



LAKE COUNTY

FLORIDA

2015 Economic Outlook

January 13, 2015

2015 Economic Outlook

Purpose of Presentation



Provide a historical overview and projected forecast for national, state and local economic indicators.

2015 Economic Outlook Presentation Outline



- A. National
- B. Florida
- C. Orlando MSA
- D. Lake County

2015 Economic Outlook

National Overview



National Overview

GDP

Employment

Interest Rates

Inflation

Business Spending

Energy

Housing

Retail

2015 Economic Outlook

National Overview



- 5.5 years since recovery began
- Average economic growth = 2.3%
- Sufficient to drop unemployment below 6%, but modest compared to previous recoveries
- Current economic expansion longer than the average since WWII
- Perception of slow rebound due to lagging income growth

2015 Economic Outlook

National Overview



- Growth in 2014 consistent with earlier periods
- Composition of growth has changed, though
- Most domestic sectors are growing again
- Non-farm employment growth increased 241,000 per month in 2014, up from 194,000 jobs per month in 2013
- Job growth has been firmer and more broadly based with more gains in high-paying sectors₆

2015 Economic Outlook

National Overview - GDP



National Overview

GDP

2015 Economic Outlook

National Overview - GDP



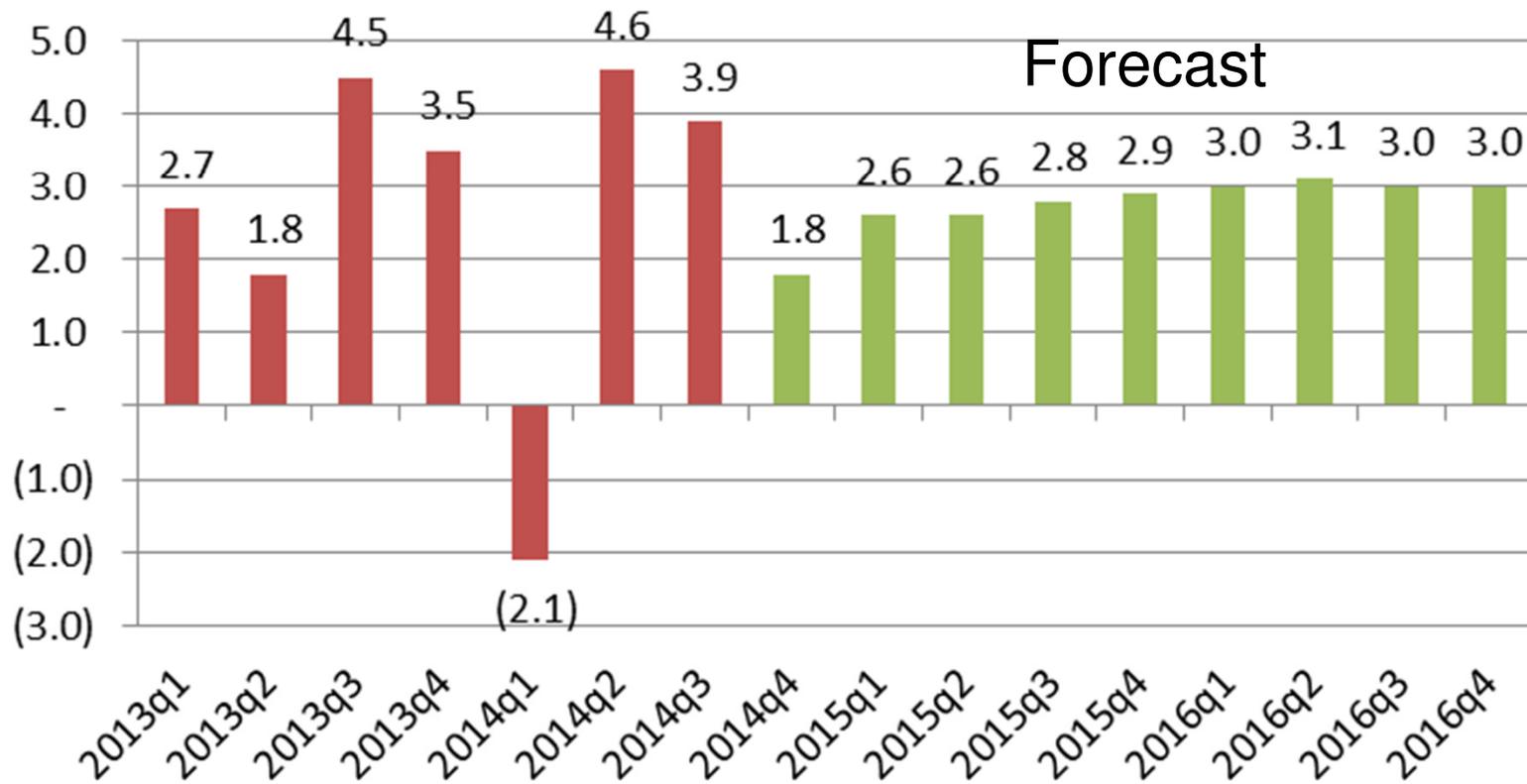
- Many positives moving into 2015:
 - Hiring on the rise
 - Cheap gas
 - Job-openings at a near record level
 - Very low rate of initial unemployment claims
 - Increased consumer spending
- GDP average annual growth expected to reach 3.0% by end of 2015 and into 2016

2015 Economic Outlook

National Overview - GDP



GDP - Annual Growth Rate



Source: Wells Fargo, 2015 Economic Outlook.

2015 Economic Outlook

National Overview - Employment



National Overview *Employment*

2015 Economic Outlook

National Overview - Employment



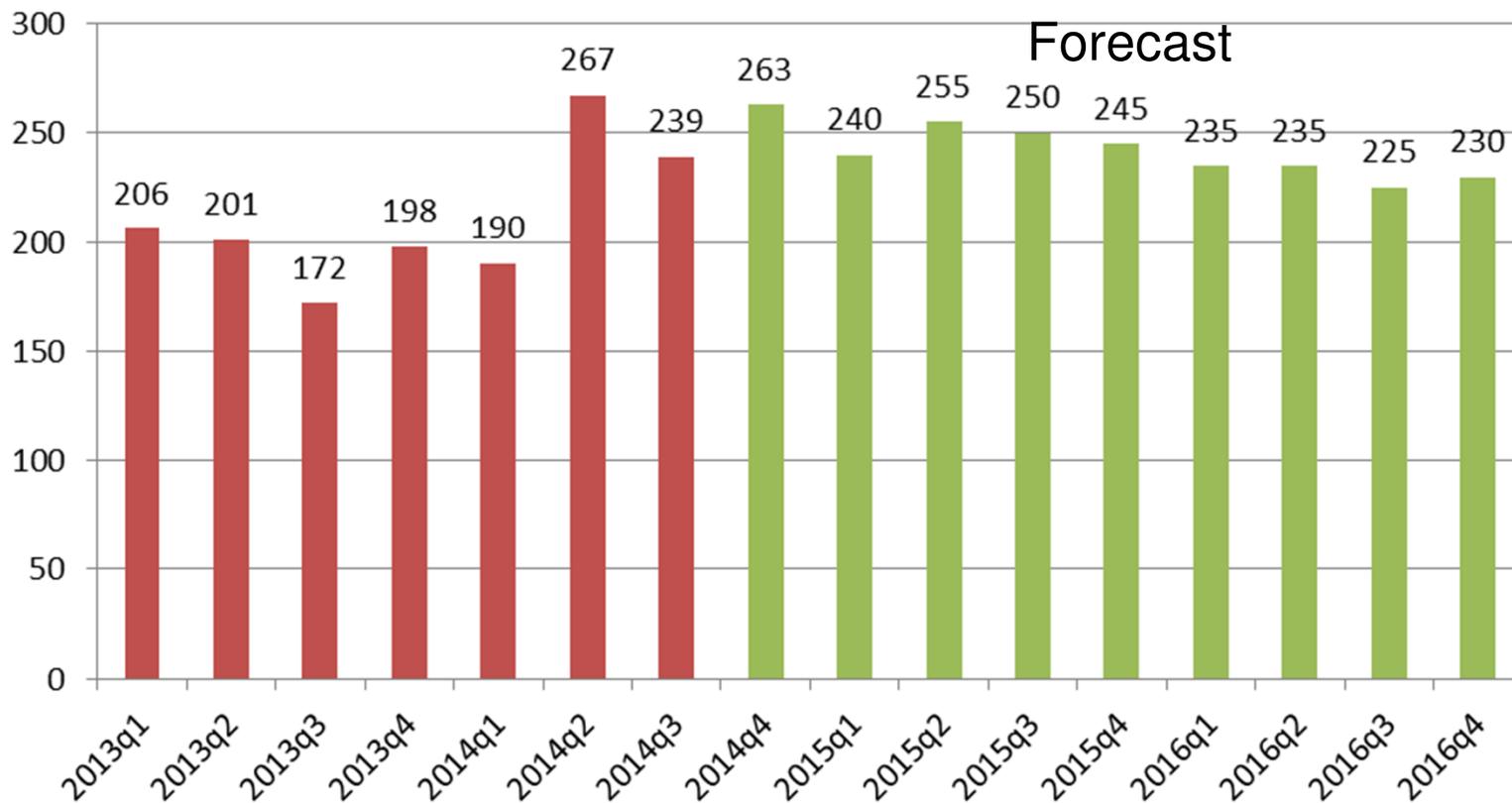
- Major momentum moving into 2015:
 - In November, companies hired 321,000, the largest one-month gain in nearly 3 years
 - Full time employment increasing (versus part-time)
 - Gains are widespread across nearly all industries
 - Number of long-term unemployed decreasing
- Gains of 250,000 per month expected in 2015
- Moderate unemployment rate declines from 5.8% currently to 5.4% at end of 2015
- Wage growth expected to experience moderate gains of 2.4% in 2015

2015 Economic Outlook

National Overview - Employment



Nonfarm Payroll - Average Monthly Change (000's)



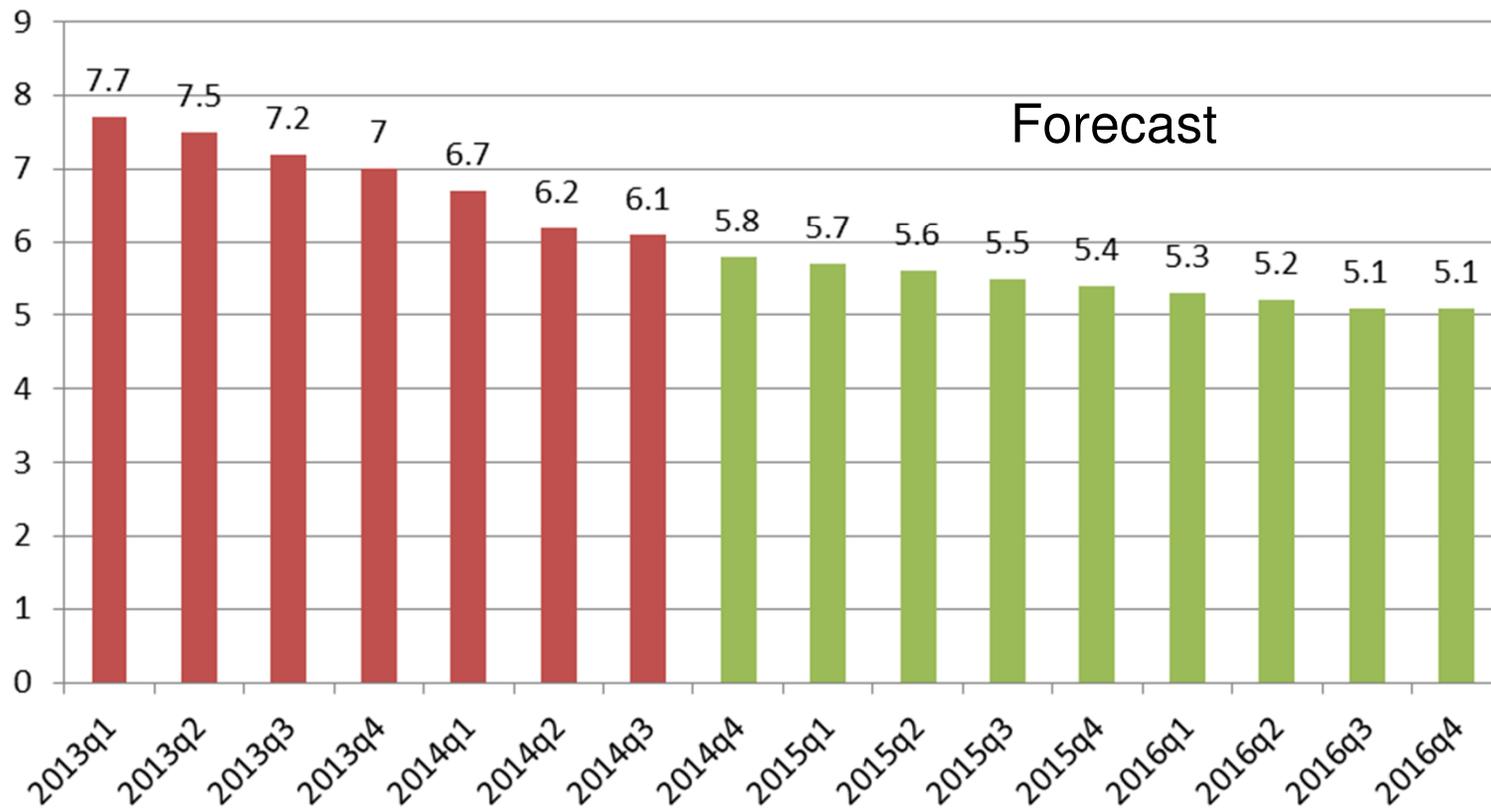
Source: Wells Fargo, 2015 Economic Outlook. Kiplinger, 2015 Economic Outlook.

2015 Economic Outlook

National Overview - Employment



Unemployment Rate



Source: Wells Fargo, 2015 Economic Outlook. Kiplinger, 2015 Economic Outlook.

