

Florida: An Economic Overview

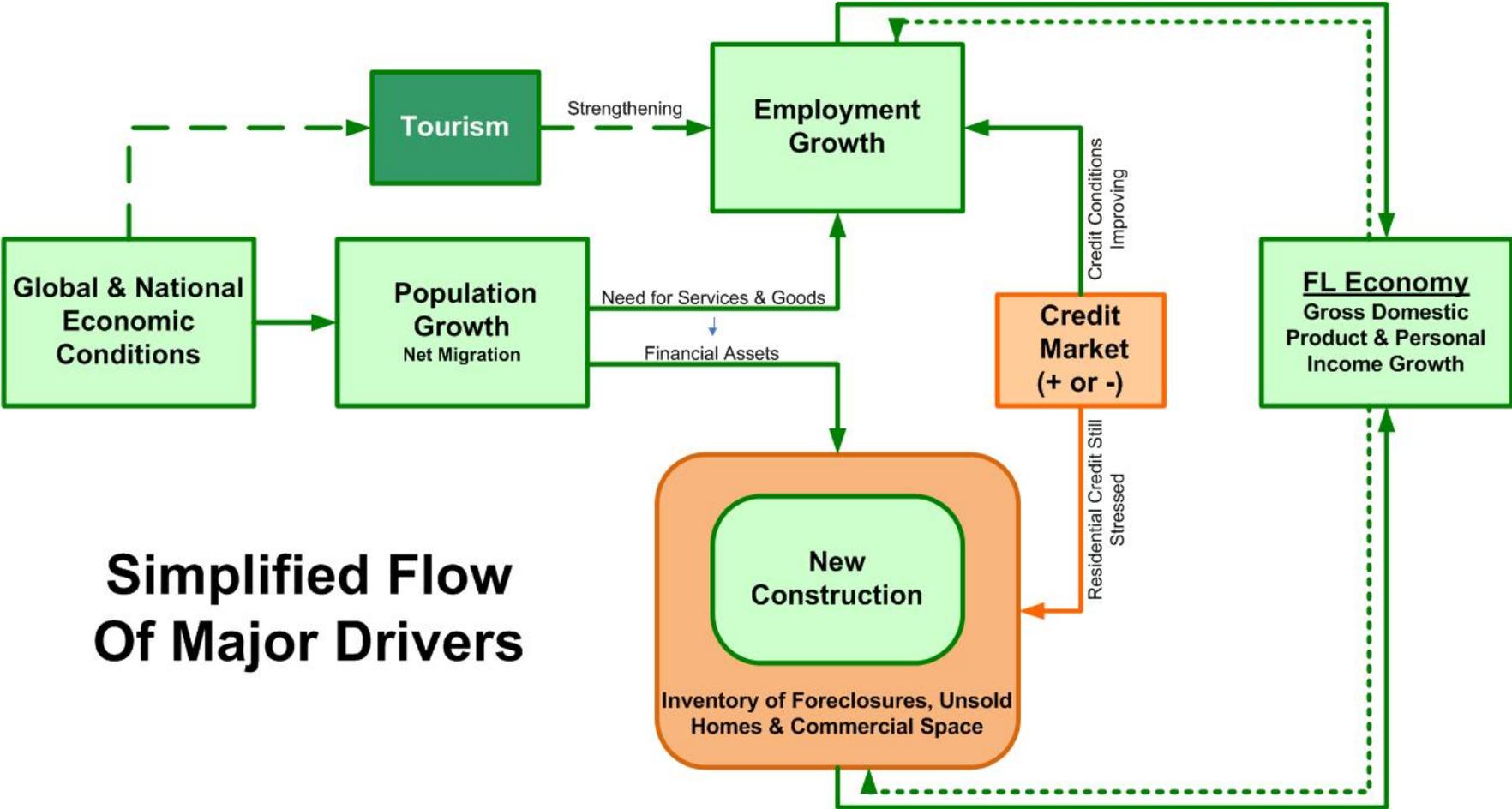
March 31, 2014

Presented by:



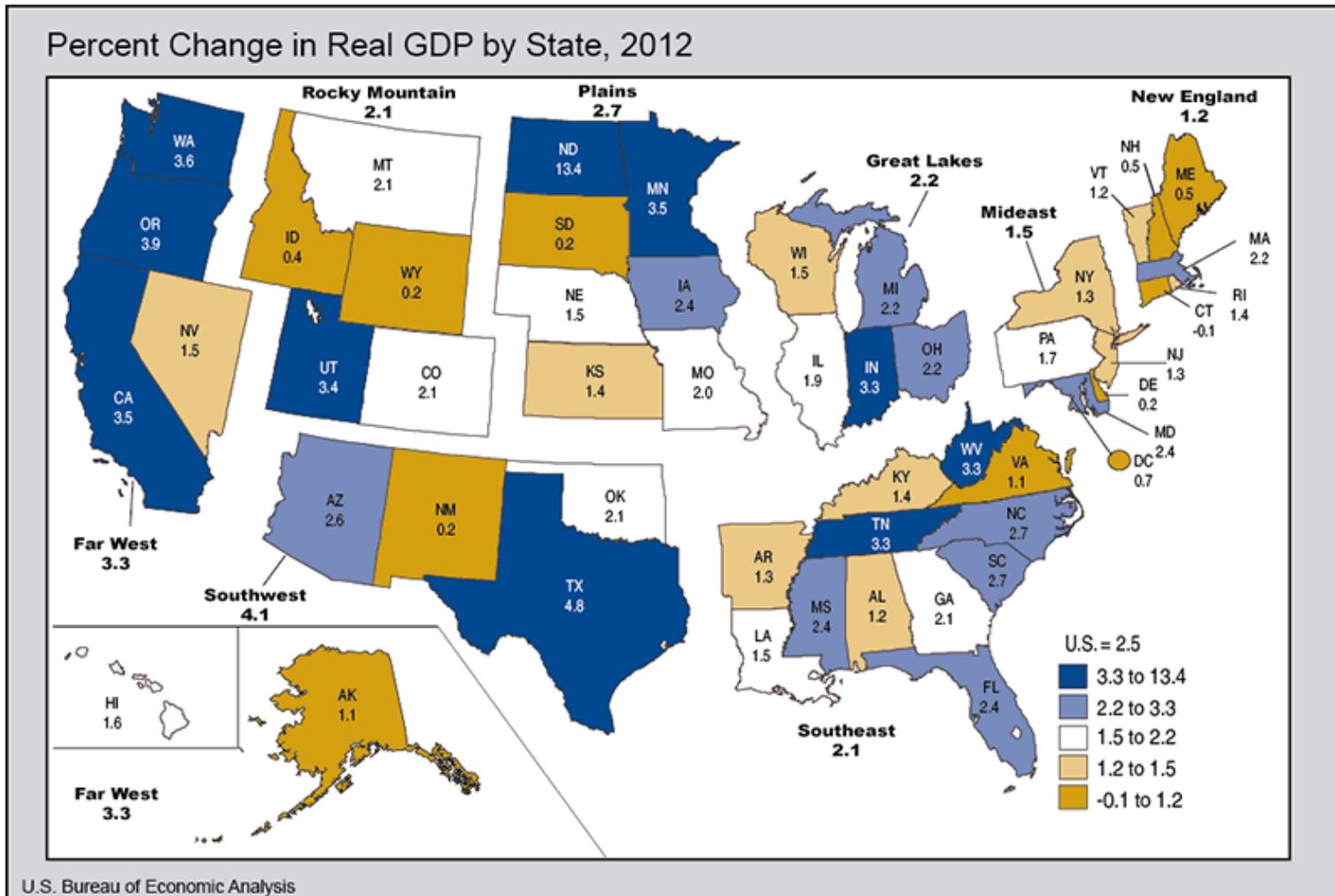
The Florida Legislature
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Demographic Research
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<http://edr.state.fl.us>

Key Economic Variables Improving



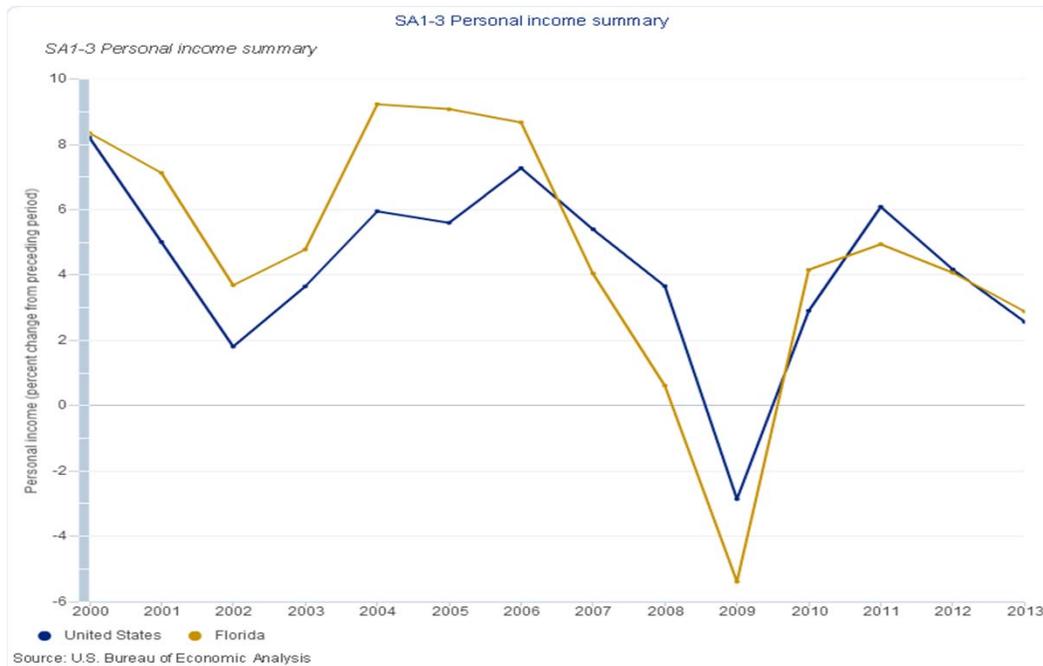
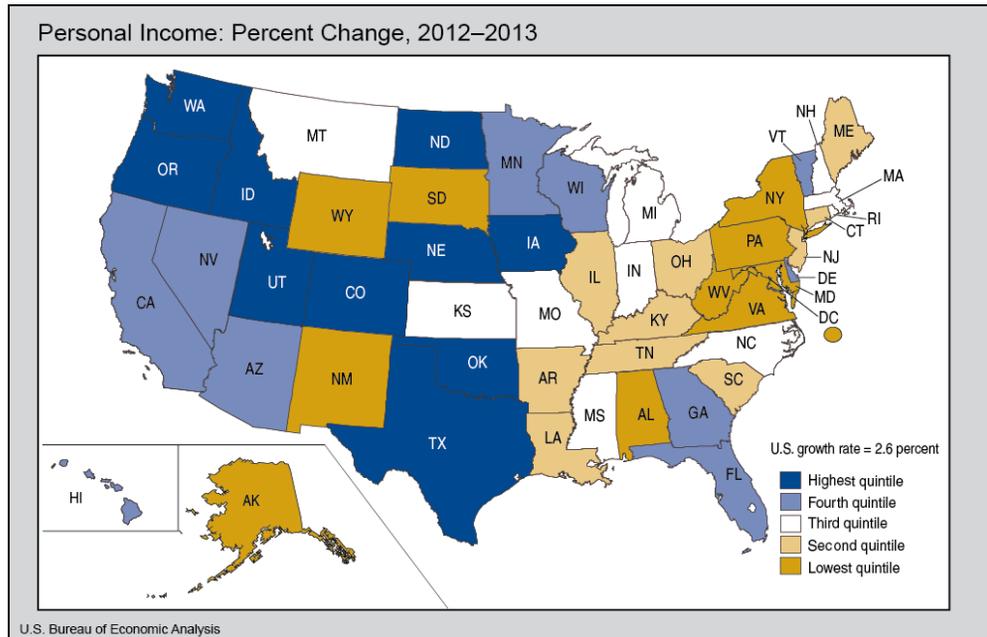
**Simplified Flow
Of Major Drivers**

Economy Strongly Improved in 2012



In 2012, Florida's economic growth was in positive territory for the third year after declining two years in a row. State Gross Domestic Product (GDP) ranked us 14th in the nation in real growth with a gain of 2.4%, just slightly below the national average of 2.5%.

