Key Economic Variables – All Down

Global & National Economic Conditions → Population Growth → Tourism → Employment Growth

New Construction

Inventory of Unsold Homes & Commercial Space

Credit Market (+ or -)

Need for Services & Goods

Financial Assets

FL Economy
Gross Domestic Product & Personal Income Growth
Florida’s economic growth has returned to positive territory after declining two years in a row. State Gross Domestic Product (GDP) ranked us 40th in the nation in real growth with a gain of 1.4%.
Since the fourth quarter of the 2009 calendar year, Florida has exhibited positive quarterly growth in personal income.

The increase of 1.3% in the most recent quarter (Q2 of the 2011 calendar year) ranked Florida 19th in the country, moving ahead of the national growth rate of 1.1%.
Current Employment Conditions

Eleventh consecutive month that Florida is showing positive over-the-year job growth.

August Nonfarm Jobs (Y.O.Y)
US  1.0%
FL  0.6%
YR: 46,100 jobs
Peak: -838,100 jobs

August Unemployment Rate
US  9.1%
FL  10.7%
(987,000 people)
5th highest state in the country

Highest Monthly Rate
December 2010
12.0%

42 of 67 counties have double-digit unemployment rates.
Employment Down from Peak Levels

Statewide Change was -11.5%.
Only three counties have gained employment.
Florida’s Job Market

- The job market will take a long time to recover – about 838,100 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 910 people per month, so the hole is deeper than it looks.

- It would take the creation of over 1 million jobs for the same percentage of the total population to be working as was the case at the peak.
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 remain relatively flat – averaging 0.85% between 2011 and 2014. However, growth is expected to recover in the future – averaging 1.1% between 2025 and 2030 with 86% of the growth coming from net migration. Nationally, average annual growth will be about 0.9%.

- 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.
Between 2009 and 2030, Florida’s population is forecast to grow by almost 5.1 million.

Florida’s older population (age 60 and older) will account for most of Florida’s population growth, representing 64.4 percent of the gains.

Population share of those aged 65 and over will be 26.0 percent in 2030, compared to 17.6 percent in 2000 and 17.3 percent in 2010.

In 2000, Florida’s prime working age population (ages 25-54) accounted for 41.5 percent of the total population. With the aging baby boom generation, this percentage fell to 39.7 percent in 2010 and by 2030 is projected to be only 34.1 percent.
Diversity is Increasing

Based on the 2010 Census, Hispanics represent about 22.5 percent of Florida’s population. And, Florida will become increasingly more Hispanic; Hispanics are forecast to represent over 26 percent of Florida’s population in 2030.

Florida’s minority percentage of the population is 42.1% --- New York is now at 41.7%, and the nation as a whole is at 36.3%.
Florida Housing is Generally Improving

Sales volume and building permits are both back in positive territory, showing year-over-year growth (CY 2010 over 2009); however, building permits are now running 1.8% below last year at the same time (January – August 2011 compared to January – August 2010, One-Family Houses).
But, Existing Homes Sales Are Sputtering

Sales Level in CY 2010 was 70.1% of 2005 boom level.
And, Existing Home Prices Are Flat

Median Sales Price of Existing Homes

Data through August 2011

Median Sales Prices for Existing Homes have been essentially flat since January 2009 --- 31 months --- with a slight downward drift.
Price Holding Below National Level

The chart above is for single-family residences. Data from the American Community Surveys suggests that Florida was above the national median price for owner-occupied housing units from 2005 through most of 2008.
Foreclosure Filings Remain Daunting

2010...2nd Year in a Row
2nd Highest # of Filings
(485,286 properties)

3rd Highest Foreclosure Rate
(5.51% of housing units received at least 1 filing during the year)

August 2011  (highest rate = deepest red)
FILINGS:  2nd in US
RATE:      7th in US

Foreclosure Process (once begun)
676 Days - 1.8 yrs - in Florida (3rd Longest Period in Nation)
At the beginning of 2007, 169 days.
Residential Loans in Foreclosure

Loans in Foreclosure and Months to Clear at Current Sales Pace

Loan Data from LPS
Foreclosures & Shadow Inventory

Foreclosures adding more to inventory than Sales are subtracting – nationally 3:1.
Average delinquency at Florida foreclosure start --- 385 days.

