Outlook for the U.S. and Florida
FCCMA June 1, 2017

Stan Geberer, Senior Associate
Hank Fishkind, President
Fishkind & Associates, Inc.
12051 Corporate Boulevard
Orlando, Florida 32817
Factors Shaping U.S. Outlook

- How much momentum?
- Impact of structural change?
- New economic policies?
- Policies on trade and immigration?
- When will higher interest rates slow growth?
- Will the labor market overheat?
Particular Factors Shaping Outlook for Florida

- Trajectory of development
- Rising land prices and buildout prospects
- Value of the dollar
- Prospects for tourism and conventions?
- When will higher interest rates slow job and population growth?
- Impact of recently approved new developments
- Local government budget and tax base
Yogi Berra observed, it’s tough to make predictions, especially about the future.
U.S. Forecast Summary 2017 – 2020

- Current status +/- 2.5% GDP growth
  - Positive forces:
    - Strong gains in jobs and rising wages
    - Low interest rates, oil prices and inflation
    - AI and big data
  - Negative forces:
    - Structural change without proper policy response

- Monetary policy – the shift to normal rates

- Trump’s fiscal policies will boost growth and interest rates in 2018
  - Big tax cuts for corporations and households
  - Higher spending infrastructure and defense
  - Reduced regulations
  - Big unknowns are immigration and trade policies

- Boom in 2018-19 then higher rates and recession

- Main forecasts risk: (1) fiscal policies under Trump, (2) Geopolitical risks, and (3) effects of higher interest rates
Florida Summary

- Strong cyclical upswing underway
  - Sustained job growth lead by tourism and healthcare
  - Population growth stronger than expected

- Recovery is accelerating, and it will be above average recovery by Florida standards by 2018
  - 365,000 population growth
  - 255,000 new jobs
  - 135,000 housing starts

- Geographic focus of growth shifted and tightened
HOW MUCH MOMENTUM?
RECENT TRENDS IN GDP AND INFLATION
Growth in Real GDP $2009

Temporary?
Growth in Real Disposable Income SAAR

Mar-16  Apr-16  May-16  Jun-16  Jul-16  Aug-16  Sep-16  Oct-16  Nov-16  Dec-16  Jan-17  Feb-17  Mar-17
New Claims for Unemployment Compensation

- New Claims
- 4-Week Moving Average
ISM Index
Over 50 is Expansionary

Mar-16  Apr-16  May-16  Jun-16  Jul-16  Aug-16  Sep-16  Oct-16  Nov-16  Dec-16  Jan-17  Feb-17  Mar-17  Apr-17

Man  Non-man

48  49  50  51  52  53  54  55  56  57  58

6/9/2017
Fishkind & Associates, Inc.
Trade Weighted Value of U.S. $
Appreciation of the Dollar 2014-17

- Mexico: 54%
- Brazil: 30%
- UK: 24%
- Canada: 20%
STRUCTURAL CHANGE
Structural Change

- AI and Automation
- Globalization
- Immigration
- Income inequality
- Impact on real estate development
  - Less demand for space
  - Retail and office in particular
Low Growth Trajectory for Real GDP

- Fallout from Great Recession
  - Increased regulation
  - Lower risk tolerance

- Globalization
  - Holds down prices
  - Holds down wages

- Income Inequality
  - Holds down spending

- Underestimate GDP
  - Investment in Tech
  - Consumption Social Media

Current mix of monetary and fiscal Policies yields +/- 2% Growth GDP
Losing the Middle

The combined number of upper- and lower-income households now outstrips the size of the middle class

Source: Pew Research Center
Lagging Behind
Pay increases for the middle-class have trailed that of their richer counterparts

- Lower Income
- Middle Income
- Upper Income

Source: Pew Research Center
Smaller Share
Share of aggregate income held by middle-income households is lowest in data back to 1970

- Lower Income
- Middle Income
- Upper Income

Source: Pew Research Center
Major structural changes in retail sales

- Historic shift to ecommerce
- Change in composition of sales: less goods and more services
- Concentration of wealth and income

Impact on store space requirements

<table>
<thead>
<tr>
<th>Category</th>
<th>2000-08</th>
<th>2009-16</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Neighborhood</td>
<td>35</td>
<td>35</td>
<td>0</td>
</tr>
<tr>
<td>Community</td>
<td>45</td>
<td>30</td>
<td>-15</td>
</tr>
<tr>
<td>Regional</td>
<td>35</td>
<td>15</td>
<td>-20</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>115</td>
<td>80</td>
<td><strong>-35</strong></td>
</tr>
</tbody>
</table>
Retail Sales Variations