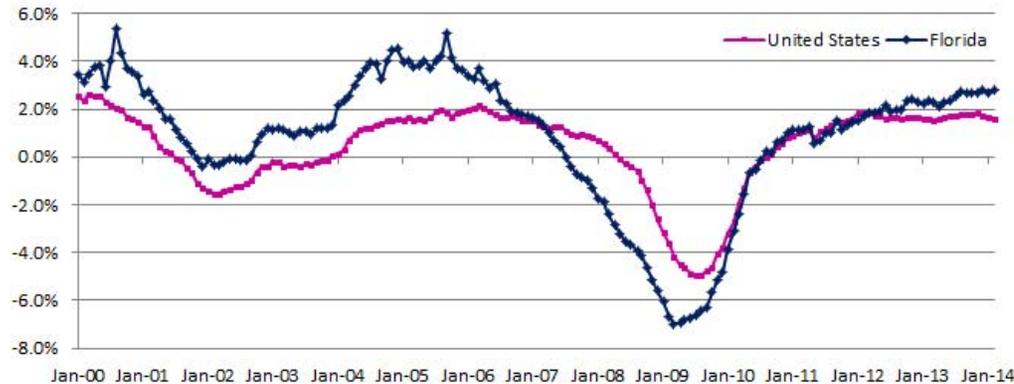
Florida Personal Income Growth Passes US in 2013



In the revised data, Florida finished the 2012 calendar year with 4.1% growth over 2011, putting the state only slightly below the national growth rate of 4.2%. The latest report for the 2013 calendar year shows that Florida was ranked 13th in the country with personal income growth of 2.9%. This was higher than the national average of 2.6%.

Current Employment Conditions

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



Jan-00 Jan-01 Jan-02 Jan-03 Jan-04 Jan-05 Jan-06 Jan-07 Jan-08 Jan-09 Jan-10 Jan-11 Jan-12 Jan-13 Jan-14
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 28, 2014.

February Nonfarm Jobs (YOY)

| | |
|-------|---------------|
| US | 1.6% |
| FL | 2.8% |
| YR: | 211,500 jobs |
| Peak: | -334,800 jobs |

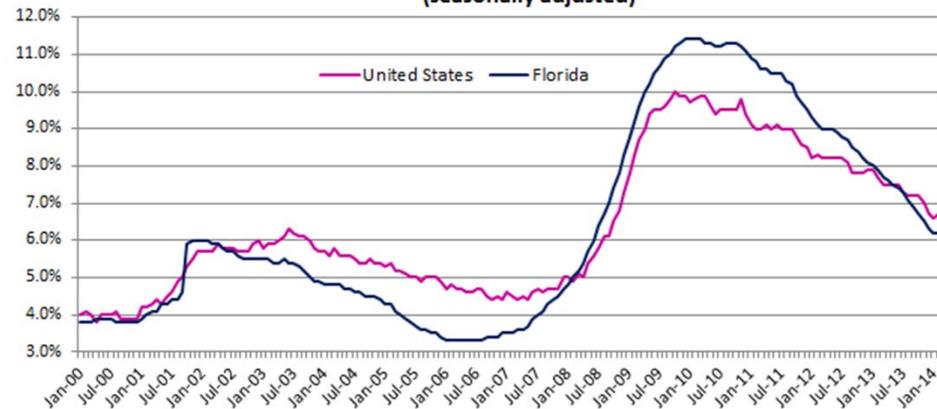
February Unemployment Rate

US 6.7%
FL 6.2%
(588,000 people)

Highest Monthly Rate

11.4% December 2009 through March 2010

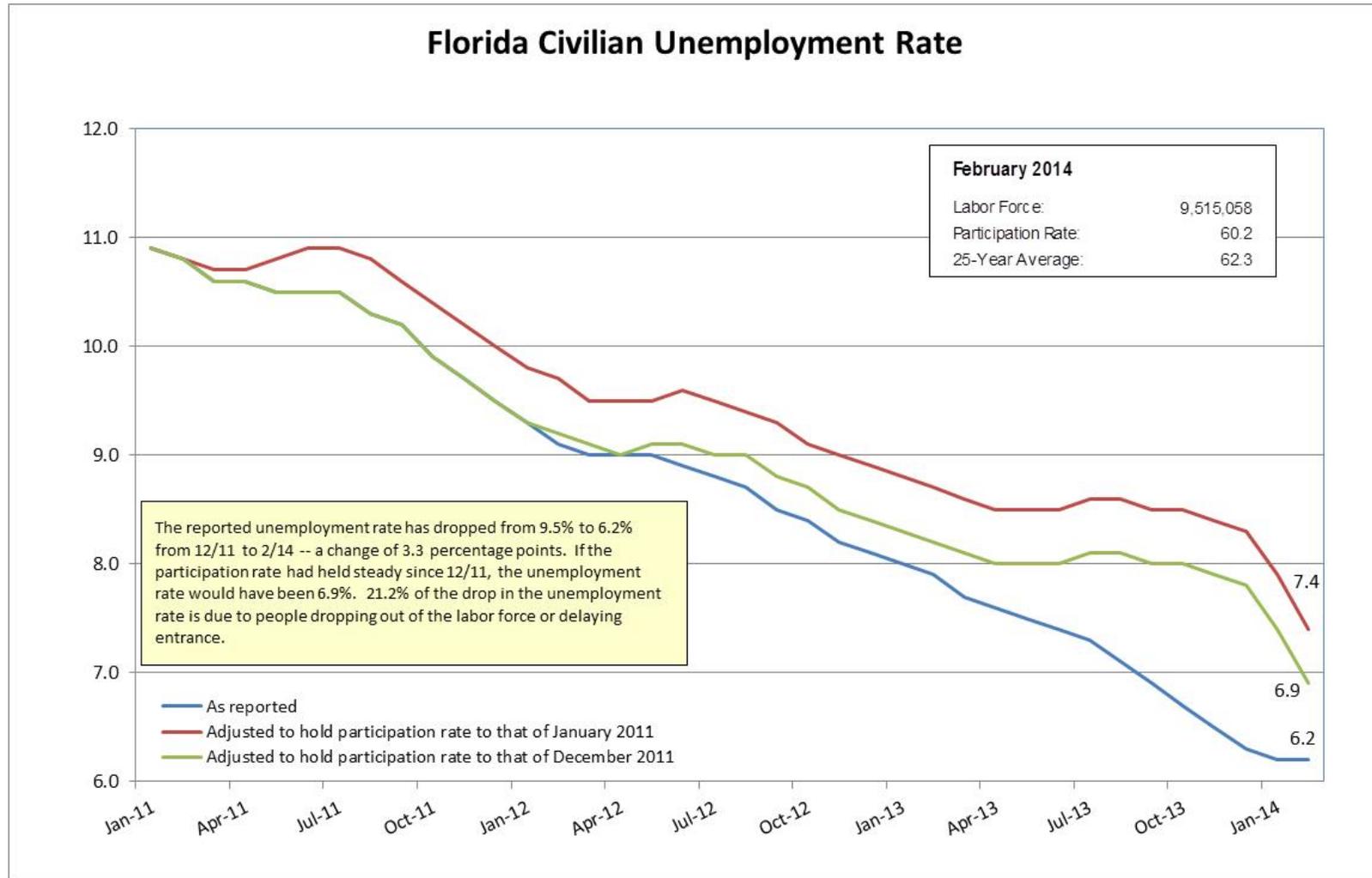
**United States and Florida Unemployment Rates
(seasonally adjusted)**



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 28, 2014.

Labor Force Changes Affect Rate Drop

(Using Revised Data Series Released March 17, 2014)



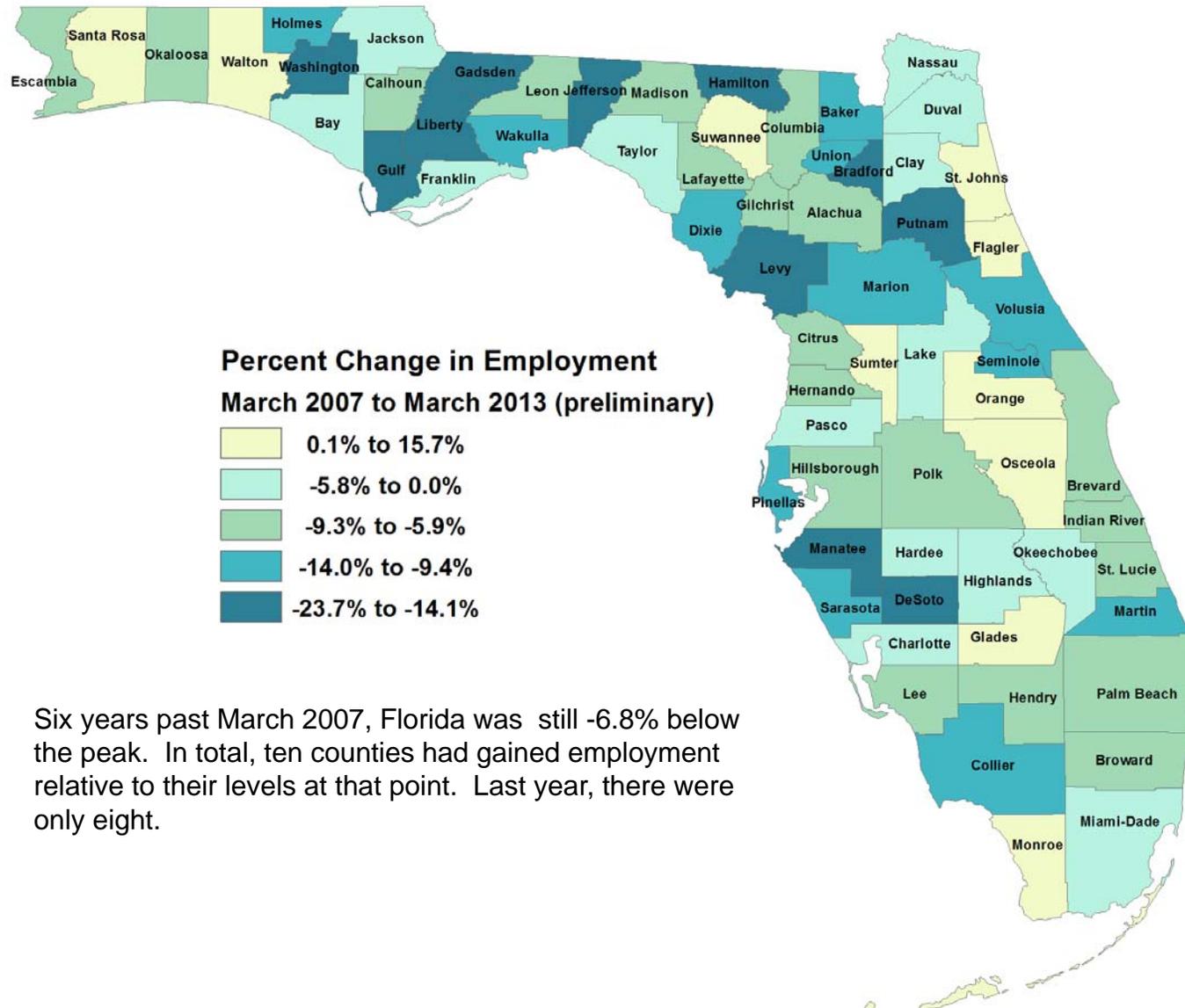
Labor Force Participation Rate increased in February from 59.9% to 60.2% --- by nearly 51,000 persons if the same rate applied in February as applied in January.

