

Florida: An Economic Overview

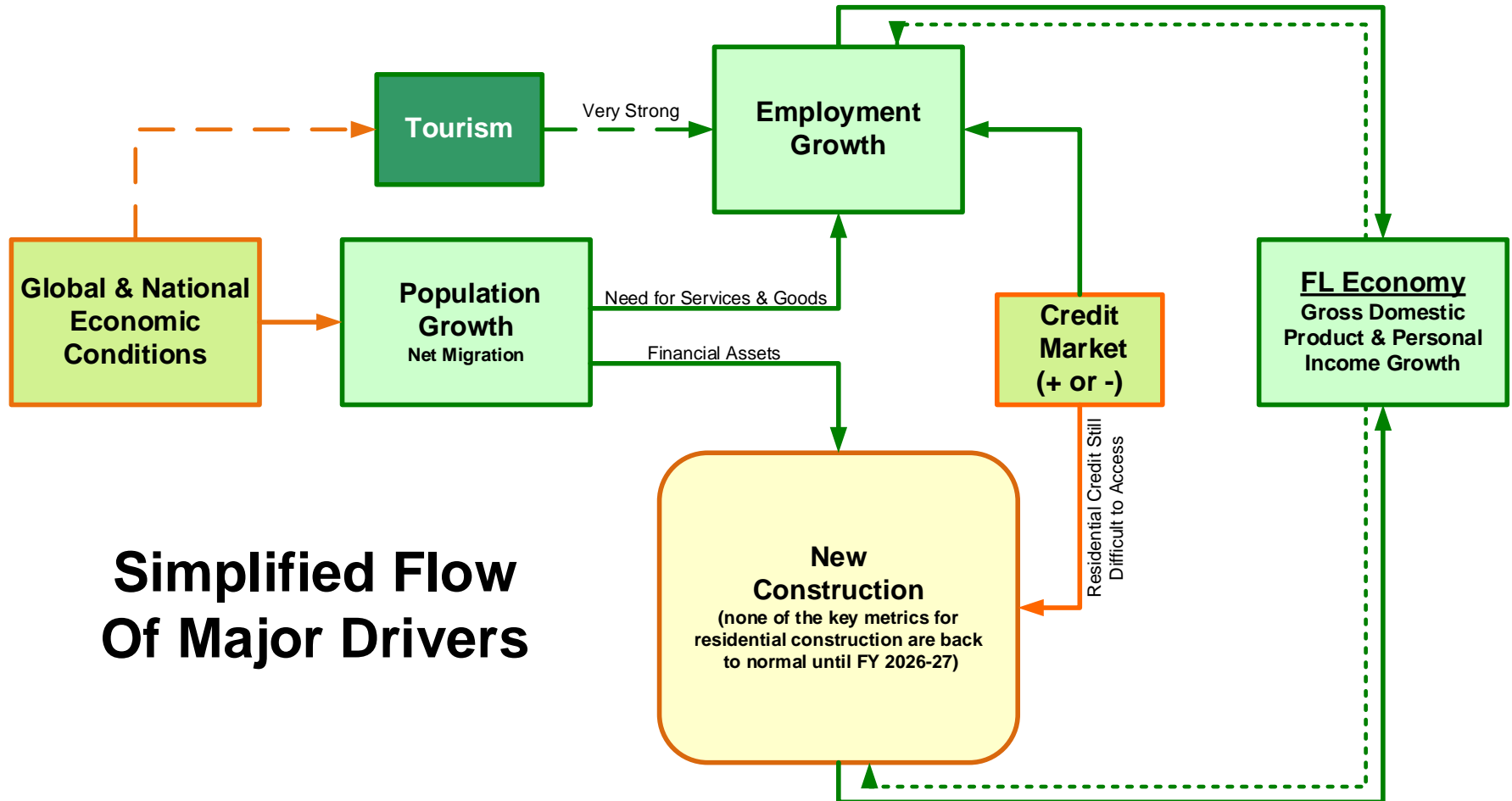
December 26, 2018

Presented by:

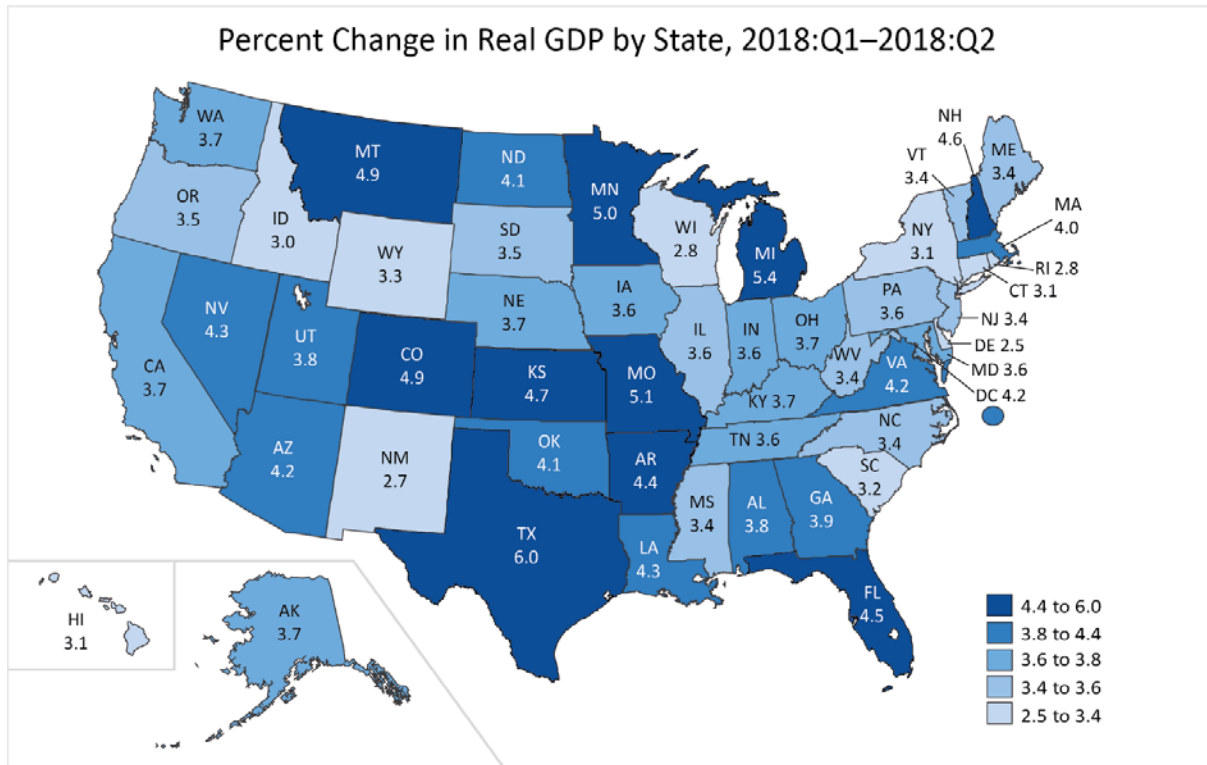


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Shifting in Key Economic Variables



Economy Has Continued Growth...



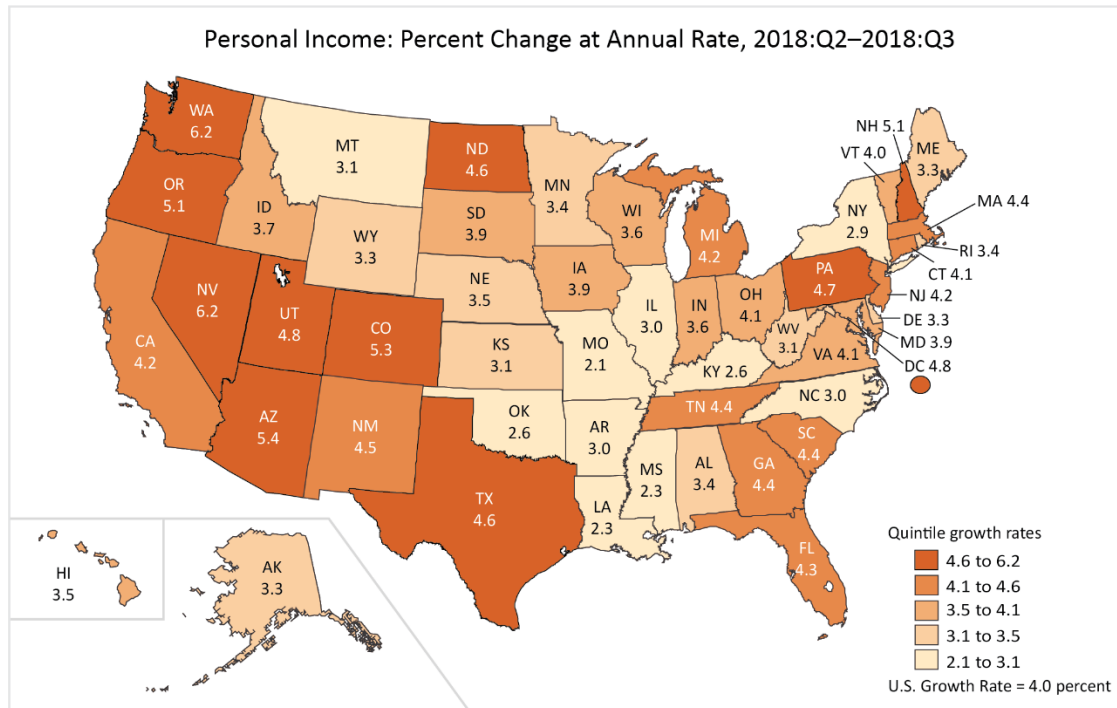
U.S. Bureau of Economic Analysis

For the second quarter of the 2018 calendar year, Florida posted growth of 4.5 percent, surpassing the national average of 4.2 percent and ranking the state 9th in the country for real growth.

In the latest revised data for State Gross Domestic Product (GDP), Florida had real growth of 4.0% in 2015, placing it above the national average of 2.9%. For the 2016 calendar year, Florida's growth slowed to 3.2%; however, this was still well above the national average of 1.6%.

