Key Economic Variables Improving

Simplified Flow Of Major Drivers

- Global & National Economic Conditions
- Population Growth
- Tourism
- Employment Growth
- Credit Market (+ or -)
- New Construction
- FL Economy

Flow Diagram:

- Global & National Economic Conditions → Tourism
- Population Growth: Net Migration → Employment Growth
- Tourism → Employment Growth
- Employment Growth → Credit Market (+ or -)
- Credit Conditions Improving → FL Economy
- New Construction:
  - Inventory of Foreclosures, Unsold Homes & Commercial Space
  - Residential Credit Still Stressed
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 18th in the nation with a real growth gain of 2.2%, moving Florida above the slowing national average of 1.8%.
In the latest data, Florida finished the first quarter of the 2014 calendar year with 0.8% growth over the preceding quarter, equaling the national growth rate and ranking 23\textsuperscript{rd} among all states. In contrast, the results for the entire 2013 calendar year had shown that Florida was ranked 13\textsuperscript{th} in the country with personal income growth of 2.9% which was higher than the national average of 2.6%.
Current Employment Conditions

Seasonally Adjusted Nonfarm Jobs
Percent Change from Same Month Prior Year

May Nonfarm Jobs (YOO)
- US: 1.7%
- FL: 2.9%
- YR: 218,800 jobs
- Peak: -291,400 jobs

May Unemployment Rate
- US: 6.3%
- FL: 6.3% (605,930 people)

Highest Monthly Rate
- 11.4% (December 2009 through March 2010)

Lowest Monthly Rate
- 3.3% (January through August 2006)
Improving job prospects are likely encouraging people to rejoin the labor force. May marked the fifth consecutive month of increases in the participation rate. In this case, an uptick in the unemployment rate would be a strong indicator of an improving economy.

Labor Force Changes Affect Unemployment Rate

The reported unemployment rate has dropped from 9.5% to 6.3% from 12/11 to 5/14 -- a change of 3.2 percentage points. If the participation rate had held steady since 12/11, the unemployment rate would have been 6.2%. Currently, less than 5% of the drop in the unemployment rate is due to people dropping out of the labor force or delaying entrance compared to 83% previously reported for September 2012.

Florida’s labor force participation rate has been increasing since December 2013 and reached 60.8% in May 2014. During the same time period, the number of unemployed that are reentering the labor force and their share of all unemployed has increased as well (12-month moving averages).
Florida’s Job Market

- The job market will take a long time to recover – about 291,400 jobs are still missing 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 3,400 people per month, so the hole is deeper than it looks.

- It would take the creation of about 750,000 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...

Six years past March 2007, Florida was still -6.8% below the peak. In total, ten counties had gained employment relative to their levels at that point. Last year, there were only eight.
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 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.
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 1.3% between 2013 and 2015 – and then strengthen to a slightly higher 1.4% between 2015 and 2020. Most of Florida’s population growth through 2030 will be from net migration (92.1%). 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 population:
- was 15,982,824 in 2000
- was 18,801,332 in 2010
- is forecast to grow to 23,785,174 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:
- 254,734 between 2013 and 2015 --- a gain of 698 per day
- 283,293 between 2015 and 2020 --- a gain of 776 per day
- 268,637 between 2020 and 2025 --- a gain of 736 per day
- 251,302 between 2025 and 2030 --- a gain of 688 per day

<table>
<thead>
<tr>
<th>Year</th>
<th>City</th>
<th>Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>Orlando</td>
<td>250,415</td>
</tr>
<tr>
<td></td>
<td>St. Petersburg</td>
<td>249,704</td>
</tr>
<tr>
<td></td>
<td>Hialeah</td>
<td>229,766</td>
</tr>
</tbody>
</table>
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.
Only three cohorts have entered the retirement phase: 2011, 2012 and 2013.

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 36.2 percent by 2030.
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 strong, 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. Data for the first five calendar months of 2014 indicate significant slowing in activity. Year-to-date activity for single-family residences is running below last year for the same period.
2013 Building Permit Activity Relative to the County’s Peak during the Period 2000-2007

Change in Permits from Specific County Annual Peak

-50.9% to -23.6%
-69.8% to -51.0%
-82.8% to -69.9%
-93.0% to -82.9%
-98.0% to -93.1%
Existing Home Sales Volume Has Slowed Over The Past Few Months...

While Existing Home Price Gains Have Flattened.

Data through May 2014
Documentary Stamp Collections
(Reflecting All Activity)

Total Documentary Stamp Tax Collections (FY Beginning)

Documentary Stamp Tax collections have fallen below the 2013 level for the first five months of the 2014 calendar year.
Sales Mix Still Points To Lower Prices

Data from LPS: Lender Processing Services

- Financed sales ended April 2014 at virtually the same share they had July 2013; REO & Short Sales have slightly declined over the year; and the percentage for cash sales has drifted slightly upwards. The three data points have nearly converged over the past year.

- While short sales have been significantly increasing in some states, that is not yet the case in Florida where the share of total sales is high but not relative to a year ago. There were 6,419 short sales in April 2013, and 4,384 in April 2014. To the extent short sales increase, the foreclosure pipeline will be reduced.

