

## Florida's Virtuous Cycle and Real Estate Leasing Headwinds

Most of the underlying fundamentals of the Florida economy remained positive heading into the start of 2017. Driving the state's economy is the virtuous cycle of job growth and population gains seen over the past few years. Florida employment was up 3.1 percent in the 12 months ending in December. This is about twice the pace of overall U.S. employment growth which was up 1.6 percent in December. Florida net migration has been robust with over 300,000 people per year migrating into the state since 2014. This is well above the 25 year average of a net addition of 241,000 people per year. This virtuous cycle fueled growth in the construction, information, waste management and healthcare sectors and boosted state gross domestic product to 3.6 percent in the third quarter of 2016. However, it appears that growth in the real estate rental and leasing industry has softened heading into the end of last year. This could be due in part to the economic downturn in parts of Latin America and the relative strengthening of the U.S. dollar compared to the British pound and Euro after last year's "Brexit" referendum. According to Florida Realtors, closed sales of townhouses and condos were down 5.0 percent over the year ending in the fourth quarter of 2016. The total months' supply of Florida townhouses and condos for sale ticked up to 6.0 months as total active listings grew 7.9 percent from a year earlier. This trend bears watching as the real estate rental and leasing industry makes up about 14.5 percent of the state's real economy. We expect gains in Florida's other major sectors to continue to drive economic growth in 2017.

### Florida Economic Outlook

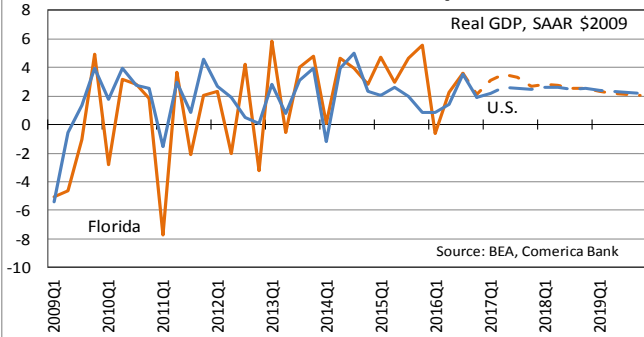
	3Q'16a	4Q'16a	1Q'17f	2Q'17f	3Q'17f	4Q'17f	1Q'18f	2Q'18f	2016a	2017f	2018f
<b>State GDP</b>											
Real GDP (Chained 2009 Millions \$)	819592	823870	830104	837254	844124	849722	855644	861392	815933	840301	863985
<b>Percent Change Annualized</b>	<b>3.6</b>	<b>2.1</b>	<b>3.1</b>	<b>3.5</b>	<b>3.3</b>	<b>2.7</b>	<b>2.8</b>	<b>2.7</b>	<b>2.6</b>	<b>3.0</b>	<b>2.8</b>
<b>Labor and Demographics</b>											
Payroll Jobs (Thousands)	8401	8454	8513	8570	8626	8680	8732	8783	8353	8597	8805
<b>Percent Change Annualized</b>	<b>4.4</b>	<b>2.6</b>	<b>2.8</b>	<b>2.7</b>	<b>2.6</b>	<b>2.5</b>	<b>2.5</b>	<b>2.3</b>	<b>3.2</b>	<b>2.9</b>	<b>2.4</b>
Unemployment Rate (Percent)	4.7	4.9	4.7	4.6	4.5	4.4	4.3	4.3	4.8	4.5	4.3
Population (Thousands)	20707	20806	20905	21002	21101	21198	21294	21388	20662	21052	21436
<b>Percent Change Annualized</b>	<b>1.9</b>	<b>1.9</b>	<b>1.9</b>	<b>1.9</b>	<b>1.9</b>	<b>1.9</b>	<b>1.8</b>	<b>1.8</b>	<b>1.8</b>	<b>1.9</b>	<b>1.8</b>
Net Migration (Thousands)	80.3	78.8	77.1	78.6	78.0	75.8	75.1	75.0	318.6	309.5	298.0
<b>Personal Income</b>											
Total Personal Income (Nom., Millions \$)	948188	958815	972201	986478	1000250	1014869	1029170	1043698	942203	993449	1051180
<b>Percent Change Annualized</b>	<b>4.5</b>	<b>4.6</b>	<b>5.7</b>	<b>6.0</b>	<b>5.7</b>	<b>6.0</b>	<b>5.8</b>	<b>5.8</b>	<b>4.6</b>	<b>5.4</b>	<b>5.8</b>
<b>Housing</b>											
Housing Starts (Total, Ann. Rate)	110418	114421	112872	115464	117745	119800	121557	123175	111805	116470	123930
<b>Percent Change Annualized</b>	<b>-3.5</b>	<b>15.3</b>	<b>-5.3</b>	<b>9.5</b>	<b>8.1</b>	<b>7.2</b>	<b>6.0</b>	<b>5.4</b>	<b>8.9</b>	<b>4.2</b>	<b>6.4</b>
SF Housing Starts (# of Units, Ann Rate)	76540	79046	77762	79506	80891	82158	83231	84185	77429	80079	84604
MF Housing Starts (# of Units, Ann Rate)	33878	35375	35110	35958	36854	37641	38326	38991	34376	36391	39326
Existing Home Sales (Ths. of Units, Ann Rate)	498	502	507	515	522	529	535	540	499	518	543
House Prices, FHFA (1991 Q1=100, SA)	266	272	279	284	289	294	299	305	263	286	307
<b>Year/Year Percent Change</b>	<b>10.7</b>	<b>10.3</b>	<b>9.3</b>	<b>9.5</b>	<b>8.5</b>	<b>8.2</b>	<b>7.4</b>	<b>7.3</b>	<b>10.6</b>	<b>8.9</b>	<b>7.3</b>
<b>Bankruptcies</b>											
Total Business (12 Months Ending)	1794	1762	1657	1579	1514	1462	1409	1359	1848	1553	1347
Total Personal (12 Months Ending)	45924	43898	42911	40918	38895	36713	35737	34739	47414	39859	35050

