Florida:
An Economic Overview

July 17, 2013

Presented by:

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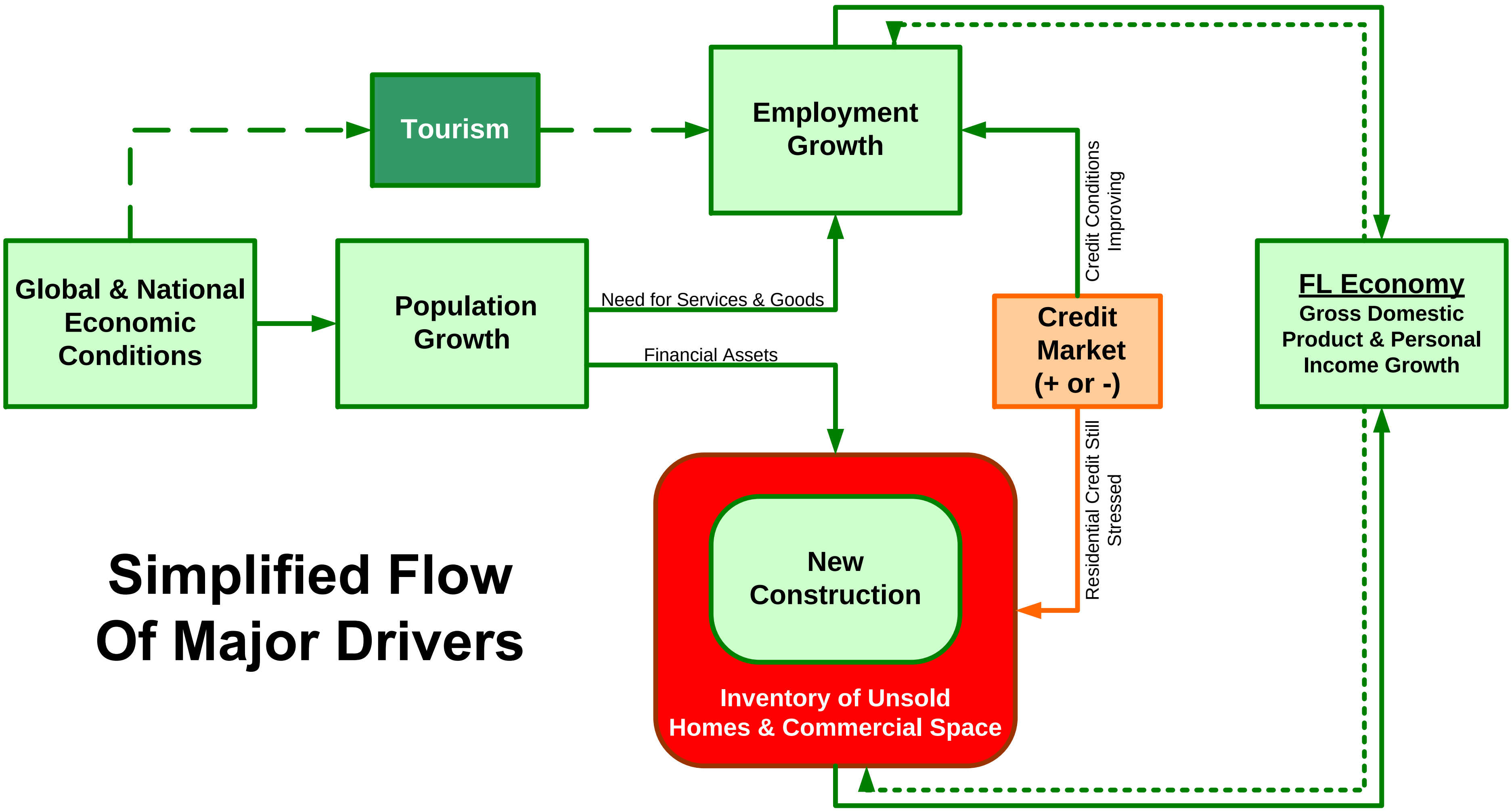
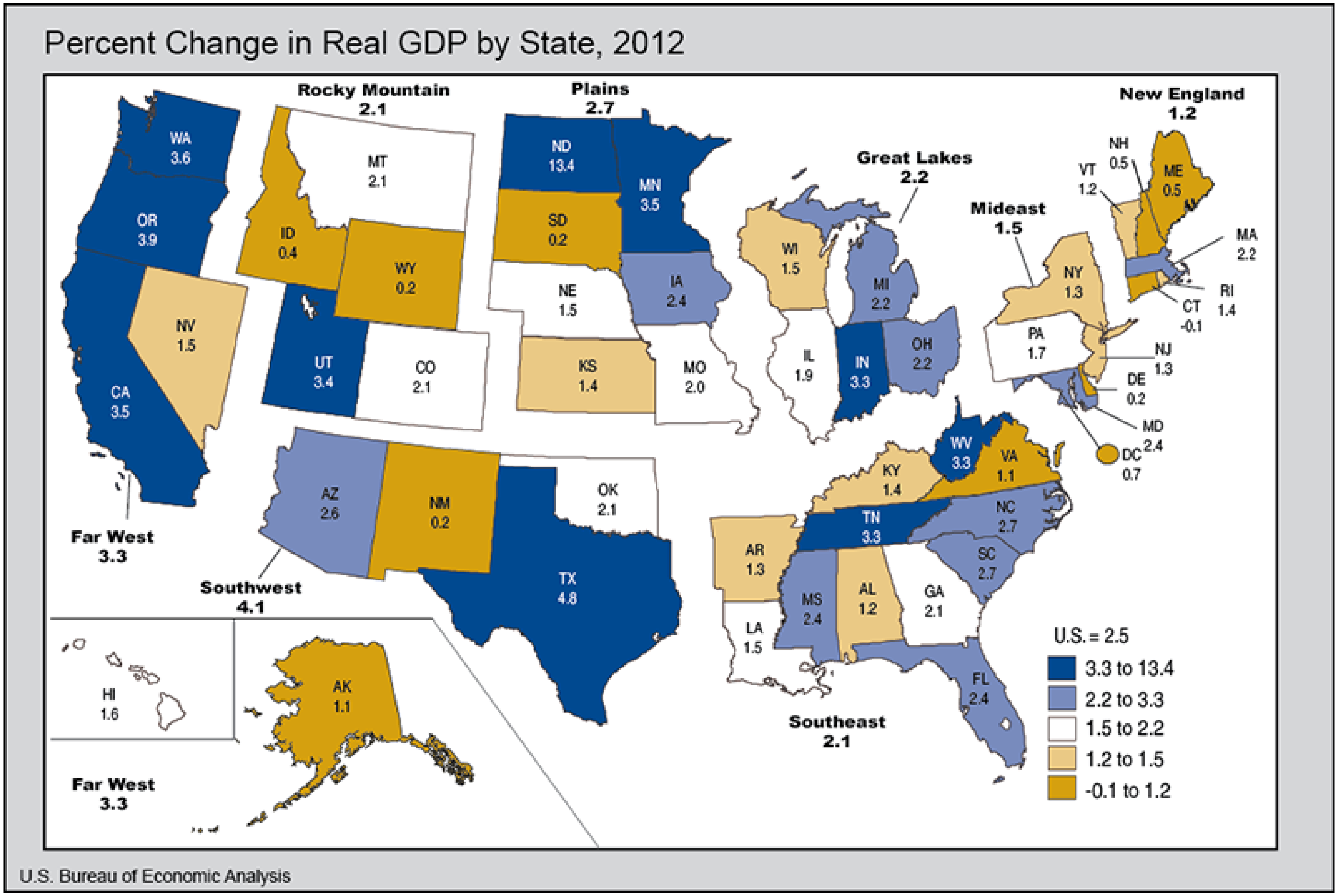
Key Economic Variables Improving



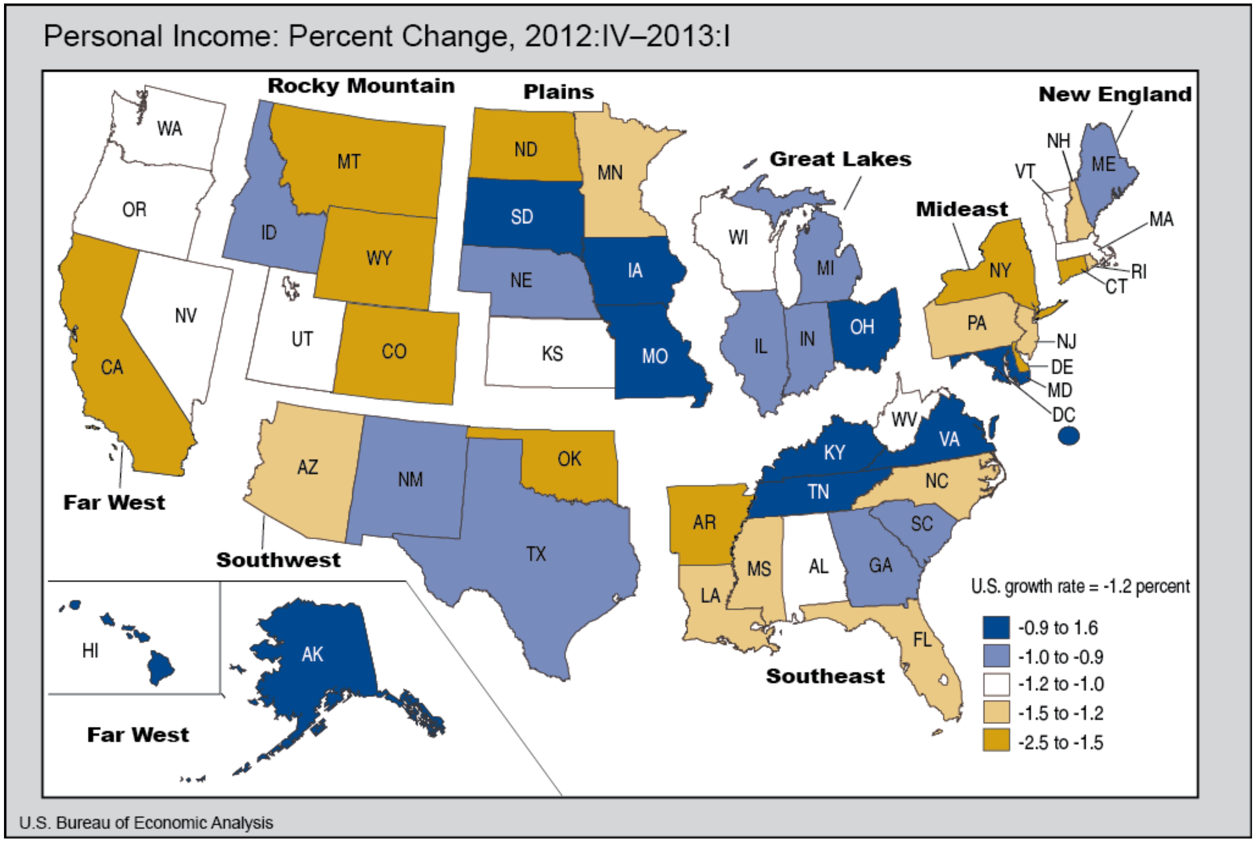
Simplified Flow Of Major Drivers

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%.

