

Florida: An Economic Overview

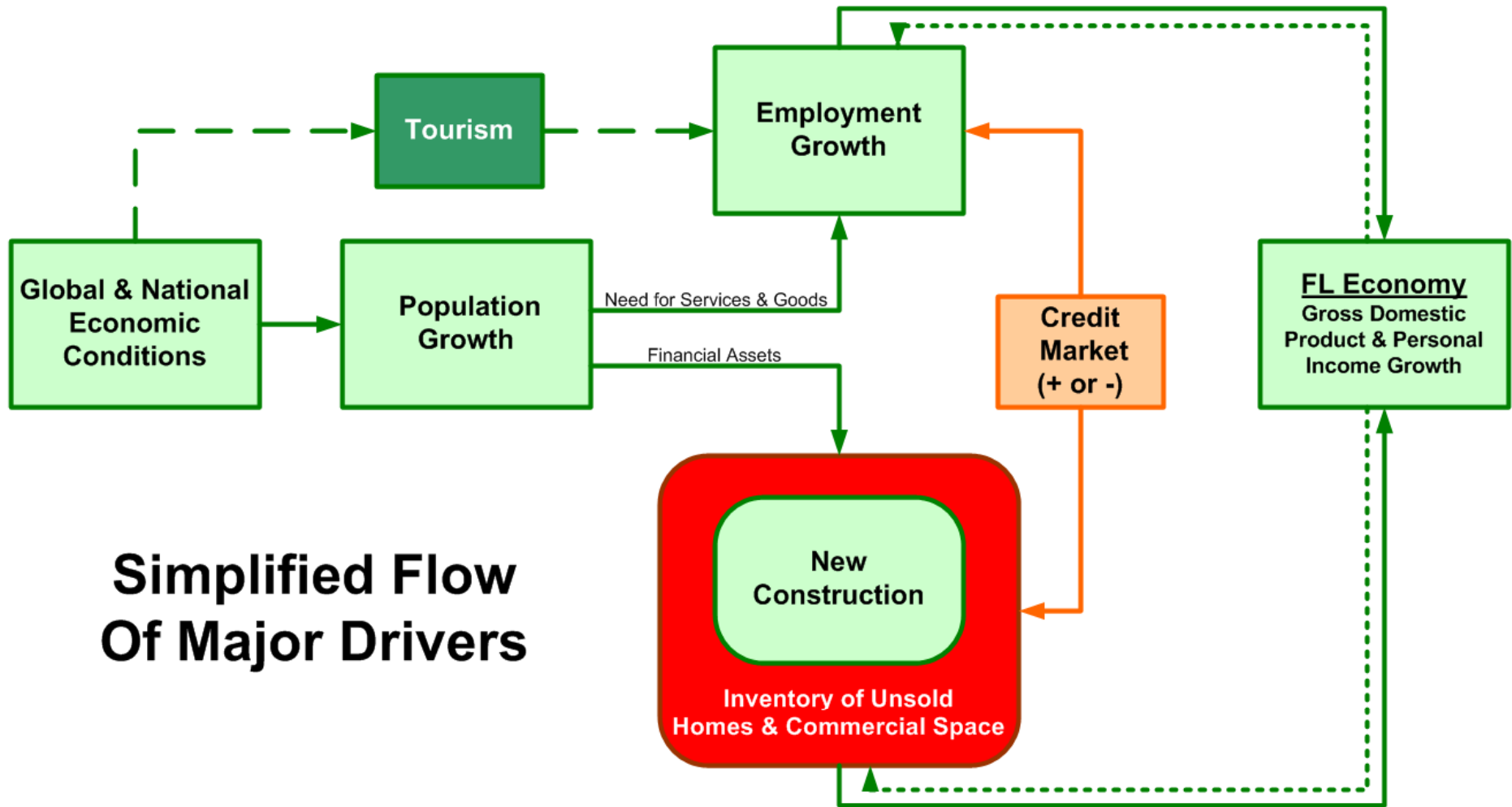
June 23, 2011

Presented by:

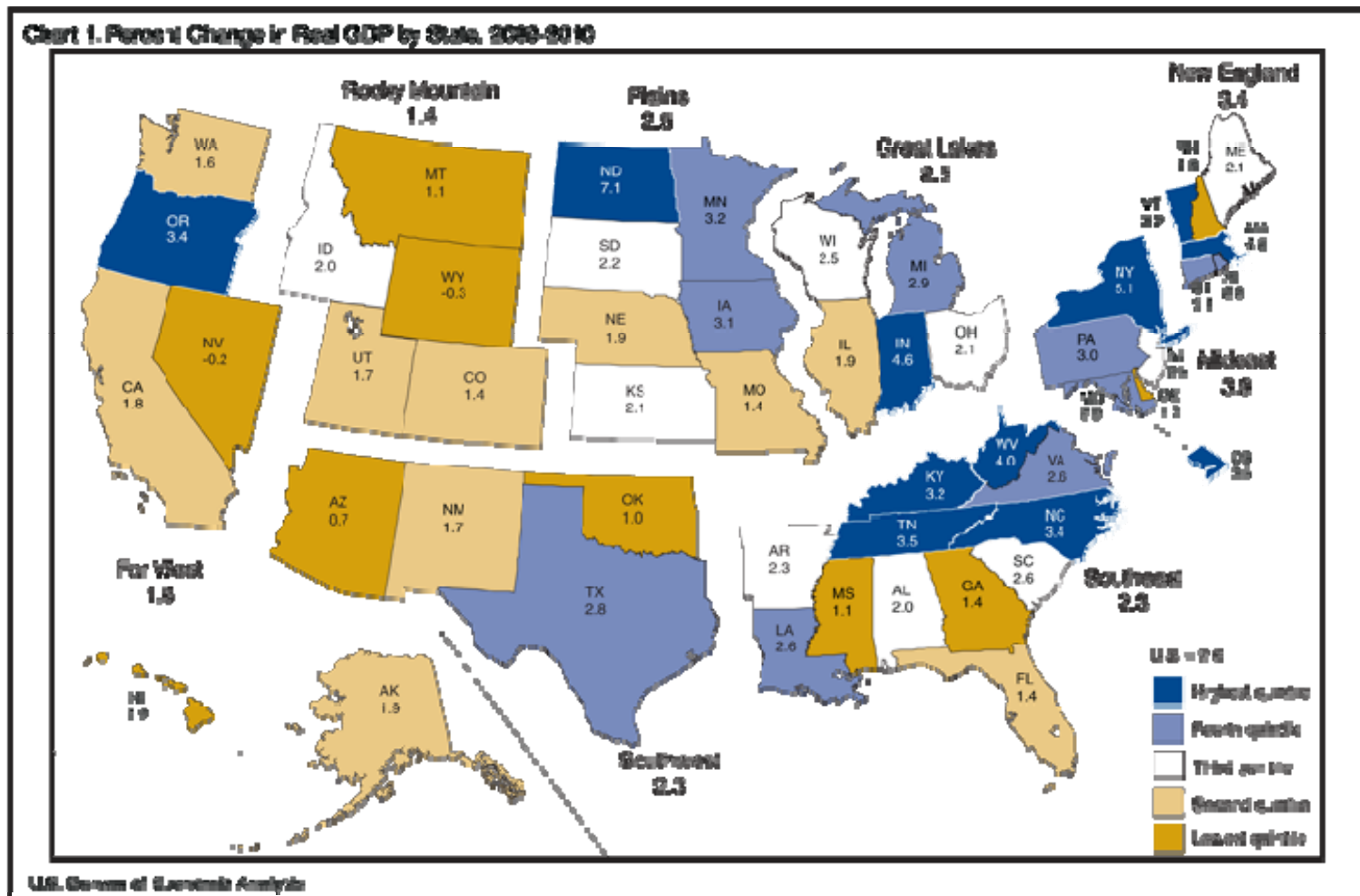


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Today's Economy

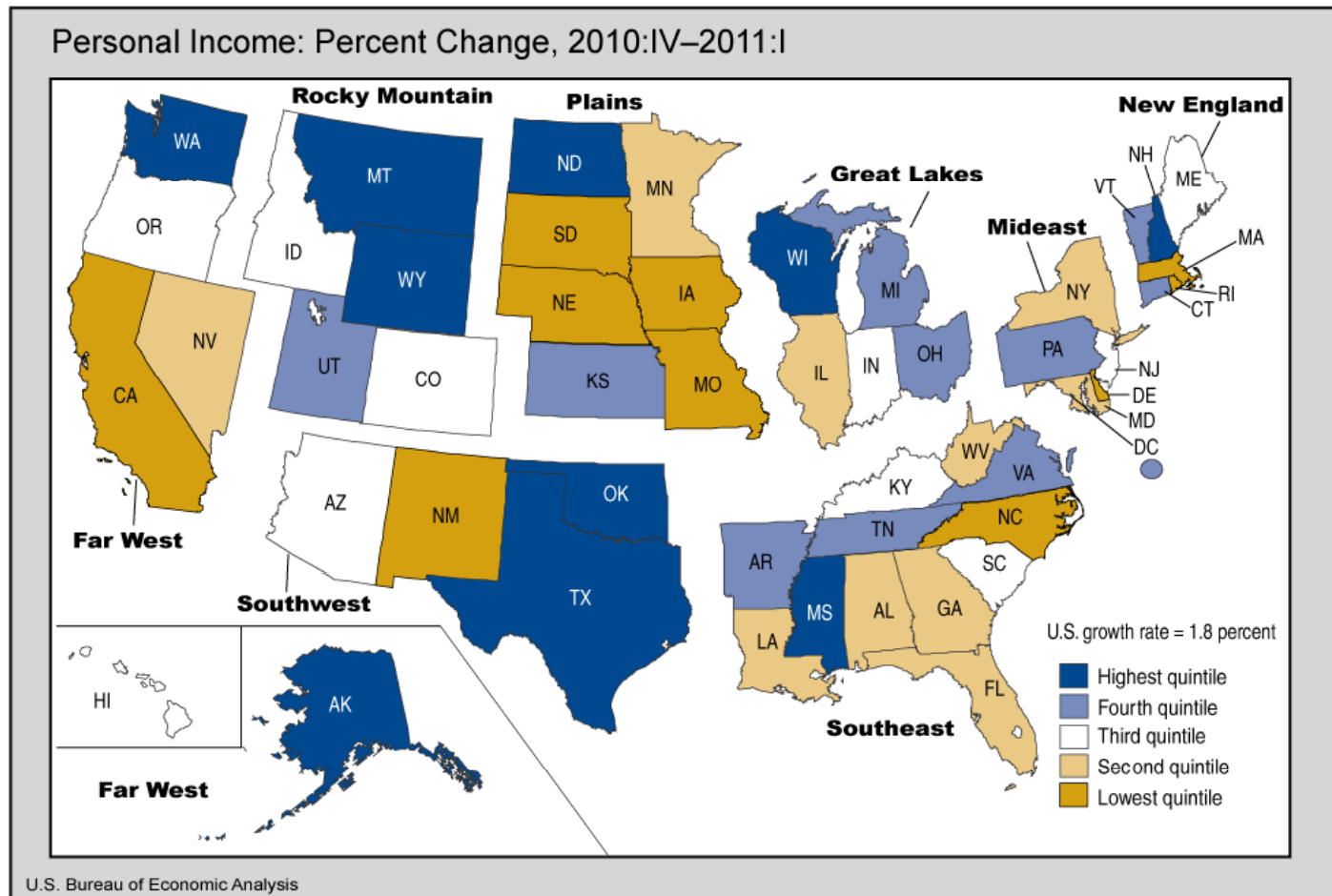


Economy Turned Positive in 2010



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%.

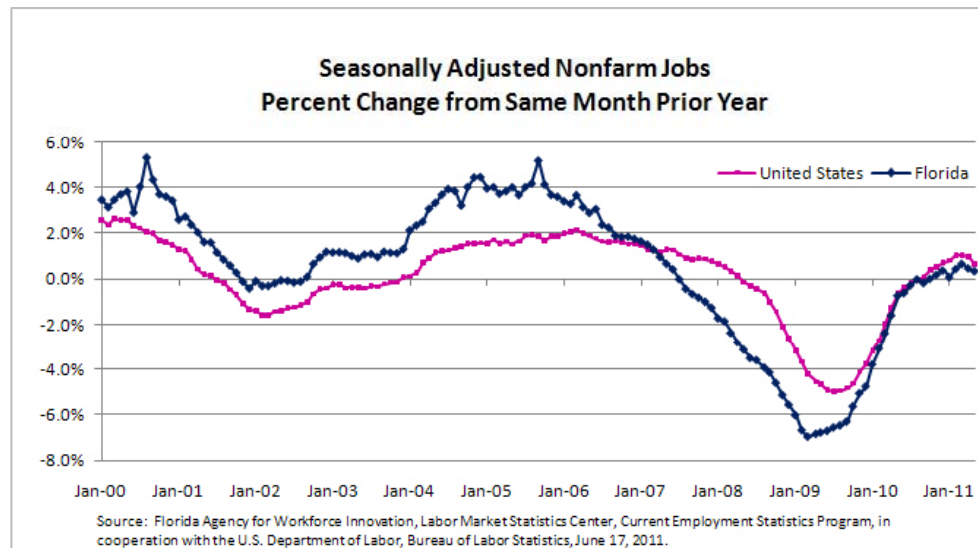
FL Personal Income Lags Nat'l Growth



- Since the fourth quarter of the 2009 calendar year, Florida has exhibited positive quarterly growth in personal income.
- The increase of 1.6% in the most recent quarter (Q1 of the 2011 calendar year) ranked Florida 38th in the country, lagging behind the nation's growth of 1.8%.

Current Employment Conditions

Eighth consecutive month that the state is showing positive over-the-year job growth after losing jobs for three years.



May Nonfarm Jobs (YOY)

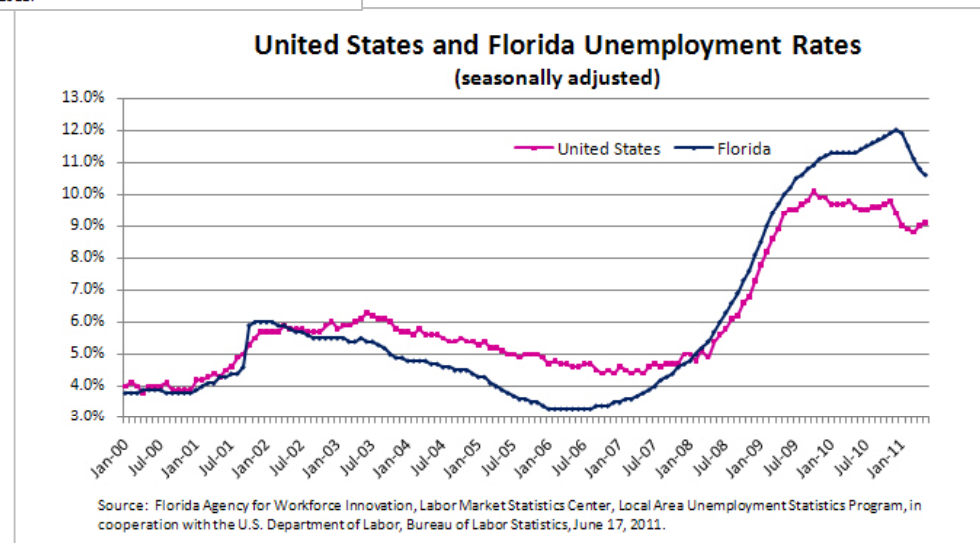
US	0.7%
FL	0.3%
YR:	24,900 jobs
Peak:	-832,900 jobs

May Unemployment Rate

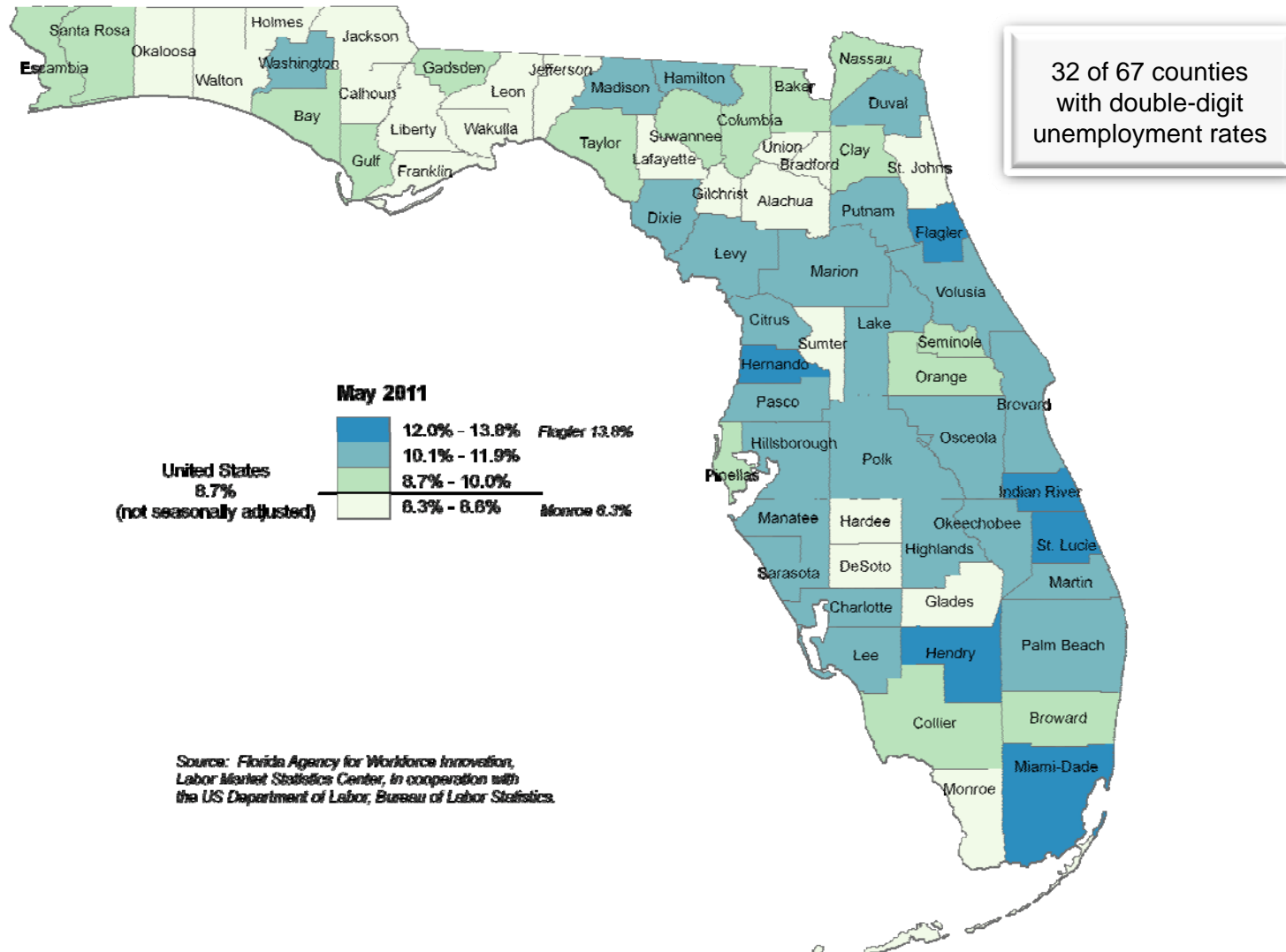
US	9.1%
FL	10.6%
(980,000 people)	
4th state in the country	

