

Florida: An Economic Overview

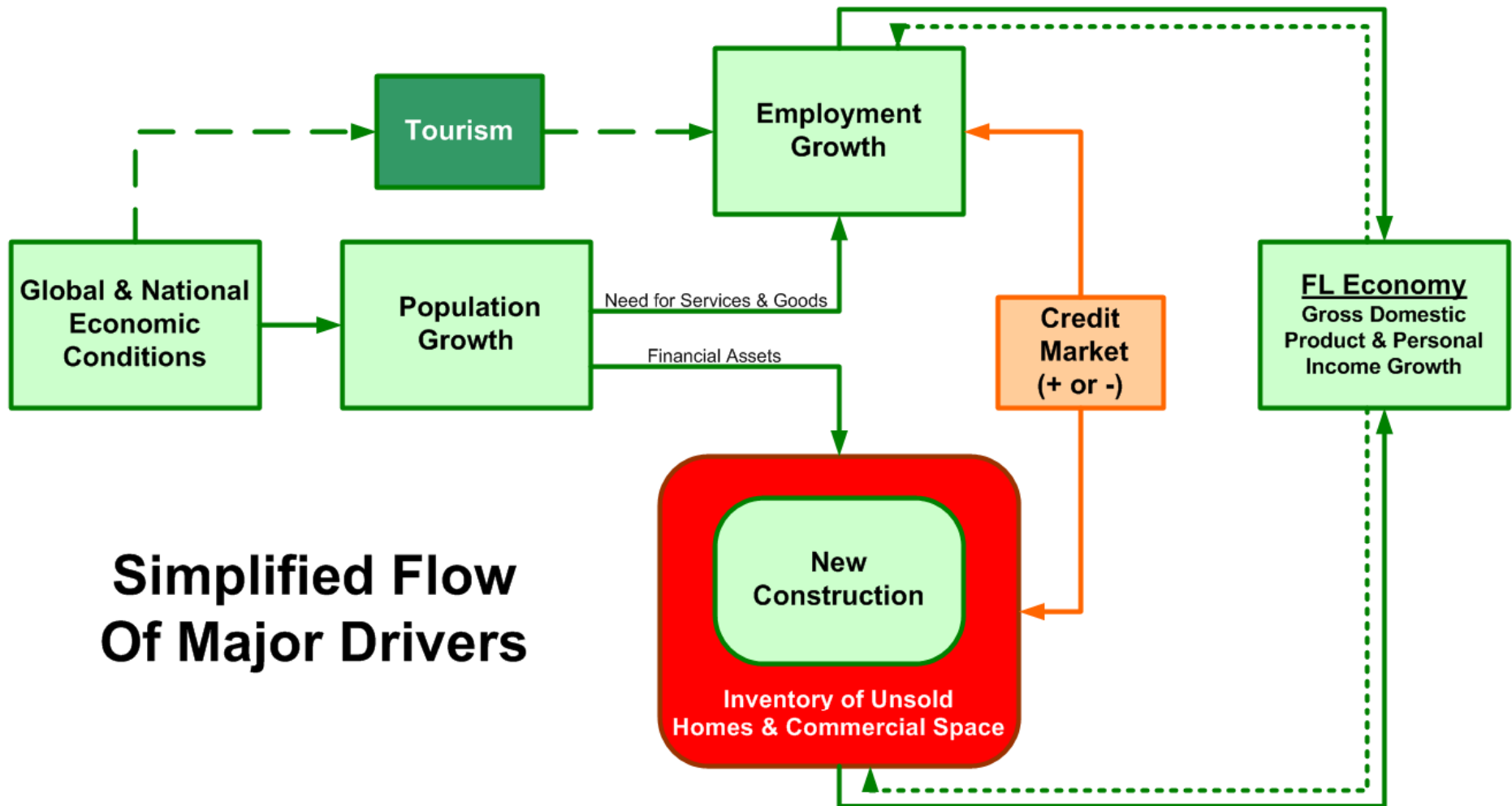
May 1, 2012

Presented by:

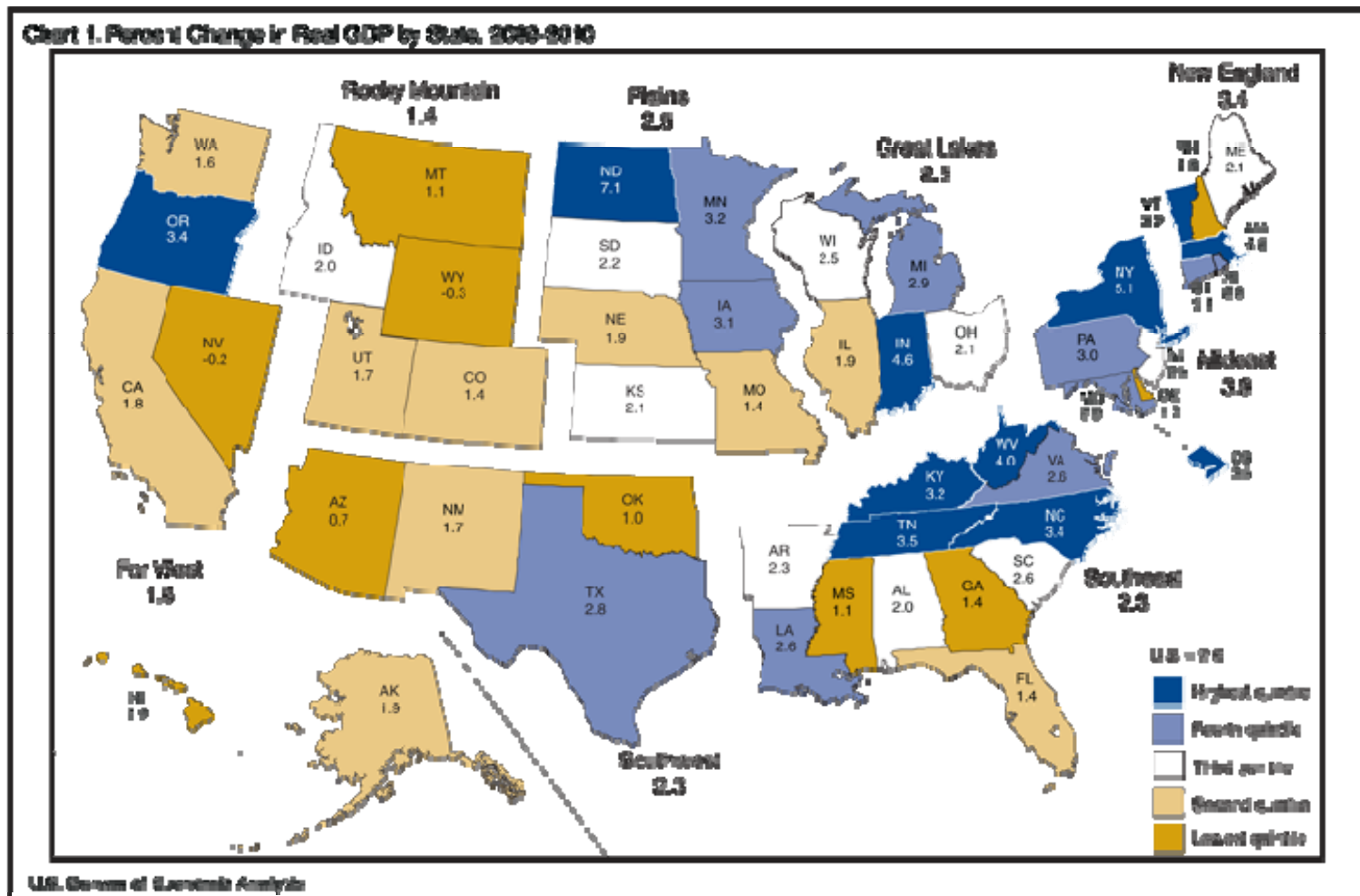


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Key Economic Variables – Mixed