2015 Economic Outlook

National Overview – Interest Rates



National Overview *Interest Rates*

2015 Economic Outlook

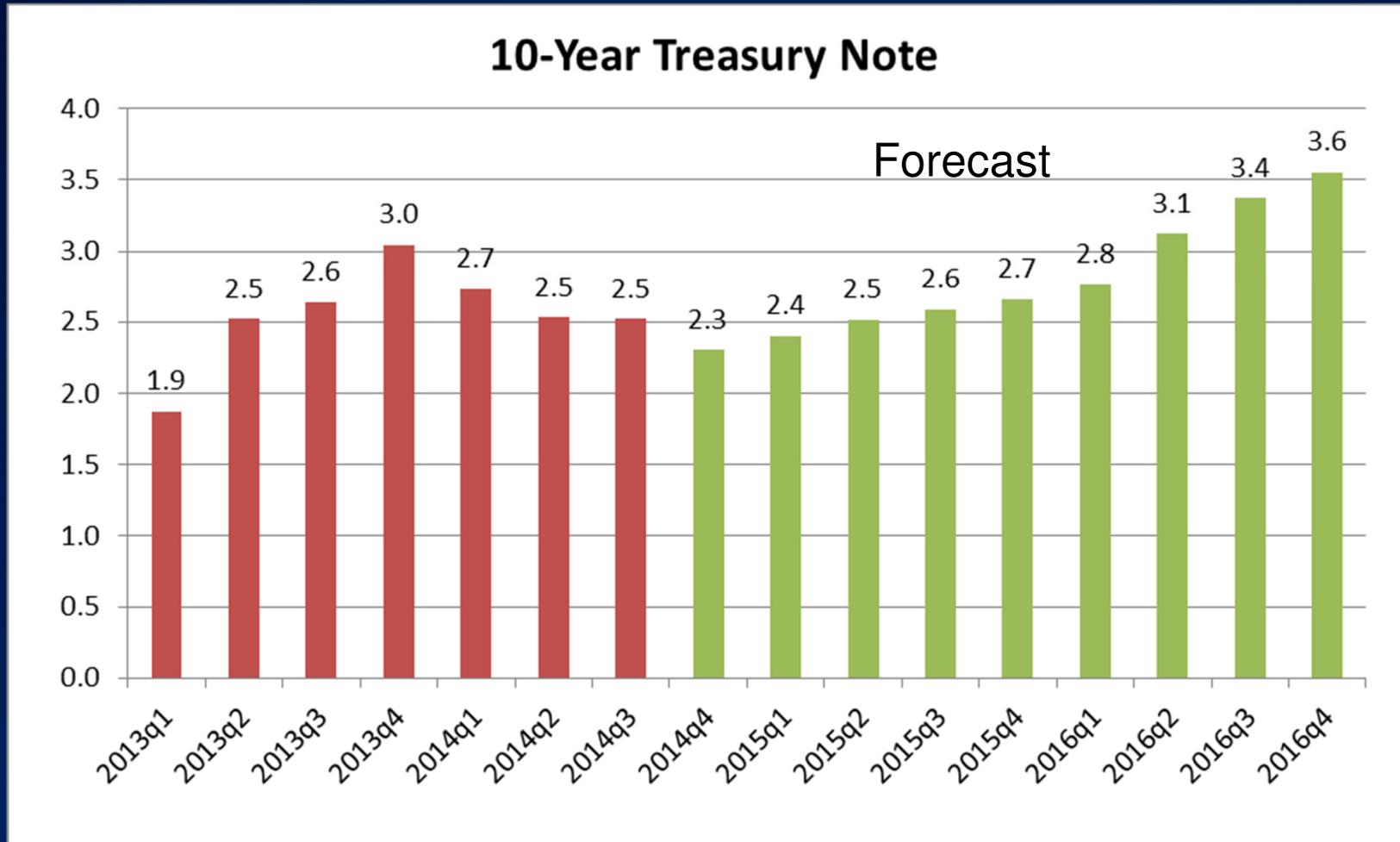
National Overview – Interest Rates



- Short-term rates expected to increase in latter half of 2015, but not expected to be sharp or precipitous
- By end of 2015, federal fund rate expected to be around 0.75% and 10-year Treasuries around 2.7%, up from 2.3% currently
- Multiple forces will keep interest rates from rising faster:
 - Slowdown in Eurozone, Japan and China
 - Increasing value of the U.S. dollar
 - U.S. Banks are buying more Treasury securities

2015 Economic Outlook

National Overview – Interest Rates



Source: Wells Fargo, 2015 Economic Outlook. Kiplinger, 2015 Economic Outlook.

2015 Economic Outlook

National Overview – Inflation



National Overview

Inflation

2015 Economic Outlook

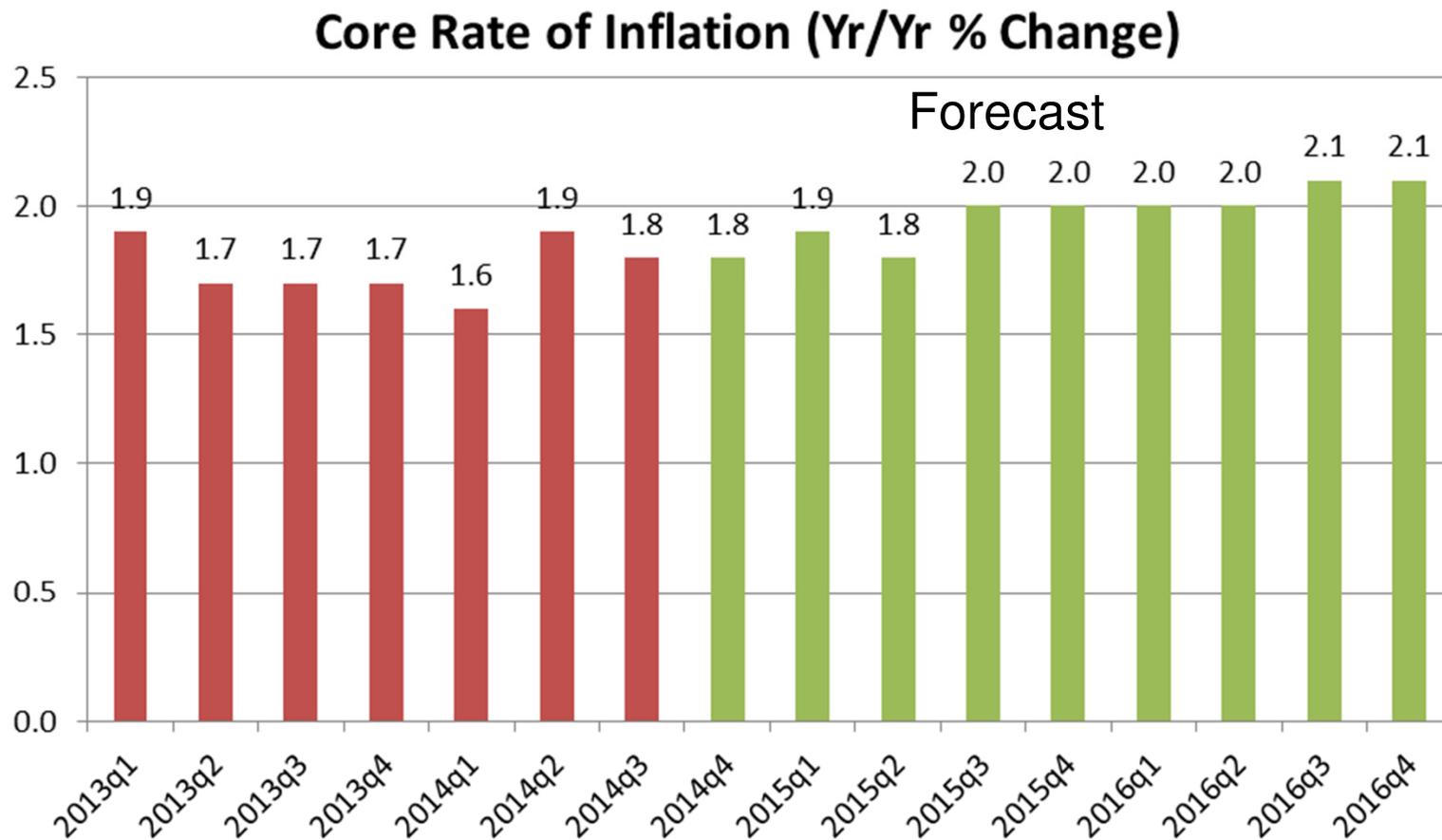
National Overview – Inflation



- Inflation kept in check in 2014 (1%) due largely to oil price decreases
- Food price increases should subside in 2015 versus record increases in 2014
- Shelter costs are expected to rise 3%, driven largely by increases in the for-rent housing market
- Core rate of inflation (excludes food and energy) is expected to rise only slightly higher in 2015 as it did in 2014 from 1.8% to 2.0%

2015 Economic Outlook

National Overview – Inflation



Source: Wells Fargo, 2015 Economic Outlook. Kiplinger, 2015 Economic Outlook.

2015 Economic Outlook

National Overview – Business Spending



National Overview *Business Spending*

2015 Economic Outlook

National Overview – Business Spending



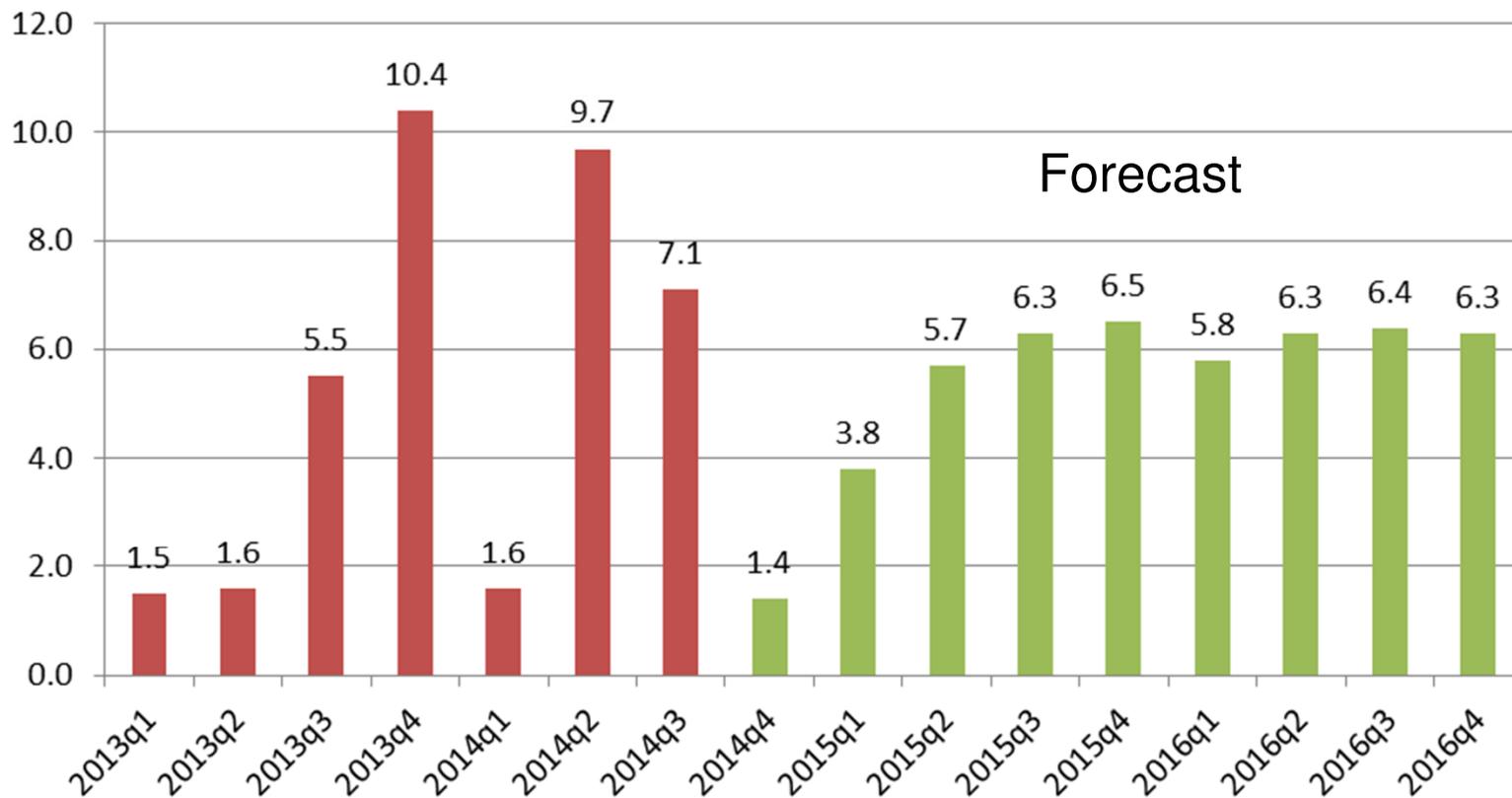
- Gradual pick-up in GDP in 2015 will spur stronger, but modest business spending
- Additional signs that business spending should increase in 2015:
 - Monthly shipments of finished goods are increasing
 - Manufacturing employment is increasing
 - Aircraft makers have multi-year backlogs
 - Railroads ordering more locomotives and cars
 - Unfilled orders growing
- Average business fixed investment growth is expected to reach over 6.0% in 2015 versus 5.0% in 2014

2015 Economic Outlook

National Overview – Business Spending



Business Fixed Investment - Annual Growth Rate



Source: Wells Fargo, 2015 Economic Outlook. Kiplinger, 2015 Economic Outlook.