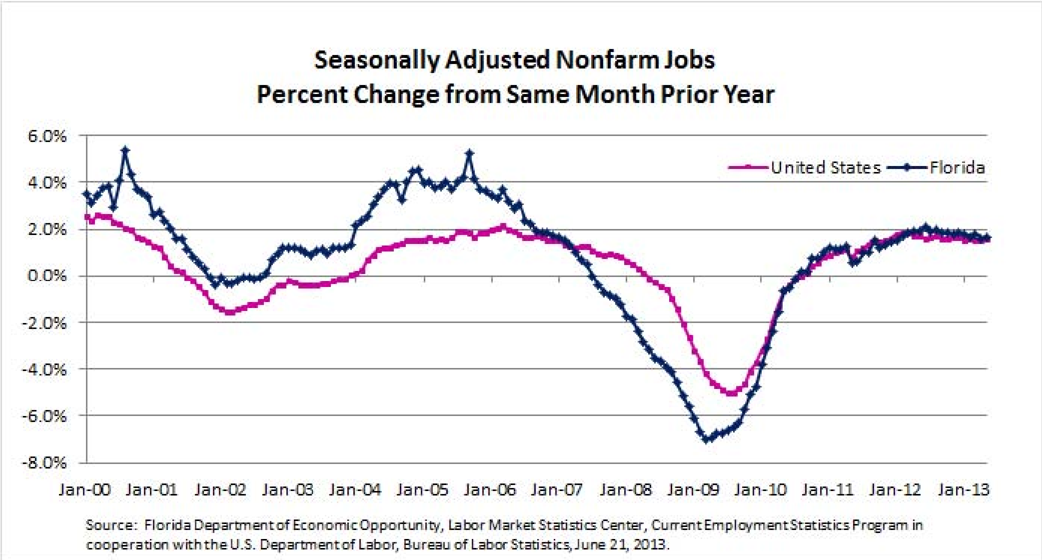
After 2012 Growth, FL Personal Income Falls in 2013:Q1



Florida finished the 2012 calendar year with **3.2%** growth over 2011, putting the state only slightly below the national growth rate of 3.5%. Losing some ground in the first quarter of 2013, Florida saw a **-1.5%** change from the last quarter of 2012 and dropped in rank to 39th in the nation.

In Florida, losses in both net earnings and property income led to the slow-down. They reflected the expiration of the payroll tax holiday and the acceleration of dividends and salary bonuses into 2012:Q4. First-quarter property income (dividends, interest and rent) fell the most in California ($10.9) billion, but Florida closely followed ($9.3 billion) with a decline in this category greater than in earnings.

Current Employment Conditions



May Nonfarm Jobs (YOY)

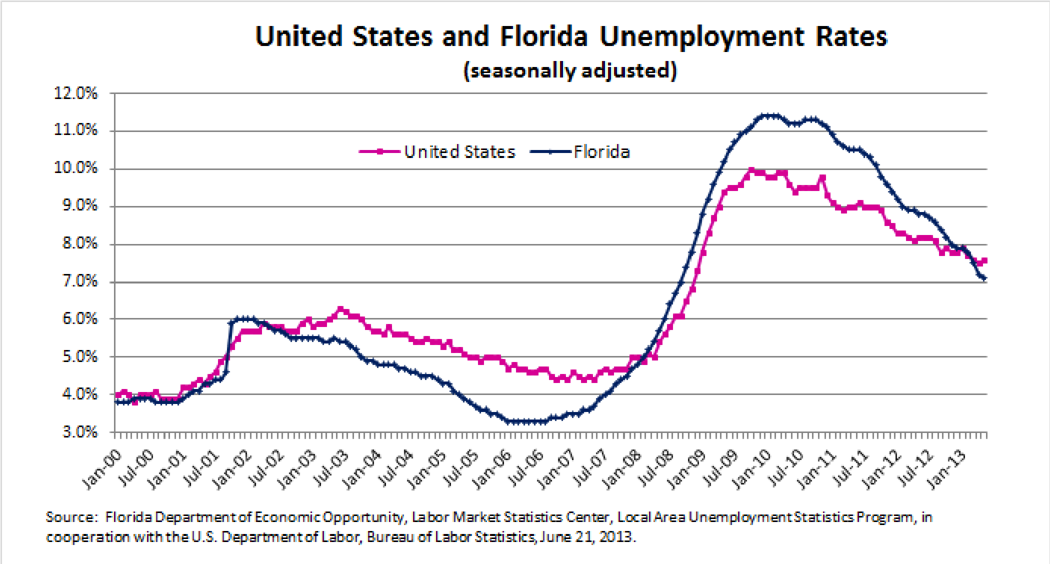
- US 1.6%
- FL 1.7%
- YR: 122,500 jobs
- Peak: -553,500 jobs

May Unemployment Rate

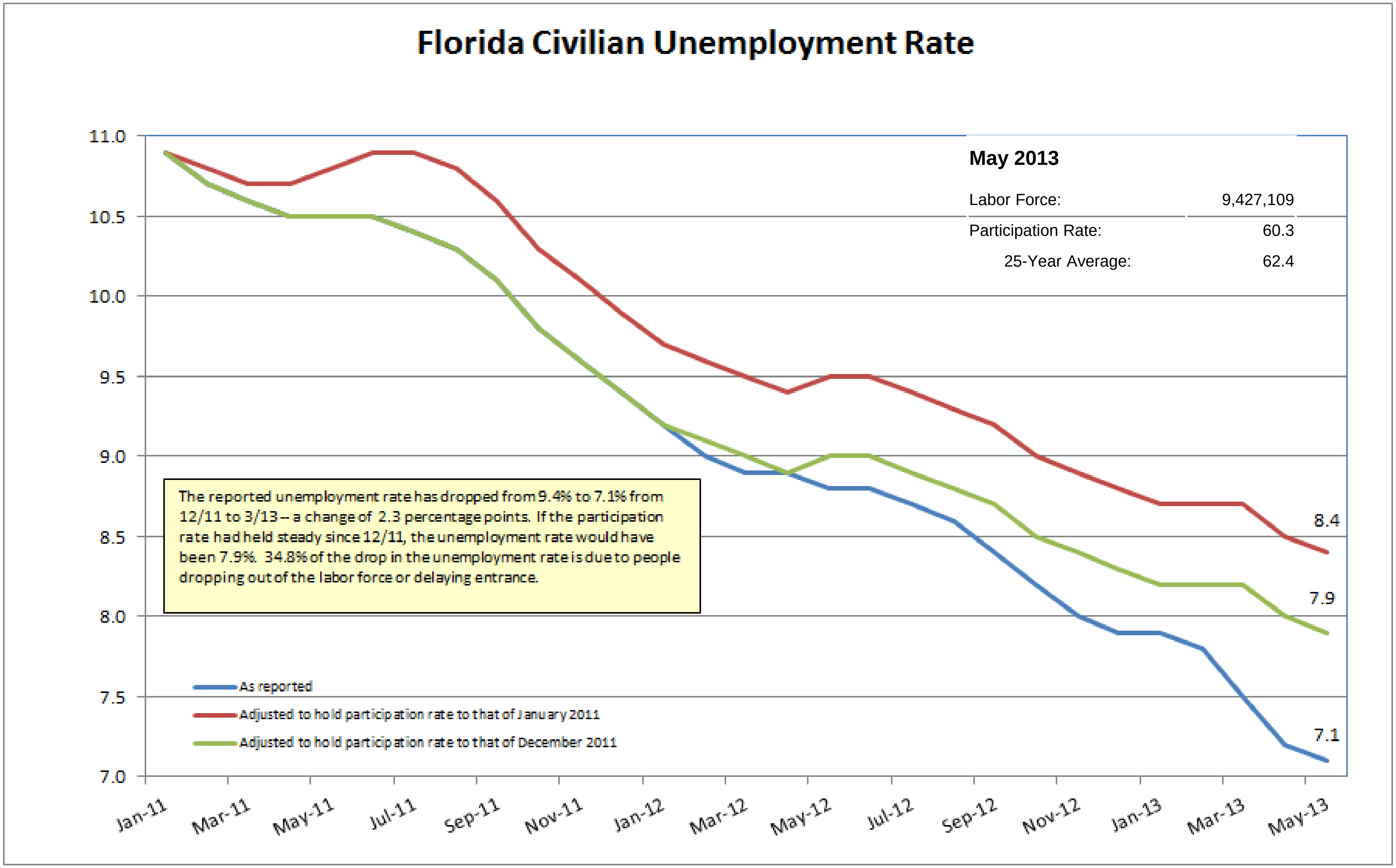
- US 7.6%
- FL 7.1%
- (671,000 people)

