



Economic Outlook for Broward County

Broward County Schools Financial Advisory Committee

May 21, 2021

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The New, Post-COVID-19 Economy: Economic Implications



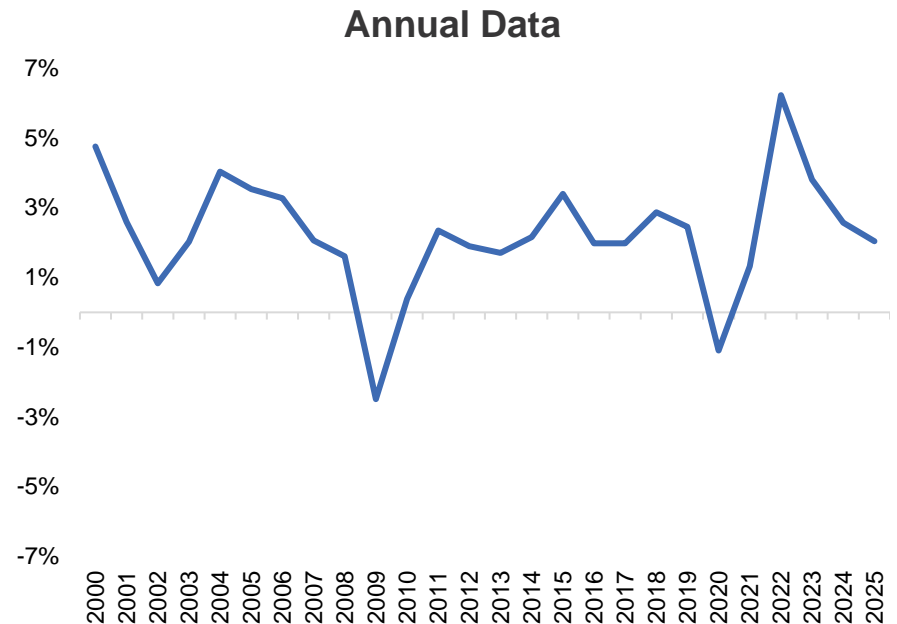
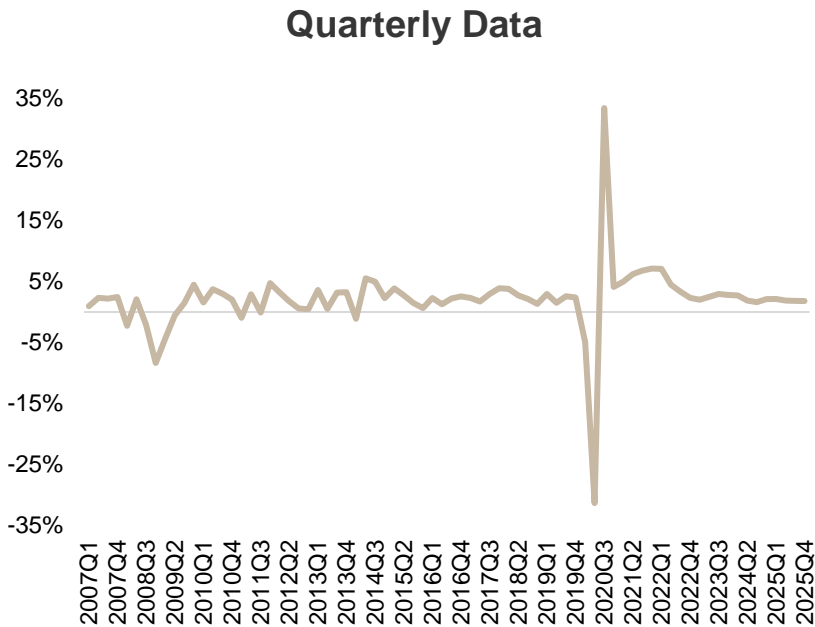
First Services Sector-Driven Recession

- ◆ COVID-19 has triggered the first recession ever caused by a contraction in the services sector of the economy
- ◆ Prior recessions generally stemmed from the goods producing sector. For example, the Great Recession beginning in 2008 was caused by an excess supply of housing stimulated by faulty financing and speculation
- ◆ Unlike a goods-based recession, a service sector recession does not generate excess inventory that must be absorbed before recovery can begin
- ◆ Instead, a service-based recession causes a very sharp loss of employment and income and devastates restaurants, retail, service, entertainment, tourism, and travel
 - Many of these businesses are relatively small and have small capital bases
 - Most services sector workers are relatively lower paid and may lack healthcare and other safety nets and personal savings
- ◆ Since a services sector recession is not burdened by excess inventory, the initial rebound occurs very quickly, but full recovery is delayed until a vaccine is in wide use



Trajectory of Growth in Real GDP

- The COVID-19 Recession and the unprecedented federal stimulus results in a unique business cycle trajectory
- Biggest ever one-quarter contraction in GDP followed by the largest rebound



Source: Moody's Analytics Service



COVID-19 Recession Accelerated Structural Changes Already Underway

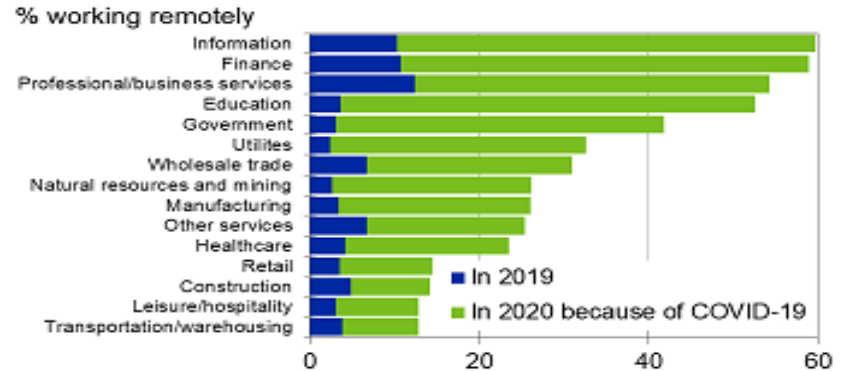
- ◆ **Prior to the recession, the U.S. economy was undergoing major structural changes**
 - Most obvious was the shift to e-commerce sales
 - Globalization of supply chains and artificial intelligence (AI) combined to spur global trade and lower consumer prices and inflation – with little (if any) real wage growth for middle- and lower-income workers in the U.S. (and most other developed countries)
- ◆ **COVID-19 recession dramatically accelerated these structural changes**
 - E-commerce flourished and home delivery services expanded dramatically
- ◆ **Out of necessity, businesses and their employees learned that work-from-home ('WFH') works!**
 - Previously, businesses were reluctant to allow expanded WFH due to feared losses in productivity
 - Instead, productivity remained the same – or often improved – and employees appreciated the flexibility
- ◆ **A hybrid WFH model seems to be the “new normal”**
 - A recent PWC survey found that more than 80% of firms plan to continue WFH and shift to a hybrid staffing pattern
 - Rotating groups will come to work each day
 - In this model, most employees in certain sectors will WFH 2-4 days per week



Work From Home Transformations

- ◆ “Working from home” works for many firms and many workers
- ◆ Highly variable by occupation and by business sector
- ◆ Premise expense typically third largest business expense – smaller footprints