(LPS Data for July)
Sales Mix Points to Lower Prices

**Distribution of Total Sales** (June 2010 through May 2011)

- REO price nearly 40% lower than average price; short sale price nearly 21% below

Cash Sales have been growing as a percentage of all sales and financed sales have been declining. While short sales have been increasing in some states, that is not yet the case in Florida.
The 2010 percentage is the lowest since 2002. If the 2010 rate dropped immediately back to the long-run average, about 222,600 homeowners would be affected and $30.8 billion of value.
Bank Failures Since January 2009

Fifty-four Florida banks have failed since January 2009 – fourteen of which occurred in the 2009 calendar year, another twenty-nine in 2010, and eleven so far this year.
Credit Conditions Remain Tight

**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?

<table>
<thead>
<tr>
<th></th>
<th>July '11%</th>
<th>April '11 %</th>
<th>Jan '11 %</th>
<th>Oct '10 %</th>
<th>July '10 %</th>
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</thead>
<tbody>
<tr>
<td>Tightened considerably</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
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<tr>
<td>Tightened somewhat</td>
<td>5.7</td>
<td>3.8</td>
<td>3.7</td>
<td>13.0</td>
<td>3.6</td>
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<td>Remained basically unchanged</td>
<td>86.8</td>
<td>92.5</td>
<td>94.4</td>
<td>83.3</td>
<td>87.3</td>
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<tr>
<td>Eased somewhat</td>
<td>7.5</td>
<td>2.0</td>
<td>1.9</td>
<td>3.7</td>
<td>9.1</td>
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<tr>
<td>Eased considerably</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>100.0</strong></td>
<td><strong>100.0</strong></td>
<td><strong>100.0</strong></td>
<td><strong>100.0</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

July 2011 Senior Loan Officer Opinion Survey on Bank Lending Practices (Federal Reserve Board)
Perceptions Plummeted in August

- Consumer sentiment can be a leading indicator of recession: nationally, it had been improving, but fell in August to near the lowest level of the Great Recession and not far from the lowest level ever posted. September slightly improved. (59.4 in September versus 51.7 in May 1980)
- Florida’s consumer confidence (September: 64) is roughly following the national trend but seems to have greater volatility.
## Time to Recovery...

### Lengths of Recessions and Recoveries

<table>
<thead>
<tr>
<th>Cycle Begin</th>
<th>Cycle End</th>
<th>Length of Recession Using NBER (quarters)</th>
<th>Length of Recovery to GDP Trend (quarters)</th>
<th>Time to Close &quot;Most&quot; of Gap During Recovery (quarters)</th>
<th>Length of Recession Using NBER (months)</th>
<th>Length of Recovery to GDP Trend (months)</th>
<th>Time to Close &quot;Most&quot; of Gap During Recovery (months)</th>
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<tbody>
<tr>
<td>1948:Q4</td>
<td>1949:Q4</td>
<td>4</td>
<td>3</td>
<td>1.8834</td>
<td>11</td>
<td>9</td>
<td>5.6502</td>
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<tr>
<td>1953:Q2</td>
<td>1954:Q2</td>
<td>4</td>
<td>4</td>
<td>2.4459</td>
<td>10</td>
<td>12</td>
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<tr>
<td>1957:Q3</td>
<td>1958:Q2</td>
<td>3</td>
<td>4</td>
<td>2.2864</td>
<td>8</td>
<td>12</td>
<td>6.8592</td>
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<tr>
<td>1960:Q2</td>
<td>1961:Q1</td>
<td>3</td>
<td>3</td>
<td>2.0014</td>
<td>10</td>
<td>9</td>
<td>6.0042</td>
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<tr>
<td>1980:Q1</td>
<td>1980:Q3</td>
<td>2</td>
<td>2</td>
<td>1.4951</td>
<td>6</td>
<td>6</td>
<td>4.4853</td>
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<tr>
<td>1990:Q3</td>
<td>1991:Q1</td>
<td>2</td>
<td>32</td>
<td>30.7787</td>
<td>8</td>
<td>96</td>
<td>92.3361</td>
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</table>

Source: Federal Reserve Bank of Cleveland

June 2009 +96 months = Summer 2017
+36 months = Summer 2012
Economy Very Slowly Recovering

Florida growth rates are slowly returning to more typical levels. But, drags are more persistent than past events, and it will take years to climb completely out of the hole left by the recession. Overall...

- The national economy is still in recovery (albeit very weak) and, more importantly, the credit markets are still recovering stability – although they remain sluggish and difficult to access.

- 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.
  - Florida’s unique demographics and the aging of the baby-boom generation (2011 marks the first wave of boomers hitting retirement).
Known Threat & Black Swans

Known Threat: Continuing Deepwater Horizon Oil Spill impacts

“Black Swans” are low probability, high impact events:

- Severe Natural Disasters
  - 2004 and 2005 Hurricane Seasons
  - Budget Stabilization Fund balance is $493.6 million.

- Deep second recession caused by a credit market meltdown kicked off by the Eurozone sovereign debt crisis.