

ECONOMIC ANALYSIS

The Florida Office of Economic and Demographic Research's (EDR) July 2013 meeting revised the forecast for the state's economy and expressed their optimism that the recovery will steadily continue but still have a few years to return to normal conditions, which are expected by Fiscal Year 2016-2017. In 2012, Florida's economic growth was in positive territory for the third year after declining two years in a row.

Gross Domestic Product

The State's Gross Domestic Product (FLGDP), the total dollar value of all goods and services produced in the state, was one of the nations faster growing states from 1997 to 2006. With the end of the housing boom and the beginning of the so called "Great Recession", the state slipped into negative growth in 2008 and 2009. Once the recession ended and the slow recovery began in 2010, the economy regain a 0.3% growth over the prior year in 2010, 0.9% growth in 2011 and 2.4% in 2012, just slightly below the national average of 2.5%.

On the national front, the Congressional Budget Office's (CBO) February 2013 update to its Budget and Economic Outlook: Fiscal Years 2013 to 2023 forecasts that the US economic activity will expand slowly in 2013 but will increase more rapidly in 2014. Real (inflation-adjusted) Gross Domestic Product (GDP) is projected to increase by 1.4% this year, and by 3.4% next year. The unemployment rate (nationally) will remain high-above 7½% through next year, and the rate of inflation in consumer prices and interest rates will remain low (below 2% during this year and next). One event that could dampen this expected growth is the looming "fiscal cliff" which furthers market volatility and reduces consumer and business confidence, thus delaying the economy's return to normalcy.

The third quarter of the 2013 Survey of Professional Forecasters published by the Federal Reserve Bank of Philadelphia shows a weaker outlook for growth in the US economy over the next four years. The real Gross Domestic Product (GDP) is expected to grow at an annual rate of 2.3% in the fourth quarter of 2013. On an annual-average over annual-average basis, the real GDP is expected to grow 1.5% in 2013, 2.6% in 2014, 2.9% in 2015 and falling to 2.5% in 2016.

The Conference Board Consumer Confidence Index, which is based on consumers' perceptions of current business and employment conditions, and is one of the leading indicators for the US economy, increased slightly in August but decreased in September to 79.7 from 81.8. Last year's index for September was 70.30. The Board concluded: "consumer confidence decreased as concerns about the short term outlook for both jobs and earnings resurfaced, but assessment of current business and labor market conditions was more positive".

Financial Markets

The financial markets continue its upward trend and into record territory. The Federal Reserve's surprise decision to keep its economic stimulus in place in September of 2013 sent the Dow Jones Industrial Average and the Standard and Poor's 500 stock index to record highs at close. The Dow Jones increased 0.11% over its previous high of 15,659 to 15,677 and the S&P 500 increased 1.17% over its previous high of 1,710 to 1,730. For the 2013 calendar year the Dow Jones is up 17.5%, the S&P 500 is up 19.3% and the Nasdaq is up 24.7%. The Feds, however, are concerned with the possibility of a government shutdown, the debt limit issue and the sharp rise in interest rates, particularly in the housing market, that could have the potential to crimp economic growth.