Highest Monthly Rate

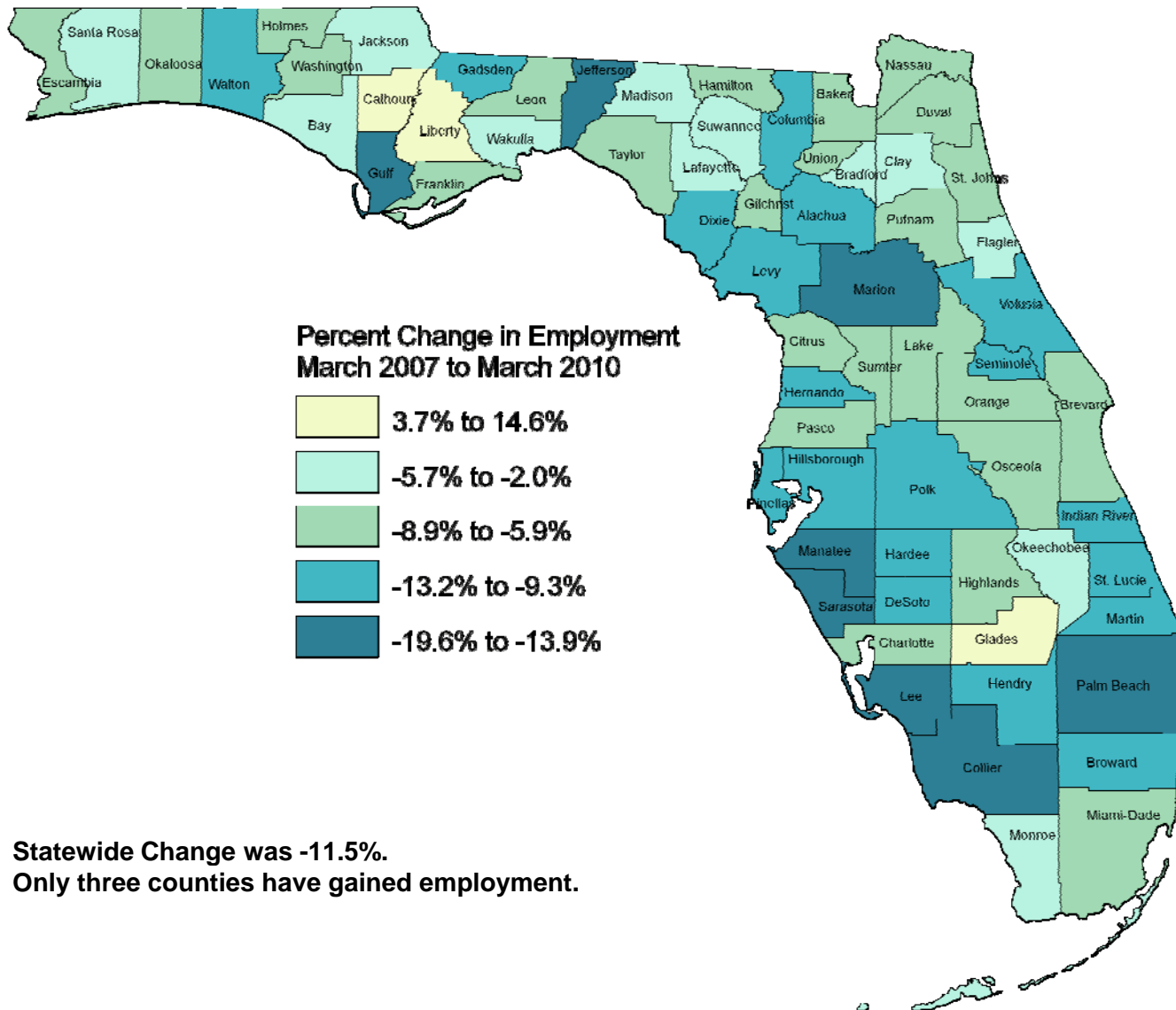
December 2010	12.0%
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Unemployment Rates



Employment Down from Peak Levels



Florida's Job Market

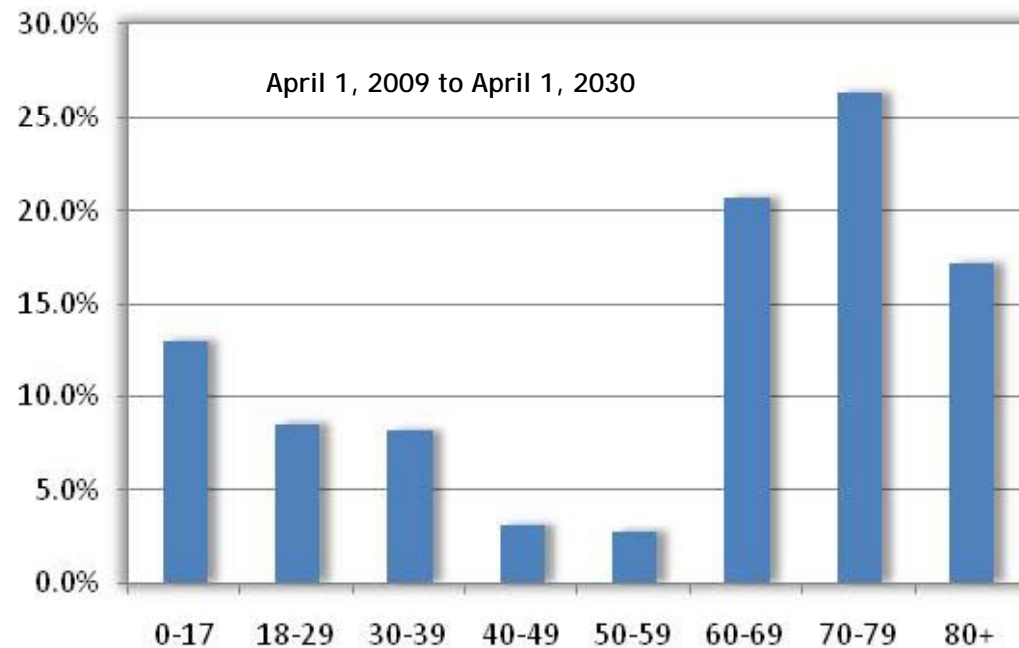
- The job market will take a long time to recover – about 832,900 jobs have been lost since the most recent peak. Rehiring, while necessary, will not be enough.
- Florida's prime working-age population (aged 25-54) is forecast to add about 1,700 people per month, so the hole is deeper than it looks.
- It would take the creation of about 1.0 million jobs for the same percentage of the total population to be working as was the case at the peak.



