



Local Economic Trends Report • October 2021

As the area's only independently-owned community bank, **Marine Bank & Trust** keeps an eye on the rapidly evolving economic trends in our local markets by analyzing data and sharing our findings with our customers and friends in this Local Economic Trends Report.

The Big Picture

Whatever happens locally in our community is affected by what happens at the state and national levels. The COVID-19 pandemic, which has affected our lives for the past year and a half, is still a factor in employment, rapid price increases, availability of goods and services, and healthcare. Following are the economic factors affecting us locally this past quarter.

Employment is up. Unemployment is down.

Treasure Coast unemployment is now the lowest it has been since before COVID began in March 2020 (Indian River County stands at 5.1%). However, the number of "help wanted" signs are proliferating throughout the market. Employers we contacted have raised salaries and even offered bonuses to new employees to attract candidates. We anticipate the labor market will stay tight and the unemployment rate low for the foreseeable future. However...

Higher Costs. Higher Prices. Higher Inflation.

This is applying pressure to costs, especially in the service sector, leading to higher prices. The automobile industry has experienced serious supply chain issues causing reduced production in the face of higher demand. An accompanying demand for used vehicles has pushed those prices to an all-time high.

Tourists are back!

Indian River County relies heavily on construction, service, agriculture and especially tourism. Tourists pay a 4% tourism tax (or "bed tax") on their lodgings, whether they stay in a hotel or vacation rental home. Tourist tax collections in 2021 are above budgeted projections. These numbers are backed up by our conversations with local hoteliers, restaurateurs and gift shop owners.

Housing costs have surged.

Housing costs (sales and rentals) remained relatively flat in 2019, but since the COVID-19 pandemic began in March 2020, prices and values have continued an upward trajectory. This is due primarily to demand spurred by migration from up north as well as increased cost and availability of building materials. The current average home value in Indian River County is \$287,000, representing a nearly 12% one-year increase. The pace of migration is expected to moderate going forward. Many experts believe that the outlook for 2021 and 2022 will remain positive, barring unforeseen events and circumstances.

Housing bubble?

We always worry about a housing bubble, but price levels appear to be sustainable given demand from out-of-staters moving to Florida to retire, work from home and escape the high-tax states. Housing inventories so far this year are at the lowest in recent memory, putting pressure on housing prices for new and used homes. New housing construction in Indian River County is proceeding, but nothing like the growth of housing projects around the state. Large scale growth in Indian River County is restricted by agricultural land use regulations that do not allow for large developments west of I-95. Sebastian still has room to grow but the City of Vero Beach is virtually built out.

Bad News for First-Time Buyers

The downside of these increased home values is that most first time home buyers are being priced out of the market. Apartment rentals are also more expensive, with the average monthly rent in Vero Beach for a one bedroom apartment around \$1500 (per ApartmentHomeLiving.com).

Interest Rates Remain Stable (for now)

Interest rates are relatively low, driven by the excessive cash infusion into the economy via fiscal stimulus and the Federal Reserve easy money policy. Interest rates have remained relatively stable as the Fed seems to feel inflation will eventually settle down to an acceptable rate, but that could change if it continues on its present course after the end of 2021.

Yield Curve – Steady As She Goes

The upward slope in the yield curve tells us the bond market expects modest economic growth, inflation and rate increases over the coming years. The key to understanding the current yield curve is the fact that the interest rates on short-term government securities are determined by the Federal Reserve while the interest rates on long-term government securities are largely determined by the market.

Wrapping Up

Despite the negative influences of the pandemic, the economy is currently doing well. It's a great time to be looking for a job, borrowing money, or selling a house. It's a difficult time to be buying a house and a poor time to be living off your savings. We expect these trends to continue into the foreseeable future with housing prices and employment ultimately leveling out accompanied by minor interest rate increases.

