Florida:
An Economic Overview

January 10, 2017

Presented by:

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Office of Economic and
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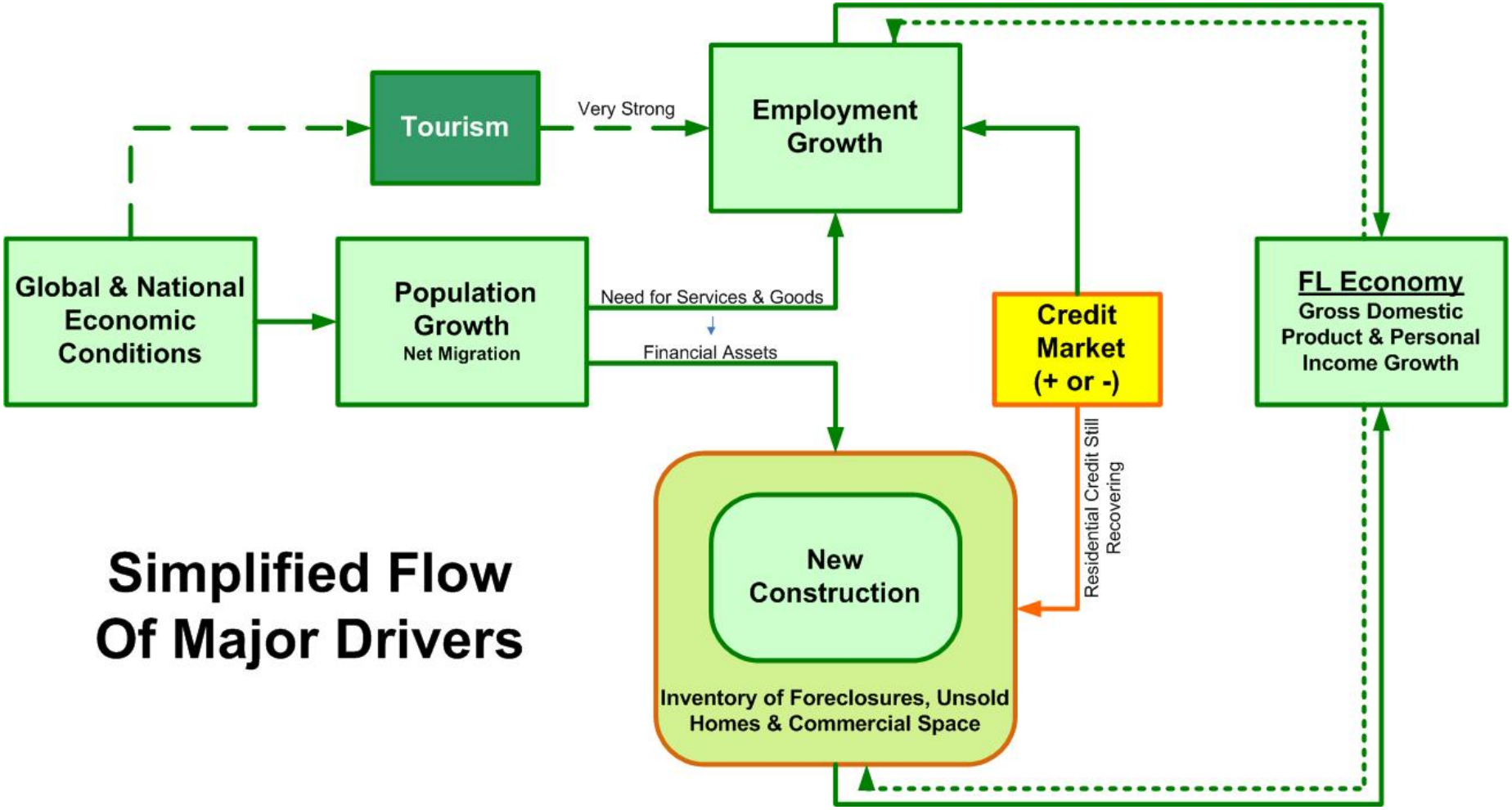
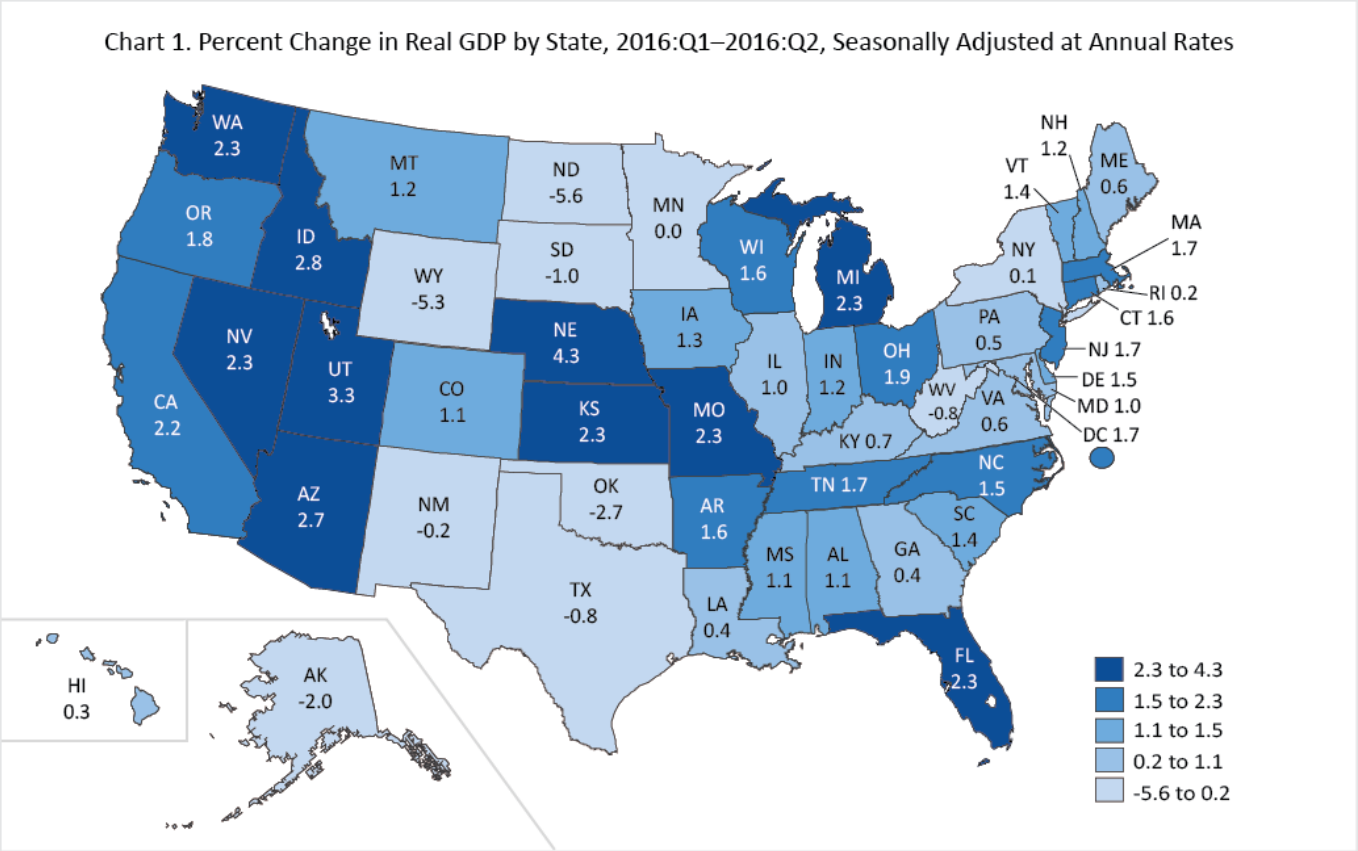
Key Economic Variables Improving



Simplified Flow Of Major Drivers

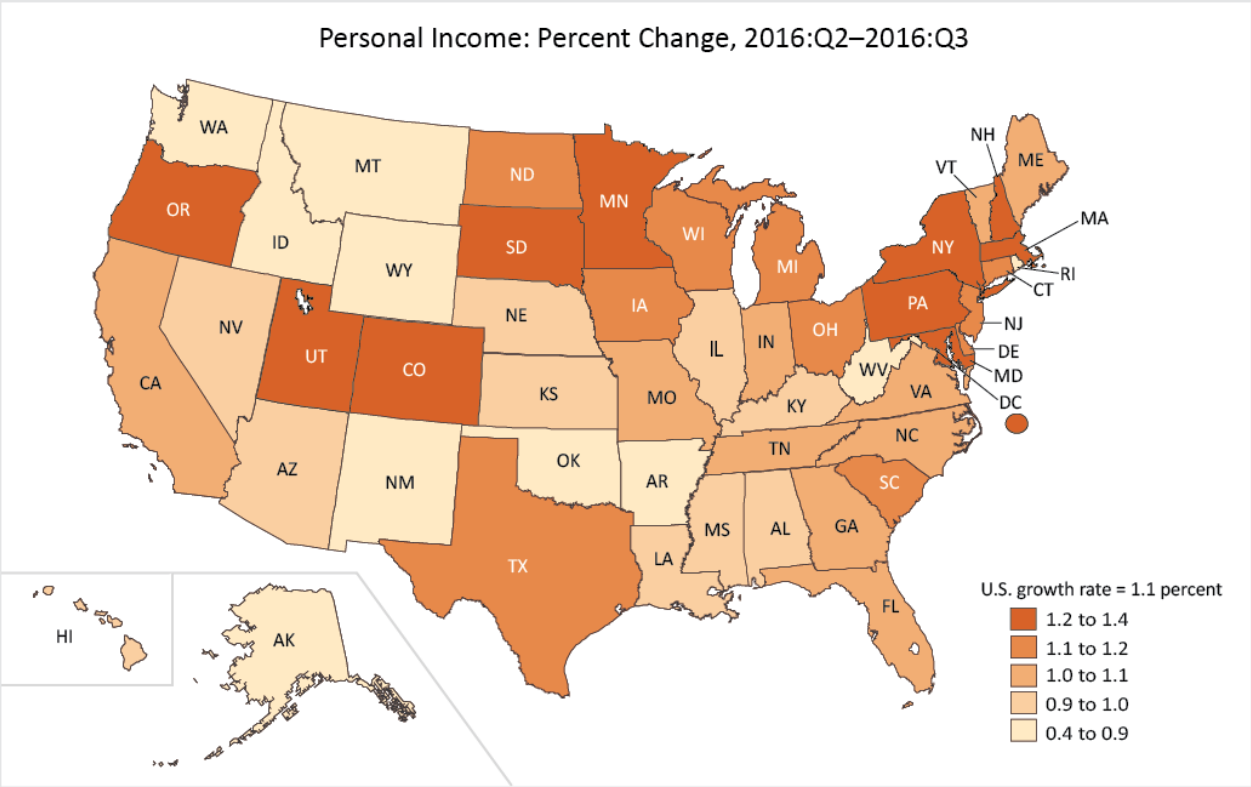
Economy Has Continued Growth...