Real Estate

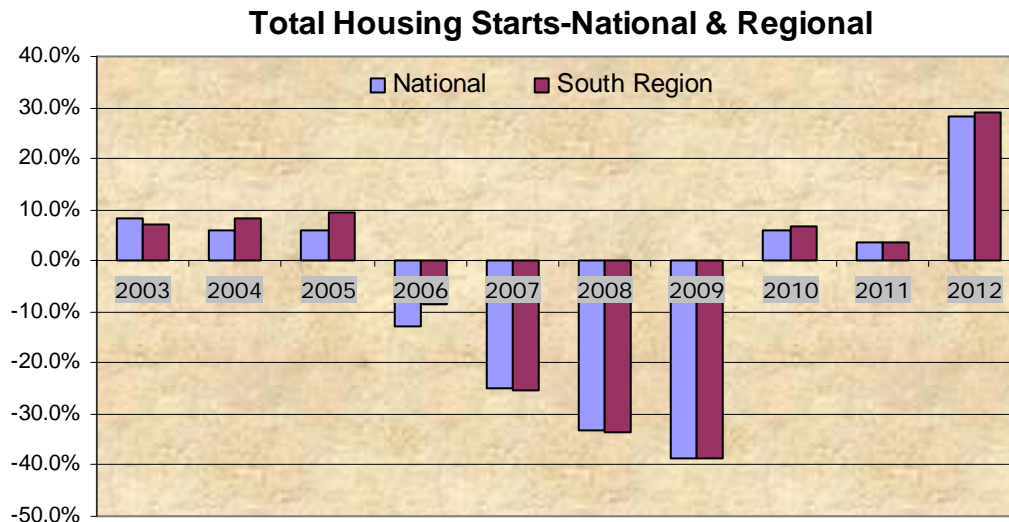
Nationally, home prices continued to climb in July 2013, up 12.4% compared to last year. The S&P/Case-Shiller Home Price Index (the leading index for US housing market) registered its biggest 12-month gain since February 2006 despite a rise in mortgage rates, which have been rising lately, but are still low by historic standards. But even with this year's rise in prices, the overall index is still down 21% from its record high in June of 2006. The number of new foreclosures filings in August 2013 hit its lowest level since October of 2005 (44%). Florida cities accounted for six of the 10 hardest hit metro areas (including Miami), where one of every 383 homes filed for foreclosure in the past year.

According to the Realtors' Confidence Index Report, confidence about current housing market conditions (price increases) and the outlook for the next six months remain high but declined in August 2013. Low housing inventory, stringent credit standards, appraisal problems, adjustments in flood insurance and higher mortgage rates drove prospective buyers from the market. EDR shows existing home sales in 2012 were 84.9% of the 2005 banner year sales, and projects the existing home sales for 2013 will be 87.8% compared to 2005.

The median sales price for single-family homes for the state of Florida in 2012 was \$175,000 according to The Florida Housing Data Clearing House. Broward County's median sales price increased 26% from a year ago to \$270,500 according to The Greater Fort Lauderdale Realtors in its September 2013 report. The S&P/Case-Shiller Home Price Index shows prices in South Florida have increased for 19 consecutive months. But even with this year's rise in prices,

the overall index is still down 18% from its record high of \$330,000 in 2007. A shortage of homes for sales has helped drive South Florida prices higher over the past year.

New residential construction in the South Region of the country shows a 20.7% increase in August of 2013 compared to a year ago. Nationally, new construction increased 22.6% over the same period. EDR reports that the building permit activity, an indicator of new construction, shows a strong (46.2%) year-over-year growth for the first six months of 2013 in the state of Florida as a whole.



