Florida:
An Economic Overview

August 24, 2016

Presented by:

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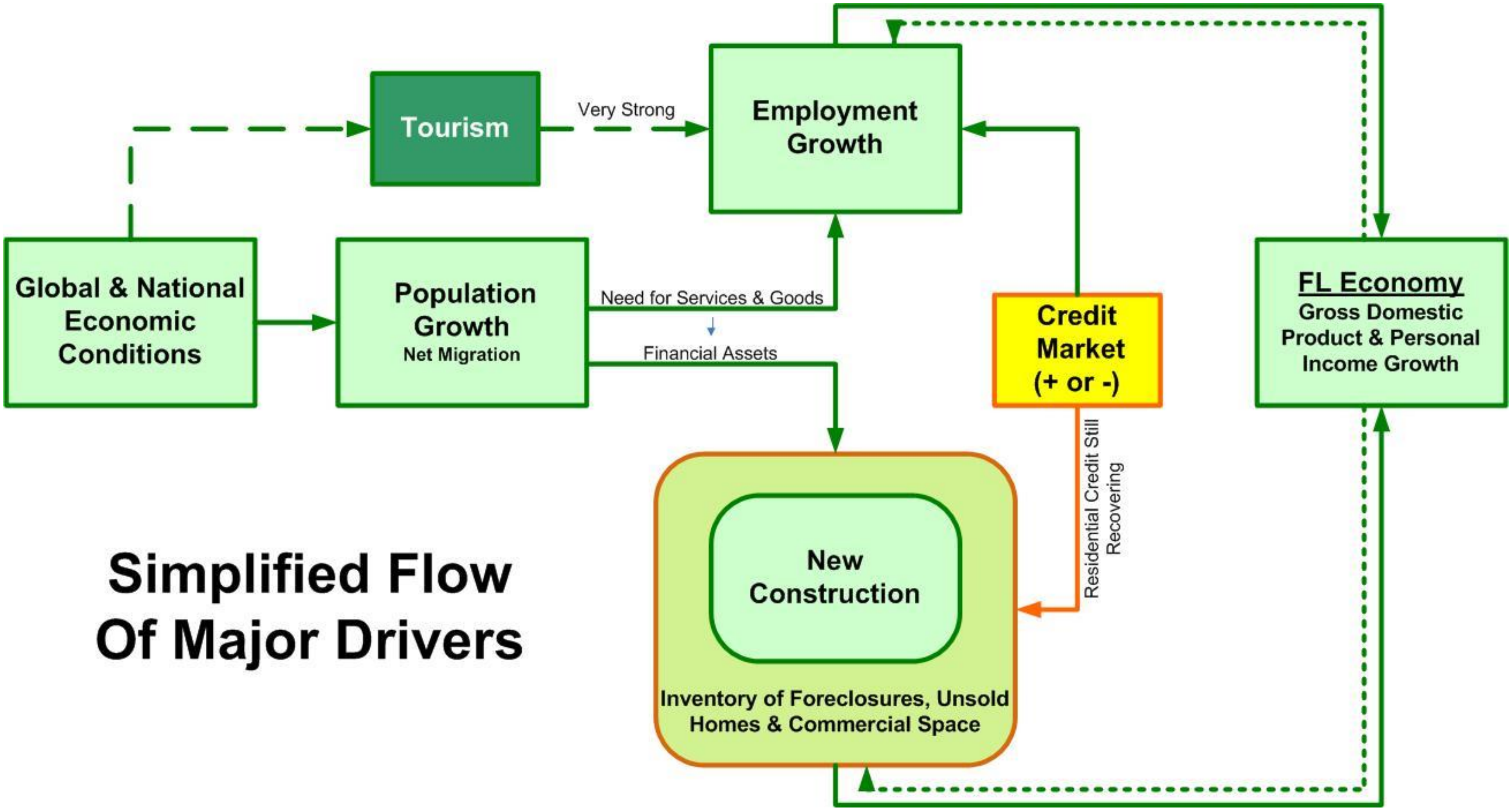
Key Economic Variables Improving



Economy Has Continued Growth...

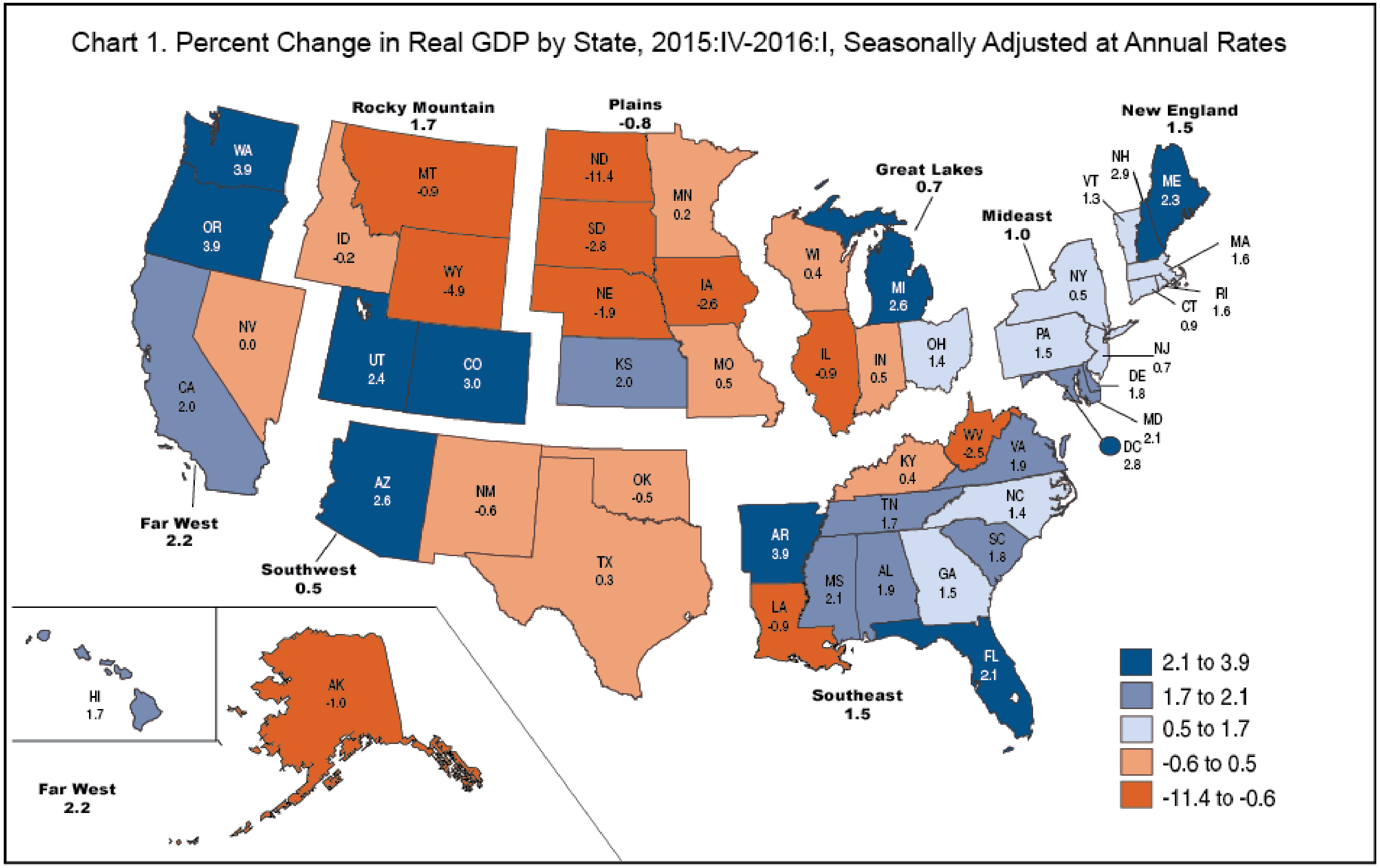
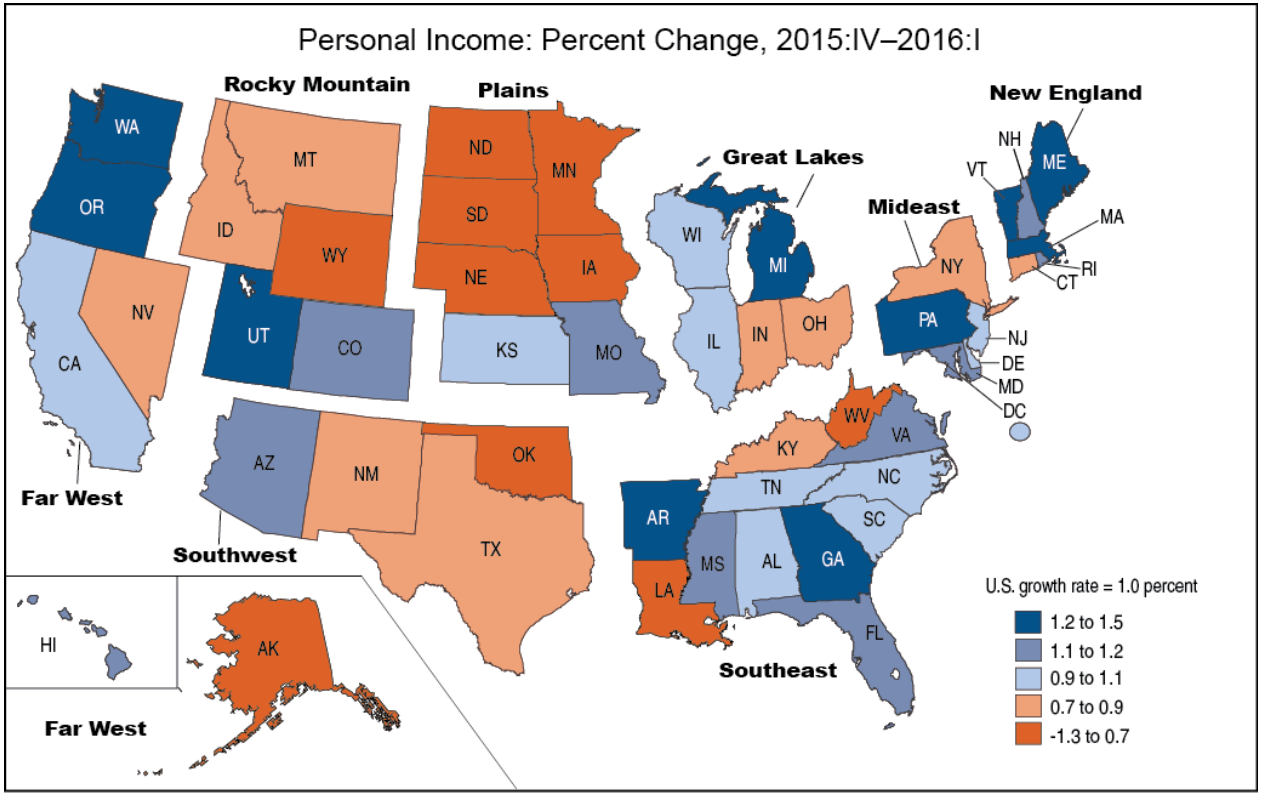