Florida's Job Market

- The job market has taken a long time to recover – relative to the most recent peak, about 334,800 jobs have yet to be recovered. 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 800,000 jobs for the same percentage of the total population to be working as was the case at the peak.



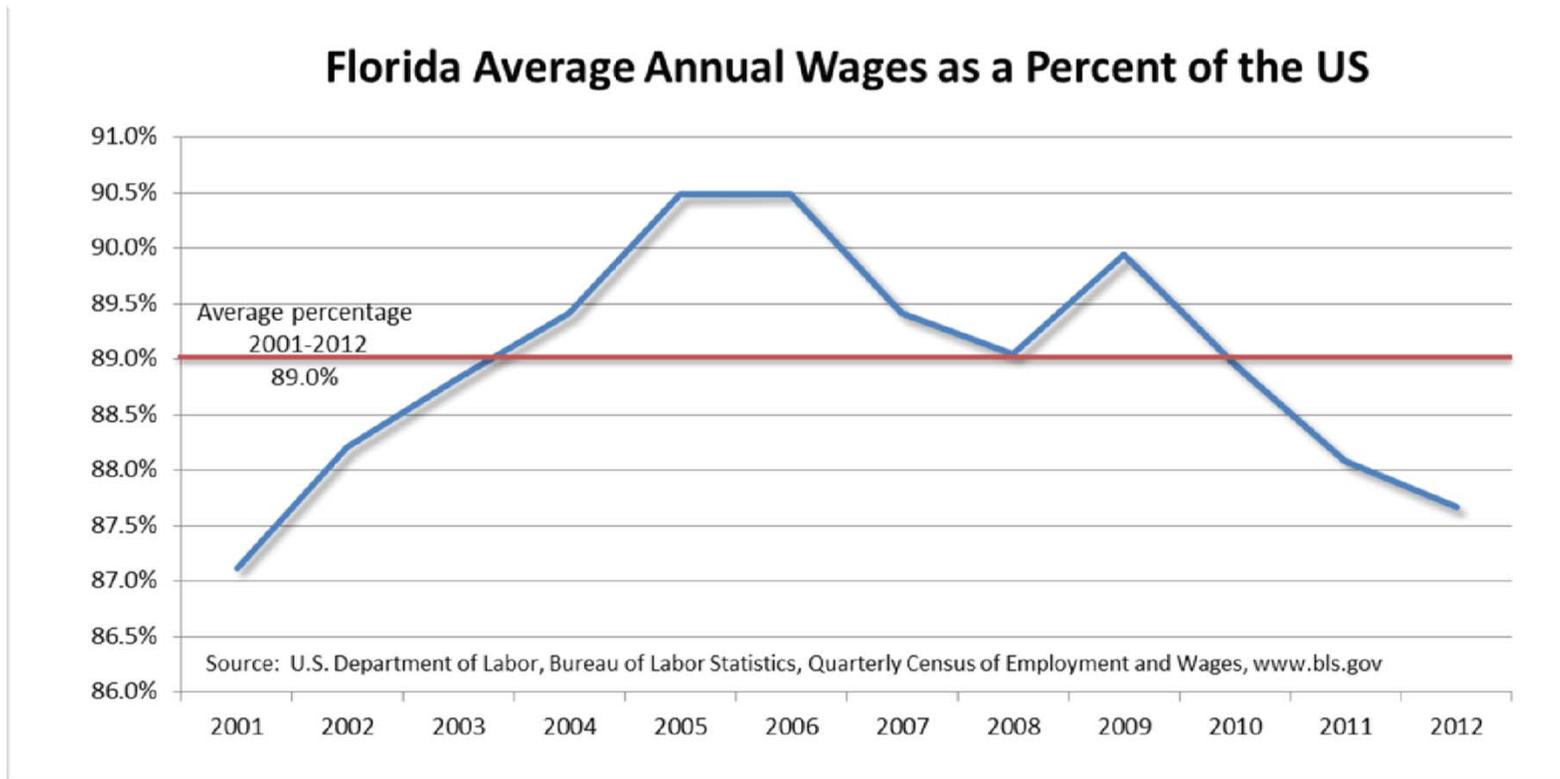
Employment Still Down from Peak Levels, But Improving...



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.



Wage Gap Increases in 2012



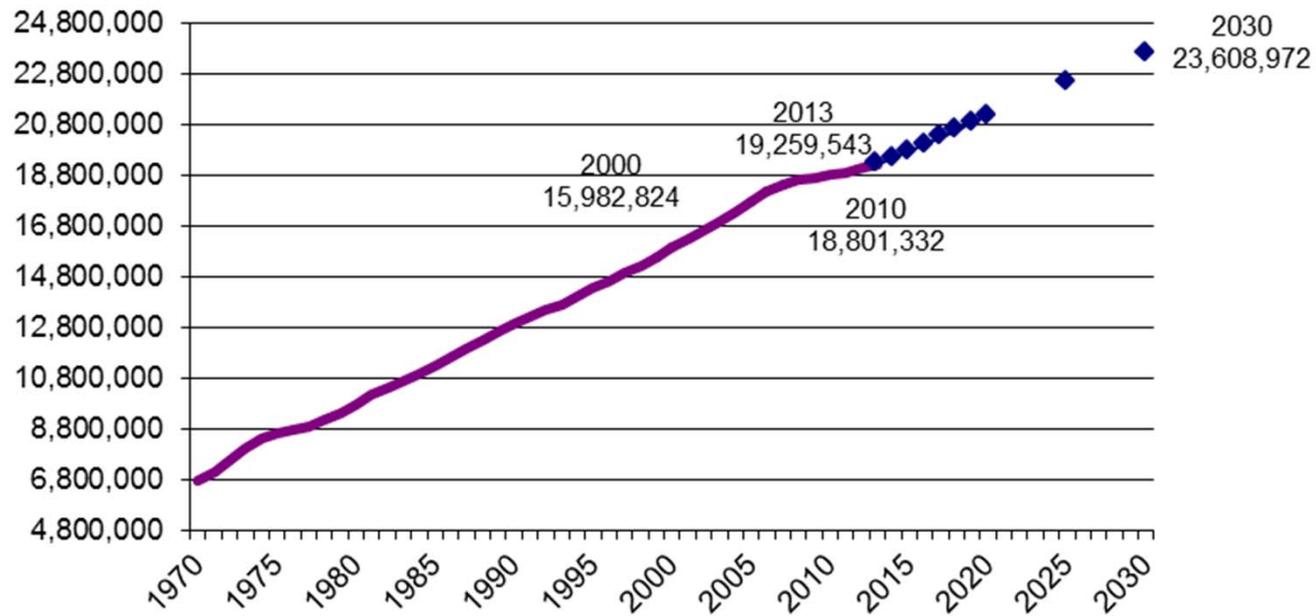
Florida's average annual wage has typically been below the US average. The preliminary data for the 2012 calendar year showed that it further declined to 87.7% of the US. Although Florida's wage level actually increased over the prior year, the US average annual wage increased more.

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 (90.0%). 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 during 2016, becoming the third most populous state sometime before then – surpassing New York.



Florida's April 1 Population

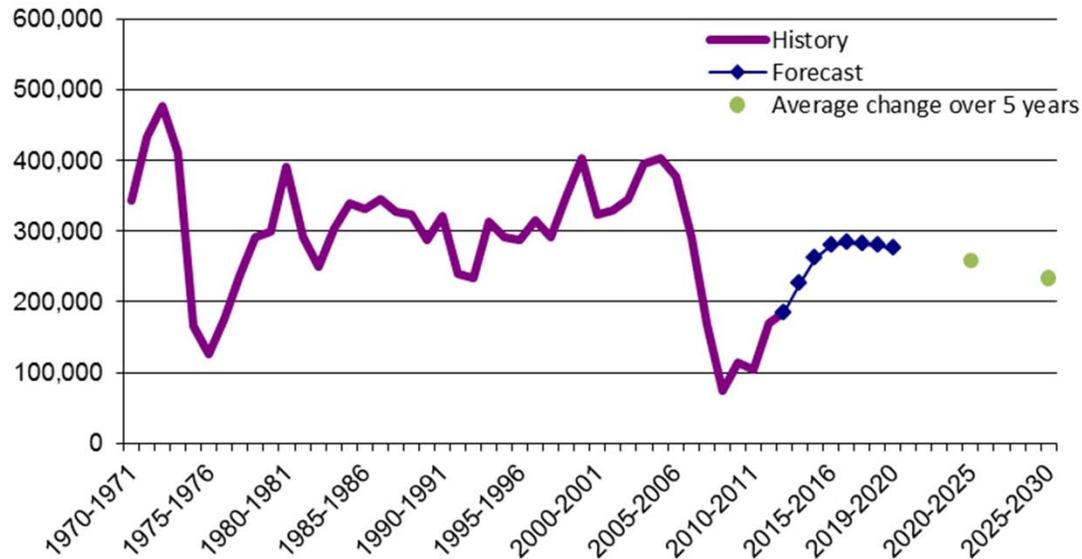


Florida's population:

- was 15,982,824 in 2000
- was 18,801,332 in 2010
- is forecast to grow to 23,608,972 by 2030



Florida's Population Growth



Population:

