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Introduction: Regional and National Background

The advance estimate for the national real GDP growth was released today, January 30, 2013, and surprised most observers with a negative value of 0.1 or basically no growth for the fourth quarter real GDP. This was an advance estimate that was based on incomplete information and primarily reflects a reduction in private inventory investment, federal, state, and local government spending, and exports. Federal defense spending fell by 22.2 percent. The “fiscal cliff” and federal budget issues created considerable uncertainty during the fourth quarter as well. I expect to see continued slow growth next quarter. The advance estimate to the last (fourth) revision has a standard deviation (vintage comparison) of 1.0 without regard to sign, so we could see some significant revisions up or down to the fourth quarter GDP growth rate. Real GDP for the third quarter grew at 3.1 percent. Real personal consumption expenditures for the fourth quarter were more positive growing at 2.2 percent compared to 1.6 percent in the third quarter.

The Southwest Florida economy continues its recovery from the housing bubble and financial market problems that pushed the region and nation into recession in 2007. Southwest Florida taxable sales increased by eight percent from October 2011 to October 2012, following gains of seven percent in September and six percent in August. Passenger traffic at Southwest Florida International in November 2012 was eight-percent higher than November 2011. Lee, Collier, and Charlotte Counties issued a total of 245 single-family home permits in December, more than doubling from 116 last December. December 2012 sales of Lee, Collier, and Charlotte existing single-family homes increased by four percent over December 2011. Lee and Collier tourism tax revenues for November 2012 were at record highs for the month.

December 2012 seasonally-adjusted unemployment rates improved in all reporting counties compared to December 2011. The region’s seasonally-adjusted employment rate declined to 8.0 percent in December 2012 from 10.0 a year earlier. County details can be found beginning on page 16.

The national unemployment rate held steady in December at 7.8 percent as a result of a revision to the November figure. This represented a decline of 0.7 percentage points from December 2011. The number of long-term unemployed (those jobless for 27 weeks or longer) is 4.8 million or 39.1 percent of all unemployed.

The December Bureau of Labor Statistics Establishment Survey showed that national nonfarm payroll employment increased by 155,000, a smaller increase than November’s 161,000. The December employment increases included 65,000 in health care and social assistance, 31,000 in leisure and hospitality, 30,000 in construction, 25,000 in manufacturing, 19,000 in professional and business services, and 9,000 in financial activities. In contrast, national employment fell by 13,000 in government, 11,300 in retail trade, and 9,000 in information.
The national consumer price index increased by 1.7 percent from December 2011 to December 2012. The change was primarily driven by increases of 1.8 percent for food. Medical care services increased by 3.7 percent and medical care commodities increased by 1.7 percent. Core inflation (all items less food and energy) increased by 1.9 percent.

As reported last month, the latest statement of the Federal Reserve Open Market Committee (FOMC) was issued on December 12th, and is summarized below:

- Economic activity has continued to expand at a moderate pace in recent months, apart from weather-related disruptions;
- Although the unemployment rate has declined somewhat, it remains elevated;
- Household spending has continued to advance, but growth in business fixed investment has slowed;
- The housing sector has shown further signs of improvement;
- Inflation has been running somewhat below the Committee’s longer-run objective, and long-term inflation expectations have remained stable. The Committee anticipates that inflation over the medium term likely will run at or below its 2 percent objective;
- To support a stronger economic recovery and to help ensure that inflation, over time, is at the rate most consistent with its dual mandate, the Committee will continue purchasing additional agency mortgage-backed securities at a pace of $40 billion per month;
- The Committee also will purchase longer-term Treasury securities after its program to extend the average maturity of its holdings of Treasury securities is completed at the end of the year, initially at a pace of $45 billion per month;
- The Committee is maintaining its existing policy of reinvesting principal payments from agency debt and mortgage-backed securities in agency mortgage-backed securities;
- Along with rolling over maturing Treasury securities at auction, these actions should maintain downward pressure on longer-term interest rates, support mortgage markets, and help to make broader financial conditions more accommodative;
- If the outlook for the labor market does not improve substantially, the Committee will continue its purchases of Treasury and agency mortgage-backed securities, and employ its other policy tools as appropriate until such improvement is achieved in a context of price stability;
- To support continued progress toward maximum employment and price stability, the Committee expects that a highly accommodative stance of monetary policy will remain appropriate for a considerable time after the asset purchase program ends, and the economic recovery strengthens. The Committee decided to keep the target range of the federal funds rate at 0 to ¼ percent and currently anticipates that this exceptionally low range will be appropriate at least as long as the unemployment rate remains above 6-1/2 percent, inflation between one and two years ahead is projected to be no more than 2-1/2 percent, and longer term inflation expectations continue to be well anchored.

