

# Florida: An Economic Overview

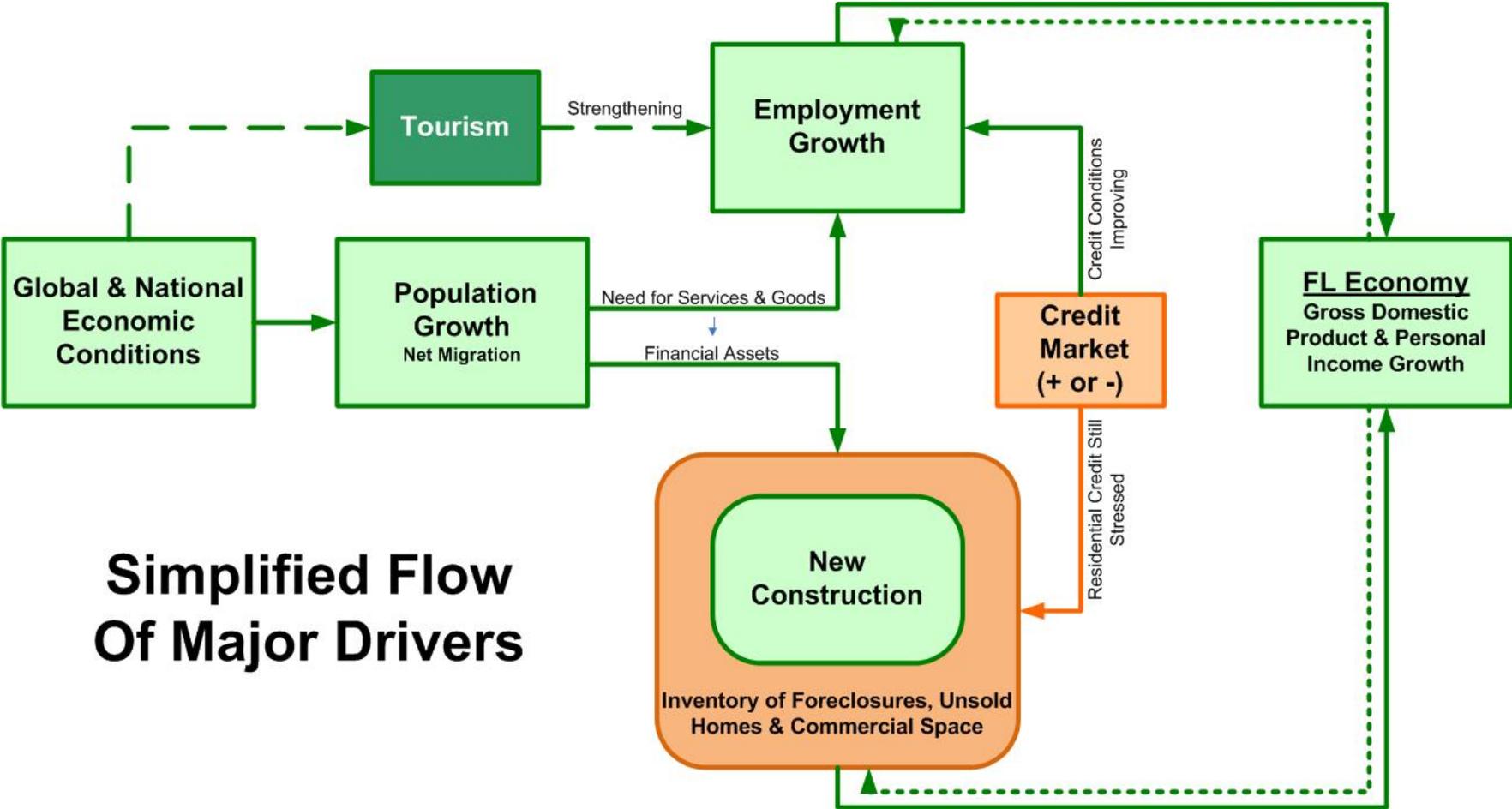
February 5, 2015

Presented by:



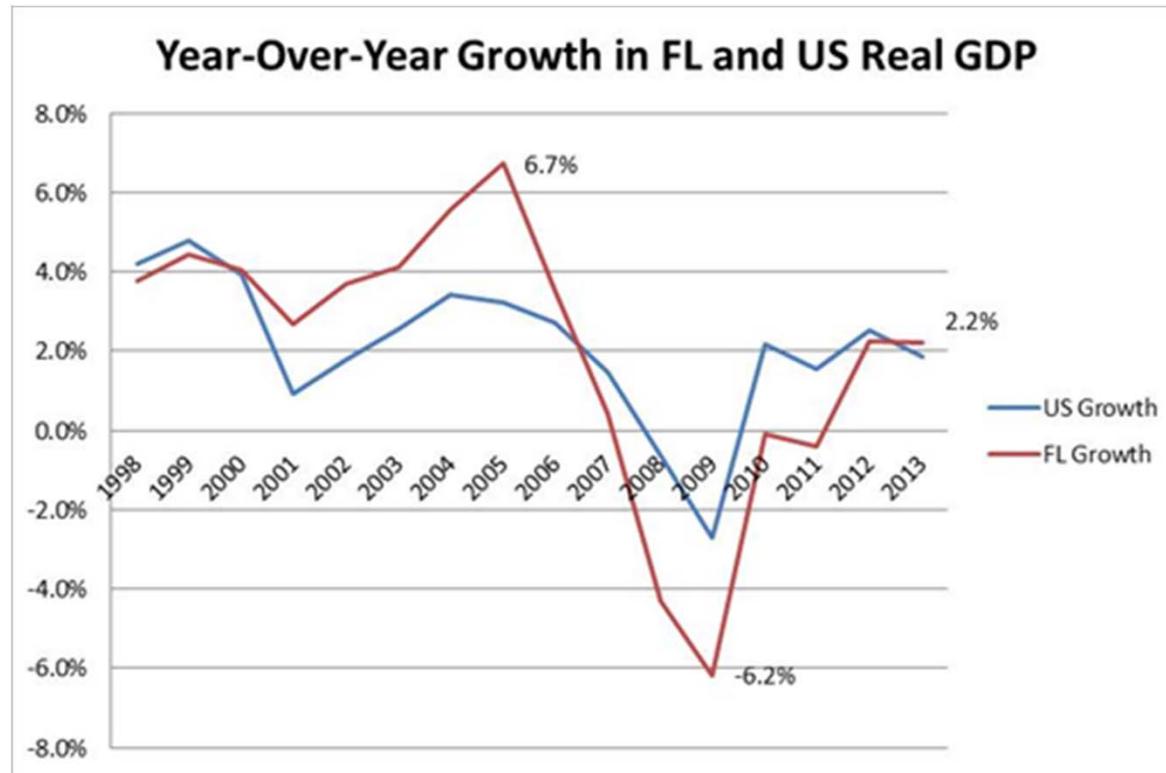
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# Key Economic Variables Improving



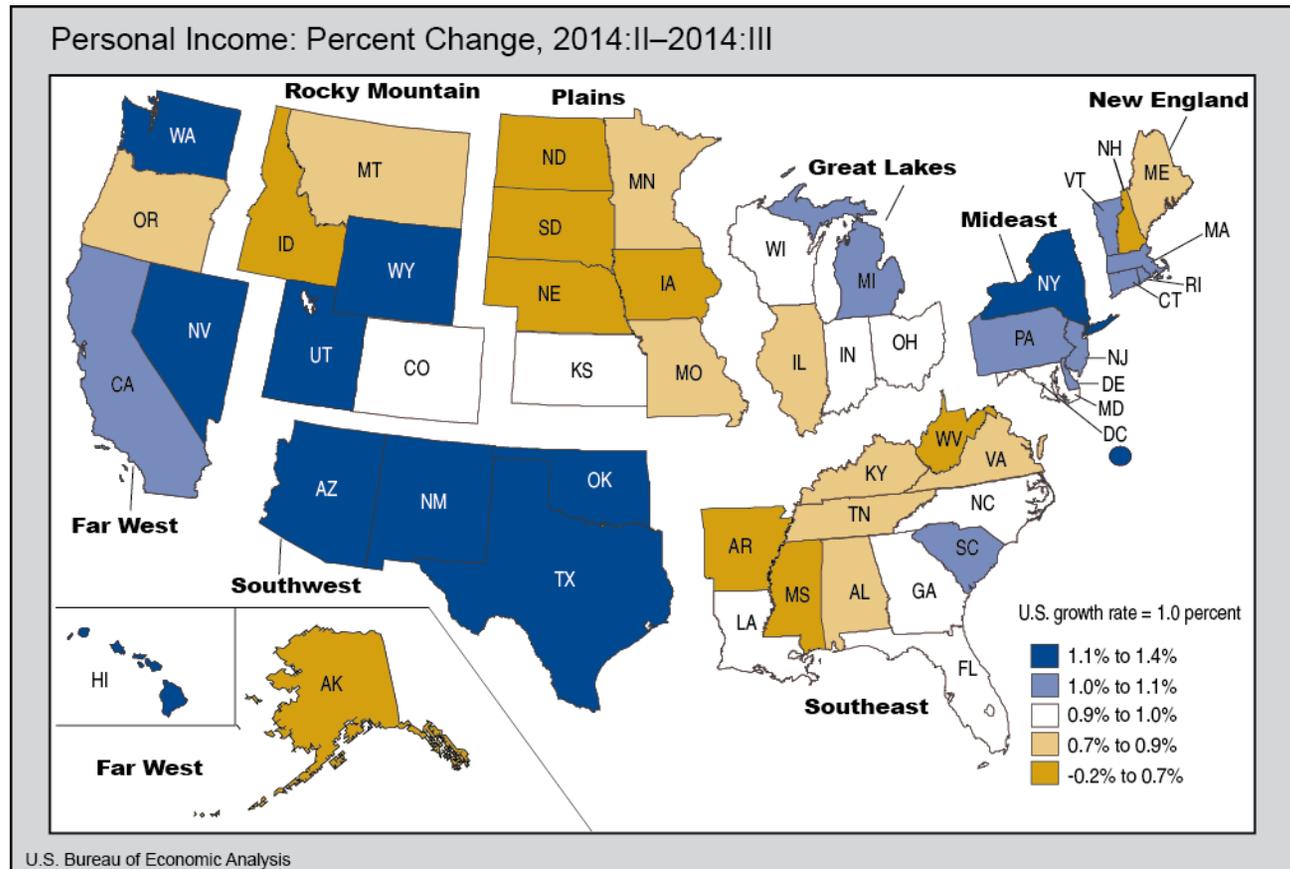
**Simplified Flow  
Of Major Drivers**

# Economy Had Continued Growth in 2013



In 2013, Florida's economic growth remained in positive territory, matching the state's revised 2012 growth rate. State Gross Domestic Product (GDP) showed Florida with a ranking of 18<sup>th</sup> in the nation with a real growth gain of 2.2%, moving Florida above the slowing national average of 1.8% for the first time since 2006.

