Florida:
An Economic Overview

February 7, 2011

Presented by:

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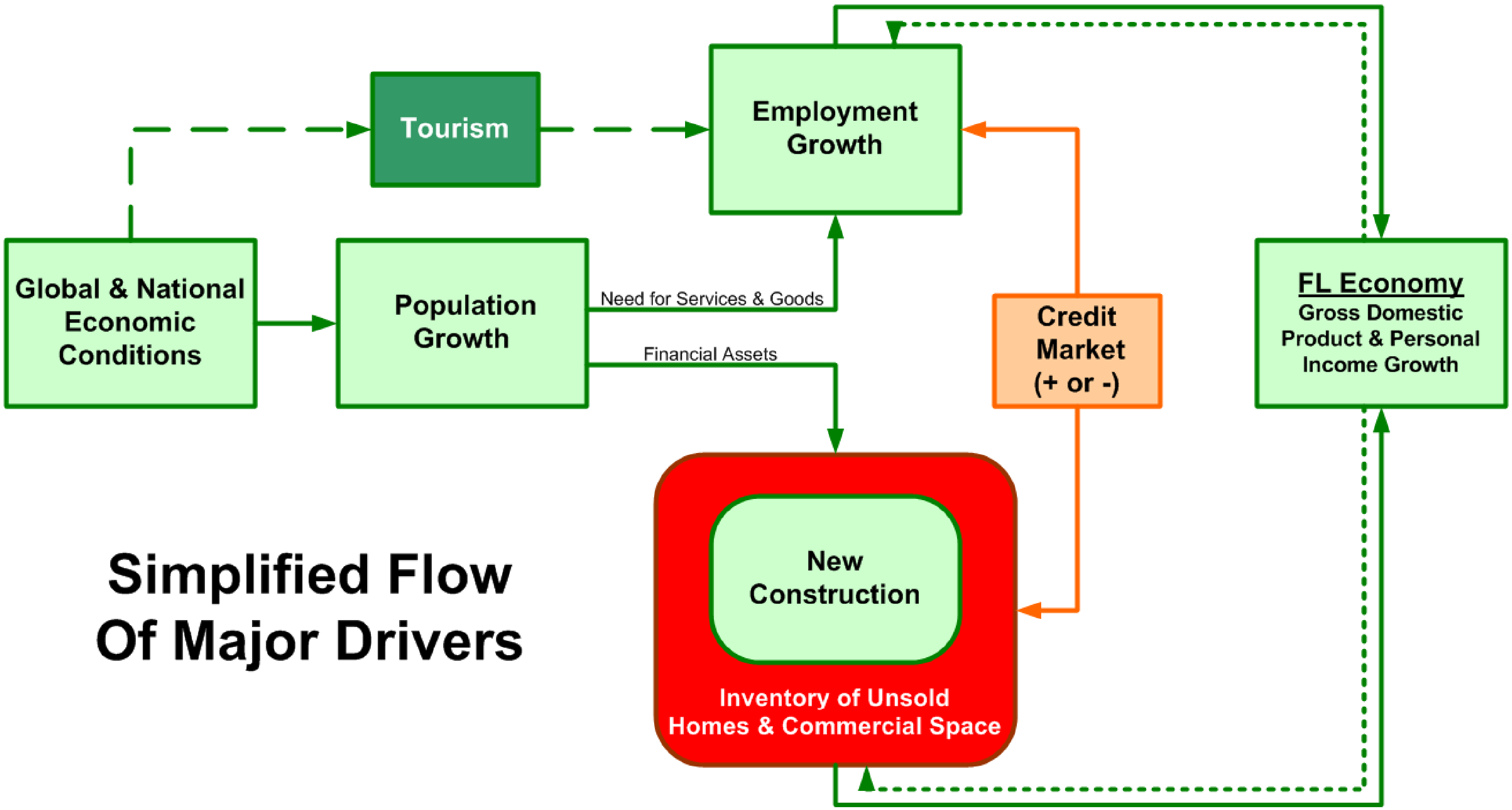
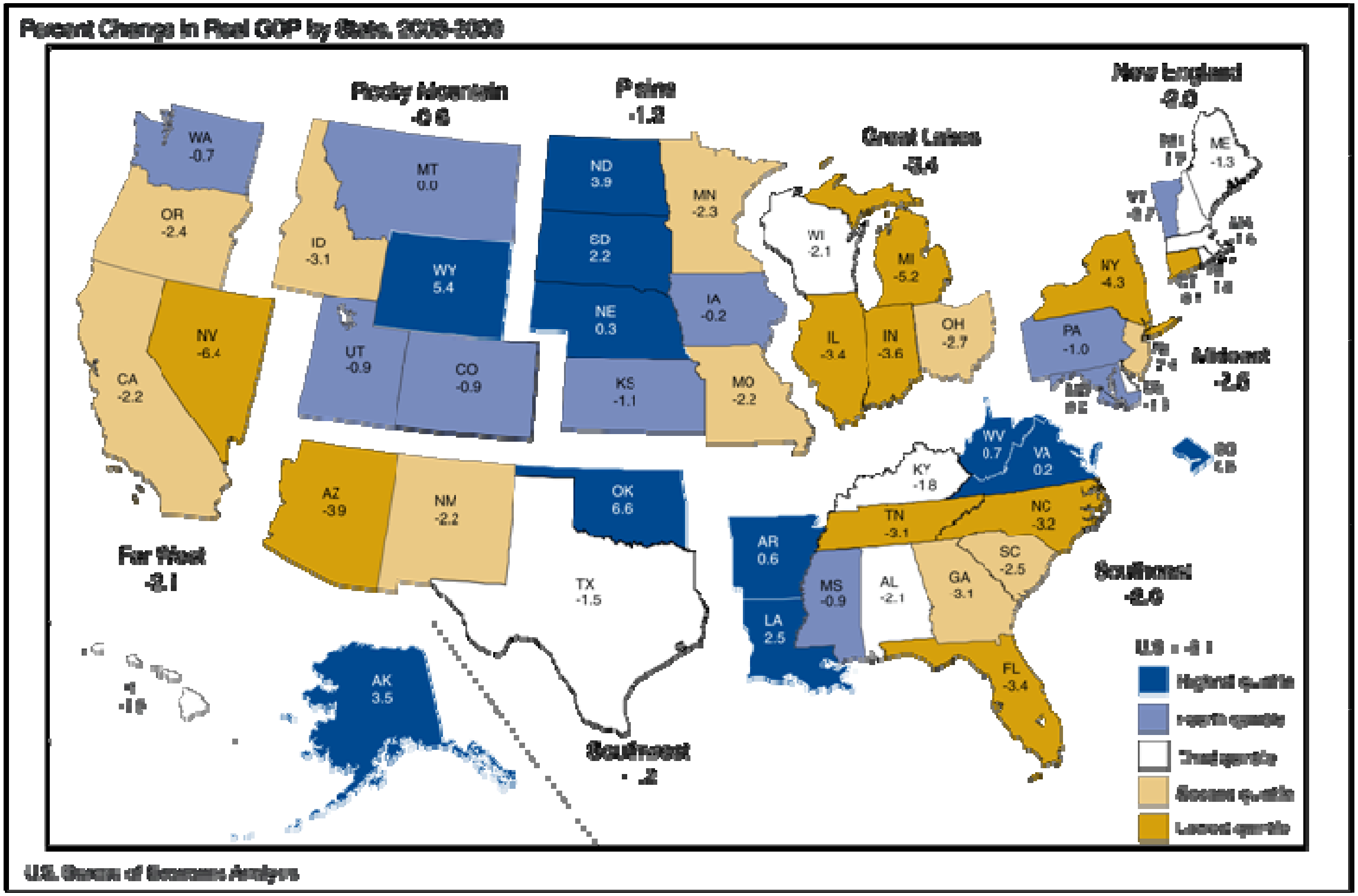
Today's Economy



