

Florida: An Economic Overview

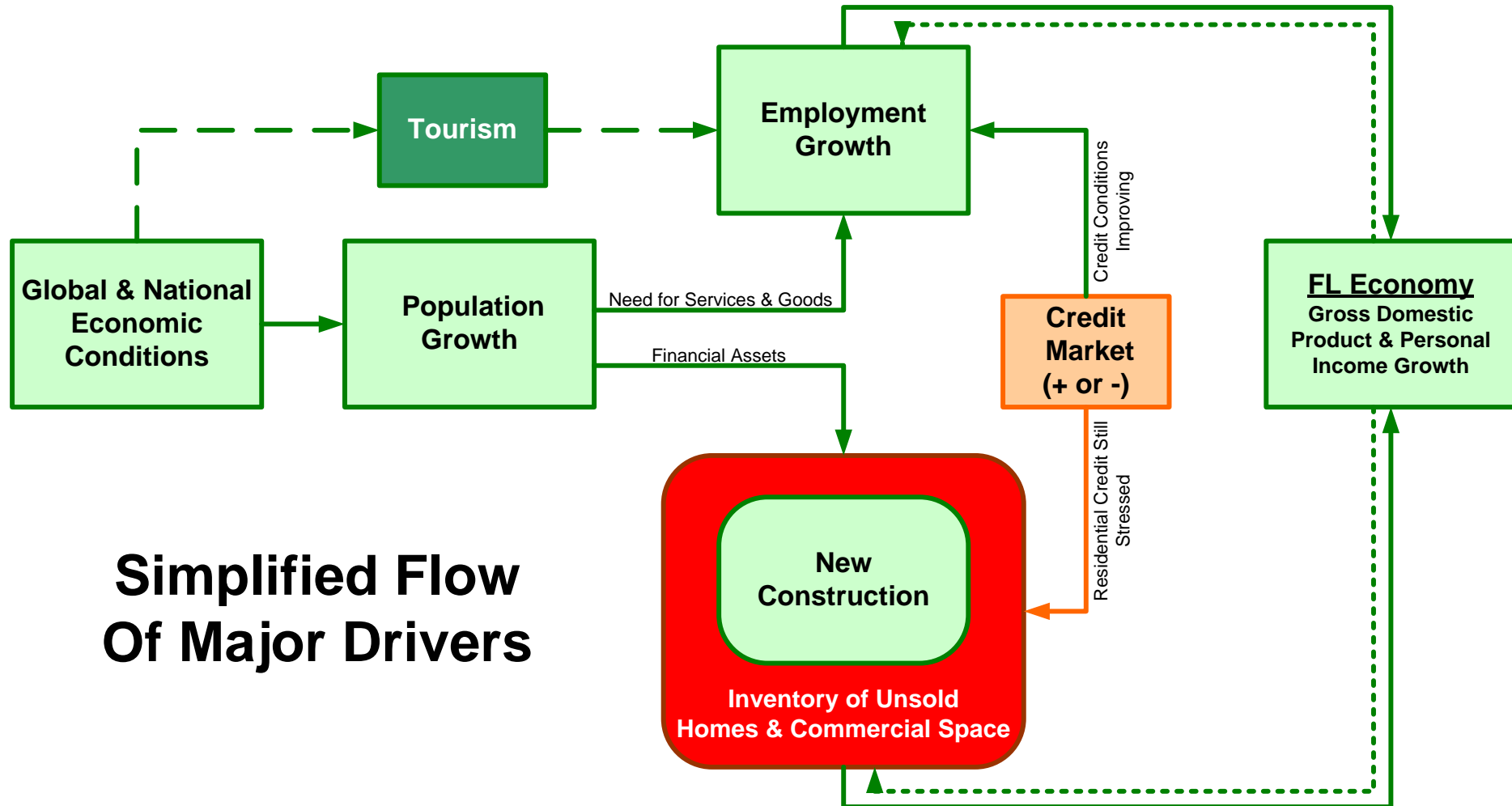
June 19, 2013

Presented by:

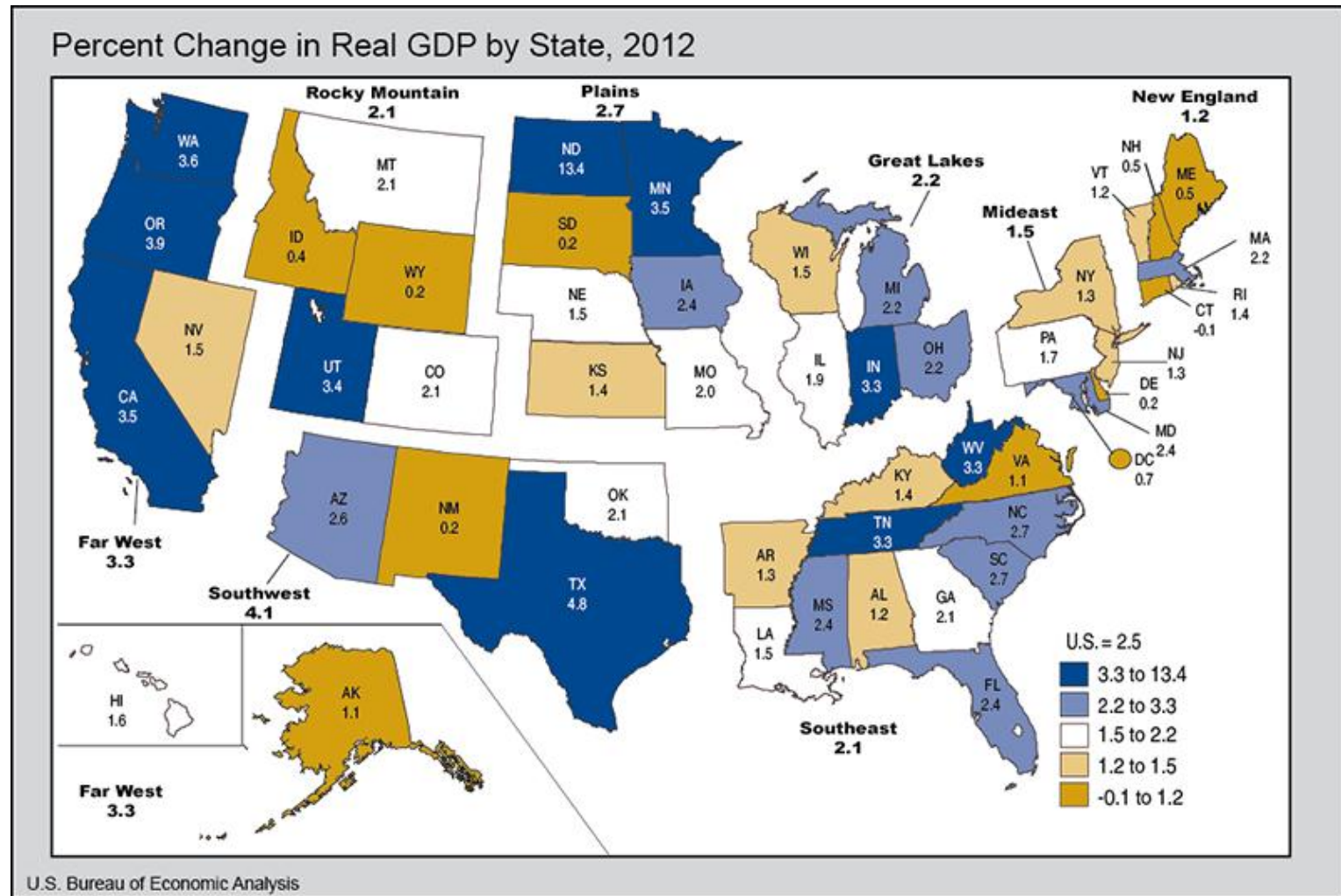


The Florida Legislature
Office of Economic and
Demographic Research
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<http://edr.state.fl.us>