- Retail sales up 5% YOY
- Weak sectors
  - Department & general merchandise, appliances and apparel
  - 10 bankruptcies including Payless ShoeSource, Limited Stores, HHGregg and Wet Seal
- Strong Sectors too
Spending Favors Services
Nominal consumer spending, % change from prior yr

Goods ex auto & gas
Services ex utilities

Sources: BEA, Moody’s Analytics
Long Term Economic Growth

- % GDP = % Productivity + % Population
- 1.8% to 1.75% GDP
  - 0.8% to 1.5% productivity
  - 1% to 1.25% population

- Investment in human & physical capital
- Reform entitlements and healthcare
- Revise immigration policy
Trump Fiscal Policy

- Affordable Care Act - delayed
- Major fiscal stimulus - delayed
  - Tax cuts for corporations and households
  - Increased spending for infrastructure and defense
- Congress passes budget FY 2016-17
  - $1 trillion
  - Major increases for defense, NIH, and border security
  - Significant bi-partisan agreement
- Major unresolved issues remain
  - Debt ceiling
  - Structural budget deficit
- Major unknowns and risks
  - Foreign trade – NAFTA, EU/Brexit, TPP
  - Immigration
Average Outlays

Average Revenues
INTEREST RATES
GDP Growth
(Percent growth SAAR)
GPD v Florida's GSP

Correlation 0.88
Florida Forecast
More People 65+ But Fewer Will Move/Retire
Florida is predicted to be the fastest growing state through 2030.

Growth will average 472,000 per year.

Probably too optimistic.

But, Florida will likely lead the U.S.

Demographics and in particular the aging of the baby boomers provides the thrust.

<table>
<thead>
<tr>
<th>State</th>
<th>2010</th>
<th>2030</th>
<th>Growth</th>
<th>Per Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Florida</td>
<td>19,252</td>
<td>28,686</td>
<td>9,434</td>
<td>472</td>
</tr>
<tr>
<td>California</td>
<td>38,067</td>
<td>46,445</td>
<td>8,378</td>
<td>419</td>
</tr>
<tr>
<td>Texas</td>
<td>24,649</td>
<td>33,318</td>
<td>8,669</td>
<td>433</td>
</tr>
<tr>
<td>Arizona</td>
<td>6,637</td>
<td>10,712</td>
<td>4,075</td>
<td>204</td>
</tr>
<tr>
<td>North Carolina</td>
<td>9,346</td>
<td>12,228</td>
<td>2,882</td>
<td>144</td>
</tr>
<tr>
<td>Georgia</td>
<td>9,589</td>
<td>12,018</td>
<td>2,429</td>
<td>121</td>
</tr>
<tr>
<td>Virginia</td>
<td>8,010</td>
<td>9,825</td>
<td>1,815</td>
<td>91</td>
</tr>
<tr>
<td>Washington</td>
<td>6,542</td>
<td>8,625</td>
<td>2,083</td>
<td>104</td>
</tr>
<tr>
<td>Nevada</td>
<td>2,691</td>
<td>4,282</td>
<td>1,592</td>
<td>80</td>
</tr>
<tr>
<td>Maryland</td>
<td>5,905</td>
<td>7,022</td>
<td>1,117</td>
<td>56</td>
</tr>
</tbody>
</table>
Where Will Growth Occur?
Drive Time Approach
10 Fastest Growing Counties

Average Growth/Year

Orange County
Miami-Dade County
Hillsborough County
Palm Beach County
Lee County
Broward County
Pasco County
Polk County
Osceola County
Lake County
Miami-Dade Components of Population Growth

- Natural Increase
- Domestic Migration
- International Migration


Populations:
- 2011: Natural Increase (10,000), Domestic Migration (10,000), International Migration (20,000)
- 2012: Natural Increase (10,000), Domestic Migration (20,000), International Migration (30,000)
- 2013: Natural Increase (10,000), Domestic Migration (30,000), International Migration (40,000)
- 2014: Natural Increase (10,000), Domestic Migration (40,000), International Migration (50,000)
- 2015: Natural Increase (10,000), Domestic Migration (50,000), International Migration (60,000)
Palm Beach County Components of Population Growth

- Natural Increase
- Domestic Migration
- International Migration


- 2011: Natural Increase = 1,000, Domestic Migration = 5,000, International Migration = 4,000
- 2012: Natural Increase = 1,500, Domestic Migration = 12,000, International Migration = 7,000
- 2013: Natural Increase = 2,000, Domestic Migration = 10,000, International Migration = 6,000
- 2014: Natural Increase = 2,500, Domestic Migration = 11,000, International Migration = 8,000
- 2015: Natural Increase = 3,000, Domestic Migration = 13,000, International Migration = 9,000
Orange County Components of Population Growth

