

# Building Industry Association of Okaloosa-Walton Counties

## Economic Update

Haas Center for Business Research and Economic Development

Rick Harper, Ph.D., Director

January 12, 2010

## January 2010: Economic Drivers in the National Picture

- Financial freeze eases (but lending is weak)
- Economic crisis easing (risk of recession recedes)
- Job losses continue (timing lags GDP, no growth til Q2 10)
- Negative GDP growth has ended (+2.5% in Q3, +3.0 Q4?)
- Housing market bottom reached (but no strong rebound)
- Monetary policy (Fed aggressive, but ready to unwind)
- Fiscal policy (\$1,000,000,000,000 deficit – the new normal)
- Energy prices / inflation (oil rising, inflation expectations low)
- Dollar / inflation (\$ falling, expected to continue)
- Growth abroad picks up (will help US exports)

## The Debt and the Deficit:

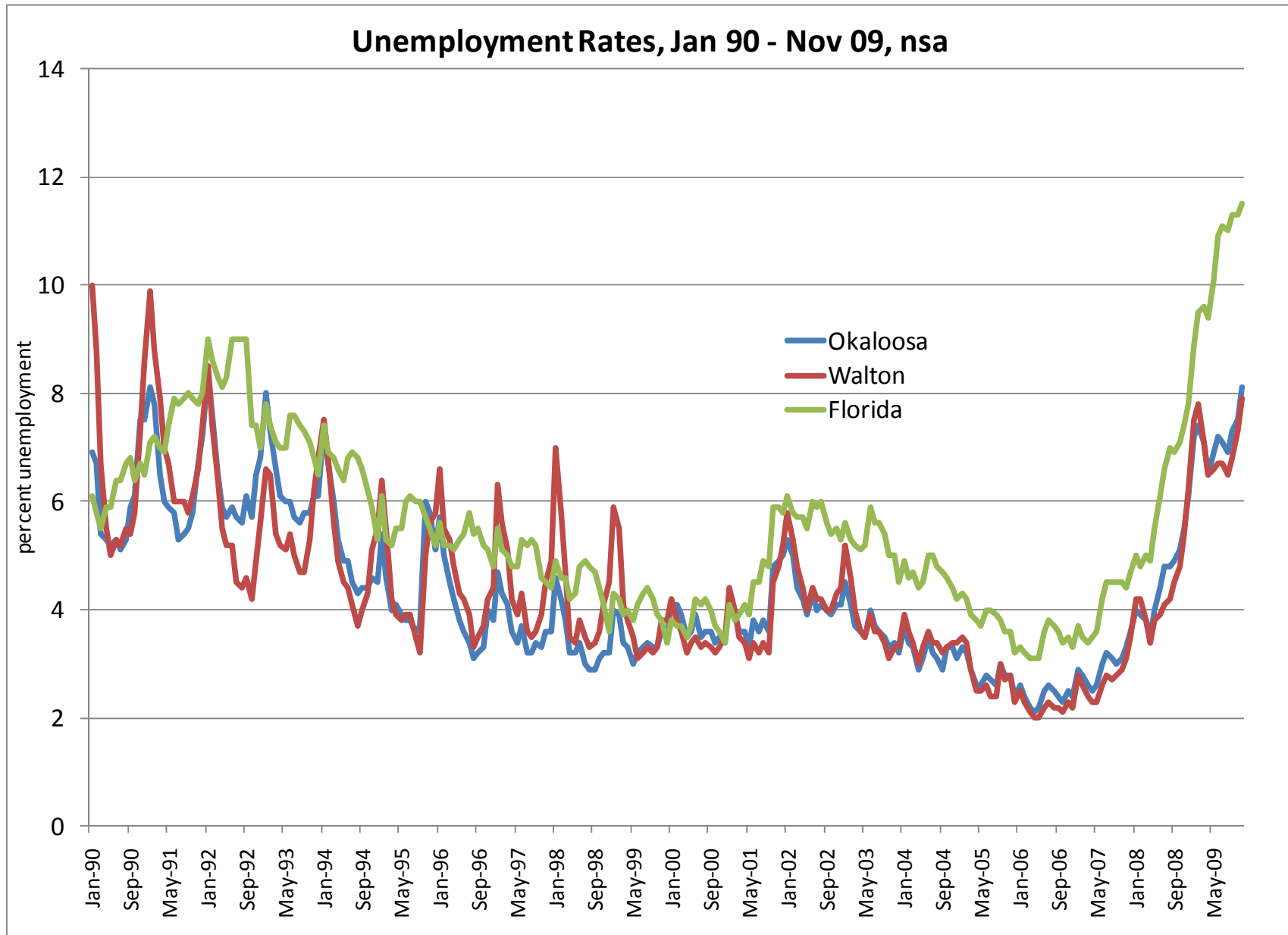
- The long-term sustainable federal deficit is about 3% per year
- The deficit for FY ended 9/30/09 was 10% of GDP
- The current deficit is a necessary evil
- Due to demographics, it will get progressively harder to balance the budget
- Growth in health care costs will swamp all other budgetary outlays
- Budget should be balanced over the business cycle, not every year

