

Florida: An Economic Overview

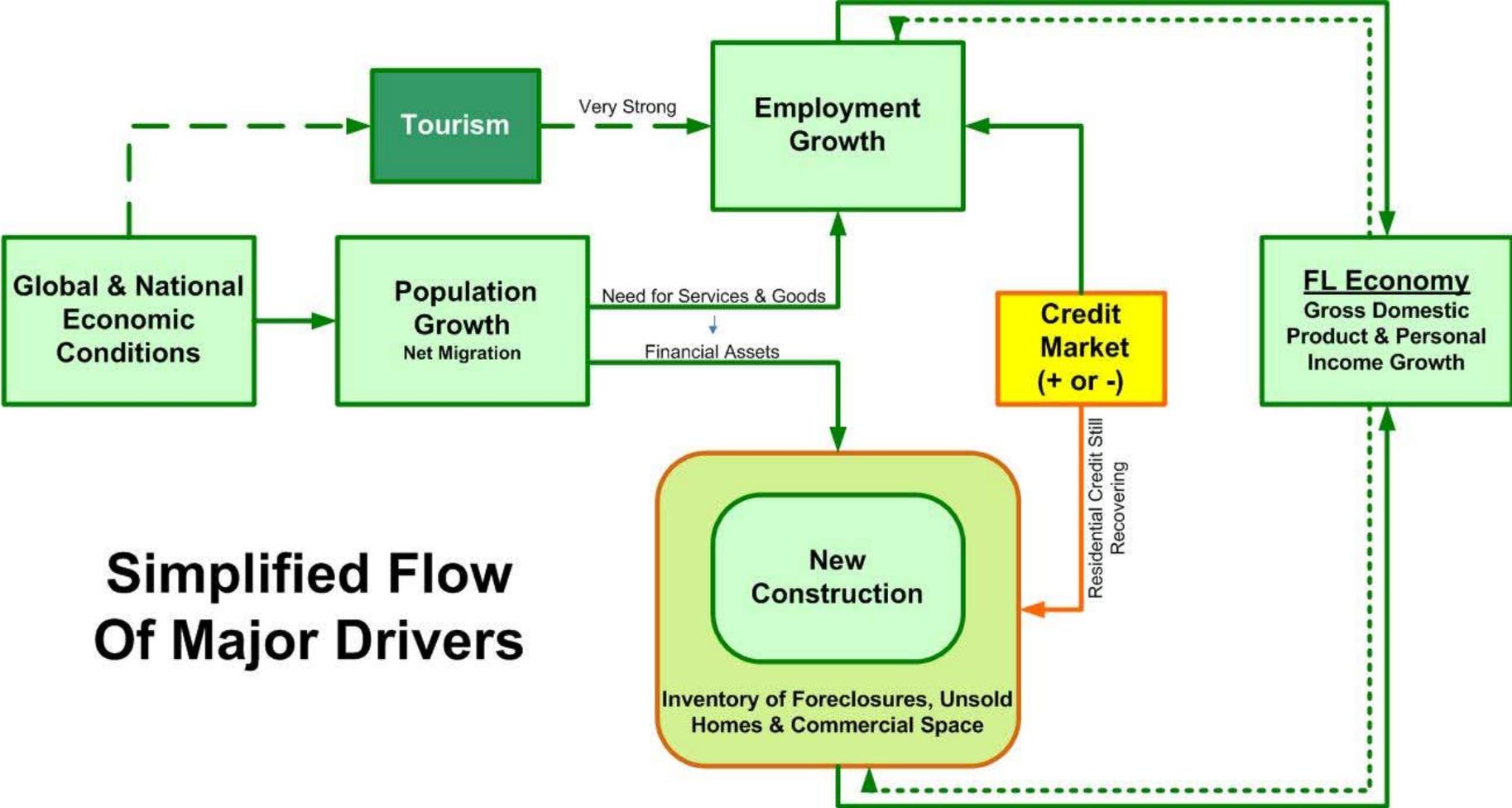
June 3, 2016

Presented by:



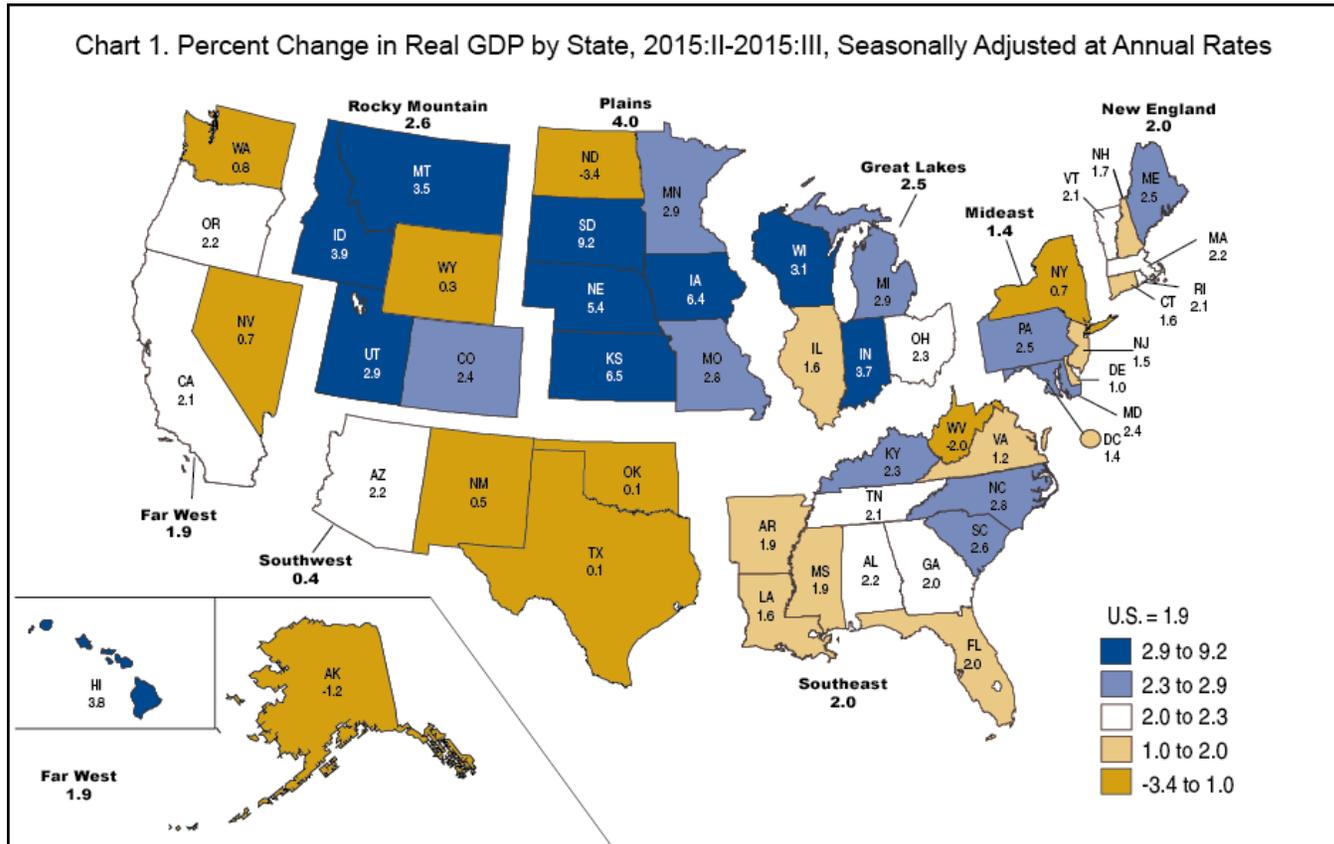
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Key Economic Variables Improving



**Simplified Flow
Of Major Drivers**

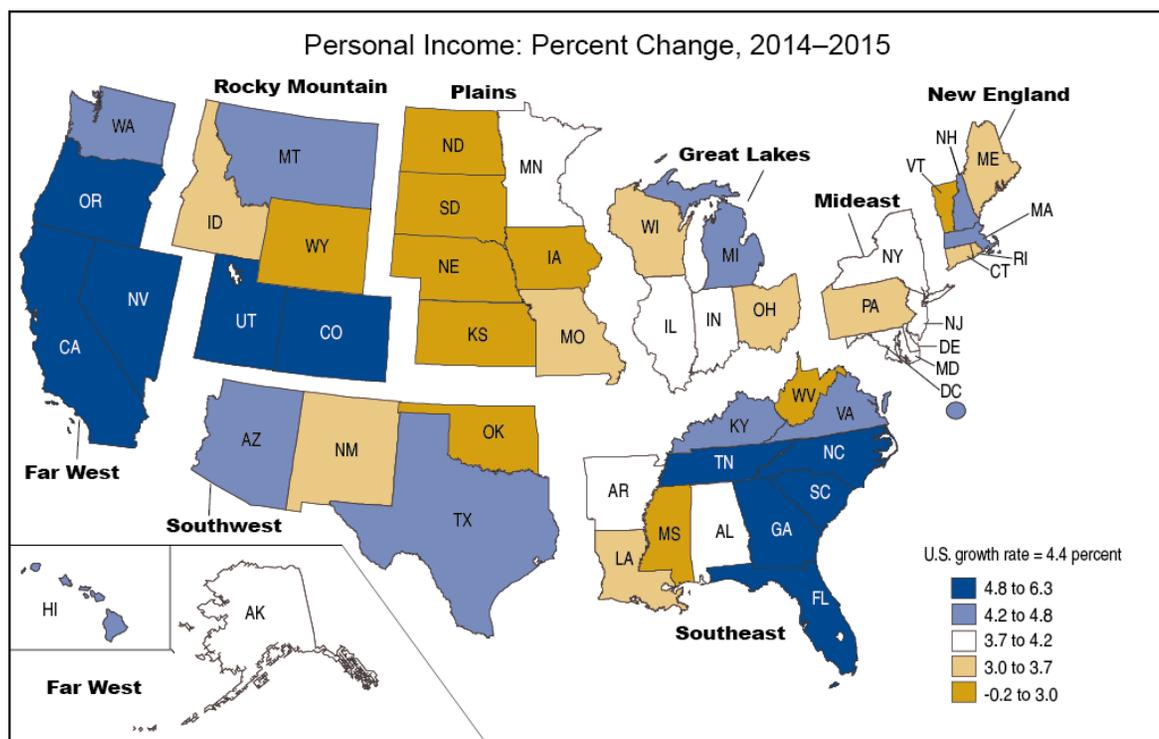
Economy Has Continued Growth...



