

# Florida: An Economic Overview

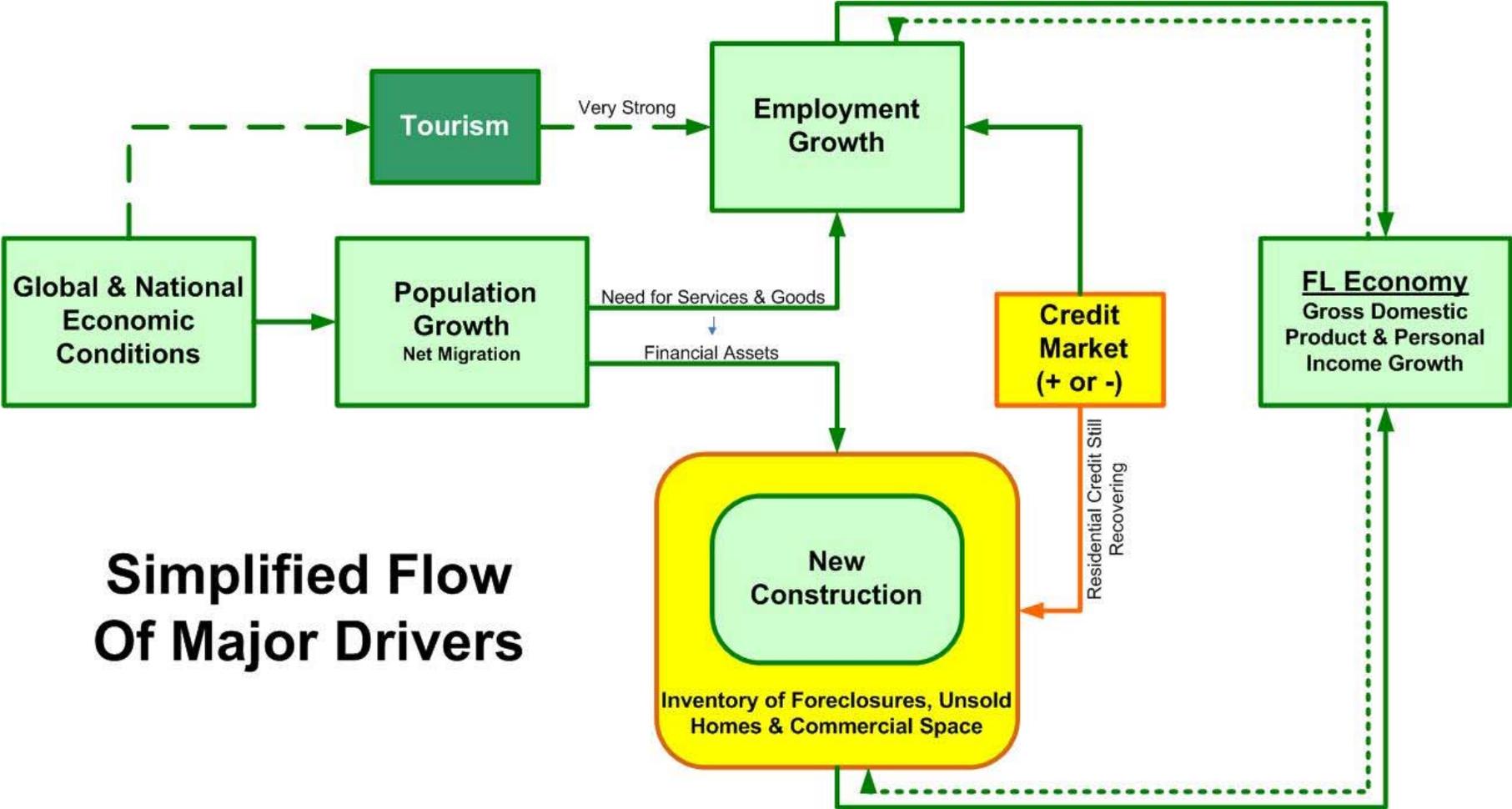
November 19, 2015

Presented by:



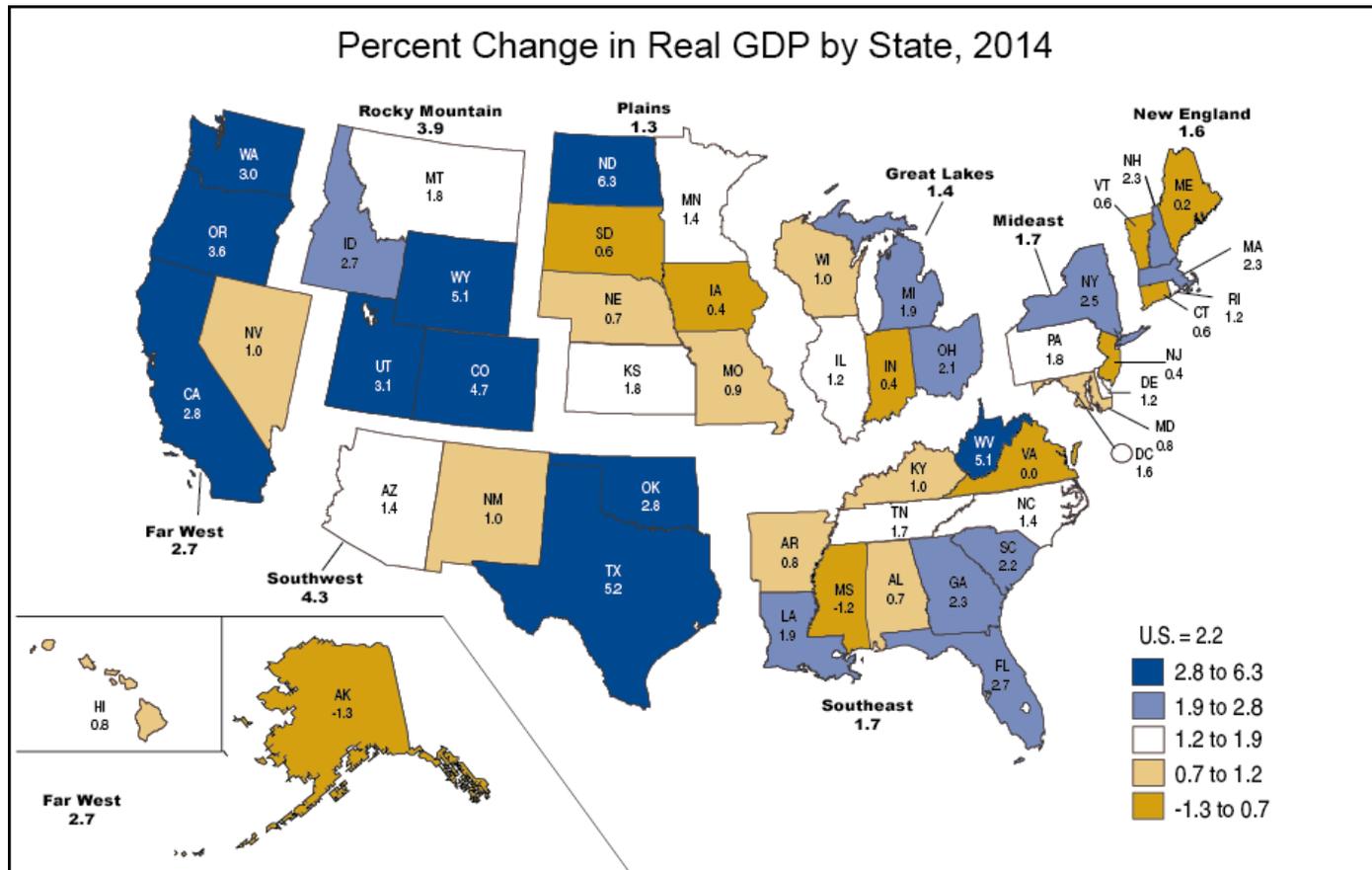
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# Key Economic Variables Improving