COVID-19 Fueled Work From Anywhere

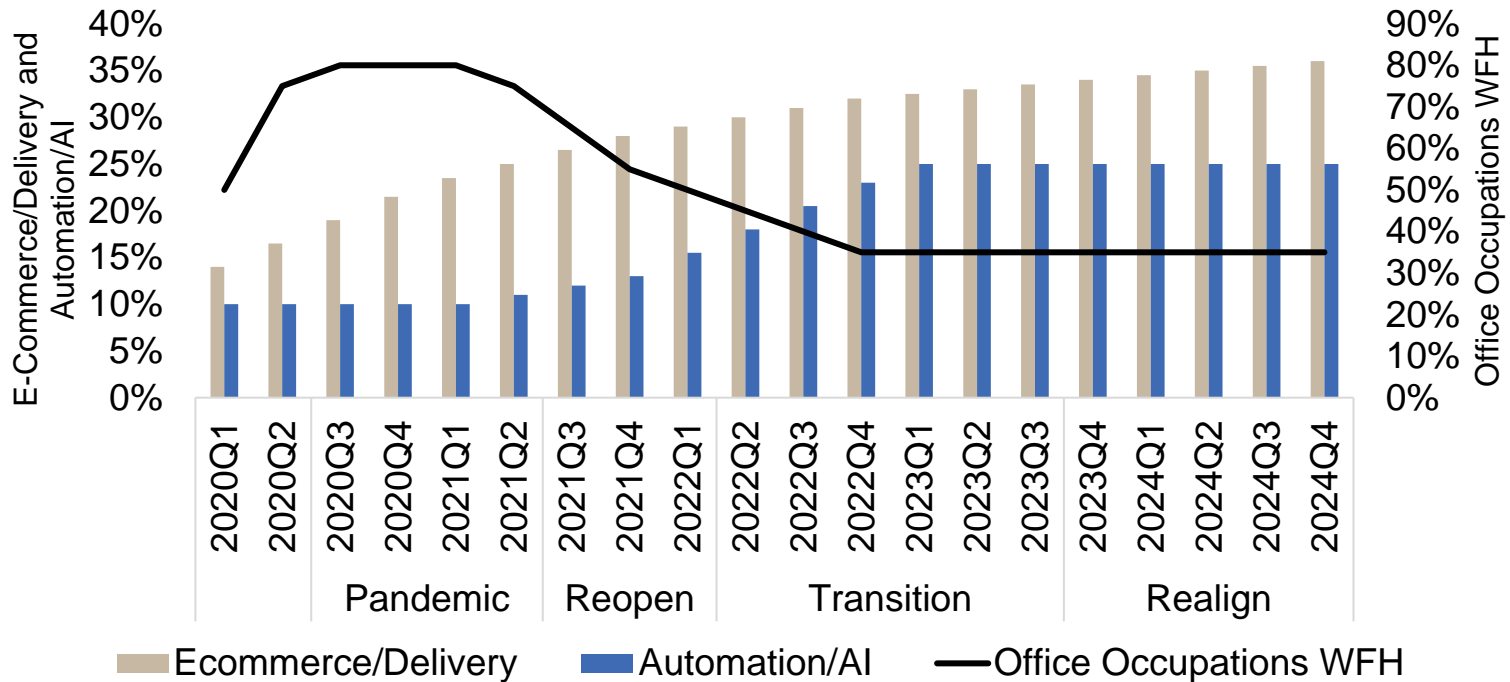


Sources: BLS, IPUMS, Moody's Analytics



Permanent Impacts Unfold through 2024 in Stages

- ◆ E-commerce and delivery services will continue growing, but at a slower pace going forward
- ◆ WFH peaked at about 80% of office occupations and will recede, but remain high at 30%+

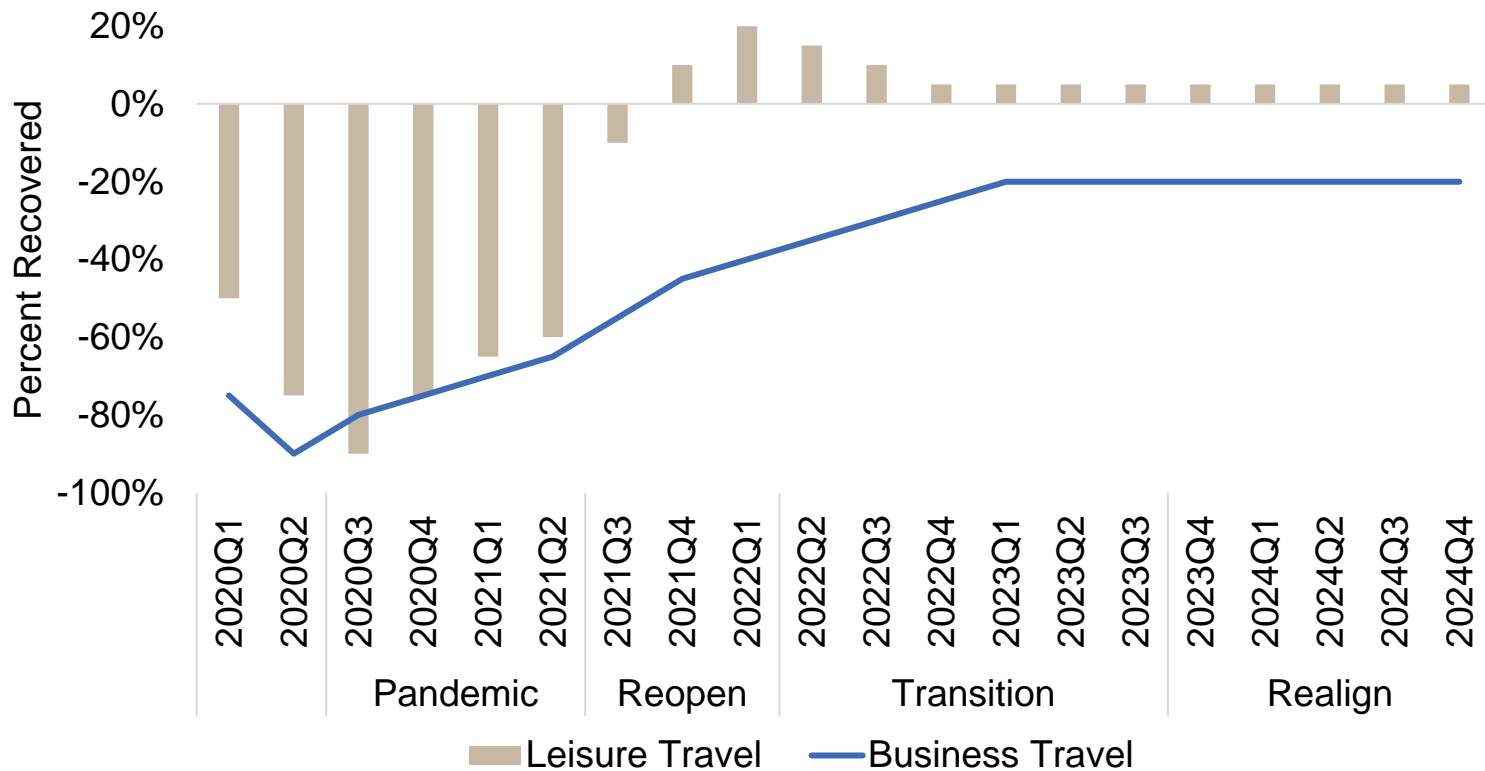


Sources: PFM and McKinsey



Travel Recovery will be Highly Differentiated

- Leisure travel will recover quickly and soon rise above prior levels
- Not so for business travel



Source: PFM



Current Status of Back to Work



Source: Kastle Management <https://www.kastle.com/safety-wellness/getting-america-back-to-work/>



Current Status of Back to Work

BAROMETER THIS WEEK

27.1%

10 CITY AVERAGE
OCCUPANCY



| | Wed 4/28 | Wed 5/5 | % Change |
|-----------------------|--------------|--------------|---------------|
| Houston metro | 39.7% | 41.6% | 1.9% ▲ |
| Los Angeles metro | 23.4% | 24.4% | 1.0% ▲ |
| Chicago metro | 21.6% | 22.5% | 0.9% ▲ |
| Austin metro | 40.2% | 40.8% | 0.6% ▲ |
| Average of 10 | 26.5% | 27.1% | 0.6% ▲ |
| Dallas metro | 41.2% | 41.8% | 0.5% ▲ |
| Washington D.C. metro | 22.8% | 23.2% | 0.4% ▲ |
| San Francisco metro | 14.8% | 15.2% | 0.4% ▲ |
| Philadelphia metro | 27.1% | 26.8% | 0.3% ▼ |
| San Jose metro | 18.0% | 18.3% | 0.2% ▲ |
| New York metro | 16.2% | 16.3% | 0.1% ▲ |

Source: Kastle Management <https://www.kastle.com/safety-wellness/getting-america-back-to-work/>

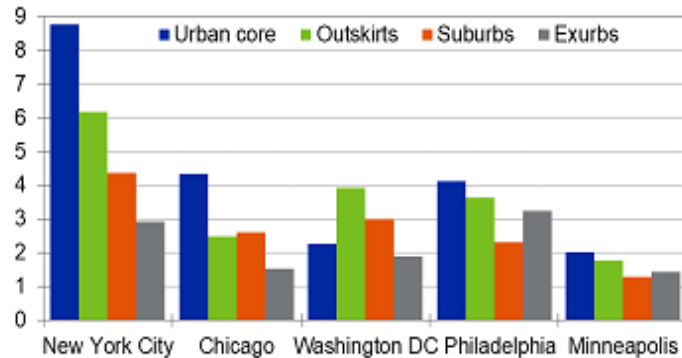


Work From Home Already Creating Winners/Losers

- ◆ Losers: higher-cost urban centers, especially in the NE, and Core Urban Counties
- ◆ Winners: lower-cost cities in south and west with better climates, and places with high amenity values