For 2017, Florida's real growth further slowed to 2.2% over the prior year and matching the national average. This ranked Florida 16th among states for growth. The Estimating Conference expects that Florida's Real Gross Domestic Product (GDP) will show growth of 3.5% in Fiscal Year 2018-19 and then begin a slow decline to the 2.0% range in the mid- and long-term portions of the forecast.

FL Personal Income Growth Is Strong, Driven in Part by Robust Population Growth...



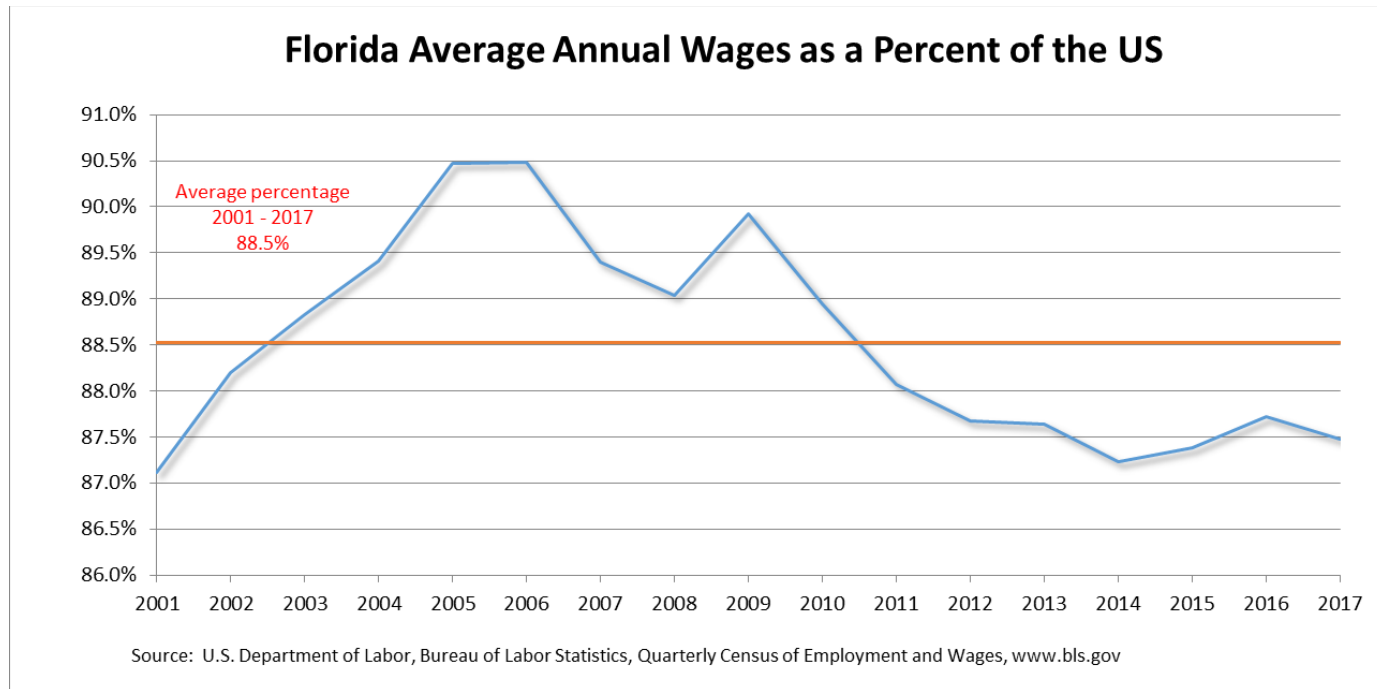
U.S. Bureau of Economic Analysis

The third quarter results for the 2018 calendar year indicated that Florida ranked 16th in the country with 4.3 percent growth over the prior quarter. The state was above the United States as a whole, which had 4.0 percent growth.

In the latest revised data for State Personal Income, Florida had growth of 7.1% in 2015, placing it well above the national average of 4.9%. For the 2016 calendar year, Florida's growth slowed to 3.7%; however, this was still above the national average of 2.6%. For 2017, the latest revised numbers show that Florida's growth increased to 5.0% over the prior year, compared to national growth of 4.4%. Over the long term, the annual growth rates for the state are expected to straddle 4.0%.

Florida's per capita personal income growth trailed the nation in performance in 2017, growing only 3.3% compared to the national average of 3.6%.

Wage Gap Increased Slightly in 2017...

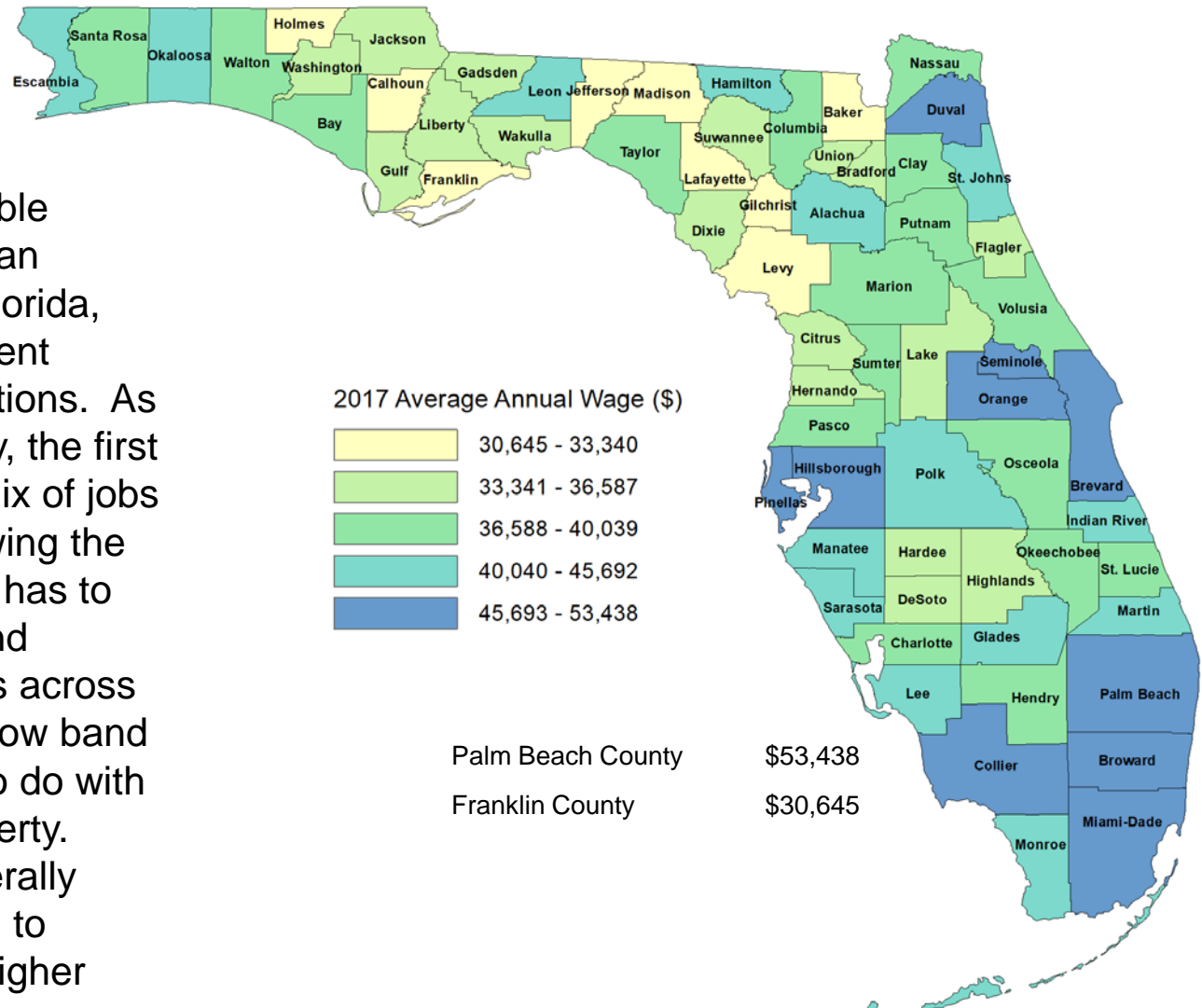


Florida's average annual wage has typically been below the US average. The most recent data for the 2017 calendar year showed that Florida's average wage, relative to the US average, fell slightly from 87.7% in 2016 to 87.5%. The ratio in 2014 (87.2%) was Florida's lowest percentage since 2001.

In part, the lower than average wage gains has to do with the mix of jobs that have been growing the fastest in Florida and their average wages. For example, the Accommodation & Food Services employment sector is large, has the lowest average annual wage, and had up until this past year been growing faster than overall employment in the state. This industry sector is closely related to the health of Florida's tourism industry that had a record 122.0 million visitors in FY 2017-18, an increase of 5.4% over FY 2016-17.

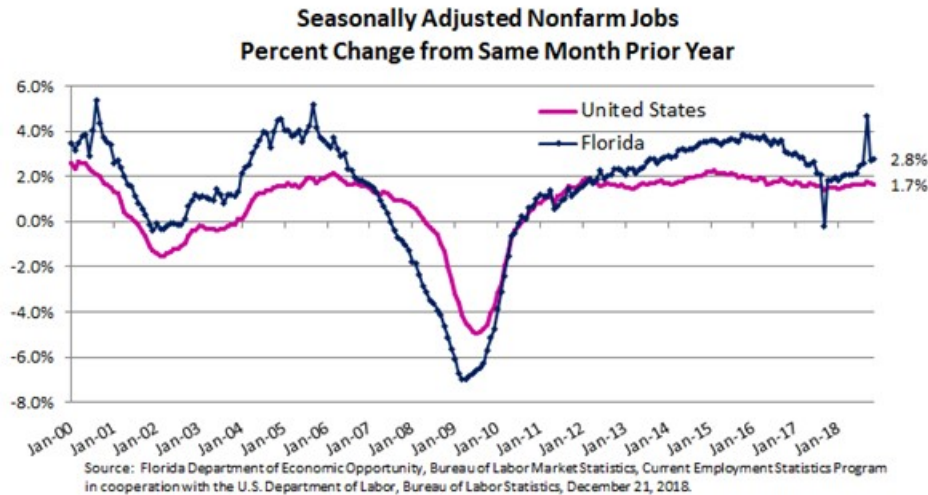
Average Annual Wage by County...