**Simplified Flow  
Of Major Drivers**

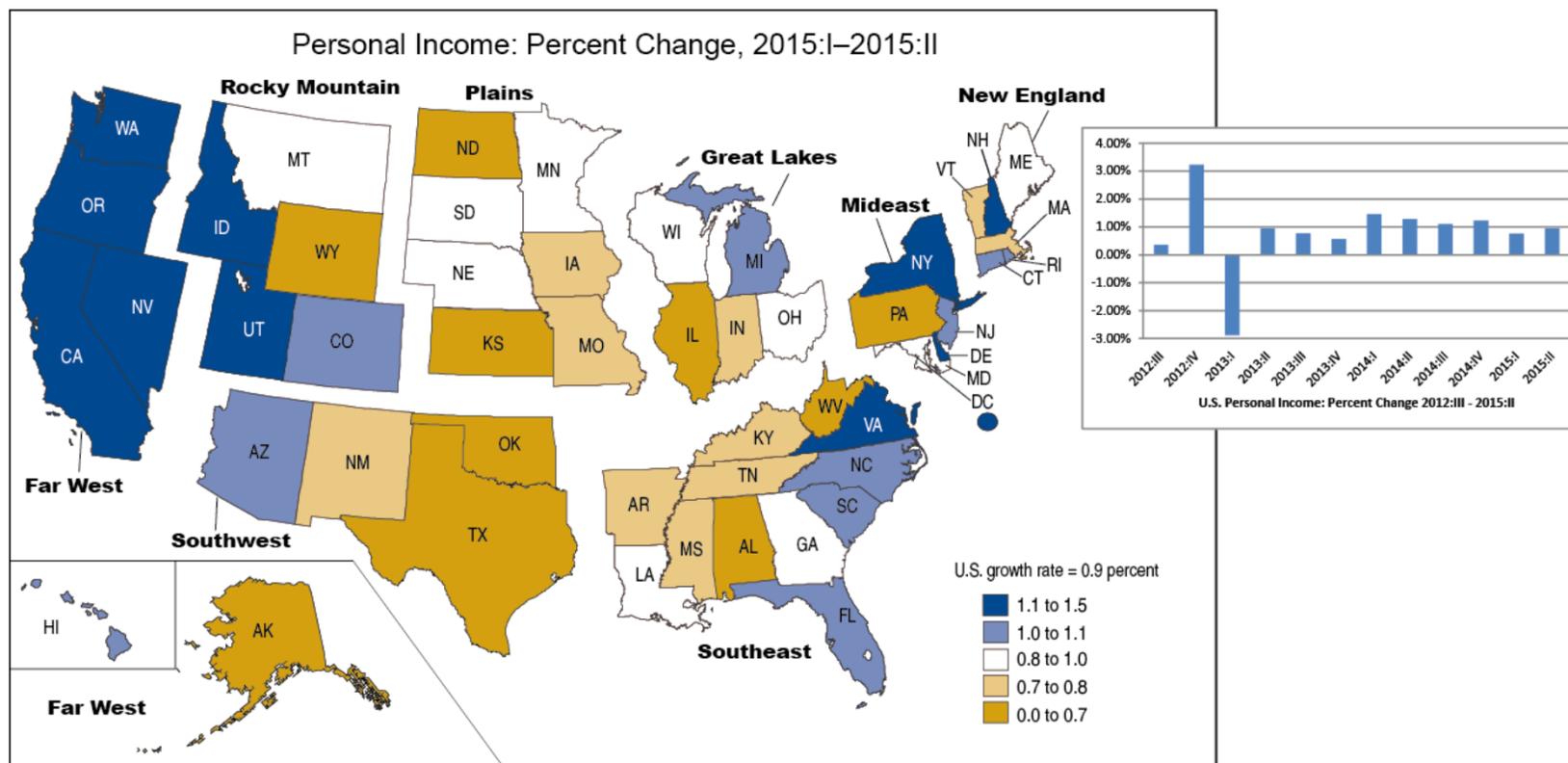
# Economy Had Continued Growth in 2014



U.S. Bureau of Economic Analysis

In 2014, the pace of Florida's economic growth increased, surpassing the state's revised 2013 growth rate. State Gross Domestic Product (GDP) showed Florida with an improved national ranking of 11<sup>th</sup> in the nation with a real growth gain of 2.7%, moving Florida above the national average (2.2% in 2014) for the second year in a row. Real Estate and Retail Trade were the largest contributors to the state's growth.

# FL Personal Income Growth Strengthened in 2014

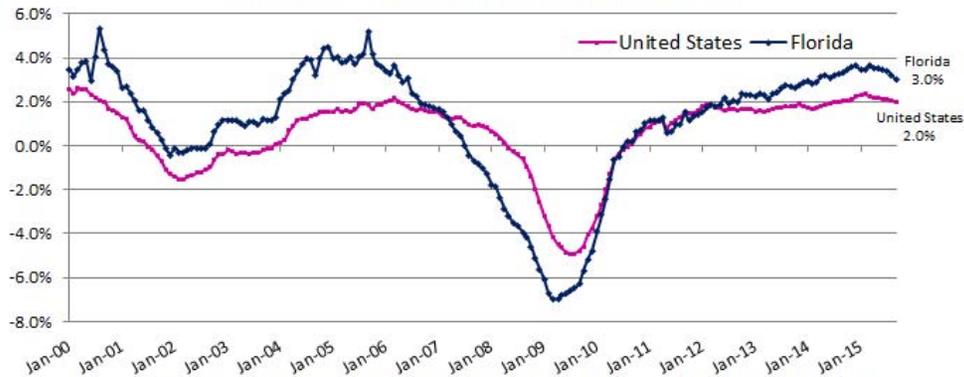


In the latest data, Florida finished the 2014 calendar year with 4.6% growth over the prior year—above the national growth rate of 3.9% and ranking 11<sup>th</sup> among all states. The latest revised results for the entire 2013 calendar year had shown that Florida was ranked 13<sup>th</sup> in the country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

Data for the second quarter of 2015 (2015:Q2) shows that personal income grew in almost every state. Florida grew above the national average of 0.9%, recording growth of 1.1% and ranking 11<sup>th</sup> in the country.

# 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, October 16, 2015.

## September Nonfarm Jobs (YOY)

US	2.0%
FL	3.0%
YR:	235,700 jobs
Peak:	+60,600 jobs over Prior Peak
	[Prior Employment Peak passed in May 2015]

## September Unemployment Rate

US 5.1%  
FL 5.2% (497,000 people)

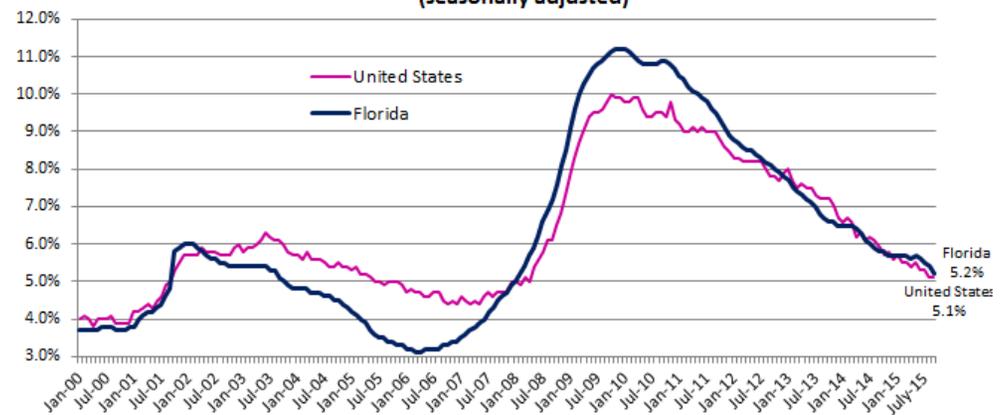
## Highest Monthly Rate

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, October 16, 2015.

# Florida's Participation Rate...



Florida's labor force participation rate declined from January 2007 to September 2013. From September 2013 to January 2015, the downward trend was largely reversed as improving job prospects began to encourage people to rejoin or enter the labor force.

The reported participation rate was 58.5% in September 2015. Among all unemployed, the share of those reentering the labor force increased from 26.7% in September 2014 to 29.7% in September 2015. In contrast, the share of new entrants in all unemployed decreased from 11.1% in September 2014 to 10.6% in September 2015, reflecting the second lowest level in the average number of new entrants since August 2011.

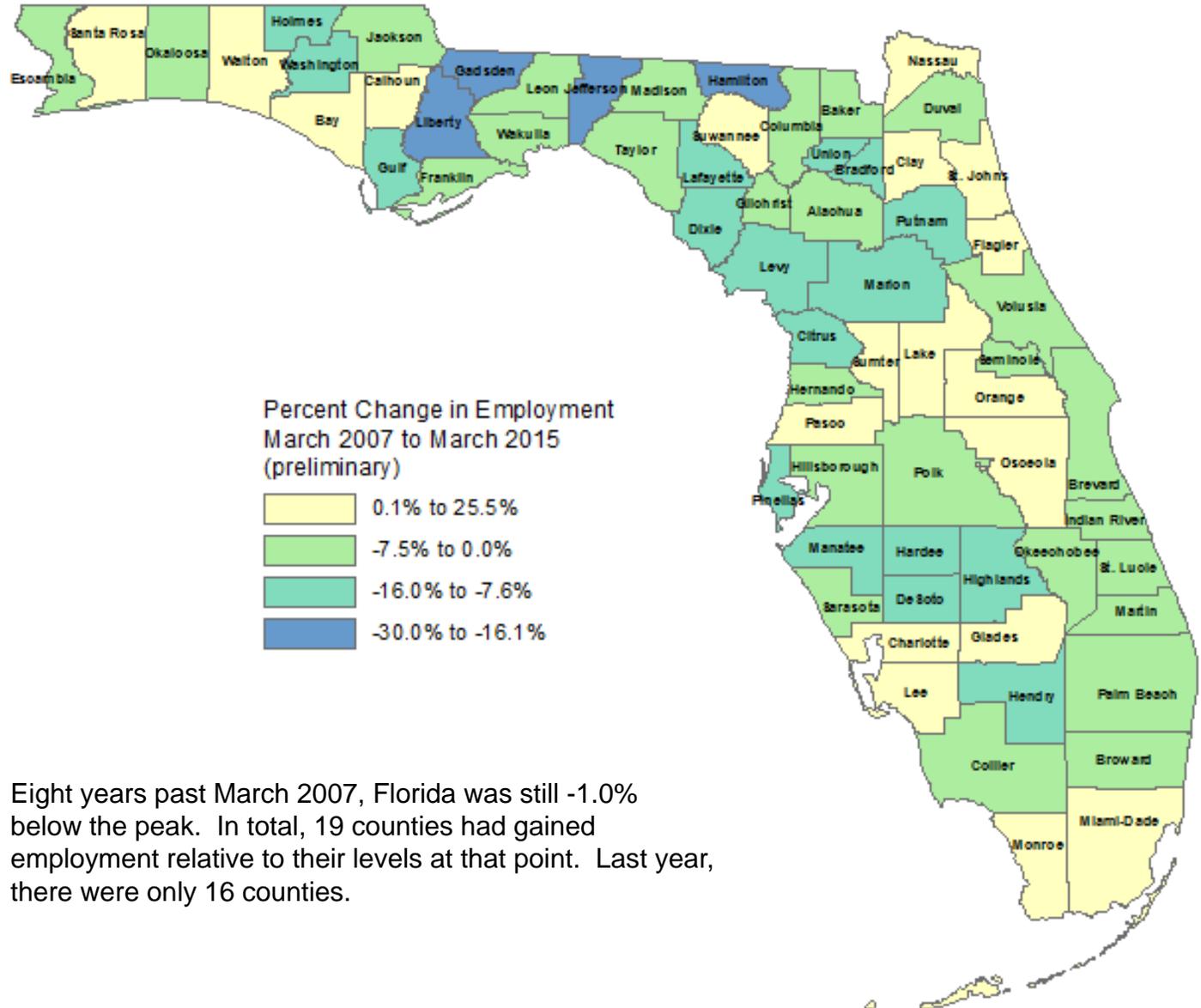
However, the US Department of Labor / Bureau of Labor Statistics switched to a new model in January 2015, and some of the results related to that model appear to be suspect. Because of this, there is reason to believe that significant revisions may occur as part of the annual release in January 2016. Until that time, all of this data should be used with caution.

