

Florida: An Economic Overview

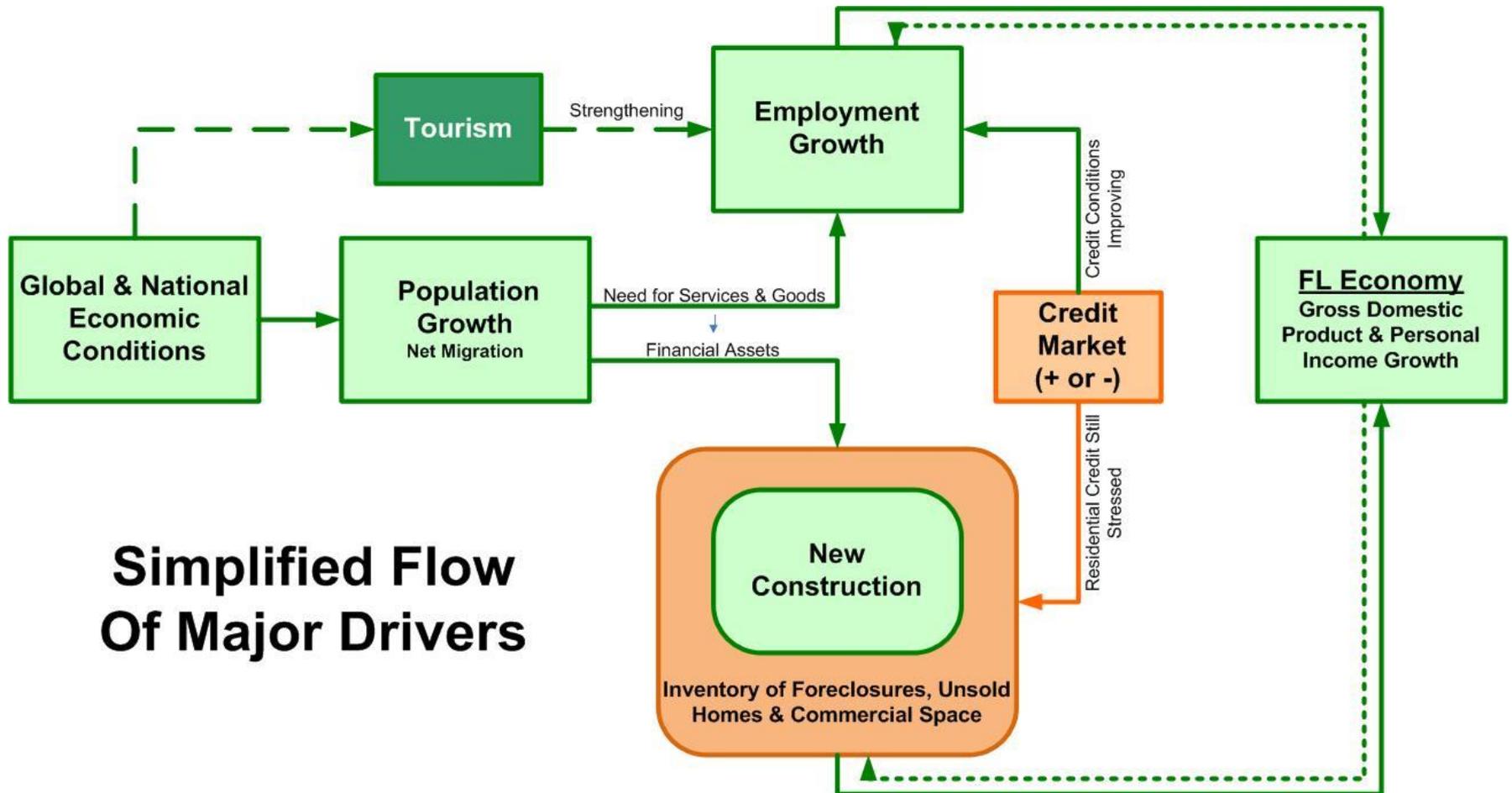
September 15, 2014

Presented by:

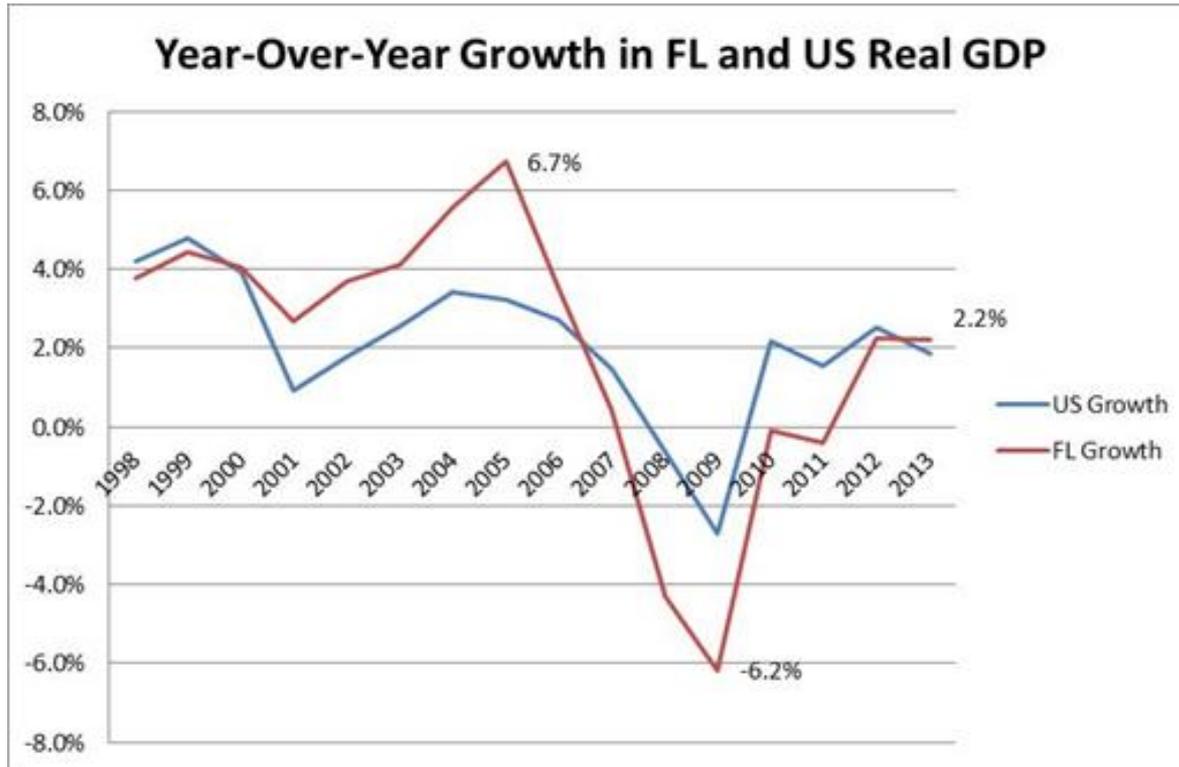


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Key Economic Variables Improving

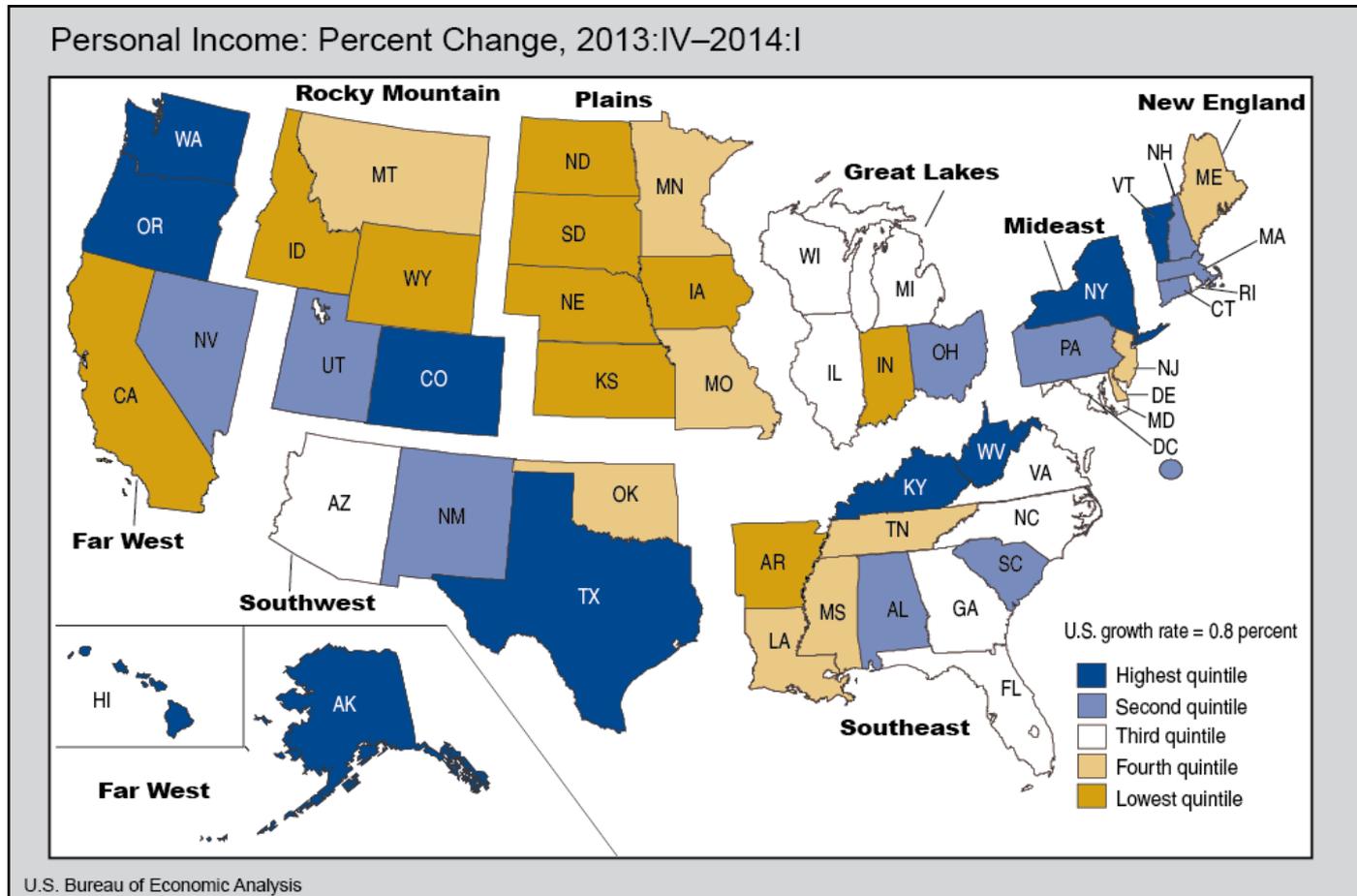


Economy Had Continued Growth in 2013



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% for the first time since 2006.

