

Economic Outlook: U.S., Florida, and Miami January 20, 2010

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U.S. Summary – now that the storm has broken

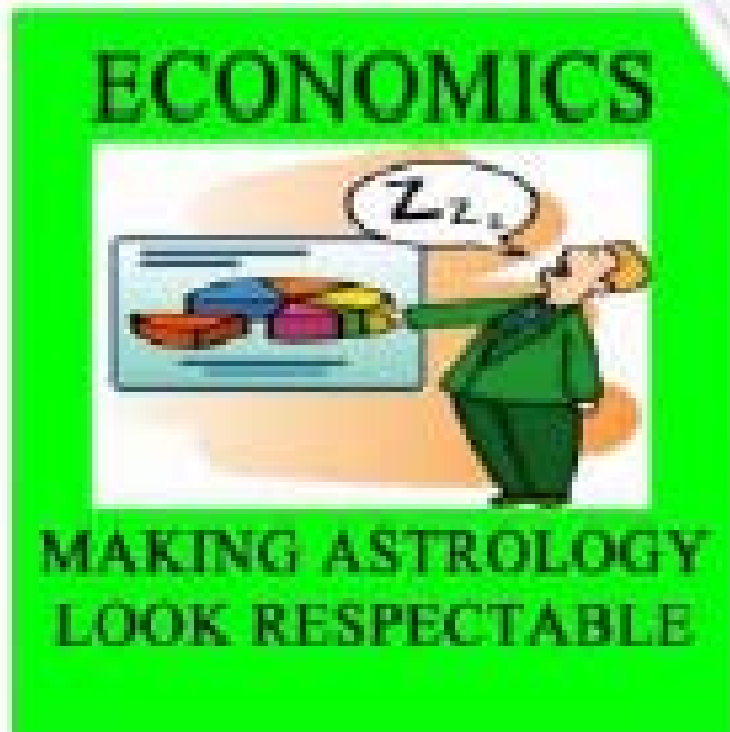


U.S. Forecast Summary 2010 – 2013

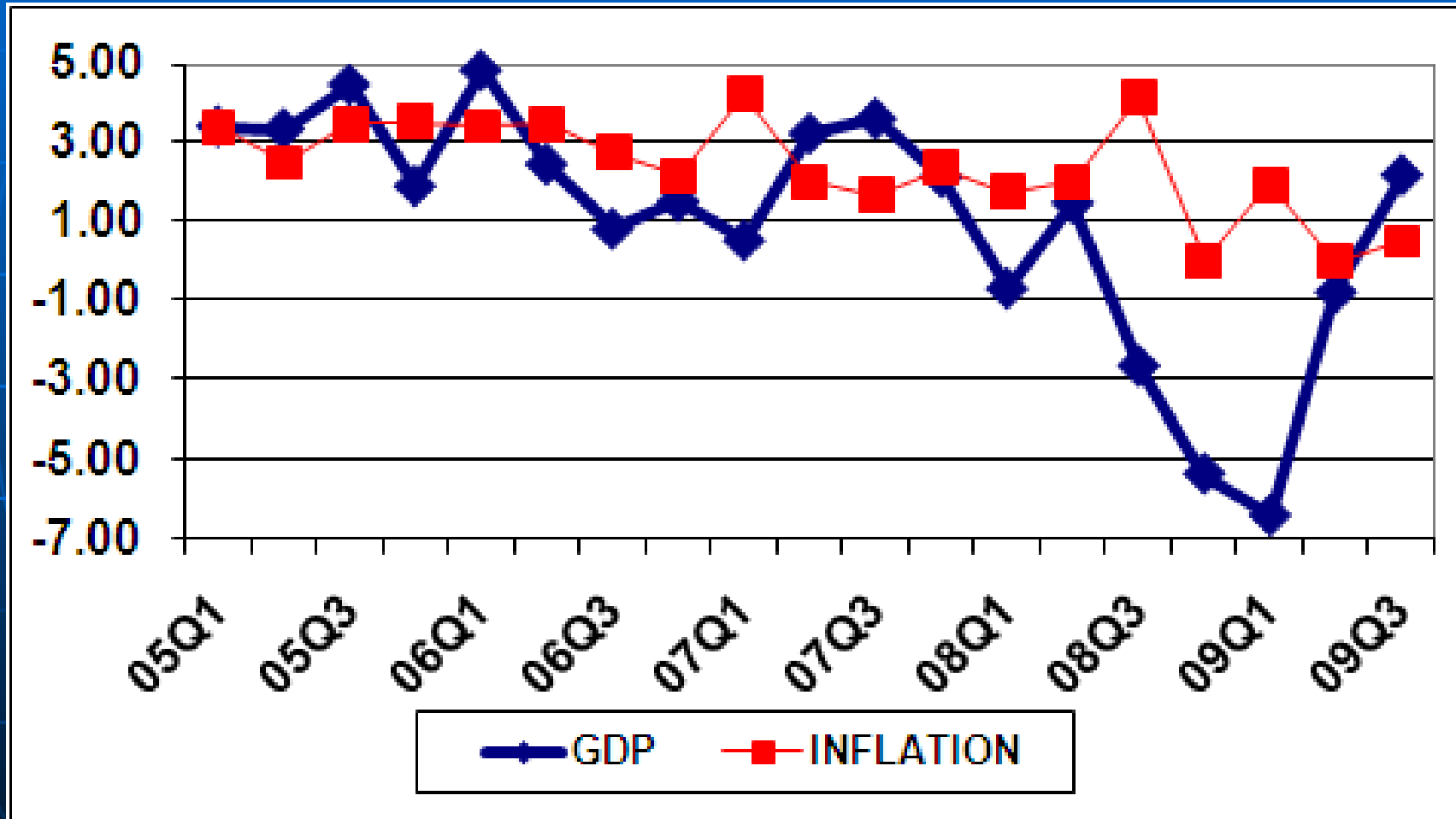
- **Recovery underway but will underwhelm**
 - Economy is slowly but steadily recovering
 - Job growth very modest – strong enough to sustain the recovery but not strong enough to reduce unemployment until 2011
 - Financial system remains impaired
- **2011-13 Paying the Bills**
 - By 2011 the recovery will pick up steam
 - Fed will end extraordinary measures
 - Deficit remains large
 - Interest rates rise significantly
- **Main forecasts risk – run away deficits and a collapse in confidence in the dollar**

Florida Summary

- **Worst Recession since 1975 bottoms in 2010**
 - National recession focused on households and banks
 - Soft housing markets limit migration into Florida 2010
 - Broken nest eggs
 - Hometown Democracy
- **Stronger Growth 2011-13**
 - Improving migration trends
 - Stronger housing markets
 - Higher rates limit the expansion
- **Paradigm shift – Florida less attractive**
 - Average annual population growth 200,000 +/- 50,000 depending on business cycle
 - Still Florida remains one of the fastest growing state east of the Mississippi

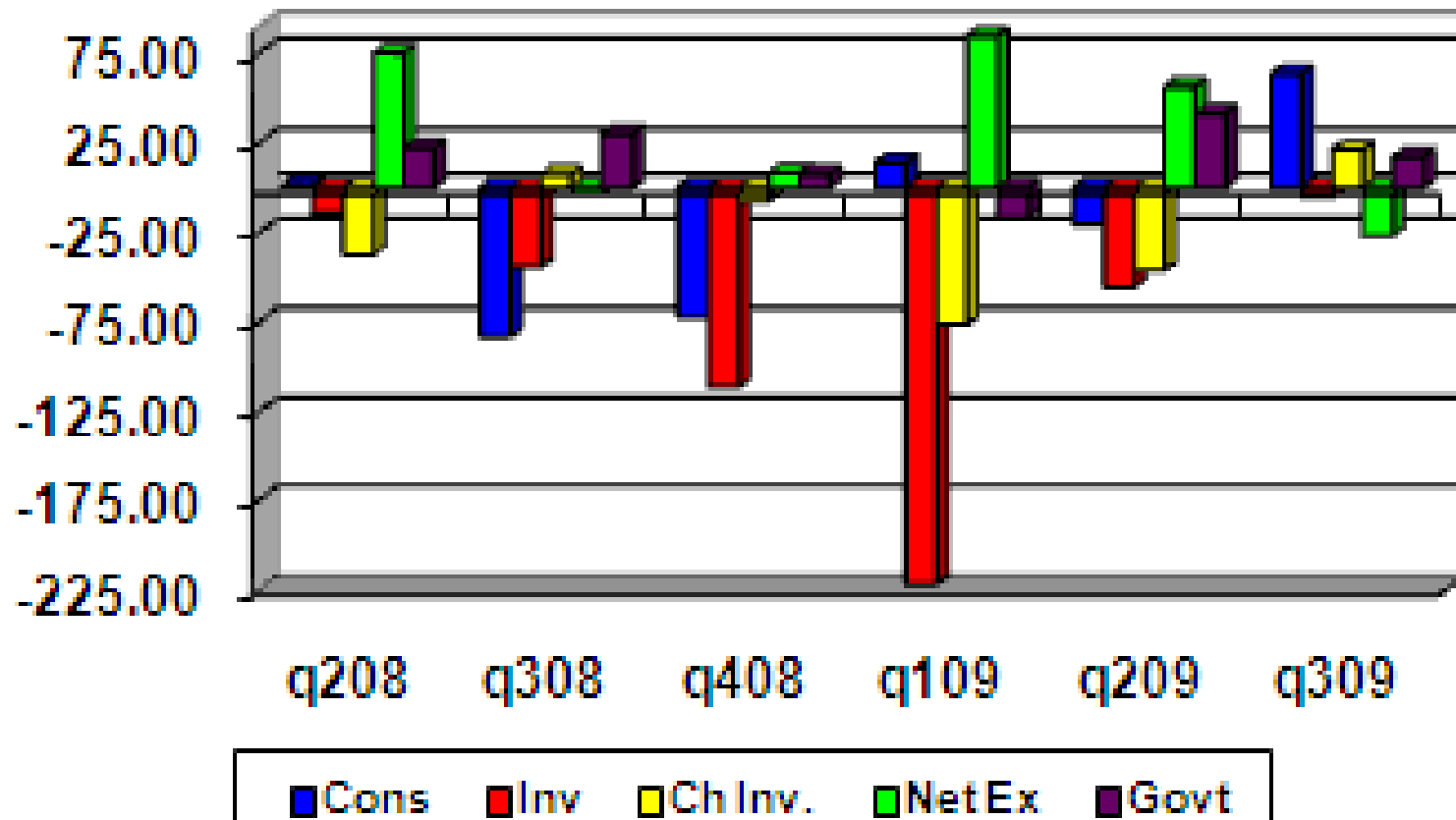


RECENT TRENDS IN GDP AND INFLATION

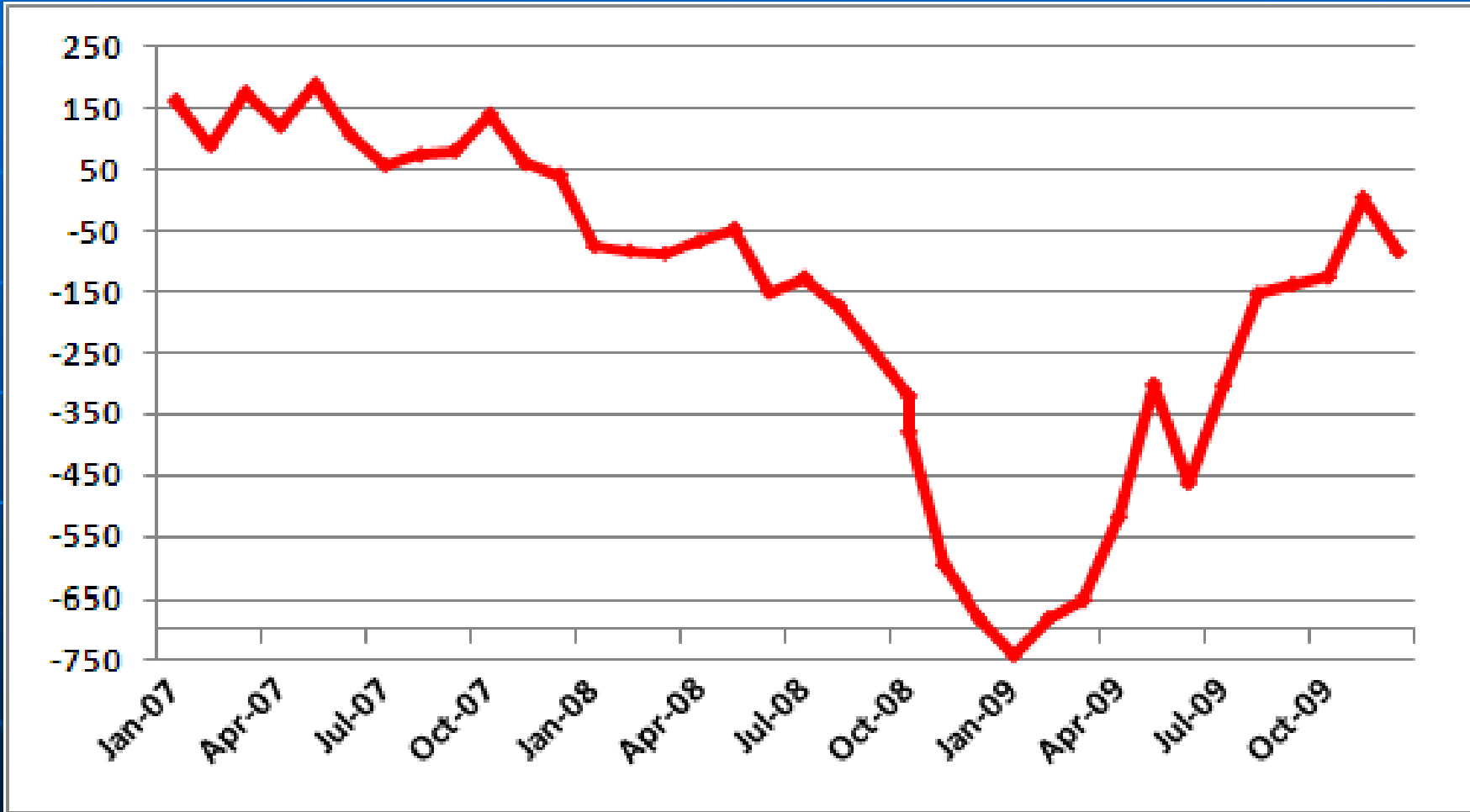


GROWTH IN REAL GDP

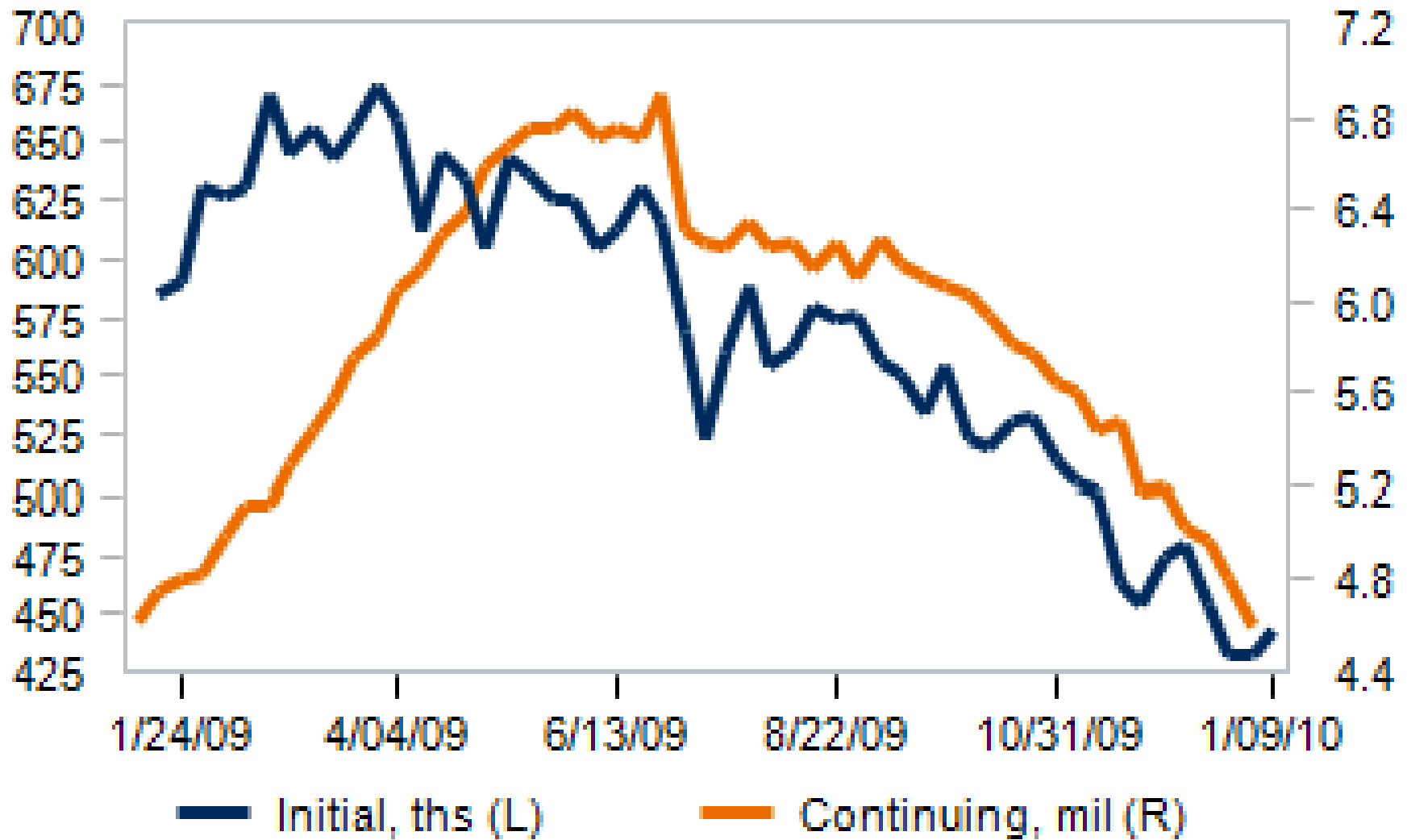
IN BILLIONS OF 2002\$



Growth in Payroll Employment (000s)