Cities' Labor Markets Are Struggling

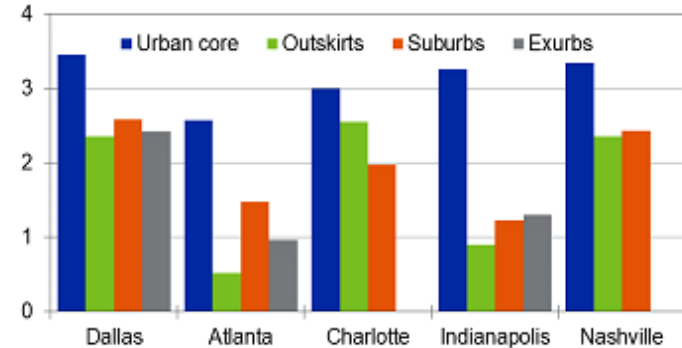
Unemployment rate, %, diff from 2020Q1 to 2020Q4



Sources: BLS, Census Bureau, Moody's Analytics

Core Urban Counties Struggle Everywhere

Unemployment rate, %, diff from 2020Q1 to 2020Q4



Sources: BLS, Census Bureau, Moody's Analytics



Conclusions

- ◆ The impacts of structural change will vary significantly depending upon a variety of factors, including:
 - The composition of businesses and occupations
 - Cost, amenities, and services provided by the community
 - Policy responses by governments
- ◆ Significant repricing and ultimately restructuring of retail and office space, along with parking
 - If only 25% of office workers WFH on average with hybrid staffing, the demand for parking, restaurants and services are reduced +/-25%
- ◆ Residential uses are stimulated – both new housing and repurposing existing uses
- ◆ The ARP Act not only provides near-term budgetary supports, but also offers opportunities to enhance communities and respond to structural changes
 - Funding for utility projects and for 5G
 - Funding for capital projects for schools

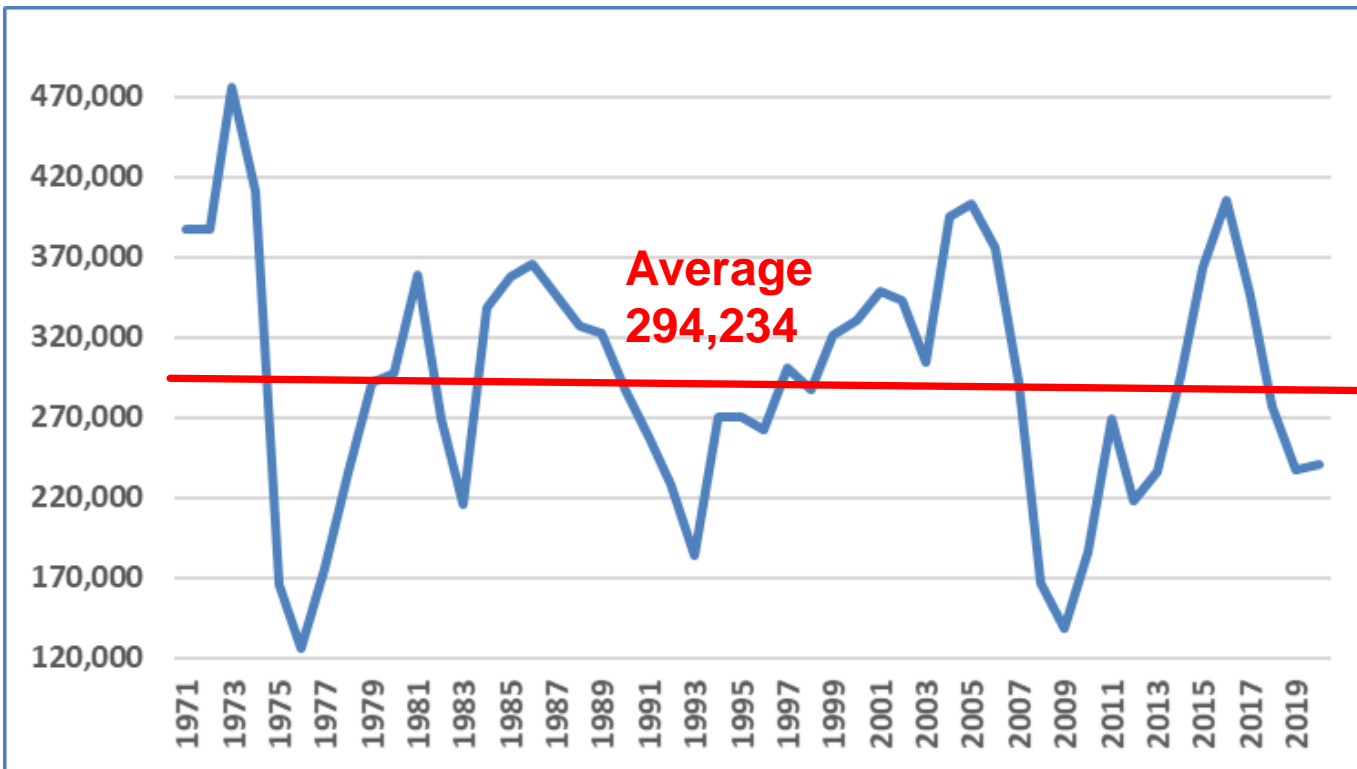


Economic Outlook for Florida



Florida's Population Growth

- Florida's population growth reached a near-term peak in 2016 and slowed thereafter
- Finally, modestly reversing course in 2020

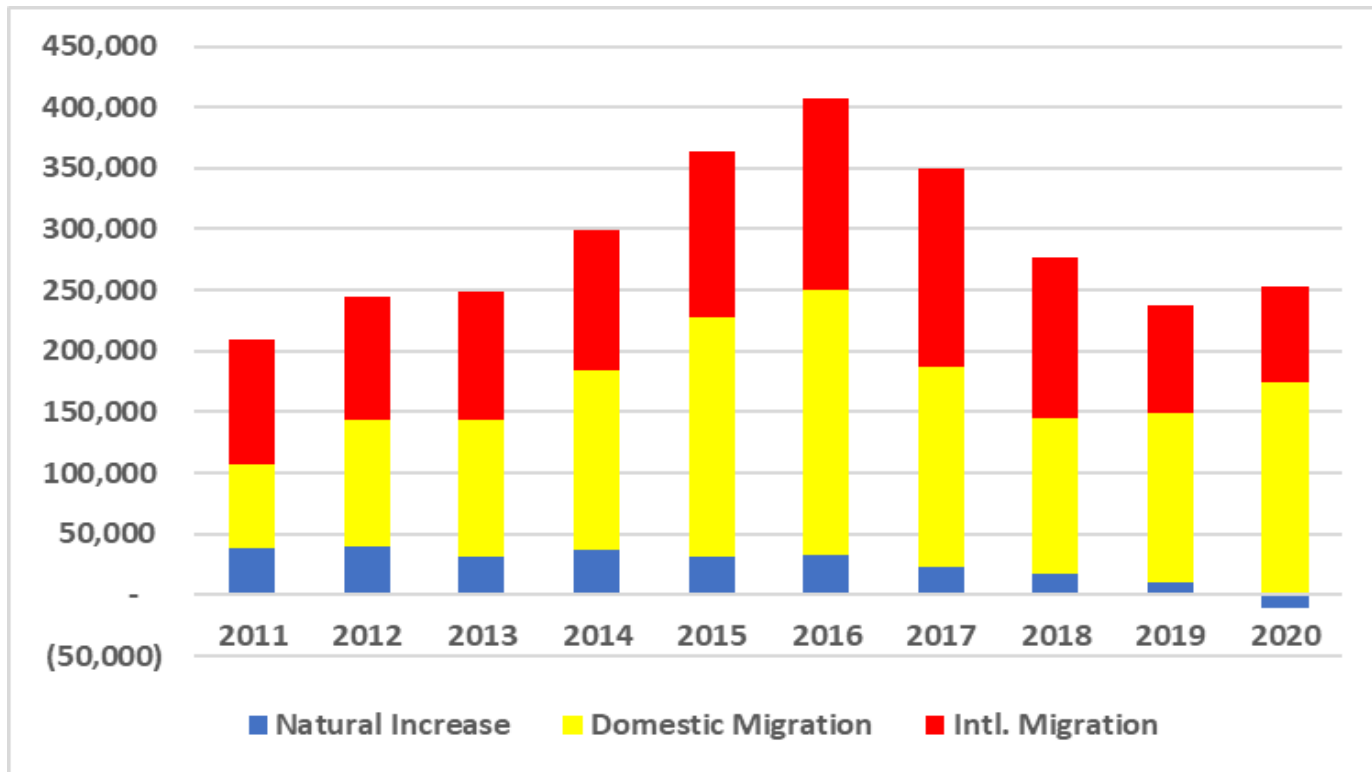


U.S. Census Bureau



Components of Population Change for Florida

- ◆ Growth peaked in 2016 as all components improved
- ◆ Migration slowed and natural increase shrank
- ◆ Domestic migration increased modestly in 2020

