

Florida: An Economic Overview

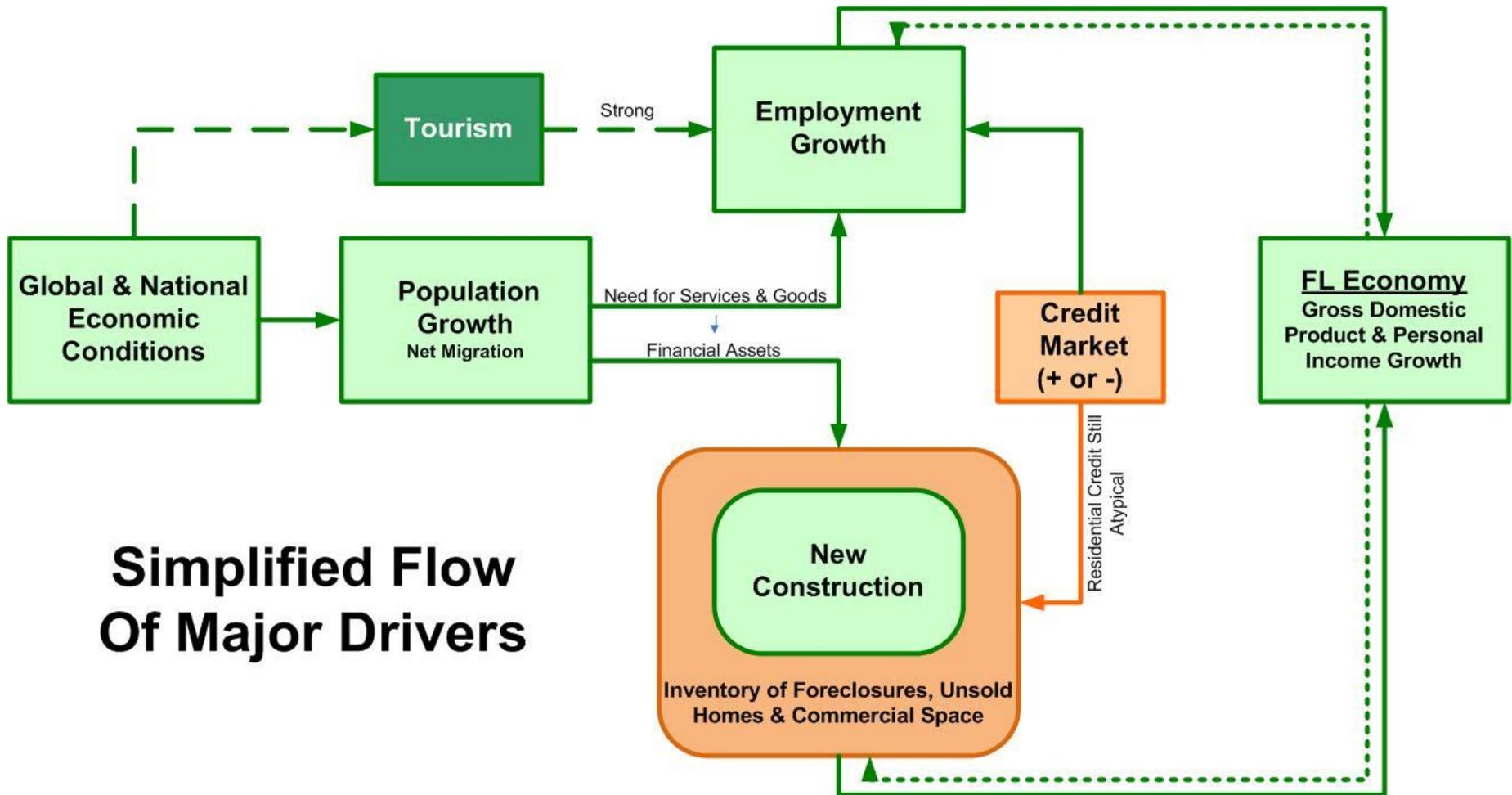
March 30, 2015

Presented by:

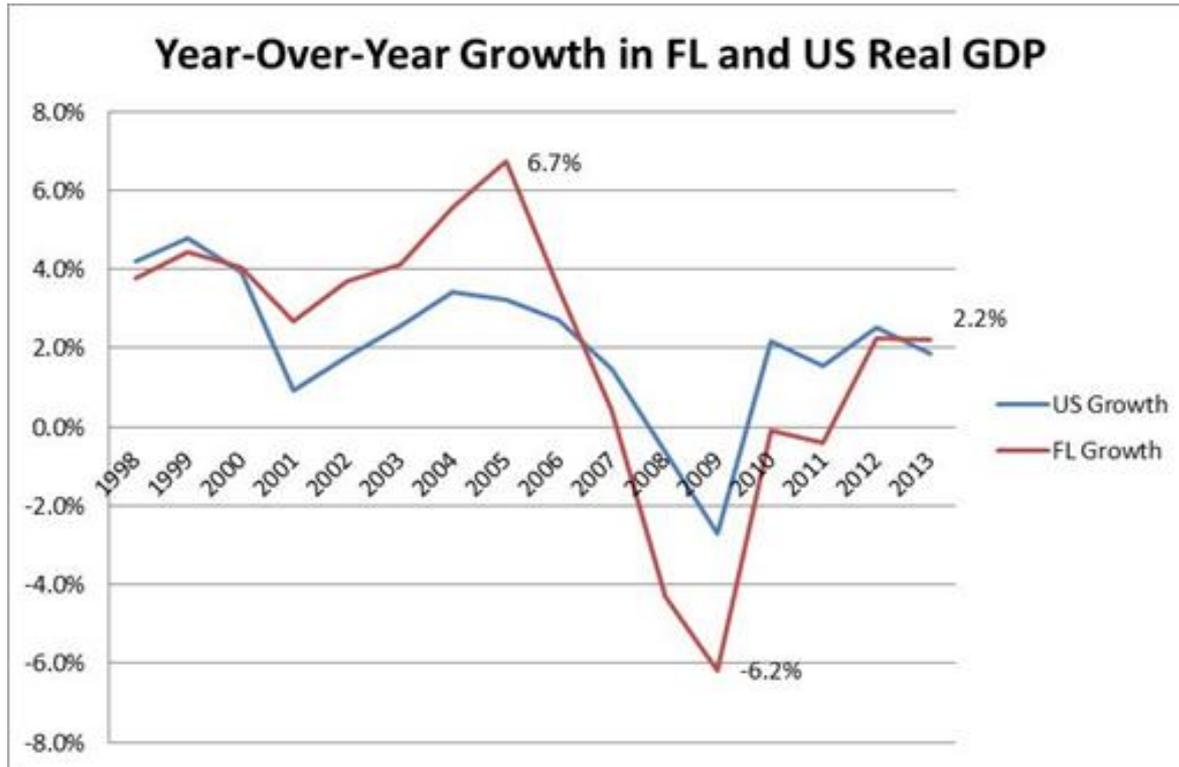


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Key Economic Variables Improving