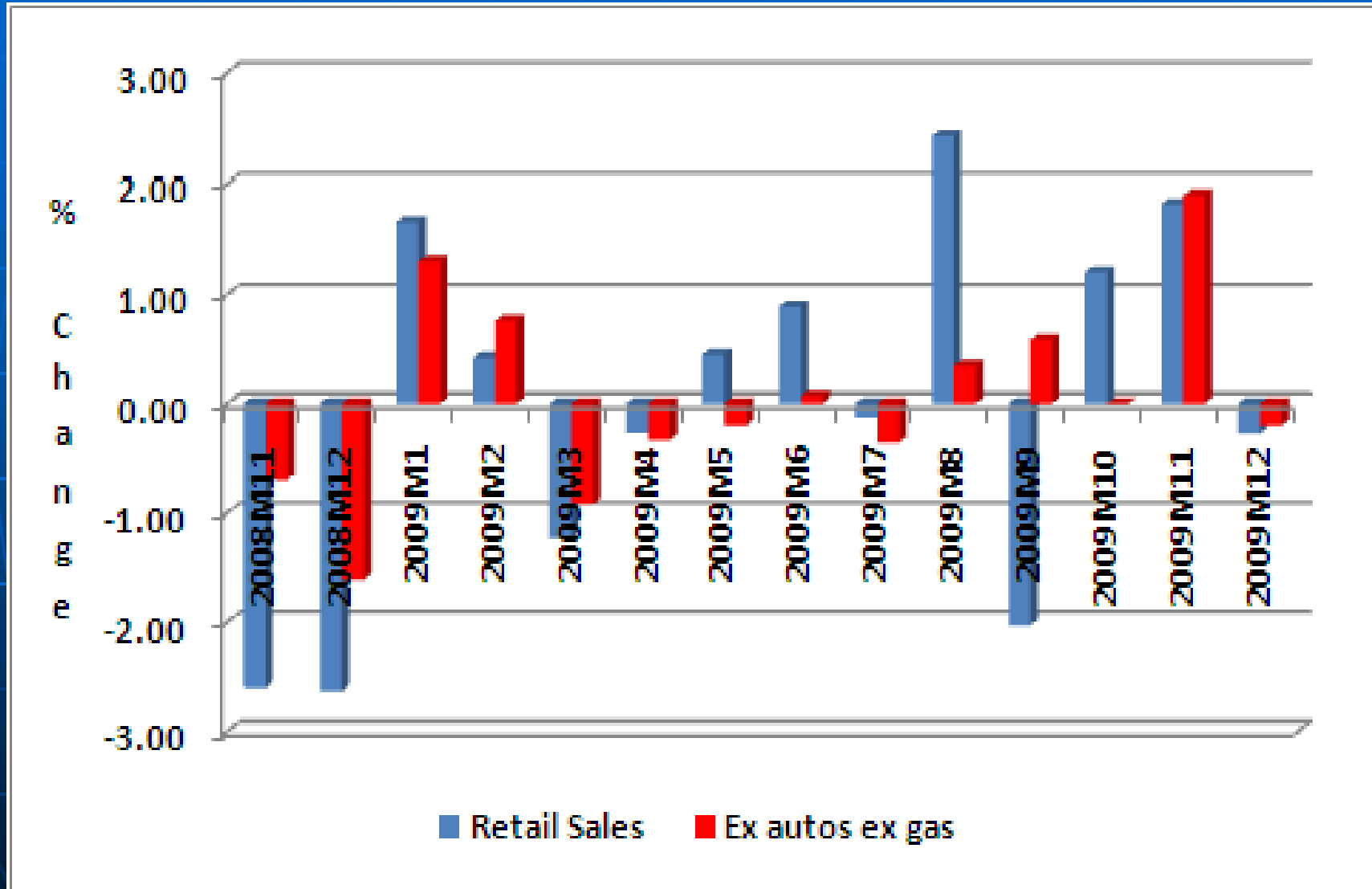


Jobless Claims

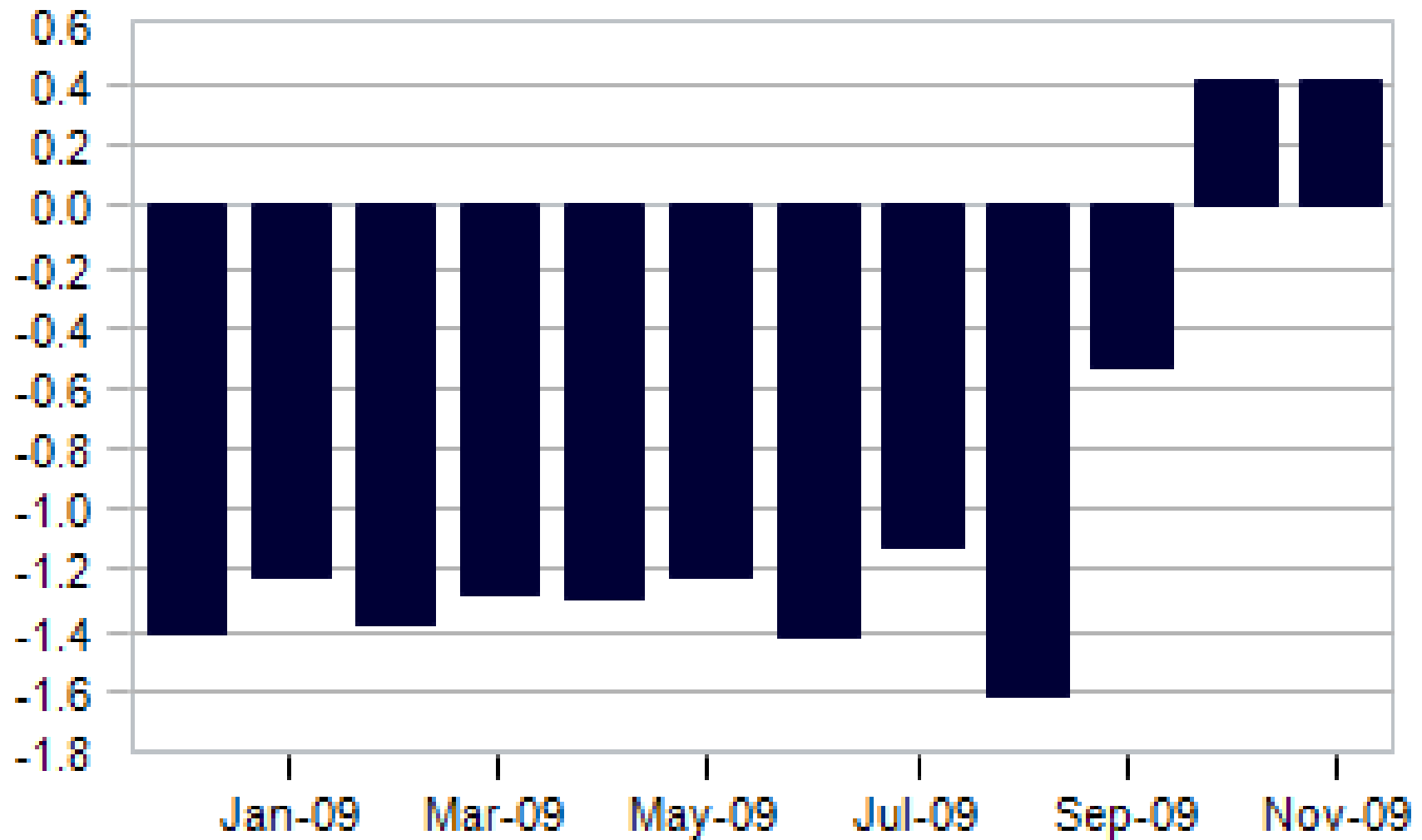




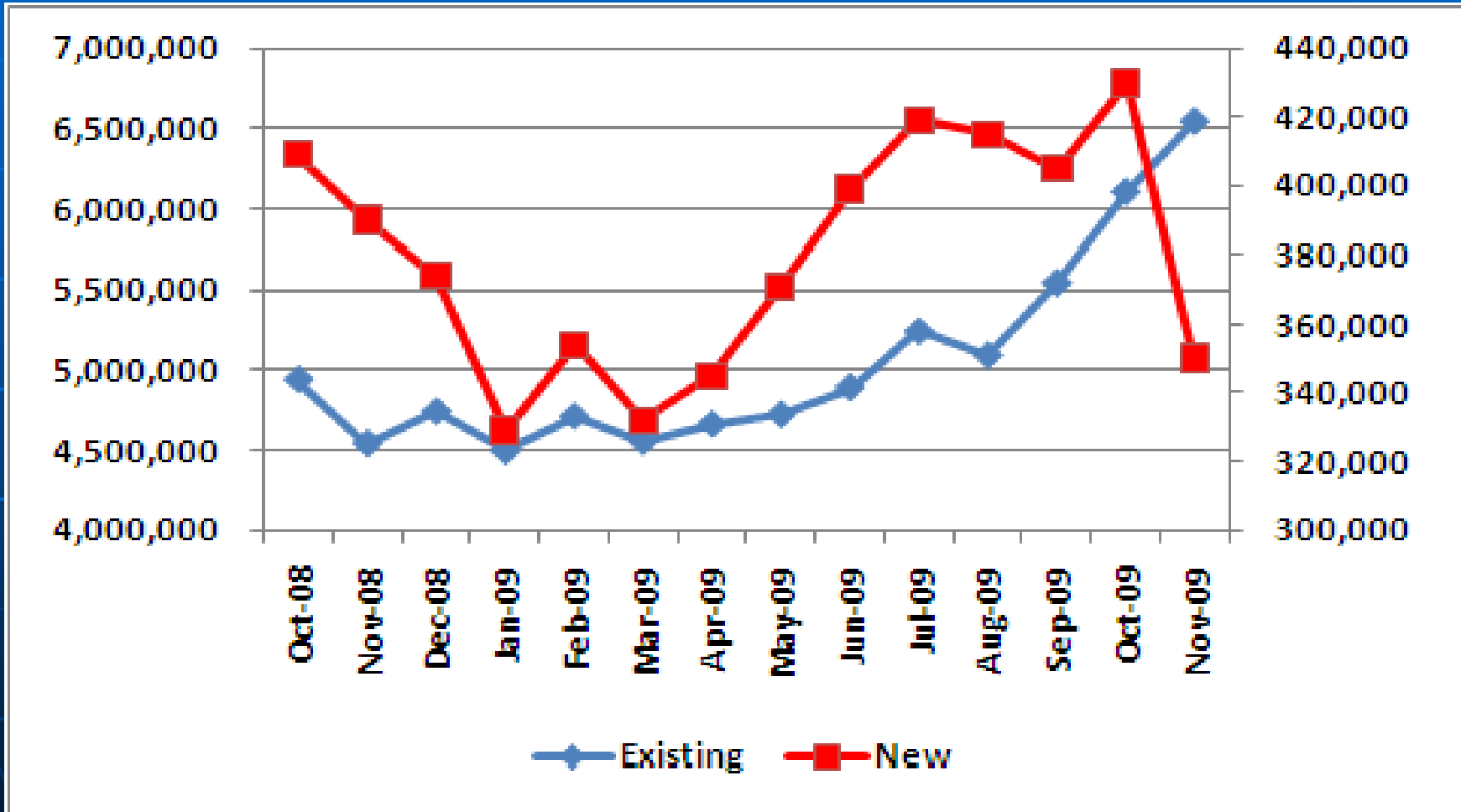
Retail Sales Gaining



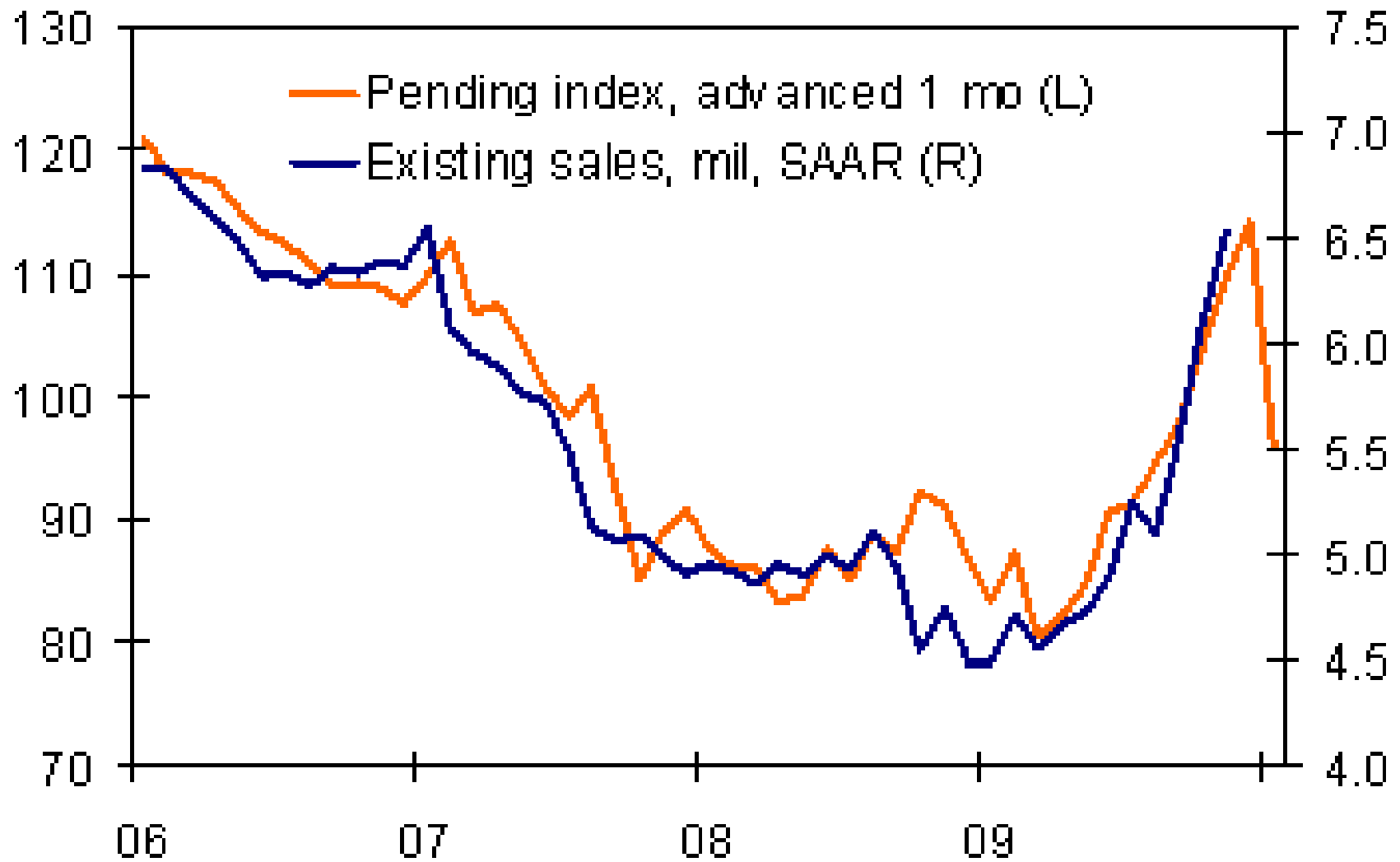
Business Inventories % change



Sales of New and Existing Homes

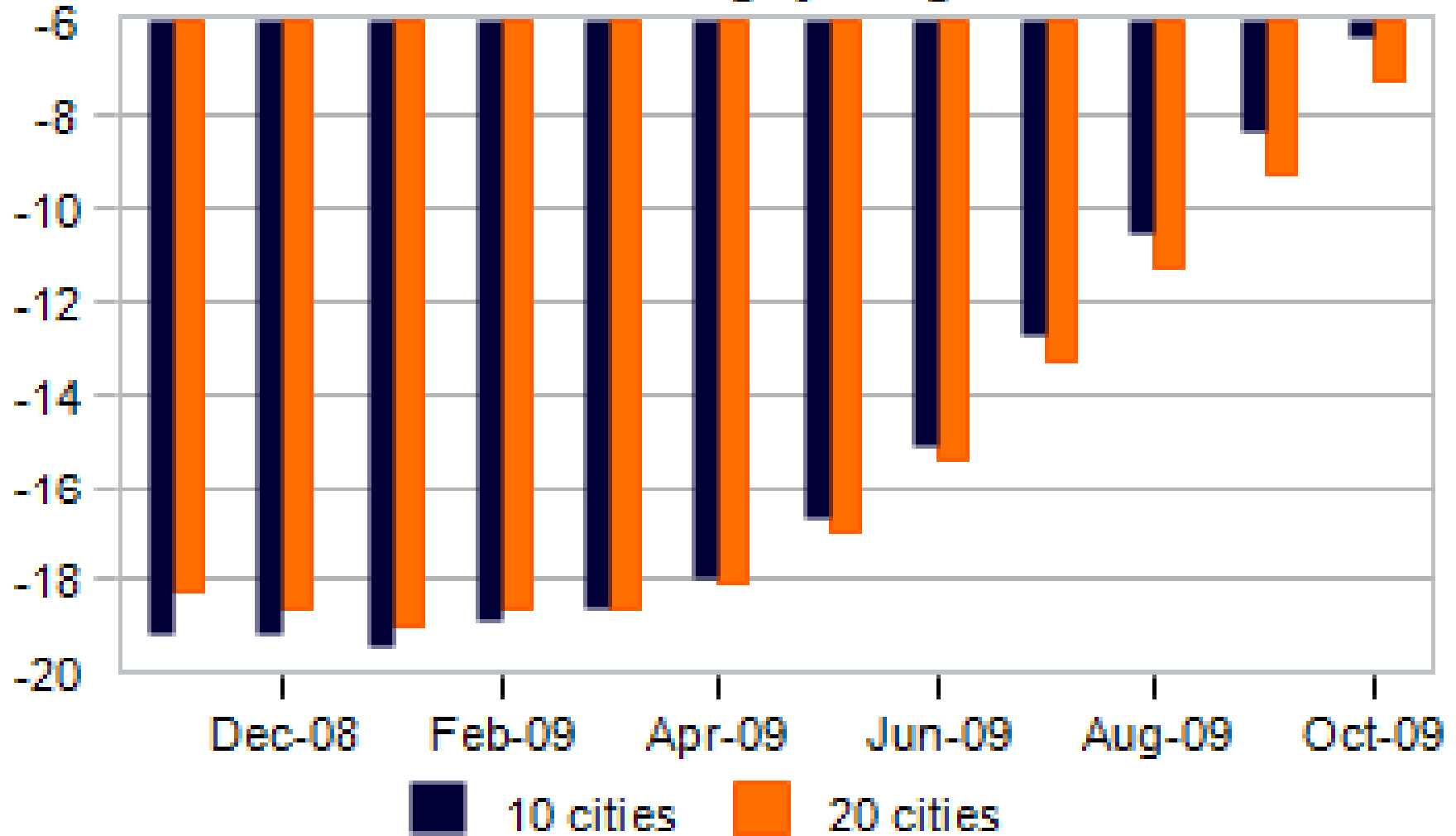


Large Pullback in Pending Index Home sales

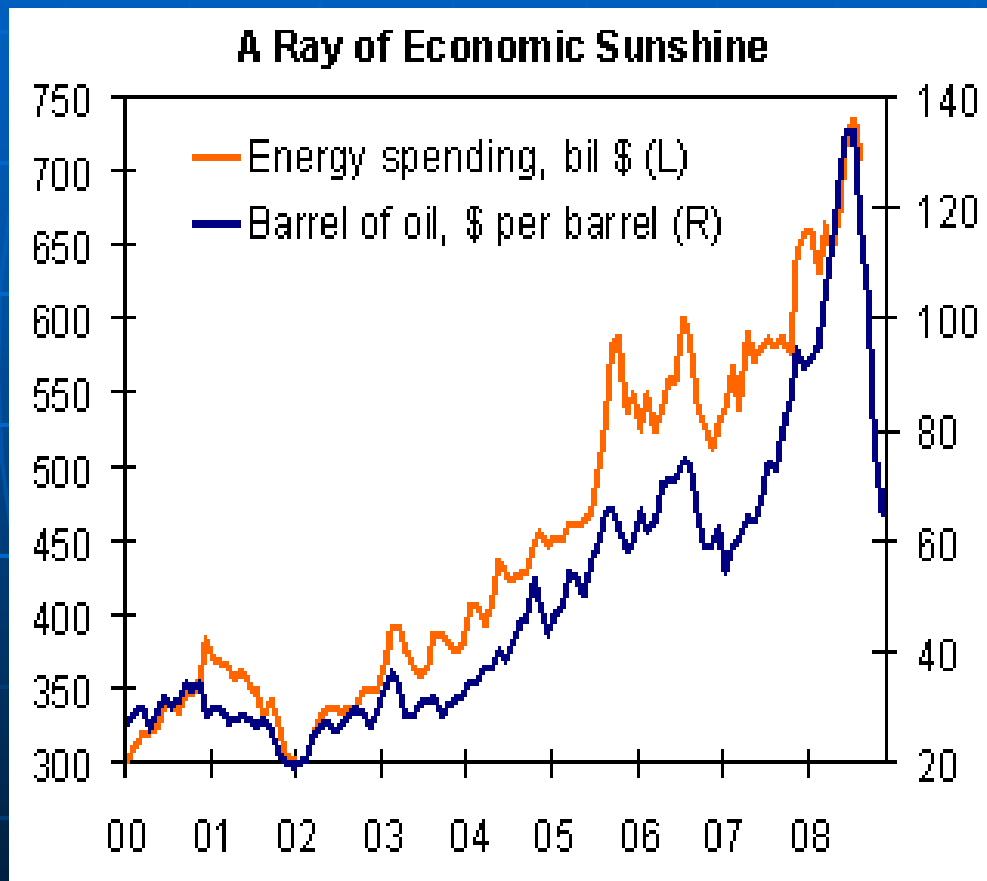


S&P/Case-Shiller® Home Price Indexes

% change year ago



Oil Prices – Acquisition Cost for U.S. Refiners

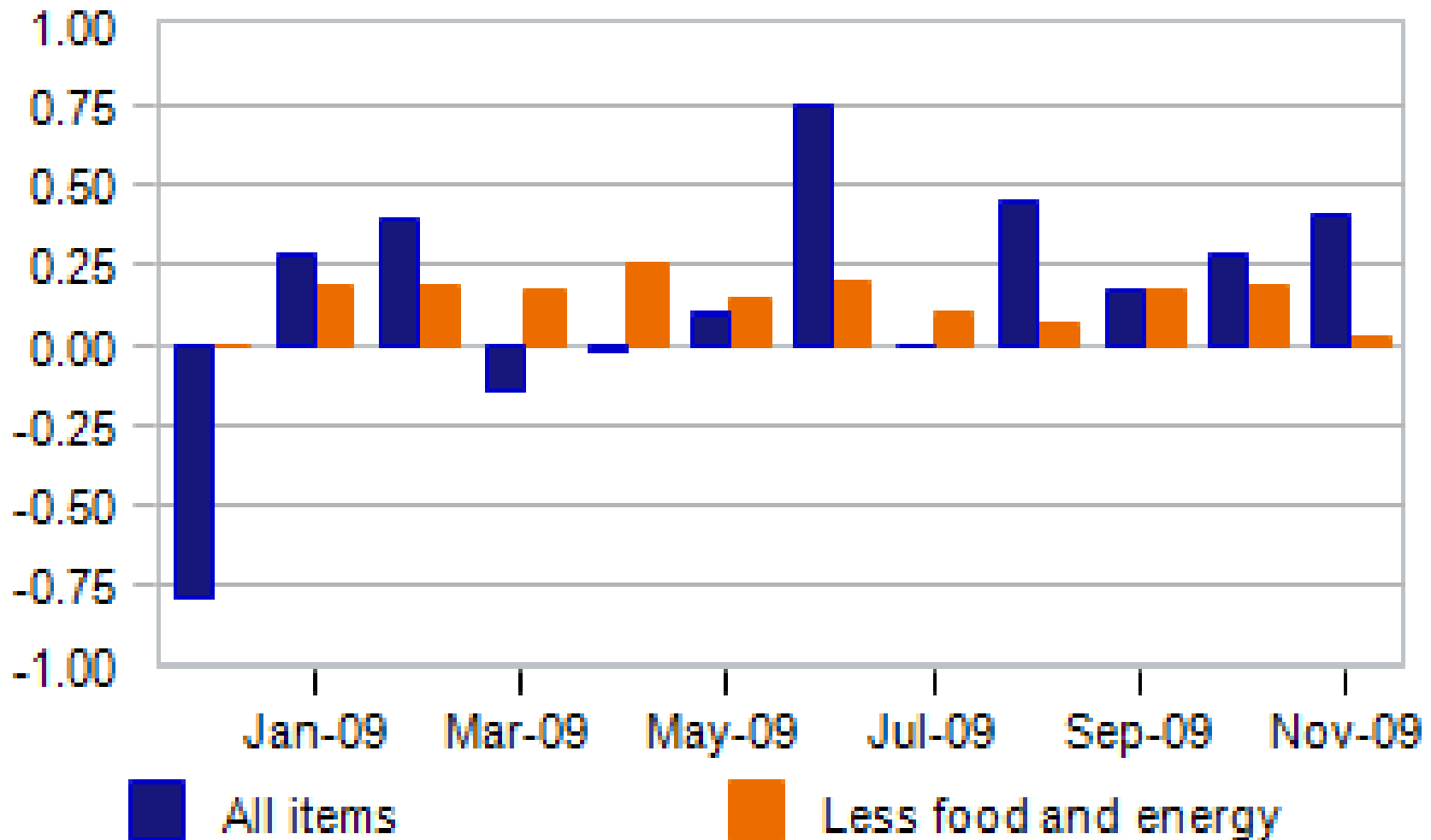


- **Structural change in market**
 - Supply driven to
 - Demand driven
- **China, India, etc.**
- **Prices will not move much lower**
 - \$60-to-\$70 floor
 - Below this production shuts in