2015 Economic Outlook

National Overview – Energy



National Overview

Energy

2015 Economic Outlook

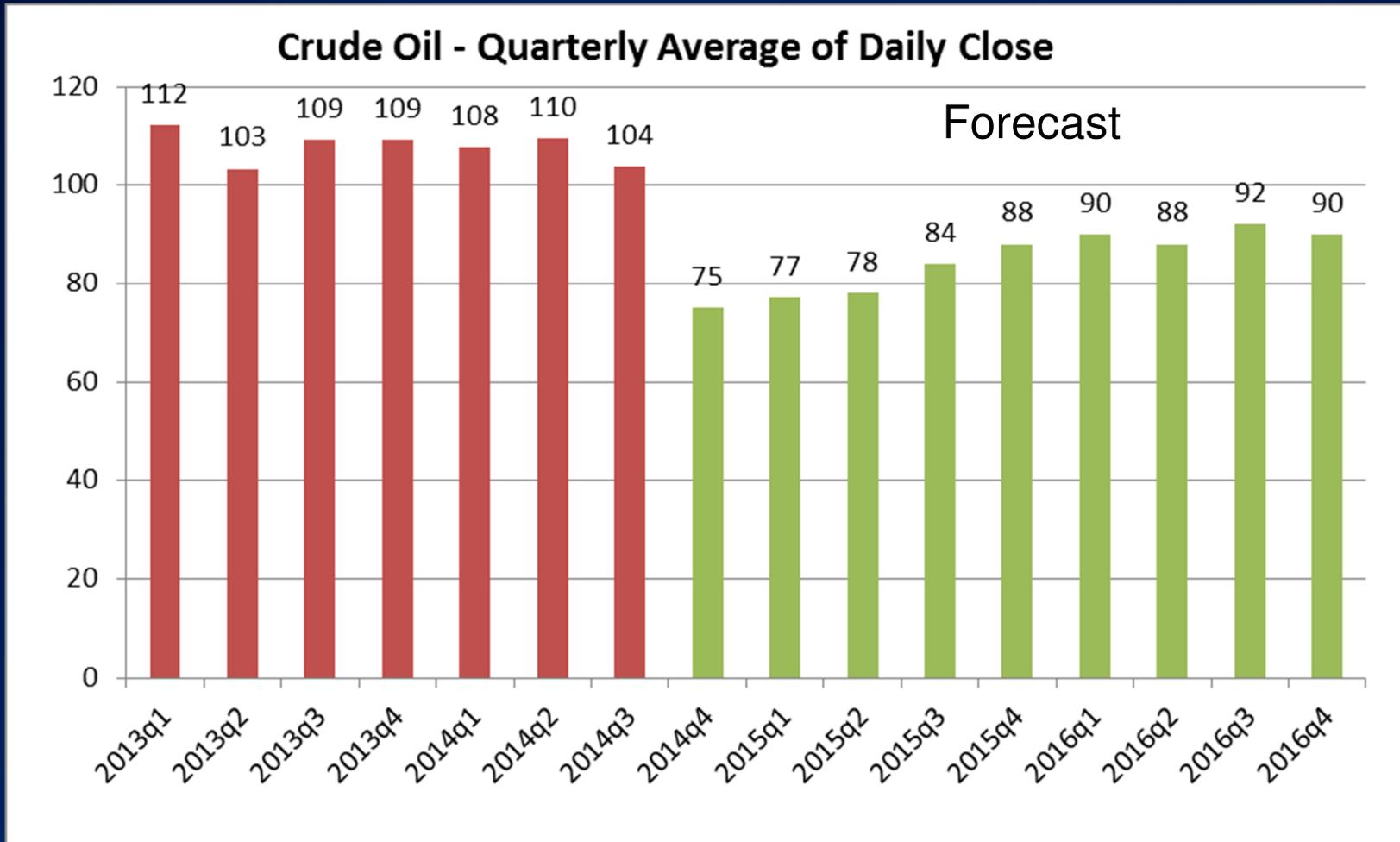
National Overview – Energy



- U.S. Crude is down roughly 50% from its peak in the summer of 2014 driven by production increases in the U.S. and Canada (\$101.00 per barrel versus \$55.00)
- By Spring 2015, oil is expected to increase to around \$78.00 per barrel as oil producers dial back output in response to lower prices
- Gas prices are expected to increase to \$2.75 per gallon from a current average of around \$2.35₂₄

2015 Economic Outlook

National Overview – Energy



Source: Wells Fargo, 2015 Economic Outlook. Kiplinger, 2015 Economic Outlook.

2015 Economic Outlook

National Overview – Housing



National Overview

Housing

2015 Economic Outlook

National Overview – Housing



- With the exception of new home sales (50% of pre-bubble), the housing market is nearing normal
- Positive housing momentum moving into 2015:
 - Rising incomes and employment
 - Backlog of young adults still living with their parents
 - Easing credit conditions
- Sales of existing homes in 2015 should match or exceed the norms prior to the last housing boom
- Strong rental demand has pushed multi-family construction back to normal levels

2015 Economic Outlook

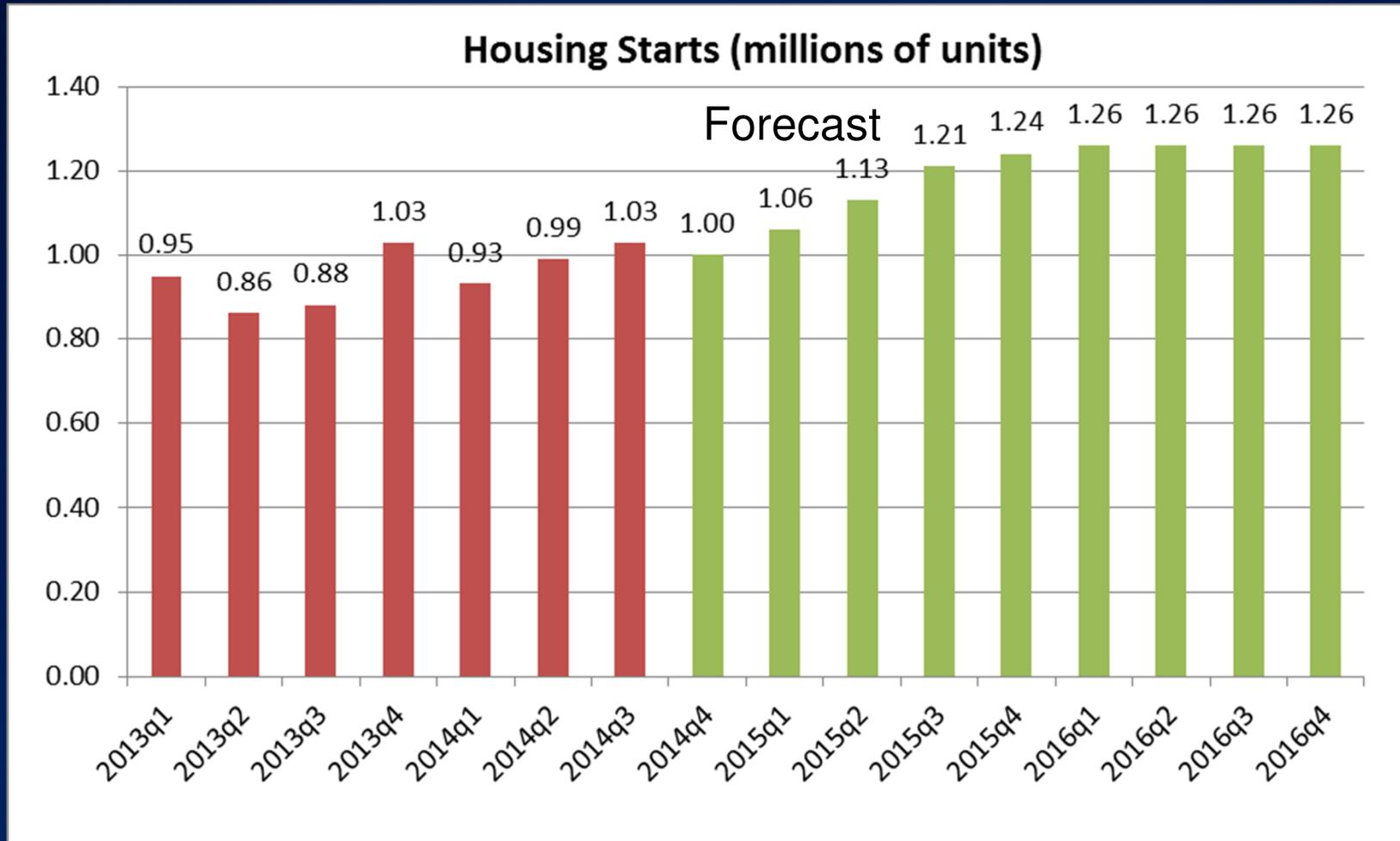
National Overview – Housing



- Though problems on demand and supply side are easing, challenges remain:
 - Credit difficulties for first time buyers
 - Shortage of tradesmen
 - Shortage of build-ready lots due to regulatory hurdles
 - Bank lending for raw land remains tight
- Housing starts and sales expected to increase b/w 20% and 25% in 2015
- Moderate home price increases expected (versus the big jumps in 2012 and 2013)

2015 Economic Outlook

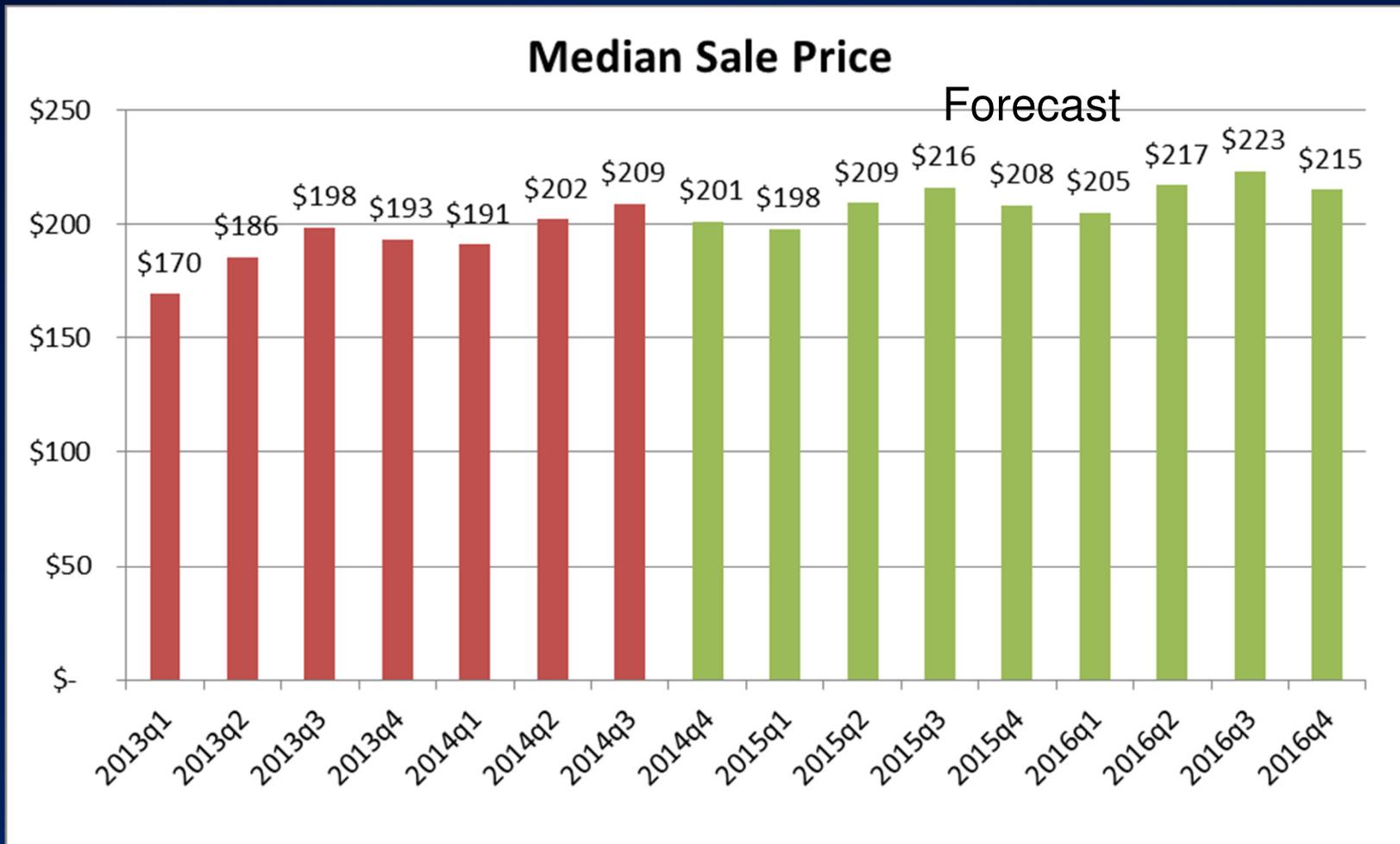
National Overview – Housing



Source: Wells Fargo, 2015 Economic Outlook. Kiplinger, 2015 Economic Outlook.

2015 Economic Outlook

National Overview – Housing



Source: Wells Fargo, 2015 Economic Outlook. Kiplinger, 2015 Economic Outlook.

2015 Economic Outlook

National Overview – Retail



National Overview

Retail

2015 Economic Outlook

National Overview – Retail



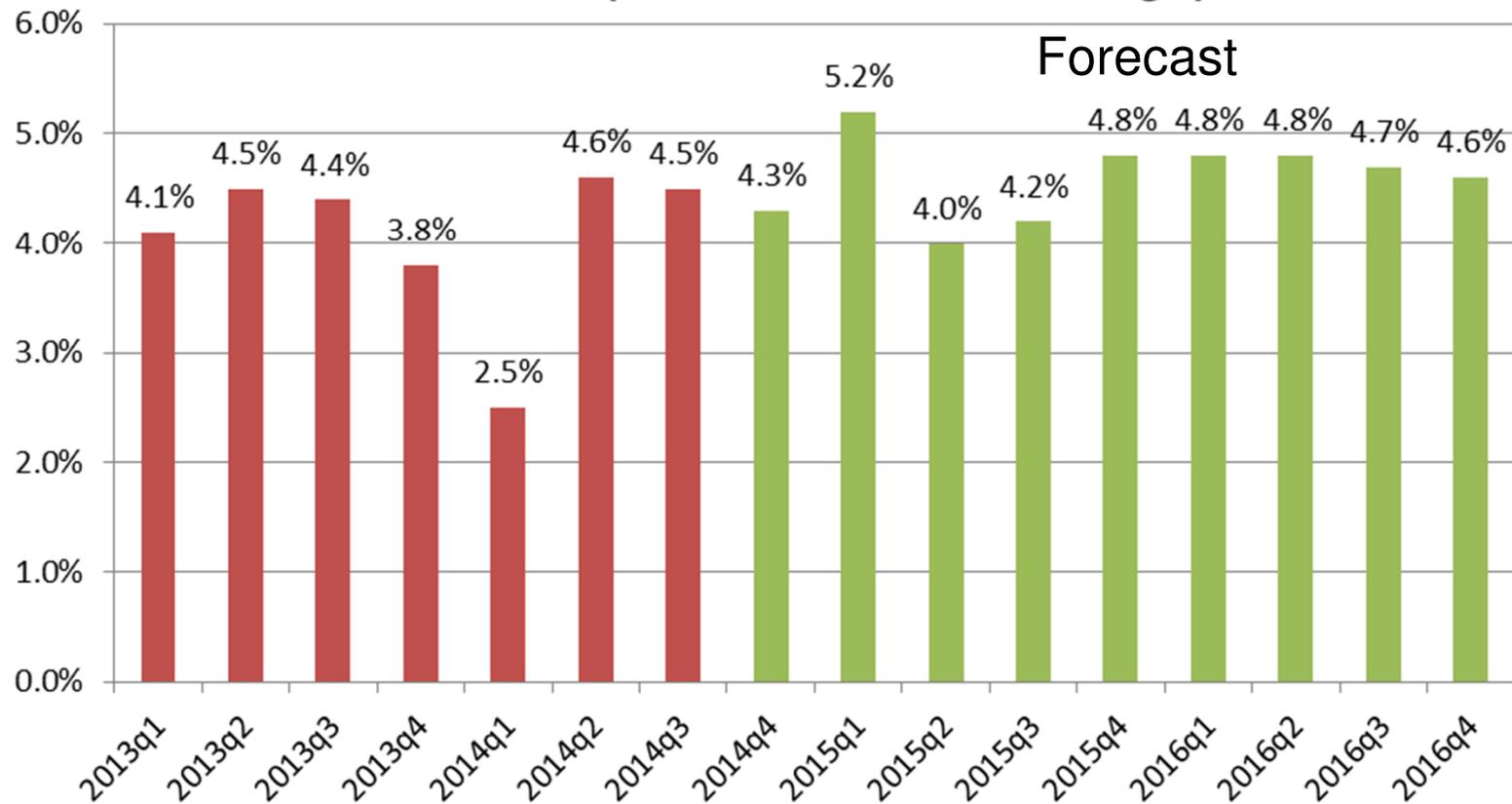
- Retail and food service sales expected to increase just under 5% in 2015, similar to 2014 gains
- Falling energy prices will simultaneously help and hurt retail sales
 - Negative: Lower gas prices decrease overall value of sales
 - Positive: More disposable income for consumers and more sales of expensive trucks and SUVs

2015 Economic Outlook

National Overview – Retail



Retail Sales (Year-over-Year % Change)



Source: Wells Fargo, 2015 Economic Outlook. Kiplinger, 2015 Economic Outlook.