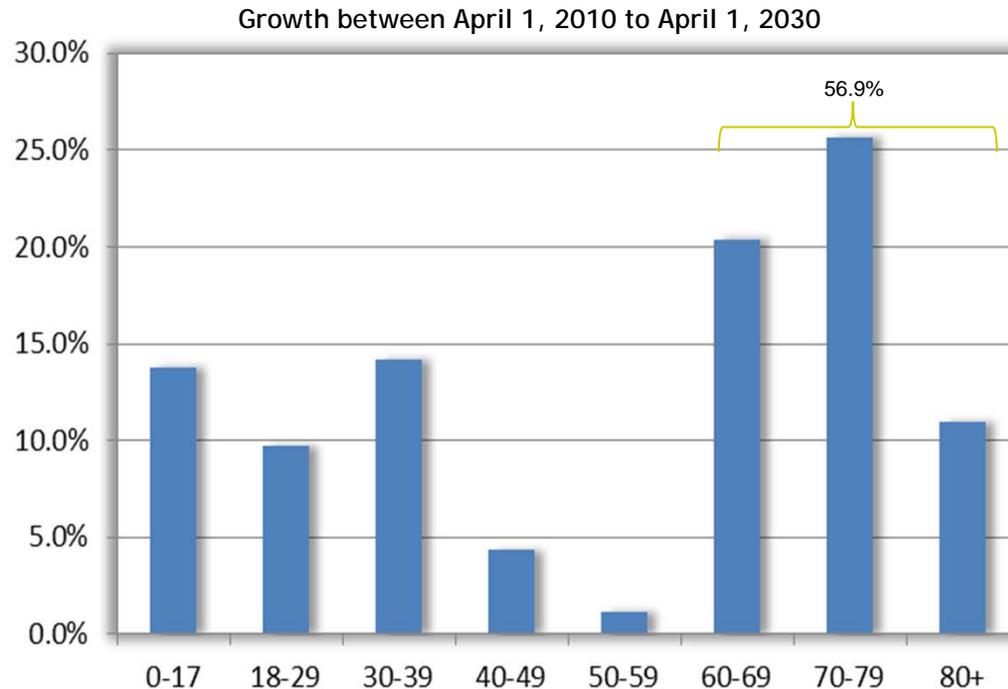
- Average annual increase between 2000 and 2006 was: 361,942
- Average annual increase between 2007 and 2013 was: 135,463

Population is forecast to increase on average by:

- 243,845 between 2013 and 2015 --- a gain of 668 per day
- 280,493 between 2015 and 2020 --- a gain of 768 per day
- 258,655 between 2020 and 2025 --- a gain of 709 per day
- 233,200 between 2025 and 2030 --- a gain of 639 per day

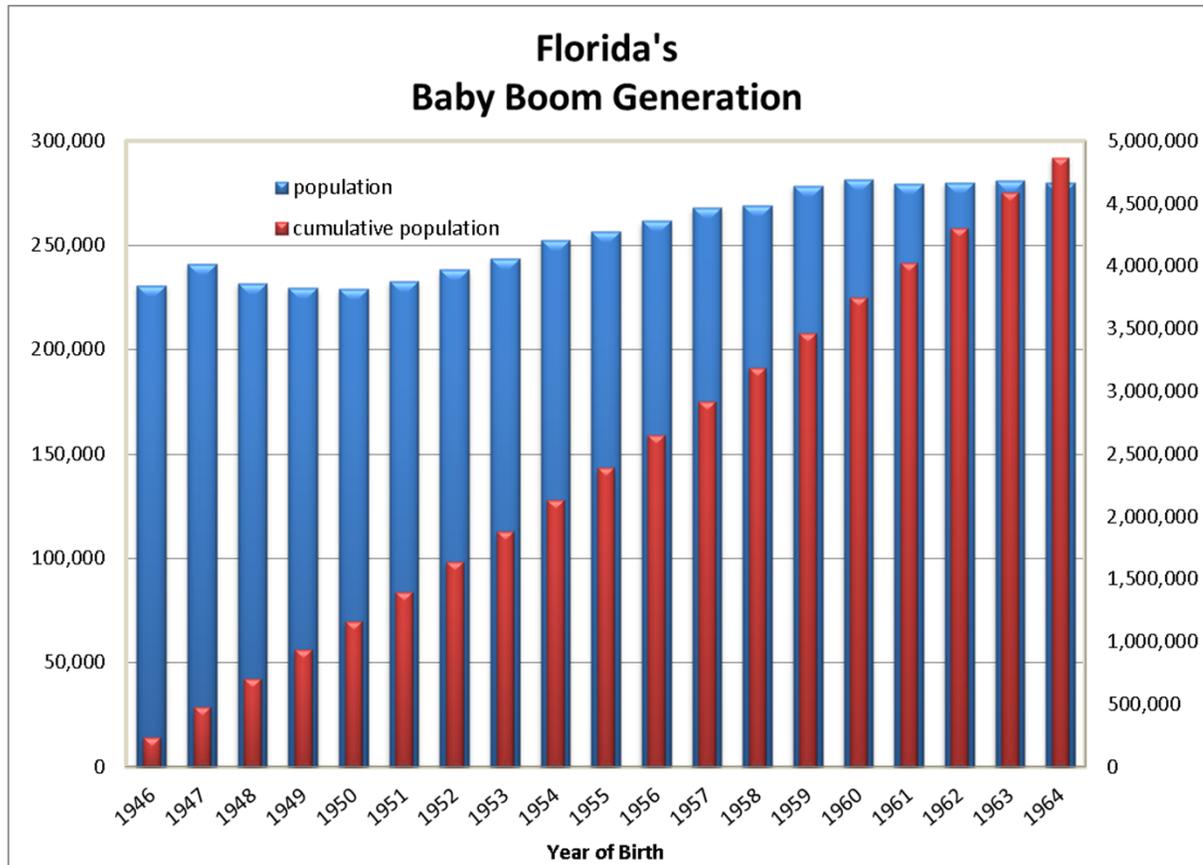
| 2013 | |
|----------------|---------|
| Orlando | 250,415 |
| St. Petersburg | 249,704 |
| Hialeah | 229,766 |

Population Growth by Age Group



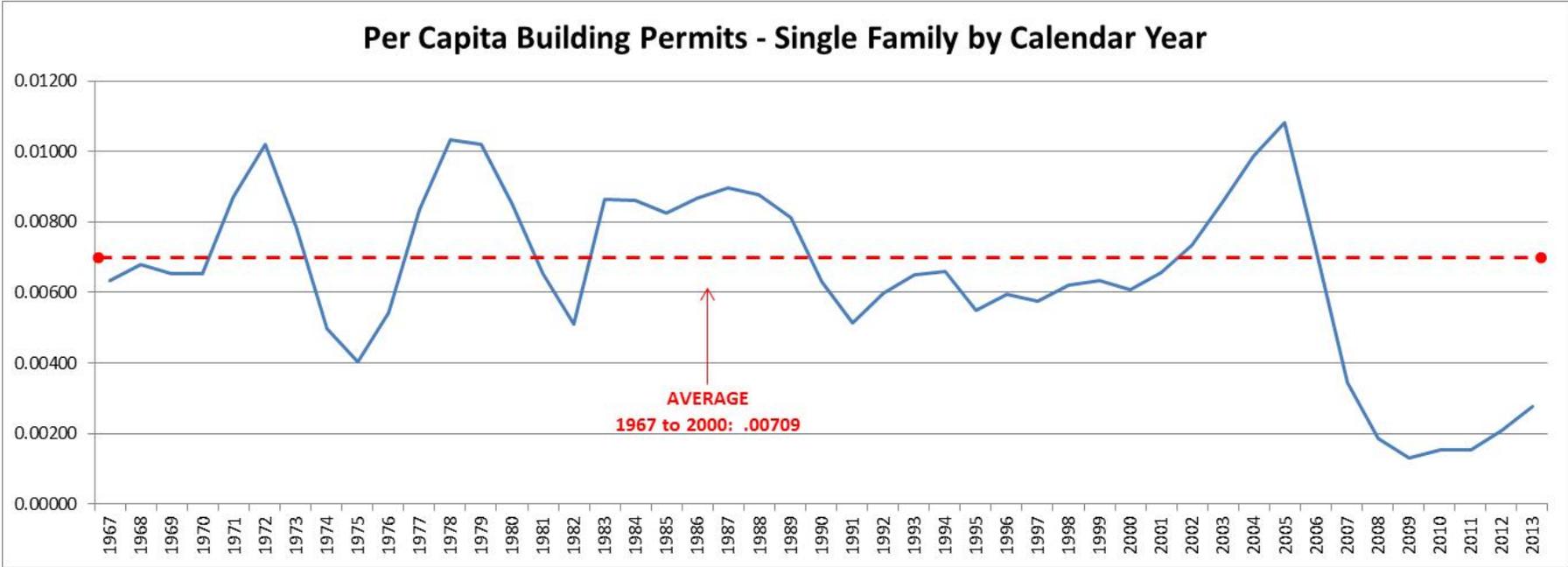
- Between 2010 and 2030, Florida's population is forecast to grow by almost 4.8 million.
- Florida's older population (age 60 and older) will account for most of Florida's population growth, representing 56.9 percent of the gains.
- Florida's younger population (age 0-17) will account for 13.8 percent of the gains.

Florida Baby Boom Cohorts



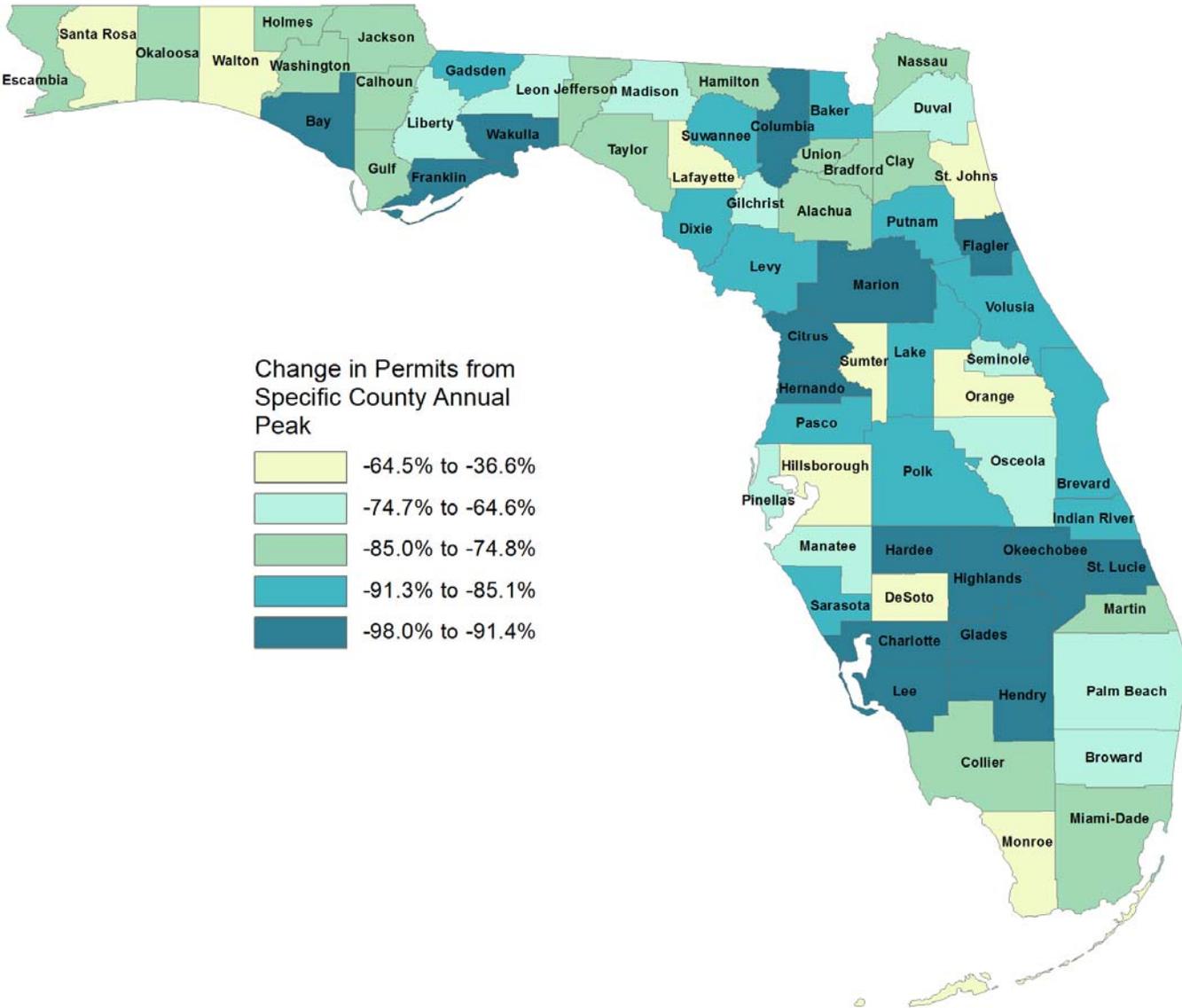
Only three cohorts have entered the retirement phase: 2011, 2012 and 2013.