a = actual f = forecast

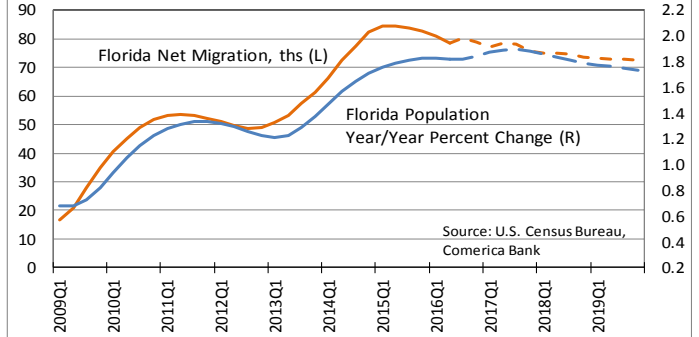
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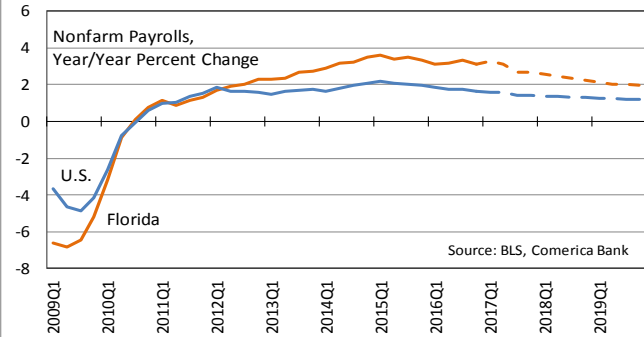
## Florida 2016Q3 GDP Up 3.6 %



