

Florida: An Economic Overview

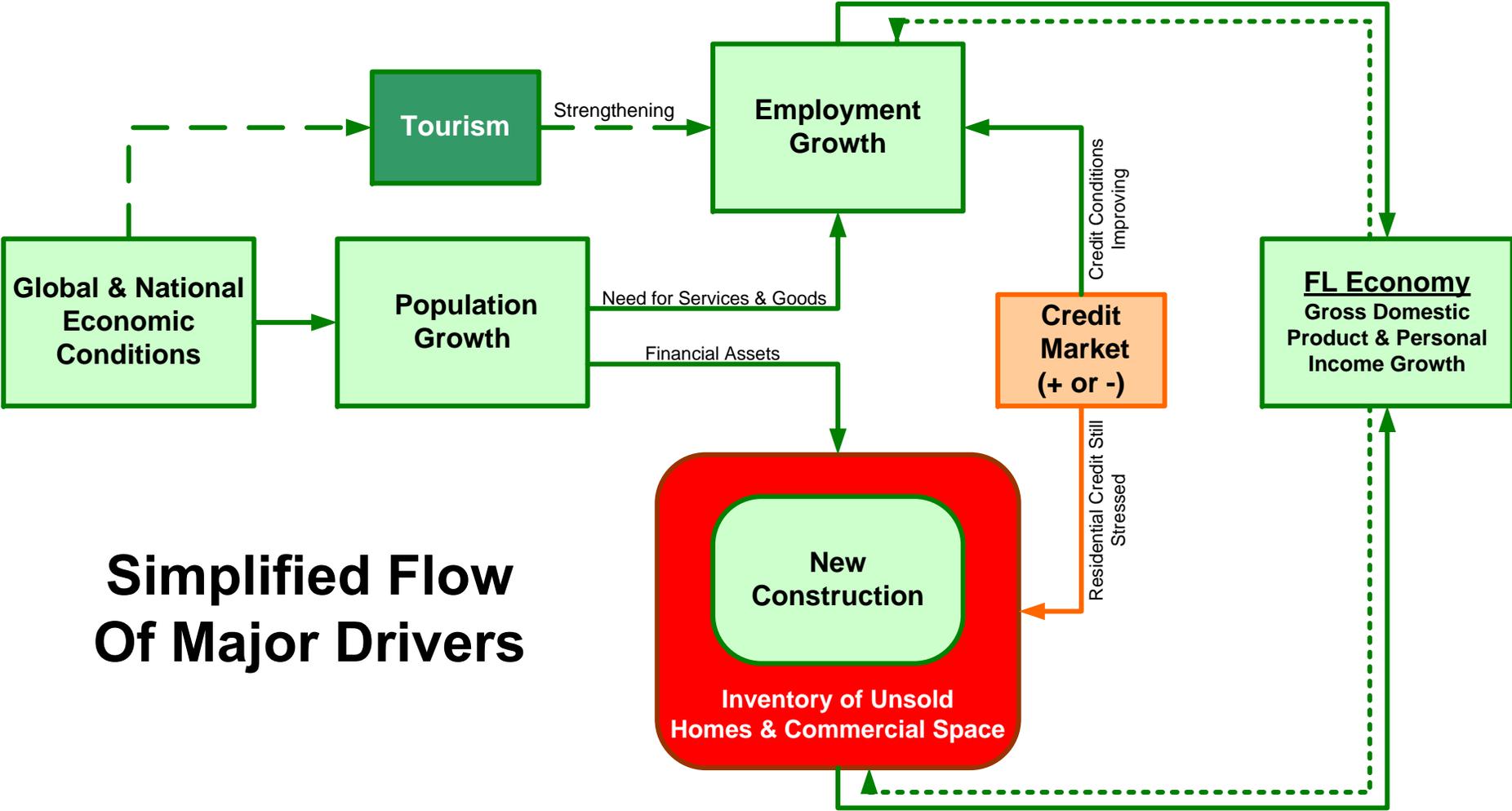
January 28, 2014

Presented by:



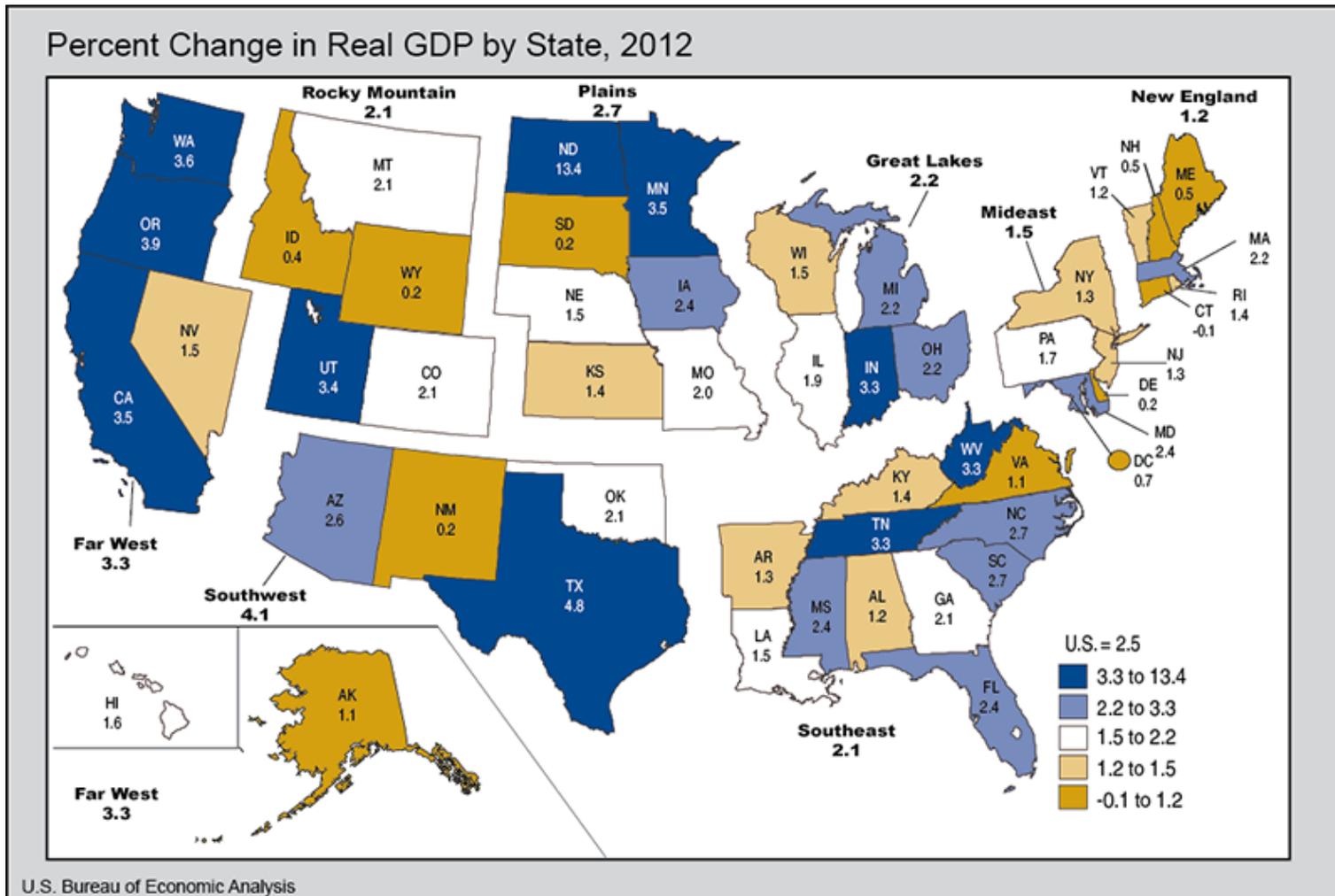
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Key Economic Variables Improving



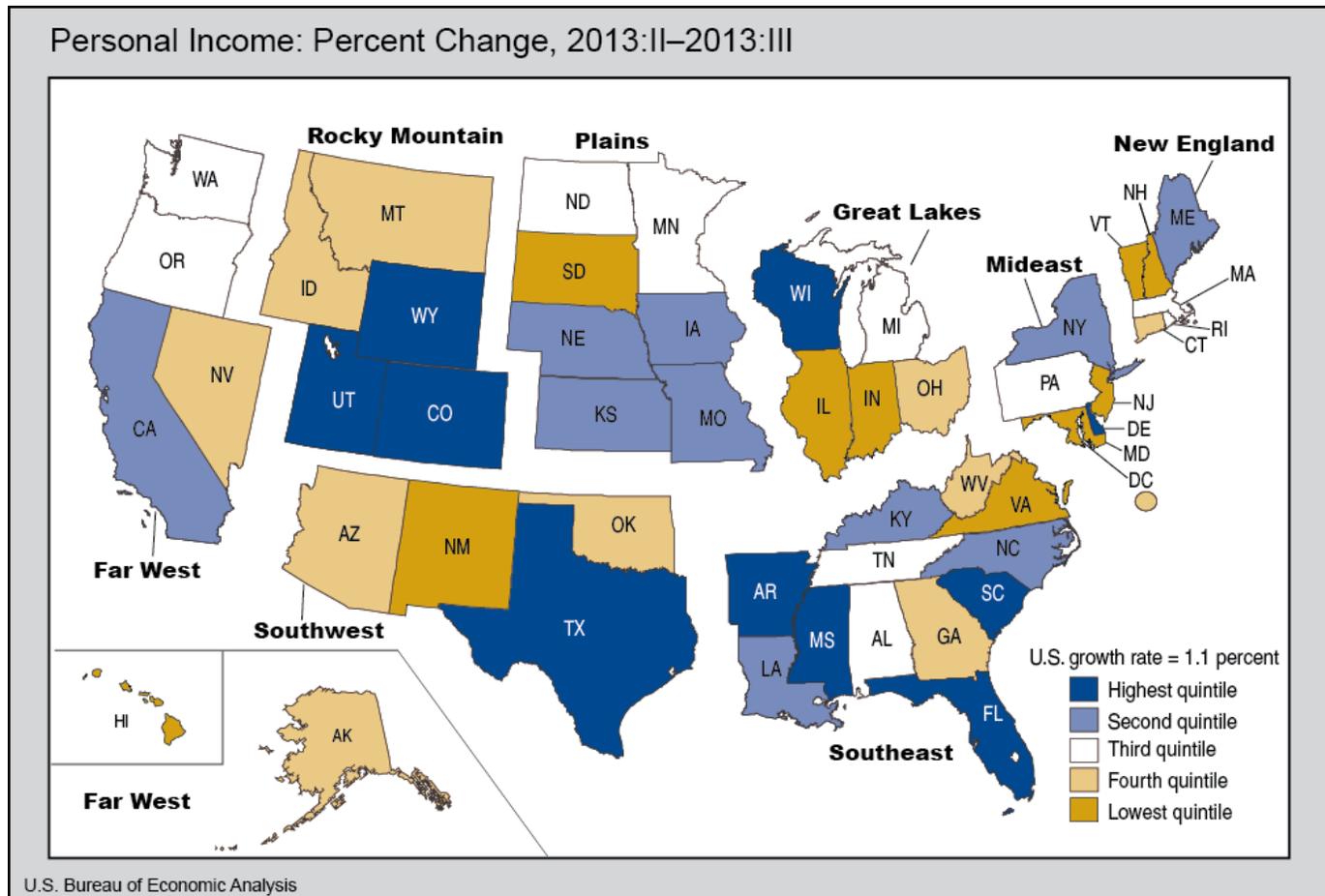
**Simplified Flow
Of Major Drivers**

Economy Strongly Improved in 2012



In 2012, Florida's economic growth was in positive territory for the third year after declining two years in a row. State Gross Domestic Product (GDP) ranked us 14th in the nation in real growth with a gain of 2.4%, just slightly below the national average of 2.5%.