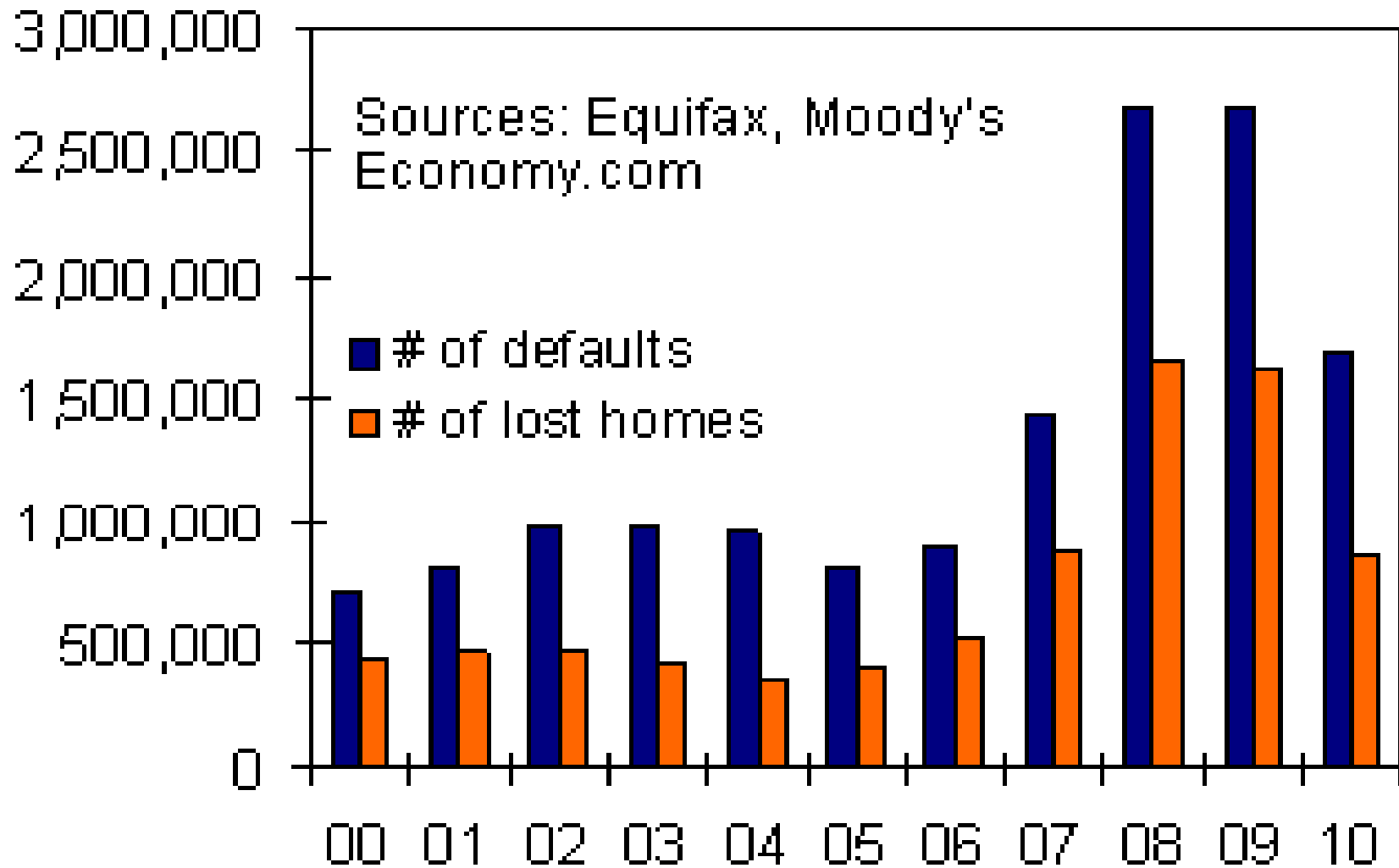
Trade-Weighted Value of the U.S. Dollar



Consumer Price Index % change

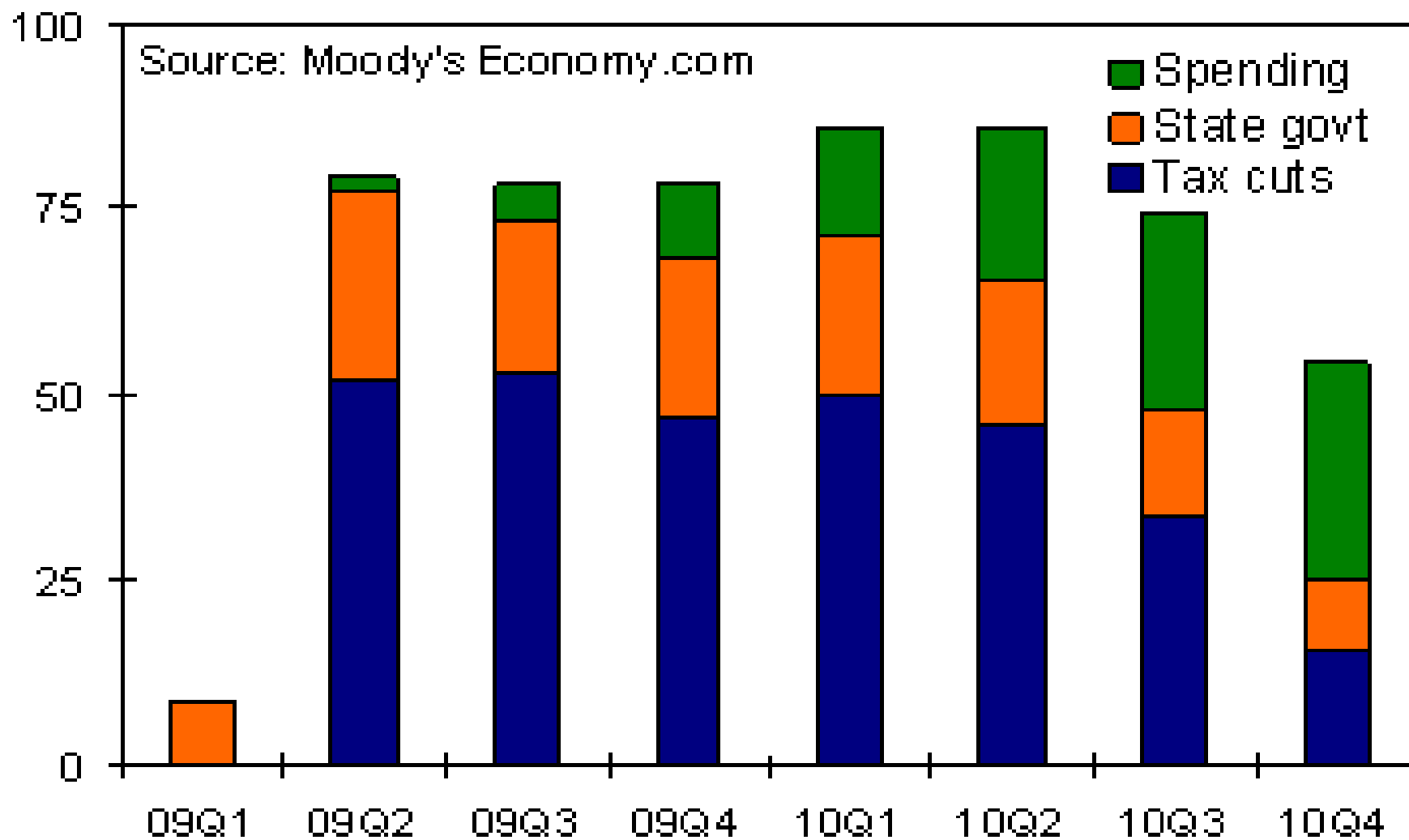


Foreclosures Will Stay High Into Next Decade



Payout from U.S. fiscal stimulus is accelerating

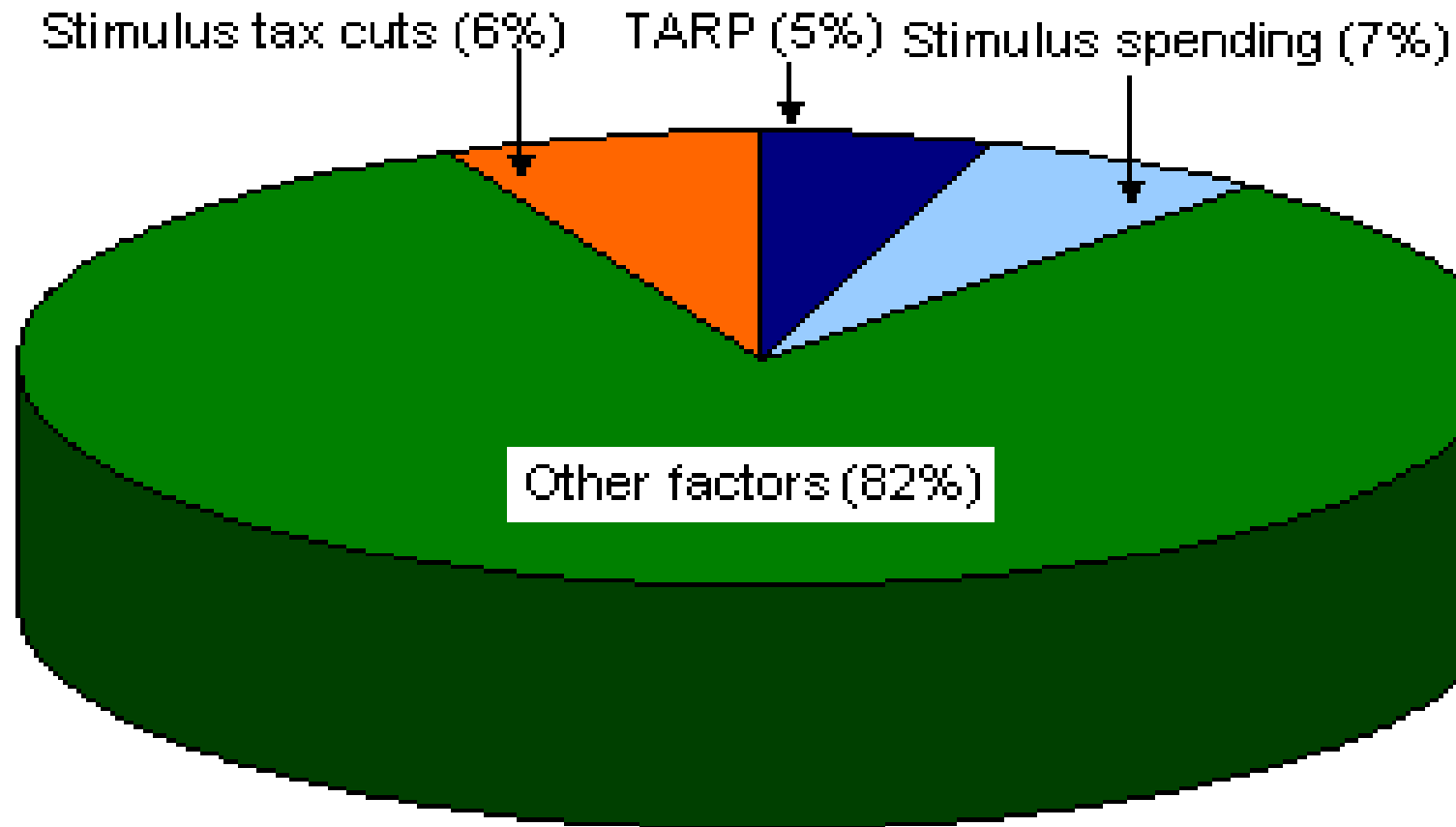
Stimulus payout, \$ bil



10 Year Treasury Bond

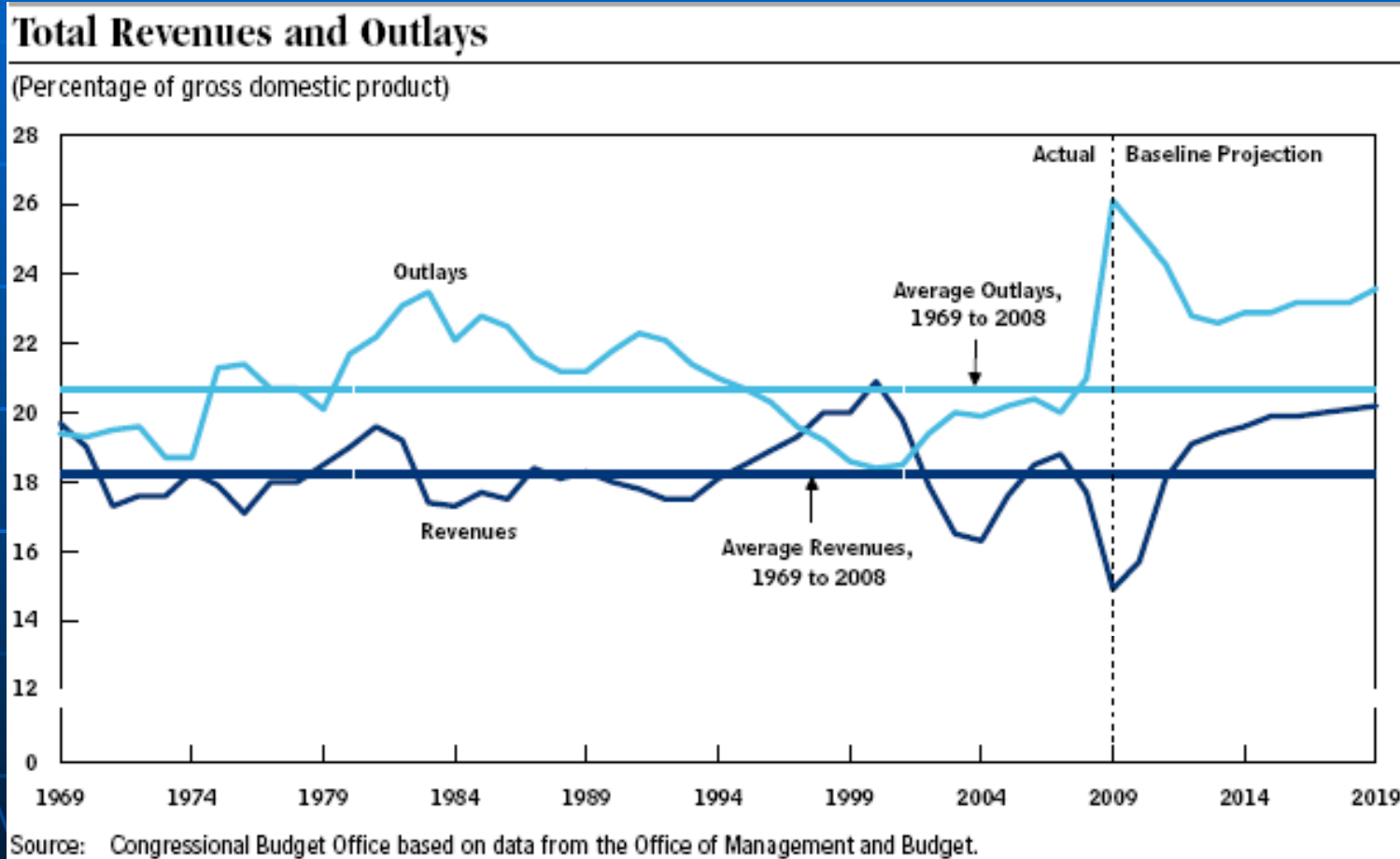


Stimulus, TARP only a small reason for deficit *Contribution to fiscal 2009 budget deficit*



Sources: CBO, Treasury Department, Moody's Economy.com

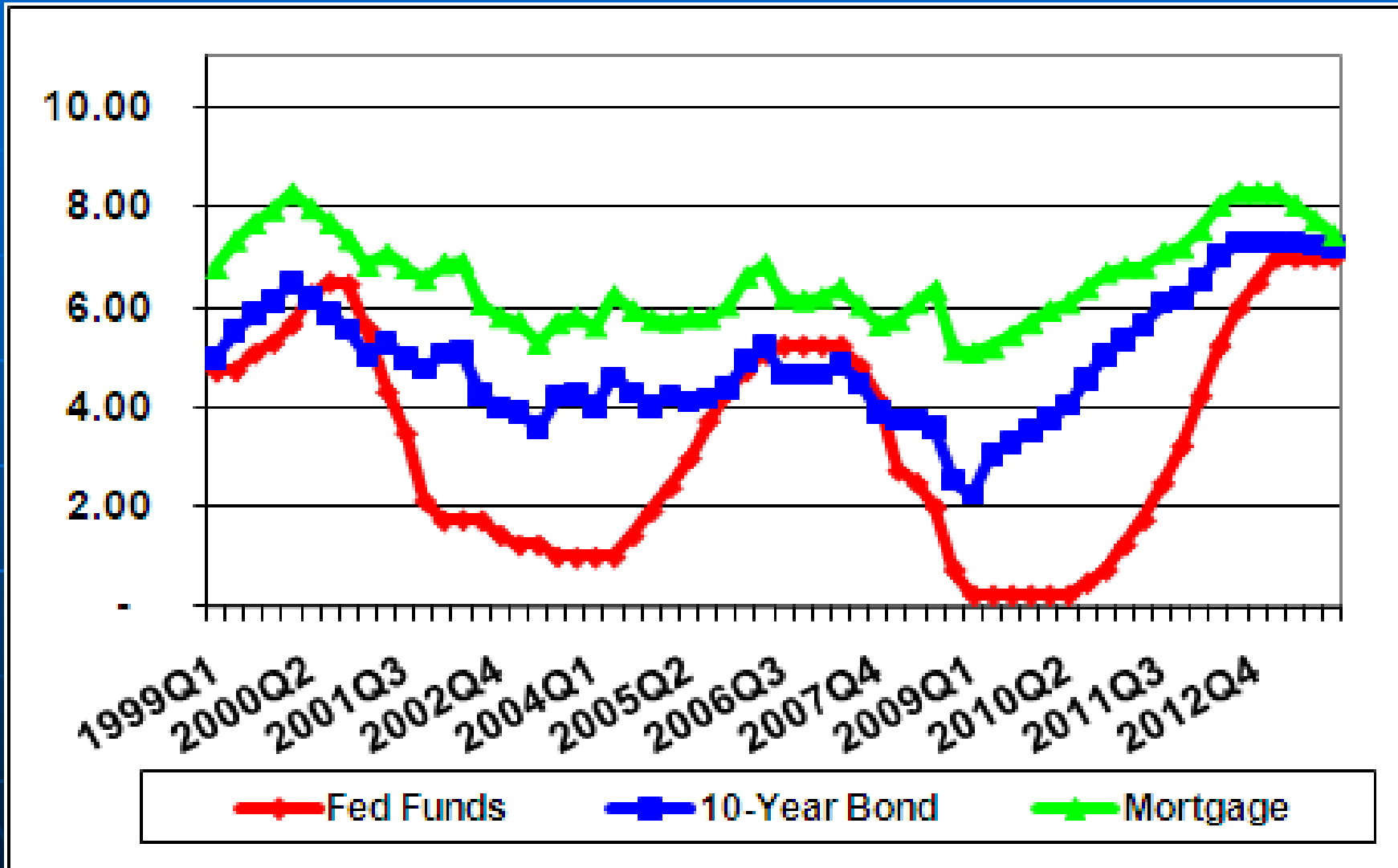
CBO Estimates of Federal Spending and Outlays as a % of GDP





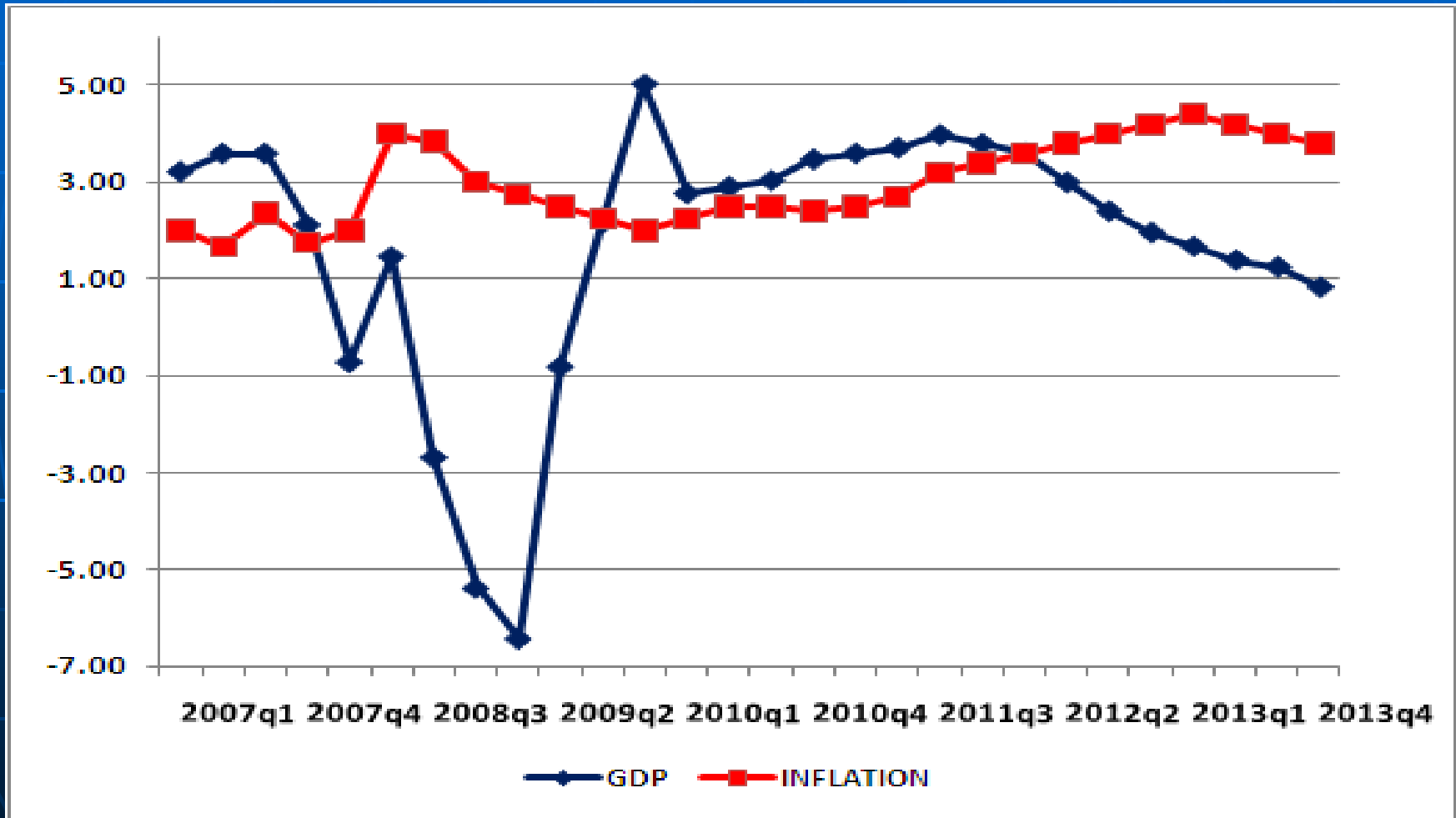
- **The rearview mirror is always clearer than the windshield**
- **Warren Buffet**

INTEREST RATES



GDP AND INFLATION

(Percent growth SAAR)