U.S. Bureau of Economic Analysis

In 2014, the pace of Florida's economic growth increased, surpassing the state's revised 2013 growth rate. State Gross Domestic Product (GDP) showed Florida with an improved national ranking of 11th in the nation with a real growth gain of 2.7%, moving Florida above the national average (2.2% in 2014) for the second year in a row. Newly released data for the third quarter (GDP for 2015:Q3) showed slowing growth in Florida over the second and third quarters, ranking the state 31st in the nation for the most recent quarter.

FL Personal Income Growth Has Similar Story...



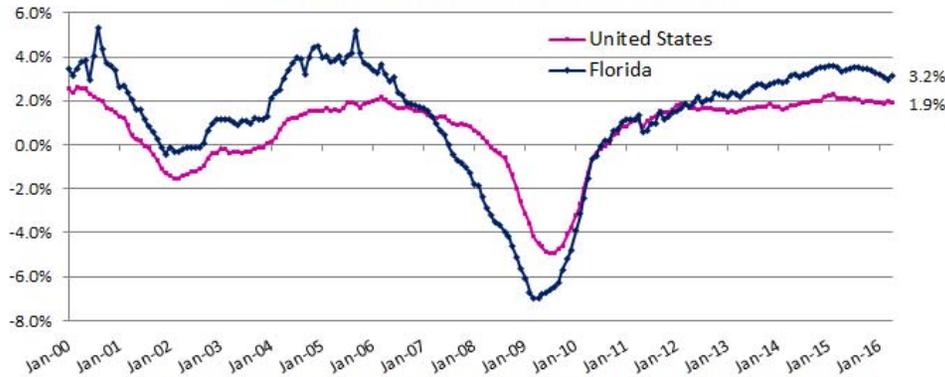
U.S. Bureau of Economic Analysis

In the latest revised annual data, Florida finished the 2014 calendar year with 5.0% growth over the prior year—above the national growth rate of 4.4% and ranking 9th among all states. This was an improved ranking from the prior year (14th when the District of Columbia is included).

Florida's pace for the 2015 calendar year was stronger than 2014, even though personal income for all states grew at the same rate as in 2014. Florida grew above the national average of 4.4%, recording growth of 5.2% and ranking 6th in the country for the percent change from the prior year. However, the state's per capita income was below the nation as a whole and ranked Florida 28th in the United States.

Current Employment Conditions...

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



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, May 20, 2016.

April Nonfarm Jobs (YOY)

US	1.9%
FL	3.2%
YR:	254,500 jobs
Peak:	+230,600 jobs over Prior Peak
	[Prior Employment Peak passed in May 2015]

April Unemployment Rate

US 5.0%
FL 4.8% (472,000 people)

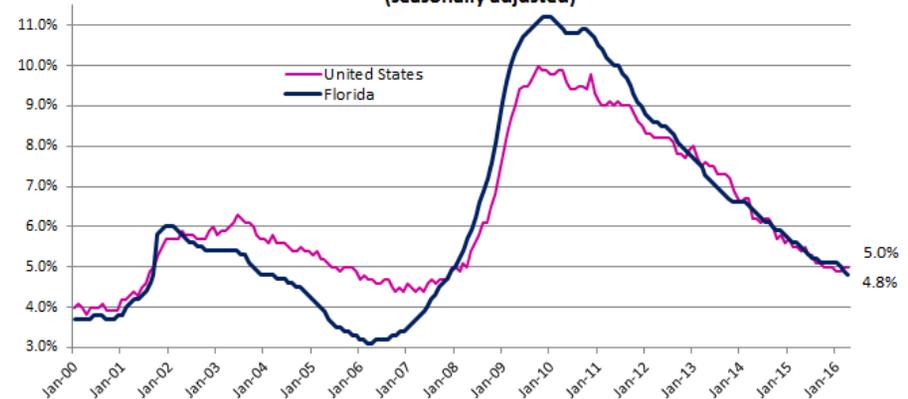
Highest Monthly Rate

11.2% (November 2009 through January 2010)

Lowest Monthly Rate

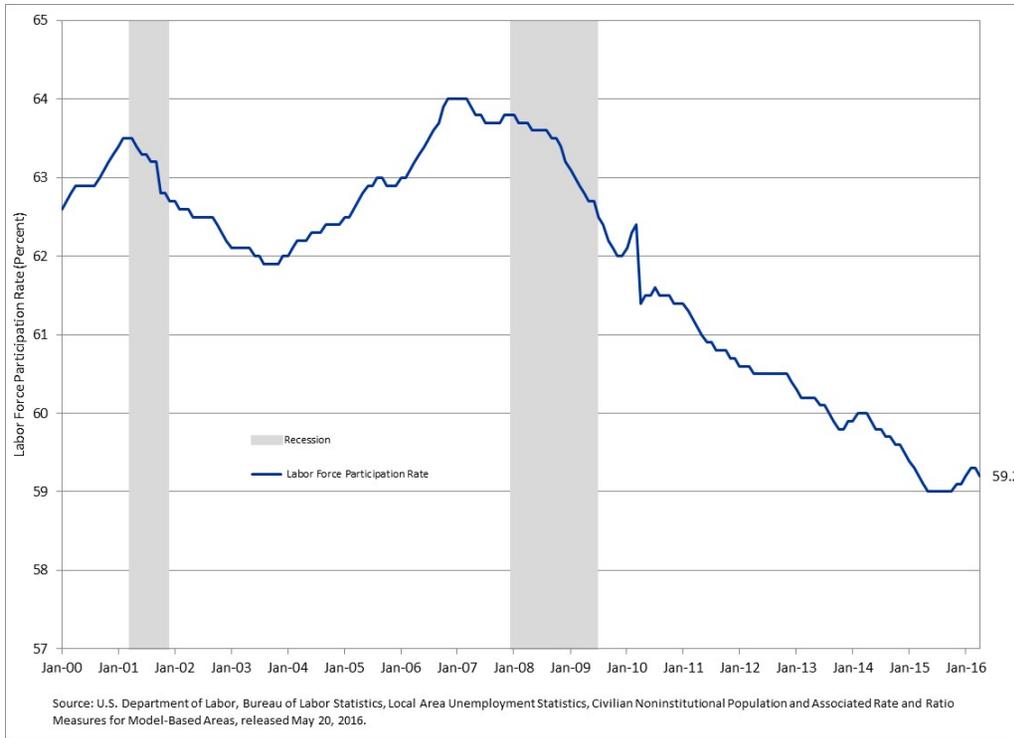
3.1% (March through April 2006)

**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, May 20, 2016.

Florida's Participation Rate...



Florida's labor force participation rate most recently peaked at 64% from November 2006 to March 2007. Since then, the participation rate has been generally declining with a recent low of 59% from May to October 2015.

The reported participation rate was 59.2% in April 2016. Among all unemployed, the share of those reentering the labor force increased from 28.9% in April 2015 to 30.0% in April 2016. In contrast, the share of new entrants in all unemployed declined from 11.9% in April 2015 to 10.7% in April 2016.

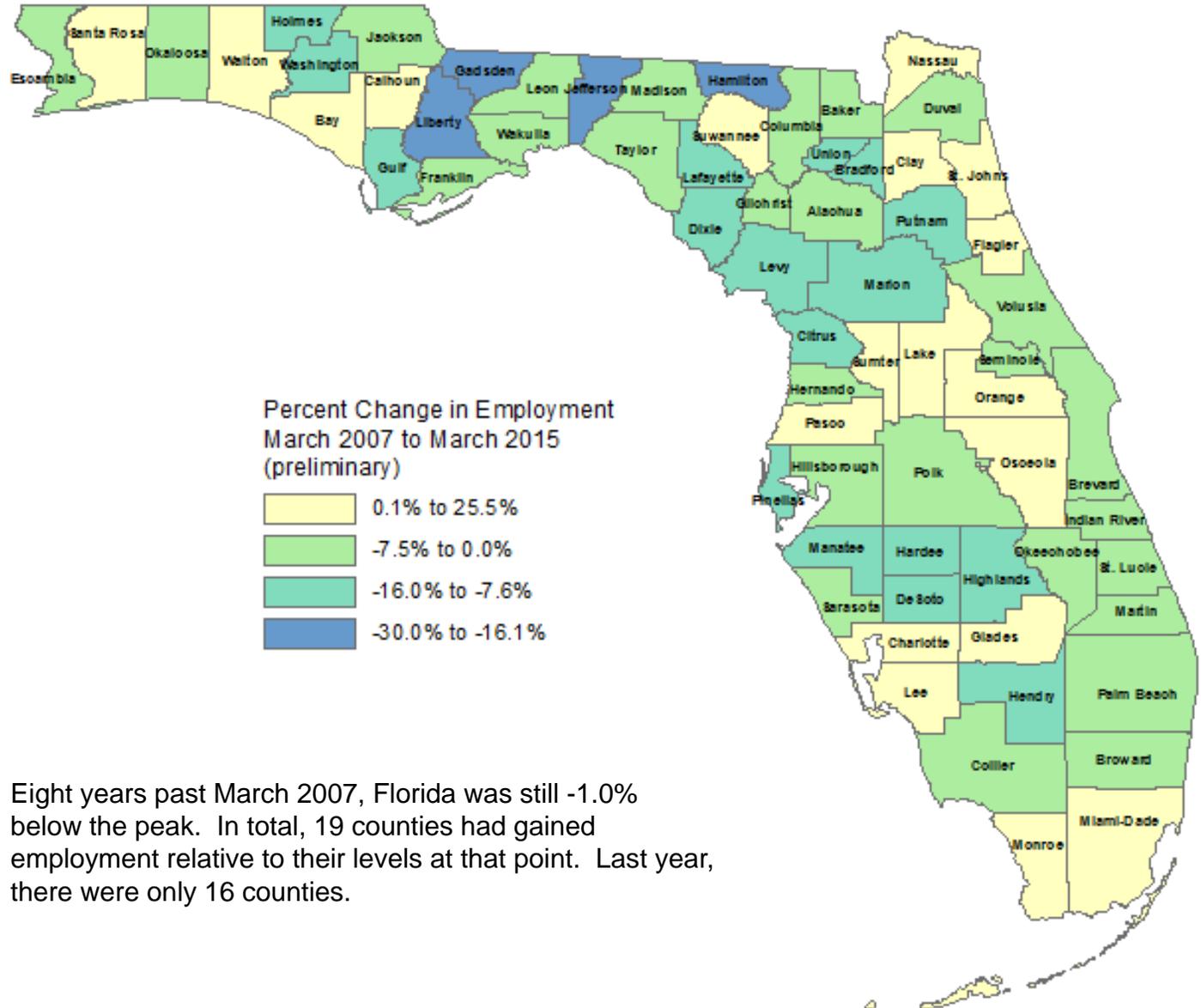
Currently, it is not clear what this data suggests. The increase in the share of reentrants is generally encouraging, while the decline in new entrants sends mixed signals. The data series is limited, but there is some reason to believe that Florida may be returning to an historic norm. However, there is also evidence that labor force participation rate and employment-to population ratio for recent college graduates have declined slightly from 2011 to 2014.