The next meeting of the FOMC is scheduled for January 29th – 30th, 2013.

The FOMC released its latest forecast on December 12, 2012, which is shown on the following "box and whiskers" charts. The red boxes are the central tendency forecast and the full range of uncertainty is reflected in the whiskers, or vertical lines. The December forecast generally has slightly slower GDP growth and lower unemployment levels than the September forecast.

The chart shows that recovery started in 2009, but it is expected to be several years before the economy returns to a more normal long-run trend (“LR”). Real GDP growth projections for 2012, 2013,
and 2014 show a recovery but there remains uncertainty as to how strong the recovery will be, as shown by the wide range of forecasts. For 2012, the overall projected range is 1.6 to 2.0 percent with a central tendency (red bar) range of 1.7 to 1.8 percent growth. The advance real GDP estimate for the fourth quarter of 2012 was released on January 30, 2013 and was a surprise value of negative one-tenth percent. The value for 2012 will be finalized over the next couple of months.

For 2013, the overall projected range is 2.0 to 3.2 percent with a central tendency range of 2.3 to 3.0 percent growth. For 2014, the overall projected range is 2.8 to 4.0 percent with a central tendency range of 3.0 to 3.5 percent growth. For 2015, the overall projected range is 2.5 to 4.2 percent with a central tendency range of 3.0 to 3.7 percent growth. The long-run trend for Real GDP has a range of 2.2 to 3.0 percent growth with a central tendency of 2.3 to 2.5 percent. Real GDP growth rates are based on the change from the fourth quarter of one year to the fourth quarter of the next year.

As shown in the chart on the next page, the 2012 national unemployment rate is expected to be lower than in 2011, but remain historically high, in a range of 7.7 to 8.0 percent, with a central tendency of 7.8 to 7.9 percent. The value for the 2012 national unemployment rate will be finalized over the next couple of months. For 2013, the projected range for the national unemployment rate is 6.9 to 7.8 percent with a central tendency range of 7.4 to 7.7 percent. For 2014, the projected range for the national unemployment rate is 6.1 to 7.4 percent with a central tendency range of 6.8 to 7.3 percent. For 2015, the projected range for the national unemployment rate is 5.7 to 6.8 percent with a central tendency range of 6.0 to 6.6 percent. Long-run unemployment is expected to be in a range of 5.0 to 6.0 percent with a central tendency of 5.2 to 6.0 percent. The projections for unemployment are for the fourth quarter of each year.
Issues related to the Federal budget, state budgets, European sovereign debt issues, health care costs, income and estate tax uncertainties, and oil prices continue to create some headwinds but the trend of slow but positive economic growth is expected through 2013.

RERI thanks all of the individuals and organizations that have helped to bring together the regional information for this report. These include the Southwest Florida Regional Planning Council, the Economic Development Organizations of Charlotte, Collier, and Lee Counties, the Convention and Visitors Bureaus of Collier and Lee Counties, the regional airport authorities, the REALTORS® of Lee and Collier County, the University of Florida Survey Research Center, and the county and city permit offices.
Airport Activity

Airport passenger activity is defined as the sum of arrivals and departures for Southwest Florida International (RSW), Sarasota Bradenton International (SRQ), and Punta Gorda (PGD) airports. Peak seasonal activity occurs in February, March, and April, with significantly lower activity in the summer months. Charts 1, 2, and 3 illustrate the seasonality of airport passenger traffic and the changes from year to year.

Total passenger activity for the three Southwest Florida airports in November 2012 was two percent above the November 2011 figure, and 33 percent higher than October 2012.