# Florida's Job Market

- Florida's job market is still recovering, but—after 8 years—it has 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 570,000 jobs for the same percentage of the total population to be working as was the case at the peak, but the unemployment rate at the time was extraordinarily low (3.7%).
- A more reasonable benchmark would use an unemployment rate of 5.0%, suggesting that another 450,000 jobs would need to be created over the current level.



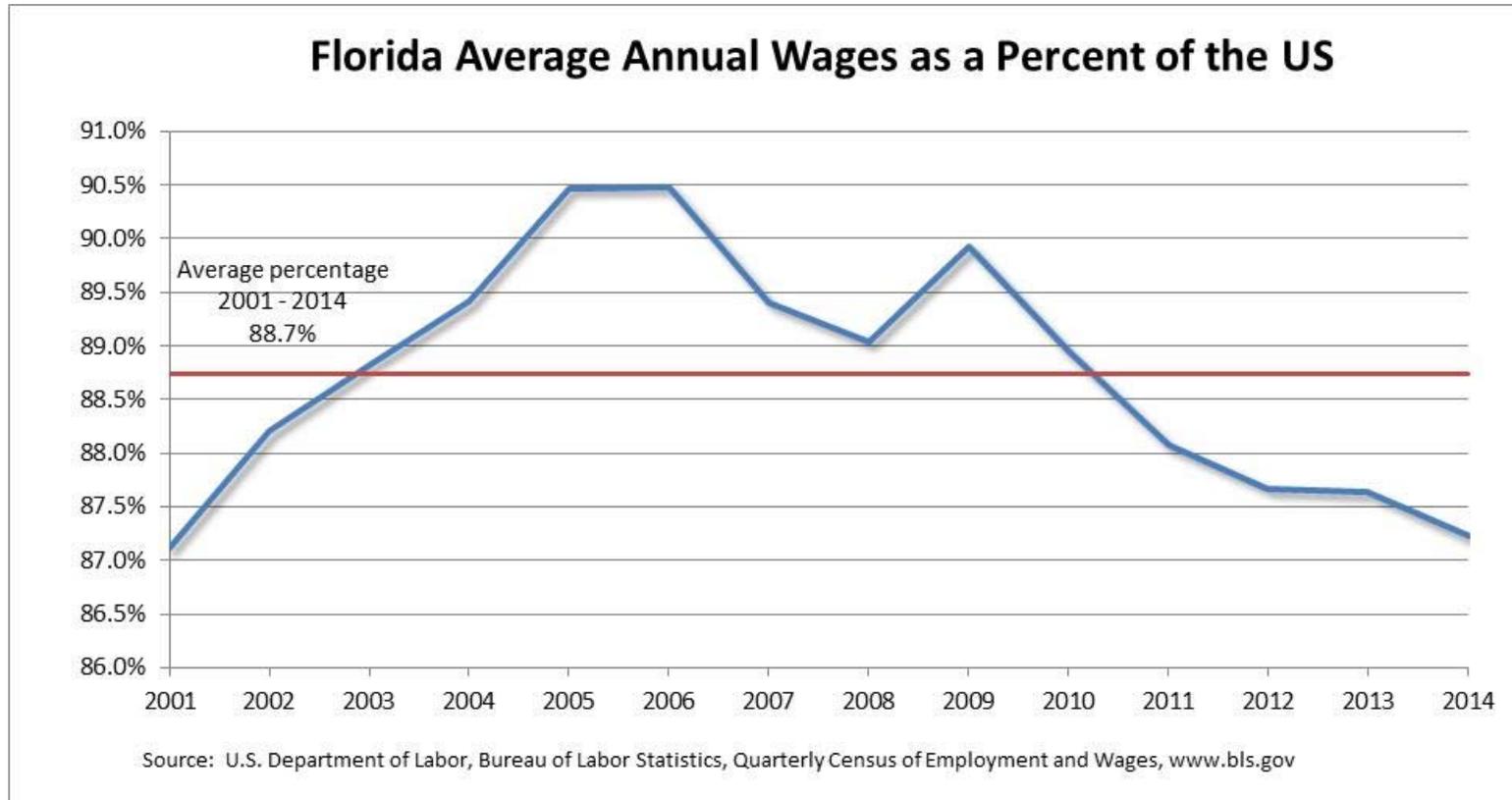
# Across the State, Employment Picture Is Mixed...



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.

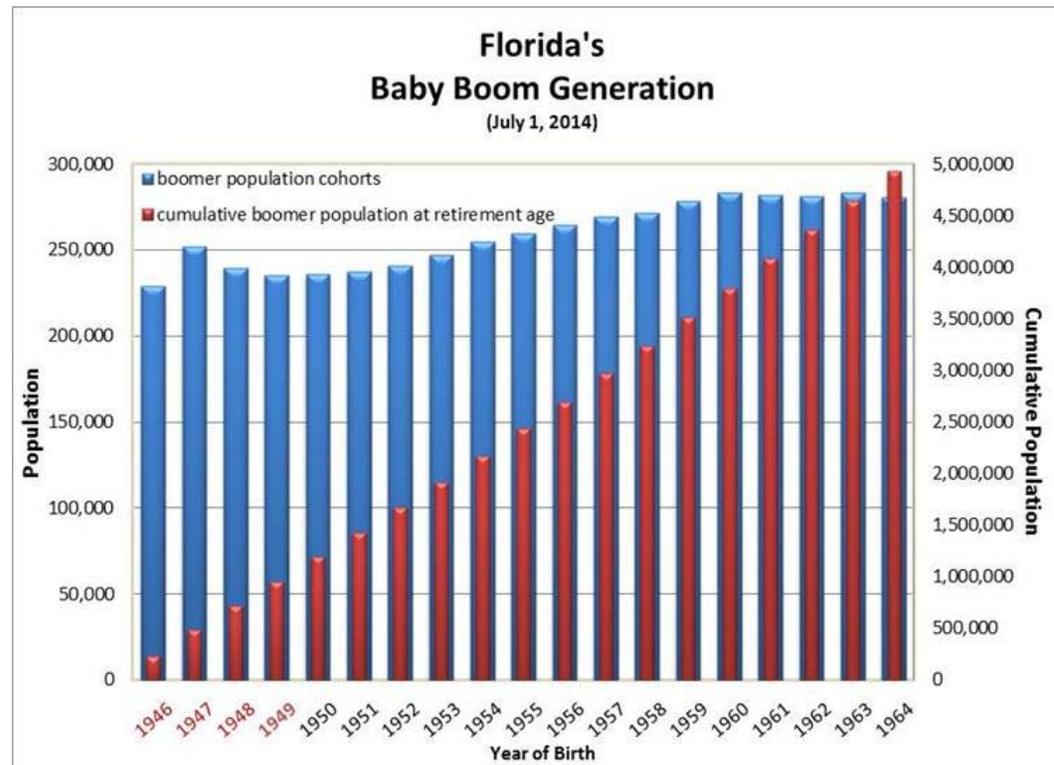


# Wage Gap Increased in 2014



Florida's average annual wage has typically been below the US average. The preliminary data for the 2014 calendar year showed that it further declined to 87.2% of the US average; the posting in 2013 was 87.6%. This is Florida's lowest percentage since 2001. Although Florida's wage level actually increased over the prior year, the US average annual wage increased more.

# Baby Boomers in FL Today



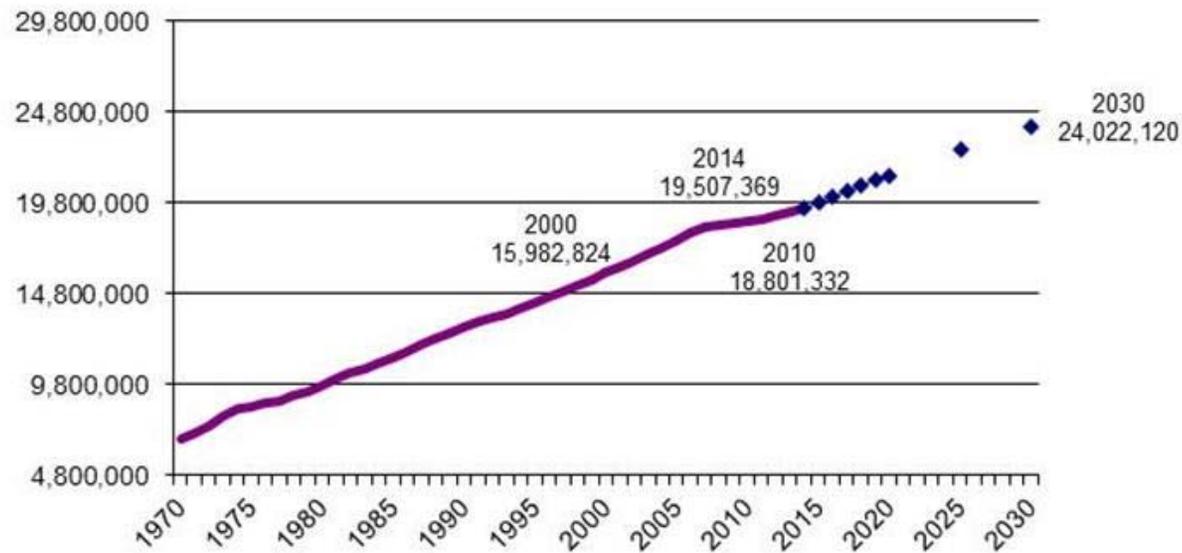
- The first cohort of Baby Boomers became eligible for retirement (turned age 65) in 2011. Only four cohorts have entered the retirement phase: 2011, 2012, 2013 and 2014. This is a small percentage (19.4%) of all boomers in Florida today.
- In 2000, Florida's working age population (ages 25-54) represented 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 Strengthening

- 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 1.49% 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, after surpassing New York this year to become the third most populous state.



