month trailing average of the month to month percentage change reflects the average monthly growth rate of the index over the past year. The MSAs have a growth rate ranging from a low of -0.11% in Punta Gorda to a high of 0.90% in Tamp-St. Petersburg-Clearwater.

<b>Jul-13</b>	<b>Index</b>	<b>m/m</b>	<b>y/y</b>	<b>12 mo Trailing</b>
<b>MSA</b>	<b>Level</b>	<b>% Change</b>	<b>% Change</b>	<b>Avg of m/m % Cng</b>
<b>Cape Coral - Ft. Myers</b>	101.0	1.13%	7.13%	0.39%
<b>Deltona - Daytona Beach – Ormond Beach</b>	99.8	0.91%	10.37%	0.63%
<b>Crestview - Ft. Walton Beach - Destin</b>	115.8	-0.06%	6.33%	0.53%
<b>Gainesville</b>	103.8	-0.47%	8.94%	0.69%
<b>Jacksonville</b>	104.5	-0.61%	6.91%	0.62%
<b>Lakeland - Winter Haven</b>	106.7	0.89%	11.71%	0.88%
<b>Miami – Ft. Lauderdale – Pompano Beach</b>	104.9	0.09%	11.00%	0.85%
<b>Naples - Immokalee - Marco Island</b>	103.6	0.80%	9.01%	0.59%
<b>Ocala</b>	101.5	-0.44%	6.79%	0.59%
<b>Orlando - Kissimmee - Sanford</b>	103.4	-0.22%	11.59%	0.86%
<b>Melbourne - Titusville - Palm Bay</b>	96.6	0.90%	5.28%	0.36%
<b>Panama City</b>	99.6	-1.71%	3.77%	0.67%
<b>Pensacola – Ferry Pass – Brent</b>	109.9	-0.04%	7.10%	0.69%
<b>Port St. Lucie</b>	99.4	0.93%	6.53%	0.63%
<b>Punta Gorda</b>	89.5	0.45%	-0.66%	-0.11%
<b>North Port - Sarasota - Bradenton</b>	106.0	0.25%	10.16%	0.81%
<b>Sebastian - Vero Beach</b>	107.2	1.05%	7.11%	0.64%
<b>Tallahassee</b>	100.1	-0.83%	7.11%	0.56%
<b>Tampa - St. Petersburg - Clearwater</b>	102.6	-0.52%	10.59%	0.90%
<b>Florida</b>	103.5	0.33%	9.54%	0.73%

Source: Fishkind & Associates, Inc.

## **About the Index**

The Index of Economic Activity was created by Fishkind & Associates, Inc. The Index is designed specifically to capture current economic conditions, with an emphasis on the State of Florida and its constituent MSAs.

The index benchmark has been set to January 2002=100. Each point in the final index graphic shown in the monthly reports represents a four-month moving average of the Index values.

## **About Fishkind & Associates, Inc.**

Fishkind & Associates, Inc. is a thirty-six member economic and financial consulting firm with offices in Orlando, Naples, and Port St. Lucie, Florida. The company was formed in 1987, and has grown steadily since its inception. As one of Florida's premier economic consultants, Fishkind & Associates has extensive experience in economic and fiscal impact analysis, policy studies, forecasting, and finance throughout Florida and the United States.

The firm specializes in real estate analysis and development, management services, market research, feasibility studies, fiscal impact assessments, project financing, and litigation support including business valuation and expert witness testimony.

Fishkind & Associates conducts residential real estate feasibility research. This involves price, product and supply analysis, as well as extensive consumer research and focus group studies. As a result, the firm has considerable skill in analysis and interpretation of consumer preferences, behavior patterns, and demographic trends. The firm's principal Dr. Henry Fishkind, Ph.D. was associate professor of economics at the University of Florida, and Director of the University's forecasting program.

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