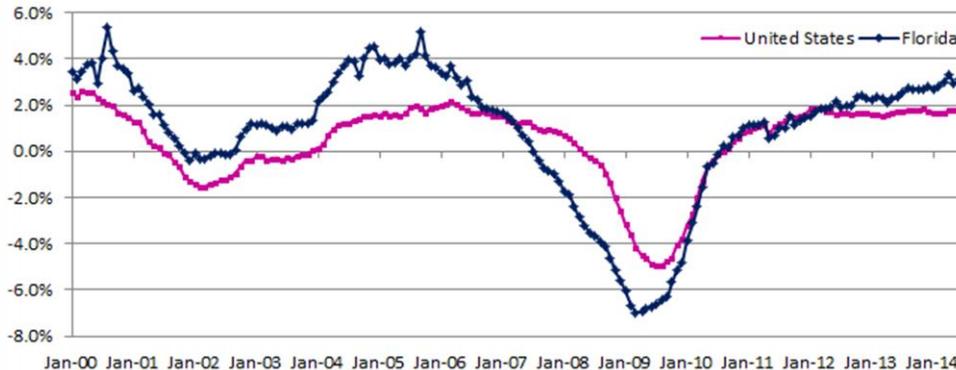
FL Personal Income Growth Slows in 2014:Q1



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 23rd among all states. In contrast, the results for the entire 2013 calendar year had shown that Florida was ranked 13th 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



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, August 15, 2014.

July Nonfarm Jobs (YOY)

US	1.9%
FL	2.7%
YR:	208,500 jobs
Peak:	-257,400 jobs

July Unemployment Rate

US 6.2%
FL 6.2% (597,000 people)

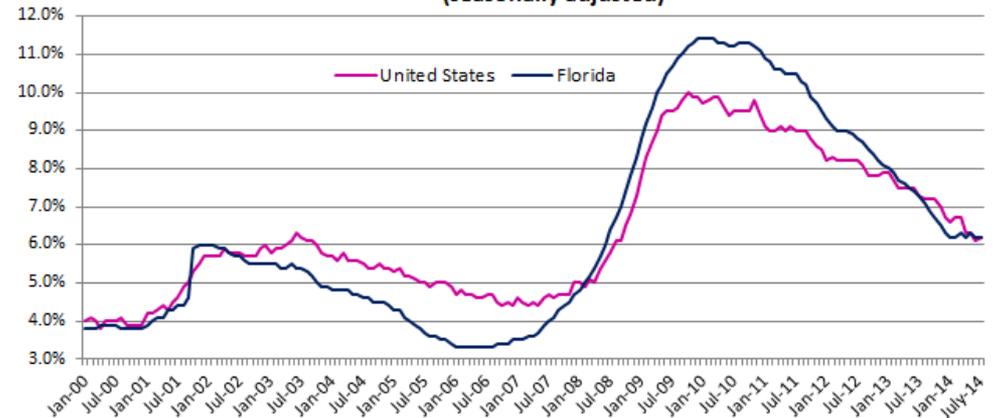
Highest Monthly Rate

11.4% (December 2009 through March 2010)

Lowest Monthly Rate

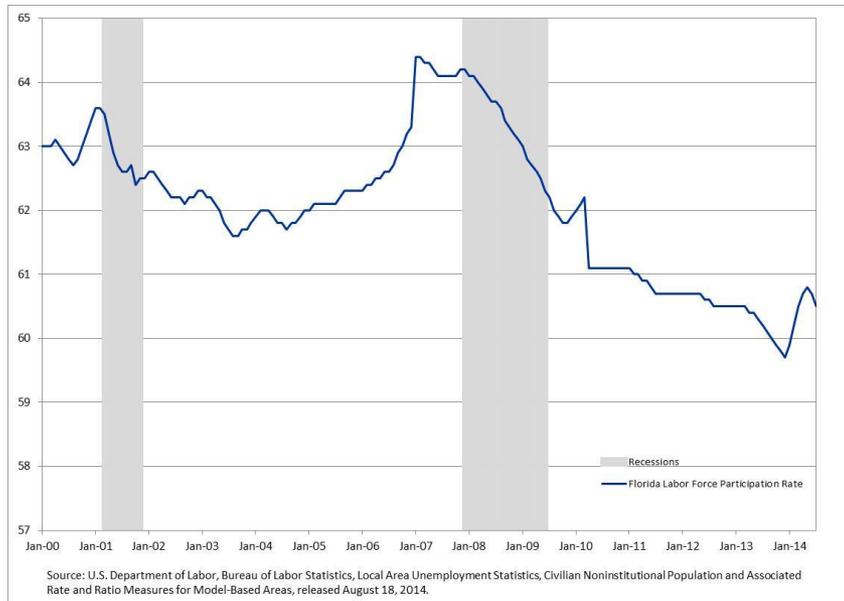
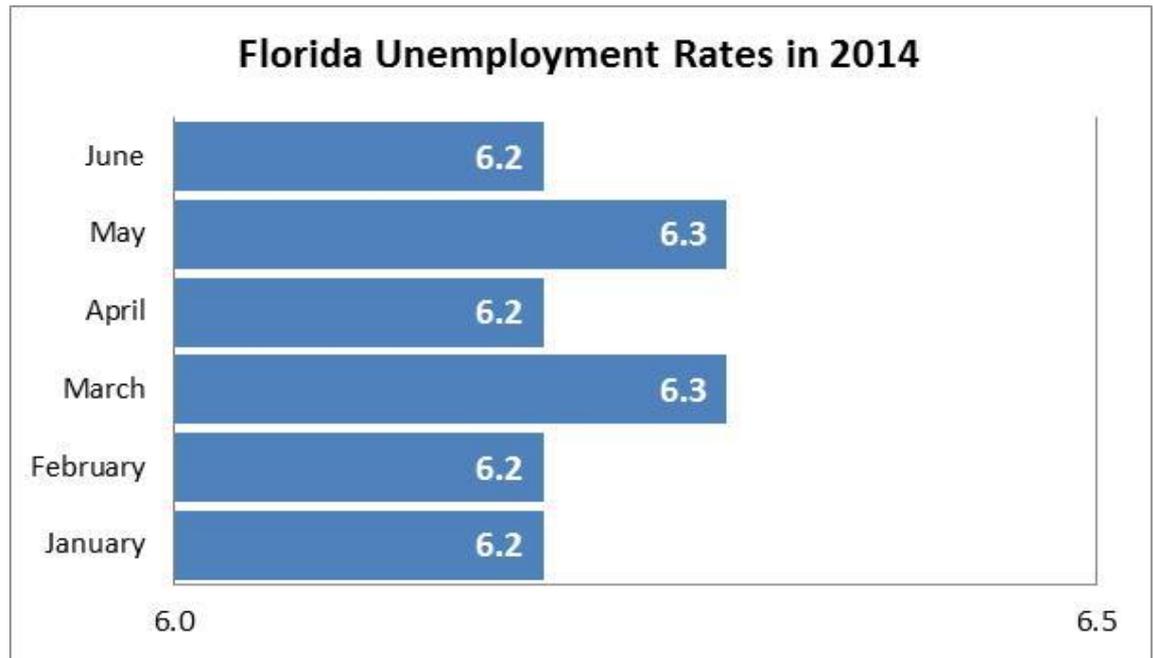
3.3% (January through August 2006)

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, August 15, 2014.

Good News: Recent Flattening in the Unemployment Rate Caused By FL Gains in the Participation Rate



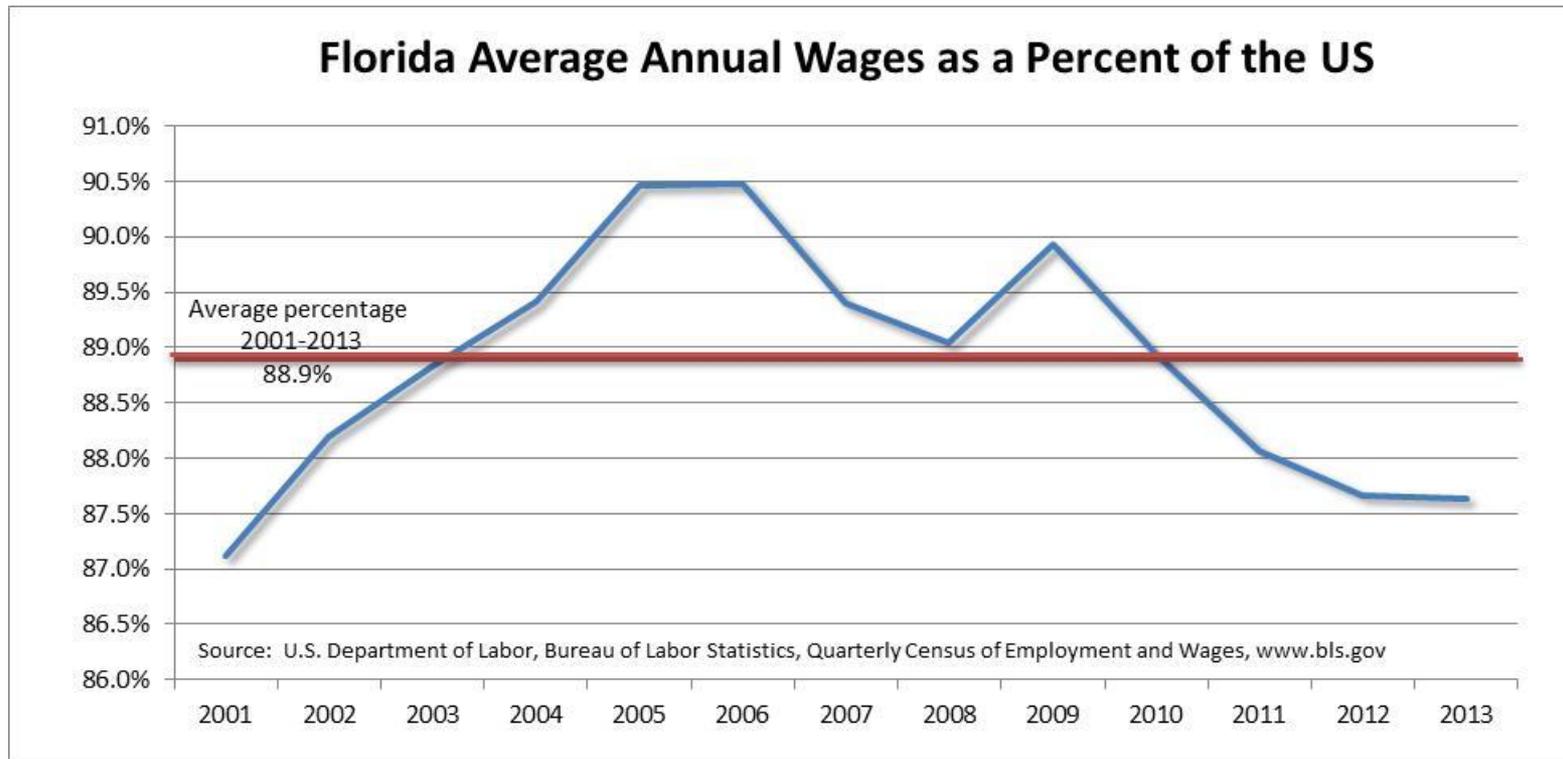
Beginning in January 2014, the participation rate displayed detectable improvement as improving job prospects began to encourage people to rejoin or enter the labor force. May marked the fifth consecutive month of increases in the participation rate, and June was not statistically different at 60.7 percent, a return to the December 2011 level. This positive shift has caused the unemployment rate to flatten over the first six months of 2014 (bouncing between 6.2 and 6.3 percent), but the reason is actually a signal of a strongly improving economy.