U.S. Bureau of Economic Analysis

For the 2015 calendar year, the latest revised data for State Gross Domestic Product (GDP) showed Florida with real growth of 4.0%, moving Florida above the national average (indicating 2.4% in 2015) for the third year in a row. In the second quarter of 2016, Florida grew 2.3% at an annual rate, ranking it 7th in the country.

FL Personal Income Growth Has Similar Story...

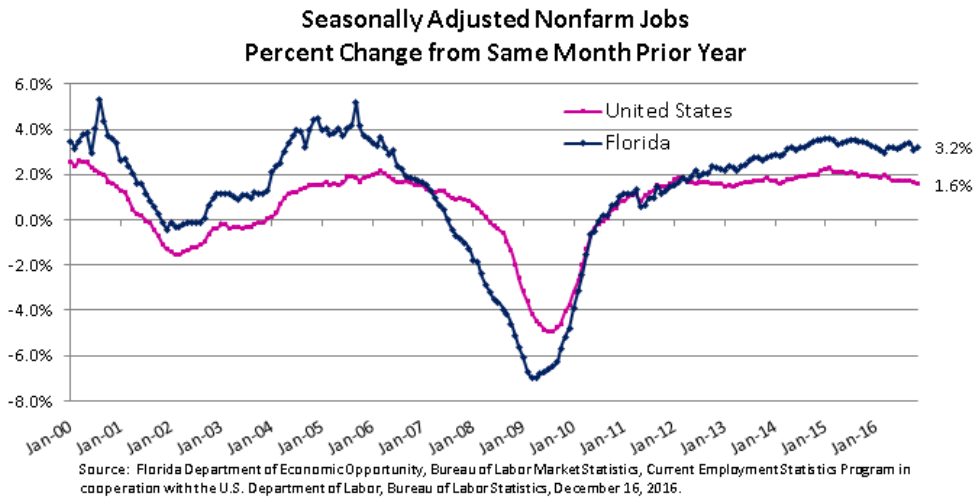


U.S. Bureau of Economic Analysis

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 Florida data for the third quarter of 2016 showed slightly weakening relative to the second quarter, dropping Florida to a ranking of 22nd in the country.

Current Employment Conditions...



November Nonfarm Jobs (YOY)

US 1.6%
FL 3.2%
YR: 263,900 jobs
Peak: +411,700 jobs over Prior Peak
[Prior Employment Peak passed in May 2015]

November Unemployment Rate

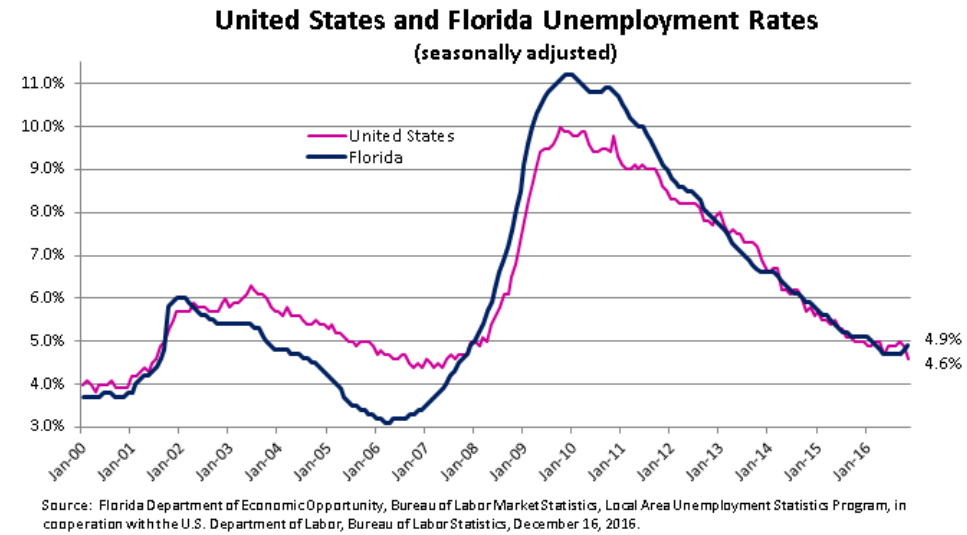
US 4.6%
FL 4.9% (482,000 people)

Highest Monthly Rate

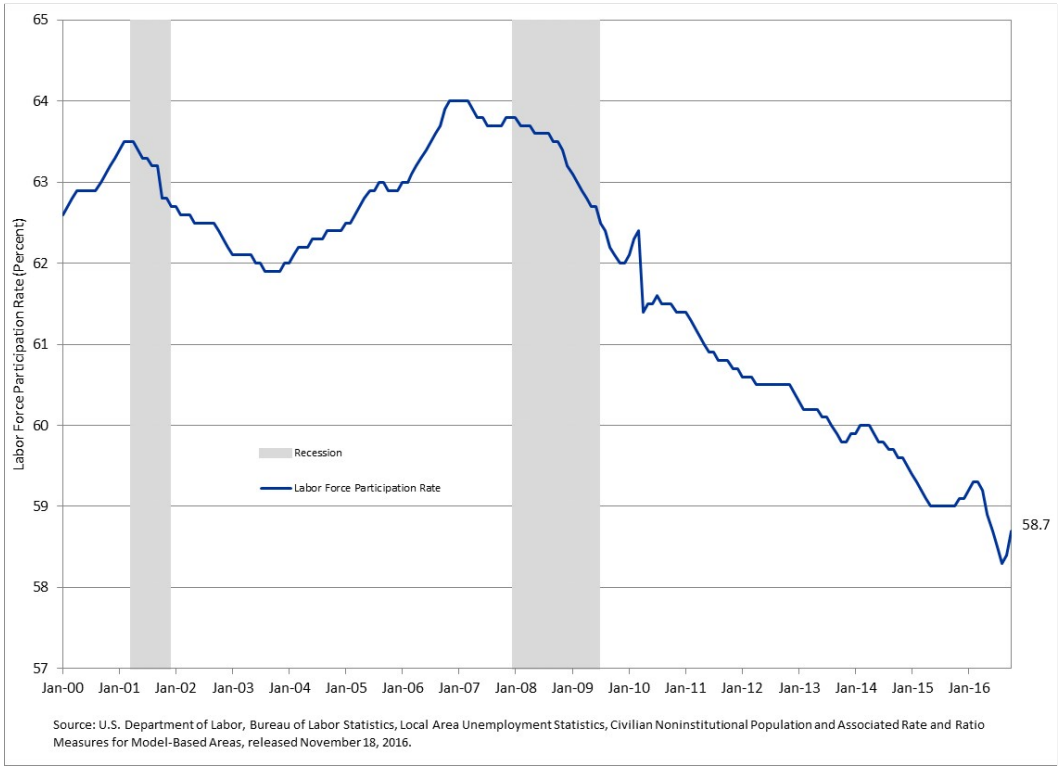
11.2% (November 2009 through January 2010)

Lowest Monthly Rate

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 59.0% in October 2016. Among all unemployed, the share of those *reentering* the labor force declined slightly from 30.0% in November 2015 to 29.7% in November 2016. However, the share of all unemployed increased for *new entrants* from 10.7% in November 2015 to 12.8% in November 2016.

The data series is limited, but there is some reason to believe that Florida's underlying employment picture may be improving and / or returning to historic norms. However, the significant size and composition of the long-term unemployed group (162,000 persons or 34% of all unemployed in October) may be confounding some of the trend results. The equivalent percentage from the United States as a whole was only 25%.

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.