Distressed Property Discount 36.2%
Foreclosures Are Still An Issue

May 2014...
• Highest State for # of Filings
• Highest State for Foreclosure Rate
• Among US Metro Area rates: 8 of the top 10 highest metro rates in the nation were in Florida.

Palm Bay-Melbourne-Titusville  #1
Deltona-Daytona Beach-Ormond Beach  #2
Orlando-Kissimmee  #3
Lakeland  #4
Port St. Lucie  #5
Ocala  #6
Tampa-St. Petersburg-Clearwater  #7
Miami-Fort Lauderdale-Pompano Beach  #8

Data from RealtyTrac
Days to Foreclose

Foreclosure Process (once begun)
• 935 Days – 2.6 yrs – in Florida
  (3rd Longest Period in Nation in 2014:Q1)
• At the beginning of 2007, Florida was at
  169 days or less than 6 months.

Data from RealtyTrac
After being ranked first for many months, Florida has now moved to third place among states for non-current mortgages (a measure of delinquencies and foreclosures). A major part of this shift is a slowing of newly delinquent homes. Florida’s “underwater” homes declined from a high of 50% of all residential mortgages to below 20% 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 first quarter of the 2014 calendar year has moved back to 66.9%
Residential Rental Vacancies Begin to Tighten; Price Pressure Yet to Appear

Florida Median Gross Rent as Percent of U.S.

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Median Gross Rent</th>
<th>Florida as % of U.S.</th>
<th>Average Gross Rent</th>
<th>FL Relative To US</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>U.S.</td>
<td>FL</td>
<td>FL as % of U.S.</td>
<td>U.S.</td>
</tr>
<tr>
<td>2005</td>
<td>728</td>
<td>809</td>
<td>1.11</td>
<td>755</td>
</tr>
<tr>
<td>2006</td>
<td>763</td>
<td>872</td>
<td>1.14</td>
<td>793</td>
</tr>
<tr>
<td>2007</td>
<td>789</td>
<td>925</td>
<td>1.17</td>
<td>826</td>
</tr>
<tr>
<td>2008</td>
<td>824</td>
<td>947</td>
<td>1.15</td>
<td>868</td>
</tr>
<tr>
<td>2009</td>
<td>842</td>
<td>952</td>
<td>1.13</td>
<td>886</td>
</tr>
<tr>
<td>2010</td>
<td>855</td>
<td>947</td>
<td>1.11</td>
<td>902</td>
</tr>
<tr>
<td>2011</td>
<td>871</td>
<td>949</td>
<td>1.09</td>
<td>920</td>
</tr>
<tr>
<td>2012</td>
<td>884</td>
<td>954</td>
<td>1.08</td>
<td>937</td>
</tr>
</tbody>
</table>
Credit Conditions Sending Mixed Messages

*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?

<table>
<thead>
<tr>
<th>Credit Conditions</th>
<th>Apr '14</th>
<th>Jan '14</th>
<th>Oct '13</th>
<th>July '13</th>
<th>Apr '13</th>
<th>Jan '13</th>
<th>Oct '12</th>
<th>July '12</th>
<th>Apr '12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tightened considerably</td>
<td>0.0%</td>
<td>1.4</td>
<td>1.4</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>1.6</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Tightened somewhat</td>
<td>14.3%</td>
<td>8.5</td>
<td>4.3</td>
<td>3.0</td>
<td>1.6</td>
<td>1.5</td>
<td>3.1</td>
<td>1.6</td>
<td>5.6</td>
</tr>
<tr>
<td>Remained basically unchanged</td>
<td><strong>72.9%</strong></td>
<td><strong>81.7%</strong></td>
<td><strong>79.7%</strong></td>
<td><strong>86.6%</strong></td>
<td><strong>89.1%</strong></td>
<td><strong>92.3%</strong></td>
<td><strong>92.2%</strong></td>
<td><strong>93.4%</strong></td>
<td><strong>90.7%</strong></td>
</tr>
<tr>
<td>Eased somewhat</td>
<td>12.9%</td>
<td>8.5</td>
<td>14.5</td>
<td>10.4</td>
<td>9.4</td>
<td>4.6</td>
<td>4.7</td>
<td>3.3</td>
<td>3.7</td>
</tr>
<tr>
<td>Eased considerably</td>
<td>0.0%</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
<td>1.5</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Total</td>
<td><strong>100%</strong></td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

April 2014 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.
Nationally, consumer sentiment had been improving since the low point of the Great Recession, but fell in August 2011 to near the lowest level of the recession and not far from the lowest level ever posted. Since then, the reading has generally moved upward. The sentiment reading for June (82.5) is near the index average since inception (85.1).
Economy Recovering

Florida growth rates are beginning to return to more typical levels. 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.

- The subsequent turnaround in Florida housing will be led by:
  - Low home prices that 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 available housing supply has become two-tiered – viable homes and seriously distressed homes.

- In addition, RealtyTrac has begun tracking “zombie” foreclosures (“owner-vacated properties in the foreclosure process”). Their estimate is that Florida has 54,908 owner-vacated properties (or 36% of the national total), the most by far of any state.

- To the extent that the number of viable homes is limited, new construction may come back quicker than expected.
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.

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