

U.S. Economy & Housing Market

June 2013

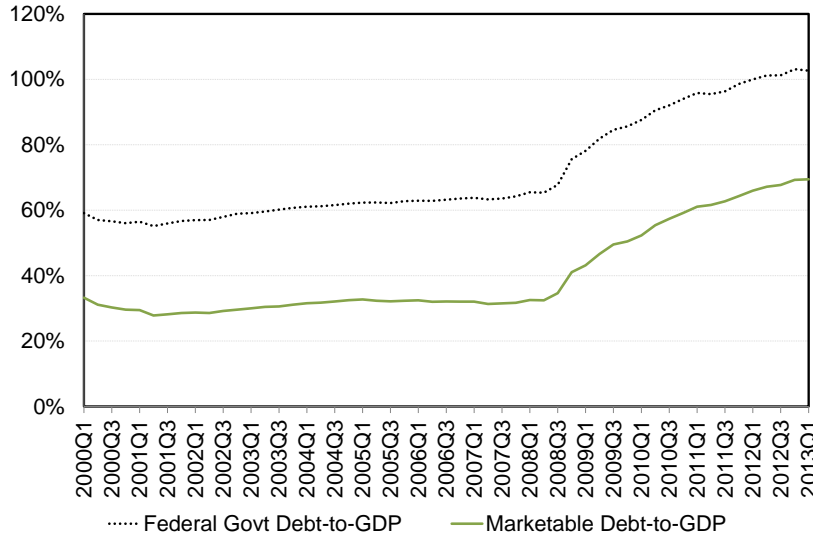


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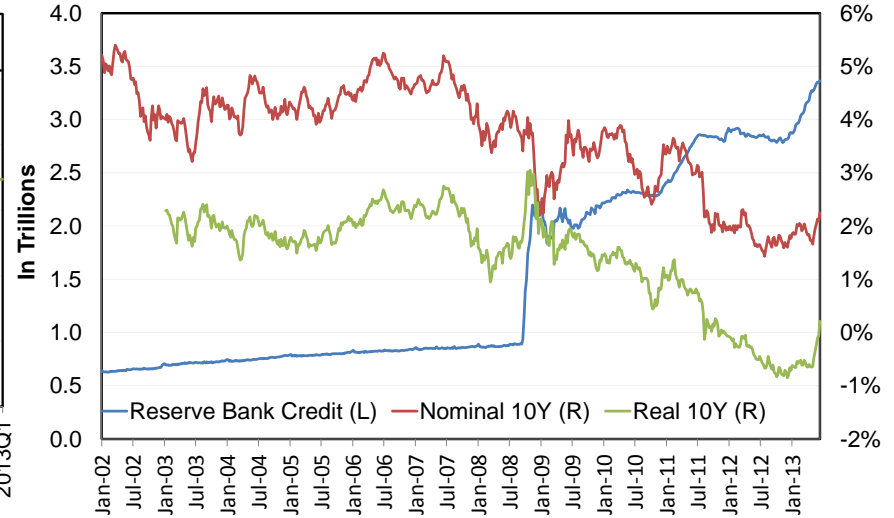
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Economy

Federal Balance Sheet Supporting Economy



**FOMC Policy Pushed Down Rates...
...Tightened Spreads...
...Boosted Stock Market and Commodities**

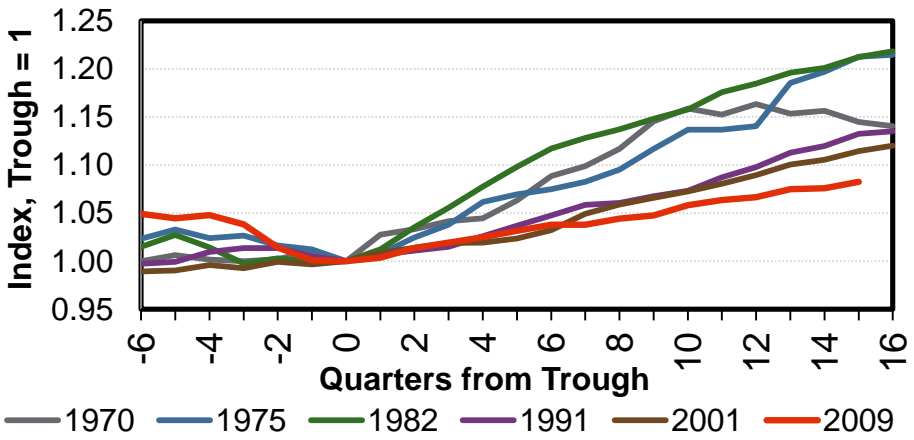


Loose Monetary & Fiscal Policy Supported The Recovery.
What Happens As The Spigot Shuts?

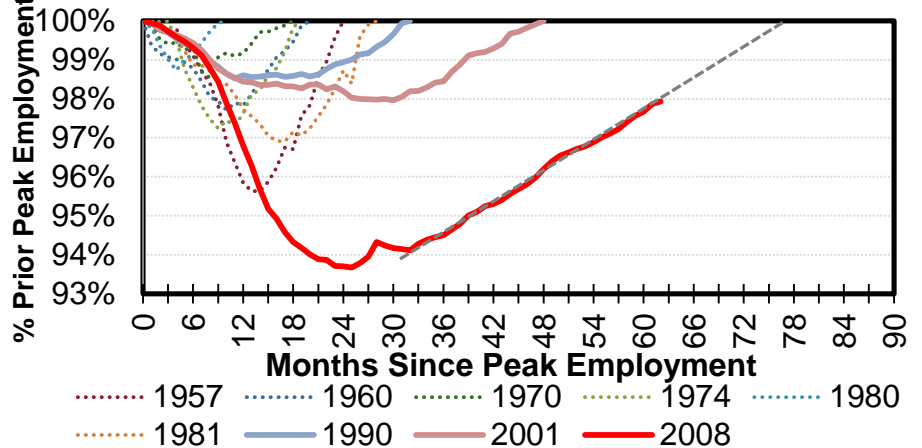
Source: Moody's Analytics, BEA, Federal Reserve, U.S. Treasury

Despite Stimulus, Growth Has Been Slow

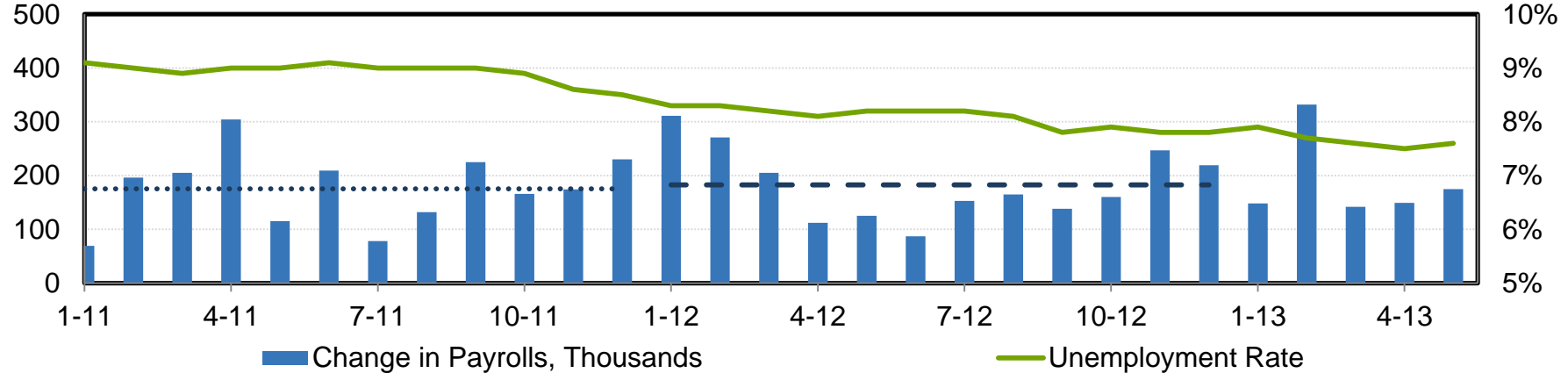
Recovery From Trough: Real GDP



Employment Picture



Payrolls & Unemployment

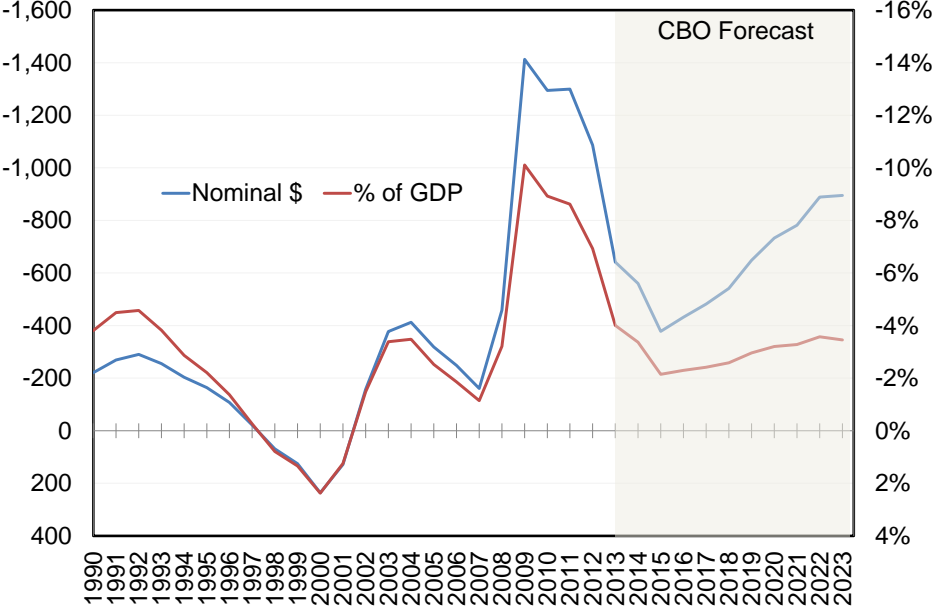


Economic Growth Near Trend But Lacked Normal Rebound Period; Lack Of Sharper Recovery Leaves Labor Market Growing Slowly