There are two possible reasons for lower than average wages in Florida, and they have different economic interpretations. As described previously, the first has to do with the mix of jobs that have been growing the fastest. The second has to do with the range and distribution of wages across a community: a narrow band typically has more to do with opportunity and poverty. Urban workers generally have a higher return to education through higher wages.



Source: Florida Department of Economic Opportunity, Labor Market Statistics, Quarterly Census of Employment and Wages; Place of Work

Current Employment Conditions Strong...



November Nonfarm Jobs (YOY)

US 1.7%
 FL 2.8%
 YR: 241,600 jobs
 Peak: +821,700 jobs
 [Prior Employment Peak passed in May 2015]

November Unemployment Rate

US 3.7%
 FL 3.3%
 (335,000 people)

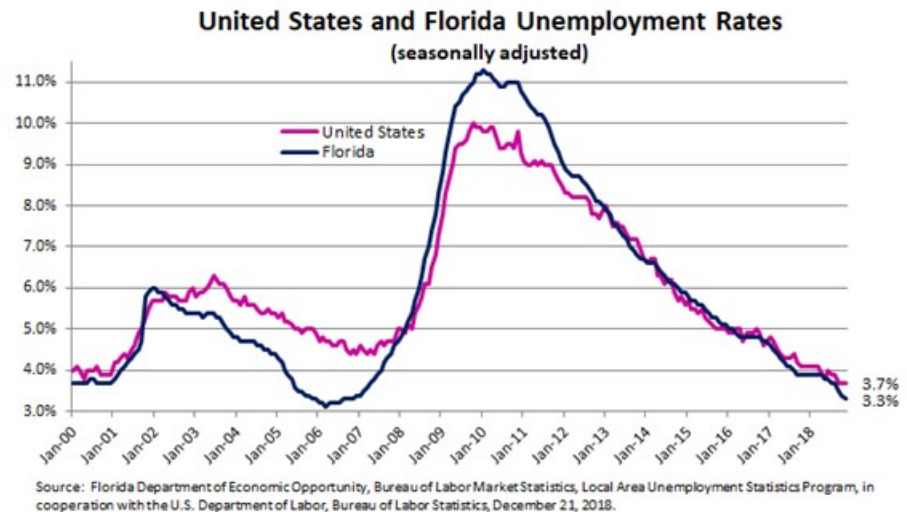
The Revenue Estimating Conference assumes Florida has fallen below the “full employment” unemployment rate (about 4 percent).

Highest Monthly Rate

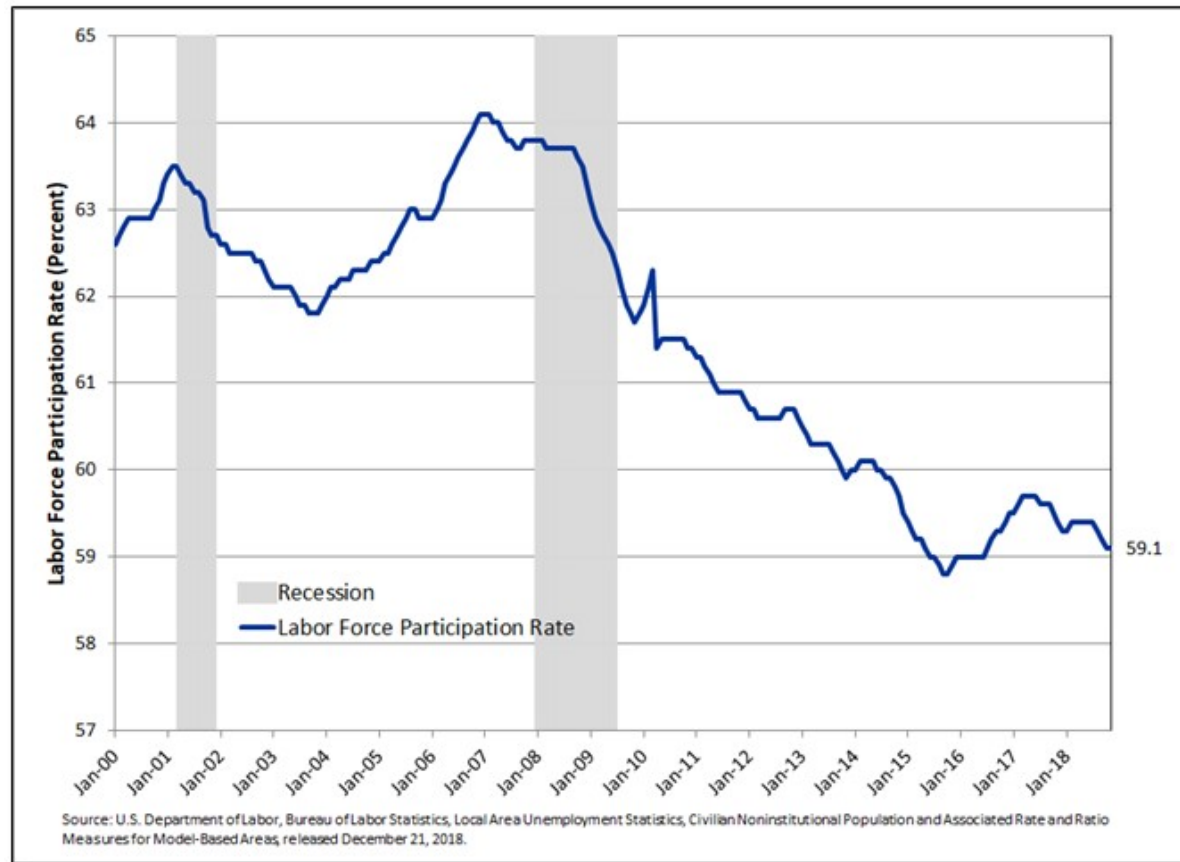
11.3% (January 2010)

Lowest Monthly Rate

3.1% (March 2006)

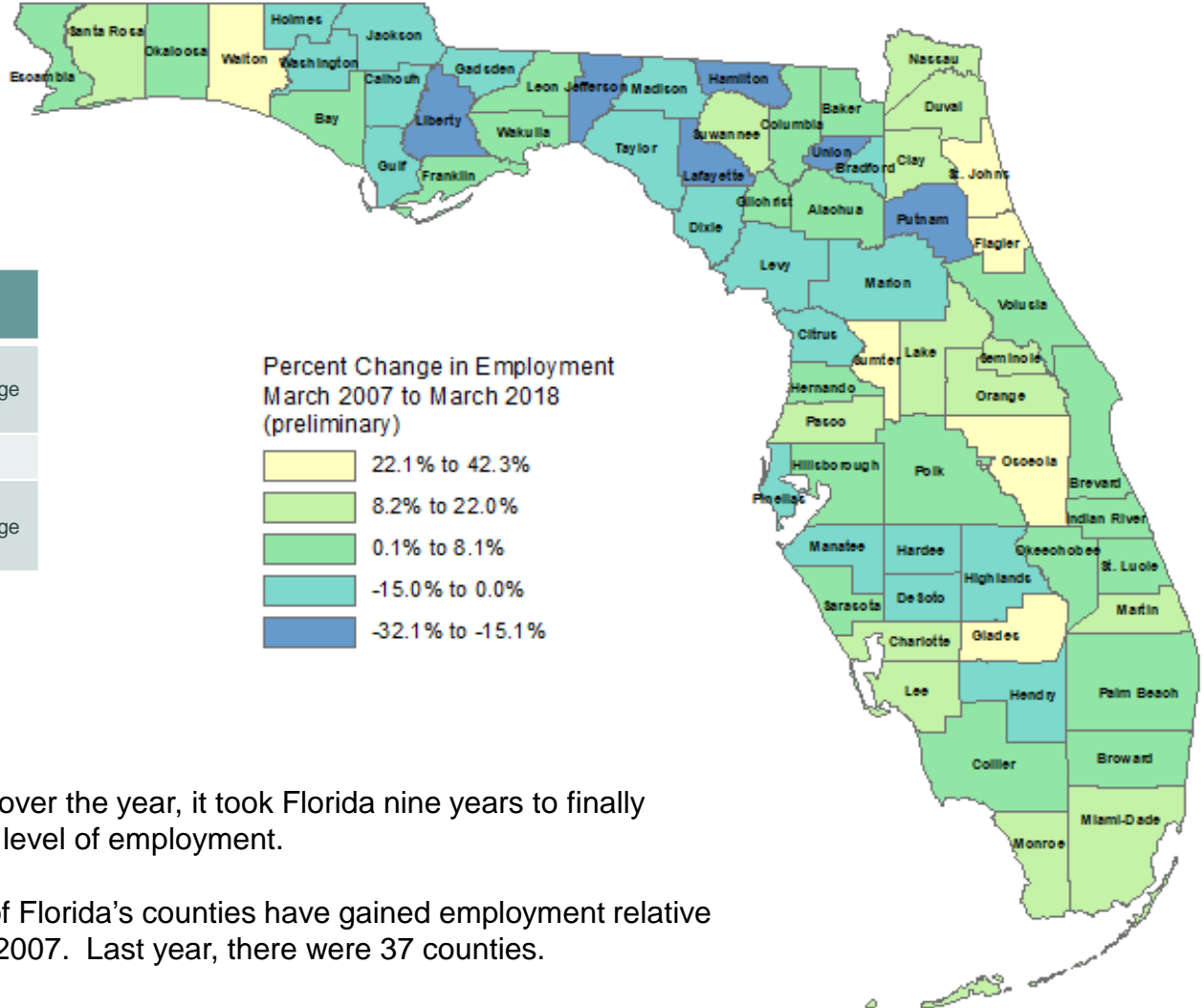


But, Florida's Participation Rate Low...