Highest Monthly Rate

11.4%
December 2009 through
March 2010



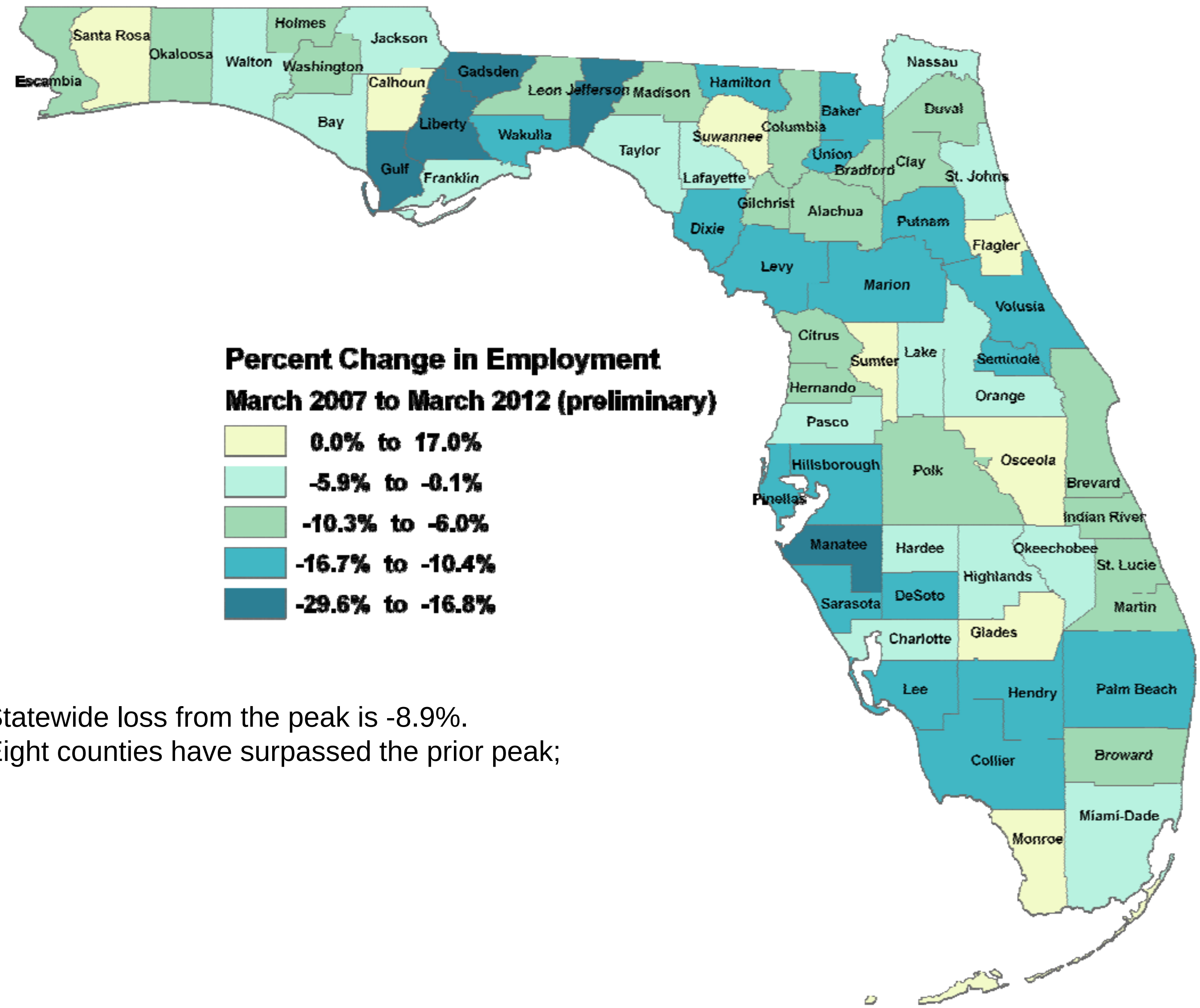
Labor Force Changes Affect Rate Drop



Florida’s Job Market

- The job market will take a long time to recover – about 553,500 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 2,900 people per month, so the hole is deeper than it looks.
- It would take the creation of about 900,000 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...

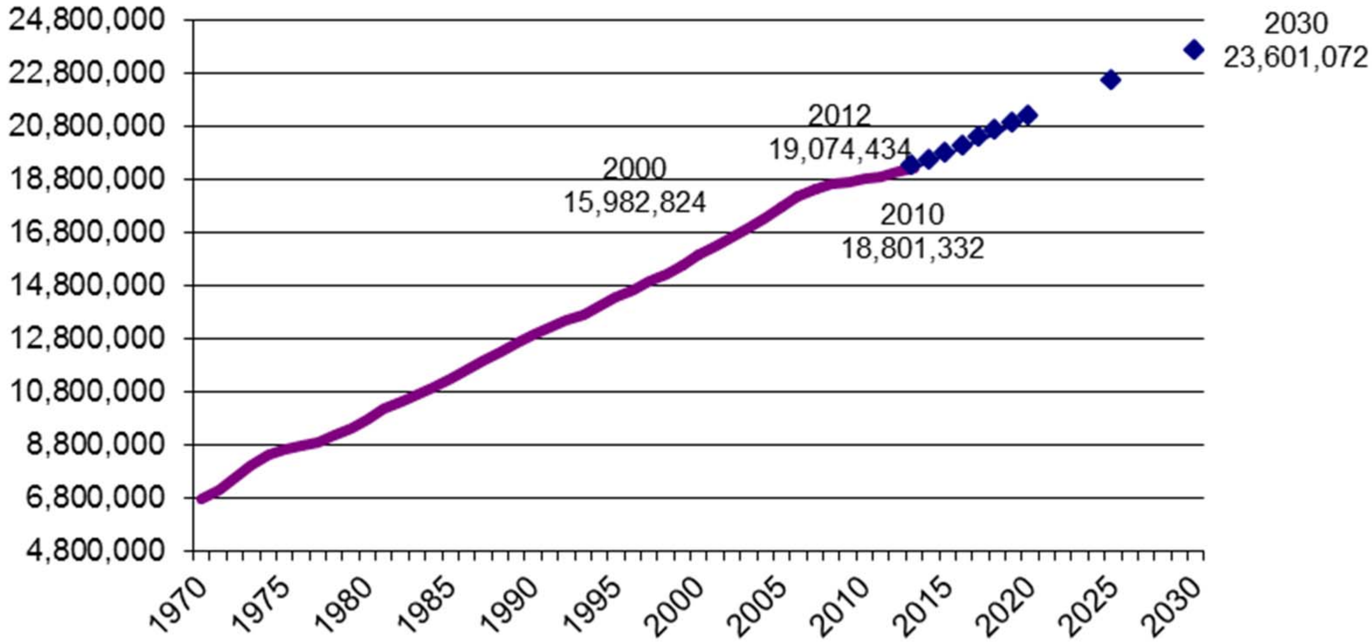


Statewide loss from the peak is -8.9%.
Eight counties have surpassed the prior peak;

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 continue strengthening, showing increasing rates of growth over the next few years. In the near-term, growth is expected to average 1.2% between 2012 and 2015 – and then continue its recovery in the future, averaging 1.4% between 2015 and 2020. Most of Florida's population growth through 2030 will be from net migration (88.5%). Nationally, average annual growth will be about 0.74% between 2012 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.

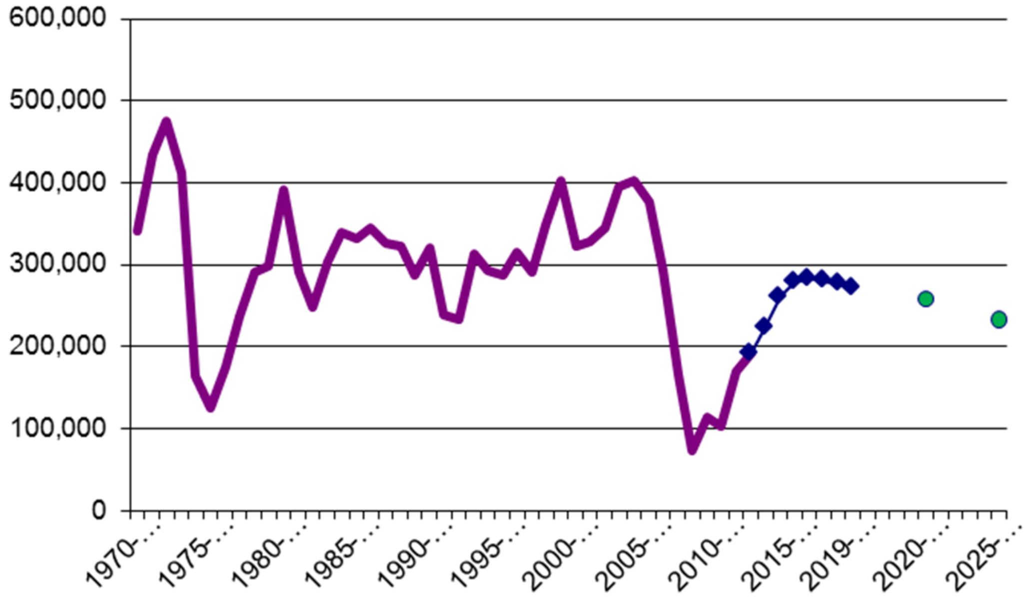
Florida's April 1 Population Snapshot



Florida's population:

- was 15,982,824 in 2000
- was 18,801,332 in 2010
- is forecast to grow to 23,601,072 by 2030

Florida's Population Growth



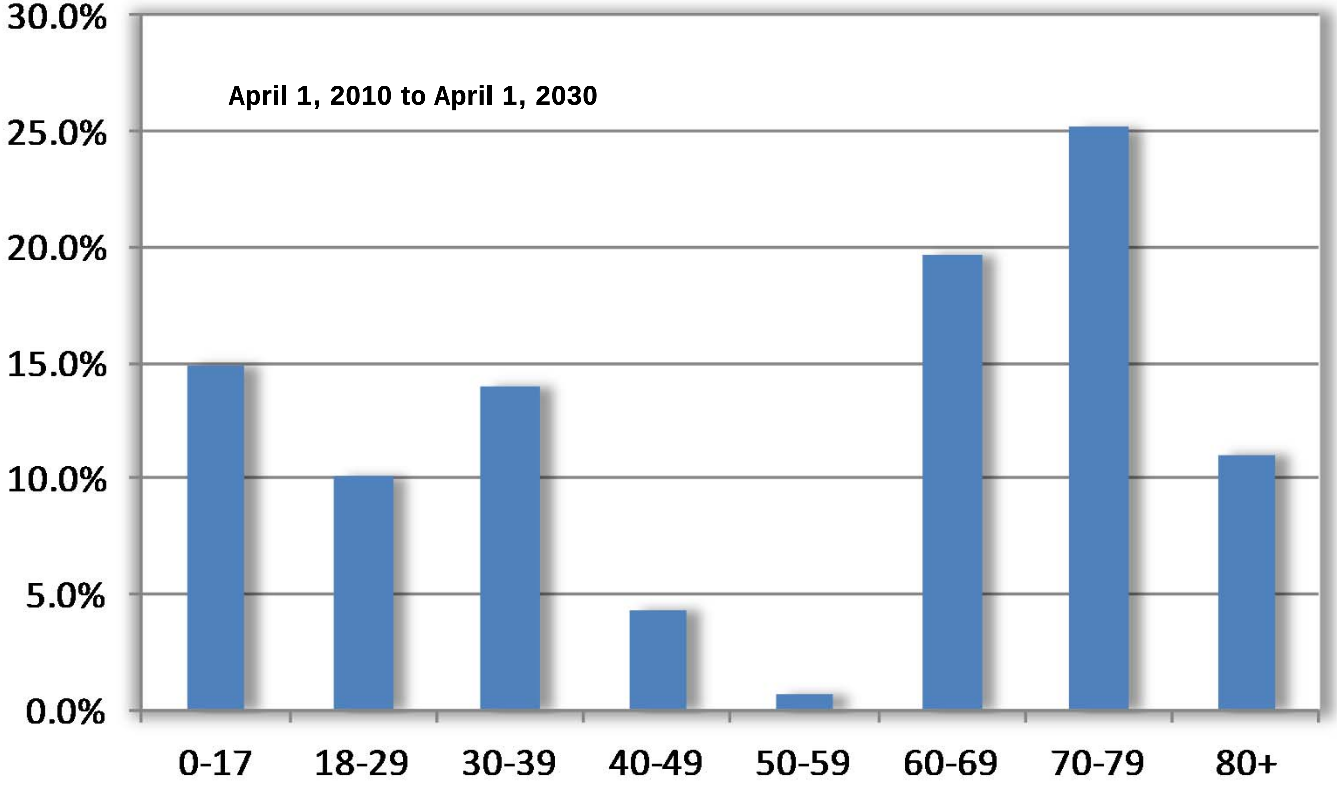
Population:

- Average annual increase between 2000 and 2006 was: 361,942
- Average annual increase between 2007 and 2012 was: 125,533

Population is forecast to increase on average by:

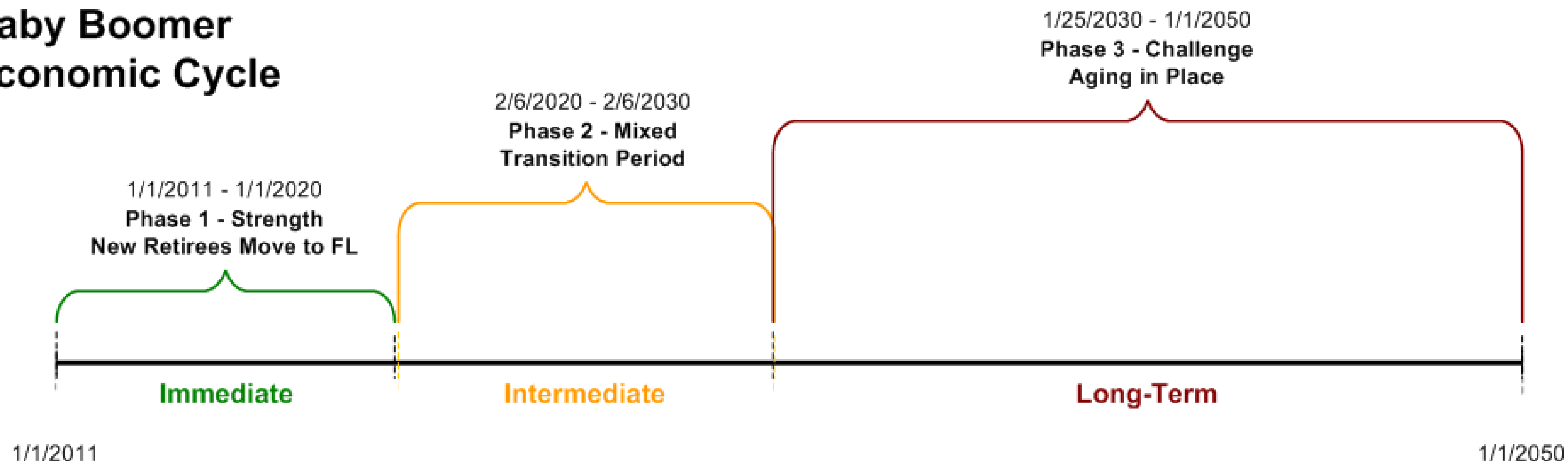
- 225,381 between 2012 and 2015
- 278,148 between 2015 and 2020
- 258,540 between 2020 and 2025
- 233,412 between 2025 and 2030

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 56.4 percent of the gains.
- Florida's younger population (age 0-17) will account for 14.8 percent of the gains.

Baby Boomer Economic Cycle



OVER THE SHORTER-TERM ... (between now and 2020)
The Baby Boomers retiring to Florida will generally be financially better off than the average retiree; most will come with assets (at least from the sale of their homes).

Many will buy new homes in Florida and then outfit them --- generating additional tax revenues, largely as a result new money coming in to Florida from outside the state (earned elsewhere). New infusion of dollars has the greatest multiplier effect.

They will also tend to be younger retirees, and therefore healthier and more active --- meaning their demand for consumer services will be higher, strengthening the economy, while their demand for government services will be at its minimum.

OVER THE LONGER-TERM ... (between now and 2030)
As the Baby Boomers retire, they will be leaving vacant more jobs than there are workers to fill them.

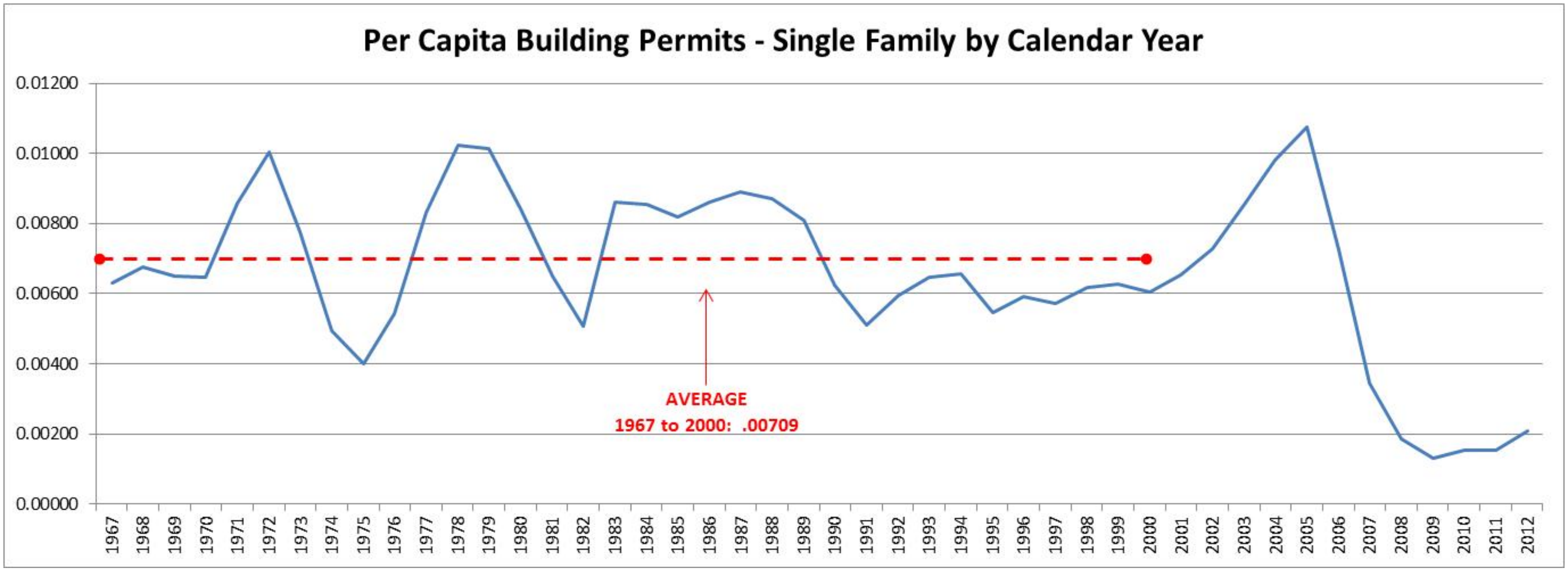
The ability to create new jobs will be constrained by the numbers of qualified workers available to fill those jobs.

Both of these factors will lead to increased demand for workers and upward pressure on wages as the skilled supply of workers fails to keep pace with the demand.

Inflated wages will hurt economic growth, as well as make government services more costly to provide—just as the Boomers increase their need for government-supported services.

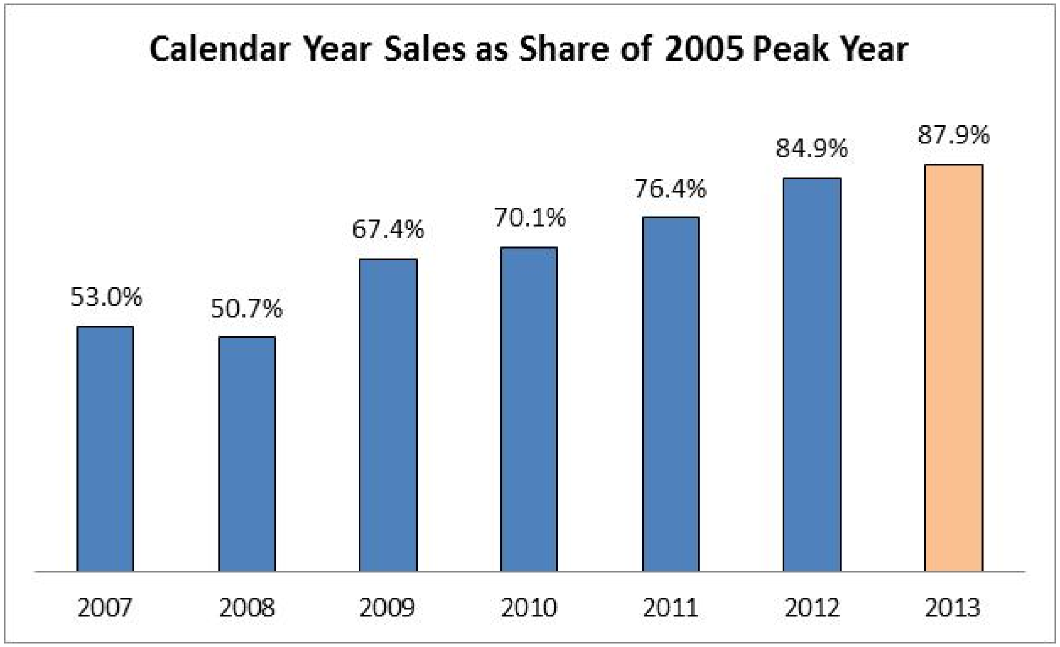
The increased cost of government services (due to higher prices and larger caseloads) and suppressed economic growth will make budget gaps worsen (diminished revenues and higher costs for the same services and more services being demanded). This situation will be exacerbated by the fact that retirees tend to spend more on services and less on taxable goods.