Florida's Job Market

- The job market is still recovering – Florida is 257,400 jobs short of 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 4,100 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.

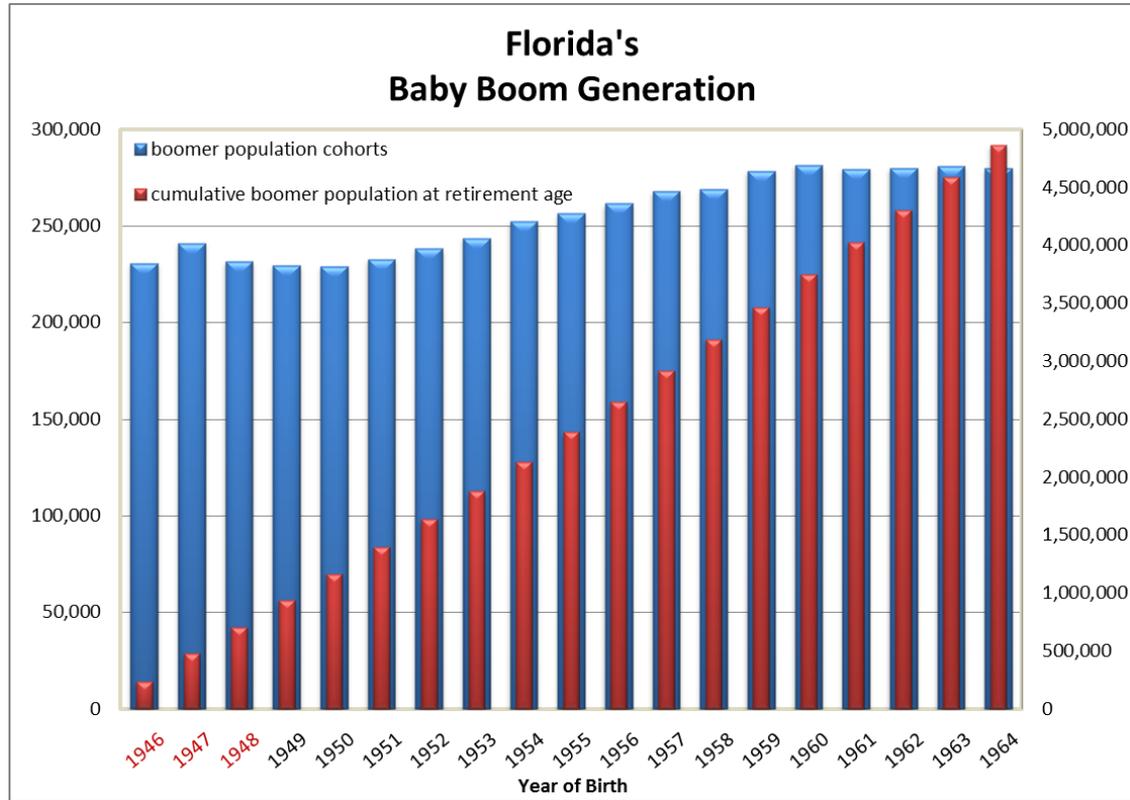


Wage Gap Stabilizes in 2013



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.

Baby Boomers in FL Today



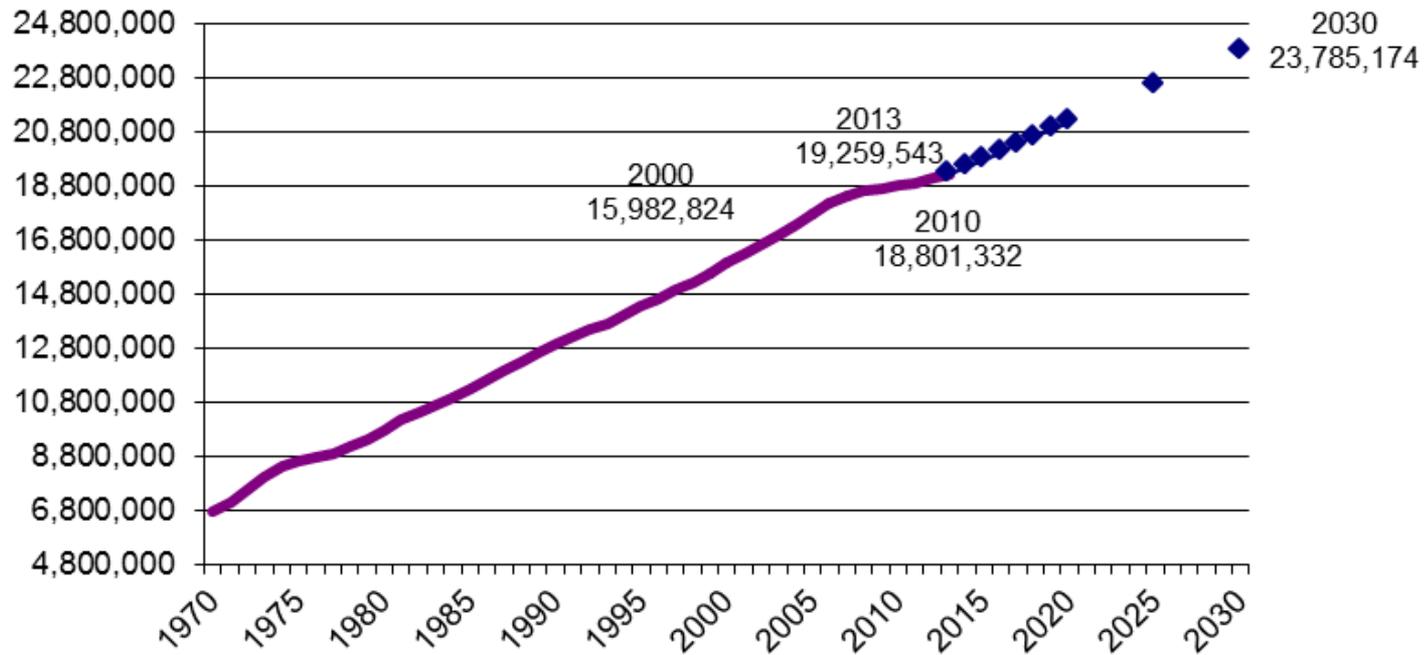
- The first cohort of Baby Boomers became eligible for retirement (turned age 65) in 2011. Only three cohorts have entered the retirement phase: **2011, 2012 and 2013**. This is a small percentage (14.5%) of all boomers in Florida today.
- In 2000, Florida's working age population (ages 25-54) represented 41.5 percent of the total population. With the aging Baby Boom generation, this population now represents 38.8 percent of Florida's total population and is expected to represent 36.2 percent by 2030.

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 April 1 Population

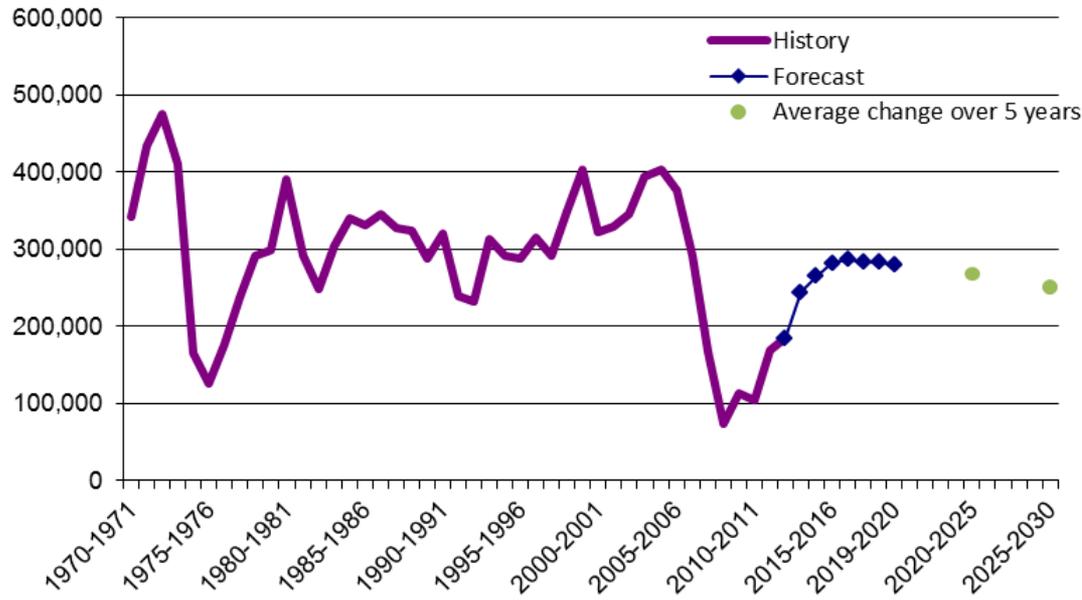


Florida's population:

- 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:

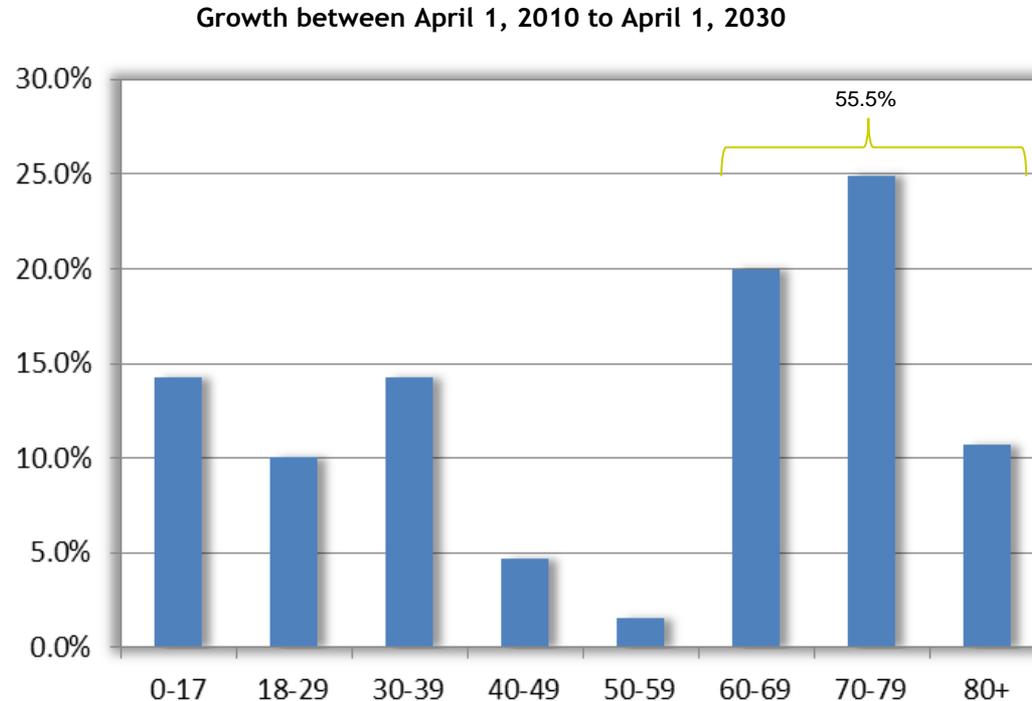
- Average annual increase between 2000 and 2006 was: 361,942
- Average annual increase between 2007 and 2013 was: 135,463

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

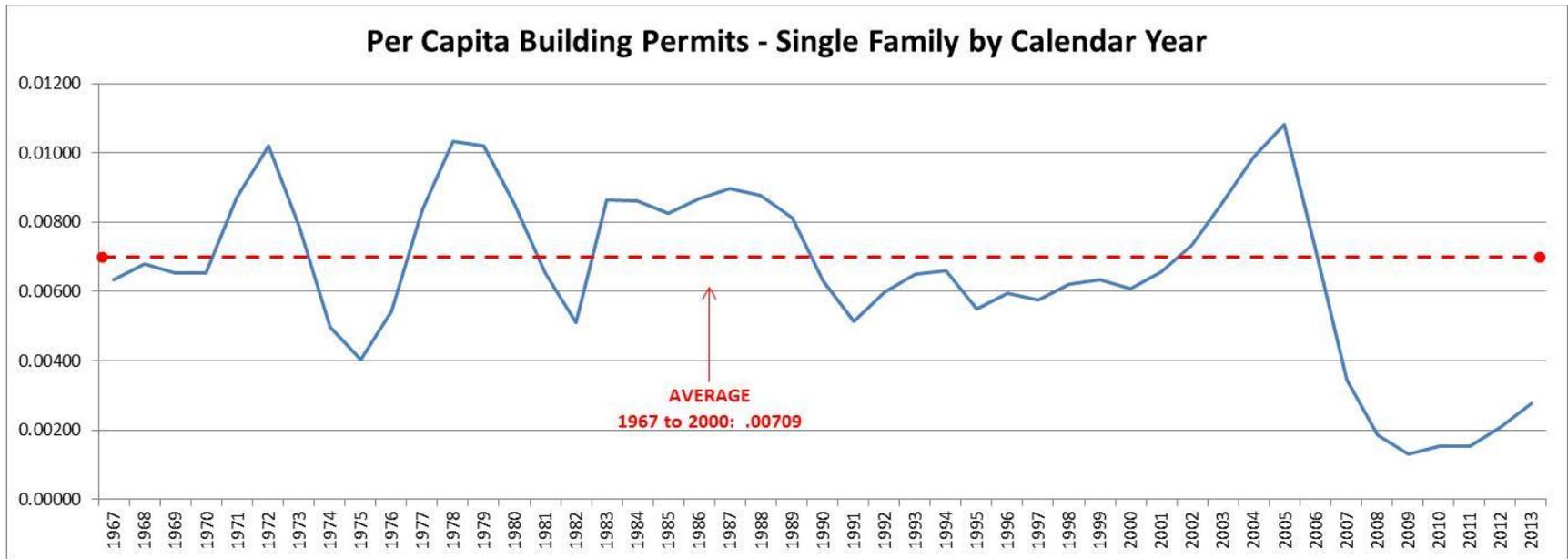
2013	
Orlando	250,415
St. Petersburg	249,704
Hialeah	229,766

Population Growth by Age Group



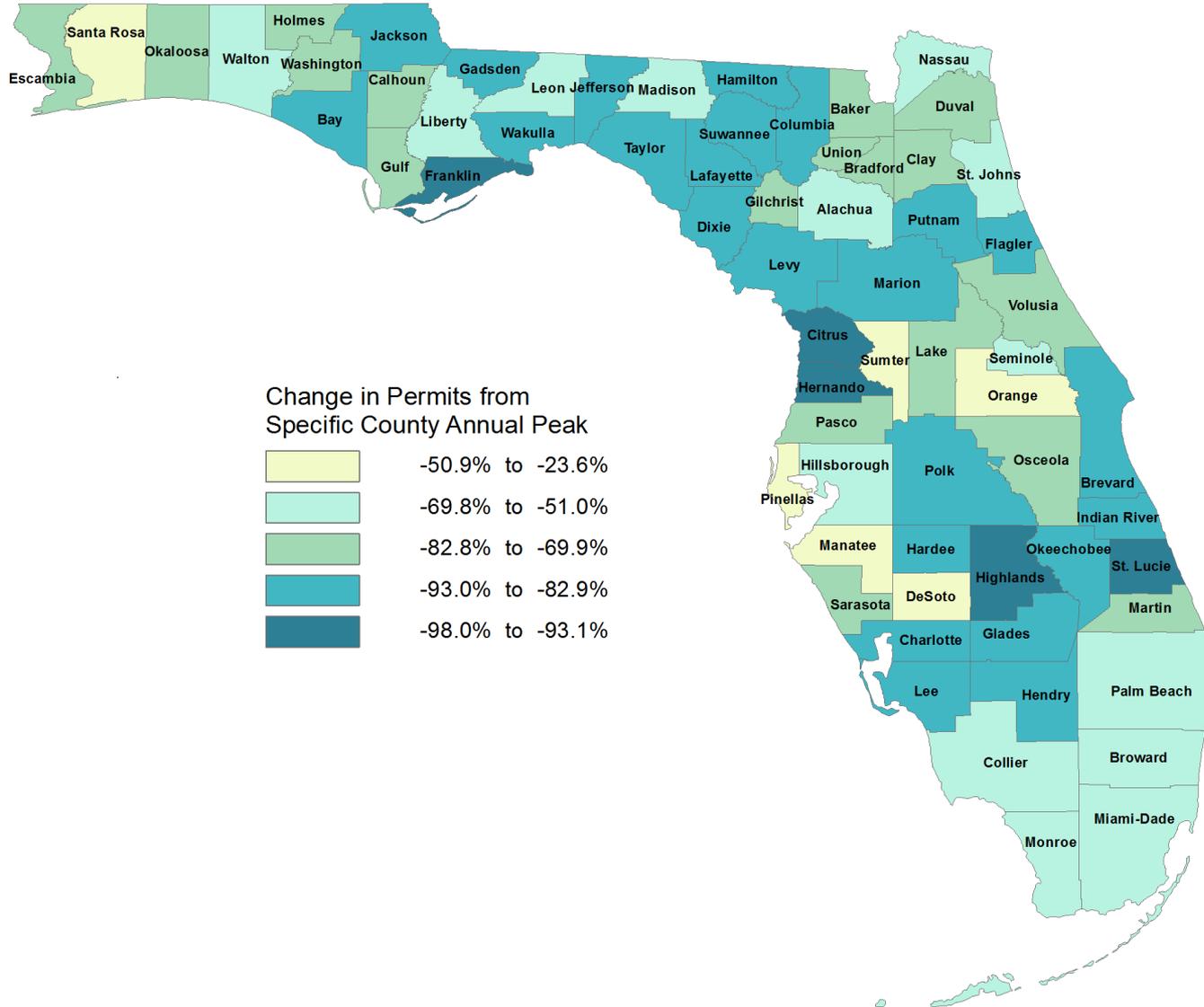
- Between 2010 and 2030, Florida's population is forecast to grow by almost 5 million persons.
- Florida's older population (age 60 and older) will account for most of Florida's population growth, representing 55.5 percent of the gains.
- Florida's younger population (age 0-17) will account for 14.2 percent of the gains.