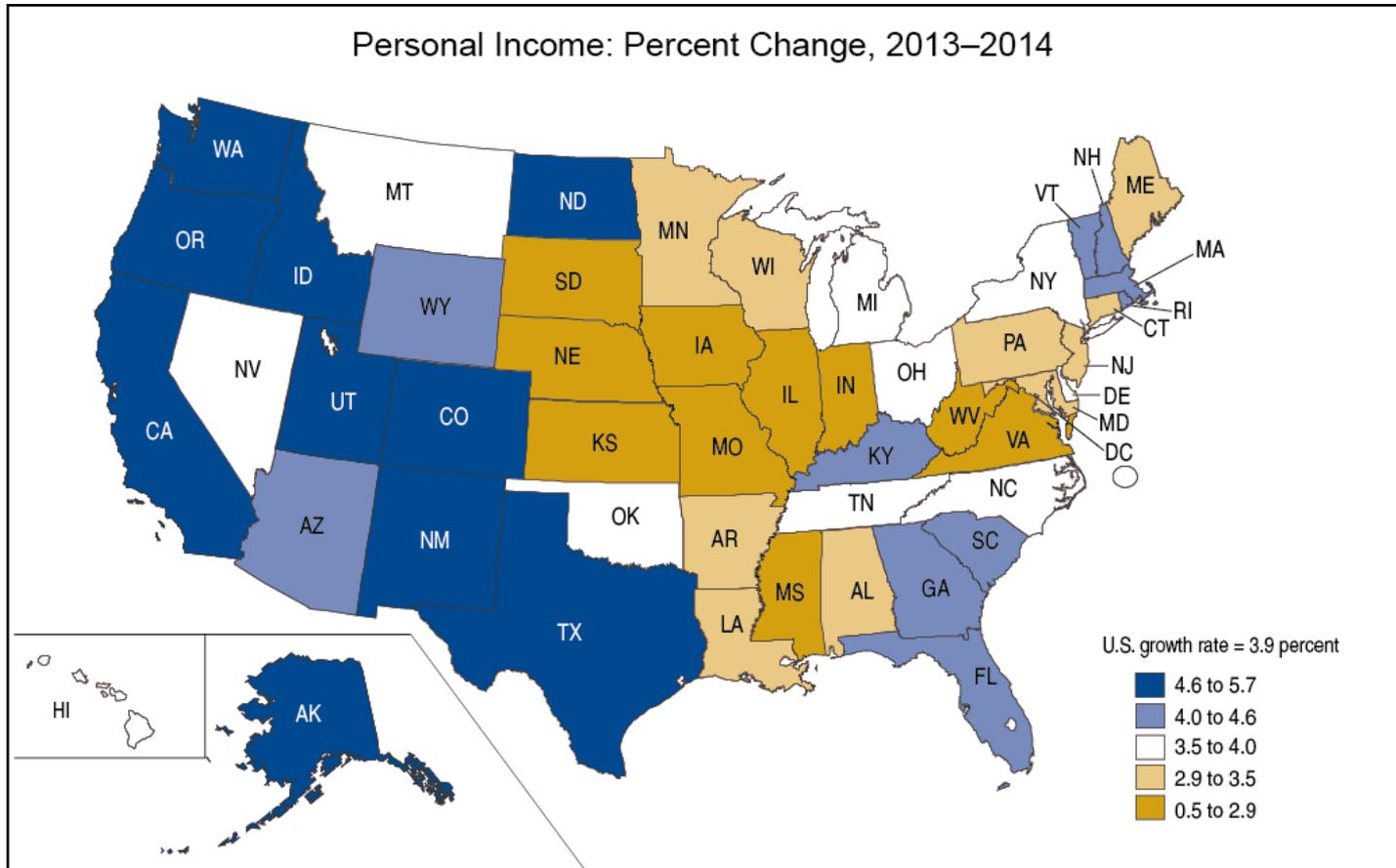


Economy Had Continued Growth in 2013



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 Strengthens in 2014

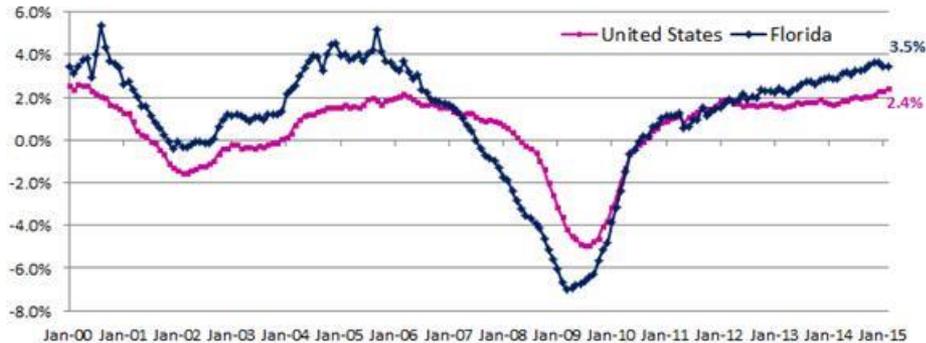


U.S. Bureau of Economic Analysis

In the latest data, Florida finished the 2014 calendar year with 4.6% growth over the prior year—above the national growth rate of 3.9% and ranking 11th among all states. The latest revised results for the entire 2013 calendar year had shown that Florida was ranked 13th in the country with personal income growth of 2.3% which was also higher than the national average of 2.0%.

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, March 27, 2015.

February Nonfarm Jobs (YOY)

US	2.4%
FL	3.5%
YR:	266,600 jobs
Peak:	-63,100 jobs

February Unemployment Rate

US 5.5%
FL 5.6% (548,000 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, March 27, 2015.

Florida's Improving Participation Rate...



Florida's labor force participation rate declined from January 2007 to July 2013. Since then, the downward trend has reversed as improving job prospects began to encourage people to rejoin or enter the labor force. The participation rate was 60.1% in February 2015.

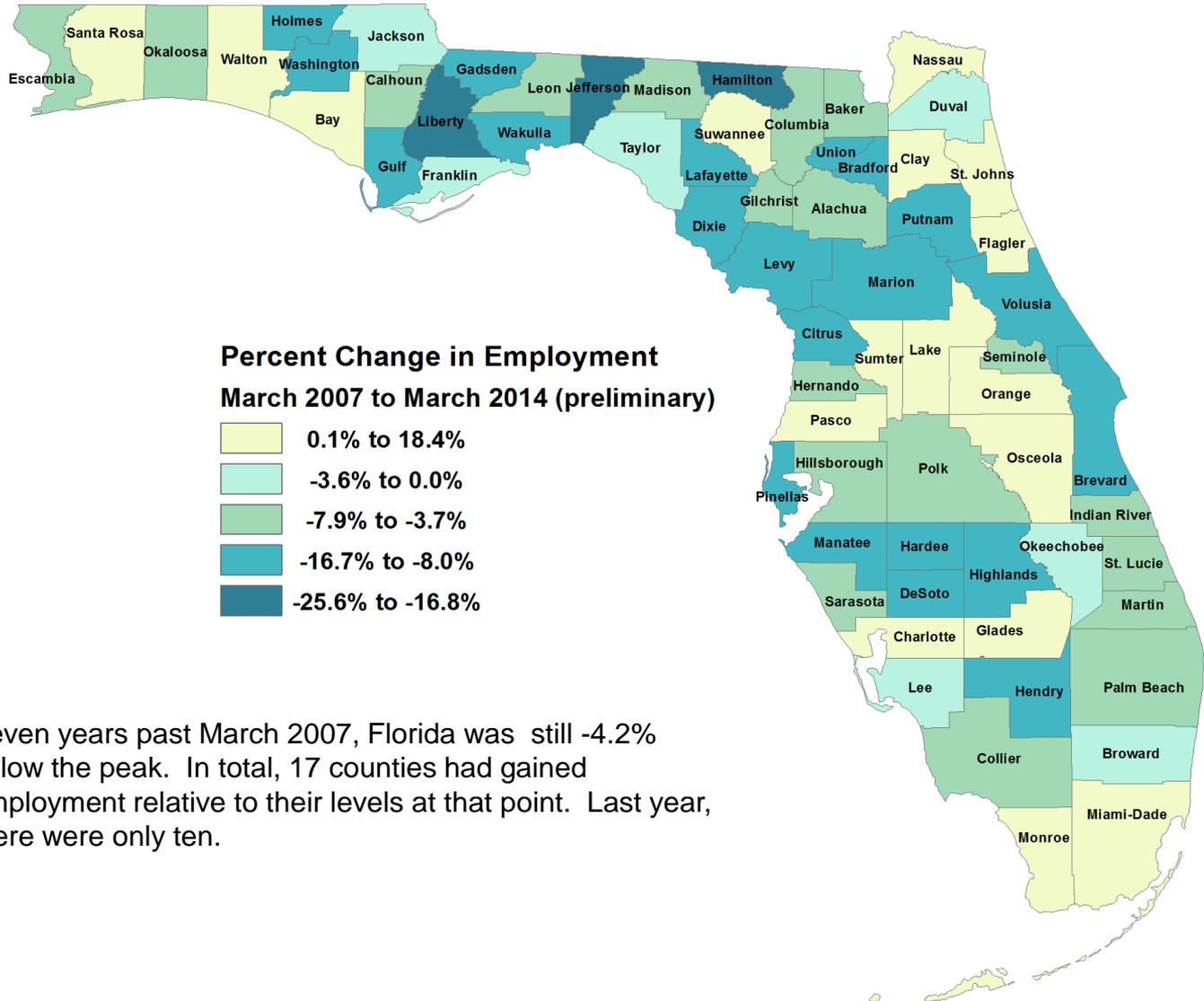
Among all unemployed, the share of those reentering the labor force increased from 24.7% in February 2014 to 28.6% in February 2015. The share of new entrants of all unemployed increased as well from 9.8% in February 2014 to 11.5% in February 2015.

Florida's Job Market

- Florida's job market is still recovering, but it is getting closer to its most recent peak – only 63,100 jobs short. However, rehiring—while necessary—will not be enough.
- Florida's prime working-age population (aged 25-54) is forecast to add about 4,000 people per month, so the hole is deeper than it looks.
- It would take the creation of about 640,000 jobs for the same percentage of the total population to be working as was the case at the peak.



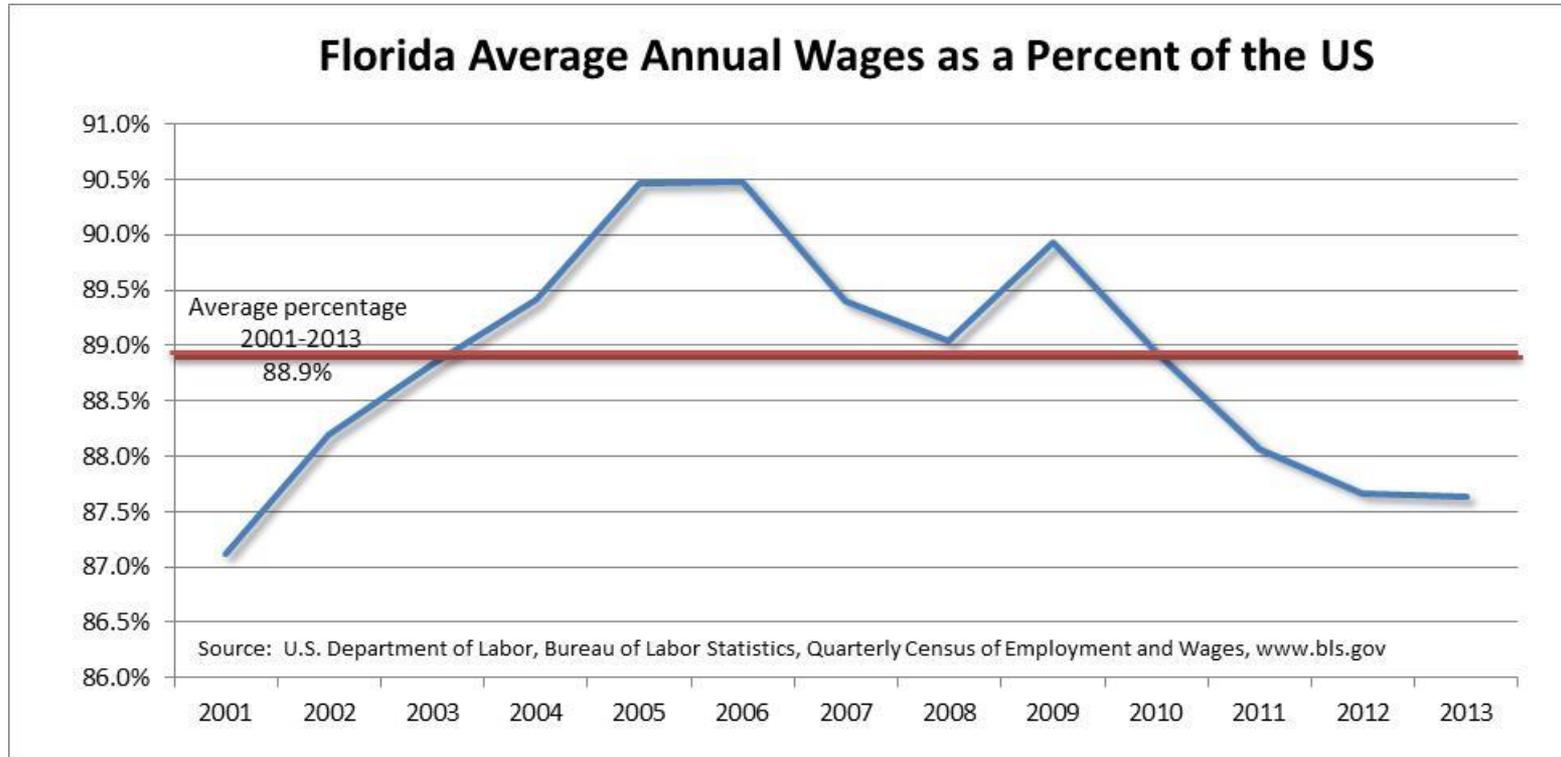
Employment Still Down from Peak Levels, But Improving...



