

BROWARD-by-the-NUMBERS

FLASH on the Economy

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OVERVIEW OF CURRENT ECONOMIC CONDITIONS

The economy is at a turning point and economic indicators are providing mixed signals regarding the economic outlook for 2008.

National **economic growth**¹, measured by the percent change in **Real Gross Domestic Product (GDP)**, was 2.8% in the third quarter of 2007 over the same period in 2006. Measured from the second quarter level, economic growth in the third quarter of 2007 was a robust 4.9%.

The **unemployment rate**², another measure of economic activity, had fallen steadily over the past four years, both nationally and locally. However, the national unemployment rate rose from 4.1% in October 2006 to 4.4% in October 2007. Over the same period, the unemployment rate in Broward County rose from 2.9% to 3.8%.

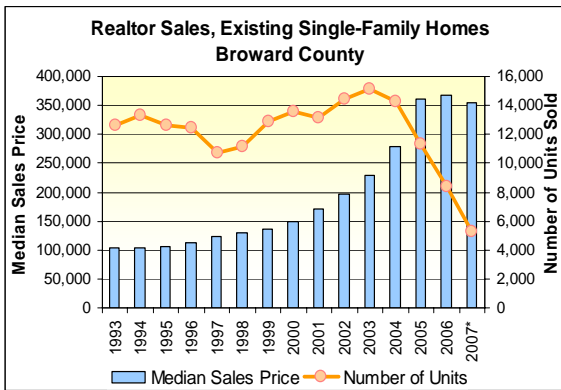
Nationwide, the **inflation rate**³, measured by the percent change in the **Consumer Price Index (CPI)** for all urban consumers from October 2006 to October 2007, was 3.5%. Over the same

period, the inflation rate for the Miami-Fort Lauderdale area was 5.1%.

Despite generally favorable economic growth through September 2007, it is widely expected that weakness in the **housing** market and stricter underwriting for mortgage loans will slow economic activity for the remainder of 2007 and in 2008.

- ➔ Nationwide **sales of existing single-family homes** fell 20.8%⁴ from October 2006 to October 2007 and 27.6%⁵ in Broward County, according to data from the National Association of Realtors®, and the Florida Association of Realtors® and the University of Florida Real Estate Research Center. Over the same period, **sales of existing condominiums** fell 20.2%⁴ nationwide and 26.9%⁵ in Broward County.
- ➔ Nationwide the **median price of existing single-family homes** dropped to \$205,700⁴ in October 2007 – a decline of 6.3% from October 2006. In Broward County, the **median price of existing single-family**

homes actually rose 1.3% to \$354,000 in October 2007 from \$349,400 in October 2006⁵. Over the same period, nationwide the median price of existing condominiums rose 4.9%⁴ but fell 24.2%⁵ to \$159,300 in Broward County.



* Units for 2007 are for the first 10 months. The 2007 price is for the month of October.
Sources: Florida Association of Realtors and University of Florida Real Estate Research Center

- ➔ The rate on **30-year fixed-rate mortgages**⁶ rose from a record low of 5.23% in June 2003 to 6.76% in July 2006 before retreating to 6.38% in September and October 2007. Mortgage rates in the local market followed a similar pattern. Relative to mortgage rates over the past 35 years, current mortgage rates remain comparatively low.
- ➔ **Foreclosure rates**⁷ continue to rise across the country, according to RealtyTrac® data. In the third quarter of 2007, the Fort Lauderdale MSA was among the large metropolitan statistical areas with top 10 foreclosure rates – one foreclosure filing for every 48 households.

NATIONAL OUTLOOK

The *U.S. Economic Outlook: November 2007*, prepared by the **National Association of Realtors®** (NAR) calls for growth in the national economy of 2.8% in 2008, following growth of 2.1%

in 2007 and 2.9% in 2006. NAR forecasts an inflation rate of 2.8% in both 2007 and 2008. The NAR forecast expects an unemployment rate of 4.6% in 2007 followed by 4.9% in 2008. While NAR forecasts a slight decline in existing (-1.7%) and new (-1.6%) home prices in 2007, prices in 2008 are expected to be nearly flat.