Population Growth Recovering

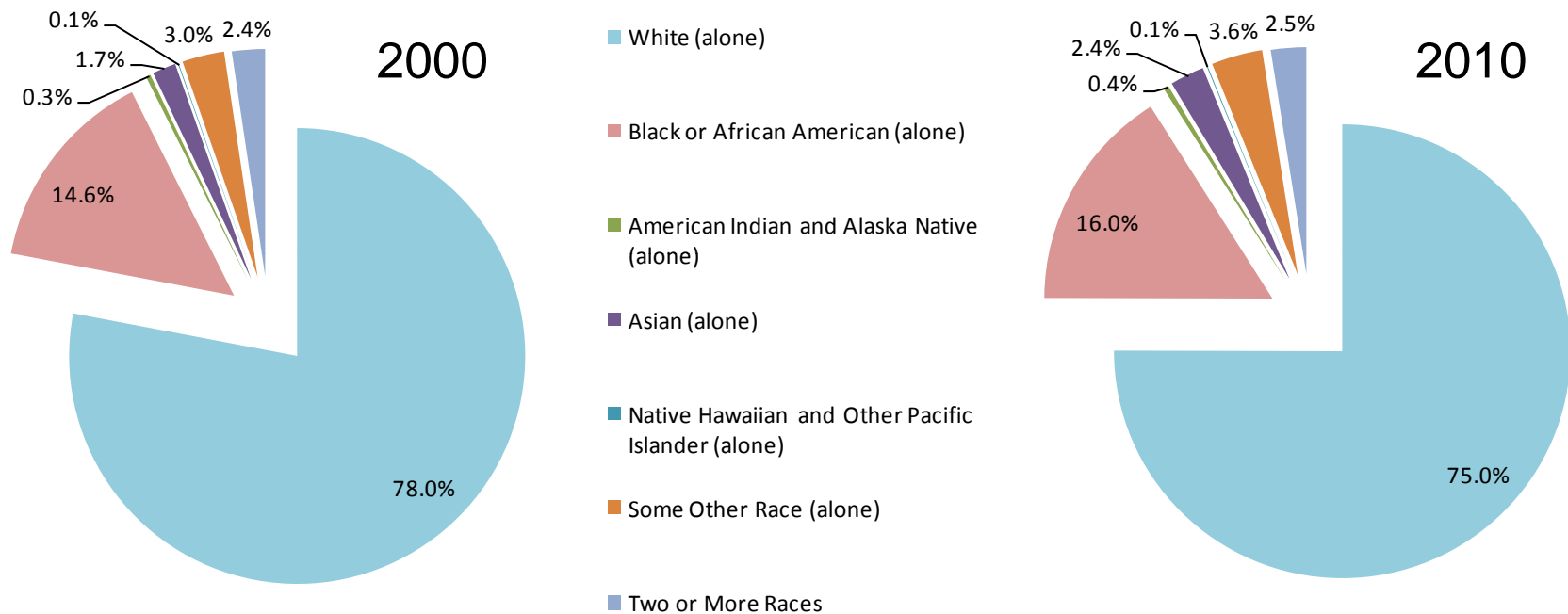
- Population growth is the state's primary engine of economic growth, fueling both employment and income growth.
- Population growth is forecast to remain relatively flat – averaging 0.7% between 2010 and 2012. However, growth is expected to recover in the future – averaging 1.1% between 2025 and 2030 with 88% 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 still on track to break the 20 million mark by the end of 2015, becoming the third most populous state sometime before then – surpassing New York.

Population Growth by Age Group



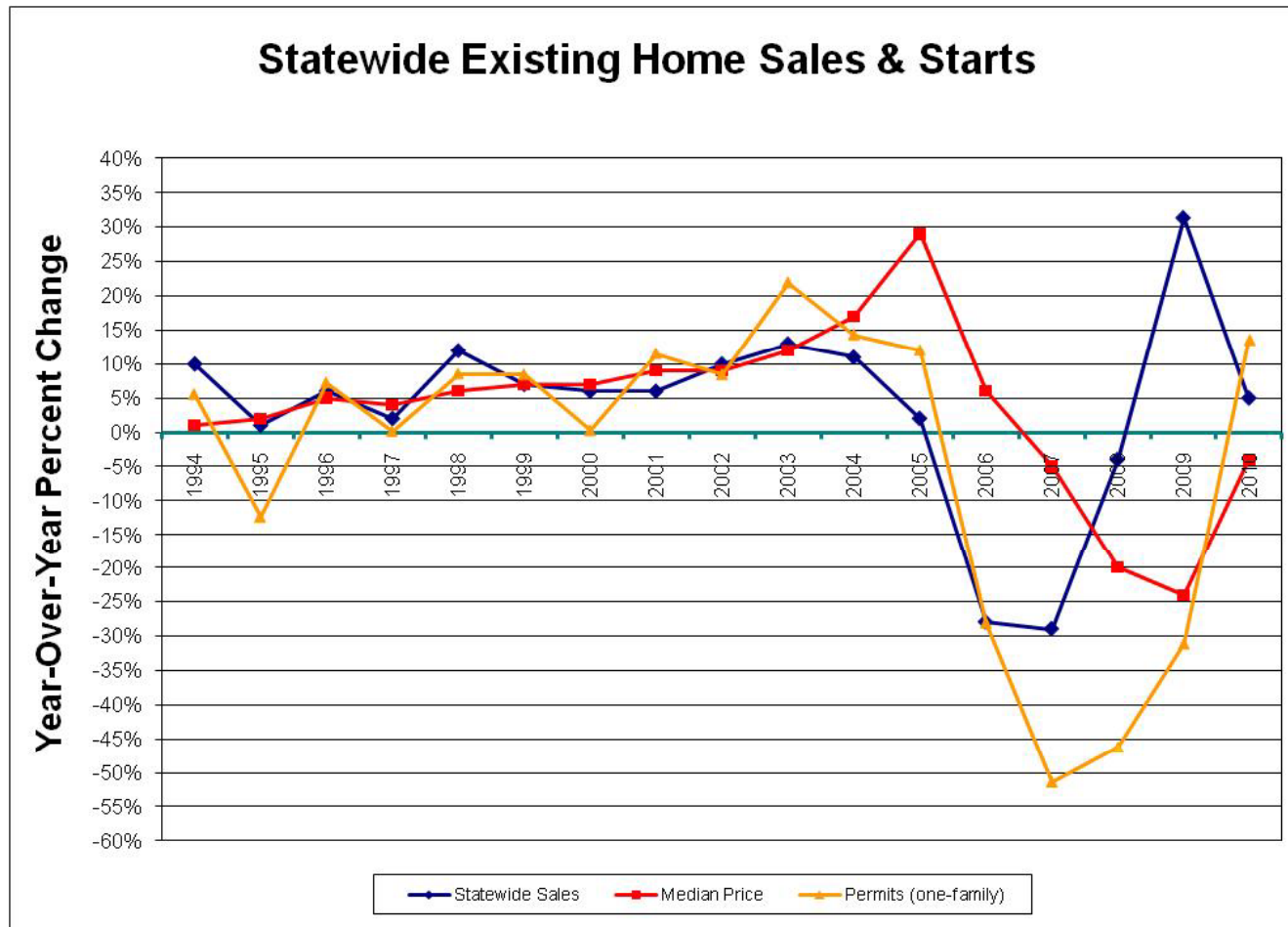
- Between 2009 and 2030, Florida's population is forecast to grow by almost 5.1 million.
- Florida's older population (age 60 and older) will account for most of Florida's population growth, representing 64.4 percent of the gains.
- Population share of those aged 65 and over will be 26.0 percent in 2030, 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



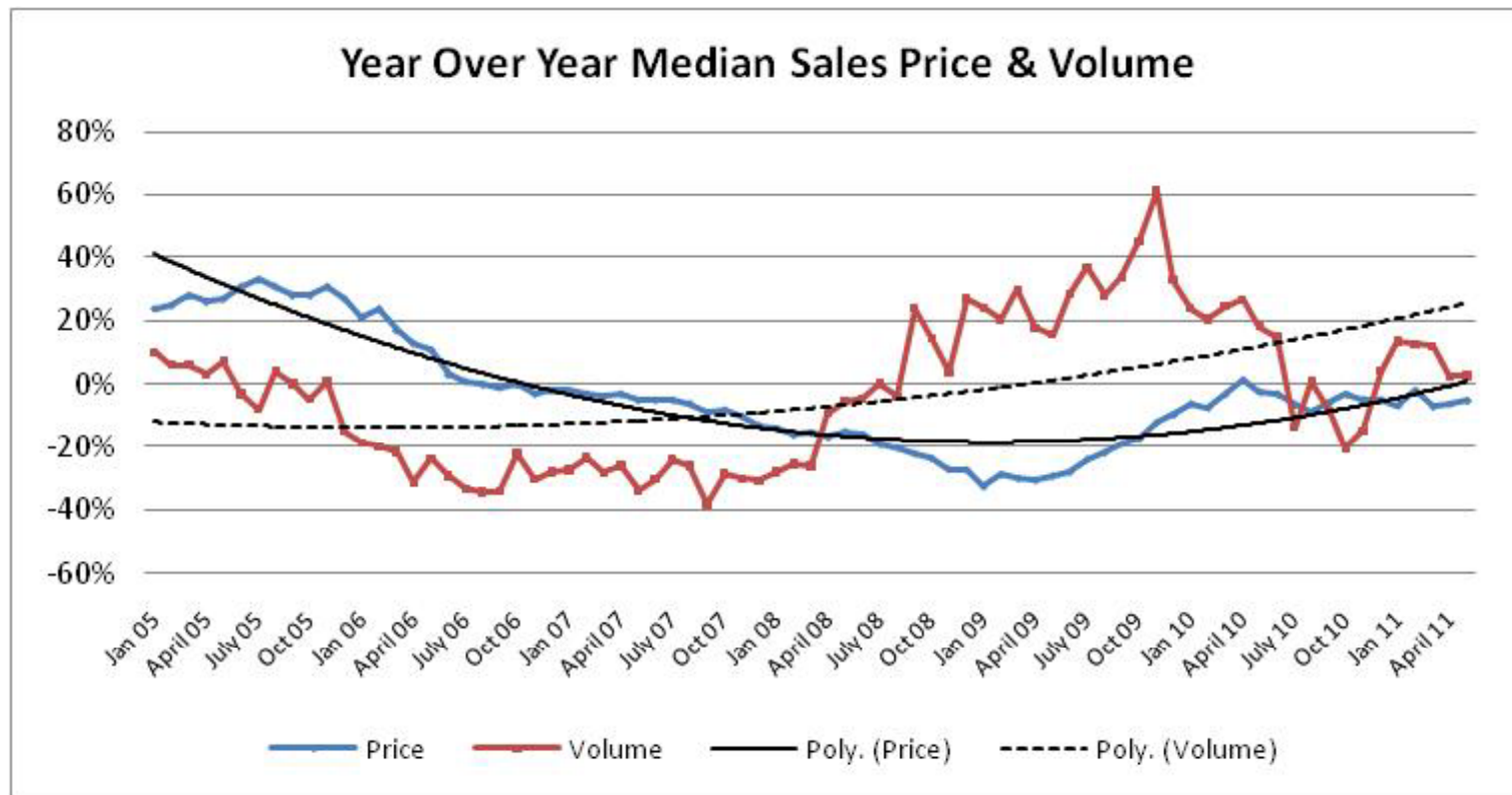
- Based on the 2010 Census, Hispanics represent about 22.5 percent of Florida's population. And, Florida will become increasingly more Hispanic; Hispanics are forecast to represent over 26 percent of Florida's population in 2030.
- Florida's minority percentage of the population is 42.1% --- New York 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 20.5% below last year at the same time (January – April 2011 compared to January – April 2010).