Florida Housing is Generally Improving

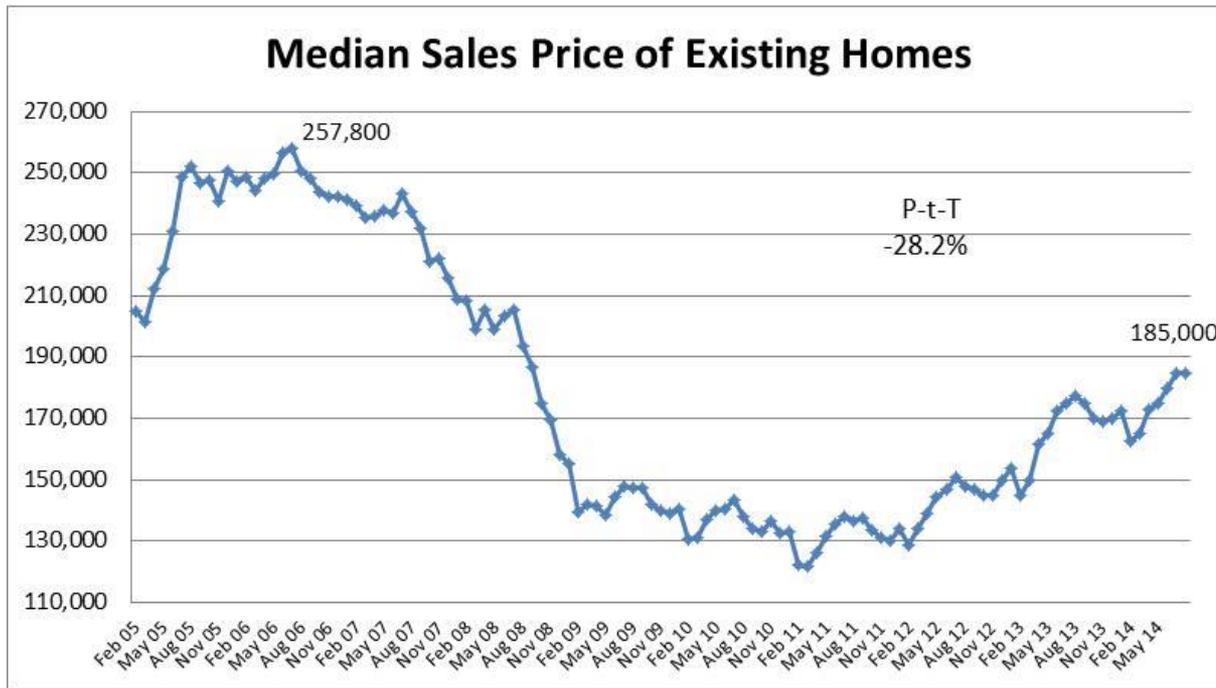
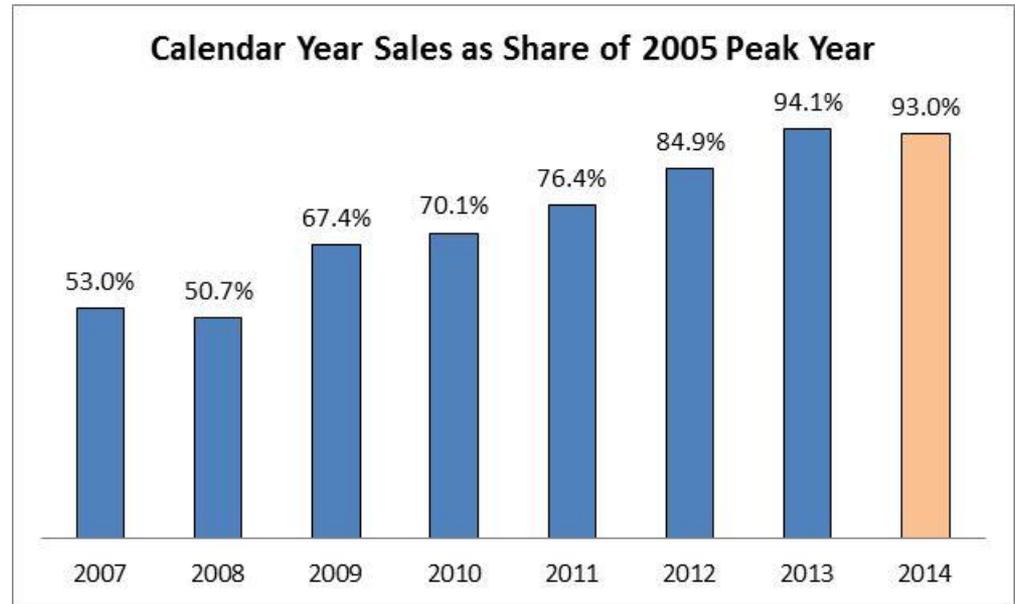


Building permit activity, an indicator of new construction, is back in positive territory, showing strong (36.6%) calendar year growth in 2012. While still robust, data for the 2013 calendar year indicates that the increase in permits (33.4%) was slightly below the prior year. Despite the strong percentage growth in both years, the level is still low by historic standards. Residential data for the first seven calendar months of 2014 indicate slowing activity; year-to-date activity through July is running below last year for the same period, although single family data essentially equals last year's data at the same point in time.

2013 Building Permit Activity Relative to the County's Peak during the Period 2000-2007



Existing Home Sales Volume Has Slowed Over The Past Few Months...

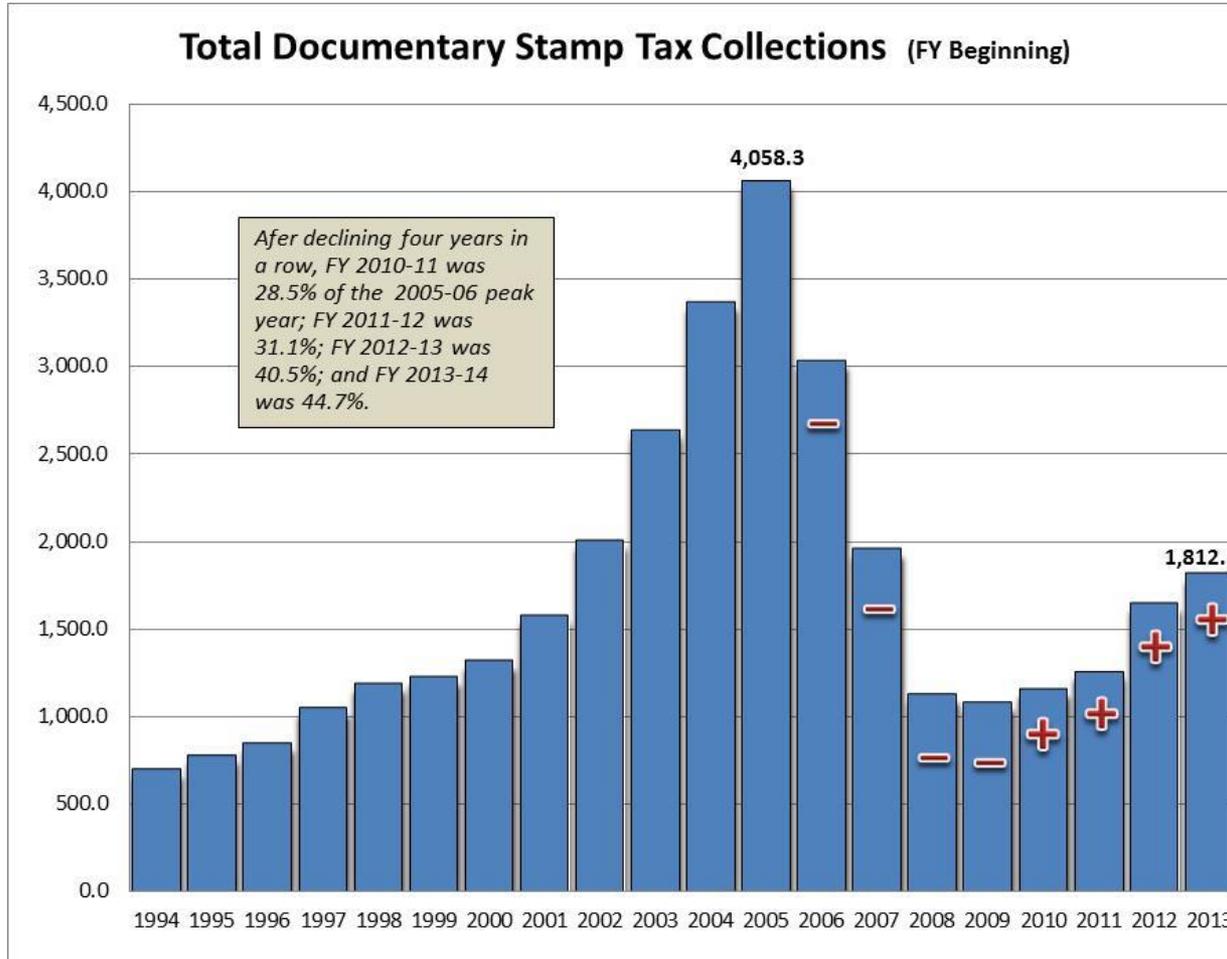


While Existing Home Price Gains Have Flattened and Dropped Relative To National Median.

Data through July 2014

Documentary Stamp Collections

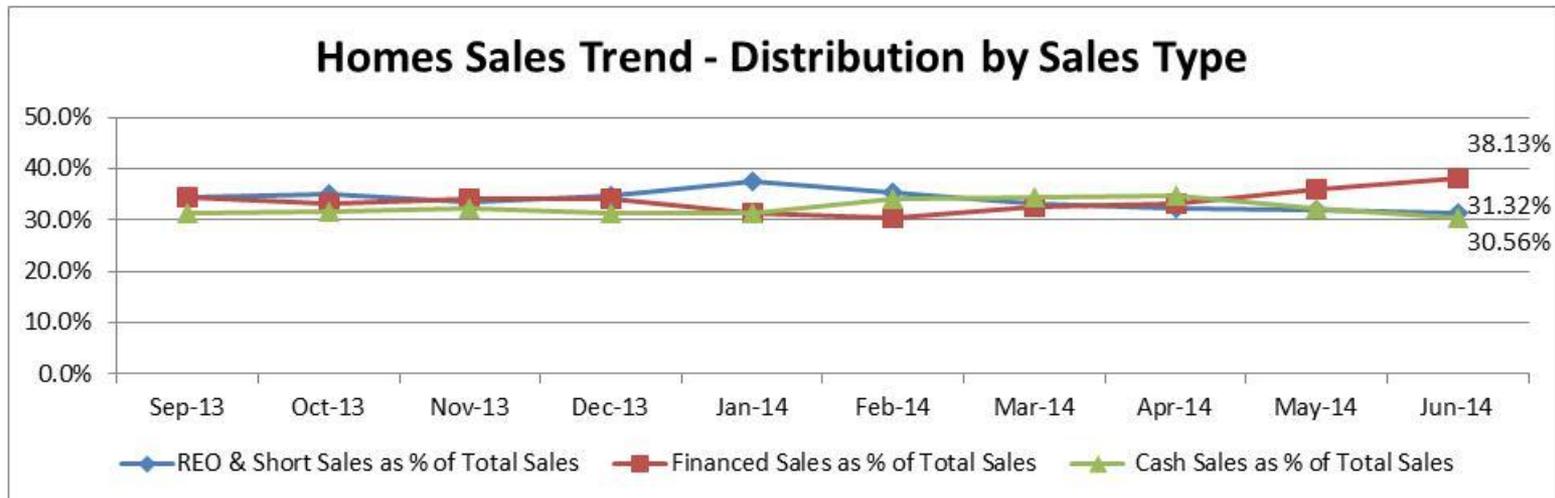
(Reflecting All Activity)



Documentary Stamp Tax collections have fallen slightly below the 2013 level for the first seven months of the 2014 calendar year.