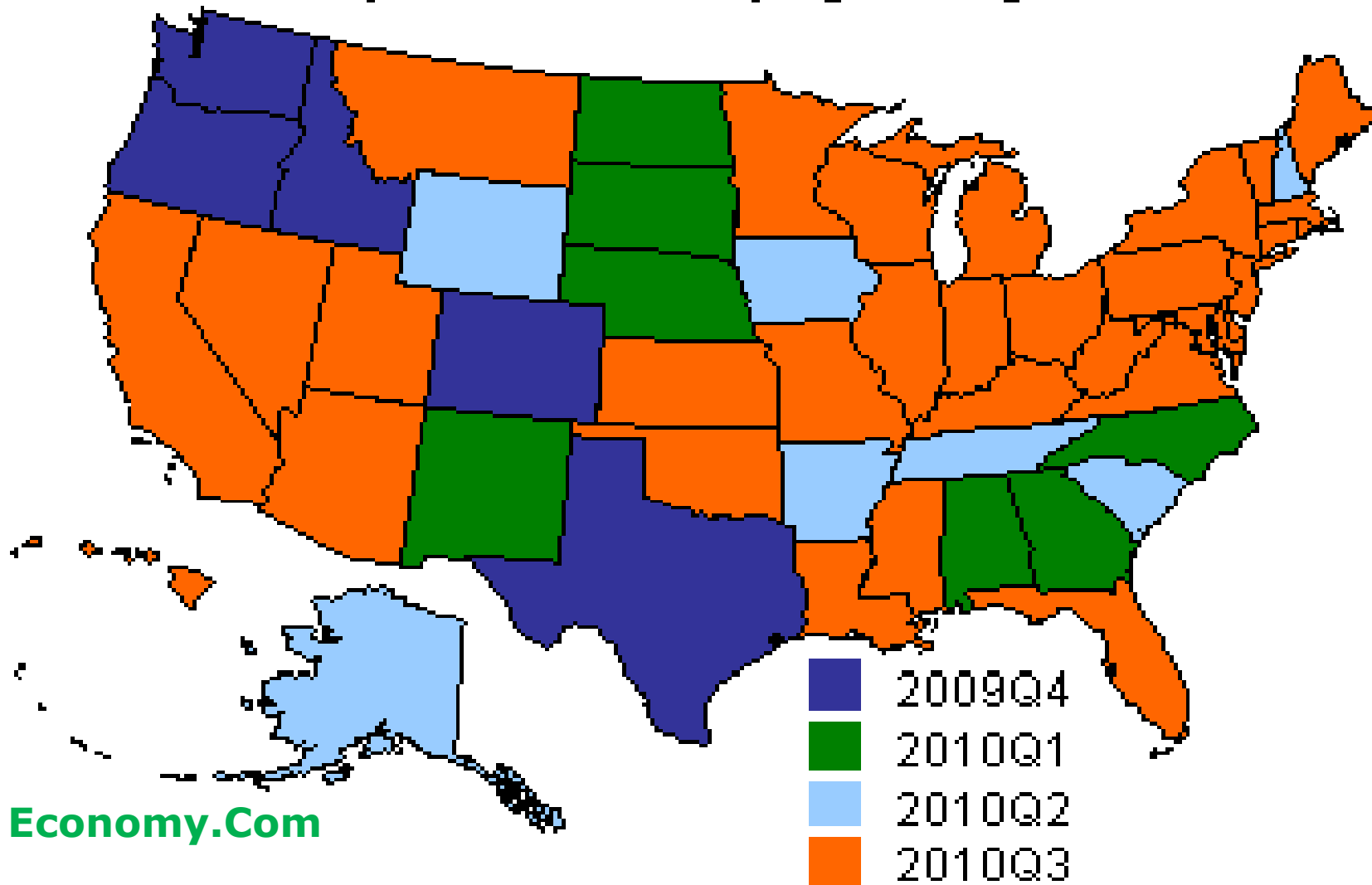


Post War Recession in U.S.

Peak to Trough %	Length of Recssion in Months	Real GDP	Industrial Production	Payroll Employment
12- 2007 to 11-2009*	23	-4.00%	-17.88%	-5.47%
3- 2001 to 11-2001	8	-0.40%	-5.80%	-2.10%
7-1990 to 3-1991	8	-1.30%	-4.30%	-1.50%
7-1981 to 11-1982	16	-2.70%	-10.30%	-3.20%
1-1980 to 7-1980	6	-2.20%	-6.90%	-1.30%
11-1973 to 3-1975	16	-3.10%	-12.80%	-2.80%
12-1969 to 11-1970	11	0.00%	-7.50%	-1.40%
4-1960 to 2-1961	10	-1.60%	-7.80%	-2.30%
8-1957 to 4-1958	8	-3.80%	-12.70%	-4.00%
7-1953 to 5-1954	10	-2.40%	-9.10%	-3.30%
11-1948 to 10-1949	11	-1.80%	-7.70%	-4.40%
Average for previous recessions	10	-1.90%	-8.50%	-2.60%

Commodity, Distribution States Improve First

First quarter with employment growth



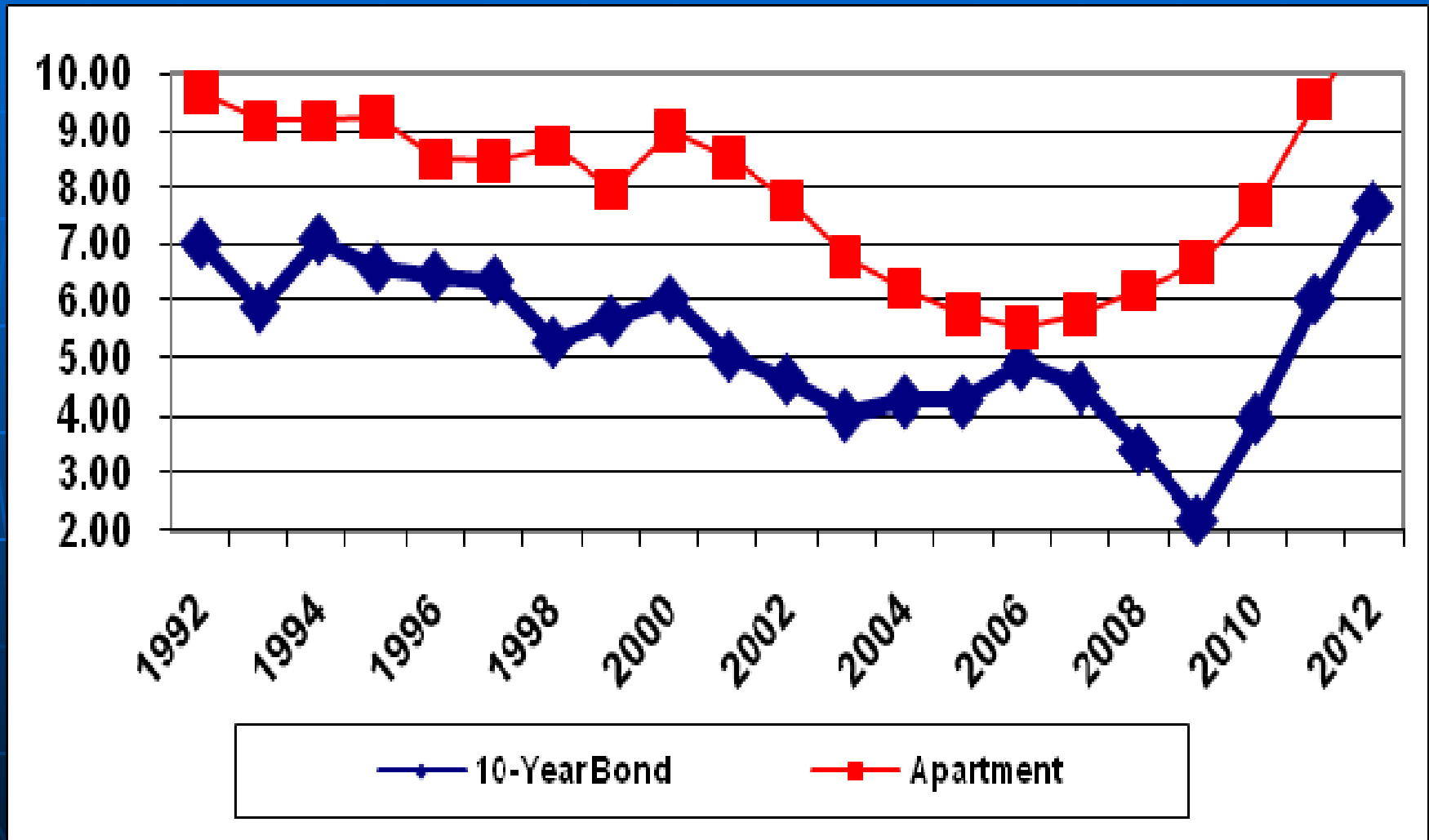
Economy.Com

Property Market Trends 2009-12

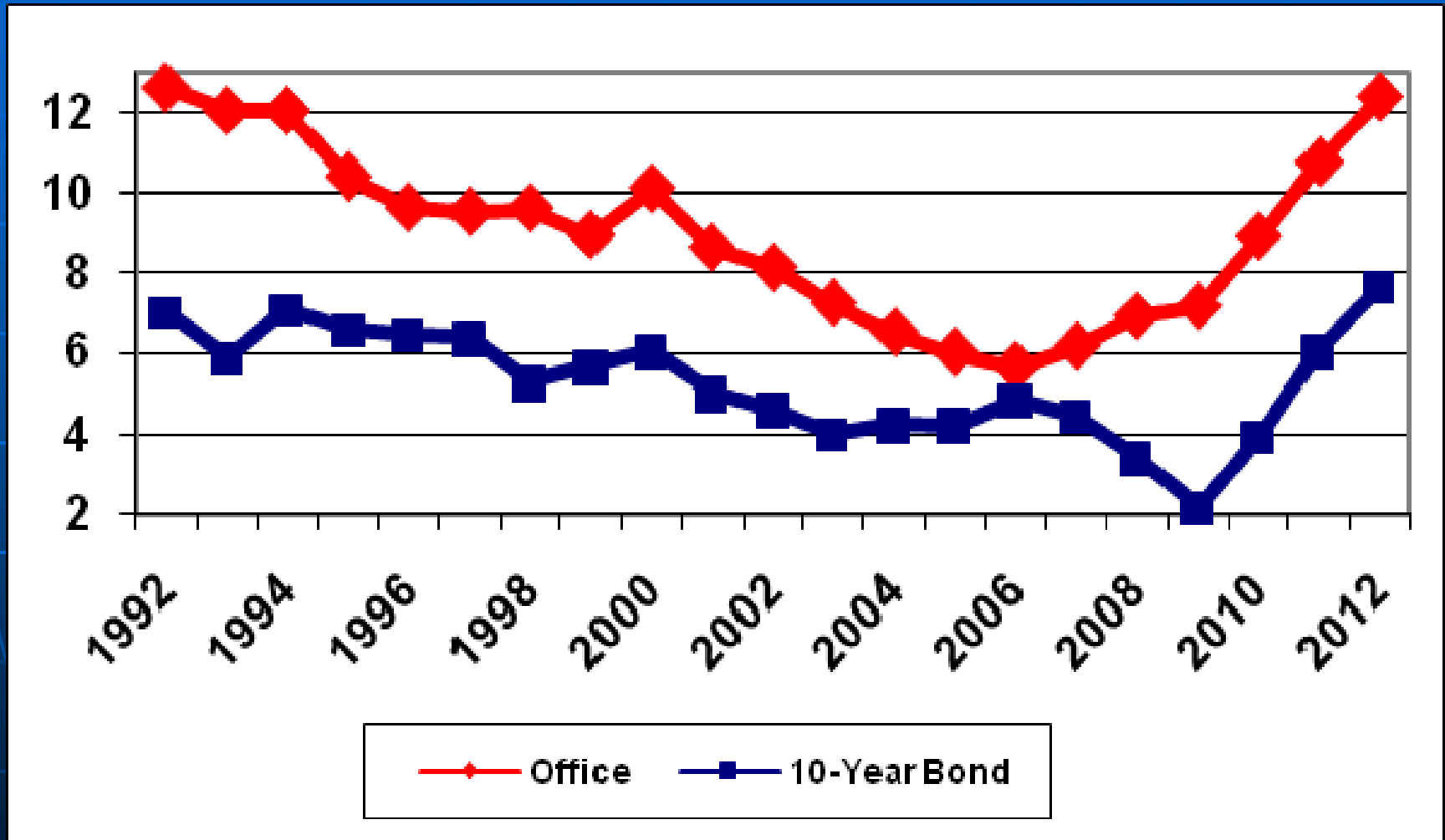
Implications of the Forecast

- **Cap rates will rise – risk premium up**
- **Spreads between cap rates and 10-Year bond will increase**
- **Non residential property values drop**
- **Residential values stabilize**
- **Overbuilding in condominiums**
- **Land prices eroding**

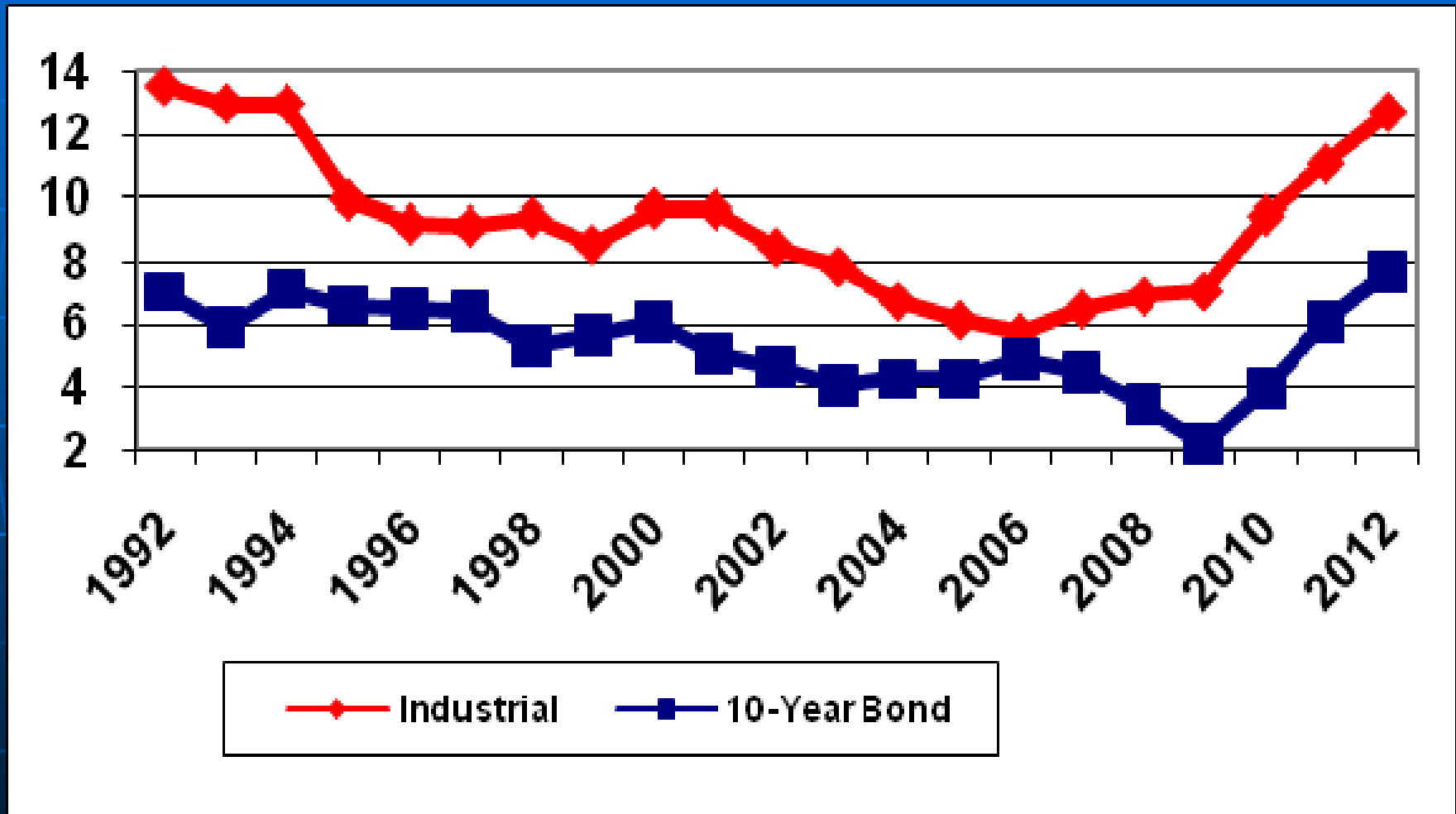
Apartment Cap Rates



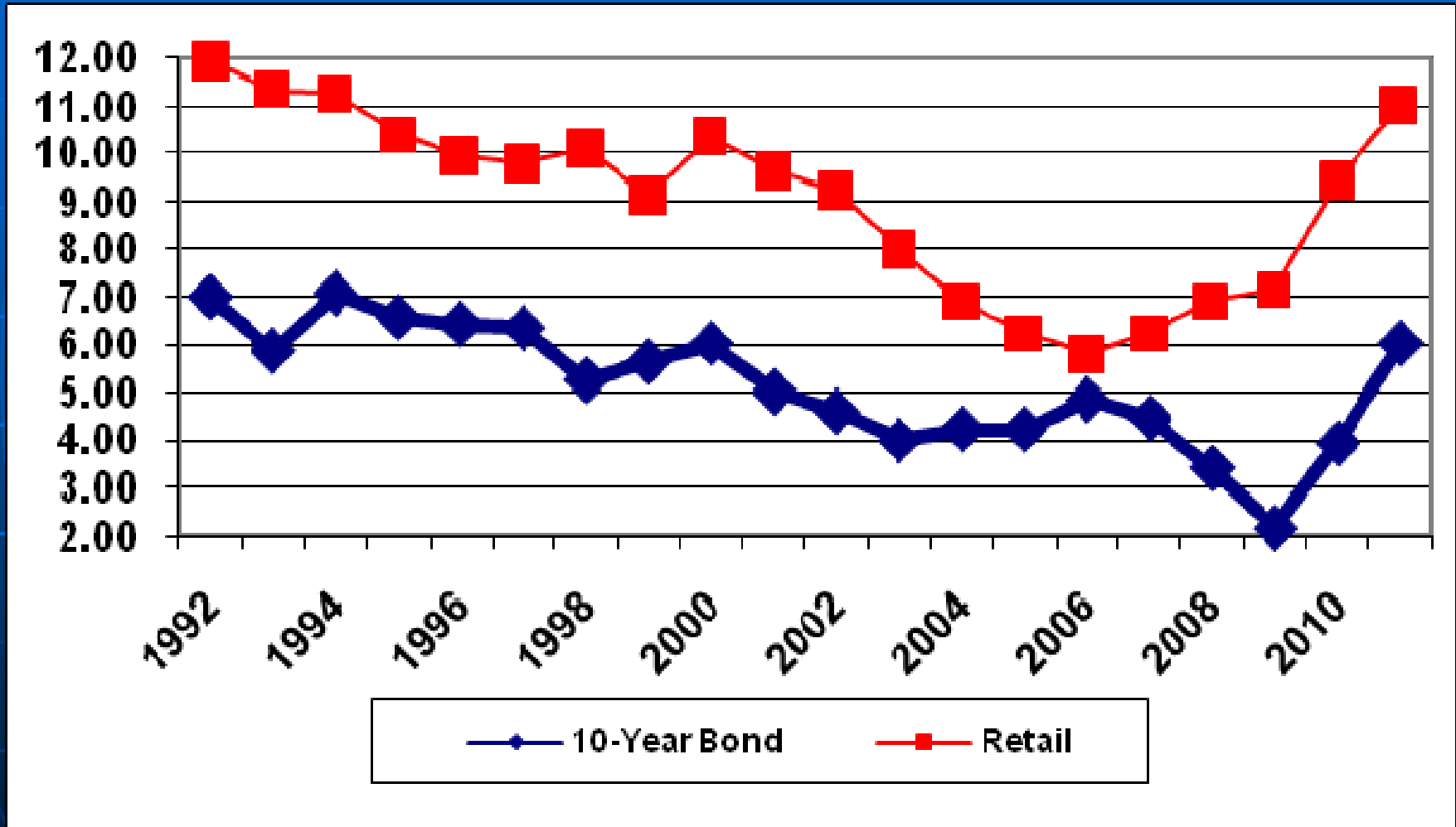
Office Cap Rates



Industrial Cap Rate



Retail Cap Rate



Florida Summary – Now that the Hurricane is Over ...