## The FL outlook: Recovery lags the nation

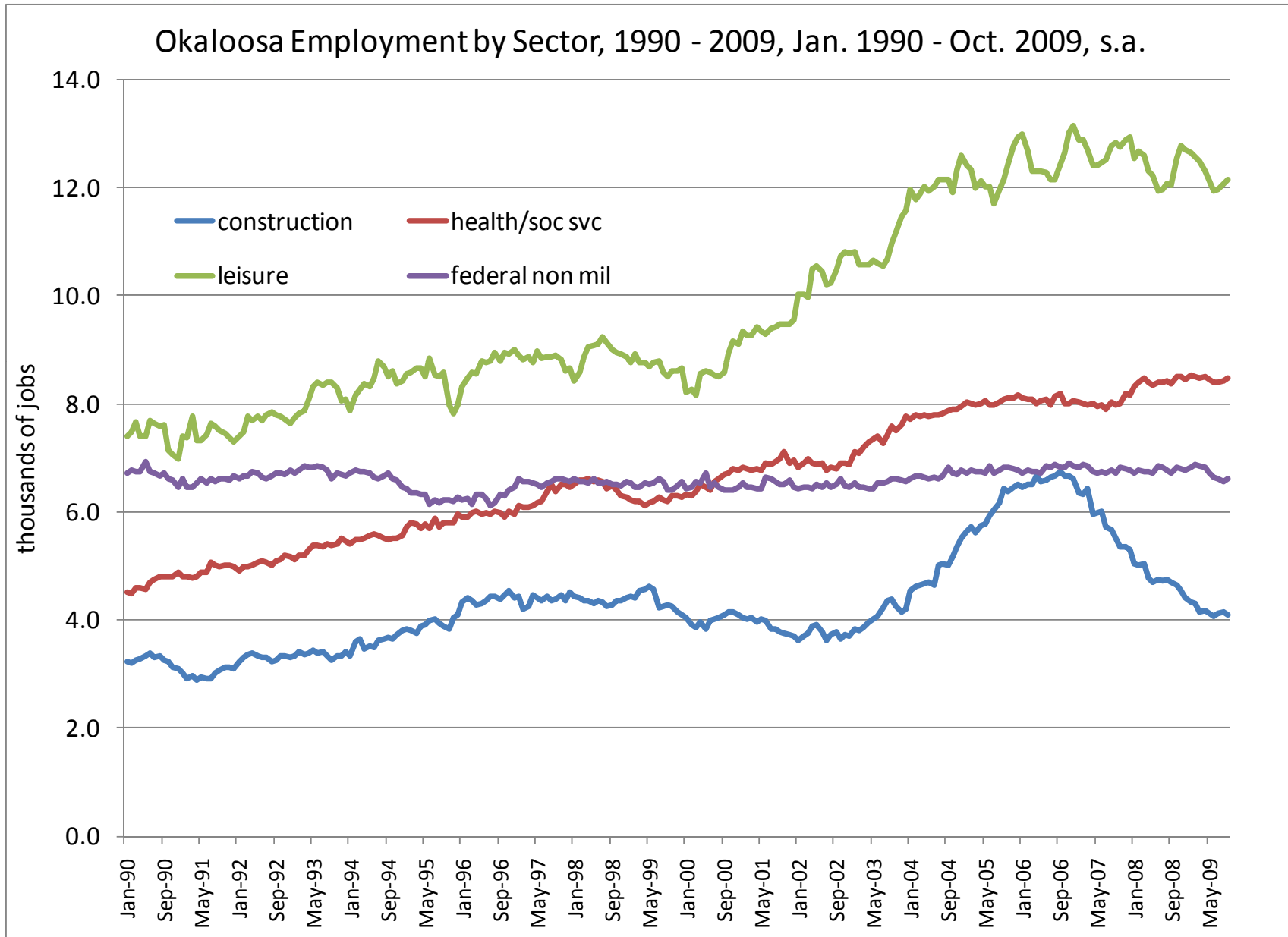
- Massive housing inventory to be worked through
- Job shrinkage continues until mid-2010
- It will take until 2012 to return to 2007 jobs count
- Unemployment for FL peaks at 10%+ in 2009
- Continued subpar job growth in FL until 2011
- Unemployment stays above 8% into 2012
- Decreased numbers of economic migrants into Florida
- General revenues for Florida finally stop falling
- Federal fiscal stimulus dollars end in 10 → FL budget woe
- Declining property values will call for increased millage rates in school districts, but political pressure will limit increases.
- Growing risks to military budgets in WDC threaten vitality
- FL needs to address windstorm insurance and property tax