Chart 1. Percent Change in Real GDP by State, 2015:IV-2016:I, Seasonally Adjusted at Annual Rates

U.S. Bureau of Economic Analysis

In the final quarter of 2015, the pace of Florida's economic growth increased relative to other states, ranking Florida 5th in the country. For the entirety of the 2015 calendar year, State Gross Domestic Product (GDP) showed Florida with real growth of 3.1%, moving Florida above the national average (indicating 2.4% in 2015) for the third year in a row. In the first quarter of 2016, Florida grew 2.1% at an annual rate, ranking it 10th in the country.

FL Personal Income Growth Has Similar Story...

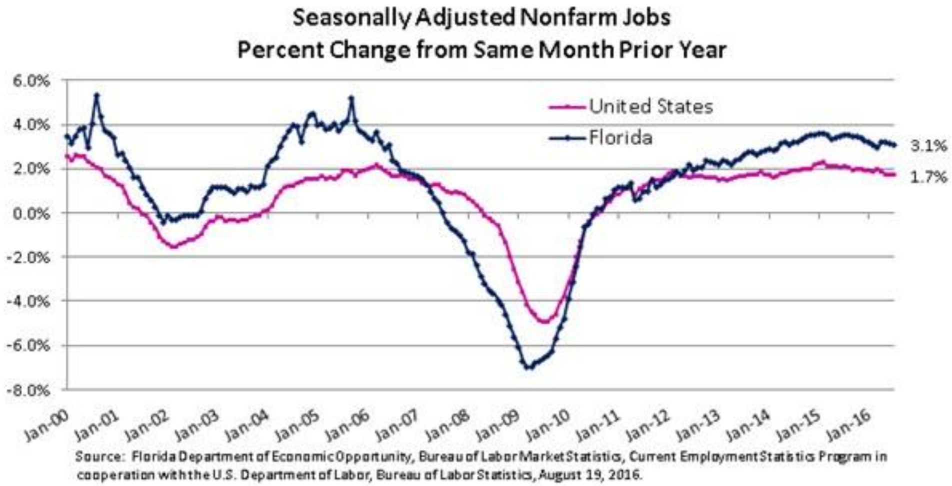


U.S. Bureau of Economic Analysis

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.

Newly released data for the first quarter of 2016 indicated some slowing in Florida relative to other states, dropping Florida to a ranking of 16th in the country.

Current Employment Conditions...



<u>July Nonfarm Jobs (YOY)</u>

US 1.7%
FL 3.1%
YR: 250,200 jobs
Peak: +306,000 jobs over Prior Peak
[Prior Employment Peak passed in May 2015]

<u>July Unemployment Rate</u>

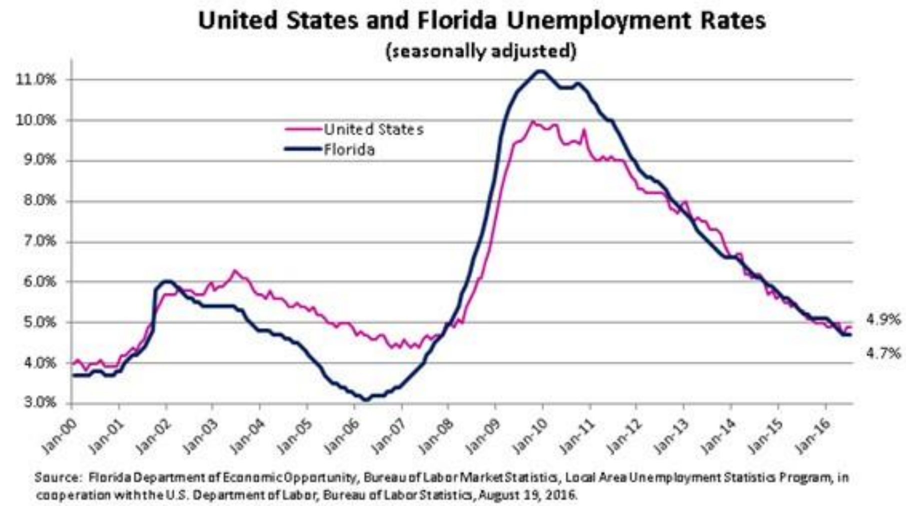
US 4.9%
FL 4.7% (456,000 people)

<u>Highest Monthly Rate</u>

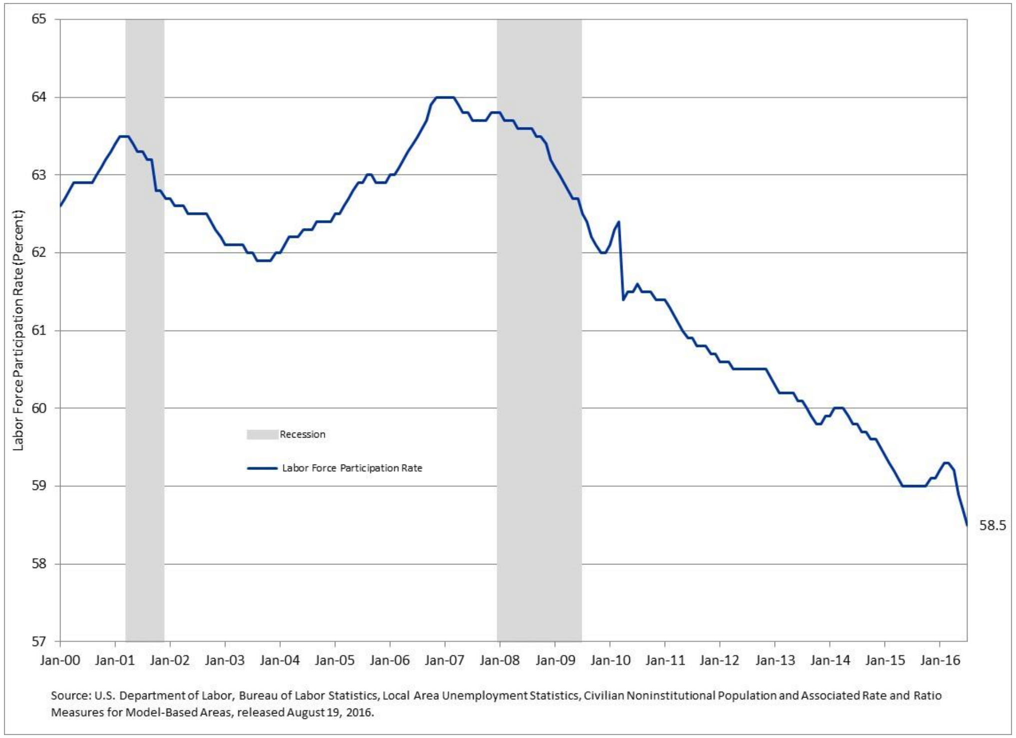
11.2% (November 2009 through January 2010)

<u>Lowest Monthly Rate</u>

3.1% (March through April 2006)



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.

The reported participation rate was 58.5% in July 2016. Among all unemployed, the share of those reentering the labor force increased from 28.4% in July 2015 to 32.0% in July 2016. The share of all unemployed also increased for new entrants from 10.7% in July 2015 to 12.2% in July 2016, reversing a decline that has been seen for most of the past year.

Currently, it is not clear what this data suggests. The increase in the share of *reentrants* is generally encouraging, while the past decline in *new entrants* sent mixed signals. The data series is limited, but there is some reason to believe that Florida's underlying employment picture is improving overall and may be returning to historic norms. However, the significant size and composition of the long-term unemployed group (35% of all unemployed in July) may be confounding some of the trend results. Florida's long-term unemployed share of all unemployed ranked the state 2nd among all states in 2015.

Florida’s Job Market...