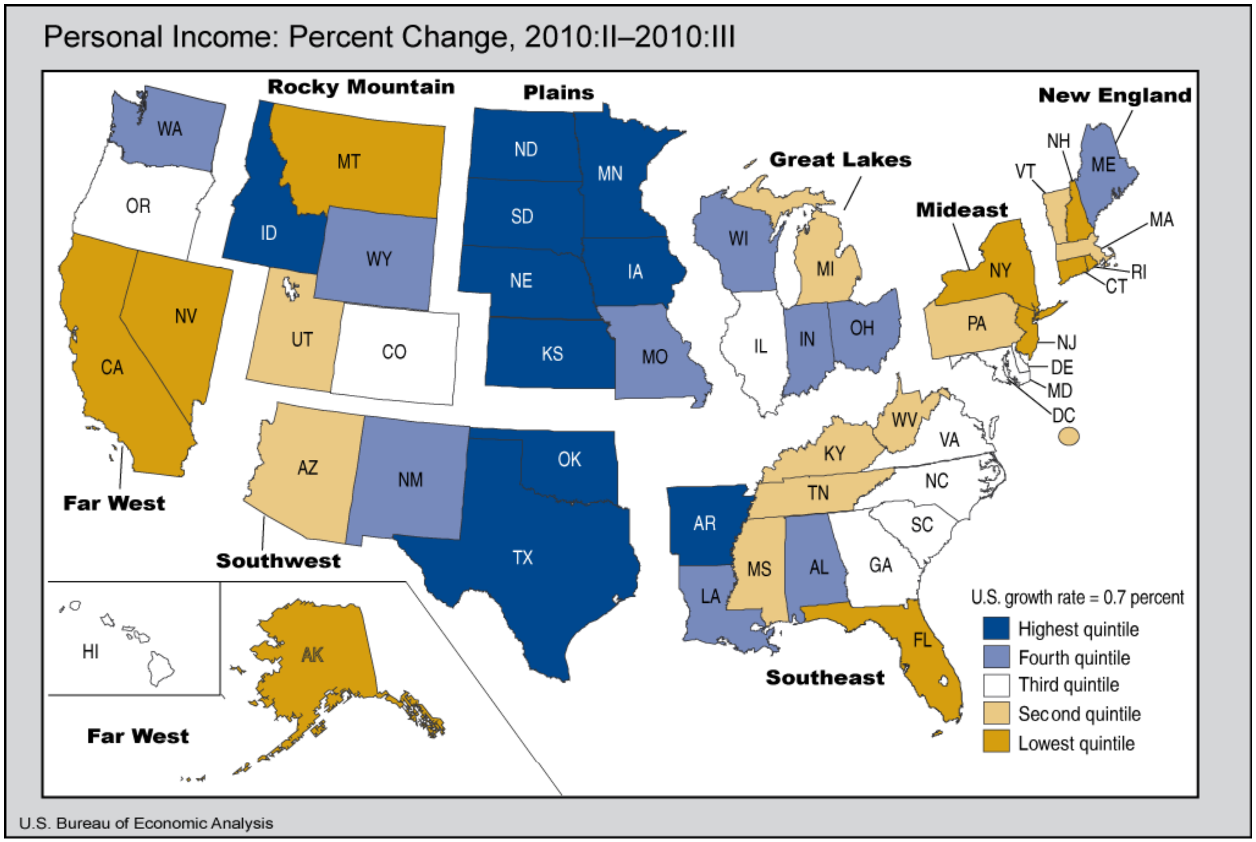
Simplified Flow Of Major Drivers

Economy Lost More Ground in 2009



Florida’s growth has declined two years in a row. State Gross Domestic Product (GDP) ranked us 45th in the nation in real growth with a decline (-3.4%) in 2009 after being 50th in 2008. In 2005, we were ranked 4th in the nation.

FL Personal Income Steadying

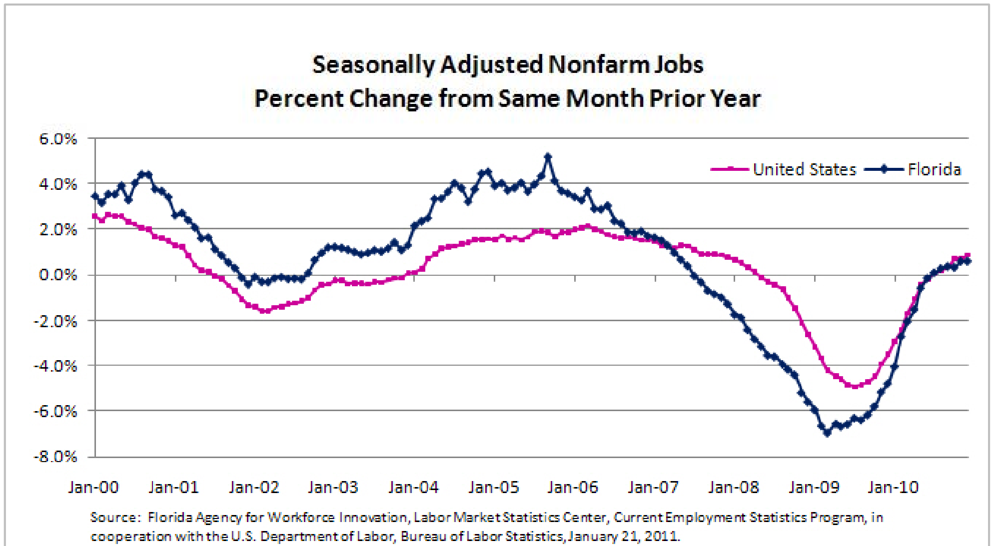


- Since the fourth quarter of the 2009 calendar year, Florida has exhibited positive quarterly growth in personal income.

- The increase of 0.5% in the most recent quarter (Q3 of the 2010 calendar year) ranked Florida 43rd in the country. This is slightly better than last year's ranking at this time – 48th.

Current Employment Conditions

Sixth consecutive month that the state is showing positive over-the-year job growth after losing jobs for three years.



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

US 0.87%
FL 0.61%
YR: 43,500 jobs
Peak: -876,500 jobs

<u>December Unemployment Rate</u>

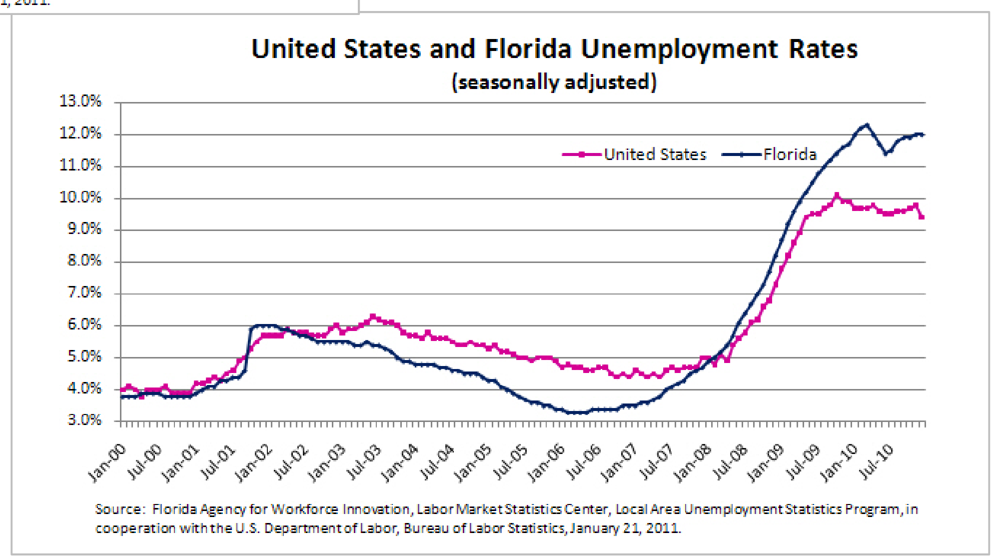
US 9.4%
FL 12.0%
(1.1 million people)
3rd State in the country