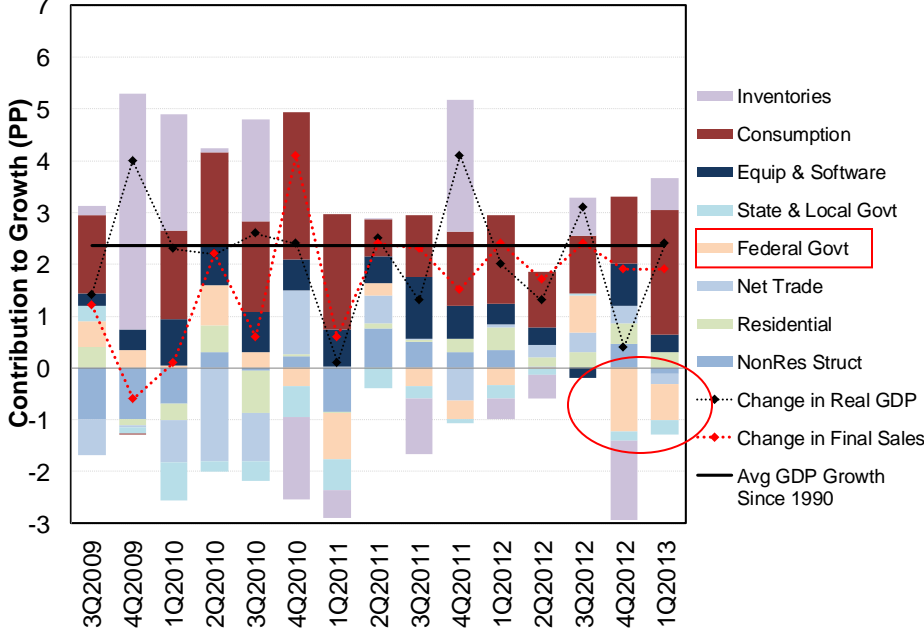
Source: Moody's Analytics, BEA, BLS

Federal Govt Pushing Harder On The Brakes

Budget Surplus/Deficit
(In Billions; % of GDP)



Recovery Barely Matching Average GDP Growth

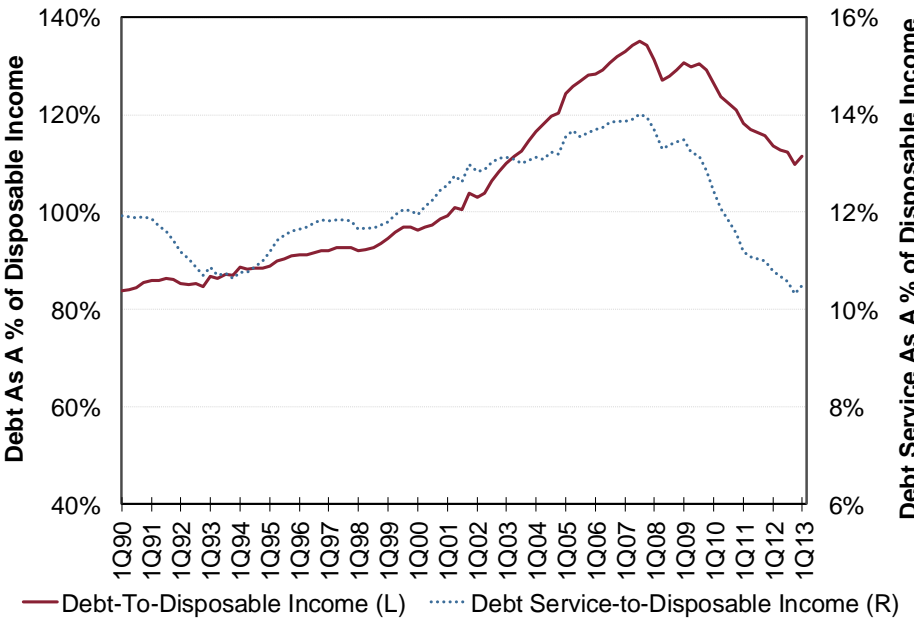


Declining Deficits Are Good For Long-Term Sustainability But Harm Immediate Growth

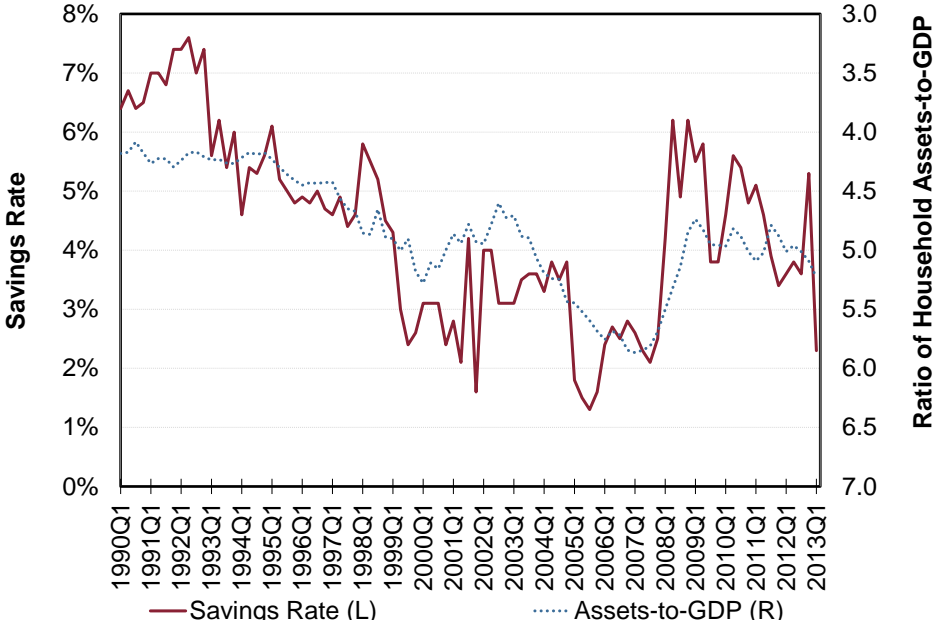
Source: OMB, CBO, FRED, BEA

Low Rates Cut Debt Service & Repaired Balance Sheets

Household Debt Stabilizing As FOMC Lowers Payments



Stock & Housing Market Gains Key Consumption



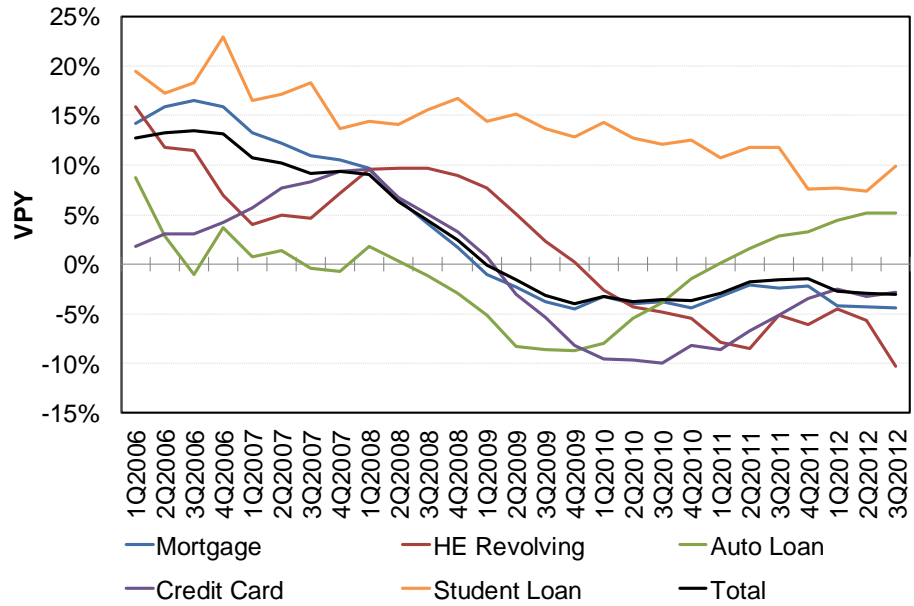
Low Rates Have Made Debt More Manageable And Have Boosted Asset Values To The Point Consumers Are More Willing To Spend