Chart 1 shows SW Florida International passenger activity of 658,629 in November 2012, eight percent higher than November 2011. Sarasota Bradenton passenger activity amounted to 94,135 passengers in November 2012, which was 16 percent below November 2011, as shown in Chart 2. Punta Gorda passenger activity amounted to 16,720 in November 2012, a 38-percent decline compared to November 2011.
Chart 2: Sarasota Airport Traffic Trend

SRQ (Sarasota Bradenton Int'l) Airport Passenger Traffic Trend

Source: Local Airport Authorities

Chart 3: Punta Gorda Airport Traffic Trend

PGD (Punta Gorda Airport) Passenger Arrivals plus Departures

Source: Local Airport Authorities
Tourism Tax Revenues

Tourism tax revenues for the three coastal counties are shown in Charts 4, 5, and 6, based on month of occupancy. In November 2012, tourism tax revenues for Lee, Collier, and Charlotte Counties continued the pattern of increases over the prior year, the total amounting to four percent. Lee County tourism tax revenues for November 2012 amounted to $1,383,374, an increase of four percent from November 2011. Collier County’s November 2012 tourism tax revenues rose to $959,221, a four-percent increase over November 2011. Charlotte County tourism tax revenues for November 2012 rose to $61,517, an increase of three percent over November 2011.

Chart 4: Lee County Tourism Tax Revenues

Lee County Monthly Tourist Tax Revenue 2009 - 2012

Source: Local County Tourism, Tax, and Economic Development Reports
**Chart 5: Collier County Tourism Tax Revenues**

Collier County Monthly Tourist Tax Revenue 2009 - 2012

Source: Local County Tourism, Tax, and Economic Development Reports

**Chart 6: Charlotte County Tourism Tax Revenues**

Charlotte County Monthly Tourist Tax Revenue 2009 - 2012

Source: Local County Tourism, Tax, and Economic Development Reports
Single-Family Building Permits

Total single-family building permits for the three coastal counties increased by 111 percent in December 2012 over December 2011, and by 23 percent above the prior month of November 2012. A total of 245 single-family permits were issued in the region in December 2012, compared to 116 permits in December 2011 and 200 permits issued in November 2012.

Lee County reported the issuance of 141 single-family building permits in December 2012, an increase of 143 percent from December 2011, as shown in Chart 7 (which employs a logarithmic scale on its y-axis to more clearly portray long-term trends). Collier County issued 94 permits in December 2012, up from 33 in December 2011, as shown in Chart 8. Lee and Collier Counties 12-month moving averages continue to show upward movement. Charlotte County recorded 10 permits in December 2012, down from 25 in December 2011, and from 20 in November 2011, as shown in Chart 9. Hendry County issued 1 single-family building permit in December 2012, bringing the total for 2012 to 13, compared to 22 permits issued in 2011.

Chart 7: Lee County
Chart 8: Collier County

Source: Local Building and Zoning Departments, includes unincorporated Collier County permits only.

Chart 9: Charlotte County

Source: Local Building and Zoning Departments, includes unincorporated Charlotte County permits only.
Taxable Sales

Taxable sales data track consumer spending, an important component of the regional economy. The following charts show the latest month of merchants’ collections (October 2012), rather than the reporting month issued by the Florida Department of Revenue.

All reporting counties, other than Hendry, reported increased taxable sales for October 2012 compared to October 2011, for a total regional gain of $105.1 million, or eight percent. Taxable sales were up 13 percent from the prior month of September 2012.

Taxable sales data for the coastal counties are shown in Chart 10. Charlotte County’s taxable sales of $153.3 million in October 2012 were six-percent higher than October 2011. Lee County taxable sales of $779.0 million in October 2012 were eight-percent more than October 2011, while Collier County’s taxable sales of $495.7 million in October 2012 were 10-percent higher than October 2011.

Hendry County’s taxable sales of $21.7 million in October 2012 were 10-percent below October 2011. Glades County reported October 2012 taxable sales of $2.2 million, a seven-percent increase over October 2011. Taxable sales for Hendry and Glades Counties are shown in Chart 11.

Charts 12, 13, and 14 depict percentage changes in taxable sales from the same month a year earlier. The changes continued to be positive. Lee and Collier Counties continue to show positive year-over-year comparisons for every month in the two-year measurement period. Charlotte County has recorded positive changes for 21 of the past 24 months.

