

FLORIDA'S HOME CONSTRUCTION RECOVERY

Over the last year, there have been an average of more than 4,600 housing starts monthly in our state. Privately-owned housing starts in Florida have grown, and are now more than double the rate of the recent low point in March 2009, when only 1,806 private single housing units were started in the entire state of Florida.

Private Single-Unit Housing Starts in Florida



Source: Federal Reserve Bank of St. Louis. Seasonally Adjusted Monthly Data.

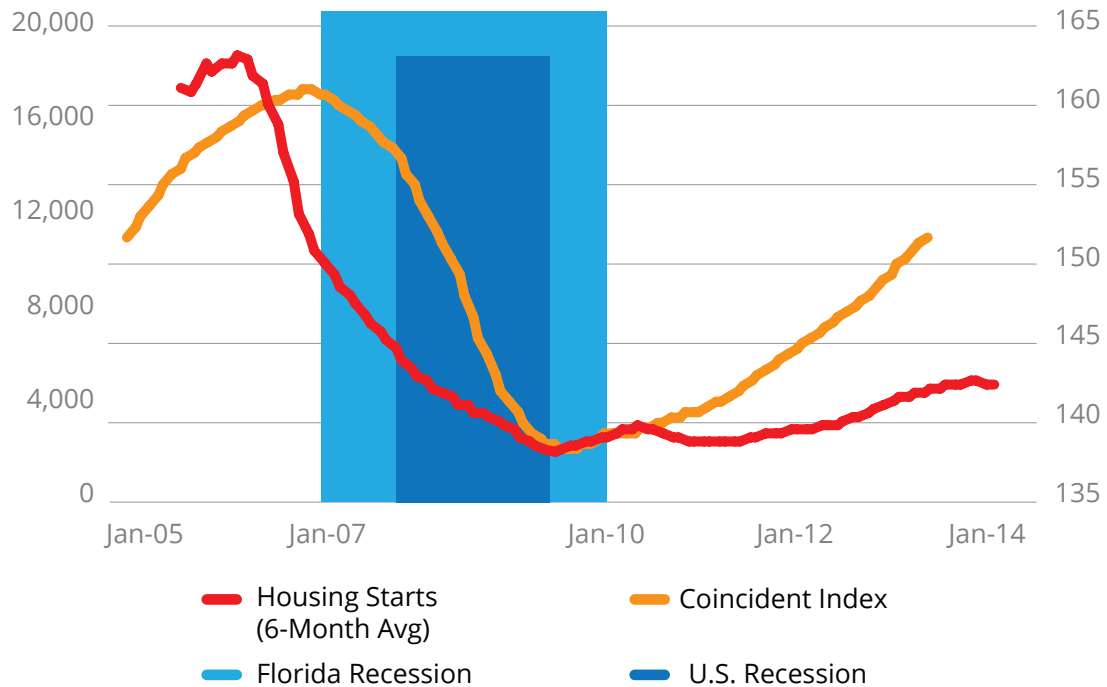
Florida's current housing start numbers are still below historical numbers, but the trend is positive and it has substantial positive implications for the Florida economy.

HOUSING STARTS: A LEADING INDICATOR

Housing starts are an indicator of the health of the economy as they show builders' commitments to new construction activity and increases in housing starts indicate rising consumer demand. They also lead the national and the state economies which is why this statistic is often used in the construction of leading indices for state and national economies. For each of their State Leading Economic Index series, the Philadelphia Federal Reserve uses state-level housing permits for 1 to 4 units as one key indicator, along with other economic data such as interest rate spreads, initial unemployment claims, and average hours worked in manufacturing as well as other data.

In Florida's case, seasonally-adjusted housing starts began to drop steeply in April 2006, a full year before the Florida recession started, in April 2007. In a similar manner, Florida housing starts bottomed out in March 2009, while the Florida economy stayed in recession until January 2010.¹ Since the recovery of homebuilding from the lows in early 2009, housing starts have remained lower than historical levels, but they have shown steady increases and an acceleration in growth rates since early 2012.

Housing Starts Lead the Florida Economy



Source: FRED, the Philadelphia Federal Reserve Bank, and Florida TaxWatch

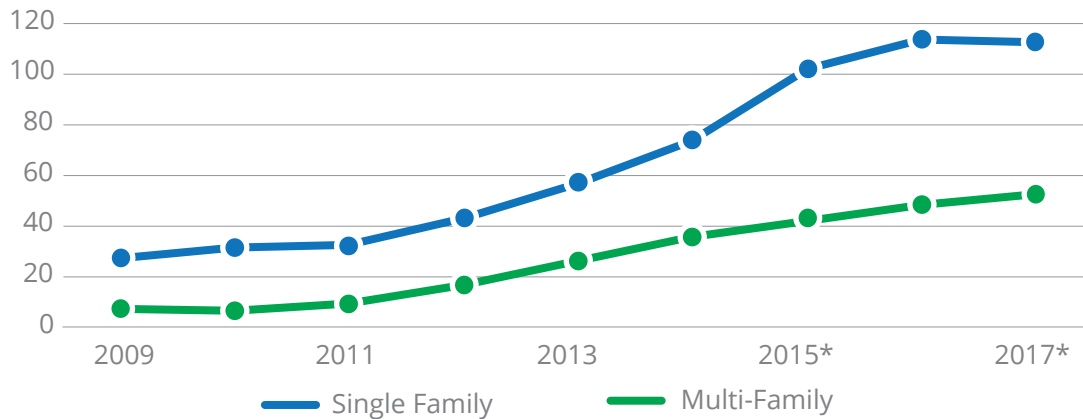
THE FORECAST FOR SINGLE FAMILY HOUSING STARTS

Using the March 2014 *Florida & Metro Forecast for 2014-17* published by the Institute for Economic Competitiveness at the University of Central Florida, the future for housing starts is expected to continue its positive trajectory. (chart, top of next page)

This forecast shows that, compared to actual 2013 levels, housing starts for single-family homes are expected to double by 2016, with substantial increases during 2014 and 2015. This would create a substantial amount of economic activity in terms of construction jobs, furniture purchases, and many indirect and induced jobs. Multi-family housing is also expected to more than double, from 2013 actual numbers to 2017.

¹ Florida TaxWatch. *Florida's Business Cycle*. June 2011.

Florida Annual Housing Starts Historical and Forecast (*)



CONCLUSION

Florida's home construction industry continues its strong recovery from the Great Recession. Recent increases in home construction indicate future improvement in Florida's economy given the role of that statistic as a leading indicator of the direction of future growth.

This trend of a recovery in residential construction, along with an increase in commercial construction will help improve job creation and increase tax receipts for the state of Florida. As shown in a previous Florida TaxWatch report,² increases in Private Domestic Investment lead economies out of recessions, and drops in that same statistic lead economies into recession.

Knowing the importance of spending on new homes and new commercial buildings in private domestic investment, a healthy construction industry is a large component of a healthy recovery from recession. The construction industry provides jobs for many Floridians, as well as contributing to the growth of other sectors such as housing services, home improvement stores, furniture retailers, realtors, and title companies.

Given the forecasts of even healthier future growth in home construction in both single-family and multi-family construction, along with positive indicators such as record Florida tourism, lower unemployment rates, and increasing consumer confidence, Florida is well-positioned to increase its growth rate and create even more jobs for Floridians.

² Florida TaxWatch, *When Will Economic Growth Accelerate?*, March 2012.

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Economic Commentary written by
Jerry D. Parrish, Ph.D., Chief Economist, and
Executive Director of the Center for Competitive Florida.

Robert Weissert, Chief Research Officer
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