Source: Moody's Analytics, Federal Reserve Flow of Funds, BEA

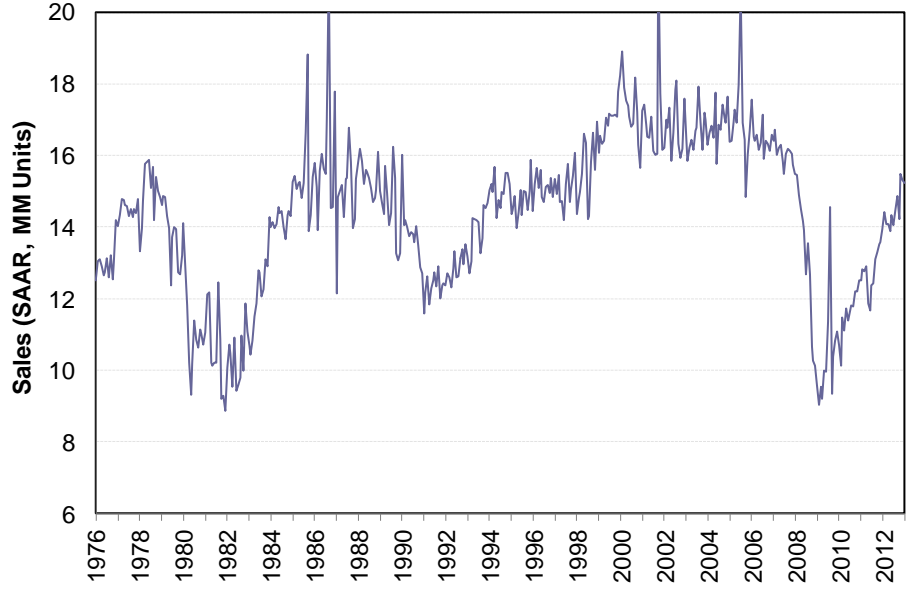


Hasn't Spawned New Credit Beyond Auto & Student Loans

Growth In Consumer Credit



New Vehicle Sales: Autos and Light Trucks

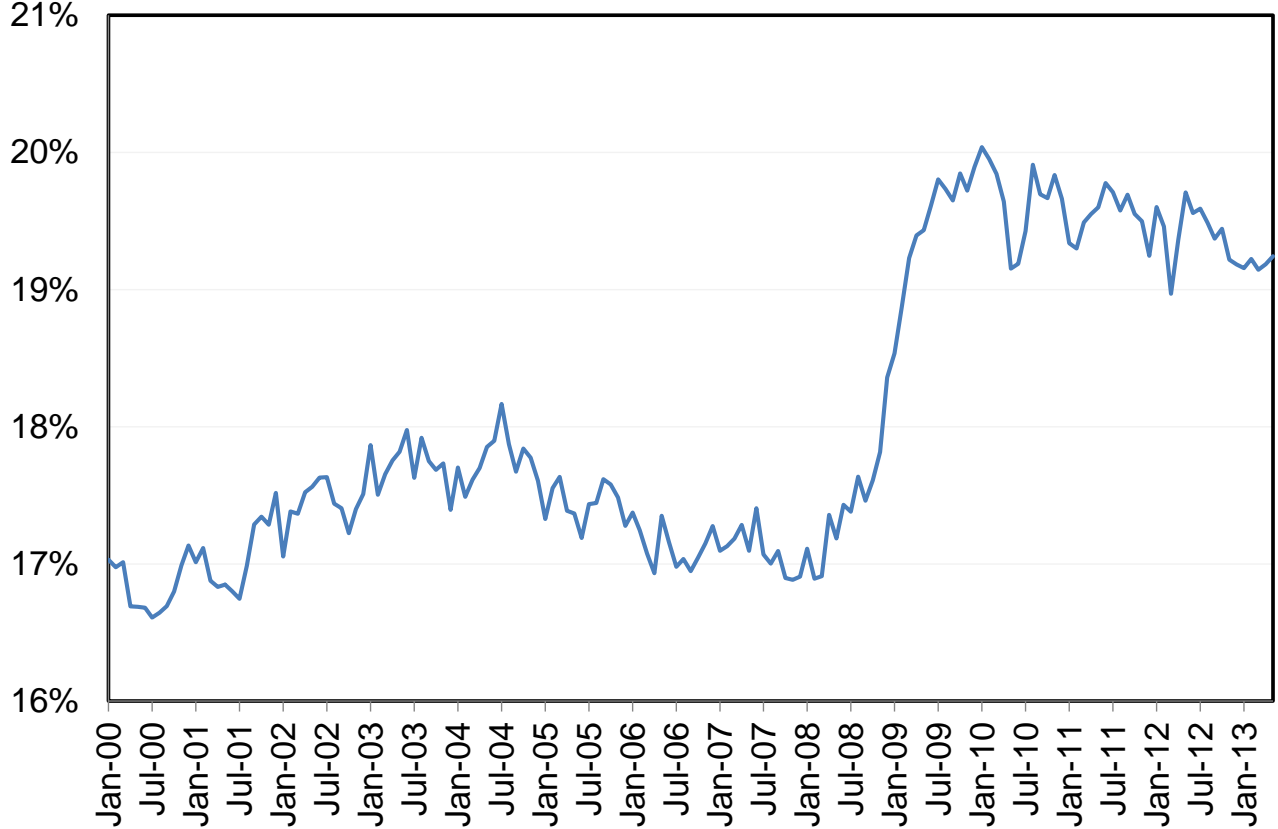


Mortgage Credit Continues To Fall As Defaults & Prepayments Outweigh Originations; Age Of Outstanding Auto Stock Will Support Vehicle Sales

Source: Moody's Analytics, FRBNY Consumer Credit Panel/Equifax, BEA

More Part-time, Lower Paying Jobs In Recovery

Part-Time Employment
As a % of Total Employment

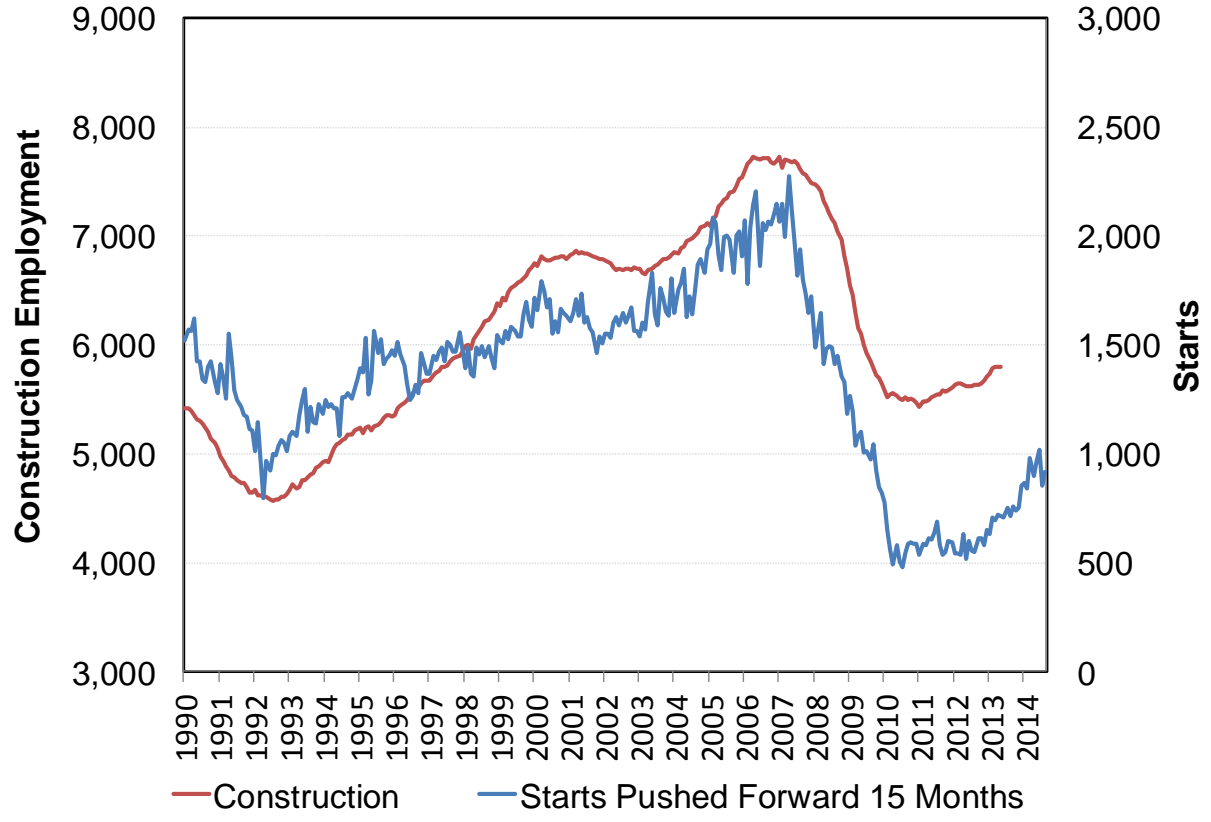


**Disconnect Between Unemployment Rate Improvement & Growth Driven
By Lower Labor Market Participation & Lower Job Quality**

Source: Moody's, BLS

Housing Market To Boost Construction Jobs

Starts vs Construction Employment



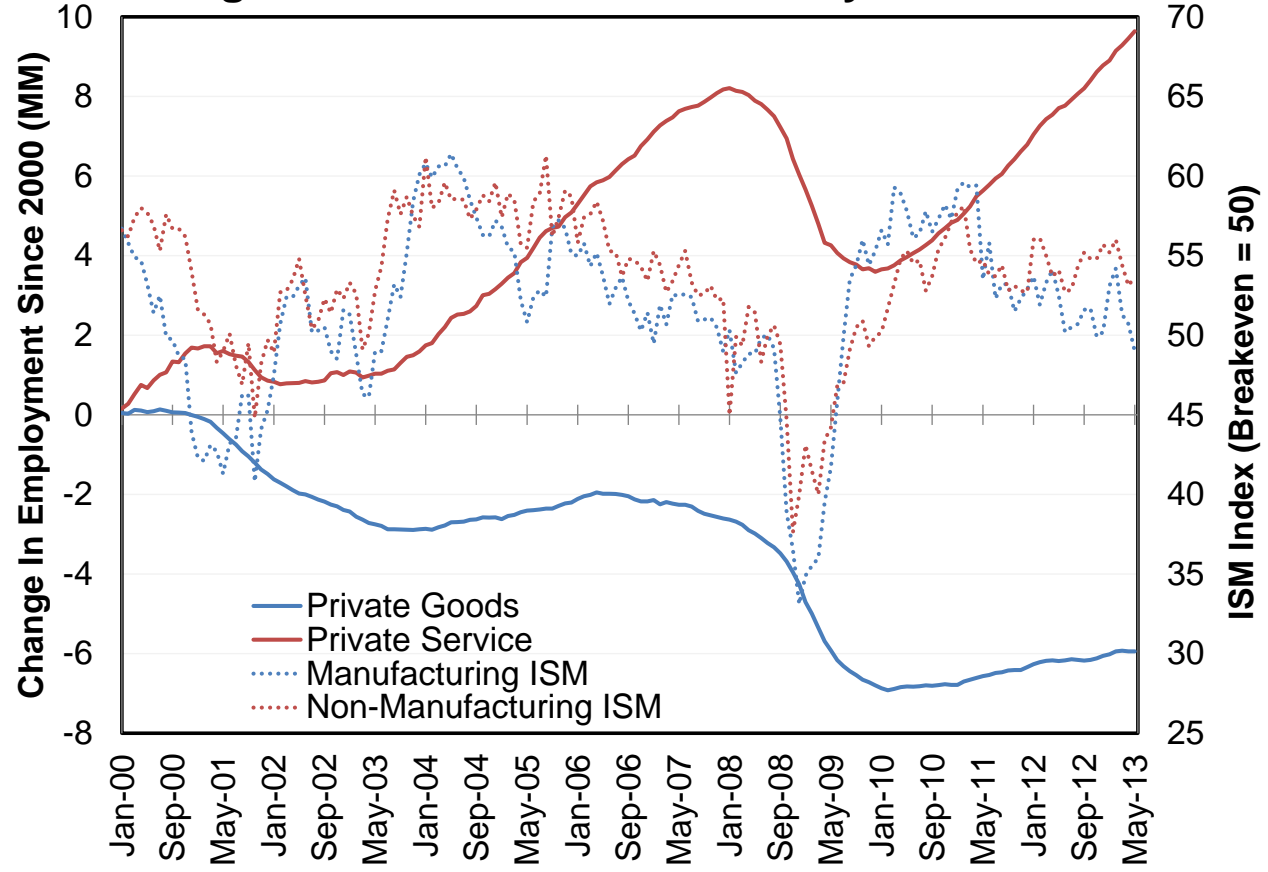
Improving Housing Starts Will Provide Much Needed Relief To Construction Workers...On A Lag

Source: Moody's, BLS, Census



Economy Still Shifting Towards Service

Continuing Move To A Service Economy

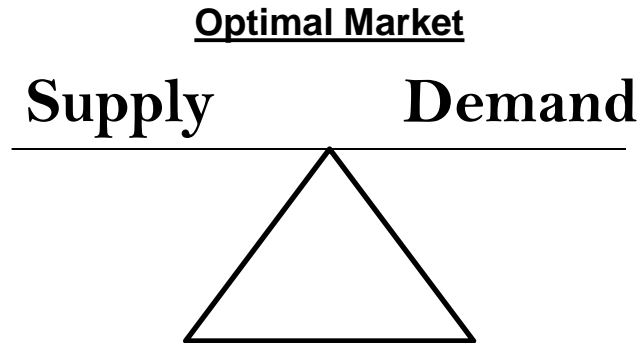
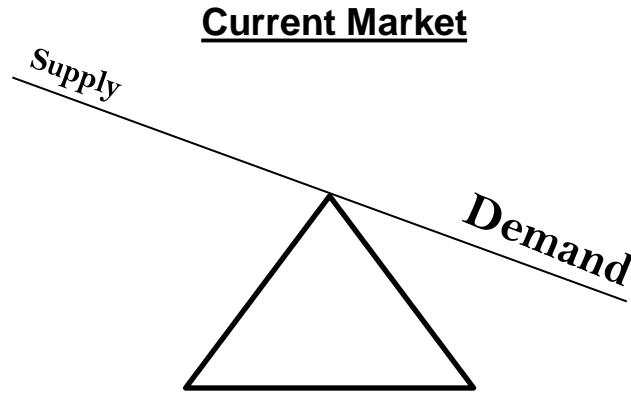
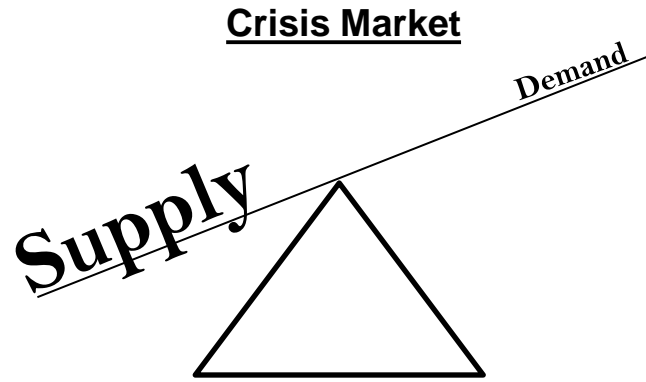