Florida's labor force participation rate peaked during the Housing Boom at 64.1% from December 2006 to February 2007. While the unemployment rate is now similar to that time, the labor force participation rate is not. Florida's November rate matched October at 59.1%, while the US rate was 62.9% in November 2018. A higher participation rate would imply a higher unemployment rate, at least in the short run.

Across the State, Employment Picture Is Improving, but Polarized...



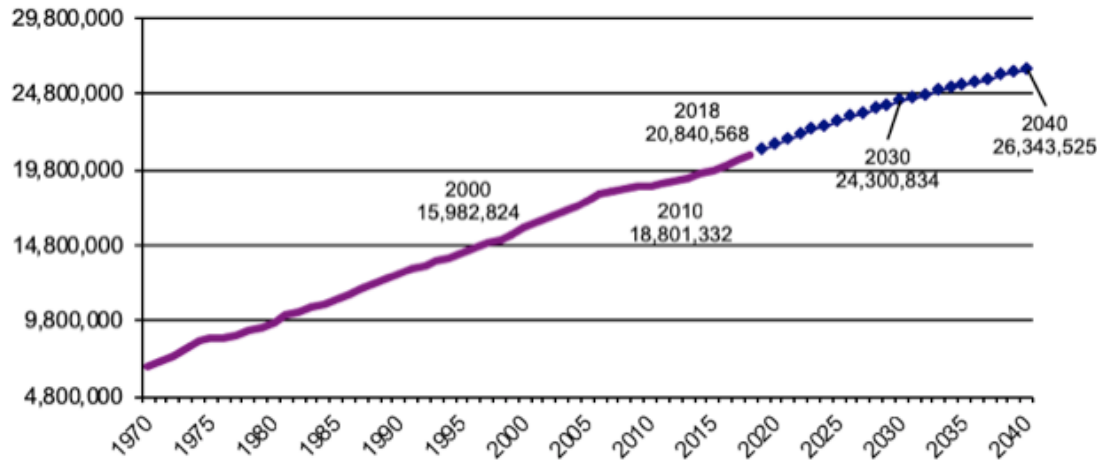
| Area | March 2007 to March 2018 | |
|----------------|--------------------------|------------------------------|
| Sumter County | 42.3% | Greatest Percentage Increase |
| Florida | 7.7% | |
| Liberty County | -32.1% | Greatest Percentage Decline |

- Comparing March data over the year, it took Florida nine years to finally surpass its March 2007 level of employment.
- Almost two-thirds (42) of Florida's counties have gained employment relative to their levels in March 2007. Last year, there were 37 counties.

Population Growth Slowing Slightly...

- Population growth is the state's primary engine of economic growth, fueling both employment and income growth.
- Florida's population grew by 1.74% between April 1, 2017 and April 1, 2018 to 20,840,568, adding 356,426 residents. This growth was bolstered by the in-migration of Puerto Ricans and US Virgin Islanders as a result of the 2017 hurricane season.
- Over the next four years, Florida's population growth is expected to remain at or above 1.4%, averaging 1.51% between 2018 and 2022. Most of Florida's population growth through 2030 will be from net migration (98.0%).
- Nationally, average annual growth will be about 0.67% between 2018 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 currently the third most populous state, behind California and Texas.

Florida's Population Growth...



Florida's population growth of 356,426 between April 1, 2017 and April 1, 2018 was the strongest annual increase since 2006, immediately prior to the collapse of the housing boom and the beginning of the Great Recession.

Population:

- Average annual increase between 2000 and 2006 was: 361,942
- Average annual increase between 2006 and 2014 was: 169,112
- Average annual increase between 2014 and 2018 was: 333,300

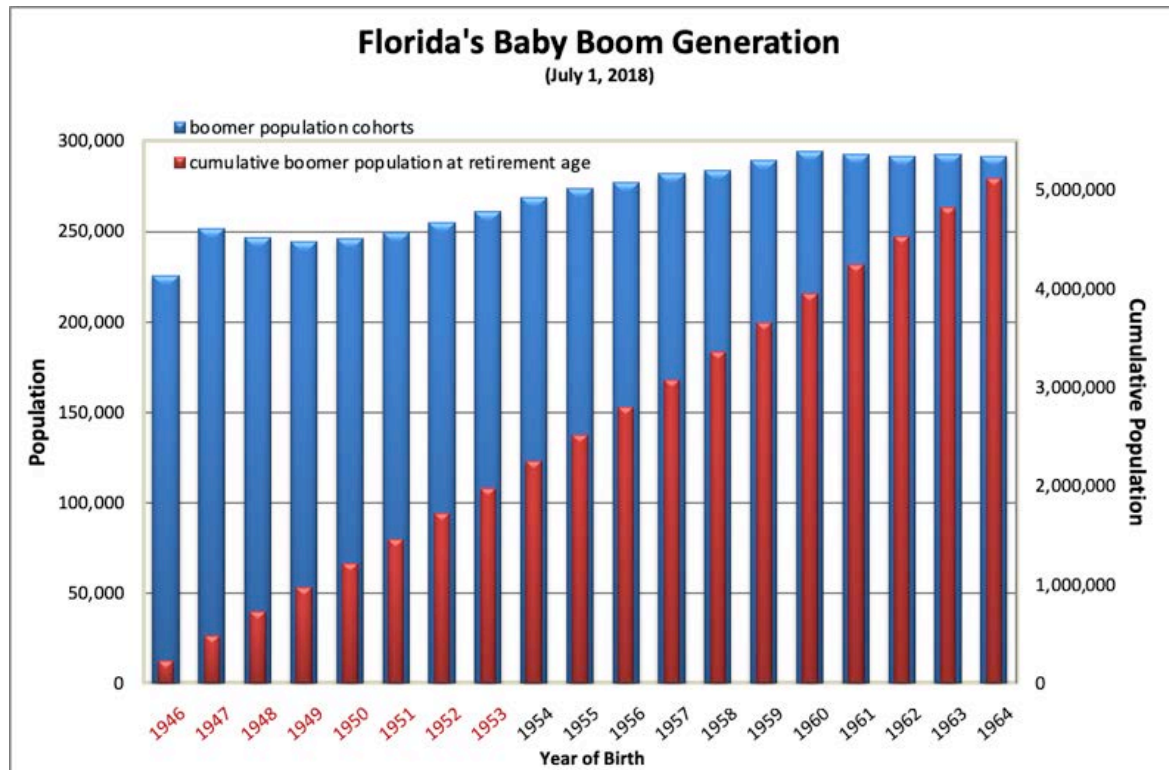
Population is forecast to increase on average annually by:

- 327,921 between 2018 and 2020
- 305,050 between 2020 and 2025
- 255,835 between 2025 and 2030

2018 Population

| | |
|----------------|---------|
| Orlando | 285,099 |
| St. Petersburg | 266,076 |

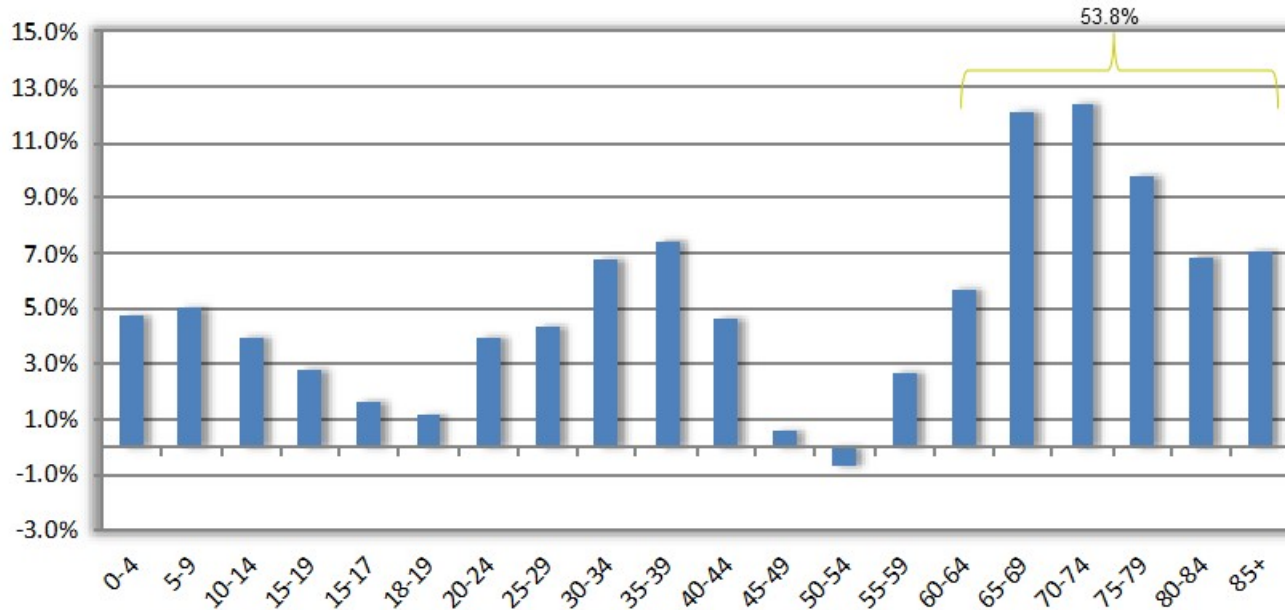
Baby Boomers in Florida Today...



- The first cohort of Baby Boomers became eligible for retirement (turned age 65) in 2011. Eight cohorts have entered the retirement phase: 2011, 2012, 2013, 2014, 2015, 2016, 2017, and 2018. This represents almost 39 percent of all Baby Boomers.
- In 2000, Florida's prime working age population (ages 25-54) represented 41.5 percent of the total population. With the aging Baby Boom generation, this population now represents 37.4 percent of Florida's total population and is expected to represent only 35.9 percent by 2030.