<u>Highest Monthly Rate</u>

March 2010
12.3%

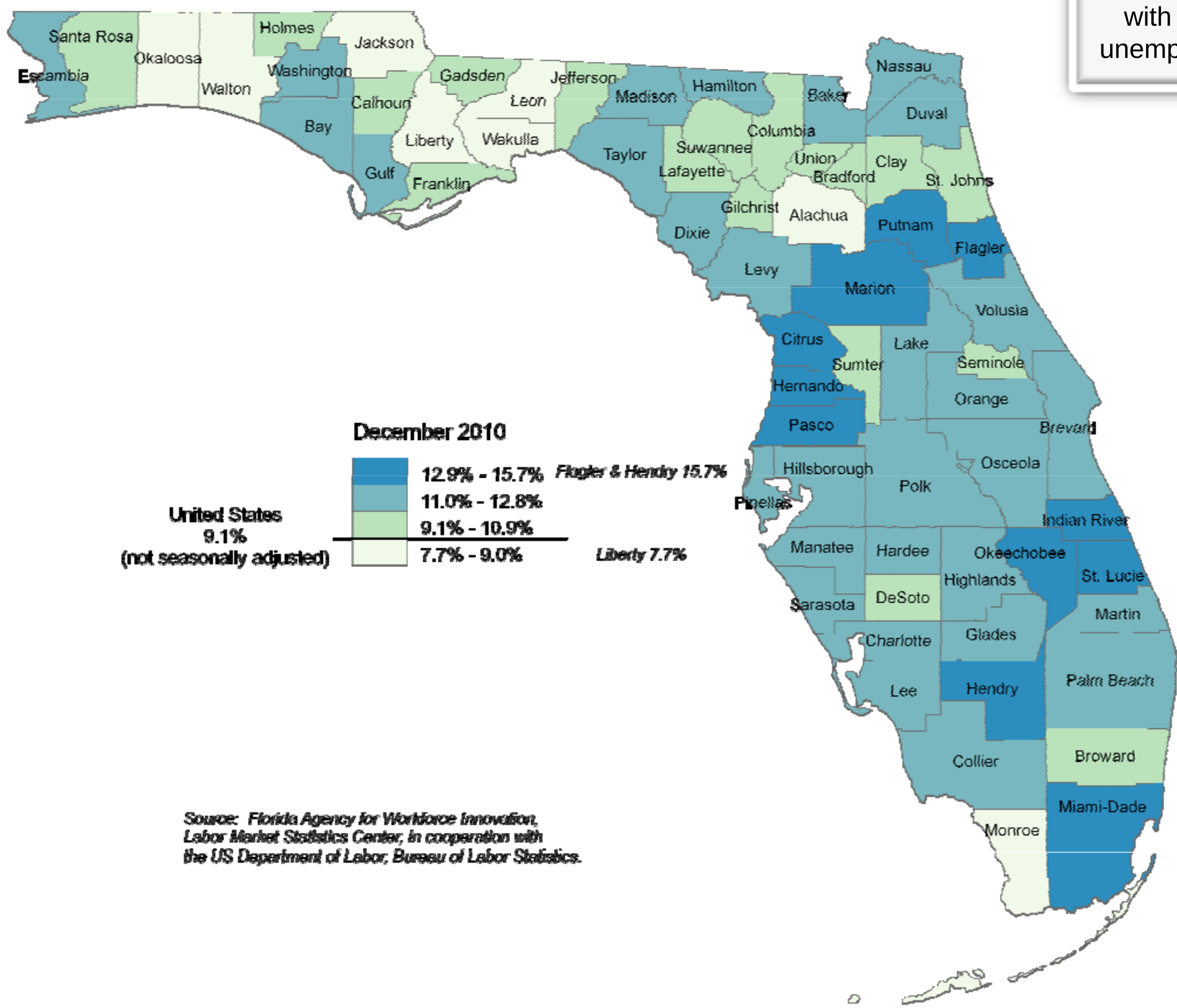
<u>Secondary Peak</u>

Fall/Winter, FY 2010-2011
11.8%

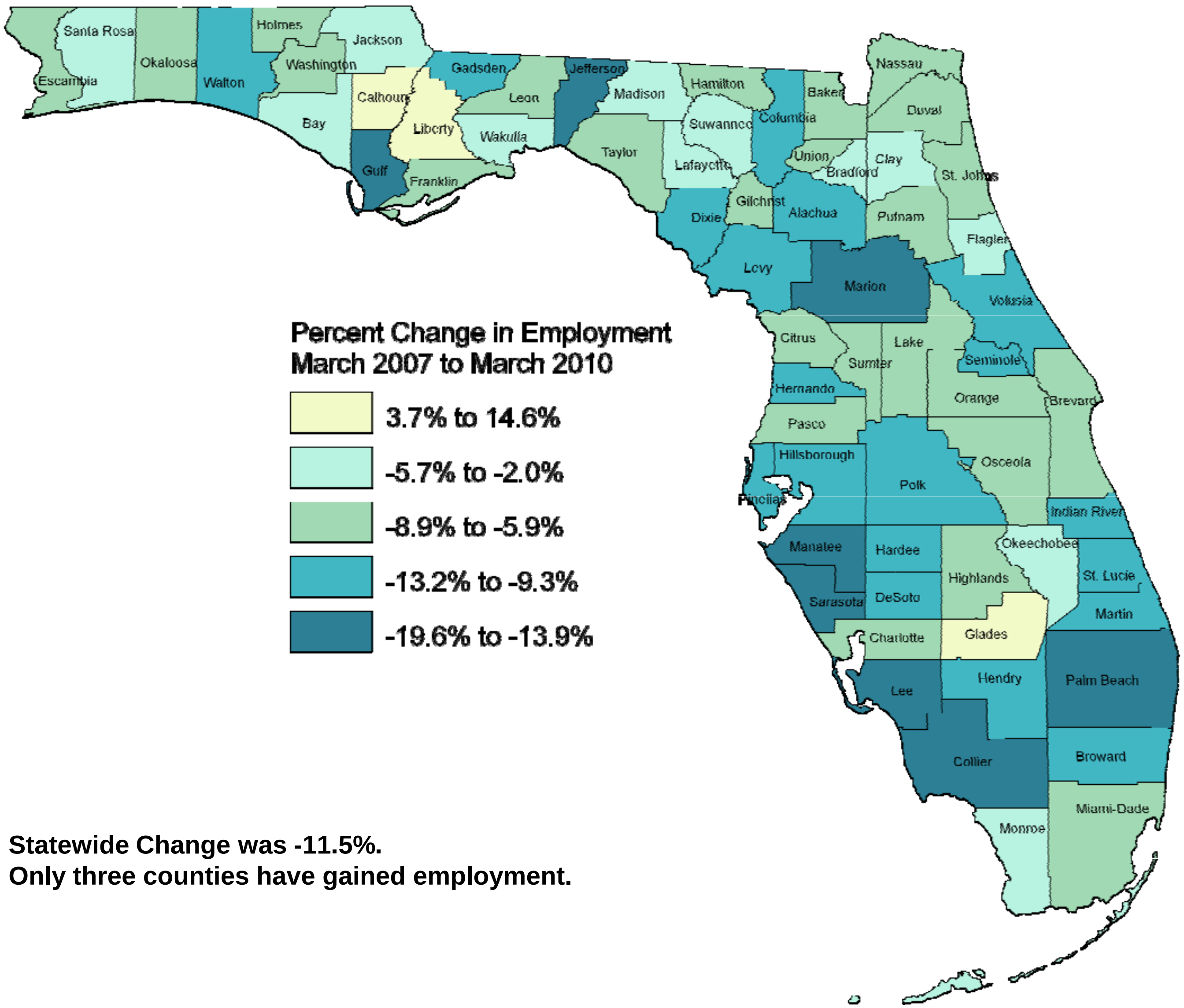


Unemployment Rates

52 of 67 counties with double-digit unemployment rates



Employment Down from Peak Levels



Statewide Change was -11.5%.
Only three counties have gained employment.

Florida's Job Market

- The job market will take a long time to recover – about 876,500 jobs have been lost 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 1,200 people per month, so the hole is deeper than it looks.
- It would take the creation of about 944,000 jobs for the same percentage of the total population to be working as was the case at the peak.

Population Growth Recovering

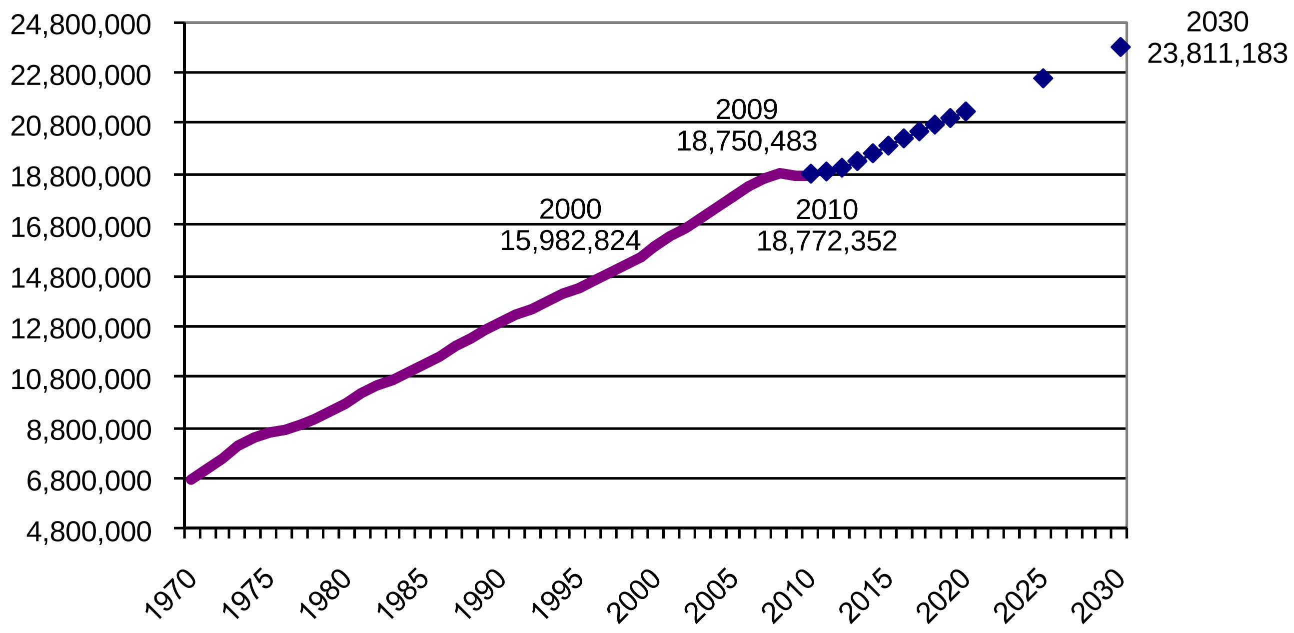
- Population growth is the state's primary engine of economic growth, fueling both employment and income growth.

- Population growth is forecast to remain relatively flat – averaging 0.6% between 2010 and 2012. However, growth is expected to recover in the future – averaging 1.1% between 2025 and 2030 with 86.9 percent of the growth coming from net migration. Nationally, average annual growth will be about 0.9%.

- The future will be different than the past; Florida's long-term growth rate between 1970 and 1995 was over 3%.

- Florida is still on track to break the 20 million mark by the end of 2015, becoming the third most populous state sometime before then – surpassing New York.