Florida's Job Market

- Florida's job market is still recovering, but—after 8 years—it finally passed its most recent peak. However, passing the previous peak does not mean the same thing today as it did then.
- Florida's prime working-age population (aged 25-54) has been adding people each month, so even more jobs need to be created to address the population increase since 2007.
- It would take the creation of an additional 920,000 jobs for the same percentage of the total population 16 years and over to be working as was the case at the peak. However, a significant number of older Floridians who are currently out of the labor force may never return to work because they are on disability and / or they are now nearing retirement age.
- If the universe is limited to the prime working-age population (aged 25-54), then 370,000 jobs would need to be created for the same percentage of that age group to be working as was the case at the peak.



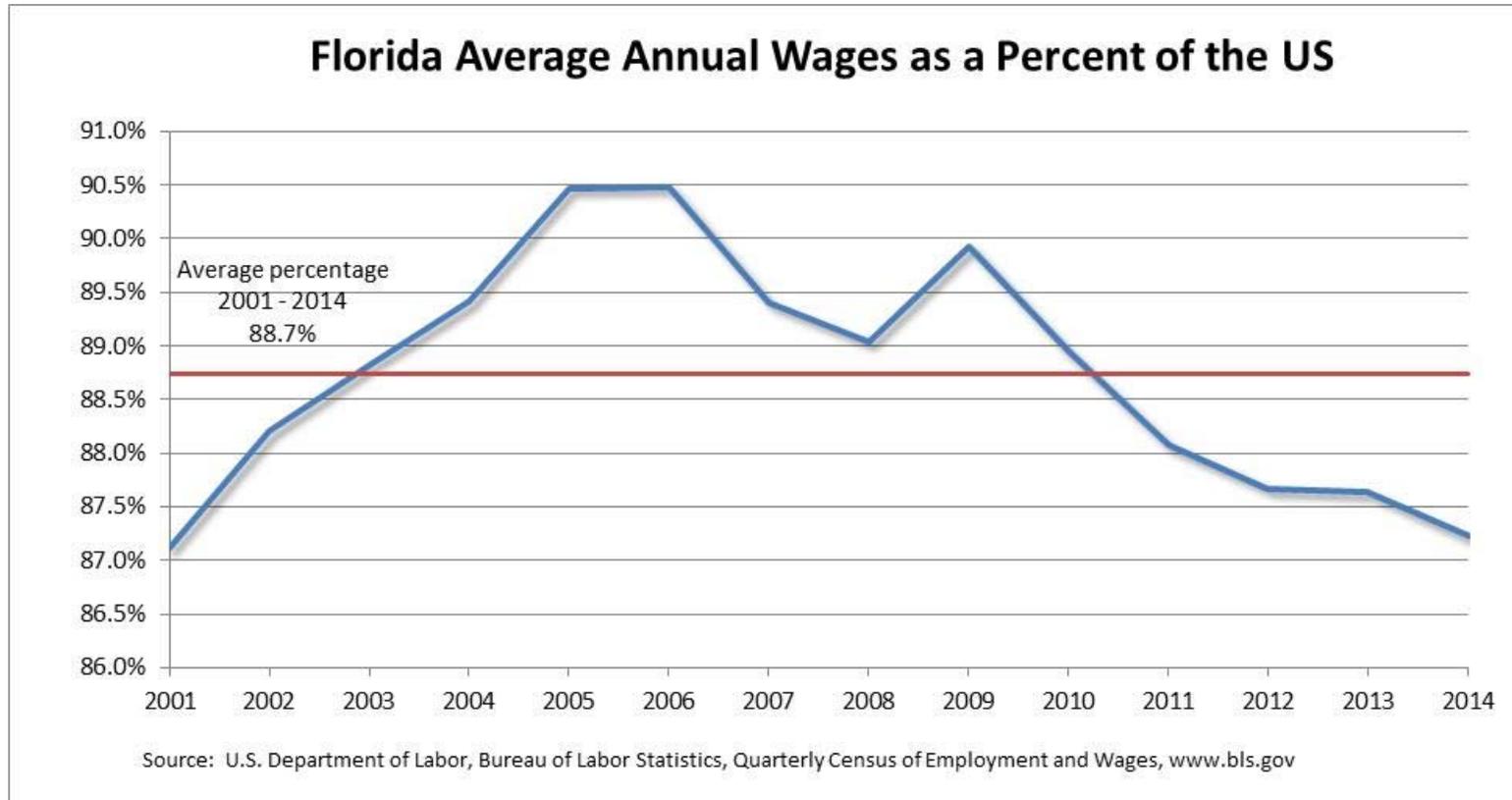
Across the State, Employment Picture Is Mixed...



Eight years past March 2007, Florida was still -1.0% below the peak. In total, 19 counties had gained employment relative to their levels at that point. Last year, there were only 16 counties.

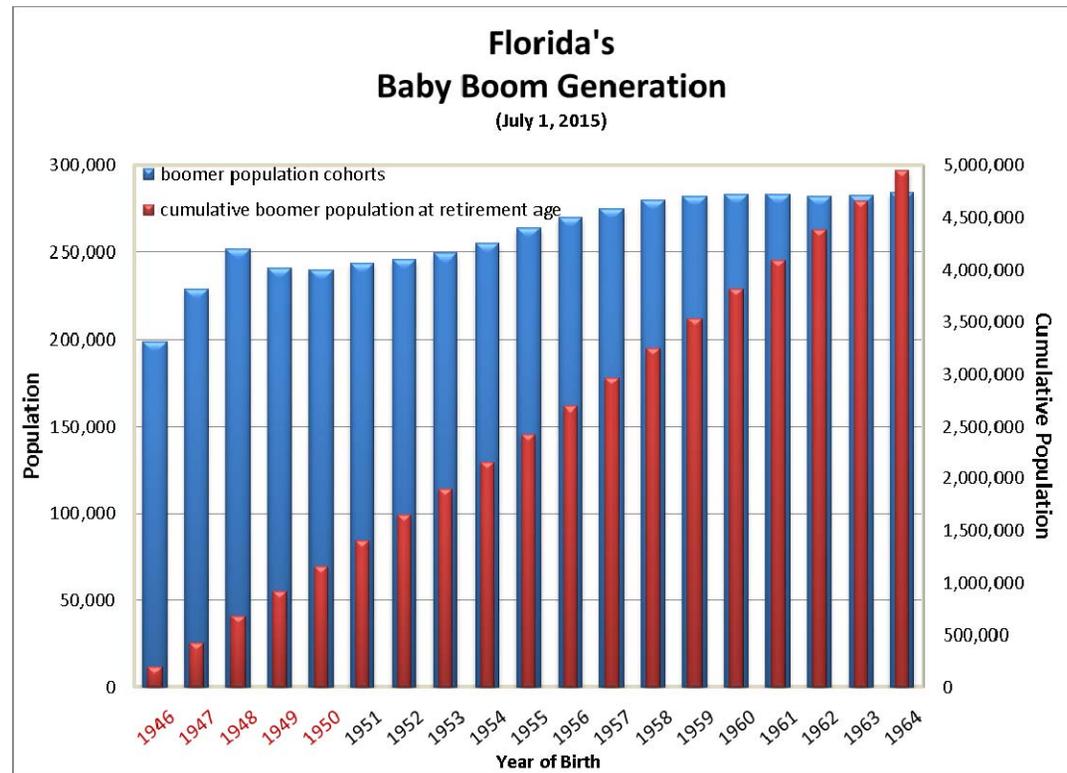


Wage Gap Increased in 2014



Florida's average annual wage has typically been below the US average. The preliminary data for the 2014 calendar year showed that it further declined to 87.2% of the US average; the posting in 2013 was 87.6%. This is Florida's lowest percentage since 2001. Although Florida's wage level actually increased over the prior year, the US average annual wage increased more.

Baby Boomers in FL Today



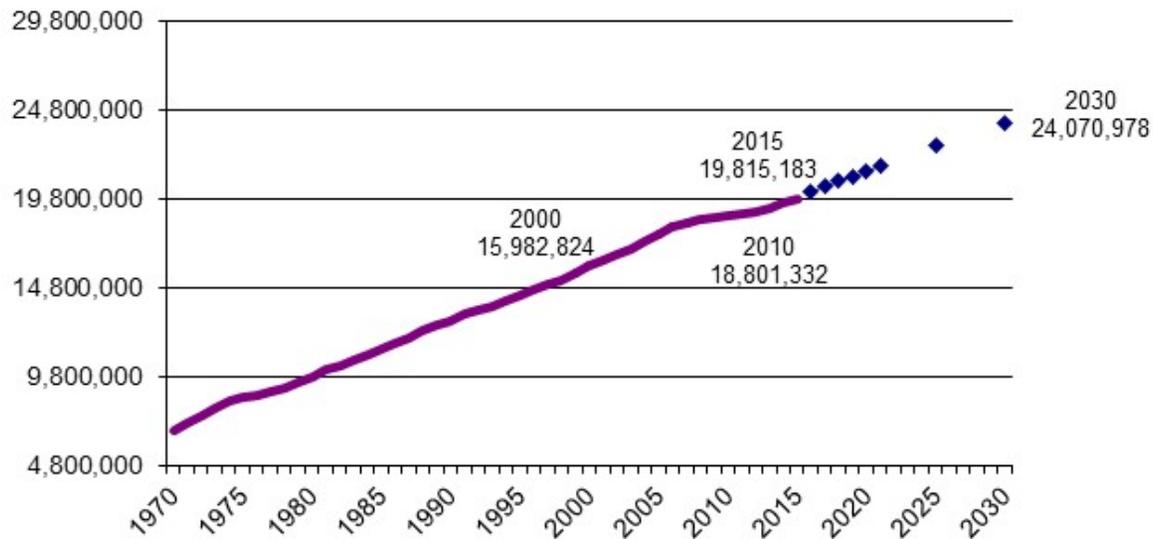
- The first cohort of Baby Boomers became eligible for retirement (turned age 65) in 2011. Only five cohorts have entered the retirement phase: 2011, 2012, 2013, 2014, and 2015. This represents 23.5% of all boomers in Florida today.
- In 2000, Florida's working age population (ages 25-54) represented 41.5 percent of the total population. With the aging Baby Boom generation, this population now represents 38.0 percent of Florida's total population and is expected to represent only 35.8 percent by 2030.

