

Local Economic Trends Report • March 1, 2022

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

Signs are encouraging that COVID is in decline, a major challenge these past two years. The economy is moving full steam ahead, but unfortunately, so is inflation. Prices are rising wherever you look because we are in a perfect storm of supply chain issues, pent-up demand, high oil prices, Federal largesse, mandates, and international tensions. Experts believe that the outlook for 2021 and 2022 will remain positive, barring unforeseen events and circumstances.

Population trending up, up and way up

The Treasure Coast counties are enjoying a period of sustained growth. The ongoing expansion of space programs makes Brevard County a hot market for business and population growth with overflow spilling over in to nearby Indian River County. St. Lucie County, especially Port St. Lucie, is within commuting distance from South Florida job opportunities. Indian River and St. Lucie Counties remain highly desirable retirement markets thanks to their superb quality of life and lower cost of living. These trends will continue into the foreseeable future.

Inflation will subside...eventually

To combat inflationary pressures, the Fed is reducing cash pumped into the system and will begin raising interest rates this month. The trick is to tap the brakes of our economy without slowing it down too far or too fast. That probably means prices will continue to go up in the short term but begin easing mid to late 2022.

Employment is (almost) picture perfect for now

Florida's unemployment rate of 4.5% is the lowest since COVID arrived, but still above pre-COVID rates. Indian River County unemployment is 3.9%, Brevard is 3.4%, and St. Lucie County stands at 4.1% - all below the state average. High employment and low unemployment are great, but then there's also a record number of unfilled job openings. Employers have been raising wages to attract and/or retain workers, who see this as an opportunity to get ahead. Inflation is eating into their gains though. Those stats should continue in the short term.

Real estate demand rules the day

Already a top destination for retirees and vacationers, Florida is now attracting early retirees and remote workers tired of big city commutes and bad weather. This has sparked an increase on home and rental prices.

Rising demands for housing and a limited inventory of single and multi-family homes are causing prices to skyrocket.

Median home prices for Indian River, Brevard, and St. Lucie shot up in 2021 and continue to rise because of that limited housing inventory. Rental rates have also increased, practically putting apartments out of reach to entry level workers.

The average home value in Indian River County is \$330,000, nearly a 31% increase over last year. Building permits are also up 31%, with many subdivisions that floundered after the 2008 recession now going full speed ahead. Going forward, the biggest problem is a shrinking supply of building lots and acreage.

In Brevard County, the average home price is \$316,000, a 28% increase from last year. Growth is expected to continue due to a strong base of commercial employers, affordability and plenty of available land.

The average home price in St. Lucie County is \$331,000, a 37% increase over last year. It also benefits from affordability, a location within commuting distance from larger job markets in South Florida and plenty of land for growth. Port St. Lucie is one of the fastest growing cities in Florida. It is also 4th in the nation for housing market price increase since 2017.

Developers, eager to fill the demand for housing, are struggling to meet the demand due to materials and labor shortages.

Overall, the residential market for Indian River, Brevard and St. Lucie Counties is expected to continue for now, pending the effect of rising mortgage rates.

That goes for commercial real estate, too

The commercial real estate market is responding to the needs of a growing population. In Vero Beach, prospects for development of the Three Corners properties on Indian River Lagoon are moving along with City Council approving a master plan. In downtown Ft. Pierce, the city has approved a major waterfront commercial-residential project called King's Landing. Amazon will be opening its third warehouse facility in Port St. Lucie's Legacy Park, where it will join FedEx Ground, Cheney Brothers, and others, bringing hundreds of new jobs to the area.



Tourism surges forward

People are not just moving to Florida – they are visiting as tourists looking for fun in the sun after two years of postponed vacations. The success of Indian River County, which relies heavily on the tourism and service industries, can be reflected in increased tourist taxes, 51.6% over last year. Tourist tax collections in Brevard County are the highest in recorded history. St. Lucie County also exceeded all historical levels, up 34% over last year.

The Brightline high speed passenger service from Orlando to South Florida is beginning work through Brevard, Indian River and St. Lucie Counties, and is expected to begin service next year. It will have minimal economic effect on our counties though as it passes through to its closest station in West Palm Beach.

To summarize...

The main drivers of our regional economy – influx of new residents and businesses from both north and south, low interest rates, low taxes, affordability – should continue to as we move deeper into 2022.