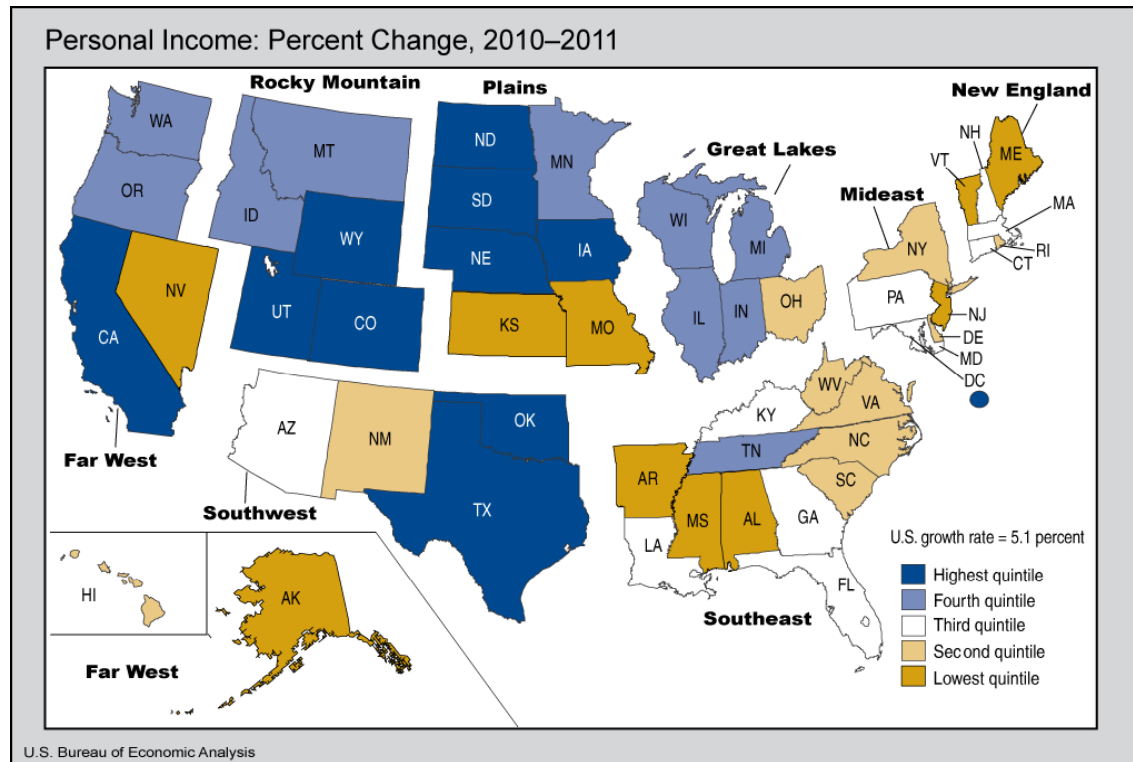


Economy Turned Positive in 2010



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%.

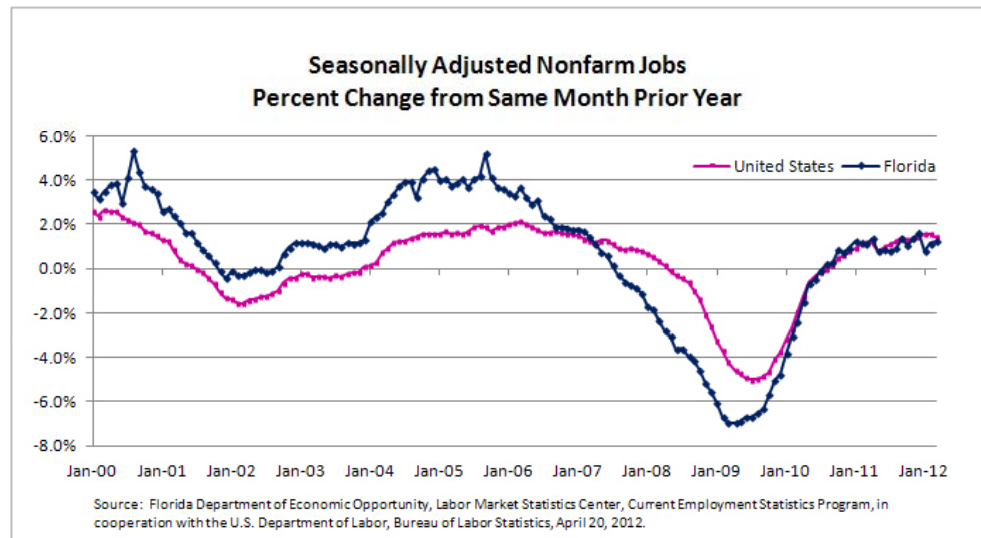
FL Personal Income Grows in 2011



Florida's per capita personal income grew 3.5 percent in 2011 over 2010, ranking the state 45th in the country with respect to state growth. The national average was 4.3 percent. As normal in states with relatively strong population growth, overall income growth was higher (4.7 percent in Florida --- ranked 29th; 5.1 percent in the United States).

Earnings, which grew an average 4.4 percent in 2011, recovered their pre-recession levels and reached new peaks in 45 states. Earnings in Arizona, Florida, Michigan, Nevada, and Oklahoma are still below peaks reached in 2007 or 2008.

Current Employment Conditions



March Nonfarm Jobs (YOY)

US	1.5%
FL	1.2%
YR:	89,800 jobs
Peak:	-746,100 jobs

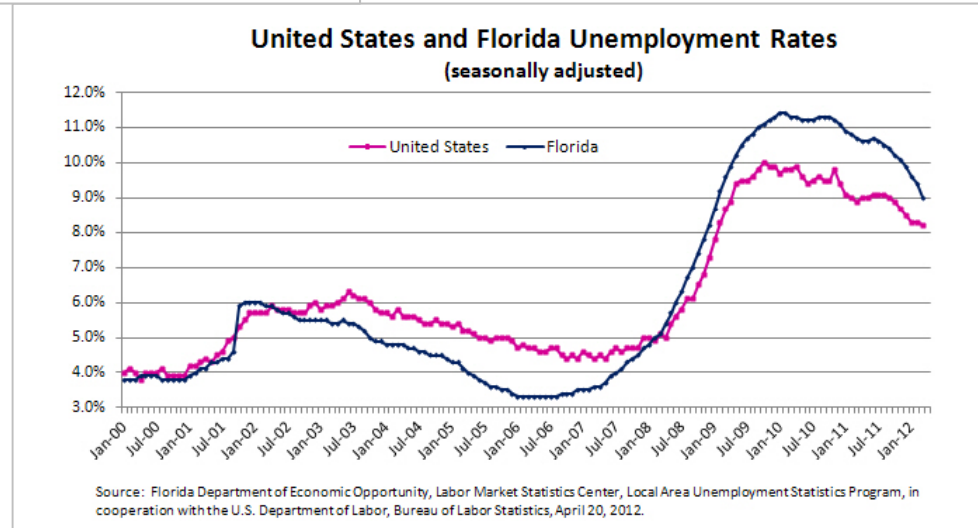
March Unemployment Rate

US	8.2%
FL	9.0%
(836,000 people)	

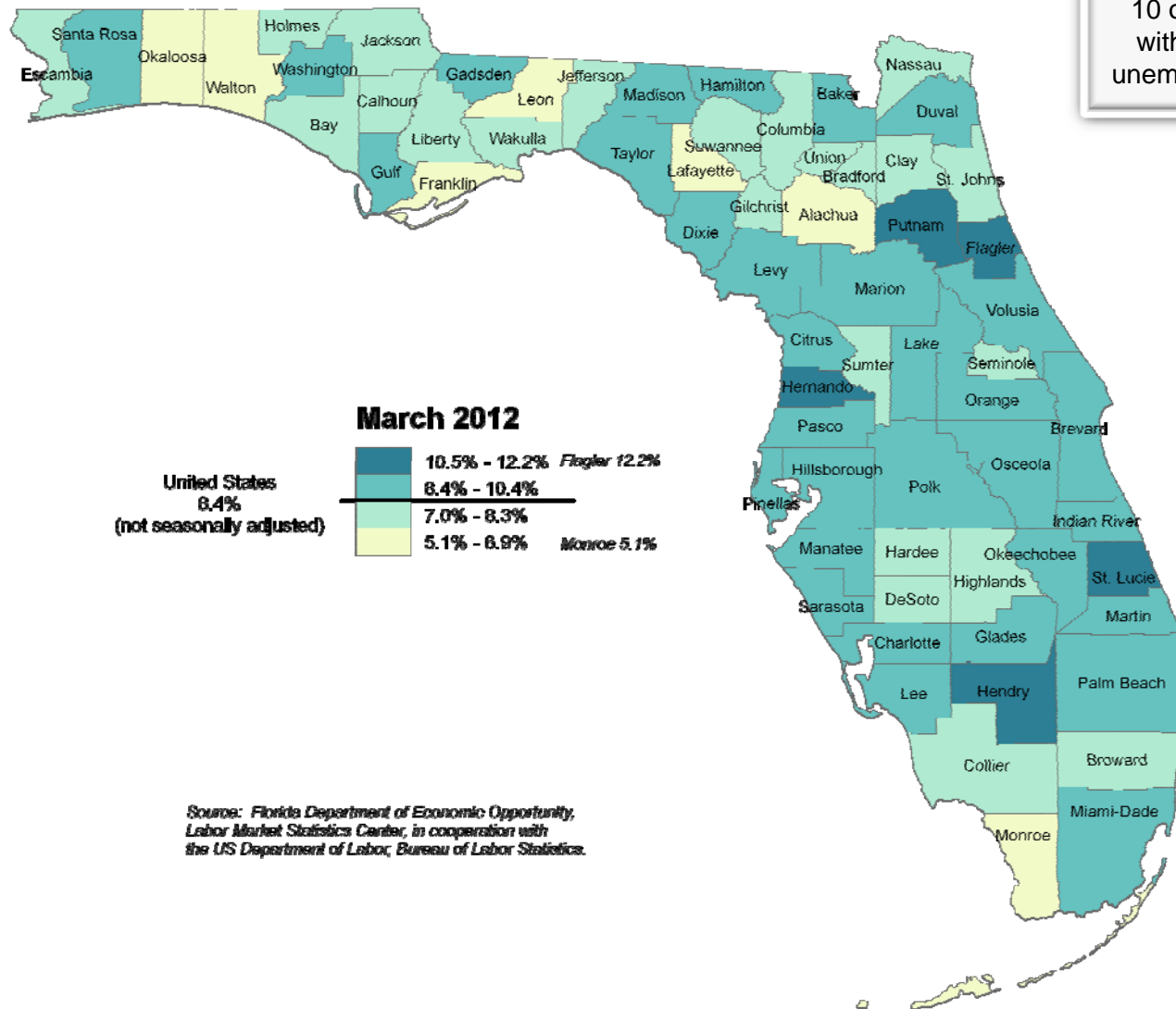
Four states had a higher unemployment rate than Florida.
Florida was tied with three states:
Georgia, Mississippi, and New Jersey.