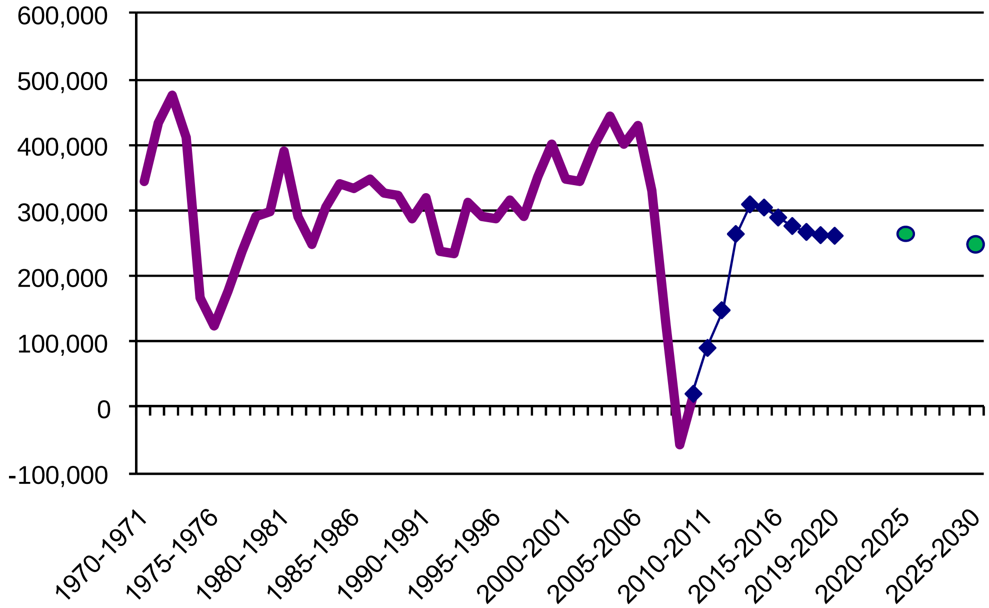
Florida’s April 1 Population



Florida’s population:

- was 15,982,824 in 2000
- was **18,772,352** in 2010 vs. Census # of 18,801,310, a 0.2% difference
- is forecast to grow to 23,811,183 by 2030

Florida’s Population Growth



Population:

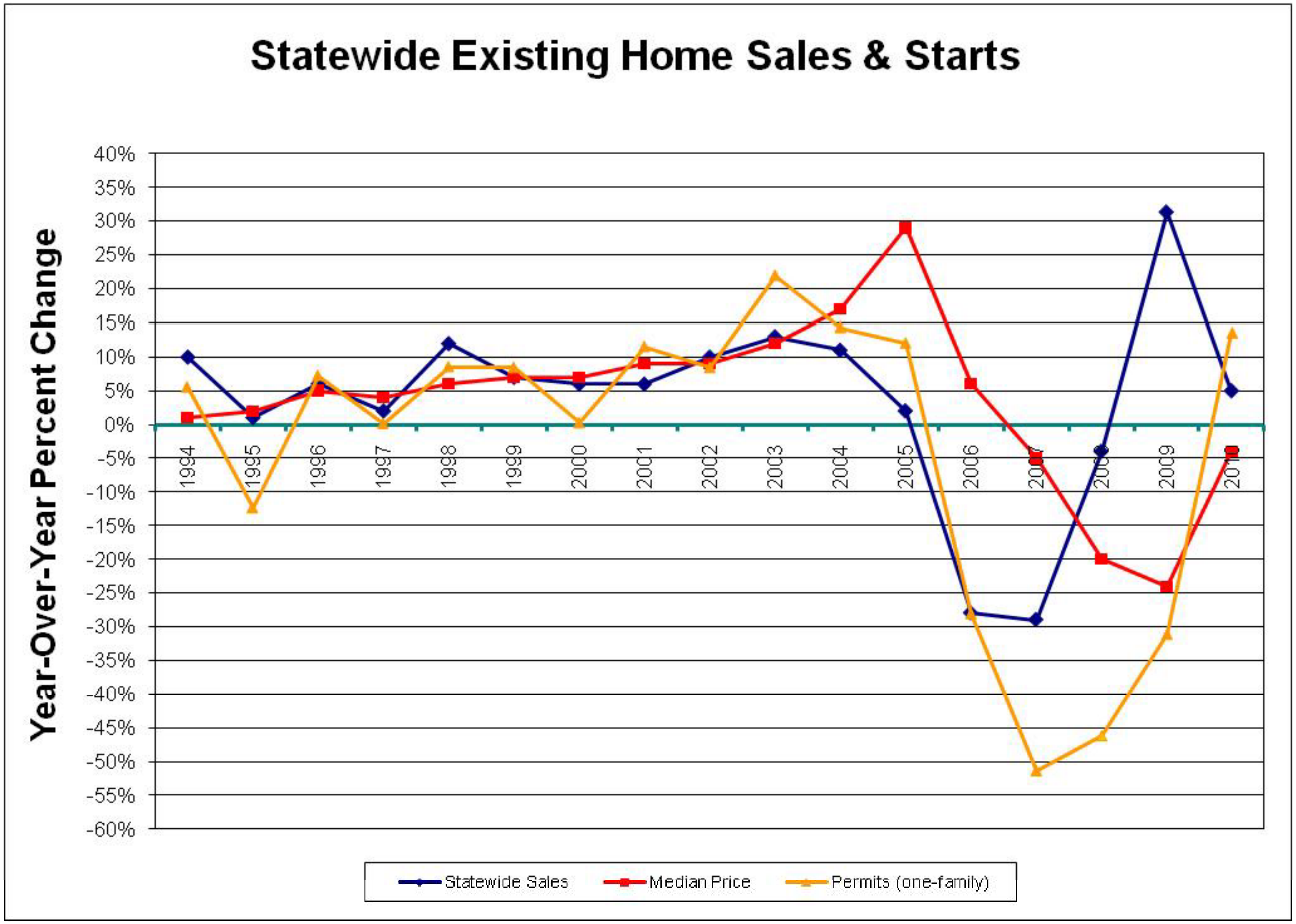
- Increased by: 445,224 between 2003 and 2004
- Declined by: -56,736 between 2008 and 2009
- Increased by: 21,869 between 2009 and 2010

Currently Being Revised

Population is forecast to increase on average by:

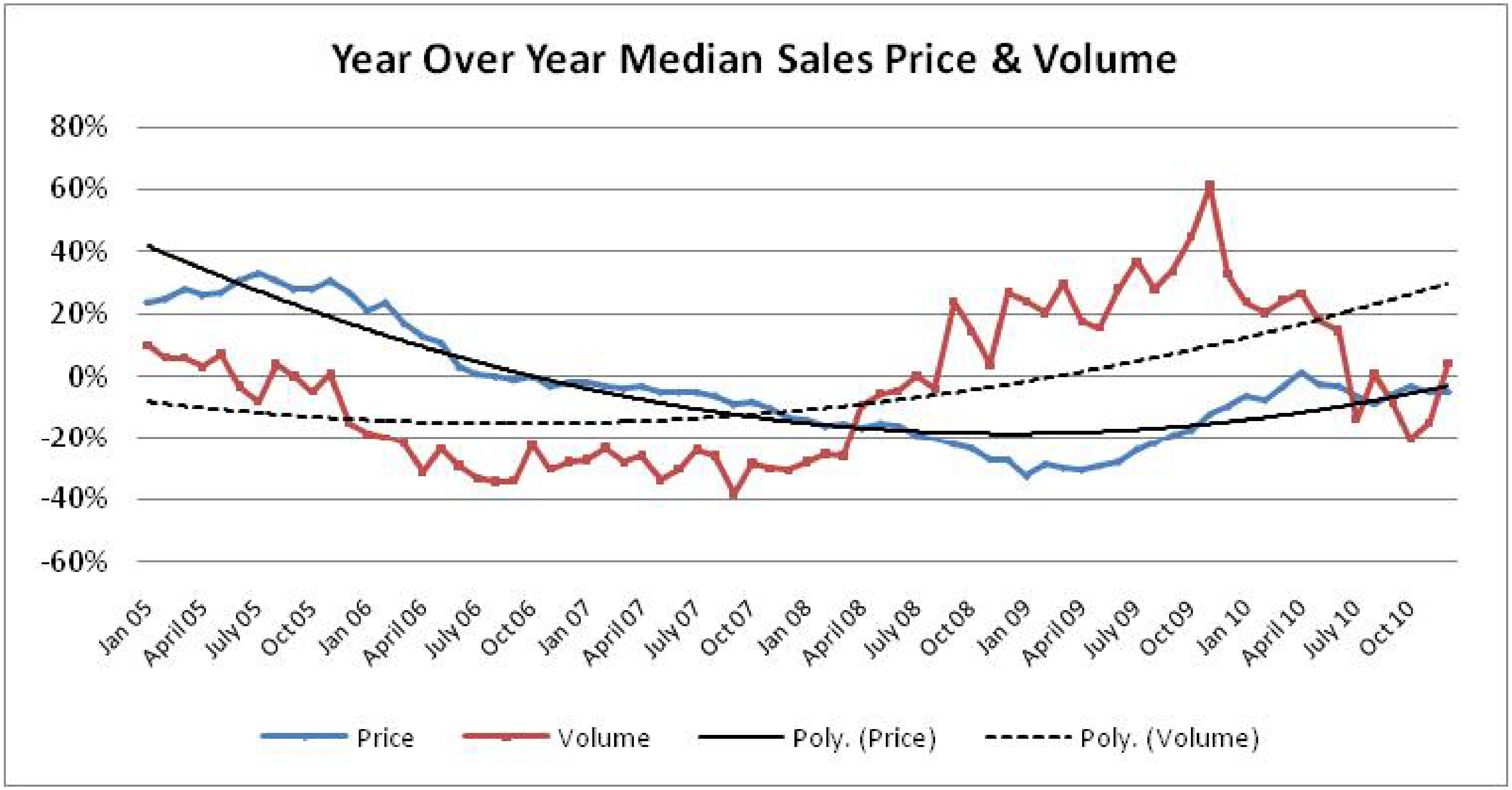
- 223,727 between 2010 and 2015
- 271,604 between 2015 and 2020
- 264,022 between 2020 and 2025
- 248,414 between 2025 and 2030

Florida Housing is Generally Improving



Sales volume and building permits are both back in positive territory, showing year-over-year growth.