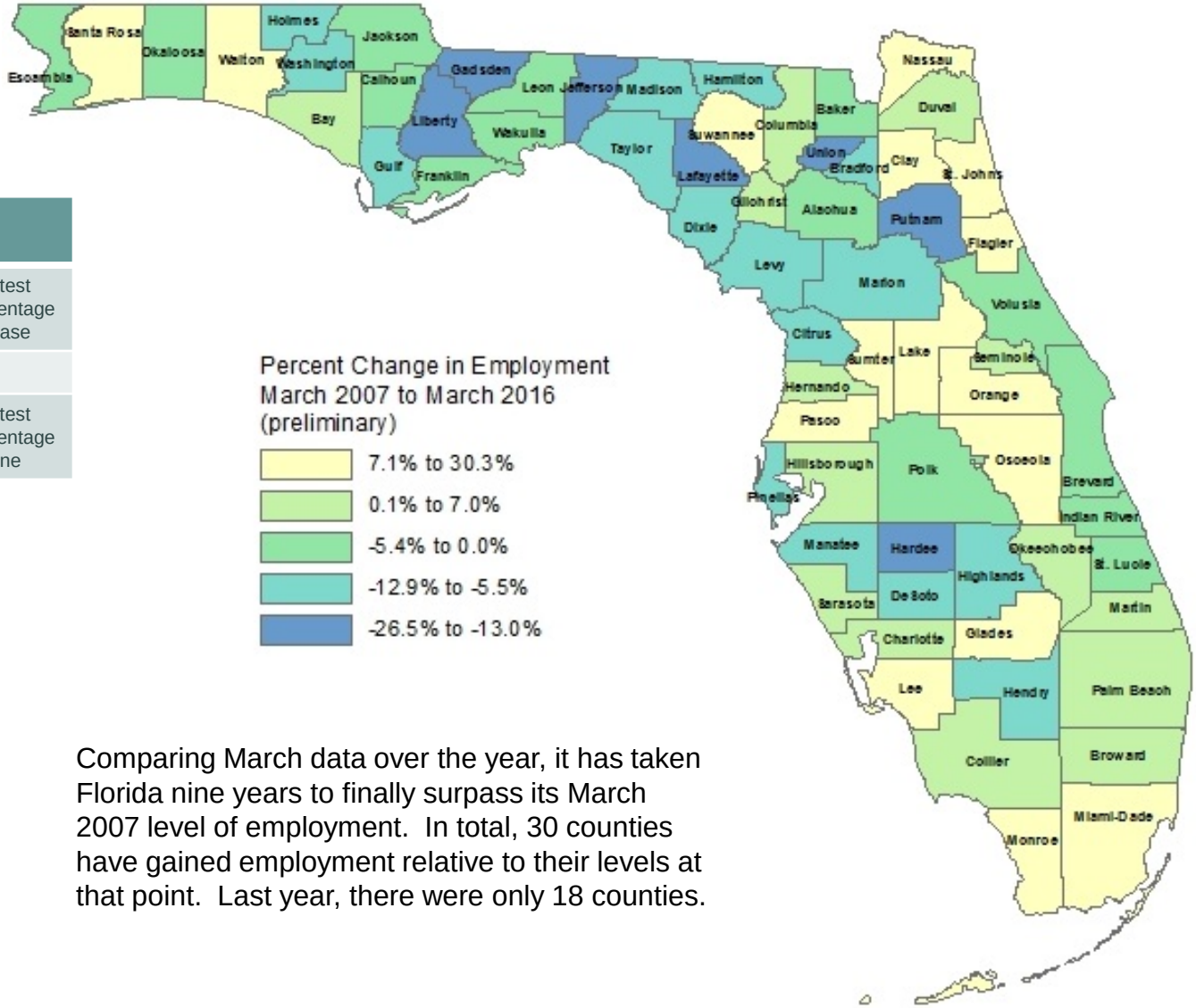
- Florida's prime working-age population (aged 25-54) has been adding people each month, so even more jobs need to be created to address the population increase since 2007.

- 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.

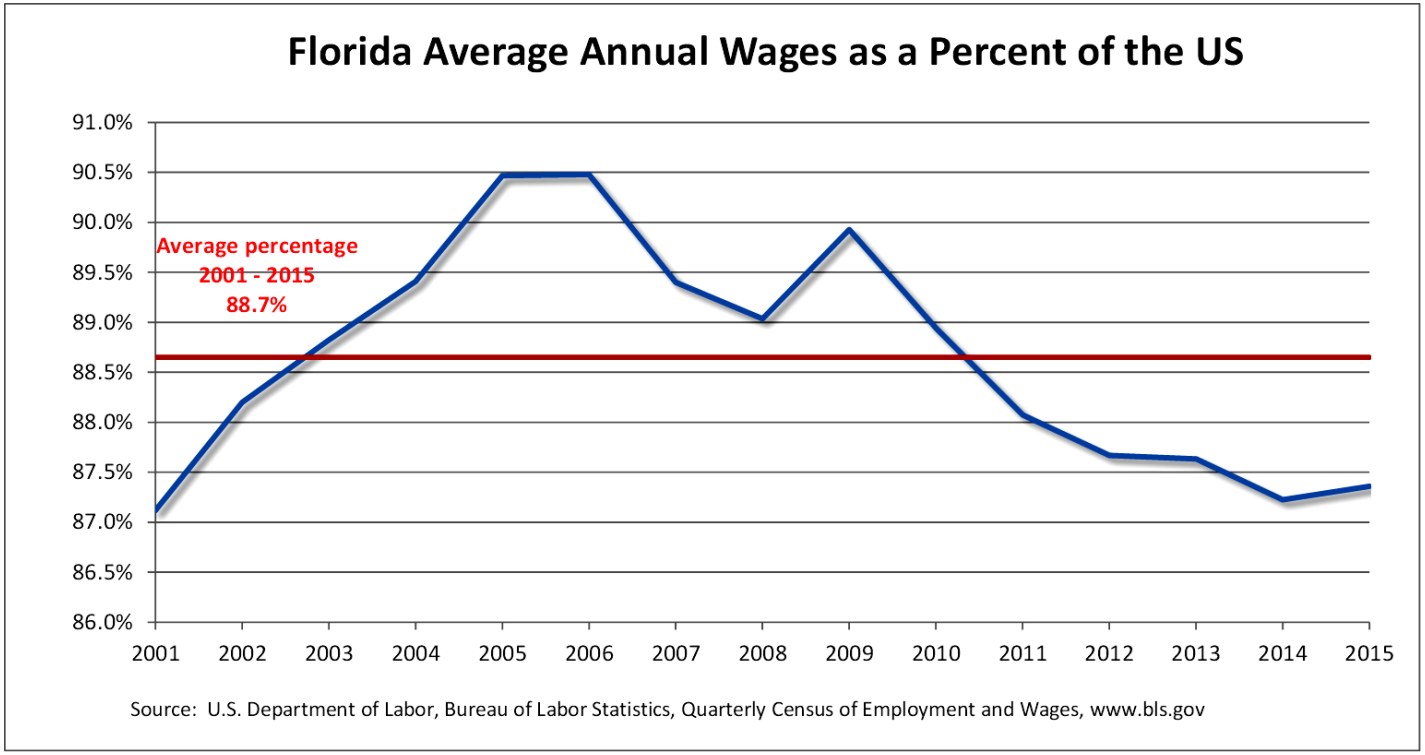
Across the State, Employment Picture Is Improving, but Still Mixed...

Area	March 2007 to March 2016	
Sumter County	30.3%	Greatest Percentage Increase
Florida	**2.6%**	
Liberty County	-26.5%	Greatest Percentage Decline



Comparing March data over the year, it has taken Florida nine years to finally surpass its March 2007 level of employment. In total, 30 counties have gained employment relative to their levels at that point. Last year, there were only 18 counties.

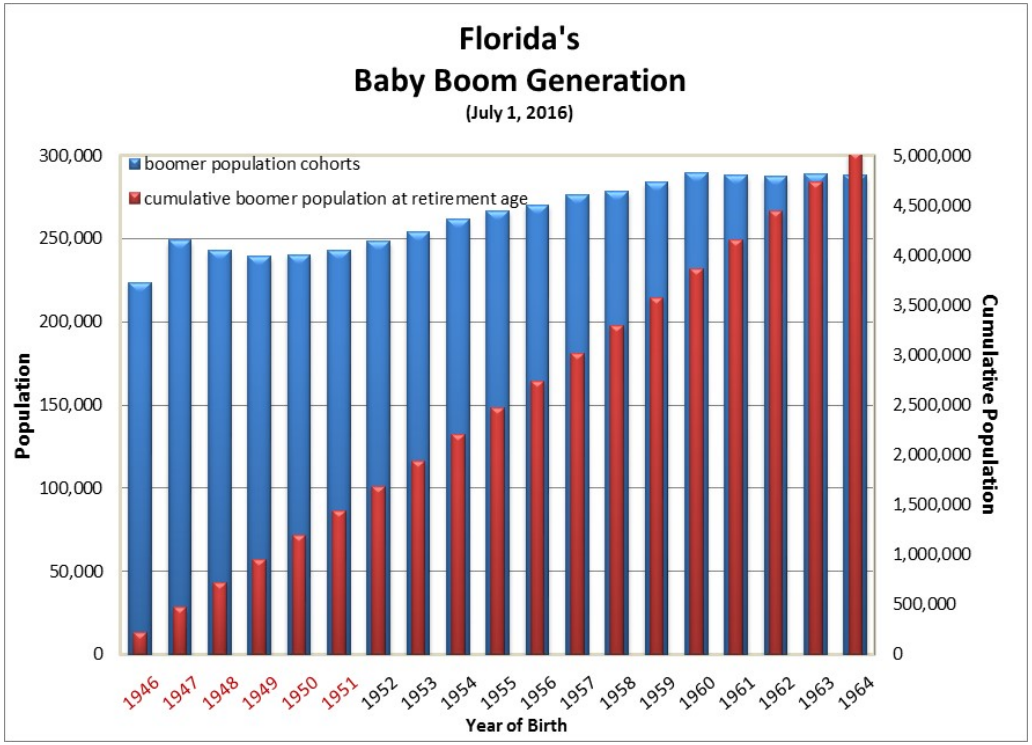
Wage Gap Stopped its Decline in 2015...



- 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.

- In part, the lower than average wage gains has to do with the mix of jobs that are growing the fastest in Florida. Not only is the Leisure & Hospitality employment sector large, it has seen some of the fastest growth. This sector is closely related to the health of Florida's tourism industry. Final adjusted estimates for FY 2015-16 indicate that a record 109.5 million visitors came to Florida for an increase of 6.9 percent over FY 2014-15.

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

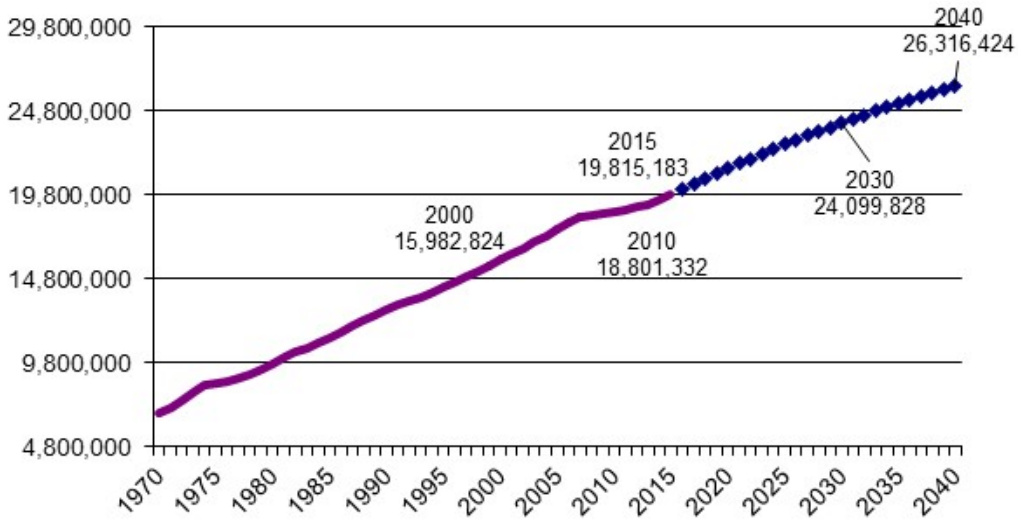
Population growth is the state's primary engine of economic growth, fueling both employment and income growth.