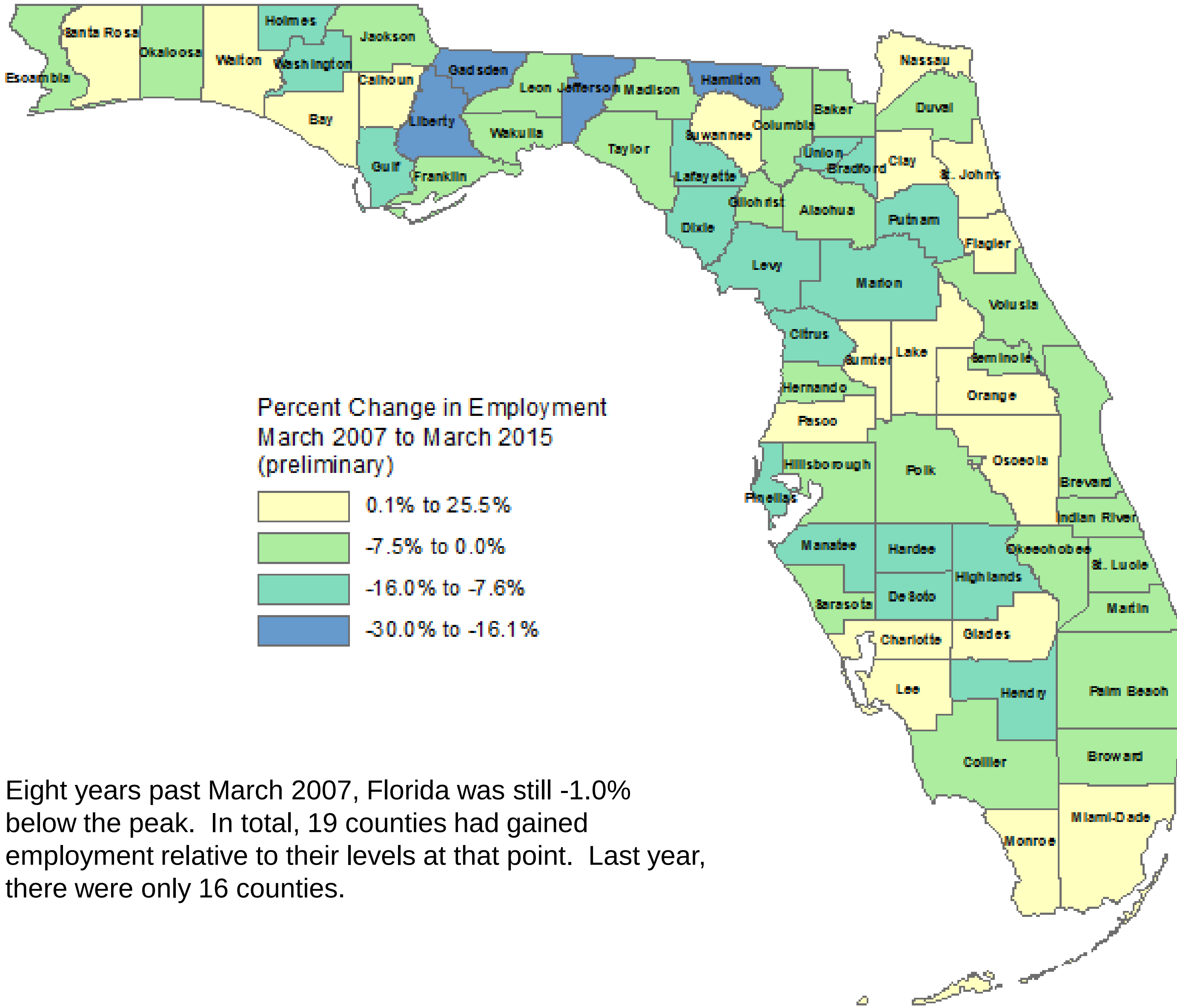
- Florida’s job market is still recovering, but—after 8 years—it finally passed its most recent peak. However, passing the previous peak does not mean the same thing today as it did then.

- 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.

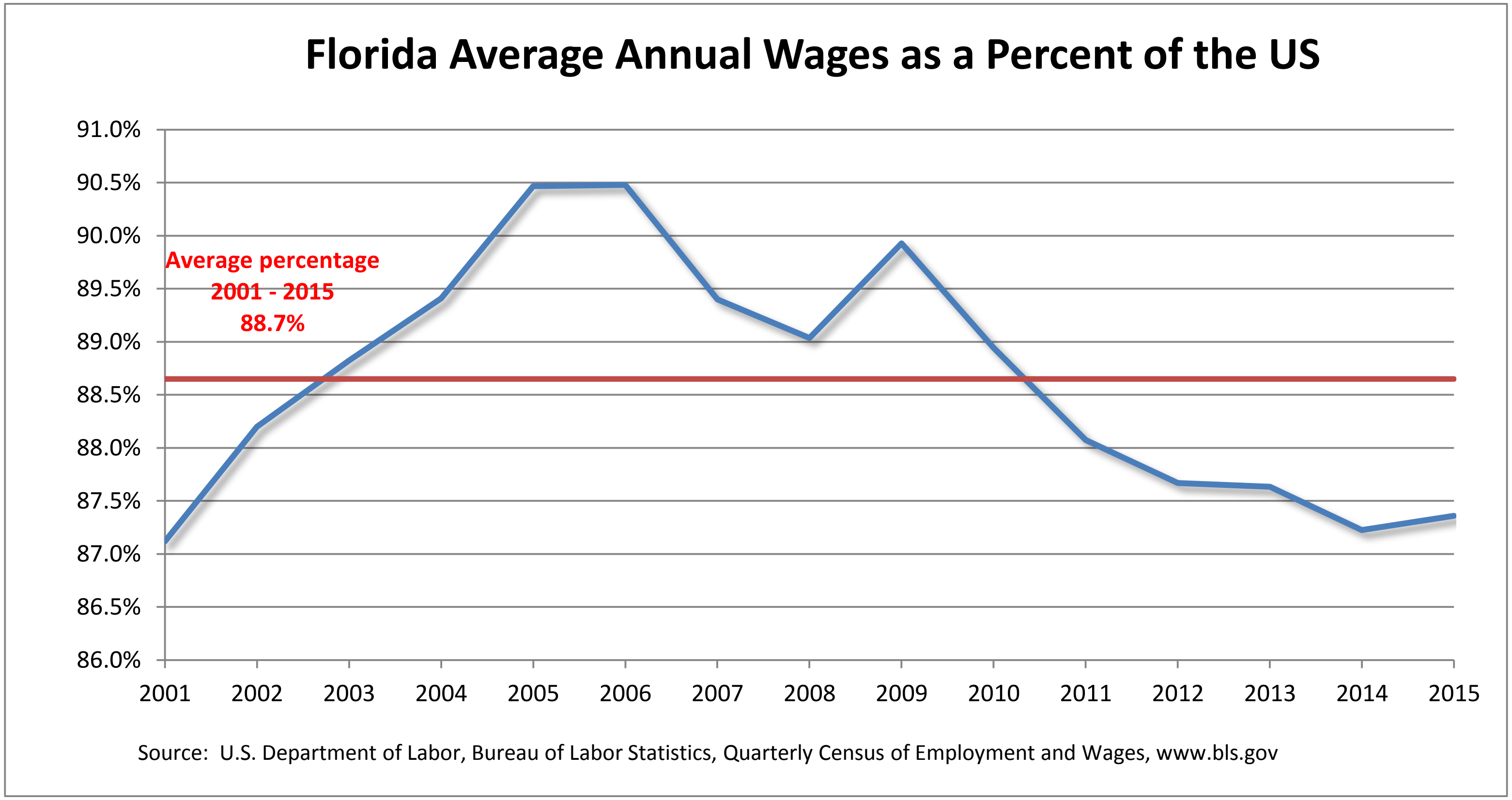
Across the State, Employment Picture Is Mixed...



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.

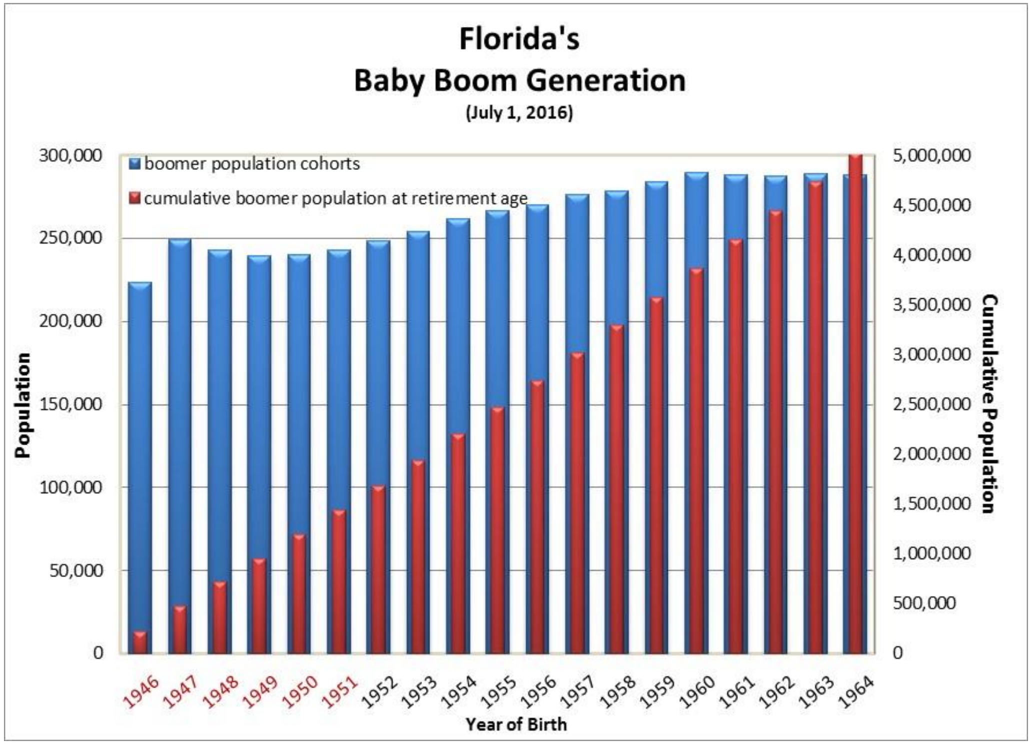
EDR

Wage Gap Stopped its Decline in 2015



Florida's average annual wage has typically been below the US average. The preliminary data for the 2015 calendar year showed that it improved very slightly to 87.4% of the US average. The posting in 2014 was 87.2%, Florida's lowest percentage since 2001.

Baby Boomers in FL Today



- The first cohort of Baby Boomers became eligible for retirement (turned age 65) in 2011. Only six cohorts have entered the retirement phase: 2011, 2012, 2013, 2014, 2015 and 2016. This represents 28.7% 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 35.9 percent by 2030.