Florida Housing is Generally Improving

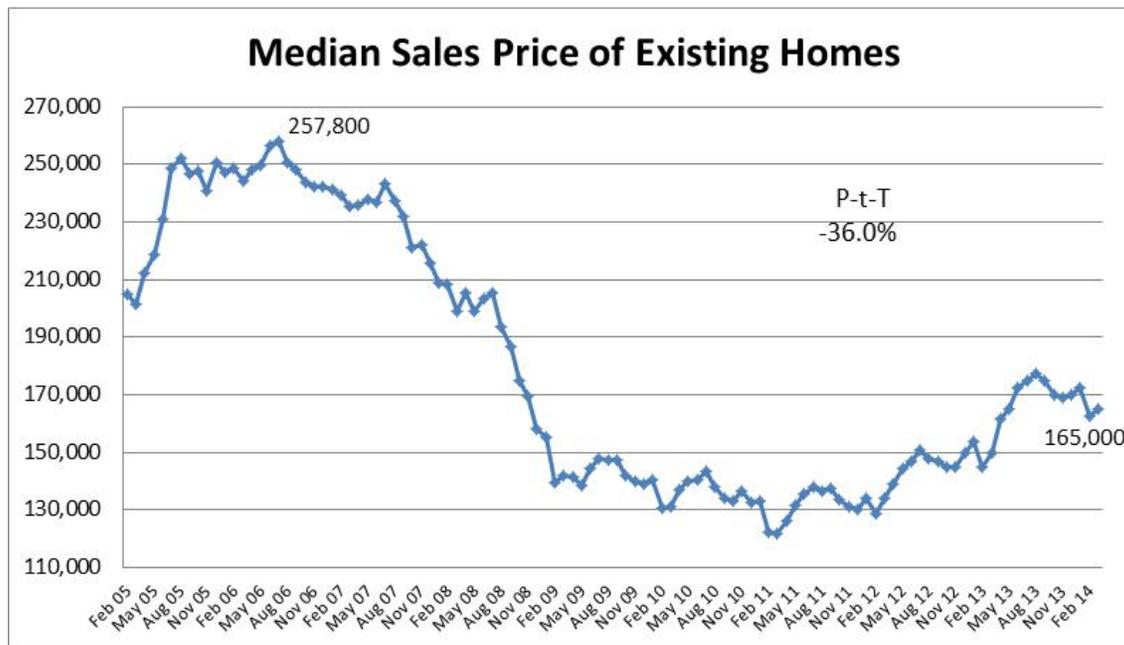
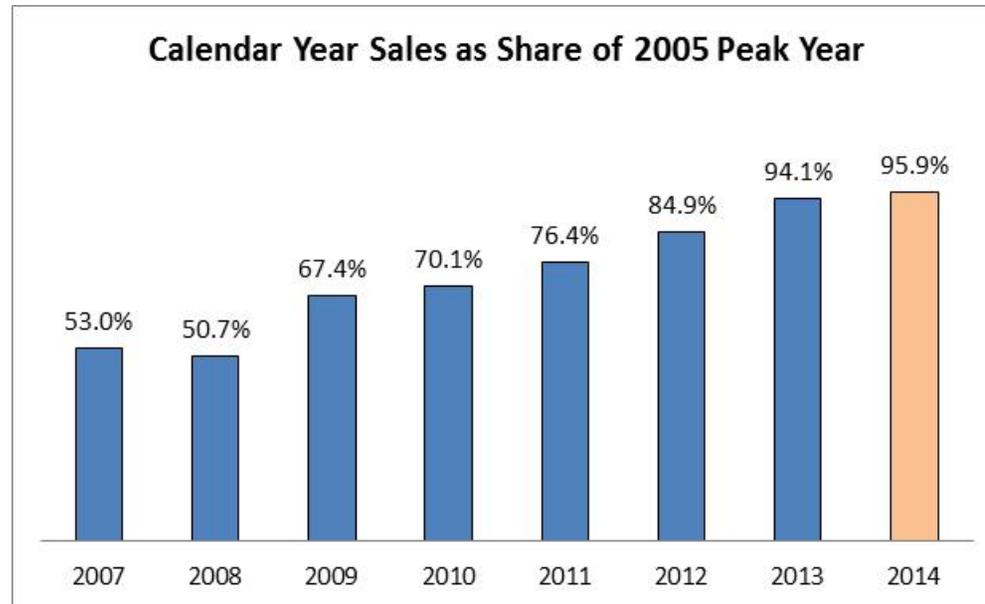


Building permit activity, an indicator of new construction, is back in positive territory, showing strong (36.6%) calendar year growth in 2012. While still strong, data for the 2013 calendar year indicates that the increase in permits (33.4%) was slightly below the prior year. Despite the strong percentage growth in both years, the level is still low by historic standards. Data for the first two calendar months of 2014 indicate some slowing in activity.

2012 Building Permit Activity Relative to the County's Peak during the Period 2000-2007



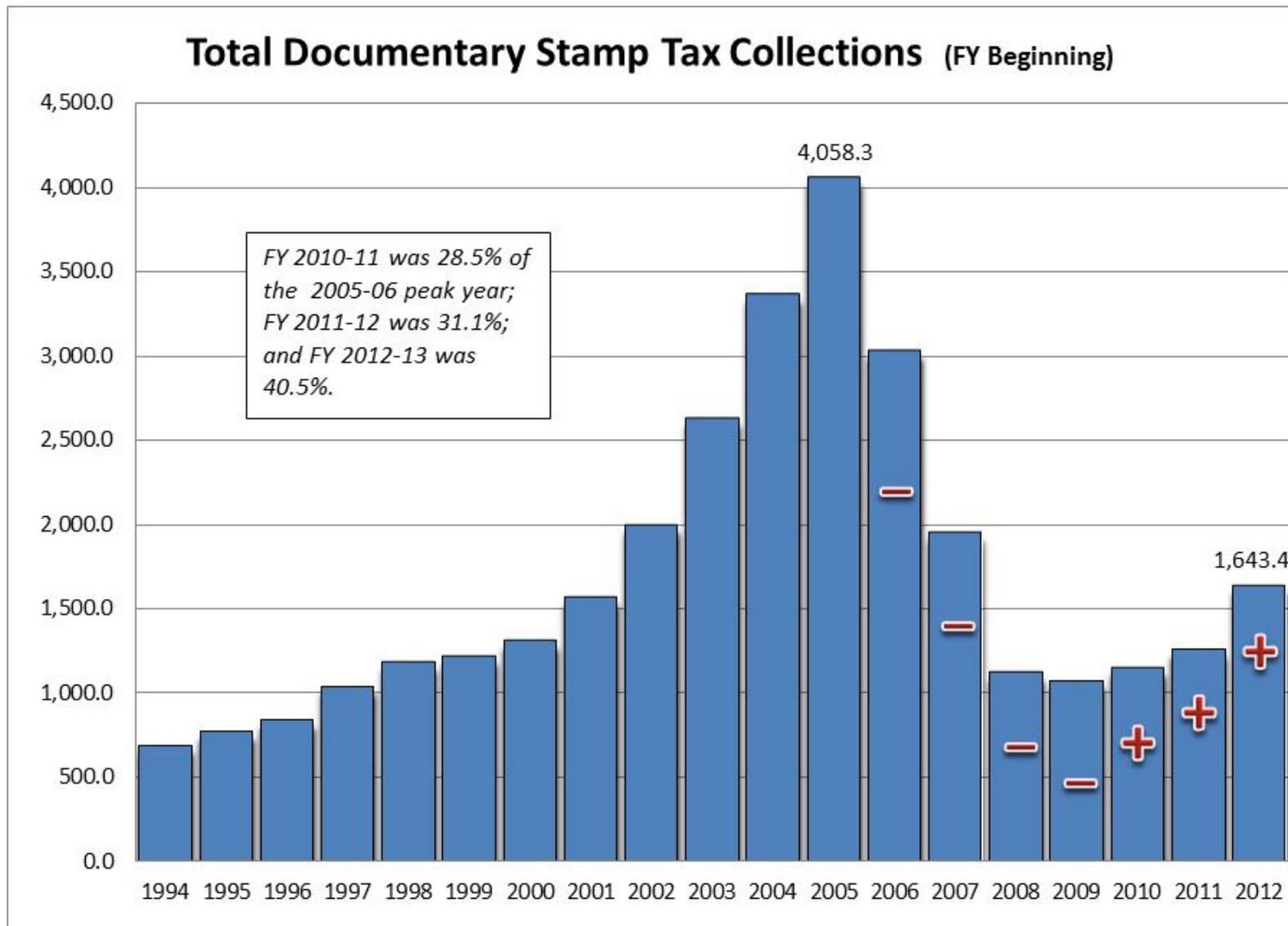
Existing Homes Sales Volume Is Approaching Peak Levels...