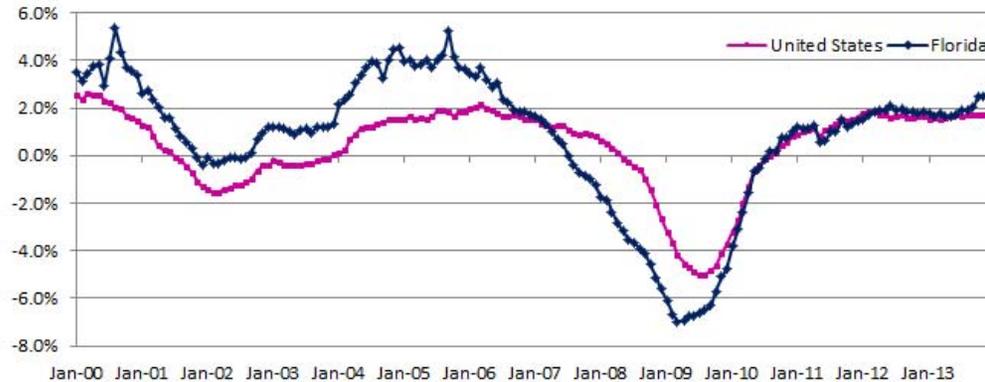
FL Personal Income Grows in 2013:Q3



Florida finished the 2012 calendar year with 3.2% growth over 2011, putting the state only slightly below the national growth rate of 3.5%. Regaining normalcy after three quarters of noise related to the early 2013 “Fiscal Cliff,” the latest report shows that Florida was ranked 8th in the country with personal income growth of 1.3% in the third quarter of 2013. This was slightly higher than the national average of 1.1%. Property Income (personal rental income, dividends and interest) was the strongest contributor.

Current Employment Conditions

**Seasonally Adjusted Nonfarm Jobs
Percent Change from Same Month Prior Year**



Source: Florida Department of Economic Opportunity, Bureau of Labor Market Statistics, Current Employment Statistics Program in cooperation with the U.S. Department of Labor, Bureau of Labor Statistics, January 24, 2014.

December Nonfarm Jobs (YOY)

| | |
|-------|---------------|
| US | 1.6% |
| FL | 2.6% |
| YR: | 192,900 jobs |
| Peak: | -419,700 jobs |

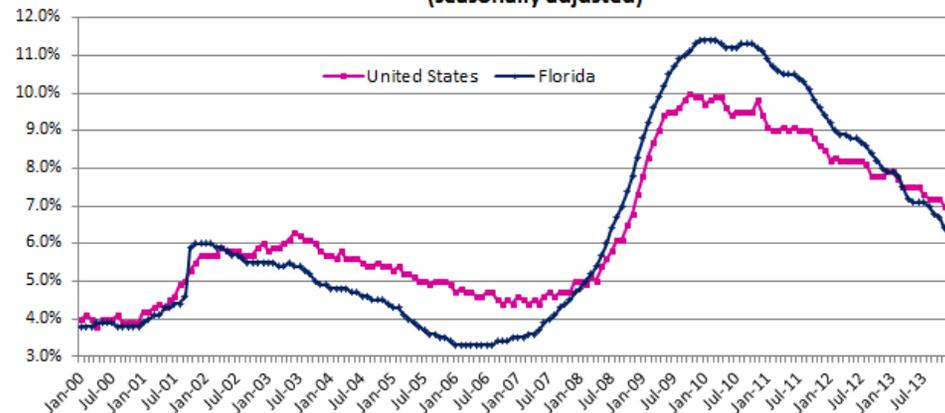
December Unemployment Rate

| | |
|------------------|------|
| US | 6.7% |
| FL | 6.2% |
| (584,000 people) | |

Highest Monthly Rate

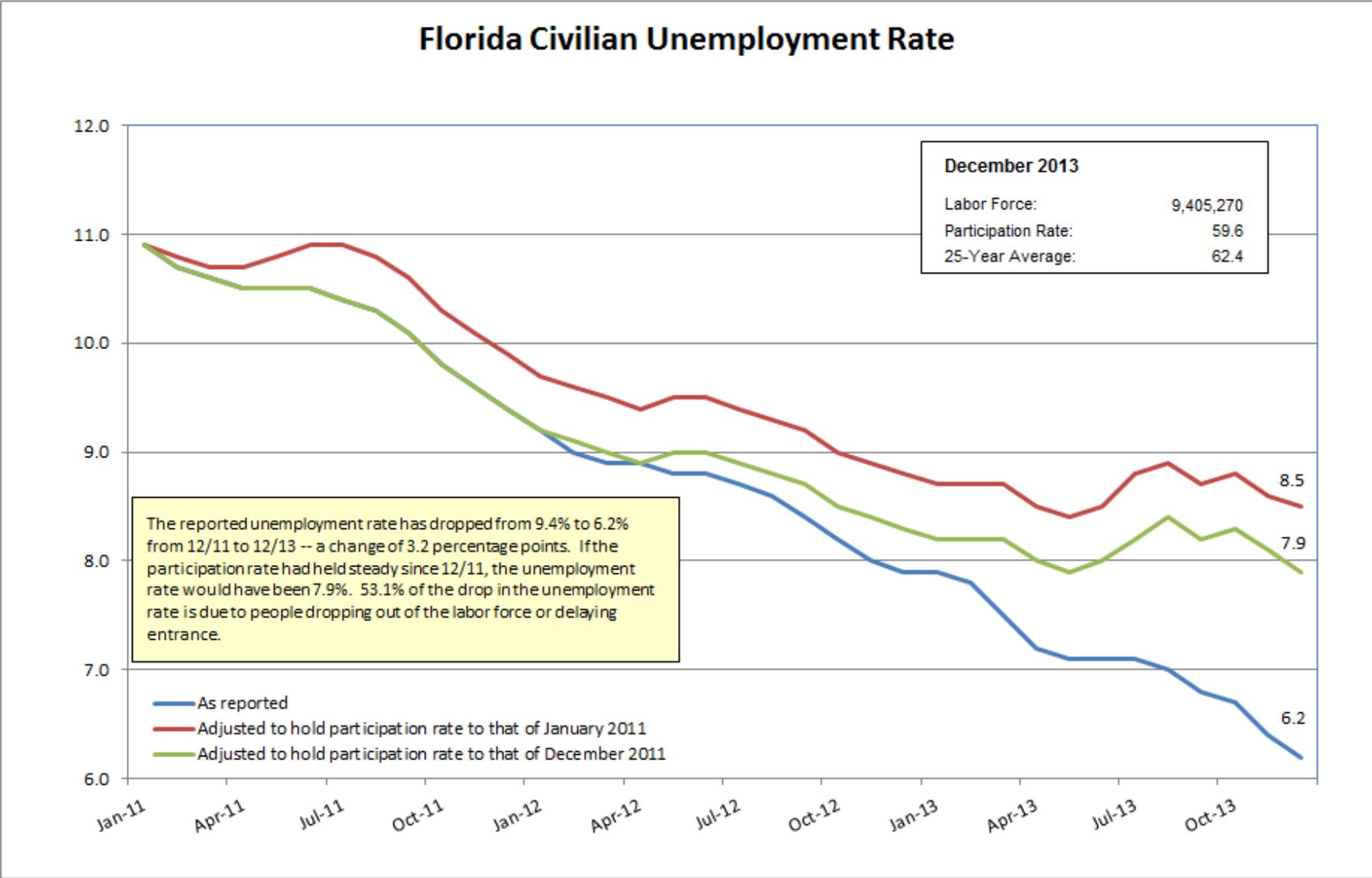
11.4%
December 2009 through
March 2010

**United States and Florida Unemployment Rates
(seasonally adjusted)**



Source: Florida Department of Economic Opportunity, Bureau of Labor Market Statistics, Local Area Unemployment Statistics Program, in cooperation with the U.S. Department of Labor, Bureau of Labor Statistics, January 24, 2014.