# Florida's April 1 Population

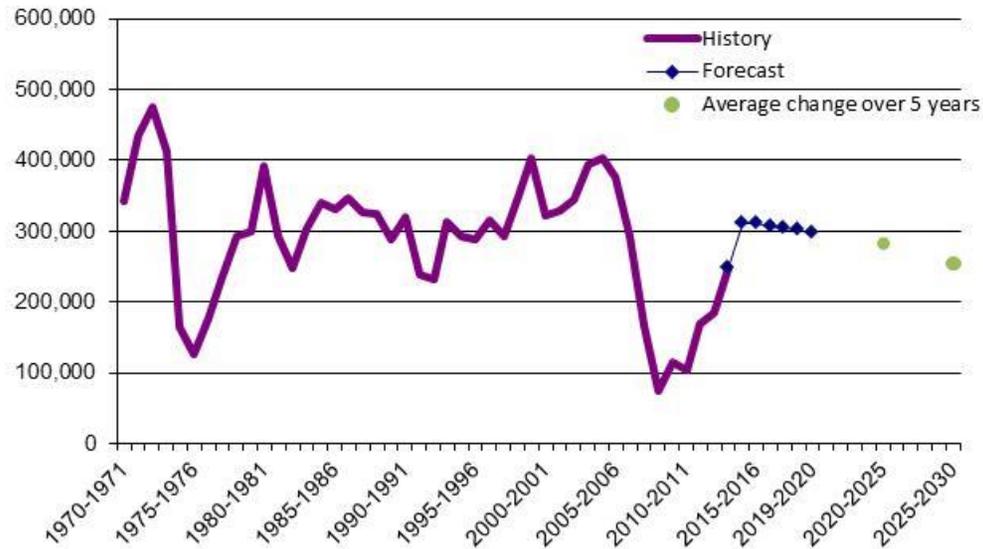


Florida's population:

- was 15,982,824 in 2000
- was 18,801,332 in 2010
- is forecast to grow to 24,022,120 by 2030



# Florida's Population Growth



## Population:

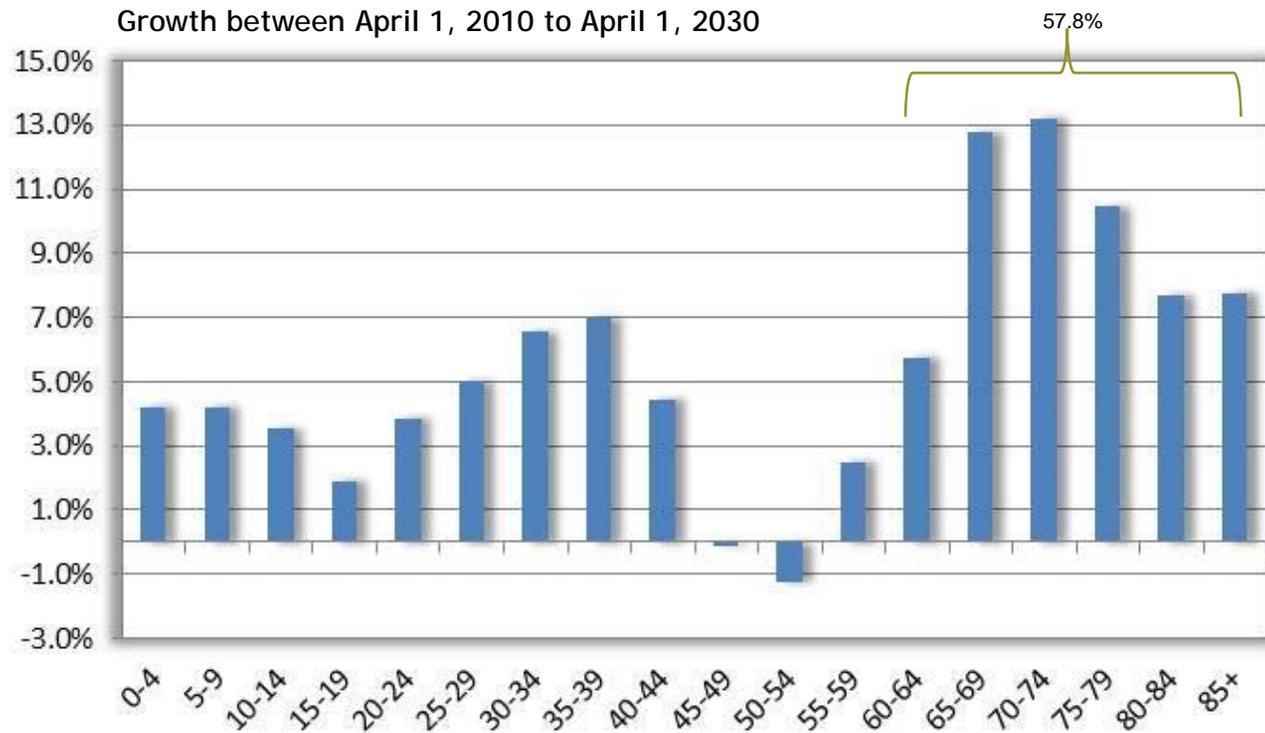
- Average annual increase between 2000 and 2006 was: 361,942
- Average annual increase between 2007 and 2014 was: 151,514

## Population is forecast to increase on average by:

- 310,227 between 2014 and 2015 --- a gain of 850 per day
- 304,020 between 2015 and 2020 --- a gain of 833 per day
- 281,911 between 2020 and 2025 --- a gain of 772 per day
- 254,974 between 2025 and 2030 --- a gain of 699 per day

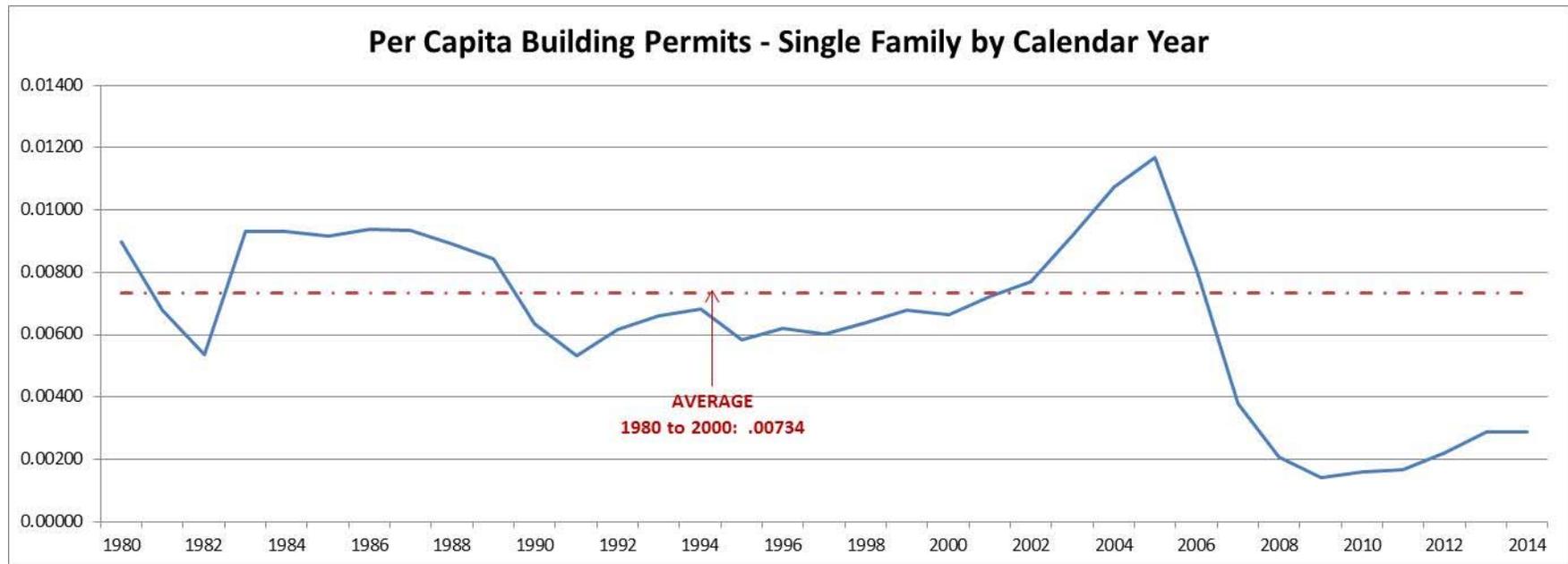
2014	
Orlando	255,636
St. Petersburg	252,372
Hialeah	230,544