Key Economic Variables Improving

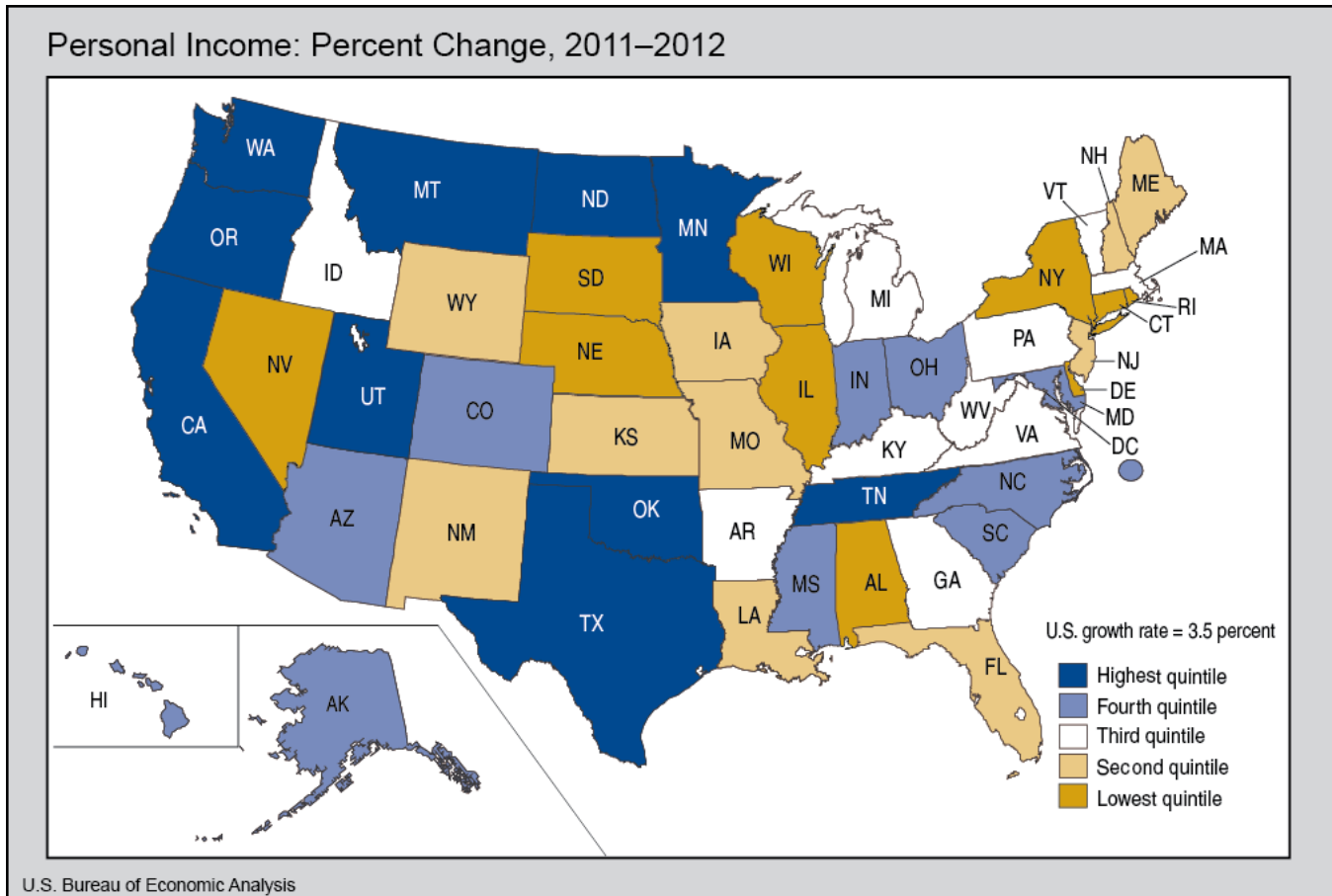


Economy Strongly Improved in 2012



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 2012



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 percent. In percentage changes, Florida was ranked 31st in the nation. The calendar year result was boosted by a strong fourth quarter—at least partially related to payments such as dividends and bonuses being shifted to that quarter ahead of expected tax increases. Earnings growth in the *Health Care and Social Assistance* industry was one of the state's strongest performers in that quarter.

Current Employment Conditions

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



Source: Florida Department of Economic Opportunity, Labor Market Statistics Center, Current Employment Statistics Program in cooperation with the U.S. Department of Labor, Bureau of Labor Statistics, May 17, 2013.

April Nonfarm Jobs (YOY)

US 1.6%
FL 1.6%
YR: 119,100 jobs
Peak: -549,300 jobs

April Unemployment Rate

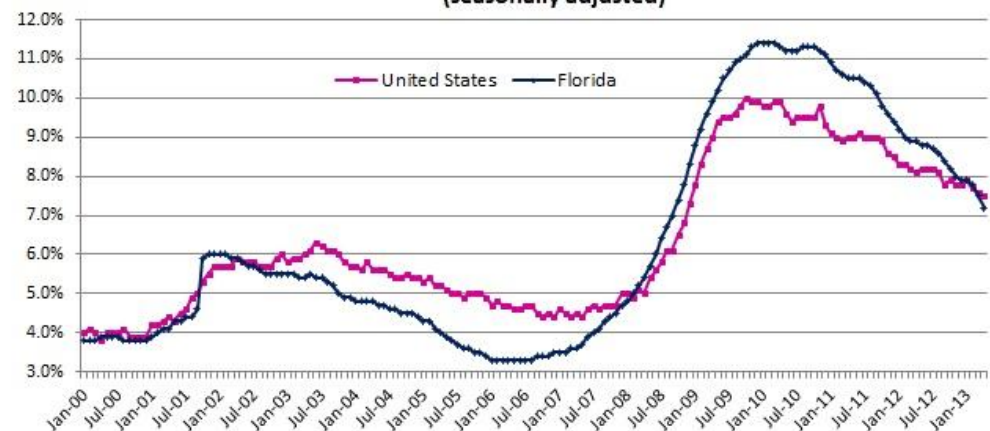
US 7.5%
FL 7.2%
(680,400 people)

Nineteen states had a higher unemployment rate than Florida.

Highest Monthly Rate

11.4%
December 2009 through March 2010

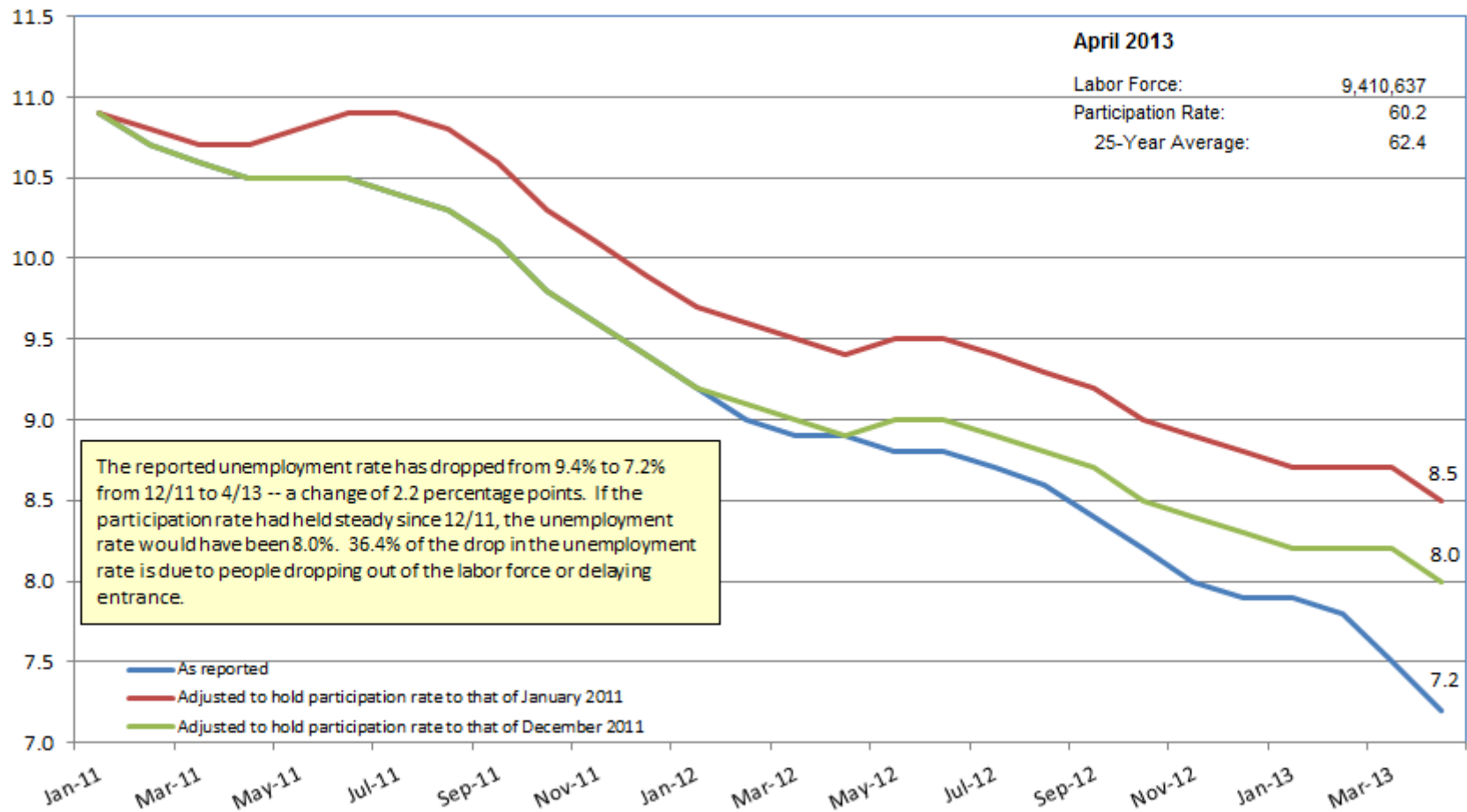
**United States and Florida Unemployment Rates
(seasonally adjusted)**



Source: Florida Department of Economic Opportunity, Labor Market Statistics Center, Local Area Unemployment Statistics Program, in cooperation with the U.S. Department of Labor, Bureau of Labor Statistics, May 17, 2013.