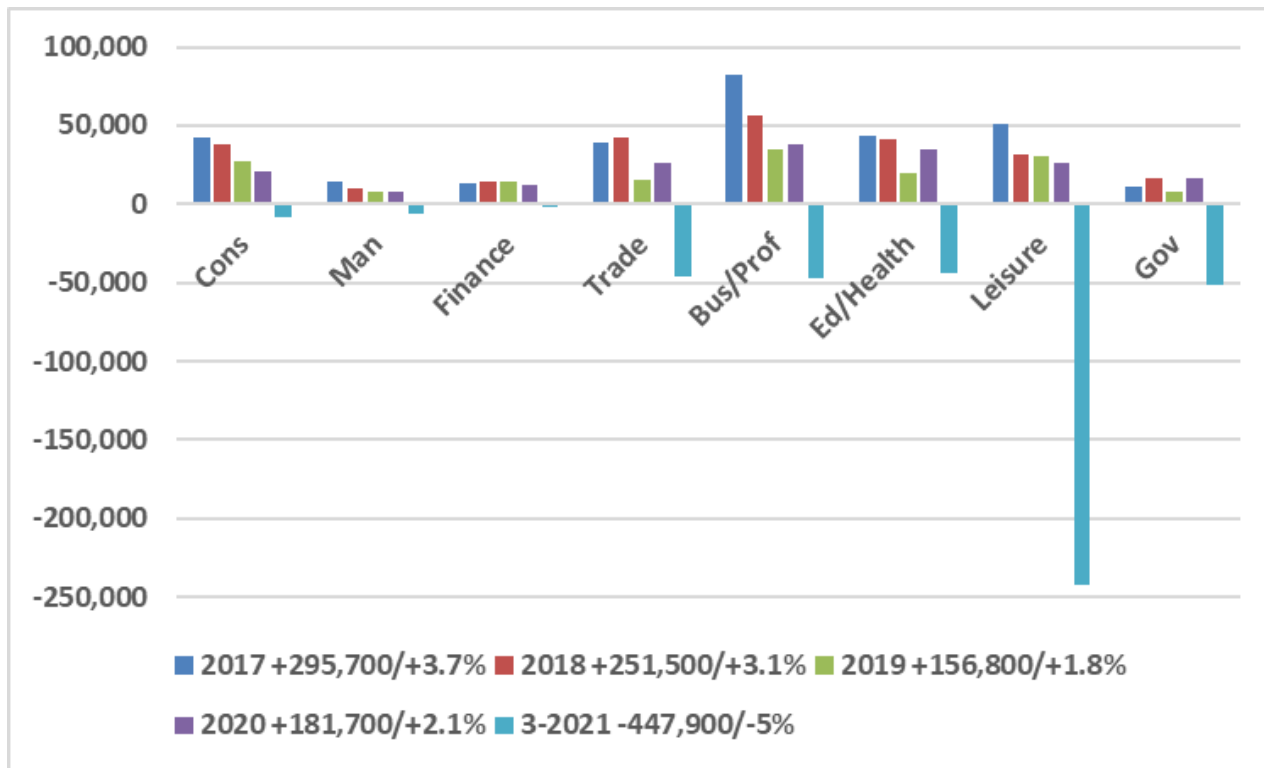


U.S. Census Bureau



Florida Job Growth

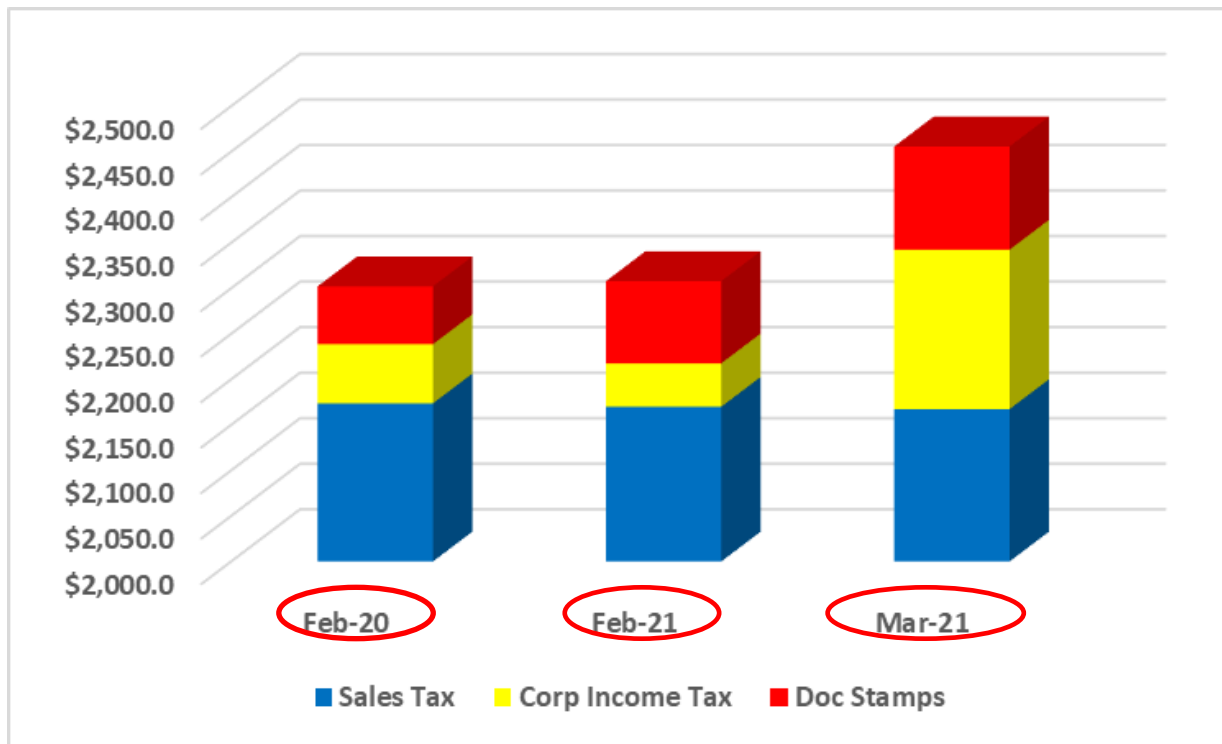
- 2020 measure is mostly prior to the pandemic lock downs
- As of March, job losses are nearly 500,000 gaining 50% of what was lost so far





Florida's Economy is Recovering Rapidly Even Before Tourism Rebound

- Major components of Florida's general revenue fund have rebounded reflecting economic recovery
- Sales taxes, corporate income taxes, and documentary stamp taxes have all rebounded





Florida Sales of Existing Single-family Homes

| | March 2021 | March 2020 | Percent Change Year-over-Year |
|--|----------------|---------------|----------------------------------|
| Closed Sales | 32,819 | 26,611 | 23.3% |
| Paid in Cash | 9,371 | 6,351 | 47.6% |
| Median Sale Price | \$327,000 | \$275,000 | 18.9% |
| Average Sale Price | \$511,243 | \$371,531 | 37.6% |
| Dollar Volume | \$16.8 Billion | \$9.9 Billion | 69.7% |
| Med. Pct. of Orig. List Price Received | 99.8% | 97.1% | 2.8% |
| Median Time to Contract | 15 Days | 38 Days | -60.5% |
| Median Time to Sale | 58 Days | 81 Days | -28.4% |
| New Pending Sales | 36,025 | 24,304 | 48.2% |
| New Listings | 34,576 | 32,218 | 7.3% |
| Pending Inventory | 57,216 | 36,421 | 57.1% |
| Inventory (Active Listings) | 31,658 | 83,614 | -62.1% |
| Months Supply of Inventory | 1.2 | 3.4 | -64.7% |