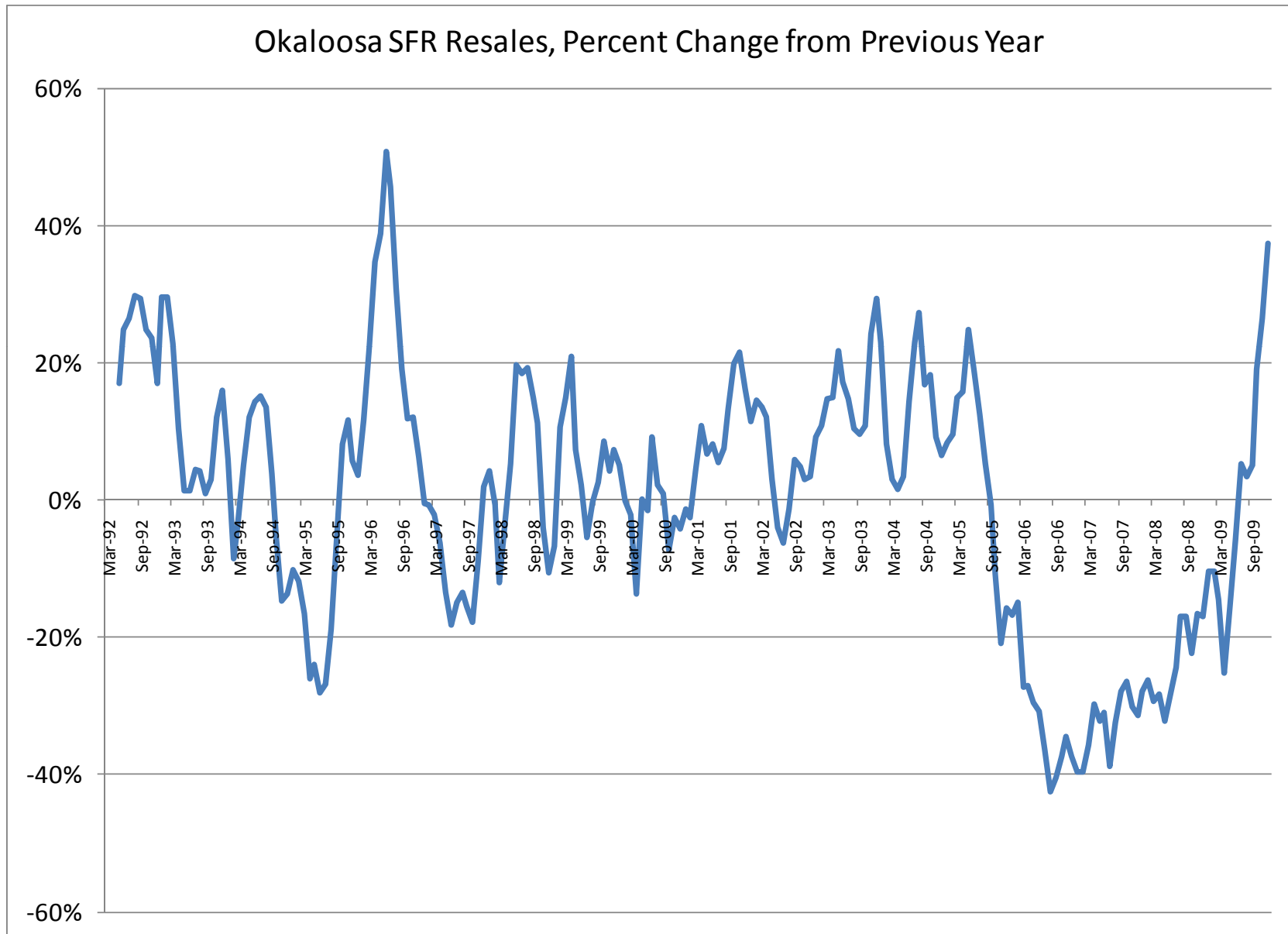
## What are the bright spots?