# Population Growth by Age Group



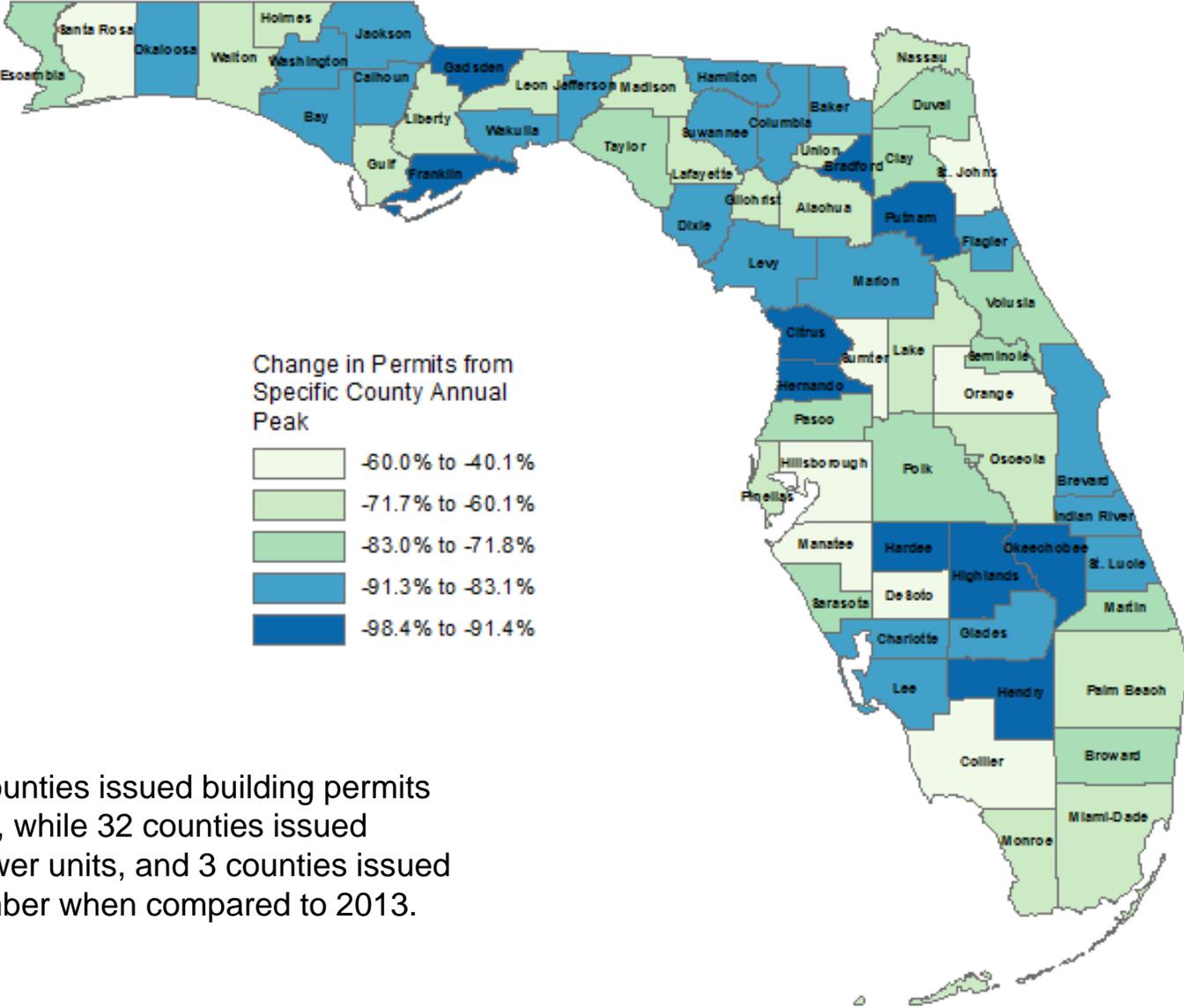
- Between 2010 and 2030, Florida's population is forecast to grow by 5.2 million persons.
- Florida's older population (age 60 and older) will account for most of Florida's population growth, representing 57.8 percent of the gains.
- Florida's younger population (age 0-17) will account for 13.3 percent of the gains, while the young working age group (25-39) will account for 18.6 percent of the growth.

# Florida Housing is Generally Improving...



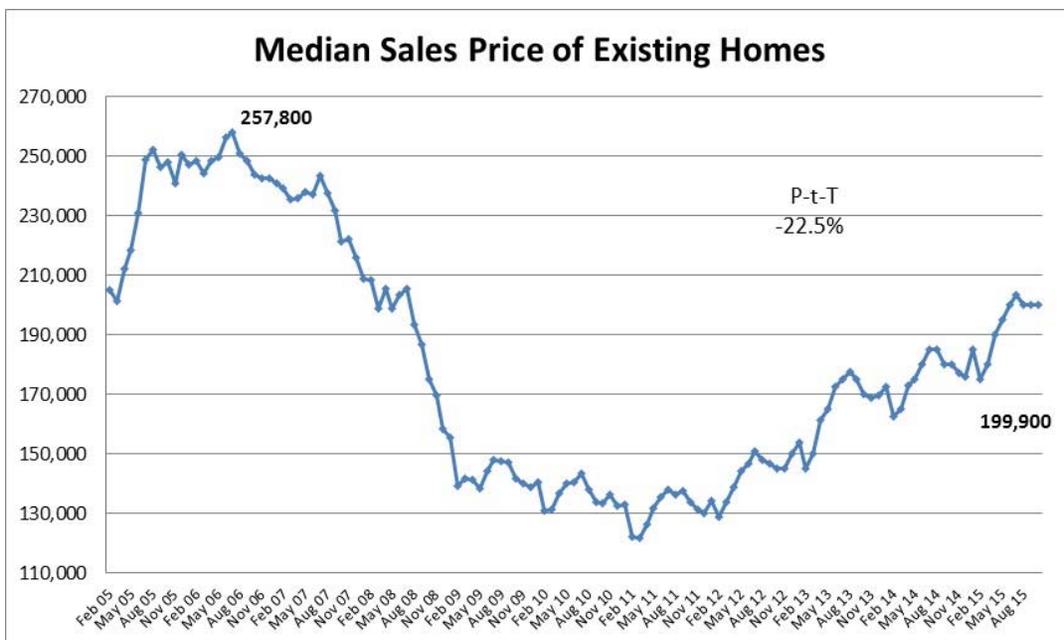
Single-Family building permit activity, an indicator of new construction, is back in positive territory, showing strong growth in both the 2012 and 2013 calendar years (32.3% and 31.3%, respectively). Despite the strong percentage growth in both years, the level is still low by historic standards, and final data for the 2014 calendar year reveals significantly slowing (but still positive) activity—posting only 1.6% growth over the prior year. However, calendar year-to-date activity through September 2015 is running well above last year for the same period; single family data is higher (+13.25%) than last year's data at the same point in time.

# 2014 Building Permit Activity Relative to the County's Peak during the Period 2000-2007



In 2014, 32 counties issued building permits for more units, while 32 counties issued permits for fewer units, and 3 counties issued the same number when compared to 2013.

**Existing Home Sales Volume In 2014 Exceeded Its 2005 Peak; 2015 Performing Even Better, however...**

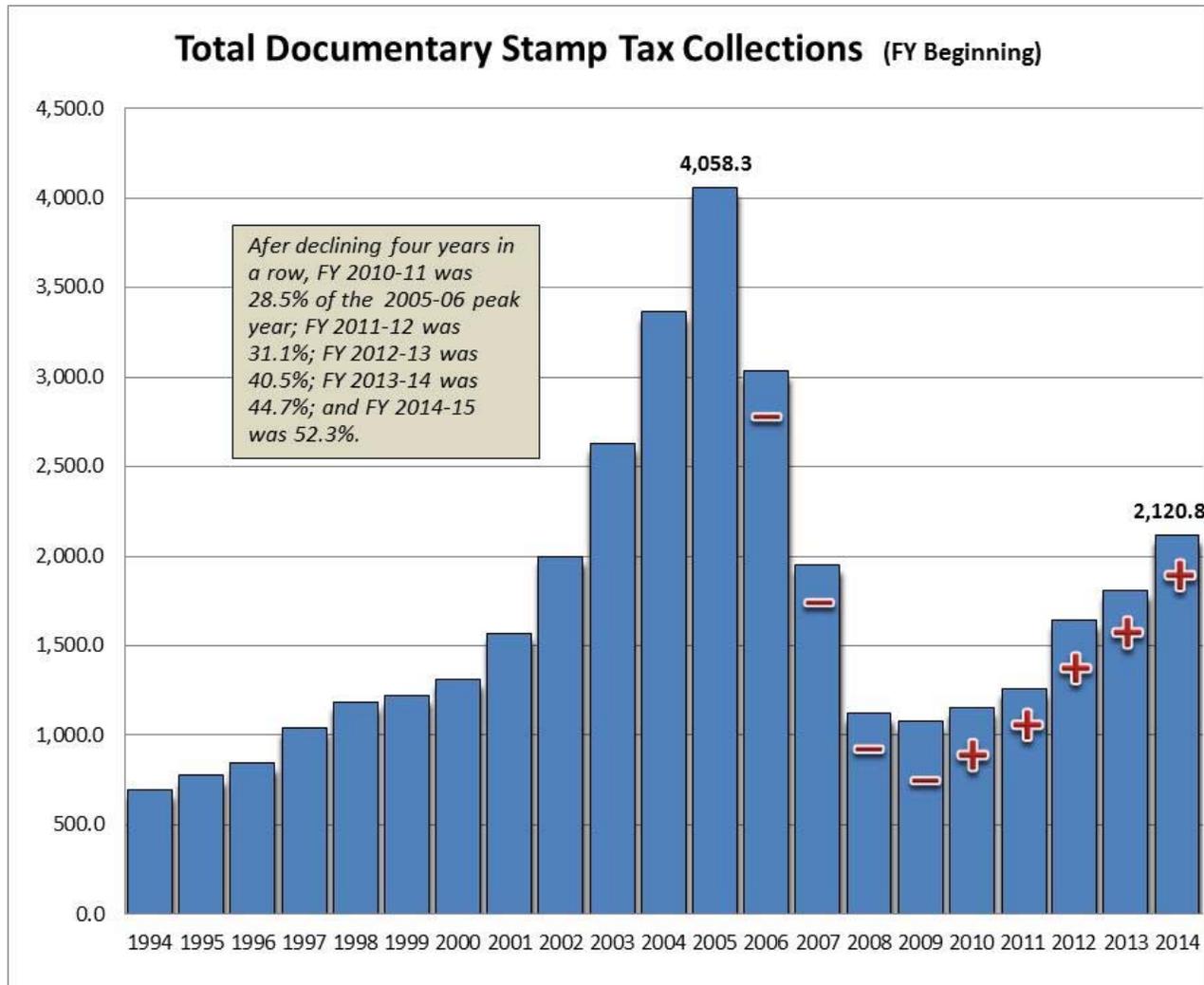


**Florida Existing Home Price Gains Have Shown Recent Flattening—Even Though Prices Continue To Make Significant Headway Relative To The US Median Which Has Been Falling.**