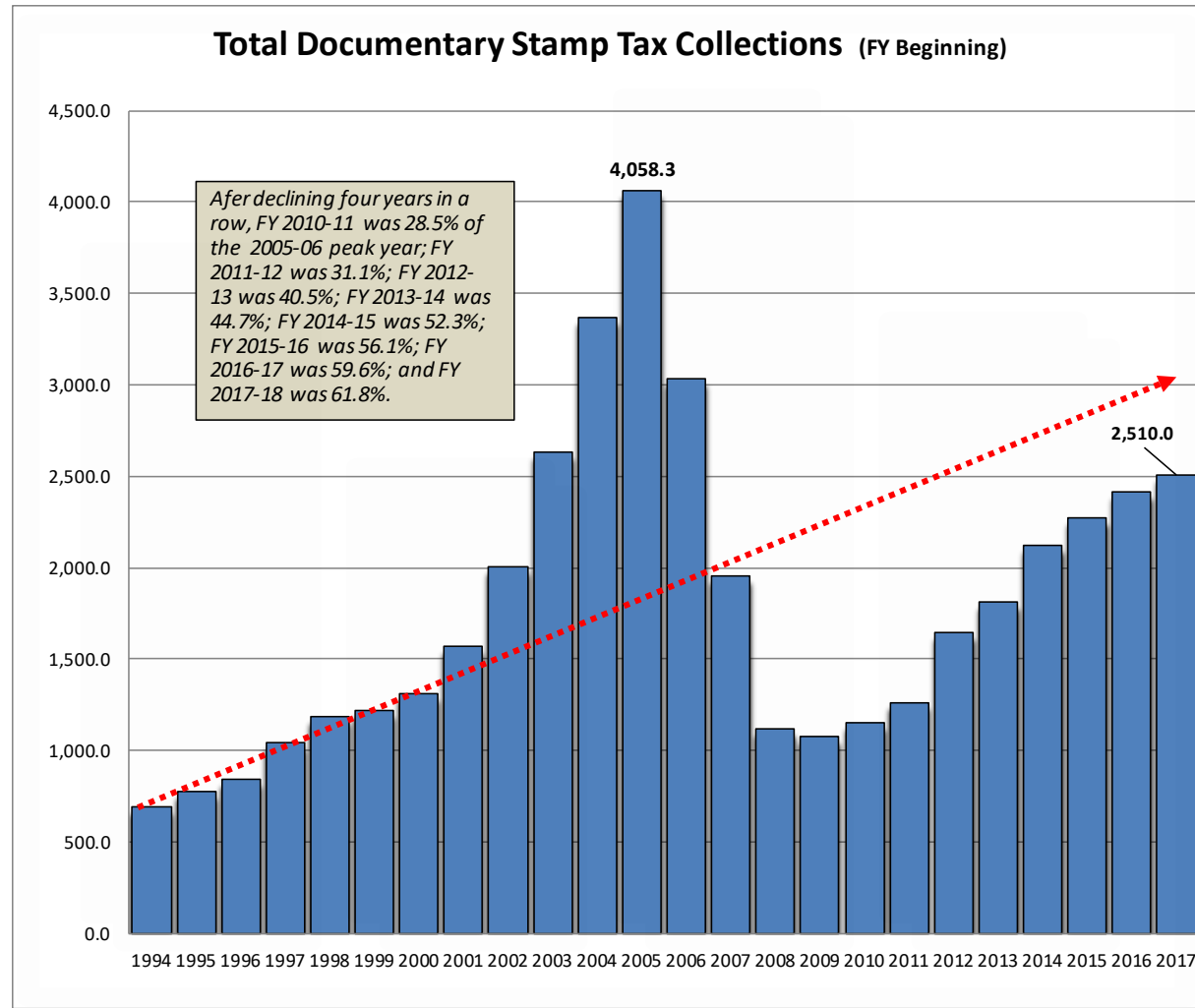
Population Growth by Age Group...

Distribution of Growth by Age Group
between April 1, 2010 to April 1, 2030



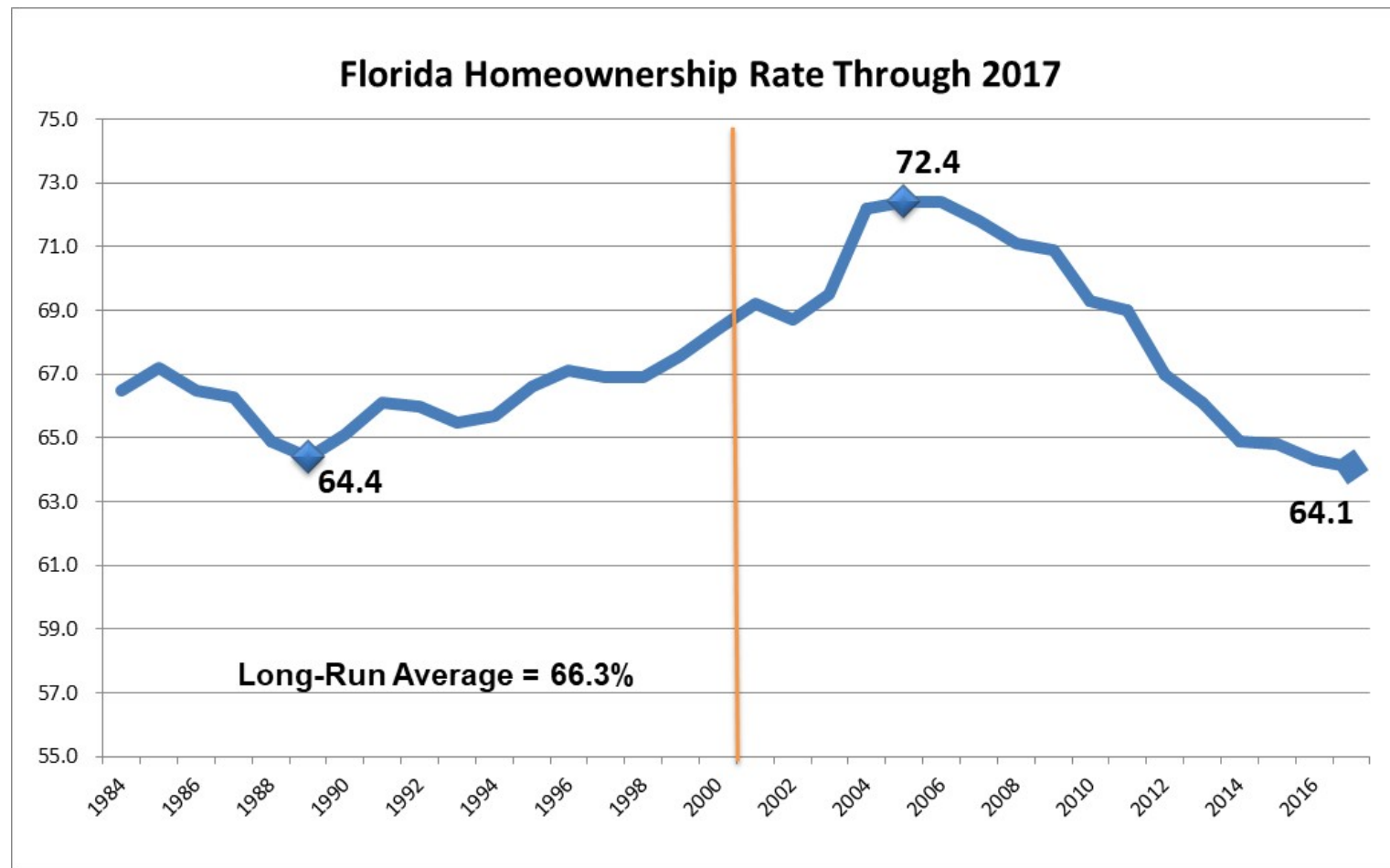
- Between 2010 and 2030, Florida's population is forecast to grow by almost 5.5 million persons.
- Florida's older population (age 60 and older) will account for most of Florida's population growth, representing 53.8 percent of the gains.
- Florida's younger population (age 0-17) will account for 15.4 percent of the gains, while the younger working age group (25-39) will account for 18.6 percent of the growth.

Florida Housing is Generally Improving...



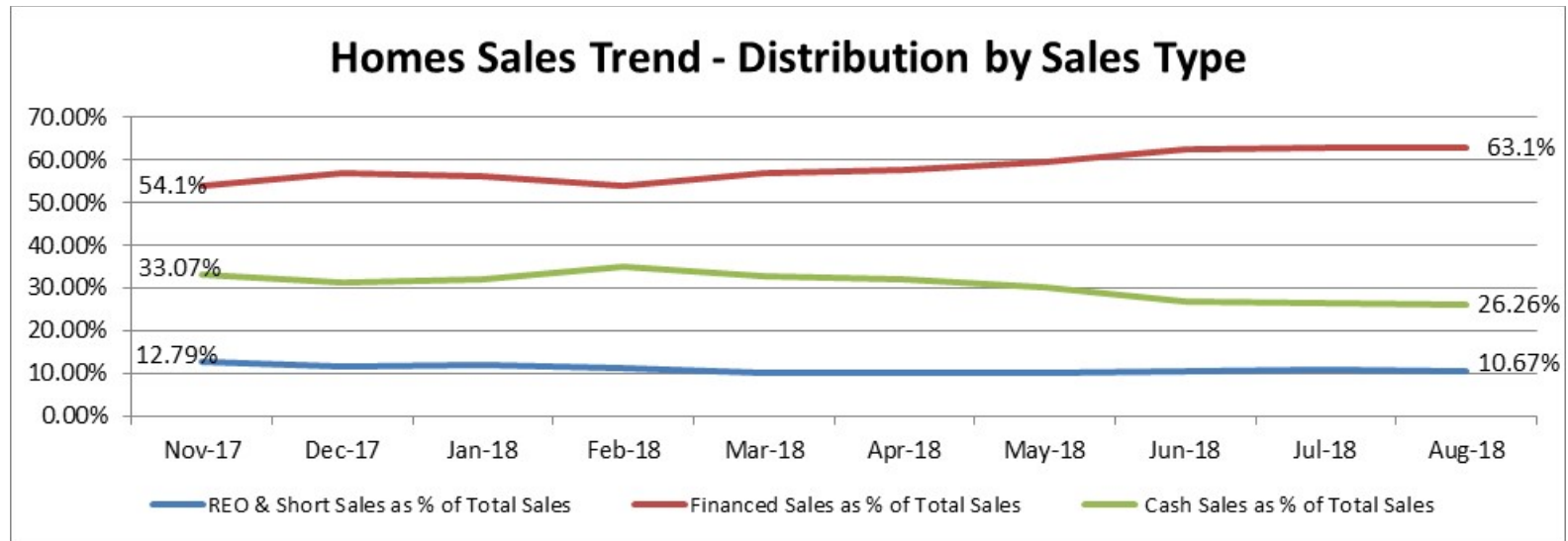
Documentary Stamp Tax collections saw 3.8% growth in FY 2017-18 over FY 2016-17.