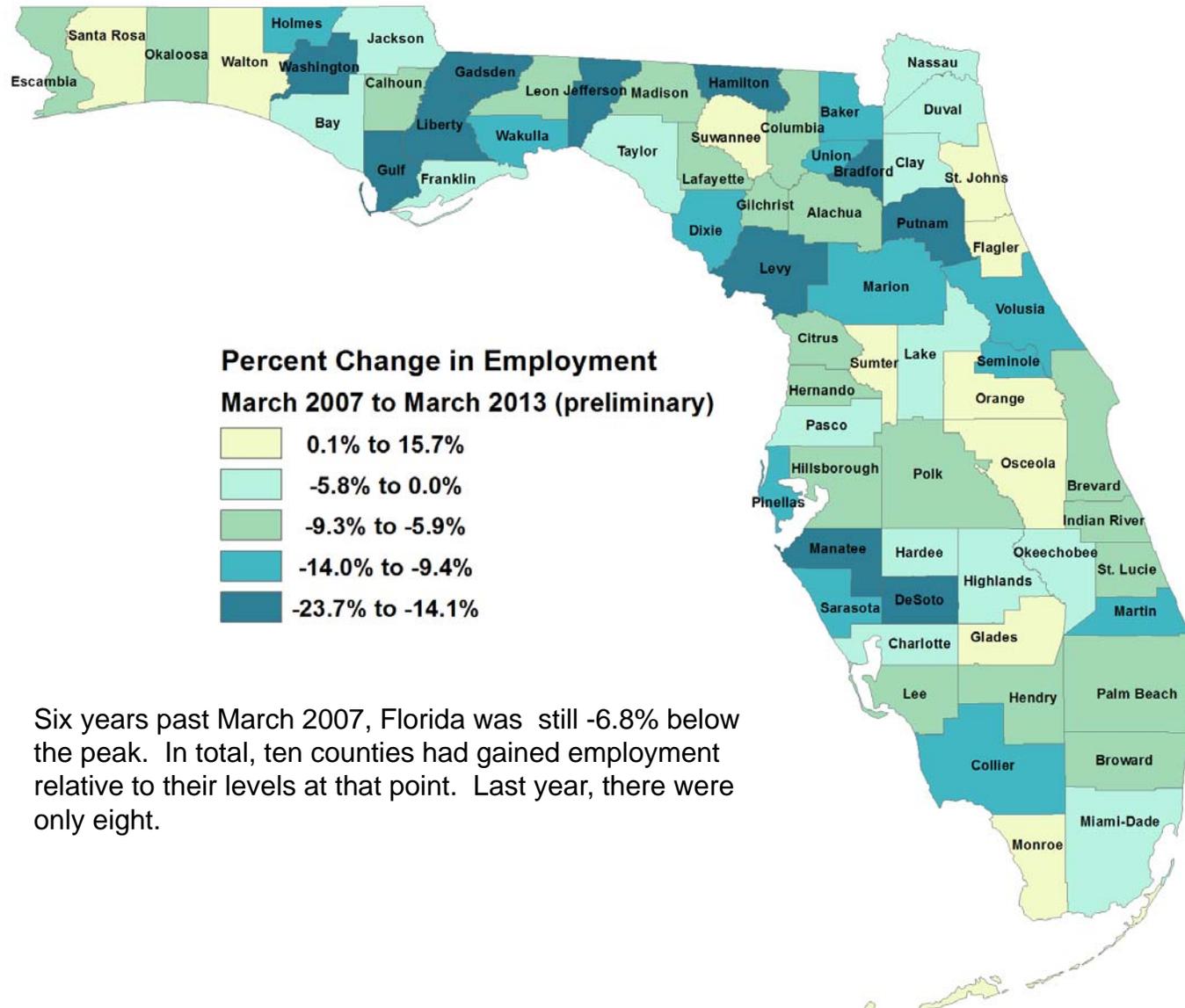
Labor Force Changes Affect Rate Drop



Florida's Job Market

- The job market will take a long time to recover – about 419,700 jobs have been lost since the most recent peak. Rehiring, while necessary, will not be enough.
- Florida's prime working-age population (aged 25-54) is forecast to add about 3,400 people per month, so the hole is deeper than it looks.
- It would take the creation of about 850,000 jobs for the same percentage of the total population to be working as was the case at the peak.

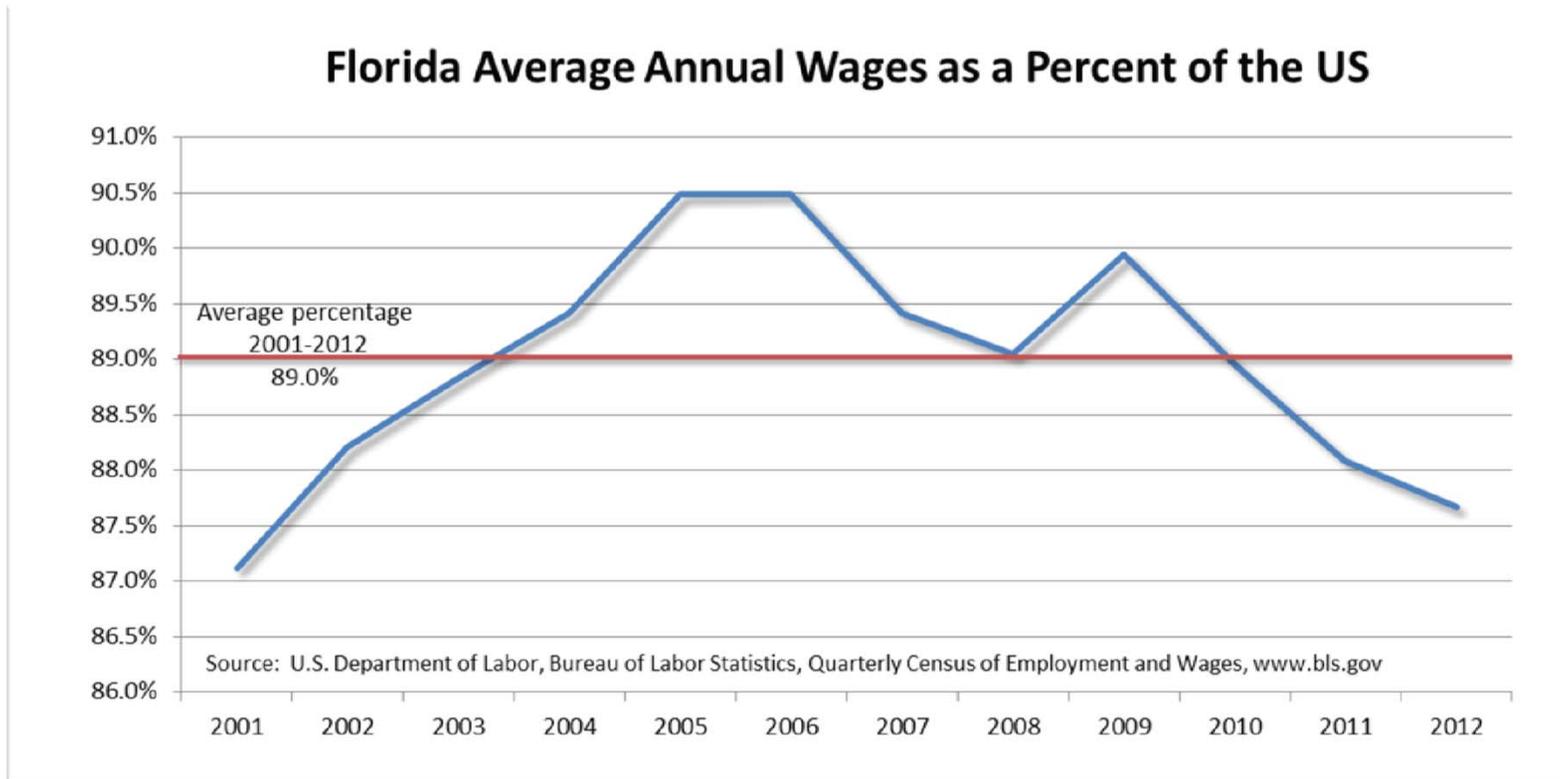
Employment Still Down from Peak Levels, But Improving...



Six years past March 2007, Florida was still -6.8% below the peak. In total, ten counties had gained employment relative to their levels at that point. Last year, there were only eight.



Wage Gap Increases in 2012



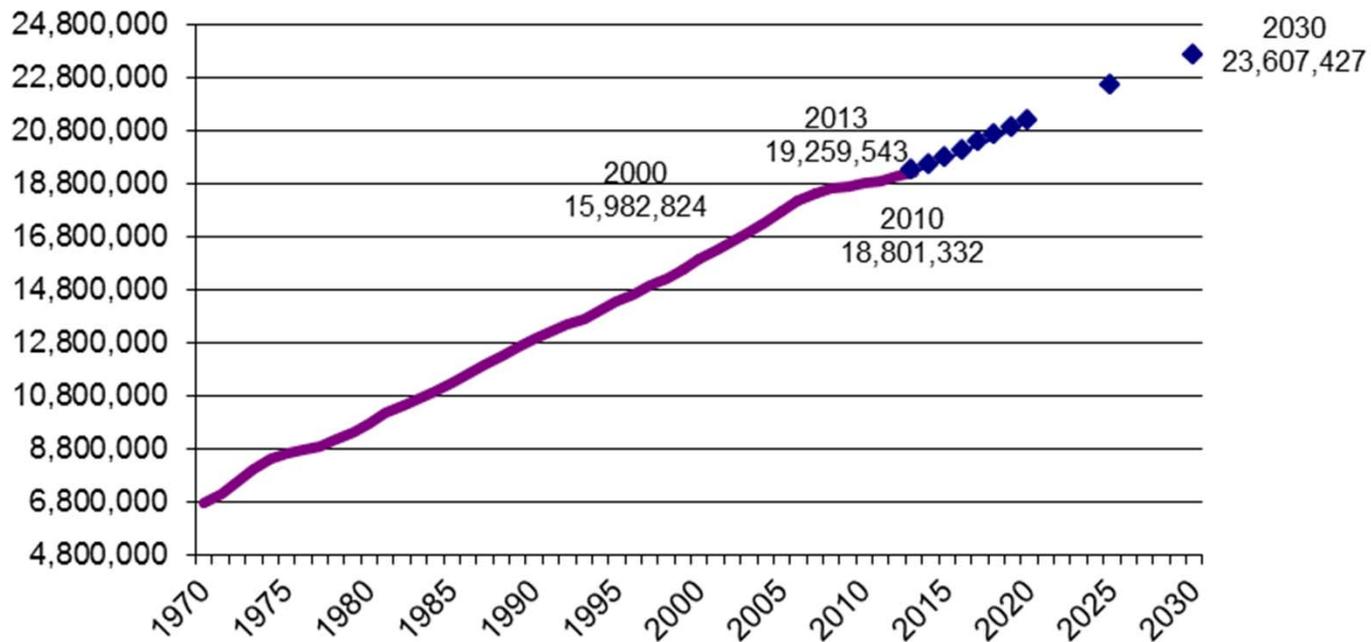
Florida's average annual wage has typically been below the US average. The preliminary data for the 2012 calendar year showed that it further declined to 87.7% of the US. Although Florida's wage level actually increased over the prior year, the US average annual wage increased more.

Population Growth Recovering

- Population growth is the state's primary engine of economic growth, fueling both employment and income growth.
- Population growth is forecast to continue strengthening, showing increasing rates of growth over the next few years. In the near-term, growth is expected to average 1.3% between 2013 and 2015 – and then continue its recovery in the future, averaging 1.4% between 2015 and 2020. Most of Florida's population growth through 2030 will be from net migration (90.0%). Nationally, average annual growth will be about 0.74% between 2013 and 2030.
- The future will be different than the past; Florida's long-term growth rate between 1970 and 1995 was over 3%.
- Florida is on track to break the 20 million mark during 2016, becoming the third most populous state sometime before then – surpassing New York.