- 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

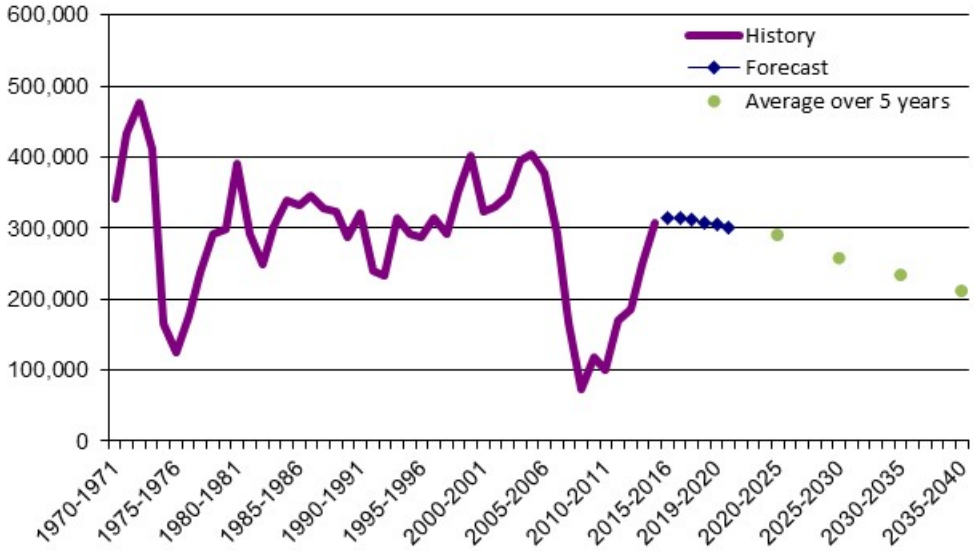


Florida's projected population growth of 314,051 between April 1, 2015 and April 1, 2016 is the strongest annual increase since 2006, immediately prior to the collapse of the housing boom and the beginning of the Great Recession.

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:

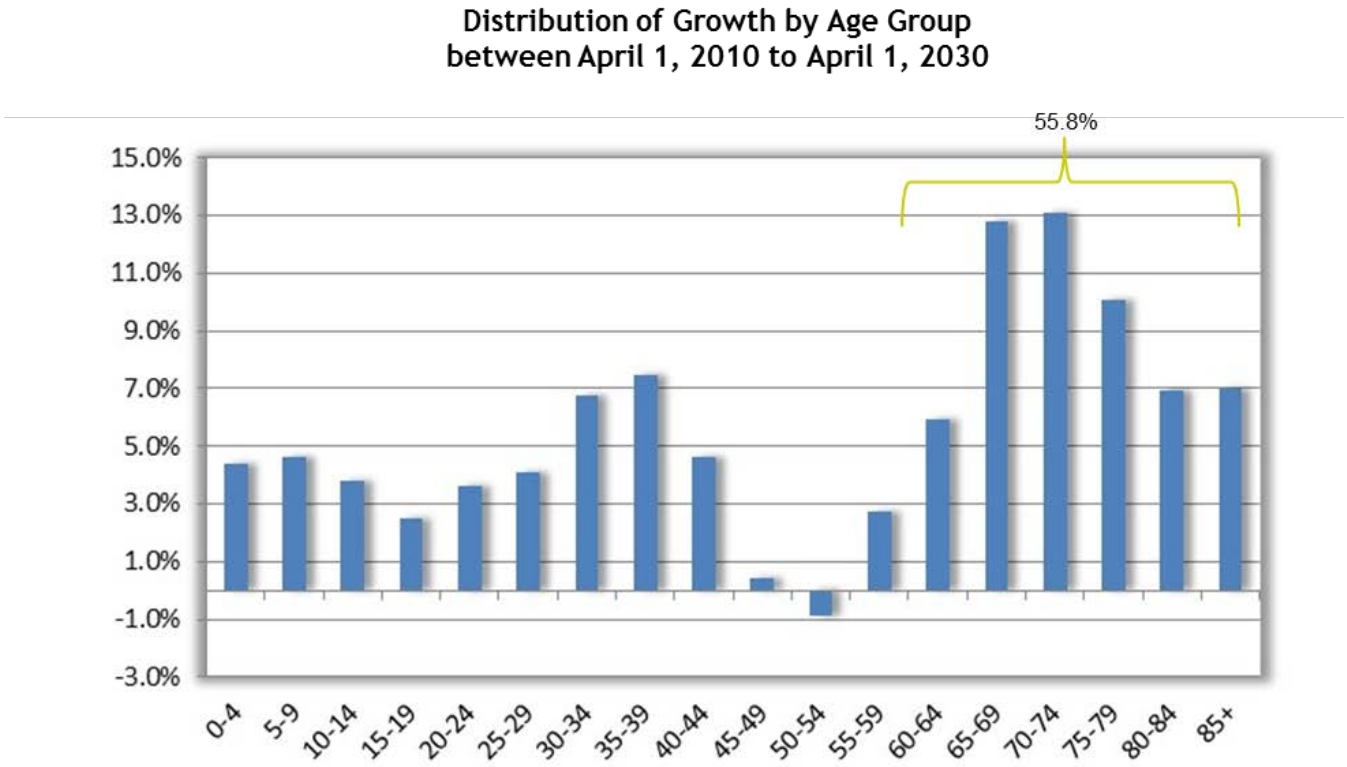
- Average annual increase between 2000 and 2006 was: 361,942
- Average annual increase between 2007 and 2015 was : 171,052

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

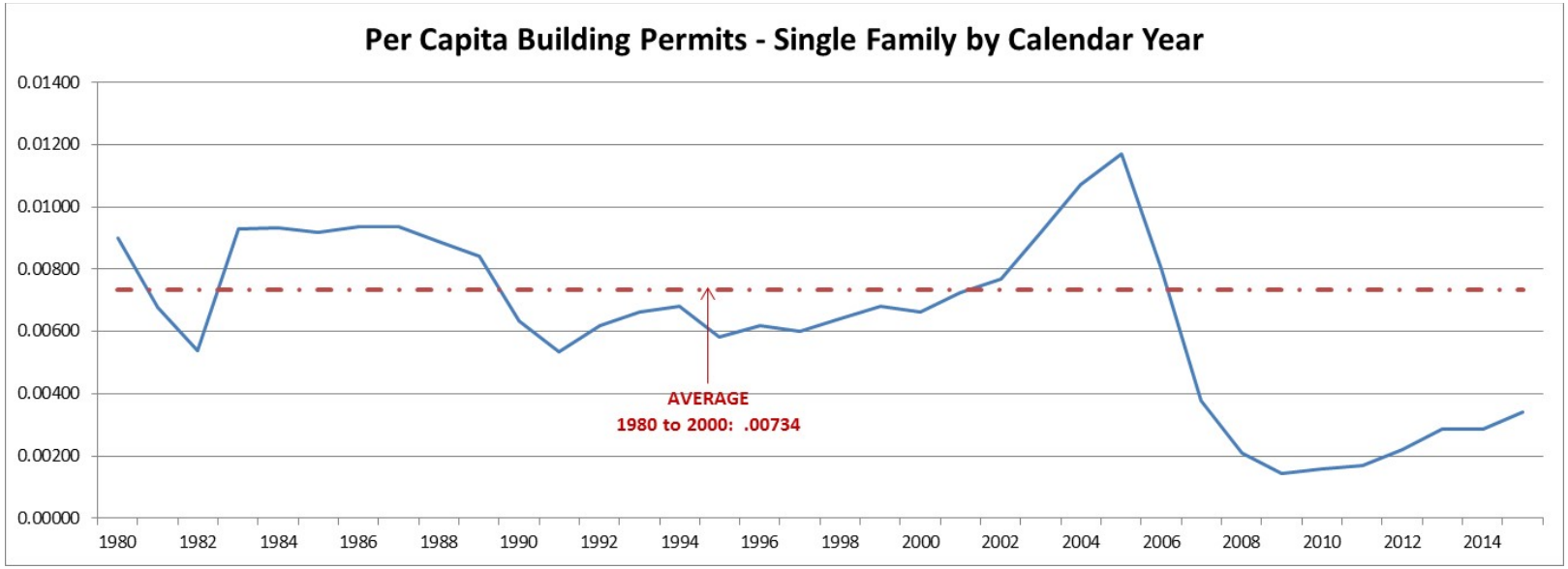
2015	
Orlando	262,949
St. Petersburg	256,681

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 eleven months of the 2016 calendar year, single-family building permit activity was running 13.4% 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

Change in Permits from Specific County Annual Peak

- -51.2% to -24.5%
- -60.9% to -51.3%
- -78.1% to -61.0%
- -85.5% to -78.2%
- -100.0% to -85.6%