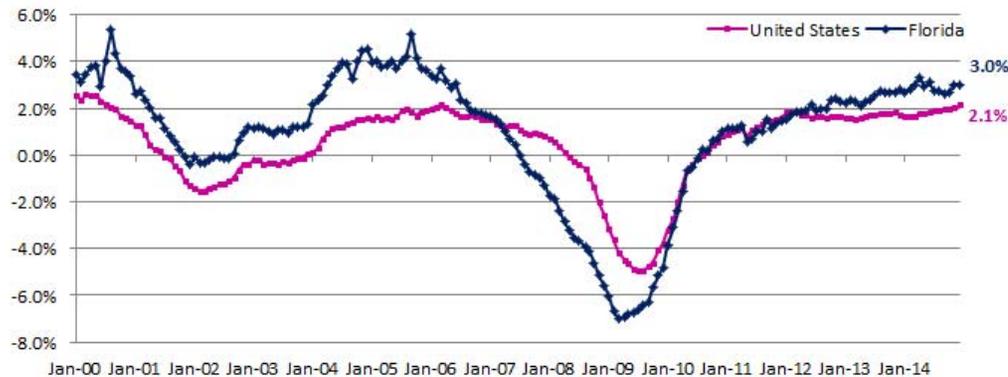
# FL Personal Income Growth Slows in 2014:Q3



In the latest data, Florida finished the third quarter of the 2014 calendar year with 0.9% growth over the preceding quarter, falling slightly below the national growth rate of 1.0% and ranking 21<sup>st</sup> among all states. The latest revised results for the entire 2013 calendar year had shown that Florida was ranked 13<sup>th</sup> in the country with personal income growth of 2.3% which was higher than the national average of 2.0%.

# Current Employment Conditions

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



Jan-00 Jan-01 Jan-02 Jan-03 Jan-04 Jan-05 Jan-06 Jan-07 Jan-08 Jan-09 Jan-10 Jan-11 Jan-12 Jan-13 Jan-14

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 23, 2015.

**December Nonfarm Jobs (YOY)**

US	2.1%
FL	3.0%
YR:	230,600 jobs
Peak:	-142,100 jobs

**December Unemployment Rate**

US 5.6%  
FL 5.6% (543,000 people)

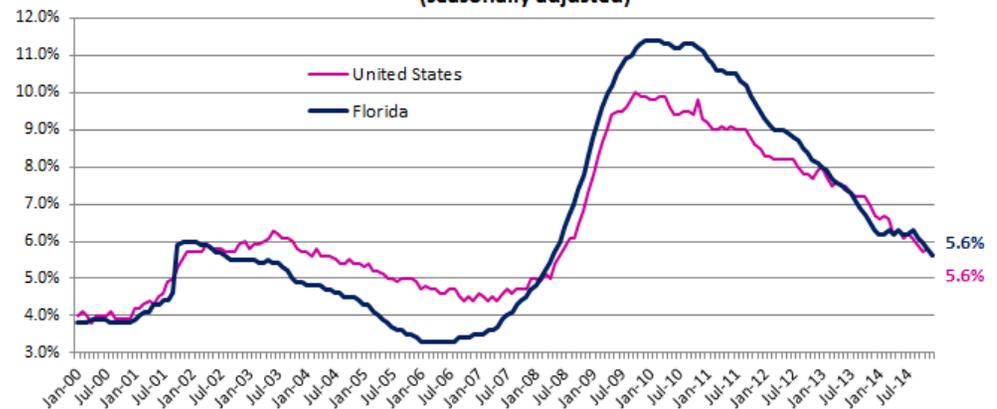
**Highest Monthly Rate**

11.4% (December 2009 through March 2010)

**Lowest Monthly Rate**

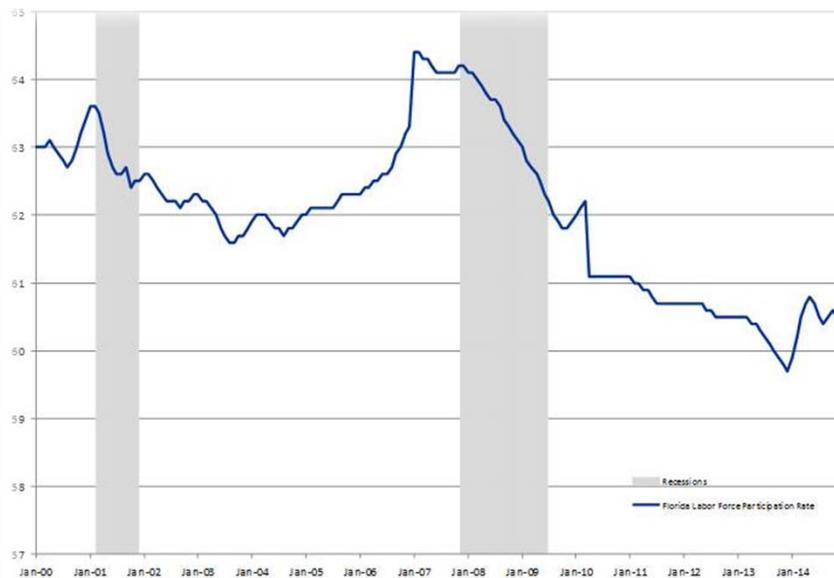
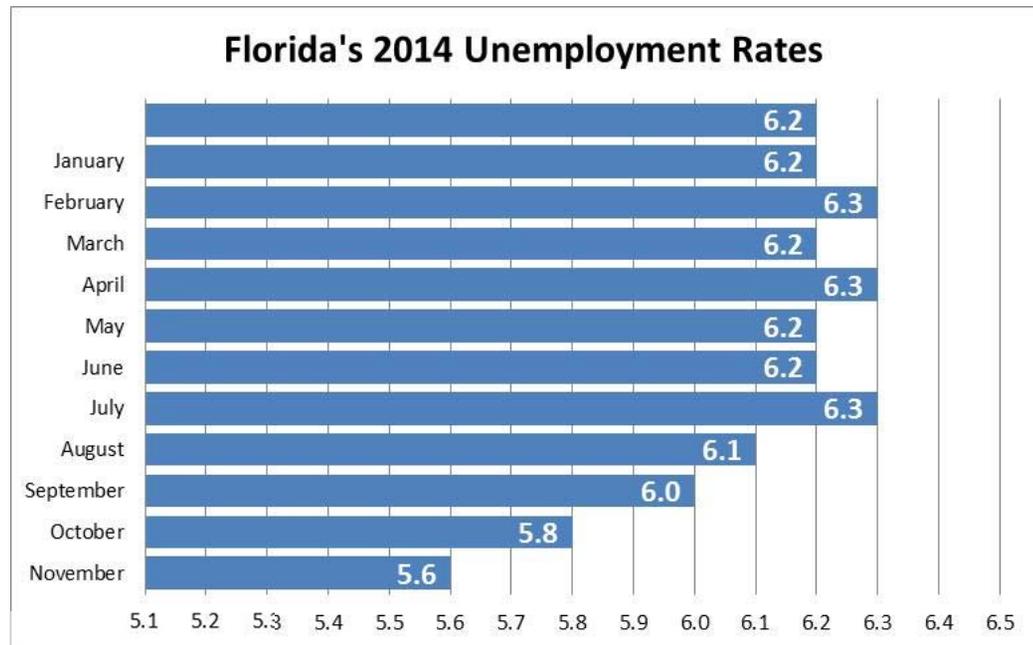
3.3% (January through August 2006)

**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 23, 2015.

# Good News: Unemployment Rate Decline Caused In Part By Florida Gains in the Participation Rate



Source: U.S. Department of Labor, Bureau of Labor Statistics, Local Area Unemployment Statistics, Civilian Noninstitutional Population and Associated Rate and Ratio Measures for Model-Based Areas, released January 23, 2015.

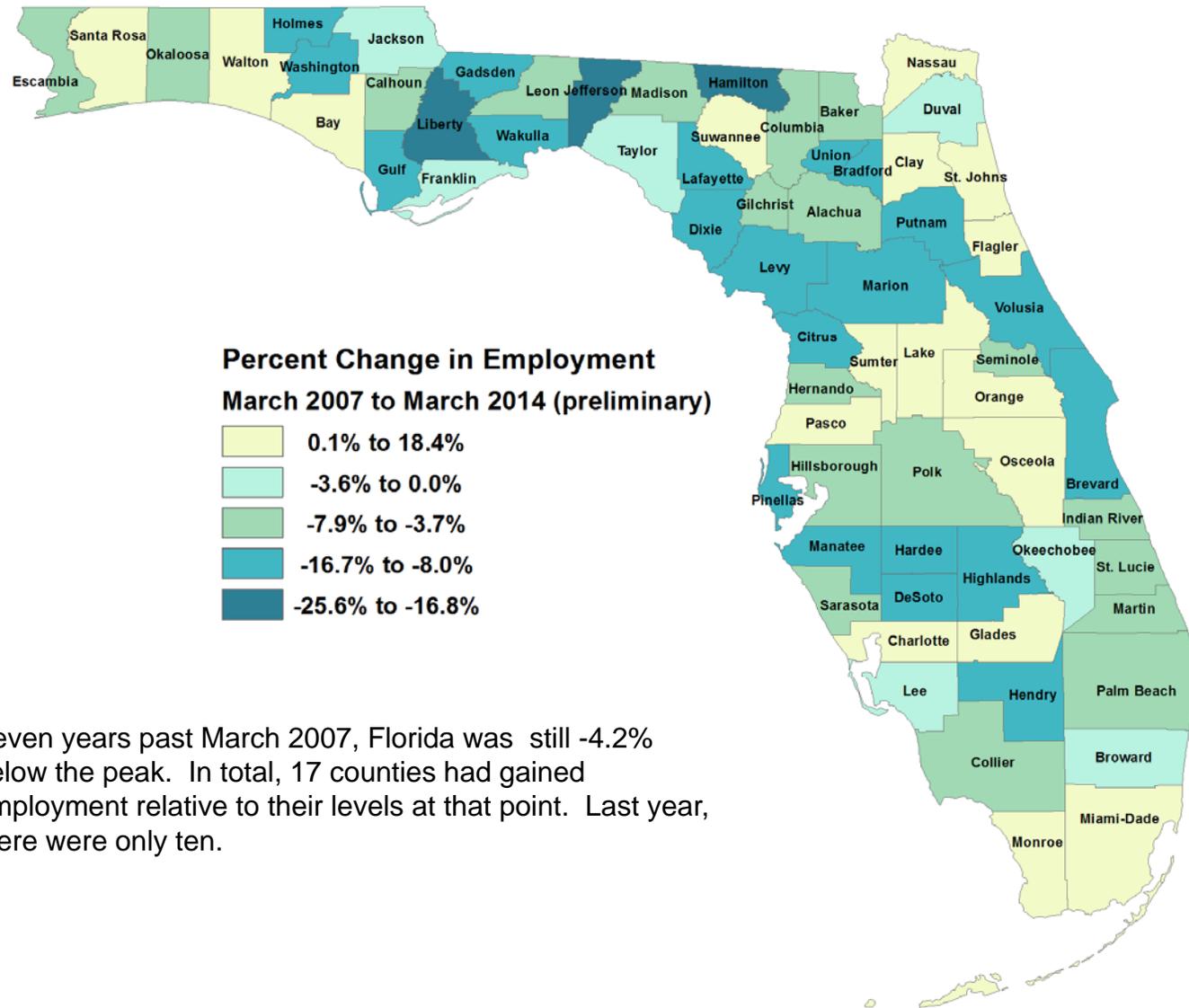
Beginning in January 2014, the participation rate strengthened as improving job prospects began to encourage people to rejoin or enter the labor force. At 60.8%, May marked the fifth consecutive month of increases in the participation rate. In the latest reading for December, the participation rate was 60.3%. Overall, this positive shift caused the decline in the FL unemployment rate to slow temporarily relative to the US, but the reason is actually a signal of a strongly improving economy. Among all unemployed, the share of those reentering the labor force increased from 24.4% in December 2013 to 27.7% in December 2014. The share of new entrants of all unemployed increased as well to 11.2% in December 2014 from 9.7% in November 2013.