Labor Force Changes Affect Rate Drop

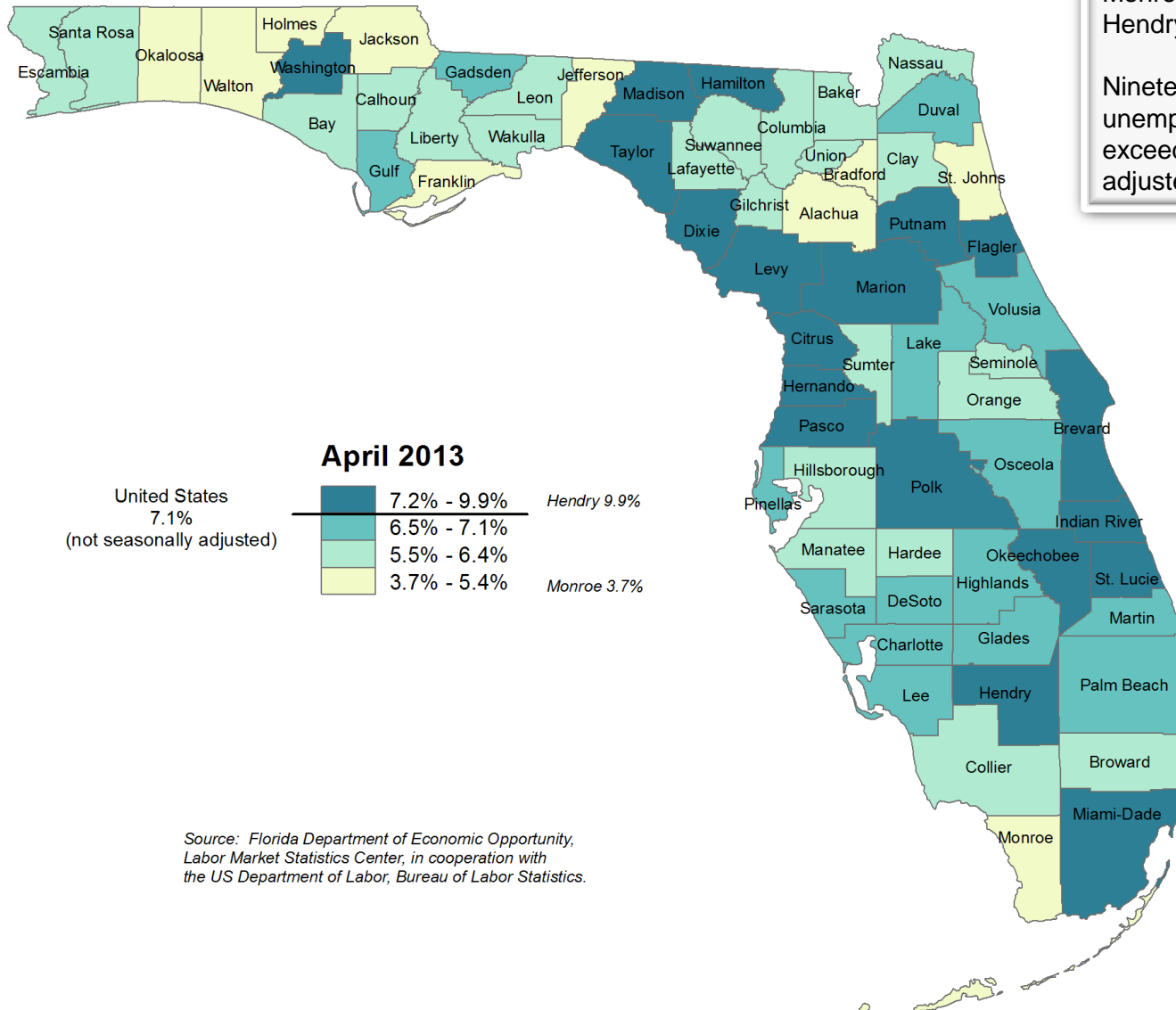
Florida Civilian Unemployment Rate



Unemployment Rates

In April, no county had a double-digit unemployment rate. The rates ranged from 3.7 percent in Monroe County to 9.9 percent in Hendry County.

Nineteen Florida counties had unemployment rates that exceeded the US not seasonally adjusted rate of 7.1 percent.



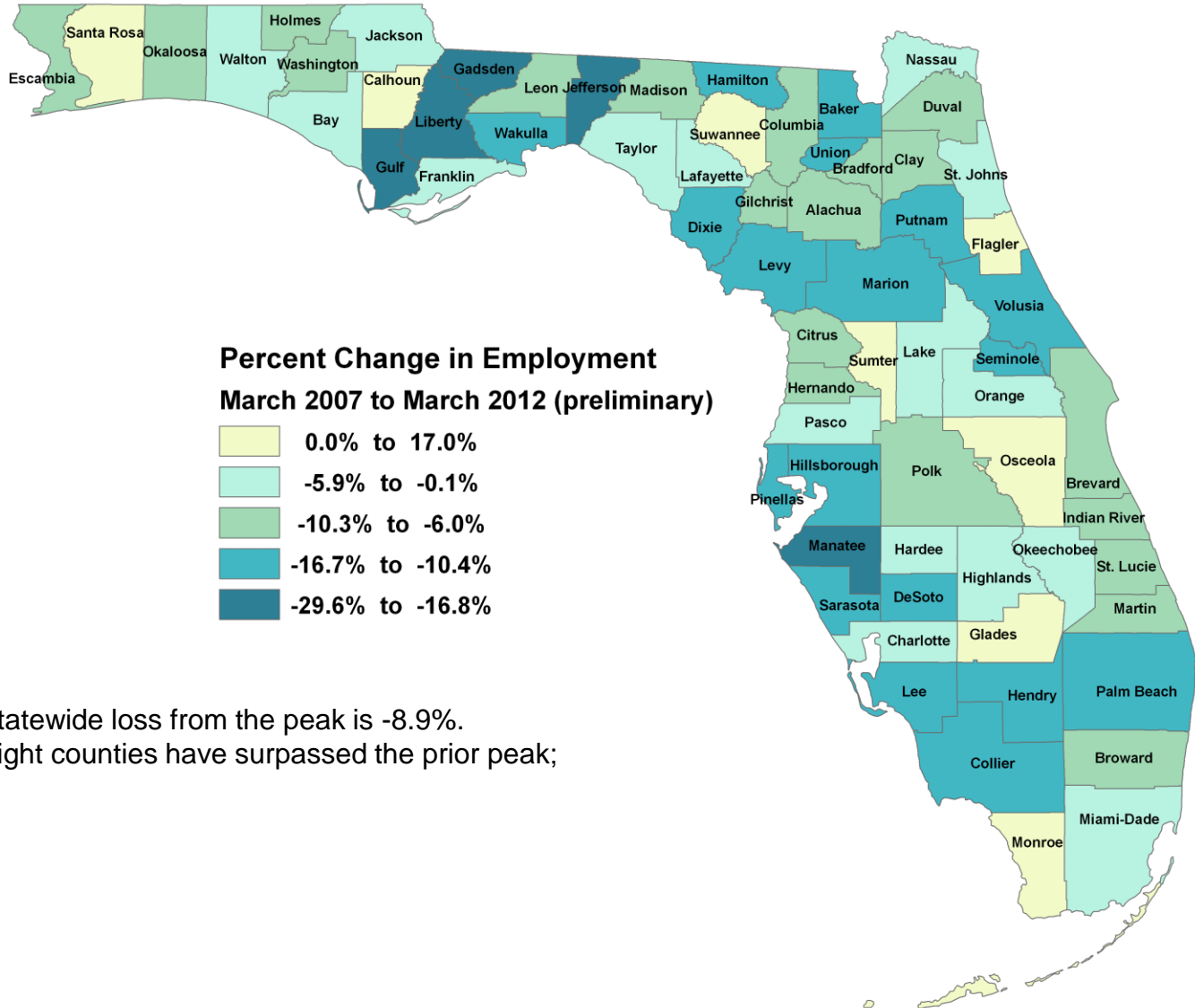
Source: Florida Department of Economic Opportunity, Labor Market Statistics Center, in cooperation with the US Department of Labor, Bureau of Labor Statistics.

Florida's Job Market

- The job market will take a long time to recover – about 549,300 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 2,900 people per month, so the hole is deeper than it looks.
- It would take the creation of about 900,000 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...



Statewide loss from the peak is -8.9%.
Eight counties have surpassed the prior peak;

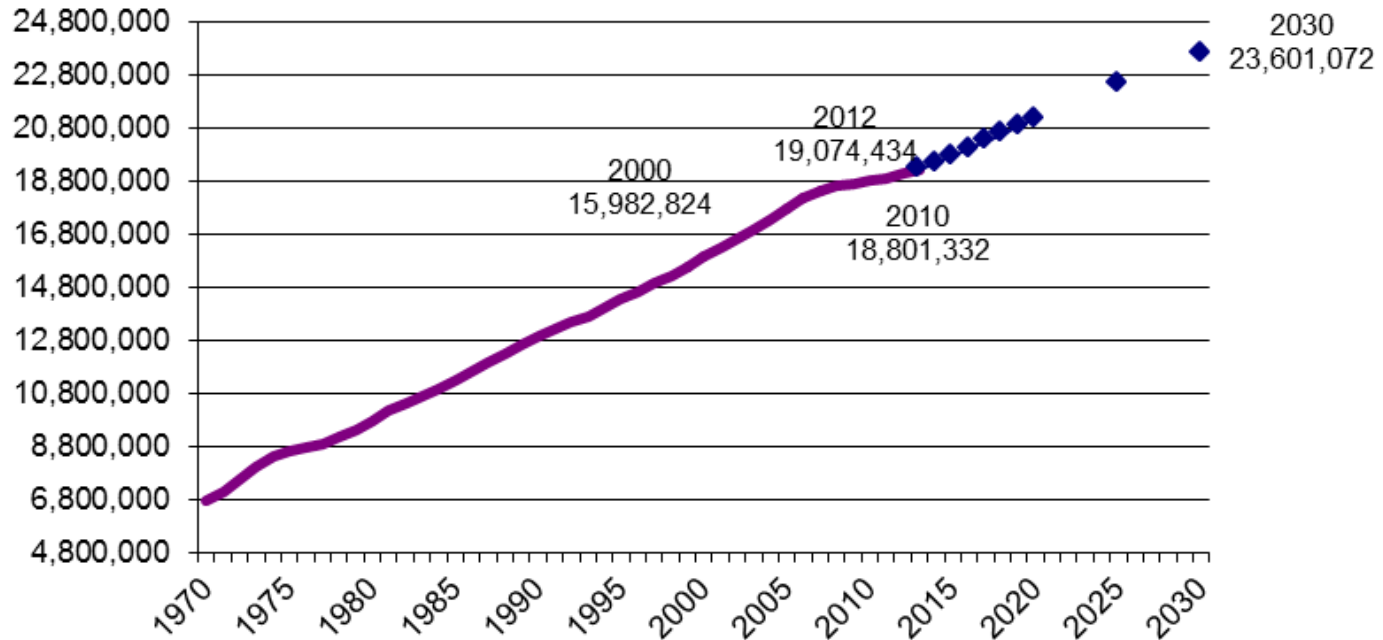


Population Growth Recovering

- Population growth is the state's primary engine of economic growth, fueling both employment and income growth.
- Population growth is forecast to continue strengthening, showing increasing rates of growth over the next few years. In the near-term, growth is expected to average 1.2% between 2012 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 (88.5%). Nationally, average annual growth will be about 0.74% between 2012 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 Snapshot