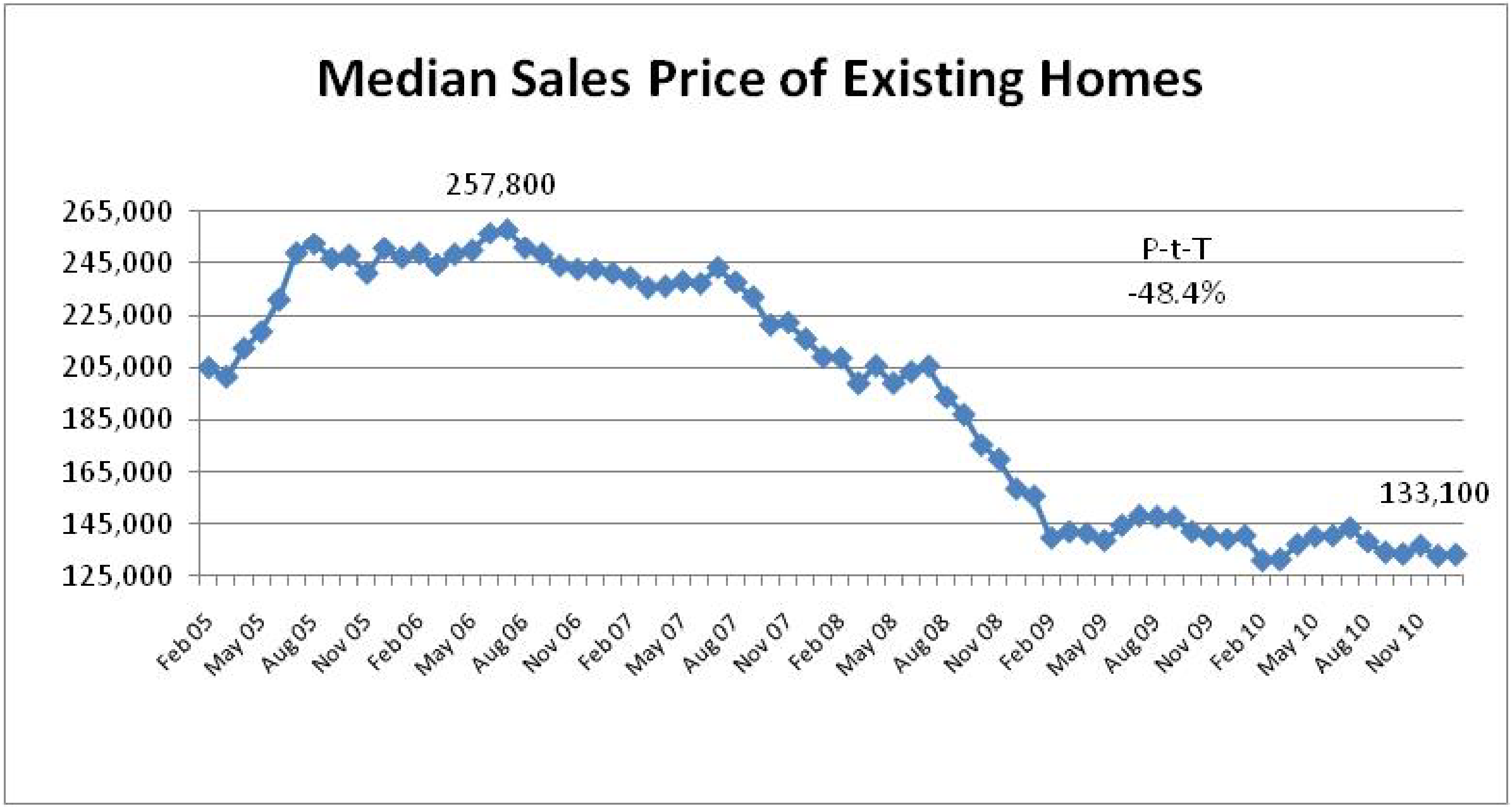
But, Existing Homes Sales Slowing Again



Data through December 2010

Sales Level in CY 2010 was 68.7% of 2005 level.