# Florida's Job Market

- The job market is still recovering – Florida is 142,100 jobs short of 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 4,200 people per month, so the hole is deeper than it looks.
- It would take the creation of about 665,000 jobs for the same percentage of the total population to be working as was the case at the peak.



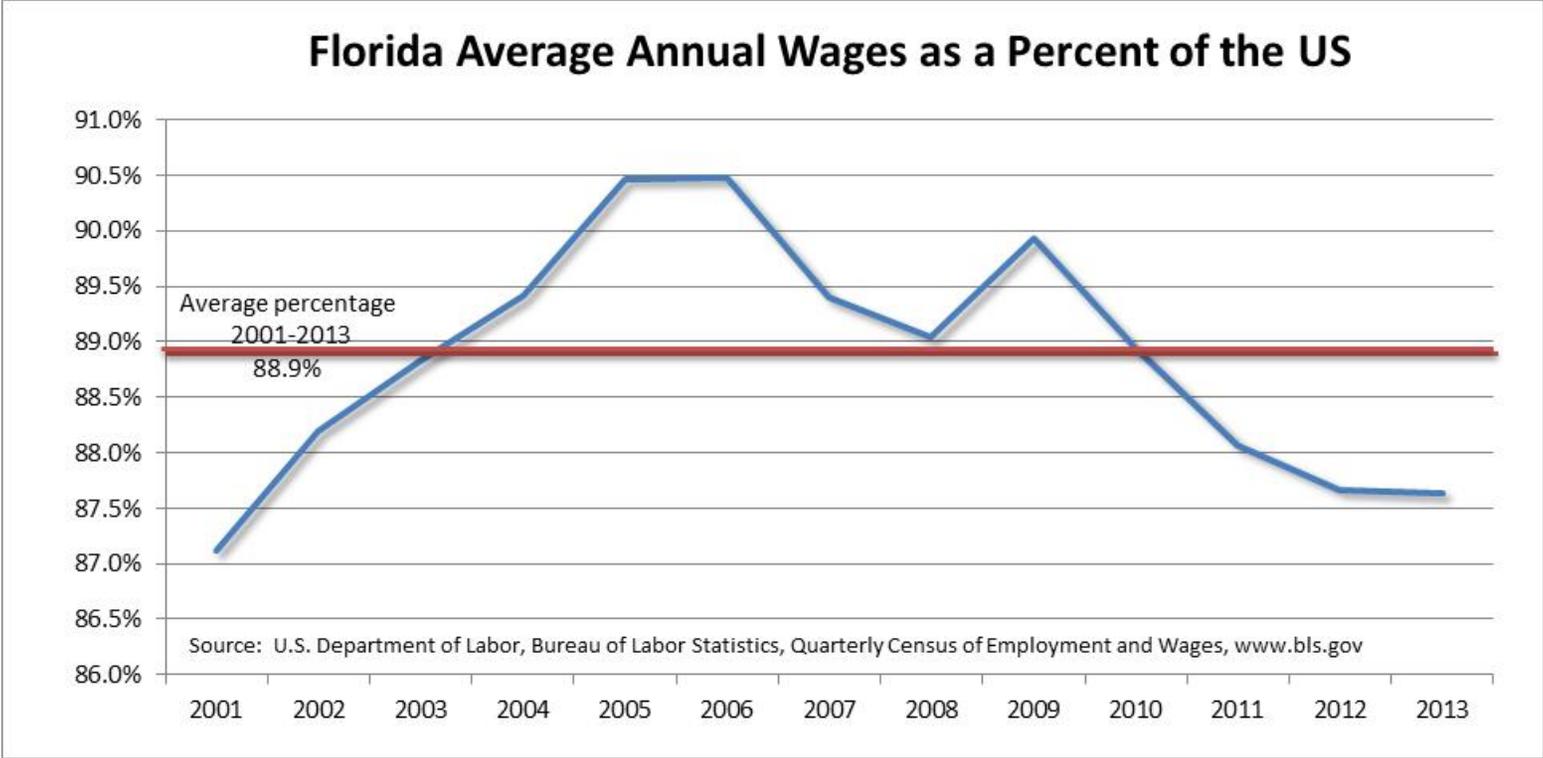
# Employment Still Down from Peak Levels, But Improving...



Seven years past March 2007, Florida was still -4.2% below the peak. In total, 17 counties had gained employment relative to their levels at that point. Last year, there were only ten.

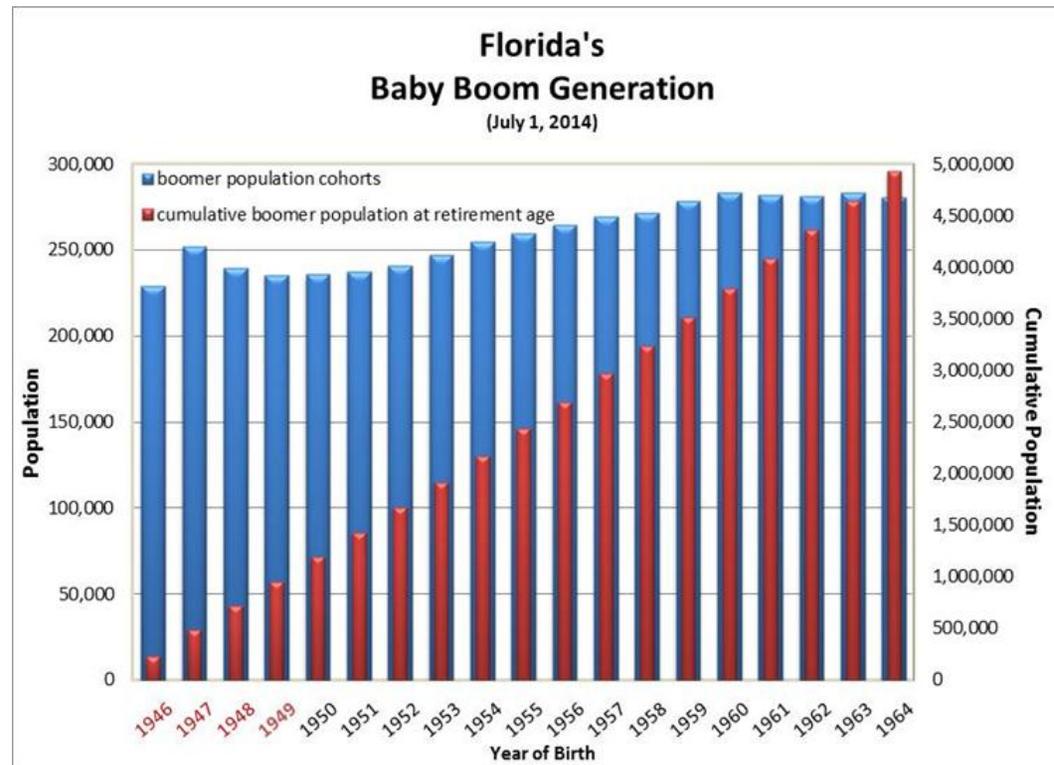


# Wage Gap Stabilizes in 2013



Florida's average annual wage has typically been below the US average. The preliminary data for the 2013 calendar year showed that it further declined to 87.6% of the US average, but this was only a slight change from the 87.7% posting in 2012. Although Florida's wage level actually increased over the prior year, the US average annual wage increased more.

# Baby Boomers in FL Today



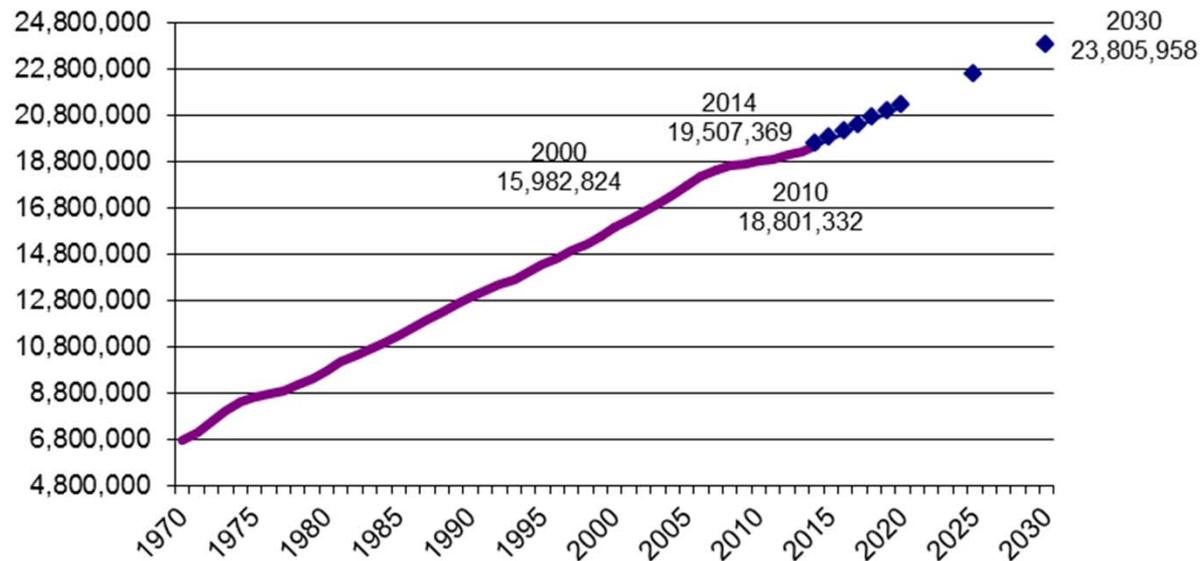
- The first cohort of Baby Boomers became eligible for retirement (turned age 65) in 2011. Only four cohorts have entered the retirement phase: 2011, 2012, 2013 and 2014. This is a small percentage (19.4%) of all boomers in Florida today.
- In 2000, Florida's working age population (ages 25-54) represented 41.5 percent of the total population. With the aging Baby Boom generation, this population now represents 38.8 percent of Florida's total population and is expected to represent only 36.2 percent by 2030.

# Population Growth Recovering

- Population growth is the state's primary engine of economic growth, fueling both employment and income growth.
- Population growth is expected to continue its recovery, showing increasing rates of growth over the next few years. In the near-term, growth is expected to average 1.39% between 2014 and 2015 – and then strengthen to a slightly higher 1.41% between 2015 and 2020. Most of Florida's population growth through 2030 will be from net migration (93.1%). 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 prior to April 1, 2016, becoming the third most populous state "sometime" before then – surpassing New York.