- Natural Increase
- Domestic Migration
- International Migration

2011: Natural Increase 8,000, Domestic Migration 5,000, International Migration 6,000
2012: Natural Increase 8,000, Domestic Migration 12,000, International Migration 9,000
2013: Natural Increase 8,000, Domestic Migration 4,000, International Migration 7,000
2014: Natural Increase 8,000, Domestic Migration 8,000, International Migration 7,000
Lee County Components of Population Growth

- Natural Increase
- Domestic Migration
- International Migration

Year:
- 2011
- 2012
- 2013
- 2014

Values:
- 2011: Natural Increase (1,000), Domestic Migration (8,000), International Migration (2,000)
- 2012: Natural Increase (1,000), Domestic Migration (10,000), International Migration (2,000)
- 2013: Natural Increase (1,000), Domestic Migration (16,000), International Migration (2,000)
- 2014: Natural Increase (1,000), Domestic Migration (16,000), International Migration (2,000)
Job Growth Year-over-Year

- 2013: +219,100 (+2.9%)
- 2014: +277,300 (+3.6%)
- 2015: +295,600 (+3.7%)
- 2016: +262,200 (+3.2%)
- YOY 4-17: +213,600 (+2.5%)
<table>
<thead>
<tr>
<th>Location</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Florida</td>
<td>4.0%</td>
</tr>
<tr>
<td>Cape Coral-Fort Myers MSA</td>
<td>3.7%</td>
</tr>
<tr>
<td>Deltona-Daytona Beach-Ormond Beach MSA</td>
<td>4.3%</td>
</tr>
<tr>
<td>Gainesville MSA</td>
<td>3.4%</td>
</tr>
<tr>
<td>Homosassa Springs MSA</td>
<td>5.5%</td>
</tr>
<tr>
<td>Jacksonville MSA</td>
<td>3.8%</td>
</tr>
<tr>
<td>Lakeland-Winter Haven MSA</td>
<td>4.4%</td>
</tr>
<tr>
<td>Miami-Fort Lauderdale-West Palm Beach MSA</td>
<td>4.4%</td>
</tr>
<tr>
<td>Fort Lauderdale-Pompano Beach-Deerfield Beach MD</td>
<td>3.8%</td>
</tr>
<tr>
<td>Miami-Miami Beach-Kendall MD</td>
<td>5.0%</td>
</tr>
<tr>
<td>West Palm Beach-Boca Raton-Delray Beach MD</td>
<td>3.9%</td>
</tr>
<tr>
<td>Naples-Immokalee-Marco Island MSA</td>
<td>3.6%</td>
</tr>
<tr>
<td>North Port-Sarasota-Bradenton MSA</td>
<td>3.7%</td>
</tr>
<tr>
<td>Ocala MSA</td>
<td>4.7%</td>
</tr>
<tr>
<td>Orlando-Kissimmee-Sanford MSA</td>
<td>3.6%</td>
</tr>
<tr>
<td>Palm Bay-Melbourne-Titusville MSA</td>
<td>4.1%</td>
</tr>
<tr>
<td>Panama City MSA</td>
<td>4.0%</td>
</tr>
<tr>
<td>Pensacola-Ferry Pass-Brent MSA</td>
<td>3.8%</td>
</tr>
<tr>
<td>Port St. Lucie MSA</td>
<td>4.3%</td>
</tr>
<tr>
<td>Sebring MSA</td>
<td>4.9%</td>
</tr>
<tr>
<td>Tallahassee MSA</td>
<td>3.7%</td>
</tr>
<tr>
<td>Tampa-St. Petersburg-Clearwater MSA</td>
<td>3.8%</td>
</tr>
<tr>
<td>The Villages MSA</td>
<td>5.7%</td>
</tr>
</tbody>
</table>
Housing Market Supply/Demand

[Bar chart showing the supply and demand of housing over the years from 2005 to 2020. The chart includes data for single family houses, multifamily units, and households.]
Housing Starts

- 2012: So. FIL, Orlando, Tampa, Jax, SWFL
- 2013: So. FIL, Orlando, Tampa, Jax, SWFL
- 2014: So. FIL, Orlando, Tampa, Jax, SWFL
- 2015: So. FIL, Orlando, Tampa, Jax, SWFL
- 2016: So. FIL, Orlando, Tampa, Jax, SWFL
- 2017: So. FIL, Orlando, Tampa, Jax, SWFL
- 2018: So. FIL, Orlando, Tampa, Jax, SWFL
Condo Closings

- New Condo Closings
- Existing Condominium Closings
- New Condo Price
- Existing Condominium Price
Taxable Property Values

[Graph showing the trend of Aggregate Taxable Value and Per Capita adjusted values over the years from 2000 to 2016.]
Per Capita Taxable Values
Urban and Rural