Chart 10: Taxable Sales for Coastal Counties

Source: Florida Department of Revenue, Office of Tax Research
Chart 11: Taxable Sales for Inland Counties

Inland County Taxable Sales 2002 to Present
2002-2011 Monthly Averages; Most Recent 13 Months’ Data

Source: Florida Department of Revenue, Office of Tax Research

Chart 12: Lee County Taxable Sales Change from a Year Earlier

Lee County Taxable Sales: Change from Year Earlier

Source: Florida Department of Revenue, Office of Tax Research

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Chart 13: Collier County Taxable Sales Change from a Year Earlier

Source: Florida Department of Revenue, Office of Tax Research

Chart 14: Charlotte County Taxable Sales Change from a Year Earlier

Source: Florida Department of Revenue, Office of Tax Research
Workforce – Labor Force, Employment and Unemployment

Charts 15, 16, 17, 18, and 19 show total persons employed unemployed, and the unemployment rate for each county in the region from January 2005 to December 2012, on a seasonally-adjusted basis. Unemployment rates above five or six percent generally reflect cyclical unemployment and a slowdown of the economy from long-run trends.

Seasonally-adjusted unemployment rates in December 2012 showed continued improvement over the corresponding month of the prior year in all five reporting counties. Lee County’s seasonally-adjusted unemployment rate declined to 8.0 percent in December 2012, down from 8.2 percent (revised) in November 2012, and 2.2 percentage points below December 2011. This was the lowest unemployment rate in Lee County since July 2008. Employment in Lee grew by 6,086 persons from December 2011 to December 2012. Collier County’s unemployment rate decreased to 7.6 percent in December 2012 compared to 7.7 percent in November 2012 and 9.3 percent in December 2011, with an increase of 3,974 persons employed. This represented the lowest Collier unemployment rate since October 2008. Charlotte County had an unemployment rate of 8.0 percent in December 2012, its lowest rate since June 2008, representing a decline from 8.2 percent in November 2012 and from 9.9 percent in December 2011.

Hendry’s unemployment rate decreased to 10.5 percent in December, its lowest rate since June 2008. This was 0.5 percent below the November 2012 figure, and 2.9 percentage points lower than December 2011. The unemployment rate in Glades County inched up to 9.2 percent from 9.0 percent (revised) in December 2012, but declined from 10.4 percent in December 2011. Total employment in the five reporting counties increased by 10,927 persons over December 2011; the number of unemployed dropped by 10,804; and the region’s total unemployment rate fell from 10.0 percent to 8.0 percent.

The seasonally-adjusted unemployment rate for the State of Florida dropped to 8.0 percent in December, down from the November 2012 figure of 8.1 percent; and 1.9 percentage points lower than December 2011. The seasonally-adjusted national unemployment rate was 7.8 percent in December, equal to the revised figure for November 2012, and 0.7 percentage points below the 8.5 percent rate of December 2011.
Chart 15: Lee County Labor Force and Unemployment

Source: Florida Department of Economic Opportunity and seasonal adjustment by RERI

Chart 16: Collier County Labor Force and Unemployment

Source: Florida Department of Economic Opportunity and seasonal adjustment by RERI
**Chart 17: Charlotte County Labor Force and Unemployment**

Long Term Labor Force and Unemployment: Charlotte County

Source: Florida Department of Economic Opportunity and seasonal adjustment by RERI

**Chart 18: Hendry County Labor Force and Unemployment**

Long Term Labor Force and Unemployment: Hendry County

Source: Florida Department of Economic Opportunity and seasonal adjustment by RERI
Sales of Single–family Homes and Median Sales Prices

Charts 20 through 22 show the existing single-family home sales by a Realtor® for Lee, Collier, and Charlotte Counties. The line represents median price with the scale on the right side and the bars represent the number of homes sold with the scale on the left side.

Combined sales of single-family homes in the coastal counties amounted to 1,589 units in December 2012, up four percent from December 2011, and an increase of 11 percent over the November 2012 figure of 1,427.

Sales of 973 units were reported in Lee County in December 2012 at a median price of $140,000. Sales were nearly equal to December 2011, but the median price rose from $123,400 over the same time period. In November 2012, 861 homes were sold with a median price of $140,000.