# Florida's April 1 Population

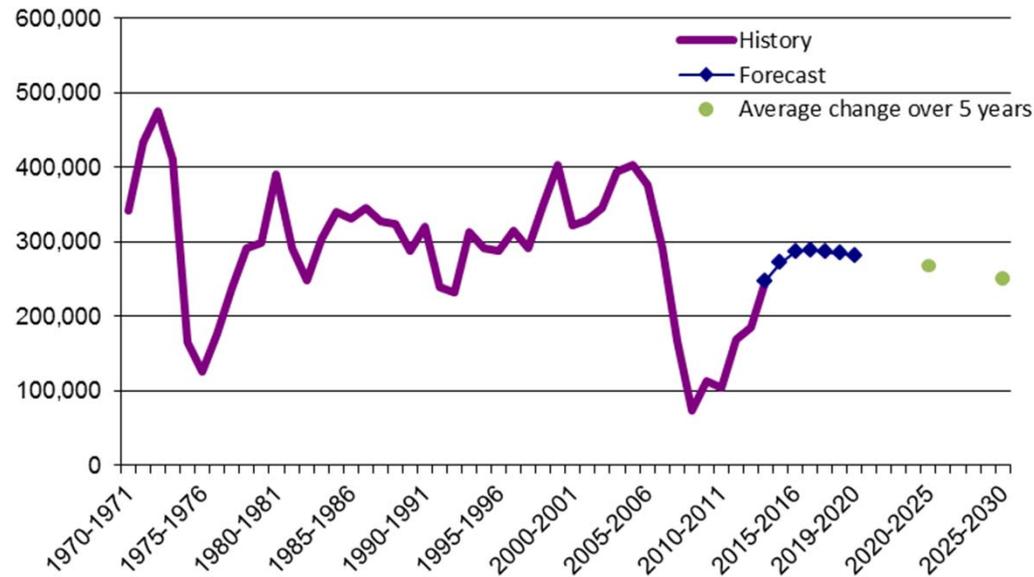


Florida's population:

- was 15,982,824 in 2000
- was 18,801,332 in 2010
- is forecast to grow to 23,805,958 by 2030



# Florida's Population Growth



## Population:

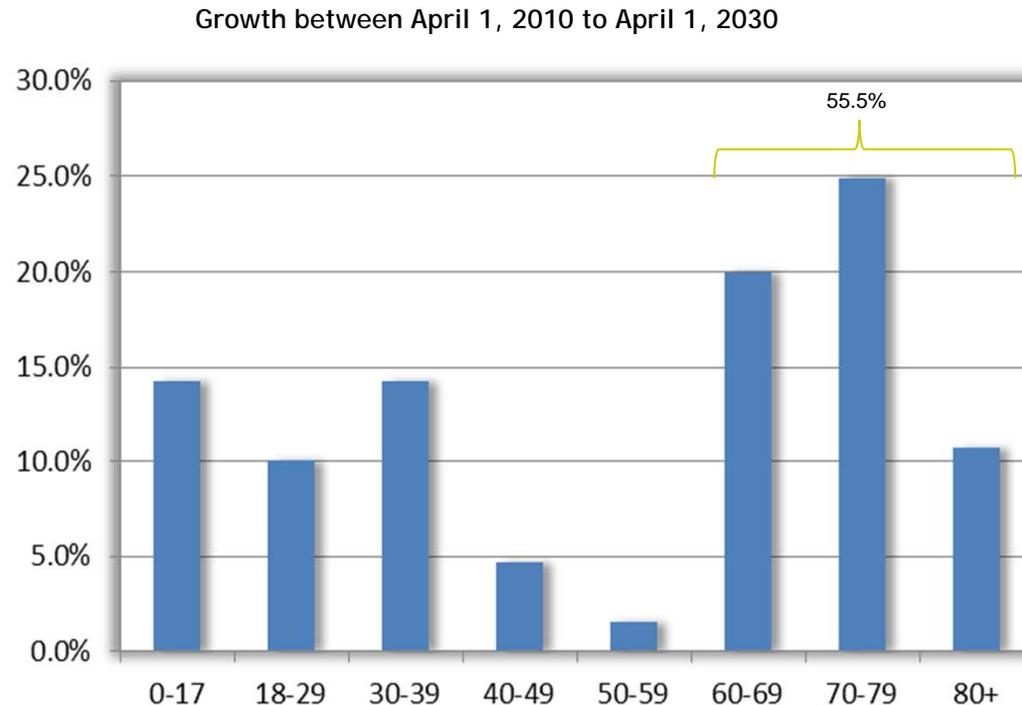
- Average annual increase between 2000 and 2006 was: 361,942
- Average annual increase between 2007 and 2013 was: 135,463

## Population is forecast to increase on average by:

- 271,827 between 2014 and 2015 --- a gain of 745 per day
- 286,035 between 2015 and 2020 --- a gain of 784 per day
- 268,340 between 2020 and 2025 --- a gain of 735 per day
- 250,977 between 2025 and 2030 --- a gain of 688 per day

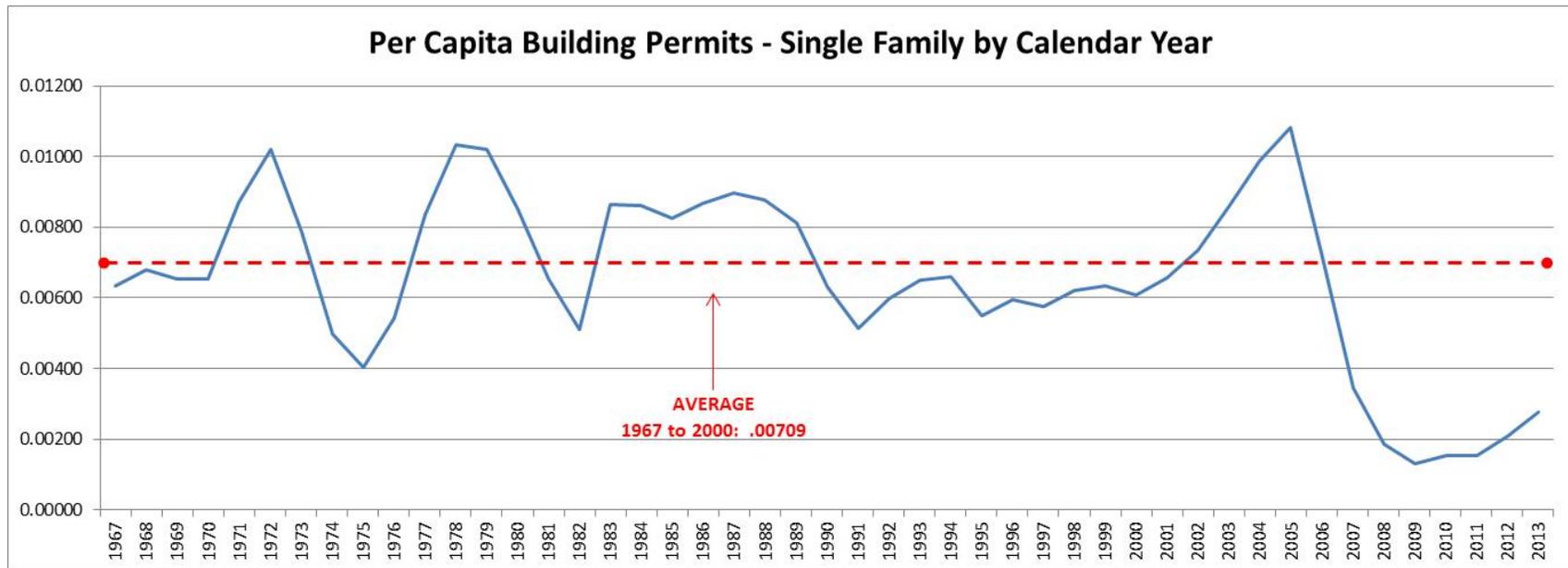
2014	
Orlando	255,636
St. Petersburg	252,372
Hialeah	230,544

# Population Growth by Age Group



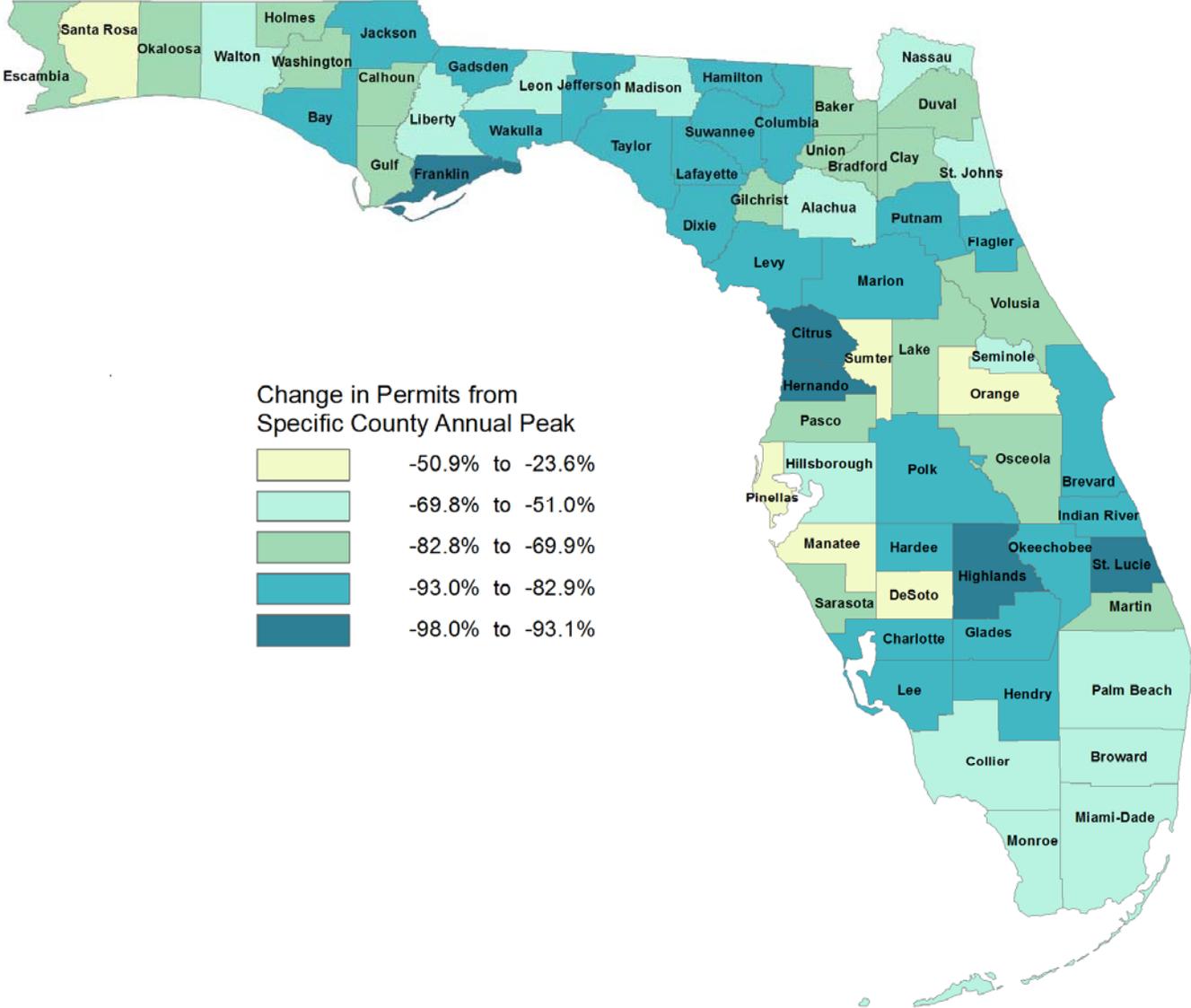
- Between 2010 and 2030, Florida's population is forecast to grow by almost 5 million persons.
- Florida's older population (age 60 and older) will account for most of Florida's population growth, representing 55.5 percent of the gains.
- Florida's younger population (age 0-17) will account for 14.2 percent of the gains.