Highest Monthly Rate

January & February 2010
11.4%



Unemployment Rates



Source: Florida Department of Economic Opportunity,
Labor Market Statistics Center, in cooperation with
the US Department of Labor, Bureau of Labor Statistics.

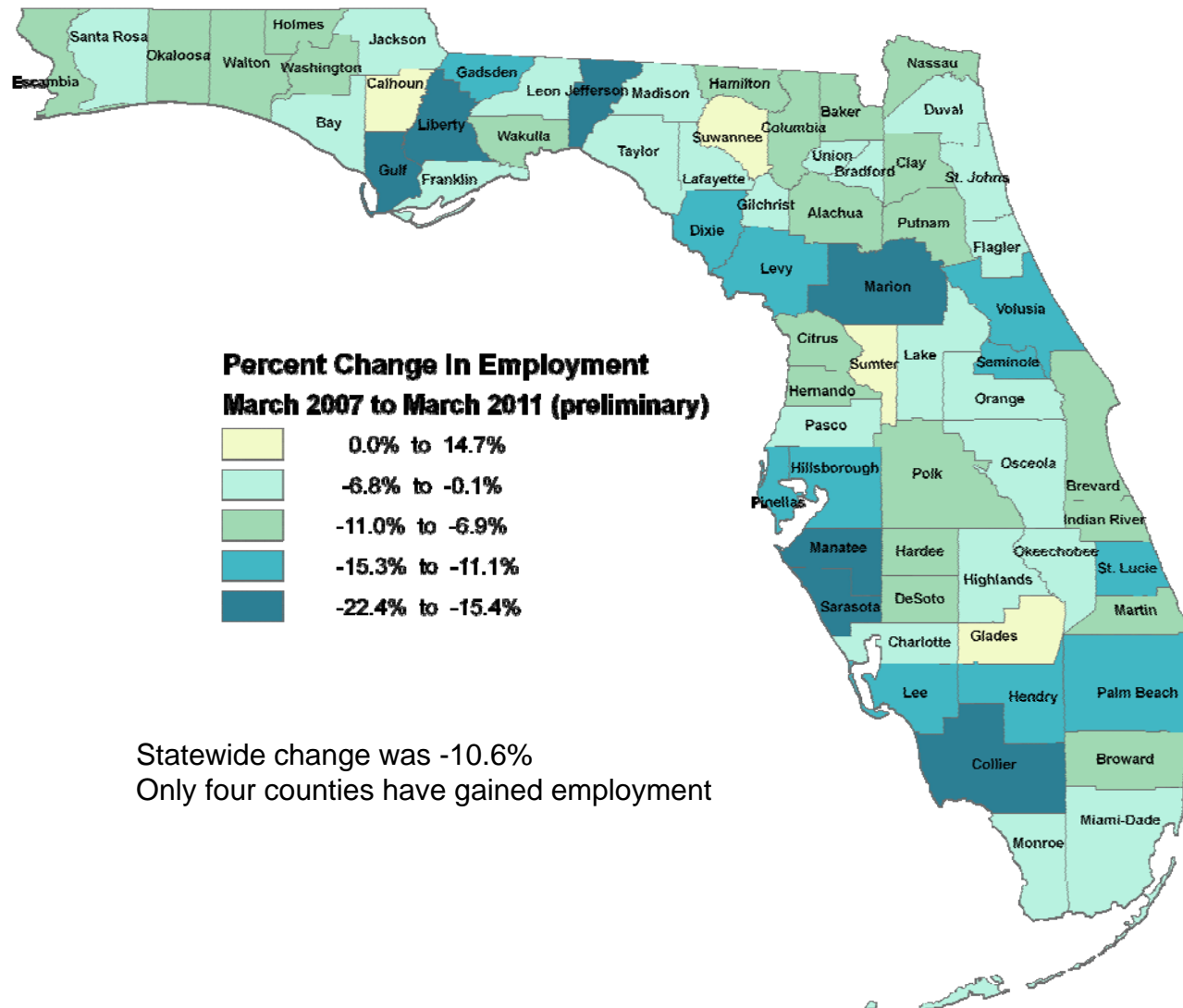


Florida's Job Market

- The job market will take a long time to recover – about 746,100 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 over 2,600 people per month, so the hole is deeper than it looks.
- It would take the creation of about 1 million jobs for the same percentage of the total population to be working as was the case at the peak.



Employment Down from Peak Levels

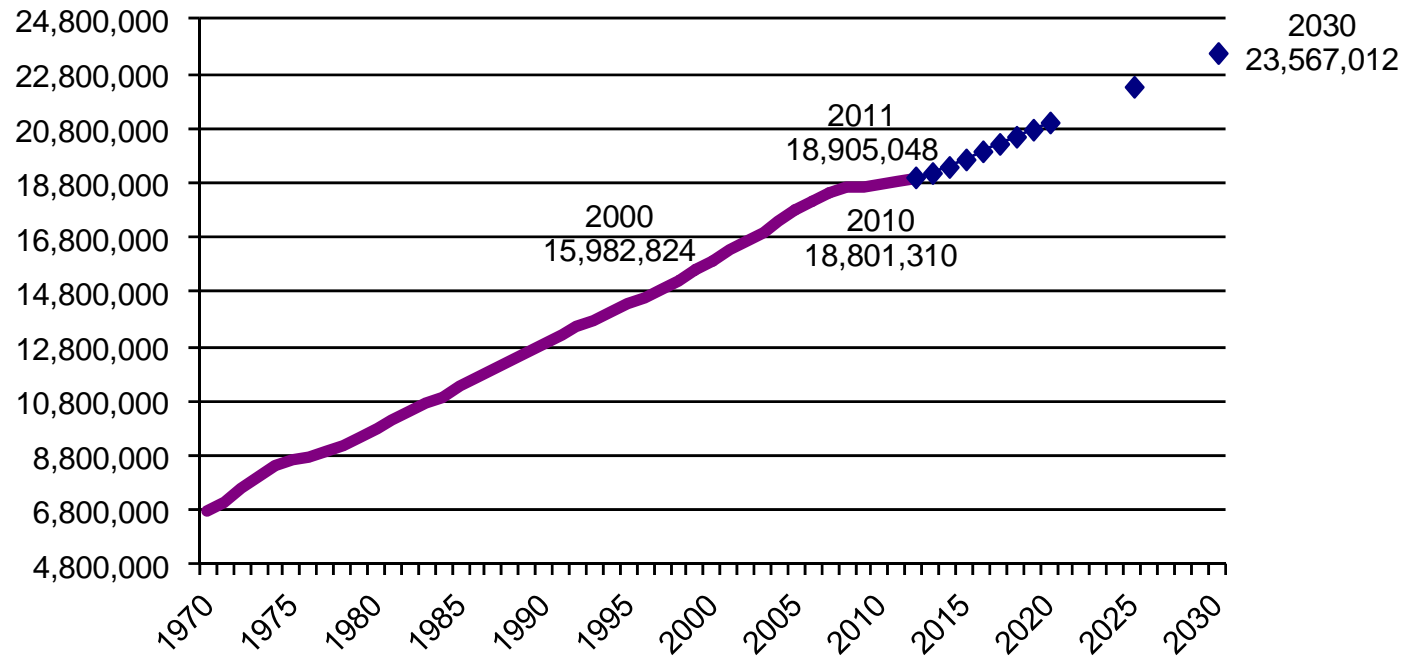


Population Growth Recovering

- 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.



Florida's April 1 Population

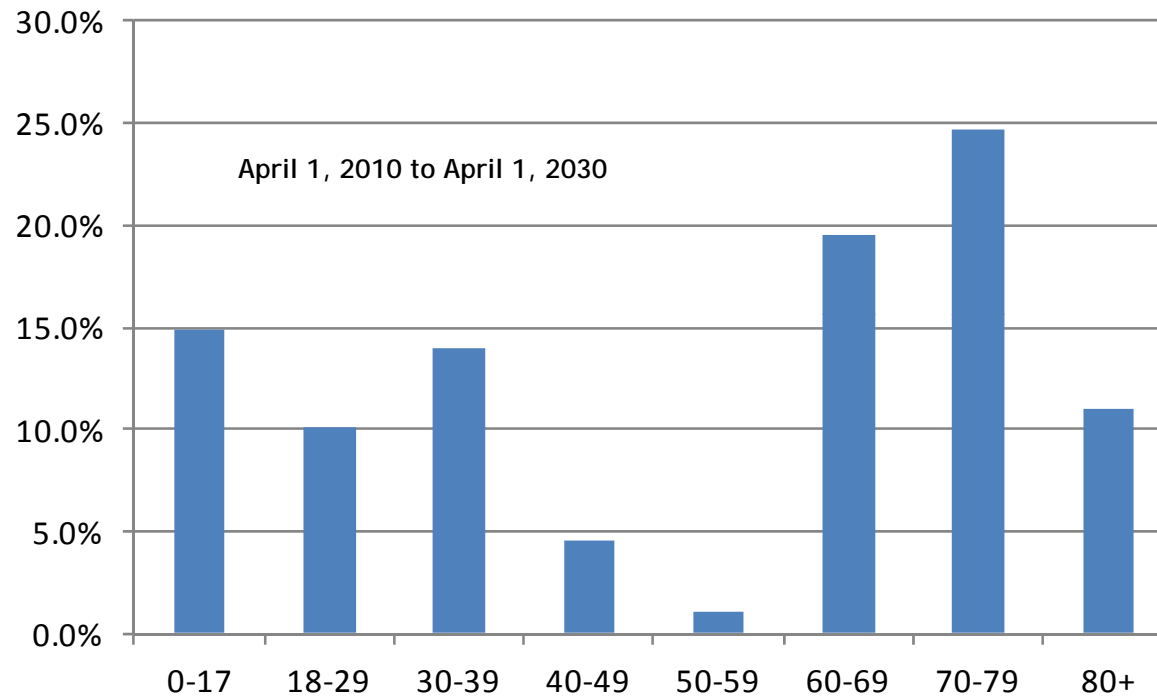


Florida's population:

- was 15,982,824 in 2000
- was 18,801,310 in 2010
- is forecast to grow to 23,567,012 by 2030

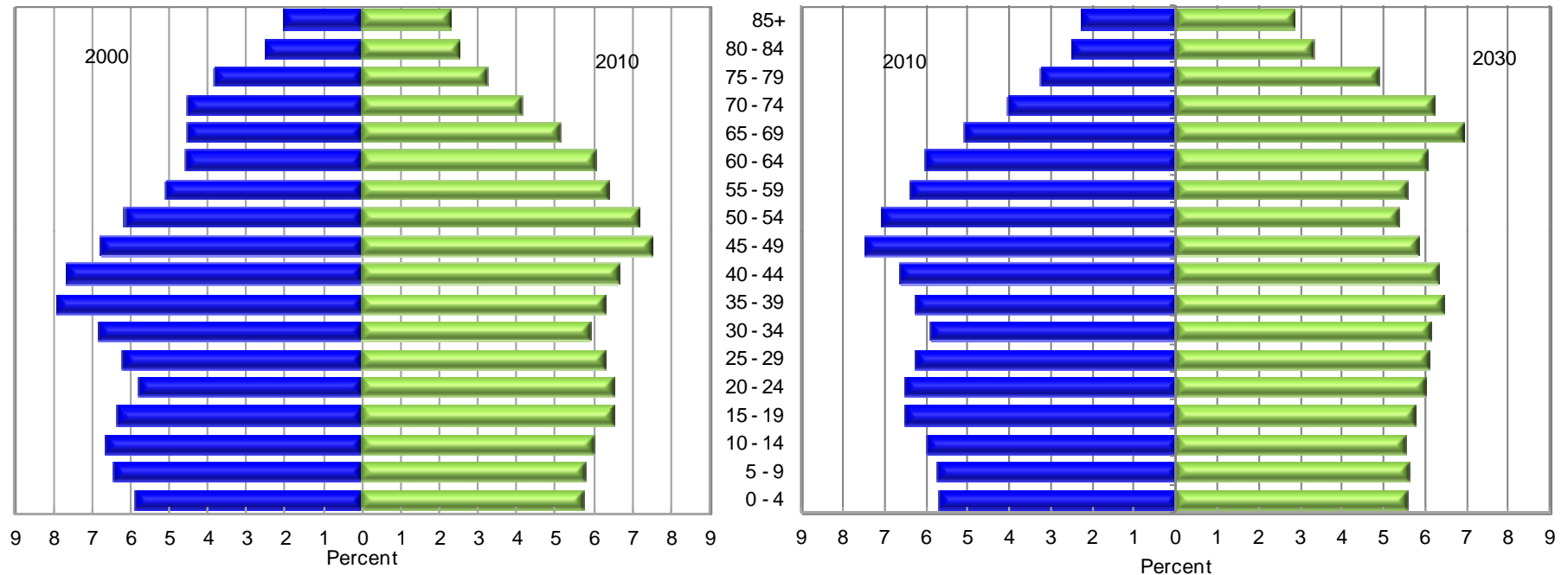


Population Growth by Age Group



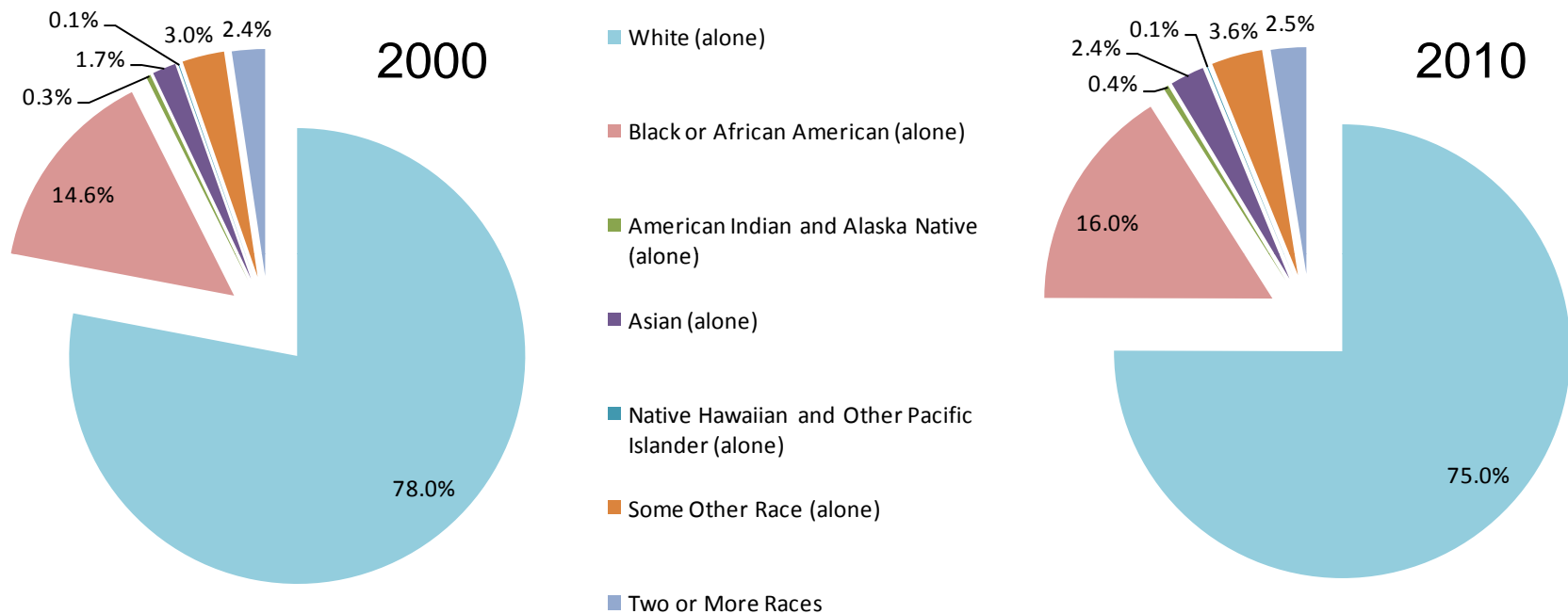
- Between 2010 and 2030, Florida's population is forecast to grow by almost 5.1 million.
- Florida's older population (age 60 and older) will account for most of Florida's population growth, representing 55.2 percent of the gains.
- Florida's younger population (age 0-17) will account for 15.0 percent of the gains.