Homeownership Rate Below Normal...



The 2016 percentage of 64.3 was well below the long-term average for Florida. Final data for 2017 shows a further decline to 64.1%. This rate is below the lowest homeownership rate previously recorded in Florida (64.4 in 1989) during the 34-year history of the series. However, preliminary data for the first three-quarters of the 2018 calendar year is showing improvement.

Home Financing Still Challenging...

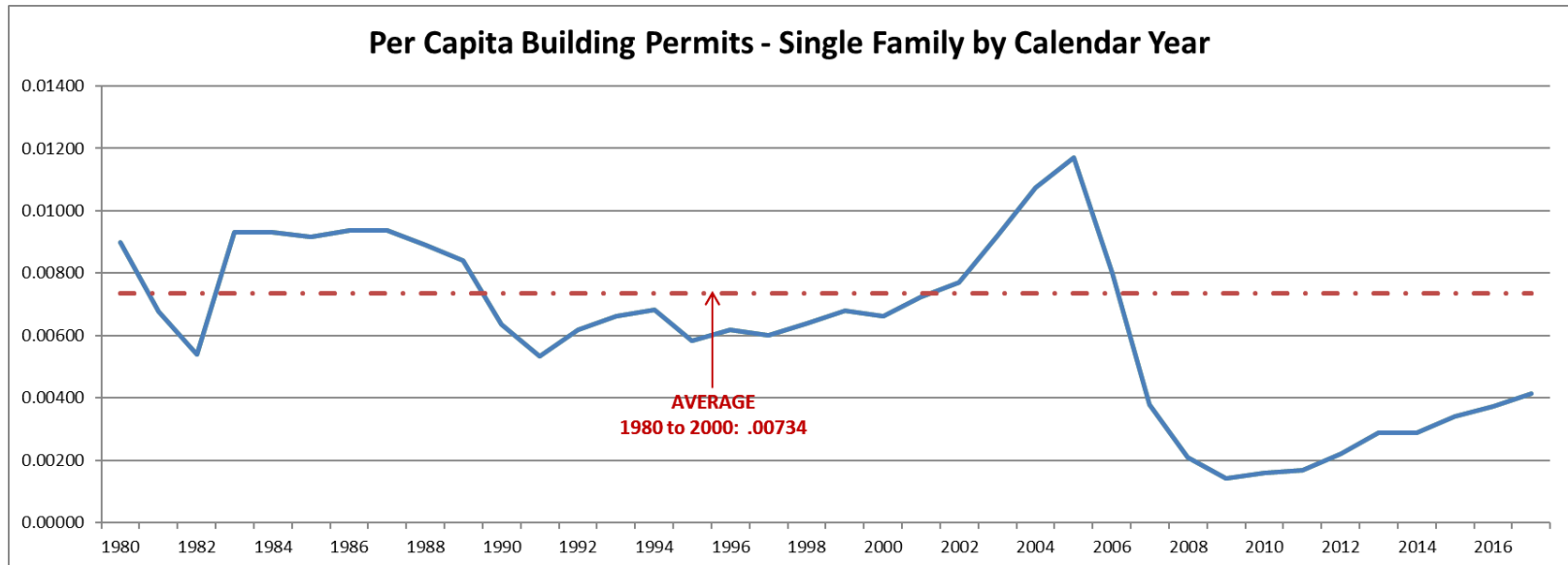


Data from LPS / Black Knight

Financed Sales continue to gain as a percentage of all sales, ending August 2018 with a higher share than this segment had in August 2017 (63.1% versus 54.4%). The share for REO & Short Sales has drifted steadily downward over this period; however, the share for Cash Sales has bounced around and remains elevated.

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 727 and a LTV of 79 percent on all closed loans in October (virtually identical to June). Seventy-one percent of all home purchase lending in October had credit scores that were 700 or above. Student loans and auto debts appear to be affecting the ability to qualify for residential credit. Even so, the percent of all home sales that are financed is approaching 63 percent in Florida (July 2018), up from 60 percent in May.

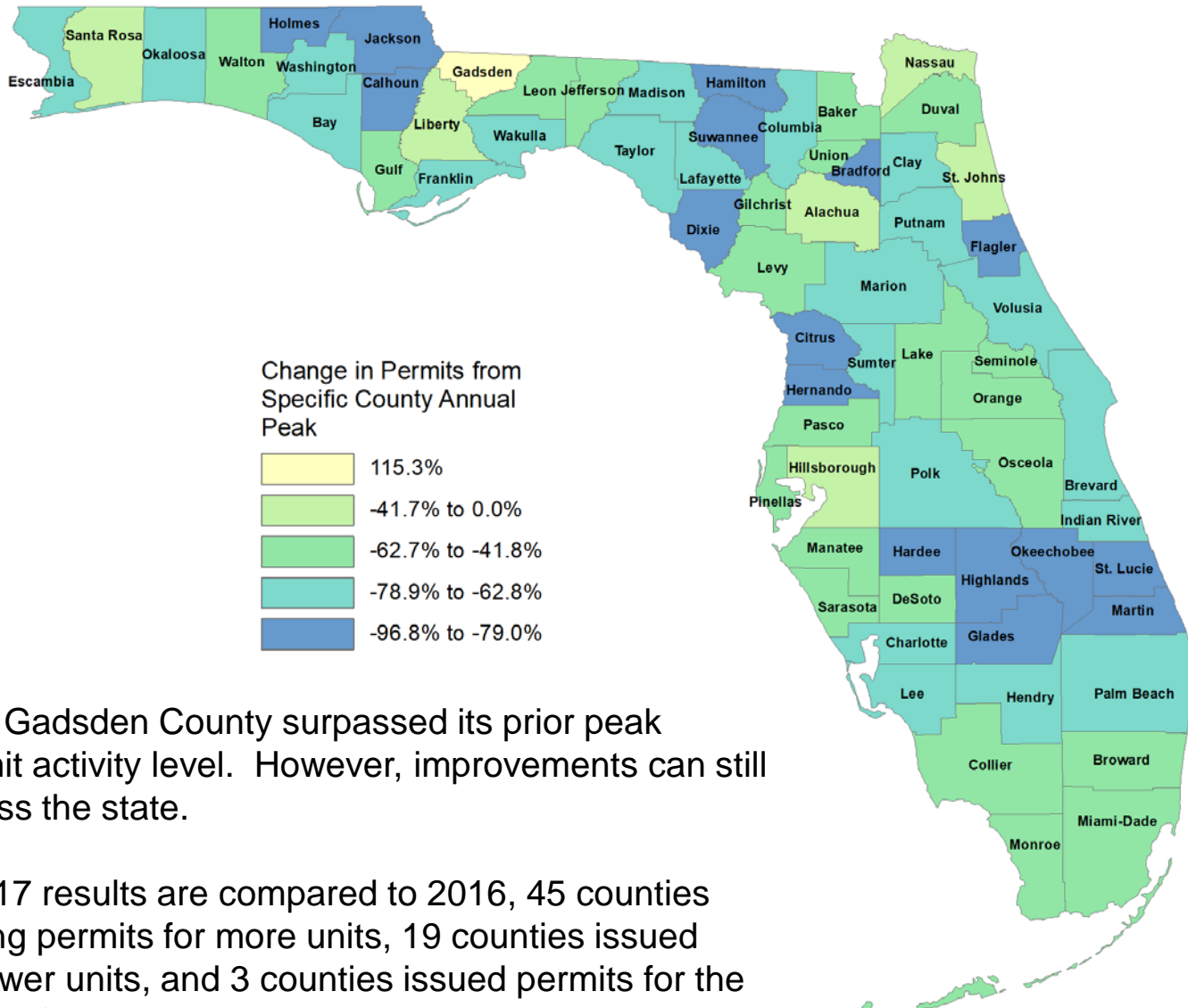
Permits Are Still Well Below Historic Norms...



Single-Family building permit activity, an indicator of new construction, remains in positive territory, beginning with 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, annual activity for the past three calendar years ran above their individual periods a year prior; single family data was higher than the prior year by 20.3% in 2015, 11.1% in 2016, and 13.5% in 2017.

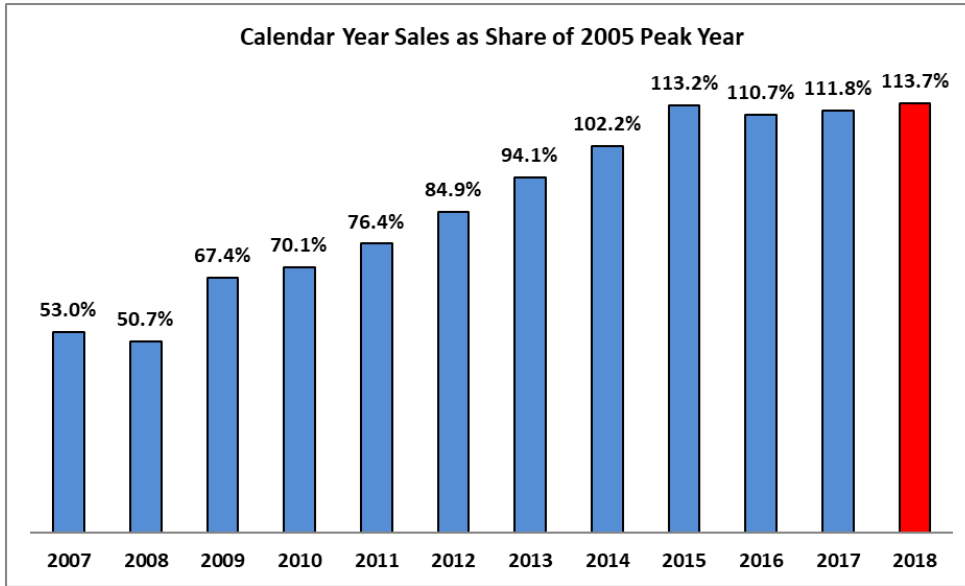
Despite the strong percentage growth rates in five of the last six calendar years, the level is still low by historic standards – about half of the long-run per capita level.