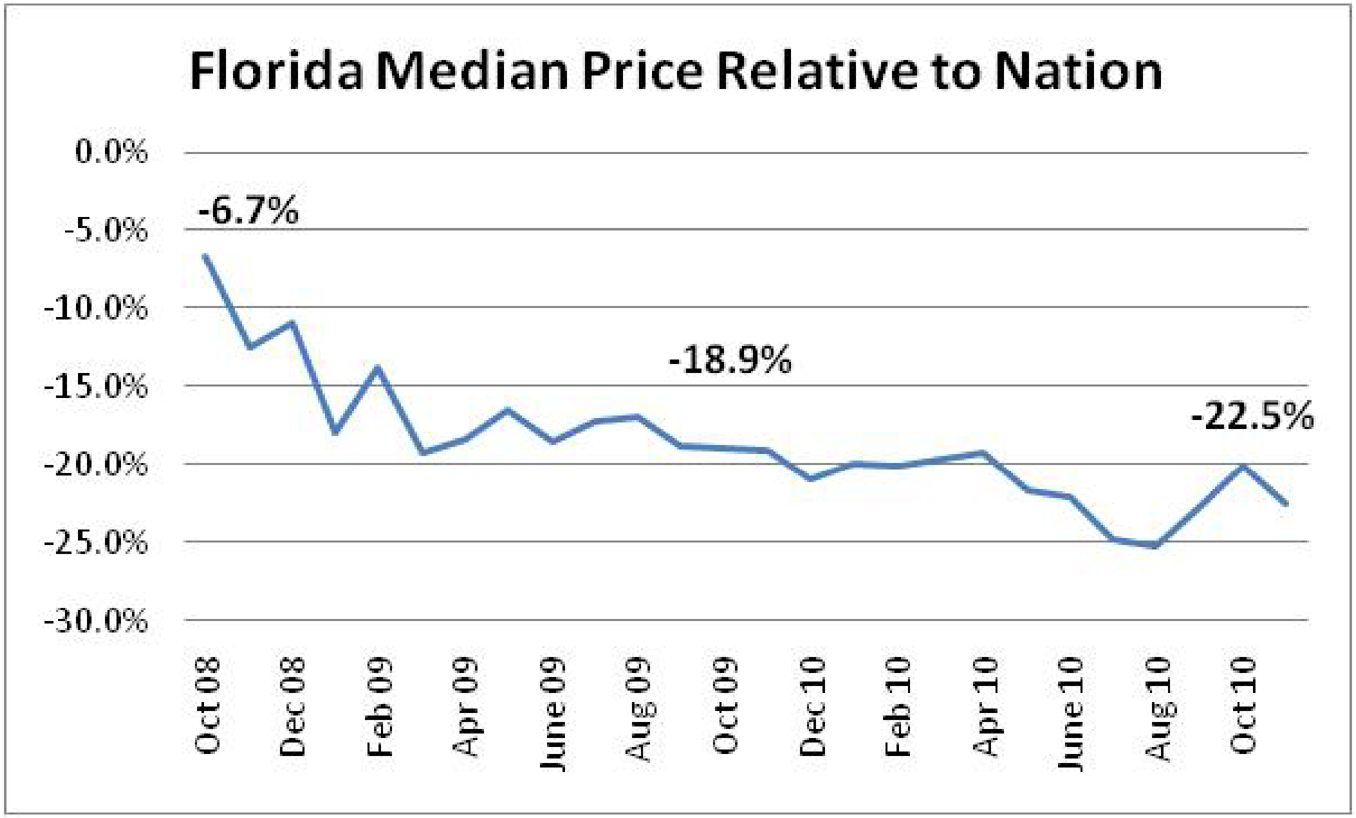
And, Existing Home Prices Are Flat



Data through December 2010

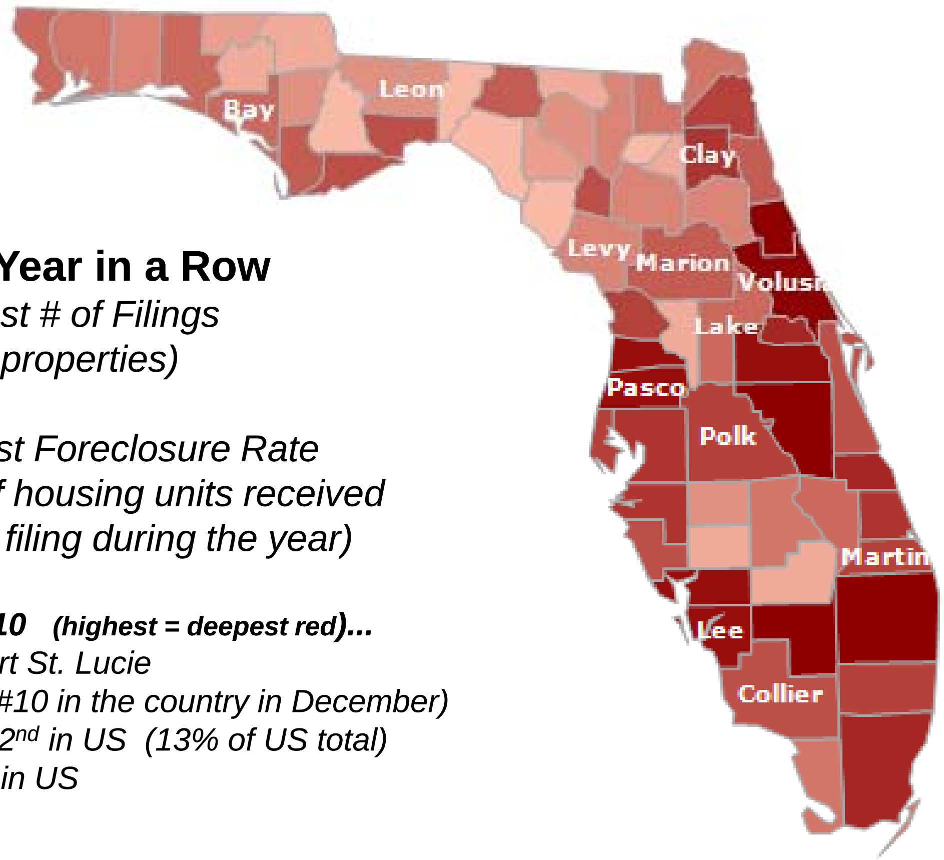
Median Sales Prices for Existing Homes have been essentially flat since February 2009 --- 23 months --- with a slight downward drift.

Price Holding Below National Level



The chart above is for single-family residences. Data from the American Community Surveys suggests that Florida was above the national median price for owner-occupied housing units from 2005 through most of 2008.

Foreclosure Filings Daunting



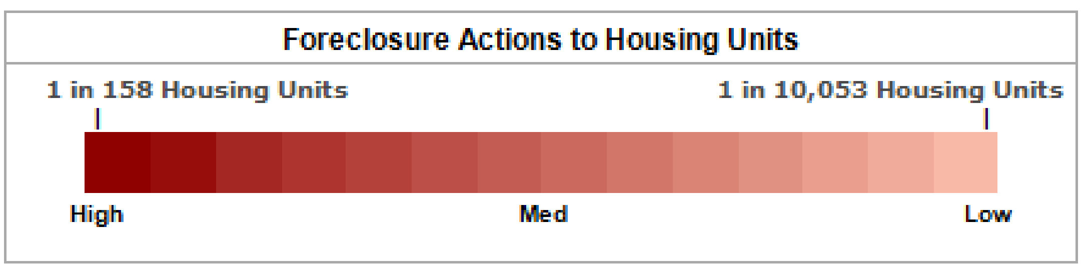
2010...2nd Year in a Row

2nd Highest # of Filings
(485,286 properties)

3rd Highest Foreclosure Rate
(5.51% of housing units received at least 1 filing during the year)

December 2010 ***(highest = deepest red)...***

AREA: Port St. Lucie
(#10 in the country in December)
FILINGS: 2nd in US (13% of US total)
RATE: 5th in US



Data from RealtyTrac

Foreclosures & Shadow Inventory

State	Delinquency %	Foreclosure Inventory %	Non-Current %	6 Month Change in Non-Current %
National	**9.02%**	**4.08%**	**13.10%**	**-2.28%**
FL	10.2%	13.2%	23.4%	-2.6%
NV	12.1%	8.9%	20.9%	-5.9%
MS	15.6%	3.5%	19.1%	3.2%
GA	12.4%	3.2%	15.6%	-2.2%
NJ	8.2%	6.5%	14.7%	3.4%
LA	11.0%	3.6%	14.6%	0.7%
OH	10.0%	4.5%	14.5%	0.6%
IN	10.2%	4.3%	14.5%	1.0%
IL	8.8%	5.7%	14.5%	-1.8%
AZ	9.[illegible]%	4.6%	14.2%	-6.8%
RI	10.1%			
MI	10.4%			
TN	11.4%			
WV	10.8%			
MD	10.5%			
AL	11.4%			
SC	9.8%			
CA	9.4%			
NY	8.3%			
DE	8.2%			
CT	8.3%			
NC	9.6%			
ME	7.6%	4.5%	12.0%	1.6%
HI	6.9%	4.9%	11.8%	-5.6%
PA	8.7%	3.0%	11.7%	2.4%

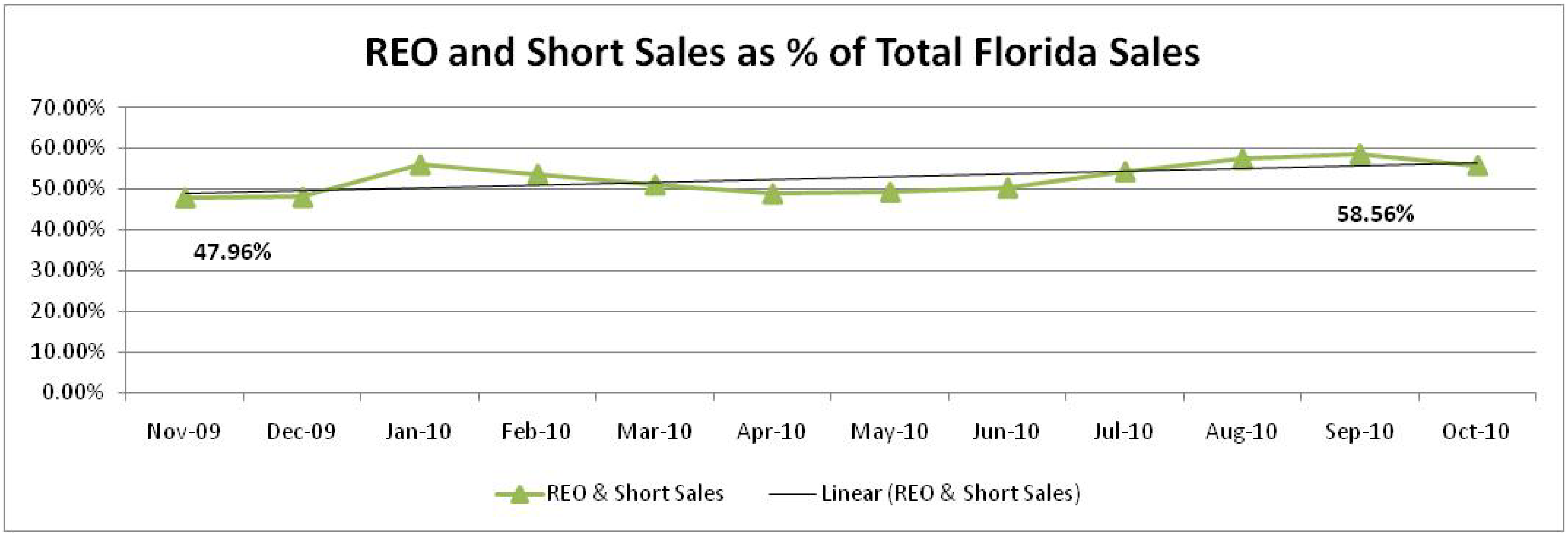
State	Delinquency %	Foreclosure Inventory %	Non-Current %	6 Month Change in Non-Current %
KY	8.5%	3.2%	11.6%	2.8%
AR	9.4%	2.0%	11.4%	4.5%
WI	7.4%	3.8%	11.2%	0.8%
TX	9.2%	1.7%	11.0%	0.3%
OK	8.0%	2.9%	10.8%	3.9%
MO	8.8%	1.9%	10.7%	-0.4%
MA	8.0%	2.6%	10.6%	-3.8%
NM	7.1%	3.2%	10.2%	1.6%
DC	7.4%	2.7%	10.0%	-1.9%
UT	7.4%	2.7%	10.0%	-2.8%
ID	6.5%	3.1%	9.7%	-3.1%
				-3.8%
				3.1%
				2.7%
				-3.5%
				1.5%
				-2.5%
				3.1%
				-7.2%
				-4.4%
				1.5%
				-2.3%
				-2.0%
AK	4.5%	1.2%	5.7%	-13.8%
SD	4.0%	1.4%	5.4%	0.4%
ND	3.5%	1.1%	4.6%	1.4%

State	Delinquency %	Foreclosure Inventory %	Non-Current %
National	**9.02%**	**4.08%**	**13.10%**
FL	10.2%	13.2%	23.4%

Foreclosures adding more to inventory than Sales are subtracting.