Total Population by Age Group



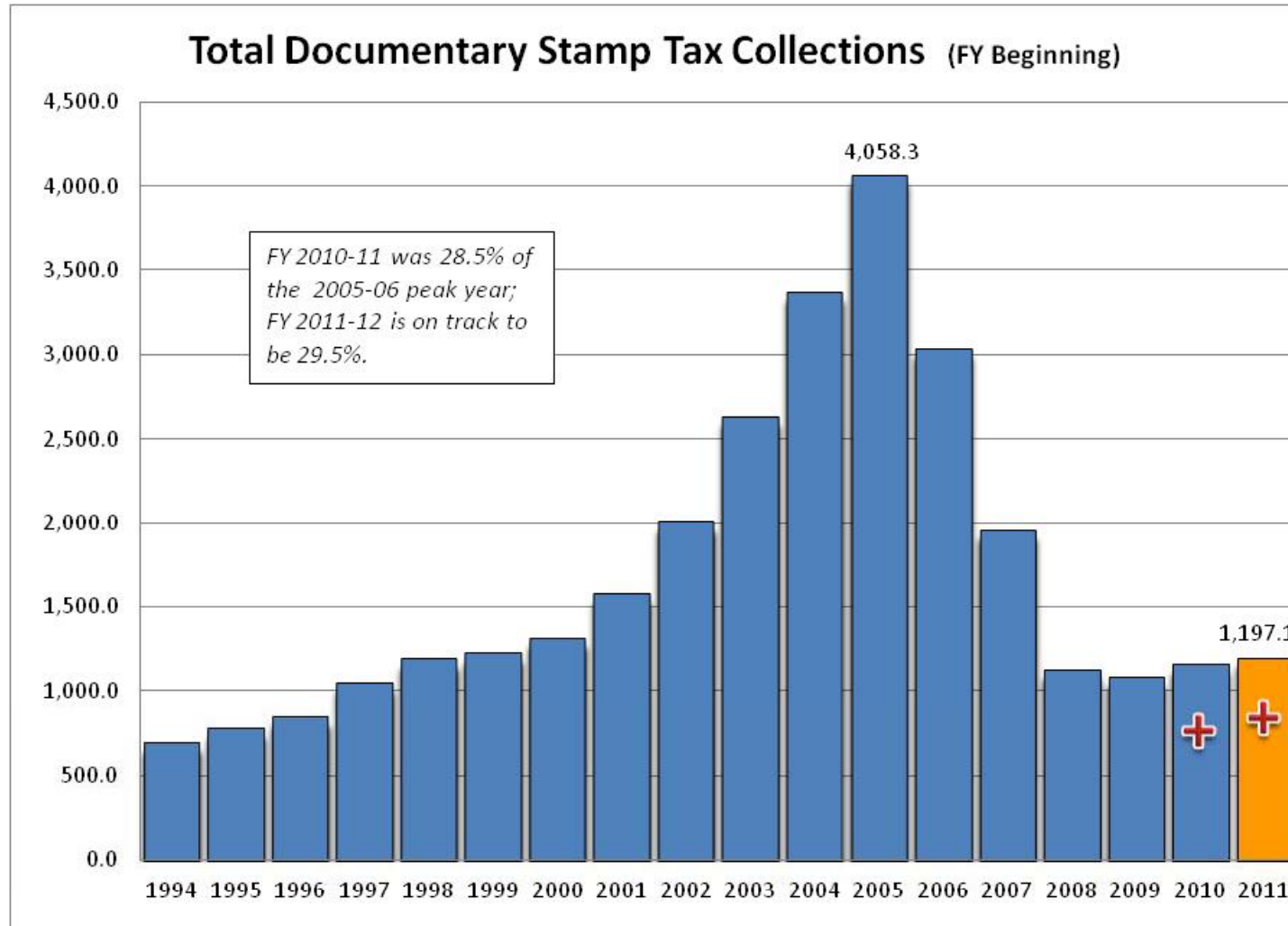
- In 2000, Florida's working age population (ages 25-54) represented 41.5 percent of the total population. With the aging Baby Boom generation, this population now represents 39.7 percent of Florida's total population and is expected to represent 36.0 percent by 2030.
- Population aged 65 and over is forecast to represent 24.1 percent in 2030.

Diversity is Increasing



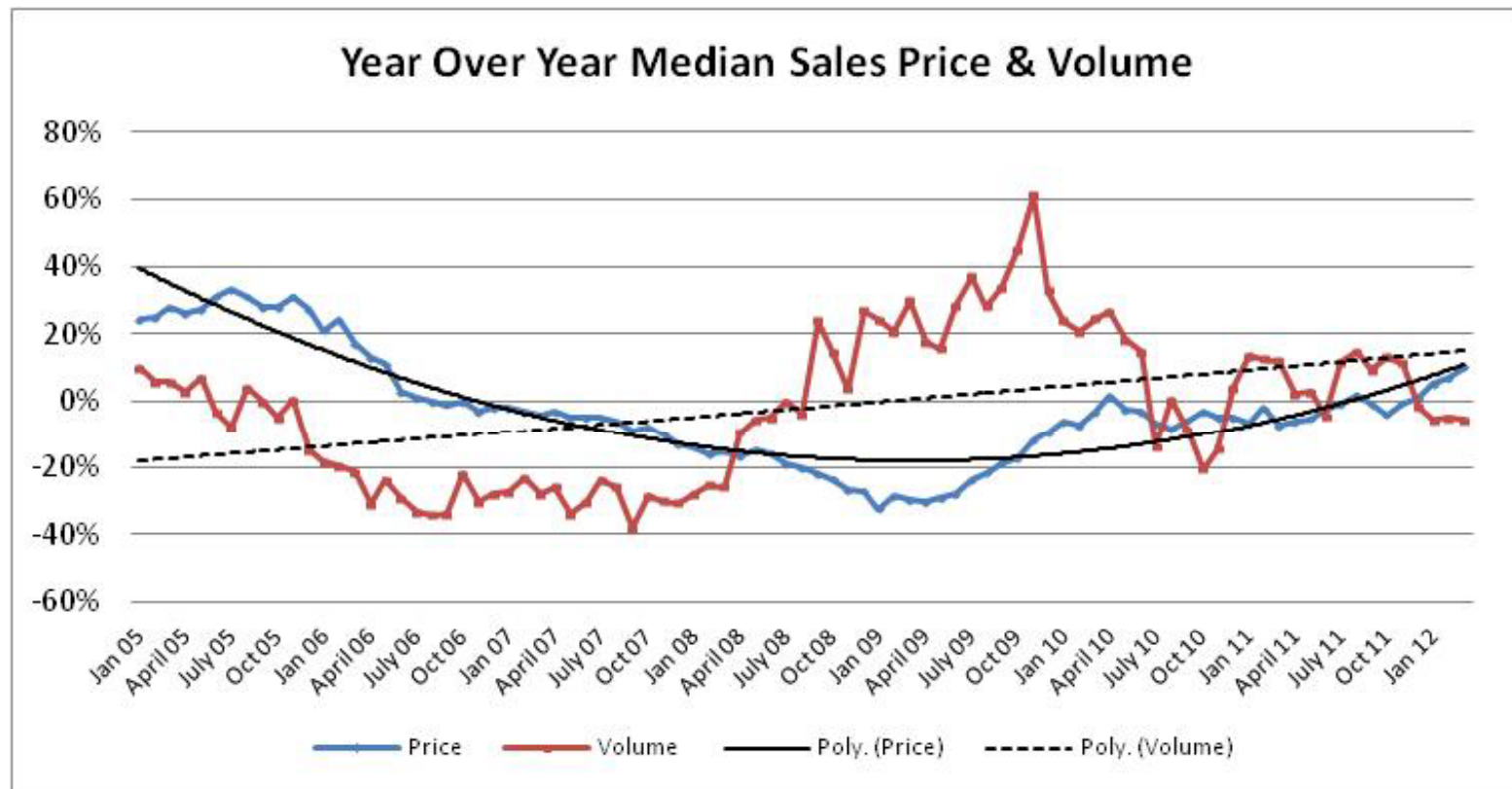
- Based on the 2010 Census, Hispanics represent about 22.5 percent of Florida's population. And, Florida will become increasingly more Hispanic; Hispanics are forecast to represent over 27 percent of Florida's population in 2030.
- Florida's minority percentage of the population is 42.1% --- New York is now at 41.7%, and the nation as a whole is at 36.3%.

Florida Housing is Generally Improving



Sales volume of existing homes and building permits are both back in positive territory, both showing year-over-year growth.

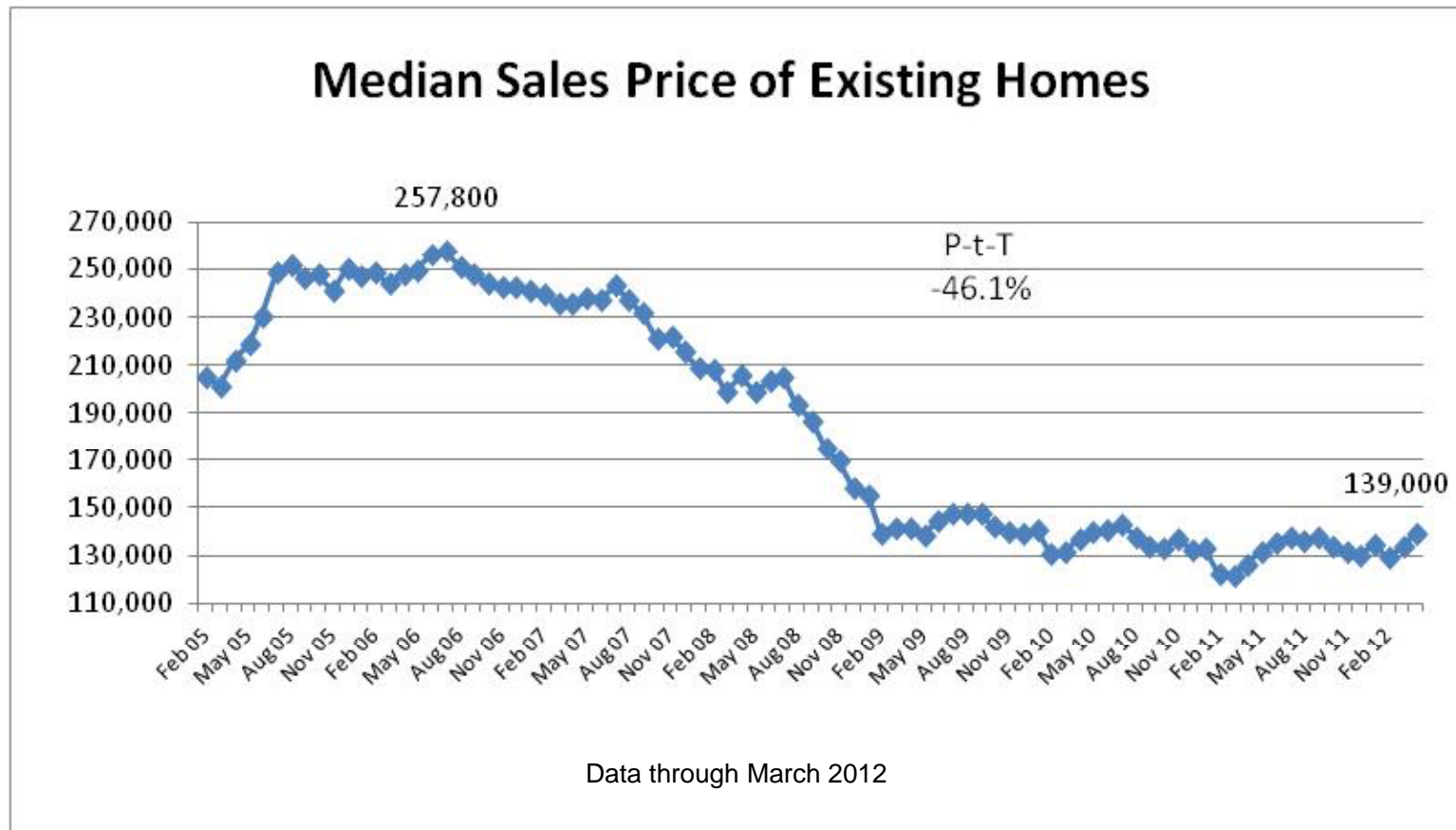
But, Existing Homes Sales Are Sputtering



Data through March 2012

Sales Level in CY 2011 was 70.1% of 2005 boom level; for this year, 78.3%.