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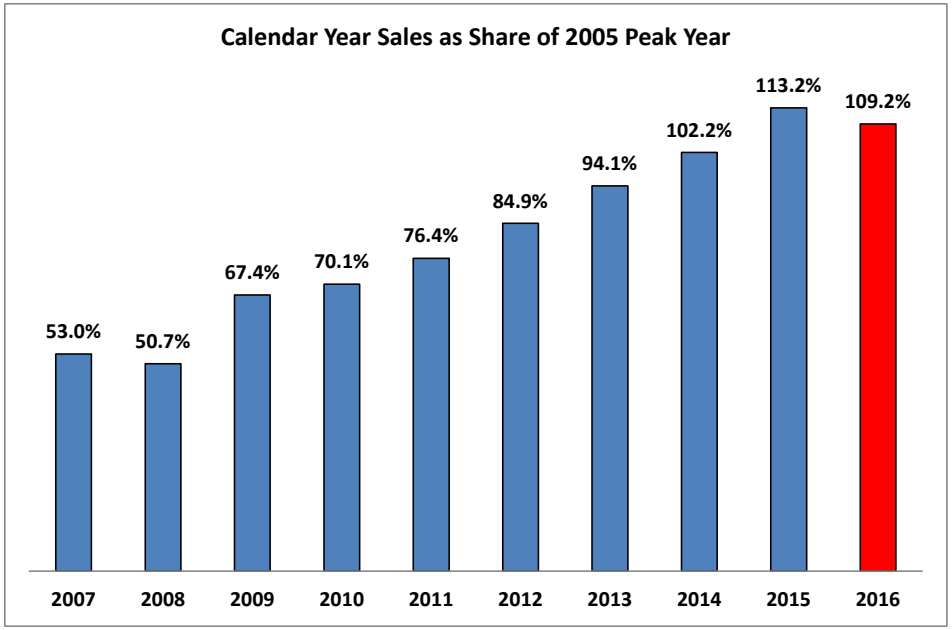
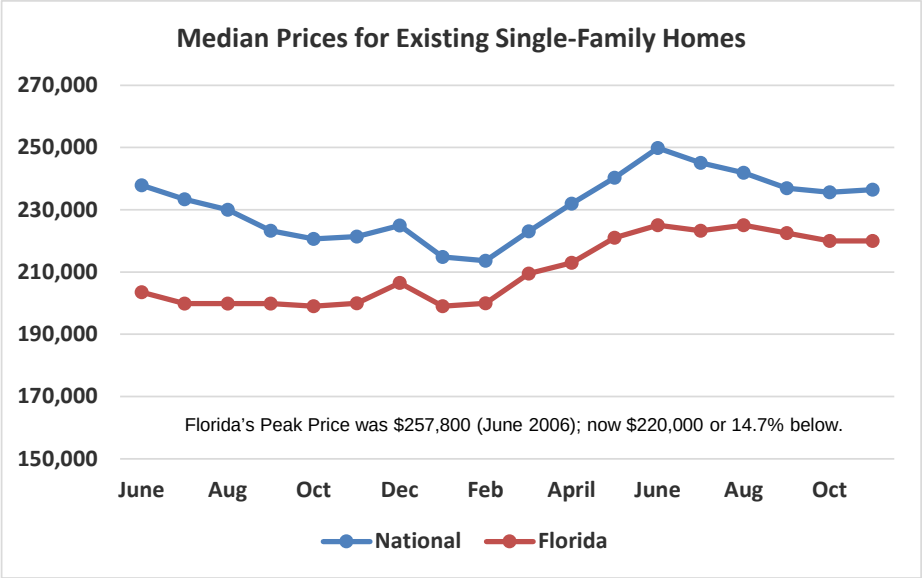
Existing home sales volume in both 2014 and 2015 exceeded the 2005 peak year; however, the sales activity in the first eleven months of 2016 has been sluggish relative to last year. For this period, Florida is running slightly below its 2015 pace.



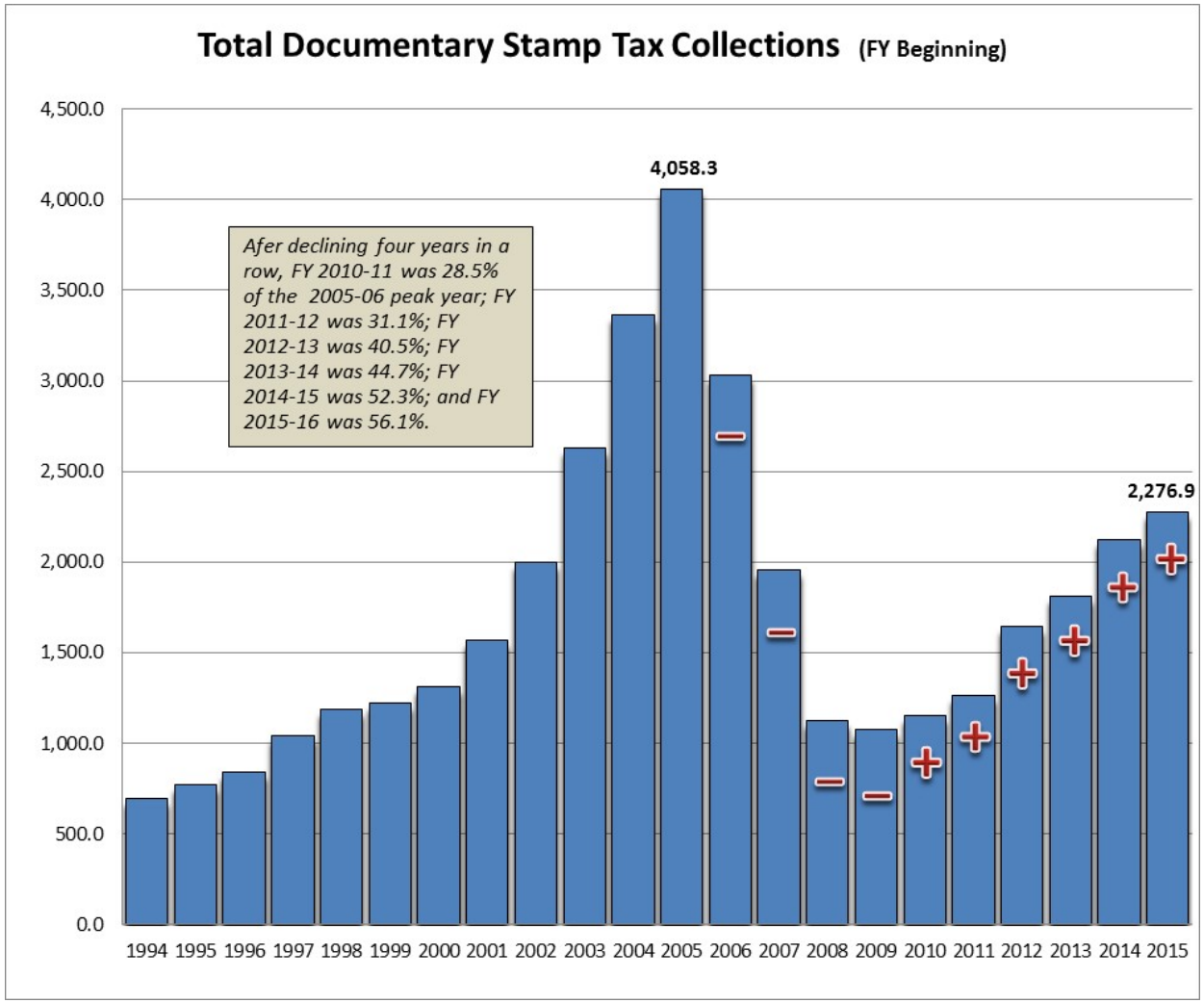


Florida's existing home price gains have roughly tracked national gains over the first eleven months of 2016, with the state's median home price for single family homes staying slightly flatter as the national median peaked and dipped. The state's median price in November was 93.0% of the national median price.

Data through November 2016

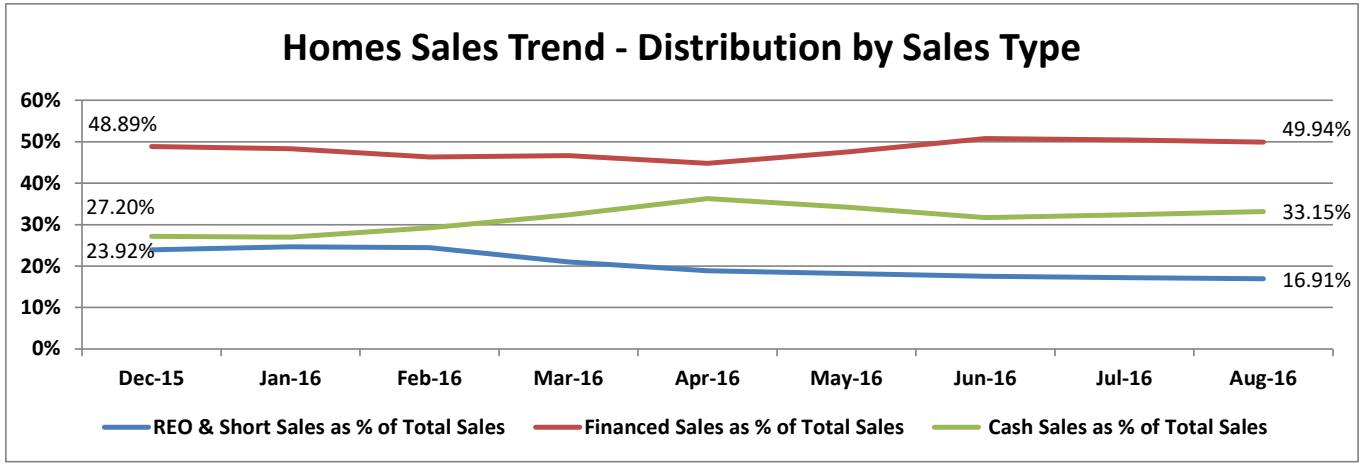
Documentary Stamp Collections

(Preliminary: Reflecting All Activity)



Documentary Stamp Tax collections saw 7.4% growth in FY 2015-16 over FY 2014-15.