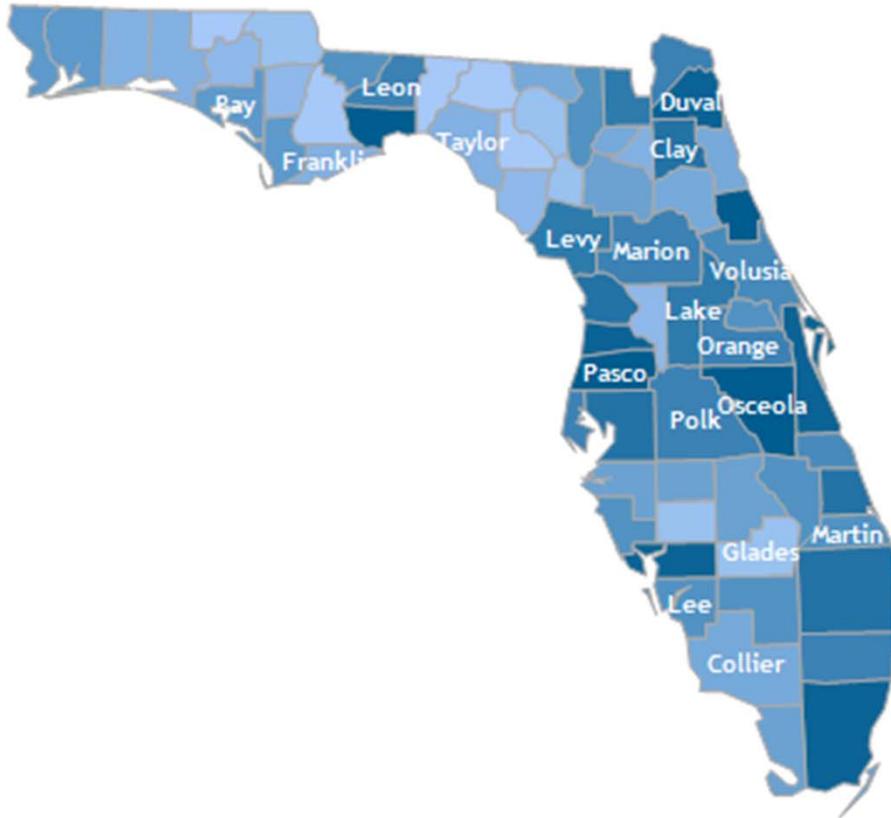
While Existing Home Price Gains Have Slowed.

Data through February 2014

Documentary Stamp Collections (Reflecting All Activity)



Foreclosure Activity Remains Daunting

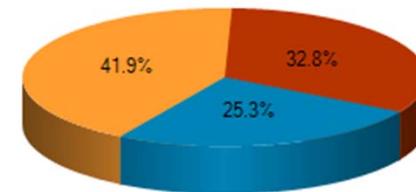
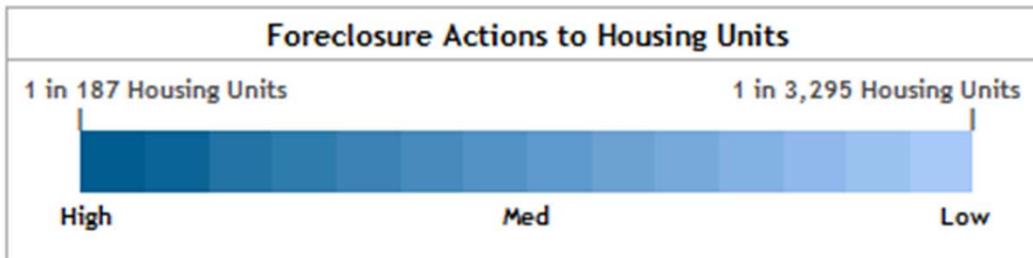


February 2014...

- 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.

- Palm Bay-Melbourne #1*
- Tampa #2*
- Jacksonville #3*
- Miami #4*
- Port St. Lucie #5*
- Orlando #6*
- Ocala #8*
- Tallahassee #9*
- Lakeland #10*

■ Pre-Foreclosure
 ■ Auction
 ■ Bank-Owned

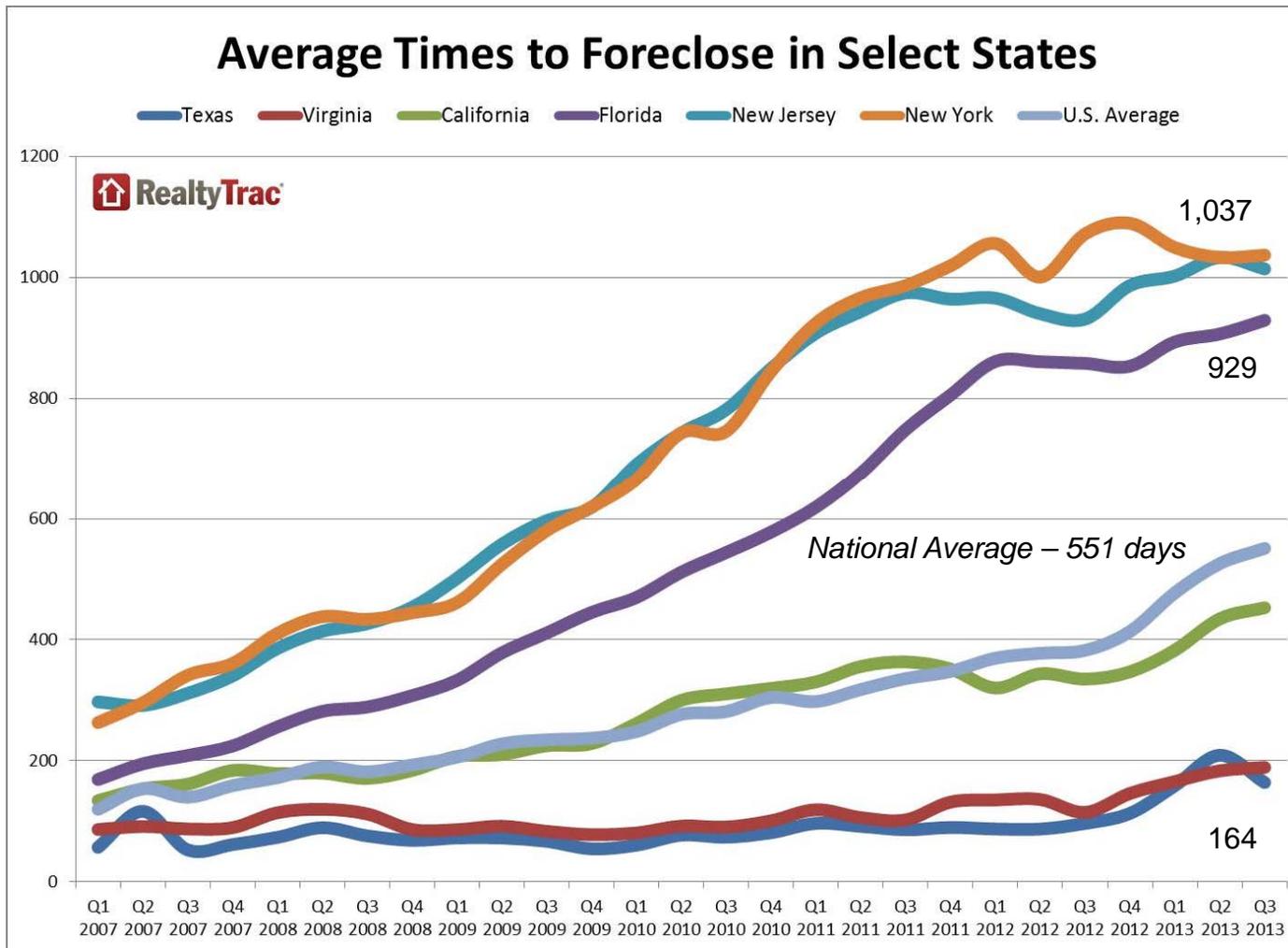


Data from RealtyTrac

Days to Foreclose

Foreclosure Process (once begun)

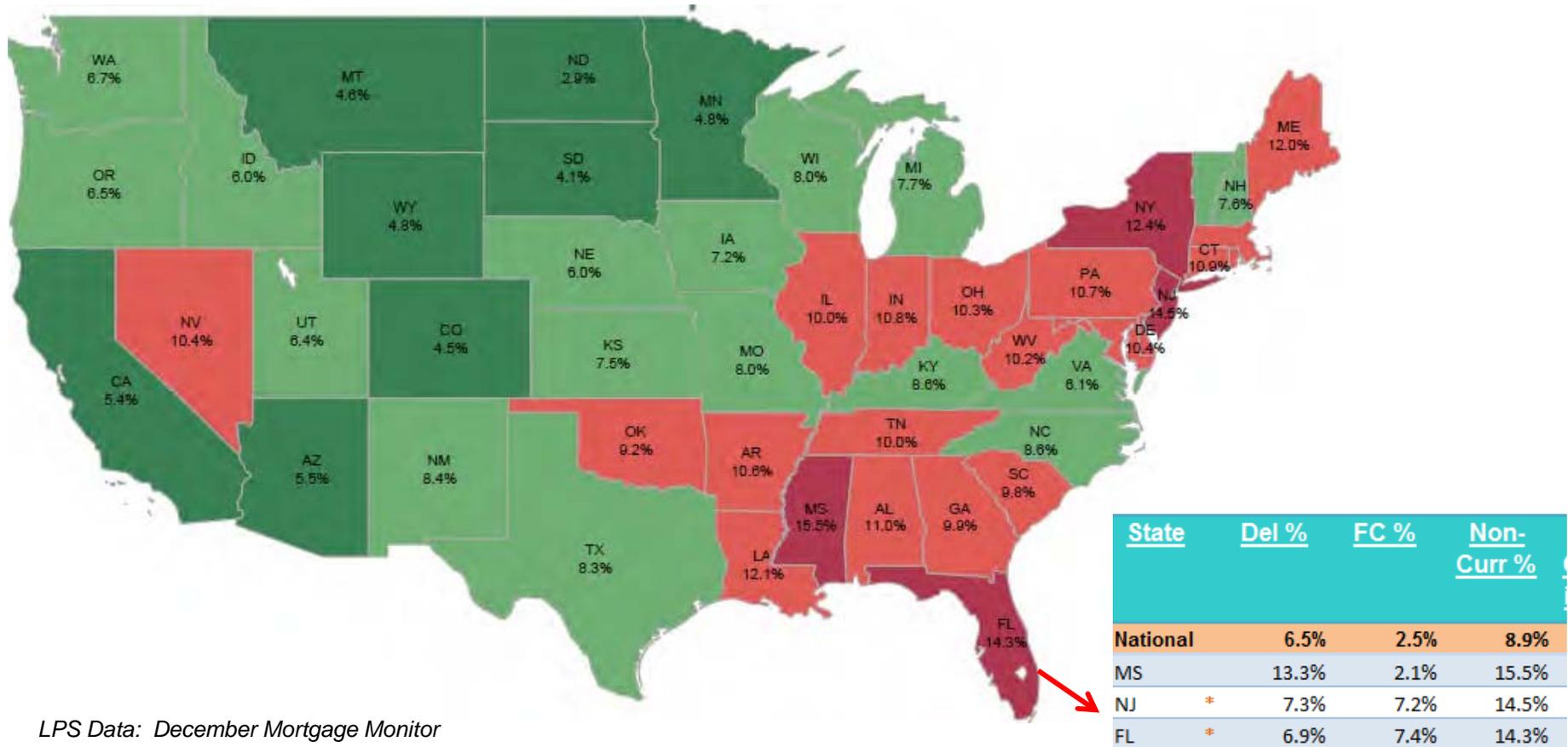
- 929 Days – 2.6 yrs – in Florida (3rd Longest Period in Nation in 2013:Q3)
- At the beginning of 2007, Florida was at 169 days or less than 6 months.