2017 Building Permit Activity Relative to the County's Peak during the Period 2000-2007



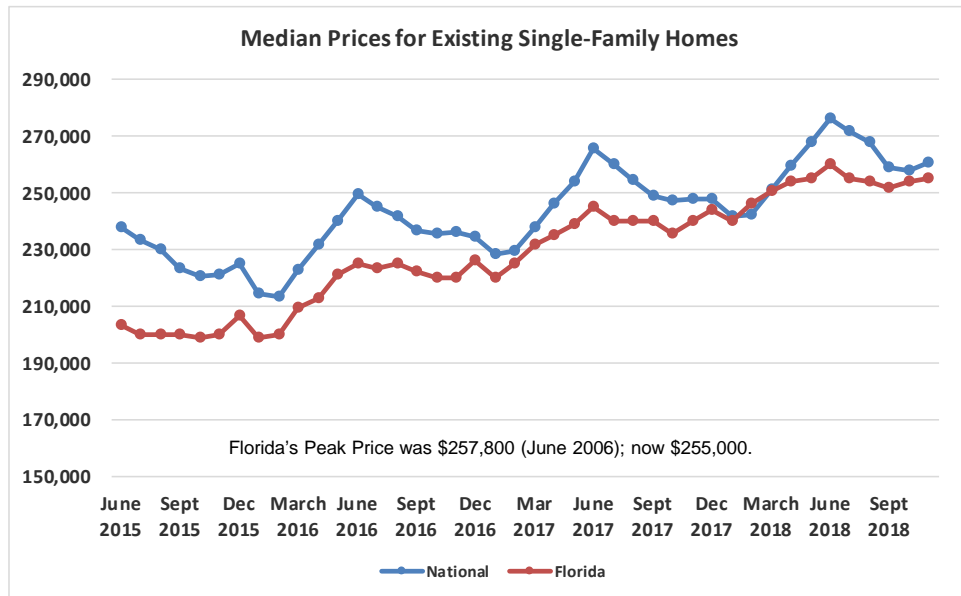
In 2017, only Gadsden County surpassed its prior peak building permit activity level. However, improvements can still be seen across the state.

When the 2017 results are compared to 2016, 45 counties issued building permits for more units, 19 counties issued permits for fewer units, and 3 counties issued permits for the same number of units.



Existing home sales volume in the 2014, 2015, 2016 and 2017 calendar years exceeded the 2005 peak year. This year (2018) is on course to do the same.

While Florida's existing home price gains have roughly tracked national gains over the last three years, the state's median home price for single family homes has generally stayed upwardly steady as the national median peaks and dips. The state's median price in November was 97.9% of the national median price; it exceeded the state's prior peak (June 2006) in June 2018 for the first time and has hovered close to that level since.



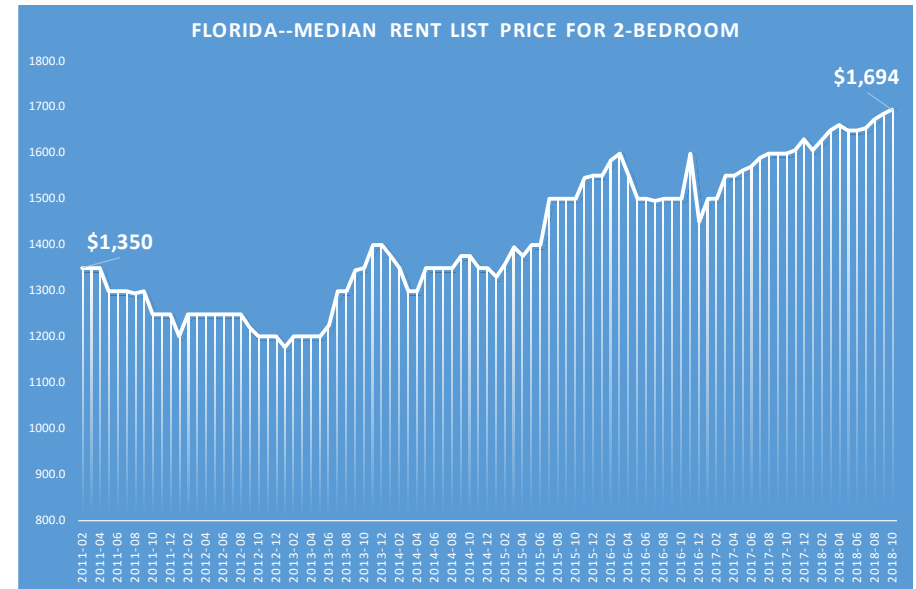
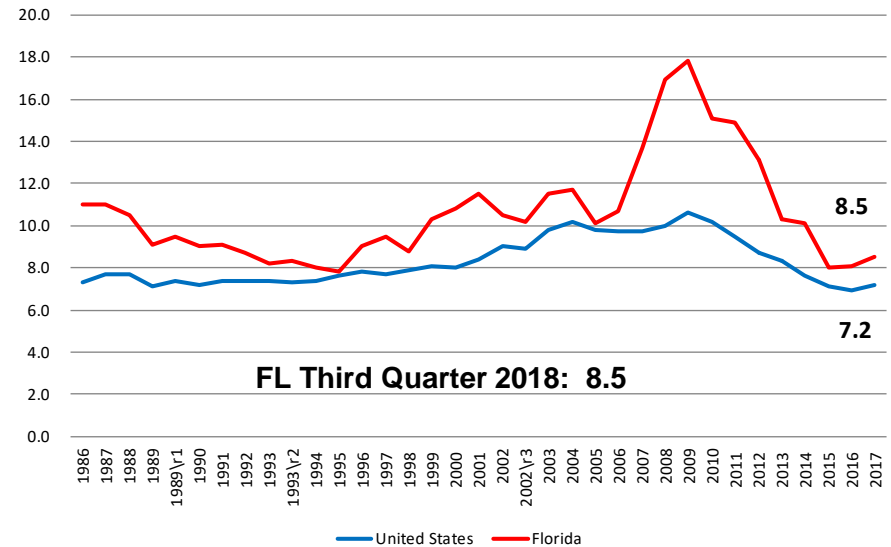
Data through November 2018

Challenging housing costs and shifting preferences among Millennials have caused residential rental vacancies to tighten strongly over the last three years (2015 through 2017); price pressure continues to build.

| Florida and U.S. Median Gross Rent (in Current Dollars) | | | | | | |
|--|-------------------|---------|-----------------------------------|--------------------|---------|-----------------------------------|
| Year | Median Gross Rent | | | Average Gross Rent | | |
| | 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% |
| 2016 | 981 | 1,086 | 111% | 1,105 | 1,161 | 105% |
| 2017 | 1,012 | 1,128 | 111% | 1,138 | 1,203 | 106% |

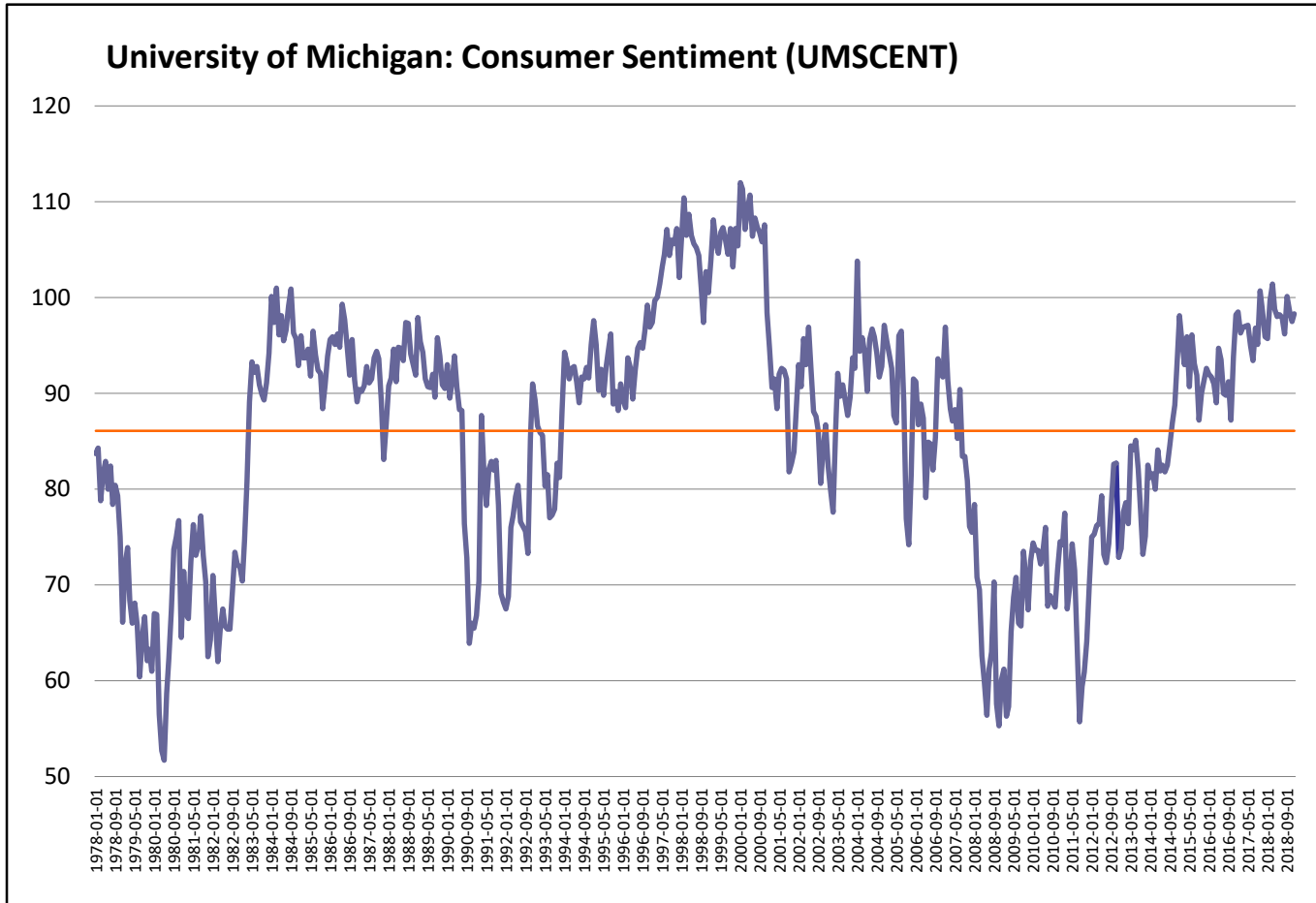
U.S. Census Bureau, American Community Survey, 1-Year, 2005-2016.