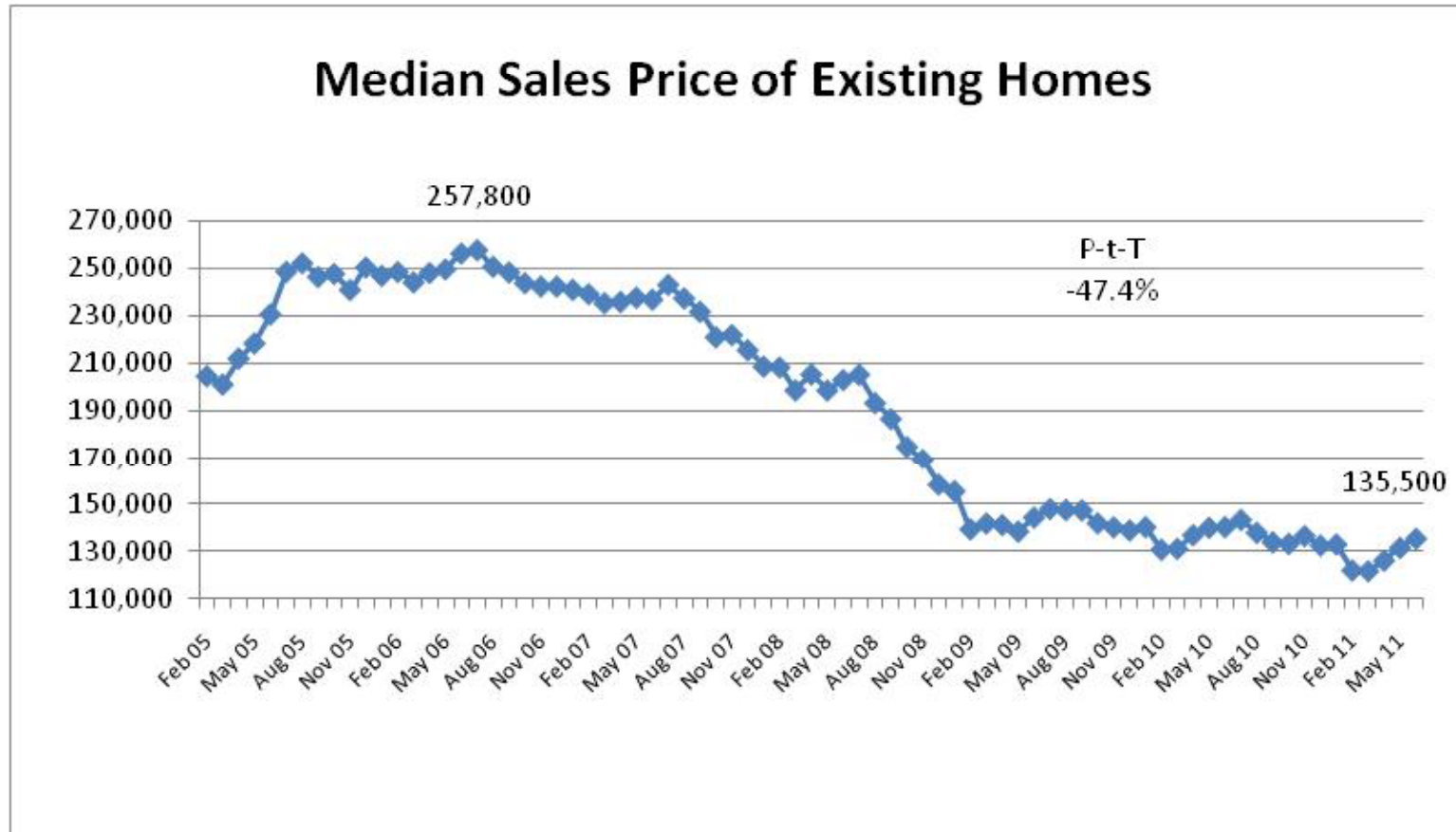
But, Existing Homes Sales Are Sputtering



Data through May 2011

Sales Level in CY 2010 was 70.1% of 2005 boom level.

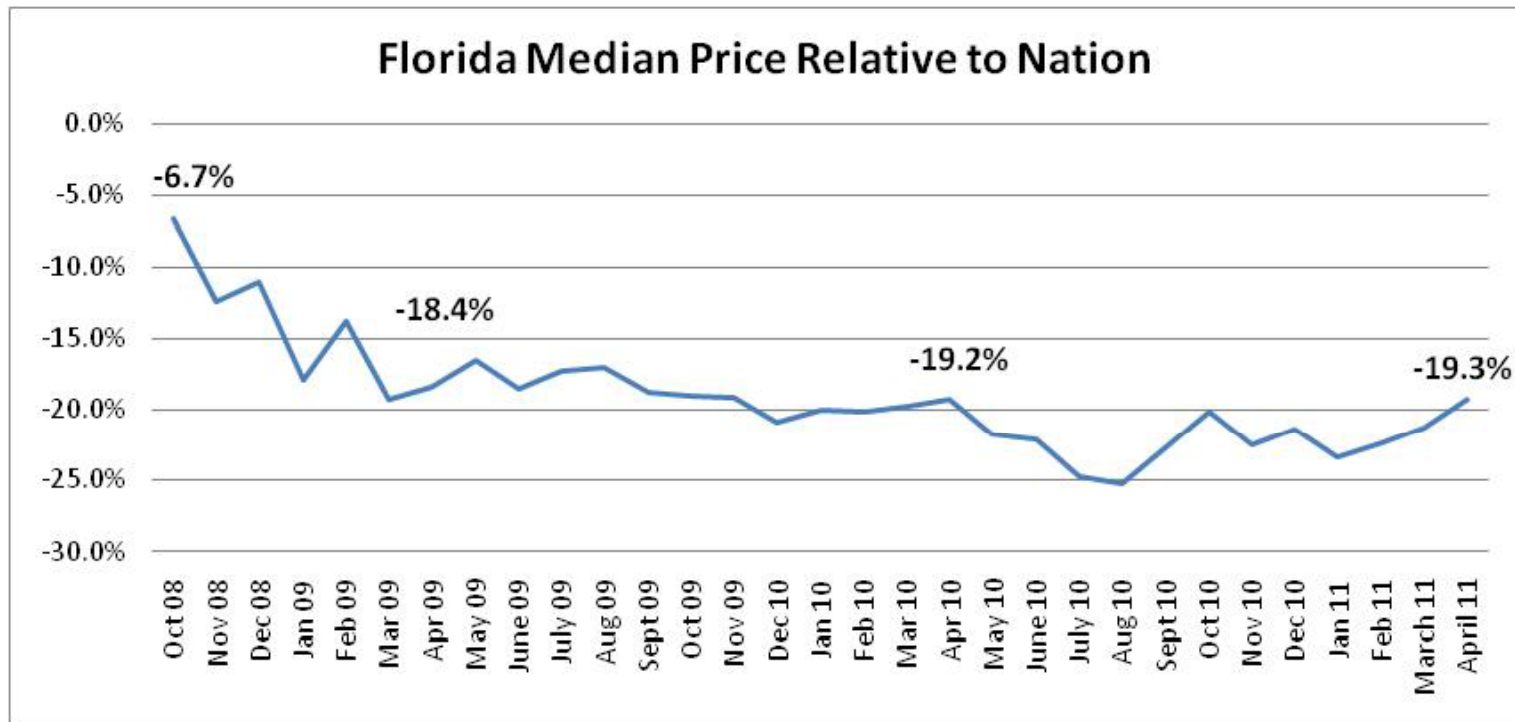
And, Existing Home Prices Are Flat



Data through May 2011

Median Sales Prices for Existing Homes have been essentially flat since February 2009 --- 26 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