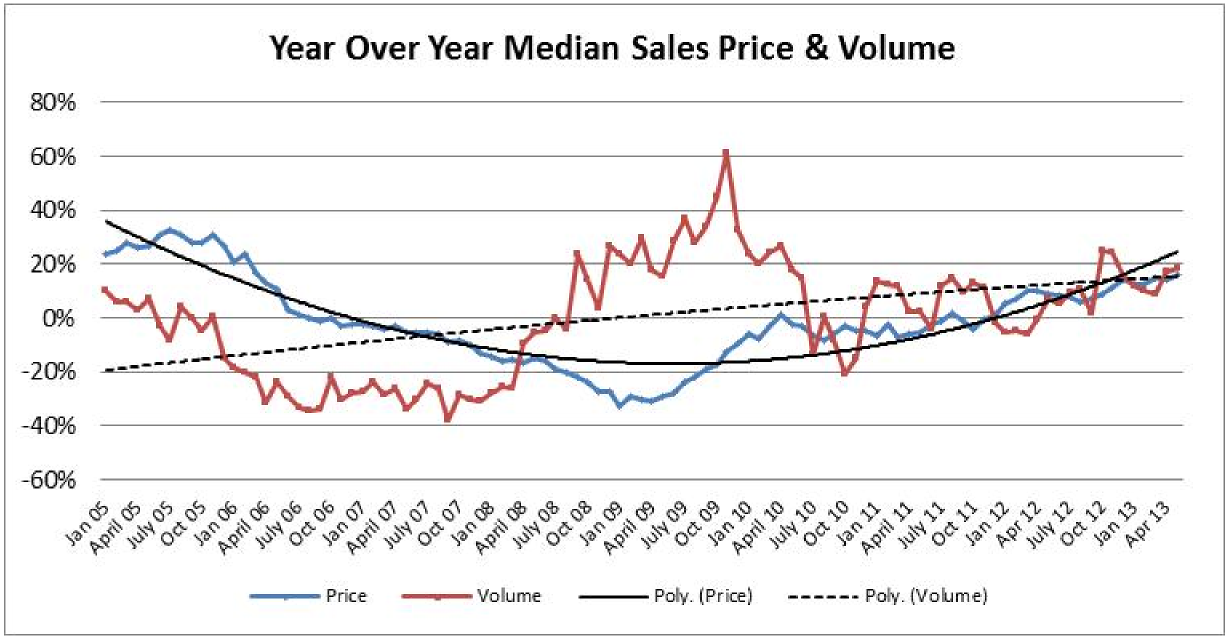
Florida Housing is Generally Improving



Building permit activity, an indicator of new construction, is back in positive territory, showing strong (32.4%) calendar year growth in 2012. For the first five months of the 2013 calendar year, permits were running nearly 50% above the same timeframe in the prior year, but the level is still low by historic standards.

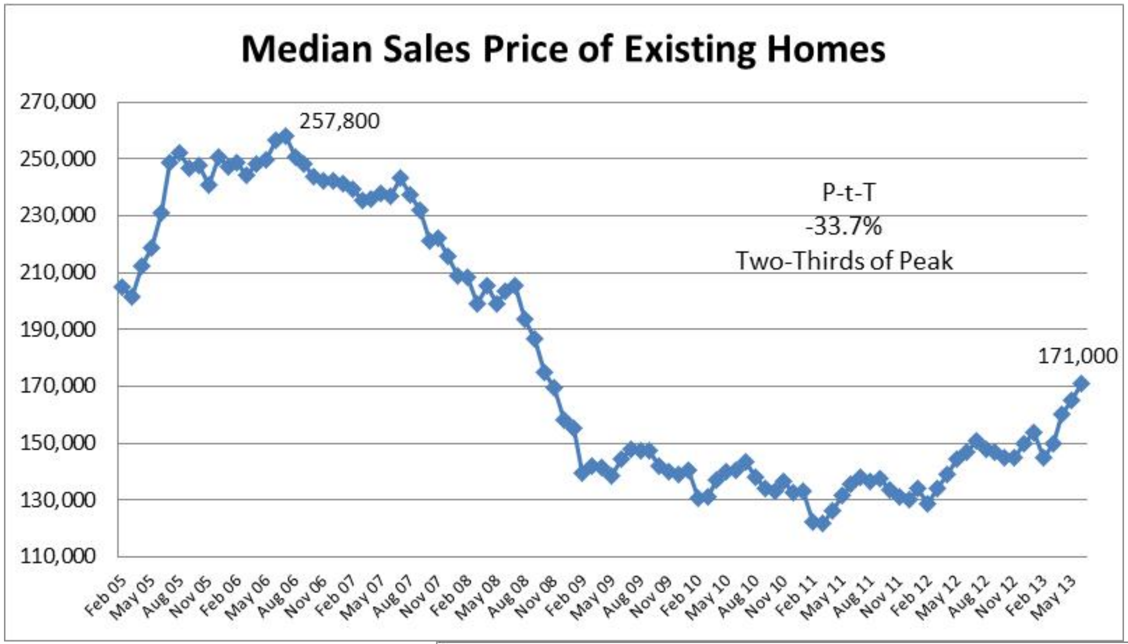
Existing Homes Sales Are Increasing



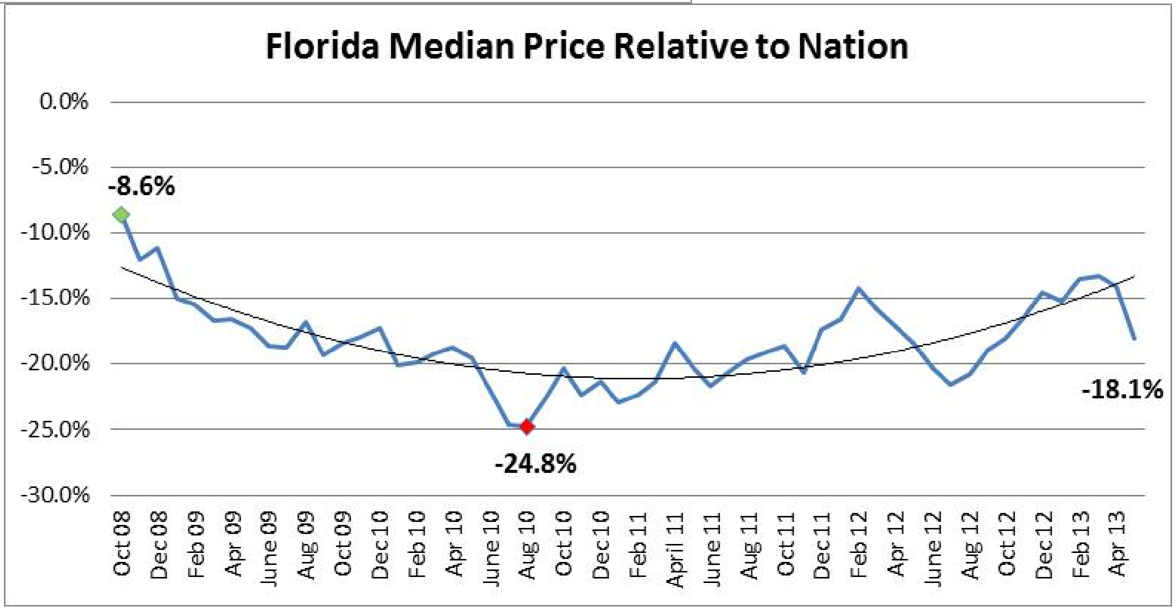


Data through May 2013

Existing Home Price Gains Are Improving...

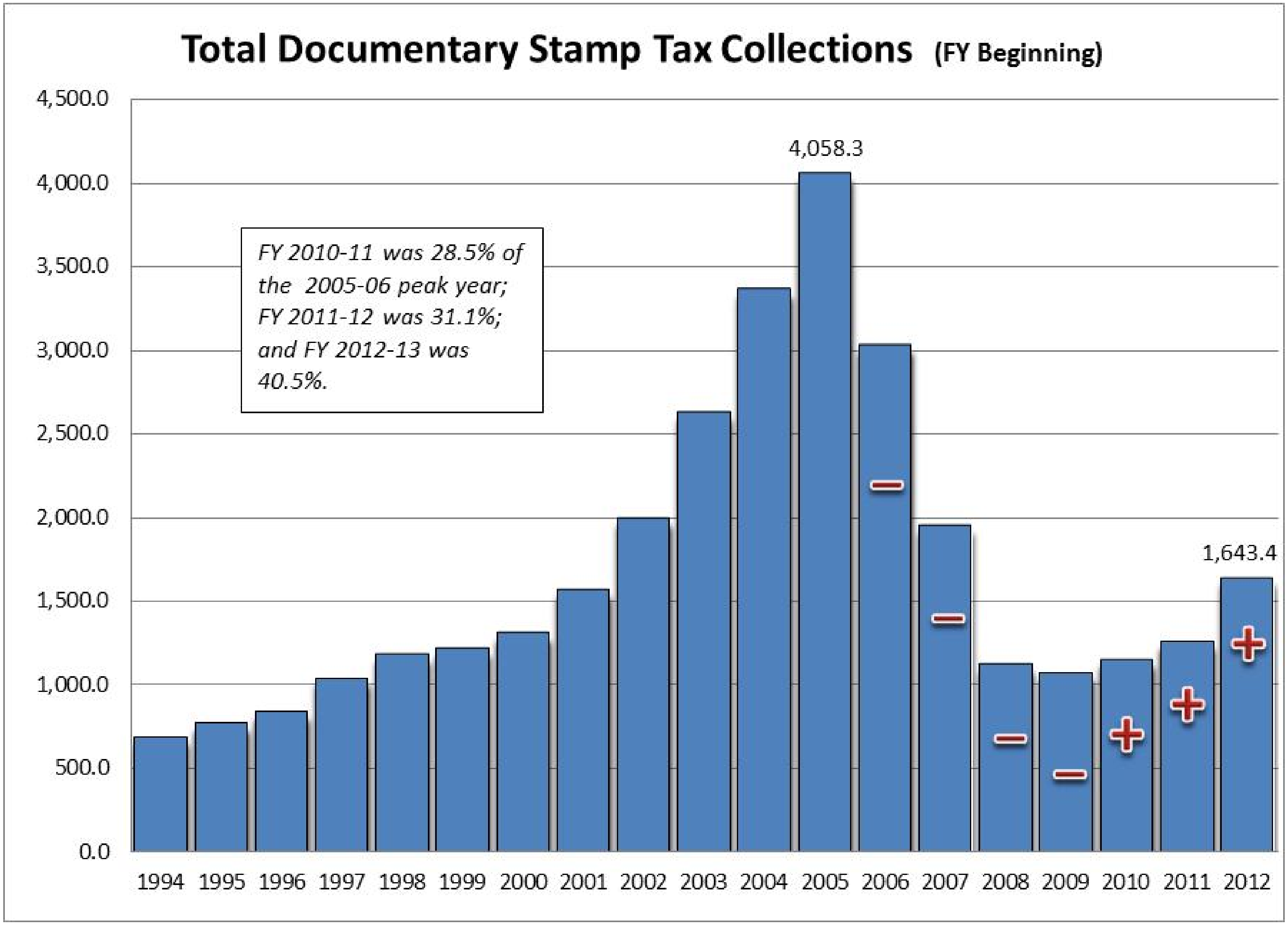


Median Sales Prices for Existing Homes have shown improvement, posting the highest number in May for 56 months (September 2008), but median sales prices are still substantially below the nation as a whole.



