

# ISSUES

SHIMBERG CENTER FOR AFFORDABLE HOUSING

M.E. Rinker, Sr., School of Building Construction • College of Design, Construction & Planning • PO Box 115703, University of Florida, Gainesville, FL 32611-5703 TEL: (352) 273-1192 • SUNCOM: 622-7697 • FAX: (352) 392-4364

Volume XIV, Number 2

February 2008

## **Economic Impact of Residential Construction and Real Estate Transactions, 2006**

*The purpose of this newsletter is to describe the impact on Florida's economy of residential construction and related real estate transactions. The most recent year of available data is 2006. As a result, the beginning indications of the down turn in the residential market were just beginning to be seen. As may be seen, the residential real estate and construction industries combine to represent a significant portion of Florida's total economic activity. Although this newsletter focuses only on the state-level information, the full report titled The State of Florida's Housing, 2007 examines economic activity at the county and metropolitan statistical area (MSA) level and will be available on the Internet in mid-March at [www.flhousingdata.shimberg.ufl.edu](http://www.flhousingdata.shimberg.ufl.edu).*

Douglas White, Florida Housing Data Clearinghouse, Shimberg Center, University of Florida

Building Permit activity, obtained from the University of Florida's Bureau of Economic and Business Research, is analyzed to derive the value of new construction for the state. Additions to the tax base and revenues generated are also determined. According to the building permit data, there were 203,238 new units built in Florida in 2006. Of these new units, 146,236 were single-family units and the remaining 57,002 were multi-family units. The single-family units had a value of \$27.9 billion and the multi-family units had a value of \$7.8 billion for a total of \$35.7 billion in new residential construction. Table 1 shows the distribution of this new construction by MSA and non-metropolitan regions.

## **Economic Multipliers and Actual Employment & Earnings**

IMPLAN, an economic impact modeling software program, was used to estimate the impacts generated by residential construction and real estate related transactions. When estimating the impacts, the residential construction numbers were divided into single-family construction and multi-family construction to more accurately model the impact, but only the combined impact is presented in this report. Also note that in order to better model

the impacts of construction, Monroe County has been combined with the Miami-Fort Lauderdale-Pompano Beach MSA and was removed from the Southern Non-metropolitan region. Also, Putnam County was combined with the Gainesville MSA and therefore removed from the Central Non-metropolitan region.

Three types of impacts are estimated for non-residential construction and real-estate-related transactions: direct effects, indirect effects, and induced effects. Direct effects are the changes in the industries to which a final demand change was made. Indirect effects are the changes made in inter-industry purchases as they respond to the new demands of the directly affected industries. Induced effects typically reflect changes in spending from households as income increases or decreases due to the changes in production.

### **Total Impact on Output**

Output multipliers predict how much increased economic activity in other industries is caused by every additional dollar increase in one specified industry. Here the direct impacts are the new residential construction. IMPLAN models these direct effects and generates indirect and induced effects to arrive at a total impact on the MSA economy. These effects are then summed to get an estimate of the total effect on the state. The total effect at the state level was that the \$35.7 billion in new residential construction generated a total of \$59.1 billion in economic activity.

### **Total Impact on Earnings**

The \$35.7 billion in new residential construction generates a total of \$22.2 billion in earnings. Of this \$22.2 billion, the workers building the new residential construction directly earn \$13.59 billion. There are also \$4.28 billion in indirect earnings and \$4.3 billion of induced earnings. An example of an indirect earner would be someone involved in mining the raw materials used to make the concrete that is used in the new construction, and an example of

an induced earner would be a waiter who is hired due to increase spending by the newly hired construction workers.

### **Total Multipliers for Employment**

The direct impact on employment is the worker hired to build the new construction or complete the real estate transactions. The indirect impact would be a new miner hired by a concrete manufacturer due to the increase in construction, and the previously mentioned waiter would be an example of an induced effect. Residential construction's impact on employment is approximately 587,000 jobs.

Therefore it is estimated that the economic impact from new residential construction is approximately \$59.1 billion annually. Furthermore, new residential construction provides nearly 587,000 jobs with annual earnings of nearly \$22.2 billion.

### **Summary**

Florida's 67 counties include 39 urban counties and the 28 rural counties. The urban counties can also be divided into those that are a part of the four major metropolitan areas and sixteen other metropolitan areas. Almost 94% of the single-family homes and 98% of condominiums are located in these urban counties. The rural counties can be further divided into coastal and non-coastal counties. Besides housing differences in the urban and rural counties, there are often also a number of differences in housing characteristics between coastal and non-coastal counties. While the metropolitan areas contain a majority of the housing stock, the most expensive housing is often found in non-metropolitan areas. The most expensive, and also least affordable, housing stock is often found in coastal counties, which also happen to be some of the non-metropolitan areas. This fact highlights the fact that in Florida, often there is a distinct difference between metropolitan areas and non-metropolitan areas as well as between coastal and non-coastal counties.