Florida's April 1 Population

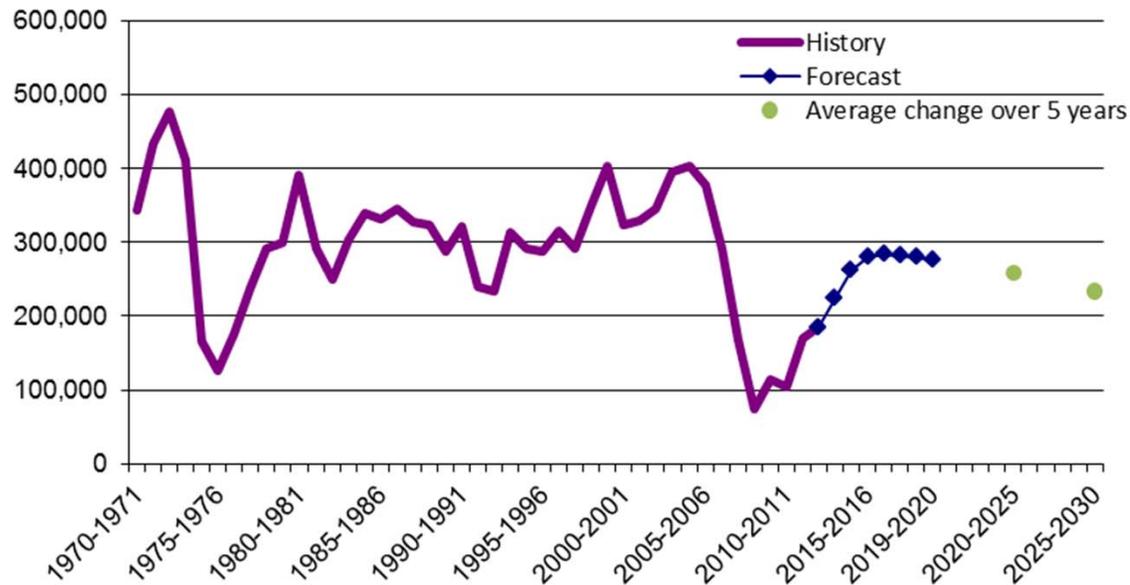


Florida's population:

- was 15,982,824 in 2000
- was 18,801,332 in 2010
- is forecast to grow to 23,607,427 by 2030



Florida's Population Growth



Population:

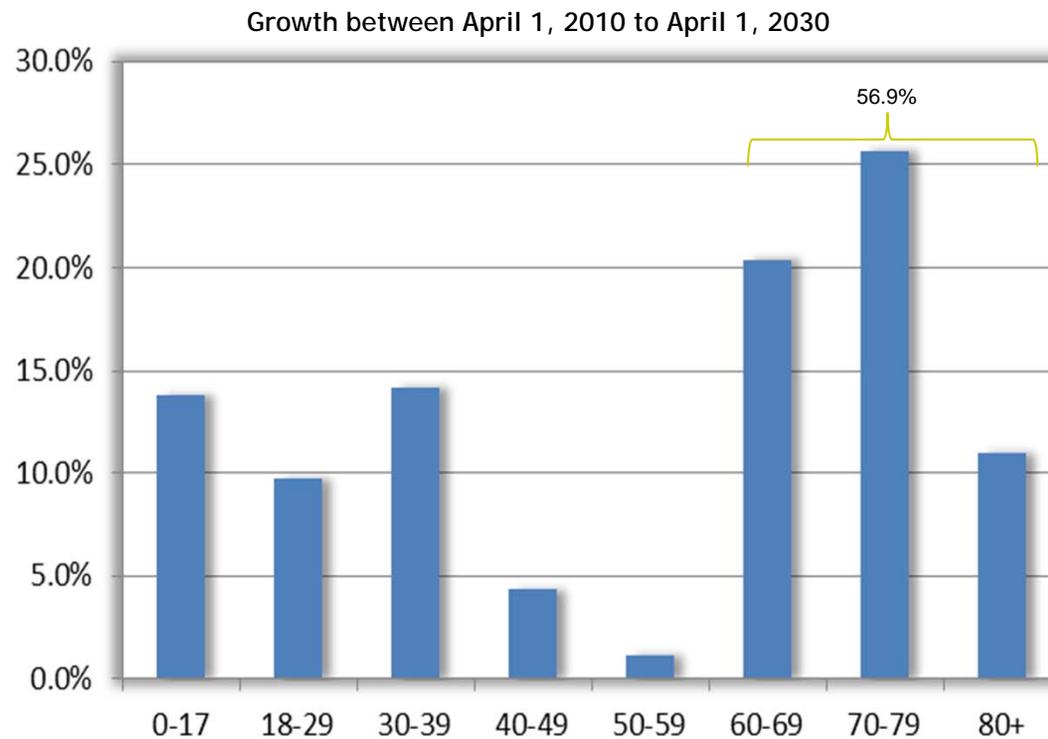
- Average annual increase between 2000 and 2006 was: 361,942
- Average annual increase between 2007 and 2013 was: 135,463

Population is forecast to increase on average by:

- 243,034 between 2013 and 2015 --- a gain of 666 per day
- 280,504 between 2015 and 2020 --- a gain of 769 per day
- 258,657 between 2020 and 2025 --- a gain of 709 per day
- 233,202 between 2025 and 2030 --- a gain of 639 per day

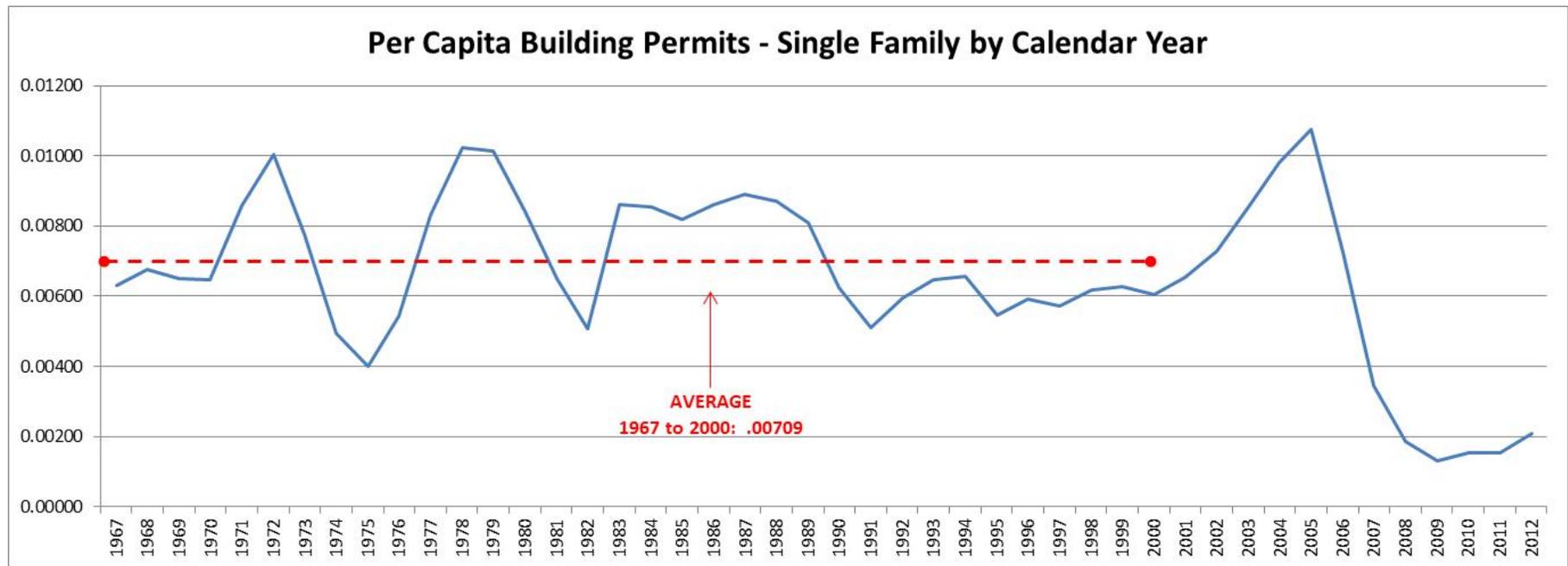
| 2013 | |
|----------------|---------|
| Orlando | 250,415 |
| St. Petersburg | 249,704 |
| Hialeah | 229,766 |

Population Growth by Age Group



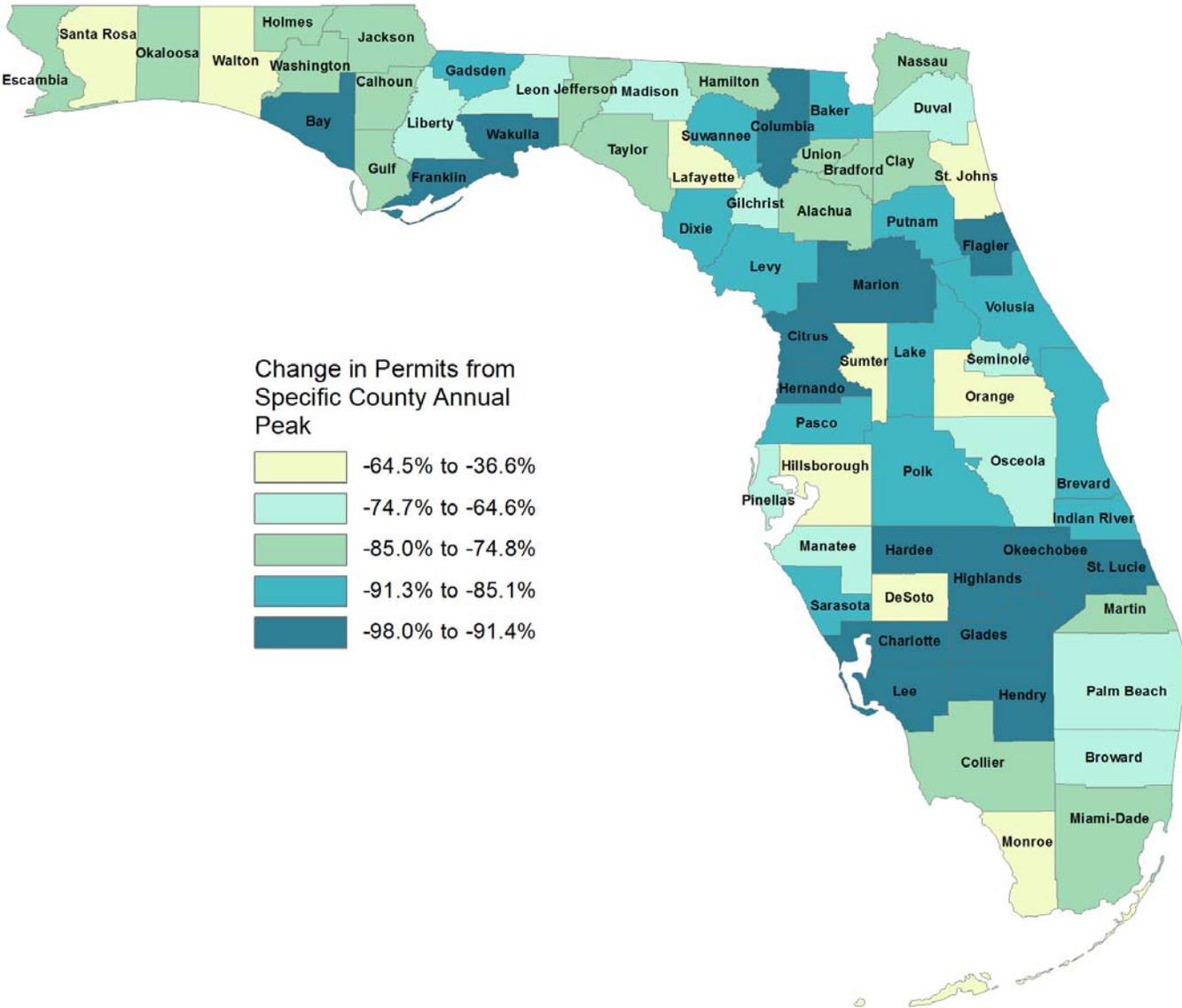
- Between 2010 and 2030, Florida's population is forecast to grow by almost 4.8 million.
- Florida's older population (age 60 and older) will account for most of Florida's population growth, representing 56.9 percent of the gains.
- Florida's younger population (age 0-17) will account for 13.8 percent of the gains.