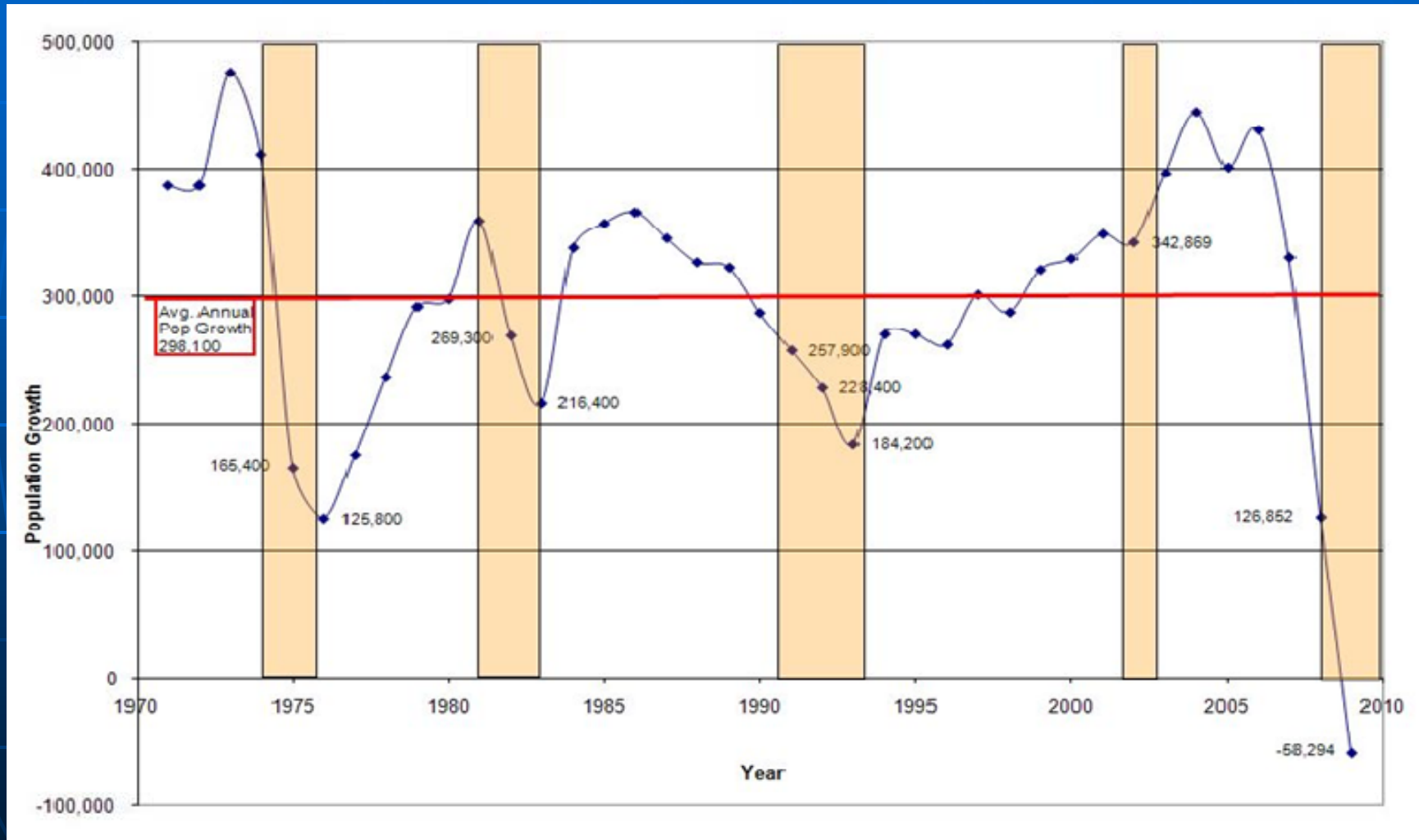


1/20/2010

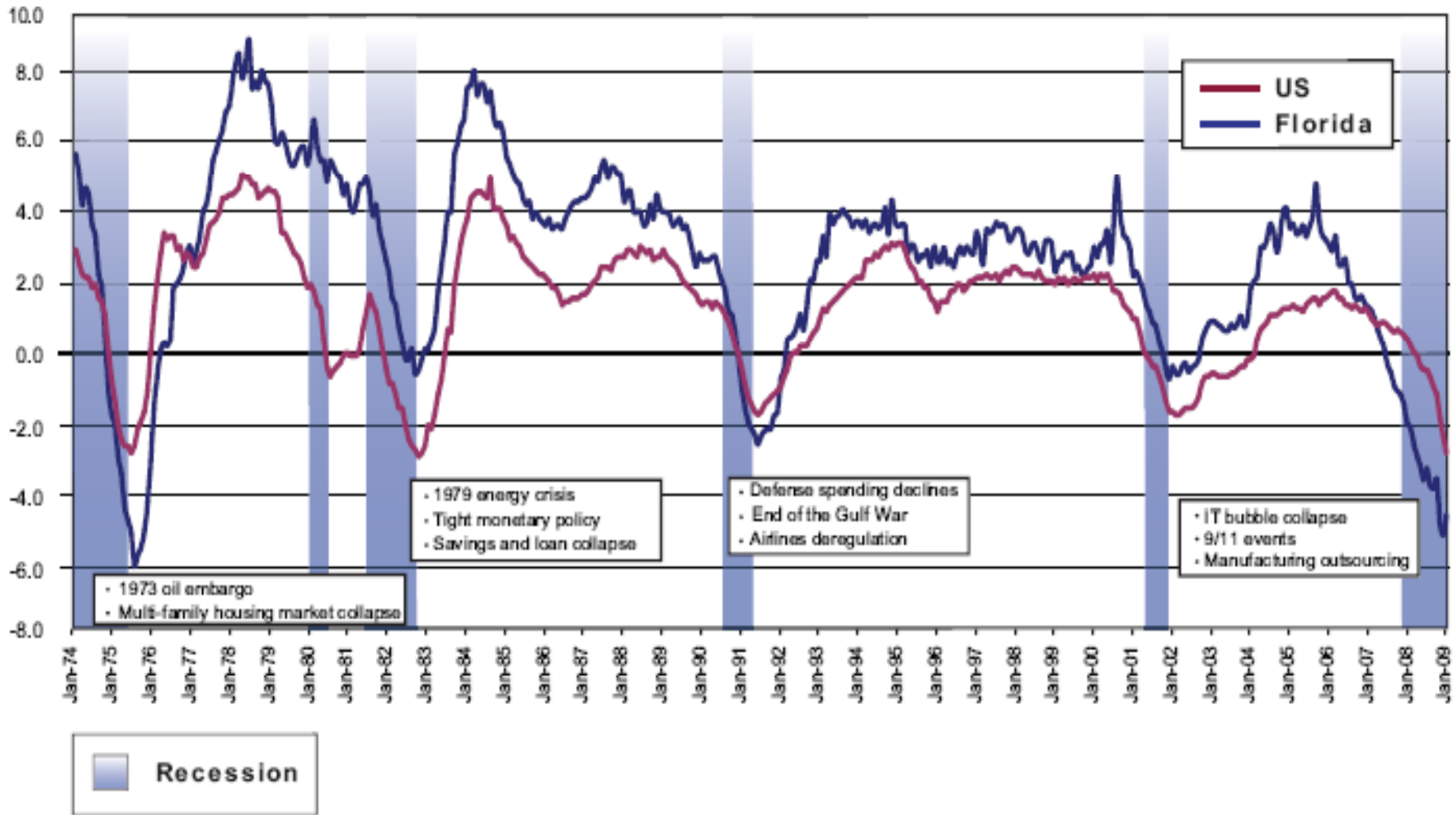
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Florida Population Growth

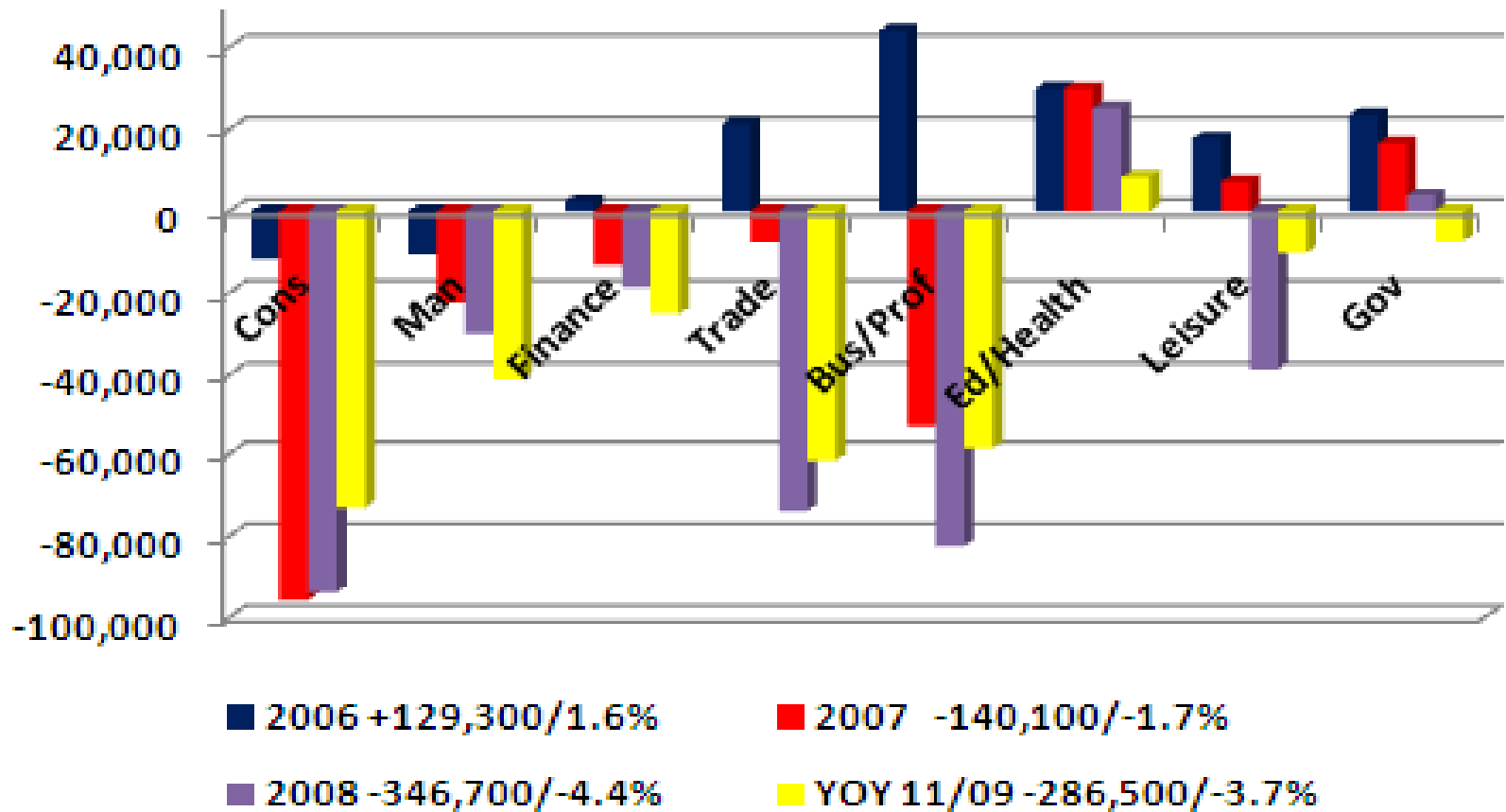


Total Nonagricultural Employment Annual Job Growth Rates



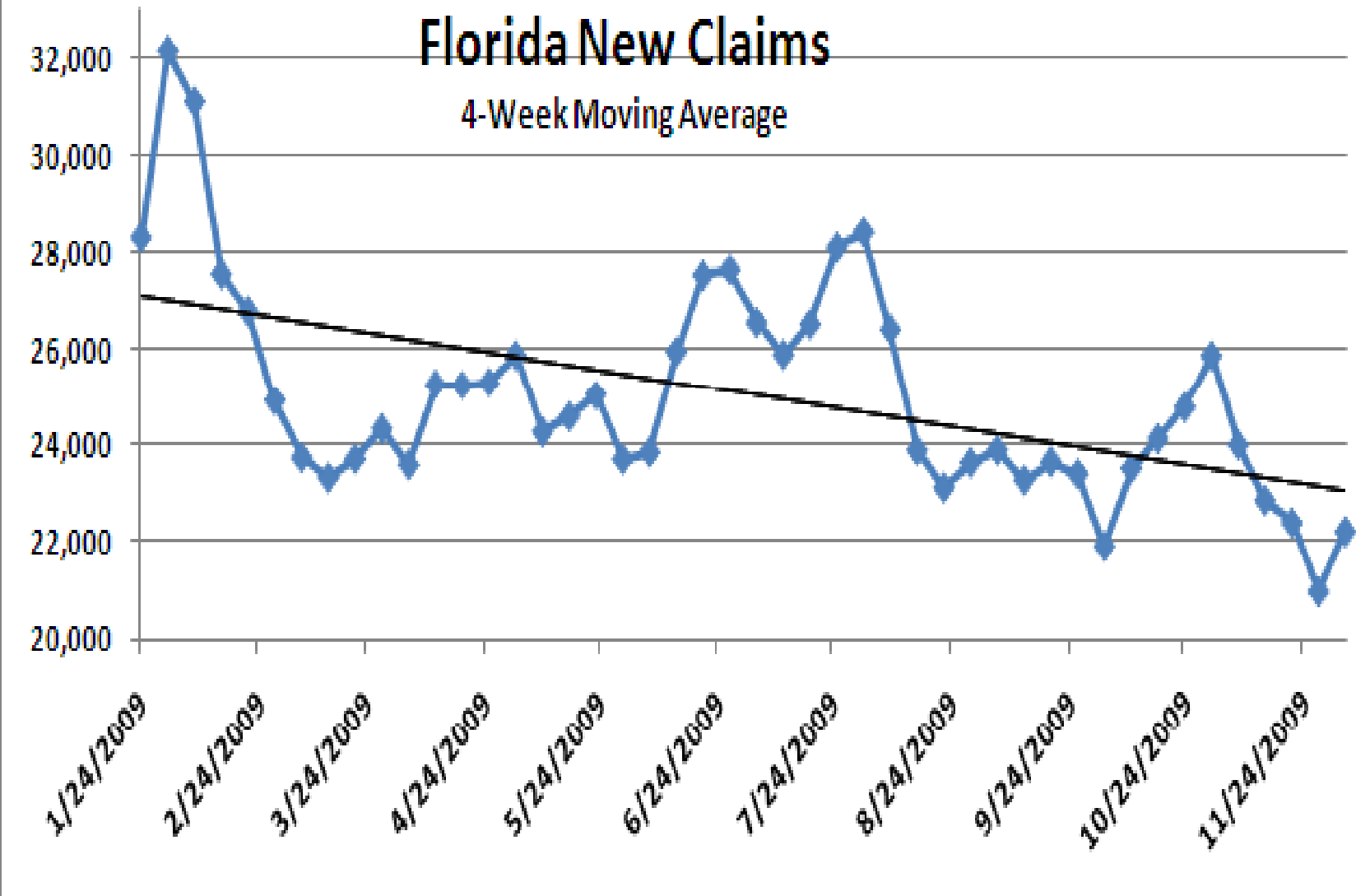
Source: Florida Agency for Workforce Innovation, Labor Market Statistics Center, Current Employment Statistics Program, in cooperation with the U.S. Department of Labor, Bureau of Labor Statistics.

Florida Employment Growth Year-over-Year Changes

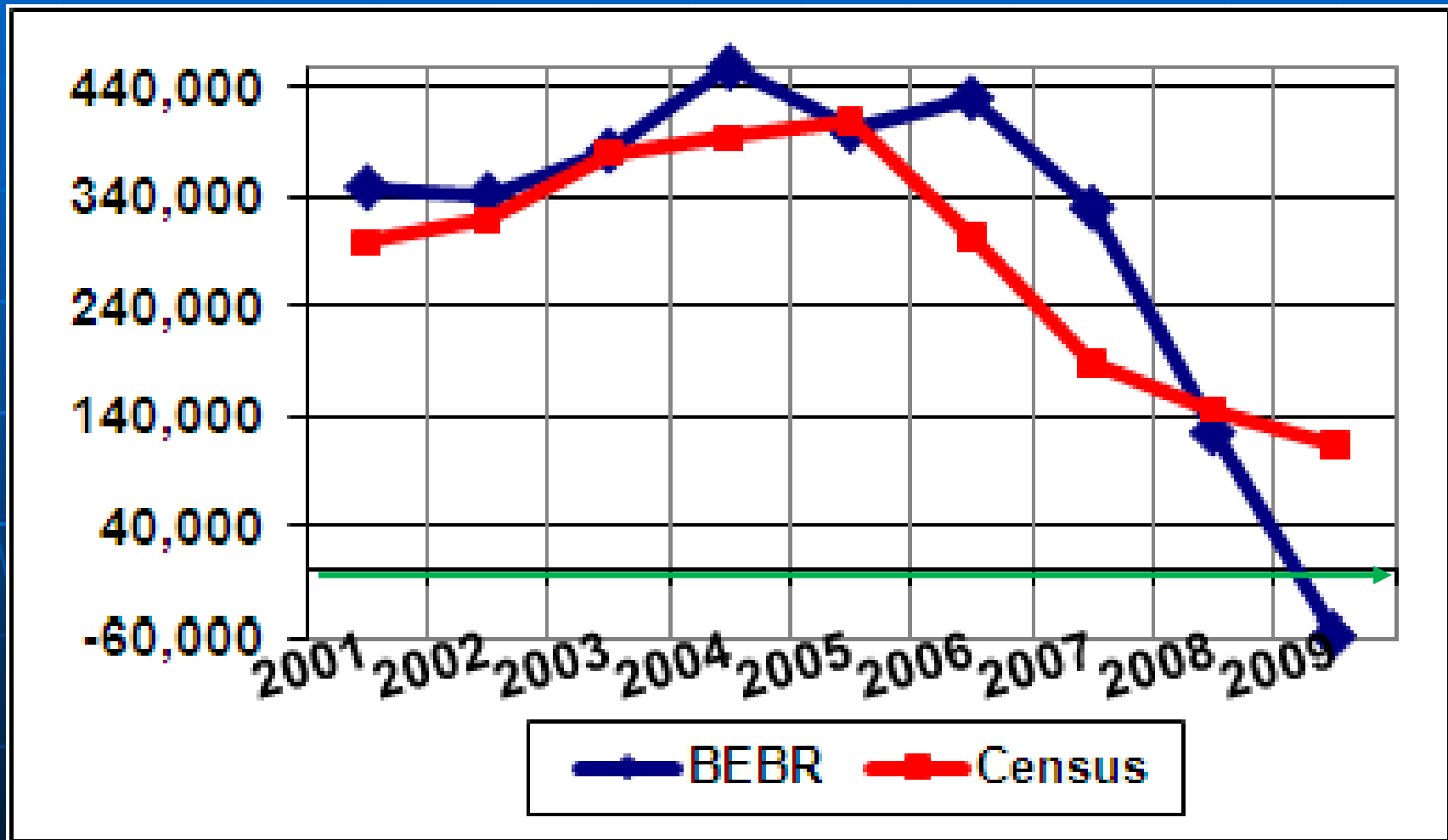


Florida New Claims

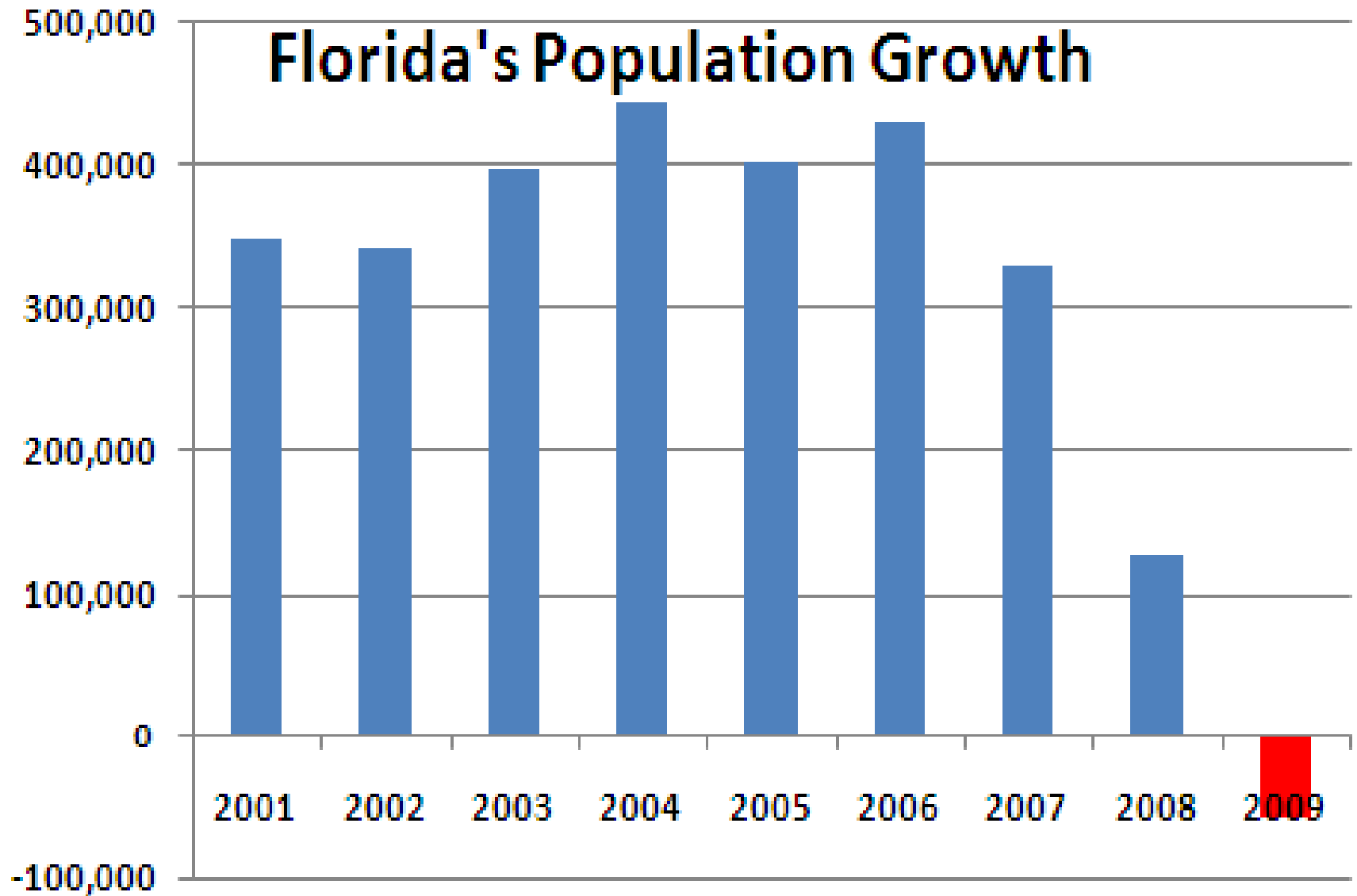
4-Week Moving Average



Population Growth? Census v. BEBR



Florida's Population Growth



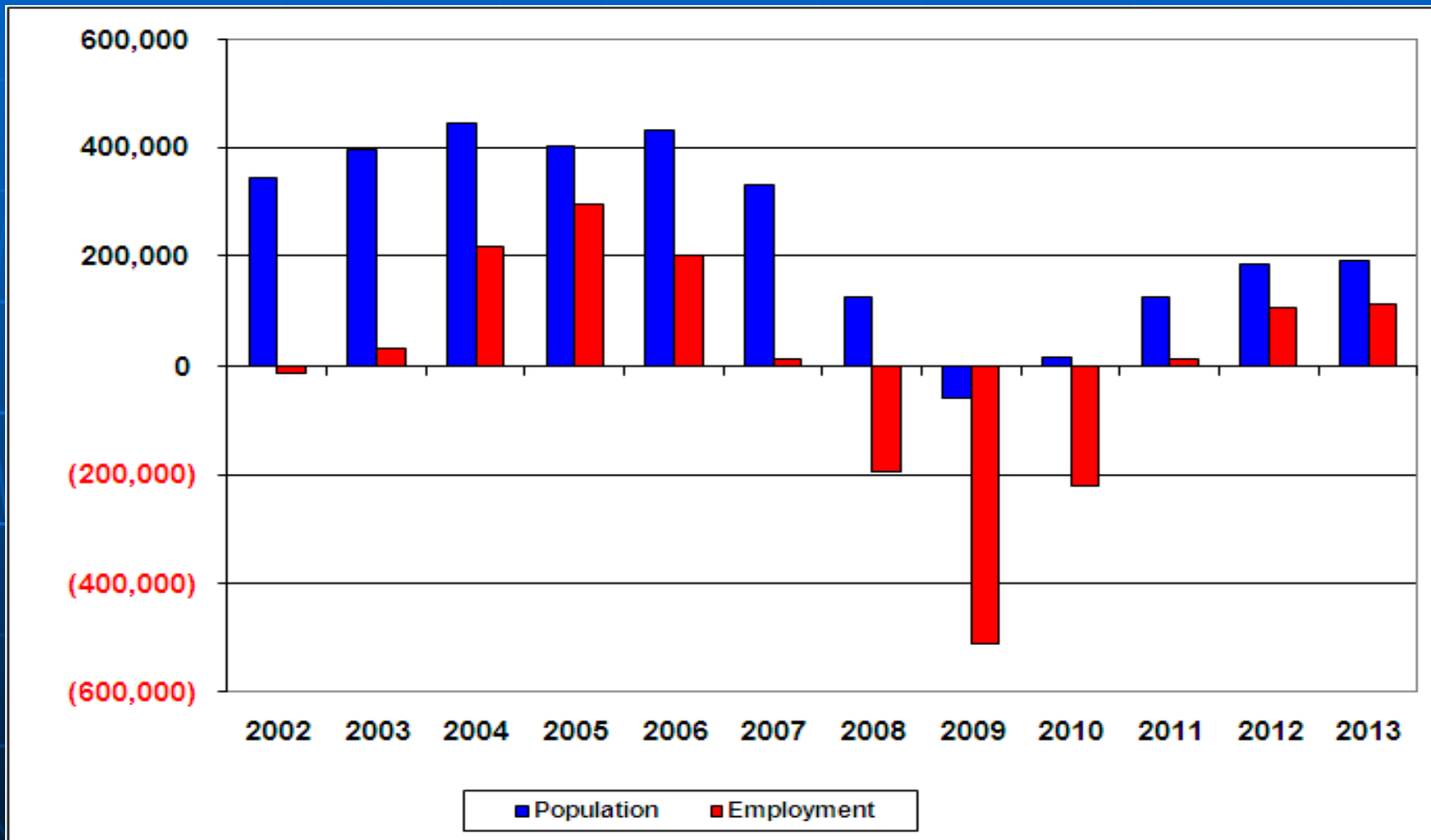
Counties Accounting for Loss

County	2009-2008
Broward	(13,904)
Lee	(8,601)
Palm Beach	(8,033)
Pinellas	(7,348)
Orange	(6,097)
Dade	(5,485)
Duval	(4,453)
St. Lucie	(3,721)
Hillsborough	(3,649)
Volusia	(3,645)
	=====
Total	(64,936)

