

LAKELAND

EMPLOYMENT GROWTH RANK

2010-2012

62

1st quintile

2010-2015

60

1st quintile

Best=1, Worst=392

VITALITY

RELATIVE

122%

U.S.=100%

RANK

53

Best=1 Worst=384

RELATIVE COSTS

LIVING

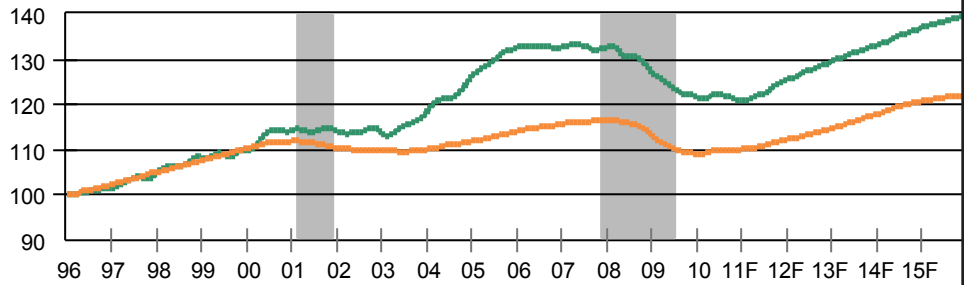
97%

U.S.=100%

BUSINESS

87%

RELATIVE EMPLOYMENT PERFORMANCE (1996=100)



Data Buffet® MSA code: MLAE

— U.S. — LAE

LIFE CYCLE PHASE

Growth/Mature

2004	2005	2006	2007	2008	2009	2010	INDICATORS	2011	2012	2013	2014	2015
16.0	17.1	17.6	17.8	17.7	17.4	17.8	Gross metro product (C\$B)	18.5	19.5	20.3	21.0	21.7
4.3	6.4	2.9	1.2	-0.3	-1.9	2.3	% change	4.3	5.3	4.1	3.3	3.6
194.5	207.1	211.6	211.8	208.4	197.5	193.9	Total employment (000)	195.9	203.4	209.6	215.5	220.7
5.9	6.5	2.2	0.1	-1.6	-5.2	-1.8	% change	1.0	3.9	3.0	2.8	2.4
4.9	4.0	3.6	4.4	6.7	11.4	12.9	Unemployment rate	12.8	11.3	9.6	8.0	7.7
10.6	10.7	8.2	6.0	2.9	-0.2	3.9	Personal income growth	4.8	6.2	6.3	6.1	5.8
521.0	538.6	557.5	573.5	580.3	583.4	582.1	Population (000)	583.7	588.5	596.4	605.7	614.6
8,715	11,980	7,609	3,854	2,268	1,135	1,128	Single-family permits	1,580	3,085	4,089	4,348	4,219
1,527	1,199	1,714	368	981	0	235	Multifamily permits	169	403	516	531	494
111.1	148.3	174.2	168.6	141.2	111.6	101.9	Existing-home price (\$ths)	92.6	95.3	106.1	117.7	128.4
3,090	5,607	6,542	4,135	2,555	2,623	1,971	Mortgage originations (\$mil)	1,778	1,761	1,959	2,078	2,305
11.9	16.4	16.9	12.9	4.3	0.7	-4.0	Net migration (000)	-1.2	2.1	5.1	6.6	6.1
3,295	3,736	1,071	1,528	2,207	3,008	3,112	Personal bankruptcies	4,533	4,461	4,321	4,193	4,269

STRENGTHS & WEAKNESSES

STRENGTHS

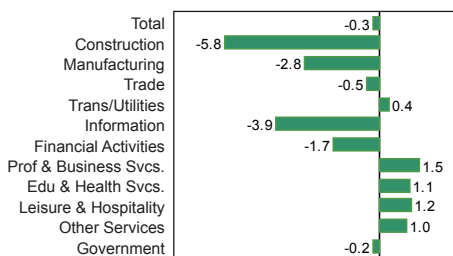
- Consistently above-average population growth.
- Popular retirement destination.
- Strong growth prospects as a regional transportation hub.

WEAKNESSES

- Below-average per capita income.
- High employment volatility.
- Low educational attainment.
- Oversupplied housing market.