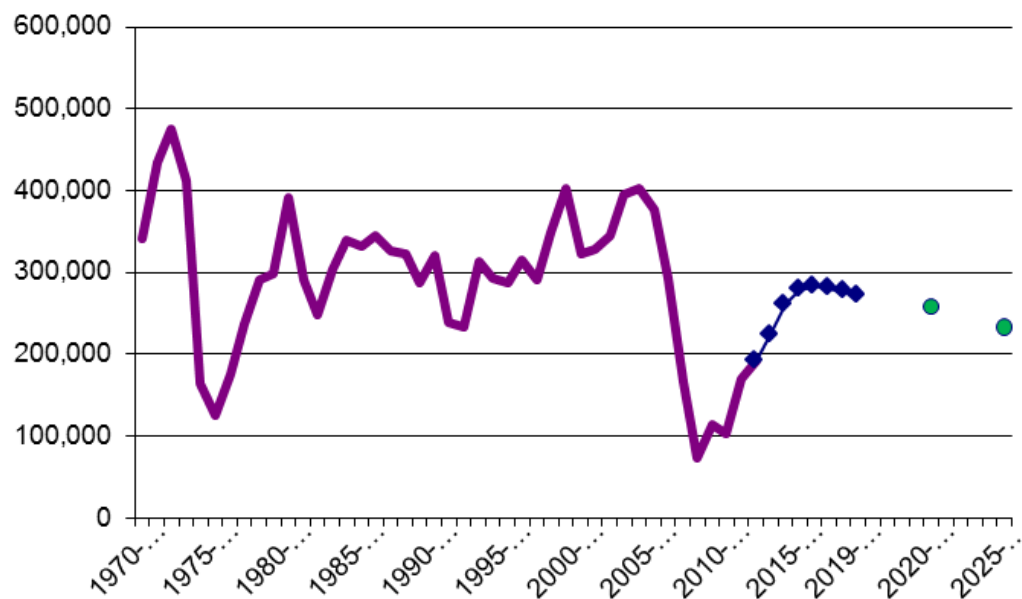


Florida's population:

- was 15,982,824 in 2000
- was 18,801,332 in 2010
- is forecast to grow to 23,601,072 by 2030



Florida's Population Growth



Population:

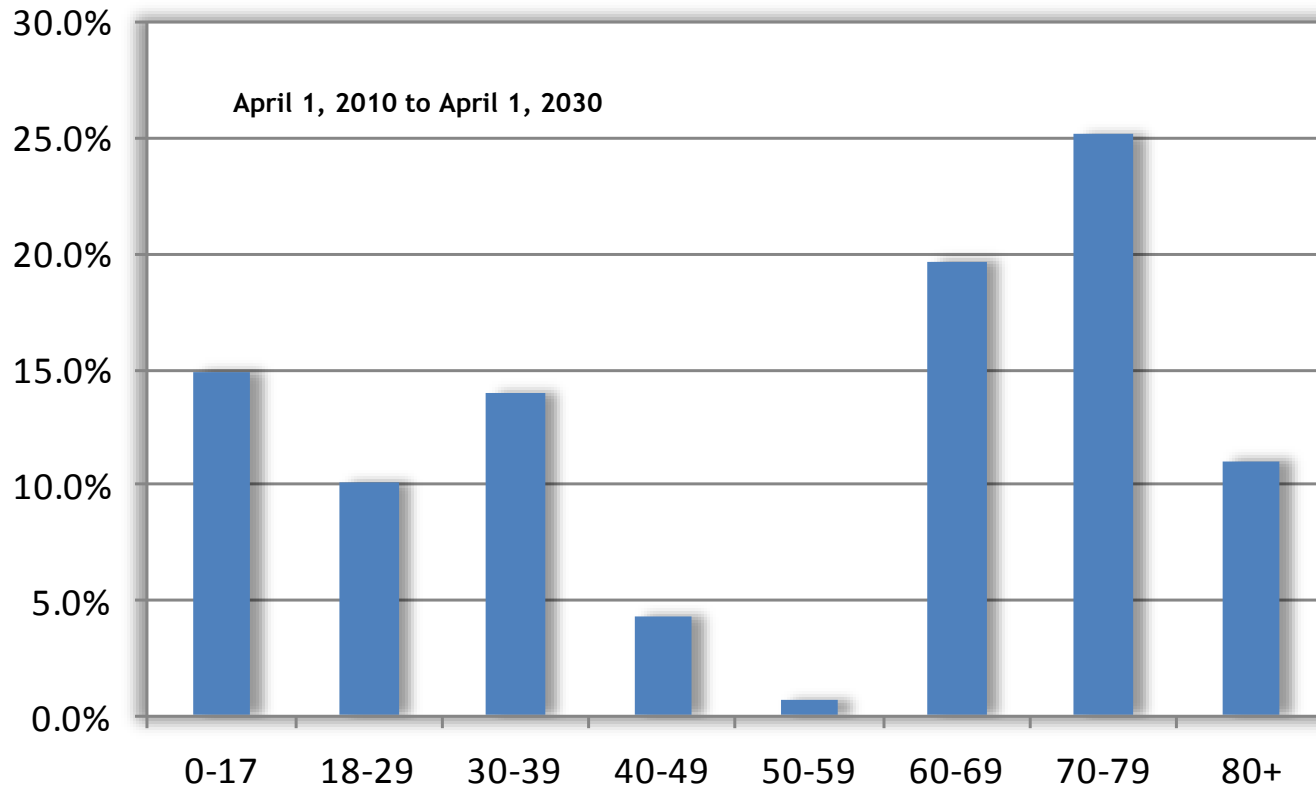
- Average annual increase between 2000 and 2006 was: 361,942
- Average annual increase between 2007 and 2012 was: 125,533

Population is forecast to increase on average by:

- 225,381 between 2012 and 2015
- 278,148 between 2015 and 2020
- 258,540 between 2020 and 2025
- 233,412 between 2025 and 2030