Seven years past March 2007, Florida was still -4.2% below the peak. In total, 17 counties had gained employment relative to their levels at that point. Last year, there were only ten.

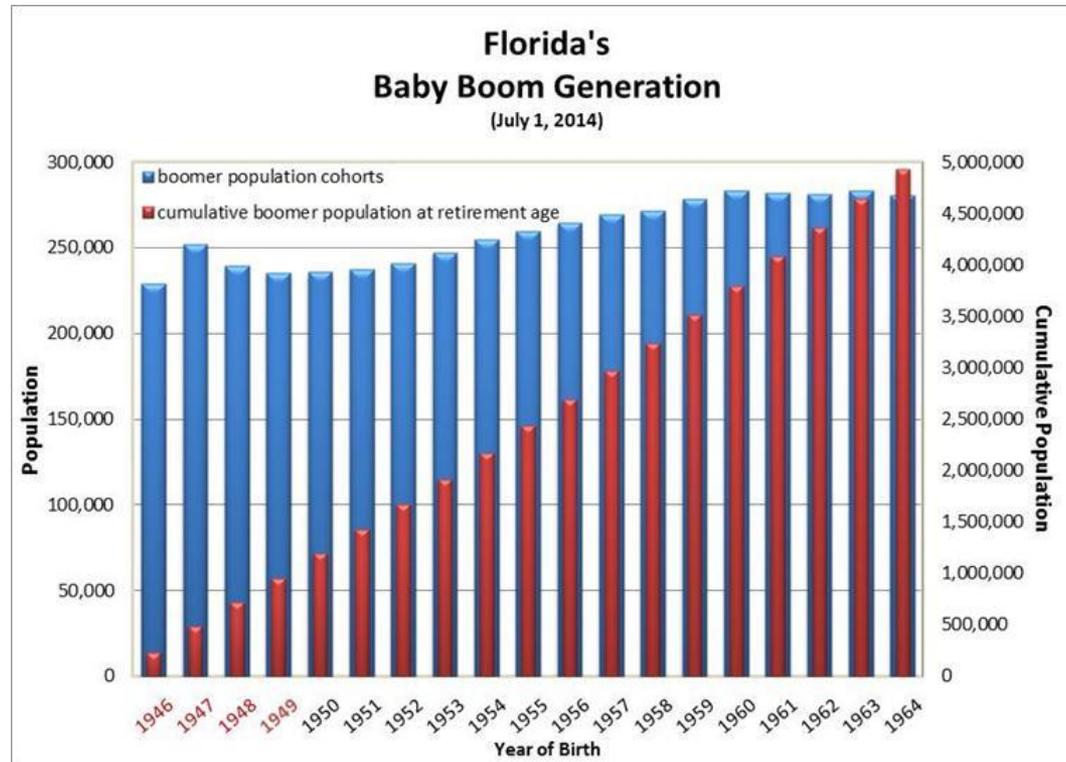


Wage Gap Stabilizes in 2013



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 only 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



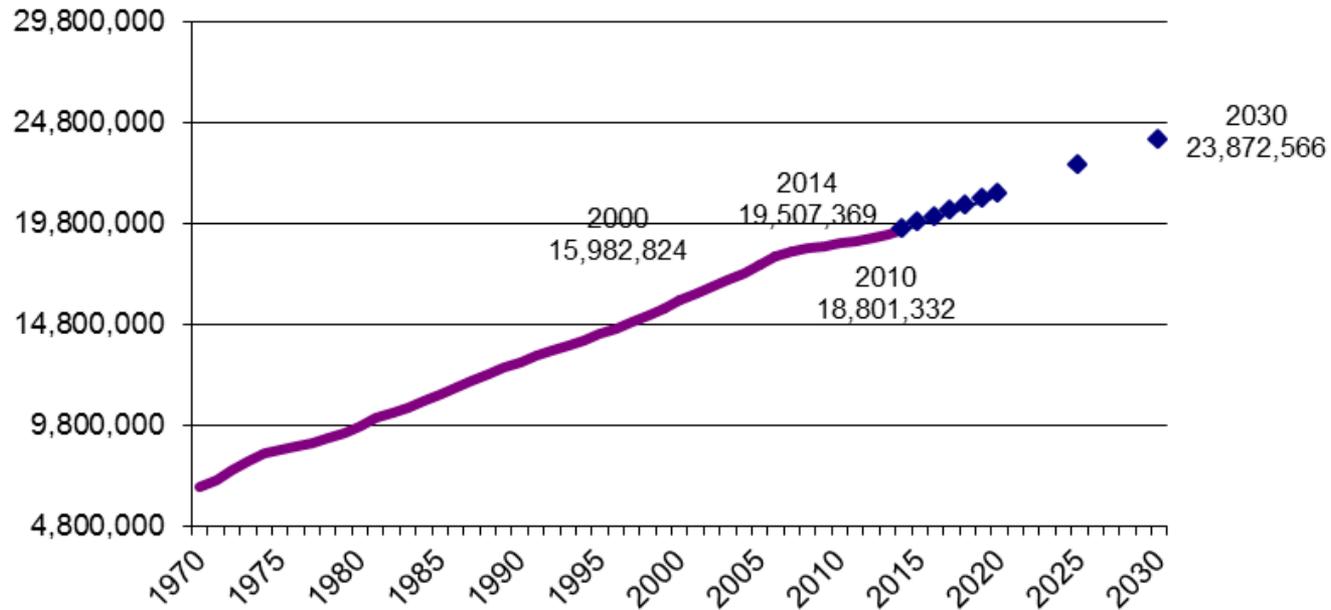
- The first cohort of Baby Boomers became eligible for retirement (turned age 65) in 2011. Only four cohorts have entered the retirement phase: 2011, 2012, 2013 and 2014. This is a small percentage (19.4%) of all boomers in Florida today.
- In 2000, Florida's working age population (ages 25-54) represented 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 only 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 strengthening, showing increasing rates of growth over the next few years. In the near-term, Florida is expected to grow by 1.45% between 2014 and 2015 – then continue its recovery, averaging 1.42% between 2015 and 2020. Most of Florida's population growth through 2030 will be from net migration (94%). Nationally, average annual growth will be about 0.75% between 2014 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

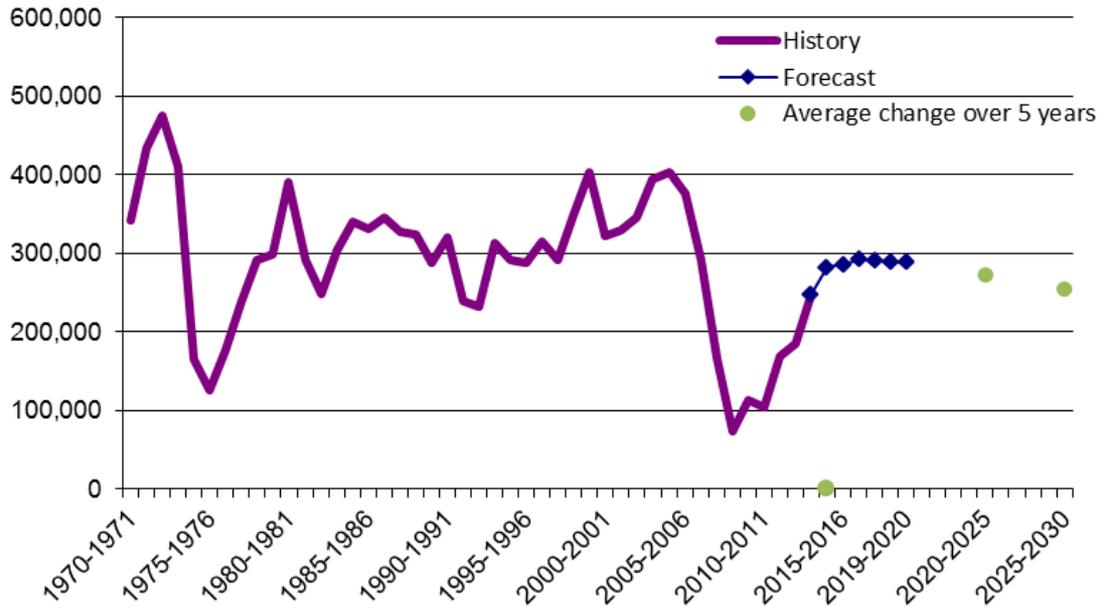


Florida's population:

- was 15,982,824 in 2000
- was 18,801,332 in 2010
- is forecast to grow to 23,872,566 by 2030



Florida's Population Growth



Population:

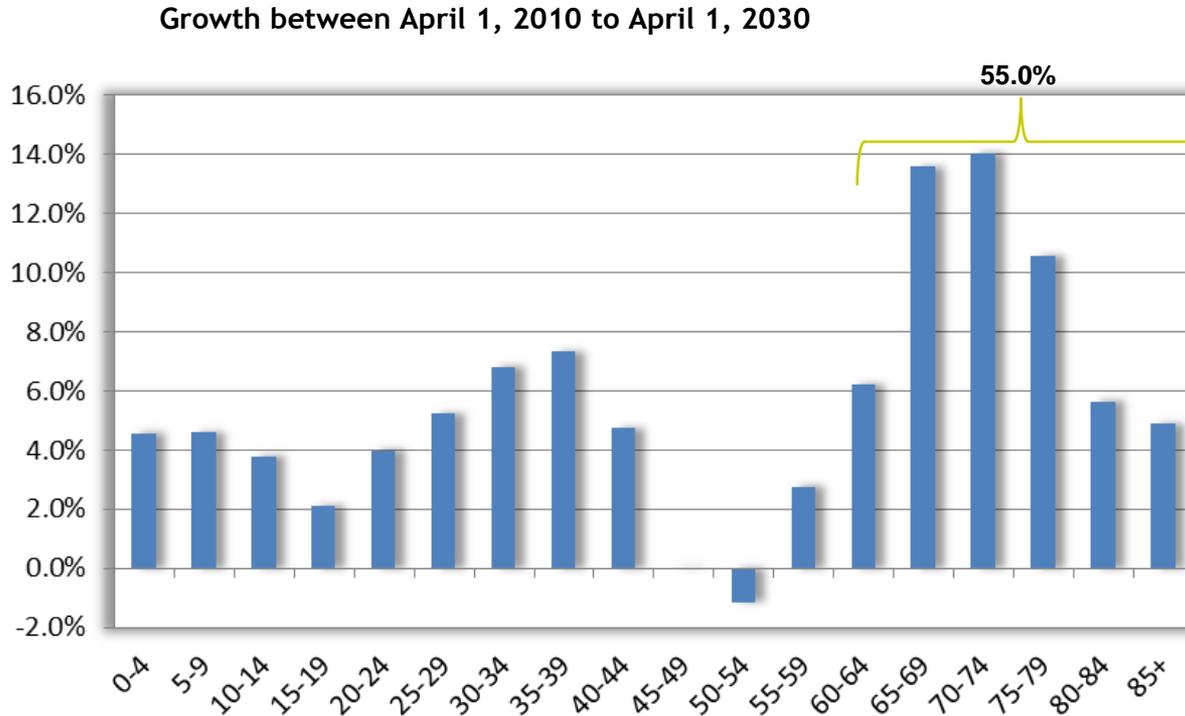
- Average annual increase between 2000 and 2006 was: 361,942
- Average annual increase between 2007 and 2014 was: 151,514

Population is forecast to increase on average by:

- 282,256 between 2014 and 2015 --- a gain of 773 per day
- 289,408 between 2015 and 2020 --- a gain of 793 per day
- 272,736 between 2020 and 2025 --- a gain of 747 per day
- 254,444 between 2025 and 2030 --- a gain of 697 per day

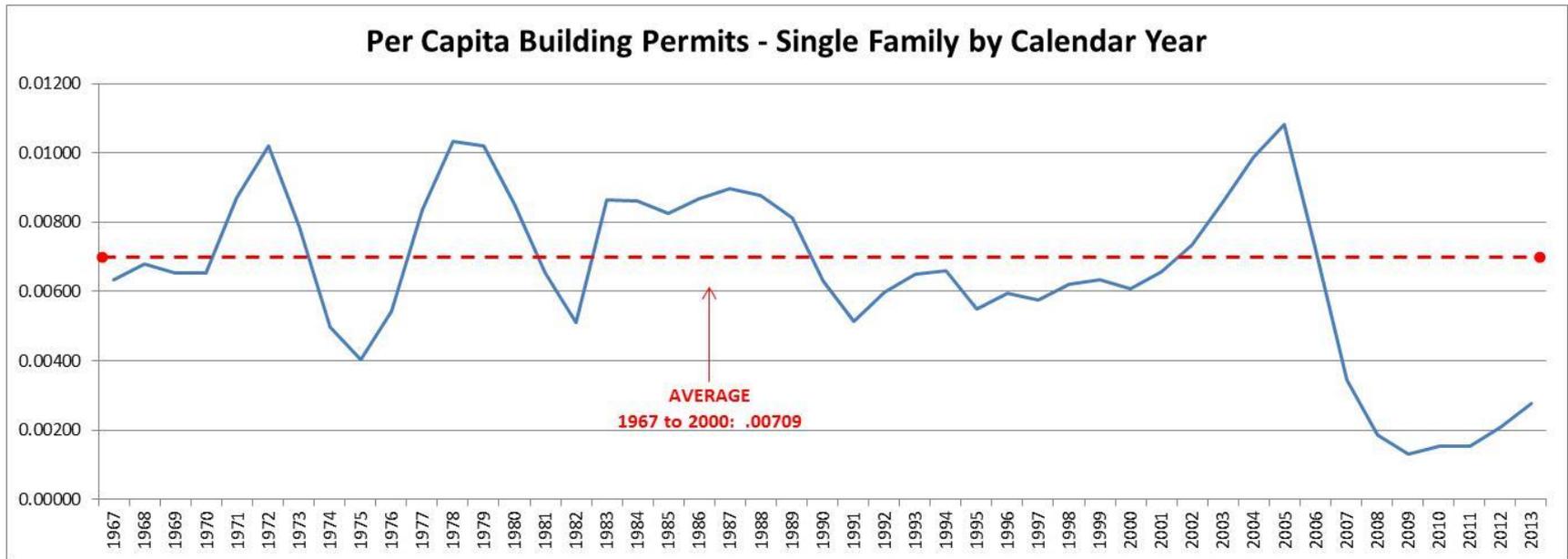
2014	
Orlando	255,636
St. Petersburg	252,372
Hialeah	230,544

Population Growth by Age Group



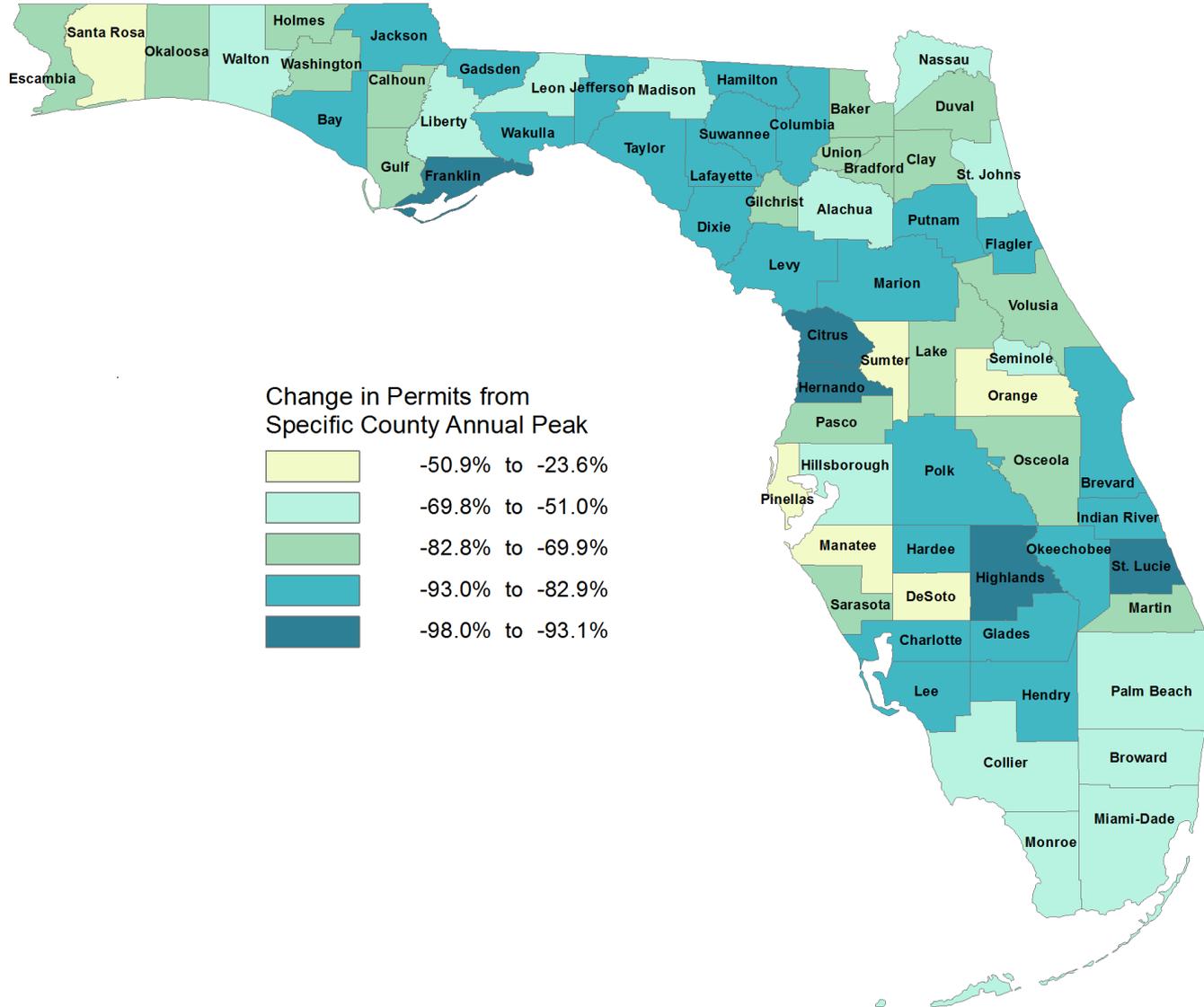
- Between 2010 and 2030, Florida's population is forecast to grow by just over 5 million persons.
- Florida's older population (age 60 and older) will account for most of Florida's population growth, representing 55.0 percent of the gains.
- Florida's younger population (age 0-17) will account for 14.3 percent of the gains, while the young working age group (25-39) will account for 19.4 percent of the growth.