Recovery Has Been Concentrated In Service Employment

Source: Moody's, BLS, Institute for Supply Management

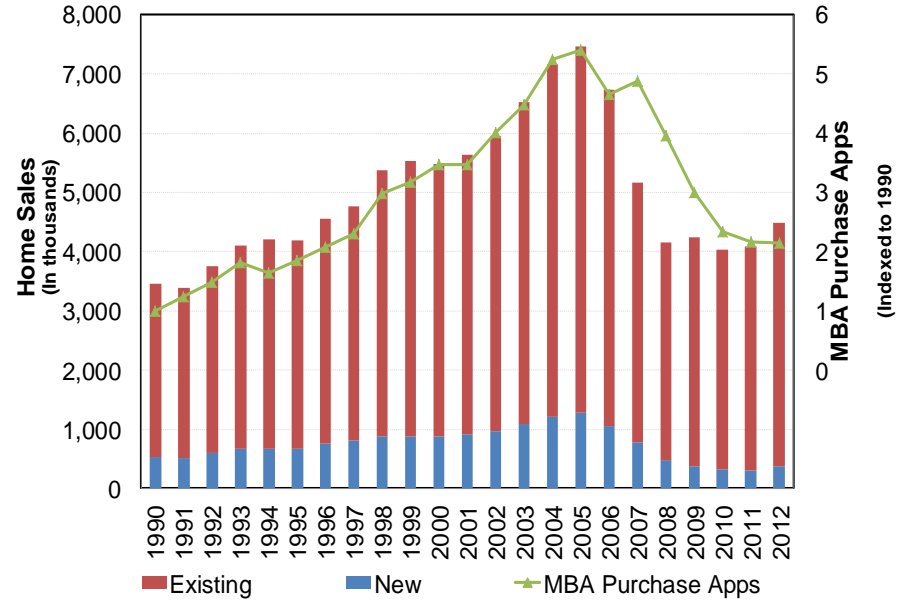


Housing

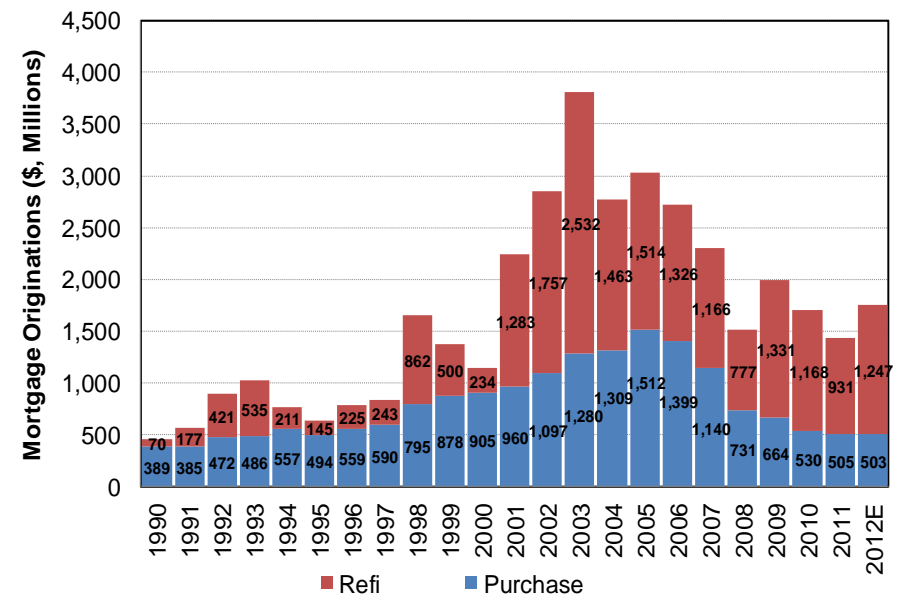


Mortgage Production – Existing vs. New

Sales and Apps Remain Mediocre



MBA Originations



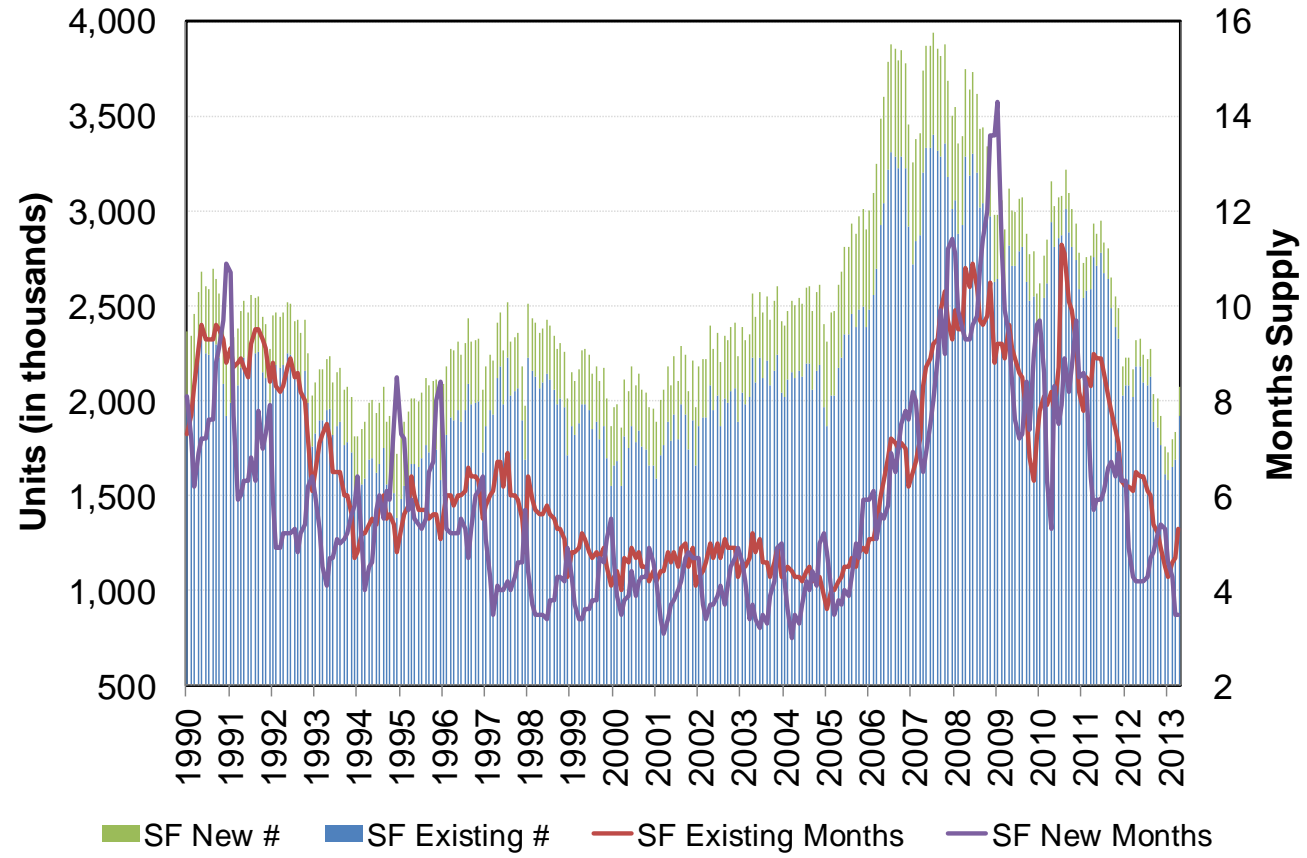
**What Are The Triggers To Release The Purchase Market From Its Morass?
 (1) Jobs Growth; (2) Credit Standard Normalization; (3) Increased Inventory**