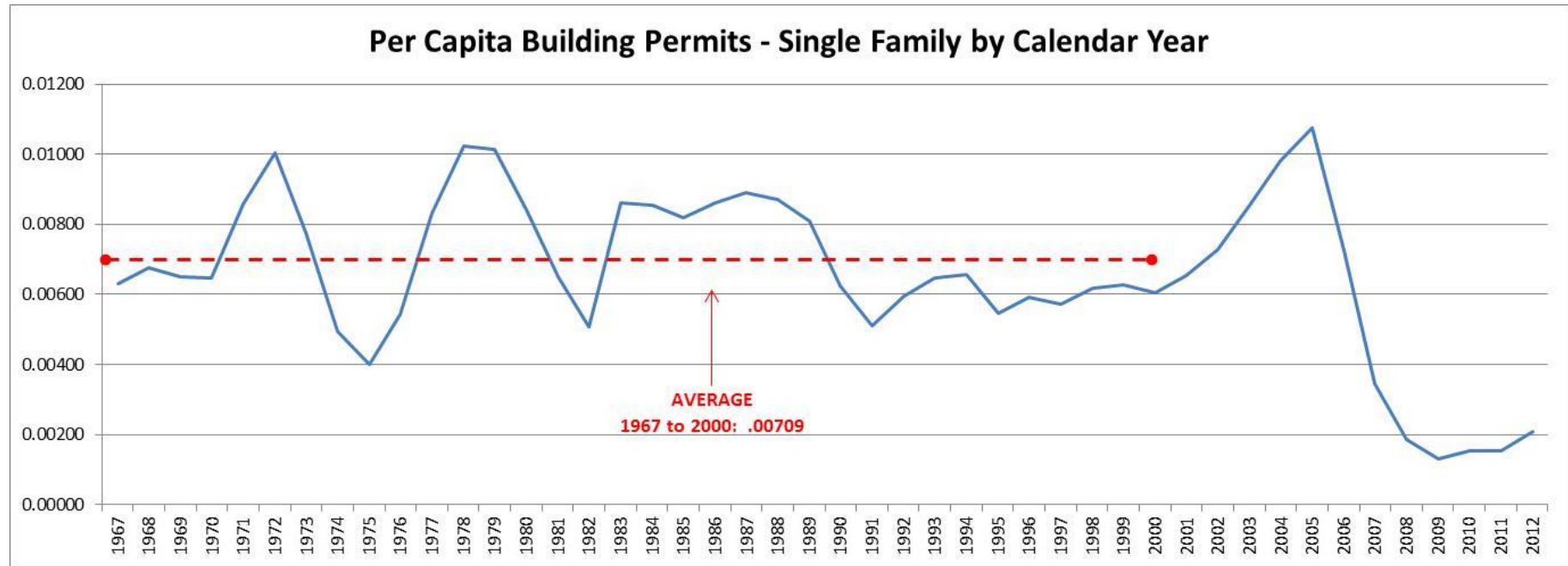


Population Growth by Age Group



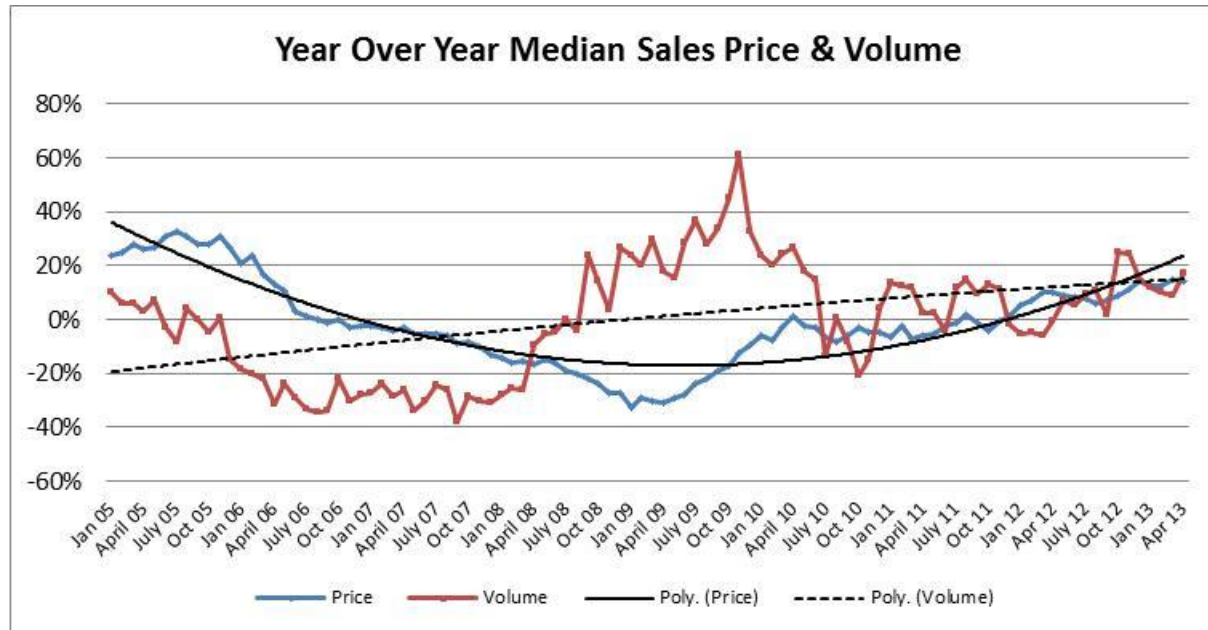
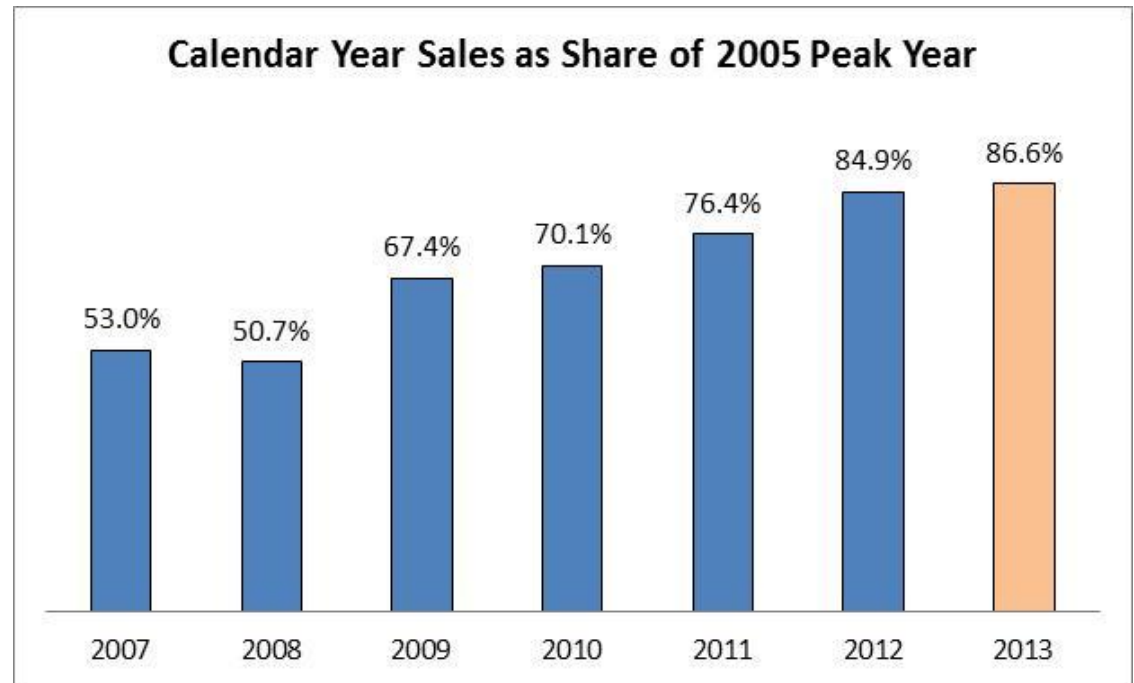
- Between 2010 and 2030, Florida's population is forecast to grow by almost 4.8 million.
- Florida's older population (age 60 and older) will account for most of Florida's population growth, representing 56.4 percent of the gains.
- Florida's younger population (age 0-17) will account for 14.8 percent 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. For the first four months in the 2013 calendar year, permits were running 51% above the same timeframe in the prior year.

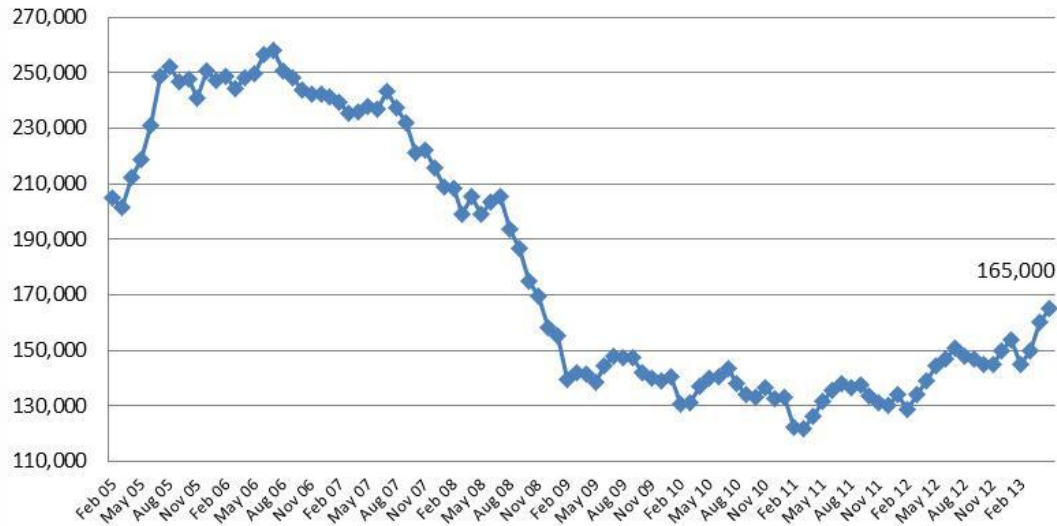
Existing Homes Sales Are Growing



Data through
April 2013

Existing Home Price Gains Are Improving...