Sales Mix Still Points To Lower Prices

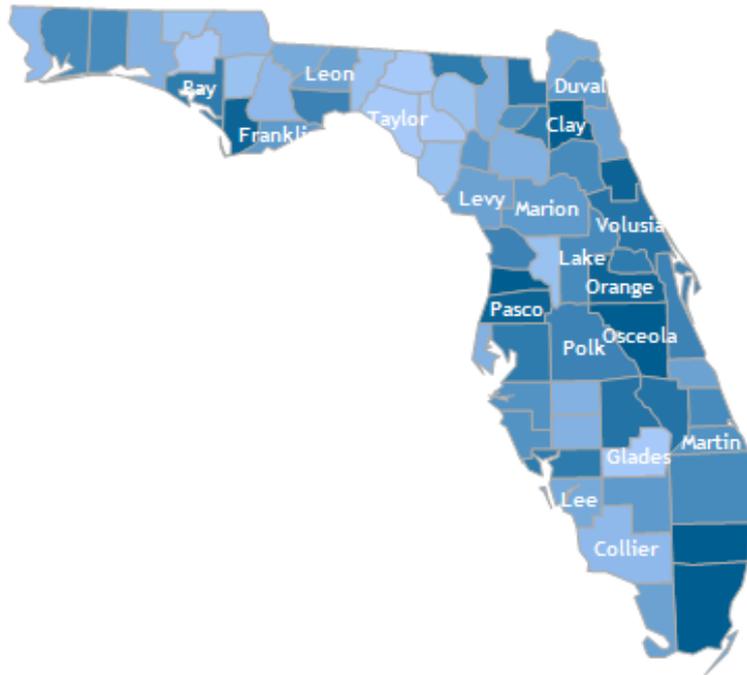
Distressed
Property Discount
36.2%



Data from LPS: Lender Processing Services

- Financed sales ended June 2014 with a higher share than they had July 2013 (38.1% versus 33.2%); shares for both REO & Short Sales and Cash Sales have drifted slightly downwards. After converging, the share of financed sales has pulled slightly over the past two months.
- While short sales activity has been strong in some states, that is not the case in Florida where the share of total sales is high but not relative to a year ago. There were 6,039 short sales in June 2013, and 3,038 in June 2014. To the extent short sales increase, the foreclosure pipeline will be reduced.

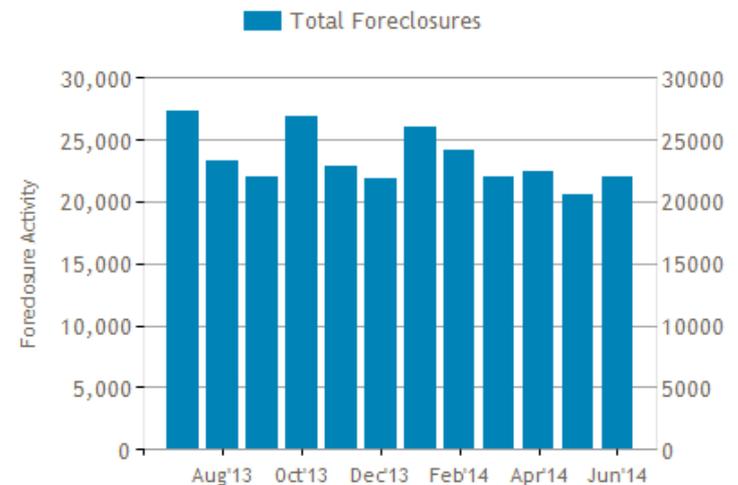
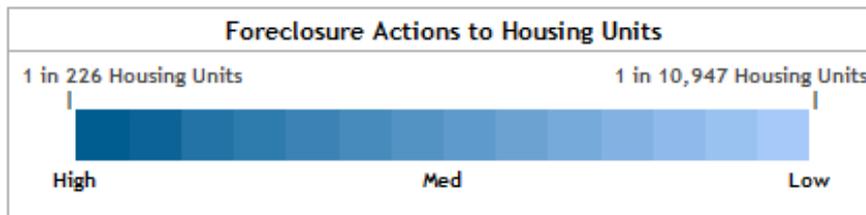
Foreclosures Are Still A Florida Issue



First Six Months of 2014...

- Highest State for # of Filings
- Highest State for Foreclosure Rate
- Among US Metro Area rates: 9 of the top 10 highest metro rates in the nation were in Florida.

- Miami-Fort Lauderdale-Pompano Beach #1*
- Orlando-Kissimmee #2*
- Port St. Lucie #3*
- Palm Bay-Melbourne-Titusville #4*
- Tampa-St. Petersburg-Clearwater #5*
- Lakeland #6*
- Deltona-Daytona Beach-Ormond Beach #7*
- Ocala #8*
- Jacksonville #9*



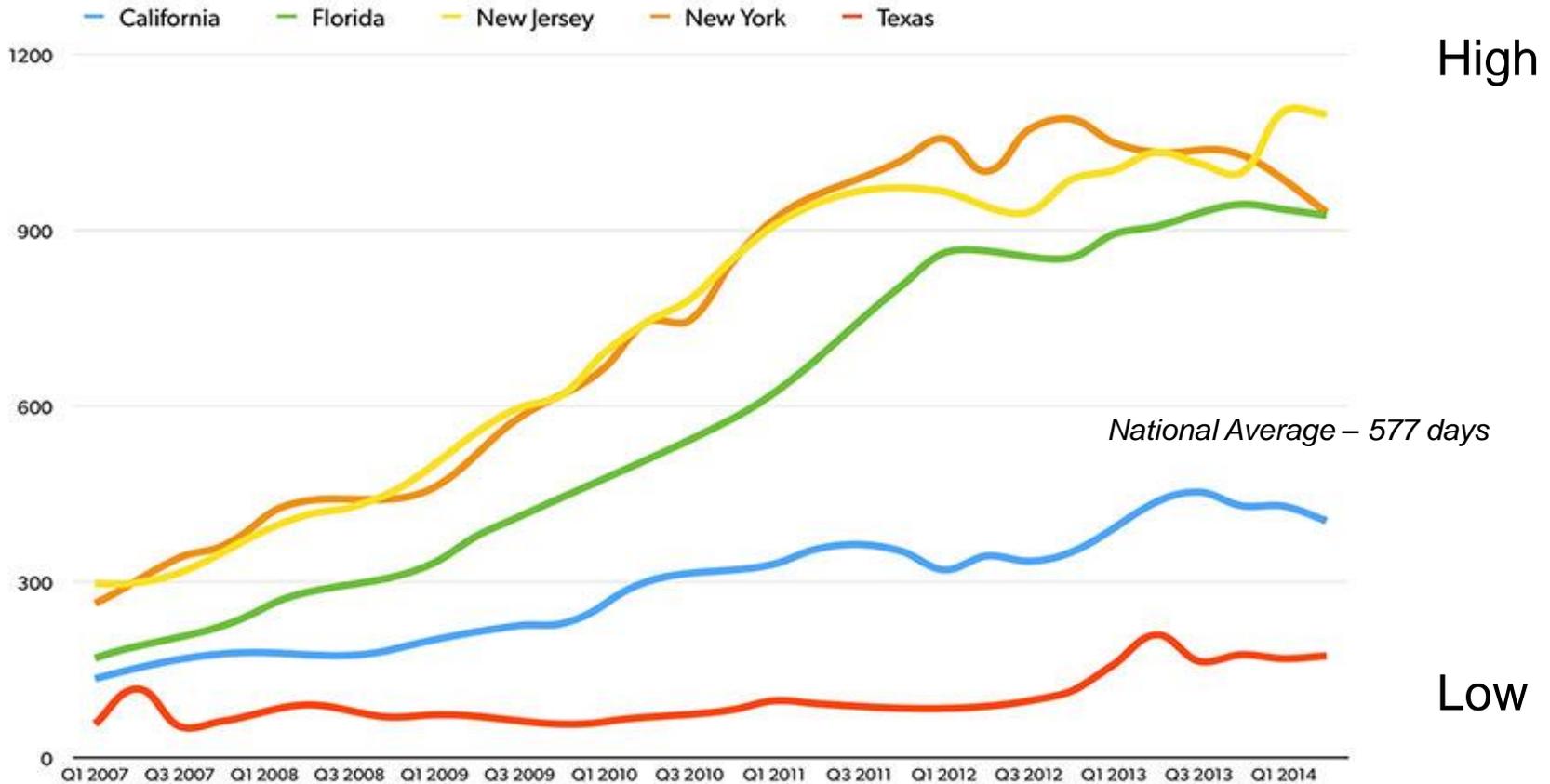
Days to Foreclose



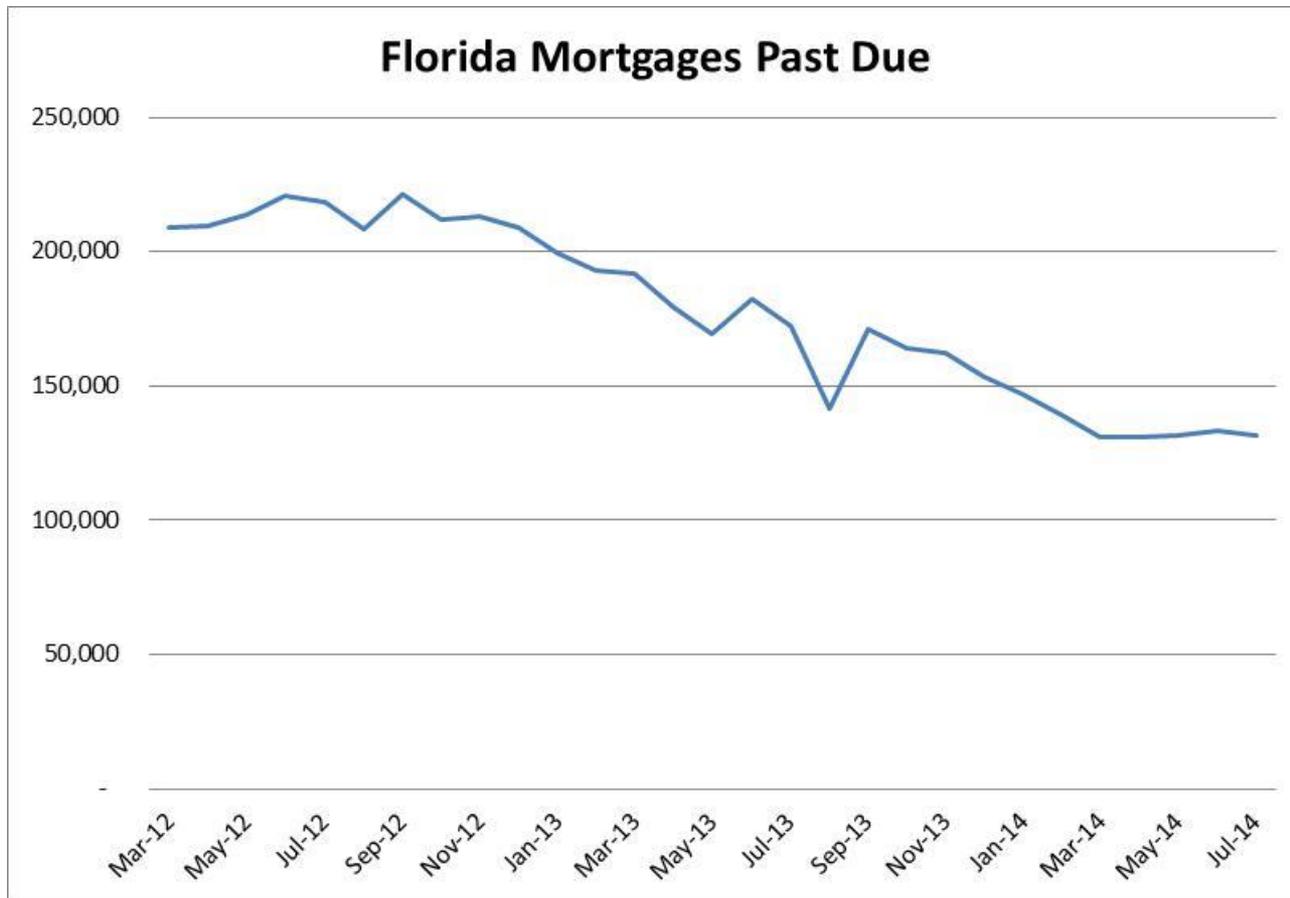
Foreclosure Process (once begun)