Source: Moody's Analytics, MBA, NAR, Census



Inventory Limited

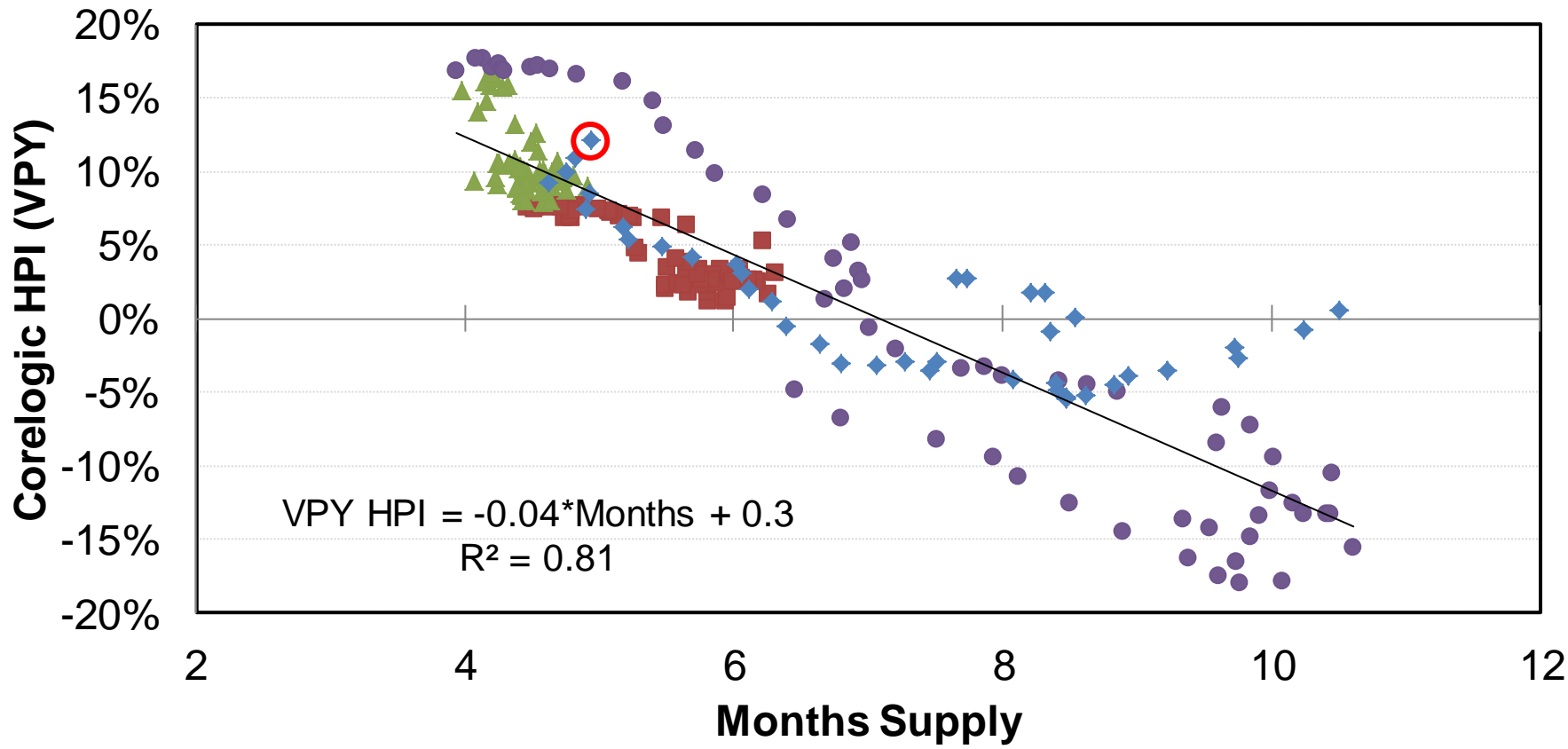
Homes for Sale



Source: Moody's Analytics, NAR, Census

Limited Inventory = Higher Prices

Home Prices Vs. Months Supply

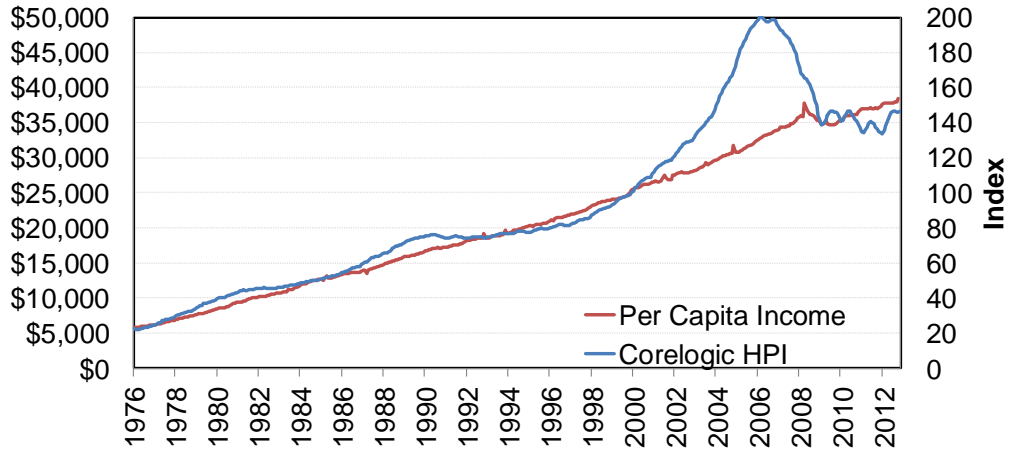


HPA Not Out Of Line For Supply/Demand Condition In Market

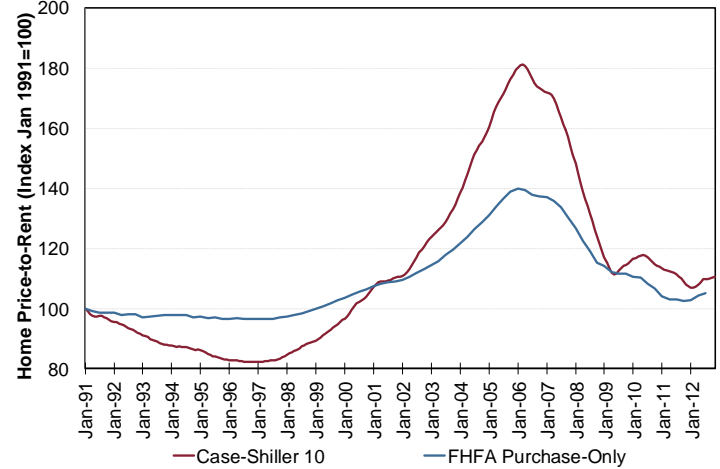
Source: Moody's Analytics, Corelogic, NAR, Census

Are We In A Bubble Again?

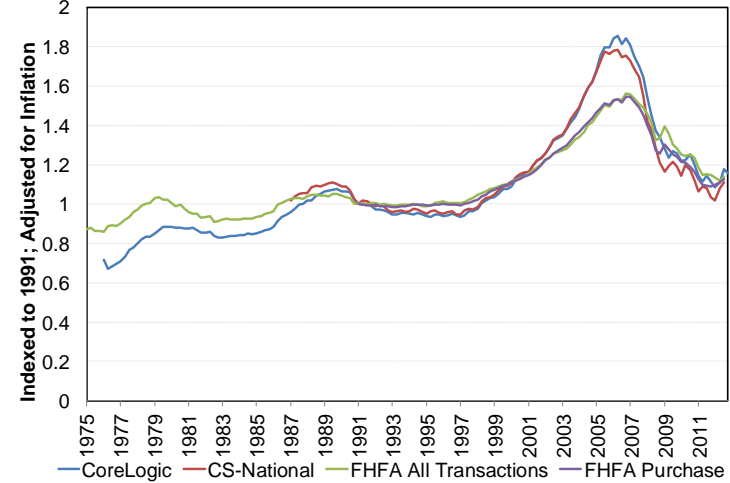
Home Prices Normalized Compared To Income



Price-to-Rent



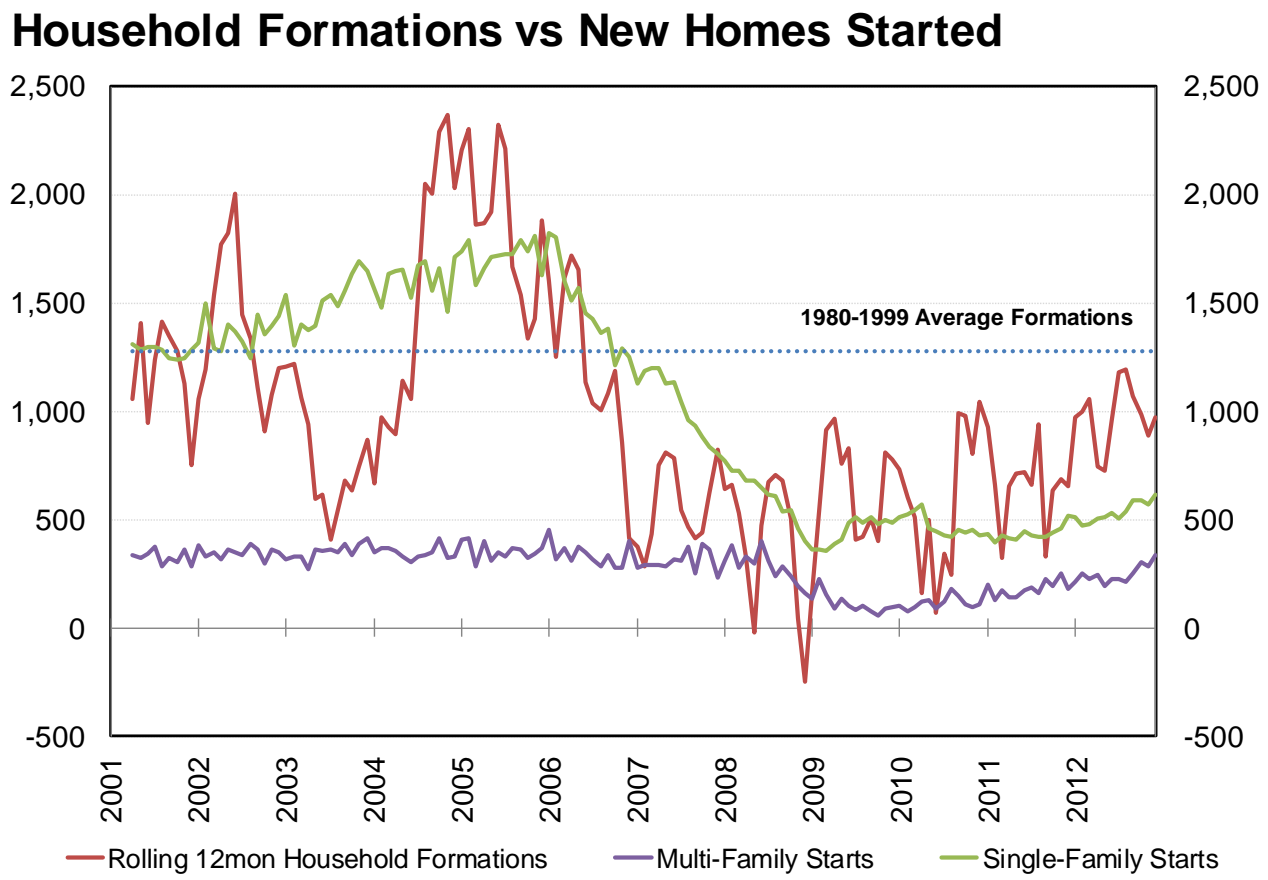
Comparing Real Home Price Indices



Metrics Such As Price-to-Income, Real Home Prices, and Price-to-Rent Don't Indicate A Bubble...Yet

Source: IHS Global Insights, Moody's Analytics, Corelogic, Census, BLS, NAR, Case-Shiller, FHFA

Household Formation Turns Up

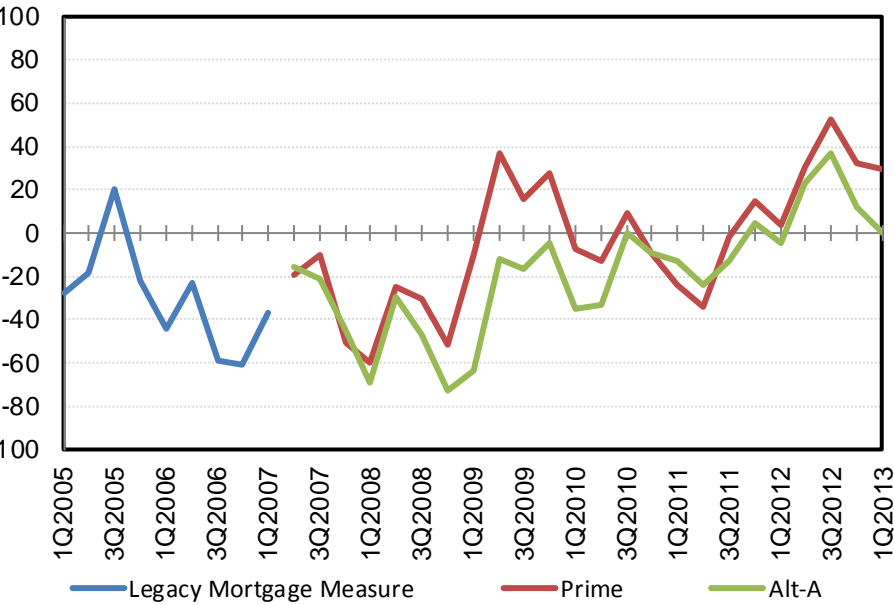


Pick Up In Household Formations & Increasing Prices Help Demand REO Not Being Marketed