The **National Association for Business Economics**⁹ (NABE) published its survey of 50 professional forecasters in November 2007. The NABE consensus expects slower national economic growth of 1.5% in the fourth quarter of 2007, followed by 2.1% in the first quarter of 2008 and 3% in the fourth quarter of 2008 – resulting in annual average growth of 2.5% in 2008. The NABE consensus expects the Consumer Price Index (CPI) to increase at an average annual rate of 2.8% in 2007 and 2.5% in 2008. The inflation forecast is based on the expectation that the price of a barrel of oil will retreat from \$90 at yearend 2007 to \$75 by yearend 2008. The NABE consensus forecasts an unemployment rate of 4.9% in 2008 – up slightly from 4.6% in 2007. The NABE consensus expects that the Federal Reserve will maintain the Federal Funds Rate at its current level of 4.5%. The NABE consensus also expects a rise in long-term rates, with the yields on 10-year Treasury Notes to rise from 4.5% in December 2007 to 4.9% in December 2008.

The NABE forecasters are split on the probability of recession -- 60% believe there is a 33% chance of recession over the next year and 20% believe there is a 50% chance of recession. Forecasters generally cite weakness in the housing and credit markets as recession triggers.

BROWARD COUNTY OUTLOOK

Similar to the U.S. economy, the weakness in the housing and credit markets will dampen economic activity in Broward County in 2008. The weakness in the housing market will result in potentially small increases or even declines in property values – the tax base for County revenue.

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INDICATORS OF ECONOMIC ACTIVITY, US

	2004	2005	2006	2007
Economic Growth¹	3.6%	3.1%	2.9%	2.8%
Unemployment Rate²	5.5%	5.1%	4.6%	4.4%
Inflation³	2.7%	3.4%	3.2%	3.5%
Sales of Existing Single-Family Homes⁴	5,958,000	6,180,000	5,677,000	4,370,000
Sales of Existing Condos/Coops⁴	820,000	896,000	801,000	600,000
Median Price of Existing Single-Family Homes⁴	\$195,200	\$219,000	\$221,900	\$205,700
Median Price of Existing Condos/Coops⁴	\$197,100	\$223,900	\$221,900	\$223,500
Mortgage Rate⁶	5.84%	5.86%	6.41%	6.38%

INDICATORS OF ECONOMIC ACTIVITY, BROWARD COUNTY

	2004	2005	2006	2007
Unemployment Rate²	4.6%	3.7%	3.1%	3.8%
Inflation³	2.8%	4.7%	4.9%	5.1%
Sales of Existing Single-Family Homes⁵	14,266	11,331	8,373	5,311
Sales of Existing Condominiums⁵	n/a	13,253	8,996	5,648
Median Price of Existing Single-Family Homes⁵	\$279,500	\$361,100	\$367,800	\$345,200
Median Price of Existing Condominiums⁵	n/a	\$189,900	\$208,600	\$159,300

Footnotes

(Footnotes contain sources for text and tables.)

- ¹ Percent change in annual average Real Gross Domestic Product (GDP), U.S. Department of Commerce, Bureau of Economic Analysis. Percent changes shown in the table are annual averages for 2004 through 2006 and the 2007 percent change is calculated from the third quarter of 2006 to the third quarter of 2007.
- ² U.S. Bureau of Labor Statistics, Local Area Unemployment Statistics. The data shown in the table are annual averages, except for 2007 which are October numbers.
- ³ Percent change in the Consumer Price Index (CPI) for all urban consumers, U.S. Bureau of Labor Statistics. Percent changes shown in the table are annual averages for 2004 through 2006 and the 2007 percent changes are calculated from October 2006 to October 2007.
- ⁴ "Copyright National Association of REALTORS®, Reprinted with permission." *National Existing Home Sales and Sales Price*, National Association of Realtors®, October 2007. Figures reported for "existing condominiums" includes cooperatives. The October 2007 sales figures are seasonally adjusted at annual rates. The 2007 median prices are for October.
- ⁵ *Florida Sales Report - October 2007*, Existing Single-Family Homes, and Existing Condominiums, Florida Association of Realtors® and University of Florida Real Estate Research Center. For 2007, the sales data are for the first 10 months and the median prices are the October figures.
- ⁶ Contract Rate on 30-Year Fixed Rate Conventional Mortgage Commitments, Federal Reserve Release H15. The 2007 rate is for October.
- ⁷ *Stockton, Detroit, Riverside-San Bernardino Post Top Metro Foreclosure Rates in Q3*, Press Release, November 14, 2007, RealtyTrac®.
- ⁸ "Copyright National Association of REALTORS®, Reprinted with permission." *U.S. Economic Outlook: November 2007*, Lawrence Yun, Ph.D., Chief Economist, National Association of Realtors®
- ⁹ *The NABE Outlook: Sluggish Near-Term Growth with Recession Risks*, November 2007, National Association for Business Economics, November 2007