# Florida Housing is Generally Improving

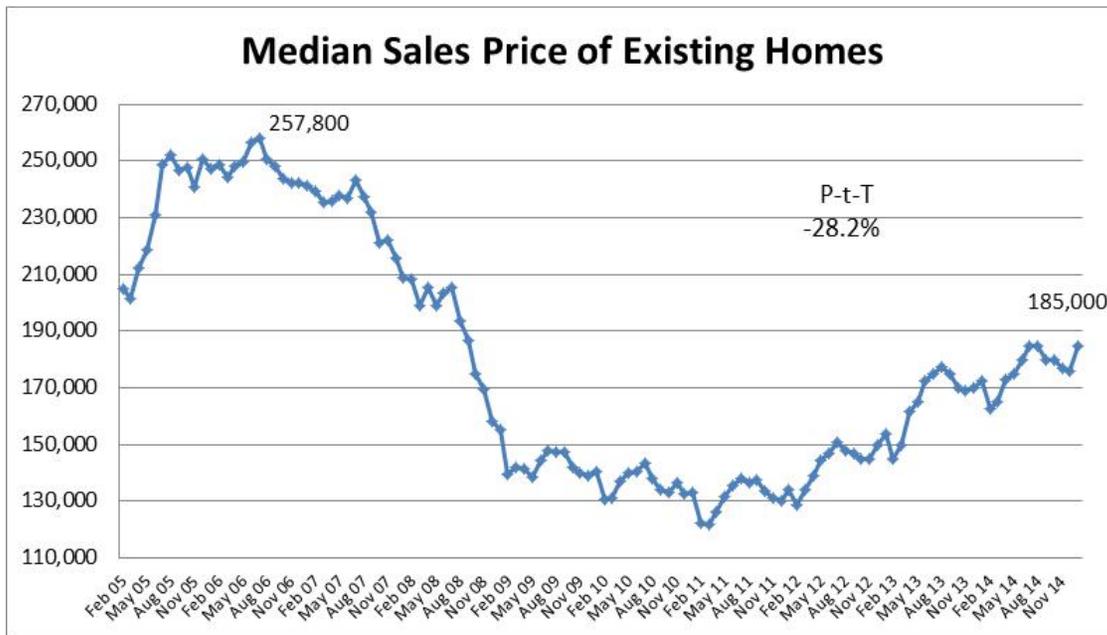
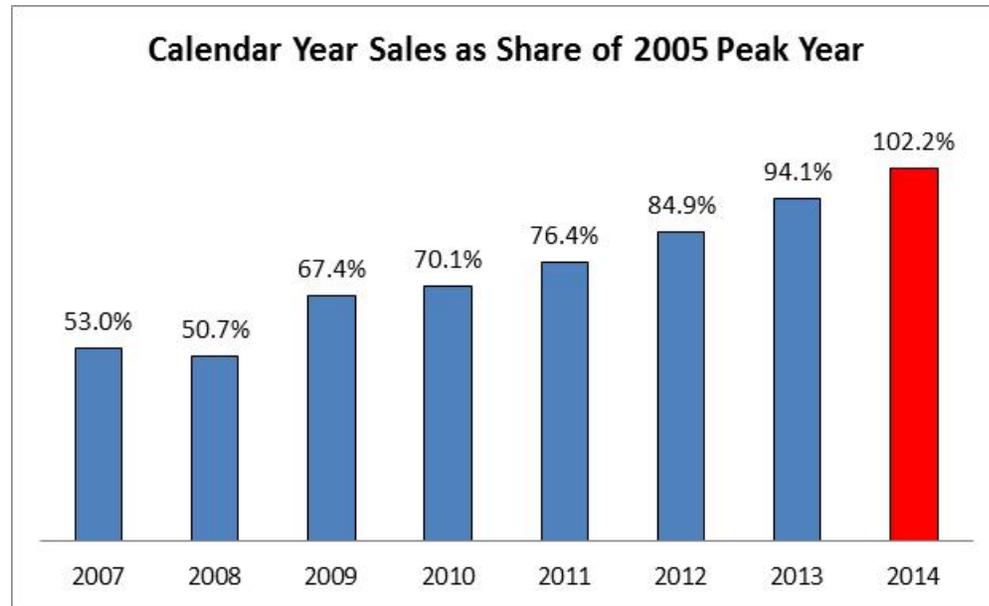


Building permit activity, an indicator of new construction, is back in positive territory, showing strong (36.6%) calendar year growth in 2012. While still robust, data for the 2013 calendar year indicates that the increase in permits (33.4%) was slightly below the prior year. Despite the strong percentage growth in both years, the level is still low by historic standards. Preliminary residential data for the 2014 calendar year indicates slowing activity; year-to-date activity through December is running below last year for the same period, although single family data is slightly higher (+1.67 percent) than last year's data at the same point in time.

# 2013 Building Permit Activity Relative to the County's Peak during the Period 2000-2007



# Existing Home Sales Volume In 2014 Exceeded Its 2005 Peak...

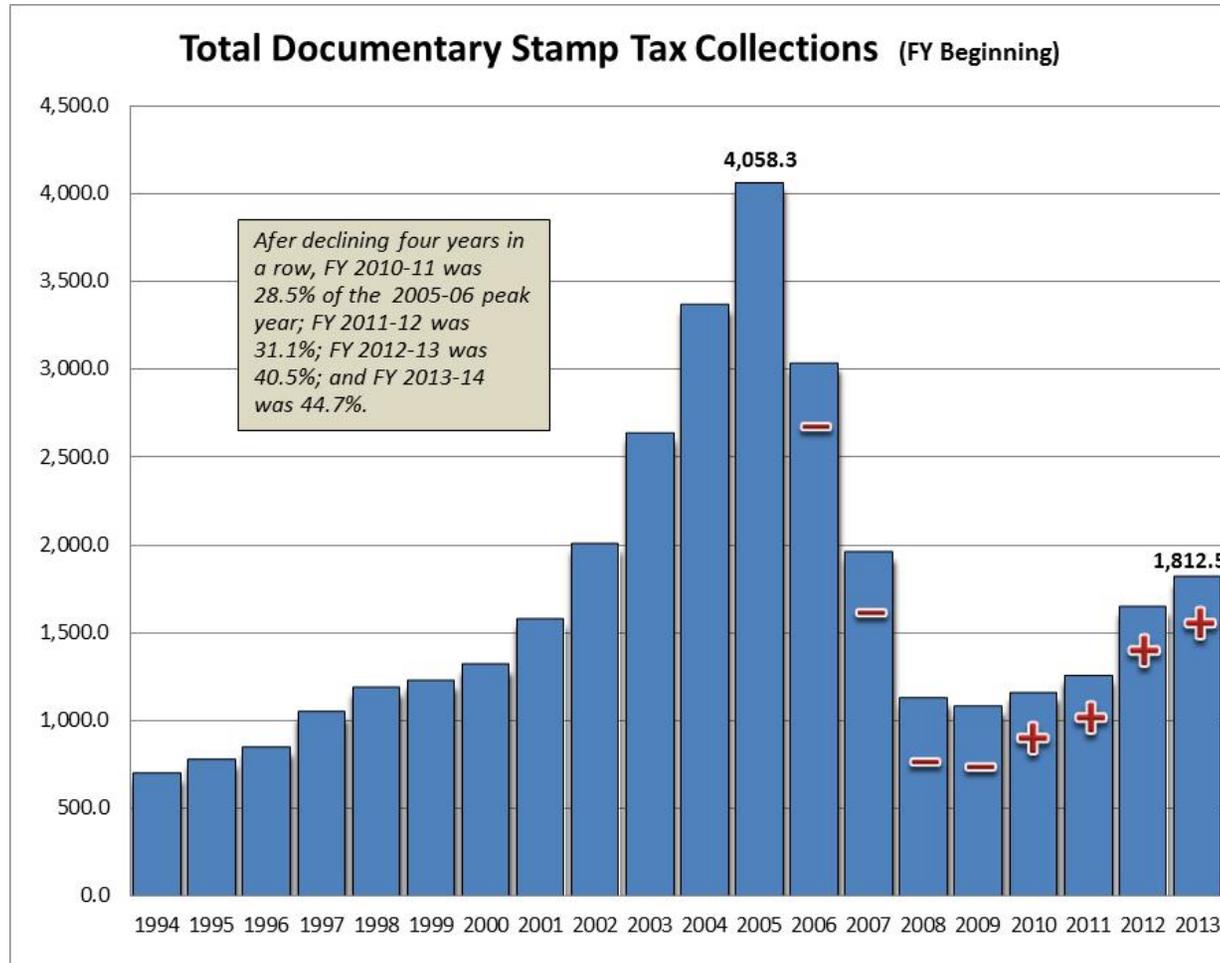


**Existing Home Price Gains Are Back To A Summer High—They Are Also 88% Of The National Median For the First Time Since March 2014.**