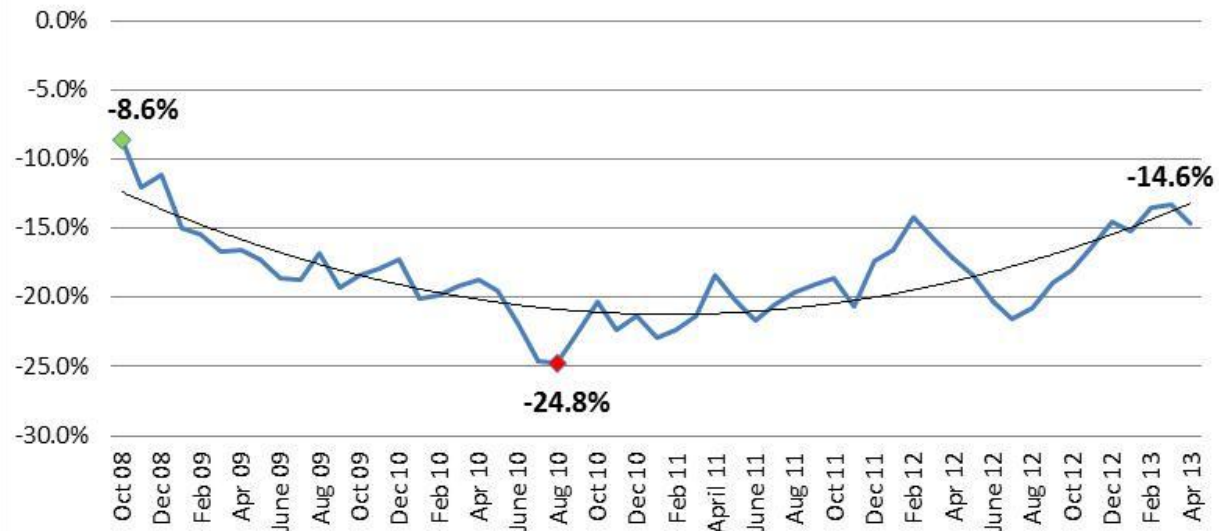
Median Sales Price of Existing Homes



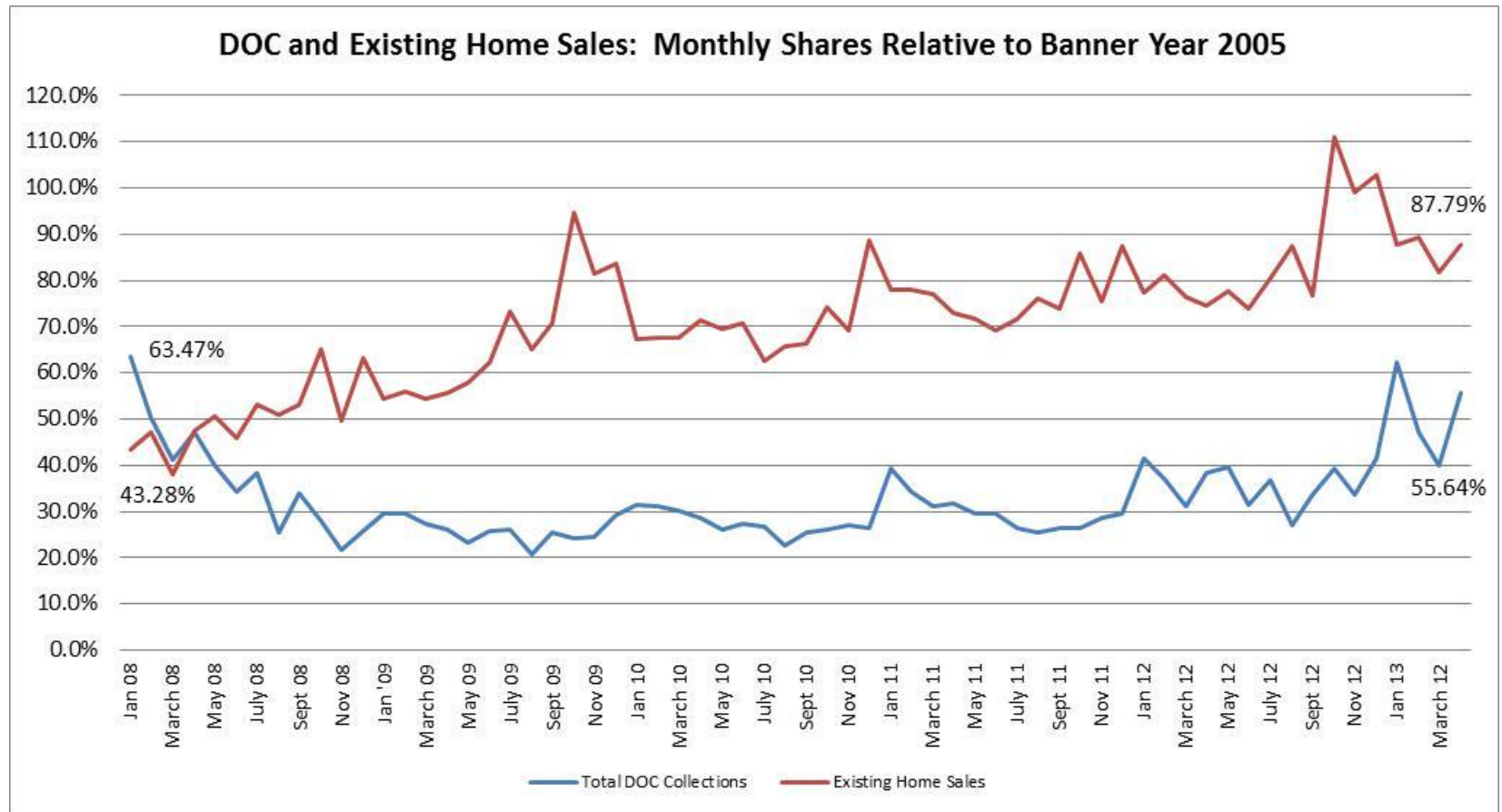
Data through April 2013

Median Sales Prices for Existing Homes have shown improvement, posting the highest number April in 54 months (October 2008), but median sales prices are still substantially below the nation as a whole.

Florida Median Price Relative to Nation



Sales versus Doc Stamp Collections



FY 2010-11 Documentary Stamp collections were 28.5% of the 2005-06 peak year; FY 2011-12 collections were 31.1%.

Foreclosure Activity Remains Daunting

2012 Calendar Year...

Florida had highest Foreclosure Rate in the US for the first time since the housing crisis began. (3.11% of housing units received at least 1 filing)

May 2013, compared to US:

The state of Florida has an average foreclosure rate of 34%. This rate is higher than the national average of 1%.

- Highest State for # of Filings
- Highest State for Foreclosure Rate
- Among US Metro Area rates: 6 of the top 10 highest metro rates in the nation were in Florida.

Miami #1

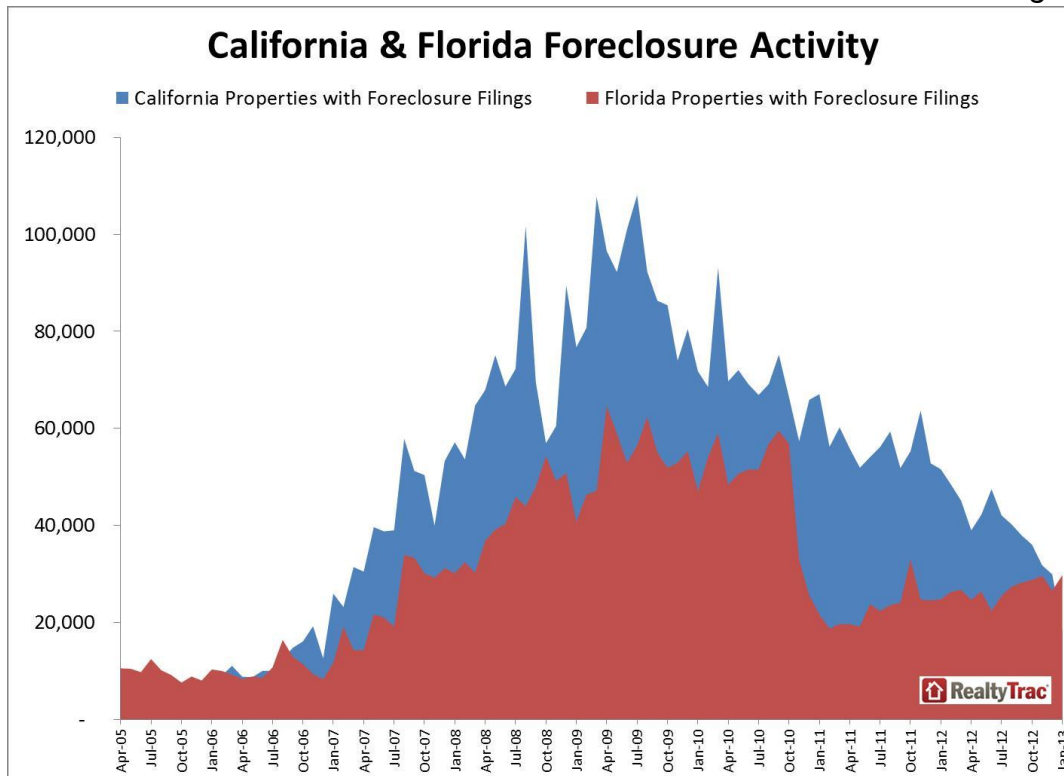
Jacksonville #2

Tampa #3

Orlando #7

Ocala #7

Sarasota #10



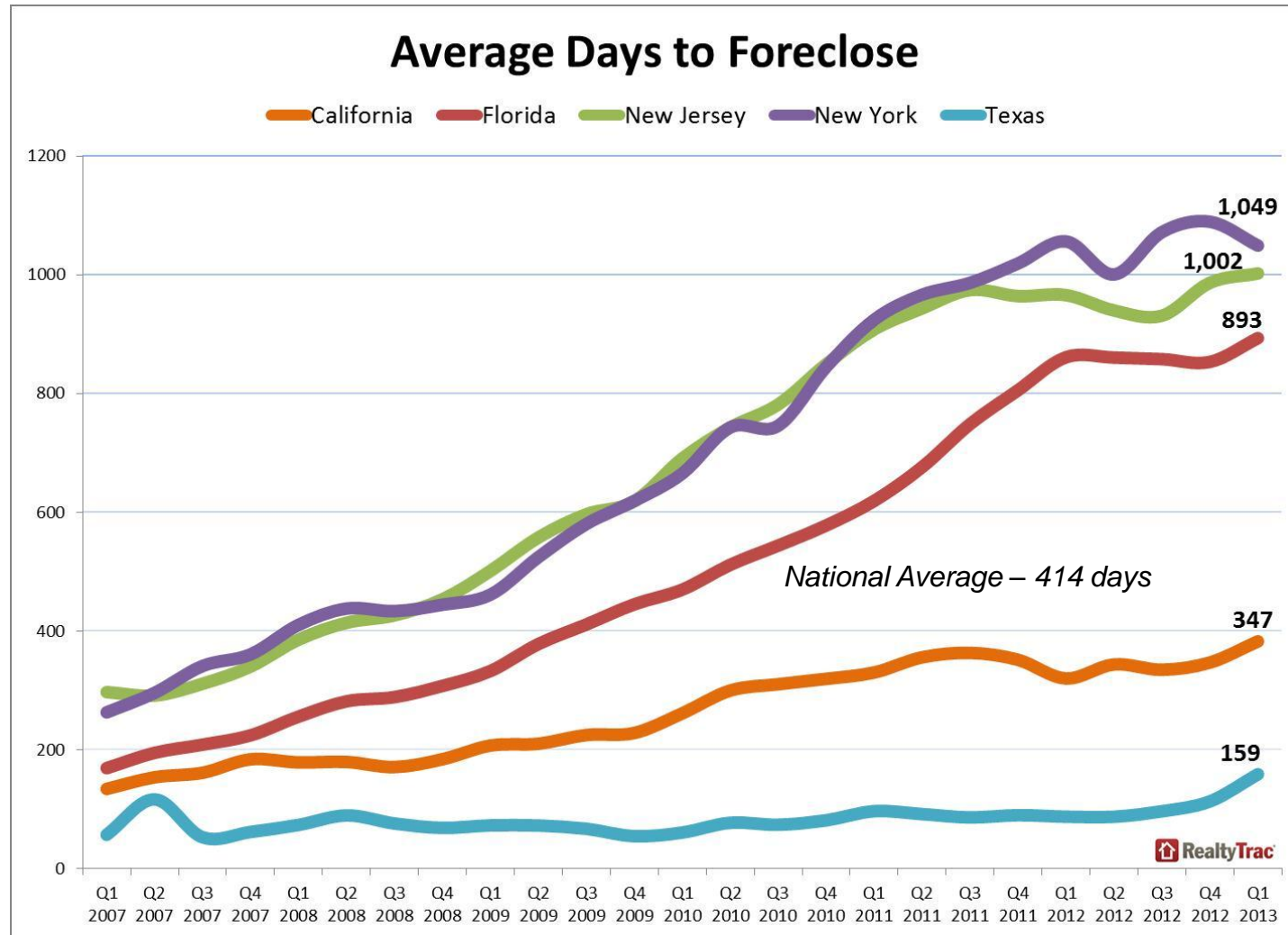
“There were a total of 85,671 Florida properties with foreclosure filings in the first quarter, the most of any state and one in every 104 housing units — the nation’s highest state foreclosure rate and nearly three times the national average of one in every 296 housing units..”

RealtyTrac

Days to Foreclose

Foreclosure Process (once begun)

- 893 Days – 2.4 yrs – in Florida
(3rd Longest Period in Nation in 2013:Q1)
- At the beginning of 2007, Florida was at 169 days or less than 6 months.