Population Growth Strengthening

- Population growth is the state's primary engine of economic growth, fueling both employment and income growth.
- Florida's population growth is expected to remain above 1.5 percent over the next few years. In the near-term, Florida is expected to grow by 1.59% between 2015 and 2016 – and average 1.52% annually between 2015 and 2020. Most of Florida's population growth through 2030 will be from net migration (94.3%). Nationally, average annual growth will be about 0.75% between 2015 and 2030.
- The future will be different than the past; Florida's long-term growth rate between 1970 and 1995 was over 3%.
- By the end of 2015, Florida broke the 20 million mark. It had surpassed New York earlier in the year to become the third most populous state.



Florida's April 1 Population

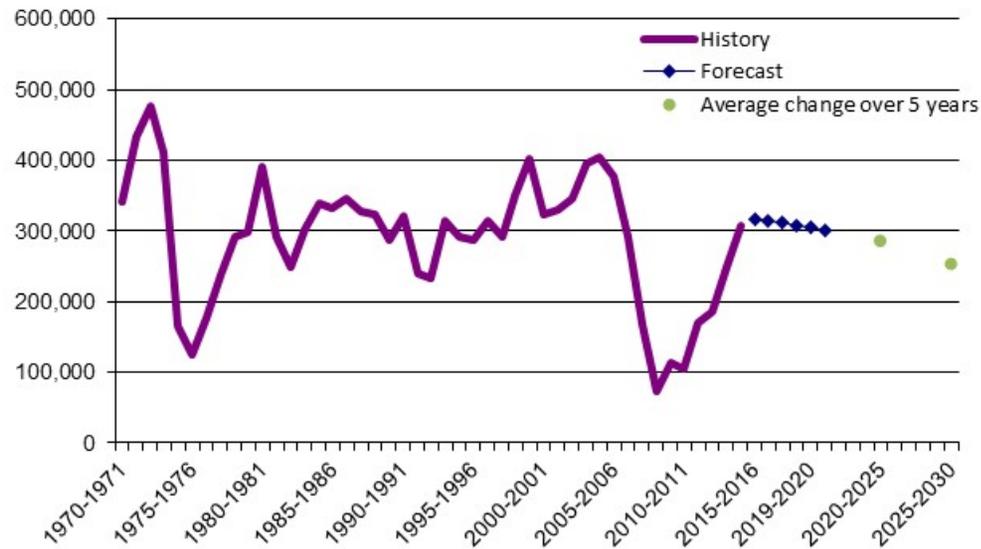


Florida's population:

- was 15,982,824 in 2000
- was 18,801,332 in 2010
- is forecast to grow to 24,070,978 by 2030



Florida's Population Growth



Population:

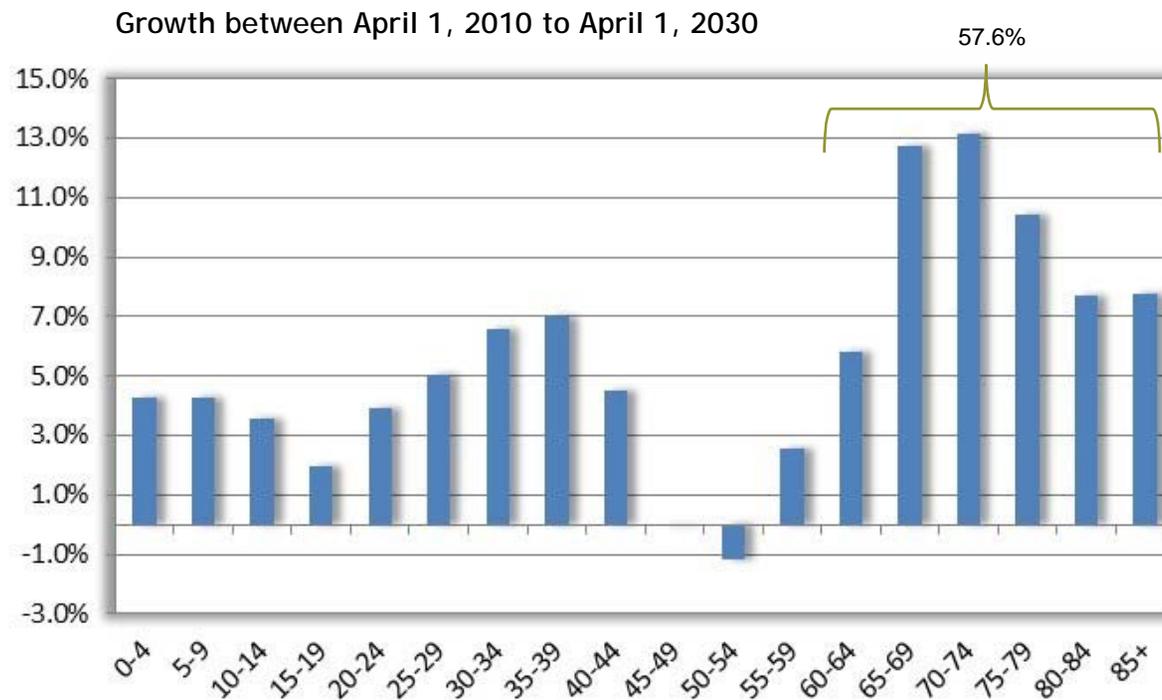
- Average annual increase between 2000 and 2006 was: 361,942
- Average annual increase between 2007 and 2015 was: 171,052

Population is forecast to increase on average by:

- 311,405 between 2015 and 2020 --- a gain of 853 per day
- 285,460 between 2020 and 2025 --- a gain of 782 per day
- 254,294 between 2025 and 2030 --- a gain of 697 per day

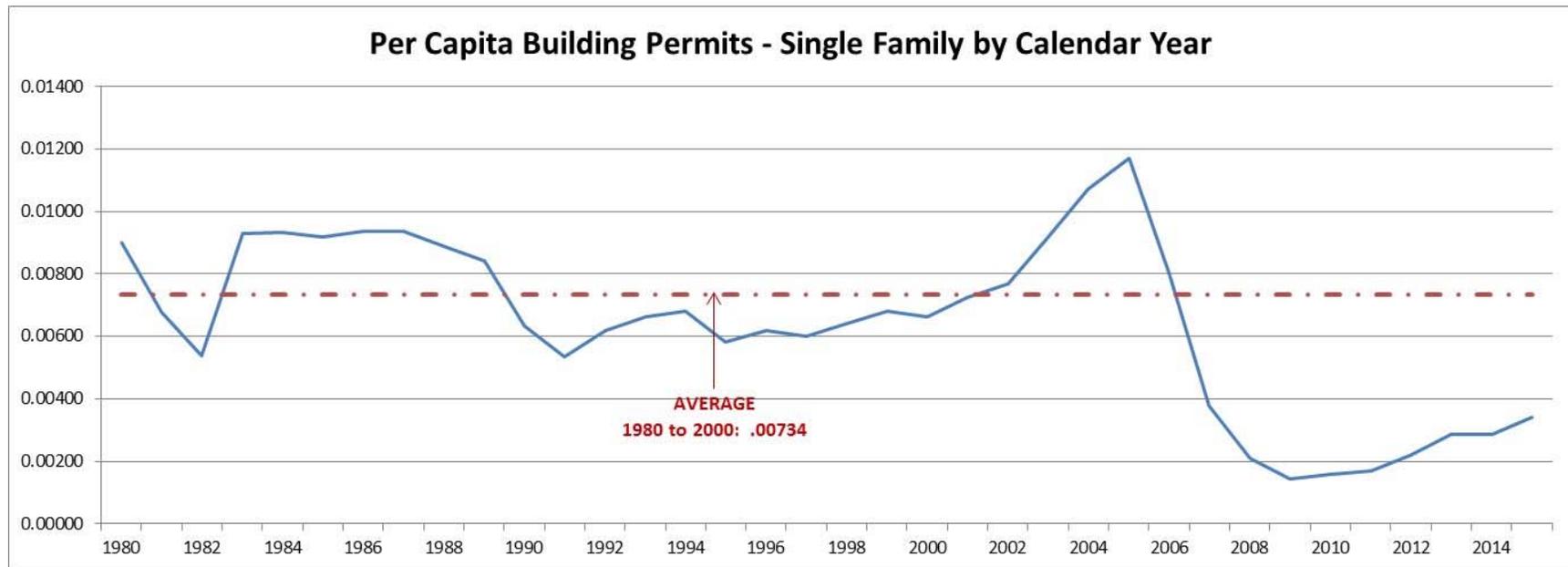
2015	
Orlando	262,949
St. Petersburg	256,681

Population Growth by Age Group



- Between 2010 and 2030, Florida's population is forecast to grow by over 5.2 million persons.
- Florida's older population (age 60 and older) will account for most of Florida's population growth, representing 57.6 percent of the gains.
- Florida's younger population (age 0-17) will account for 13.3 percent of the gains, while the young working age group (25-39) will account for 18.6 percent of the growth.