Data through December 2014

# Documentary Stamp Collections

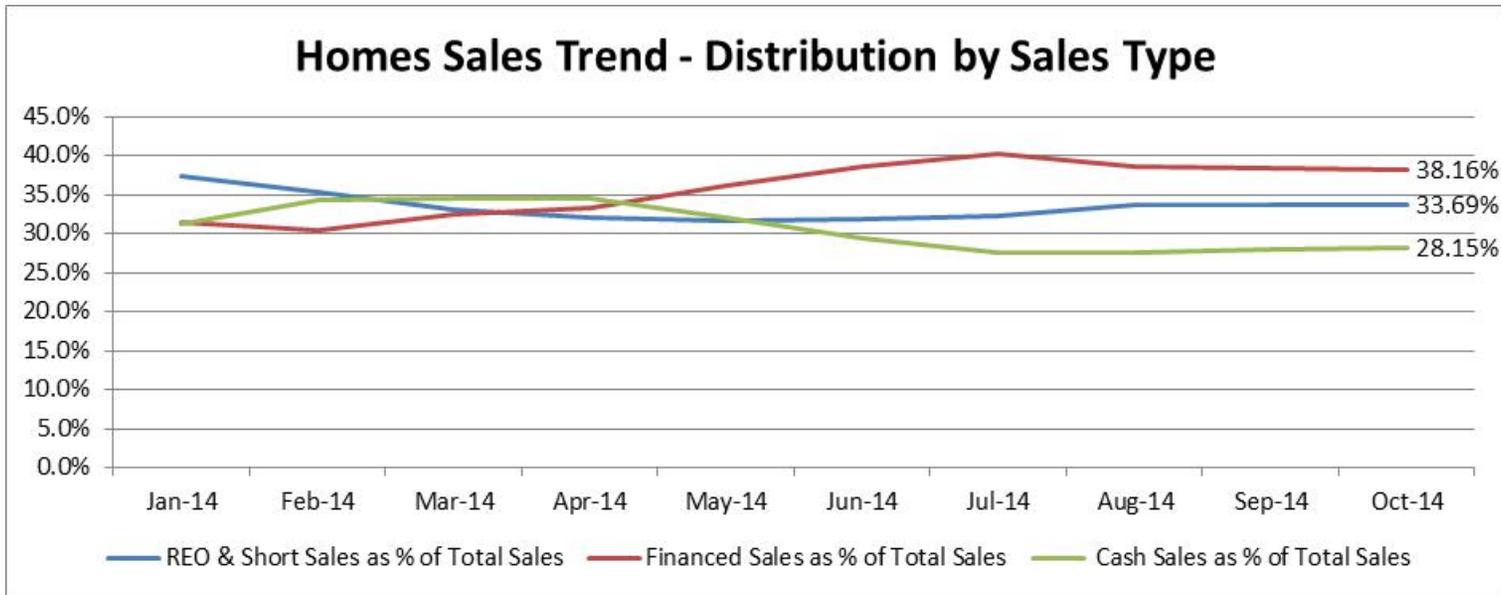
(Reflecting All Activity)



Documentary Stamp Tax collections for the first six months of FY 2014-15 are running 11.6 percent above the same period in FY 2013-14.

# Sales Mix Still Points To Lower Prices...

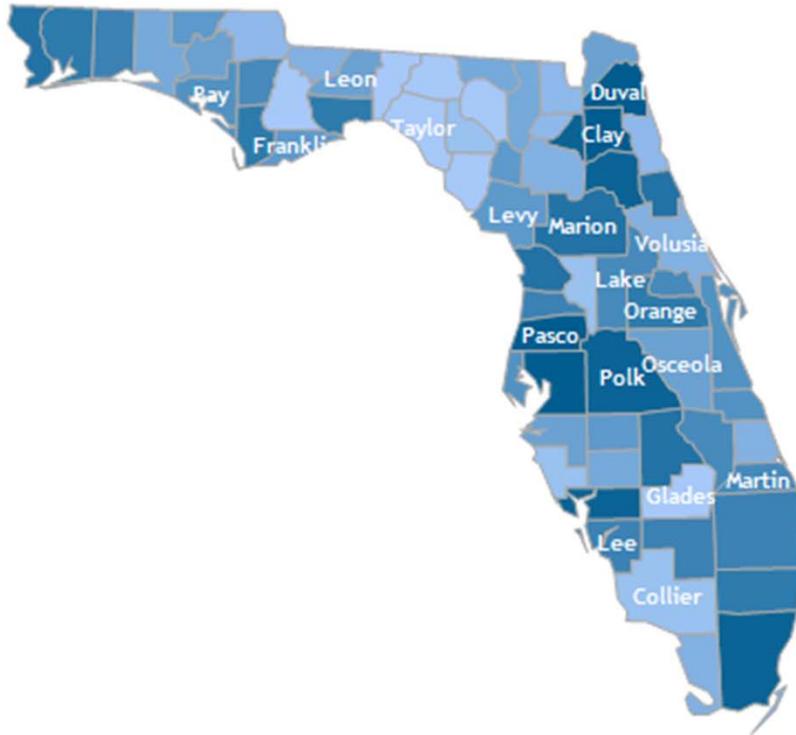
**Distressed  
Property Discount  
36.5%**



Data from LPS / Black Knight

- Financed sales ended October 2014 with a higher share than they had October 2013 (38.2% versus 33.3%); shares for both REO & Short Sales and Cash Sales have drifted slightly downwards. After converging, the share of financed sales has pulled consistently ahead since May 2014.
- While short sales activity has been strong in some states, that is not the case in Florida where the share of total sales is high but not relative to a year ago. There were 5,009 short sales in October 2013, and 4,175 in October 2014. To the extent short sales increase, the foreclosure pipeline will be reduced.

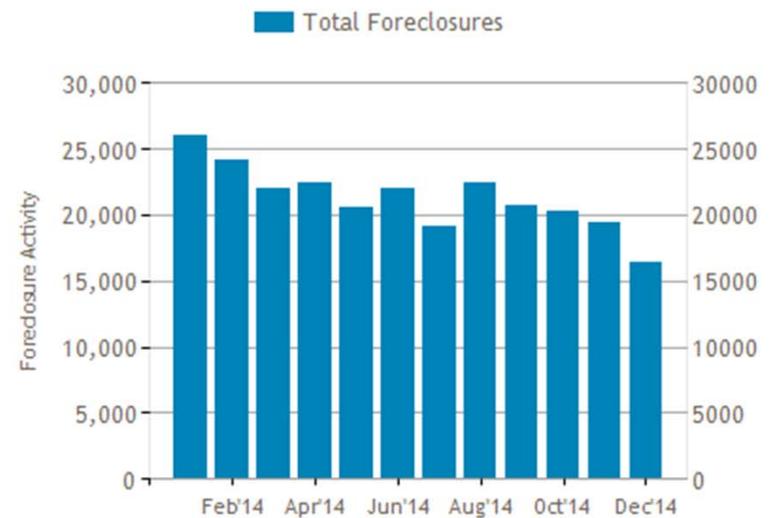
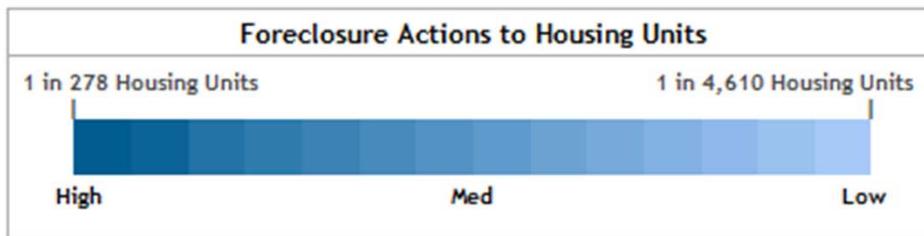
# Foreclosures Are Still A Florida Issue



## Calendar Year 2014...

- Highest State for # of Filings
- Highest State for Foreclosure Rate
- Among US Metro Area rates: 4 of the top 5 highest metro rates in the nation were in Florida.

Miami-Fort Lauderdale-Pompano Beach #2  
 Orlando-Kissimmee #3  
 Palm Bay-Melbourne-Titusville #4  
 Tampa-St. Petersburg-Clearwater #5