2015 Economic Outlook

National Overview



2015 National Forecast Summary

GDP



3% over 2014

Unemployment



0.5pp to 5.3%

Interest Rates (10 year T-Note)



0.75pp to 3.1%

Inflation



2%

Business Spending



7% over 2014

Energy



31% to \$70/barrel

Housing



Starts 20%
Values 3.5%

Retail Sales



5% over 2014

2015 Economic Outlook

National Overview



Florida Overview

GSP

Employment

Housing

Incomes

Retail

2015 Economic Outlook

Florida Overview



- Florida's recession was longer and deeper than the nation
- Florida's rebound has surpassed the US in both pace of job creation and economic growth
- Population growth is returning, fueled by Baby Boomers who previously had delayed retirement plans
- All elements are in place for strong economic growth

2015 Economic Outlook

Florida Overview – GSP



Florida Overview

GSP

2015 Economic Outlook

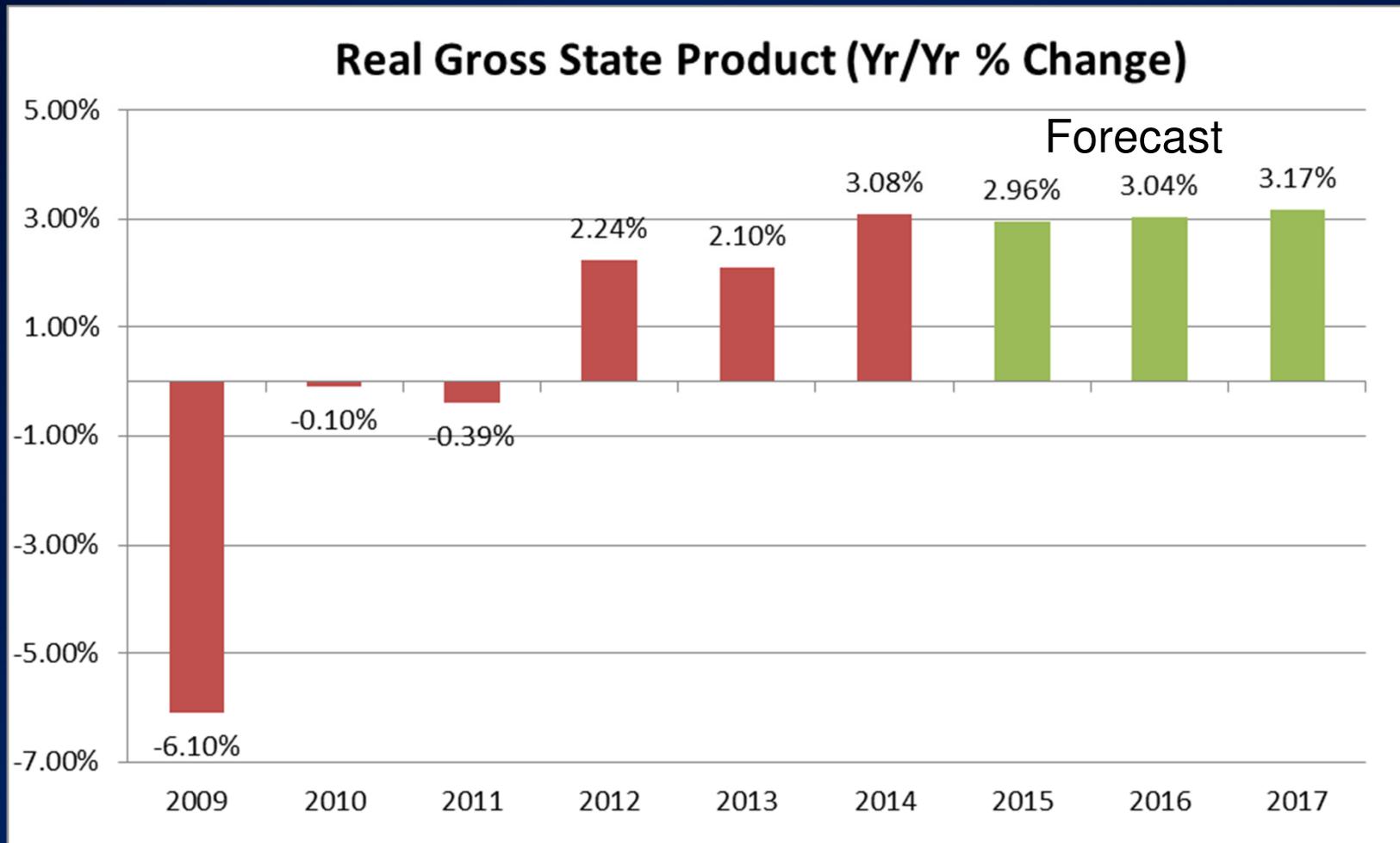
Florida Overview – GSP



- Florida's GSP experienced first post-recession growth in 2012 and 2013 (2.2%) driven by:
 - Improving consumer confidence
 - Housing market recovery
 - Labor market improvements
- From 2014 to 2017, Florida's GSP, is expected to expand at an avg. annual rate of 3.1%
- 0.25 – 0.5 pp higher than the US GDP
- Fundamentals of growth are much stronger

2015 Economic Outlook

Florida Overview – GSP



Source: University of Central Florida. Institute for Economic Competitiveness.

2015 Economic Outlook

Florida Overview – Employment



Florida Overview

Employment

2015 Economic Outlook

Florida Overview – Employment



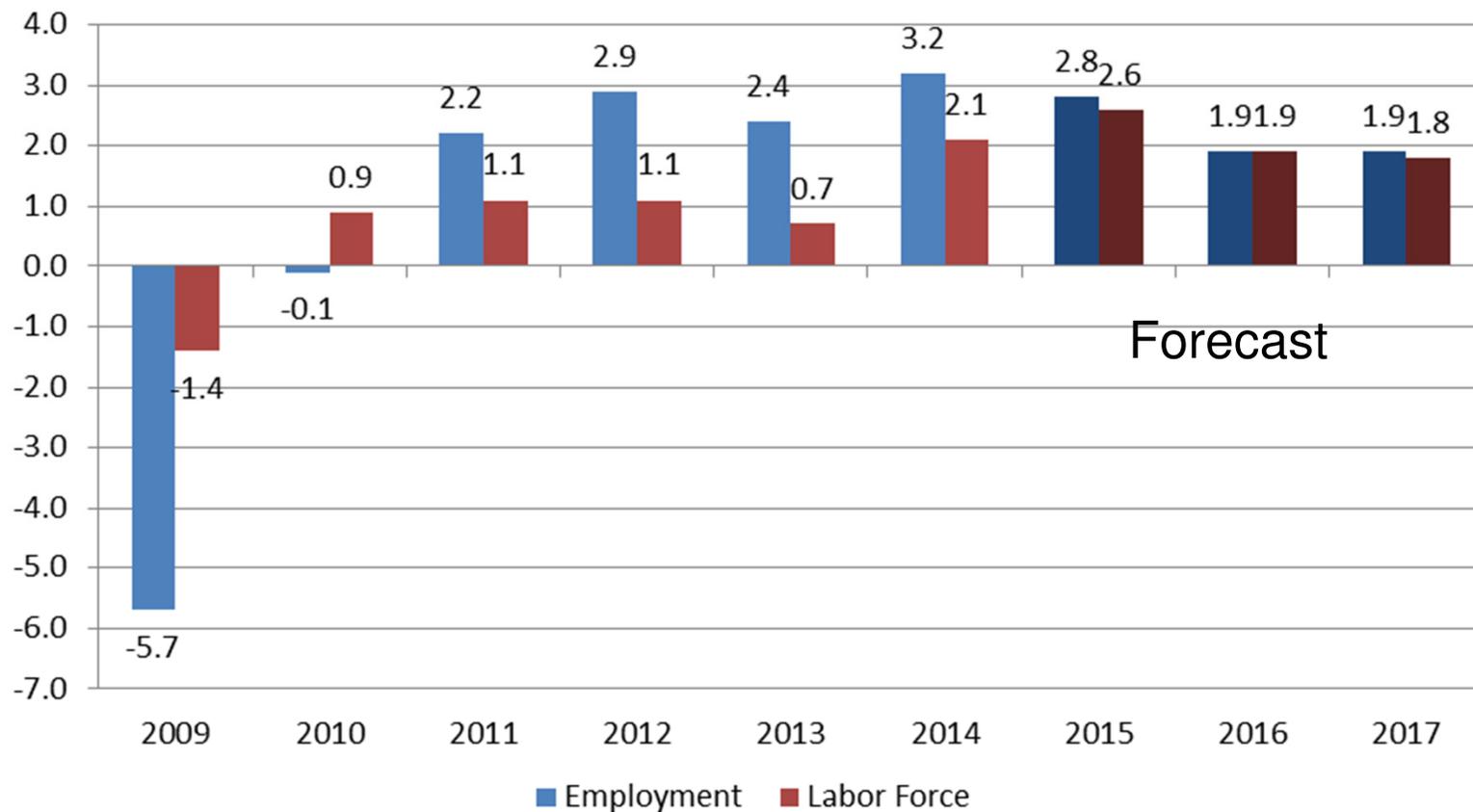
- Florida's labor market recovery continues to outpace the national job market recovery
- From 2014 to 2017:
 - Payroll job creation expected to average 2.3% per year with labor force increases averaging 2.1%
- Payrolls should recover to their pre-recession highs by the 4th Quarter of 2015
- Unemployment expected to average around 6.0% with increases in the labor force and employment

2015 Economic Outlook

Florida Overview – Employment



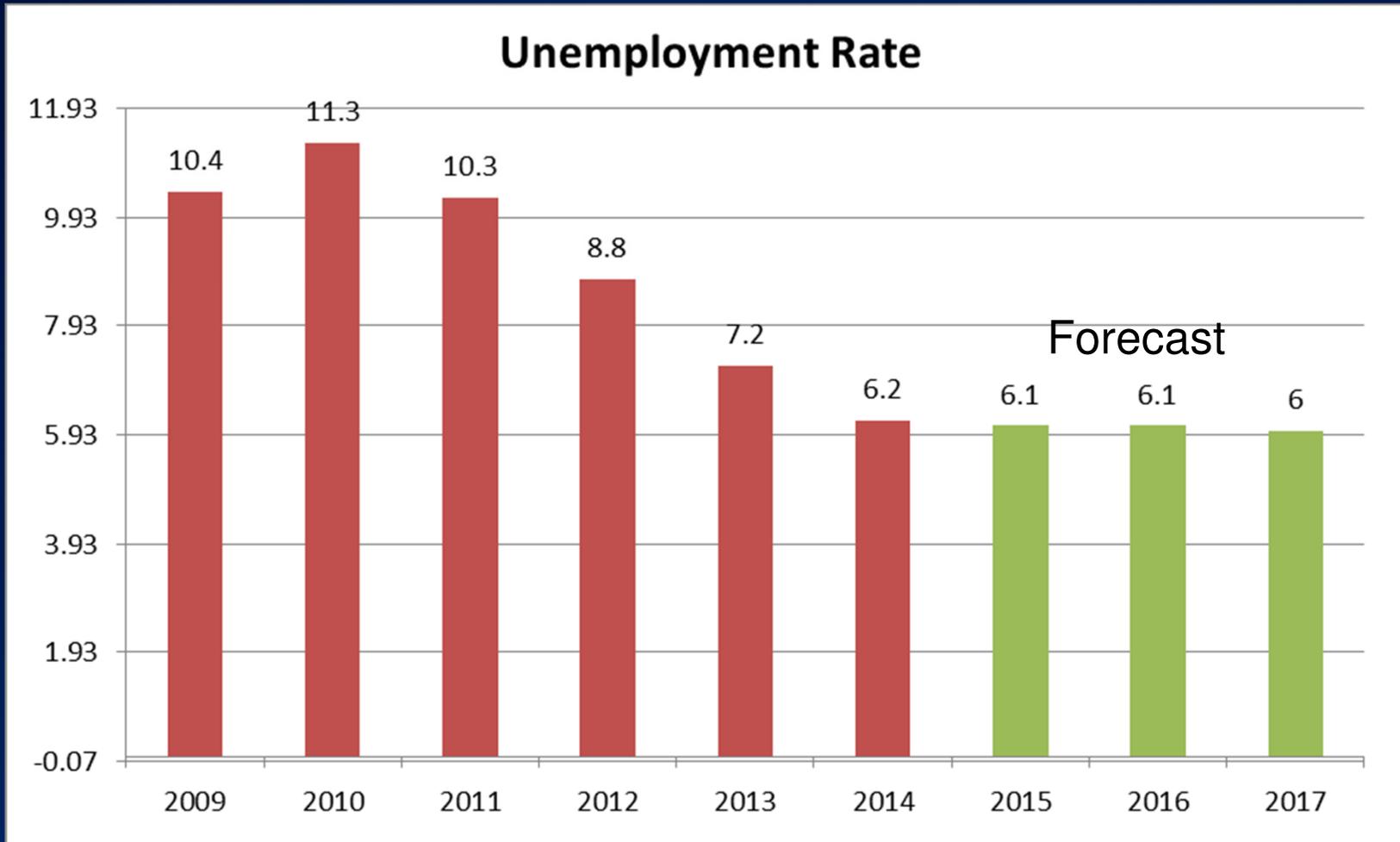
Employment and Labor Force (Yr/Yr % Change)



Source: University of Central Florida. Institute for Economic Competitiveness.

2015 Economic Outlook

Florida Overview – Employment



Source: University of Central Florida. Institute for Economic Competitiveness.