CURRENT EMPLOYMENT TRENDS

FEBRUARY 2011
% change yr ago, 3-mo MA



FORECAST RISKS

SHORT TERM ↓

LONG TERM ↑

RISK-ADJUSTED RETURN, '10-15

0.97%

UPSIDE

- Area benefits from tourism spillover from Tampa and Orlando.
- Governor Scott reverses decision to cancel high-speed rail service.

DOWNSIDE

- Falling home values force massive cuts in state and local government budgets.
- Restricted credit for low-income residents prolongs housing correction.

ANALYSIS

Recent Performance. With a persistent housing correction and no employment recovery, Lakeland-Winter Haven remains in a moderating recession. Benchmark revisions to employment data show that LAE performed slightly worse than previously thought during the second half of last year. Job gains in private services have lifted total employment, but weakness in housing is holding LAE back as construction is shedding jobs. Retail, healthcare and education have added to employment. House prices are declining, falling more than in any Florida metro area besides Miami. The unemployment rate has dipped to below 12%, as household employment has increased, but remains well above U.S. rate and slightly above Florida's.

Housing. Housing will delay LAE's transition to recovery, as price declines weigh on home sales and construction. Although sales have increased lately, this is the result of investors picking up distressed properties at greatly reduced prices. House prices are declining more quickly than in the U.S., bottoming late this year with a 60% peak-to-trough decline, compared with 33% nationally. LAE's excess supply of housing is still well above a healthy equilibrium, and Florida's Hardest Hit mortgage aid program will do little to ease the area's woes. The resolution of mortgage processing issues will bring renewed foreclosure filings in the near term, adding downward pressure to prices. Although residential permitting is up on a year-ago basis, it is still too low to support hiring in construction.

Rail project canceled. Construction will suffer further from the cancellation of Florida's High Speed Rail project. Governor Scott's rejection of the project, which would have run through LAE linking Tampa to Orlando, and \$2.4 billion in federal funding shaves some upside from the area's forecast. The area will not gain the thousands of construction jobs the project would have brought, as well as

maintenance and operations employment. Over the long run, the cancellation means LAE will not gain from beneficial labor force mobility, business relocations, and other downstream effects.

Tourism. Tourism projects will provide much-needed support to construction payrolls and will have spillover effects on the area's transportation industry, as travel through Lakeland Linder Regional Airport increases. The metro area's convenient location between Tampa and Orlando and a spate of new tourist attractions will drive additional traffic through the airport. It will also compete on price and convenience, providing a lower-cost travel option to families and corporate travelers visiting central Florida. Direct Air has announced that it will start daily flights, and the city has secured grants from the FAA and Florida Department of Transportation to expand the facilities. The cancellation of the rail project, coupled with an expanding tourist industry, makes airport development a more viable growth avenue. The Legoland theme park and Streamsong resort projects, as well as surrounding retail development, will support construction payrolls over the next several years. However, higher oil prices pose a significant downside risk to LAE's tourism. The rising cost of gasoline could discourage tourists from taking vacations and dent spending for those that do.

The recovery in Lakeland-Winter Haven will start this year, but the housing market will remain a drag; private sector job growth will lay the foundation for stronger growth in 2012. The medium-term outlook is comparatively bright, calling for strong growth in service industries. Once the housing market stabilizes, stronger population growth will resume. Over the long-term horizon, vigorous payroll gains in construction, education and healthcare will power above-average job growth.

Tyler Case
March 2011

EMPLOYMENT & INDUSTRY

TOP EMPLOYERS

Publix Supermarkets	9,500
Wal-Mart Stores, Inc.	5,100
Lakeland Regional Medical Center	4,600
Winter Haven Hospital	2,500
GEICO	2,000
State Farm Insurance Company	2,000
MOSAIC	1,950
Watson Clinic	1,500
GC Services	1,000
Florida's Natural Growers	1,000
FedEx	850
Rooms To Go	800
Heart of Florida	800
Comcar Industries	700
Summit Consulting	693
W.S. Badcock Corporation	600
Walgreens	600
Key Safety Systems, Inc.	580
ICT Group	500
McDonald Construction Corporation	500