Data through May 2013

Documentary Stamp Collections (Reflecting All Activity)



Foreclosure Activity Remains Daunting

2012 Calendar Year...

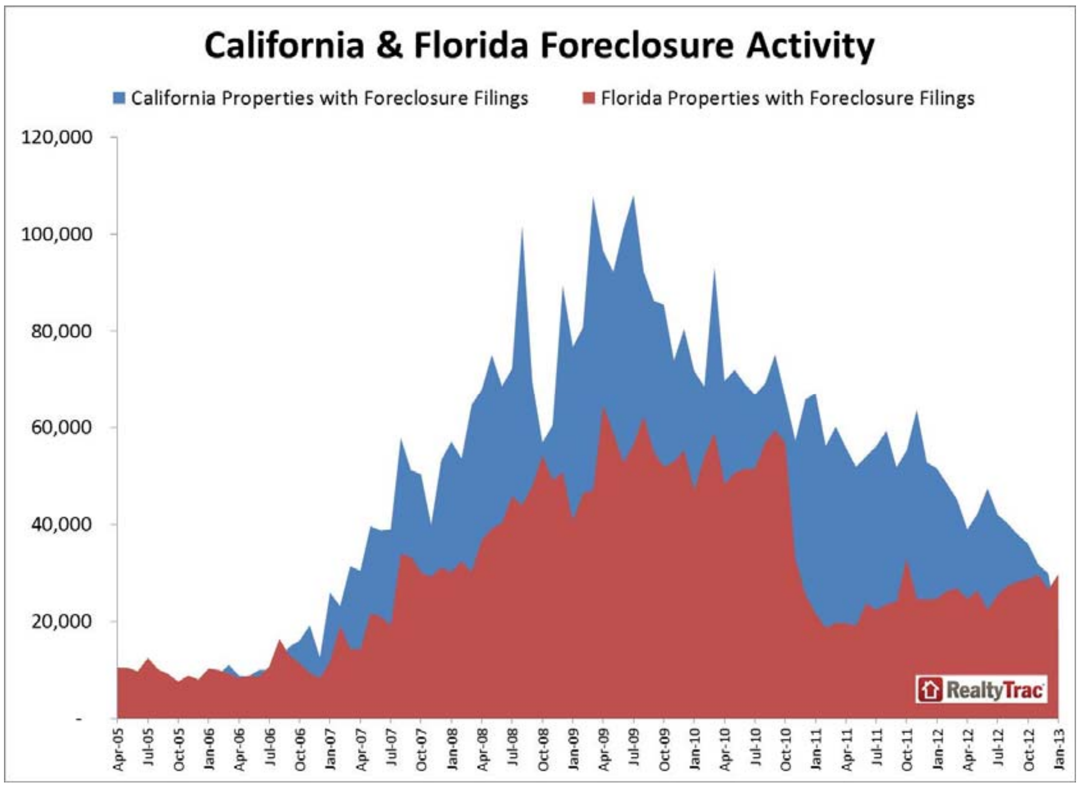
Florida had highest Foreclosure Rate in the US for the first time since the housing crisis began. (3.11% of housing units received at least 1 filing)

Jan - June 2013, compared to US:

Florida posted the nation's highest foreclosure rate in the first half of the year.

- *Highest State for # of Filings*
- *Highest State for Foreclosure Rate*
- *Among US Metro Area rates: 12 of the top 20 highest metro rates in the nation were in Florida.*

Miami #1
Orlando #2
Jacksonville #3
Ocala #4
Tampa #5



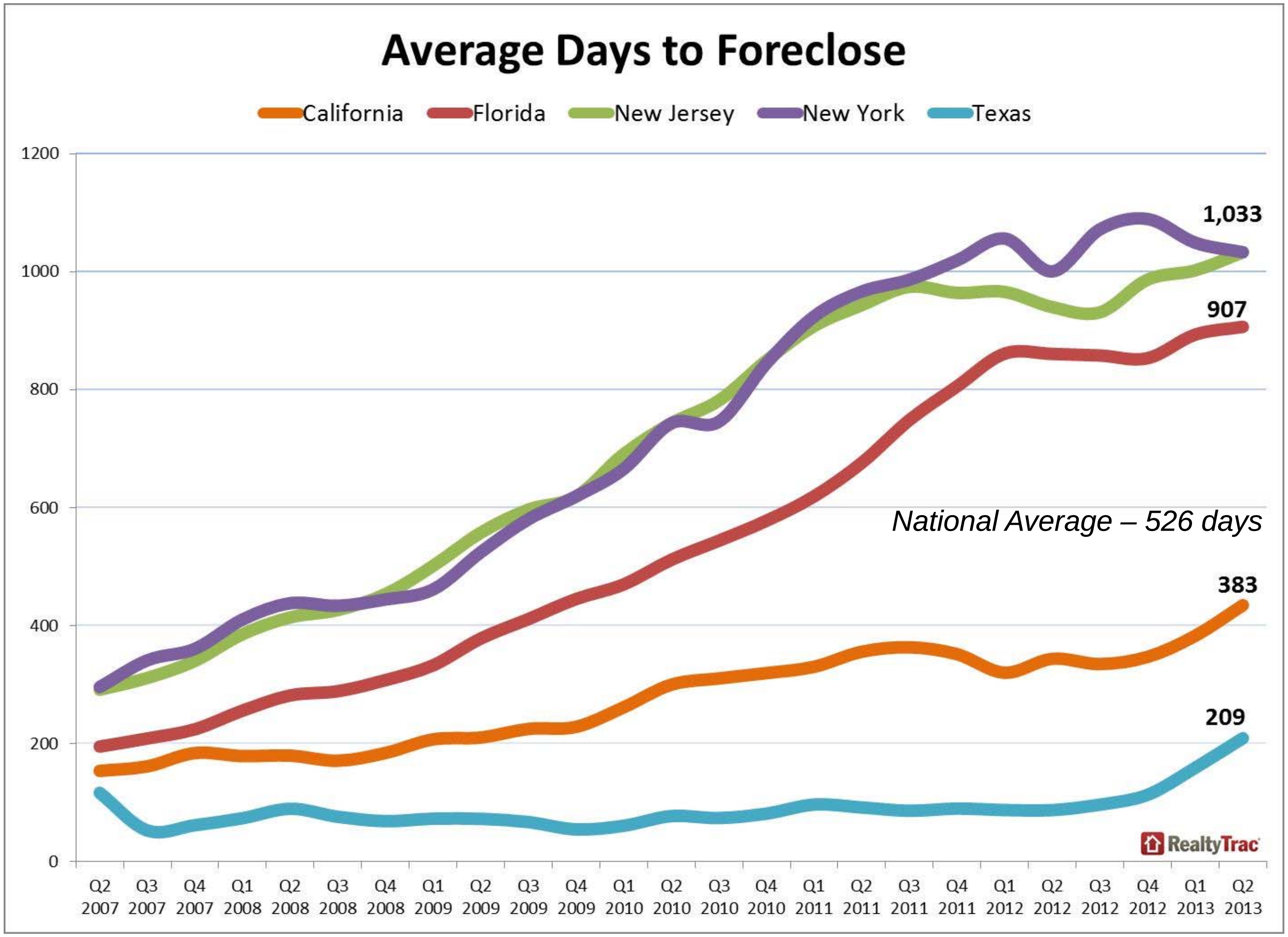
"Florida posted the nation's highest state foreclosure rate in the first half of the year: 1.74 percent of housing units with a foreclosure filing (one in every 58) during the six-month period — nearly three times the national average. A total of 155,264 Florida properties had a foreclosure filing in the first six months of the year, the most of any state and up 12 percent from a year ago." *RealtyTrac*

Data from RealtyTrac

Days to Foreclose

***Foreclosure Process** (once begun)*

- *907 Days – 2.5 yrs – in Florida (3rd Longest Period in Nation in 2013:Q2)*
- *At the beginning of 2007, Florida was at 169 days or less than 6 months.*



High

Low

Data from RealtyTrac

Foreclosures & Shadow Inventory

State		Del %	FC %	Non-Curr %	Yr/Yr Change in NC%
National		**6.1%**	**3.0%**	**9.1%**	**-17.7%**
FL	*	6.5%	10.0%	16.5%	-22.3%
NJ	*	7.7%	7.1%	14.8%	-5.3%
MS		11.9%	2.4%	14.3%	-13.7%
NV		7.7%	4.8%	12.5%	-22.6%
NY	*	6.6%	5.8%	12.3%	-4.8%
ME	*	6.3%	5.4%	11.7%	-6.8%
RI		8.4%	3.1%	11.5%	-6.4%
CT	*	6.3%	4.9%	11.2%	-7.8%
MD	*	7.3%	3.9%	11.2%	-11.8%
LA	*	8.5%	2.5%	10.9%	-12.3%
IL	*	6.0%	4.8%	10.8%	-20.1%
IN	*	7.2%	3.1%	10.3%	-14.9%
HI	*	4.4%	5.8%	10.2%	-11.0%
OH	*	6.9%	3.2%	10.1%	-15.6%
DE	*	7.2%	3.0%	10.1%	-9.5%
PA	*	6.9%	3.2%	10.1%	-8.3%
AL		8.6%	1.4%	10.0%	-9.6%