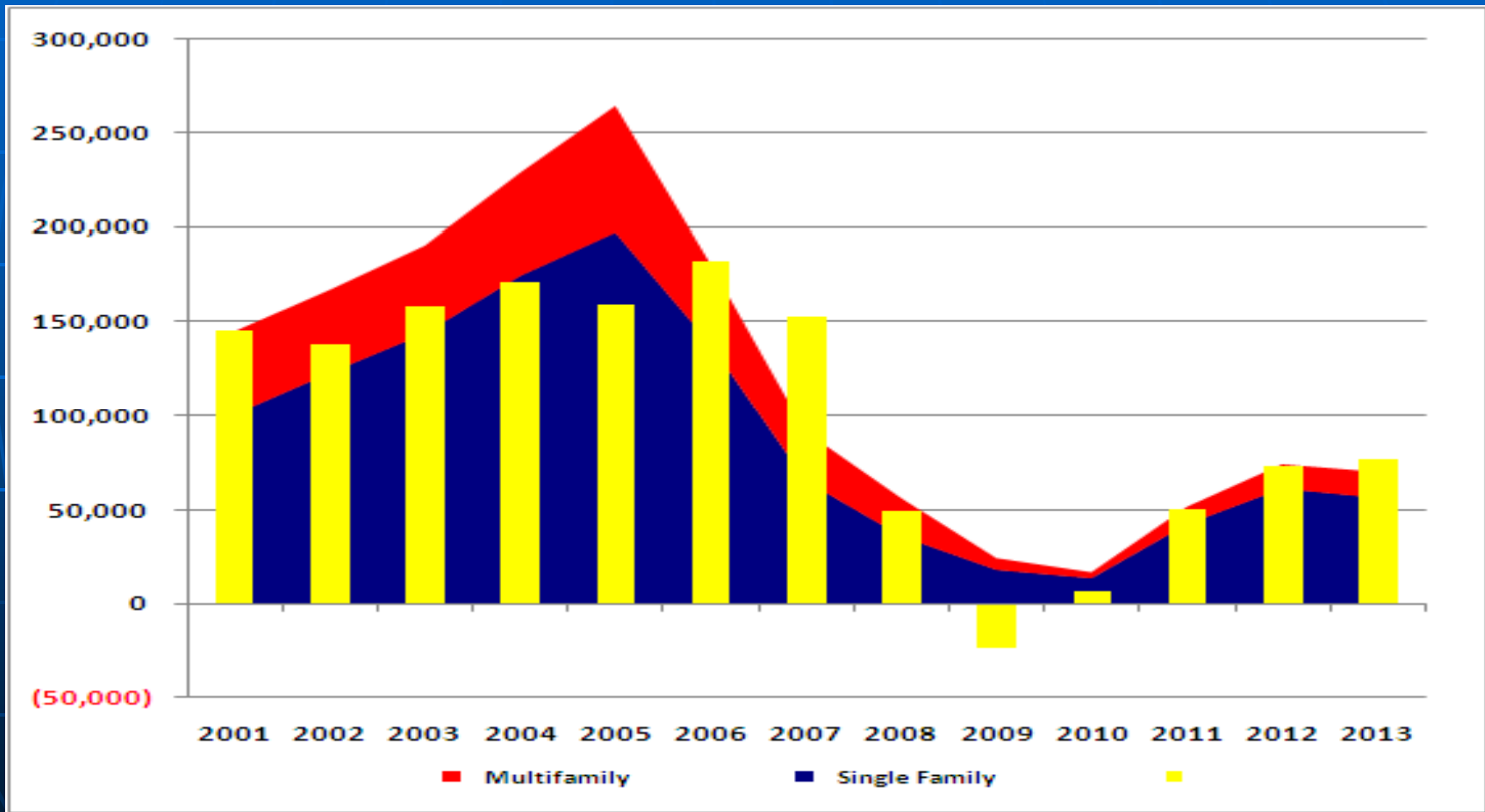
Why Has Florida Lost its Competitive Edge?

- **Some attractive areas built out**
- **Unbridled impact fees**
- **Poor land use policies**
- **Faulty property insurance market**
- **Faulty property tax system**
- **High cost/duplication local government services (police, fire, ems, planning)**

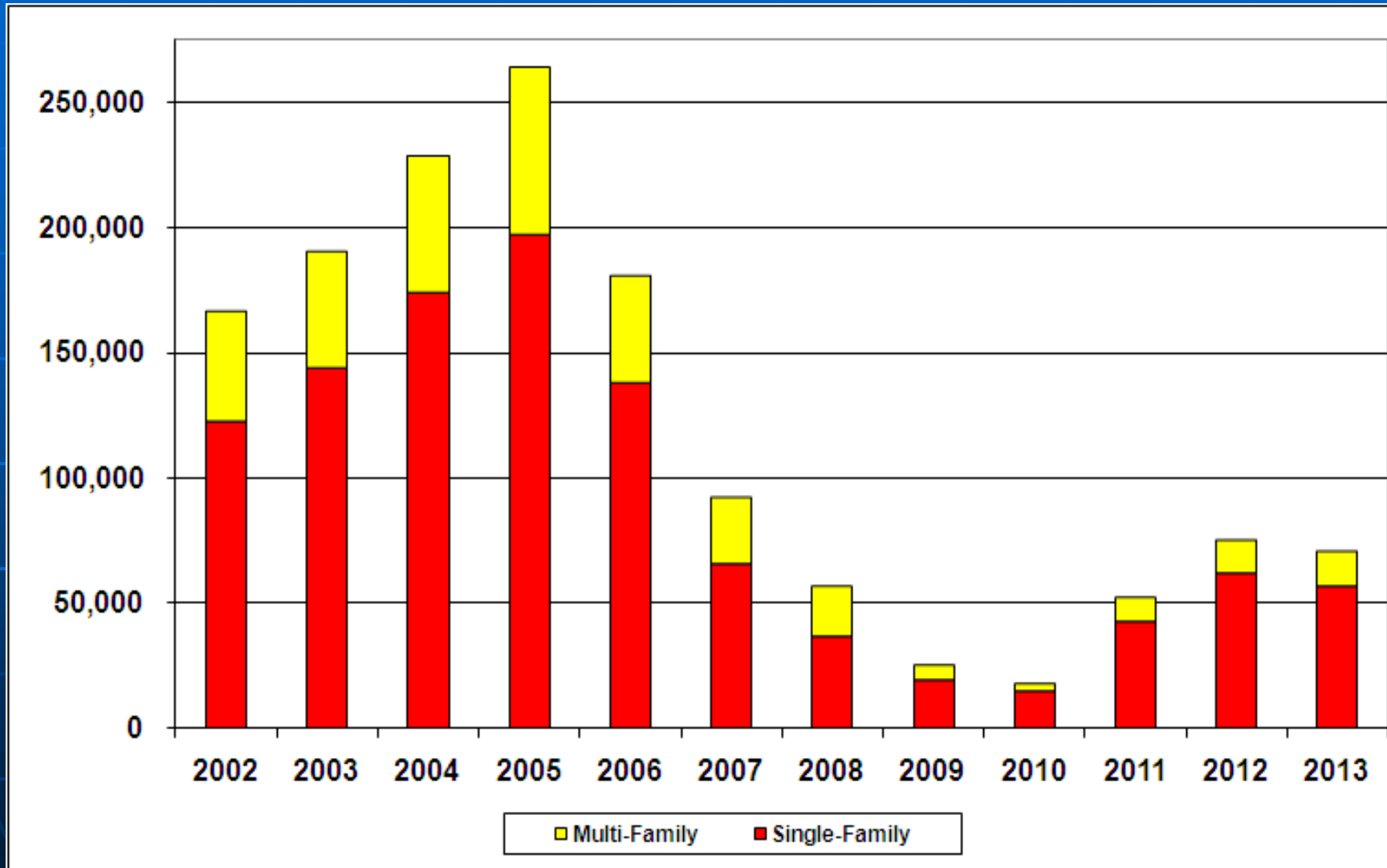
Florida Growth Forecast Population and Employment



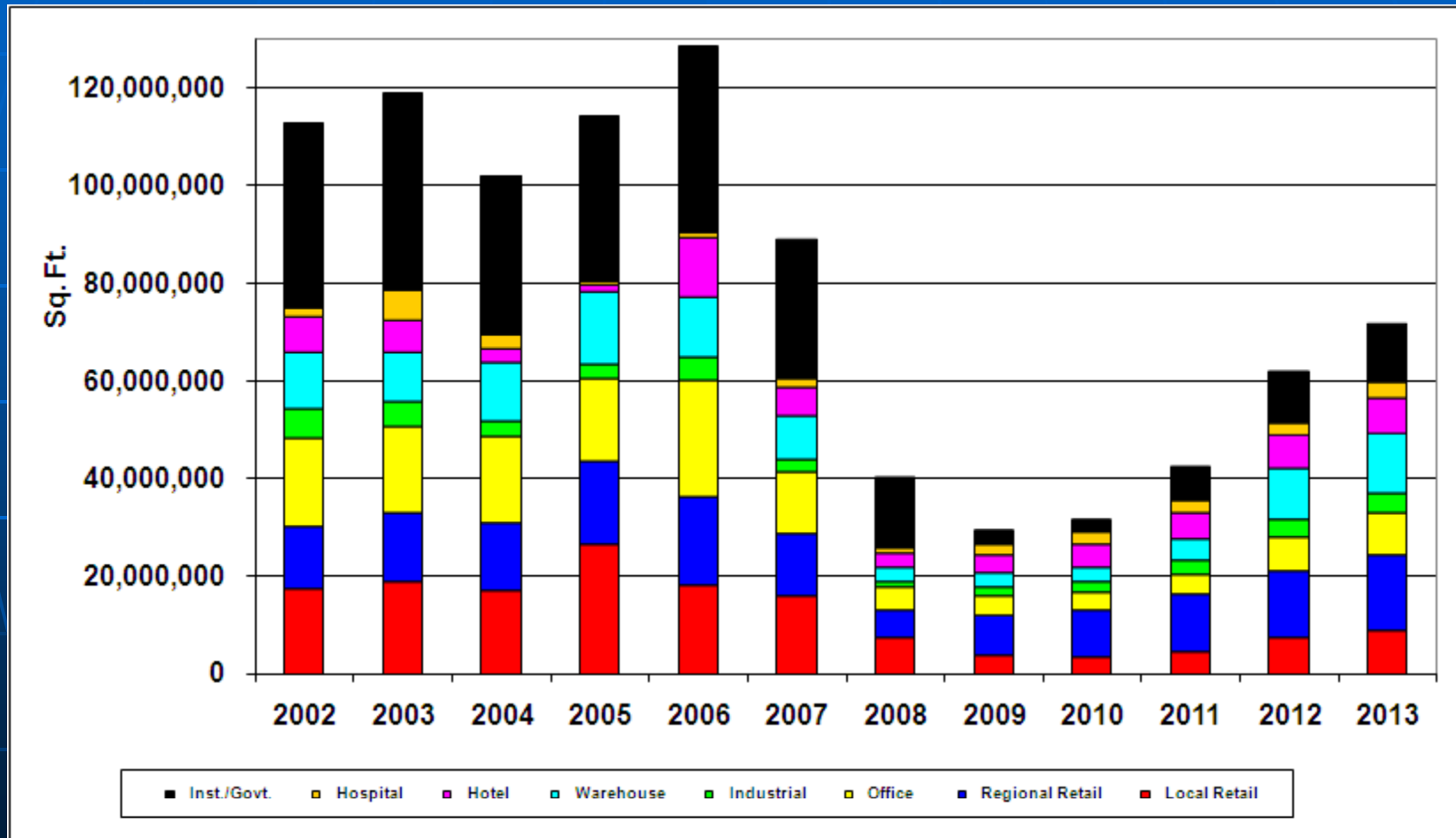
Housing Market Supply/Demand Balance



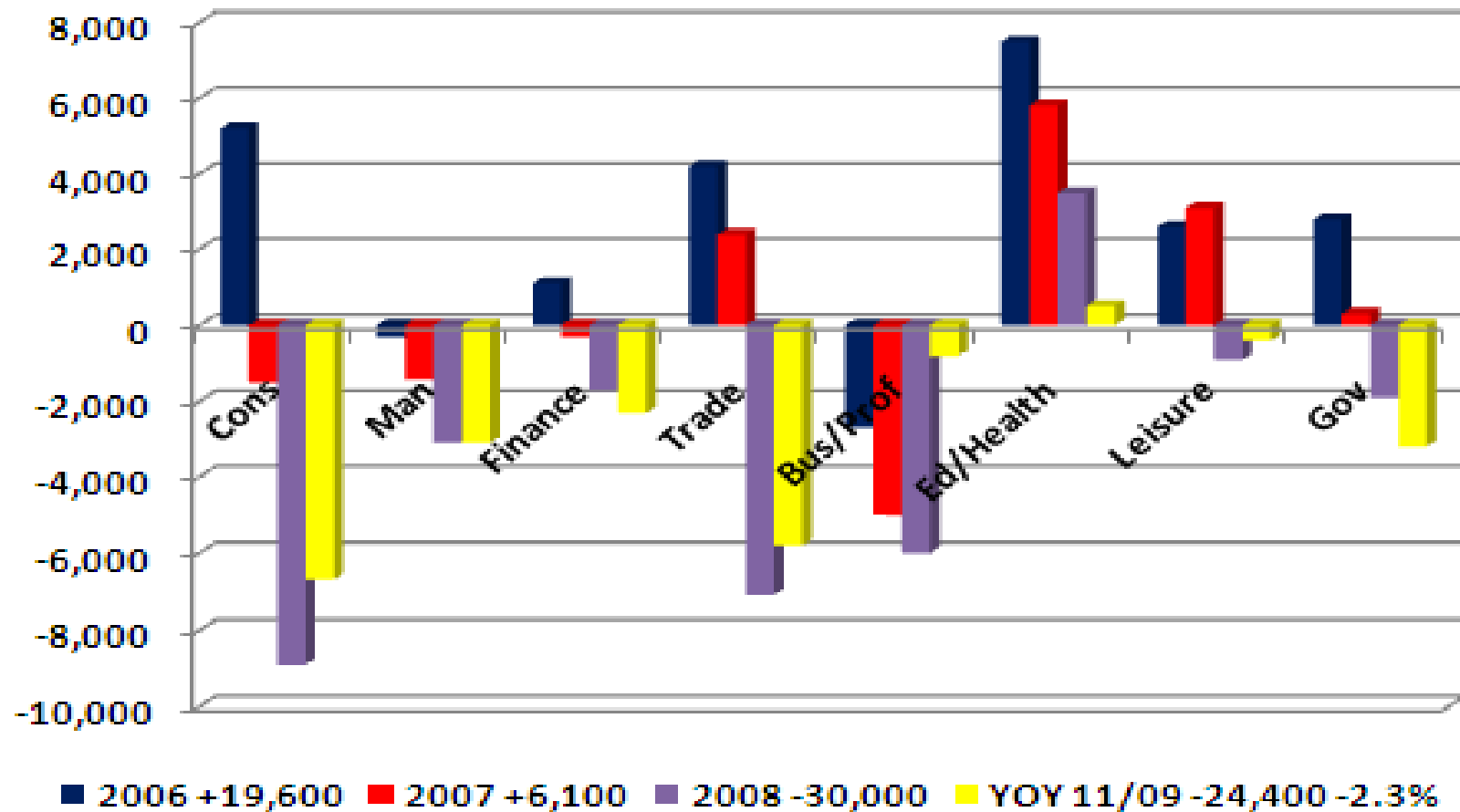
Housing Starts



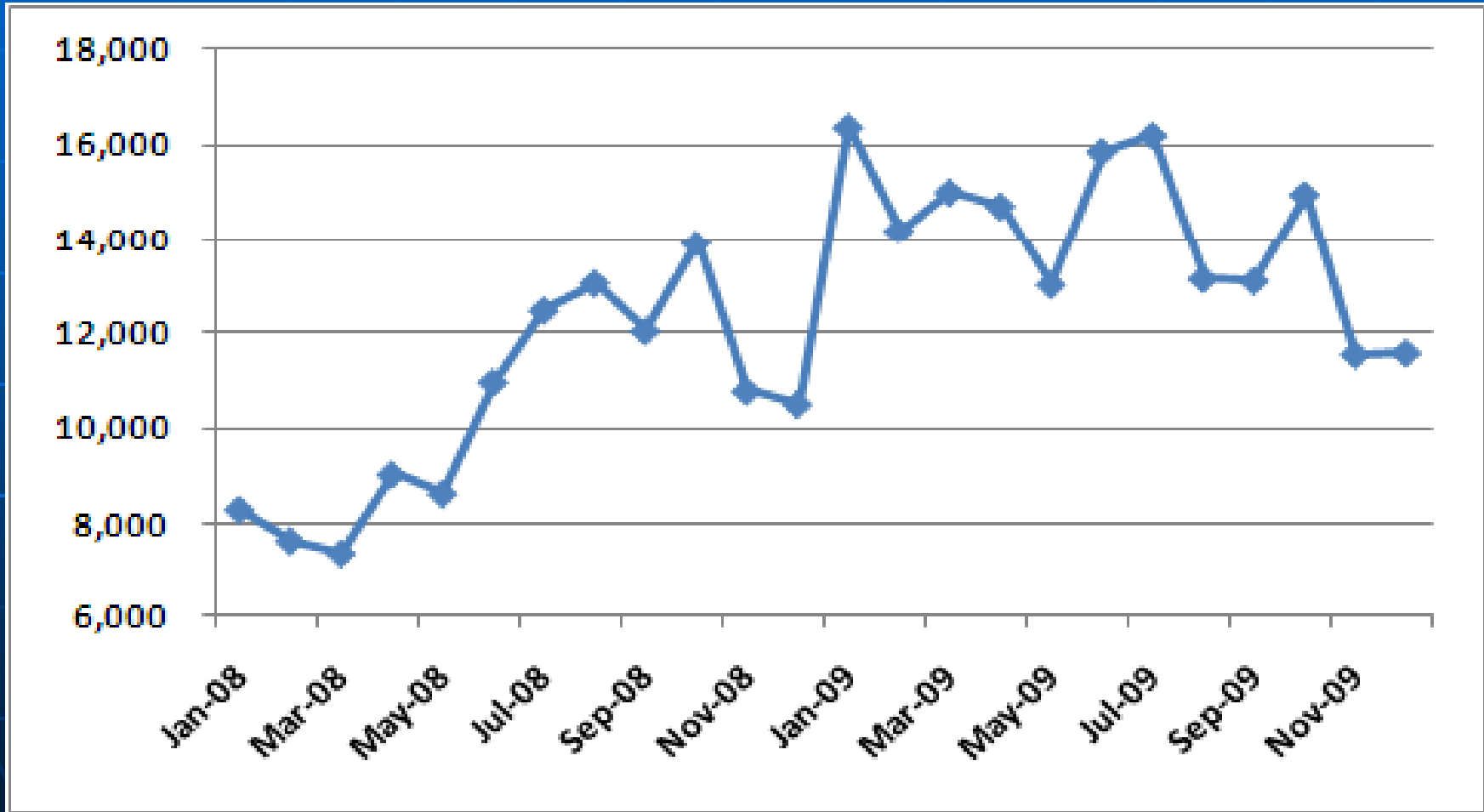
Non Residential Construction Put in Place in Square Feet