Florida Housing is Generally Improving

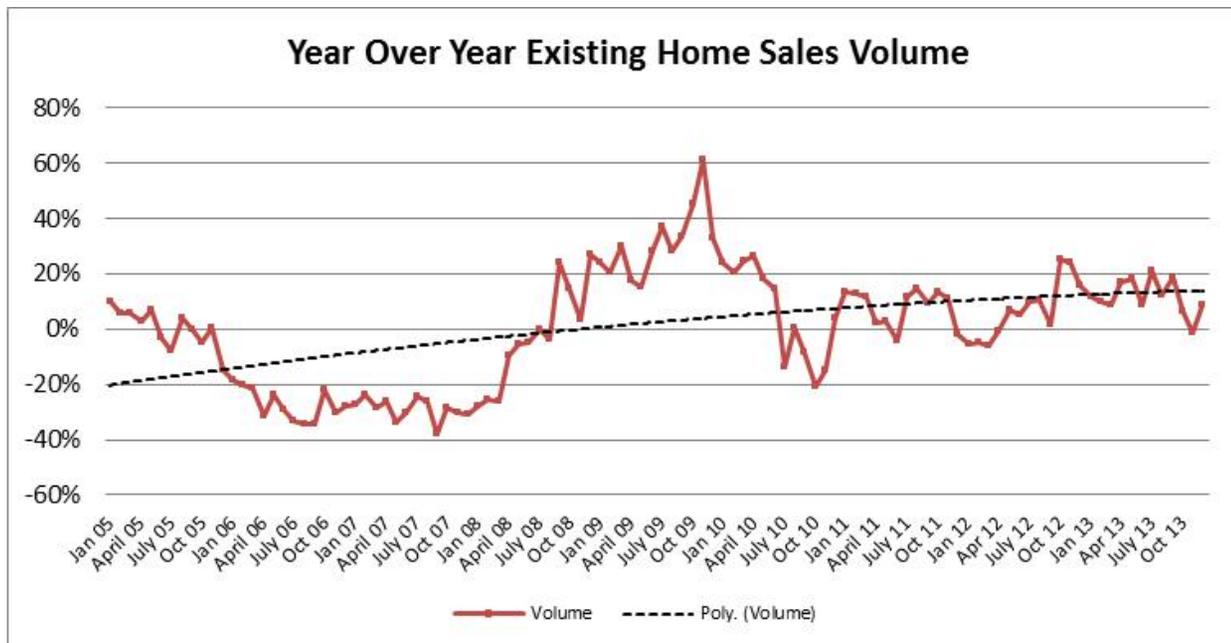
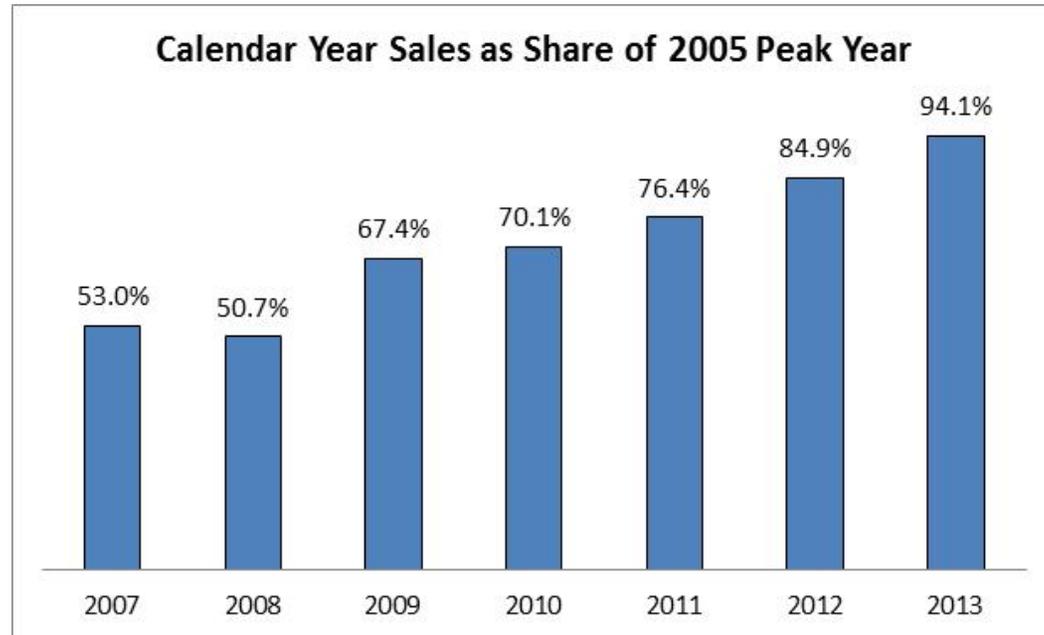


Building permit activity, an indicator of new construction, is back in positive territory, showing strong (32.4%) calendar year growth in 2012. Preliminary data for the 2013 calendar year shows that permits were running 32.8% above the prior year, but the level is still low by historic standards.

2012 Building Permit Activity Relative to the County's Peak during the Period 2000-2007

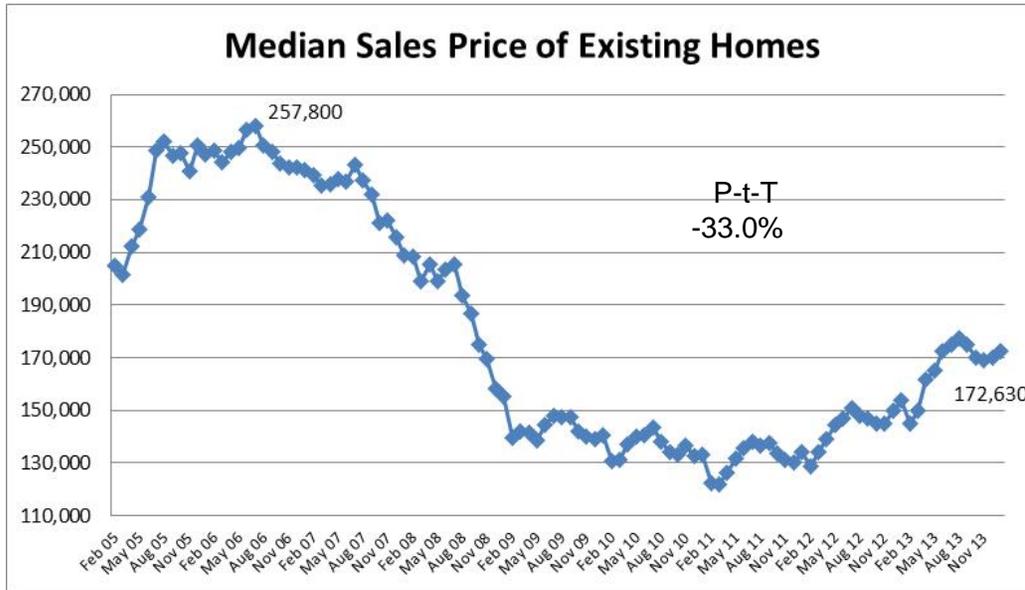


Existing Homes Sales Stabilizing

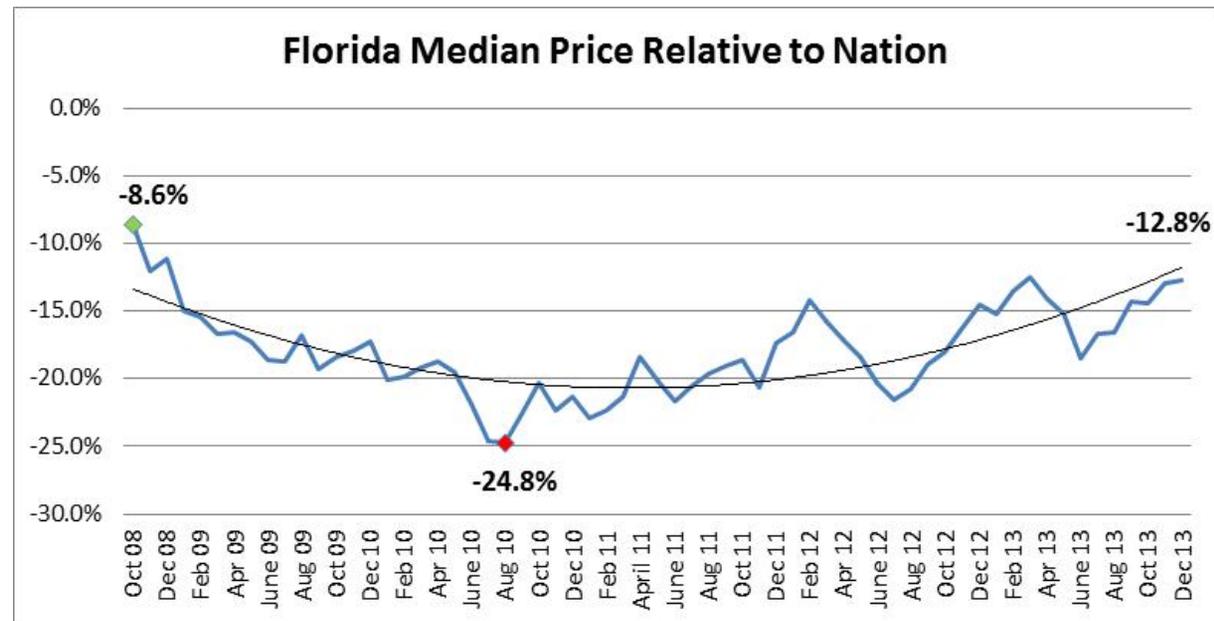


Data through December 2013

Existing Home Price Gains Have Slowed...