State		Del %	FC %	Non-Curr %	Yr/Yr Change in NC%
National		**6.1%**	**3.0%**	**9.1%**	**-17.7%**
AR		7.5%	2.4%	9.9%	-11.7%
GA		7.9%	1.9%	9.8%	-20.0%
SC	*	6.3%	3.2%	9.5%	-17.7%
TN		8.1%	1.3%	9.4%	-14.2%
MA		6.8%	2.3%	9.1%	-6.8%
WV		7.5%	1.5%	9.0%	-14.1%
OK	*	5.9%	2.8%	8.6%	-11.3%
NC		6.5%	1.9%	8.4%	-18.5%
VT	*	4.6%	[illegible]	[illegible]	[illegible]
KY	*	5.9%	[illegible]	[illegible]	[illegible]
DC		5.6%	[illegible]	[illegible]	[illegible]
NM	*	4.8%	[illegible]	[illegible]	[illegible]
WI	*	5.6%	[illegible]	[illegible]	[illegible]
MI		6.3%	[illegible]	[illegible]	[illegible]
TX		6.4%	[illegible]	[illegible]	[illegible]
WA		5.0%	[illegible]	[illegible]	[illegible]
MO		6.3%	[illegible]	[illegible]	[illegible]

State		Del %	FC %	Non-Curr %	Yr/Yr Change in NC%
National		**6.1%**	**3.0%**	**9.1%**	**-17.7%**
NH		5.8%	1.5%	7.3%	-12.4%
KS	*	5.5%	1.6%	7.0%	-15.0%
OR		3.8%	3.2%	7.0%	-13.7%
IA	*	4.5%	2.3%	6.8%	-11.7%
UT		5.0%	1.5%	6.5%	-19.6%
ID		4.1%	2.3%	6.3%	-17.8%
CA		4.9%	1.3%	6.3%	-31.2%
VA		5.0%	0.9%	5.9%	-17.7%
[illegible]		[illegible]	[illegible]	[illegible]	-36.6%
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[illegible]		[illegible]	[illegible]	[illegible]	-8.7%
[illegible]		[illegible]	[illegible]	[illegible]	-17.0%
[illegible]		[illegible]	[illegible]	[illegible]	-15.6%

** - Indicates Judicial State*

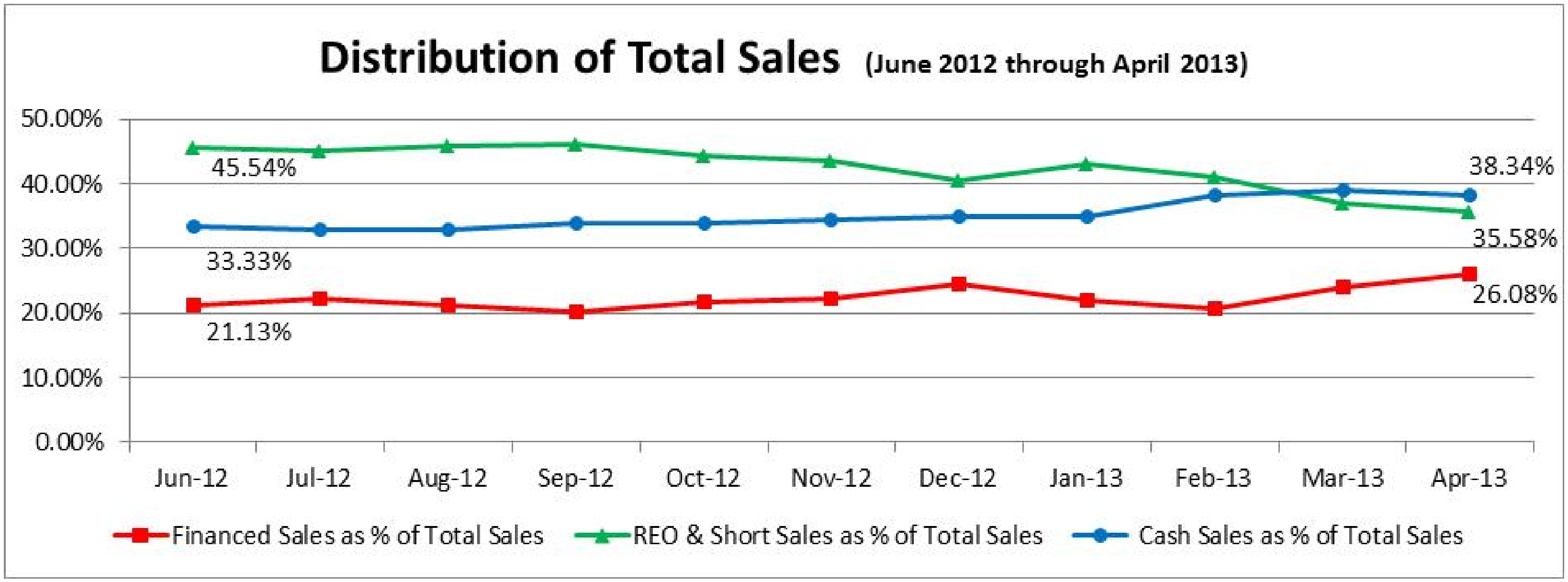
LPS Data: May Mortgage Monitor

State		Del %	FC %	Non-Curr %
National		**6.1%**	**3.0%**	**9.1%**
FL	*	6.5%	10.0%	16.5%

"Optimists point to declining home inventories in relation to sales, but they are looking at an illusion. Those supposed inventories do not include about 5m housing units with delinquent mortgages or those in foreclosure, which will soon be added to the pile. Nor do they include approximately 3m housing units that stand vacant – foreclosed upon but not yet listed for sale, or vacant homes that owners have pulled off the market because they can't get a decent price for them."
Financial Times

Sales Mix Points to Lower Prices

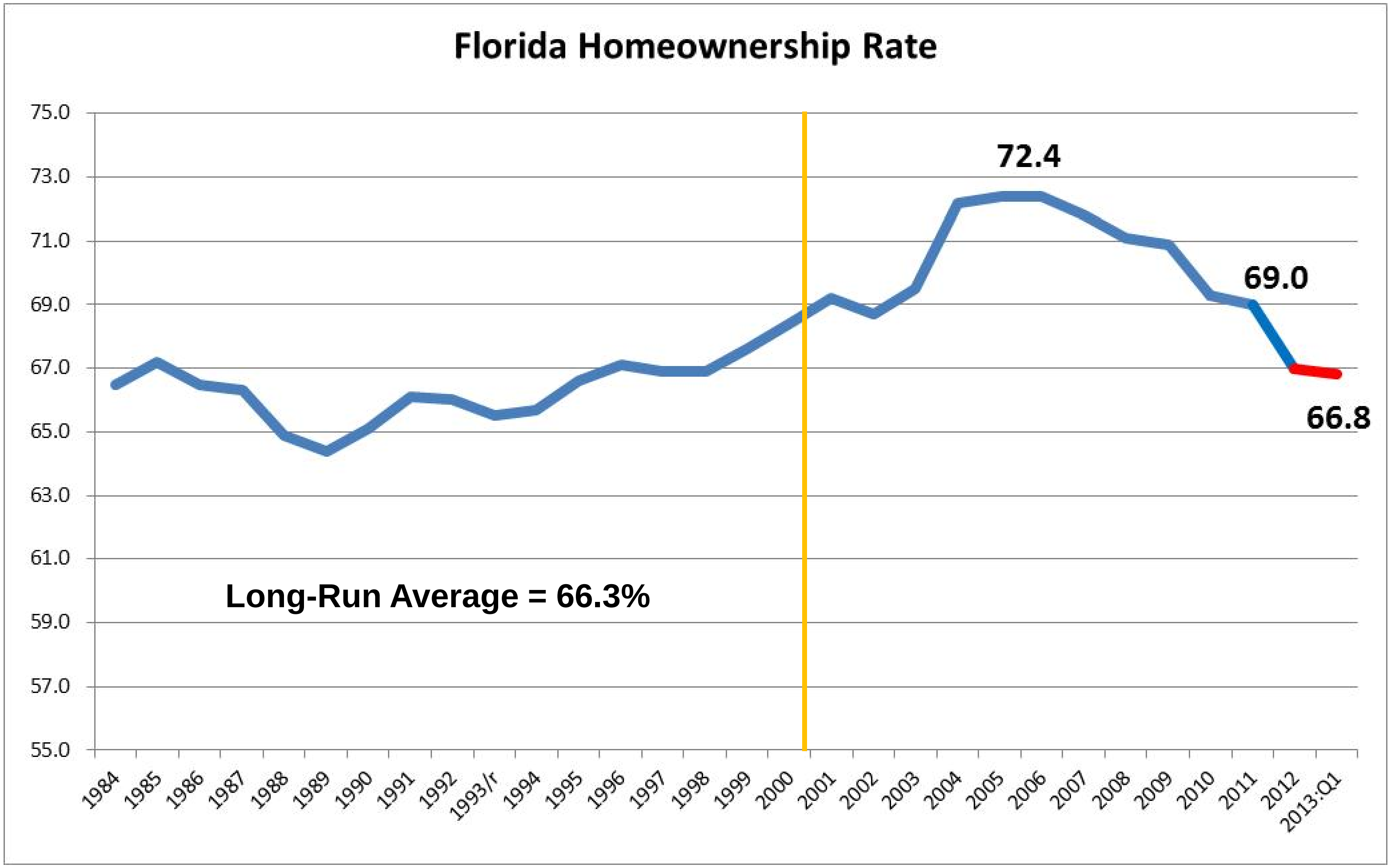
REO price running 44% lower than normal price; short sale price running 36% below



Data from LPS: Lender Processing Services

- Financed sales have been growing as percentages of all sales, cash sales have increased slightly in recent months after staying relatively flat for most of the year—and the percentage for REO & Short Sales has continued to decline.
- While short sales have been significantly increasing in some states, that is not yet the case in Florida. There were 6,141 short sales in April 2012, and 6,339 in April 2013.
- To the extent short sales increase, the foreclosure pipeline will be reduced.

Homeownership Rate Back to Normal



The 2012 percentage of 67.0 is the lowest since 1998. The 2013 first quarter data indicates a further decline to 66.8%, nearly back to the long-term average.