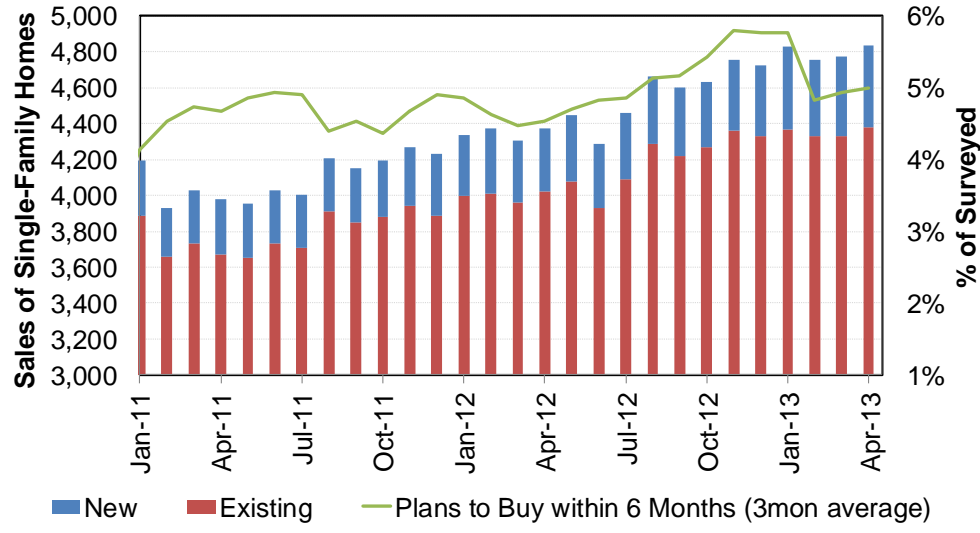
Source: IHS Global Insights, Moody's Analytics, Census

Increase In Demand Despite Tight Standards

Net Percentage of Banks Reporting Stronger Demand: Mortgages



Sales Versus Sentiment

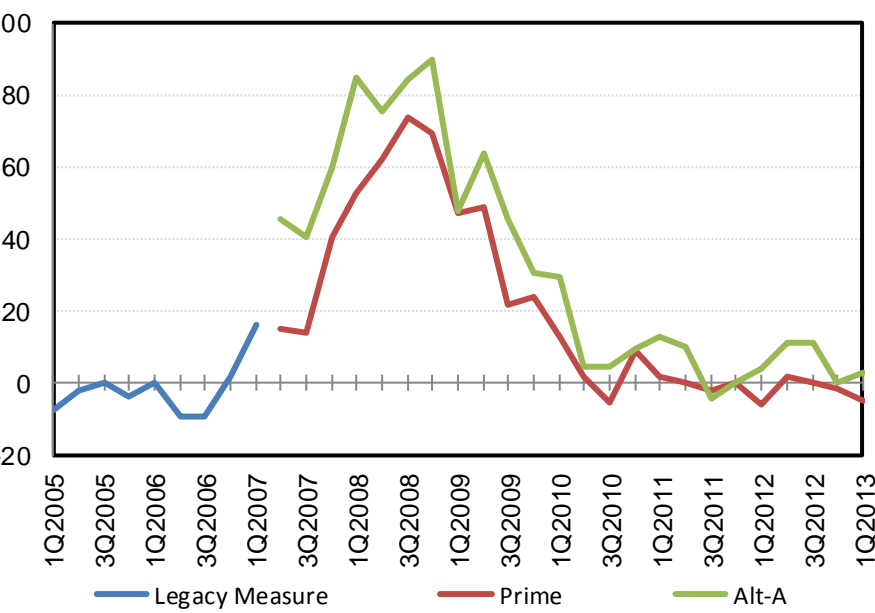


Borrower Interest Is Rebounding

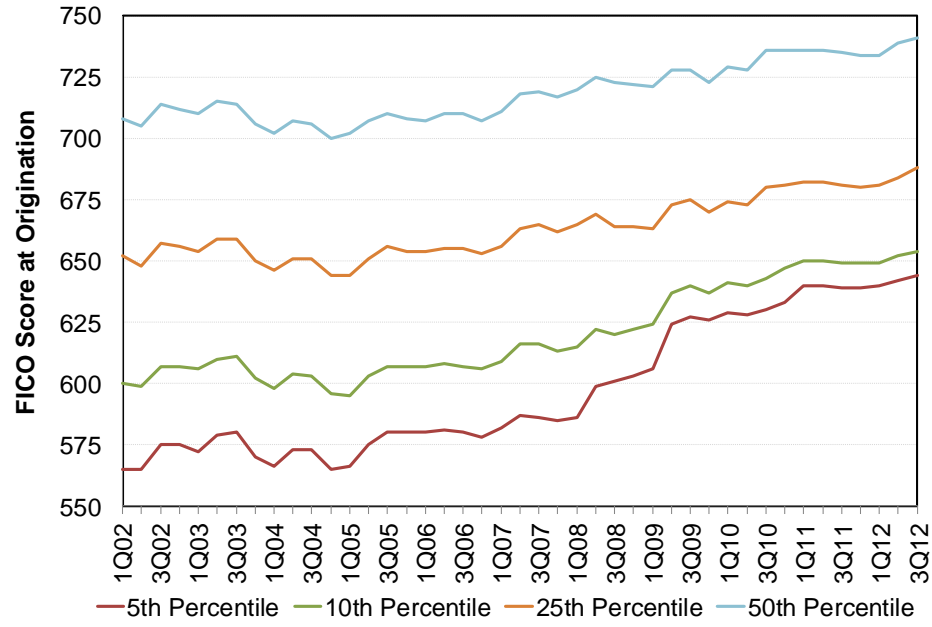
Source: IHS Global Insights, Federal Reserve, NAR, Census, Conference Board