- Urban
- Rural

<table>
<thead>
<tr>
<th>Year</th>
<th>Urban</th>
<th>Rural</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>$60,000</td>
<td>$60,000</td>
</tr>
<tr>
<td>2001</td>
<td>$60,000</td>
<td>$60,000</td>
</tr>
<tr>
<td>2002</td>
<td>$60,000</td>
<td>$60,000</td>
</tr>
<tr>
<td>2003</td>
<td>$60,000</td>
<td>$60,000</td>
</tr>
<tr>
<td>2004</td>
<td>$60,000</td>
<td>$60,000</td>
</tr>
<tr>
<td>2005</td>
<td>$60,000</td>
<td>$60,000</td>
</tr>
<tr>
<td>2006</td>
<td>$60,000</td>
<td>$60,000</td>
</tr>
<tr>
<td>2007</td>
<td>$60,000</td>
<td>$60,000</td>
</tr>
<tr>
<td>2008</td>
<td>$60,000</td>
<td>$60,000</td>
</tr>
<tr>
<td>2009</td>
<td>$60,000</td>
<td>$60,000</td>
</tr>
<tr>
<td>2010</td>
<td>$60,000</td>
<td>$60,000</td>
</tr>
<tr>
<td>2011</td>
<td>$60,000</td>
<td>$60,000</td>
</tr>
<tr>
<td>2012</td>
<td>$60,000</td>
<td>$60,000</td>
</tr>
<tr>
<td>2013</td>
<td>$60,000</td>
<td>$60,000</td>
</tr>
<tr>
<td>2014</td>
<td>$60,000</td>
<td>$60,000</td>
</tr>
<tr>
<td>2015</td>
<td>$60,000</td>
<td>$60,000</td>
</tr>
<tr>
<td>2016</td>
<td>$60,000</td>
<td>$60,000</td>
</tr>
</tbody>
</table>
Government Revenue Conditions

- Property values have not returned to unsustainable 2007 levels
- Finally bottomed in 2012
- Adjusting for population growth and inflation, we are at 2004 levels still today
- Rural areas no longer the target of expansive growth fare worse than urban areas
- Rural areas at 2003 per capita level today and worse off than 2010, 0% growth since 2012
- Urban Areas nearing 2005; 5% annual growth since 2012
Government Revenue Implications

*Don’t Overextend !!*

- Pop gr. thru 2018 outstrips taxable val. gr.
- FL Employment growth peaked in 2015
- Local Gov’t employment at 2007 levels
- 25+ Rural Counties face economic squeeze @64% of 2007 per capita
- Urban co’s @75% of 2007 per capita
- Deferred maintenance vs new hires?
- State assistance ?? vis Retail Sales
- Increased Homestead Exemption 2018 – cost $750 million in tax revenue
Orlando MSA
Major Drivers

- Strong growth in tourism/conventions powering the economy. This is the area’s largest industry.
- Renaissance of downtown core with major new mixed-use projects that are being relatively well received.
- Major capital programs underway or opened
  - I-4, commuter rail, Wekiva Parkway, I-4 Ultimate, Dwntn Venue
- Defense spending supports economy
  - Army/Navy Simulation Training Center in east Orange County largest in U.S. letting over $1Billion in contracts per year
  - Strong optics, lasers, missile, with Lockheed/Martin
- Burgeoning medical complex with New Medical College at UCF and VA Hospital,
- Retiree boom
Broward County
Major Economic Drivers

- Approaching build out
- Land prices shot up and growth has slowed
- Growth in Western Broward along I-75
- Airport expansion big plus
- Renaissance of downtown Ft. Lauderdale and Hollywood Beach.
- Slot machine gambling
- Redevelopment opportunities east of U.S. 1.
- Loss of competitive advantage
Miami-Dade County
Major Economic Drivers

- Economies in Latin American in recession or worse and currencies are falling fast
- Tourism and convention business recovered strongly
- Business & Internet hub for Latin America
- Strongest areas airport, beaches, north and towards Homestead
- Redevelopment activity strong
- Miami Beach market moving to equilibrium
- Downtown Miami market overbuilt
Jacksonville MSA

- Competitive strengths continue in
  - Finance, insurance, back office functions
- Base Realignment process turned out to be a plus
- Area increasingly attractive to retirees
- Tourism remains strong
- Major growth areas
  - South Duval/North St. Johns
  - Clay County eastern sectors
Practical Thoughts for Rural Economic Development

- Focus on comparative advantages
  - Agriculture and bio-fuels
  - Open space close to major metro areas
    - Energy production / solar production
    - “Orphan” land uses – recycling, waste-to-energy
    - Warehouse/distribution (with rail and highway)
  - Ecologically oriented tourism
  - Recreation tourism
- Destination retirement (Villages)
  - Healthcare and infrastructure
QUESTIONS?

www.fishkind.com