And, Existing Home Prices Are Flat



Median Sales Prices for Existing Homes have been essentially flat since January 2009 --- 38 months --- with a slight downward drift.

Foreclosure Filings Remain Daunting

“Optimists point to declining home inventories in relation to sales, but they are looking at an illusion. Those supposed inventories do not include about 5m housing units with delinquent mortgages or those in foreclosure, which will soon be added to the pile. Nor do they include approximately 3m housing units that stand vacant – foreclosed upon but not yet listed for sale, or vacant homes that owners have pulled off the market because they can’t get a decent price for them.” *Financial Times*

Foreclosure Process (once begun; Q4: 2011)

806 Days - 2.2 yrs - in Florida (3rd Longest Period in Nation)

At the beginning of 2007, 169 days.

Quarter 1: 2012

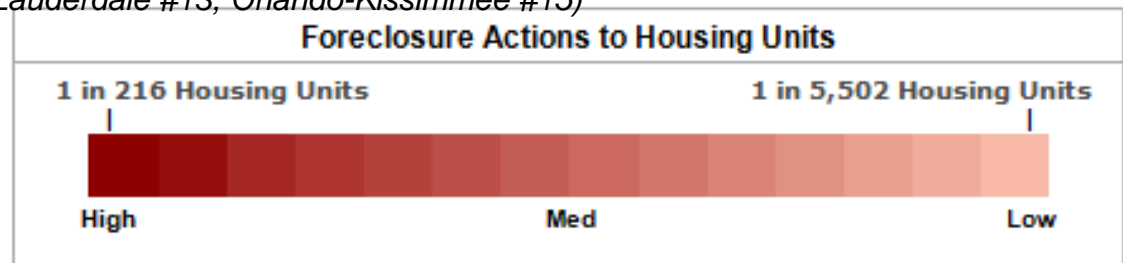
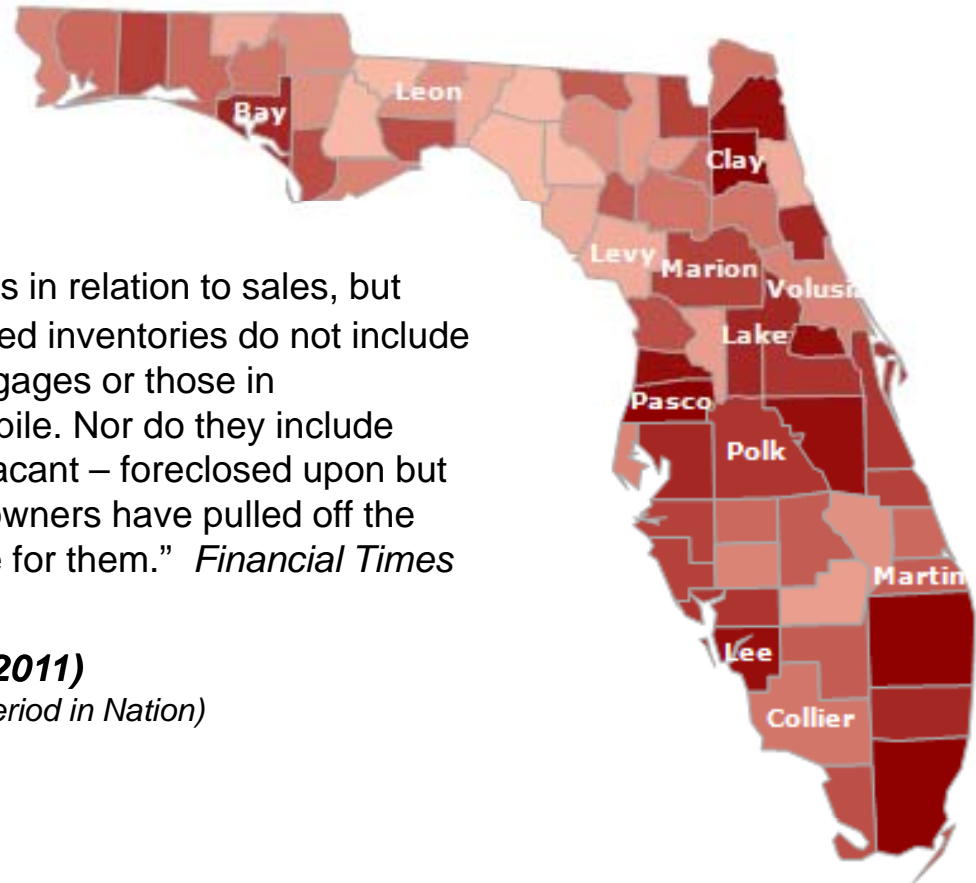
2nd Highest # of Filings

5th Highest Foreclosure Rate (Miami-Ft. Lauderdale #13; Orlando-Kissimmee #15)