Population Growth Strengthening

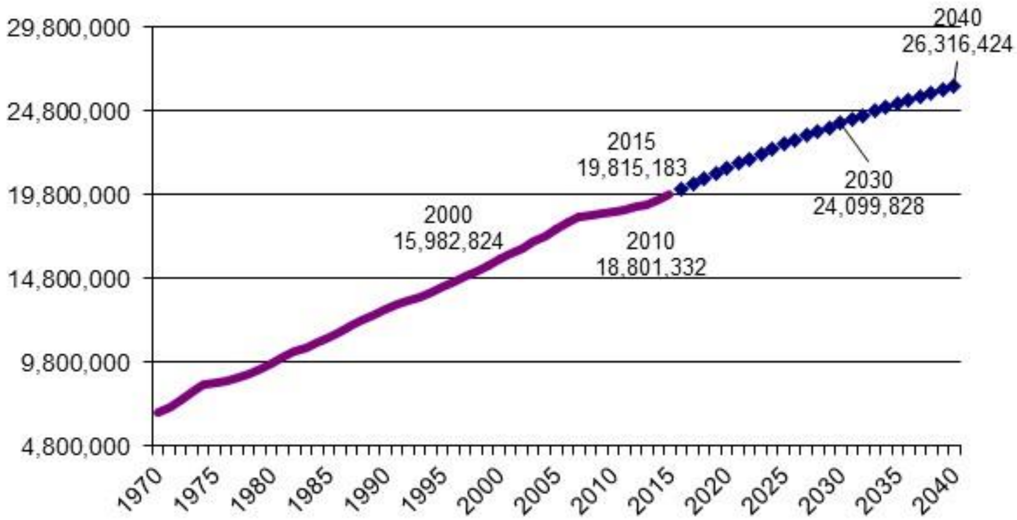
- Population growth is the state's primary engine of economic growth, fueling both employment and income growth.

- 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 1.58% 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 (92.9%). 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

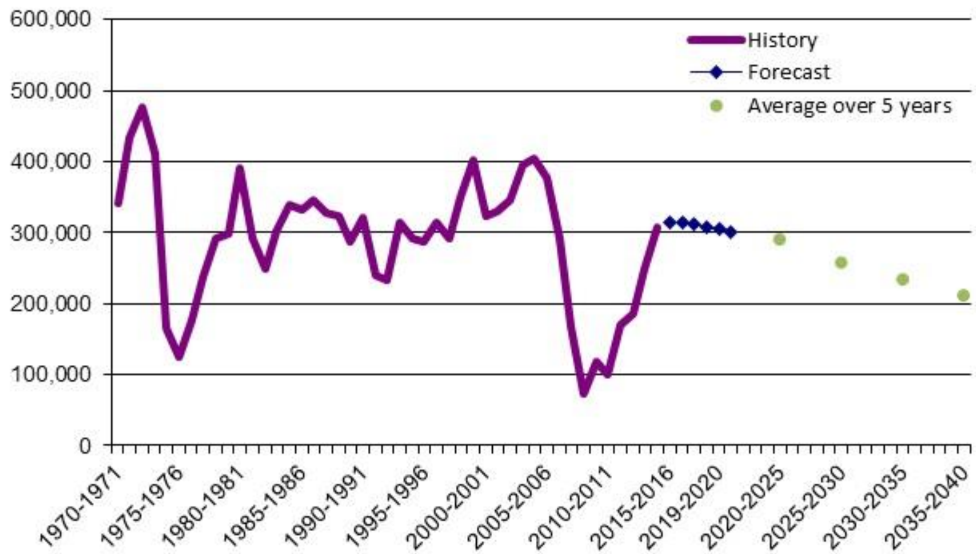


Florida's projected population growth of 314,051 between April 1, 2015 and April 1, 2016 is the strongest annual increase since 2006, immediately prior to the collapse of the housing boom and the beginning of the Great Recession.

Florida's population:

- was 15,982,824 in 2000
- was 18,801,332 in 2010
- is forecast to grow to 24,099,828 by 2030

Florida’s Population Growth



Population:

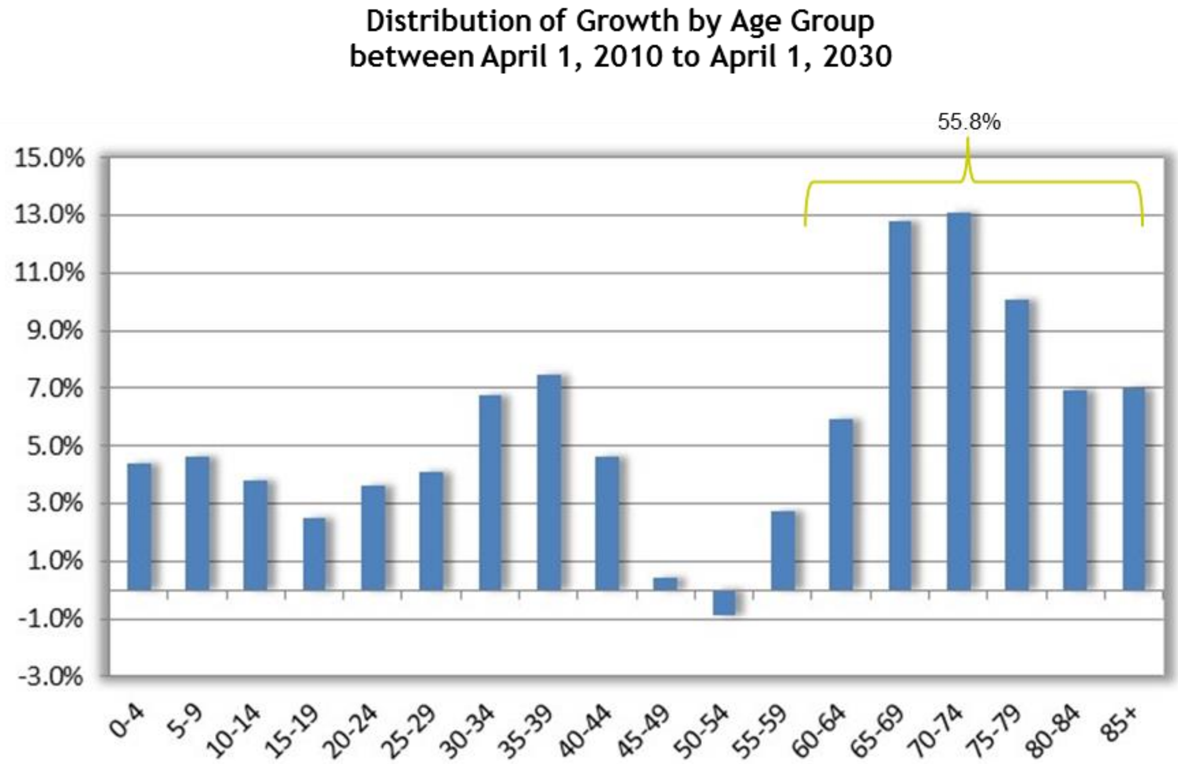
- Average annual increase between 2000 and 2006 was: 361,942
- Average annual increase between 2007 and 2015 was: 171,052

Population is forecast to increase on average by:

- 310,863 between 2015 and 2020 --- a gain of 852 per day
- 288,704 between 2020 and 2025 --- a gain of 791 per day
- 257,362 between 2025 and 2030 --- a gain of 705 per day

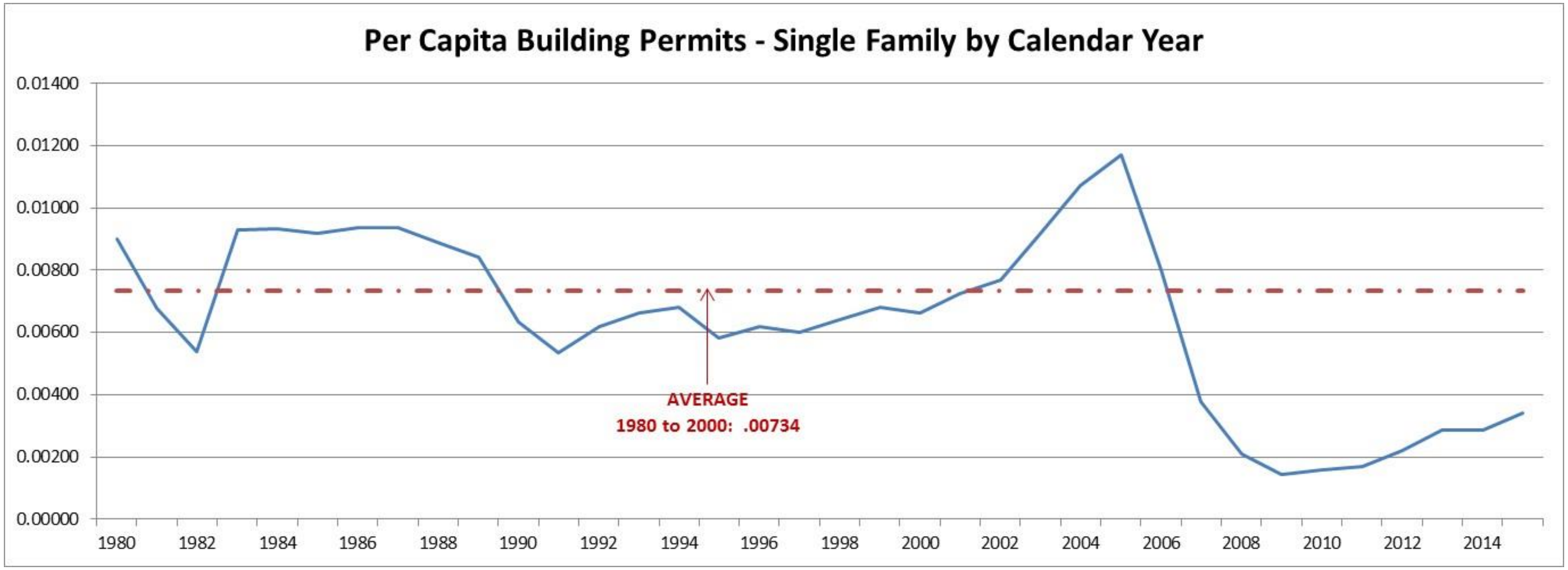
2015	
Orlando	262,949
St. Petersburg	256,681

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 55.8 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 18.3 percent of the growth.