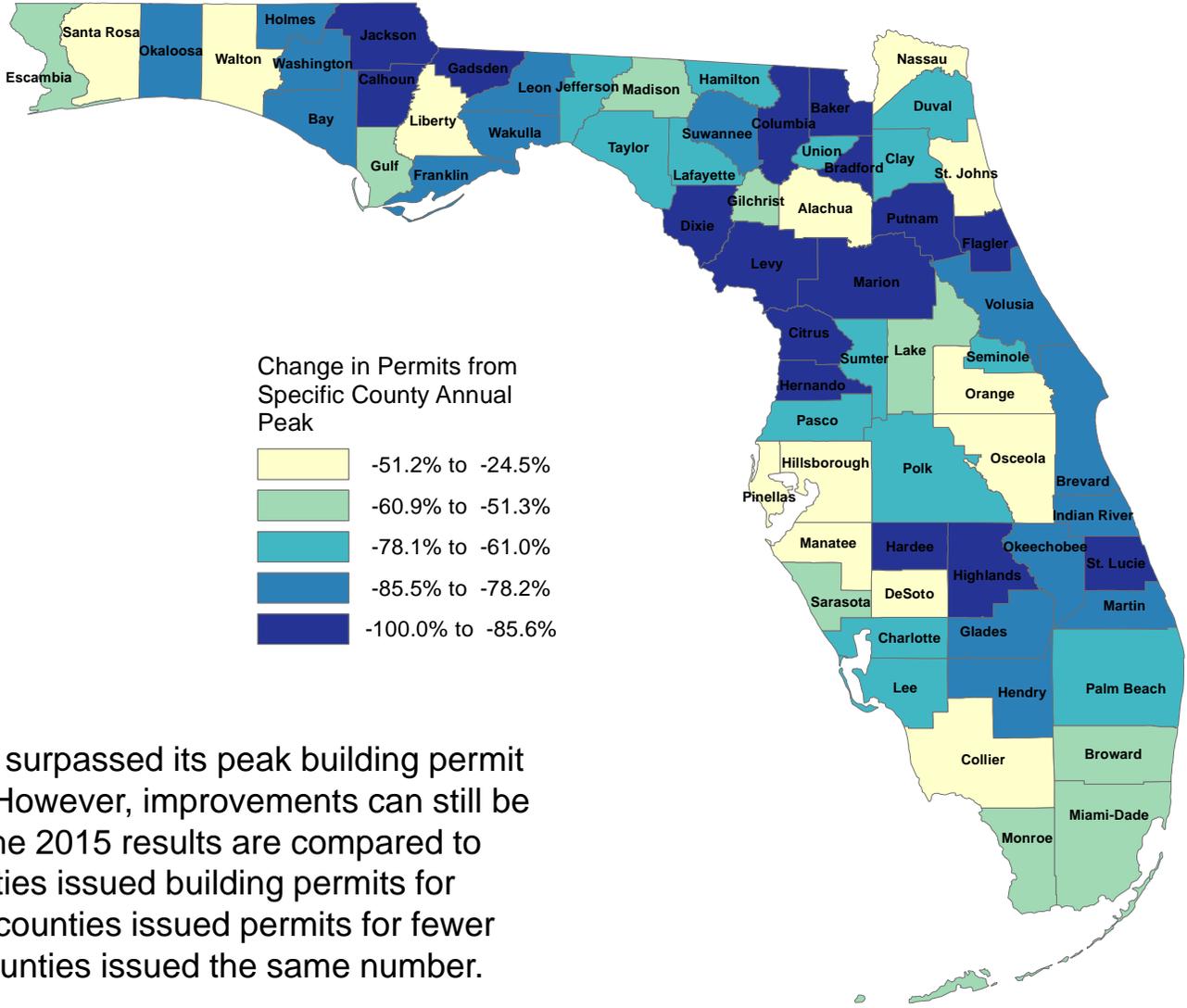
Florida Housing is Generally Improving...



Single-Family building permit activity, an indicator of new construction, remains in positive territory, showing strong back-to-back growth in both the 2012 and 2013 calendar years (over 30% in each year). The final data for the 2014 calendar year revealed significantly slowing (but still positive) activity—posting only 1.6% growth over the prior year. However, calendar year activity for 2015 ran well above the same period in 2014; single family data was higher than the prior year by 20.3%. Despite the strong percentage growth rates in three of the last four calendar years, the level is still low by historic standards—not quite half of the long-run per capita level.

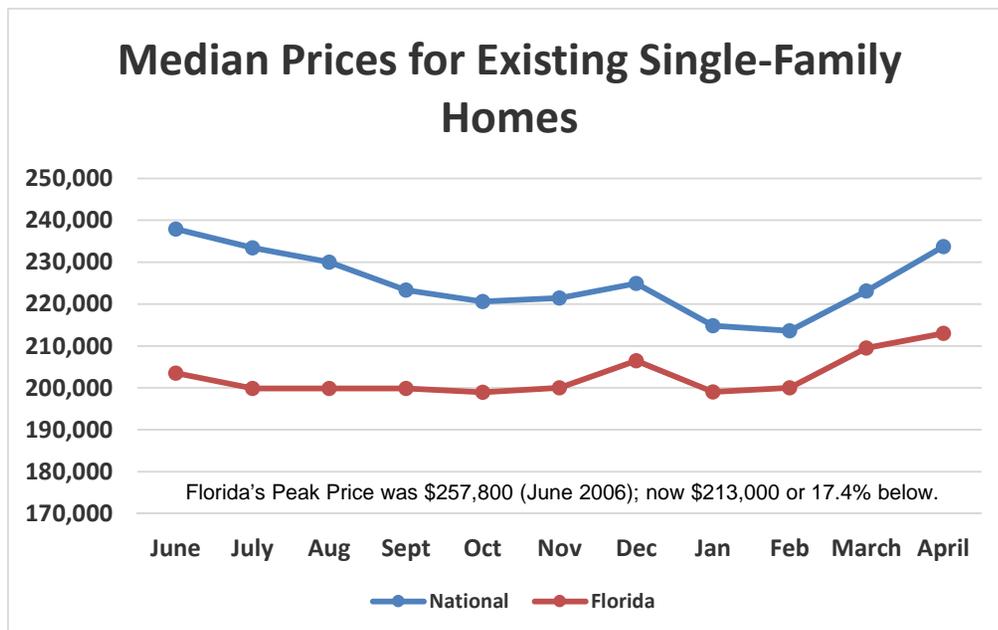
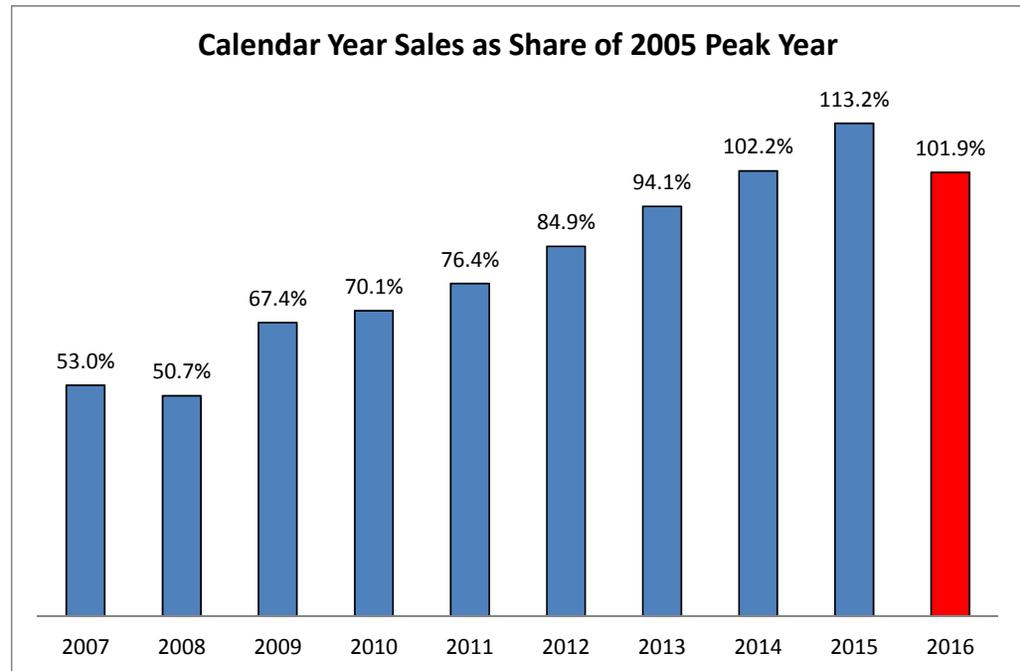
For the first fourth months of the 2016 calendar year, single-family building permit activity was running 16.5% over the same period in the prior year, slightly below the 2015 growth rate.

2015 Building Permit Activity Relative to the County's Peak during the Period 2000-2007



No county has surpassed its peak building permit activity level. However, improvements can still be seen. When the 2015 results are compared to 2014, 53 counties issued building permits for more units, 10 counties issued permits for fewer units, and 4 counties issued the same number.

Existing home sales volume in both 2014 and 2015 exceeded the 2005 peak year; however, the March 2016 level fell below 2005 for the same month for the first time since June 2014. April slightly improved, but the activity in the last four months has been sluggish relative to last year.

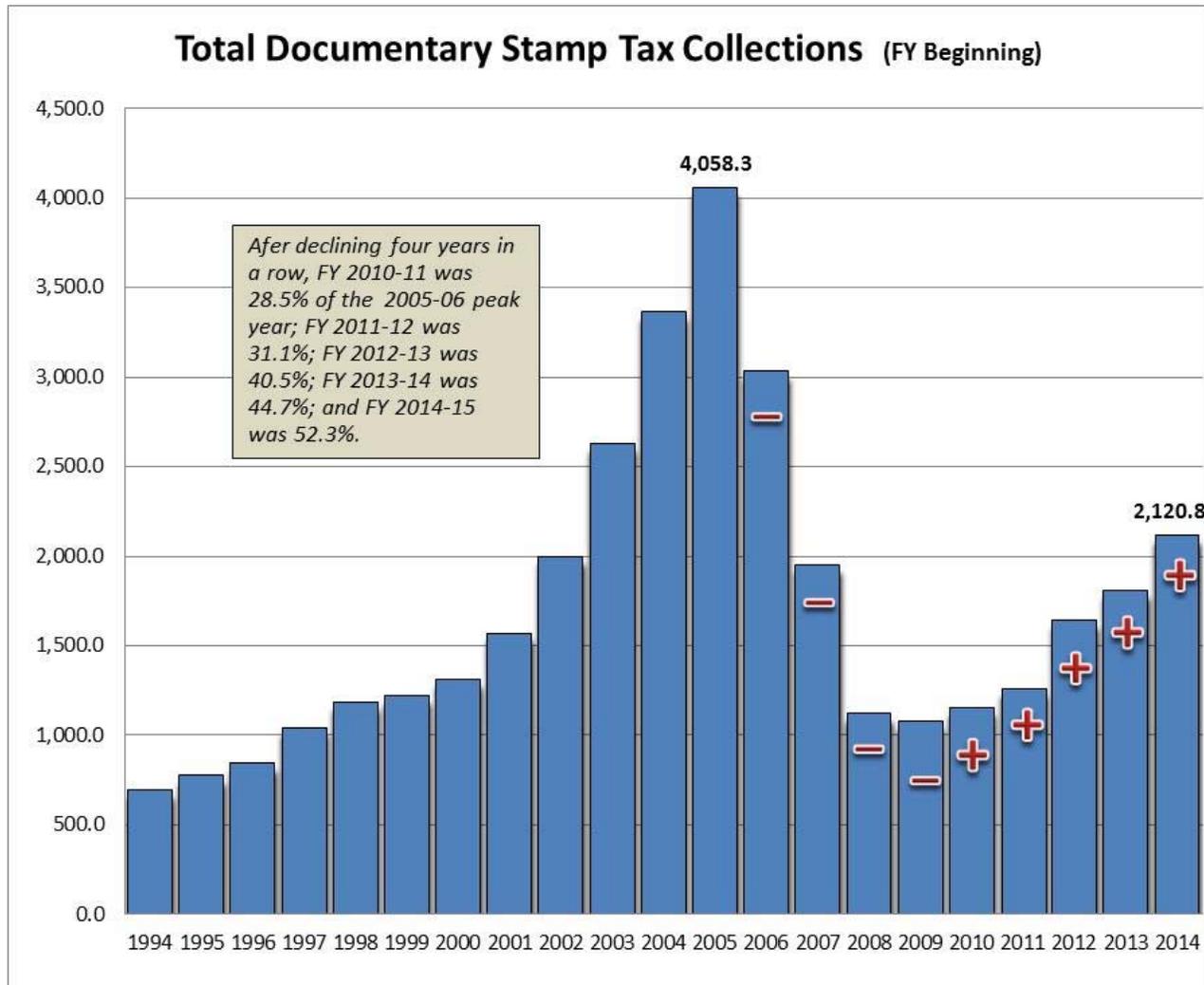


Florida's existing home price gains have roughly tracked national gains over the first four months of 2016, with the state's improvements relative to the US as a whole staying at about the same ratio. The state's median price in April was 91.1% of the national median price.