(LPS Data for November)

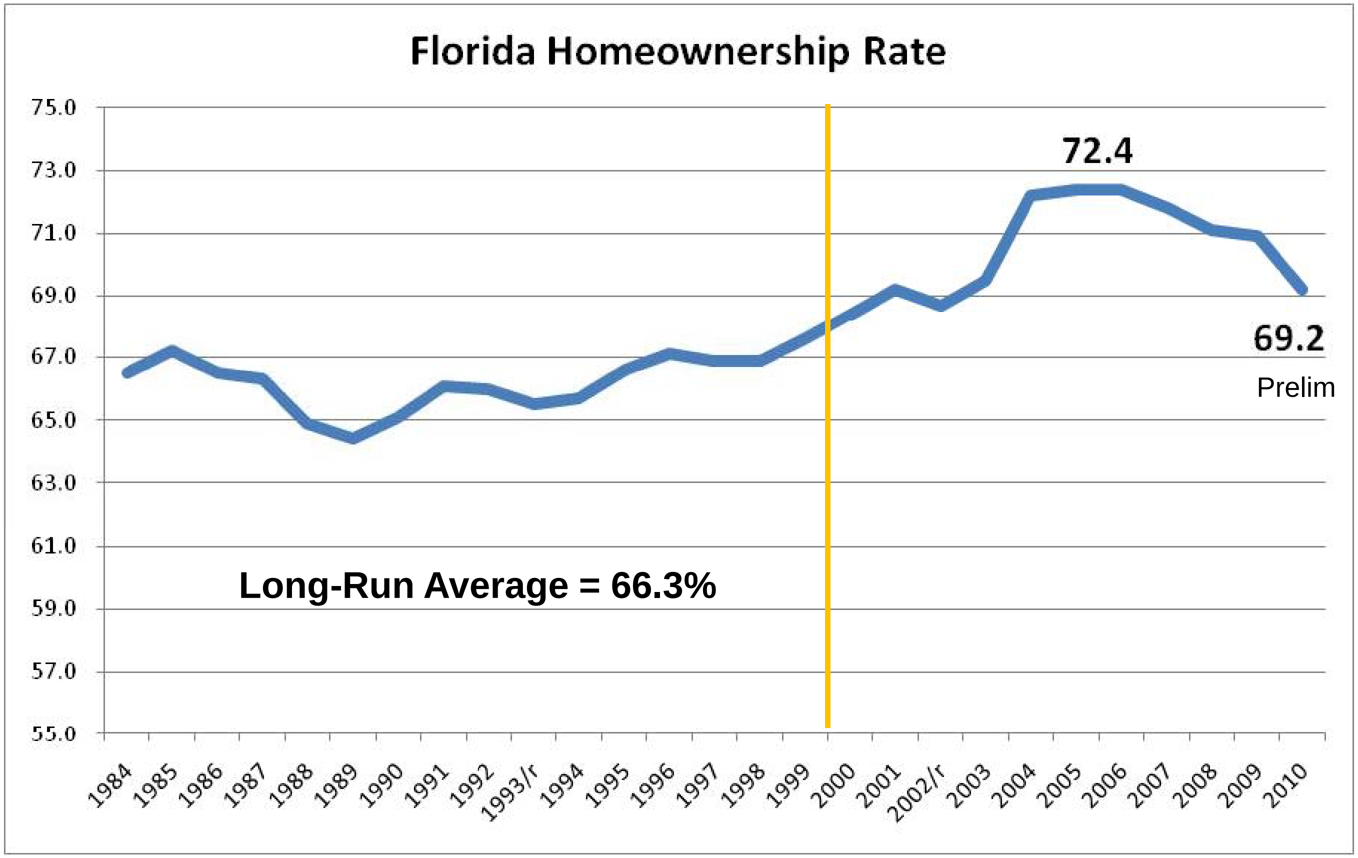
Sales Mix Points to Lower Prices



Month	Total Sales	REO & Short Sales	REO & Short Sales as % of Total Sales	Cash Sales	Cash Sales as % of Total Sales	Financed Sales	Financed Sales as % of Total Sales
Nov-09	20,867	10,008	48.0%	4,764	22.8%	6,095	29.2%
Oct-10	18,809	10,496	55.8%	5,138	27.3%	3,175	16.9%

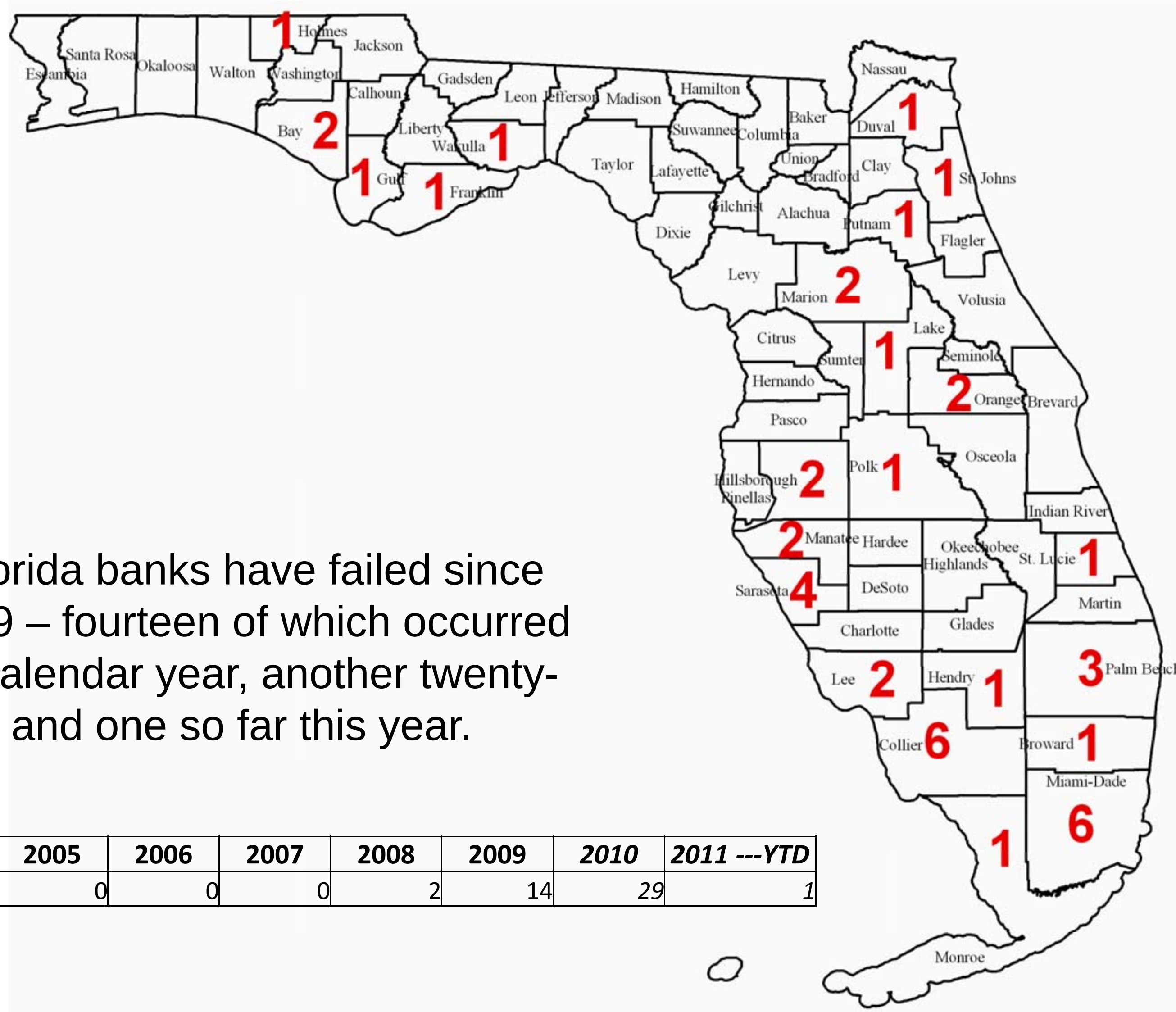
LPS: Lender Processing Services

Vulnerability



If the preliminary 2010 rate dropped immediately back to the long-run average, about 207,900 homeowners would be affected and over $28.7 billion of value.

2009 and 2010 Bank Failures



Forty-four Florida banks have failed since January 2009 – fourteen of which occurred in the 2009 calendar year, another twenty-nine in 2010, and one so far this year.