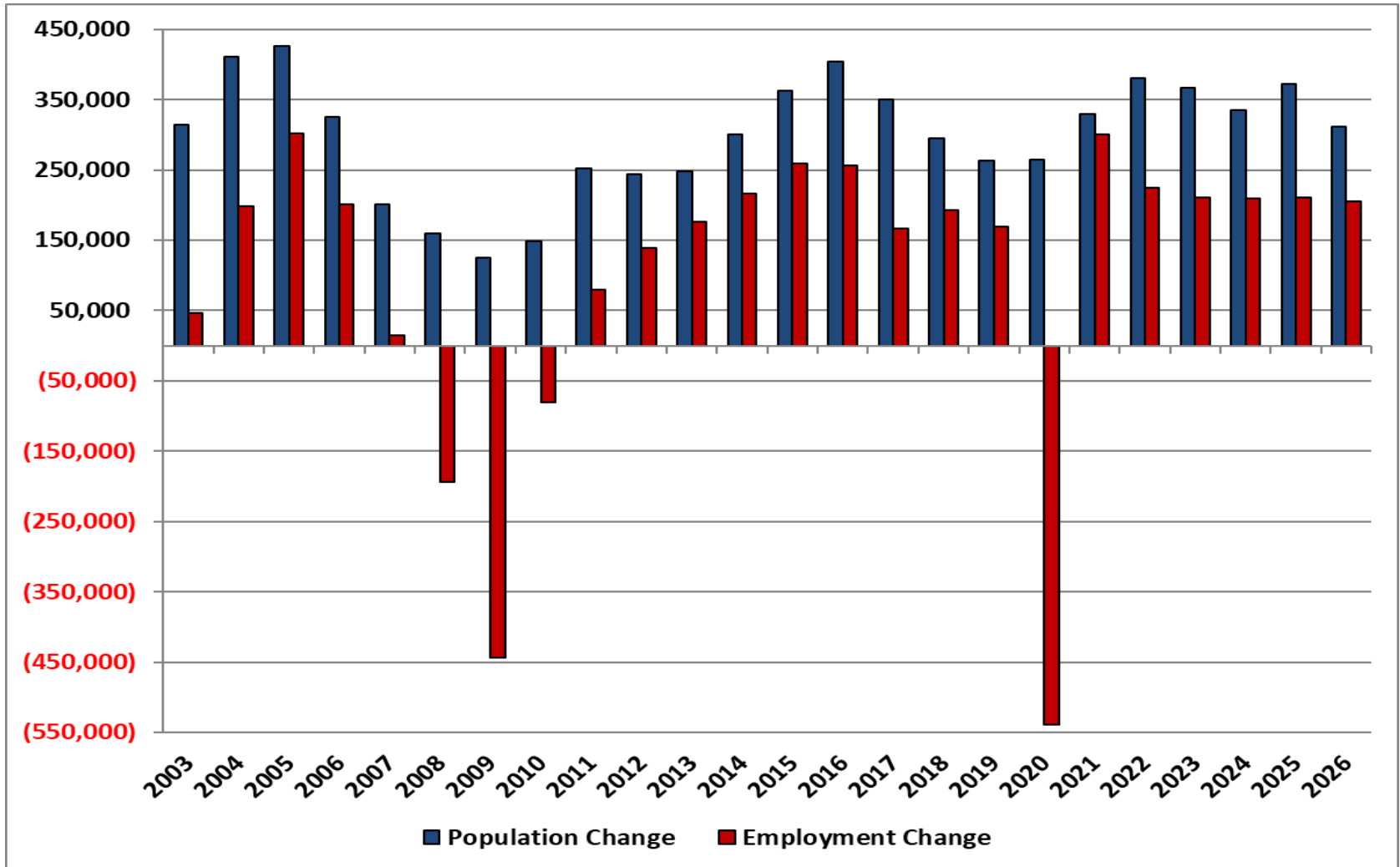


Florida Sales of Existing Townhomes/Condominiums

| | March 2021 | March 2020 | Percent Change Year-over-Year |
|--|---------------|---------------|-------------------------------|
| Closed Sales | 16,518 | 10,823 | 52.6% |
| Paid in Cash | 8,266 | 5,440 | 51.9% |
| Median Sale Price | \$242,000 | \$210,000 | 15.2% |
| Average Sale Price | \$378,078 | \$305,436 | 23.8% |
| Dollar Volume | \$6.2 Billion | \$3.3 Billion | 88.9% |
| Med. Pct. of Orig. List Price Received | 97.0% | 95.5% | 1.6% |
| Median Time to Contract | 32 Days | 46 Days | -30.4% |
| Median Time to Sale | 71 Days | 84 Days | -15.5% |
| New Pending Sales | 19,533 | 8,629 | 126.4% |
| New Listings | 16,700 | 13,443 | 24.2% |
| Pending Inventory | 28,566 | 14,390 | 98.5% |
| Inventory (Active Listings) | 30,063 | 54,715 | -45.1% |
| Months Supply of Inventory | 2.8 | 5.5 | -49.1% |