- Home price drop helps FL competitiveness
- NW FL with less than average housing overstock
- Miles of National Seashore/AFB limited coastal speculation
- The big 3: military payrolls, drive-to tourism, healthcare
- Pilot training, Special Ops, Weapons RDTE look safe
- JSF looks better under new Pentagon budget
- NW FL entered recession early, may be poised for recovery
- Longer-term baby boom demographics are good

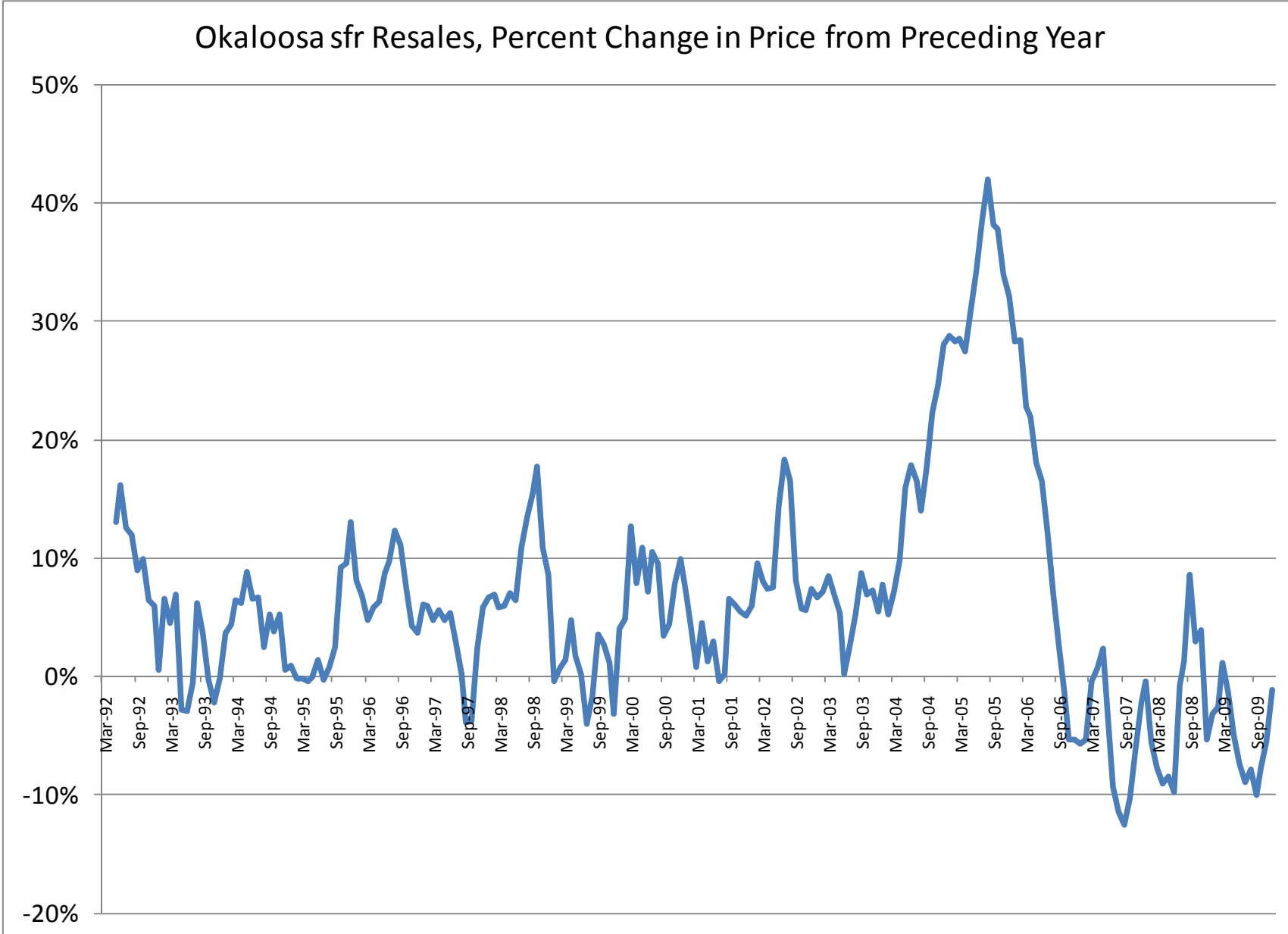






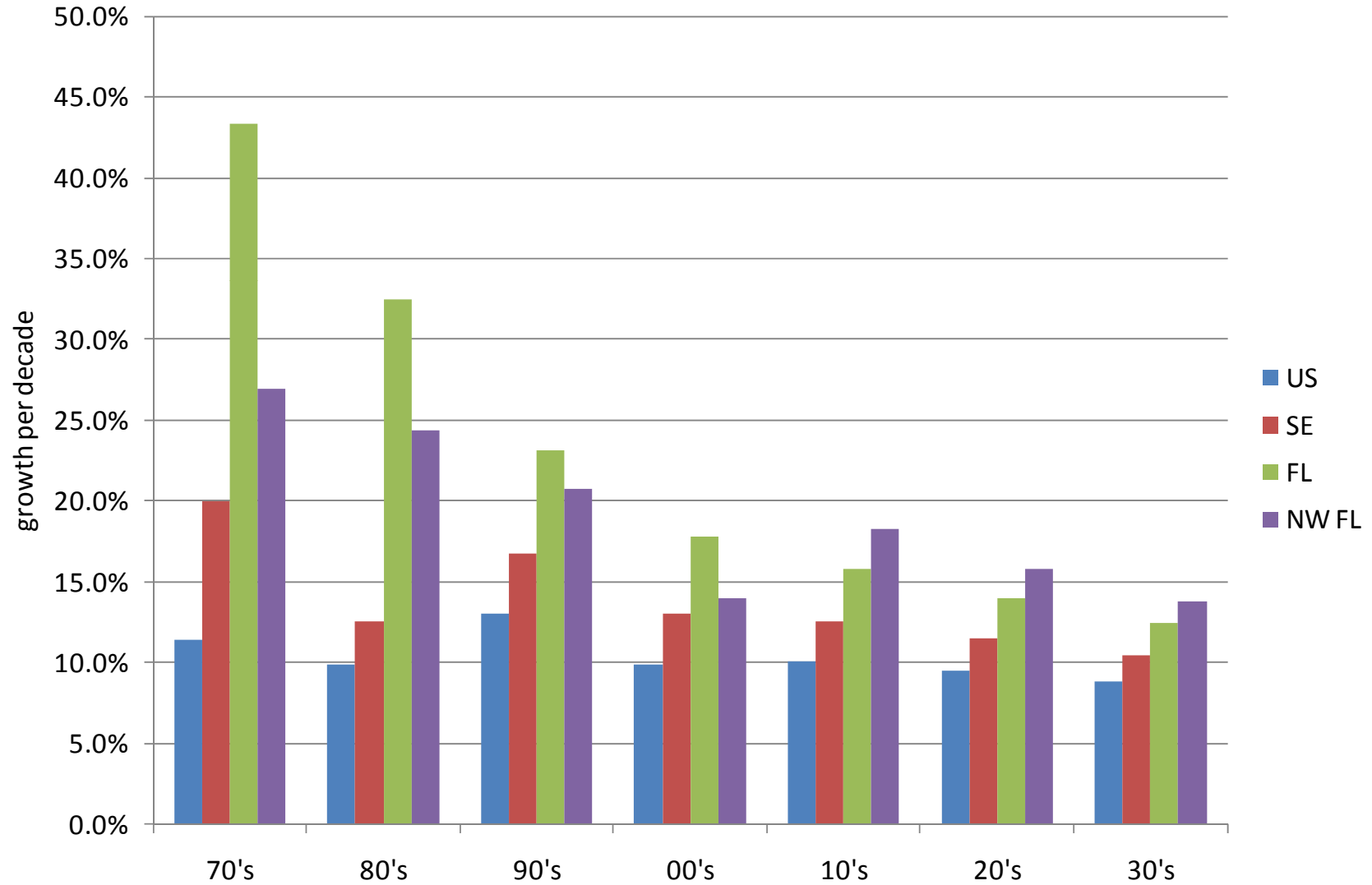


Okaloosa sfr Resales, Percent Change in Price from Preceding Year



### Actual and Projected Growth Rates by Decade

source: Woods and Poole 2010





## Northwest Florida Outlook 2009/2010:

- Housing purchase prices more affordable
- Population growth across FL now flat to negative, NW FL not immune
- Economic activity picks up
- Unemployment flattens
- Residential real estate market recovery still a year away
- Commercial real estate market weakens
- Be thankful we're not Ft. Myers – military payrolls, drive-to destination
- But state budget crisis continues, due to temporary nature of ARRA
- Demographics (in-migration) trump slowdown over time
- Insurance + property tax = high monthly ownership costs

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## Questions?

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