2015 Economic Outlook

Florida Overview – Housing



Florida Overview

Housing

2015 Economic Outlook

Florida Overview - Housing



- Housing starts remain strong and will continue to increase, but the pace of increase will be heavily impacted by interest rate increases
- Total housing starts are expected to increase an average of 25% per year increasing from 84k in 2014 to 155k in 2017
- Cash transactions are falling, suggesting less interest from investors
- Mortgage availability will determine whether traditional homebuyers can fill the investor void

2015 Economic Outlook

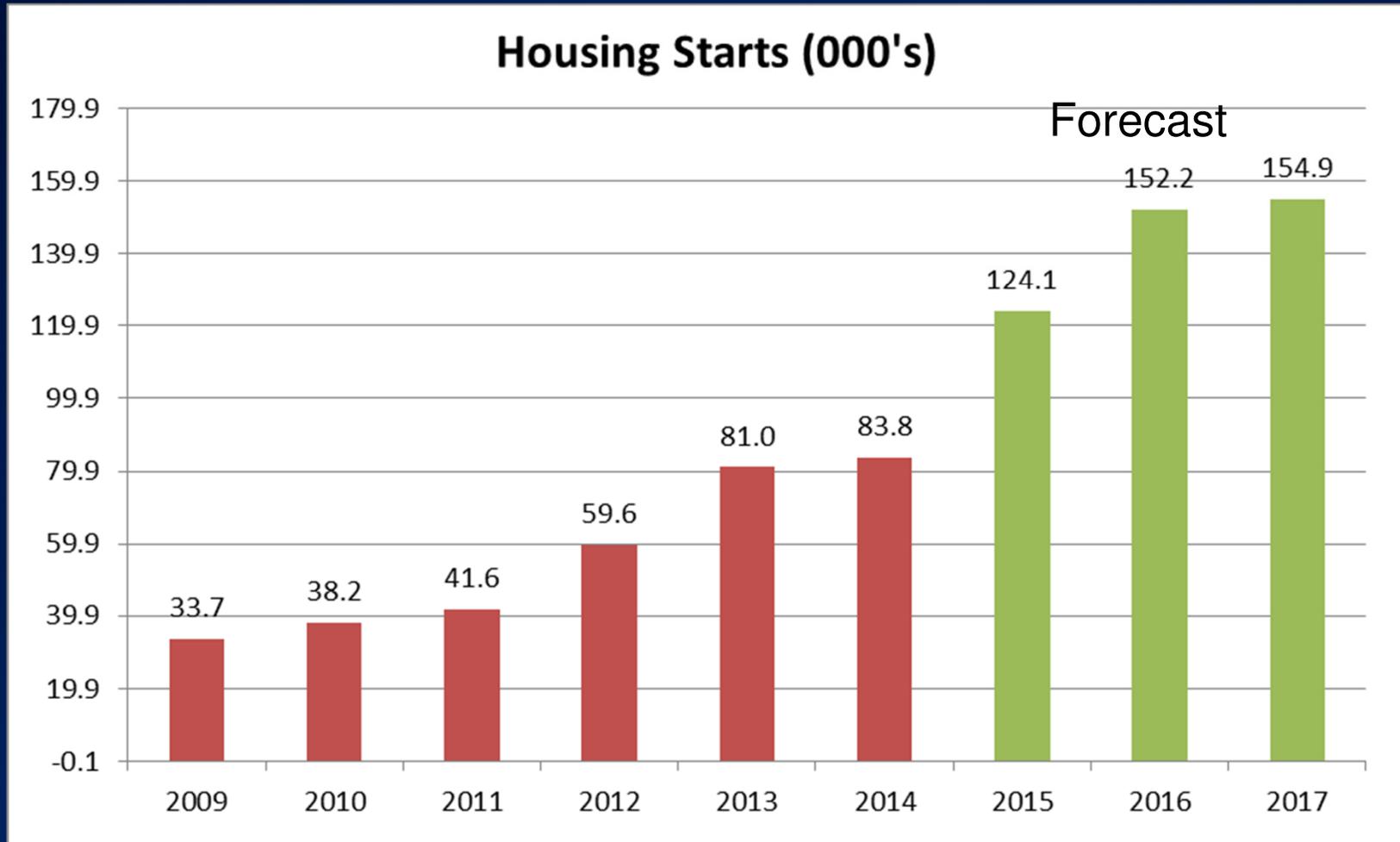
Florida Overview - Housing



- Mortgage Bankers Association's Credit Availability Index stands at 116.1
- Index is benchmarked to 100 in March 2012
- In 2006 the index was 869
- Moderate increases in home values expected, but these increases will be tempered by uncertain financing environment

2015 Economic Outlook

Florida Overview – Housing



Source: University of Central Florida. Institute for Economic Competitiveness.

2015 Economic Outlook

Florida Overview – Incomes



Florida Overview *Incomes*

2015 Economic Outlook

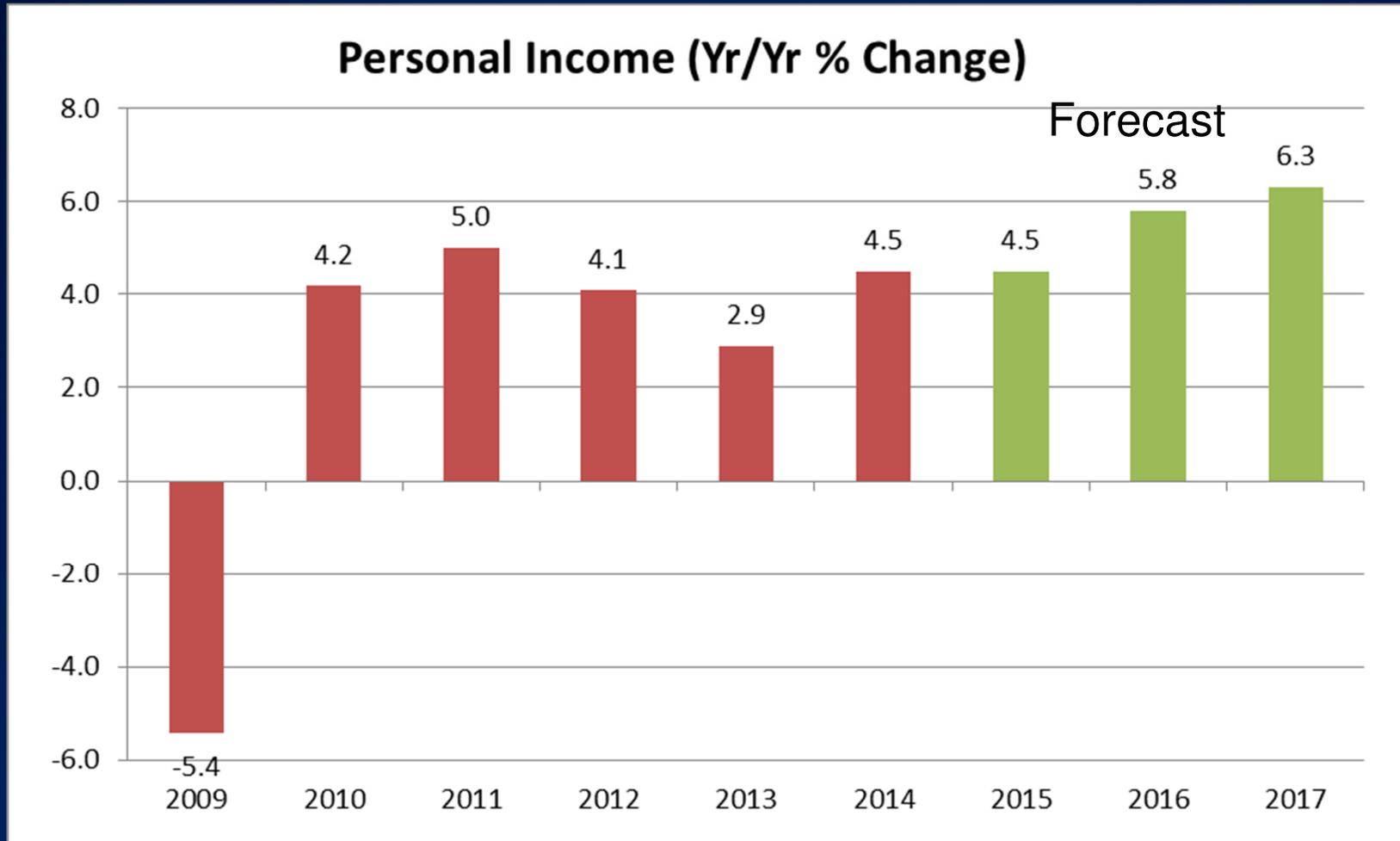
Florida Overview - Incomes



- Personal income growth in Florida lost momentum in 2013 (4.1% in 2012 to 2.9% in 2013) due to:
 - Sequester spending cuts
 - Payroll tax cut expired
 - Dividend payments dropped to avoid 2013 dividend tax rates
- Personal income growth is expected to return in 2014 and grow steadily at an average rate of 5.5% through 2017

2015 Economic Outlook

Florida Overview – Incomes



Source: University of Central Florida. Institute for Economic Competitiveness.

2015 Economic Outlook

Florida Overview – Retail



Florida Overview *Retail*

2015 Economic Outlook

Florida Overview – Retail



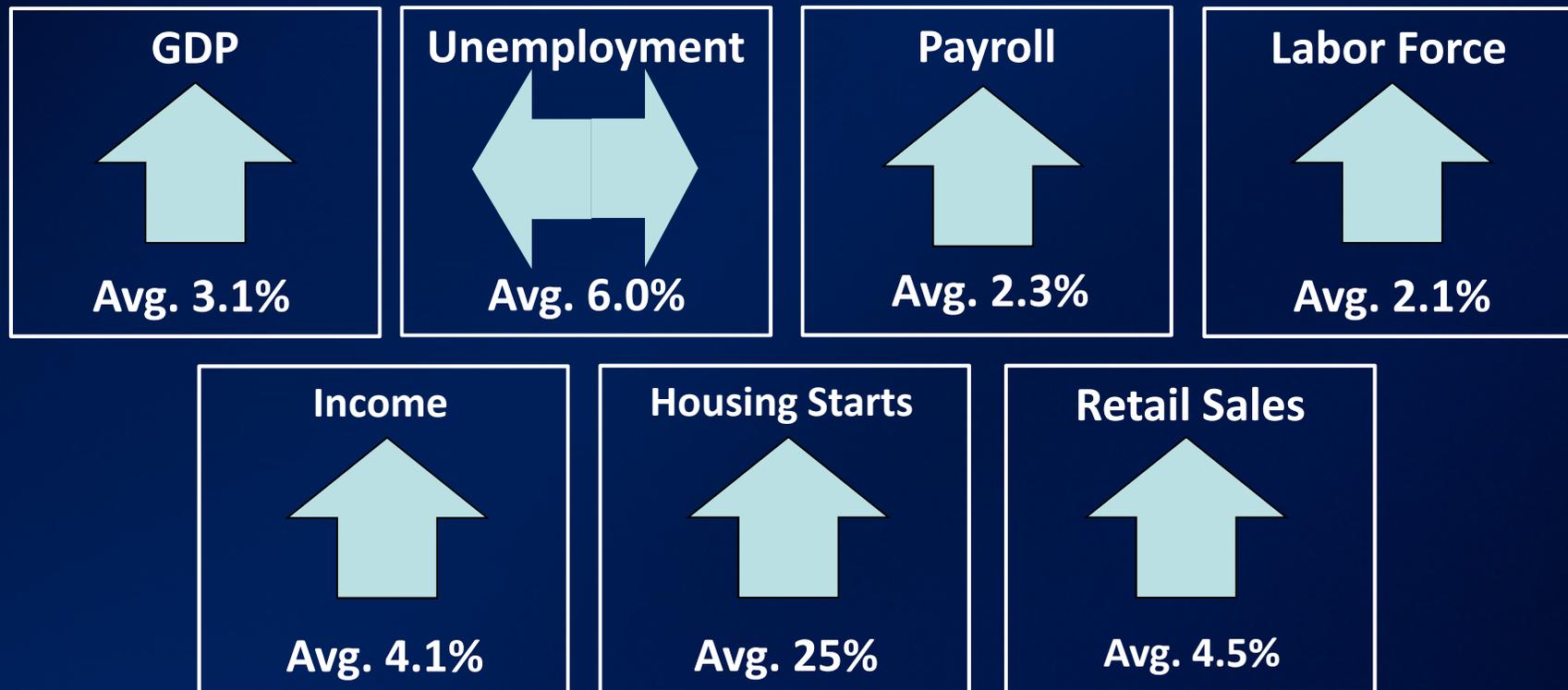
- Retail sales in Florida grew at 5.0% in 2012, due to higher gas prices and release of pent up demand
- In 2013 and 2014, retail sales increased, but at a slower pace
- Retail sales are expected to grow at an average pace of 4.5% during 2015-2017

2015 Economic Outlook

Florida Overview



2015-2017 Florida Forecast Summary



2015 Economic Outlook

Orlando MSA Overview



Orlando MSA Overview

2015 Economic Outlook

Orlando MSA Overview



- Orlando MSA's unemployment rate has been below the national rate since 2013
- In pure employment terms, Orlando MSA's job market has fully recovered. First MSA in Florida to do so
- Orlando MSA job growth has exceeded the nation's rate for 37 consecutive months
- Orlando MSA's job growth in 2014 (4.3%) was second only to Houston among 27 MSAs with an employment base of >1m jobs

2015 Economic Outlook

Orlando MSA Overview



- Of the 22 metros in Florida, Orlando MSA reported the largest end of year gains in both absolute and percentage job growth
- New online advertised vacancies were up 12% in 2014 over 2013
- Office market fundamentals are strengthening; however, dynamic and small workspaces are limiting occupancy gains
- Large spaces are decreasing, rents are rising and speculation has returned to the industrial market

2015 Economic Outlook

Orlando MSA Overview



- Home sales and prices are expected to settle into a pattern of more traditional growth over next 12 months
- Less impact from institutional investors and distressed sells
- No imminent construction bubble. Permits on rise, but remain below historic norms

2015 Economic Outlook

Orlando MSA Overview



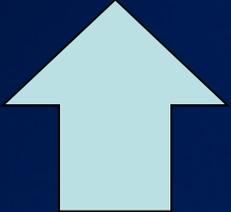
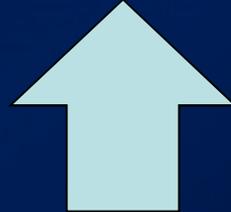
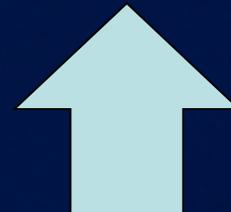
- Driven by strong tourism gains, consumer spending should continue to outperform the statewide indicators
- Confidence is returning to Orlando MSA businesses. Local business investment was up 9% in 2014.
- Orlando International Airport set a record with close to 4.2 million passengers
- Aided by both significant investment in new attractions and demand from South America, growth in local tourism is very strong. Room rates are nearing pre-recession levels