High

Low

Foreclosures & Shadow Inventory

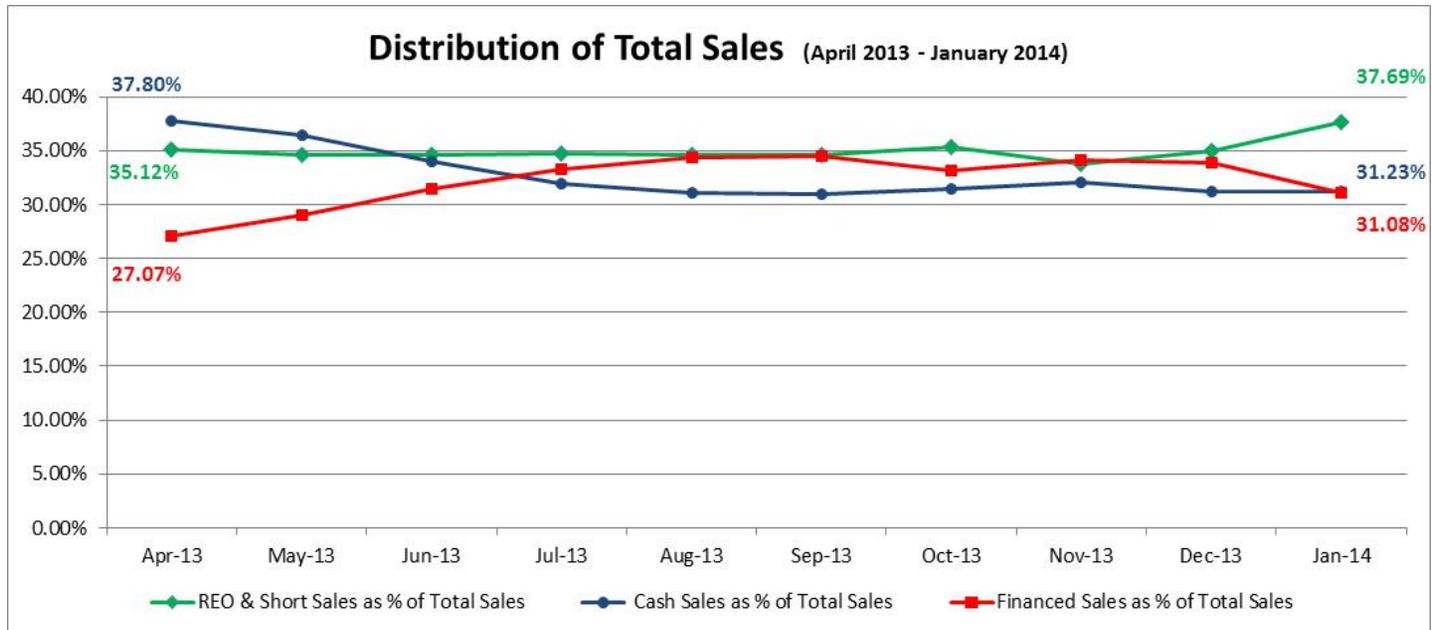


LPS Data: December Mortgage Monitor

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 just below 20% in the most recent data.

Sales Mix Still Points To Lower Prices

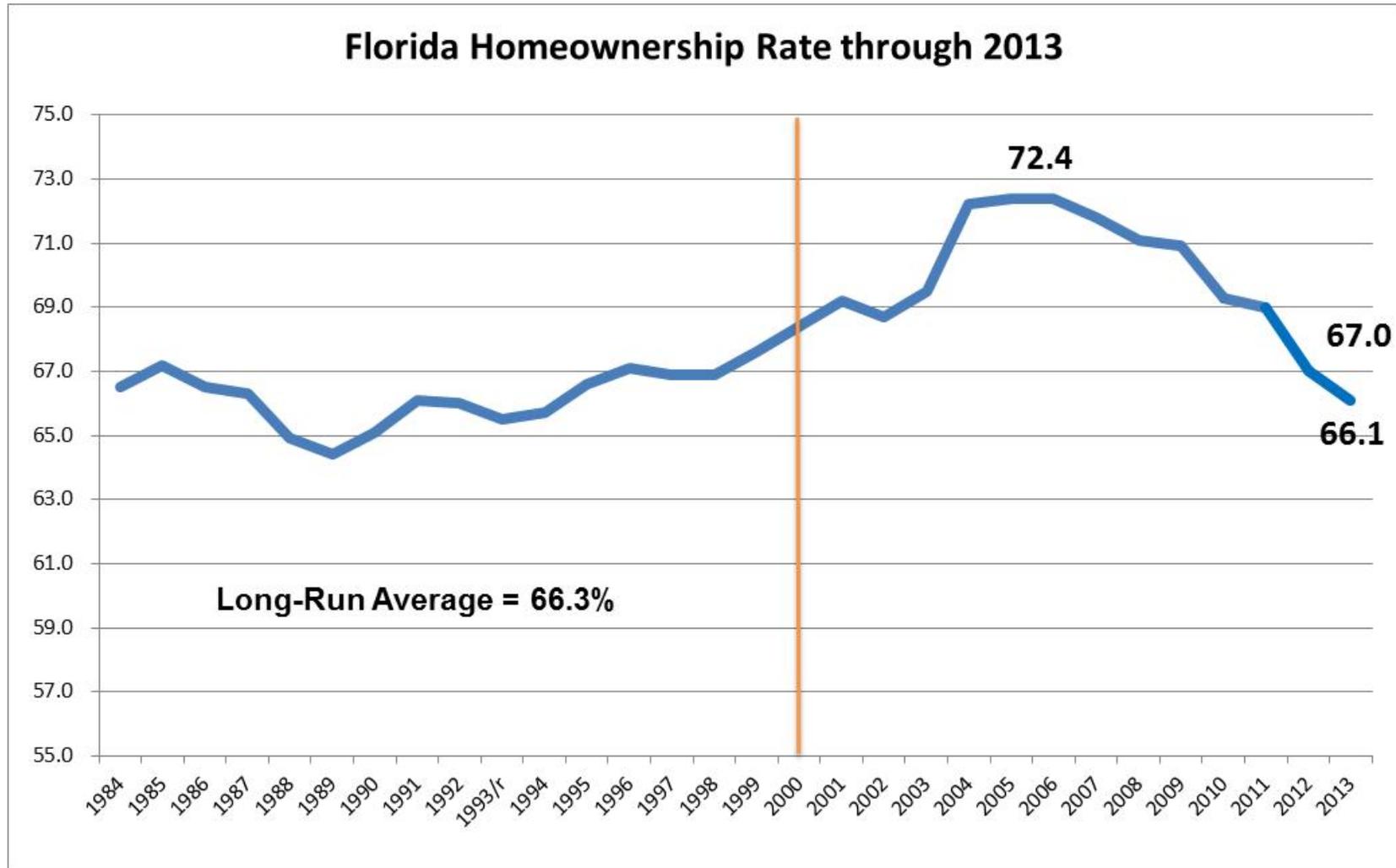
**Distressed
Property Discount
44.0%**



Data from LPS: Lender Processing Services

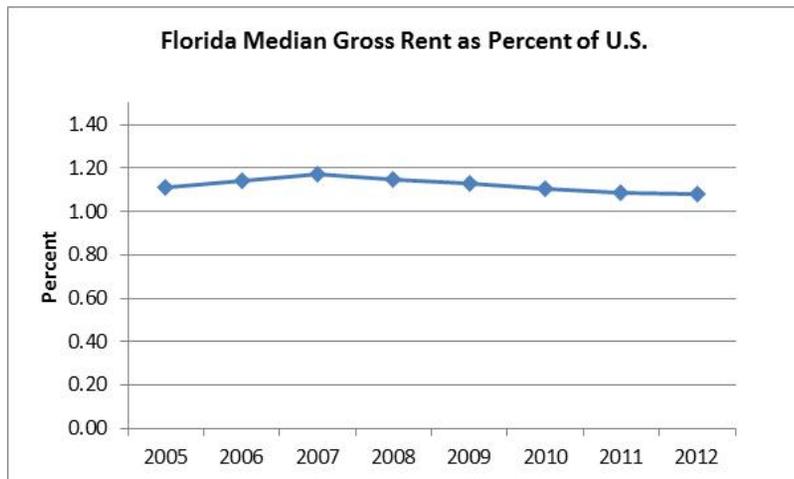
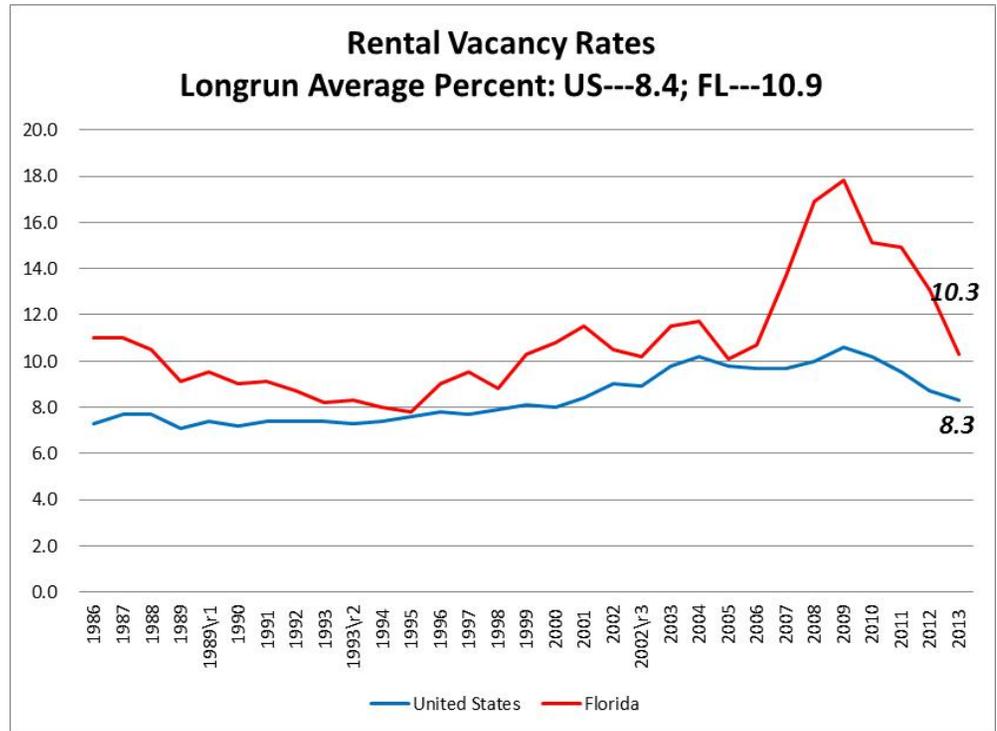
- Financed sales have been generally growing as a percentage of all sales; cash sales have declined over the year as some investors have begun to pull out of the market; and the percentage for REO & Short Sales saw a recent uptick after essentially stabilizing for a period of months. The three data points have nearly converged during the past five months.
- While short sales have been significantly increasing in some states, that is not yet the case in Florida. There were 5,514 short sales in January 2013, and 3,551 in January 2014. To the extent short sales increase, the foreclosure pipeline will be reduced.