Florida Housing is Generally Improving

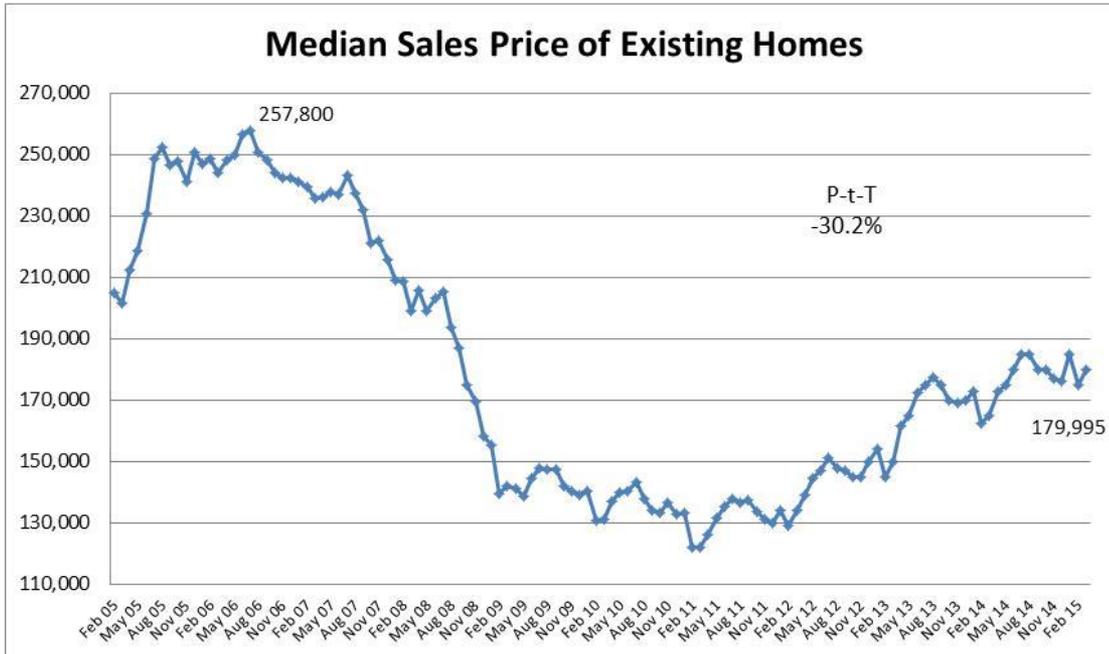
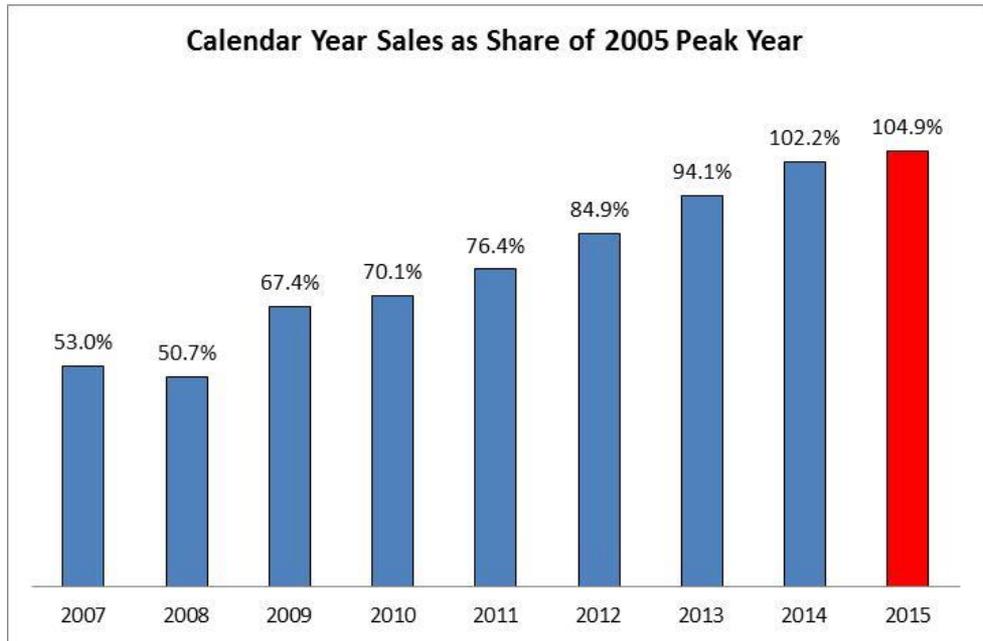


Building permit activity, an indicator of new construction, is back in positive territory, showing strong (36.6%) calendar year growth in 2012. While still robust, data for the 2013 calendar year indicates that the increase in permits (33.4%) was slightly below the prior year. Despite the strong percentage growth in both years, the level is still low by historic standards. Preliminary residential data for the 2014 calendar year indicates slowing (but still positive) activity; calendar year-to-date activity through February 2015 is running above last year for the same period; single family data is higher (+7.18 percent) than 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 In 2014 Exceeded Its 2005 Peak; 2015 Set To Do the Same...

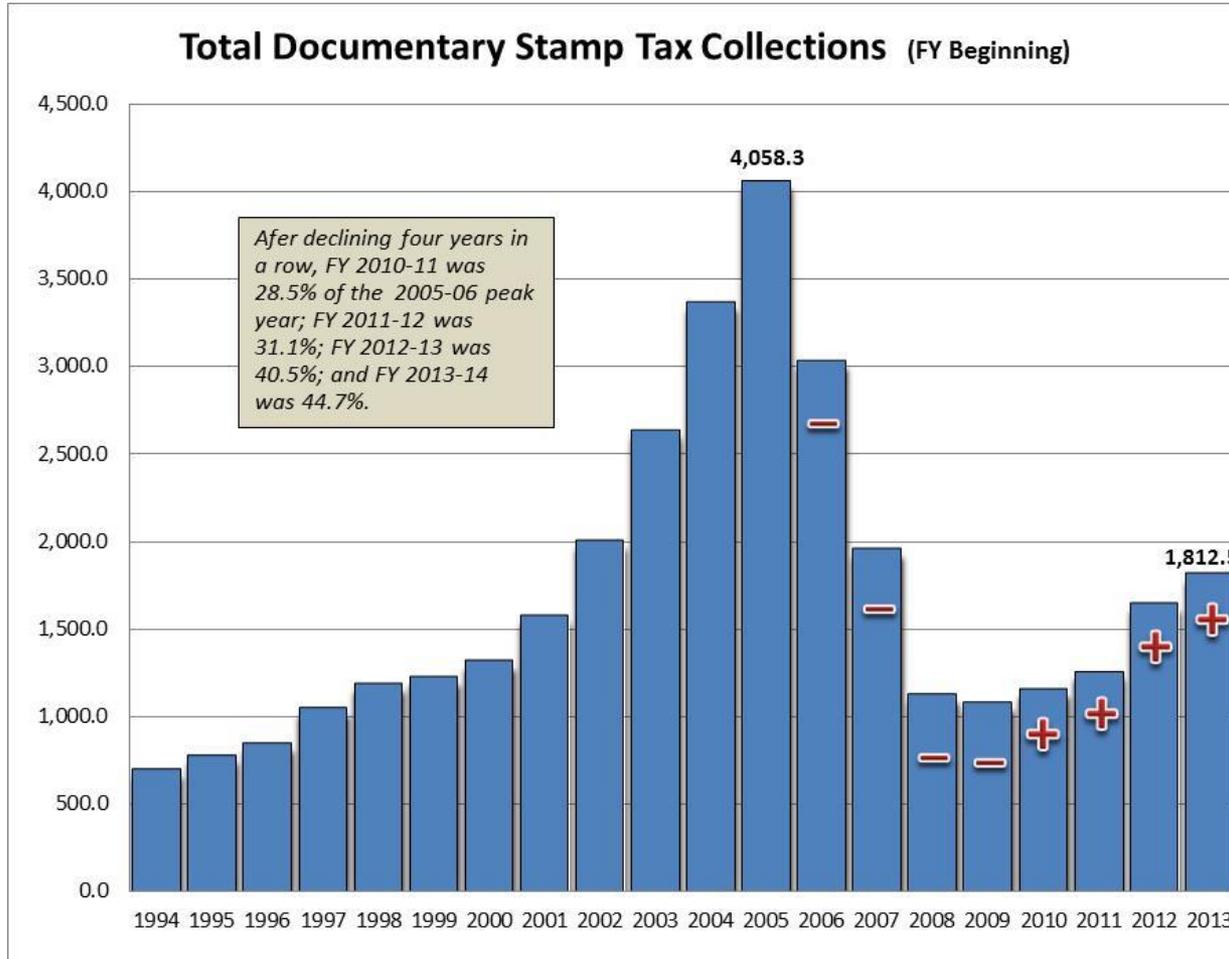


Existing Home Price Gains Are Flattening Out— They Are Also Running 88.1% of The National Median

Data through February 2015

Documentary Stamp Collections

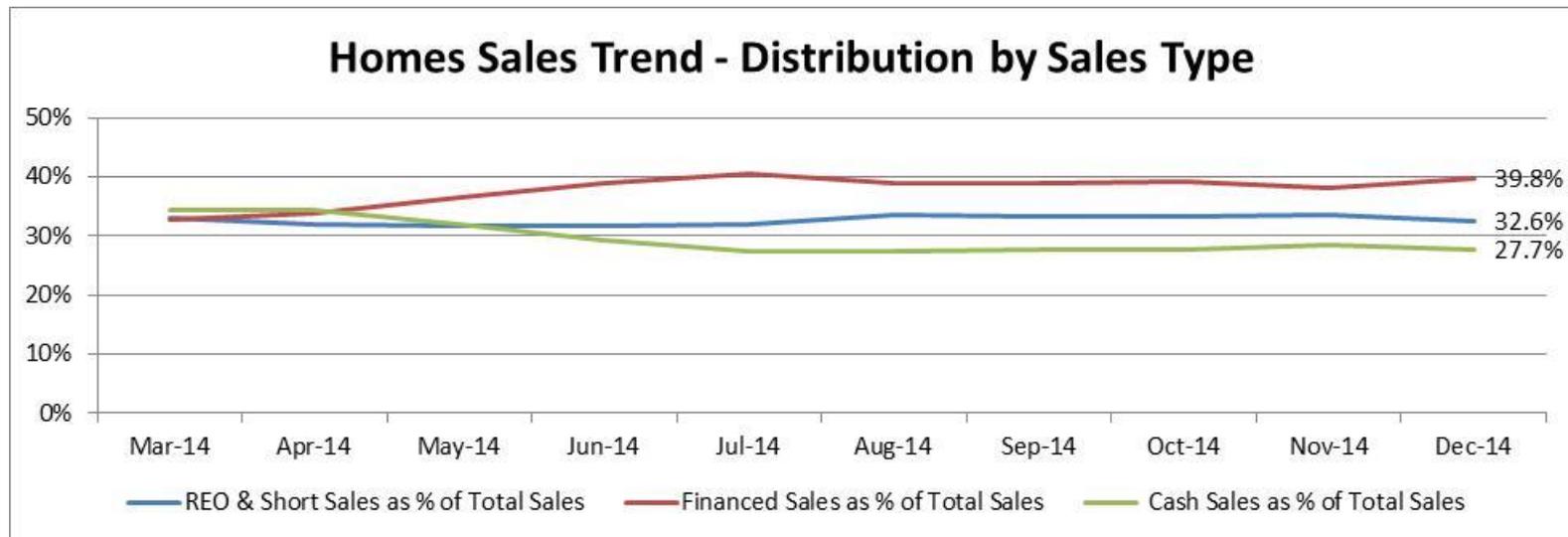
(Reflecting All Activity)



Documentary Stamp Tax collections for the first eight months of FY 2014-15 are running 10.7 percent above the same period in FY 2013-14.