Rental Vacancy Rates
Long-run Average Percent: US---8.3; FL---10.6



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

Consumer Perceptions Are High

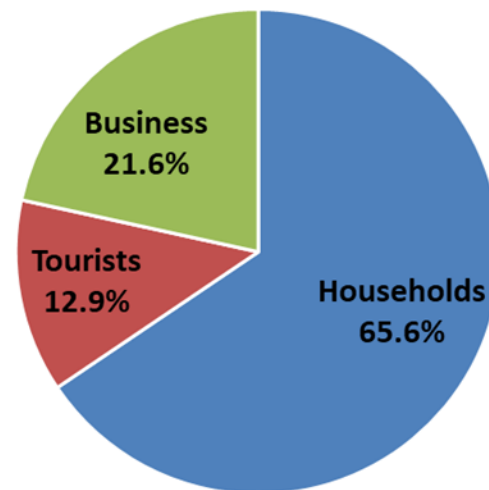


Nationally, the sentiment reading for December 2018 (98.3) is well above the index average since inception (86.1), but well below the highest recorded monthly level on record—112.0 in January 2000.

Florida-Based Downside Risk

- The most recent sales tax forecast relies heavily on strong tourism growth. It assumes no 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.
 - A strong and strengthening dollar tends to have a chilling effect on international travel. Since mid-April, the broad dollar has appreciated nearly 9 percent and is expected to remain elevated in the near-term forecast.

**Contributions to General Revenue from Sales Tax (with CST)
Collections in FY 2016-17, By Source**



The Legislative Office of Economic and Demographic Research has updated and refined an empirical analysis of the various sources of the state's sales tax collections. In FY 2016-17, sales tax collections provided nearly \$23.0 billion dollars or 76.8% of Florida's total General Revenue collections. Of this amount, an estimated 12.9% (nearly \$2.97 billion) was attributable to purchases made by tourists.

Economy Largely Recovered...

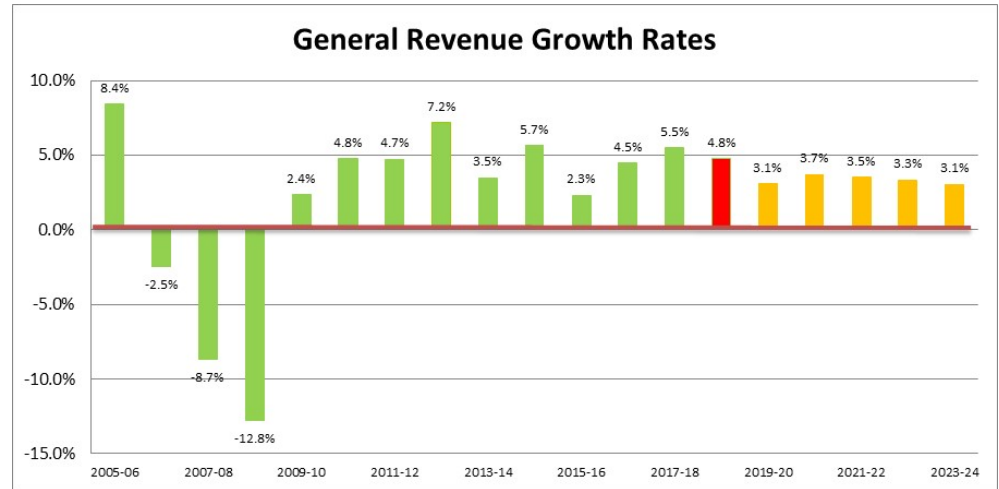
Florida growth rates are generally returning to more typical levels and continue to show progress. The drags—particularly construction—are more persistent than past events, but the strength in tourism is compensating for this. In the various forecasts, normalcy was largely achieved by the end of FY 2016-17. Overall...

- The national economy is back to normal on nearly all measures.
- By the close of the 2017-18 fiscal year, most measures of the Florida economy had returned to or surpassed their prior peaks.
 - All personal income metrics, over one-half of the employment measures, and the total tourism and domestic visitor counts had exceeded their prior peaks.
 - Other measures were posting solid year-over-year improvements, even if they were not yet back to peak performance levels.
 - Private nonresidential construction expenditures first passed their prior peak in FY 2016-17, but none of the key residential construction measures pass their prior peaks until FY 2026-27, a significant slowdown from the forecast adopted in the Summer.
- Fall 2018 Update: little change from Summer Conferences, with some slowing of economic growth by 2020. This is largely due to national events: fading stimulus from federal tax cuts and spending increases, accumulating impact from already enacted tariffs, and more restrictive federal reserve policy.

General Revenue Forecast

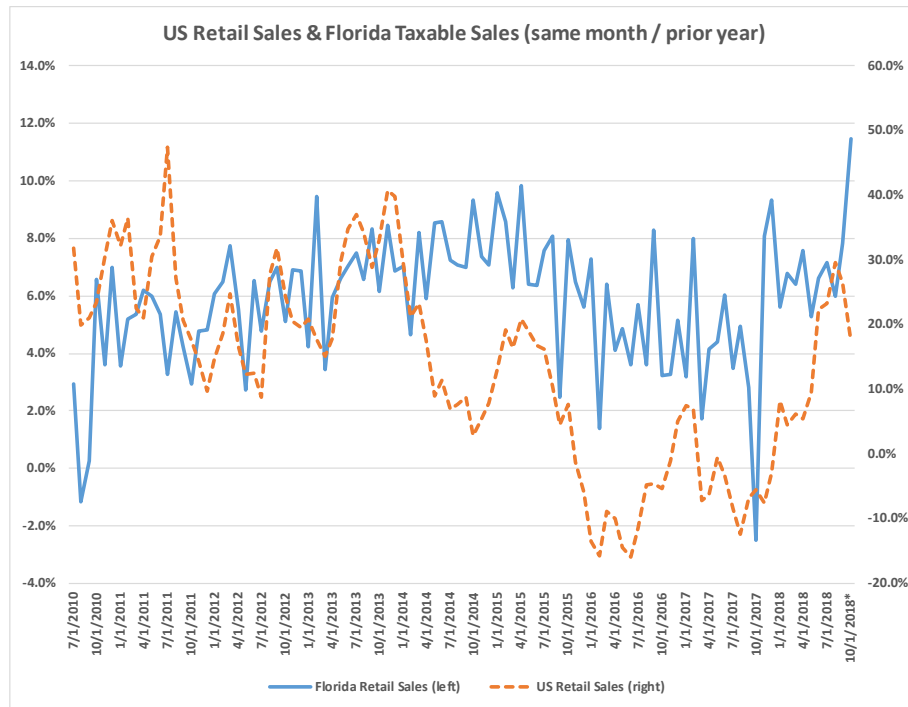
LR Growth: Averages 6%
Forecast Growth: Averages 3.5%

The past had tax increases associated with key revenue sources and stronger population growth.



| Fiscal Year | August 2018 | December 2018 Forecast | Difference | 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 | 22551.6 | | | | 4.8% |
| 2011-12 | 23618.8 | | | | 4.7% |
| 2012-13 | 25314.6 | | | | 7.2% |
| 2013-14 | 26198.0 | | | | 3.5% |
| 2014-15 | 27681.1 | | | | 5.7% |
| 2015-16 | 28325.4 | | | | 2.3% |
| 2016-17 | 29594.5 | | | | 4.5% |
| 2017-18 | 31218.2 | | | | 5.5% |
| 2018-19 | 32,243.8 | 32,705.3 | 461.5 | 1,487.1 | 4.8% |
| 2019-20 | 33,334.7 | 33,715.2 | 380.5 | 1,009.9 | 3.1% |
| 2020-21 | 34,544.2 | 34,976.1 | 431.9 | 1,260.9 | 3.7% |
| 2021-22 | 35,827.4 | 36,209.6 | 382.2 | 1,233.5 | 3.5% |
| 2022-23 | 37,086.9 | 37,418.0 | 331.1 | 1,208.4 | 3.3% |
| 2023-24 | 38,349.1 | 38,559.5 | 210.4 | 1,141.5 | 3.1% |

Revenue collections ran above monthly estimates by a combined \$365.2 million since the last conference in August. Focusing on the year-to-date gains to the forecast, anticipated revenues were revised upward despite the slightly weaker near-term National and Florida Economic Forecasts. While this is the largest combined increase since April 2006, during the peak of the housing boom, the Conference recognized that there is an elevated level of risk due to the mature stage of the current economic expansion.



- The change over the same month in the prior year in the national S&P Retail Select Industry Index has been positive since the beginning of the 2018 calendar year. Florida's taxable sales exhibit an overall pattern similar to the national index; however, Florida began to deviate markedly from the national index in February 2014.
- In addition, Florida's in-state volatility over the prior year was much greater for most of the 2016 and 2017 calendar years; however, both September and October of 2017 were affected by Hurricane Irma. Since then, the data has shown less volatility. October 2018 is an exception as it looks back to last year's Hurricane affected low point and shows robust growth, year over year.

US Retail Sales & Florida Taxable Sales