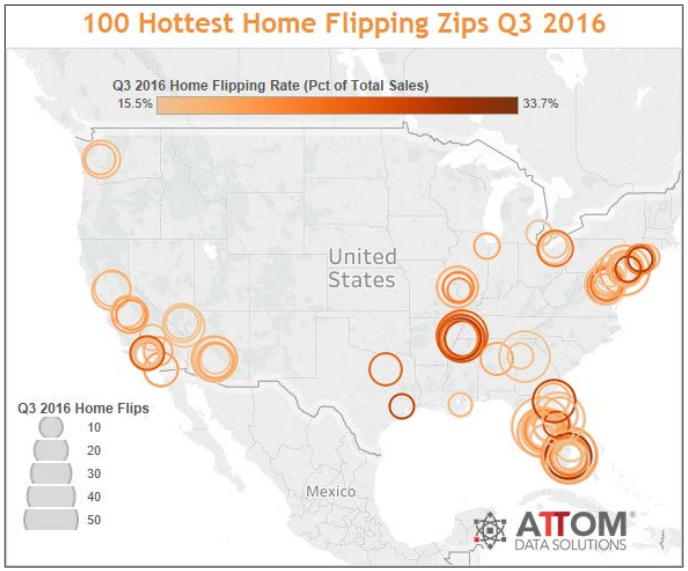
Sales Mix Still Atypical...



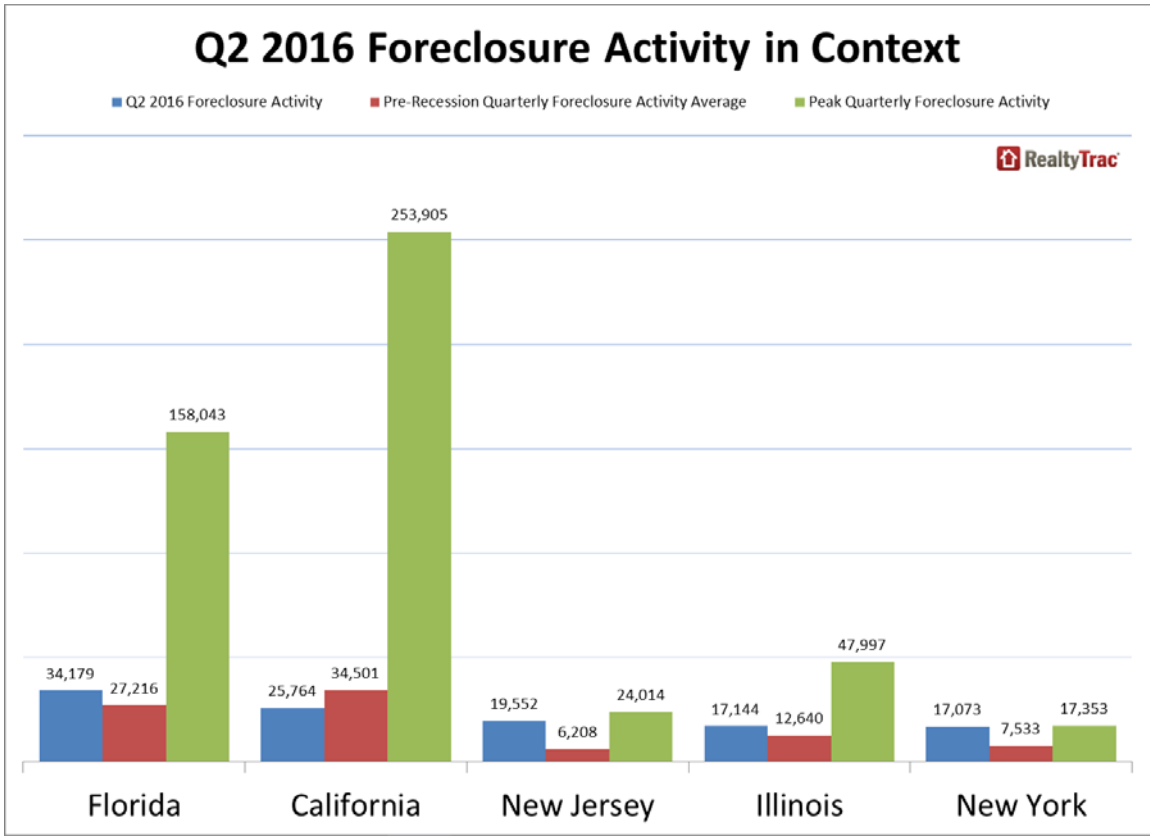
Financed Sales continue to gain as a percentage of all sales, ending August 2016 with a higher share than this segment had in August 2015 (49.94% versus 45.53%). The share for REO & Short Sales has drifted steadily downward over this period; however, the share for Cash Sales has remained fairly consistent.

Data from LPS / Black Knight

Interest rates continue to be low; a 30-year conventional note averaged 3.81 for closed notes in November. 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, Florida had the second highest share of flips in 2015 at 8%, following Nevada at 8.8%. The national average for 2015 was 5.5% of all single family home and condo sales; the peak was reached in 2005 at 8.2%. In a more recent report for Q3:2016, RealtyTrac reported: “Among 92 metropolitan statistical areas with at least 90 homes flipped in Q3 2016, those with the highest flipping rate were Memphis (11.0 percent); Clarksville, Tennessee (9.5 percent): Deltona-Daytona Beach-Ormond Beach, Florida (9.3 percent); Tampa-St. Petersburg, Florida (9.3 percent); and Visalia-Porterville, California (9.3 percent). Other markets in the top 10 for highest flipping rate were York-Hanover, Pennsylvania (9.2 percent); Lakeland-Winter Haven, Florida (9.0 percent); Fresno, California (8.7 percent); Miami (8.6 percent); and Las Vegas (8.2 percent).”



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)."