Sales Mix Still Points To Low Prices...

**Distressed
Property Discount
36.5%**



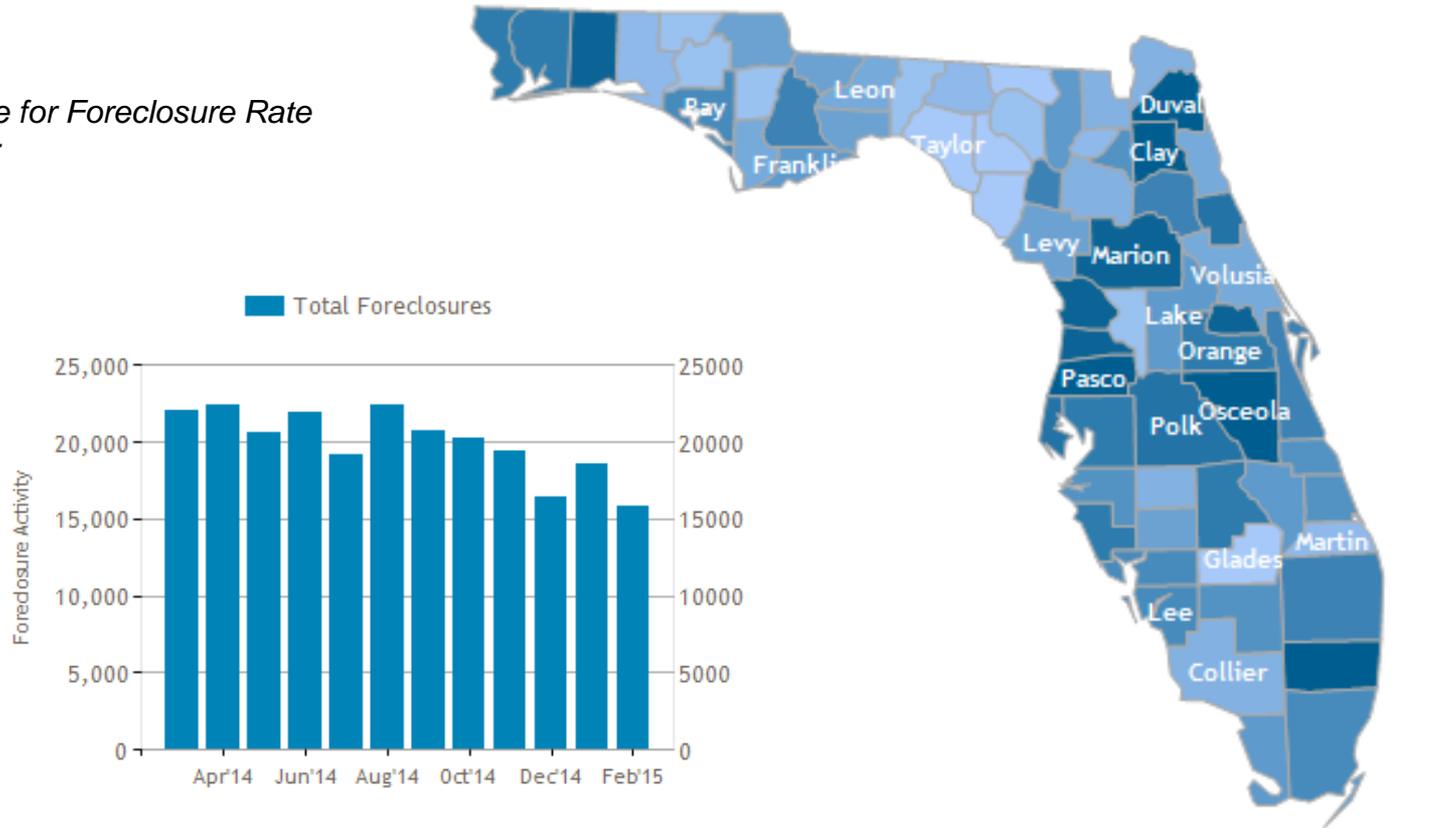
Data from LPS / Black Knight

- Financed Sales ended December 2014 with a higher share than it had in December 2013 (39.8% versus 34.0%); in particular, the share of Cash Sales has drifted downwards. After converging, the share of Financed Sales has stayed consistently above the others since May 2014.
- 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 4,938 short sales in December 2013, and 4,072 in December 2014. To the extent short sales increase, the foreclosure pipeline will be reduced.

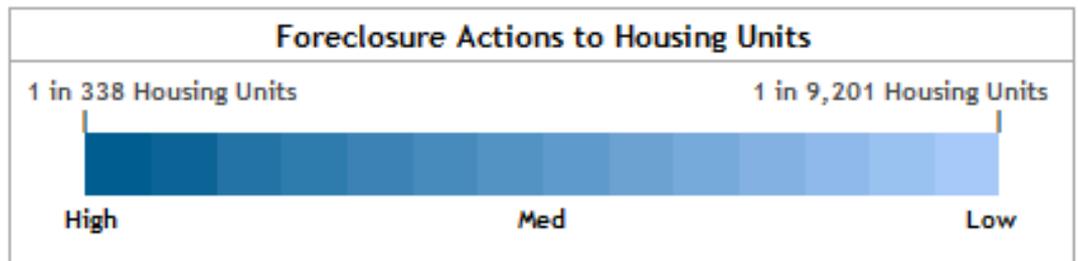
Foreclosures Are Still A Florida Issue

February 2015...

- *Third Highest State for Foreclosure Rate*
- *Top Five Counties:*
 - *Clay*
 - *Pasco*
 - *Duval*
 - *Broward*
 - *Osceola*