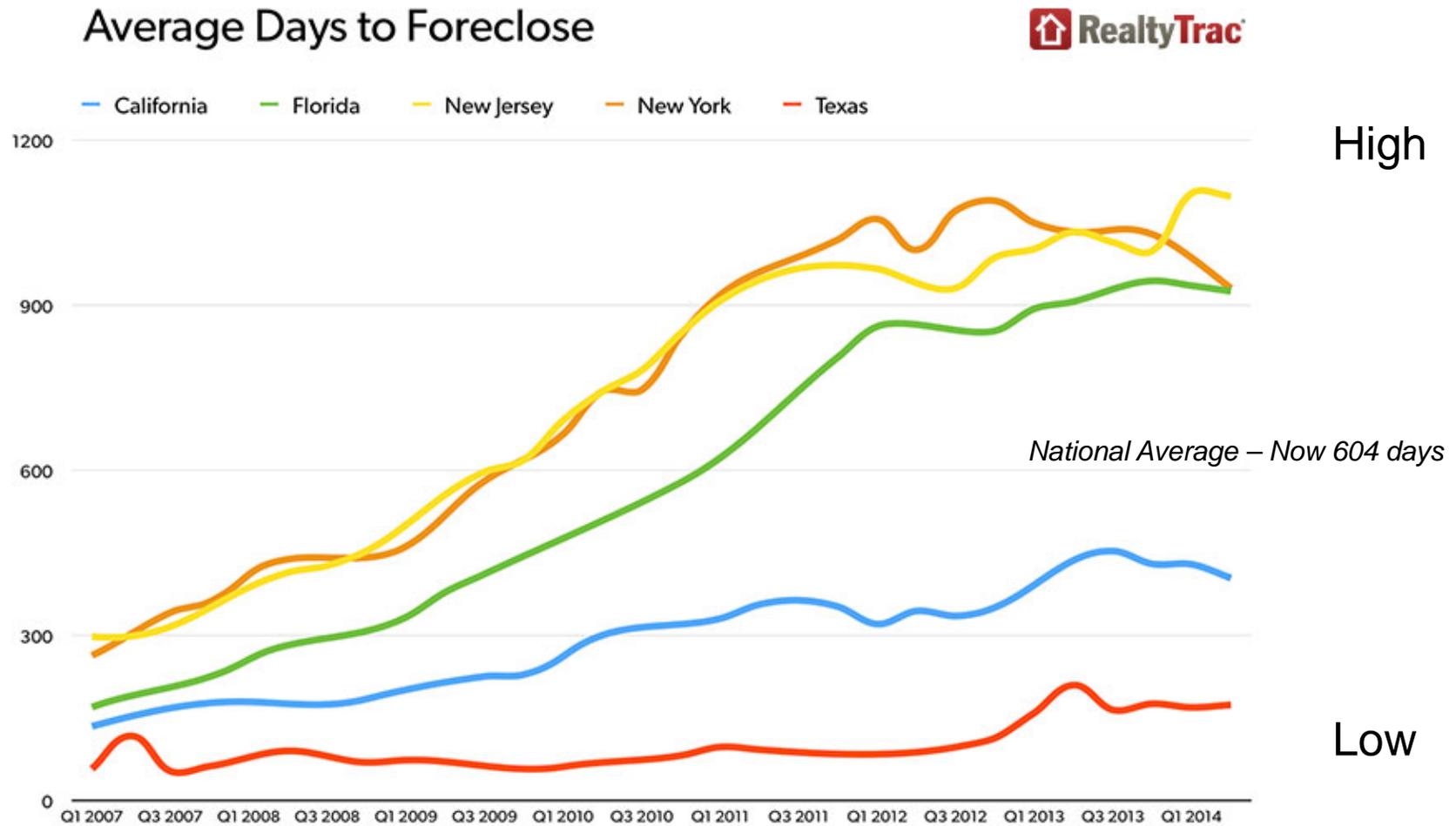


Data from RealtyTrac

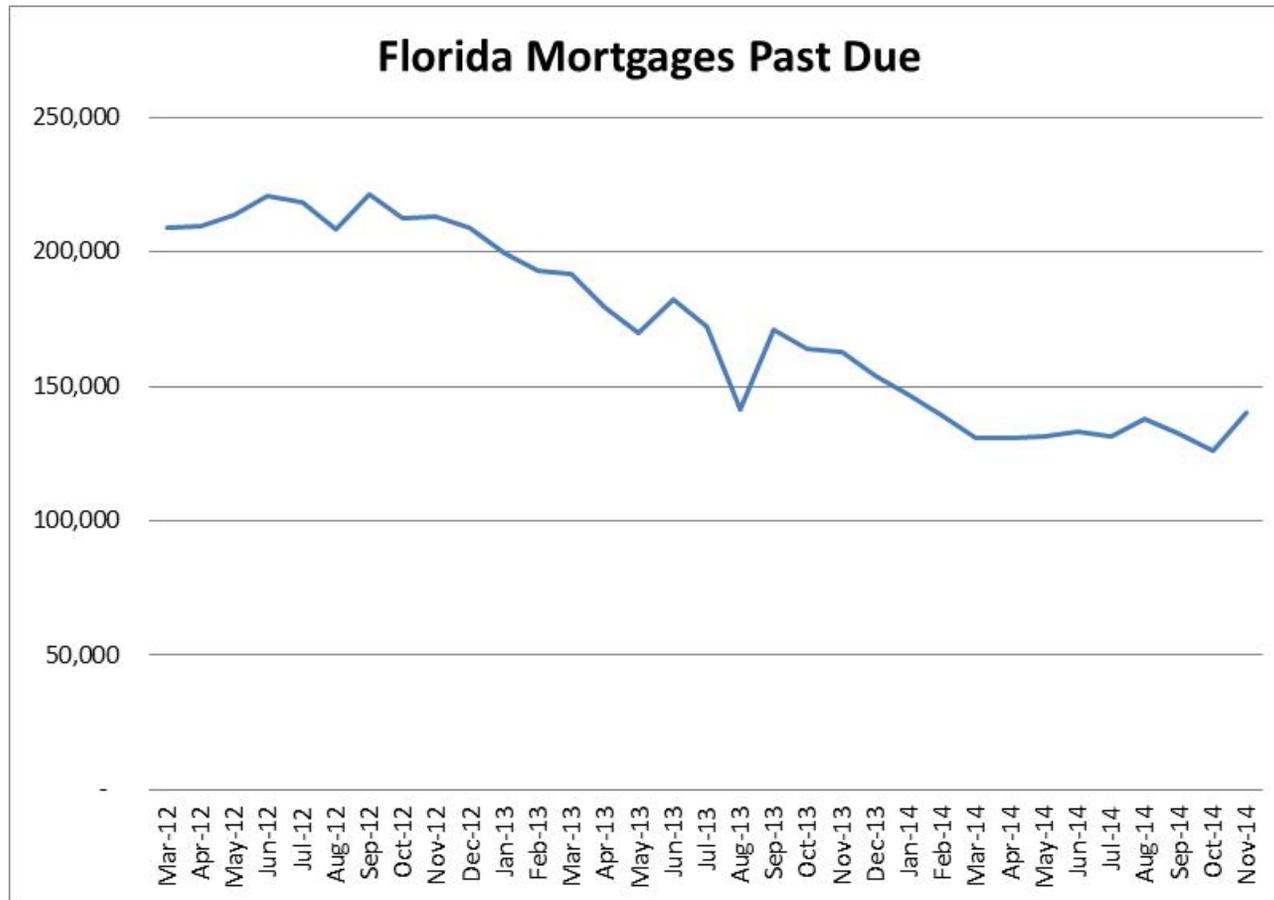
# Days to Foreclose

## Foreclosure Process (once begun)

- 946 Days – 2.6 yrs – in Florida (3rd Longest Period in Nation in 2014:Q4)
- At the beginning of 2007, Florida was at 169 days or less than 6 months.

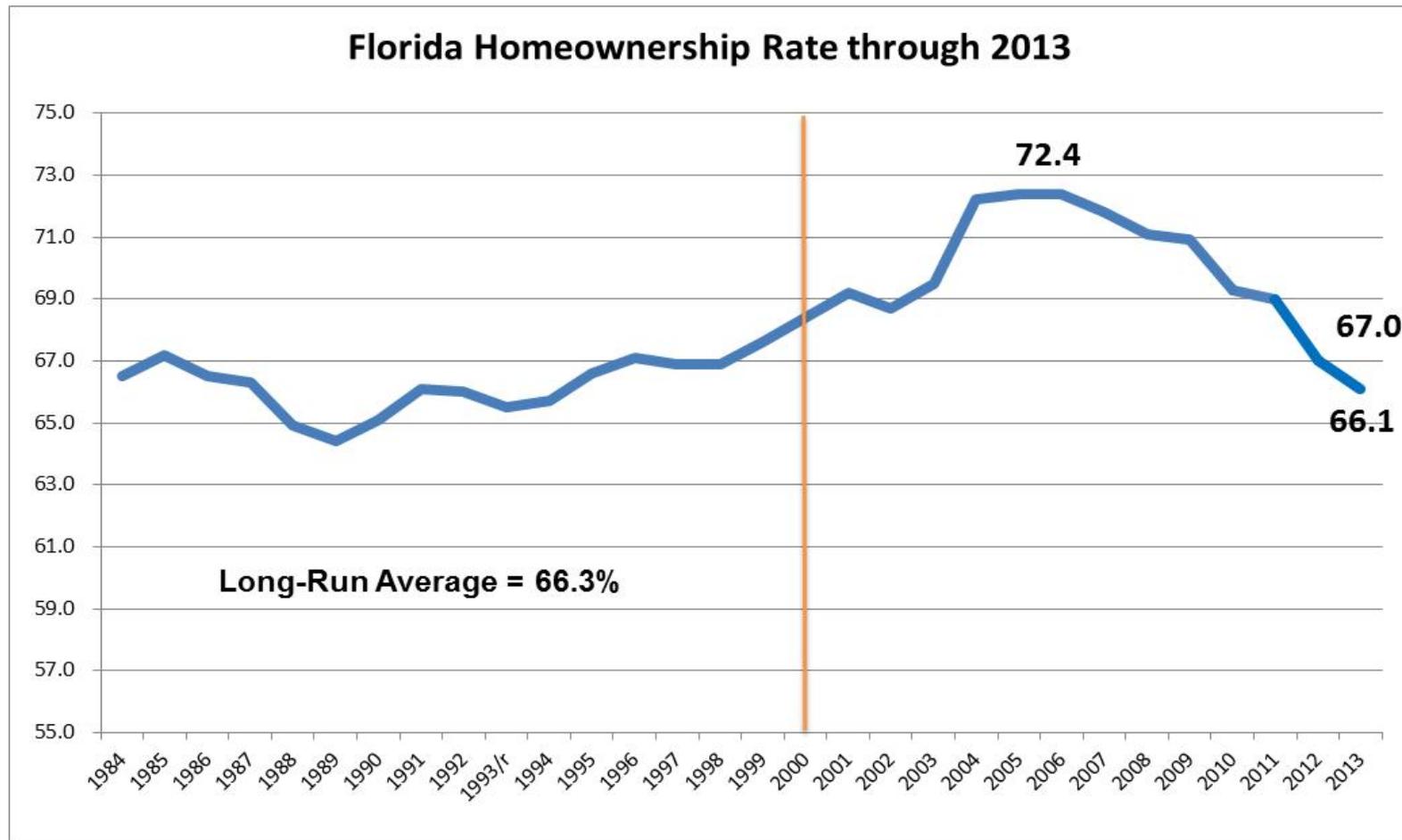


# Foreclosures & Shadow Inventory



After being ranked first for many months, Florida has now moved to sixth place among states for non-current mortgages (a measure of delinquencies and foreclosures). A major part of this shift is a reduction in the number of delinquent mortgages which reduces the incoming pipeline. Florida's "underwater" homes declined from a high of 50% of all residential mortgages to 15% in the most recent data.

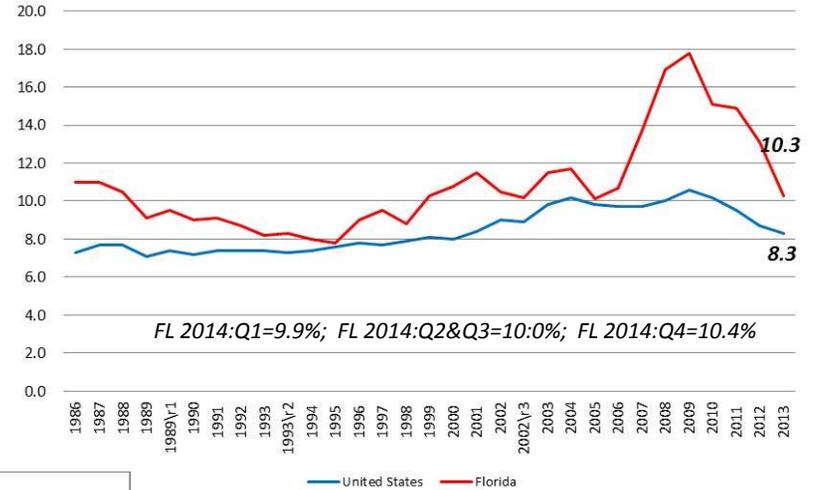
# Homeownership Rate Below Normal



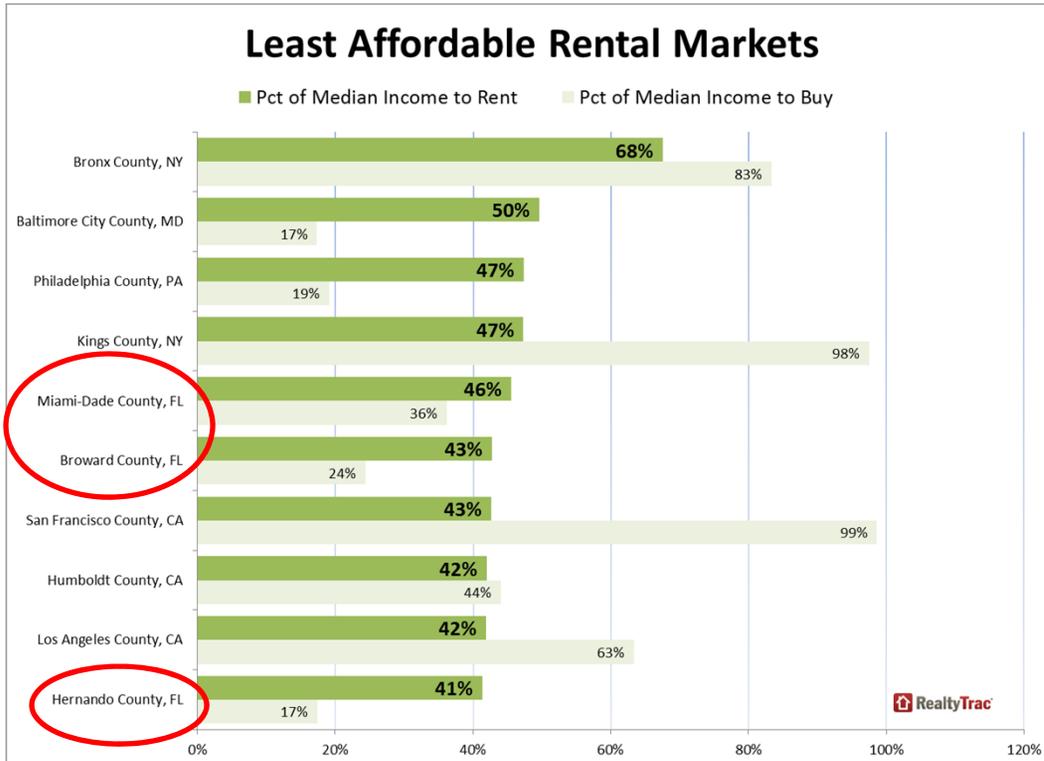
The 2013 percentage of 66.1 is the lowest since 1994, and it's below the long-term average. The third quarter of the 2014 calendar year has dropped further to 62.4%. If this becomes the final percentage for the year, it will be the lowest level seen since the data series began in 1984.