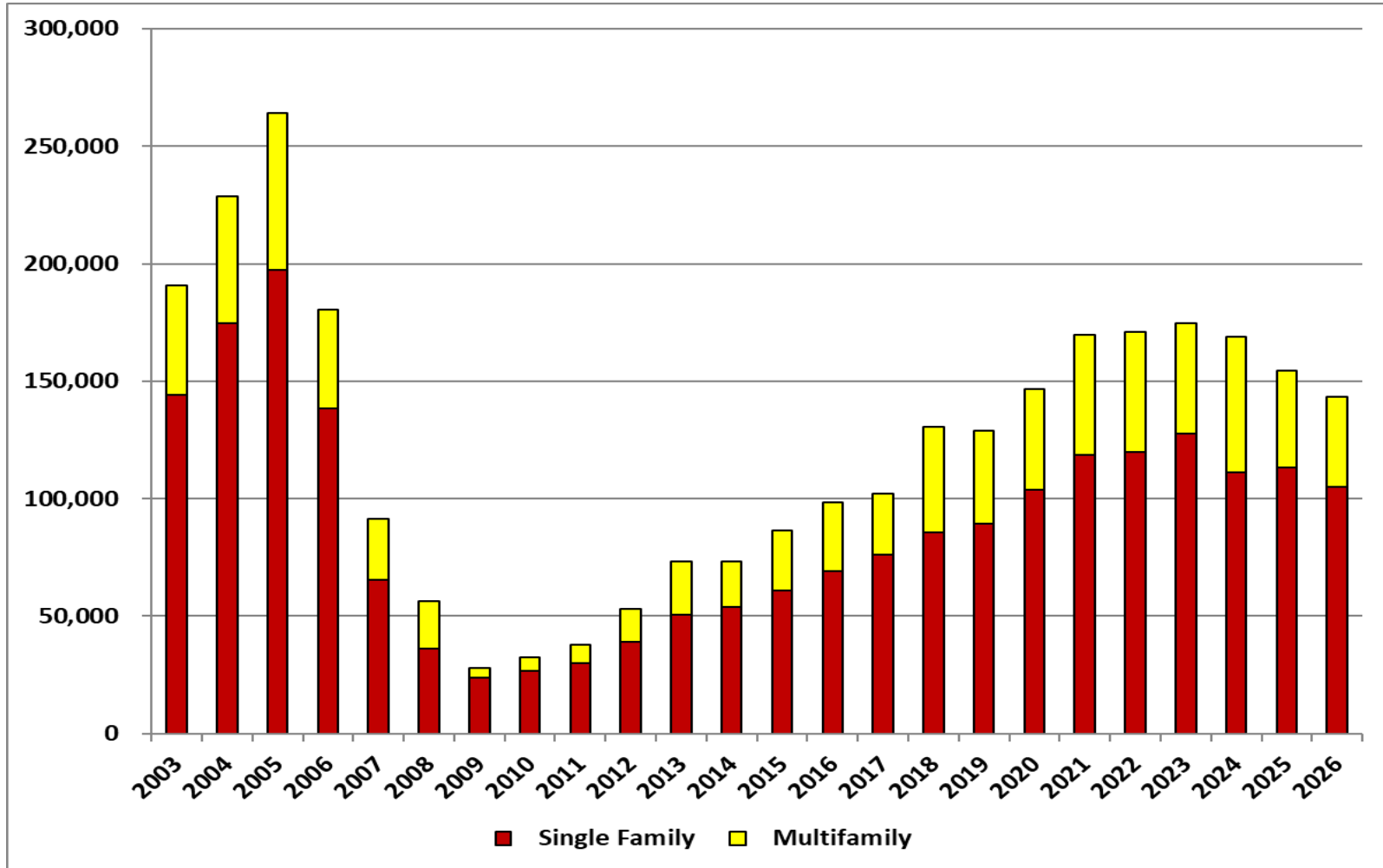


Growth of Population and Employment



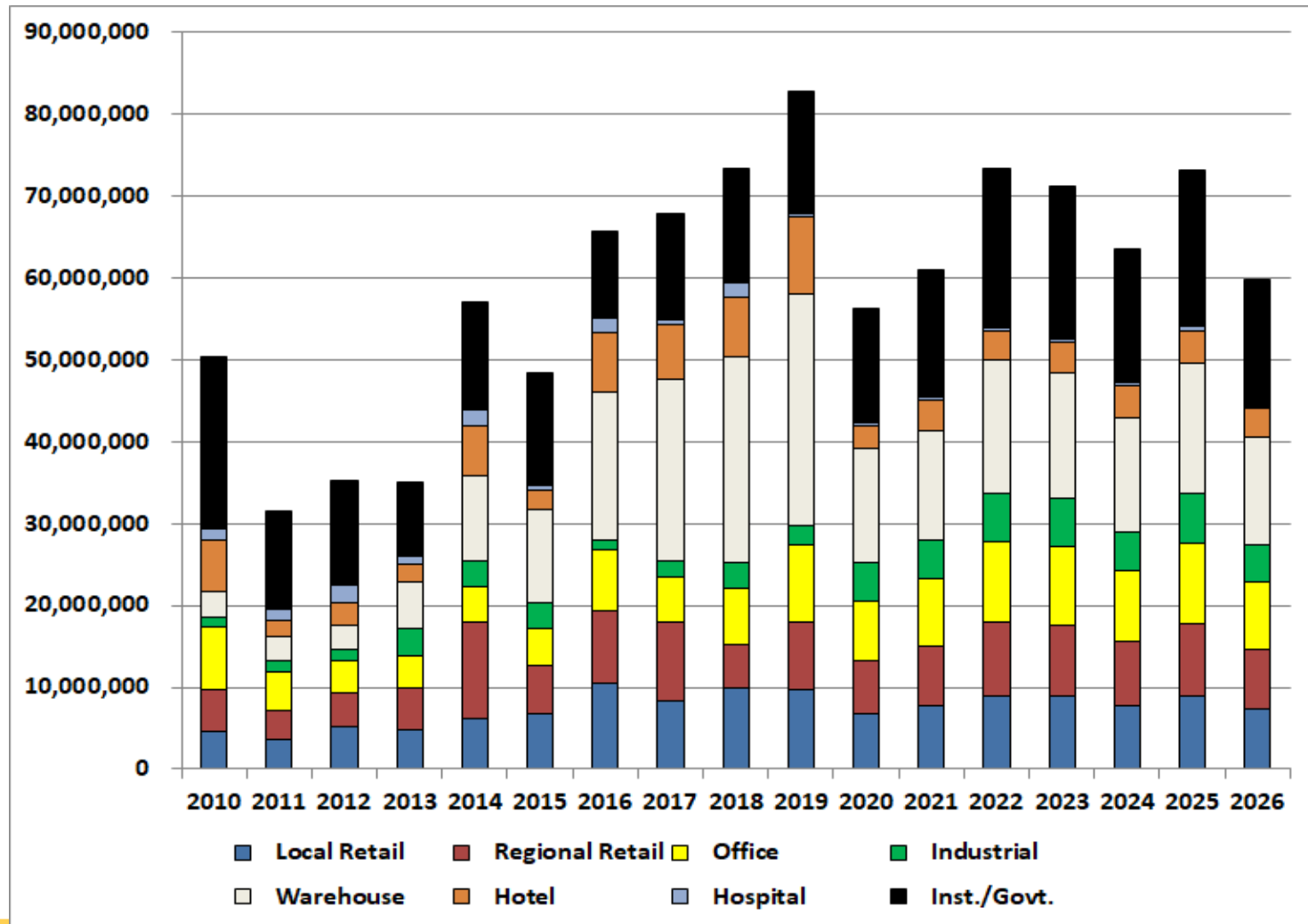


Housing Starts





Value of Non-residential Construction Put in Place (sqft)