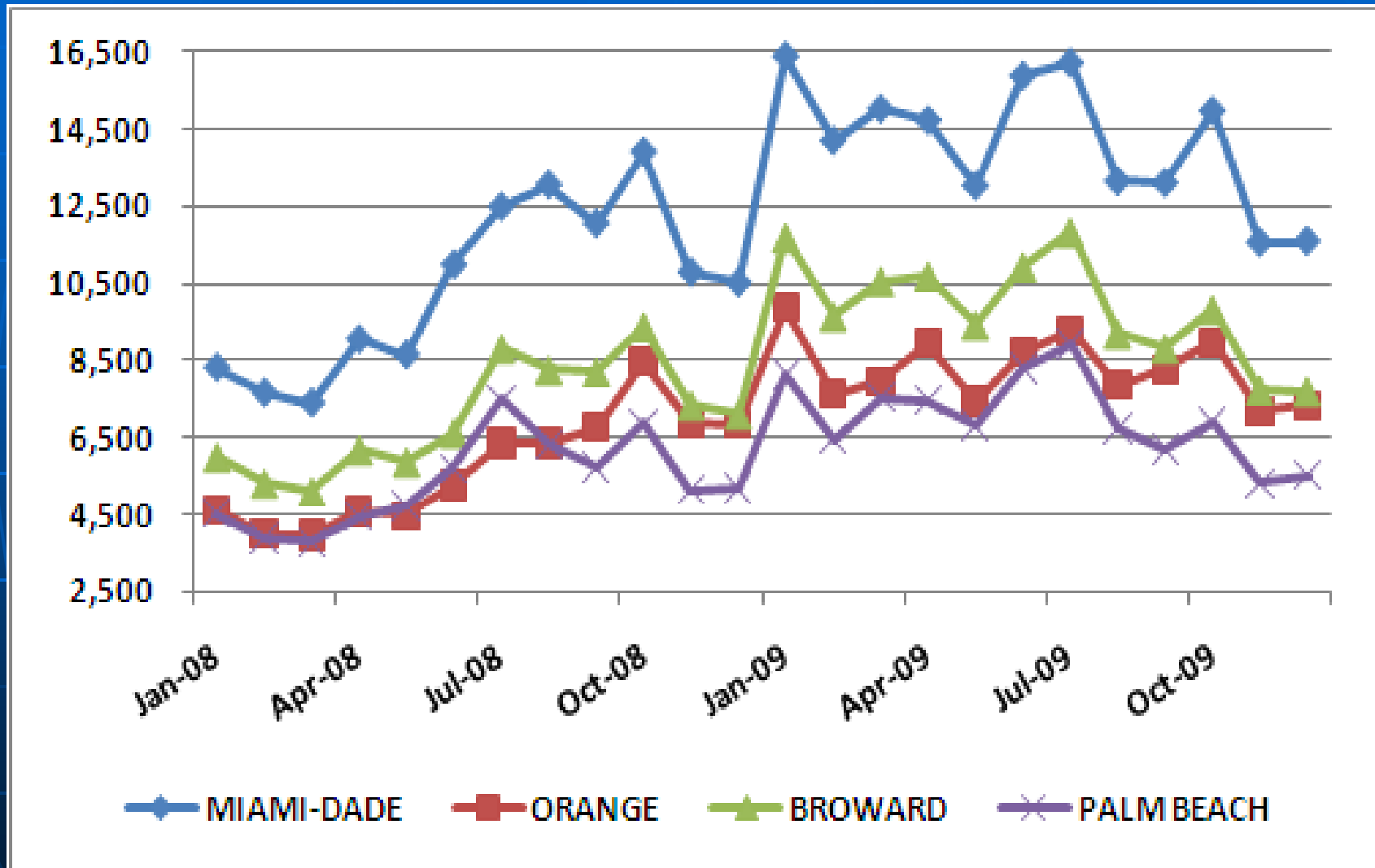
Dade Employment Growth Year-Over-Year



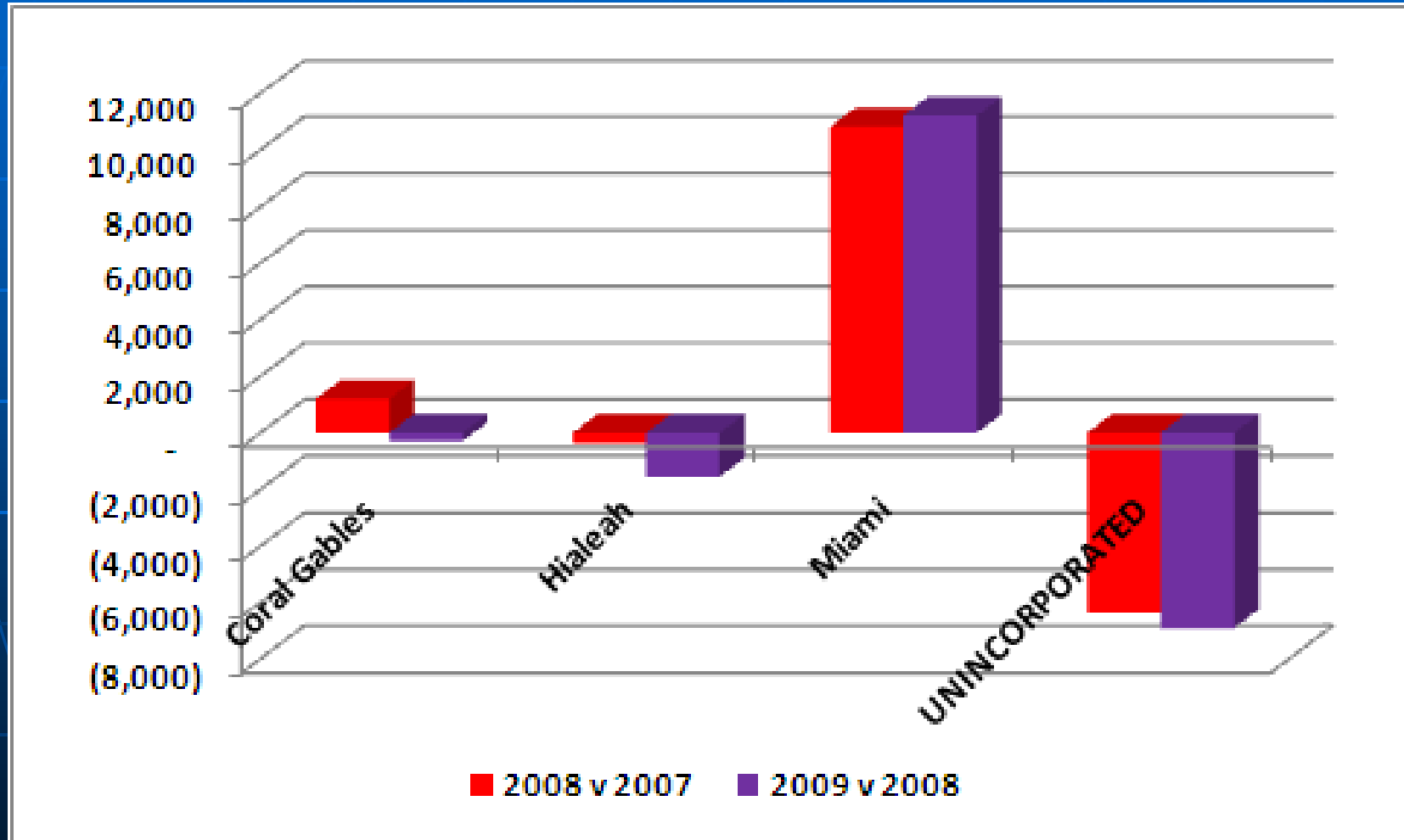
Dade New Claims for Unemployment Comp



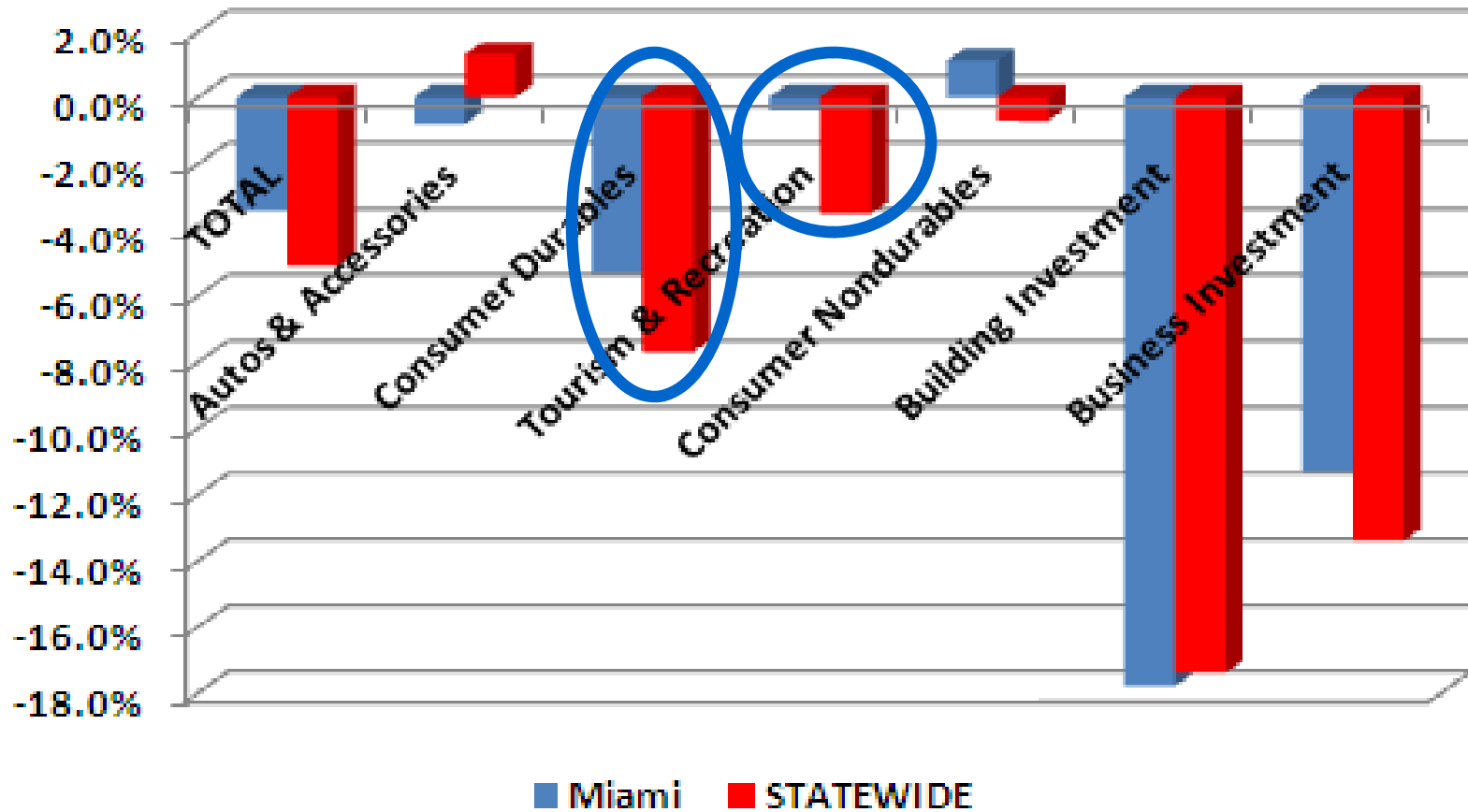
New Claims for Selected Counties



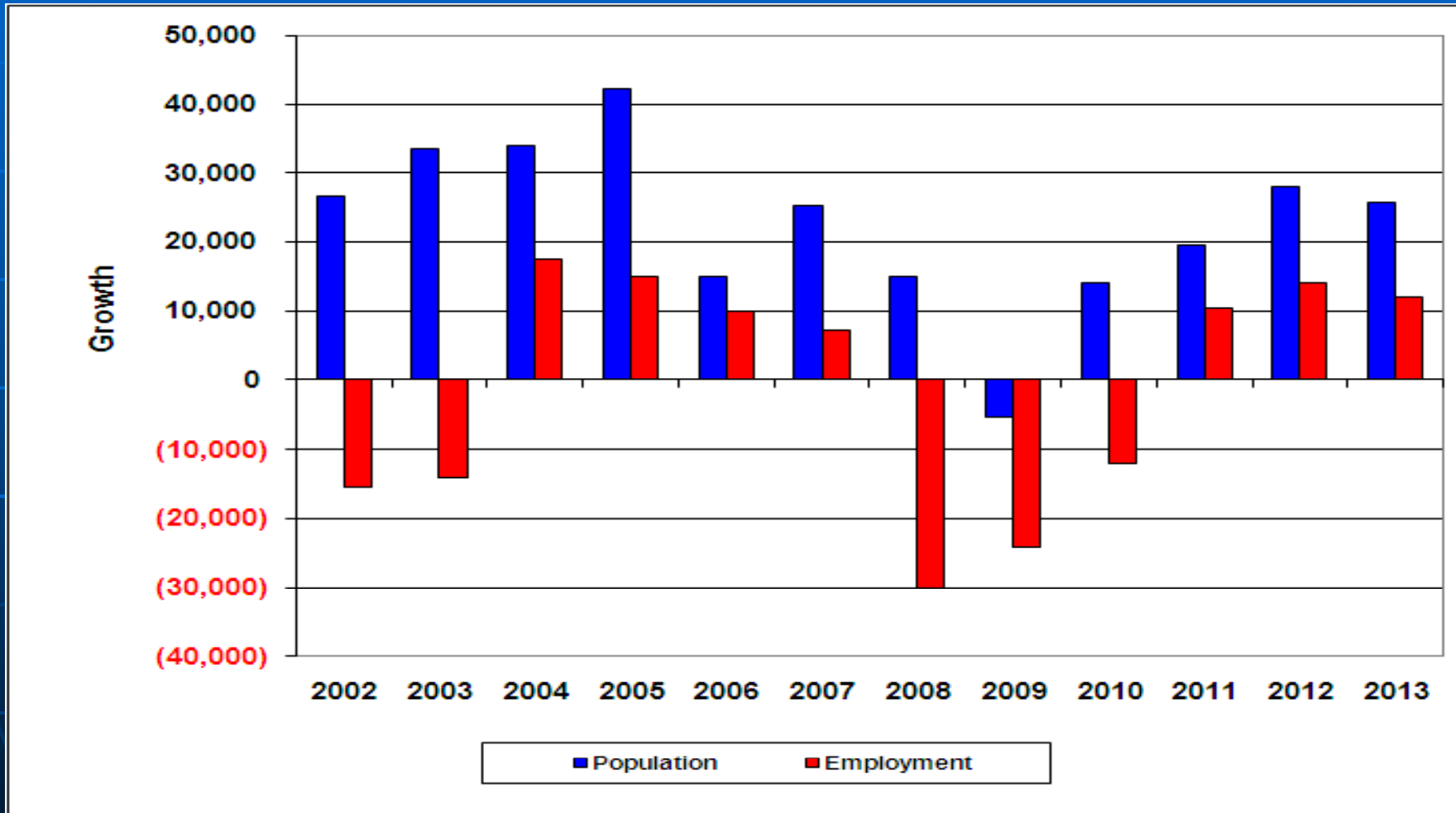
Dade County Population Growth 2007/8 v 2008/9



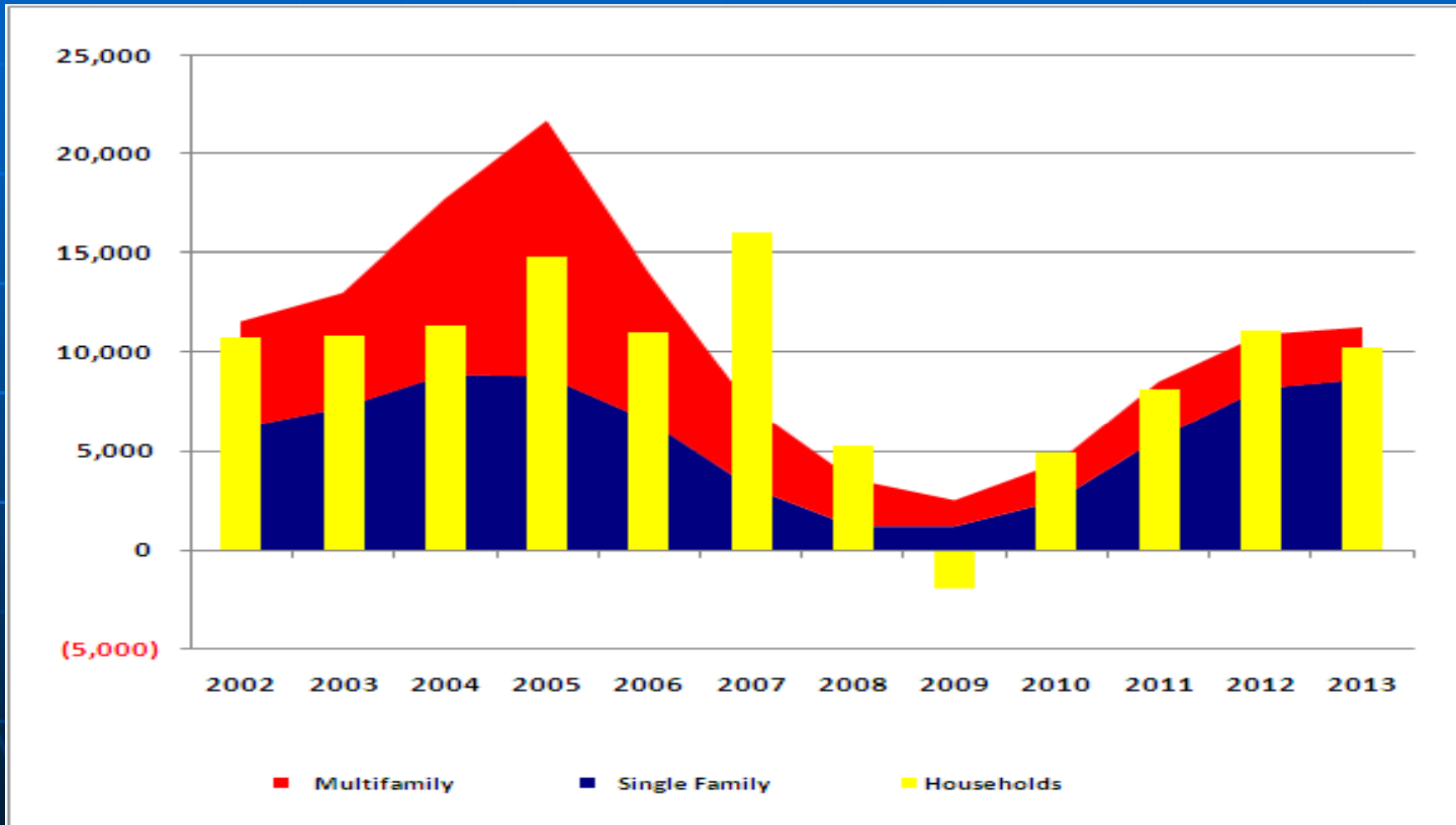
Dade County Retail Sales % change 10-2009 v. 10-2008