Data through September 2015

# Documentary Stamp Collections

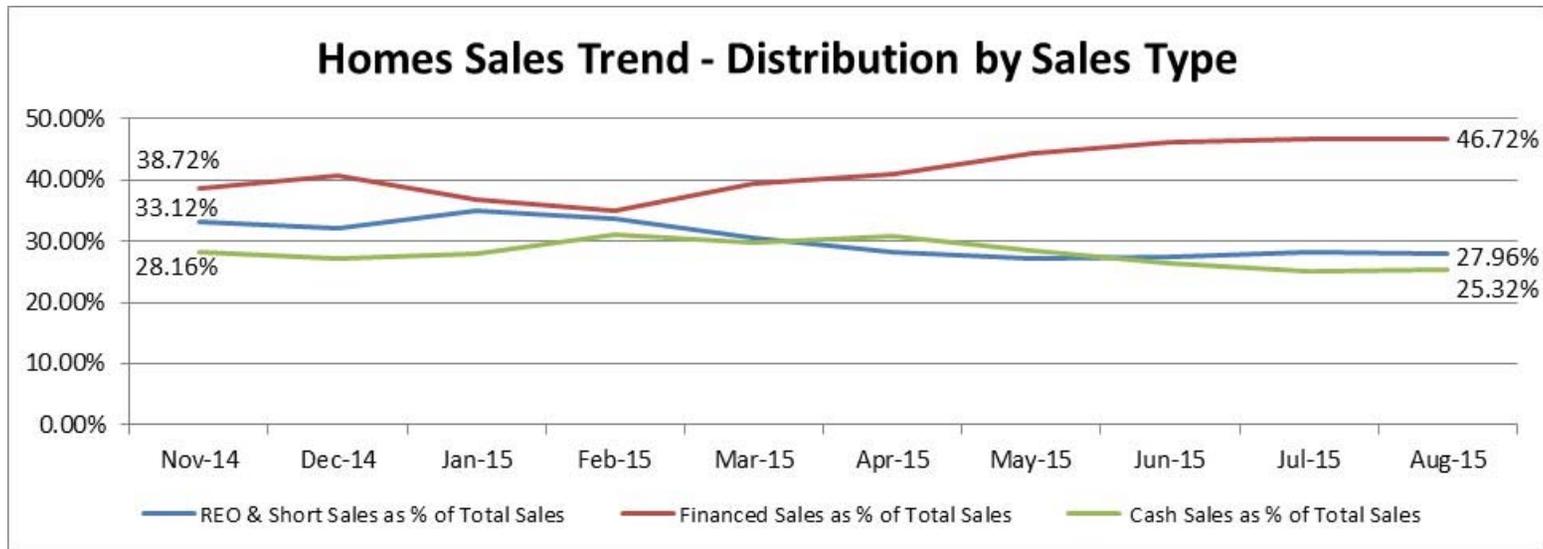
(Preliminary: Reflecting All Activity)



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

# Sales Mix Still Points To Subdued Pricing...

**Distressed  
Property Discount  
33.5%**



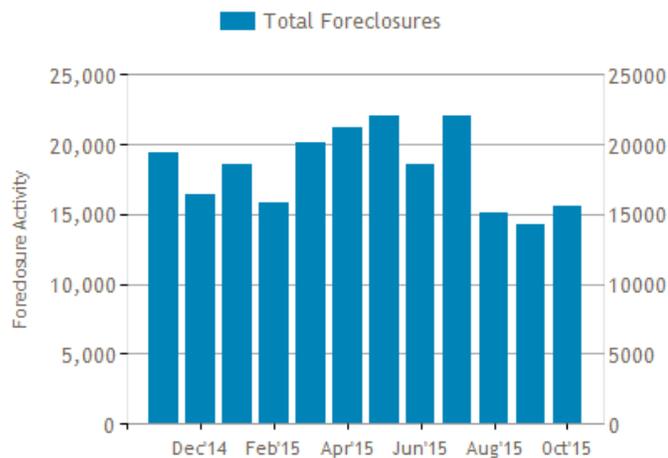
Data from LPS / Black Knight

- Financed Sales ended August 2015 with a much higher share than it had in August 2014 (46.7% versus 38.2%). The shares of REO & Short Sales and Cash Sales have both drifted downwards over this period; however, the declines in REO & Short Sales have been more consistent. Although it has remained fairly steady in recent months, the share of REO & Short Sales is back above Cash Sales.
- Subdued pricing leads to a new issue. According to RealtyTrac, “Among metropolitan statistical areas with at least 50 completed single family home flips in the second quarter, those where flips accounted for the highest percentage of all home sales were Fernley, Nevada (11.4 percent), **Miami, Florida (9.6 percent)**, **Palm Coast, Florida (9.2 percent)**, Memphis, Tennessee (9.0 percent), **Tampa, Florida (8.9 percent)**, **Deltona, Florida (8.7 percent)**, and **Sarasota, Florida (8.1 percent)**.” The national average was 4.5 percent of all single family home sales in the second quarter of the calendar year; the peak was reached in 2006 at 8.0 percent.

# Foreclosures Remain A Florida Issue...

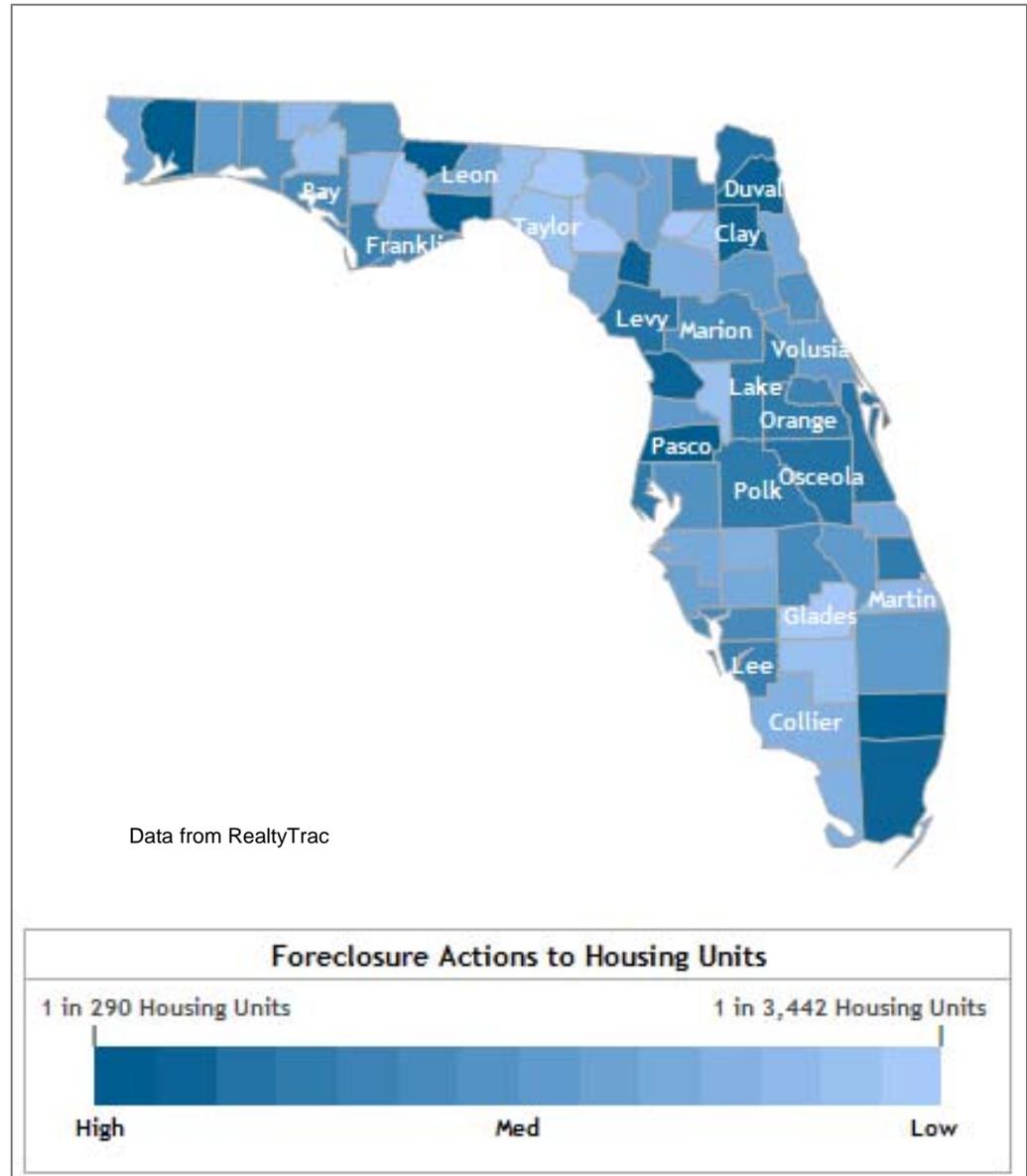
## October 2015...