**Table 1: Value (\$1000s) & Number of New Units Constructed in 2006**

	Total Construction	New Construction Single-Family	Multi-Family	Total Units	New Units Single-Family	Multi-Family
Cape Coral-Fort Myers, FL MSA	\$3,732,956	\$3,042,256	\$690,700	18,746	14,700	4,046
Deltona-Daytona Beach-Ormond Beach, FL MSA	\$808,785	\$617,232	\$191,553	3,815	2,906	909
Fort Walton Beach-Crestview-Destin, FL MSA	\$283,616	\$277,494	\$6,122	1,790	1,699	91
Gainesville, FL MSA Plus Putnam County	\$265,705	\$194,699	\$71,006	2,380	1,383	997
Jacksonville, FL MSA	\$2,681,770	\$2,256,280	\$425,490	16,967	11,500	5,467
Lakeland, FL MSA	\$1,116,655	\$954,253	\$162,402	9,323	7,609	1,714
Miami-Fort Lauderdale-Pompano Beach, FL MSA Plus Monroe County	\$6,422,165	\$3,080,984	\$3,341,181	35,567	15,180	20,387
Naples-Marco Island, FL MSA	\$1,228,774	\$794,506	\$434,268	4,788	2,829	1,959
Ocala, FL MSA	\$1,060,228	\$1,049,298	\$10,930	7,063	6,753	310
Orlando-Kissimmee, FL MSA	\$5,337,740	\$4,571,088	\$766,652	30,984	23,646	7,338
Palm Bay-Melbourne-Titusville, FL MSA	\$988,009	\$849,860	\$138,149	5,044	3,967	1,077
Palm Coast, FL MSA	\$491,109	\$381,623	\$109,486	1,839	1,499	340
Panama City-Lynn Haven, FL MSA	\$379,633	\$103,162	\$276,471	3,076	920	2,156
Pensacola-Ferry Pass-Brent, FL MSA	\$418,907	\$347,754	\$71,153	2,811	2,141	670
Port St. Lucie-Ft. Pierce, FL MSA	\$949,072	\$879,502	\$69,570	6,328	5,572	756
Punta Gorda, FL MSA	\$840,058	\$649,790	\$190,268	4,335	3,052	1,283
Sarasota-Bradenton-Venice, FL MSA	\$1,547,447	\$1,293,761	\$253,686	7,671	5,983	1,688
Sebastian-Vero Beach, FL MSA	\$723,207	\$680,702	\$42,505	3,143	2,839	304
Tallahassee, FL MSA	\$430,988	\$389,642	\$41,346	3,018	2,430	588
Tampa-St. Petersburg-Clearwater, FL MSA	\$3,777,804	\$3,309,581	\$468,223	22,640	18,294	4,346
Northeast Non-metropolitan Area	\$183,349	\$176,900	\$6,449	1,533	1,410	123
Northwest Non-metropolitan Area	\$716,523	\$690,729	\$25,794	2,202	1,955	247
Central Non-metropolitan Area Minus Putnam County	\$954,660	\$947,633	\$7,027	5,673	5,614	59
South Non-metropolitan Area Minus Monroe County	\$377,140	\$363,069	\$14,071	2,502	2,355	147
<b>Total</b>	<b>\$35,716,300</b>	<b>\$27,901,798</b>	<b>\$7,814,502</b>	<b>203,238</b>	<b>146,236</b>	<b>57,002</b>

In 2006, Florida built 146,000 single-family units and also built 57,000 multi-family units. Building these units created 587,000 jobs that had annual earnings of nearly \$22.2 billion. This new construction had an estimated economic impact of approximately \$59.1 billion.

## Additional Information

The inquisitive reader is encouraged to obtain a copy of *The State of Florida's Housing, 2007* that will be available on the Florida Housing Data Clearinghouse web site as a pdf file in mid-March 2008. The

**Affordable Housing ISSUES** is prepared bi-monthly by the Shimberg Center for Affordable Housing for the purpose of discussing contemporary issues facing affordable housing providers. Reproduction of this newsletter is both permitted and encouraged. Comments or questions regarding the content are welcome and should be addressed to Robert C. Stroh, Director.

Shimberg Center for Affordable Housing  
School of Building Construction  
College of Design, Construction & Planning  
203 Rinker Hall  
Gainesville, FL 32611

**UF** UNIVERSITY of  
**FLORIDA**