Credit Conditions May Be Easing

*Question to Senior Loan Officers:*

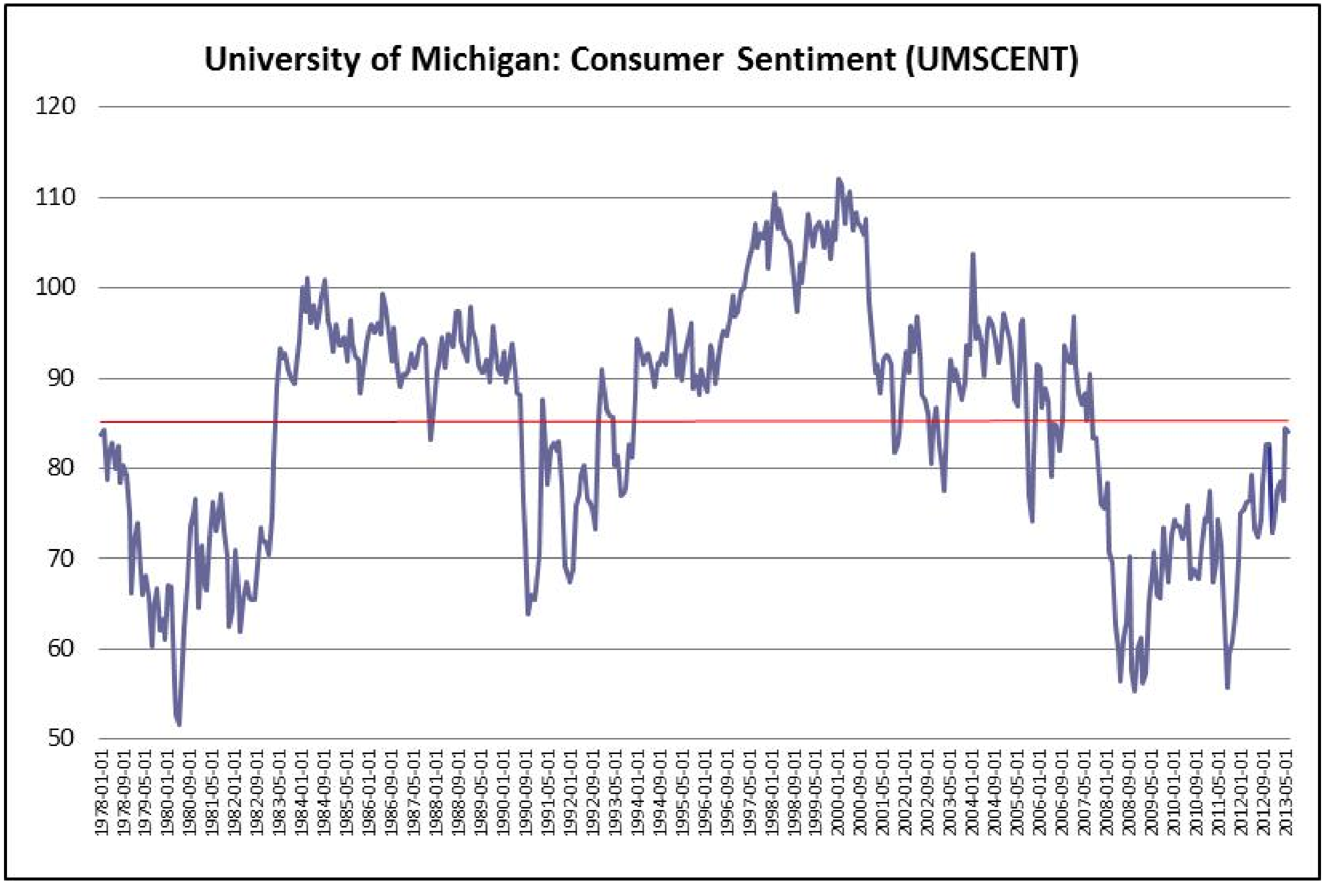
Over the past three months, how have your bank's credit standards for approving applications from individuals for **prime residential mortgage loans** to purchase homes changed?

	All Respondents								
	Apr '13 %	Jan '13 %	Oct '12 %	July '12 %	Apr '12 %	Jan '12 %	Oct '11 %	July '11 %	Apr '11 %
Tightened considerably	0.0%	0.0	0.0	1.6	0.0	0.0	0.0	0.0	0.0
Tightened somewhat	1.6%	1.5	3.1	1.6	5.6	0.0	4.2	5.7	3.8
Remained basically unchanged	89.1	92.3	92.2	93.4	90.7	94.3	91.7	86.8	92.5
Eased somewhat	9.4%	4.6	4.7	3.3	3.7	5.7	4.2	7.5	2.0
Eased considerably	0.0%	1.5	0.0	0.0	0.0	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 2013 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 Recover



- Nationally, consumer sentiment had been improving, but fell in August 2011 to near the lowest level of the Great Recession and not far from the lowest level ever posted. The index reading dropped again in December 2012 as concerns about the Fiscal Cliff took hold and is now recovering, with a surge in May to the highest level in nearly 6 years. The numbers for June indicate a small decline from that level --- but the index is still nearly back to its average since inception (84.5 in May 2013; 84.1 for June; 85.2 average).

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. Overall...

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

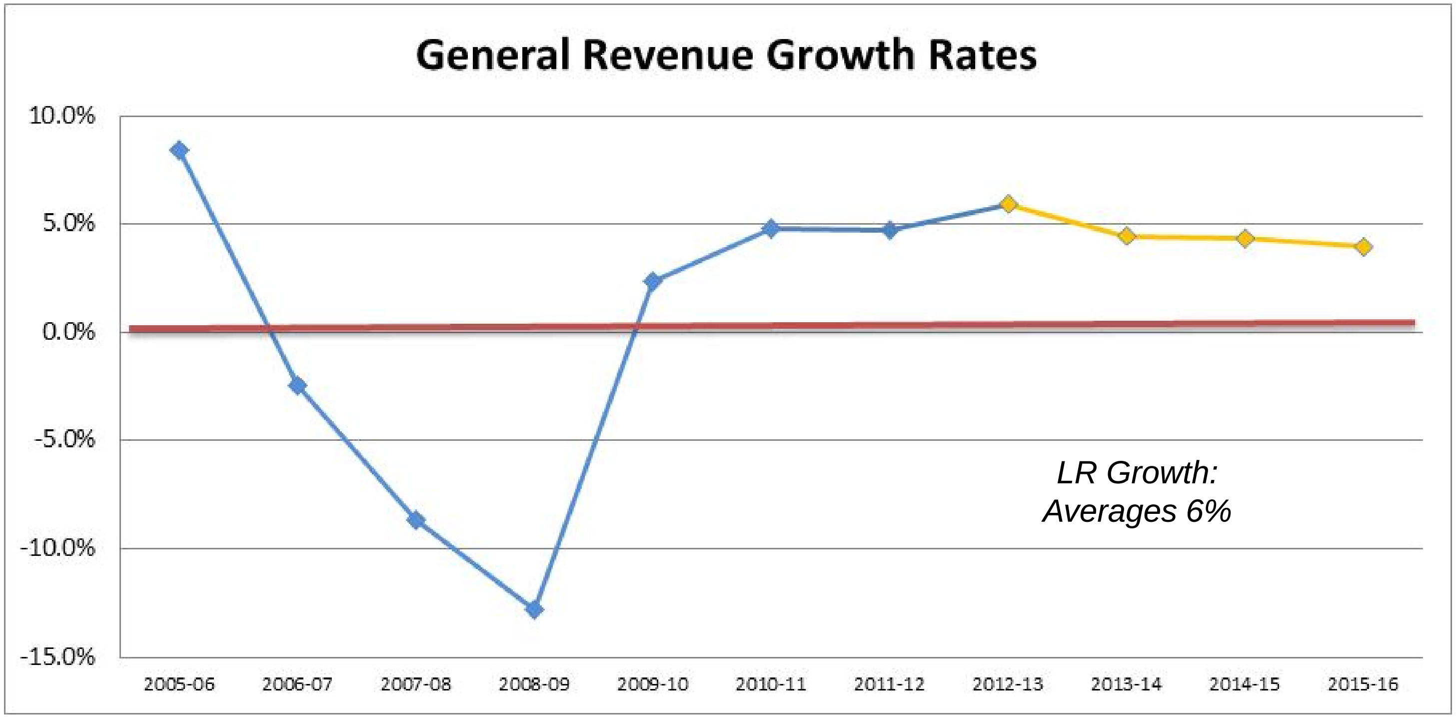
- The "shadow inventory" of homes that are in foreclosure or carry delinquent or defaulted mortgages may contain a significant number of "ghost" homes that are distressed beyond realistic use, in that they have not been physically maintained or are located in distressed pockets that will not come back in a reasonable timeframe. This means that the 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.

“Sequester” Issues

- **Automatic Sequester provisions were extended to March 1, 2013 prior to taking affect and will now be in place until September 30, 2013**— While it is clear that there is no meaningful support for the current sequester provisions, agreement has not been reached on a long-term replacement. Moreover, additional revenue changes are still on the table.
  - FY 2013 federal discretionary domestic and defense spending were subject to a continuing resolution (CR) through March 27, 2013. To avoid a shut-down, the House and Senate passed H.R. 933. It reduces discretionary spending by $85 billion to accommodate the Sequester. Therefore, states can expect domestic discretionary accounts not exempt from sequestration to be reduced by 5% for the remainder of FFY 2013 and defense discretionary accounts to be reduced by nearly 8% for the same time frame.

- **Statutory debt ceiling fight delayed—**the House and Senate passed and the President has signed HR 325 (“The No Budget, No Pay Act”) to waive the statutory debt limit through **May 18**, allowing the Treasury to borrow above the current $16.4 trillion limit until then. Due to technical adjustments available to the Treasury, continued borrowing is available for a limited time. The Congressional Budget Office projects that “those measures will be exhausted in either October or November of this year."

General Revenue Forecast



Fiscal Year	December Forecast	March Forecast	Difference (March - Dec)	Incremental Growth	Growth
2005-06	27074.8	[redacted]	[redacted]	[redacted]	8.4%
2006-07	26404.1	[redacted]	[redacted]	[redacted]	-2.5%
2007-08	24112.1	[redacted]	[redacted]	[redacted]	-8.7%
2008-09	21025.6	[redacted]	[redacted]	[redacted]	-12.8%
2009-10	21523.1	[redacted]	[redacted]	[redacted]	2.4%
2010-11	22551.6	[redacted]	[redacted]	[redacted]	4.8%
2011-12	23618.8	[redacted]	[redacted]	[redacted]	4.7%
2012-13	24867.6	25020.6	153.0	1401.8	5.9%
2013-14	26028.4	26134.9	106.5	1114.3	4.5%
2014-15	27240.7	27269.6	28.9	1134.7	4.3%
2015-16	28383.6	28347.9	(35.7)	1078.3	4.0%