Source: U. S. Census Bureau, Economic Indicators

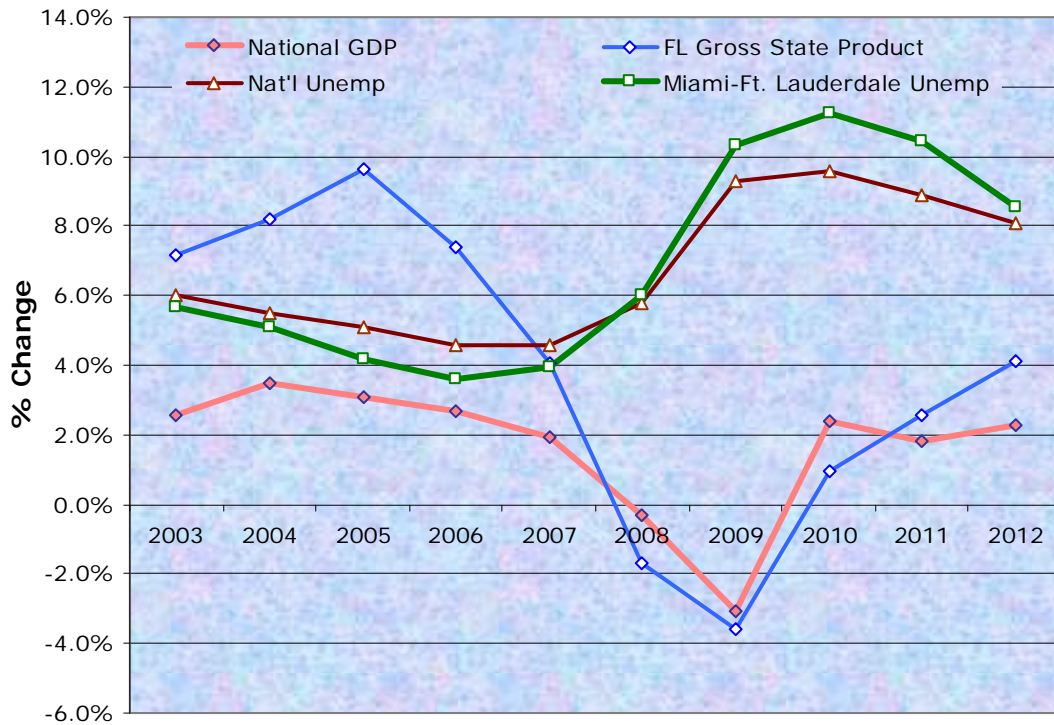
Unemployment

The outlook for the US labor market remains nearly unchanged according to the 2013 Survey of Professional Forecasters third quarter report. The national unemployment rate is expected to be at an annual average of 7.5% in 2013, 7.1% in 2014, 6.6% in 2015 and 6.1% in 2016. Currently, the national unemployment rate as of August of 2013 is at 7.3% compared to 8.1% for the same time last year (US Bureau of Labor Statistics). The current rate of 7.3% compared to 10.0% in October of 2009, when the rate was at its peak, signals that job creation has been relatively stable.

The state of Florida's unemployment rate has decreased significantly from its all time high of 11.4% in March of 2010 to its current rate of 7.0% in August of 2013 and for the same time last year of 8.6%. This decrease was largely due to the positive annual job growth experienced over the past 36 months (Florida Office of Economic and Demographic Research's (EDR) July 2013). Over the past six months the state's unemployment rate has been under the national rate, something that has not happened since January of 2008. However, Florida is still 515,100 jobs below its peak and a full recovery is not expected until fiscal year 2016-2017 at the earliest.

The South Florida Metropolitan Statistical Area has recorded over-the-year employment gains each month for almost three years according to the Regional office of the US Bureau of Labor Statistics (June 2013). The areas' rate of job gain of 1.2%, compared to the national increase of 1.7% from June 2012 to June 2013. Broward County, which accounted for 32% of South Florida's workforce, rate of job gain was 2.1% from a year ago. These job gains are reflected in the decline of the unemployment rate in the region to 7.5% from 8.9% from a year ago, and 6.2% from 7.7% in Broward County.