Data from RealtyTrac



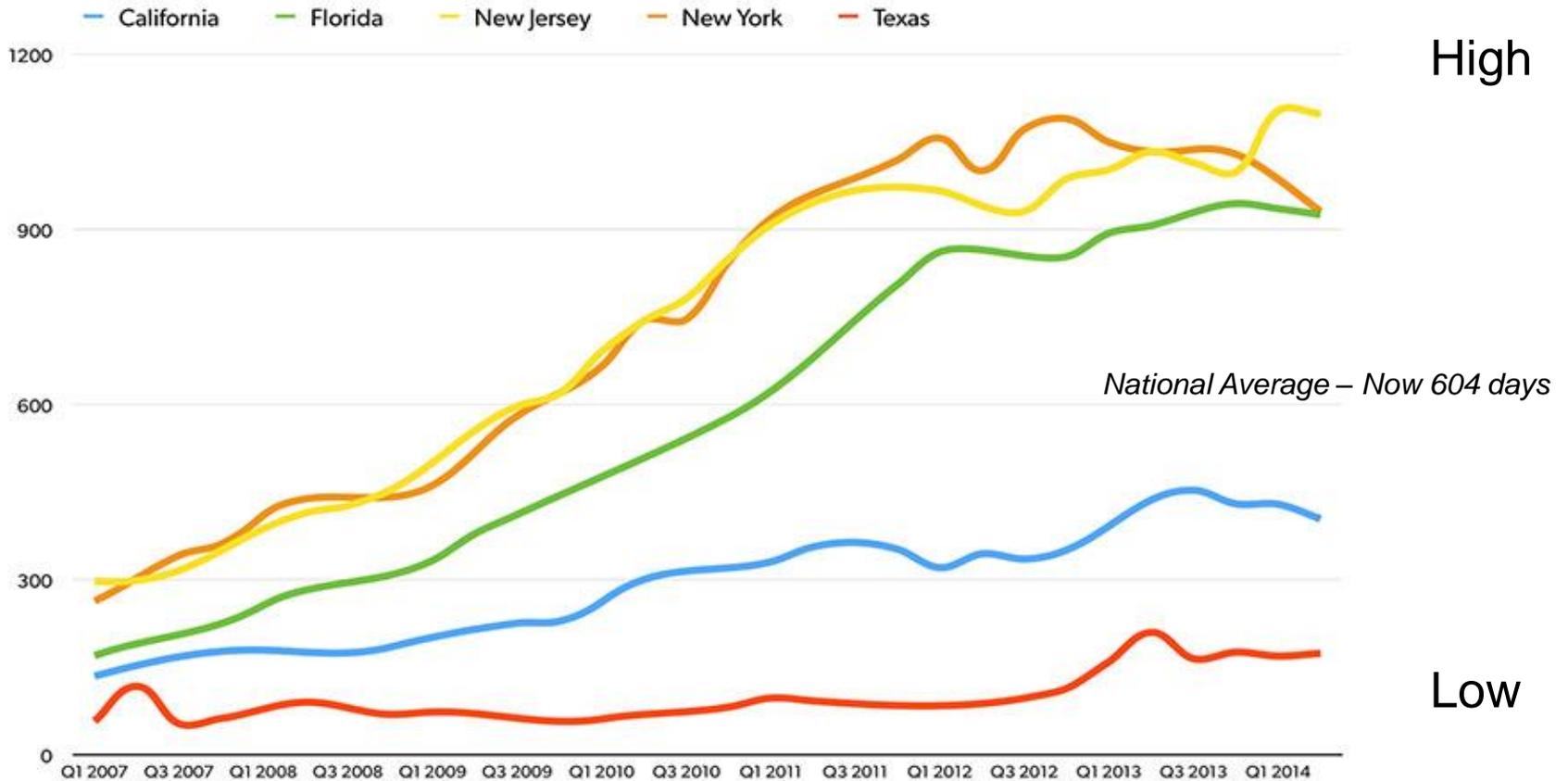
Days to Foreclose



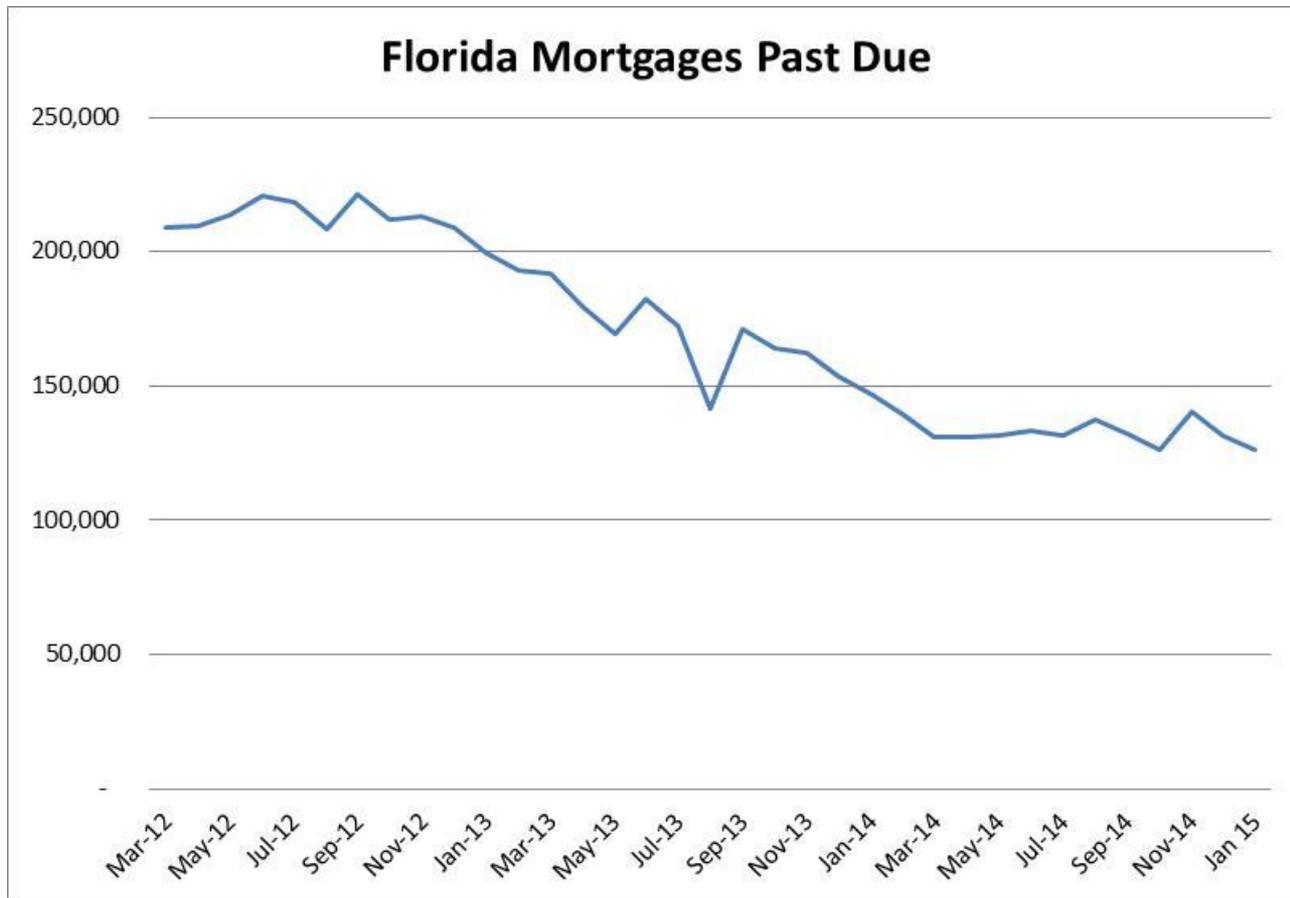
Foreclosure Process (once begun)

- 946 Days – 2.6 yrs – in Florida (3rd Longest Period in Nation in 2014:Q4)
- At the beginning of 2007, Florida was at 169 days or less than 6 months.

Average Days to Foreclose

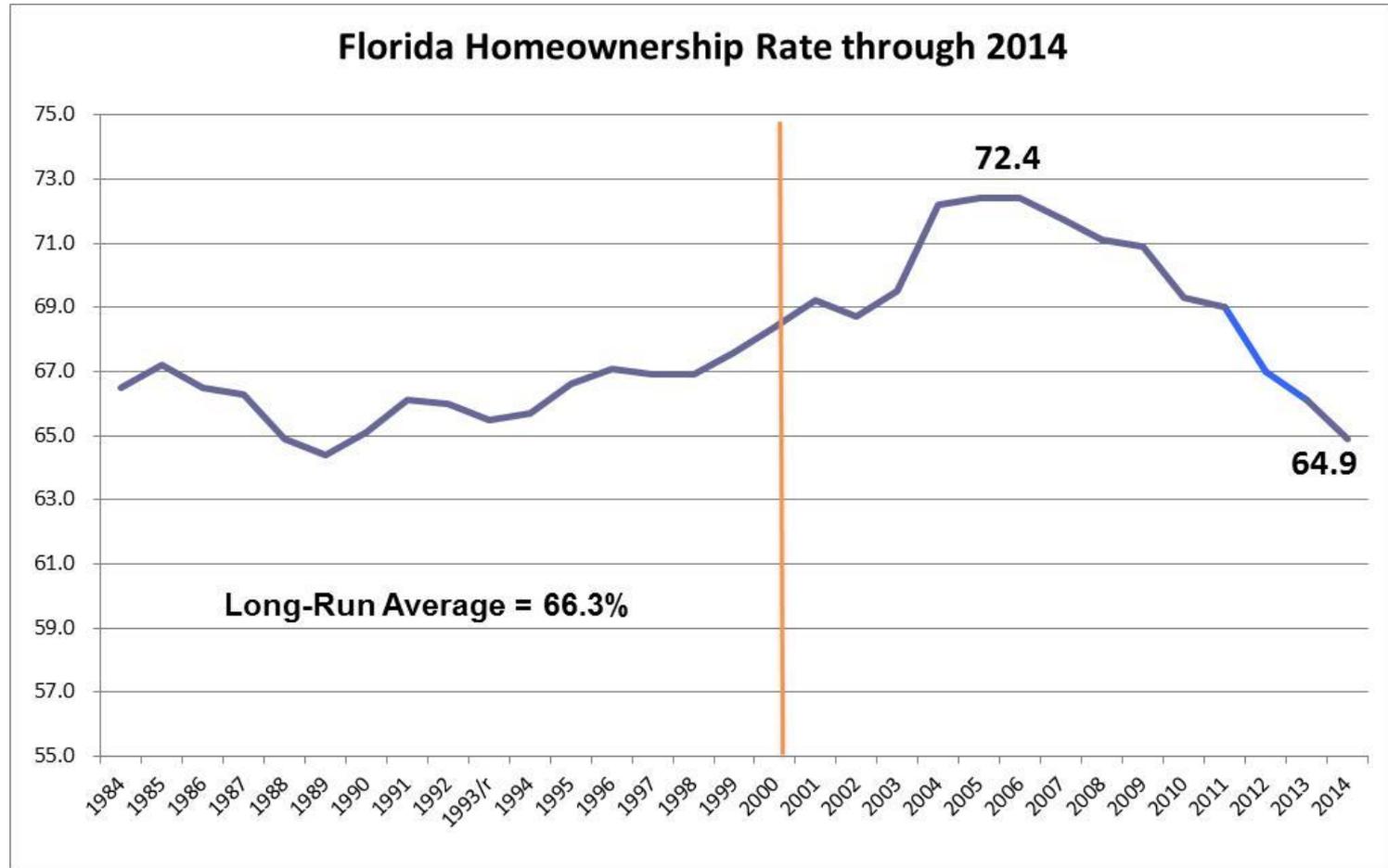


Foreclosures & Shadow Inventory



After being ranked first for many months, Florida has now moved to seventh 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 15% in the most recent data.

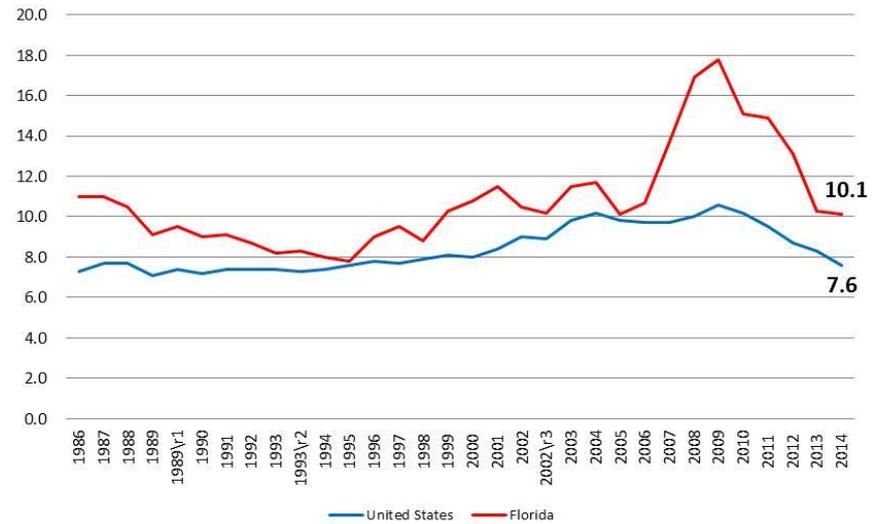
Homeownership Rate Below Normal



The 2014 percentage of 64.9 is the lowest since 1989, and it's below the long-term average for Florida.