Sources: CFDC Research Polk County, 2010, Lakeland Economic Development Council, 2008

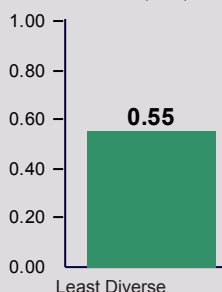
PUBLIC

Federal	1,567
State	4,378
Local	23,952

2010

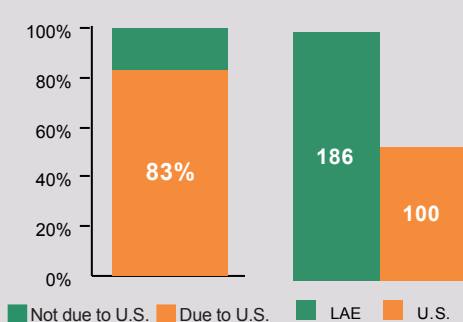
INDUSTRIAL DIVERSITY

Most Diverse (U.S.)



EMPLOYMENT VOLATILITY

Due to U.S. fluctuations Relative to U.S.



MIGRATION FLOWS

INTO LAKELAND, FL

NUMBER OF MIGRANTS

Orlando, FL	7,264
Tampa, FL	4,525
New York, NY	1,025
Miami, FL	963
Fort Lauderdale, FL	938
West Palm Beach, FL	474
North Port, FL	326
Jacksonville, FL	322
Atlanta, GA	296
Cape Coral, FL	280
Total In-migration	31,441

FROM LAKELAND, FL

Orlando, FL	5,819
Tampa, FL	3,778
Atlanta, GA	471
Miami, FL	470
Fort Lauderdale, FL	435
Jacksonville, FL	400
New York, NY	325
North Port, FL	266
West Palm Beach, FL	257
Palm Bay, FL	233
Total Out-migration	27,908

Net Migration

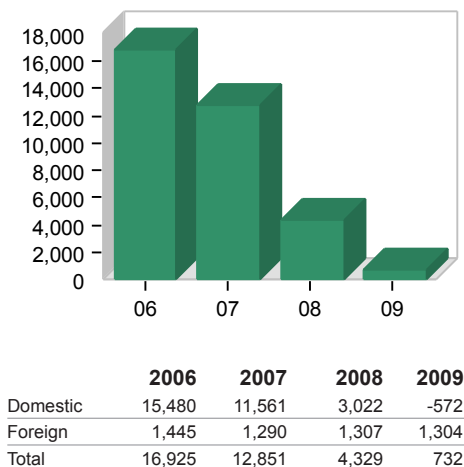
3,533

COMPARATIVE EMPLOYMENT AND INCOME

Sector	% of Total Employment			Average Annual Earnings		
	LAE	FL	U.S.	LAE	FL	U.S.
Mining	0.1%	0.1%	0.5%	\$68,490	\$41,549	\$118,024
Construction	5.4%	4.8%	4.3%	\$39,033	\$48,240	\$52,713
Manufacturing	7.3%	4.3%	8.9%	\$65,094	\$63,775	\$70,624
Durable	31.0%	65.9%	61.3%	nd	\$66,566	\$71,769
Nondurable	69.0%	34.1%	38.7%	nd	\$58,129	\$68,664
Transportation/Utilities	5.9%	3.1%	3.6%	\$46,556	\$50,706	\$59,318
Wholesale Trade	4.5%	4.3%	4.2%	\$57,708	\$68,526	\$73,182
Retail Trade	12.4%	12.9%	11.1%	\$27,904	\$30,347	\$29,661
Information	0.9%	1.9%	2.1%	\$47,703	\$74,428	\$88,995
Financial Activities	5.9%	6.6%	5.9%	\$30,115	\$36,249	\$48,603
Prof. and Bus. Services	14.8%	14.4%	12.8%	\$42,480	\$47,151	\$59,457
Educ. and Health Services	14.7%	15.0%	15.1%	\$46,570	\$47,812	\$47,836
Leisure and Hosp. Services	8.4%	12.8%	10.0%	\$19,917	\$27,030	\$22,976
Other Services	4.3%	4.3%	4.1%	\$31,723	\$27,139	\$32,181
Government	15.4%	15.5%	17.3%	\$51,682	\$63,504	\$63,226