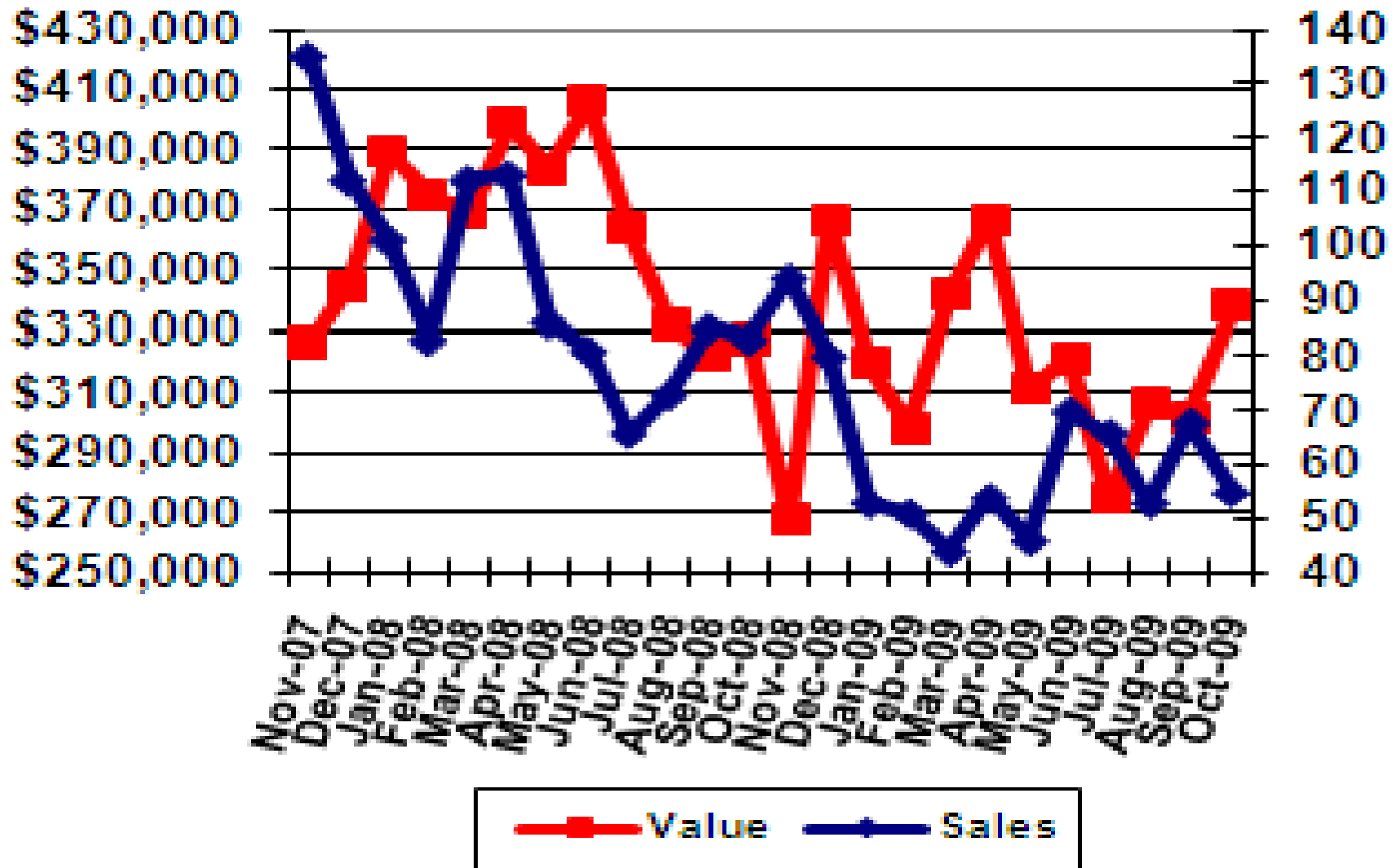
DADE COUNTY GROWTH IN EMPLOYMENT & POPULATION



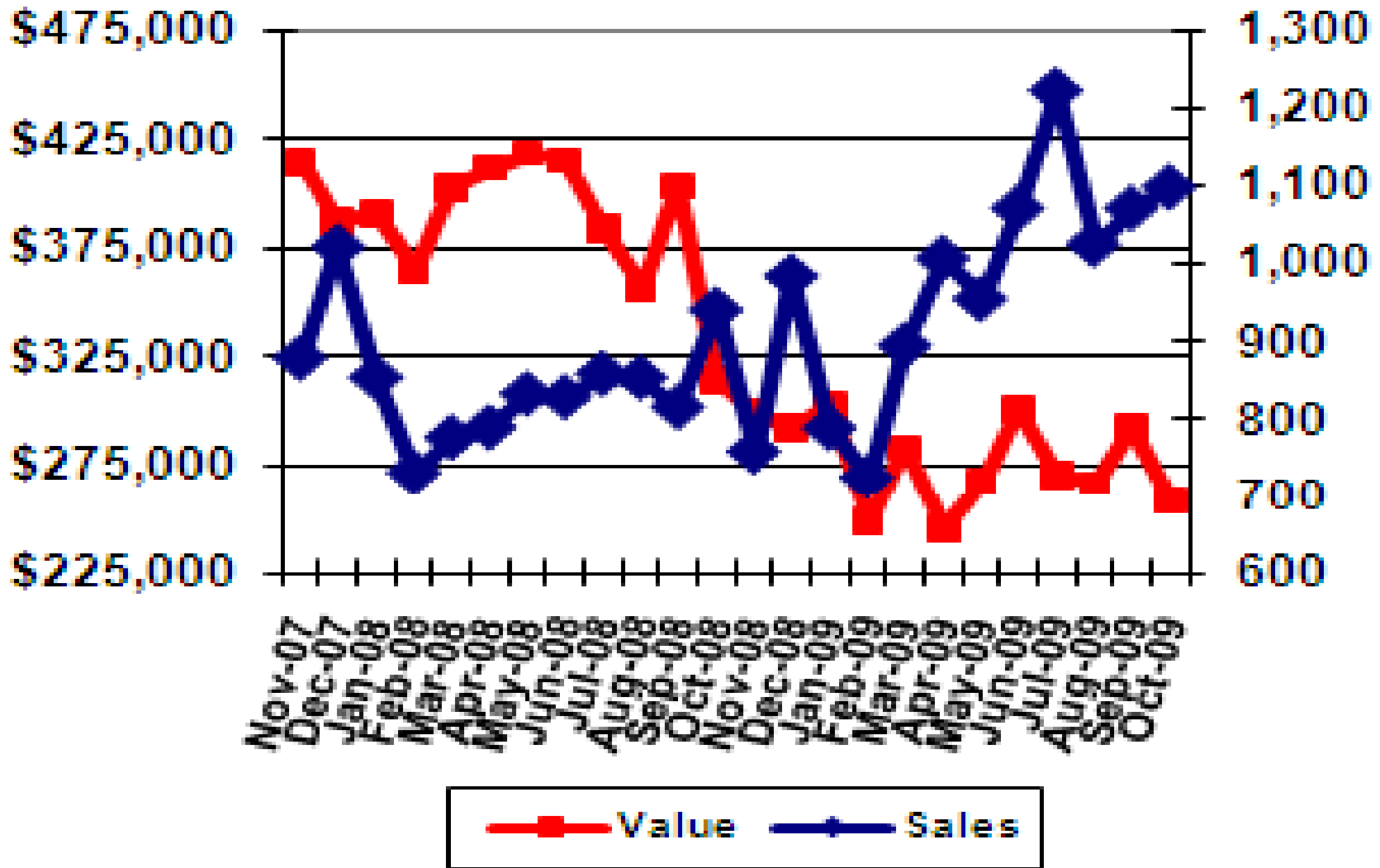
Housing Starts v. Household Formations



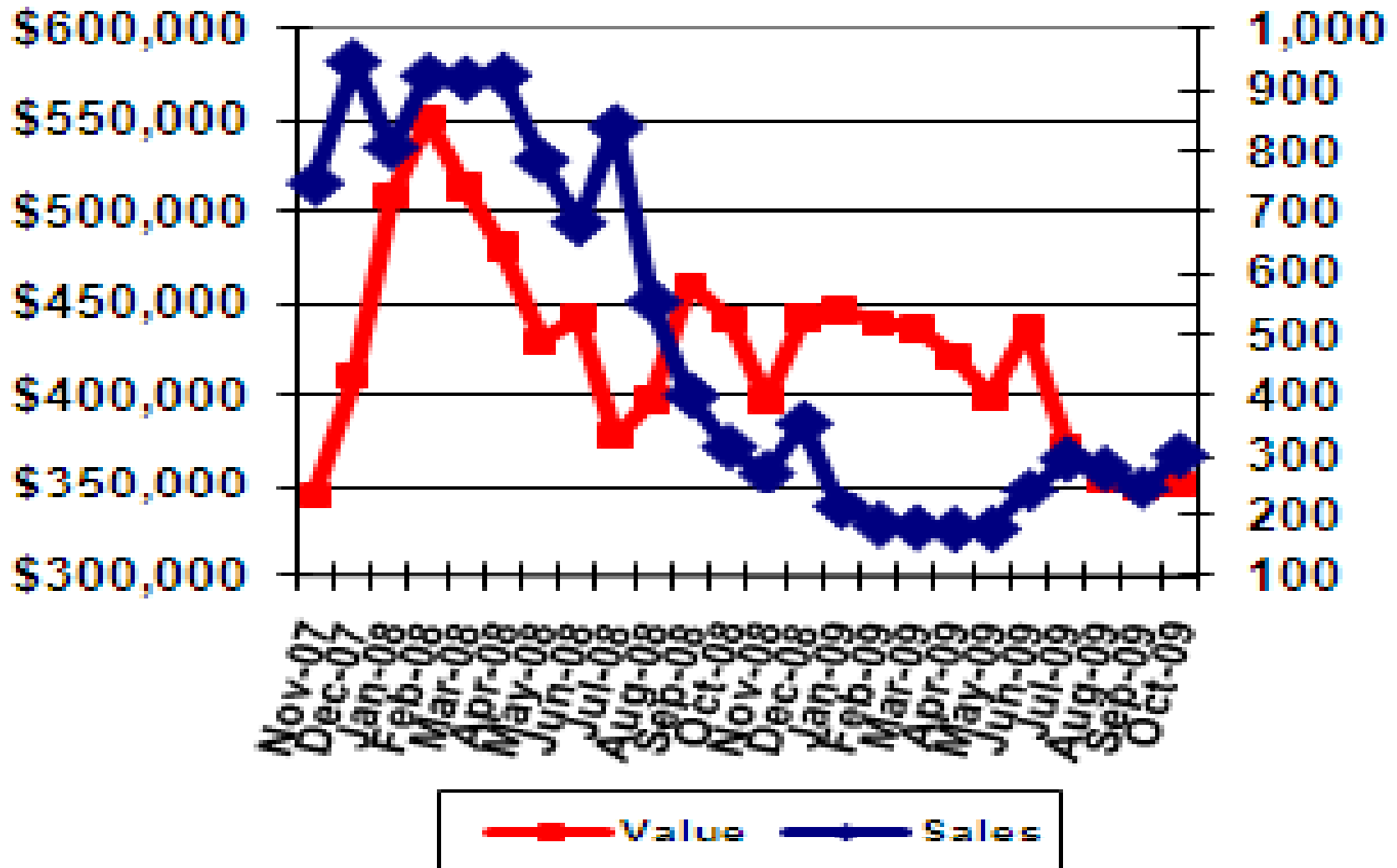
Dade County New Homes



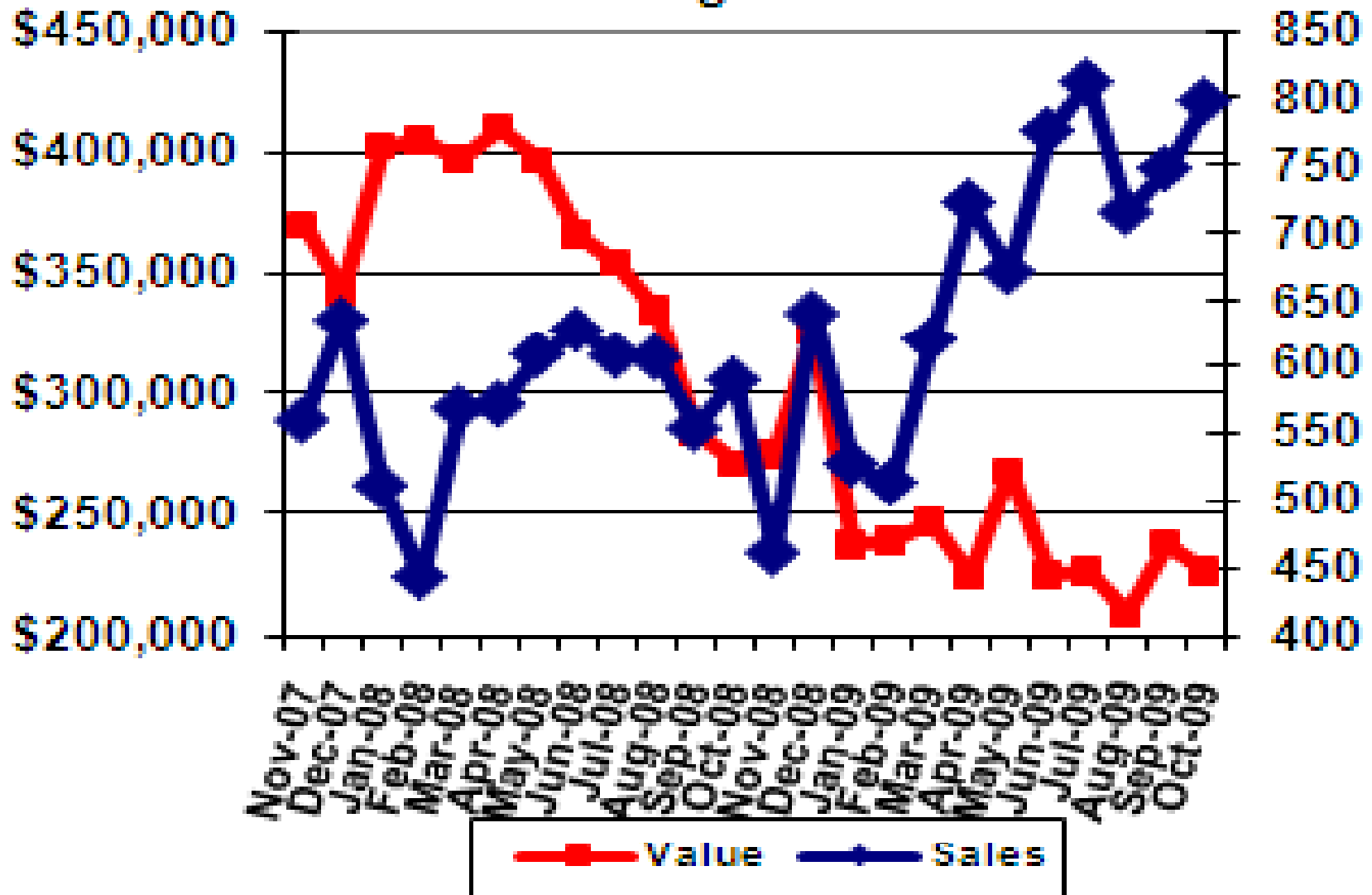
Dade County Existing Homes



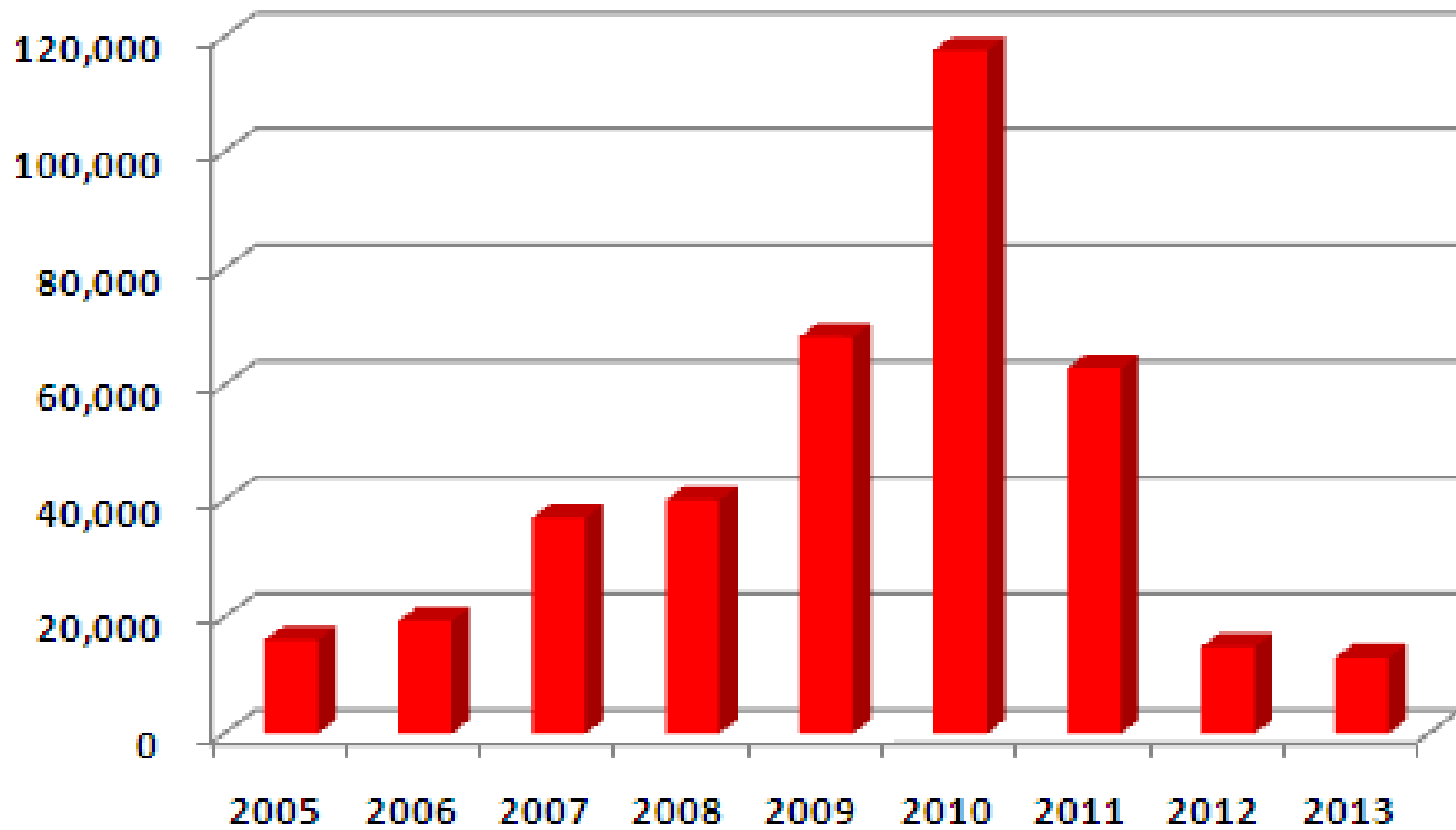
Dade County New Condo



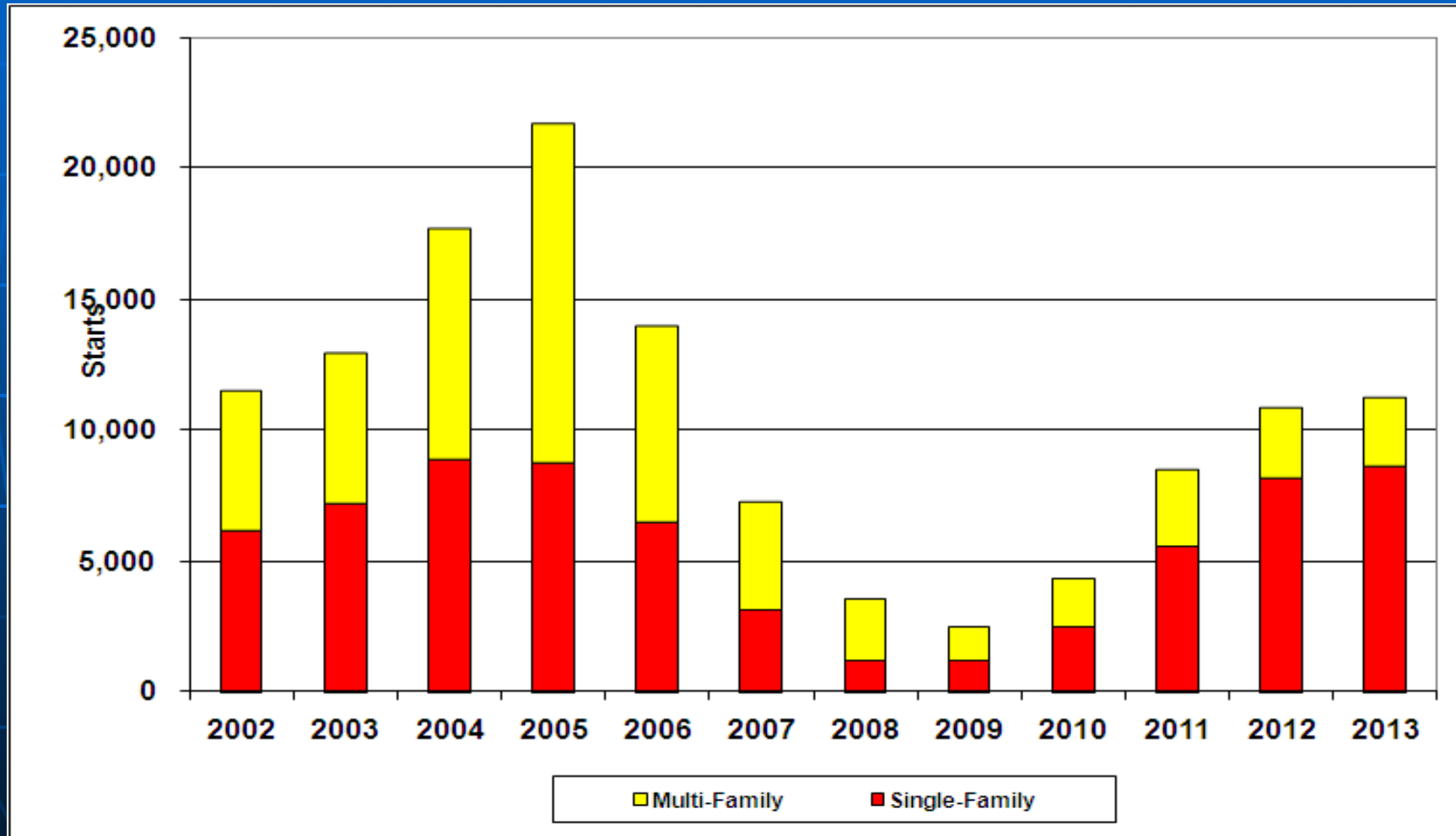
Dade County Existing Condo



Foreclosures

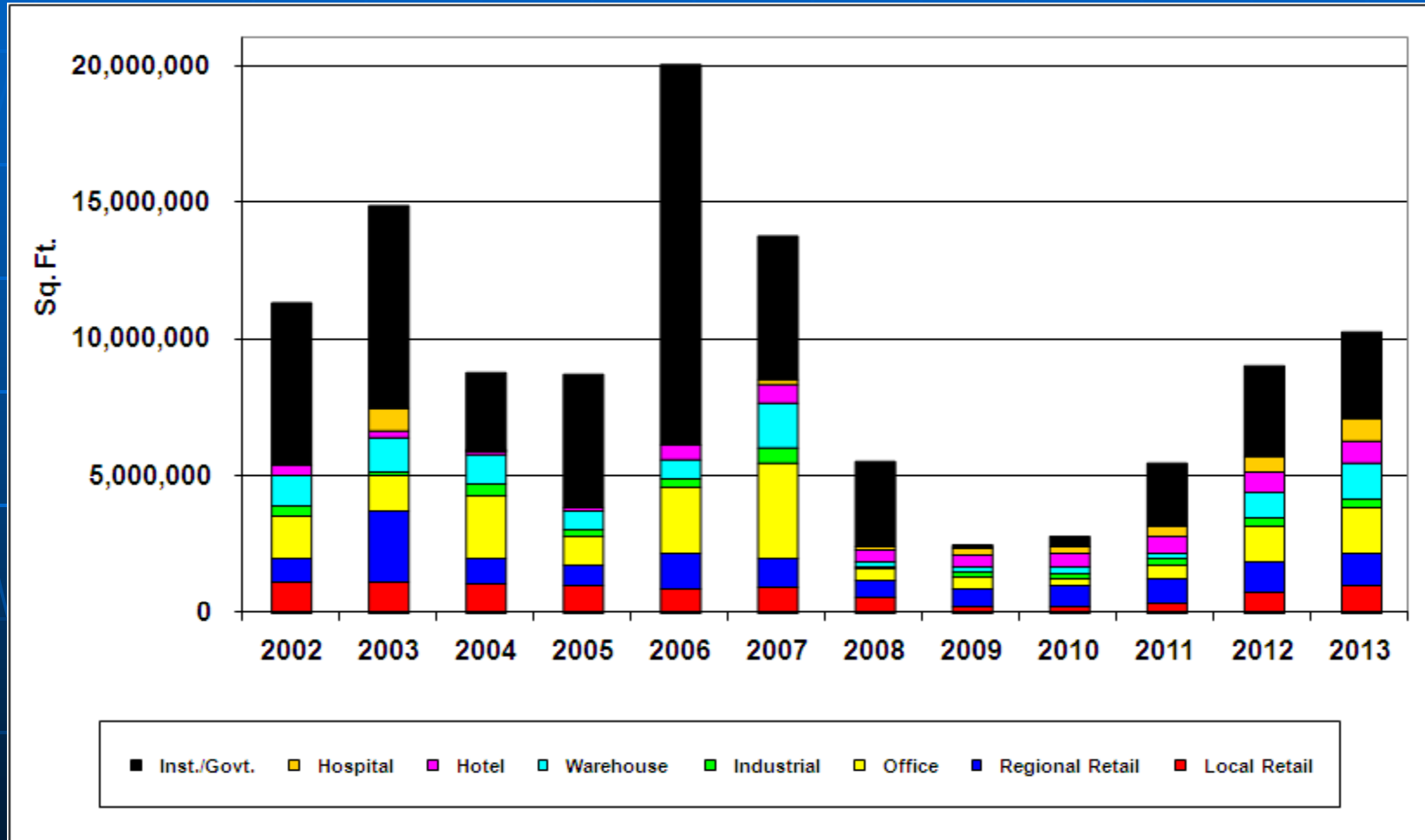


DADE COUNTY HOUSING STARTS



DADE COUNTY NON RESIDENTIAL CONSTRUCTION

Square Feet





The End

QUESTIONS?

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