Residential Rental Vacancies Still Tightening; Price Pressure Starting to Appear

Rental Vacancy Rates
Longrun Average Percent: US---8.4; FL---10.8



Median Gross Rent

Average Gross Rent

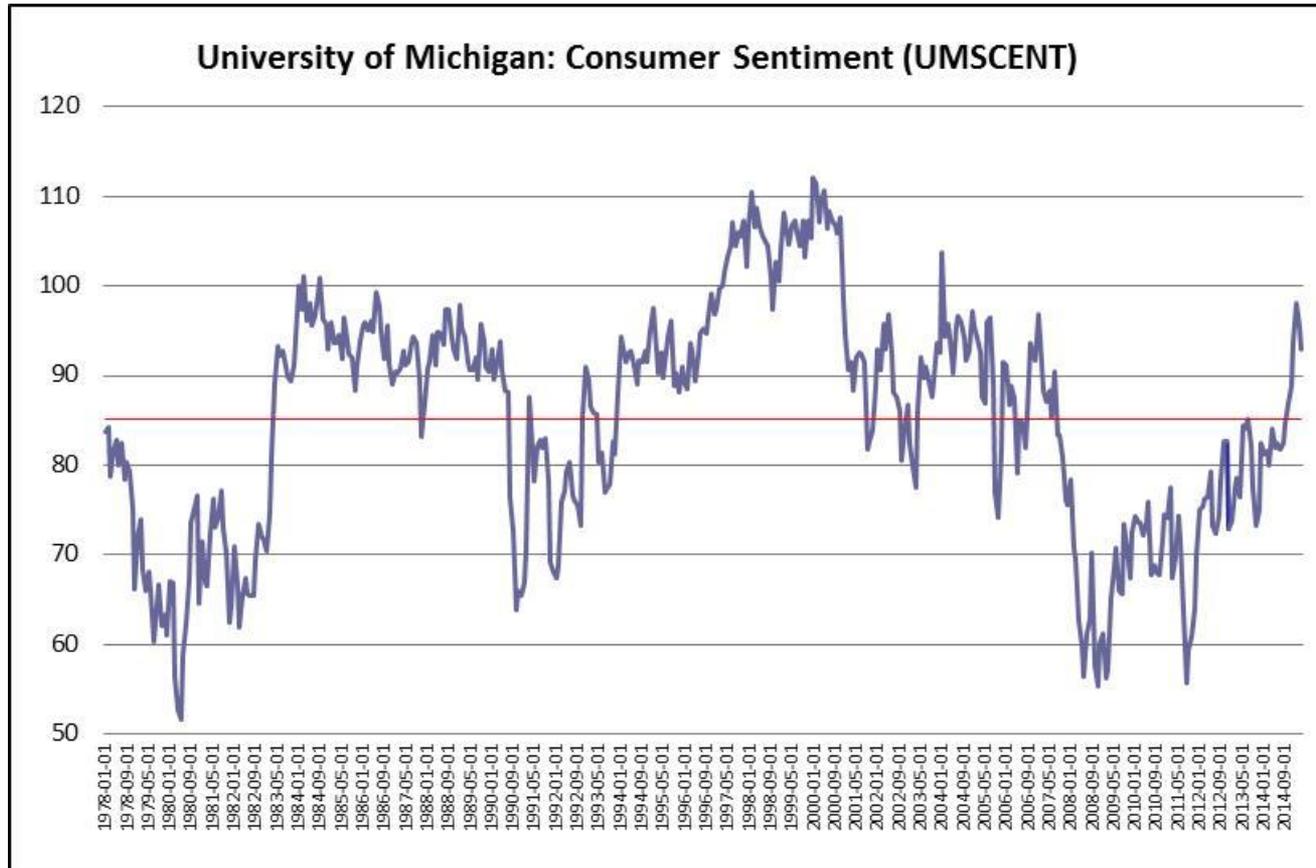
Year	Median Gross Rent			Average Gross Rent		
	U.S.	FL	FL Relative To US	U.S.	FL	FL Relative To US
2005	728	809	111%	803	863	107%
2006	763	872	114%	844	932	111%
2007	789	925	117%	878	991	114%
2008	824	947	115%	919	1015	111%
2009	842	952	113%	938	1024	110%
2010	855	947	111%	954	1017	107%
2011	871	949	109%	973	1027	106%
2012	884	954	108%	990	1037	105%
2013	905	972	107%	1016	1050	103%

Florida Median Gross Rent as Percent of U.S.



Source: U.S. Census Bureau, American Community Survey, One-Year, 2005-2013.

Consumer Perceptions Improve



Nationally, the sentiment reading for March (93.0) is still significantly above the index average since inception (85.1); January had the highest reading achieved 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 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 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.

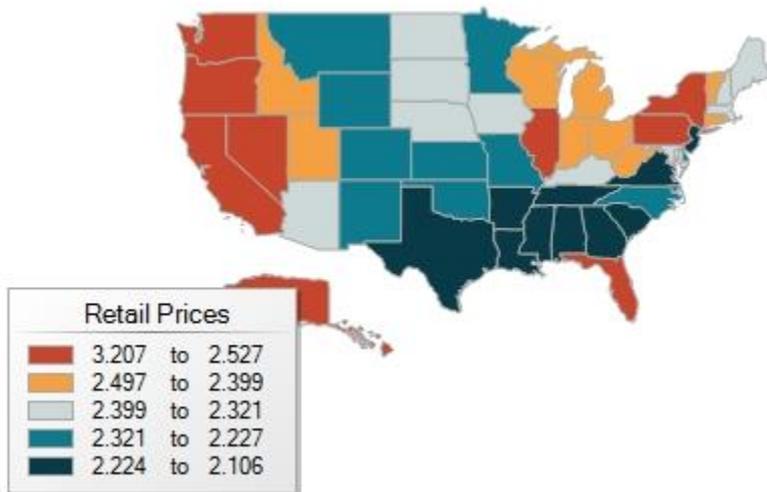
More Buyers...

- In 2015, the first wave of homeowners affected by foreclosures and short sales are past the seven-year window generally needed to repair credit.
- Atypical household formation will ultimately unwind.

Low Gas Prices Are A Windfall...

Florida Average Prices	Regular
Current Avg.	\$2.530
Year Ago Avg.	\$3.628
Highest Recorded Avg.	\$4.079

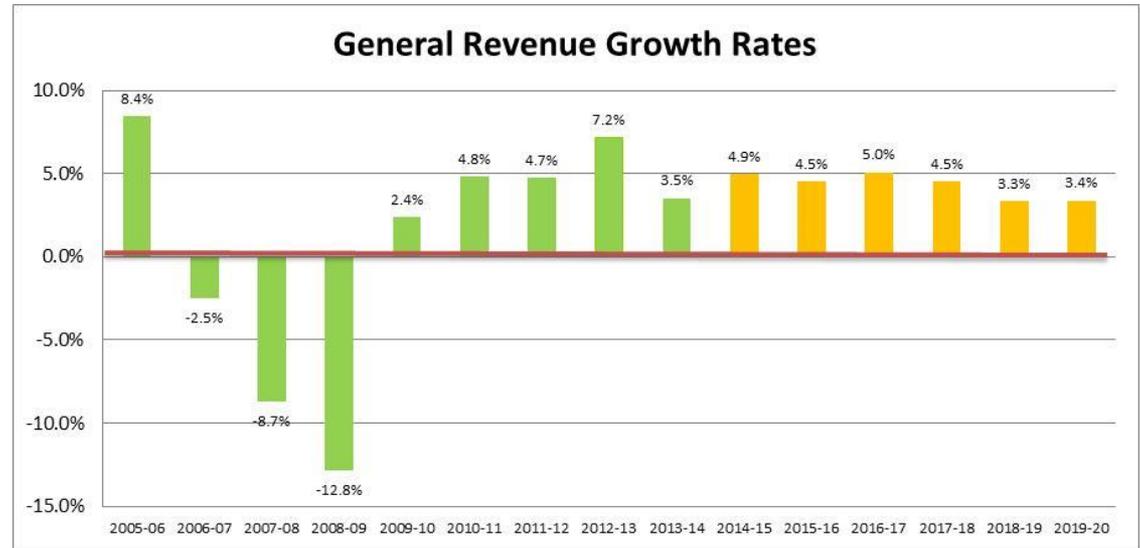
Prices updated as of 3/29/2015 3:45am; AAA



- OPEC's inaction has allowed gas prices to continue to fall.
- Consumers have treated the lower gas prices as a one-time windfall or dividend, boosting consumer spending. Prices are expected to stabilize by mid-2015.
- IHS (Global Insight) estimates that the savings will be roughly \$750 per household over the next four quarters. For Florida, this means approximately \$5.86 billion in additional spending. If 100% of it was spent on taxable sales, it would be just over \$350 million in additional sales taxes --- a significant part of the change to the forecast.

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	Dec 2014 Forecast	March 2015 Forecast	Difference	Incremental Growth	Growth
2005-06	27074.8	27074.8	0.0	1287.9	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	-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	1696.8	7.2%
2013-14	26198.0	26198.0	0.0	883.4	3.5%
2014-15	27,485.4	27,485.9	0.5	1287.9	4.9%
2015-16	28,578.5	28,723.9	145.4	1238.0	4.5%
2016-17	30,000.5	30,171.8	171.3	1447.9	5.0%
2017-18	31,357.4	31,530.3	172.9	1358.5	4.5%
2018-19	32,441.4	32,572.6	131.2	1042.3	3.3%
2019-20	33,548.6	33,664.9	116.3	1092.3	3.4%

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