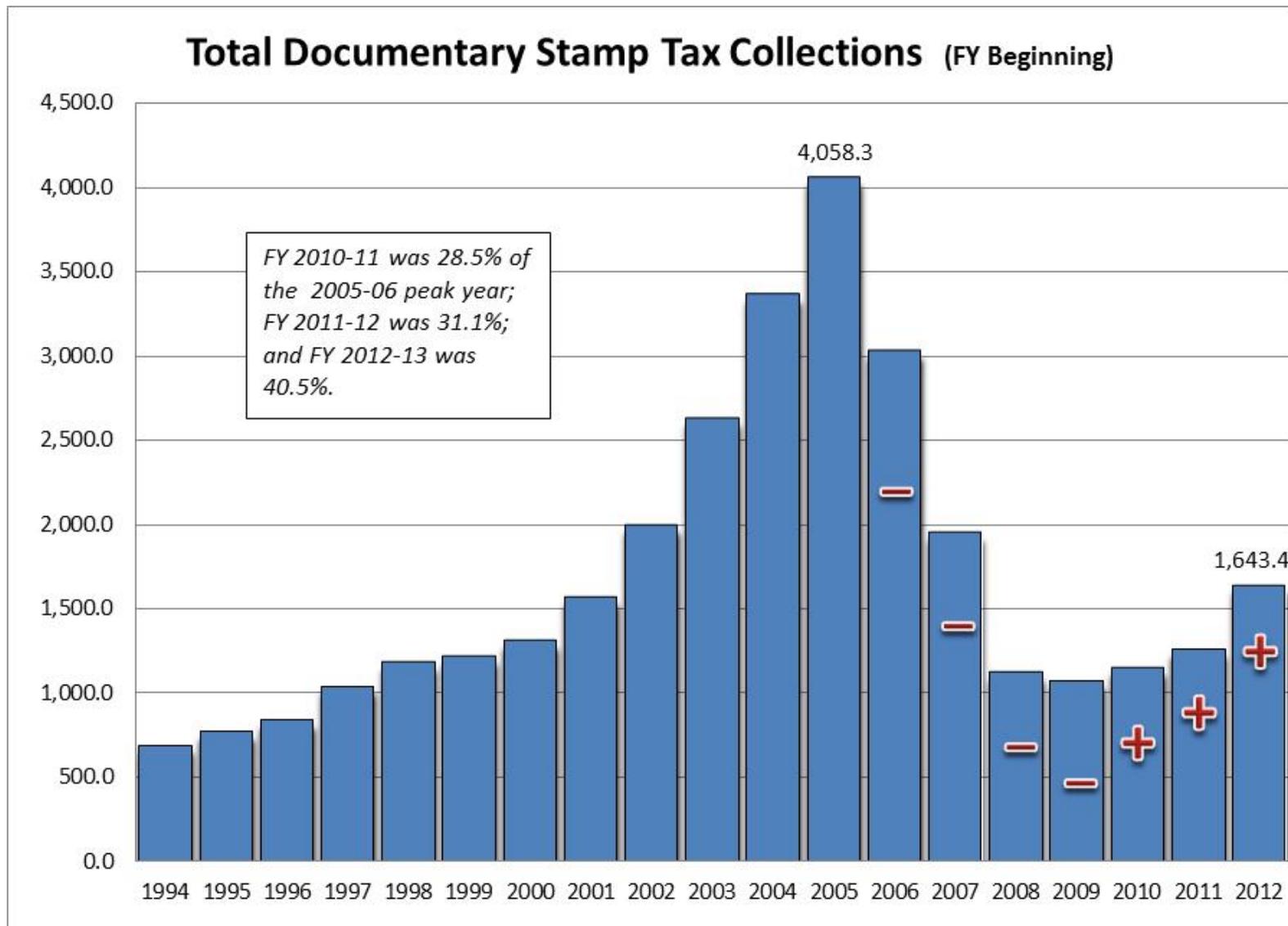


Median Sales Prices for Existing Homes drifted slightly downwards in the Summer and Fall and are still substantially below the nation as a whole.

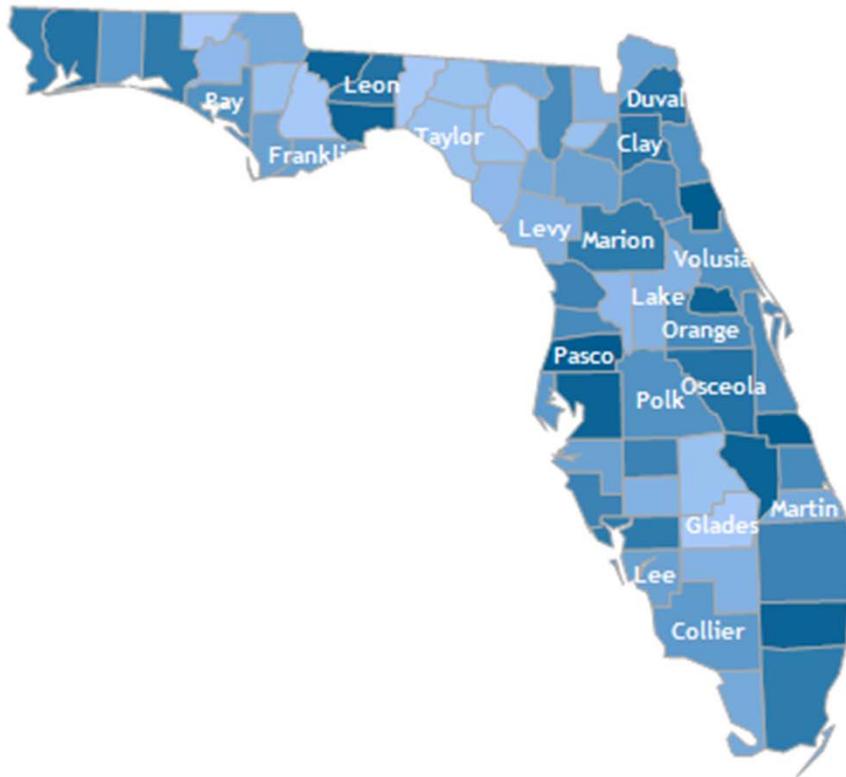


Data through December 2013

Documentary Stamp Collections (Reflecting All Activity)



Foreclosure Activity Remains Daunting



2013 Calendar Year...

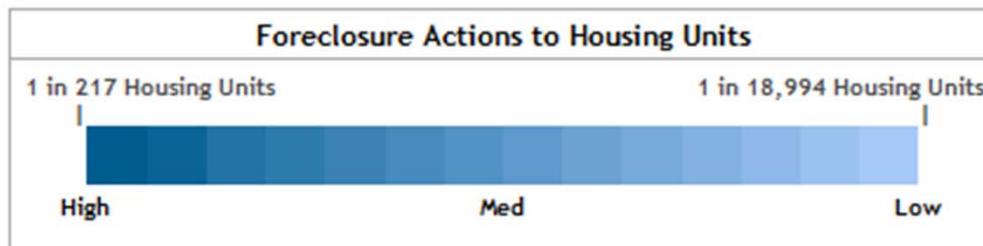
Florida had highest Foreclosure Rate in the US for the second year in a row: (3.01% of housing units received at least 1 filing).

- Highest State for # of Filings
- Highest State for Foreclosure Rate
- Among US Metro Area rates: 8 of the top 10 highest metro rates in the nation were in Florida.

Miami #1
 Jacksonville #2
 Orlando #3
 Palm Bay-Melbourne #4
 Port St. Lucie #5
 Tampa #6
 Ocala #7
 Sarasota #10

At December 2013:

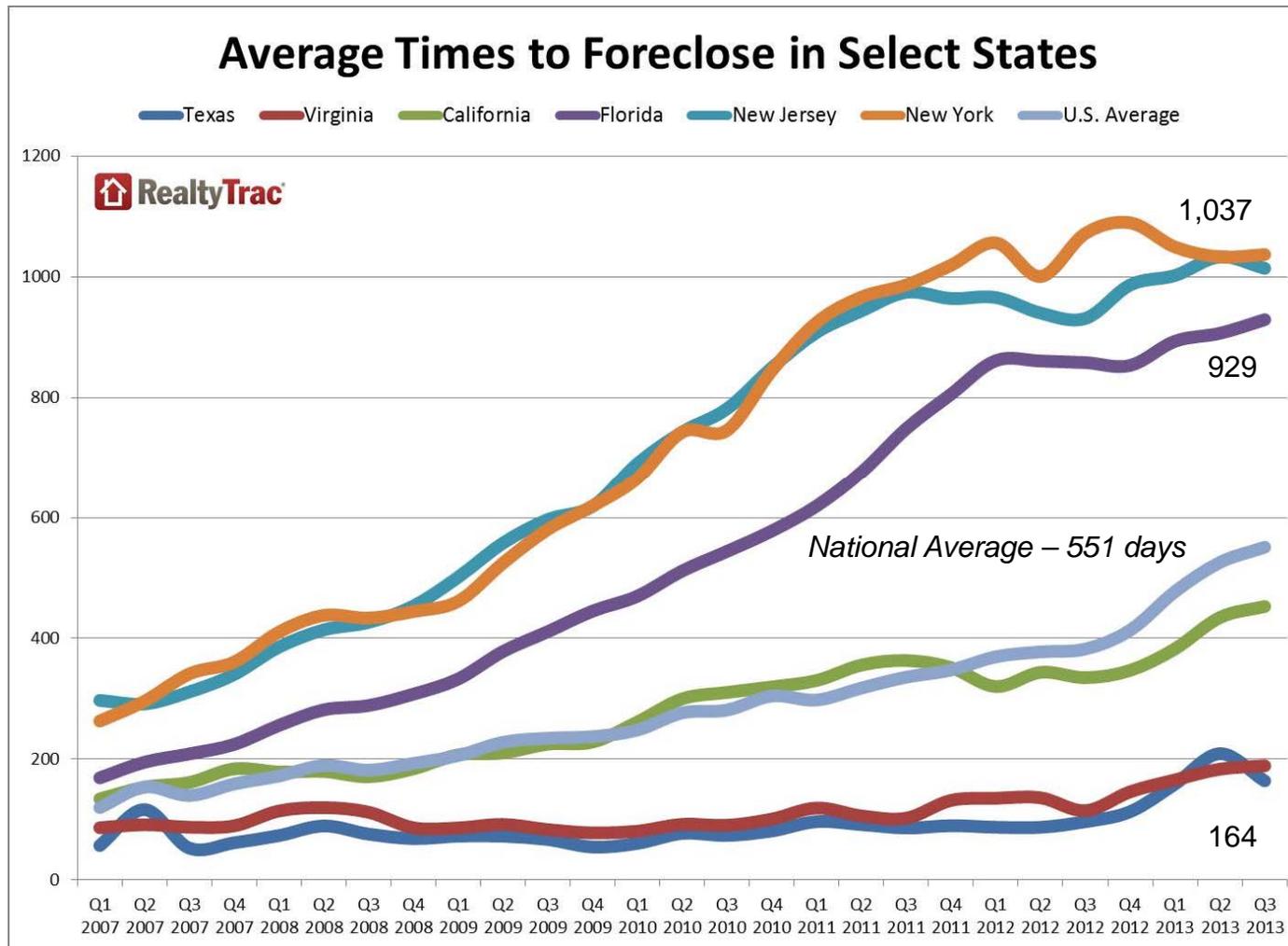
“Florida accounted for the biggest share of U.S. foreclosure inventory, with 306,018 properties in some stage of foreclosure or bank owned — 25 percent of the national total. Florida foreclosure inventory was virtually unchanged from a year ago, although down 18 percent from the peak of 371,216 in November 2010.” *RealtyTrac*



Days to Foreclose

Foreclosure Process (once begun)