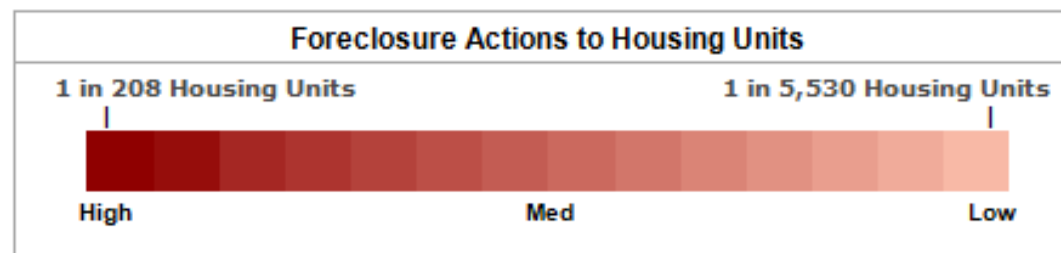
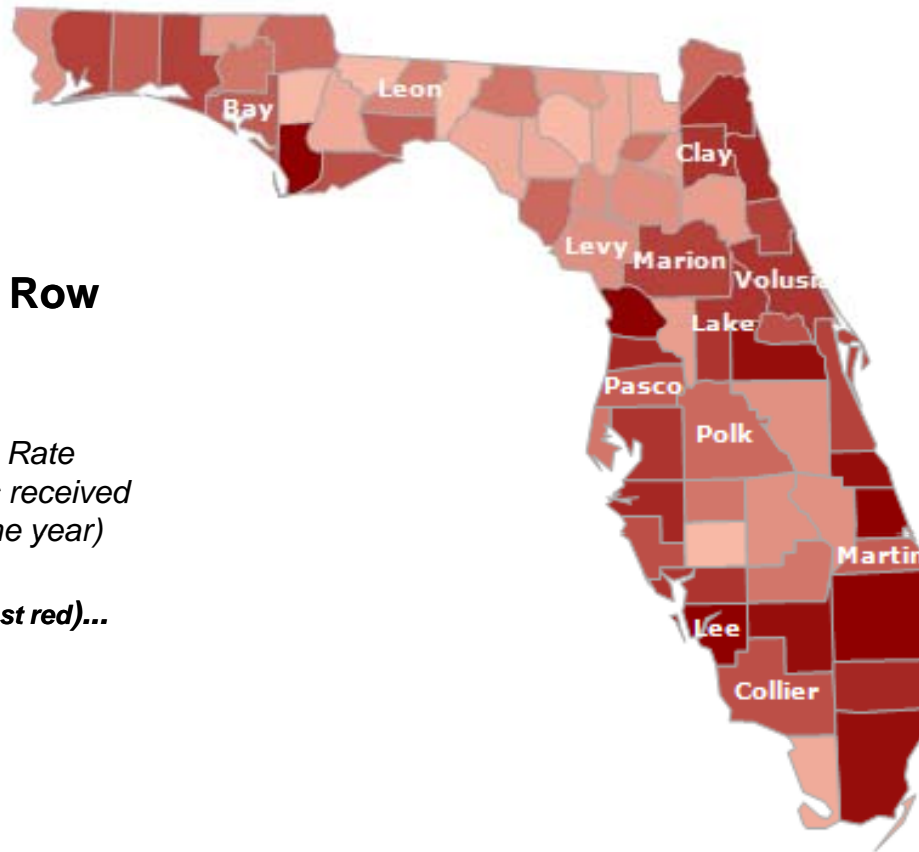
2nd Highest # of Filings
(485,286 properties)

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

May 2011 (highest = deepest red)...

FILINGS: 2nd in US

RATE: 7th in US



Foreclosures & Shadow Inventory

State	Del %	FC %	Non-Curr %	Del/FC
National	7.97%	4.14%	12.11%	192%
FL	8.8%	13.9%	22.7%	64%
NV	10.9%	7.7%	18.6%	142%
MS	13.6%	3.4%	17.0%	397%
NJ	7.4%	7.1%	14.5%	104%
GA	11.0%	3.1%	14.0%	355%
IL	7.6%	6.8%	13.9%	121%
OH	8.6%	4.9%	13.5%	177%
IN	8.8%	4.7%	12.5%	188%
LA	9.7%	3.6%	13.3%	269%
RI	8.6%	4.6%	13.2%	190%
MD	9.4%	3.1%	12.6%	300%
TN	10.1%	2.4%	12.5%	415%
SC	8.7%	3.7%	12.5%	233%
NY	7.5%	5.0%	12.5%	151%
AL	10.3%	1.8%	12.1%	564%
WV	9.5%	2.6%	12.1%	370%
MI	9.1%	2.9%	12.0%	316%

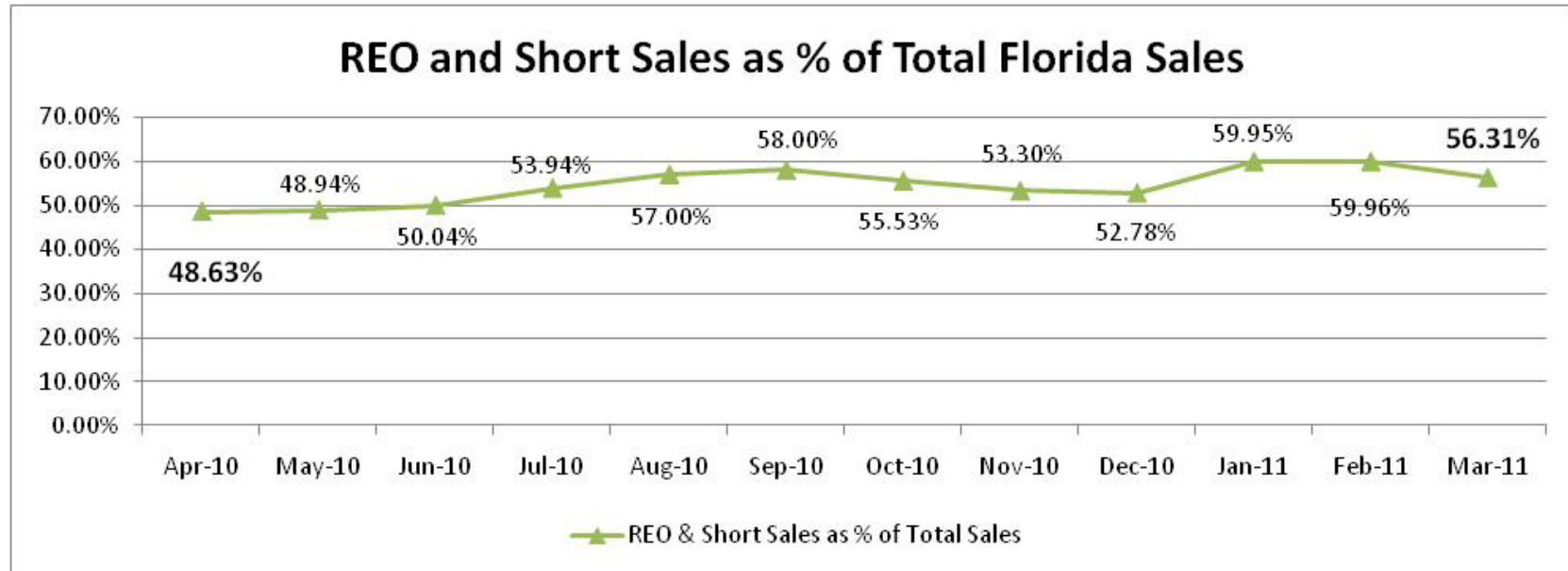
State	Del %	FC %	Non-Curr %	Del/FC
National	7.97%	4.14%	12.11%	192%
ME	7.0%	4.9%	11.9%	143%
AZ	8.1%	3.8%	11.9%	214%
CT	7.5%	4.2%	11.7%	180%
CA	8.5%	3.2%	11.7%	266%
DE	7.5%	4.1%	11.6%	184%
NC	8.5%	2.9%	11.4%	292%
PA	7.8%	3.2%	11.0%	242%
KY	7.4%	3.5%	10.9%	210%
HI	6.1%	4.7%	10.8%	128%
WI	6.4%	4.1%	10.4%	156%
AR	6.8%	3.1%	10.3%	270%
OK	6.7%	3.6%	10.2%	360%
MA	6.5%	3.1%	10.1%	214%
MO	5.8%	3.2%	9.9%	329%
DC	5.6%	3.1%	9.8%	395%
NM	5.0%	3.2%	9.7%	227%
TX	4.0%	3.1%	9.6%	255%

State	Del %	FC %	Non-Curr %	Del/FC
National	7.97%	4.14%	12.11%	192%
WA	6.7%	2.5%	9.2%	266%
NH	6.7%	2.1%	8.8%	317%
UT	6.7%	2.2%	8.8%	303%
KS	6.5%	2.2%	8.8%	292%
ID	5.9%	2.7%	8.6%	219%
OR	5.4%	3.1%	8.5%	174%
VA	6.4%	1.9%	8.3%	329%
IA	5.2%	2.9%	8.1%	177%
VT	4.7%	3.2%	7.9%	148%
MN	5.0%	2.1%	7.1%	235%