Data through April 2016

Documentary Stamp Collections

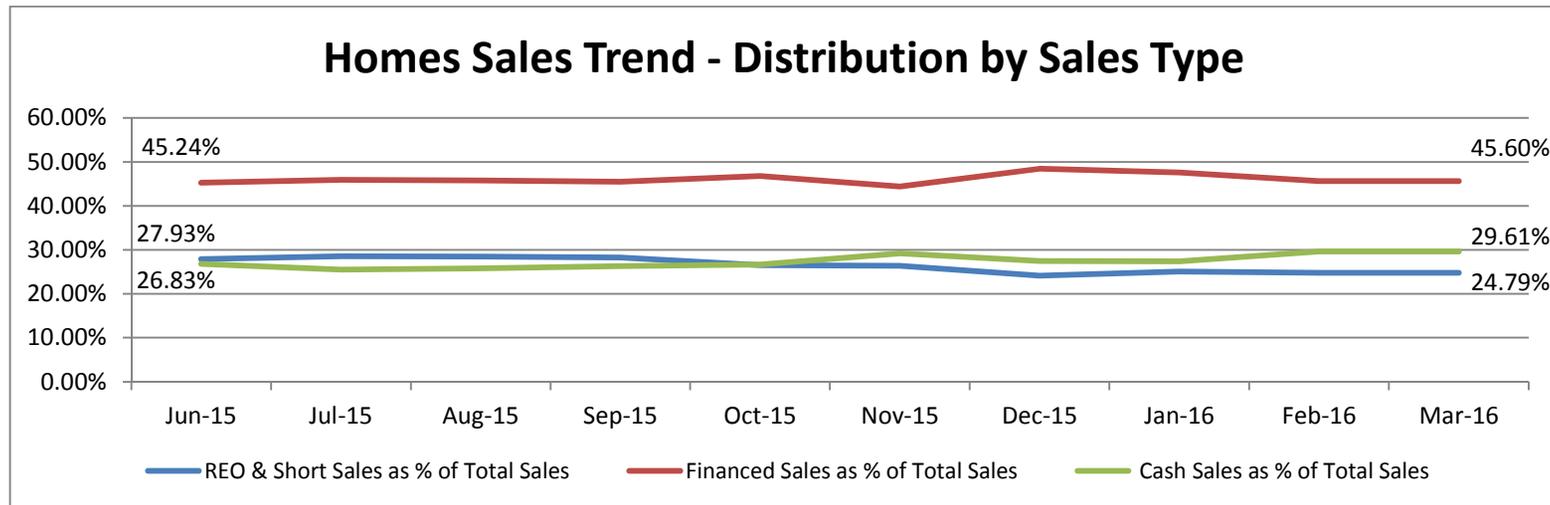
(Preliminary: Reflecting All Activity)



Documentary Stamp Tax collections saw 17.0% growth in FY 2014-15 over FY 2013-14.

Sales Mix Still Points To Subdued Pricing...

**Distressed
Property Discount
37.2%**



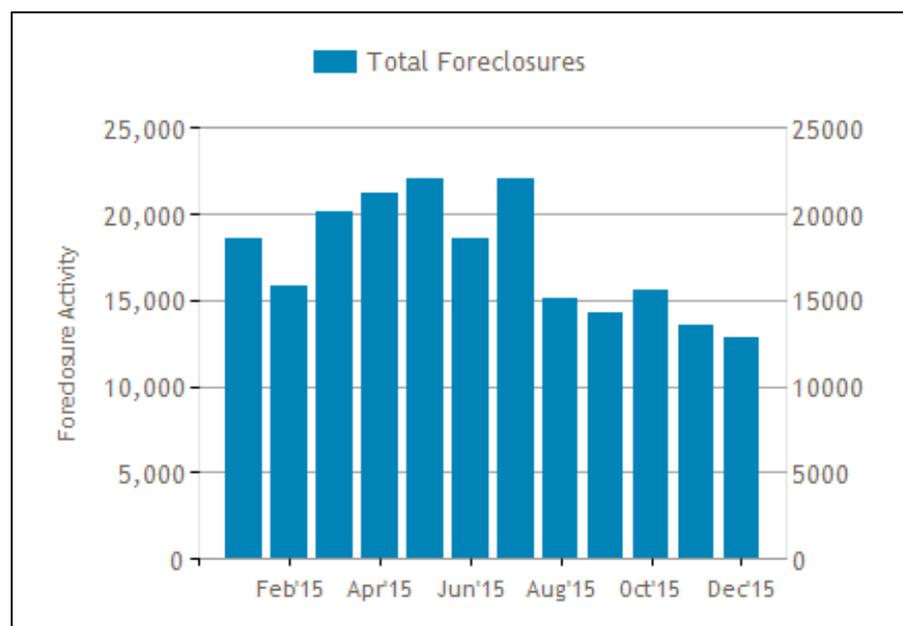
Data from LPS / Black Knight

- Financed Sales ended March 2016 with a higher share than this segment had in March 2015 (45.6% versus 39.3%). The share for REO & Short Sales has drifted downward over this period, and the share for Cash Sales has stayed relatively flat, with some recent upward pressure.
- Subdued pricing leads to a new issue. According to RealtyTrac, “States with the highest share of flips in 2015 were Nevada (8.8 percent); **Florida (8.0 percent)**; Alabama (7.4 percent); Arizona (7.1 percent); and Tennessee (6.9 percent).” The national average was 5.5 percent of all single family home sales in the second quarter of the calendar year; the peak was reached in 2005 at 8.2 percent. The Miami metro area had the most homes flipped of any market in the nation in 2015, with 10,658, representing 8.6 percent of all Miami-area home sales for the year and up 4 percent as a share of all sales from 2014.

Foreclosures Less of a Florida Issue...

Calendar Year 2015...

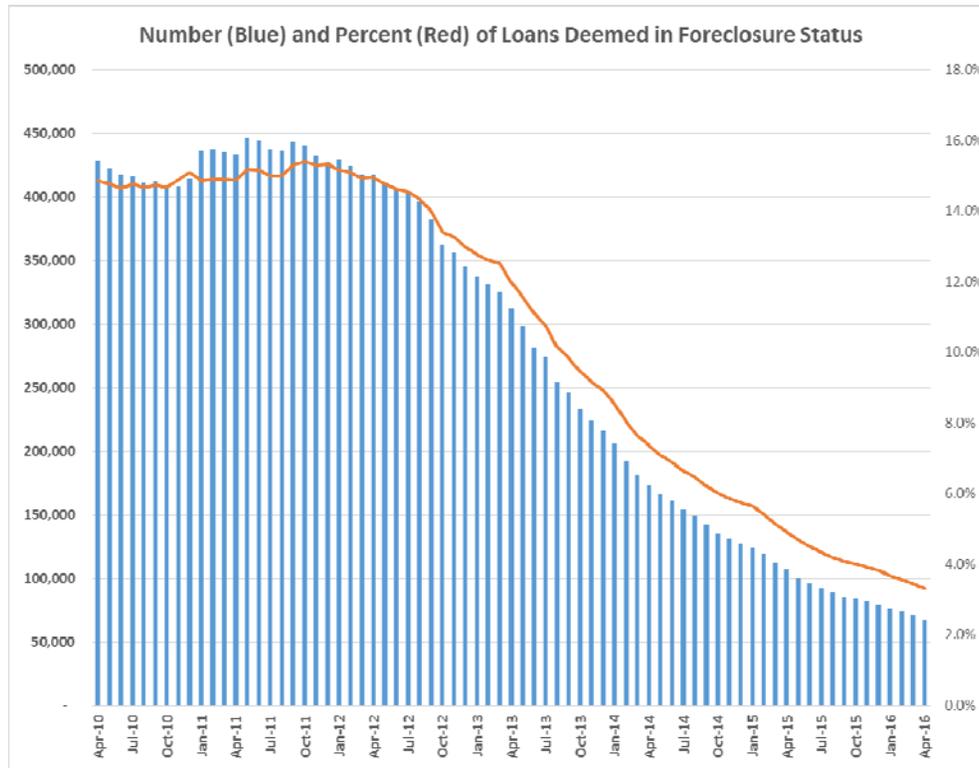
- Florida had the second highest State Foreclosure Rate. Florida's foreclosure rate ranked in the Top 5 each month in 2015.
- Metro areas with the highest foreclosure rates in 2015 were Atlantic City, New Jersey (3.43 percent of housing units with a foreclosure filing); Trenton, New Jersey (2.14 percent); **Tampa Bay-St. Petersburg-Clearwater, Florida (2.03 percent); Jacksonville, Florida (2.02 percent); and Miami (1.98 percent).**



Data from RealtyTrac

- U.S. properties foreclosed in the first quarter of 2016 had been in the foreclosure process an average of 625 days, down slightly from 629 days in the previous quarter but still up 1 percent from the average of 620 days in the first quarter of 2015.
- Florida's average time to complete foreclosures was 1,018 days. At the beginning of 2007, Florida was at 169 days or less than 6 months—now 2.8 years.