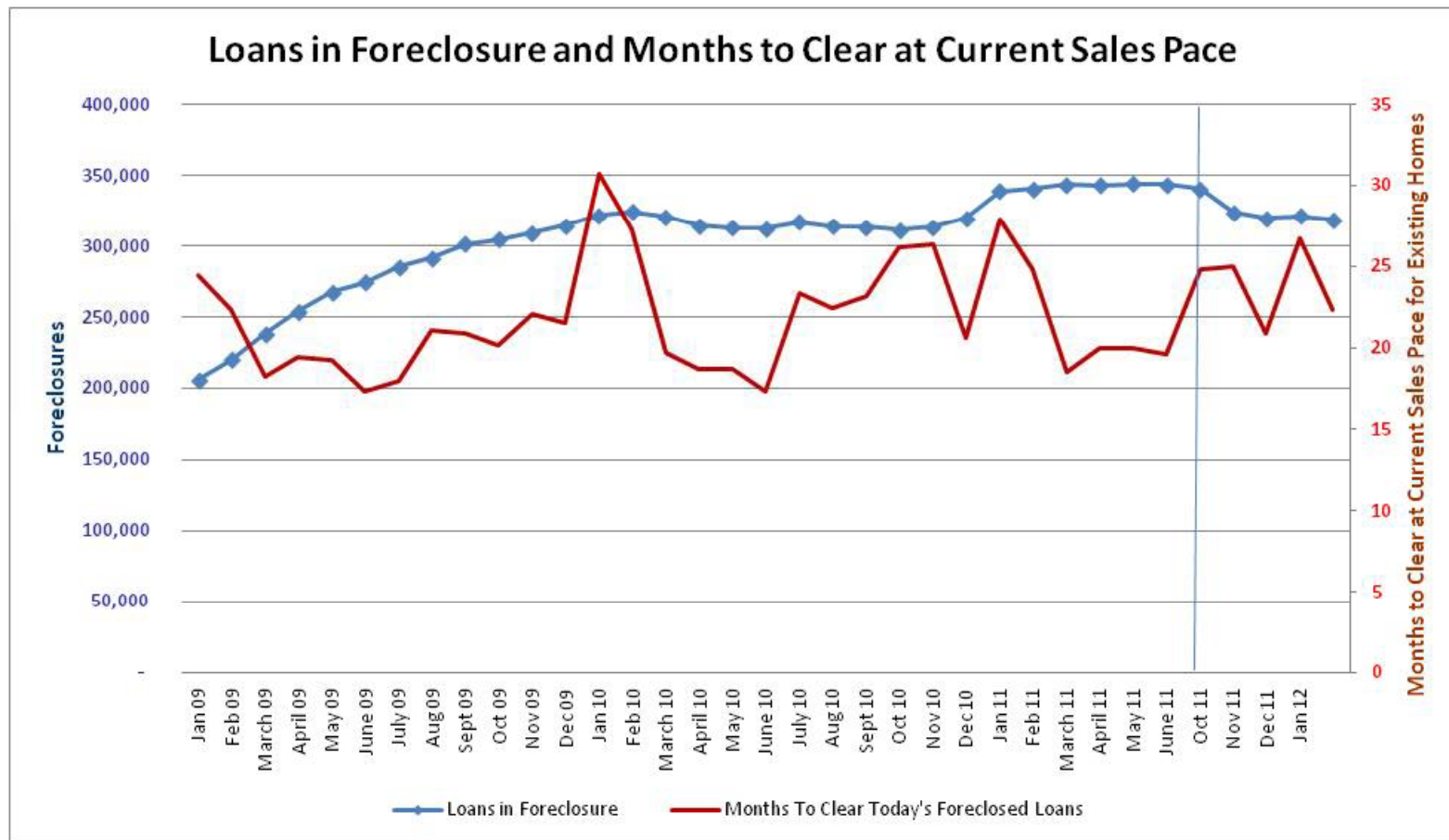
Calendar Year 2011

2nd Highest # of Filings

6th Highest Foreclosure Rate



Residential Loans in Foreclosure



Loan Data from LPS: February

Foreclosures & Shadow Inventory

State	Del %	FC %	Non-Curr %	Yr/Yr Change in NC%
National	7.6%	4.1%	11.7%	-9.7%
FL *	8.0%	14.0%	22.1%	-6.1%
MS	13.5%	4.1%	17.5%	-3.2%
NV	10.5%	5.4%	15.9%	-22.4%
NJ *	8.2%	7.7%	15.9%	4.3%
IL *	7.2%	7.1%	14.3%	-1.9%
OH *	8.7%	5.1%	13.7%	-5.0%
GA	10.8%	2.7%	13.5%	-11.0%
IN *	8.5%	4.8%	13.4%	-6.3%
NY *	7.4%	5.8%	13.2%	0.8%
MD *	9.5%	3.7%	13.1%	-1.9%
LA *	9.7%	3.3%	13.1%	-7.8%
RI	8.7%	4.1%	12.7%	-11.3%
SC *	7.9%	4.7%	12.6%	-4.7%
CT *	6.9%	5.6%	12.5%	0.3%
ME *	6.9%	5.5%	12.4%	-1.2%
TN	9.7%	2.3%	12.0%	-9.0%
AL	10.1%	1.8%	11.9%	-7.9%

* - Indicates Judicial State

State	Del %	FC %	Non-Curr %	Yr/Yr Change in NC%
National	7.6%	4.1%	11.7%	-9.7%
DE *	8.0%	3.6%	11.6%	-6.0%
WV	8.9%	2.5%	11.4%	-10.5%
HI *	5.4%	6.1%	11.5%	-2.0%
PA *	7.8%	3.6%	11.4%	-3.1%
NC	8.0%	3.4%	11.4%	-5.3%
KY *	7.5%	3.9%	11.4%	-1.2%
AR	9.2%	2.0%	11.2%	1.8%
MI	8.4%	2.5%	10.9%	-18.6%
OK *	7.0%			
WI *	6.3%			
MA	7.4%			
NM *	5.8%			
DC	6.6%			
AZ	6.6%			
CA	6.9%			
MO	7.6%			
TX	7.8%			

State	Del %	FC %	Non-Curr %	Yr/Yr Change in NC%
National	7.6%	4.1%	11.7%	-9.7%
WA	7.9%	1.5%	9.4%	-2.1%
VT *	5.0%	3.7%	8.7%	2.4%
KS *	6.5%	2.2%	8.7%	-7.9%
NH	6.6%	2.0%	8.6%	-12.3%
UT	6.3%	2.1%	8.4%	-14.2%
OR	5.1%	3.3%	8.4%	-6.7%
IA *	5.1%	3.0%	8.1%	-7.4%
ID	5.2%	2.8%	8.0%	-15.7%
MT				-12.3%
WY				-8.4%
NE				-14.9%
ND				-13.4%
SD				-14.1%
OK				-10.6%
TX				-19.6%
LA				-7.1%
MS				-6.7%

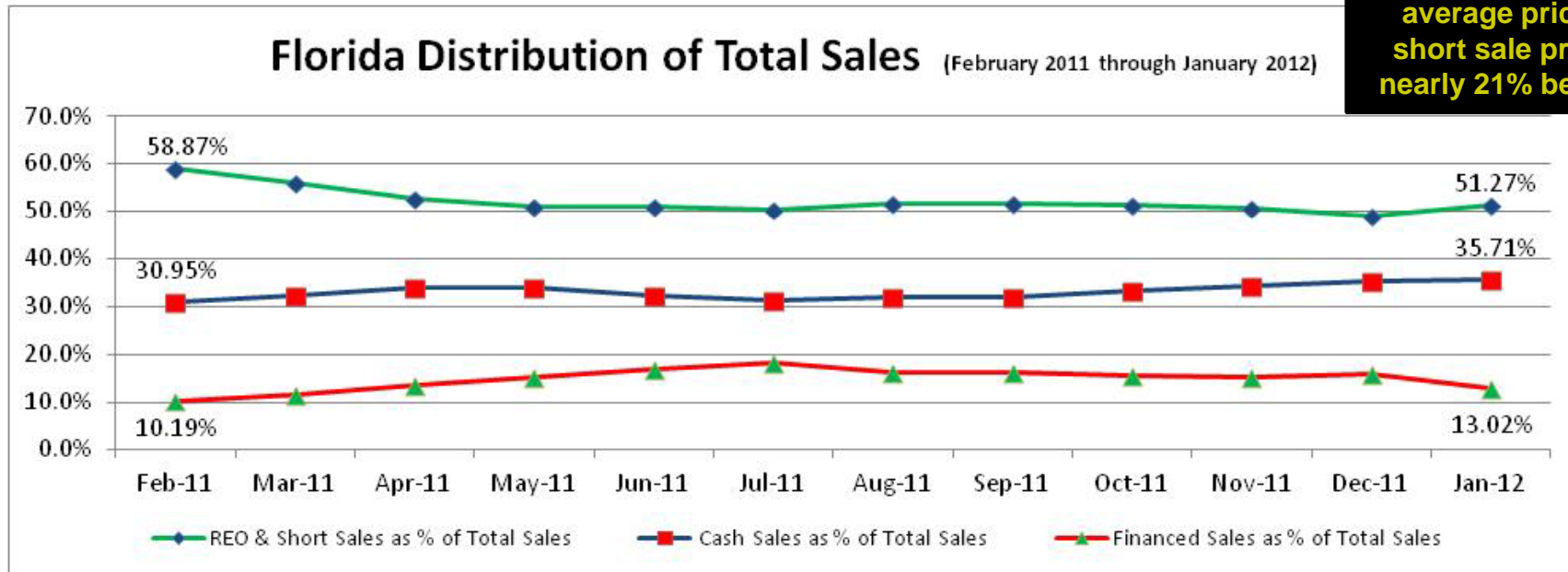
State	Del %	FC %	Non-Curr %
National	7.6%	4.1%	11.7%
FL *	8.0%	14.0%	22.1%

About half of all residential loans in Florida are for homes that are underwater.

(LPS Data for August, November, and February)

Sales Mix Points to Lower Prices

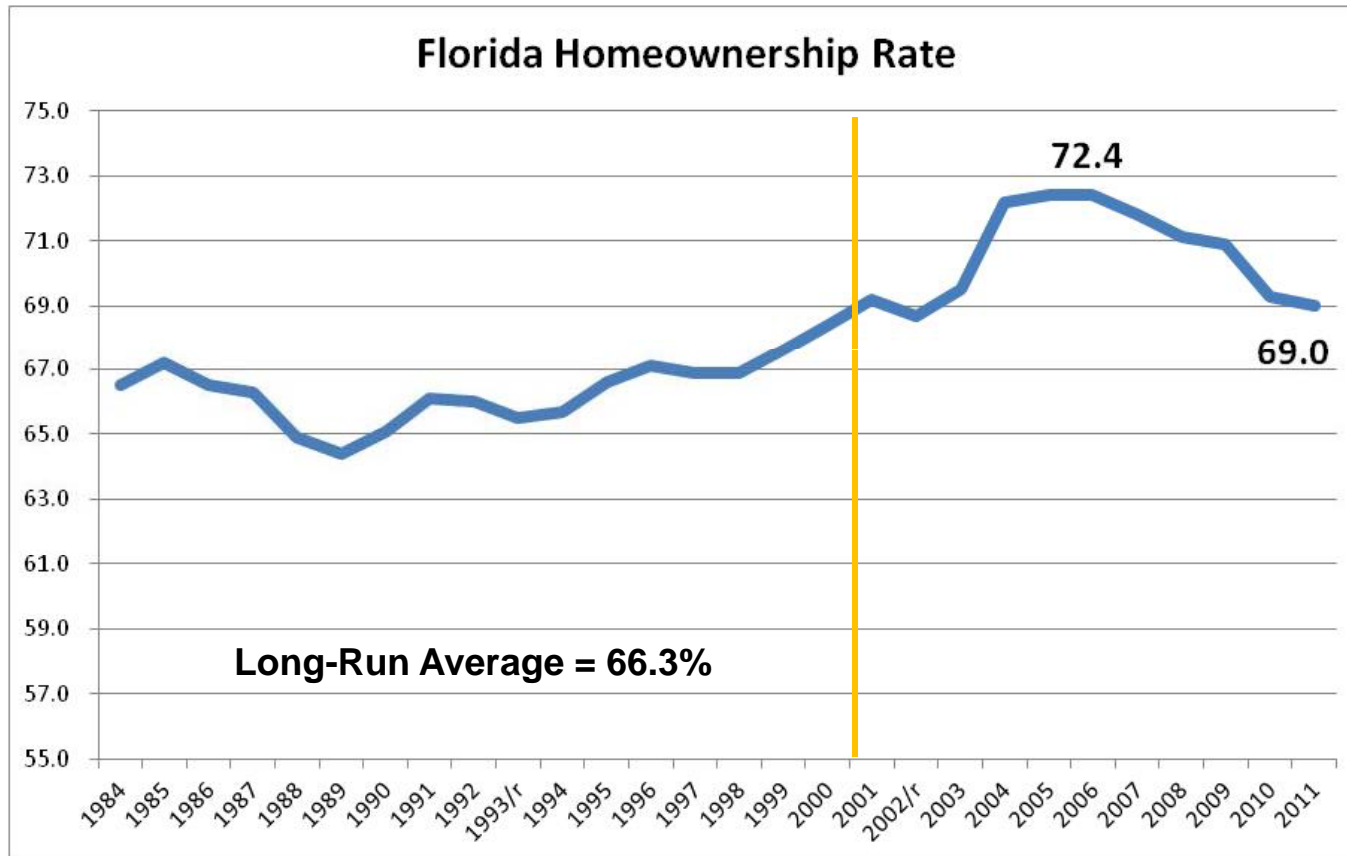
REO price nearly 40% lower than average price; short sale price nearly 21% below



LPS: Lender Processing Services

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, where they have essentially been flat.