- 925 Days – 2.5 yrs – in Florida (3rd Longest Period in Nation in 2014:Q2)
- At the beginning of 2007, Florida was at 169 days or less than 6 months.

Average Days to Foreclose

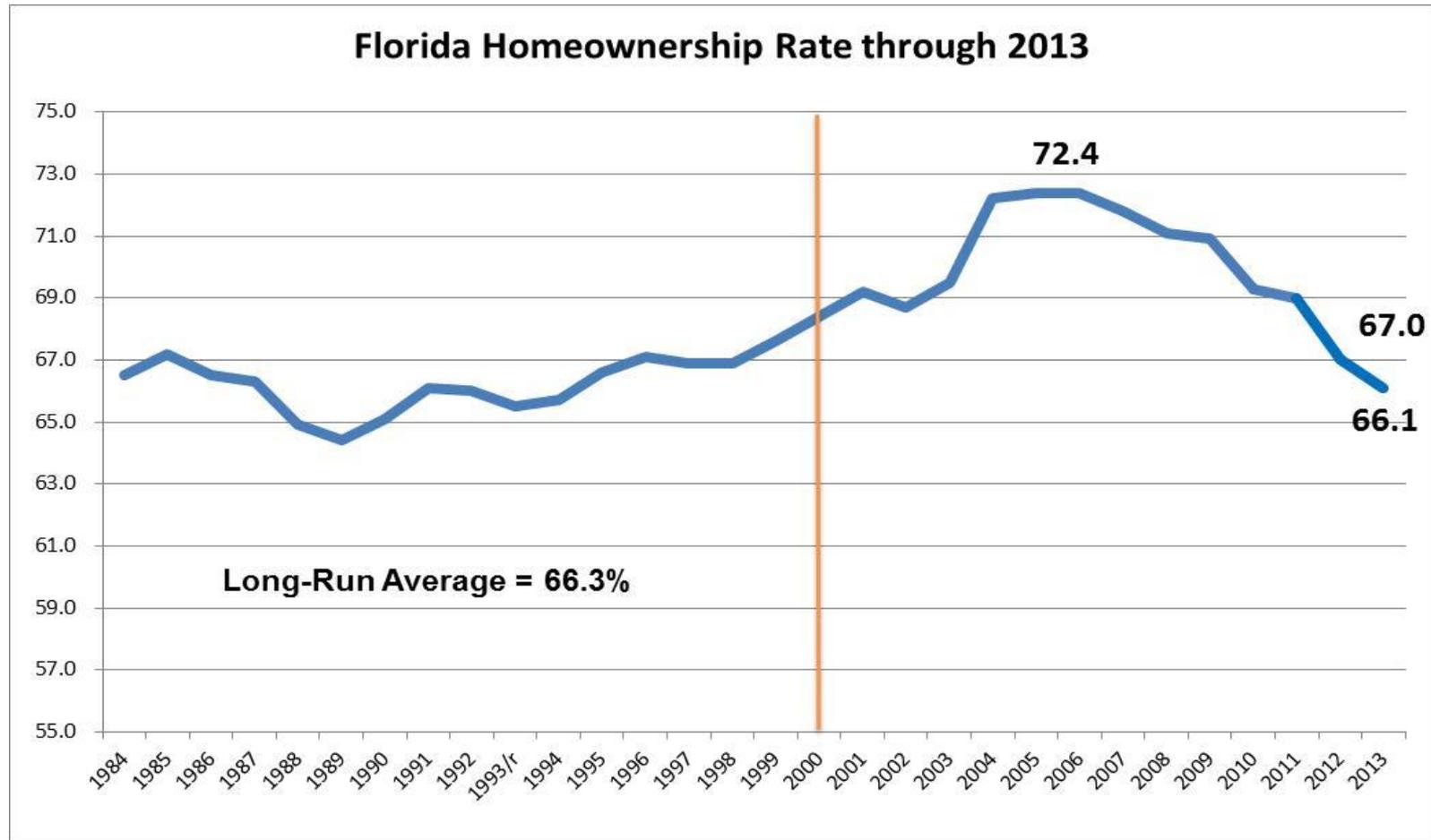


Foreclosures & Shadow Inventory



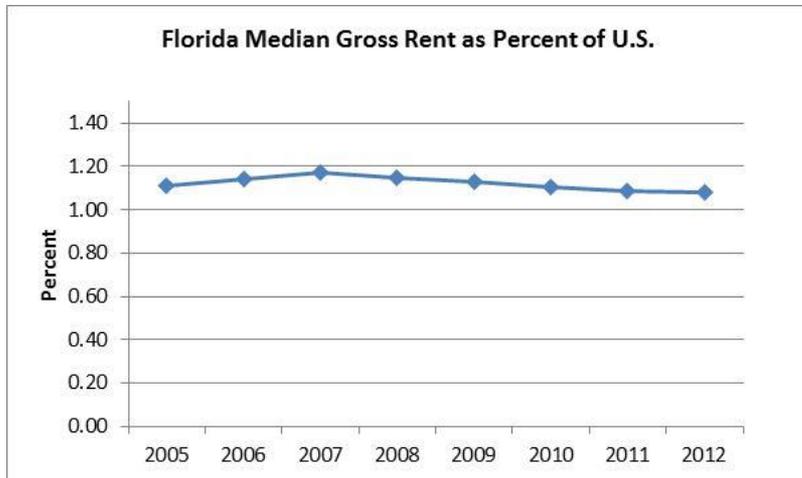
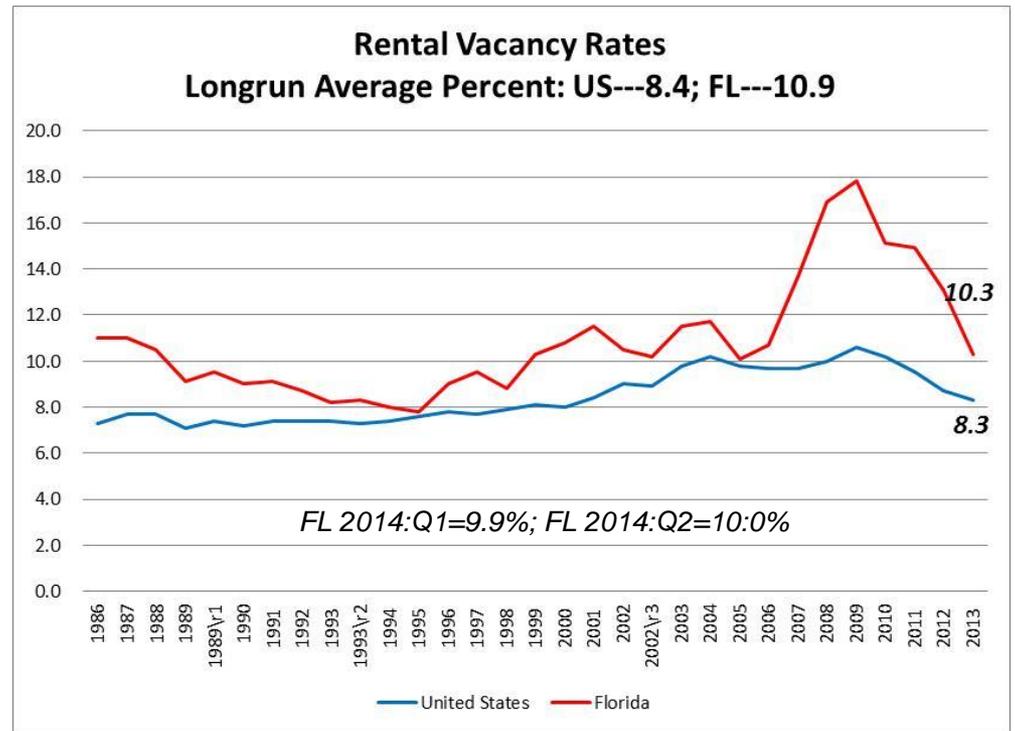
After being ranked first for many months, Florida has now moved to third place among states for non-current mortgages (a measure of delinquencies and foreclosures). A major part of this shift is a reduction in the number of delinquent mortgages which reduces the incoming pipeline. Florida's "underwater" 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 second quarter of the 2014 calendar year has dropped to 65.3%. If this becomes the final percentage for the year, it will be the lowest level seen since 1990.