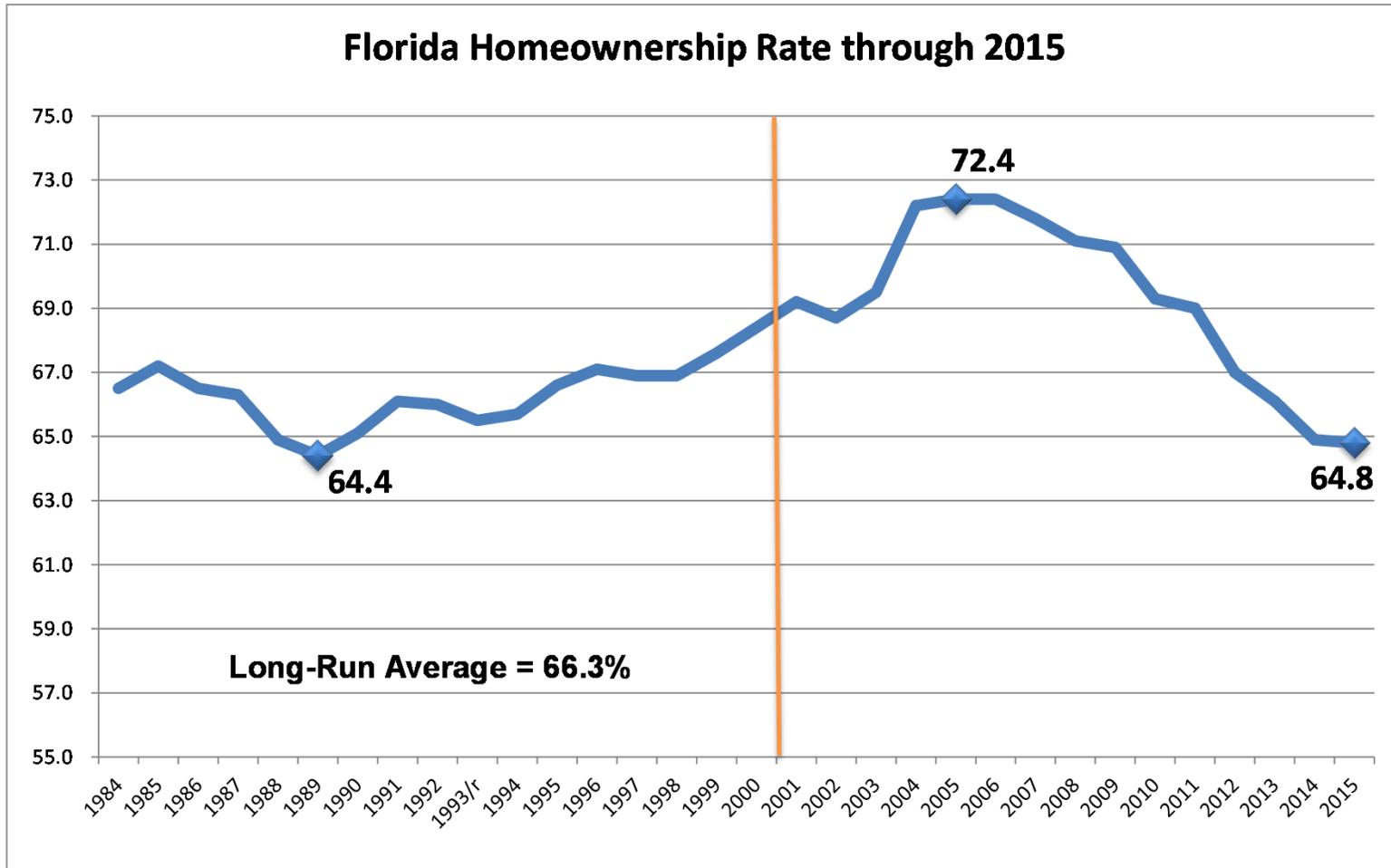
Foreclosures & Shadow Inventory



Nationally—and in Florida—the foreclosure inventory is expected to normalize by the end of the 2018 calendar year. Judicial states are taking the longest time to recover. *[Mortgage Monitor, March 2016]*

- Florida has been helped by decreasing delinquencies and non-current loans which limit the incoming pipeline, rising home values and employment, and reduced numbers of “underwater” homes. Florida’s “underwater” homes declined from a high of 50% of all residential mortgages to less than 10% in the most recent data. According to Black Knight’s Mortgage Monitor for June 2015, Florida saw the second largest volume reduction of underwater borrowers since the beginning of the calendar year.
- However, a significant share of the remaining foreclosable homes have been delinquent for a long time—again according to Black Knight, 37% of loans more than 5 years delinquent in Florida are not yet actively involved in the foreclosure process.

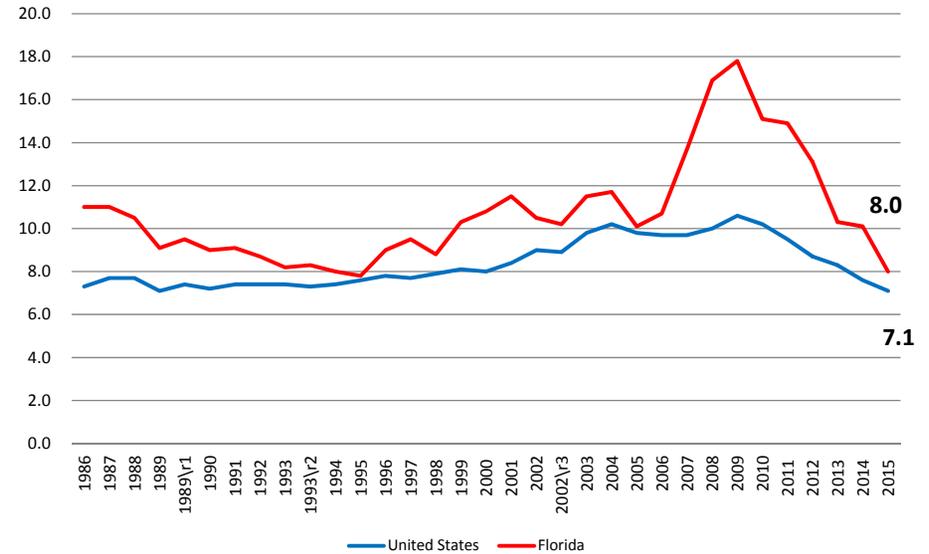
Homeownership Rate Below Normal



The 2015 percentage of 64.8 is the lowest since 1989, and it's below the long-term average for Florida. First-quarter data for 2016 shows a further decline to 64.7%.

Residential Rental Vacancies Tightening Strongly in 2015; Price Pressure Starting to Appear

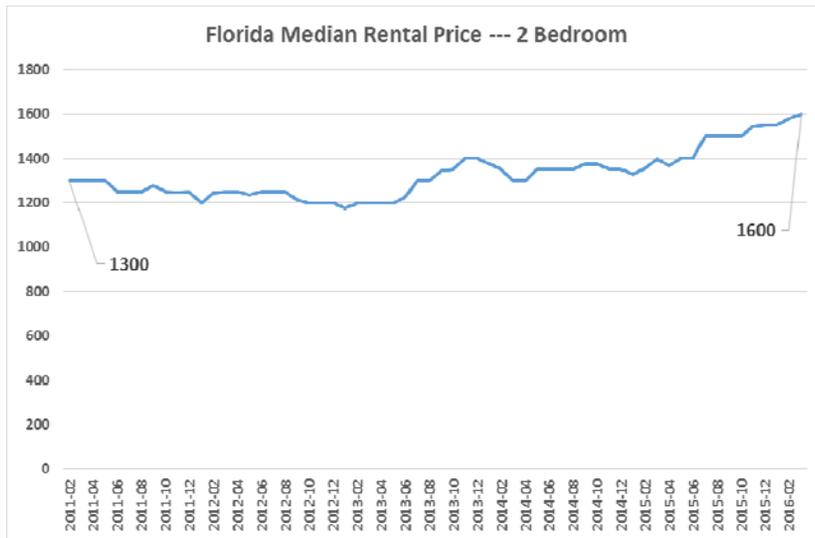
Rental Vacancy Rates
Longrun Average Percent: US---8.4; FL---10.7



Median Gross Rent

Average Gross Rent

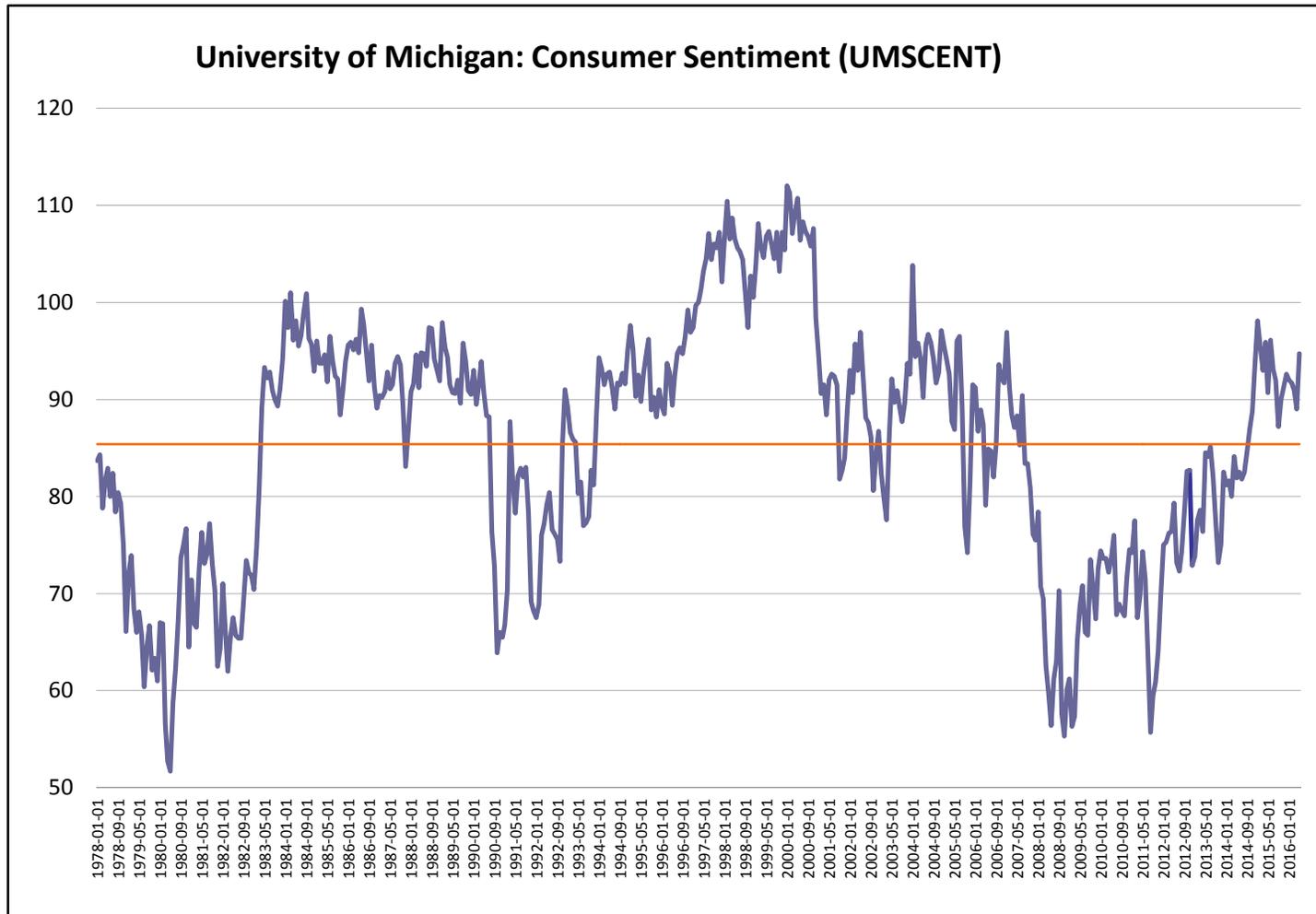
Year	United States	Florida	Florida relative to United States	United States	Florida	Florida relative to United States
2005	728	809	111%	803	863	107%
2006	763	872	114%	844	932	110%
2007	789	925	117%	878	991	113%
2008	824	947	115%	919	1,015	110%
2009	842	952	113%	938	1,024	109%
2010	855	947	111%	954	1,017	107%
2011	871	949	109%	973	1,027	106%
2012	884	954	108%	990	1,037	105%
2013	905	972	107%	1,016	1,050	103%
2014	934	1,003	107%	1,047	1,087	104%