Vulnerability



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.

Credit Conditions Remain Tight

Question to Senior Loan Officers:

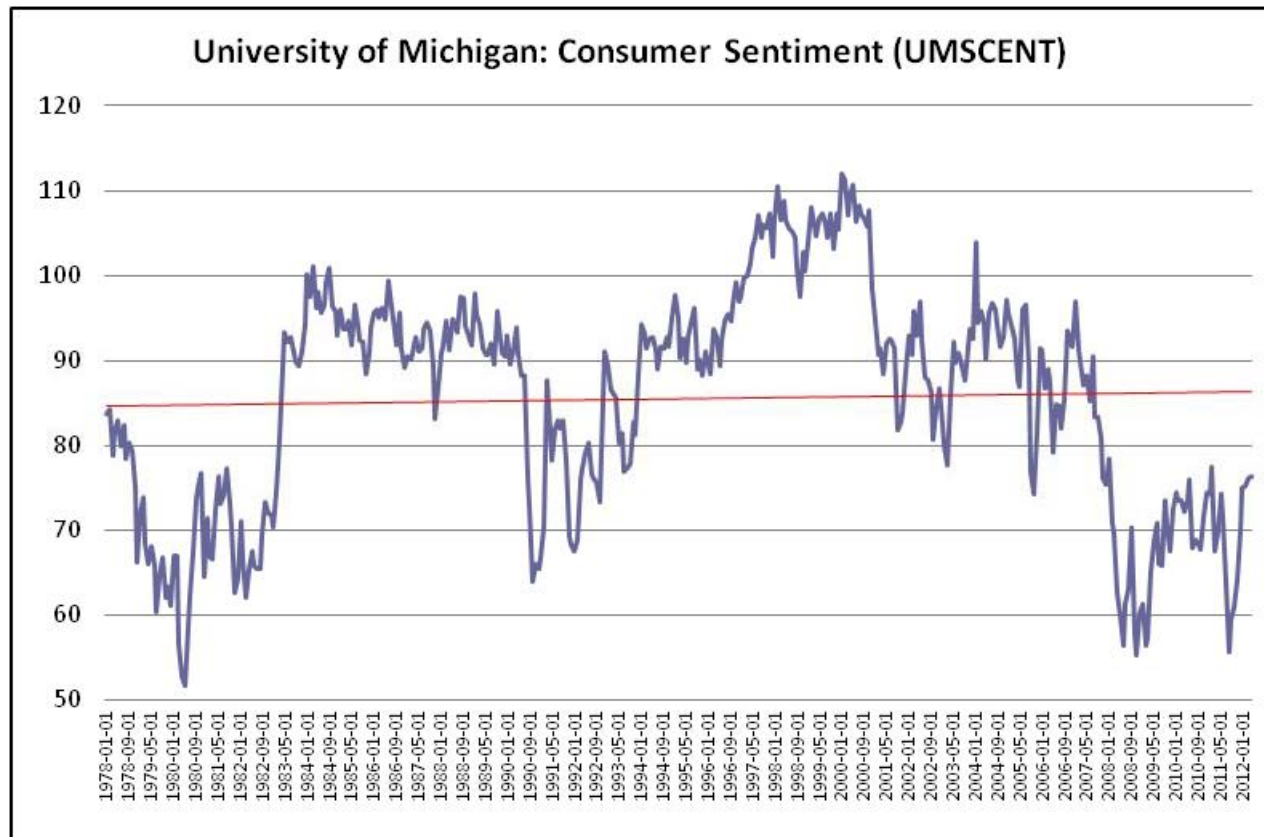
Over the past three months, how have your bank's credit standards for approving applications from individuals for **prime residential mortgage loans** to purchase homes changed?

All Respondents								
	Apr '12 %	Jan '12 %	Oct '11 %	July '11 %	Apr '11 %	Jan '11 %	Oct '10 %	July '10 %
Tightened considerably	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Tightened somewhat	5.6	0.0	4.2	5.7	3.8	3.7	13.0	3.6
Remained basically unchanged	90.7	94.3	91.7	86.8	92.5	94.4	83.3	87.3
Eased somewhat	3.7	5.7	4.2	7.5	2.0	1.9	3.7	9.1
Eased considerably	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

April 2012 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.

Perceptions Recover After August Dive



- Consumer sentiment can be a leading indicator of recession, but not always: 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. The subsequent months have all shown improvement (76.4 in April versus the lowest point of 51.7 in May 1980).
- Florida's consumer confidence (April: 73) is roughly mirroring the national trend.

Economy Slowly Recovering

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

Overall...

- The national economy is still in recovery and, more importantly, the credit markets are still recovering stability – however, they still remain sluggish and difficult for consumers to access. So far, the recovery has been roughly half as strong as the average gain of 9.8% over the same period during the past seven recoveries.
- 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).

Eurozone Problems Still Persist

- The sovereign debt crisis in the Eurozone has led to banking instability with spillover effects on the global credit market: threats are reduced, but still present.
 - The Greece debt reduction agreement is the biggest sovereign restructuring so far. Even so, the second bailout and debt restructuring does not preclude a messier default or even a euro exit further down the line.
 - Spain, Portugal and Italy all still face major challenges.
 - Standard & Poor's has downgraded 9 of the Eurozone's 17 members, including France, Austria, Italy, Spain and Portugal.
 - Fitch has taken action on six eurozone sovereigns, cutting the long-term ratings of Italy, Spain and Belgium.
 - Moody's has put the UK, France and Austria on negative outlook, signaling a potential future downgrade, and downgraded Italy, Spain and Portugal as well as three other Euro areas.
 - Standard & Poor's has also downgraded the rescue fund – the temporary European Financial Stability Facility. If this downgrade is replicated by the other rating agencies, the permanent rescue plan (the European Stability Mechanism) is likely unworkable as designed and the dollars available for bailout will be reduced.
 - International Monetary Fund (IMF) and the United States have warned that the Eurozone needs a larger bail-out fund (a “larger firewall”) to prevent the crisis from spreading. Germany has resisted this move.
 - The region's banks still need to be recapitalized, with significant improvement required by summer.
- It appears that the Eurozone slipped into recession during the fourth quarter of the last calendar year.
- These conditions are negatively affecting the United States:
 - Tighter credit conditions already exist, especially for businesses with foreign interests.
 - Reduced exports and corporate earnings already exist. The Greater Miami area is already seeing a significant reduction in exports to Spain (Florida exports to Spain fell nearly 30% last year).

Other Risks to the Forecast

- As a result of the Supercommittee's failure, automatic spending cuts are scheduled to kick in at the beginning of 2013. Referred to as the Automatic Sequester, this is the enforcement mechanism used to ensure an additional \$1.2 trillion in spending reductions —falling equally on defense and non-defense spending. Further details likely unknown through the 2012 Election.
- In Federal Fiscal Year 2008, 13,294 Florida businesses received nearly \$16 billion in federal contracts. The vast majority of this money was defense-related. In 2009, contracts awarded by the Department of Defense accounted for 77 percent of total procurement contracts awarded to Florida.
- U.S. gas prices continue to rise --- modestly more in Florida than in the nation as a whole. Florida's highest recorded average price was \$4.079 for regular unleaded on July 16, 2008. The current average is \$3.786.



General Revenue Forecast

Month	January	February	March
Monthly Overage (Millions)	19.2	56.4	76.5
Year to Date Overage (Millions–Cumulative)	18.2	74.6	151.1
Percent of Monthly Estimate Collected	100.9%	103.3%	103.8%
Percent of Year to Date Estimate Collected	100.1%	100.5%	100.9%

Fiscal Year	Oct Forecast	January Forecast	Difference (Jan - Oct)	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	23195.5	23241.5	46.0	689.9	3.1%
2012-13	24526.8	24506.9	(19.9)	1265.4	5.4%
2013-14	26071.8	26117.6	45.8	1610.7	6.6%
2014-15	27417.9	27580.8	162.9	1463.2	5.6%
2015-16	28838.6	28901.3	62.7	1320.5	4.8%