Collier County had 372 single-family home sales in December 2012, a 26-percent increase from December 2011 and 16-percent above the November 2012 figure of 322. The median price rose to $248,000 in December 2012, compared to $205,000 in December 2011, albeit lower than the figure of $261,000 in November 2012.

Charlotte County reported 244 single-family home sales in December 2012, equal to those of November 2012 but five percent below the 258 home sales in December 2011. Median prices in the County have increased from $97,500 in December 2011 and $125,750 in November 2012 to $129,500 in December 2012.
Chart 20: Lee County

Lee County Existing Single Family Home Sales by Realtors

Source: Realtor Association of Greater Fort Myers and the Beach, Inc.

Chart 21: Collier County

Collier County Existing Single Family Home Sales by Realtors

Source: Naples Area Board of Realtors® (NABOR) www.naplesarea.com
Consumer Confidence Index

Chart 23 shows monthly data for the last three years and 12-month moving average trend lines for both the Florida Consumer Confidence Index ("CCI") reported by the University of Florida Bureau of Economic and Business Research (BEBR) and for the United States Index of Consumer Sentiment ("ICS") reported by Thomson Reuters/University of Michigan.

The national ICS dropped to 72.9 in December 2012, a 9.8 point decrease from November, but 3.0 points above the December 2011 figure. The Thomason Reuters/University of Michigan Survey of Consumers noted, “Confidence plunged in December as consumers confronted the rising likelihood that political gridlock would push the country over the fiscal cliff. Consumers were more pessimistic about their future finances and more pessimistic about the outlook for the overall economy and job prospects”.

In contrast to the decline of the ICS, the Florida Consumer Confidence Index for December 2012 was 74, the same as the revised figure for November 2012, and 4 points higher than December 2011. Chris McCarty, the survey director, noted that “…confidence has also been affected by increased media attention focused on the fiscal cliff. This is mostly reflected in growing pessimism about the next year, both in perceptions of personal finances and expectations about the economy. However, consumers appear to see past the short term pain of the tax increases and spending cuts and are a little more optimistic about the future over the next five years.”
Consumer Price Index

Year-to-year changes in the consumer price indices (CPI) for the Nation, the U.S. Southern Region, and the Miami-Ft. Lauderdale area are shown in Chart 24 through December 2012. This chart has been modified to a bar format to make it easier to read. December to December growth rates in these indices are lower than the corresponding comparisons for October to October, showing moderating price growth. The National CPI grew by 1.7 percent from December 2011 to December 2012, versus 2.2 percent from October 2011 to October 2012. The Southern Region growth rate dropped to 1.7 percent in December 2012, compared to 2.1 percent in October. The Miami-Ft. Lauderdale increase was 1.4 percent in December 2012, a decrease from 2.0 percent in October.
The components of the Miami-Fort Lauderdale Consumer Price Index for the 12 months ending December 2012 are shown in Chart 25. The largest increases were seen in medical care (4.4 percent), transportation costs (2.2 percent), and housing (1.9 percent). Sizeable decreases were recorded in costs of apparel (-3.2 percent) and recreation (-2.3 percent).
### Population

As previously reported, the following charts reflect the most recent county population forecasts released by the University of Florida's Bureau of Economic and Business Research (BEBR). Population growth from 1990 to 2010 is shown in Charts 26 and 27. Collier County grew at an average annual compound growth rate of 3.8 percent from 1990 to 2010. Lee County’s population grew at an annual rate of 3.1 percent. Charlotte, Glades, and Hendry Counties had average annual rates of population growth between 1.8 and 2.7 percent per year.

Chart 28 and its accompanying table show projected population increases from 2015 to 2040. These projections have been lowered slightly from those previously reported. However, the overall rate of regional growth still averages 1.6 percent per year for this period, resulting in a 30-year increase of 59 percent for the five-county region from 2010 to 2040.

![Chart 26: Coastal Counties Growth 1990 to 2010](chart.png)

Source: Florida EDR: Florida Demographic Estimating Conference, January 2010 and the Florida Demographic Database, August 2010
Chart 27: Inland Counties Growth 1990 to 2010

Historic Population Growth
Glades and Hendry Counties

Source: Florida EDR: Florida Demographic Estimating Conference, January 2010 and the Florida Demographic Database, August 2010

Chart 28: Projections by County

Population Projections 2015 - 2040

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