2015 Economic Outlook

Orlando MSA Overview



2015-2017 Orlando MSA Forecast Summary*

	GMP	Unemployment (Level)	Employment	Wages	Incomes
CHANGE	 Avg. 5.0%	 Avg. 5.4%	 Avg. 3.0%	 Avg. 3.0%	 Avg. 6.0%
MSA RANK	2nd #1 = Miami	4th #1 = Gainesville	2nd #1 = Naples	7th #1 = Naples	3rd #1 = Naples

*Source: University of Central Florida. Institute for Economic Competitiveness

2015 Economic Outlook

Lake County Overview



Lake County Overview

2015 Economic Outlook

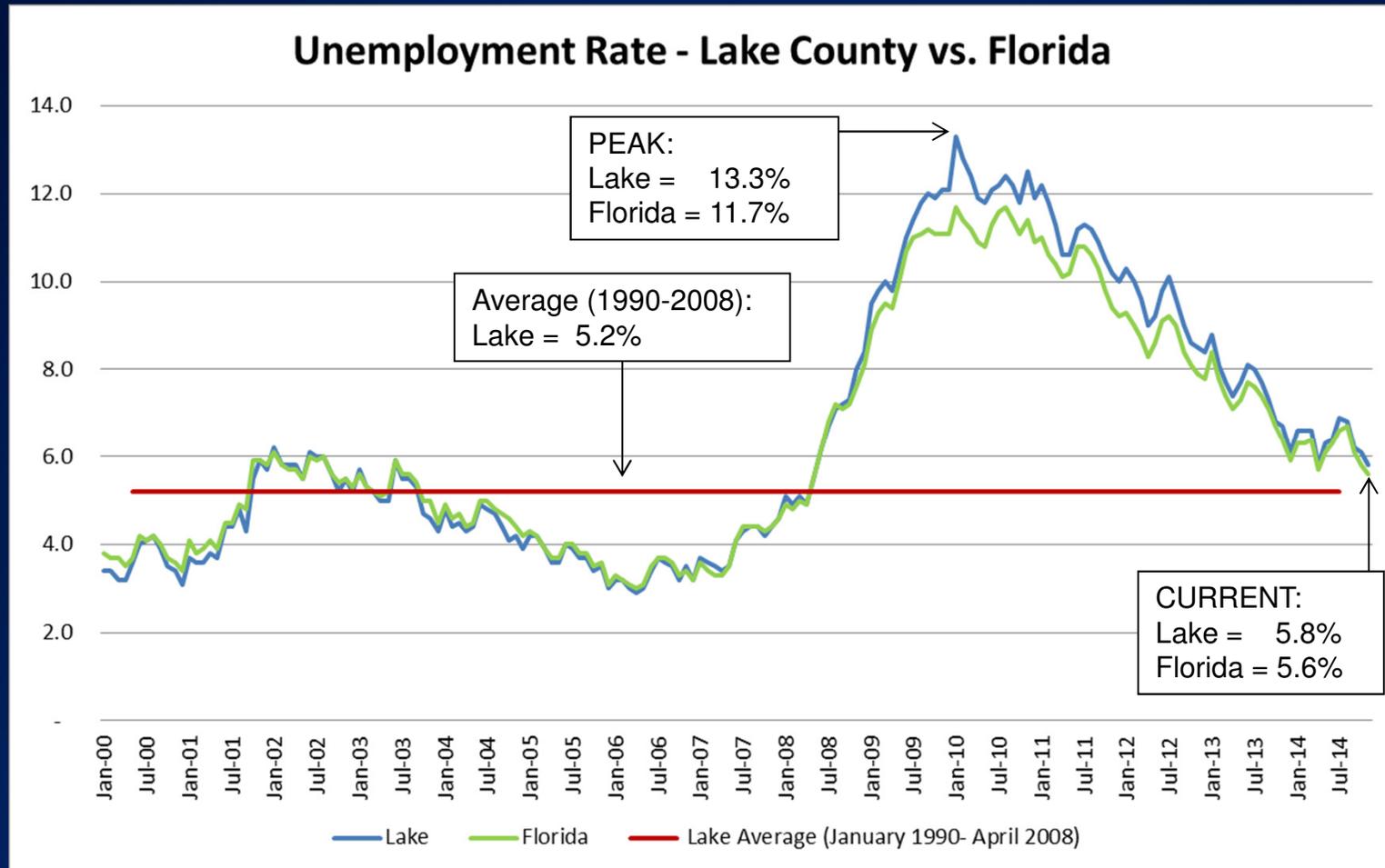
Lake County Overview



- Across many economic indicators, Florida and the Orlando MSA have returned to and/or exceeded their pre-recession growth levels
- The Great Recession's impact on Lake County was deeper and longer than the impact on the nation and state
- Lake County's rebound began in 2012; however, the pace of the recovery has been modest in relation to the region and state
- Lake County's growth indicators are trending below their pre-recession norms; however, recent trends indicate that Lake County could experience substantial gains in 2015