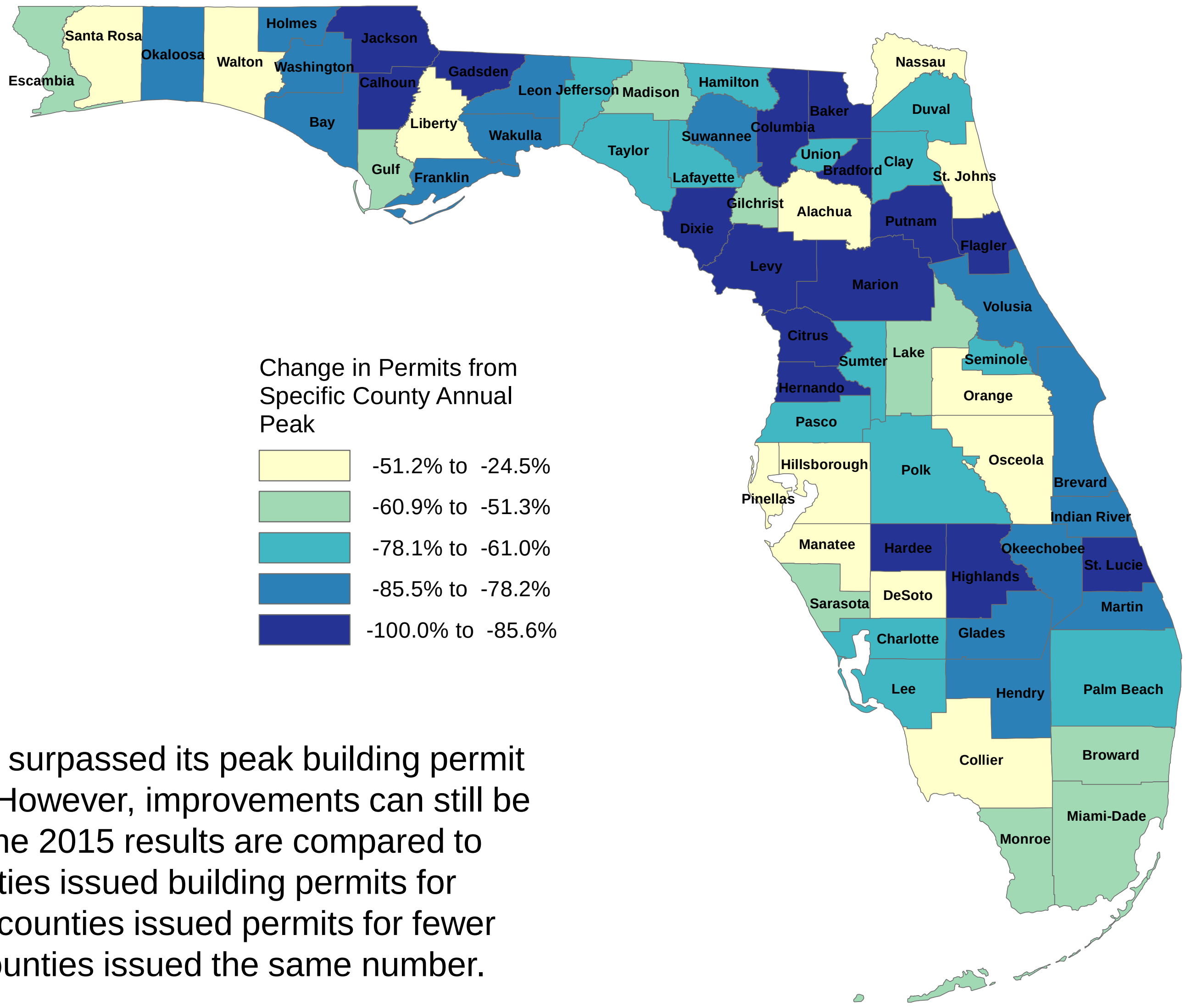
Florida Housing is Generally Improving...



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.

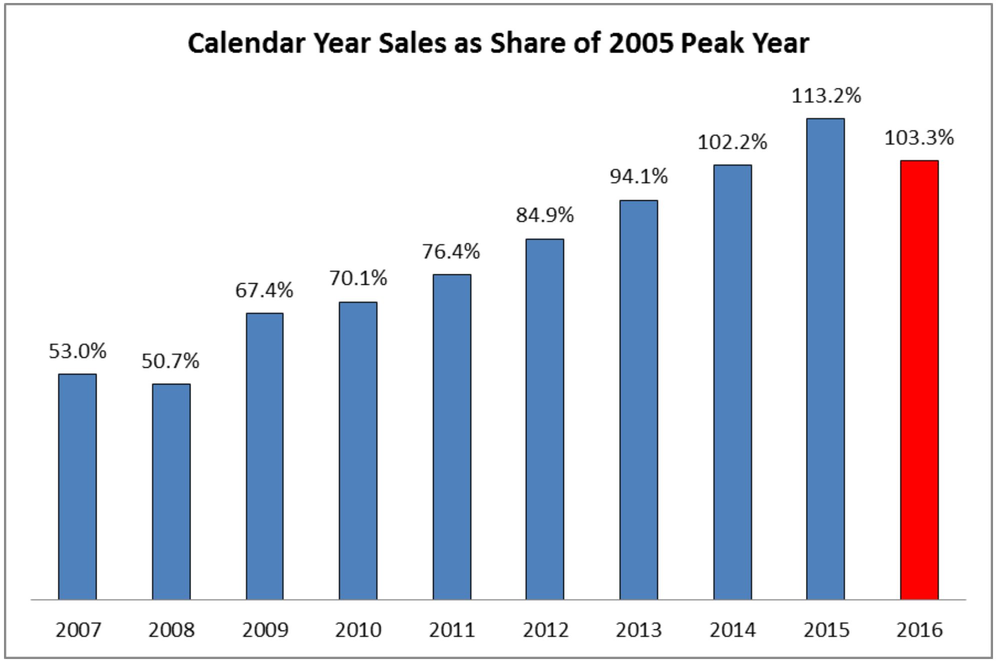
For the first seven months of the 2016 calendar year, single-family building permit activity was running 14.5% over the same period in the prior year, continuing to fall below the 2015 annual growth rate.

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 sales activity in the first six months of 2016 has been sluggish relative to last year. For this period, Florida is running well below its 2015 pace.

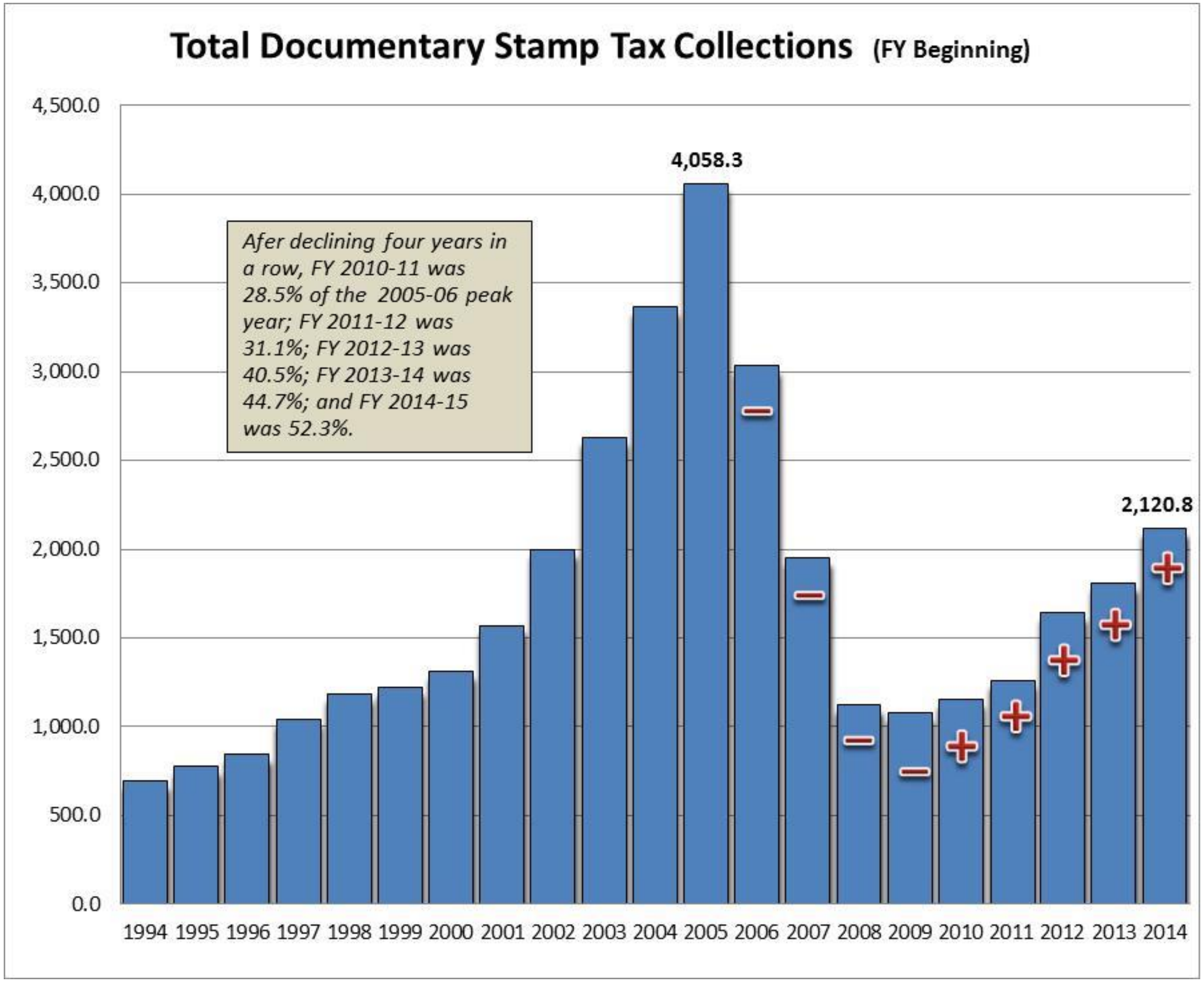


Florida's existing home price gains have roughly tracked national gains over the first six months of 2016, with the state's improvements relative to the US as a whole staying at about the same ratio. The state's median price in June was 90.1% of the national median price.