Residential Rental Vacancies Still Tightening; Price Pressure Starting to Appear in Orlando and Jacksonville



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

Year	Median Gross Rent			Average Gross Rent		
	U.S.	FL	FL as % of U.S.	U.S.	FL	FL Relative To US
2005	728	809	1.11	755	819	1.09
2006	763	872	1.14	793	884	1.11
2007	789	925	1.17	826	942	1.14
2008	824	947	1.15	868	966	1.11
2009	842	952	1.13	886	971	1.10
2010	855	947	1.11	902	963	1.07
2011	871	949	1.09	920	974	1.06
2012	884	954	1.08	937	986	1.05

Credit Conditions Generally Improving

Question to Senior Loan Officers:

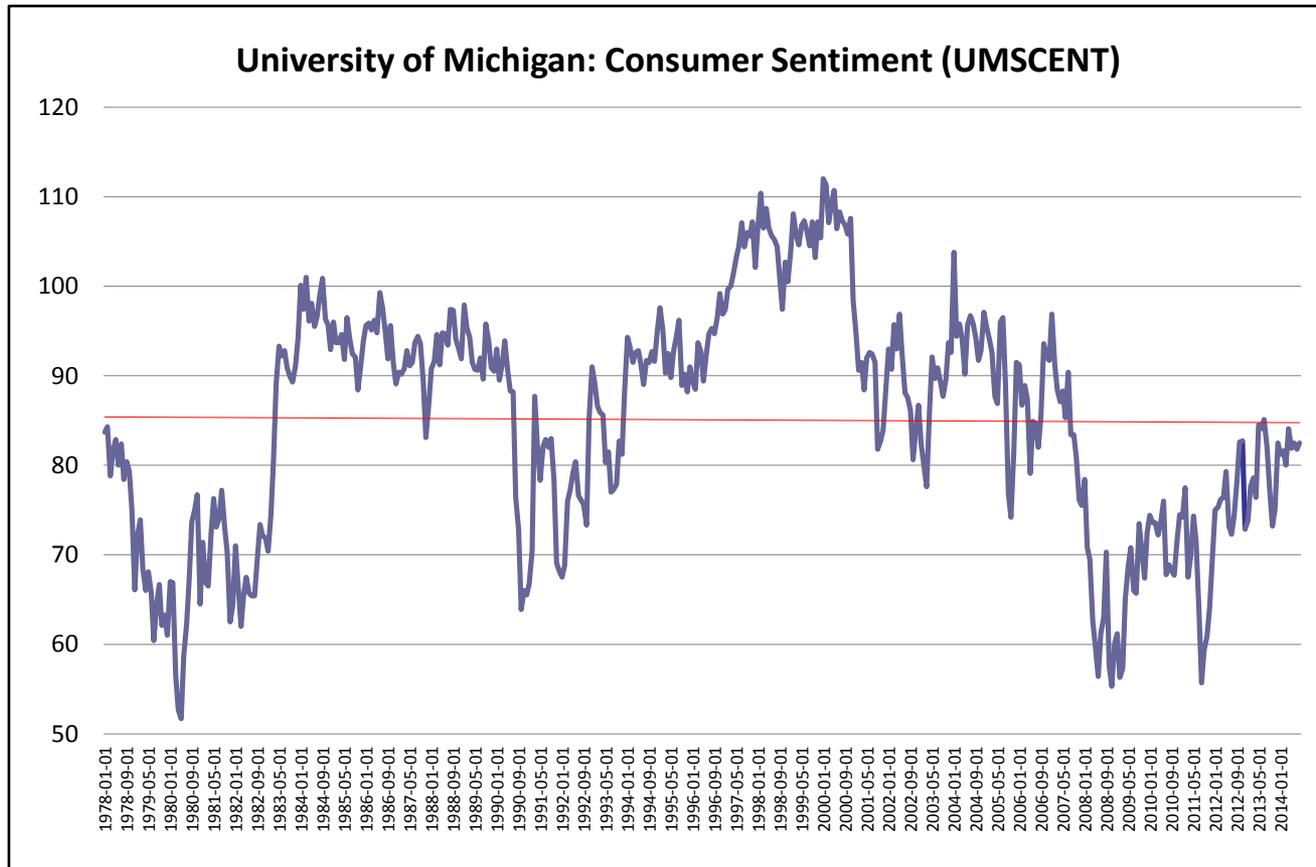
Over the past three months, how have your bank's credit standards for approving applications from individuals for **prime residential mortgage loans** to purchase homes changed?

All Respondents									
	July '14 %	Apr '14 %	Jan'14 %	Oct '13 %	July '13 %	Apr '13 %	Jan '13 %	Oct '12 %	July '12 %
Tightened considerably	2.8%	0.0	1.4	1.4	0.0	0.0	0.0	0.0	1.6
Tightened somewhat	2.8%	14.3	8.5	4.3	3.0	1.6	1.5	3.1	1.6
Remained basically unchanged	70.4	72.9	81.7	79.7	86.6	89.1	92.3	92.2	93.4
Eased somewhat	23.9%	12.9	8.5	14.5	10.4	9.4	4.6	4.7	3.3
Eased considerably	0.0%	0.0	0.0	0.0	0.0	0.0	1.5	0.0	0.0
Total	100%	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

April 2014 Senior Loan Officer Opinion Survey on Bank Lending Practices (Federal Reserve Board)

Banks have generally been easing lending standards and terms for certain types of loans, including C&I (commercial and industrial), commercial real estate, and credit card loans. Demand for credit has also increased; however, it is still difficult for homeowners without pristine credit to get mortgages.

Consumer Perceptions Improve



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 August (82.5) is slightly below the index average since inception (85.1) and slightly above July's level.

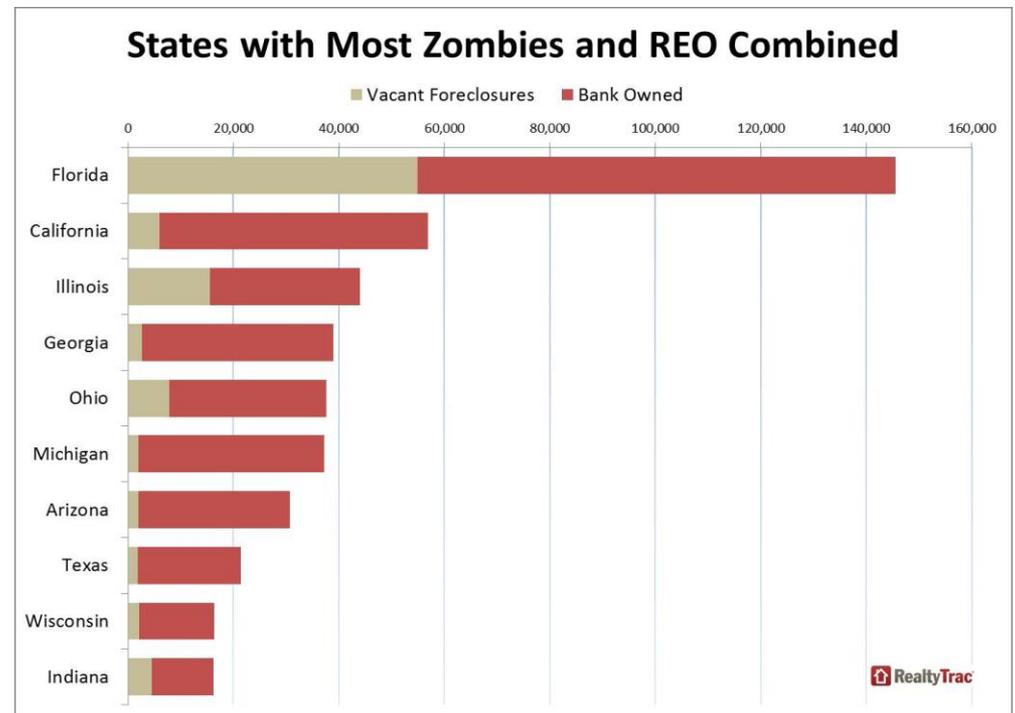
Economy Recovering

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 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.
- By the close of the 2013-14 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) 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 2022-23.

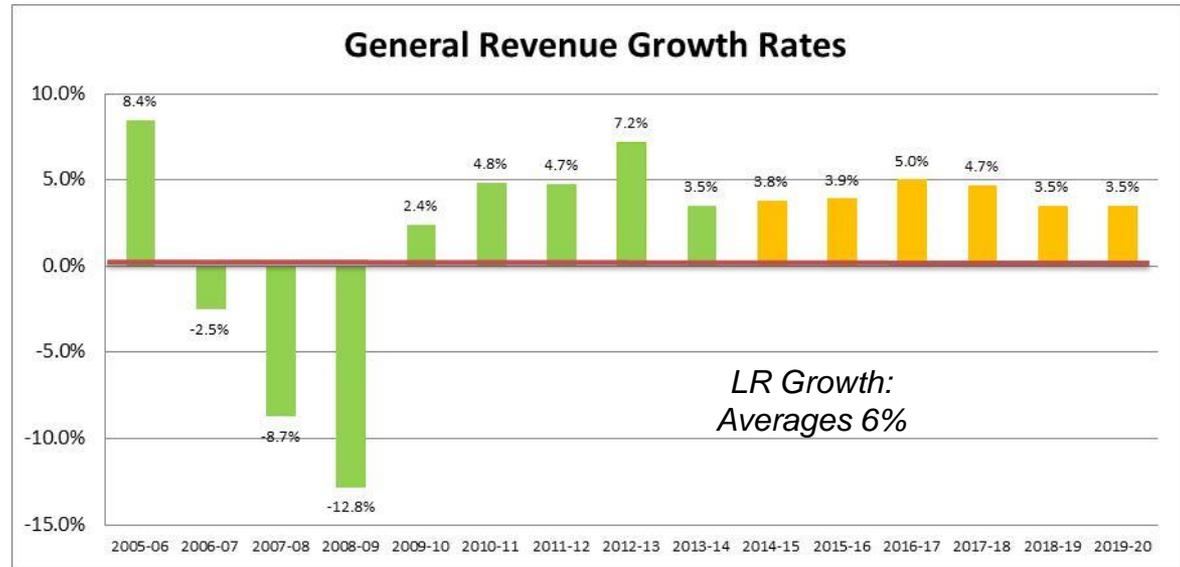
Upside Risk for Construction

- 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.



Fiscal Year	Post-Session Forecast	August 2014 Forecast	Difference	Incremental Growth	Growth
2005-06	27074.8	27074.8	0.0	0.0	8.4%
2006-07	26404.1	26404.1	0.0	-670.7	-2.5%
2007-08	24112.1	24112.1	0.0	-2332.0	-8.7%
2008-09	21025.6	21025.6	0.0	-3086.5	-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	1695.8	7.2%
2013-14	26198.0	26198.0	0.0	883.4	3.5%
2014-15	27140.2	27,189.4	49.2	991.4	3.8%
2015-16	28330.7	28,246.6	(84.1)	1057.2	3.9%
2016-17	29636.8	29,655.0	18.2	1408.4	5.0%
2017-18	30963.4	31,041.6	78.2	1386.6	4.7%
2018-19	31976.2	32,118.9	142.7	1077.3	3.5%
2019-20	new	33,237.3	new	1118.4	3.5%

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