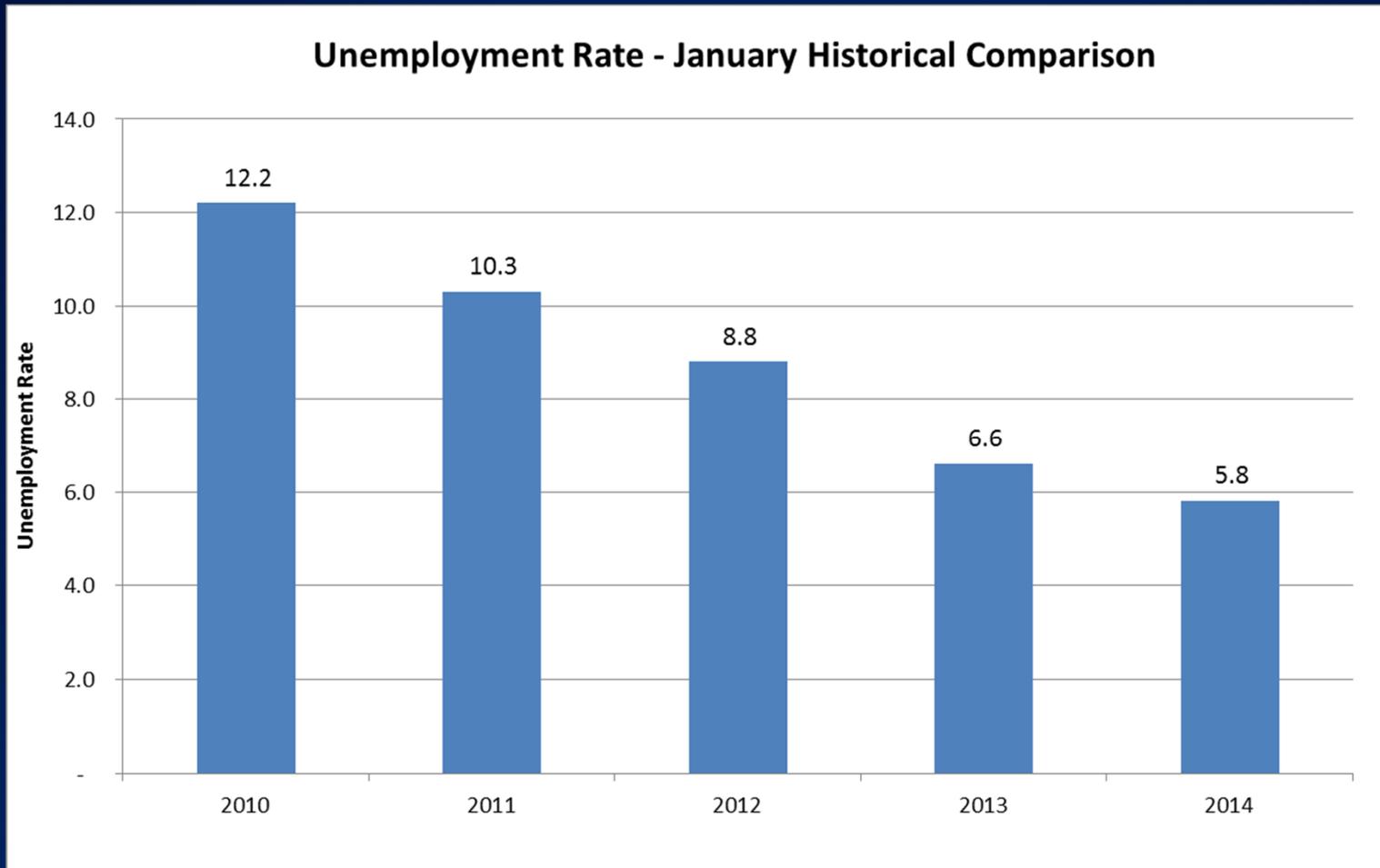
2015 Economic Outlook

Lake County Overview – Unemployment



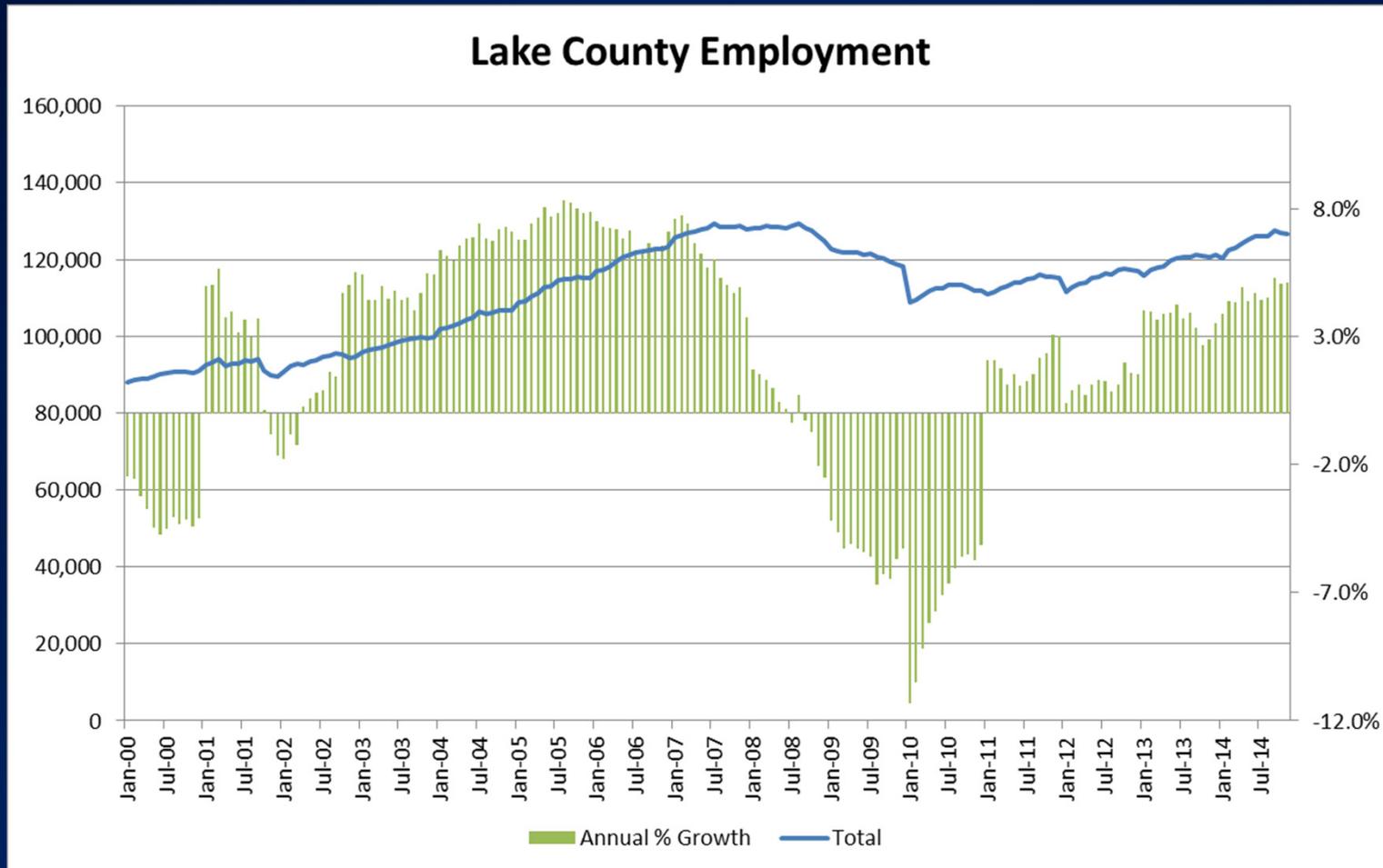
2015 Economic Outlook

Lake County Overview – Unemployment



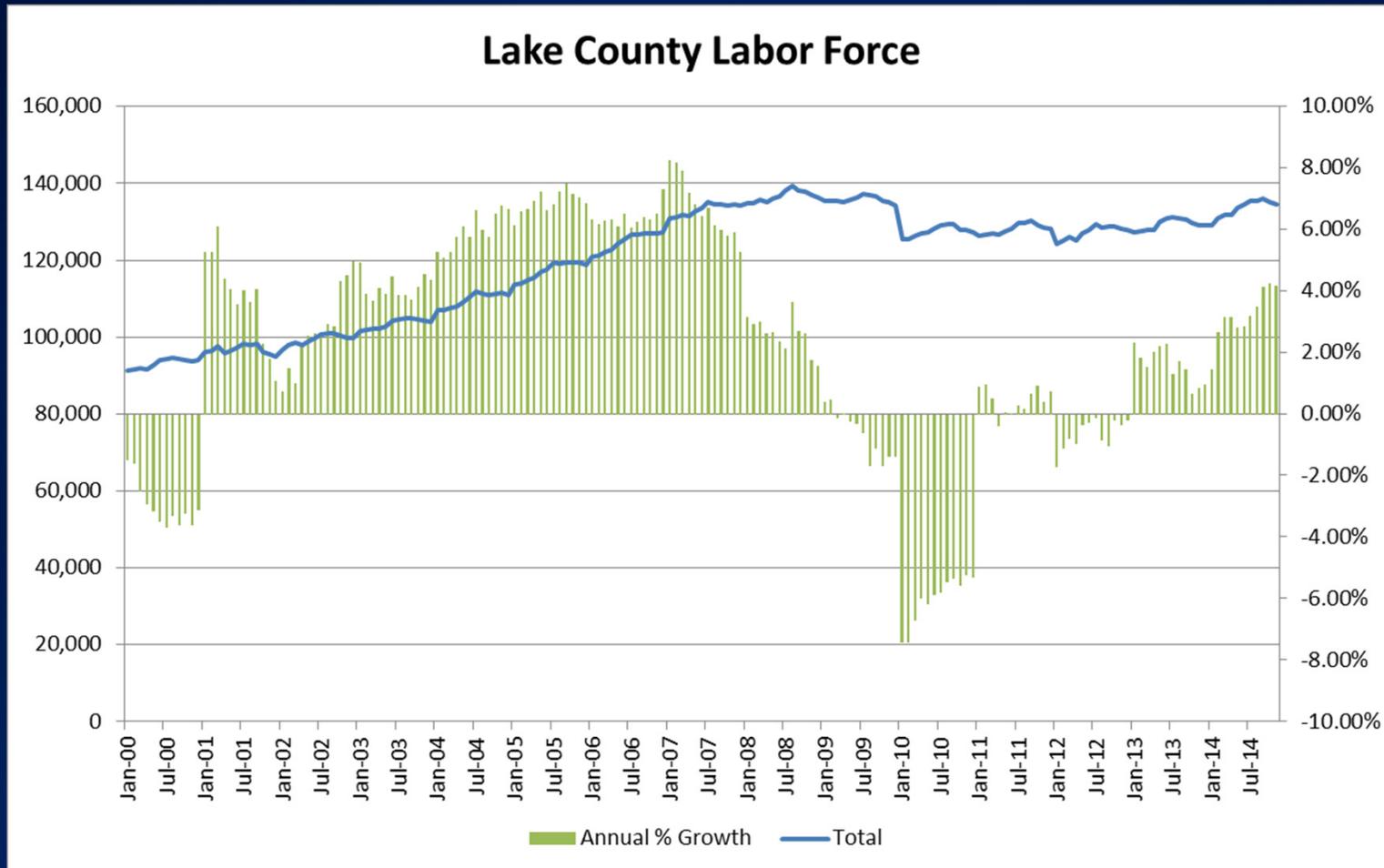
2015 Economic Outlook

Lake County Overview – Employment



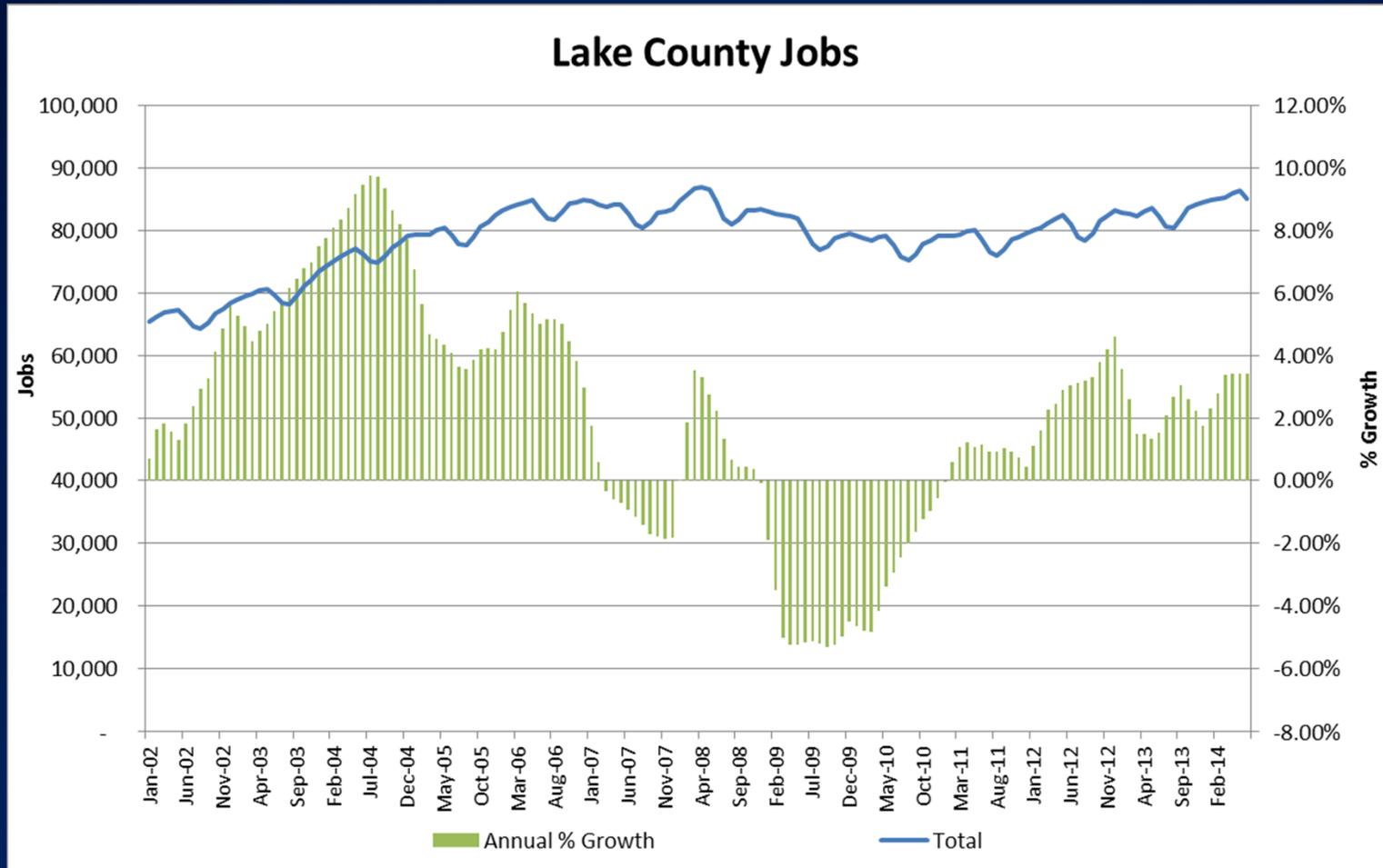
2015 Economic Outlook

Lake County Overview – Labor Force



2015 Economic Outlook

Lake County Overview – Jobs

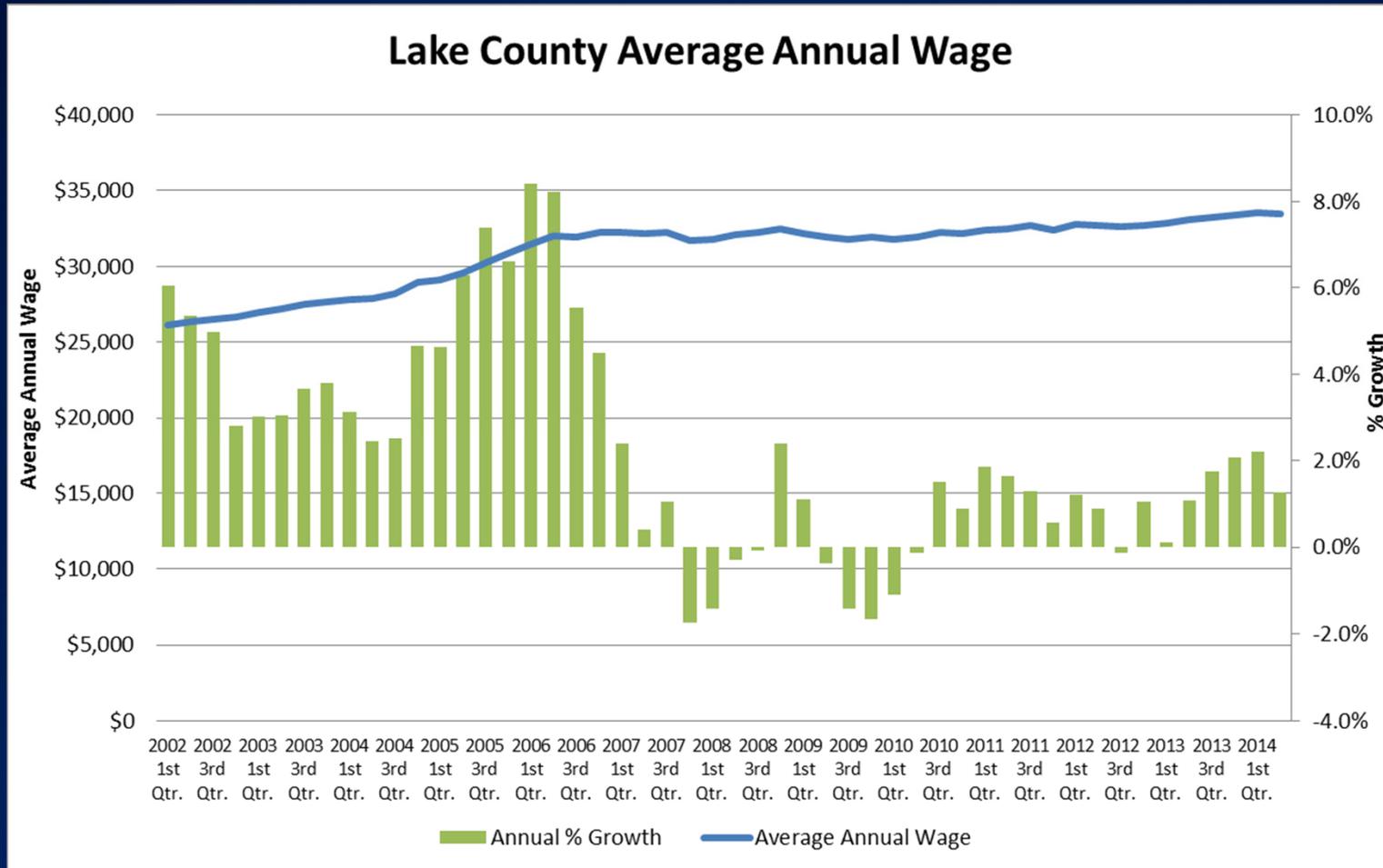


2015 Economic Outlook

Lake County Overview – Average Annual Wage

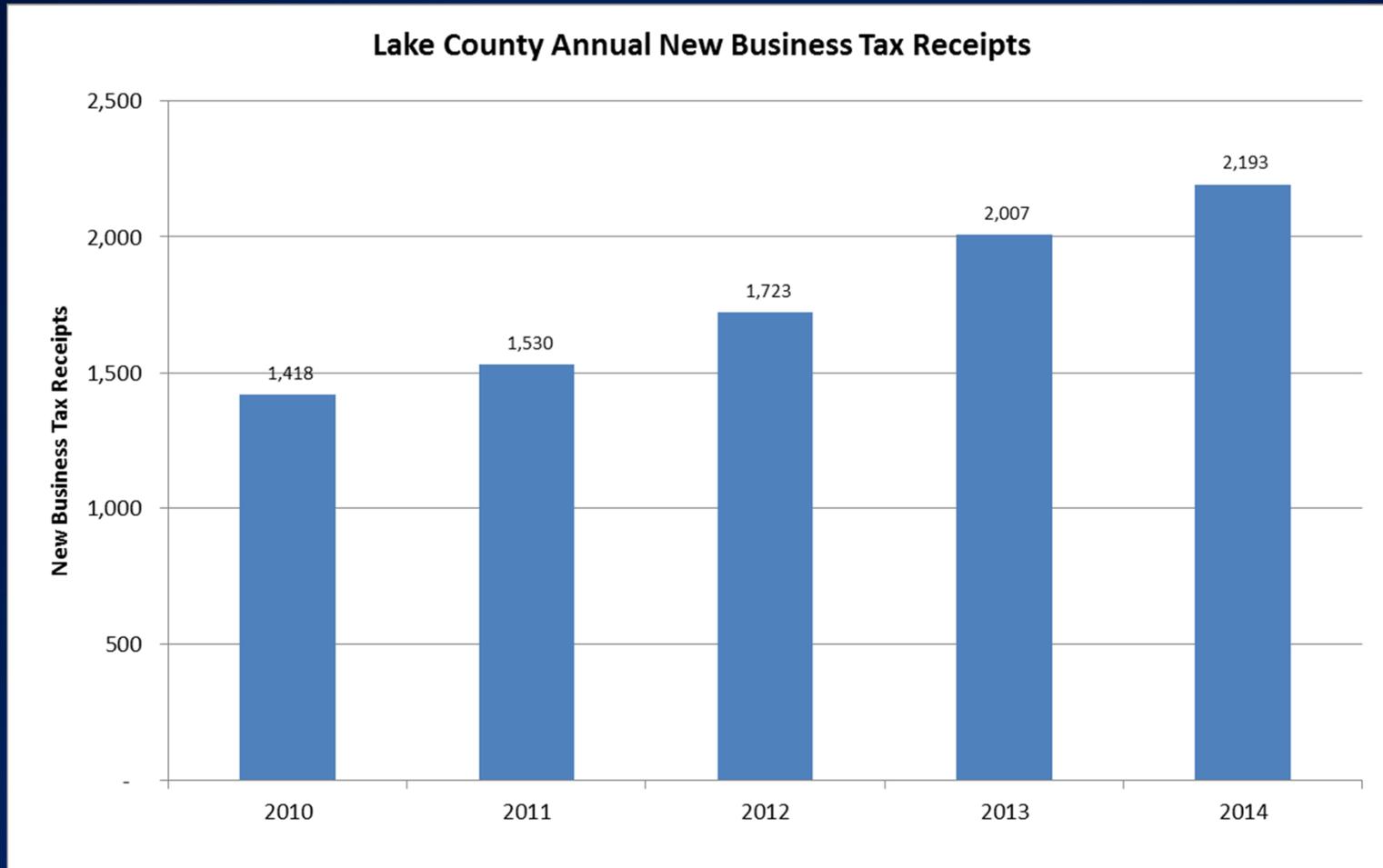


LAKE COUNTY
FLORIDA



2015 Economic Outlook

Lake County Overview – Tax Receipts

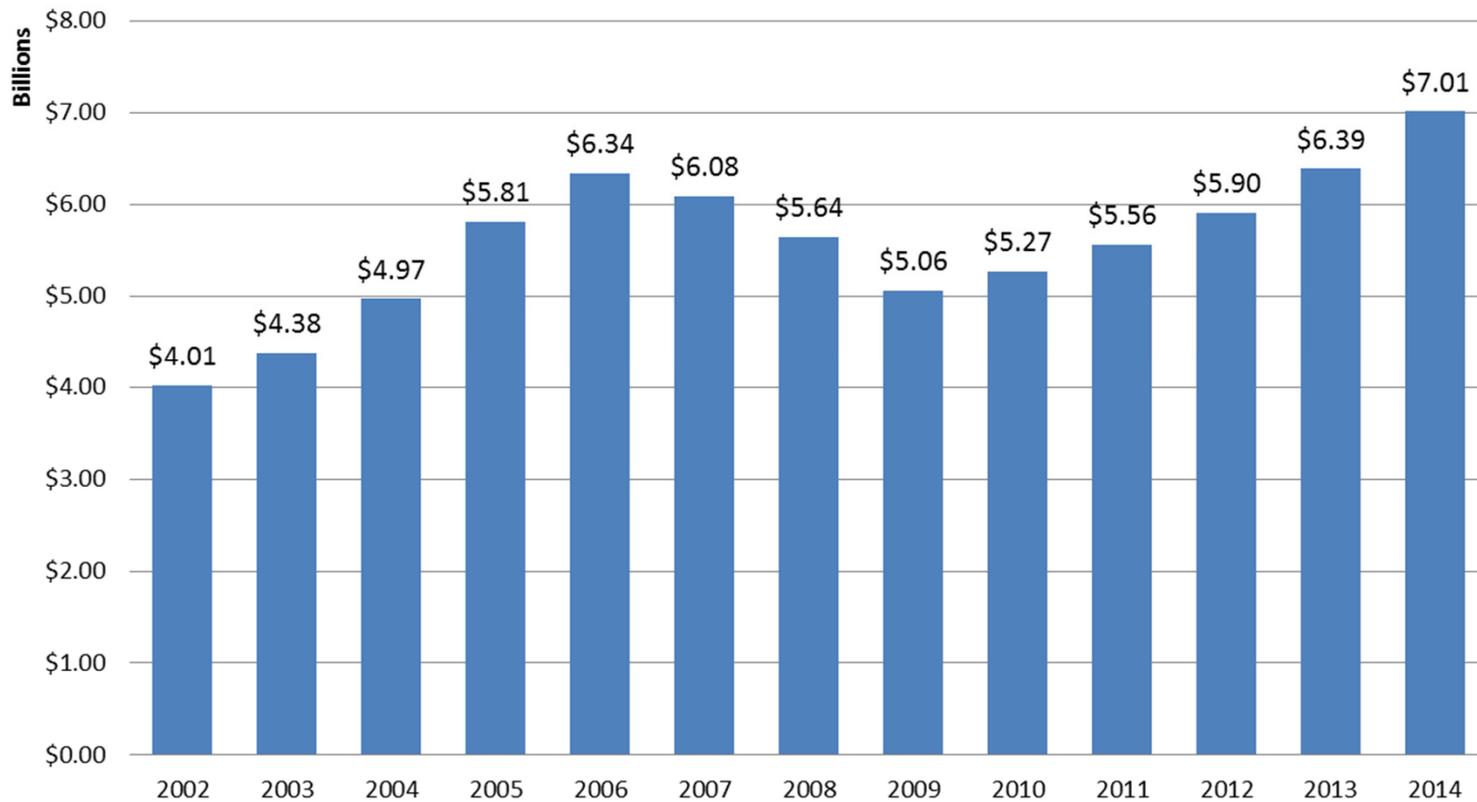


2015 Economic Outlook

Lake County Overview – Gross Taxable Sales

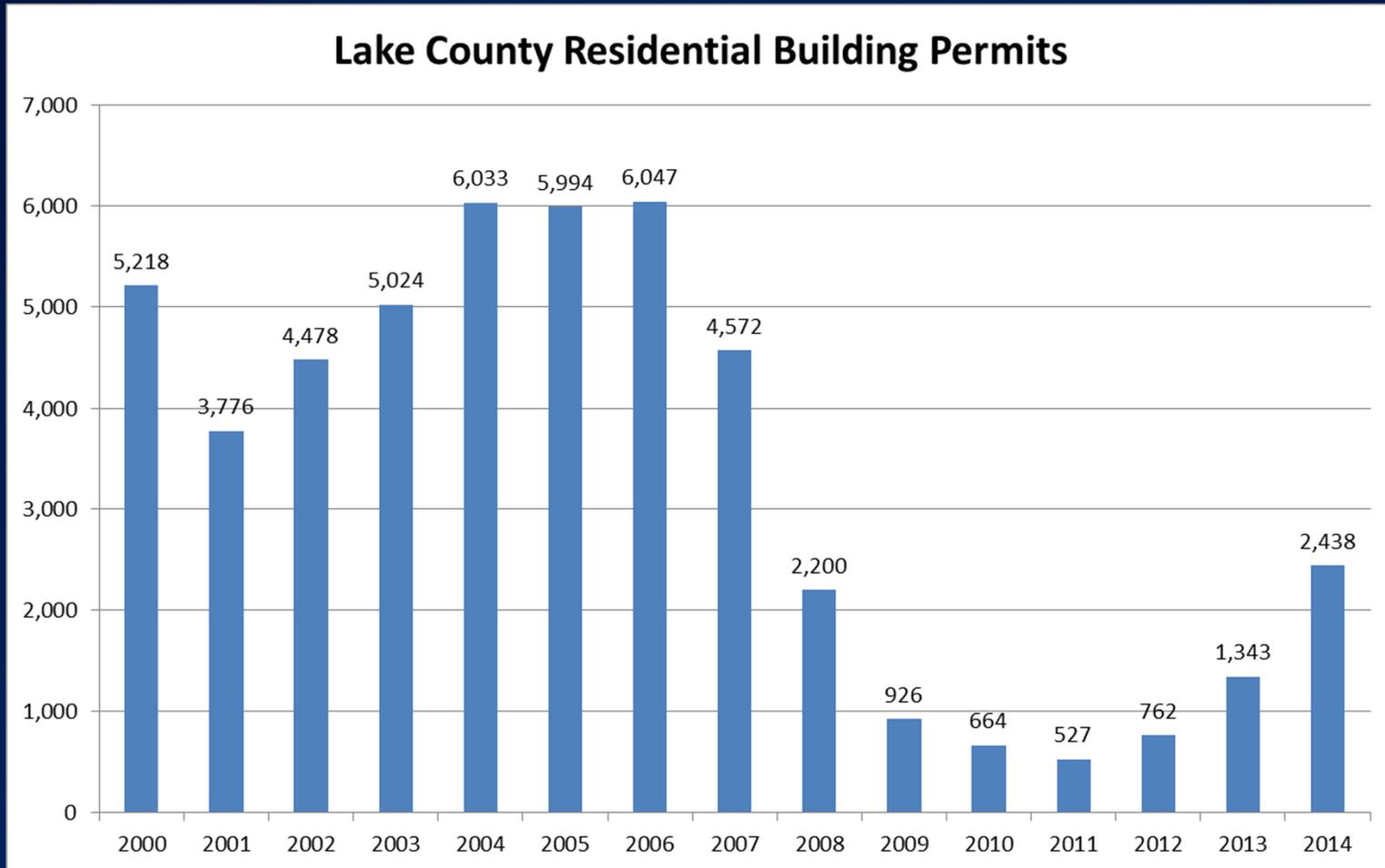


Lake County Sales Tax Receipts - Gross Sales (Jan. - Nov.)



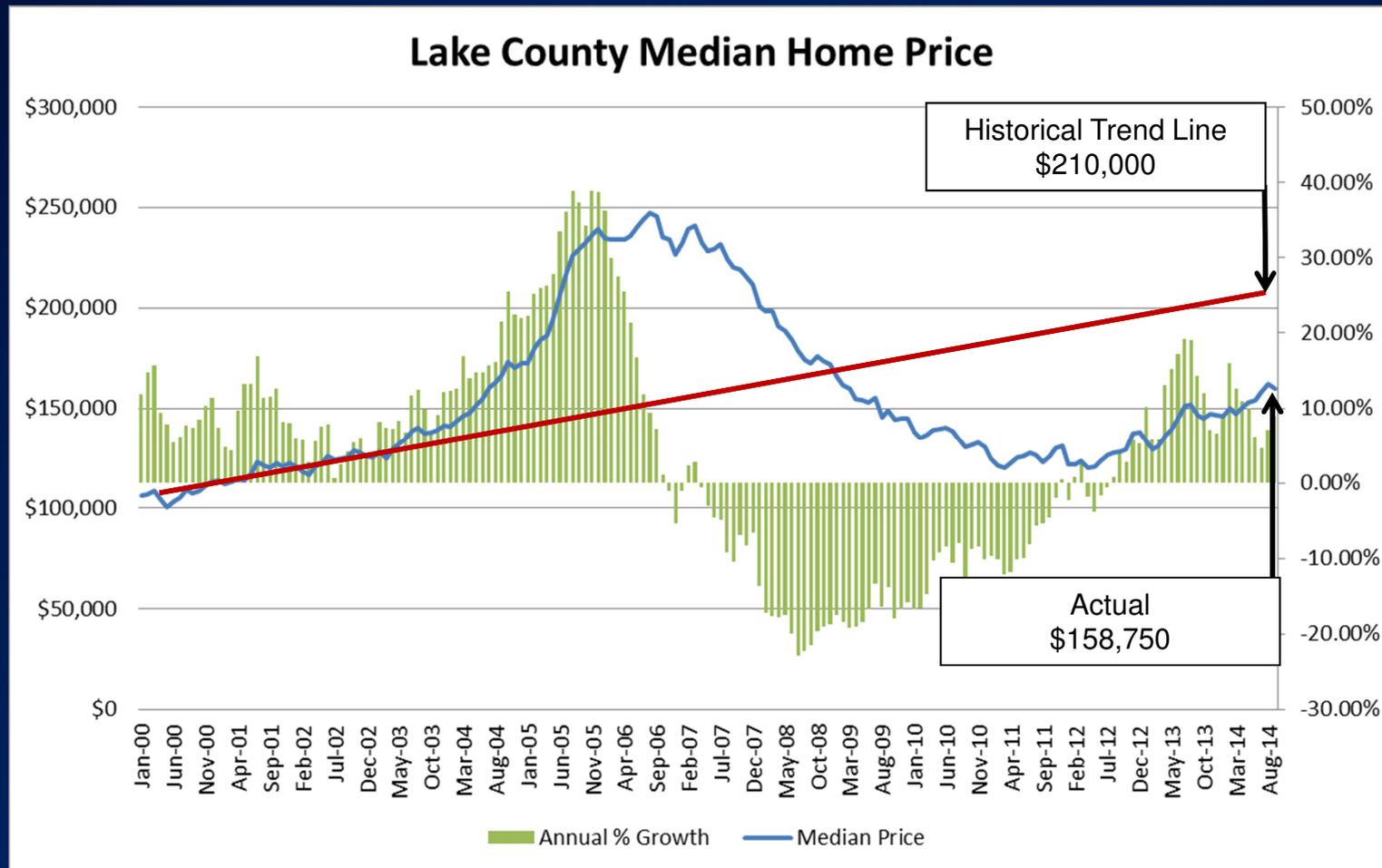