Increase In Demand Despite Tight Standards

Net Percentage of Banks Tightening Lending Standards: Mortgages



FICO Scores By Percentile



But Banks Standards Are Only Beginning To Loosen

Source: IHS Global Insights, Federal Reserve, Corelogic



Florida Review

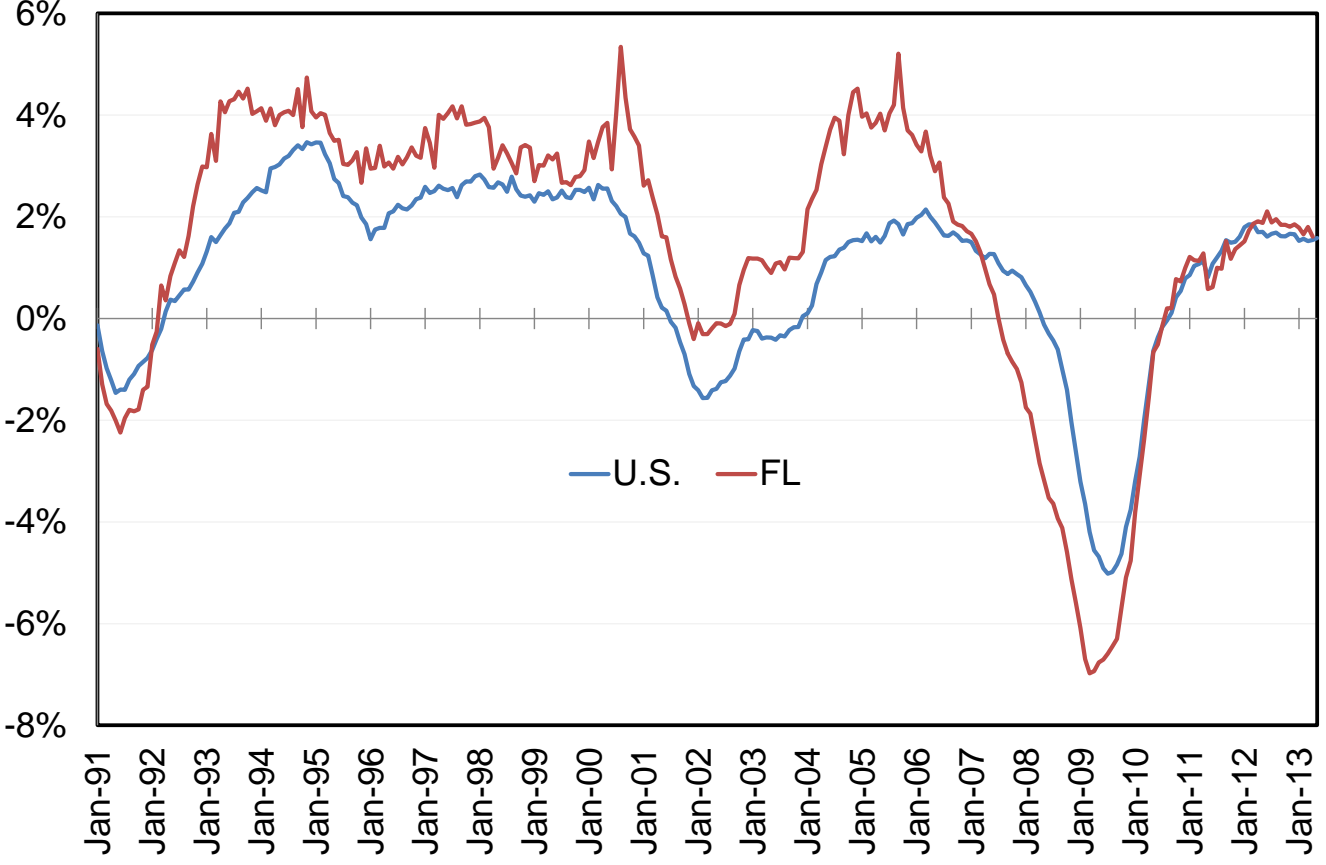
June 2013



Employment Growth

Employment Growth Rate Comparison

Non-Farm Payrolls VPY

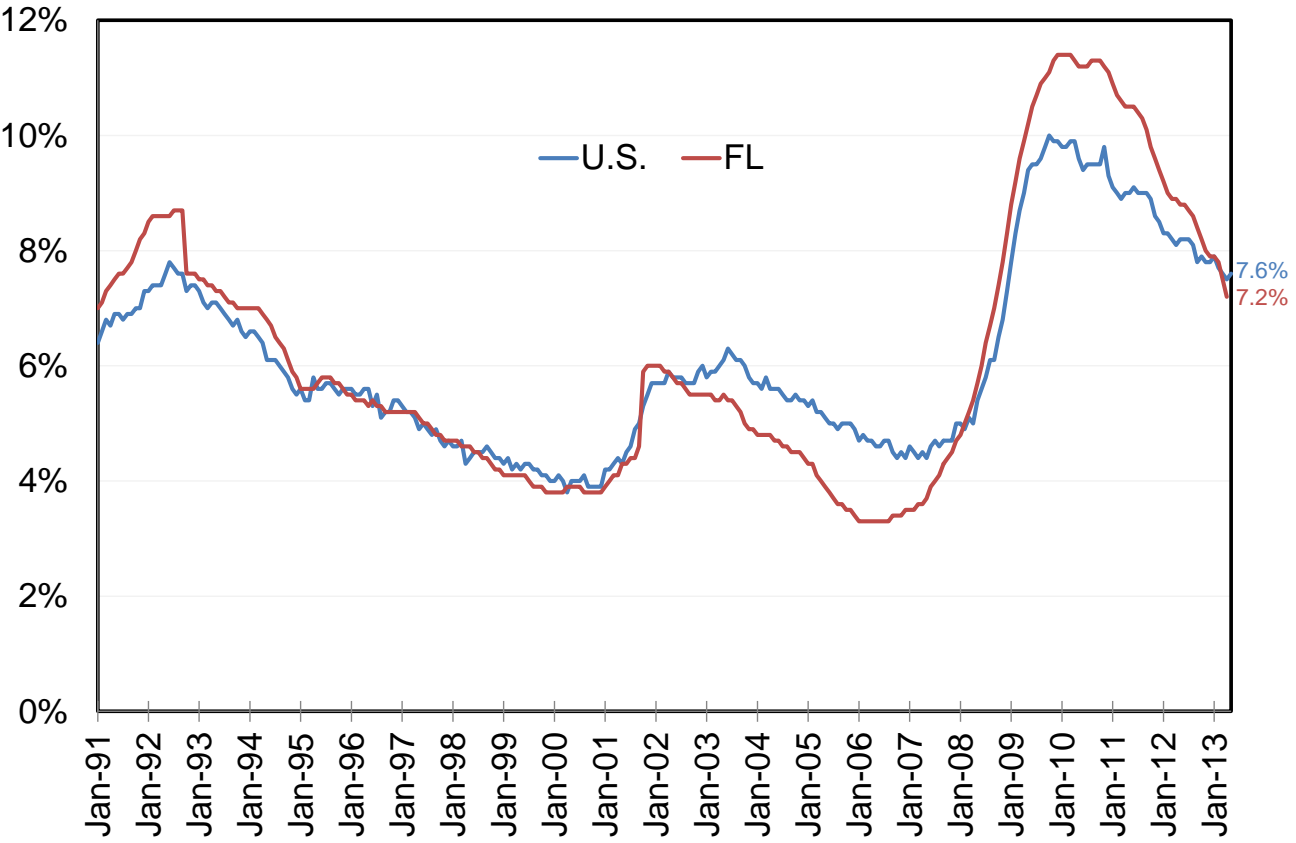


Florida Employment Growth Mirroring National Despite Deeper Dip

Source: Moody's, BLS

Unemployment Rate

Unemployment Rate Comparison



Unemployment Is Only Now Reaching National Average

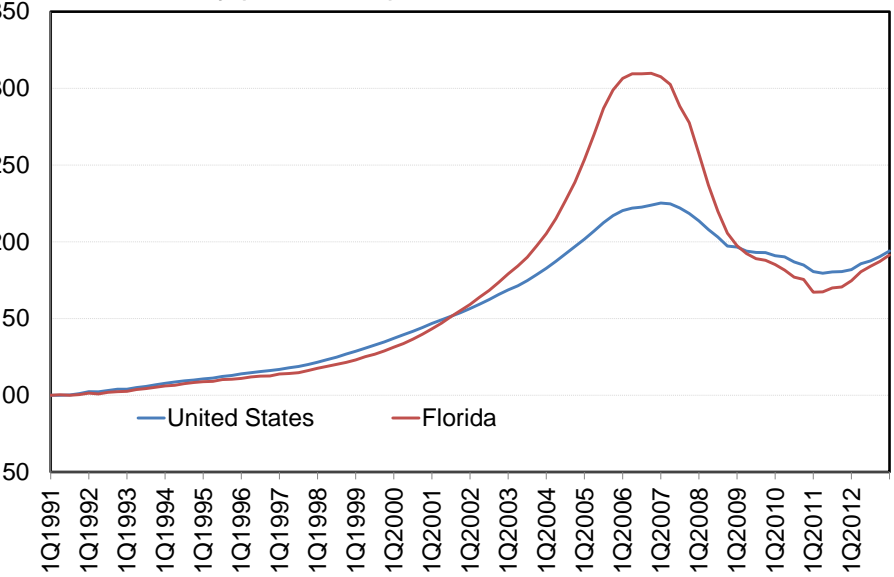
Source: Moody's, BLS



Home Prices Recovering

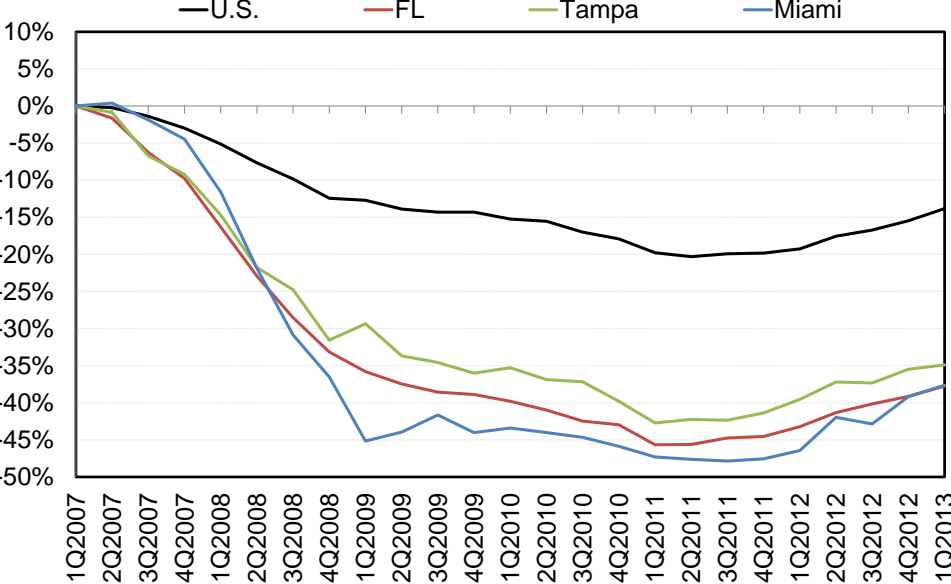
Long-Run Home Prices

FHFA Purchase-Only (1Q1991=100)



Comparison to U.S. Home Price Trend Since Peak

FHFA Purchase-Only (Peak = 0)

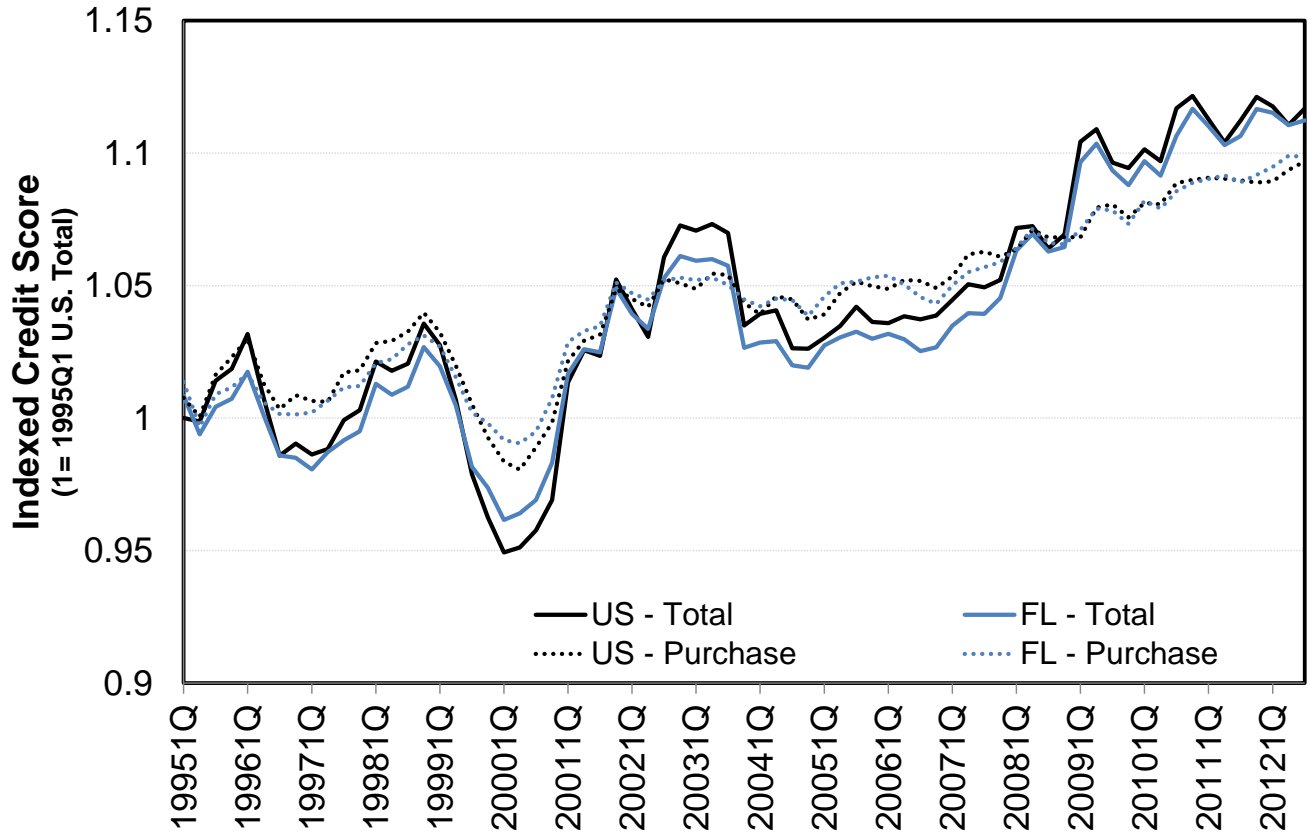


While Close To Converging On A Long-Term Basis, Florida Has Been On A Rollercoaster Ride In Terms Of Prices