High

Low

Foreclosures & Shadow Inventory

State	Del %	FC %	Non-Curr %	Yr/Yr Change in NC%
National	6.2%	3.2%	9.4%	-15.3%
FL *	6.7%	10.5%	17.3%	-19.2%
NJ	8.0%	7.3%	15.3%	-1.3%
MS	11.9%	2.6%	14.5%	-12.2%
NV	8.1%	5.0%	13.0%	-20.0%
NY *	6.8%	5.9%	12.7%	-1.1%
ME *	6.4%	5.6%	12.0%	-2.9%
RI	8.2%	3.5%	11.7%	-4.5%
CT *	6.5%	5.1%	11.6%	-3.6%
MD *	7.6%	3.9%	11.5%	-9.0%
LA *	8.6%	2.6%	11.2%	-10.3%
IL *	6.1%	5.1%	11.1%	-17.9%
DE *	7.4%	3.0%	10.4%	-5.6%
HI *	4.5%	5.8%	10.3%	-10.0%
IN *	7.1%	3.2%	10.3%	-12.8%
OH *	6.9%	3.4%	10.3%	-13.0%
AR	7.7%	2.6%	10.3%	-6.7%
PA *	7.0%	3.3%	10.2%	-5.5%

* - Indicates Judicial State

State	Del %	FC %	Non-Curr %	Yr/Yr Change in NC%
National	6.2%	3.2%	9.4%	-15.3%
AL	8.8%	1.5%	10.2%	-7.1%
GA	8.2%	1.9%	10.1%	-17.5%
SC *	6.4%	3.4%	9.8%	-14.9%
TN	8.1%	1.4%	9.5%	-12.1%
MA	7.0%	2.4%	9.4%	-2.8%
WV	7.5%	1.5%	9.0%	-11.3%
OK *	5.8%	2.9%	8.7%	-9.2%
NC	6.7%	2.0%	8.7%	-16.2%
VT *	4.7%	3.8%	8.5%	-0.1%
KY *	5.9%	2.4%	8.3%	-14.8%
NM *	4.9%			
DC	5.7%			
WI *	5.5%			
WA	5.2%			
MI	6.3%			
TX	6.4%			
NH	6.0%			

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National	6.2%	3.2%	9.4%	-15.3%
MO	6.3%	1.2%	7.5%	-13.4%
OR	3.9%	3.2%	7.2%	-11.1%
KS *	5.4%	1.6%	7.1%	-13.2%
UT	5.2%	1.6%	6.8%	-16.3%
IA *	4.3%	2.3%	6.7%	-11.0%
CA	5.1%	1.4%	6.5%	-29.8%
ID	4.2%	2.3%	6.5%	-16.0%
VA	5.2%	0.9%	6.1%	-15.6%
AZ	4.5%	1.4%	5.9%	-35.5%
NE *	4.4%	1.0%	5.5%	-9.7%
WY	4.1%	1.0%	5.1%	-22.3%
MT	4.0%	1.0%	5.0%	-21.9%
ND	3.8%	1.0%	4.8%	-18.4%
SD	3.7%	1.0%	4.7%	-8.1%
WY	3.6%	1.0%	4.6%	-15.0%
NE	3.5%	1.0%	4.5%	-14.7%
SD	3.4%	1.0%	4.4%	-16.9%

State	Del %	FC %	Non-Curr %
National	6.2%	3.2%	9.4%
FL *	6.7%	10.5%	17.3%

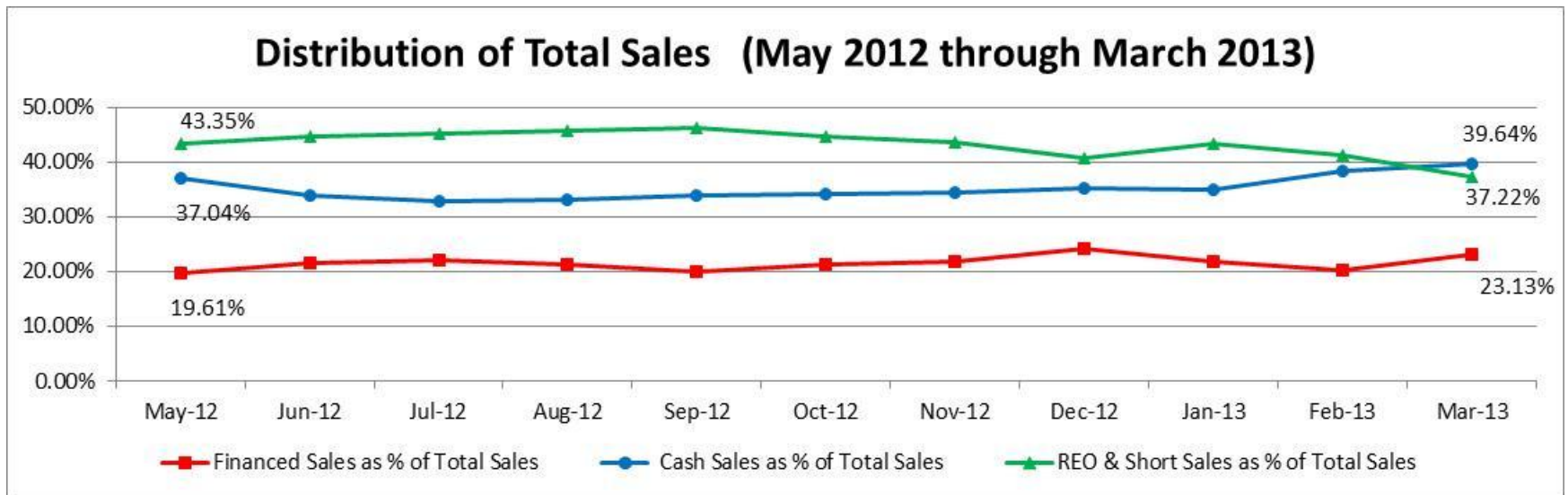
LPS Data: April Mortgage Monitor

“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

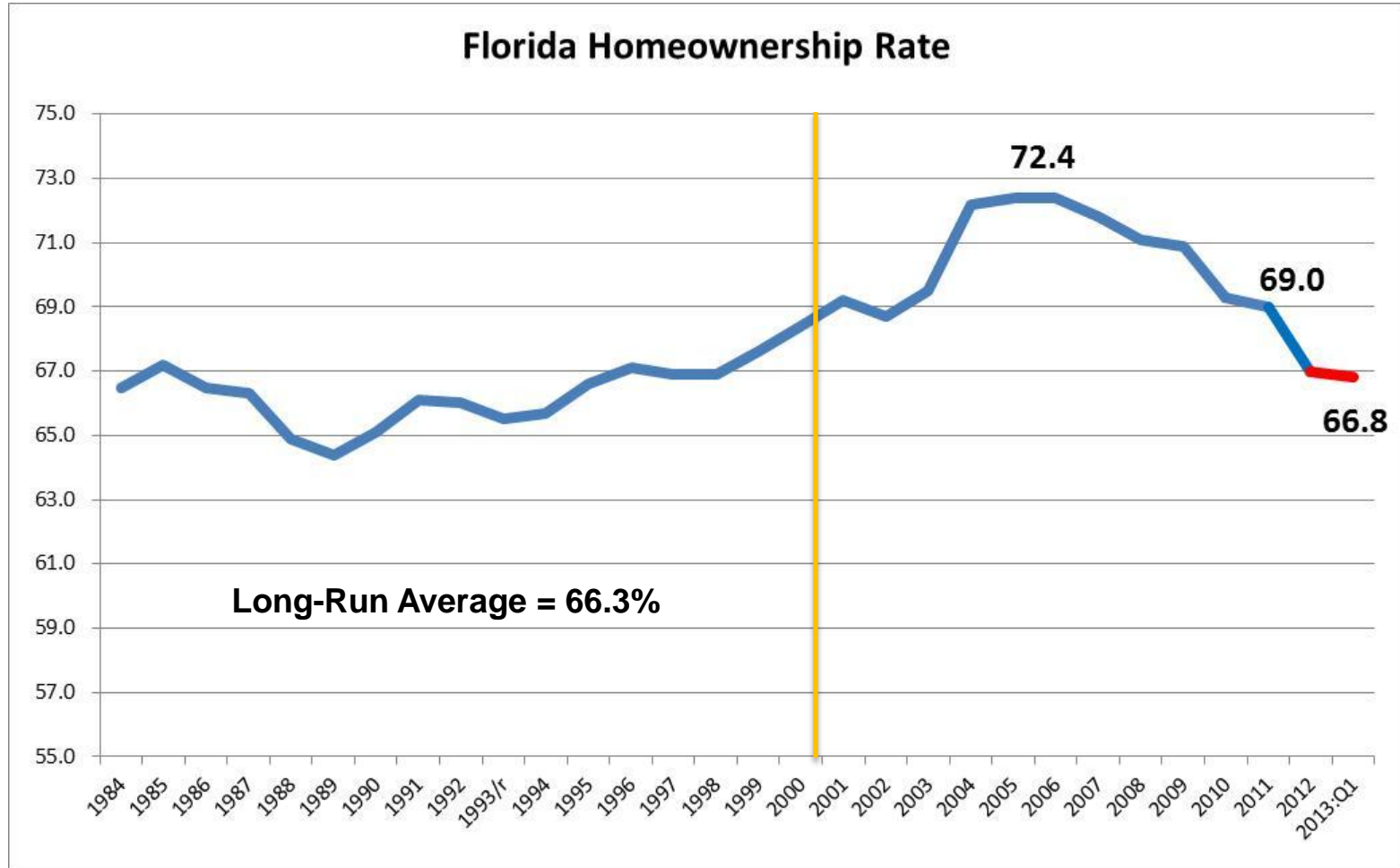
Sales Mix Points to Lower Prices

REO price running
44% lower than
normal price; short
sale price running
36% below



- Financed sales have been growing as percentages of all sales, cash sales have increased slightly in recent months after staying relatively flat for most of the year—and the percentage for REO & Short Sales has continued to decline.
- While short sales have been increasing in some states, that is not yet the case in Florida. There were 7,841 short sales in February 2012, and only 5,564 in March 2012.
- 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 first quarter data indicates a further decline to 66.8%, nearly back to the long-term average.