2002	2003	2004	2005	2006	2007	2008	2009	*2010*	*2011 ---YTD*
2	0	1	0	0	0	2	14	*29*	*1*

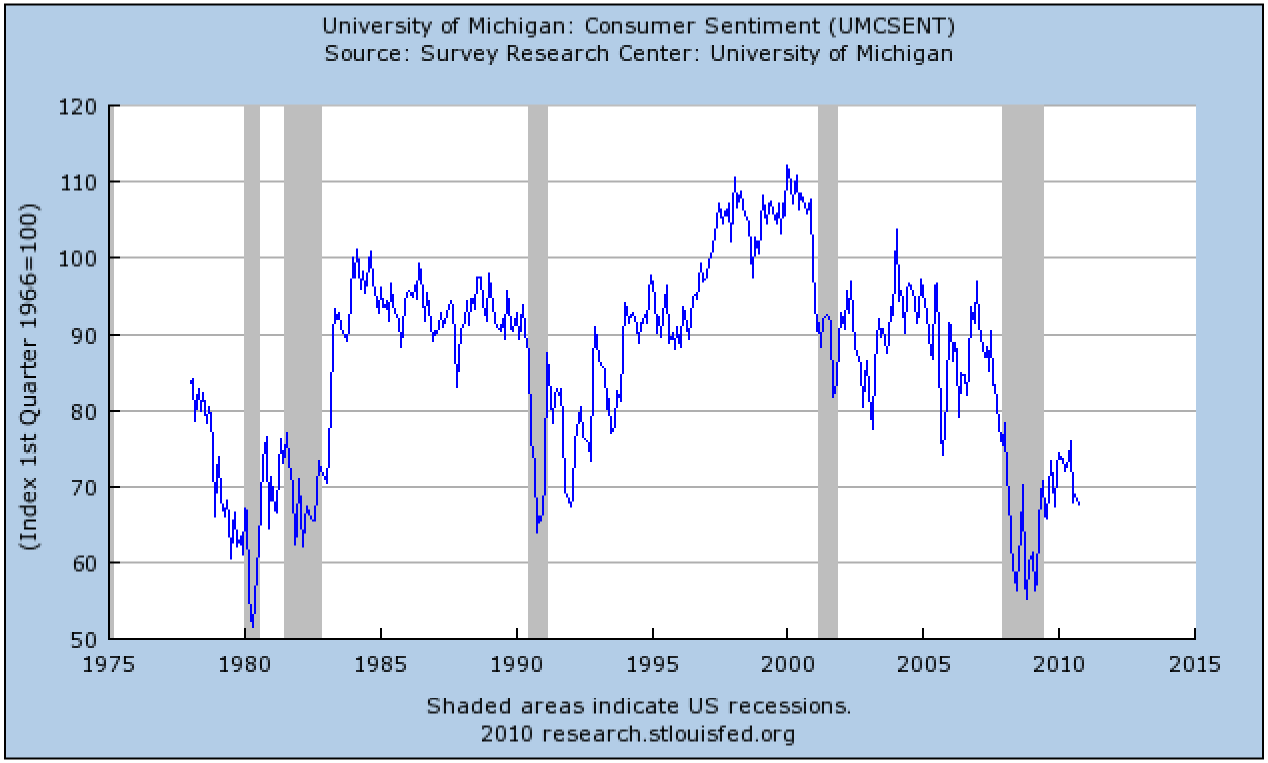
Credit Conditions Have Tightened

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 ‘11 %	**Oct ‘10 %**	**July ‘10 %**	**April ‘10 %**
Tightened considerably	0.0	0.0	0.0	1.9
Tightened somewhat	**3.7**	**13.0**	**3.6**	**9.4**
Remained basically unchanged	**94.4**	**83.3**	**87.3**	**79.2**
Eased somewhat	1.9	3.7	9.1	9.4
Eased considerably	0.0	0.0	0.0	0.0
Total	100.0	100.0	100.0	100.0

January 2011 Senior Loan Officer Opinion Survey on Bank Lending Practices (Federal Reserve Board)

Perceptions Are Improving



- Consumer sentiment can be a leading indicator of recession: nationally, it is improving from near the lowest levels ever obtained (67.7 in October versus 51.7 in May 1980), but still not back to the long-run average of 86.5.
- Florida's consumer confidence (October: 74 versus a record low 59 twenty-eight months ago) is roughly following the national trend but seems to have more volatility.

Economy Slowly Recovering

Florida growth rates are beginning an expected slow return to more typical levels. But, drags are more persistent than past events, and it will take years to climb completely out of the hole left by the recession. Overall...

- The national economic recovery is starting to recover and, more importantly, the financial markets are recovering stability – although they are still sluggish and difficult to access.

- 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.
  - Florida's unique demographics and the aging of the baby-boom generation.

Florida Risks to the Forecast

- Florida is on a different recovery path than the nation as a whole.
- Recovery will be uneven, and there will be many ups and downs over the next eighteen months.
- Most of these events have already been built into the prior forecasts --- but not the Oil Spill effects.
- Some of the improvement we’re talking about is actually a lessening of the decline. The economy will be better, but still fragile in the short-term.
- Florida is a diverse state, and areas will differ in their recovery timelines. Oil spill-impacted areas will have new challenges.

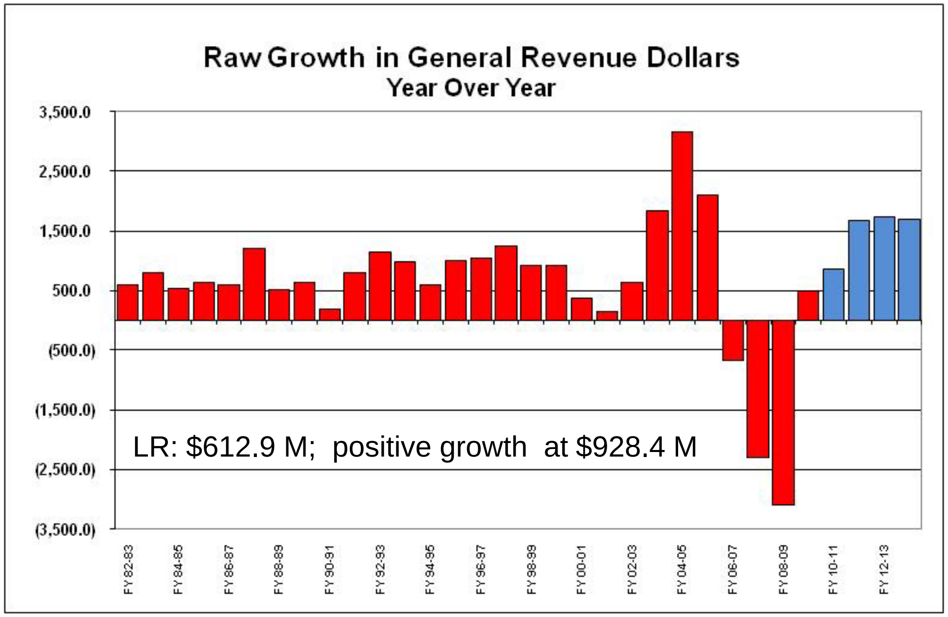
Known Threat & Black Swans

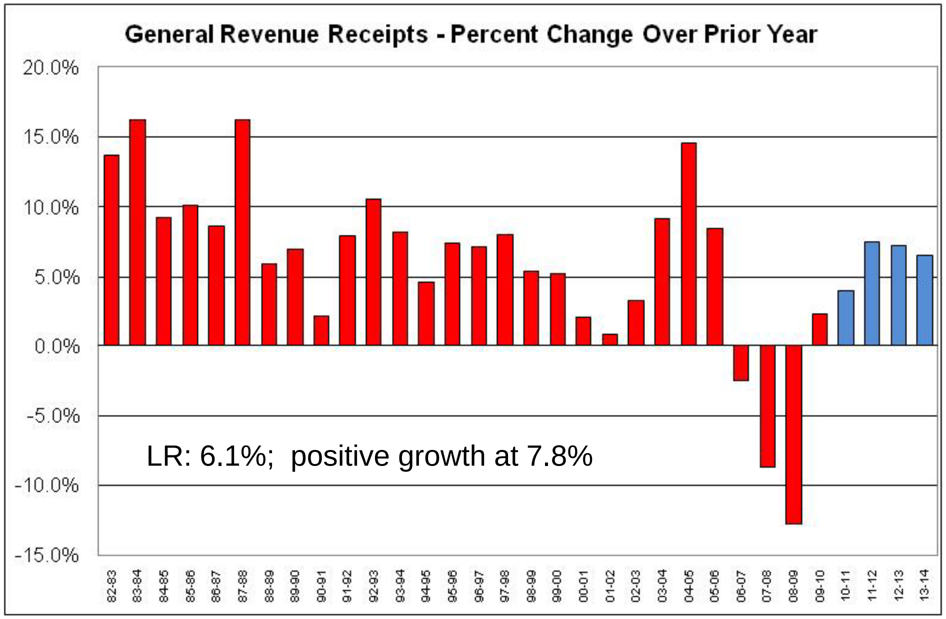
Known Threat: Deepwater Horizon Oil Spill impacts

"Black Swans" are low probability, high impact events:

- Significant commercial real estate defaults that lead to a round of small and mid-size bank failures (solvency issues).
- Severe Natural Disasters
  - 2004 and 2005 Hurricane Seasons
  - Budget Stabilization Fund balance is $274 million.

General Revenue Outlook





Fiscal Year	August Forecast	New Forecast	Difference (New - Aug)	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	22967.0	22381.3	(585.7)	858.2	4.0%
2011-12	24672.7	24060.5	(612.2)	1679.2	7.5%
2012-13	26341.6	25808.1	(533.5)	1747.6	7.3%
2013-14	27955.7	27503.1	(452.6)	1695.0	6.6%

Budget Outlook...

- In the Long-Range Financial Outlook released in September, the projected gap between available revenues and the cost of critical and other high priority needs was $2.5 billion for next year's budget.

- Based on the Fall Estimating Conferences, this gap grew to $3.6 billion. The increase was caused by mounting pressure on both the expenditure and revenue sides.
  - Another significant increase in Medicaid – on top of the one previously identified in the Long-Range Financial Outlook. Medicaid was already the single largest driver in next year's budget projections.

  - Reductions in key revenue forecasts.