Zillow Rental Data: Median Rent List Price, 2-bedroom

Source: U.S. Census Bureau, American Community Survey, 1-Year, 2005-2014.

Consumer Perceptions Off From High



Nationally, the sentiment reading for May 2016 (94.7) notably improved. The reading is well above the index average since inception (85.4) even though the readings had been retreating every month since December 2015. At 98.1, January 2015 had the highest recorded reading 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 another year to climb completely out of the hole left by the recession. In the various forecasts, normalcy has been largely achieved by the end of FY 2016-17. Overall...

- The recovery in the national economy is nearing completion. While most areas of commercial and consumer credit have significantly strengthened – residential credit for purchases still remains somewhat difficult for consumers to access with a weighted average credit score of 751 and LTV of 81 percent. Student loans and recently undertaken auto debts appear to be affecting the ability to qualify for residential credit.
- By the close of the 2014-15 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), some employment sectors 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 2021-22.

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.

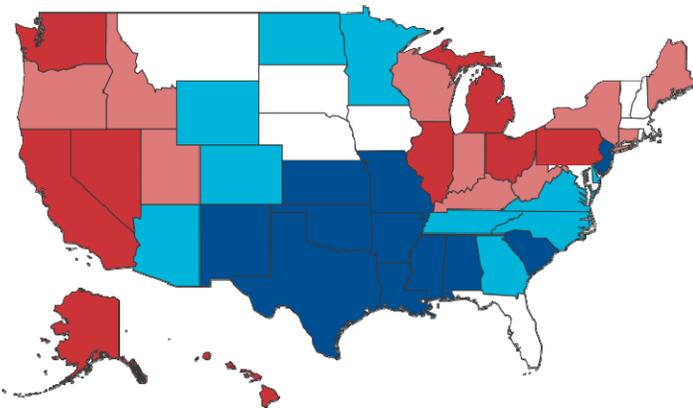
More Buyers...

- In 2015, the first wave of homeowners affected by foreclosures and short sales are past the seven-year window generally needed to repair credit.
- While there is no evidence yet, atypical household formation will ultimately unwind—driving up the demand for housing.

Low Gas Prices Were A Windfall...

Florida Average Prices	Regular
Current Avg.	\$2.336
Year Ago Avg.	\$2.581
Highest Recorded Avg.	\$4.079

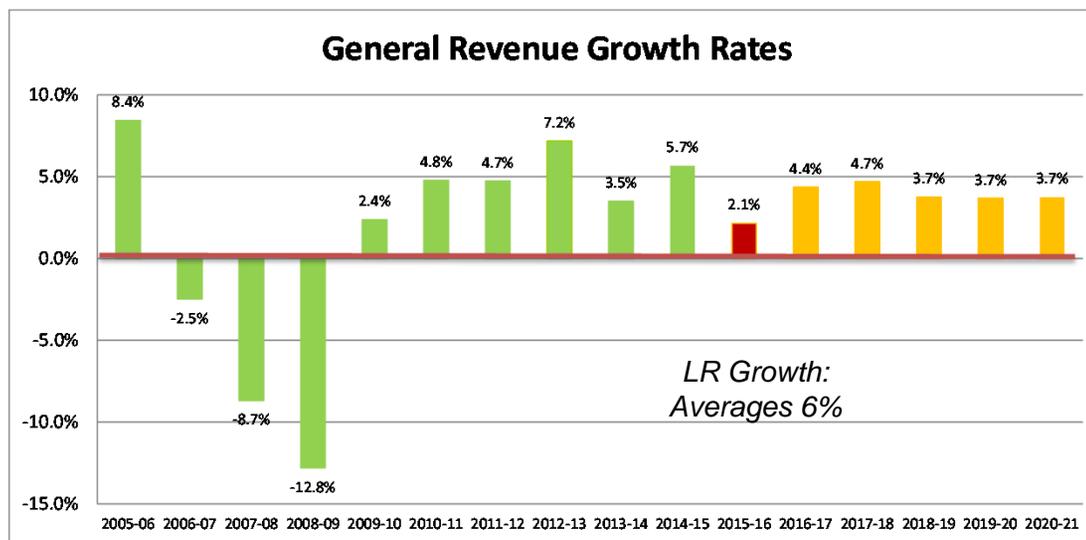
Prices updated by AAA as of 6/3/2016 3:45am



- OPEC's continued inaction has allowed gas prices to remain low.
- Consumers in Florida have generally treated the lower gas prices as a one-time windfall or dividend, boosting consumer spending.
- IHS (Global Insight) has estimated that Americans spent approximately \$750 per household less on motor fuel in 2015 than they did in 2014. For Florida, this meant approximately \$5.86 billion in additional spending. If 100% of it was spent on taxable sales, this amount equates to over \$350 million in additional sales taxes --- a significant part of the change to the Summer 2015 forecast.
- IHS now projects that households will spend \$380 less at the pump in 2016 than they did in 2015.
- However, prices have fallen so low that the negative effects on the world economy have begun to dominate the positives.

General Revenue Forecast

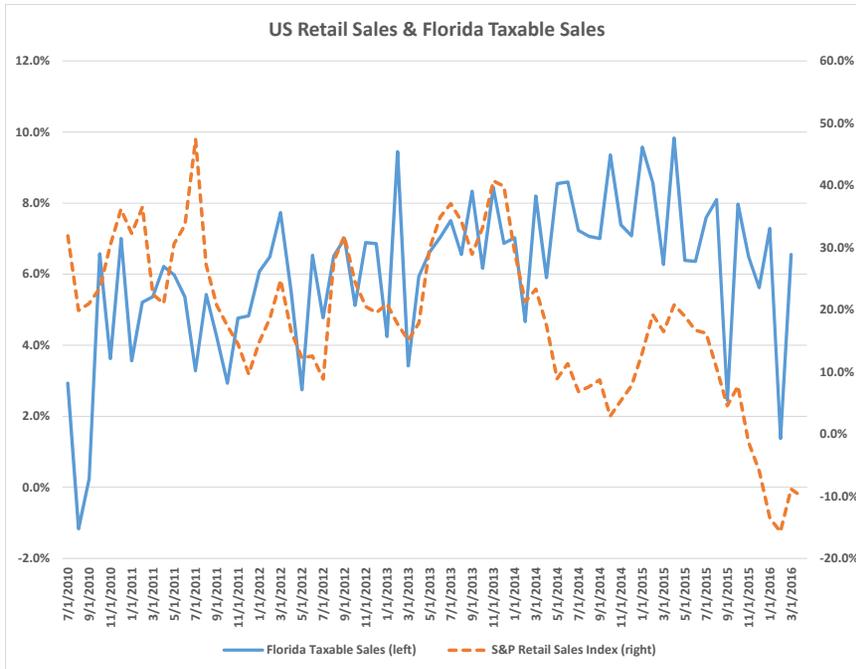
The growth rates for FY 2012-13 and FY 2013-14 are slightly distorted by the receipt of the \$200.1 million deposit from the National Mortgage Settlement Agreement. After adjusting for this deposit, the underlying growth rates are 6.3% and 4.7%, respectively.



Fiscal Year	Aug 2015 Forecast	Jan 2016 Forecast	Difference	Incremental Growth	Growth
2005-06	27074.8	27074.8	0.0	670.7	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	-3016.5	-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	1696.8	7.2%
2013-14	26198.0	26198.0	0.0	883.4	3.5%
2014-15	27681.1	27681.1	0.0	1483.1	5.7%
2015-16	28,414.1	28,274.8	(139.3)	593.7	2.1%
2016-17	29,756.2	29,507.0	(249.2)	1232.2	4.4%
2017-18	31,189.3	30,889.4	(299.9)	1382.4	4.7%
2018-19	32,305.4	32,044.5	(260.9)	1155.1	3.7%
2019-20	33,512.8	33,223.8	(289.0)	1179.3	3.7%
2020-21	34,732.1	34,467.6	(264.5)	1243.8	3.7%

In FY 2014-15, General Revenue collections surpassed the prior peak in 2005-06 for the first time since then. After slowing in FY 2015-16, steady growth is expected to continue throughout the forecast.

US Retail Sales & Florida Taxable Sales



- The change over the same month in the prior year has run consistently negative in the national S&P Retail Select Industry Index since November 2015.
- Since the beginning of the fiscal year, Florida's taxable sales have remained positive for the same month over the prior year, even though they have exhibited a similar pattern as the Index. The Florida fluctuations are greater than the prior two years.