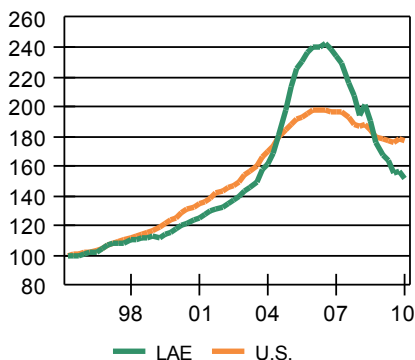
Sources: Percent of total employment — Moody's Analytics & BLS, 2010; Average annual earnings — BEA, 2008

Net Migration, LAE



Sources: IRS (top), 2008; Census Bureau, 2009

HOUSE PRICES



Source: FHFA, 1996Q1=100, NSA

LEADING INDUSTRIES

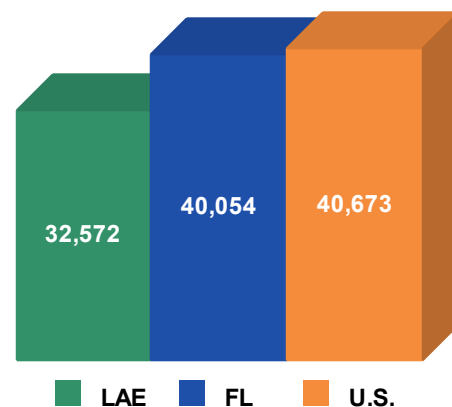
NAICS INDUSTRY EMPLOYEES (000)

GVSL State & Local Government	28.3
5613 Employment Services	8.7
6221 General Medical and Surgical Hospitals	7.6
7221 Full-Service Restaurants	6.5
5511 Management of Companies and Enterprises	5.9
6211 Offices of Physicians	5.5
7222 Limited-Service Eating Places	5.2
4931 Warehousing and Storage	4.8
4451 Grocery Stores	4.3
4529 Other General Merchandise Stores	3.9
5241 Insurance Carriers	3.8
FH Fishing, Hunting, Etc.	3.6
FR Farms	3.0
4841 General Freight Trucking	3.0
5617 Services to Buildings and Dwellings	3.0