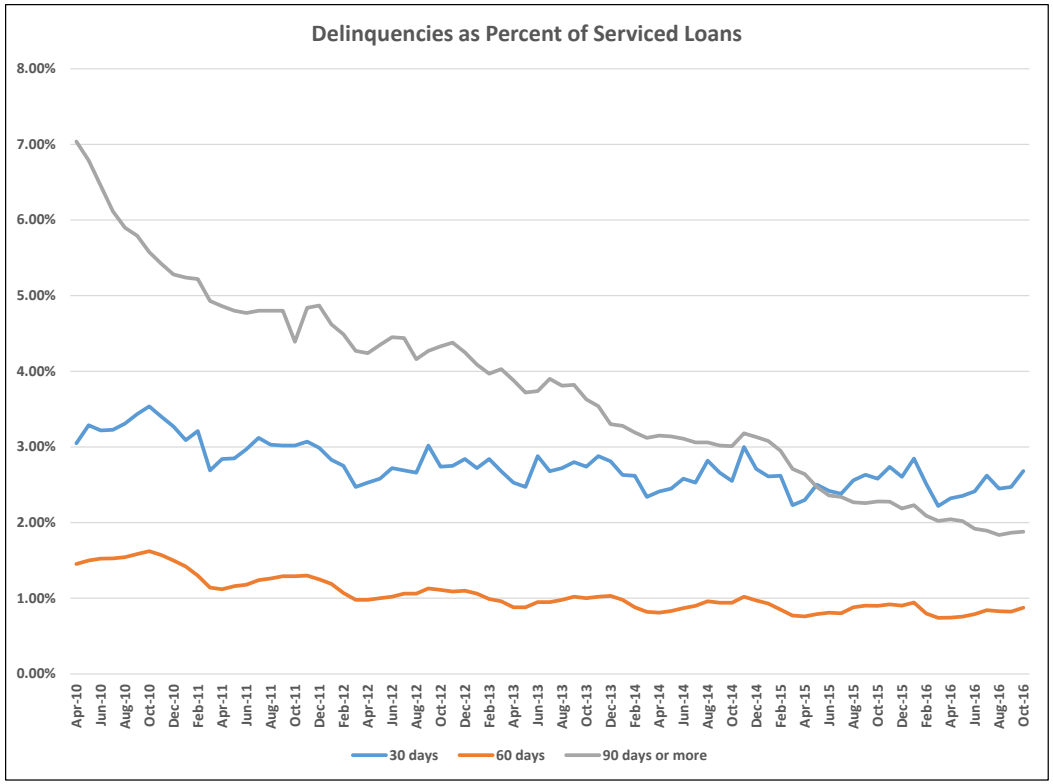
RealtyTrac, Six-Month Report

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

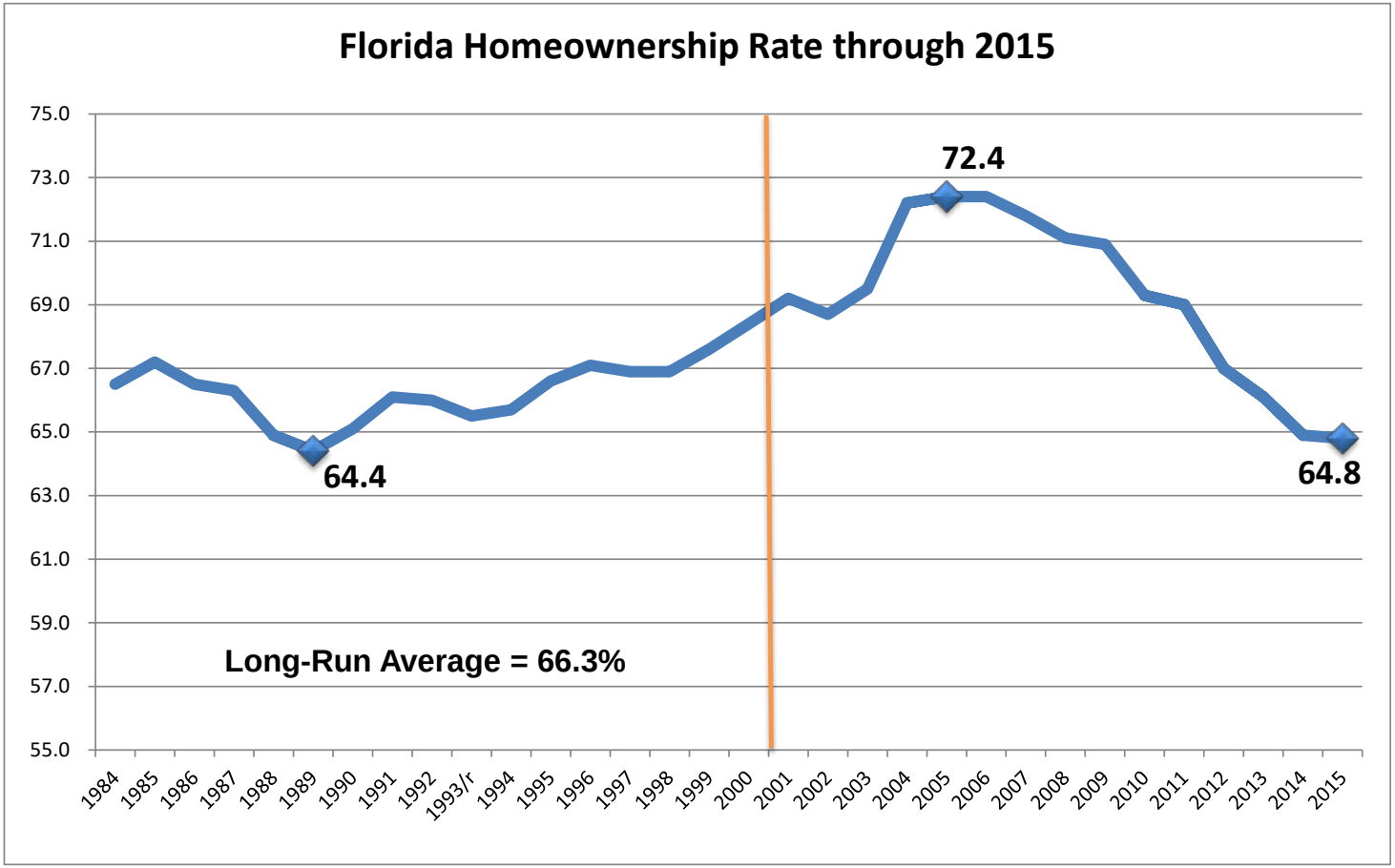


Nationally—and in Florida—the foreclosure inventory is expected to normalize by the end of the 2018 calendar year. Judicial states are taking the longest time to recover. *[Mortgage Monitor, March 2016]*

- Florida has been helped by decreasing delinquencies and non-current loans which limit the incoming pipeline. These have been produced by rising home values and employment, as well as reduced numbers of "underwater" homes. Florida's "underwater" homes declined from a high of 50% of all residential mortgages to less than 7% in the most recent data. This level (6.9% of all Florida loans in September) is still higher than the country as a whole.

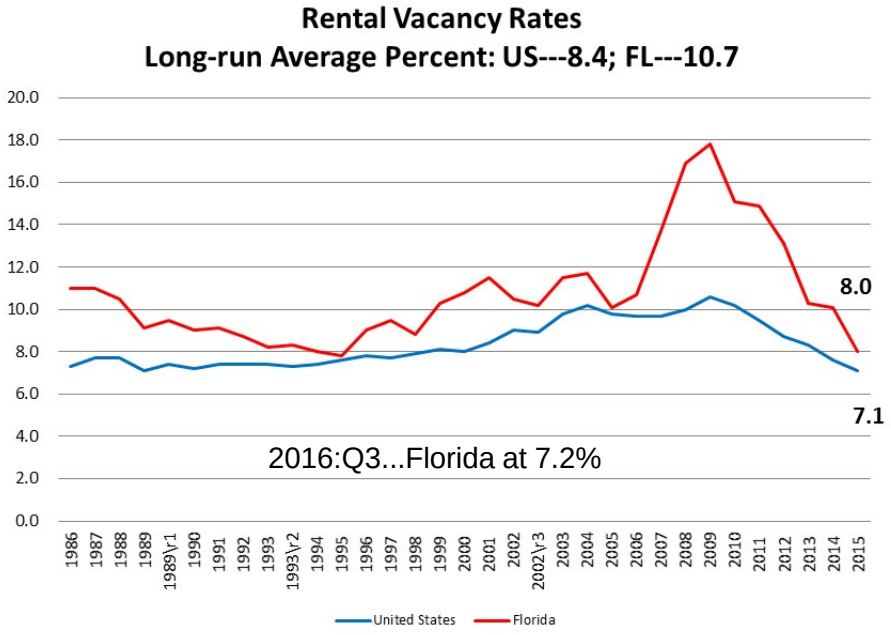
- However, a significant share of the remaining foreclosable homes have been delinquent for a long time—again according to Black Knight, 37% of loans more than 5 years delinquent in Florida are not yet actively involved in the foreclosure process.

Homeownership Rate Below Normal



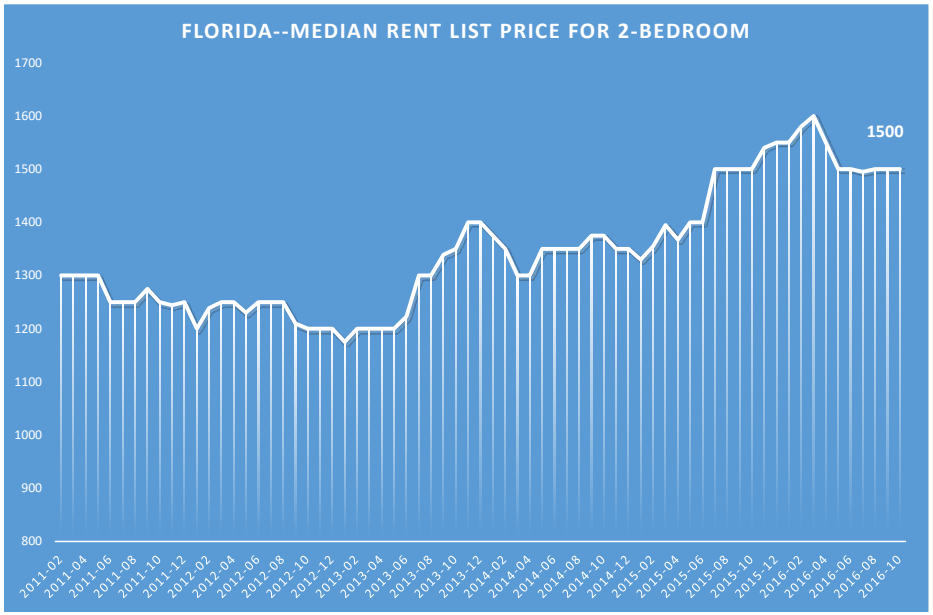
The 2015 percentage of 64.8 is the lowest since 1989, and it's below the long-term average for Florida. Third-quarter data for 2016 shows a further decline to 64.2%, which matches the implied average for the year. If this level holds for 2016, it will be the lowest level for Florida in the 32-year history of the series.

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



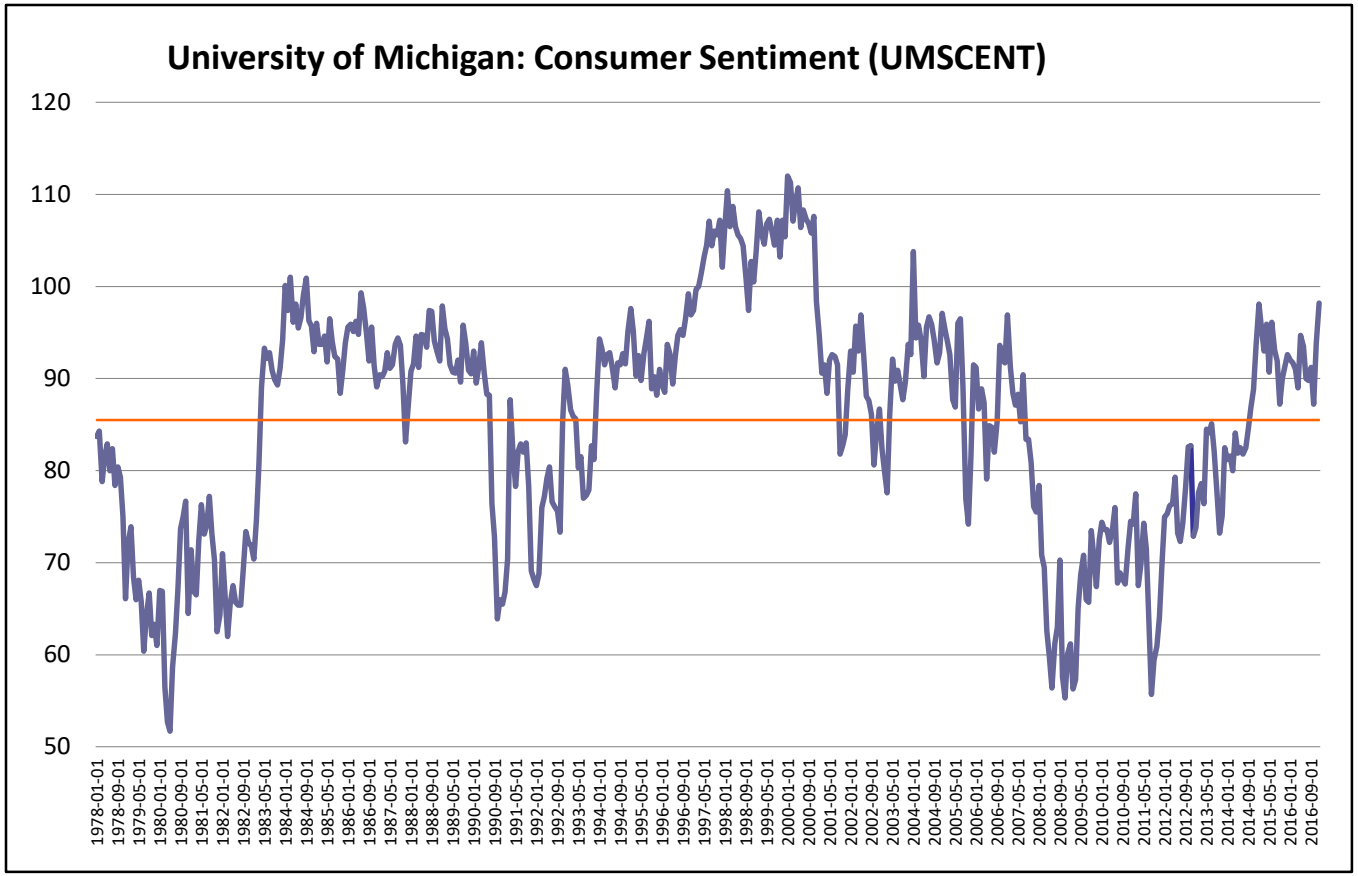
Florida and U.S. Median Gross Rent (in Current Dollars)						
	Median Gross Rent			Average Gross Rent		
Year	United States	Florida	Florida relative to United States	United States	Florida	Florida relative to United States
2005	728	809	111%	803	863	107%
2006	763	872	114%	844	932	110%
2007	789	925	117%	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%
2015	959	1,046	109%	1,077	1,129	105%

Source: U.S. Census Bureau, American Community Survey, 1-Year, 2005-2015.