Data through June 2016

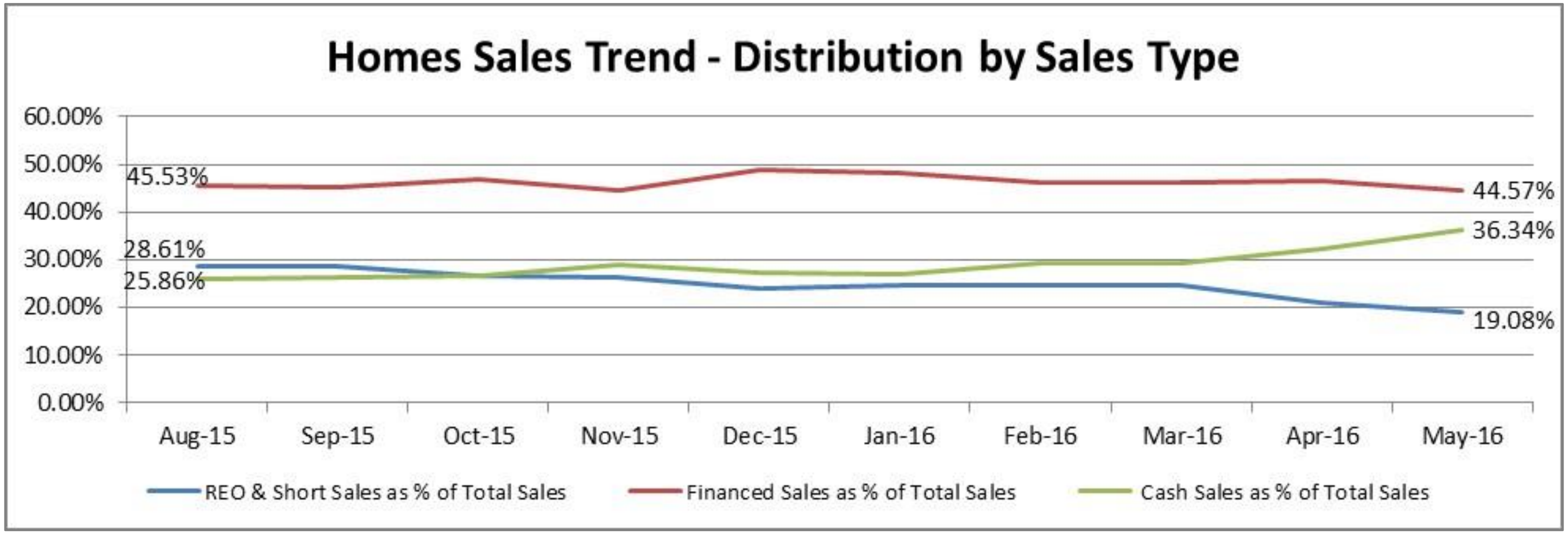
Documentary Stamp Collections

(Preliminary: Reflecting All Activity)



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

Sales Mix Still Atypical...

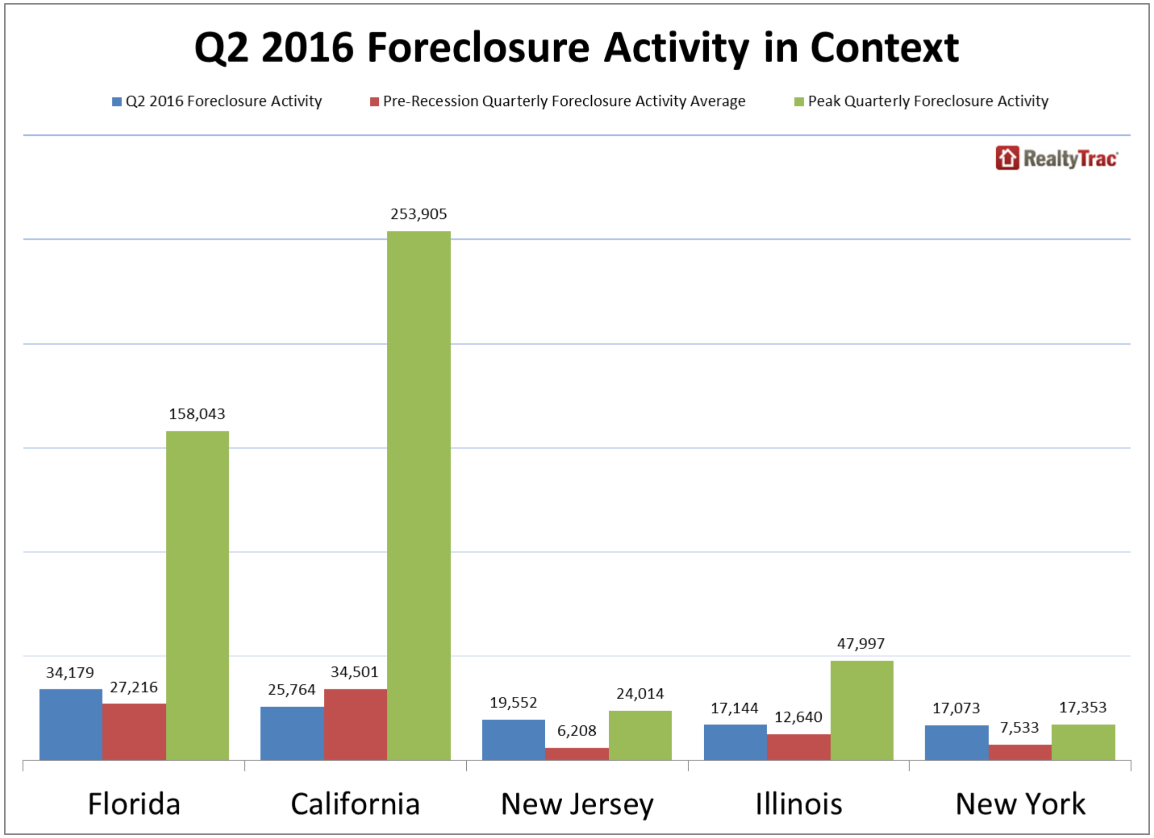


Data from LPS / Black Knight

- After making detectable drop over the month, Financed Sales ended May 2016 with a only slightly higher share than this segment had in May 2015 (44.6% versus 44.0%). The share for REO & Short Sales has drifted steadily downward over this period; however, the share for Cash Sales has exhibited some recent upward pressure.

- Interest rates continue to be low; a 30-year note averaged 3.87 for closed notes in July. When coupled with expected future growth in prices, a subdued interest rate environment leads to a new concern or, more accurately, the return of an old one. 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 for 2015 was 5.5 percent of all single family home and condo sales; 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...



"States where Q2 2016 foreclosure activity was still above pre-recession averages included Florida (26 percent above pre-recession levels); New Jersey (215 percent above); Illinois (36 percent above); New York (127 percent above); Indiana (2 percent above); South Carolina (376 percent above); Massachusetts (127 percent above); and Washington (29 percent above)."