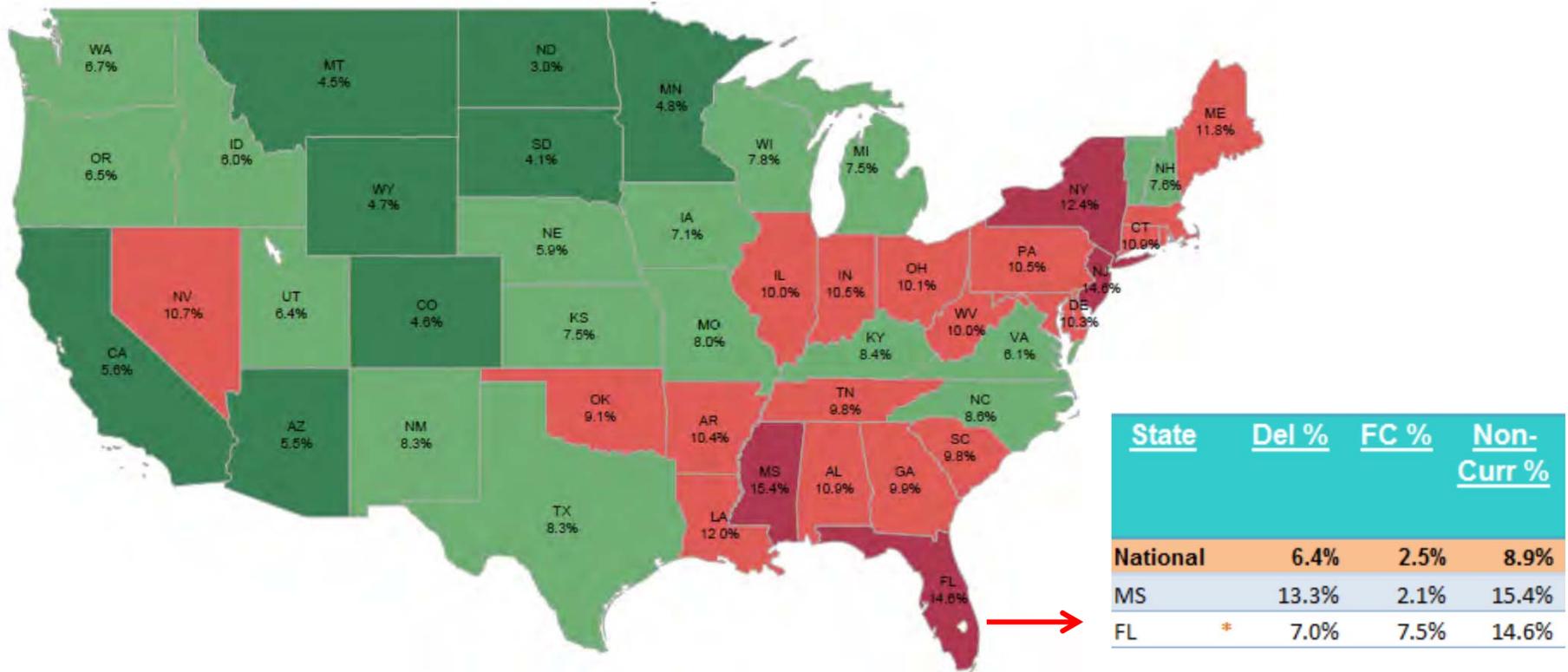
- 929 Days – 2.6 yrs – in Florida (3rd Longest Period in Nation in 2013:Q3)
- At the beginning of 2007, Florida was at 169 days or less than 6 months.



High

Low

Foreclosures & Shadow Inventory

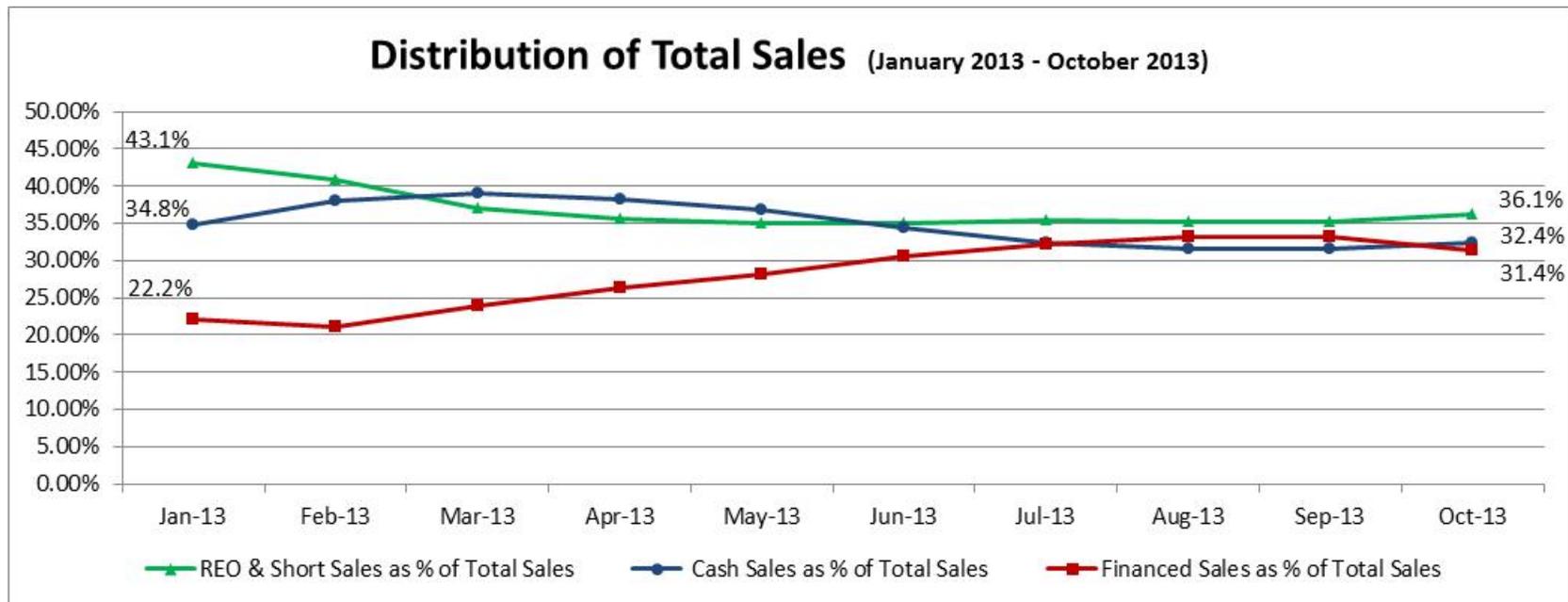


LPS Data: November Mortgage Monitor

After being ranked first for many months, Florida has now moved to second place among states for non-current mortgages (a measure of delinquencies and foreclosures). Part of this shift is a slowing of newly delinquent homes. Florida's "underwater" homes declined from a high of 50% of all residential mortgages to just below 21% in the most recent data.

Sales Mix Points to Lower Prices

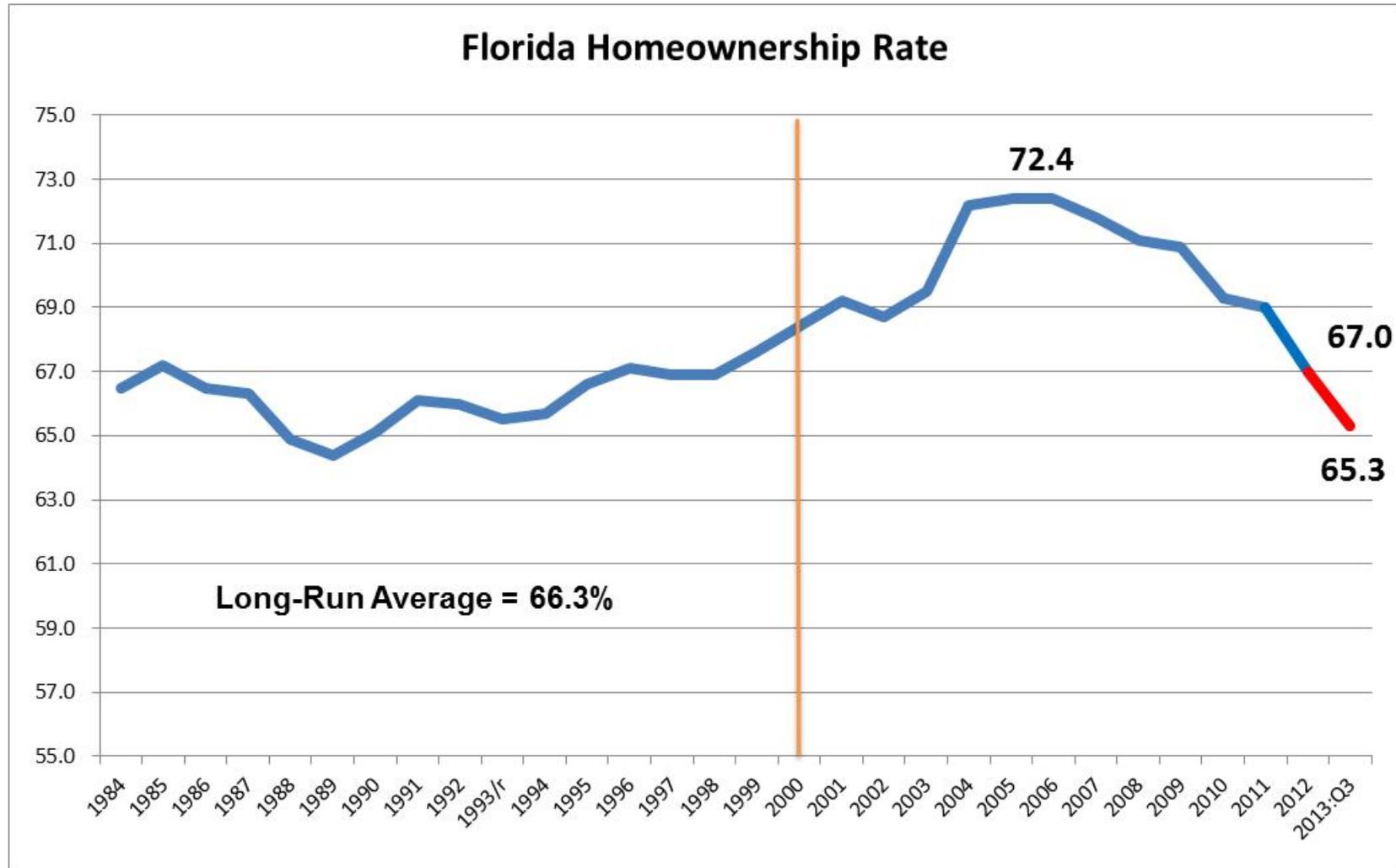
Foreclosure
Discount
39.2%



Data from LPS: Lender Processing Services

- Financed sales have been growing as percentages of all sales, cash sales have declined slightly in recent months—and the percentage for REO & Short Sales has stabilized after declining in earlier months. The three data points have nearly converged during the past five months.
- While short sales have been significantly increasing in some states, that is not yet the case in Florida. There were 6,953 short sales in October 2012, and 4,976 in October 2013. To the extent short sales increase, the foreclosure pipeline will be reduced.

Homeownership Rate Back to Normal



The 2012 percentage of 67.0 is the lowest since 1998. The 2013 third quarter data indicates a further decline to 65.3%, below the long-term average.