# Residential Rental Vacancies Still Tightening; Price Pressure Starting to Appear

**Rental Vacancy Rates**  
Longrun Average Percent: US---8.4; FL---10.9



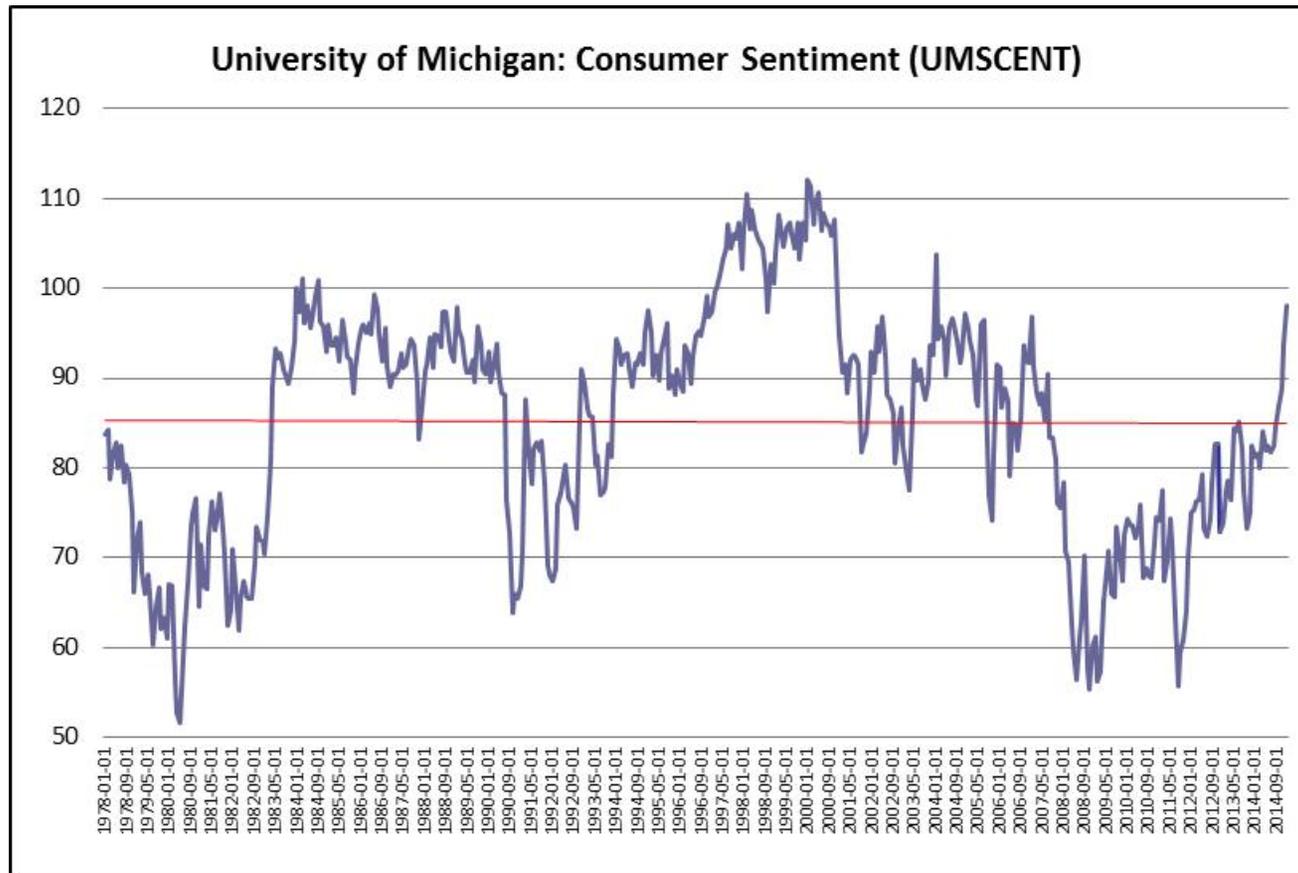
## Least Affordable Rental Markets



## Florida and U.S. Median Gross Rent (in Current Dollars)

Year	Median Gross Rent		
	U.S.	FL	FL Relative To US
2005	728	809	111%
2006	763	872	114%
2007	789	925	117%
2008	824	947	115%
2009	842	952	113%
2010	855	947	111%
2011	871	949	109%
2012	884	954	108%
2013	905	972	107%

# Consumer Perceptions Improve



Nationally, the sentiment reading for January (98.1) is significantly above the index average since inception (85.1) and the highest reading achieved since January 2004.

# Economy Recovering

Florida growth rates are generally returning to more typical levels and continue to show progress. However, the 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 have strengthened – residential credit still remains somewhat sluggish and difficult for consumers to access.
- By the close of the 2013-14 fiscal year, several key measures of the Florida economy had returned to or surpassed their prior peaks.
  - Most of the personal income metrics (real per capita income being a notable exception) and all of the tourism counts exceeded their prior peaks.
  - Still other measures were posting solid year-over-year improvements, even if they were not yet back to peak performance levels.
  - In the current forecast, none of the key construction metrics show a return to peak levels until 2022-23.

# Upside Risks...

## 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.

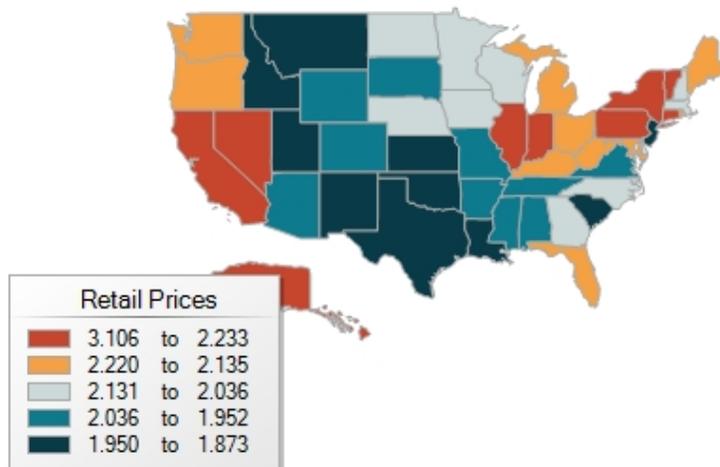
## More Buyers...

- In 2015, the first wave of homeowners affected by foreclosures and short sales are past the seven-year window generally needed to repair credit.
- Atypical household formation will ultimately unwind.

# Low Gas Prices Are A Windfall...

Florida Average Prices	Regular
Current Avg.	\$2.142
Year Ago Avg.	\$3.327
Highest Recorded Avg.	\$4.079

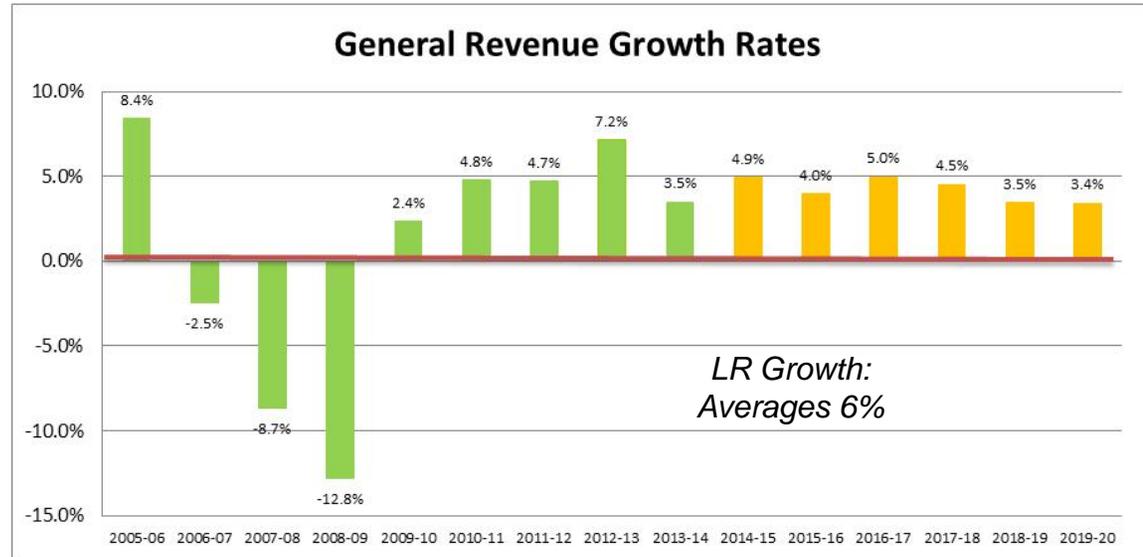
Prices updated as of 2/4/2015 3:45am; AAA



- OPEC's inaction has allowed gas prices to continue to fall.
- Consumers have treated the lower gas prices as a one-time windfall or dividend, boosting consumer spending. Prices are expected to stabilize by mid-2015.
- IHS (Global Insight) estimates that the savings will be roughly \$750 per household over the next four quarters. For Florida, this means approximately \$5.86 billion in additional spending. If 100% of it was spent on taxable sales, it would be just over \$350 million in additional sales taxes --- a significant part of the change to the forecast.

# General Revenue Forecast

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 4.7%, respectively.



Fiscal Year	August 2014 Forecast	December 2014 Forecast	Difference	Incremental Growth	Growth
2005-06	27074.8	27074.8	0.0	1287.4	8.4%
2006-07	26404.1	26404.1	0.0	-670.7	-2.5%
2007-08	24112.1	24112.1	0.0	-2292.0	-8.7%
2008-09	21025.6	21025.6	0.0	-3086.5	-12.8%
2009-10	21523.1	21523.1	0.0	-497.5	2.4%
2010-11	22551.6	22551.6	0.0	1028.5	4.8%
2011-12	23618.8	23618.8	0.0	1067.2	4.7%
2012-13	25314.6	25314.6	0.0	1695.8	7.2%
2013-14	26198.0	26198.0	0.0	883.4	3.5%
2014-15	27,189.4	27,485.4	296.0	1287.4	4.9%
2015-16	28,246.6	28,578.5	331.9	1093.1	4.0%
2016-17	29,655.0	30,000.5	345.5	1422.0	5.0%
2017-18	31,041.6	31,357.4	315.8	1356.9	4.5%
2018-19	32,118.9	32,441.4	322.5	1084.0	3.5%
2019-20	33,237.3	33,548.6	311.3	1107.2	3.4%

In FY 2014-15, projected General Revenue collections are expected to surpass the prior peak in 2005-06.