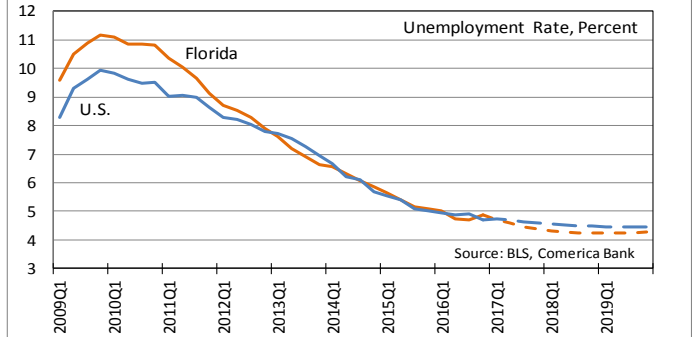
## Over 300,000 Flow into Florida in 2016



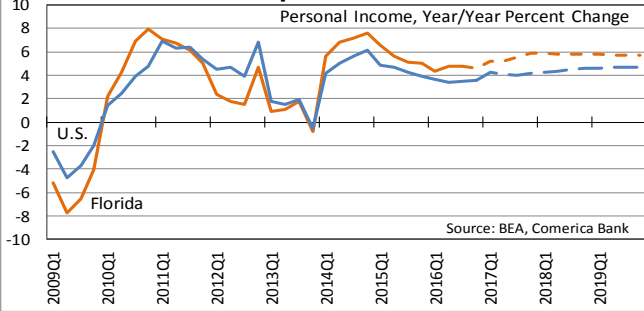
## State Added 251,400 Jobs in 2016



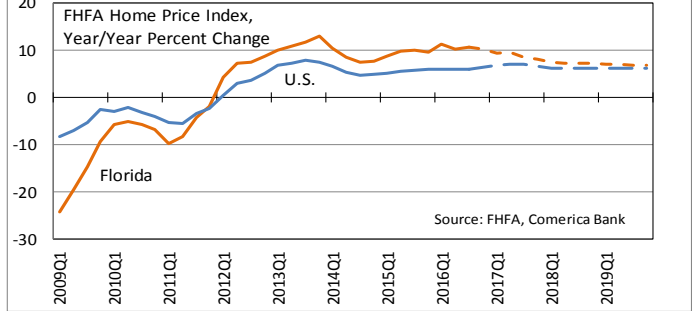
## Florida December U. Rate at 4.9%



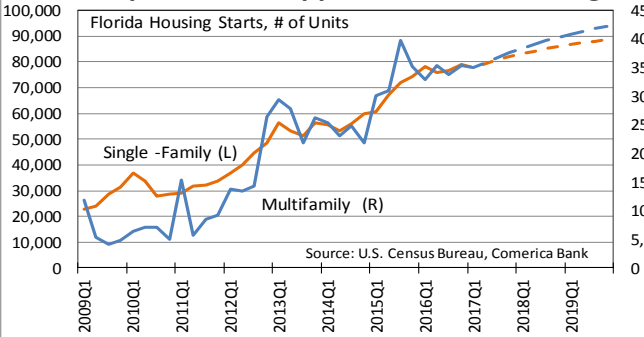
## State Income Growth Continues to Outpace the U.S.



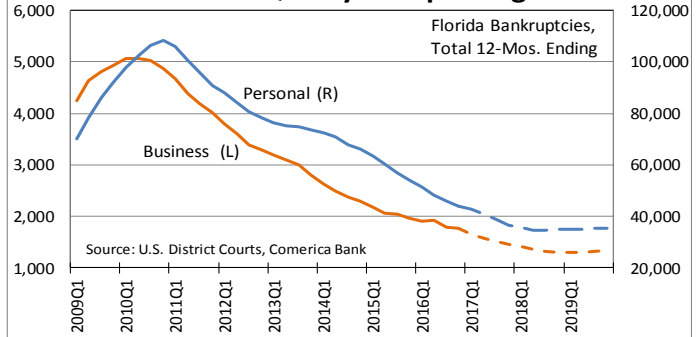
## Florida Home Prices See Double-Digit Gains in 2016



## Pop. Growth Supports Florida Housing



## Credit Quality is Improving



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