State	Del %	FC %	Non-Curr %
National	7.97%	4.14%	12.11%
FL	8.8%	13.9%	22.7%

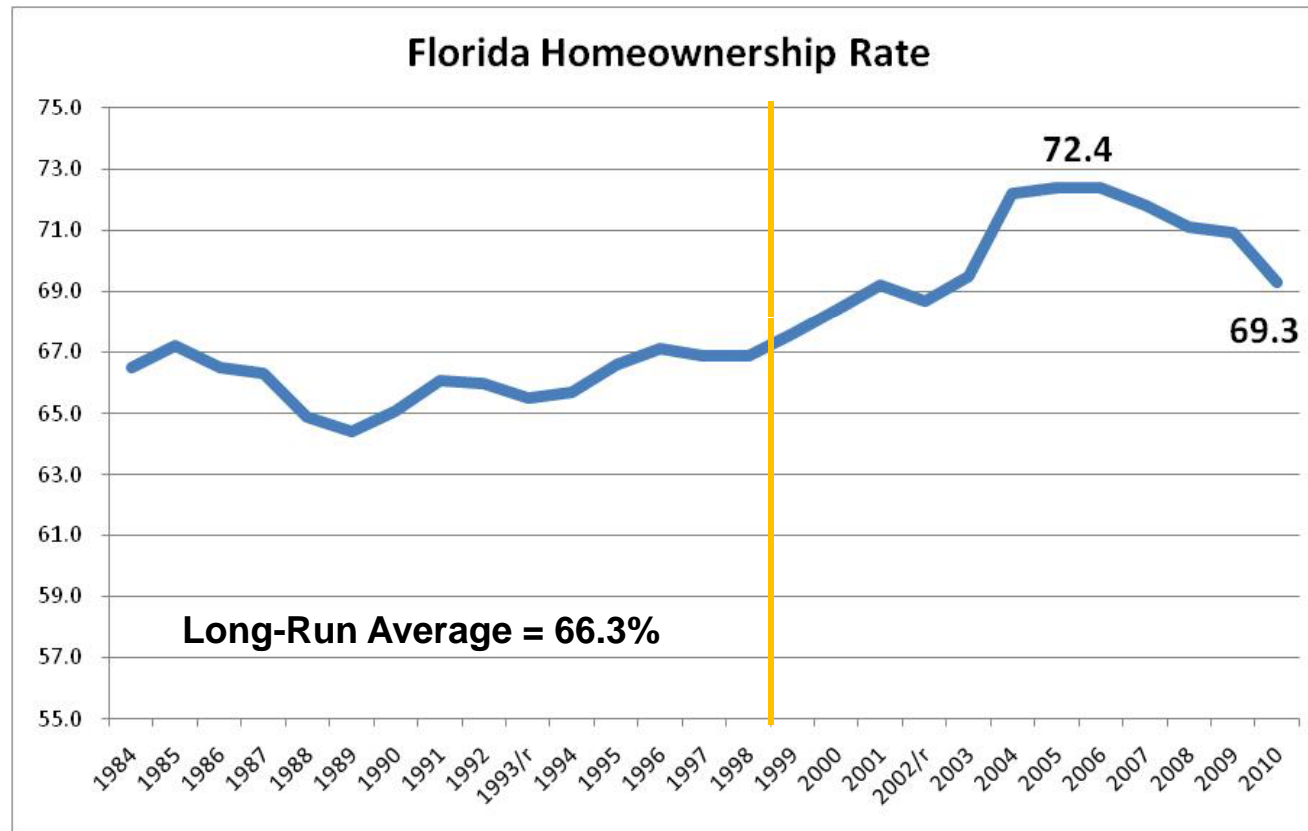
Foreclosures adding more to inventory than Sales are subtracting.
 Average delinquency at Florida foreclosure start --- 385 days.
 (LPS Data for April)

Sales Mix Points to Lower Prices



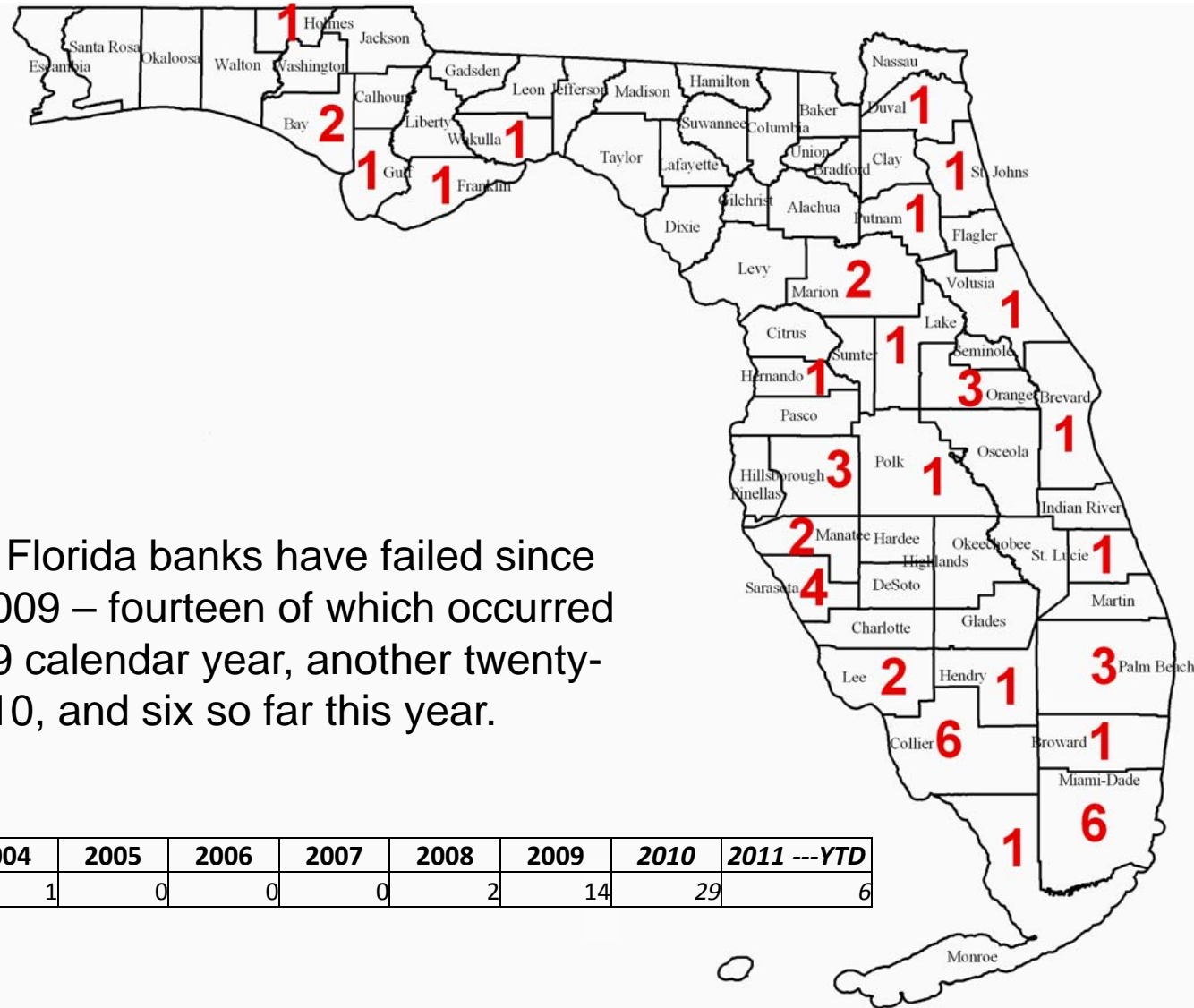
Month	Total Sales	REO & Short Sales Sales	REO & Short Sales as % of Total Sales	Cash Sales	Cash Sales as % of Total Sales	Financed Sales	Financed Sales as % of Total Sales
Apr-10	25,815	12,554	48.63%	7,974	30.89%	5,287	20.48%
Mar-11	19,273	10,852	56.31%	6,618	34.34%	1,803	9.36%

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.

Bank Failures Since January 2009



Forty-nine Florida banks have failed since January 2009 – fourteen of which occurred in the 2009 calendar year, another twenty-nine in 2010, and six so far this year.