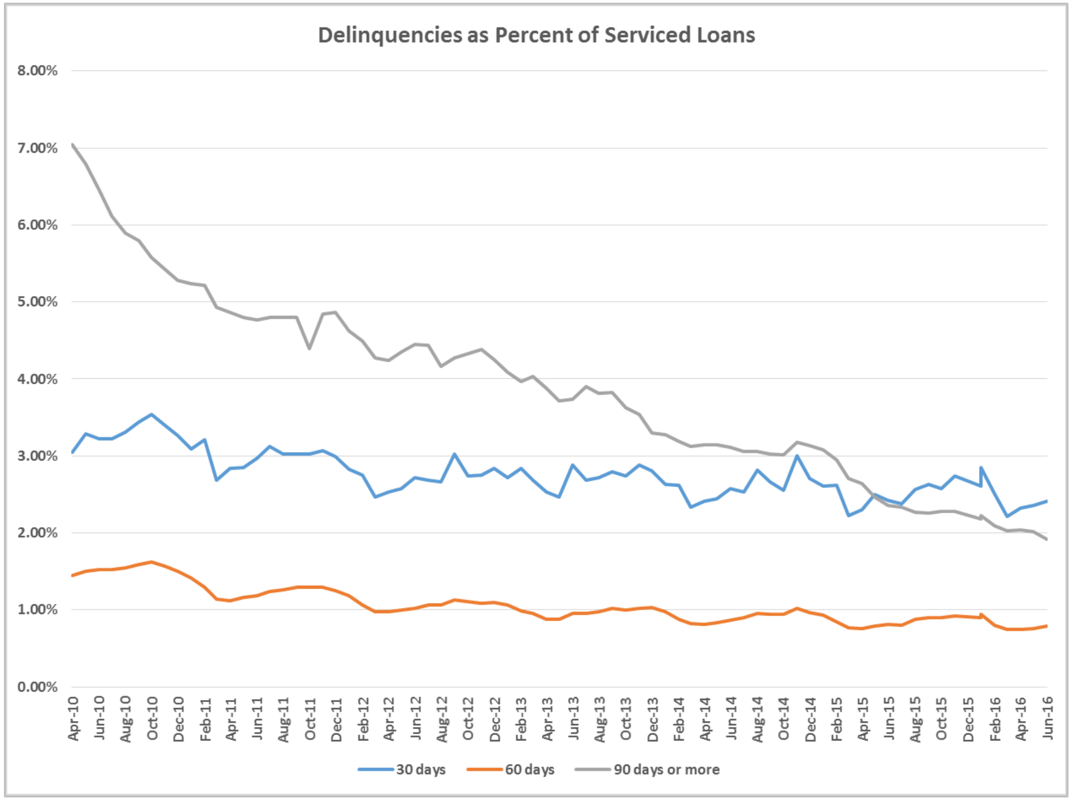
RealtyTrac, Six-Month Report

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).**

Foreclosures & Shadow Inventory

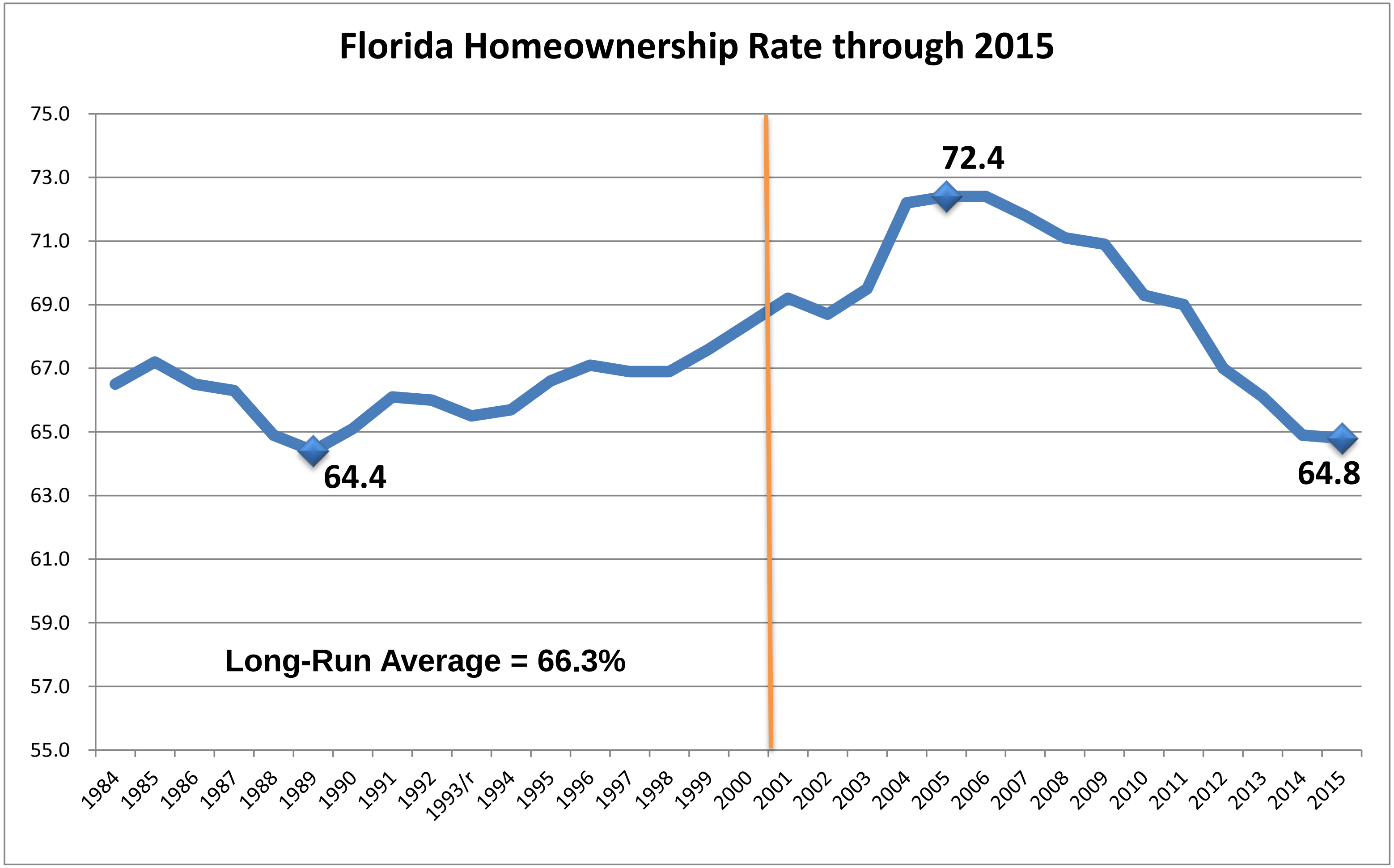


Nationally—and in Florida—the foreclosure inventory is expected to normalize by the end of the 2018 calendar year. Judicial states are taking the longest time to recover. *[Mortgage Monitor, March 2016]*

- 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 9% in the most recent data. This level (about 8.5% of all Florida loans in June) is still higher than the country as a whole.

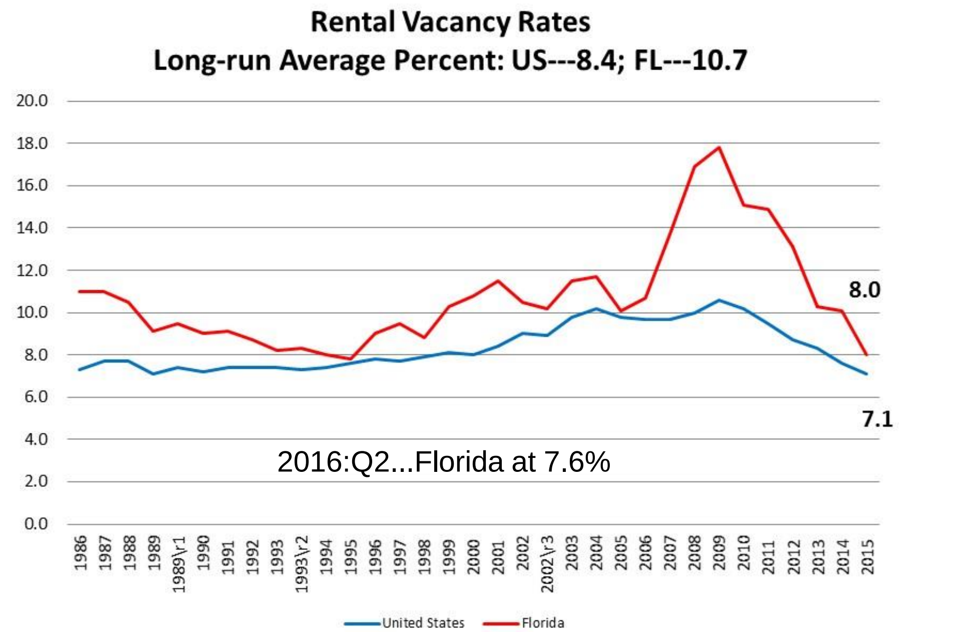
- However, a significant share of the remaining foreclosable homes have been delinquent for a long time—again according to Black Knight, 37% of loans more than 5 years delinquent in Florida are not yet actively involved in the foreclosure process.

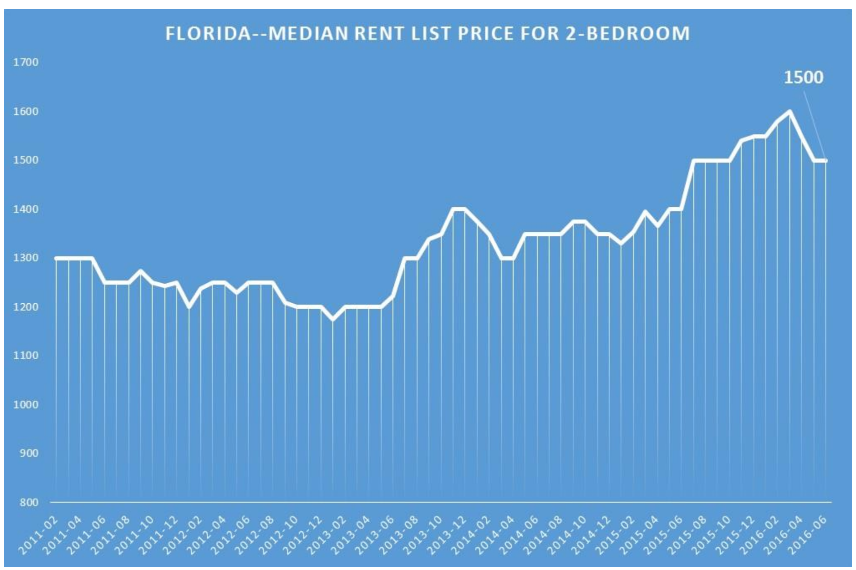
Homeownership Rate Below Normal



The 2015 percentage of 64.8 is the lowest since 1989, and it's below the long-term average for Florida. Second-quarter data for 2016 shows a further decline to 63.8%. If this level holds for the year, it will be the lowest level for Florida in the 32-year history of the series.

Diverted homeowners and shifting preferences among Millennials have caused residential rental vacancies to tighten strongly in 2015 and early 2016; price pressure is now starting to build.