Credit Conditions Sending Mixed Messages

Question to Senior Loan Officers:

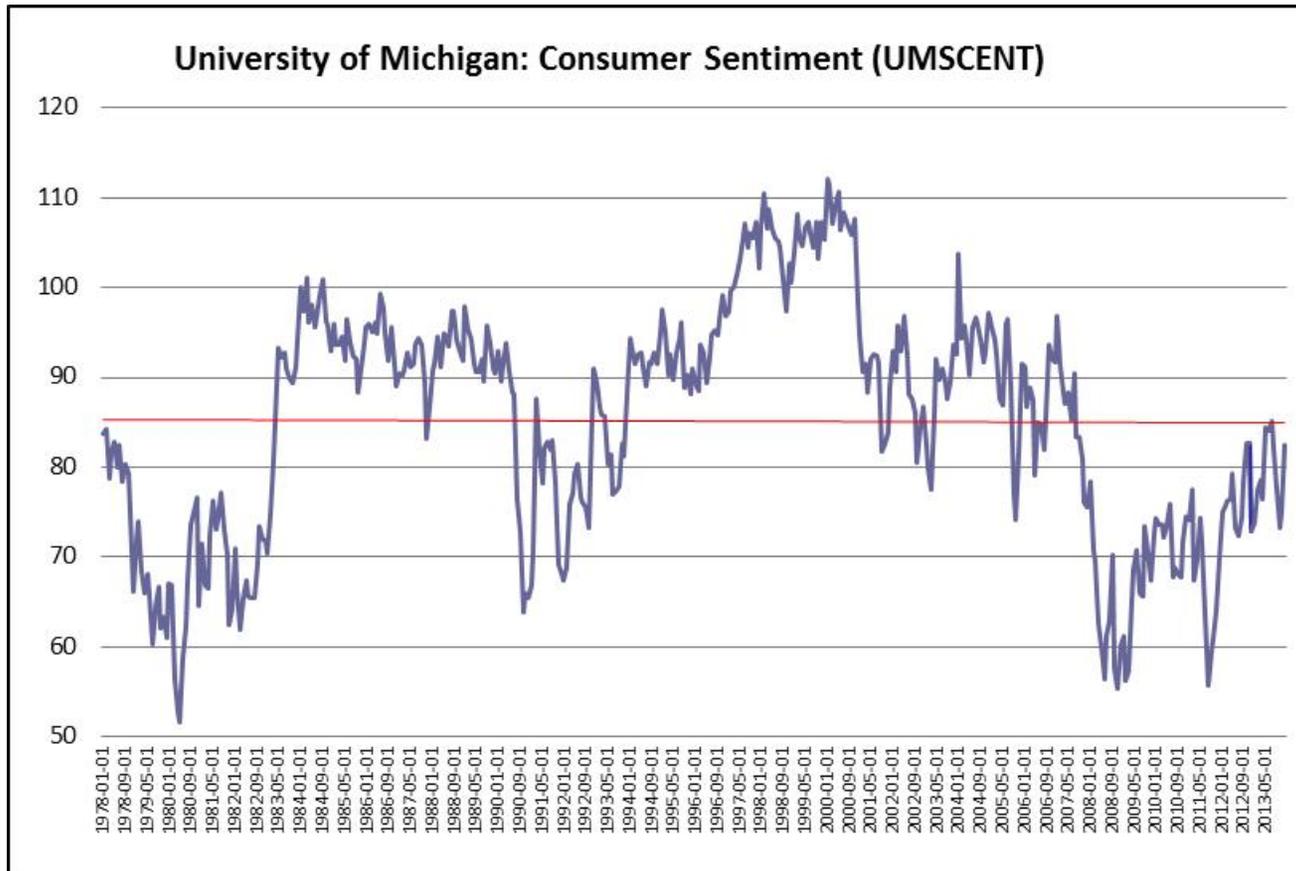
Over the past three months, how have your bank's credit standards for approving applications from individuals for **prime residential mortgage loans** to purchase homes changed?

| All Respondents | | | | | | | | | |
|------------------------------|-----------|------------|-----------|-----------|-----------|------------|-----------|-----------|-----------|
| | Oct '13 % | July '13 % | Apr '13 % | Jan '13 % | Oct '12 % | July '12 % | Apr '12 % | Jan '12 % | Oct '11 % |
| Tightened considerably | 1.4% | 0.0 | 0.0 | 0.0 | 0.0 | 1.6 | 0.0 | 0.0 | 0.0 |
| Tightened somewhat | 4.3% | 3.0 | 1.6 | 1.5 | 3.1 | 1.6 | 5.6 | 0.0 | 4.2 |
| Remained basically unchanged | 79.7 | 86.6 | 89.1 | 92.3 | 92.2 | 93.4 | 90.7 | 94.3 | 91.7 |
| Eased somewhat | 14.5% | 10.4 | 9.4 | 4.6 | 4.7 | 3.3 | 3.7 | 5.7 | 4.2 |
| Eased considerably | 0.0% | 0.0 | 0.0 | 1.5 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Total | 100% | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

January 2013 Senior Loan Officer Opinion Survey on Bank Lending Practices (Federal Reserve Board)

Banks reported that they were less likely than in 2006, to varying degrees, to originate mortgages to any borrowers apart from those with the strongest credit profiles. Downpayments of 20% also a strong requirement.

Consumer Perceptions Improve



Nationally, consumer sentiment had been improving since the low point of the Great Recession, but fell in August 2011 to near the lowest level of the recession and not far from the lowest level ever posted. The index reading dropped again in December 2012 as concerns about the Fiscal Cliff took hold, but recovered through July to its average since inception (85.1). After dropping in the three subsequent months, the series improved in November (75.1) and December (82.5) after the impasse in Washington appeared to be broken.

Economy Recovering

Florida growth rates are gradually returning to more typical levels. But, drags are more persistent than past events, and it will take a few more years to climb completely out of the hole left by the recession. In the various forecasts, normalcy has been largely achieved by FY 2016-17. Overall...

- The recovery in the national economy is well underway. While most areas of commercial and consumer credit are strengthening – residential credit still remains sluggish and difficult for consumers to access but has shown improvement.
- The subsequent turnaround in Florida housing will be led by:
 - Low home prices that begin to attract buyers and clear the inventory.
 - Long-run sustainable demand caused by continued population growth and household formation that has been pent-up.
 - Florida's unique demographics and the aging of the baby-boom generation (2011 marked the first wave of boomers hitting retirement).



Upside Risk for Construction

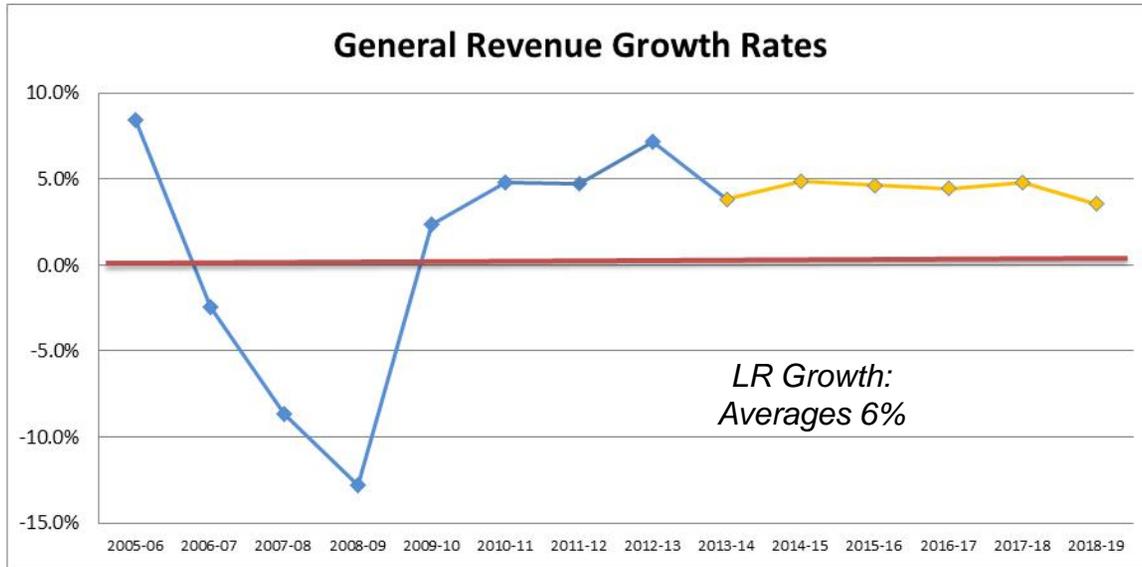
- The “shadow inventory” of homes that are in foreclosure or carry delinquent or defaulted mortgages may contain a significant number of “ghost” homes that are distressed beyond realistic use, in that they have not been physically maintained or are located in distressed pockets that will not come back in a reasonable timeframe. This means that the supply has become two-tiered – viable homes and seriously distressed homes.
- To the extent that the number of viable homes is limited, new construction may come back quicker than expected.



“Fiscal Cliff” Partially Avoided

- **Automatic Sequester** – Many of the Sequester’s expected early effects were muted through the use of federal reserves, targeted congressional fixes, and contracting delays. These solutions were largely unavailable if the Sequester continued into future fiscal years, meaning that the cumulative effects would come closer to the original predictions. In the continuing resolution passed in October, Congress froze 2014 spending at 2013 sequestration levels through January 15th while negotiators sought a new agreement.
 - Congress has passed a two-year budget deal (called the Bipartisan Budget Act) that would ease some of the automatic cuts.
 - An amendment to the agreement provides a short-term extension of a number of expired/expiring health programs, delays the Medicaid Disproportionate Share (DSH) reductions included in the Affordable Care Act (ACA) for two years, and prevents the scheduled 23.7% reduction in the Medicare reimbursement rate for physicians set to occur on January 1, 2014.
 - Extension of federal emergency unemployment benefits has not been authorized.
- **Statutory Debt Ceiling Temporarily Suspended** – The Treasury has the authority to issue new debt through February 7, 2014. Because the Treasury still has the ability to use its emergency powers, it may be able to delay a default for at least another month beyond this date.
 - No agreement has been reached.

General Revenue Forecast



| Fiscal Year | August Forecast | December Forecast | Difference | Incremental Growth | Growth |
|-------------|-----------------|-------------------|------------|--------------------|--------|
| 2005-06 | 27074.8 | | | | 8.4% |
| 2006-07 | 26404.1 | | | | -2.5% |
| 2007-08 | 24112.1 | | | | -8.7% |
| 2008-09 | 21025.6 | | | | -12.8% |
| 2009-10 | 21523.1 | | | | 2.4% |
| 2010-11 | 22551.6 | | | | 4.8% |
| 2011-12 | 23618.8 | | | | 4.7% |
| 2012-13 | 25314.6 | | | | 7.2% |
| 2013-14 | 26184.2 | 26279.9 | 95.7 | 965.3 | 3.8% |
| 2014-15 | 27333.2 | 27558.9 | 225.7 | 1279.0 | 4.9% |
| 2015-16 | 28560.9 | 28830.6 | 269.7 | 1271.7 | 4.6% |
| 2016-17 | 29920.8 | 30117.3 | 196.5 | 1286.7 | 4.5% |
| 2017-18 | 31354.9 | 31499.4 | 144.5 | 1382.1 | 4.8% |
| 2018-19 | 0.0 | 32574.7 | 32574.7 | 1075.3 | 3.6% |

The growth rates for FY 2012-13 and FY 2013-14 are slightly distorted by the receipt of the \$200.1 million deposit from the National Mortgage Settlement Agreement. After adjusting for this deposit, the underlying growth rates are 6.3% and 4.6%, respectively.