2002	2003	2004	2005	2006	2007	2008	2009	2010	2011 ---YTD
2	0	1	0	0	0	2	14	29	6

Credit Conditions Have Tightened

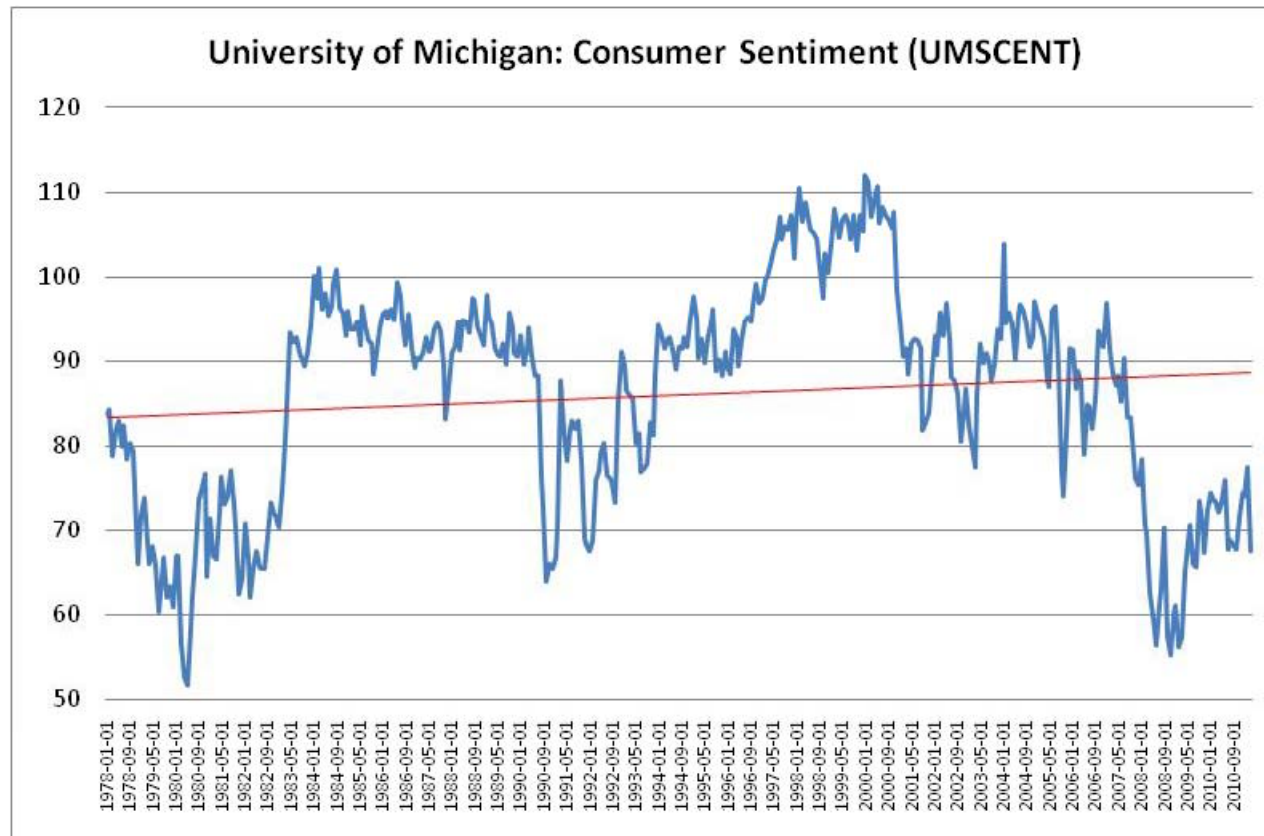
Question to Senior Loan Officers:

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				
	April '11 %	Jan '11 %	Oct '10 %	July '10 %	April '10 %
Tightened considerably	0.0	0.0	0.0	0.0	1.9
Tightened somewhat	3.8	3.7	13.0	3.6	9.4
Remained basically unchanged	92.5	94.4	83.3	87.3	79.2
Eased somewhat	2.0	1.9	3.7	9.1	9.4
Eased considerably	0.0	0.0	0.0	0.0	0.0
Total	100.0	100.0	100.0	100.0	100.0

April 2011 Senior Loan Officer Opinion Survey on Bank Lending Practices (Federal Reserve Board)

Perceptions Are Improving



- Consumer sentiment can be a leading indicator of recession: nationally, it is improving from near the lowest levels ever obtained (69.8 in April versus 51.7 in May 1980), but still not back to the long-run average of 86.5.
- Florida's consumer confidence (April: 68) is roughly following the national trend but seems to have more volatility.

Postwar Business Cycles...

Lengths of Recessions and Recoveries

Cycle Begin	Cycle End	Length of Recession Using NBER (quarters)	Length of Recovery to GDP Trend (quarters)	Time to Close "Most" of Gap During Recovery (quarters)	Length of Recession Using NBER (months)	Length of Recovery to GDP Trend (months)	Time to Close "Most" of Gap During Recovery (months)
1948:Q4	1949:Q4	4	3	1.8834	11	9	5.6502
1953:Q2	1954:Q2	4	4	2.4459	10	12	7.3377
1957:Q3	1958:Q2	3	4	2.2864	8	12	6.8592
1960:Q2	1961:Q1	3	3	2.0014	10	9	6.0042
1969:Q4	1970:Q4	4	9	4.9845	11	27	14.9535
1973:Q4	1975:Q1	5	13	7.3573	16	39	22.0719
1980:Q1	1980:Q3	2	2	1.4951	6	6	4.4853
1981:Q3	1982:Q4	5	11	4.0108	16	33	12.0324
1990:Q3	1991:Q1	2	32	30.7787	8	96	92.3361
2001:Q1	2001:Q4	3	12	10.1975	8	36	30.5925
2007:Q4	2009:Q2	6	?	?	18	?	?

Source: Federal Reserve Bank of Cleveland

June 2009

+96 months =

Summer 2017

+36 months =

Summer 2012

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 years to climb completely out of the hole left by the recession. Overall...

- The national economy is in recovery and, more importantly, the financial markets are recovering stability – although they are still 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.

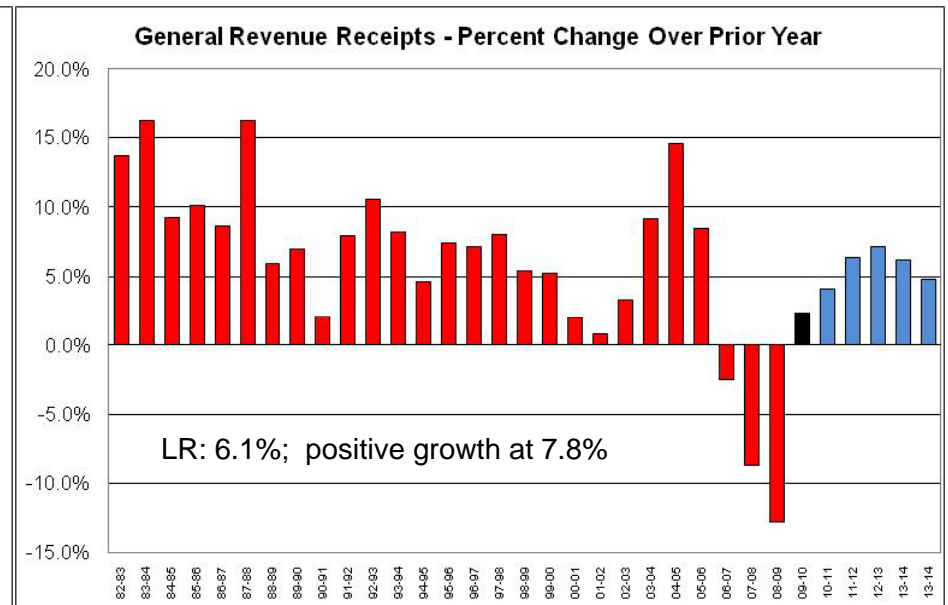
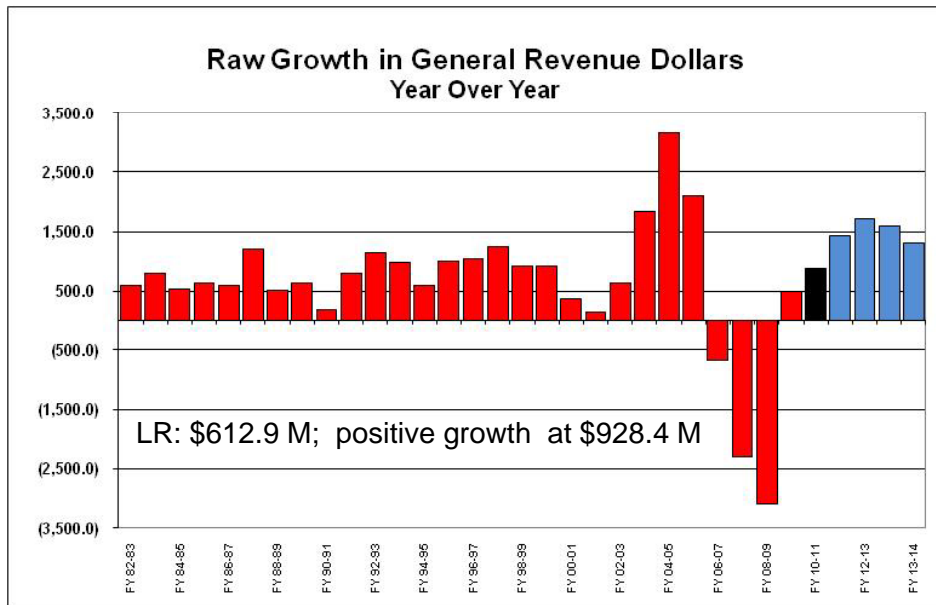
Known Threat & Black Swans

Known Threat: Continuing Deepwater Horizon Oil Spill impacts

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

- Significant commercial real estate defaults that lead to a round of small and mid-size bank failures (solvency issues).
- Severe Natural Disasters
 - 2004 and 2005 Hurricane Seasons
 - Budget Stabilization Fund balance is \$274 million.
- Gas Prices that continue to surge and stay elevated for an extended period. Current gas prices average \$3.583 --- at the peak in July 2008, the average price was \$4.079.

General Revenue Outlook



Fiscal Year	December Forecast	New Forecast	Difference (New - 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	22381.3	22412.5	31.2	889.4	4.1%
2011-12	24060.5	23844.7	(215.8)	1432.2	6.4%
2012-13	25808.1	25554.3	(253.8)	1709.6	7.2%
2013-14	27503.1	27140.2	(362.9)	1585.9	6.2%
2014-15		28442.8		1302.6	4.8%