Homeownership Rate Below Normal



The 2013 percentage of 66.1 is the lowest since 1994, and it's below the long-term average.

Residential Rental Vacancies Begin to Tighten; Price Pressure Yet to Appear



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 Sending Mixed Messages

Question to Senior Loan Officers:

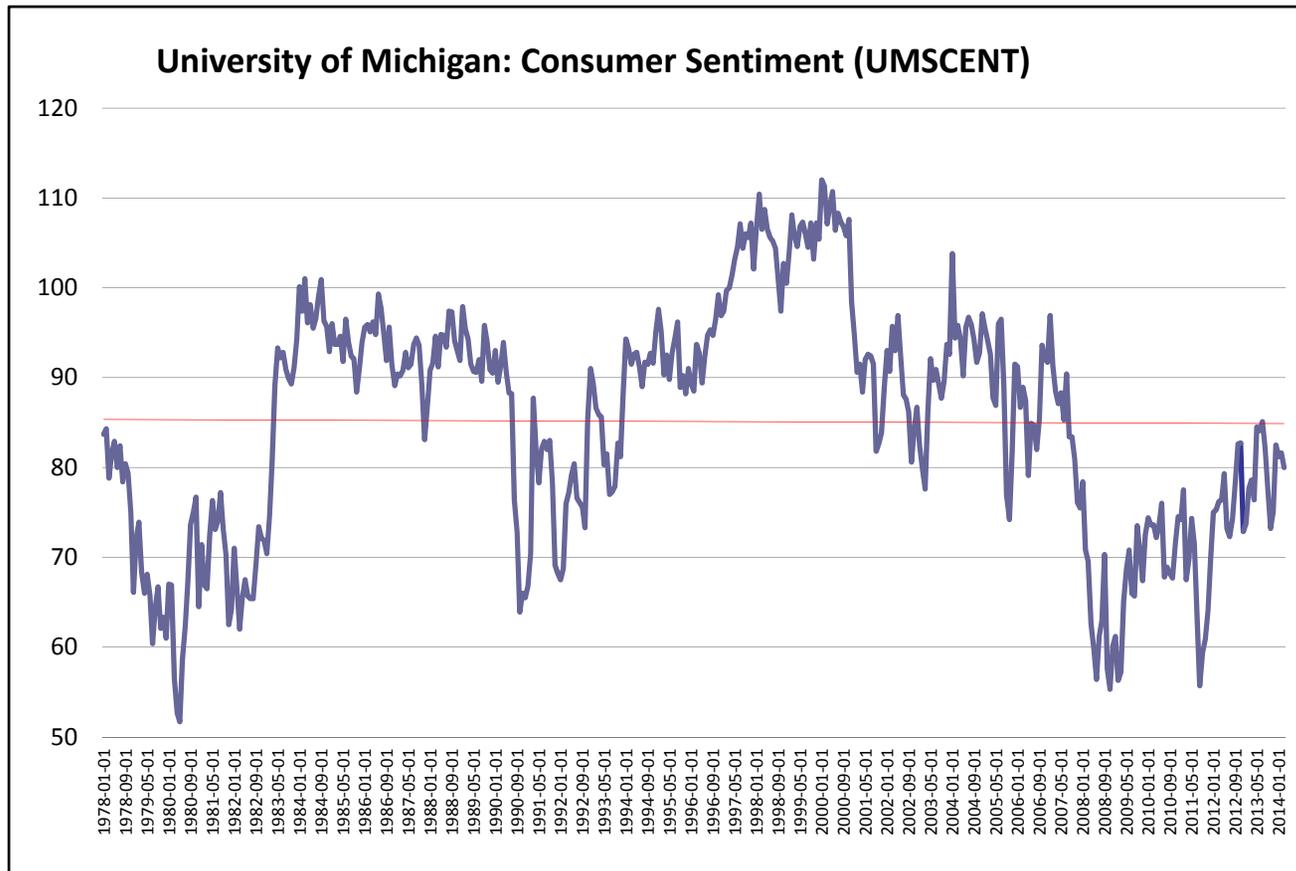
Over the past three months, how have your bank's credit standards for approving applications from individuals for **prime residential mortgage loans** to purchase homes changed?

| All Respondents | | | | | | | | | |
|------------------------------|-------------|-----------|------------|-----------|-----------|-----------|------------|-----------|-----------|
| | Jan'14 % | Oct '13 % | July '13 % | Apr '13 % | Jan '13 % | Oct '12 % | July '12 % | Apr '12 % | Jan '12 % |
| Tightened considerably | 1.4% | 1.4 | 0.0 | 0.0 | 0.0 | 0.0 | 1.6 | 0.0 | 0.0 |
| Tightened somewhat | 8.5% | 4.3 | 3.0 | 1.6 | 1.5 | 3.1 | 1.6 | 5.6 | 0.0 |
| Remained basically unchanged | 81.7 | 79.7 | 86.6 | 89.1 | 92.3 | 92.2 | 93.4 | 90.7 | 94.3 |
| Eased somewhat | 8.5% | 14.5 | 10.4 | 9.4 | 4.6 | 4.7 | 3.3 | 3.7 | 5.7 |
| Eased considerably | 0.0% | 0.0 | 0.0 | 0.0 | 1.5 | 0.0 | 0.0 | 0.0 | 0.0 |
| Total | 100% | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

January 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.

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; however, the sentiment reading for March (March: 80.0) is still below its average since inception (85.1).

Economy Recovering

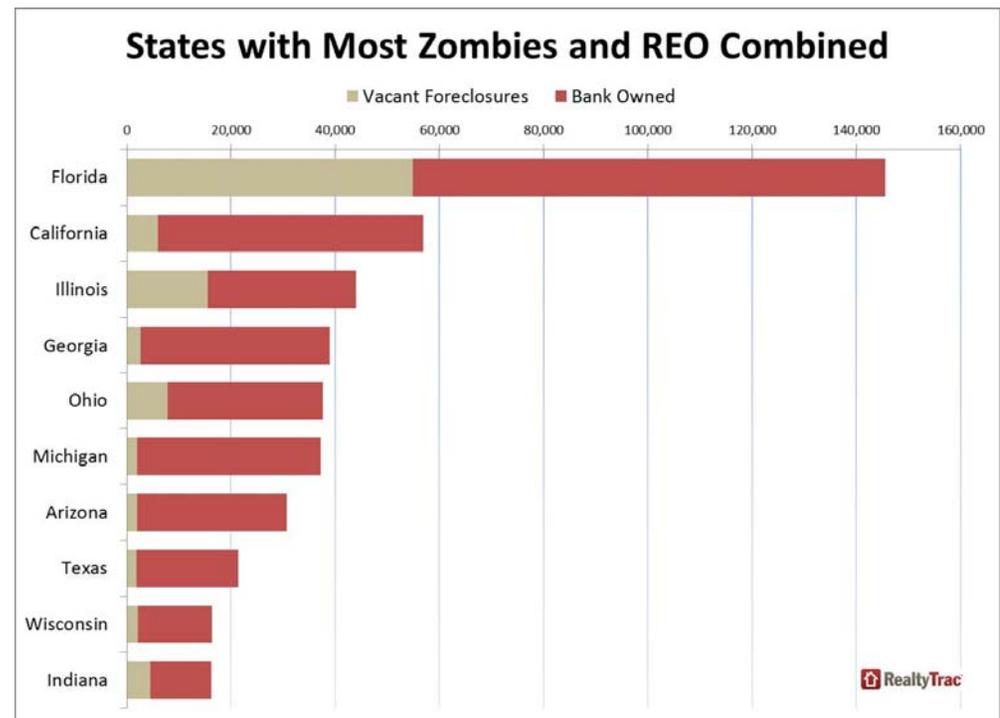
Florida growth rates are gradually returning to more typical levels. But, drags are more persistent than past events, and it will take a few more years to climb completely out of the hole left by the recession. In the various forecasts, normalcy has been largely achieved by FY 2016-17. Overall...

- The recovery in the national economy is well underway. While most areas of commercial and consumer credit are strengthening – residential credit still remains somewhat sluggish and difficult for consumers to access, but has shown improvement.
- 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 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).



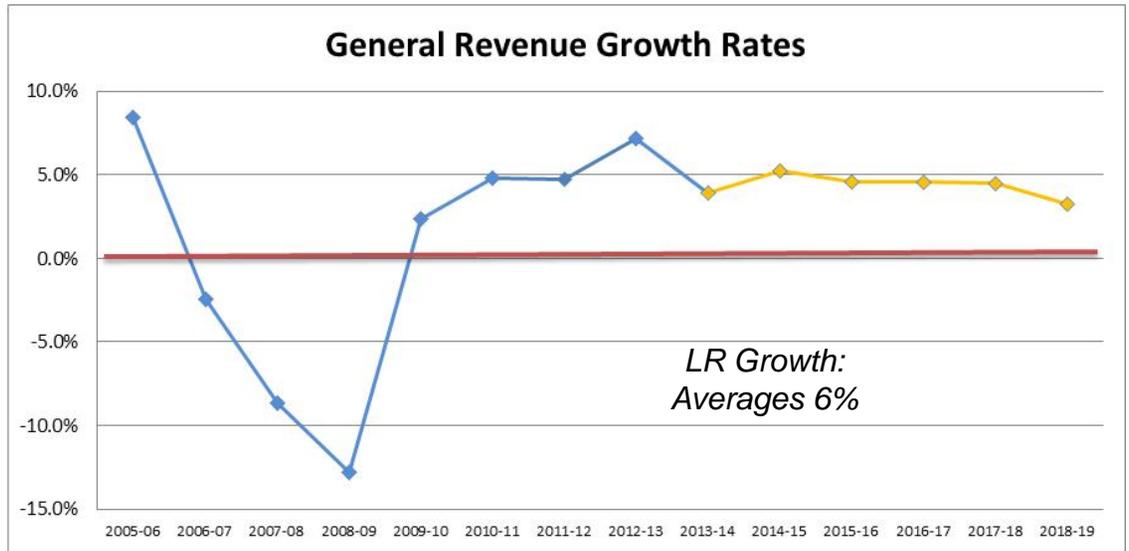
Upside Risk for Construction

- 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 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 | Dec 2014 Forecast | March 2014 Forecast | Difference | 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 | 22551.6 | | | | 4.8% |
| 2011-12 | 23618.8 | | | | 4.7% |
| 2012-13 | 25314.6 | | | | 7.2% |
| 2013-14 | 26279.9 | 26305.9 | 26.0 | 991.3 | 3.9% |
| 2014-15 | 27558.9 | 27682.9 | 124.0 | 1377.0 | 5.2% |
| 2015-16 | 28830.6 | 28948.6 | 118.0 | 1265.7 | 4.6% |
| 2016-17 | 30117.3 | 30265.8 | 148.5 | 1317.2 | 4.6% |
| 2017-18 | 31499.4 | 31617.4 | 118.0 | 1351.6 | 4.5% |
| 2018-19 | 32574.7 | 32642.1 | 67.4 | 1024.7 | 3.2% |

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