High-tech employment	2.7
As % of total employment	1.4

Sources: BLS, Moody's Analytics, 2010

PER CAPITA INCOME



Source: Bureau of Economic Analysis, 2008

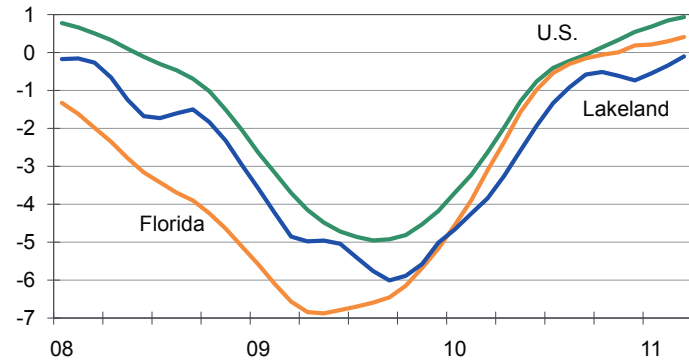
MOODY'S RATING

Aa2

COUNTY
AS OF OCT 04, 2010

Lakeland Underperforms

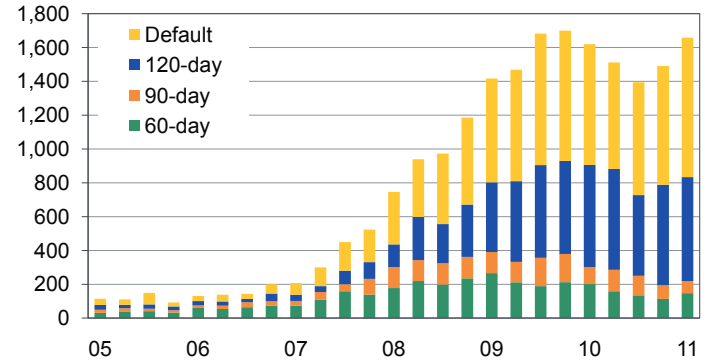
Employment, % change yr ago, 3-mo MA



Source: BLS

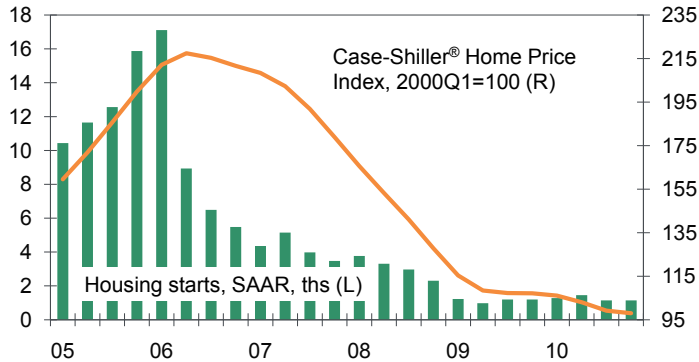
The Hopper Is Refilling for Foreclosure Action

Household first mortgage debt in delinquency or default, \$ mil



Sources: Equifax, Moody's Analytics

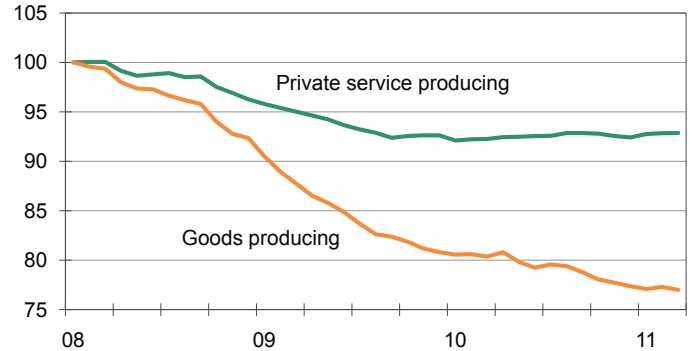
Low Prices Depress Construction



Sources: Fiserv, Census Bureau, Moody's Analytics

Construction Drags on the Labor Market

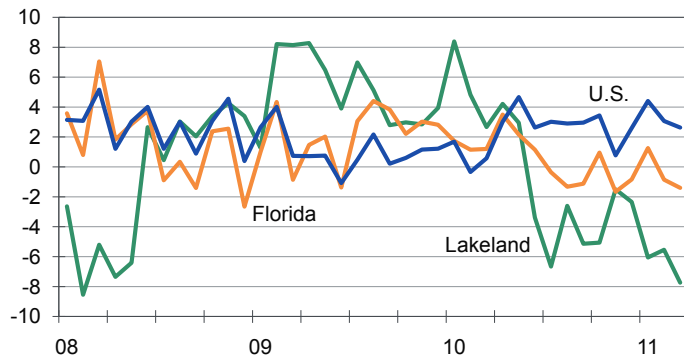
Employment, Jan 2008=100



Source: BLS

Labor Market Slack Pressures Wages

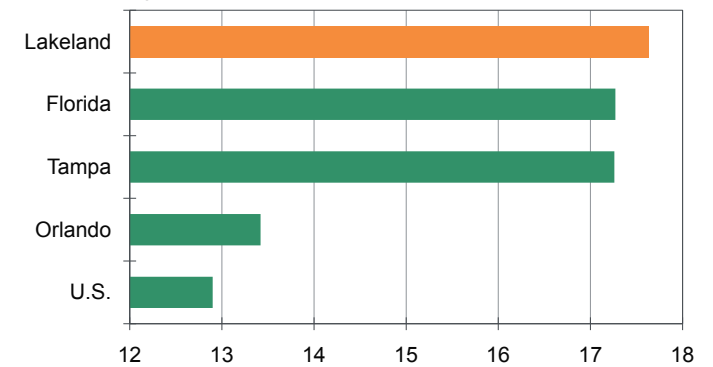
Average weekly earnings, % change yr ago



Source: BLS

Large Retiree Cohort Spurs Healthcare Growth

Population age 65 or older, %, 2009



Source: Census Bureau

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Economic & Consumer Credit Analytics

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