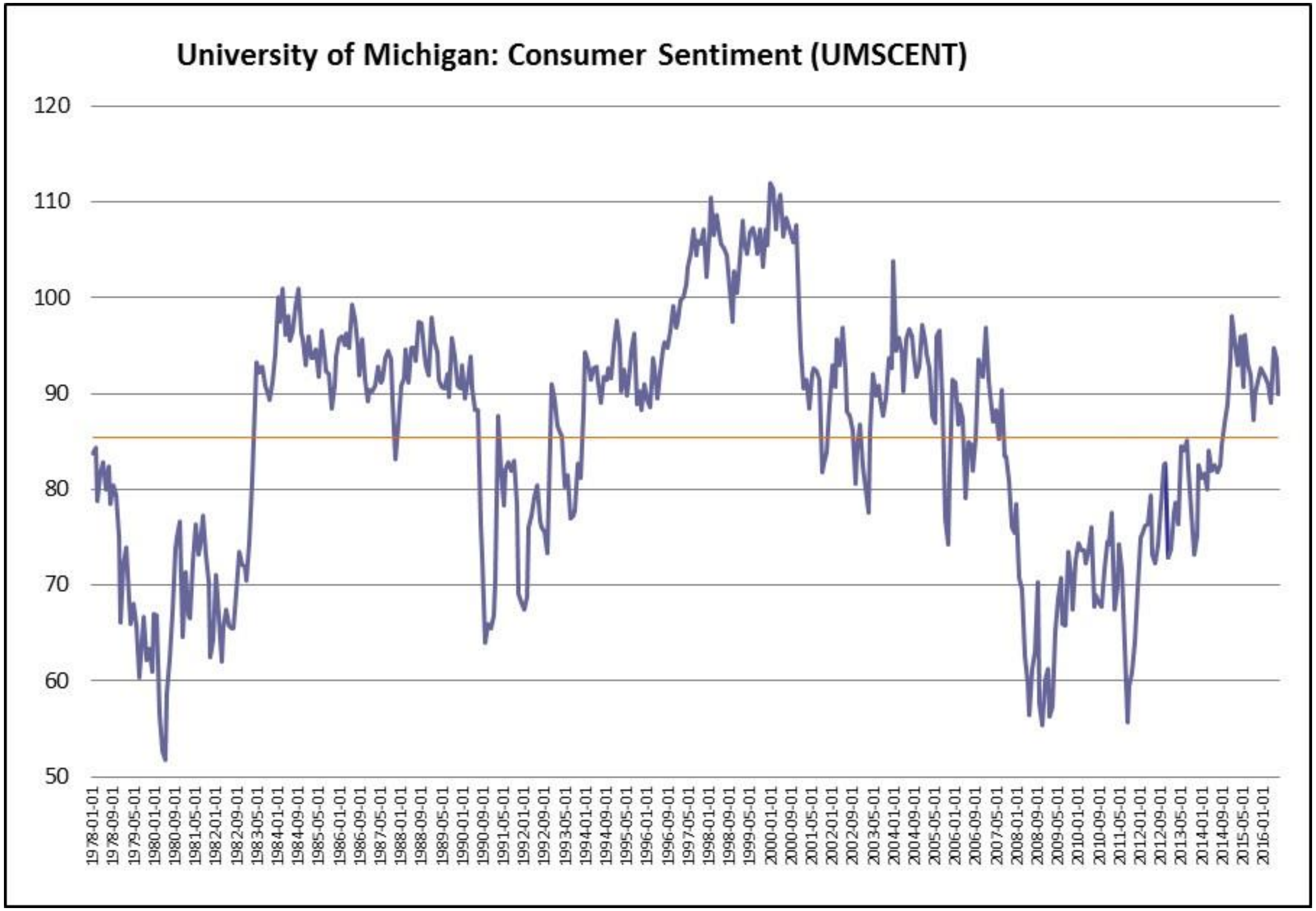


Zillow Rental Data: Median Rent List Price, 2-bedroom

	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%

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

Consumer Perceptions Off From High



Nationally, the sentiment reading for July 2016 (90.0) dipped slightly from June 2016. However, the reading is still well above the index average since inception (85.4) even though they have been generally retreating 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 727 (the highest score since June 2015) and LTV of 80 percent on closed loans. Student loans and recently undertaken auto debts appear to be affecting the ability to qualify for residential credit.

- By the close of the 2015-16 fiscal year, most measures of the Florida economy had returned to or surpassed their prior peaks.
  - All personal income metrics, about half of the employment sectors and all of the tourism counts had 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 2020-21.

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.

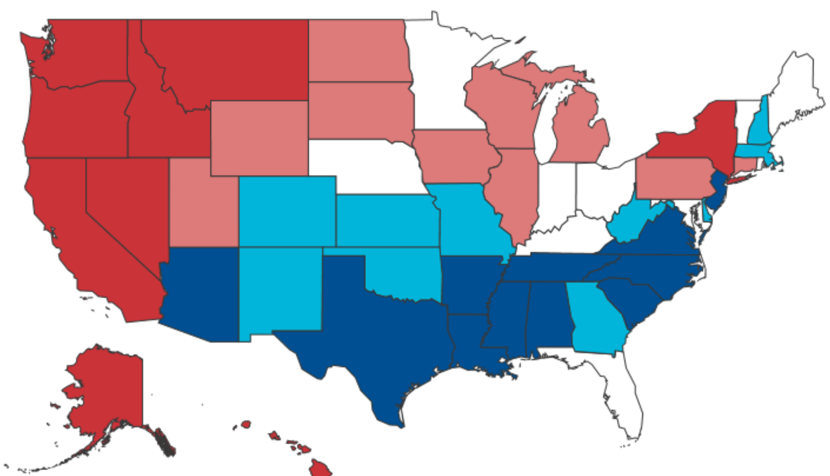
More Buyers...

- In 2015, the first wave of homeowners affected by foreclosures and short sales went 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.	$2.166
Year Ago Avg.	$2.377
Highest Recorded Avg.	$4.079

Prices updated by AAA as of 8/23/2016

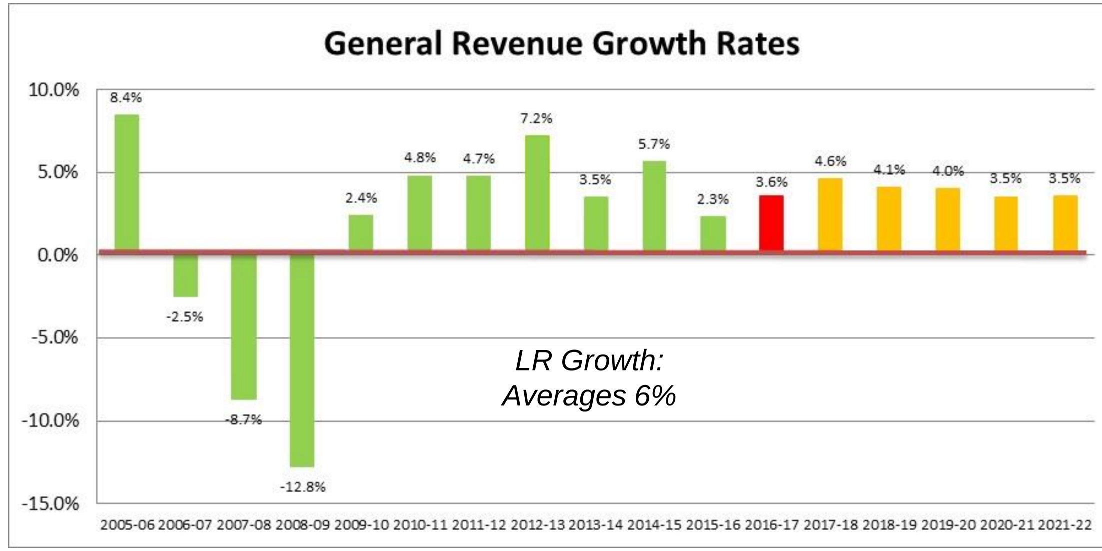


Dark Red=Highest; Dark Blue=Lowest

- 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.

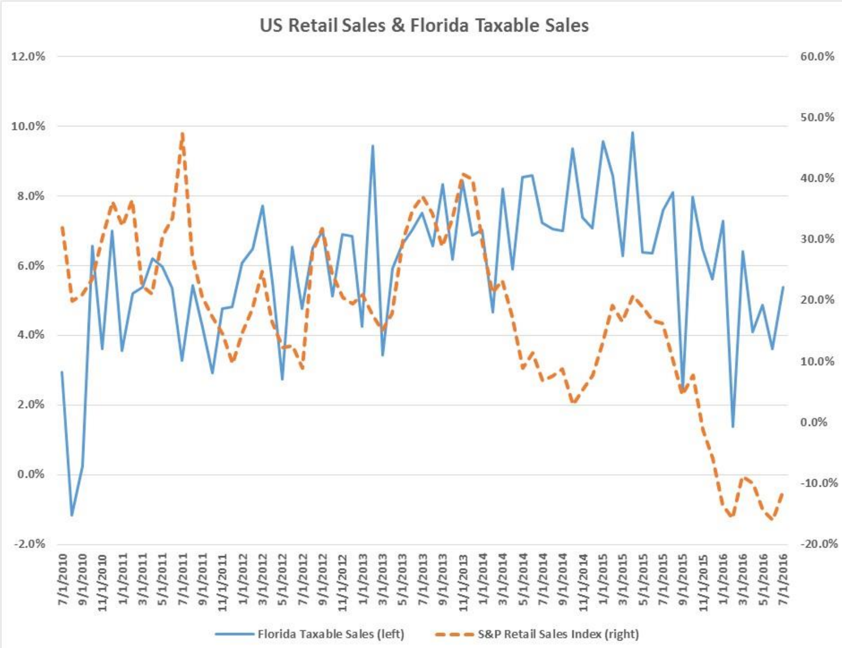
General Revenue Forecast

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	Post-Session Forecast	Aug 2016 Forecast	Difference	Incremental Growth	Growth
2005-06	*27074.8*	*27074.8*	*0*		*8.4%*
2006-07	*26404.1*	*26404.1*	*0*	*-670.7*	*-2.5%*
2007-08	*24112.1*	*24112.1*	*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*	*1695.8*	*7.2%*
2013-14	*26198.0*	*26198.0*	*0.0*	*883.4*	*3.5%*
2014-15	*27681.1*	*27485.9*	*(195.2)*	*1287.9*	*5.7%*
2015-16	28,274.8	**28,325.4**	50.6	644.3	2.3%
2016-17	29,464.7	**29,332.8**	(131.9)	1007.4	3.6%
2017-18	30,822.0	**30,686.9**	(135.1)	1354.1	4.6%
2018-19	31,974.0	**31,948.2**	(25.8)	1261.3	4.1%
2019-20	33,150.2	**33,223.9**	73.7	1275.7	4.0%
2020-21	34,390.7	**34,395.1**	4.4	1171.2	3.5%
2021-22	n/a	**35,614.9**	n/a	1219.8	3.5%

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 through 2016-17, pick up slightly during the 2017-18 through 2019-20 time period, and then shift down to long-run growth of 3.5%.



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.

- Throughout the 2015-16 fiscal year, Florida's taxable sales remained positive for the same month over the prior year, even though they have exhibited a pattern similar to the national Index. The Florida monthly fluctuations were much greater than the prior two fiscal years.