Source: Moody's, FHFA

Credit Remains Tight Despite Improving Prices

Credit Scores Continue To Tighten

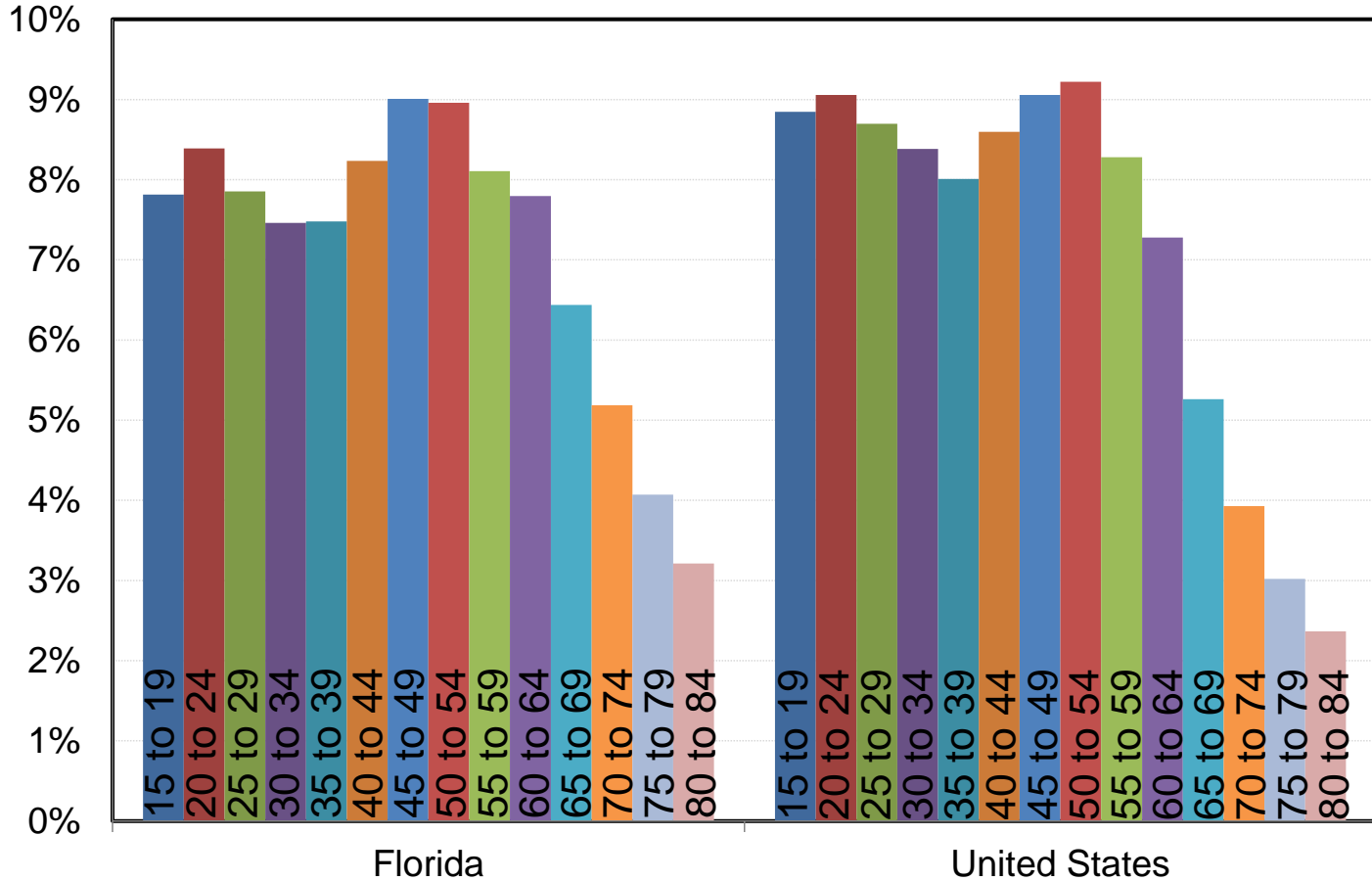


**Three Potential Drivers For Improvement In The Purchase Market:
 (1) Jobs Growth; (2) Credit Standard Normalization; (3) Increased Inventory**

Source: Corelogic

Population Age Buckets

Population Age Buckets



Florida

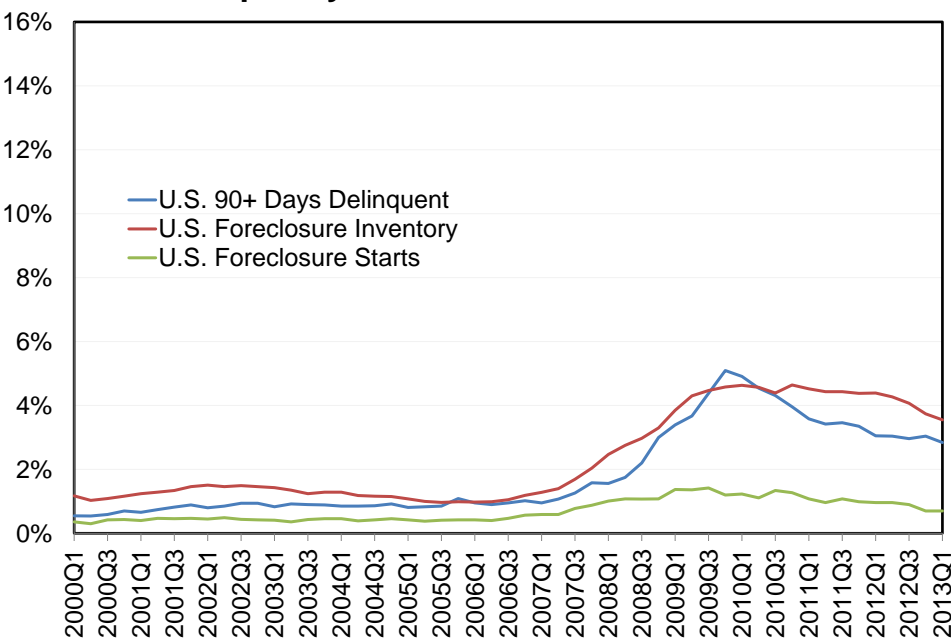
United States

Florida Population Skewed By Retirees

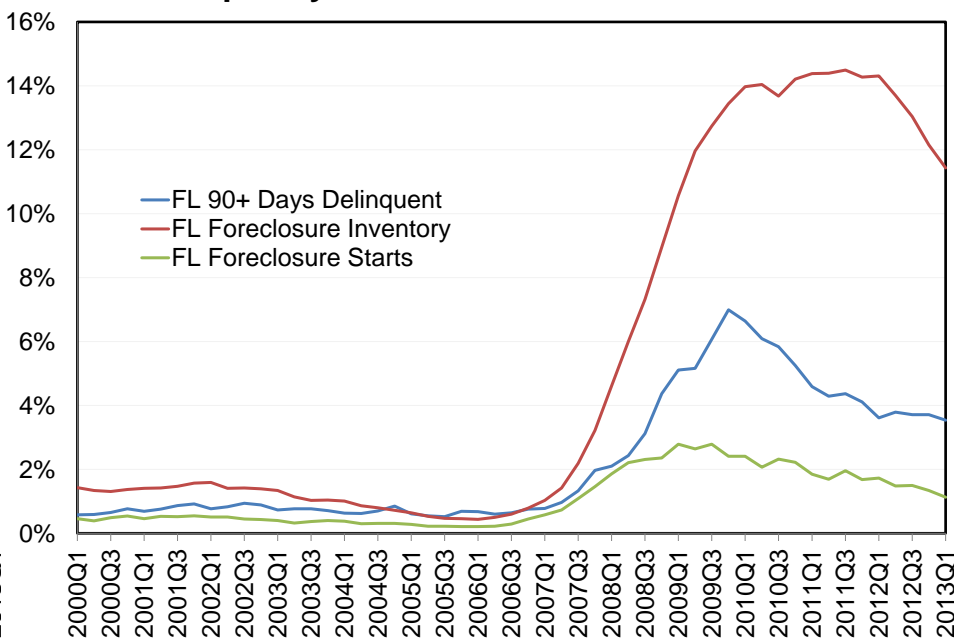
Source: Moody's, Census

National Delq Trends Positive But Still Elevated

National Delinquency Trend



Florida Delinquency Trend

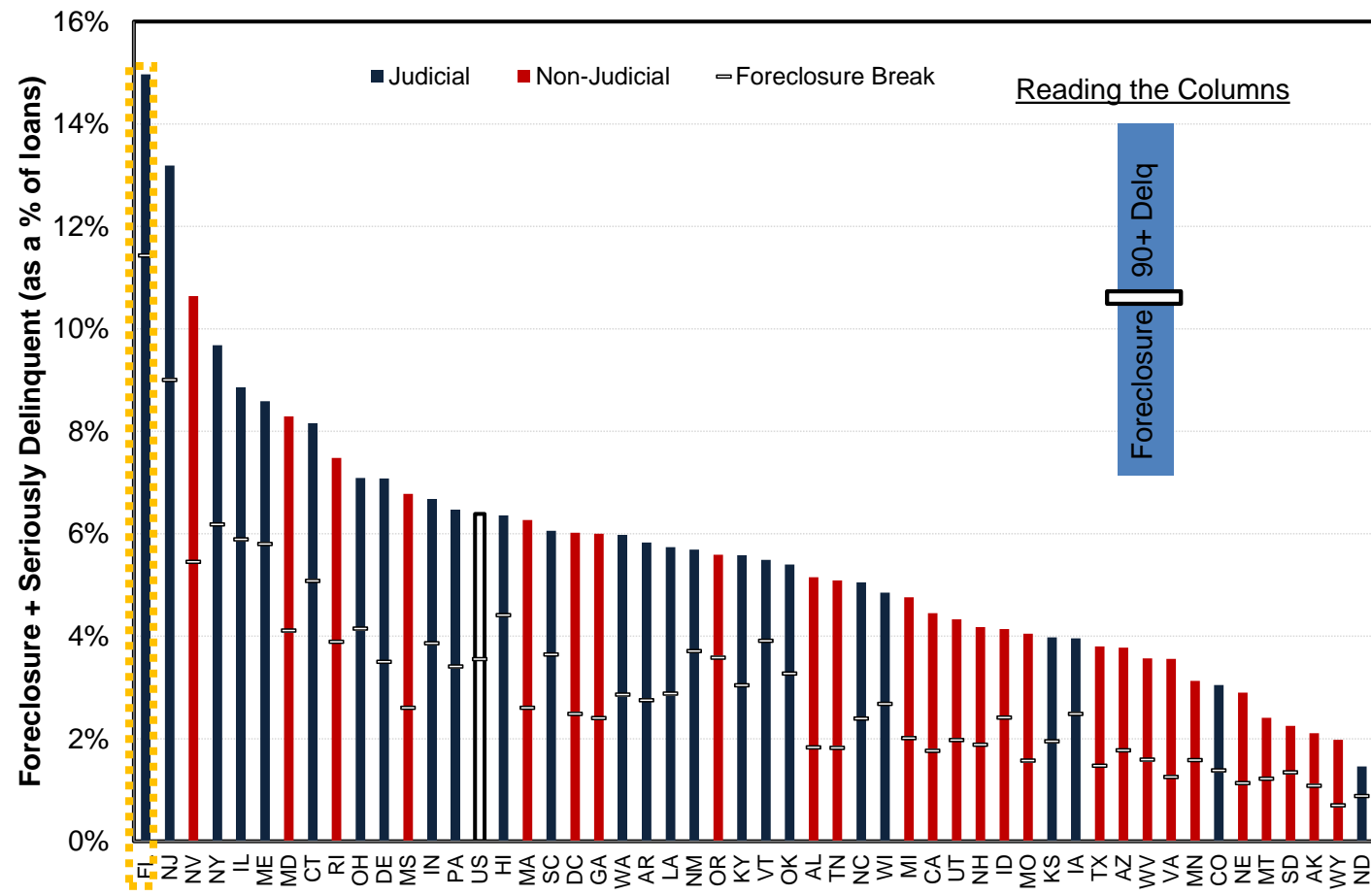


Florida Is Finally Cutting Foreclosure Inventory But Has A Substantial Way To Go

Source: Moody's, MBA National Delinquency Survey

Shadow Inventory Worse In Judicial Foreclosure States

Shadow Inventory by State (1Q2012)



Florida Continues To Have The Worst Shadow Inventory

Source: Moody's, MBA National Delinquency Survey