2015 Economic Outlook

Lake County Overview – Building Permits



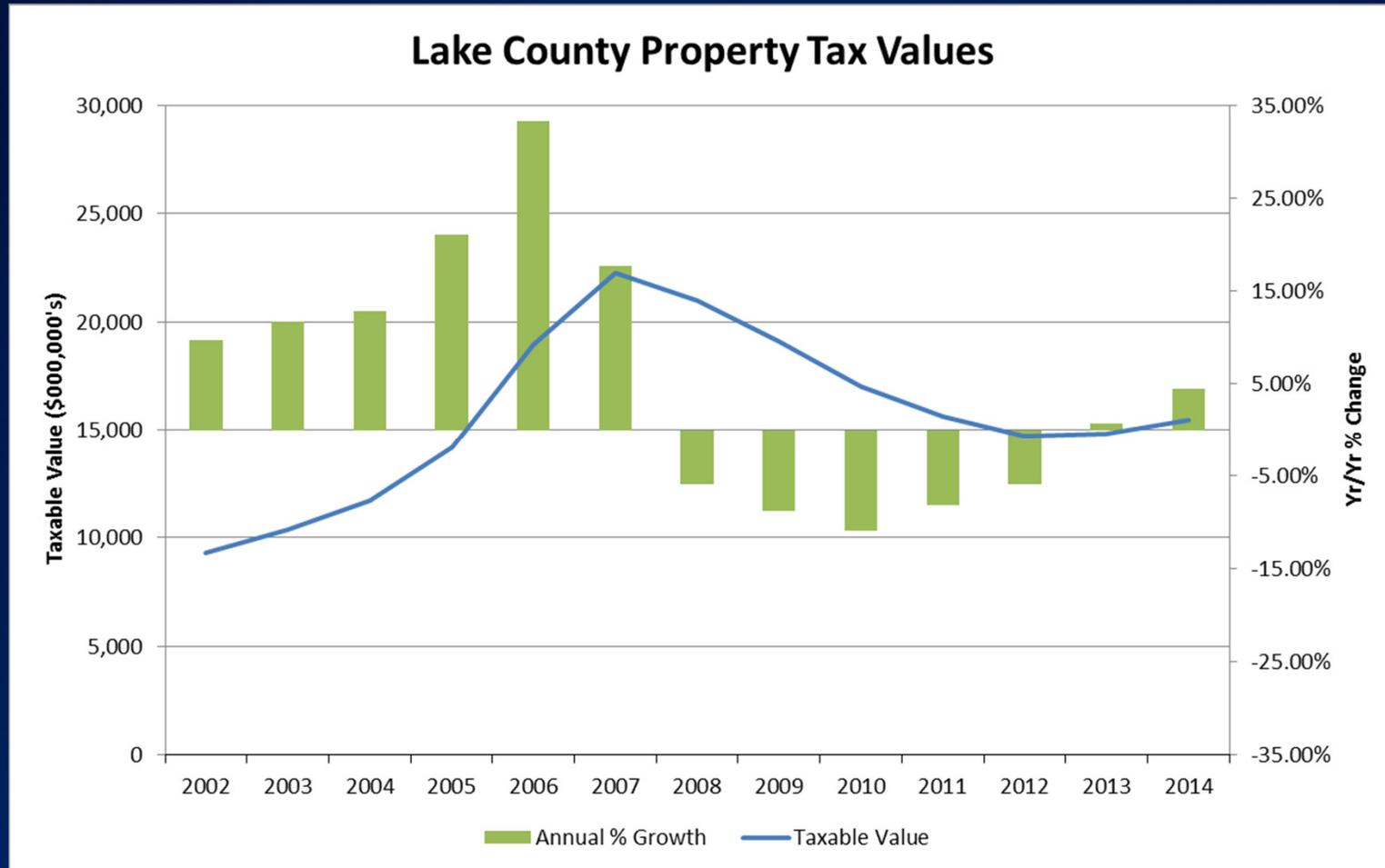
2015 Economic Outlook

Lake County Overview – Home Prices



2015 Economic Outlook

Lake County Overview – Property Values



2015 Economic Outlook

Economic Indicators Summary



Economic Indicators Summary

Property Values



Labor Force



Employment



Jobs



Tax Receipts



Wages



Residential Permits



Median Home Price



2015 Economic Outlook

Lake County Taxable Value Projection



- National economic indicators point to a strong economic rebound in 2015 in the US
- Florida and the Orlando MSA are showing positive signs of a recovery
- Given Lake County's positioning within the MSA (both geographic and economic), it is expected that Lake County is poised to experience an accelerated pace of growth in 2015
- These positive trends should positively impact taxable property values



LAKE COUNTY

FLORIDA

Thank you.