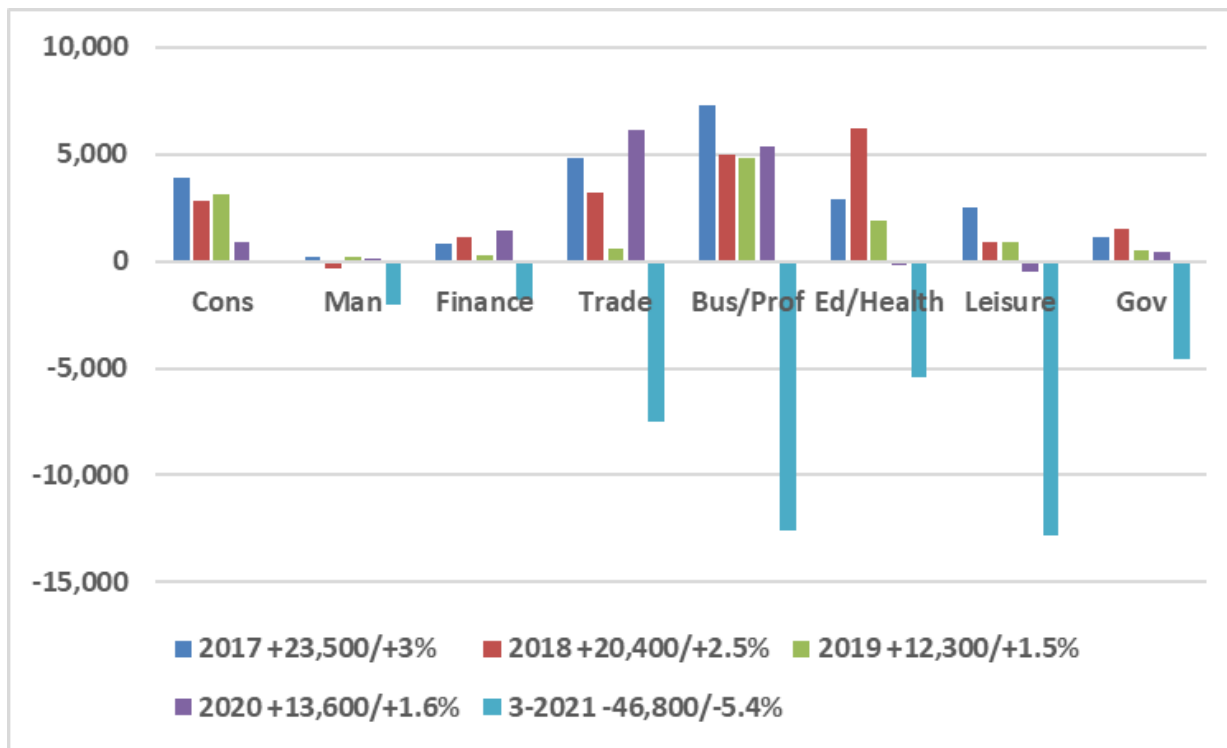


Economic Outlook for Broward County



Broward County Employment Growth

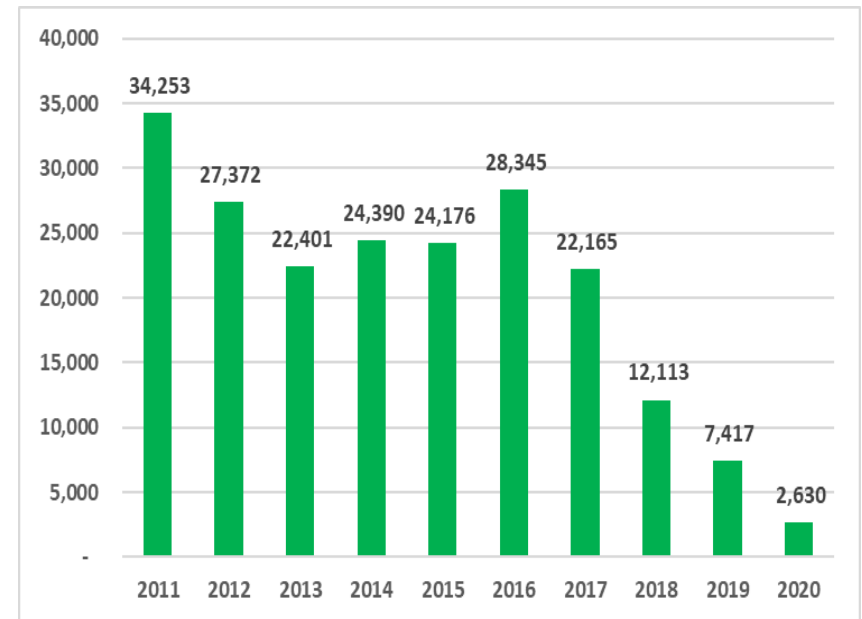
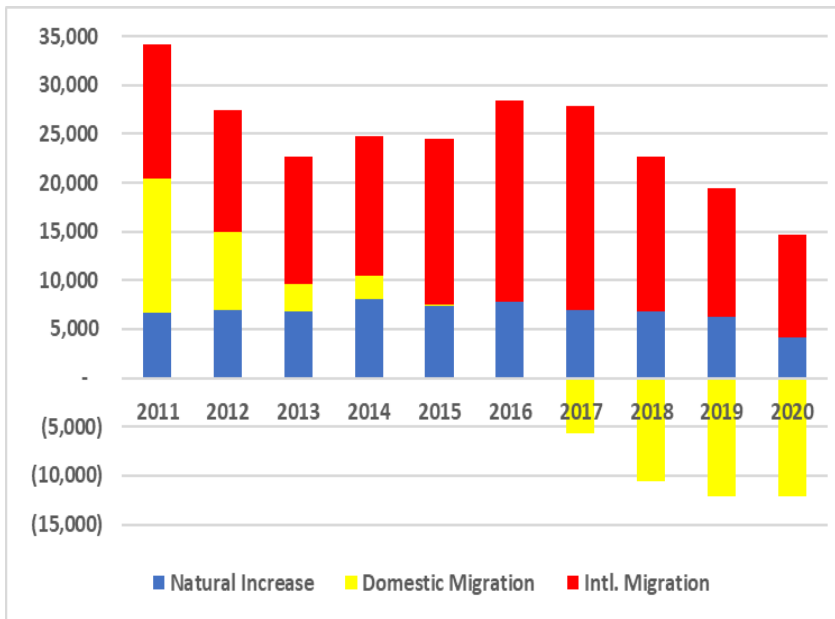
- 2020 is mostly before the pandemic lockdown
- Still off nearly 50,000 jobs. Loss of business/professional jobs is troubling





Broward County Population Growth

- Population growth has slowed sharply since 2011
- Sharp reversal in domestic migration from 13,700 in 2011 to losses of more than 12,000 per year in 2019 and 2020



U.S. Census Bureau



Broward Sales of Existing Single-family Homes

| | March 2021 | March 2020 | Percent Change Year-over-Year |
|--|---------------|-----------------|-------------------------------|
| Closed Sales | 1,870 | 1,342 | 39.3% |
| Paid in Cash | 409 | 241 | 69.7% |
| Median Sale Price | \$445,000 | \$390,000 | 14.1% |
| Average Sale Price | \$662,637 | \$502,111 | 32.0% |
| Dollar Volume | \$1.2 Billion | \$673.8 Million | 83.9% |
| Med. Pct. of Orig. List Price Received | 98.5% | 96.3% | 2.3% |
| Median Time to Contract | 16 Days | 43 Days | -62.8% |
| Median Time to Sale | 60 Days | 82 Days | -26.8% |
| New Pending Sales | 2,122 | 1,317 | 61.1% |
| New Listings | 2,123 | 1,762 | 20.5% |
| Pending Inventory | 3,342 | 2,331 | 43.4% |
| Inventory (Active Listings) | 2,209 | 4,924 | -55.1% |
| Months Supply of Inventory | 1.6 | 3.7 | -56.8% |

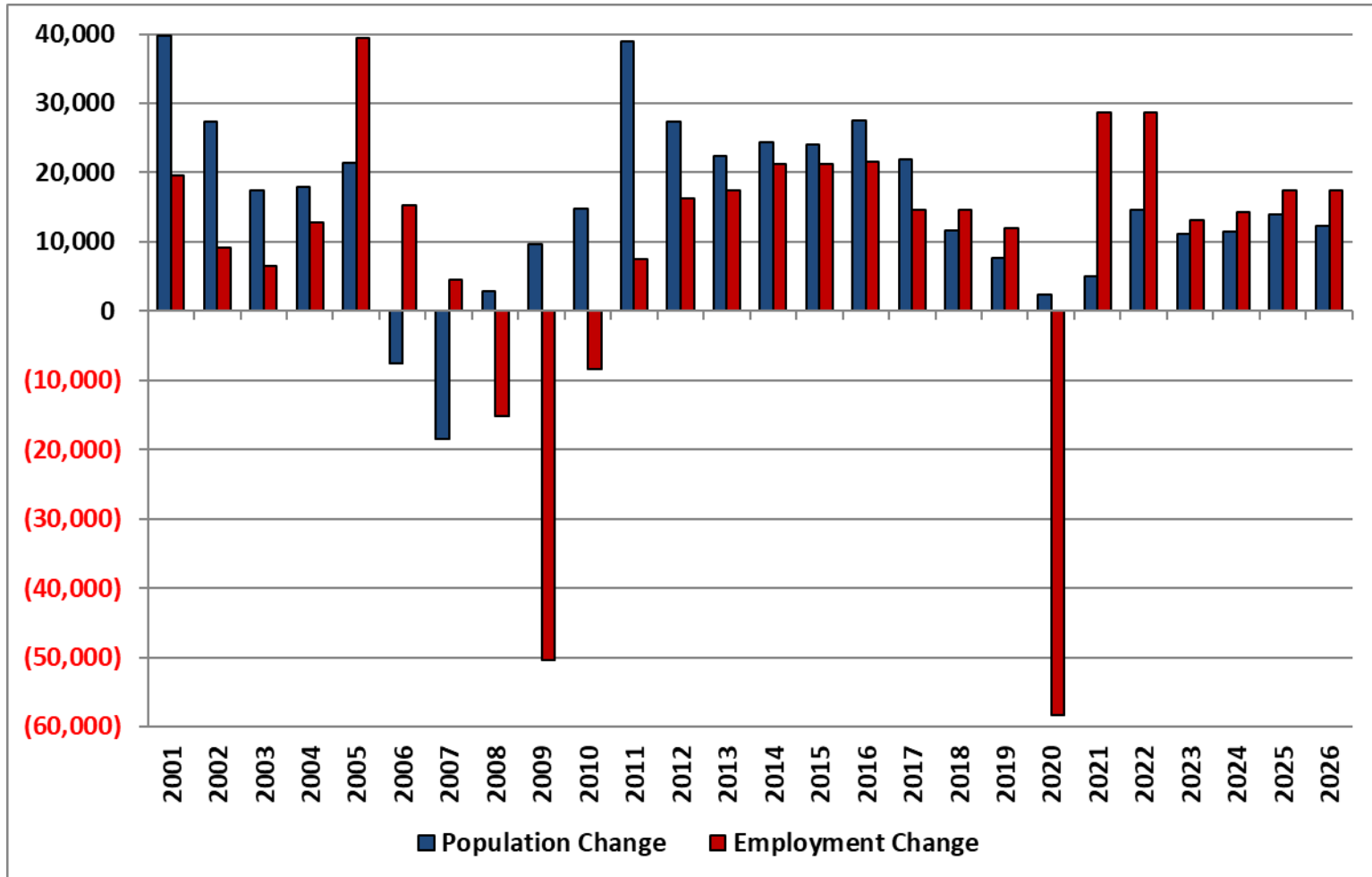


Broward Sales of Existing Townhomes/Condominiums

| | March 2021 | March 2020 | Percent Change Year-over-Year |
|--|-----------------|-----------------|-------------------------------|
| Closed Sales | 2,151 | 1,493 | 44.1% |
| Paid in Cash | 1,087 | 778 | 39.7% |
| Median Sale Price | \$210,000 | \$180,000 | 16.7% |
| Average Sale Price | \$292,386 | \$235,919 | 23.9% |
| Dollar Volume | \$628.9 Million | \$352.2 Million | 78.6% |
| Med. Pct. of Orig. List Price Received | 95.7% | 94.6% | 1.2% |
| Median Time to Contract | 40 Days | 51 Days | -21.6% |
| Median Time to Sale | 82 Days | 93 Days | -11.8% |
| New Pending Sales | 2,785 | 1,235 | 125.5% |
| New Listings | 2,373 | 1,928 | 23.1% |
| Pending Inventory | 4,148 | 2,465 | 68.3% |
| Inventory (Active Listings) | 5,658 | 8,190 | -30.9% |
| Months Supply of Inventory | 4.1 | 5.9 | -30.5% |