Credit Conditions May Be Easing

Question to Senior Loan Officers:

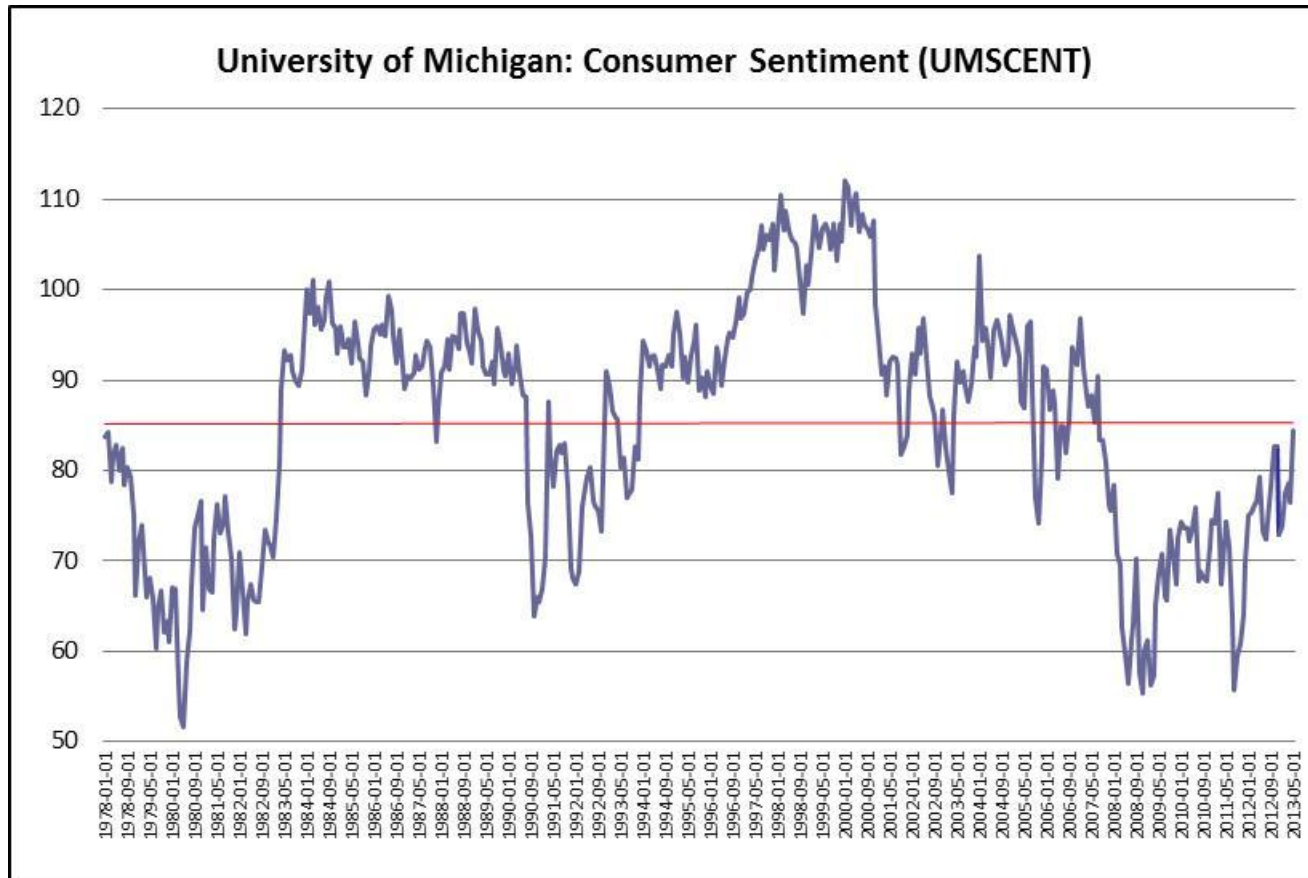
Over the past three months, how have your bank's credit standards for approving applications from individuals for **prime residential mortgage loans** to purchase homes changed?

	All Respondents								
	Apr '13 %	Jan '13 %	Oct '12 %	July '12 %	Apr '12 %	Jan '12 %	Oct '11 %	July '11 %	Apr '11 %
Tightened considerably	0.0%	0.0	0.0	1.6	0.0	0.0	0.0	0.0	0.0
Tightened somewhat	1.6%	1.5	3.1	1.6	5.6	0.0	4.2	5.7	3.8
Remained basically unchanged	89.1	92.3	92.2	93.4	90.7	94.3	91.7	86.8	92.5
Eased somewhat	9.4%	4.6	4.7	3.3	3.7	5.7	4.2	7.5	2.0
Eased considerably	0.0%	1.5	0.0	0.0	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 Recover



- Nationally, consumer sentiment had been improving, but fell in August 2011 to near the lowest level of the Great 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 and is now recovering, with a surge in May to the highest level in nearly 6 years. Preliminary numbers for June indicate a small decline from that level. (84.5 in May 2013; preliminary June 82.7)

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. 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 recent 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

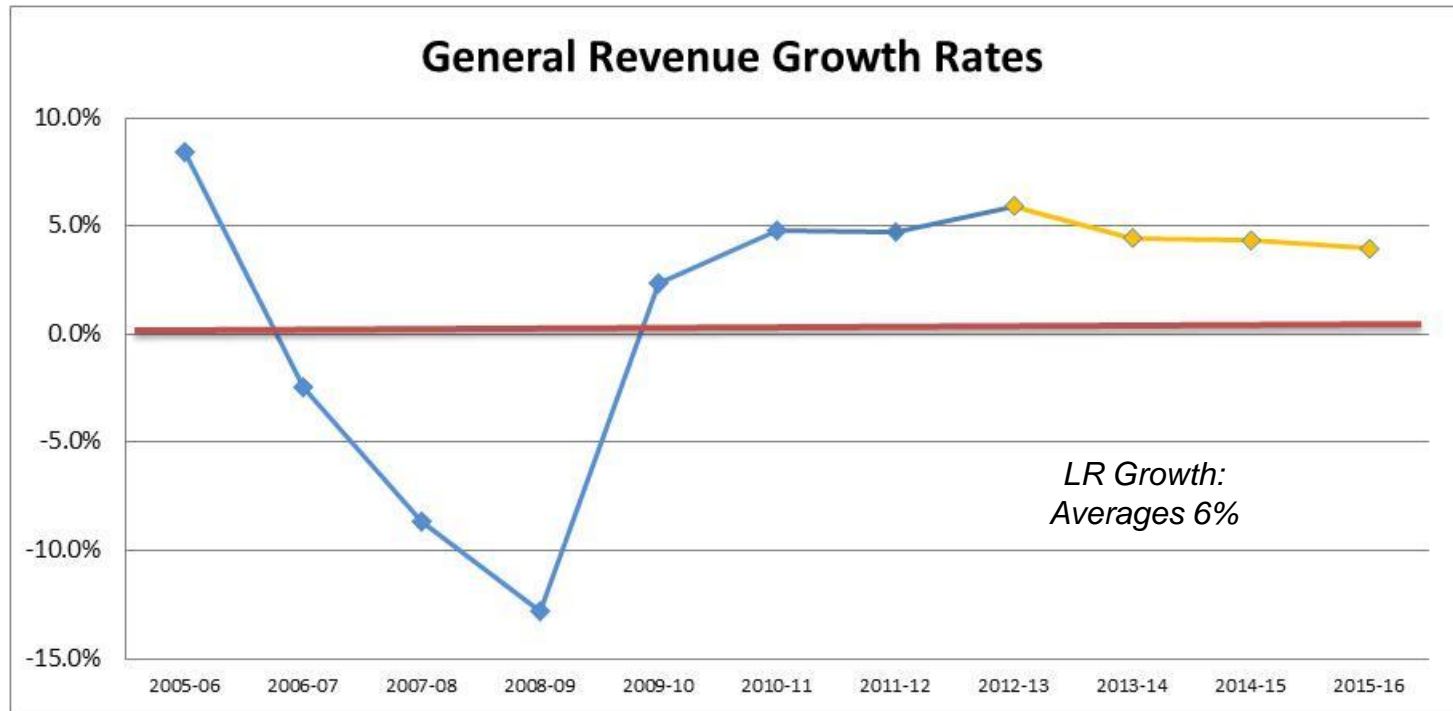
- The “shadow inventory” of homes that are in foreclosure or carry delinquent or defaulted mortgages may contain a significant number of “ghost” homes that are distressed beyond realistic use, in that they have not been physically maintained or are located in distressed pockets that will not come back 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.



“Sequester” Issues

- **Automatic Sequester provisions were extended to March 1, 2013 prior to taking affect and will now be in place until September 30, 2013—**
While it is clear that there is no meaningful support for the current sequester provisions, agreement has not been reached on a long-term replacement. Moreover, additional revenue changes are still on the table.
 - FY 2013 federal discretionary domestic and defense spending were subject to a continuing resolution (CR) through March 27, 2013. To avoid a shut-down, the House and Senate passed H.R. 933. It reduces discretionary spending by \$85 billion to accommodate the Sequester. Therefore, states can expect domestic discretionary accounts not exempt from sequestration to be reduced by 5% for the remainder of FFY 2013 and defense discretionary accounts to be reduced by nearly 8% for the same time frame.
- **Statutory debt ceiling fight delayed—the House and Senate passed and the President has signed HR 325 (“The No Budget, No Pay Act”) to waive the statutory debt limit through **May 18**, allowing the Treasury to borrow above the current \$16.4 trillion limit until then.**

General Revenue Forecast



Fiscal Year	December Forecast	March Forecast	Difference (March - Dec)	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	24867.6	25020.6	153.0	1401.8	5.9%
2013-14	26028.4	26134.9	106.5	1114.3	4.5%
2014-15	27240.7	27269.6	28.9	1134.7	4.3%
2015-16	28383.6	28347.9	(35.7)	1078.3	4.0%