- Florida had the third highest State Foreclosure Rate. Florida's foreclosure rate has ranked in the Top 5 each month in 2015.
- For metro areas with a population of over 200,000, Florida had four of the top ten areas with the highest foreclosure rates:
  - Jacksonville, Miami, Palm Bay-Melbourne-Titusville, Tampa

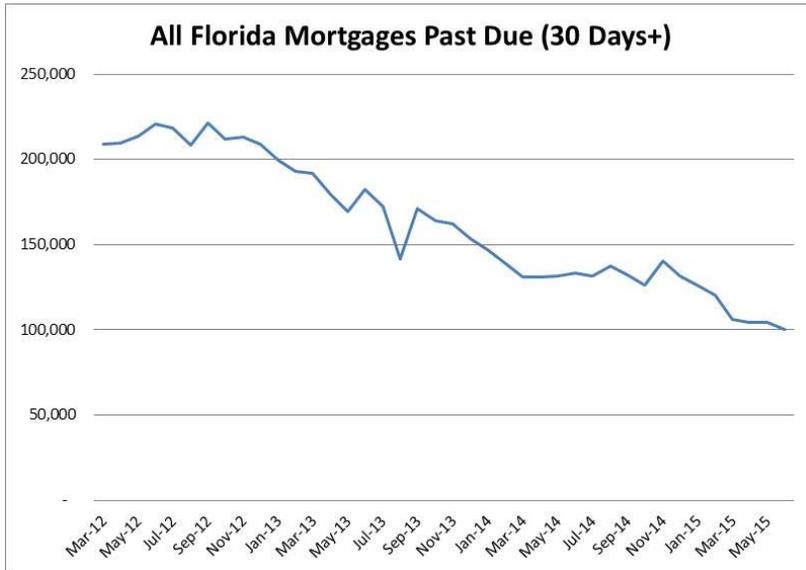


## Foreclosure Process (once begun)

- 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.

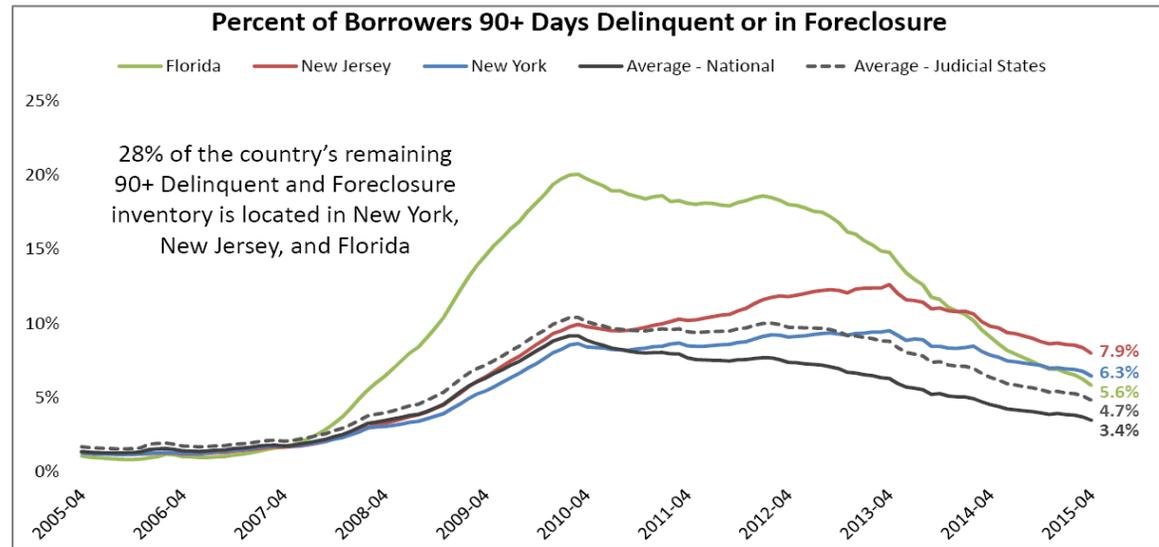


# Foreclosures & Shadow Inventory

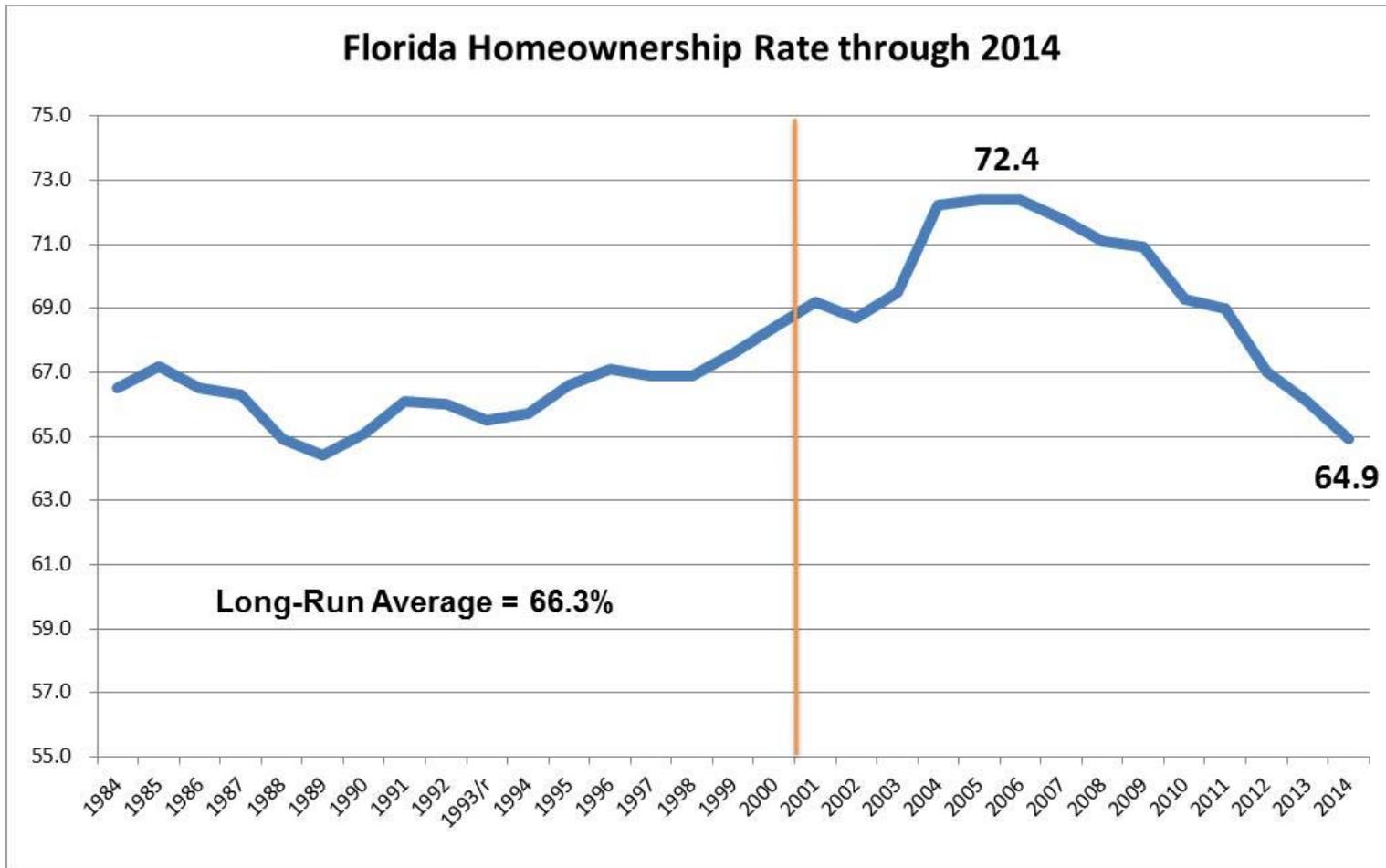


After being ranked first for many months, Florida is now in eleventh place among states for non-current mortgages (a measure of total delinquencies and foreclosures). A major part of this shift is a reduction in the number of delinquent mortgages which reduces the incoming pipeline. Further helping, 90+ days of delinquencies have also declined.

Florida's "underwater" homes declined from a high of 50% of all residential mortgages to less than 12% in the most recent data. According to Black Knight's Mortgage Monitor for June 2015, Florida saw the second largest volume reduction of underwater borrowers since the beginning of the calendar year.