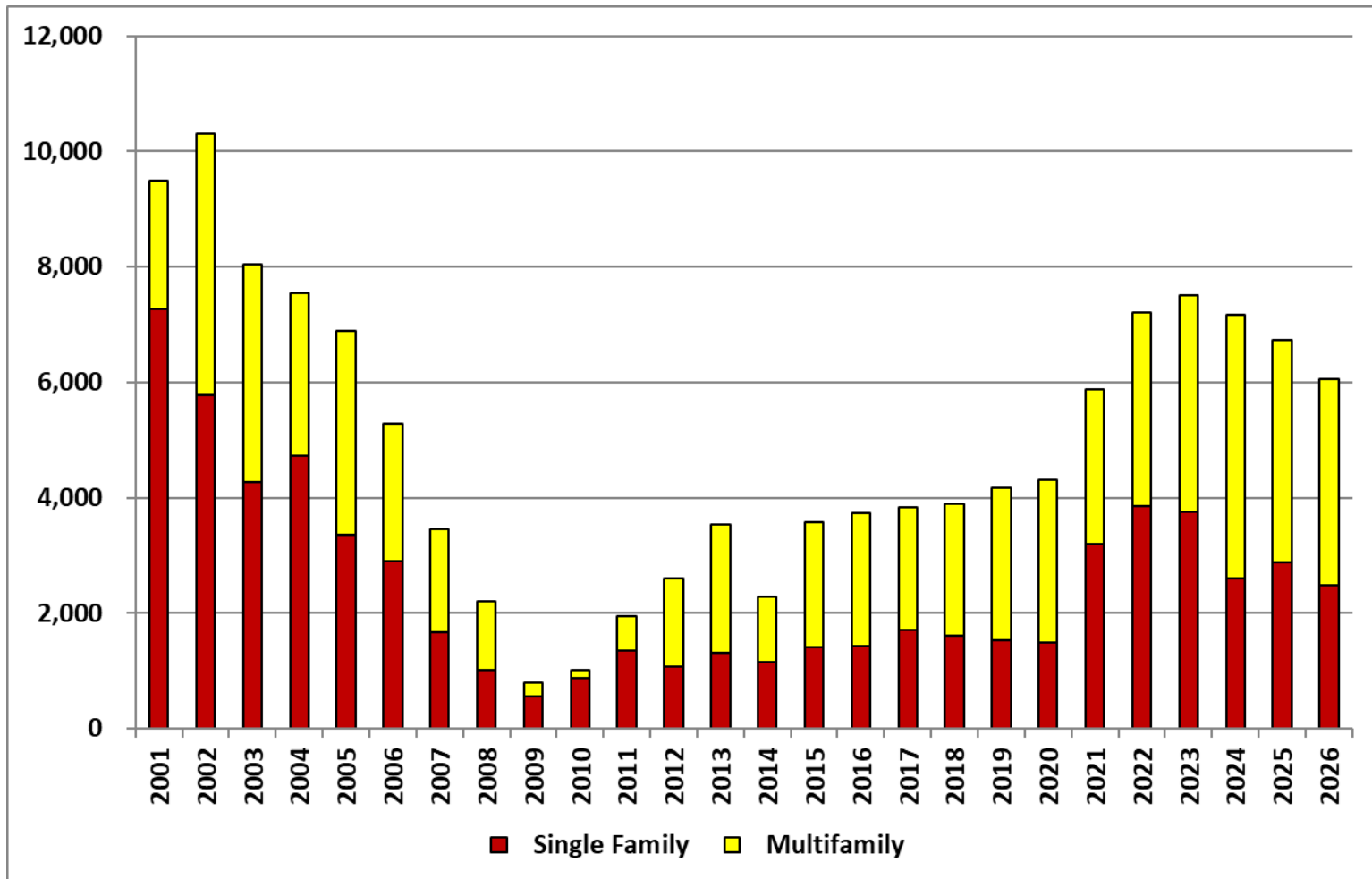


Broward County Growth in Population and Employment



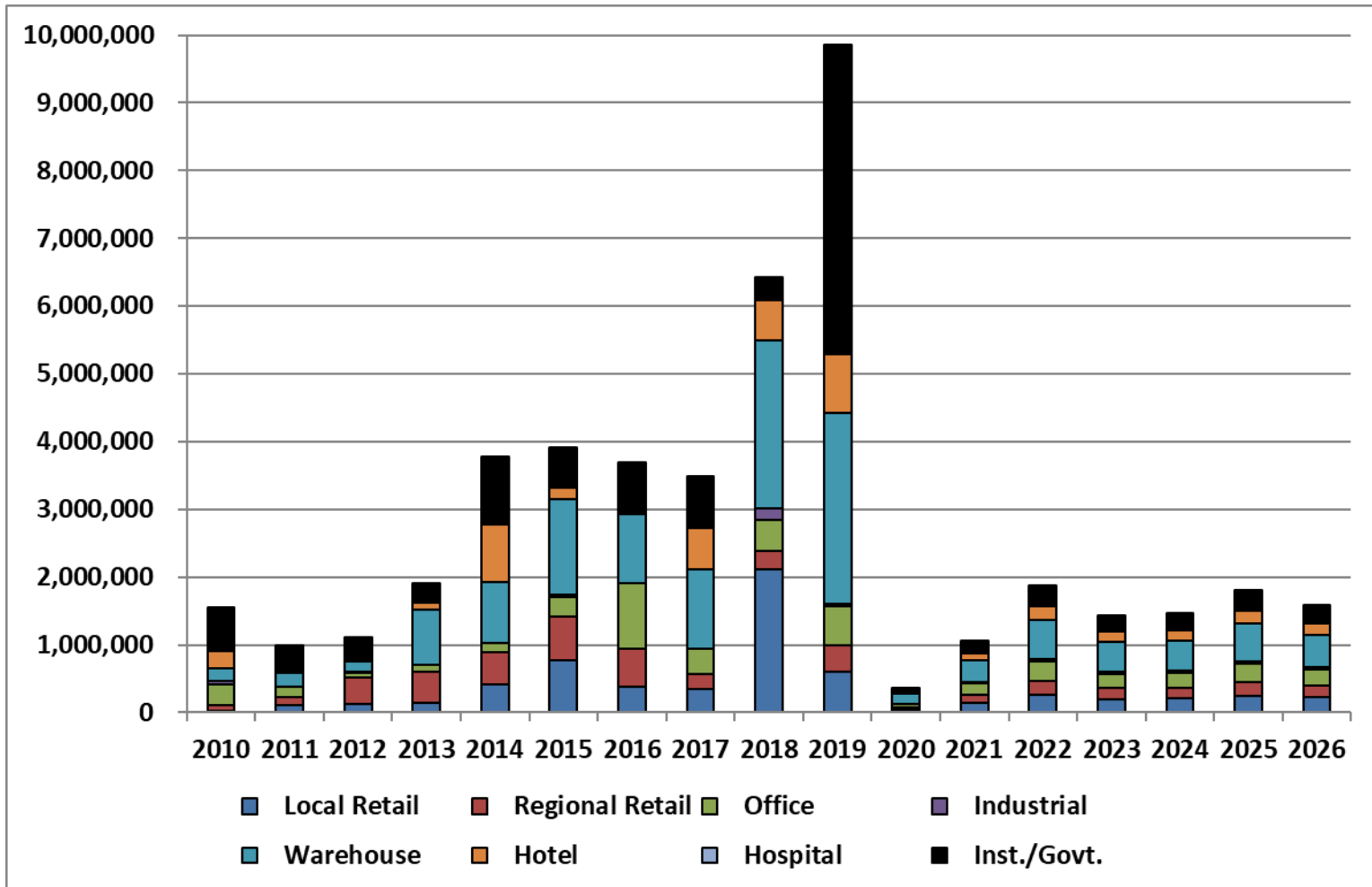


Broward County Housing Starts





Non-residential Construction Put in Place (sqft)



Thank You!



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