National GDP, Florida Gross State Product and National/Local Unemployment

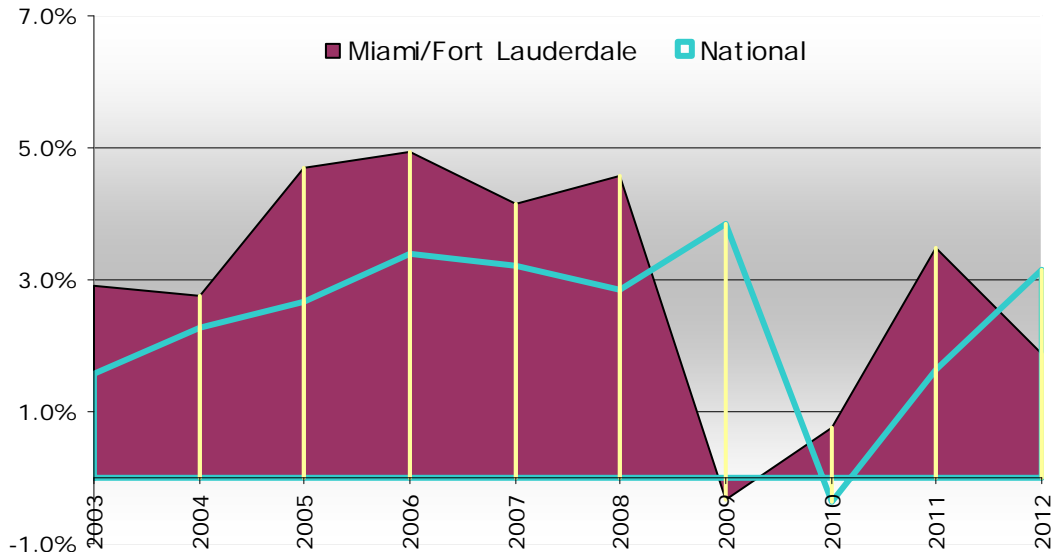


Source: Bureau of Economic Analysis, U.S. Department of Commerce

Inflation

The Consumer Price Index (CPI) is a measure of the average change in prices over time of goods and services purchased by households (consumer spending). In calculating the index, price changes for various items (food, energy, commodities, services) that people buy for their day-to-day living are averaged together. The US Bureau of Labor Statistics, in its August 2013 report, shows that the national CPI for All Urban Consumers increased 1.5% (not seasonally adjusted) over a year ago. In South Florida, the index increased .6% over the last 12 months with the medical care sector leading the way with a 3.9% increase.

Consumer Price Index



Source: Bureau of Labor Statistics

The following table shows the ten-year history of building permits, the valuation of construction and the Gross Assessed Value of properties in Pembroke Pines since 2003. Construction activity in the number of residential units has increased significantly from 2011 to 2012 due to new multi-family condos/apartments being built.

City of Pembroke Pines, Florida
Property Value and Construction (1)
Last Ten Fiscal Years

Year	Total Permits Issued	Miscellaneous		Residential		Commercial		Total Value of Construction	Gross Assessed Value (3)
		Permits Issued (2)	Valuation	Number of Units	Valuation	Number of Units	Valuation		
2003	9,170	8,792	\$ 54,660,725	361	\$ 40,571,126	17	\$ 14,659,667	\$ 109,891,518	\$ 8,678,811,181
2004	9,457	8,939	52,063,598	505	26,524,490	13	5,664,939	84,253,027	10,220,280,583
2005	10,991	10,761	73,078,888	214	17,326,438	16	26,553,469	116,958,795	11,606,680,186
2006	16,996	16,853	151,071,862	132	12,850,765	11	19,898,203	183,820,830	13,606,059,092
2007	10,837	10,267	161,924,777	554	50,298,274	16	25,169,009	237,392,060	17,145,457,817
2008	7,411	7,365	95,057,849	27	1,939,720	19	42,172,649	139,170,218	19,252,698,267
2009	6,318	6,289	62,524,850	24	2,106,616	5	4,331,001	68,962,467	17,848,661,534
2010	5,274	5,205	64,069,445	66	6,585,866	3	2,409,185	73,064,496	14,727,213,419
2011	6,939	6,662	37,295,528	202	18,600,807	75	265,336,362	321,232,697	12,597,755,293
2012	6,200	5,434	77,506,551	655	226,091,294	111	226,188,208	529,786,054	12,672,170,184

(1) Source: City of Pembroke Pines Building Department.

(2) Miscellaneous permits include remodeling, partitioning, and interior completions.

(3) Assessed value certified by Broward County Property Appraiser at 100% of estimated market value ("just value") as required by State Statute.

Summary

According to the Florida Office of Economic and Demographic Research's (EDR) the recovery in the national economy is well underway. While most areas of commercial and consumer credit are strengthening – residential credit still remains sluggish and difficult for consumers to access, but has shown recent improvement. Florida growth is gradually returning to more typical levels. It will take a few more years to climb completely out of the hole left by the recession.