# 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. Third quarter data for 2015 came in even lower at 64.1 percent.

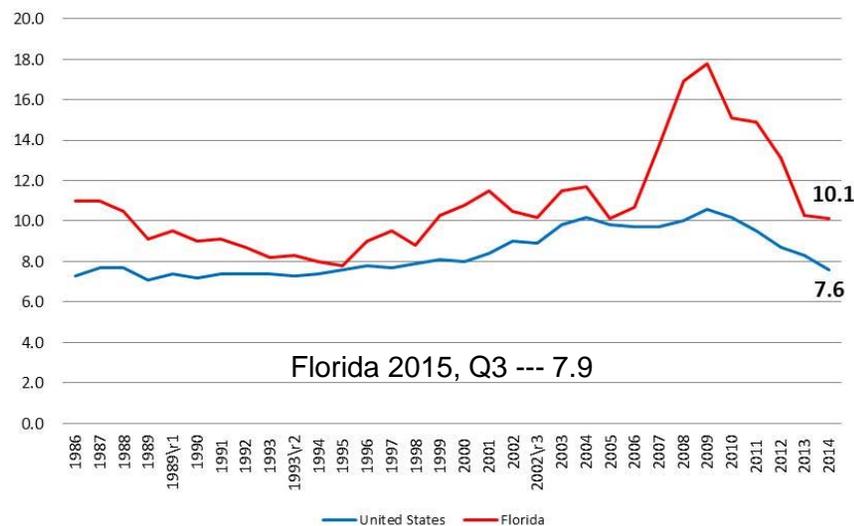
# Residential Rental Vacancies Tightening Strongly in 2015 Calendar Year-to-Date; Price Pressure Starting to Appear

## 10 Least Affordable Rental Markets



Sources: RealtyTrac, HUD, U.S. Census

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



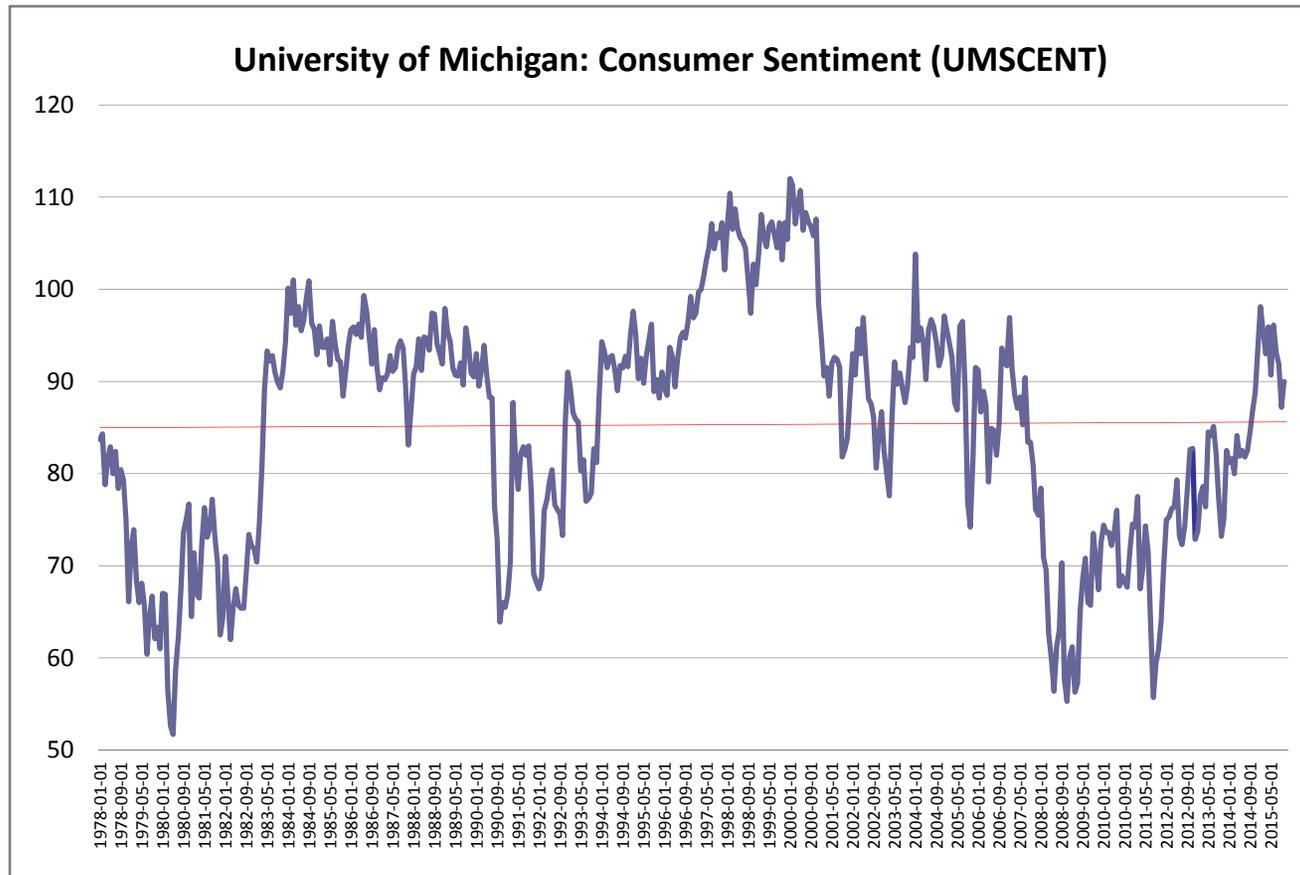
## Median Gross Rent

## Average Gross Rent

Year	FL Relative To US			FL Relative To US		
	U.S.	FL	Relative To US	U.S.	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%

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

# Consumer Perceptions Off From High



Nationally, the sentiment reading for October 2015 (90.0) is notably above the index average since inception (85.3) although the reading has retreated since January. At 98.1, January 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 FY 2016-17. Overall...

- The recovery in the national economy is well underway. 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 751 and LTV of 81 percent. Student loan and recently undertaken auto debts appear to be affecting the ability to qualify for residential credit.
- By the close of the 2014-15 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), some employment sectors 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 2021-22.

# 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.

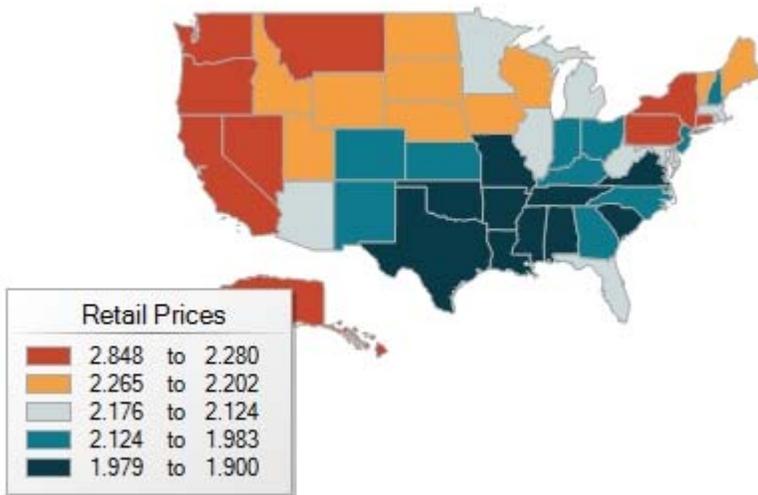
## More Buyers...

- In 2015, the first wave of homeowners affected by foreclosures and short sales are past the seven-year window generally needed to repair credit.
- While there is no evidence yet, atypical household formation will ultimately unwind—driving up the demand for housing.

# Low Gas Prices Are A Windfall...

Florida Average Prices	Regular
Current Avg.	\$2.170
Year Ago Avg.	\$2.871
Highest Recorded Avg.	\$4.079

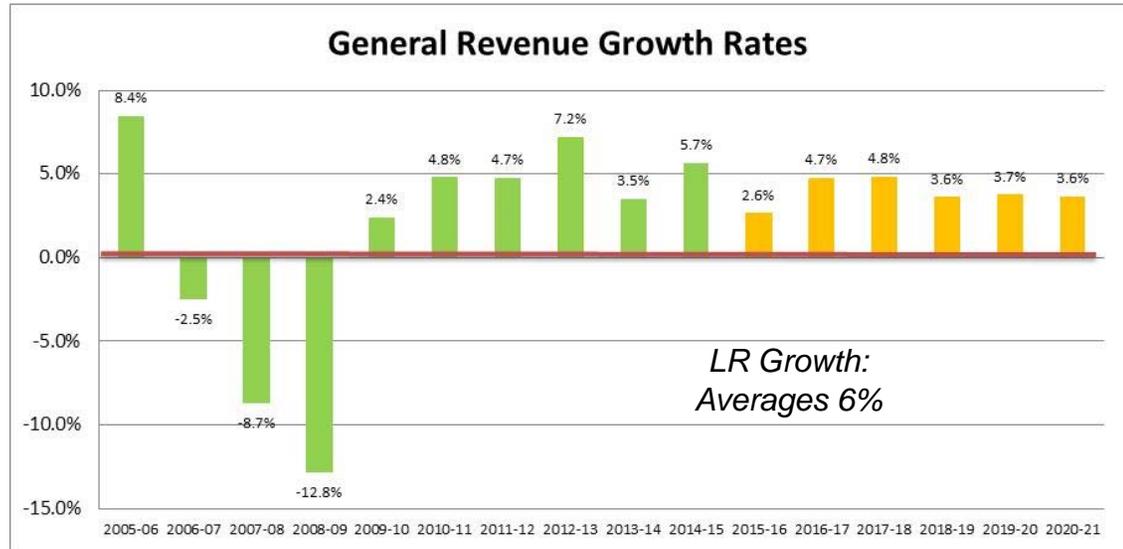
Prices updated by AAA as of 11/17/2015 3:45am



- OPEC's inaction has allowed gas prices to remain low, even though they have moved upward since the beginning of the year.
- Consumers have treated the lower gas prices as a one-time windfall or dividend, boosting consumer spending. Prices were expected to stabilize by mid-2015.
- Earlier in the year, IHS (Global Insight) estimated that the savings would 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	Post-Session Forecast	August 2015 Forecast	Difference	Incremental Growth	Growth
2005-06	27074.8	27074.8	0.0	1057.2	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	-3096.5	-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	27681.1	195.3	1287.9	5.7%
2015-16	28,126.8	<b>28,414.1</b>	287.3	733.0	2.6%
2016-17	29,581.2	<b>29,756.2</b>	175.0	1342.1	4.7%
2017-18	30,912.4	<b>31,189.3</b>	276.9	1433.1	4.8%
2018-19	31,947.1	<b>32,305.4</b>	358.3	1116.1	3.6%
2019-20	33,019.0	<b>33,512.8</b>	493.8	1207.4	3.7%
2020-21	-	<b>34,732.1</b>	-	1219.3	3.6%

In FY 2014-15, General Revenue collections surpassed the prior peak in 2005-06 for the first time since then. Steady growth is expected to continue throughout the forecast.