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

Consumer Perceptions Off From High



Nationally, the sentiment reading for December 2016 (98.2) was at its highest level since January 2004 (103.8). The reading was also well above the index average since inception (85.4).

Economy Recovering

Florida growth rates are generally returning to more typical levels and continue to show progress. The drags—particularly construction—are more persistent than past events, but the strength in tourism is largely compensating for this. Overall, 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 near completion on all fronts. While most areas of commercial and consumer credit have significantly strengthened – residential credit for home purchases still remains somewhat difficult for consumers to access with a weighted average credit score of 728 and a LTV of 78 percent on all closed loans in November. 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.

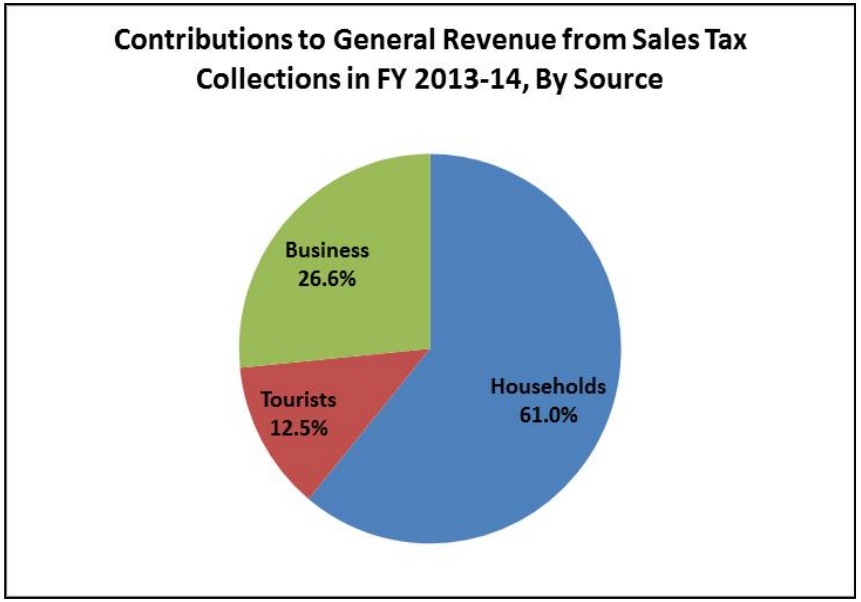
More Buyers...

- 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.

Downside Risk...

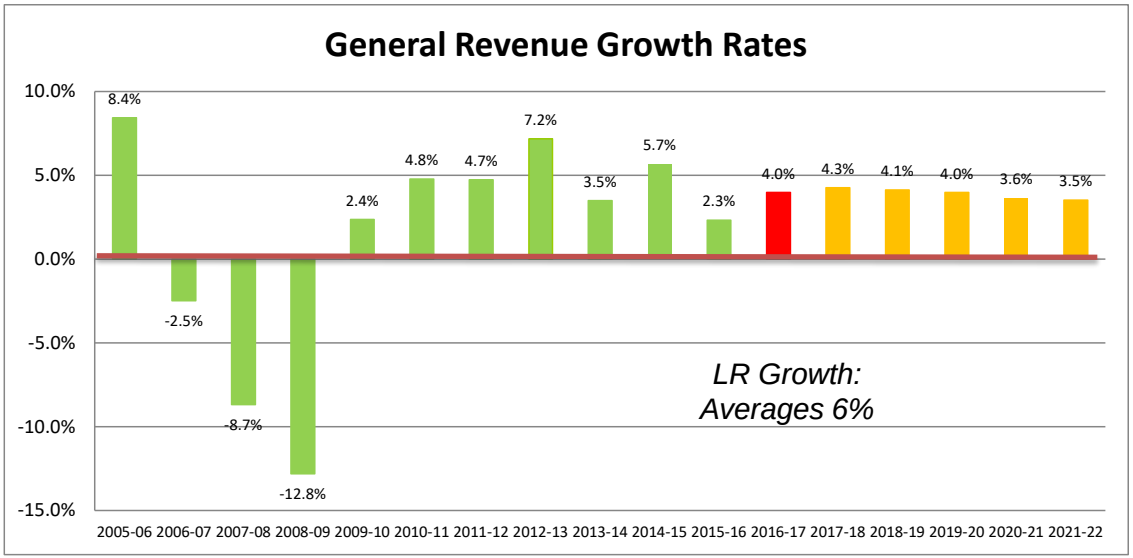
- The most recent sales tax forecast relies heavily on strong tourism growth. It makes no adjustments for Zika-related impacts and assumes no other events that have significant repercussions affecting tourism occur during the forecast window.
  - Currently, tourism-related revenue losses pose the greatest potential risk to the economic outlook.
  - Previous economic studies of disease outbreaks and natural or manmade disasters have shown that tourism demand is very sensitive to such events.

In an unrelated study, the Legislative Office of Economic and Demographic Research performed an empirical analysis of the source of the state's sales tax collections. In FY 2013-14, sales tax collections provided $19.7 billion dollars or 75% Florida's total General Revenue collections. Of this amount, an estimated 12.5% (nearly $2.5 billion) was attributable to purchases made by tourists.



General Revenue Forecast

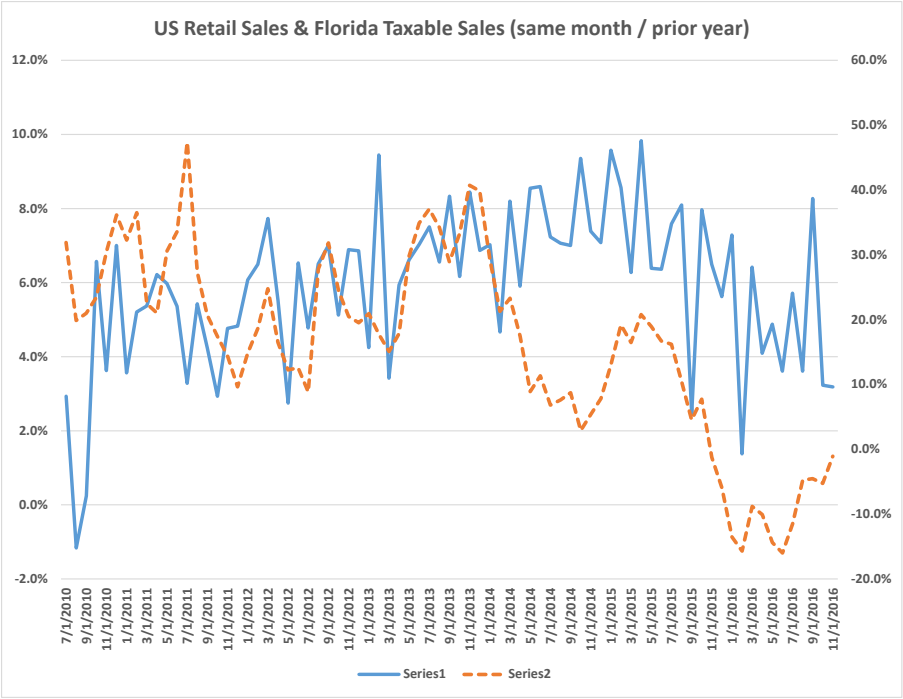
In FY 2014-15, General Revenue collections surpassed the prior peak in 2005-06 for the first time since then. After slowing in FY 2015-16, growth is expected to pick up during the 2016-17 through 2019-20 time period as the construction industry recovers, slowly shifting down to long-run growth of 3.5%.



Fiscal Year	Aug 2016 Forecast	Dec 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*	*-3086.5*	*-12.8%*
2009-10	*21523.1*	*21523.1*	*0*	*497.5*	*2.4%*
2010-11	*22551.6*	*22551.6*	*0*	*1028.5*	*4.8%*
2011-12	*23618.8*	*23618.8*	*0*	*1067.2*	*4.7%*
2012-13	*25314.6*	*25314.6*	*0*	*1695.8*	*7.2%*
2013-14	*26198.0*	*26198.0*	*0*	*883.4*	*3.5%*
2014-15	*27681.1*	*27465.9*	*-215.2*	*1267.9*	*5.7%*
2015-16	*28325.4*	*28325.4*	*0*	*644.5*	*2.3%*
2016-17	29,332.8	**29,452.1**	119.3	1126.7	4.0%
2017-18	30,686.9	**30,709.5**	22.6	1257.4	4.3%
2018-19	31,948.2	**31,978.9**	30.7	1269.4	4.1%
2019-20	33,223.9	**33,253.0**	29.1	1274.1	4.0%
2020-21	34,395.1	**34,465.3**	70.2	1212.3	3.6%
2021-22	35,614.9	**35,680.8**	65.9	1215.5	3.5%

The added dollar amounts through FY 2019-20 (totaling $201.7 million in the column labeled "Difference") are additive to the Long-Range Financial Outlook. Because the added money from the new forecast is largely front-loaded, the recurring benefit is much smaller. It starts with FY 2017-18 ($22.6 million); the $119.3 million in FY 2016-17 will be treated as nonrecurring.

US Retail Sales & Florida Taxable Sales



- The change over the same month in the prior year was consistently negative in the national S&P Retail Select Industry Index from November 2015 to November 2016.

- Throughout the 2015-16 fiscal year and continuing through November of FY 2016-17, Florida's taxable sales remained positive for the same month over the prior year, even though they exhibited an overall pattern similar to the national Index. The Florida monthly fluctuations were much greater than those seen in FY 2013-14 and FY 2014-15.