



Confidential

GCRO LT Review –
Economic Analysis

August 2, 2011

Objectives and Agenda



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Objectives

- Inform LT - objectives of the economic analysis and the monthly process
- Inform LT – state of economy in Gulf Coast

Agenda

- Objectives of the economic analysis
- Monthly process
- State of economy by state
 - General economic indicators
 - Tourism
 - Gulf Coast species
 - Real estate
- Ramifications on GCRO

Objectives of Economic Analysis



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- Track status of economy
 - Based on factual data
 - Mostly from publically available sources

- Provide timely, thorough, and accurate summary on Gulf Coast economic development to minimize the risk of overstating/understating the impact of the spill

- Provide loss assessment and support the Claims team to pay legitimate claims
 - Establish government claim payment methodology
 - Support the Claims team to respond special government claim cases
 - Review and comment on GCCF claim methodology
 - Review and comment on special claims paid by GCCF

Monthly Process



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- General Economic Indicators**
- GDP - US Bureau of Eco Analysis
 - Unemployment rate - US Bureau of Labor Statistics

- Tourism**
- Lodging industry
 - Hotel performance (Smith Travel)
 - AL Hotel and condo (AGCCVB*)
 - Taxable Revenue reporting
 - gross casino revenue (MS Dept of Rev)
 - taxable rental and retail revenue (AGCCVB)
 - Government tax revenue
 - Sales tax (FL Dept of Rev, MS Dept of Rev)
 - FL local bed tax (University of W. Florida)

- Gulf Coast Species** (National Marine Fisheries)
- Shrimp - landing, price and import
 - Menhaden
 - Oyster
 - Blue Crab

- Real Estate**
- Home Price Index by Federal Housing Finance Agency (FHFA)
 - S&P Case-Shiller Home Price Index
 - MLS, Multiple Listing Services
 - Metro Market Trends - NW Florida
 - AL Housing Statistics - AL Center for Real Estate, UA

- Continuous Communication**
- BP America
 - GCRO LT
 - STERA, C&ER, Claims etc.



- Output**
- Monthly Update on GC Economy
 - Update for GoM Committee
 - Case studies (shrimp prices, Mexico tourism, real estate etc)
 - GCCF claim payments
 - Government entity claims

*AGCCVB: Alabama Gulf Coast Convention and Visitor Bureau

State of Economy – Louisiana Coast



Unemployment Rate

- 7.7% in May, lower than the national average of 9.1% but higher than prior years during the same period (5/ 2008 – 2010).

Tourism

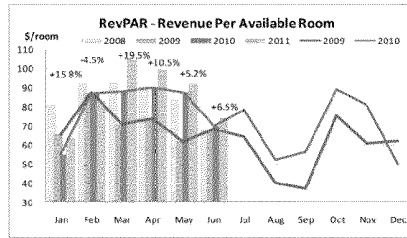
- 4th consecutive month of highest RevPAR since 2008. (March – June)
- Jan-June YTD RevPAR growth rate 8.7% on top of the 2010 growth caused by the spill response efforts.

Shrimp

- June 2011 was the 2nd highest landing for the past 5 years.
- Dock site prices in June dropped about 5% from May, but still higher than 2007 and 2009 during the same period.

Oyster and Blue Crab

- Data not released by NOAA or state.
- News reported low landing volume due to flooding and parasite infections.



Data source: Smith Travel Research

Media Stories

- Tourism spent a record amount in New Orleans last year, \$5.3 billion.
- In years past, it (Memorial Day) was the start of New Orleans' tourism slow season. This year, Memorial Day brought more than 30,000 visitors to town and our tourism officials say this summer is looking bright.

LA Coast RevPAR:

June: 6.5%

Jan – Jun: 8.7%

US: June: 7.8%

Jan- Jun: 8.5%

State of Economy – Mississippi Coast

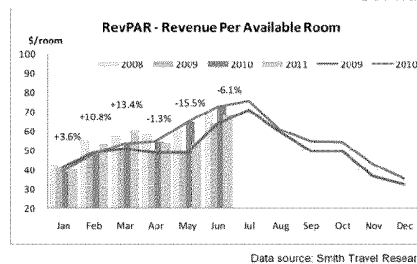


Unemployment Rate

- 9.3% in May, on an improving trend since Jan '11 but higher than prior years during the same period (5/ 2008 – 2010).

Tourism

- RevPAR in June decreased by 6.1% on a year-over-year comparison. The spill response efforts raised June 2010 RevPAR.
- Gross casino revenue – Jan thru Jun gross casino revenue in Gulf Coast was up by 1.7% while the total state was down by 7.7% due to lower revenue from casinos on the Mississippi River.



Data source: Smith Travel Research

Shrimp

- Jan –Jun landing was the highest during past 5 yrs.
- Dock site prices in June dropped about 5% from May, but still higher than 2007 and 2009 during the same period.

Oyster and Blue Crab

- Data not released by NOAA or state.
- Flooding may impact oyster harvests.

Real Estate – Cando Market

- Limited # of sales recorded in MLS. Data does not show price drop post oil spill.

Media Stories

- The governor's office says the state collected \$94m more than had been projected for the fiscal year that ended June 30. The money will go into the state's reserves...

Gross Casino Revenue Jan - Jun:

Gulf Coast: +1.7%

MS River: -15.6%

MS State: - 7.7%

MS Coast RevPAR:

June: -6.1%

Jan – June : -0.7%

State of Economy – Alabama Coast



Unemployment Rate

- 10.0% in May, jumped 0.4% from 9.4% in April. Labor force increased in May.

Tourism

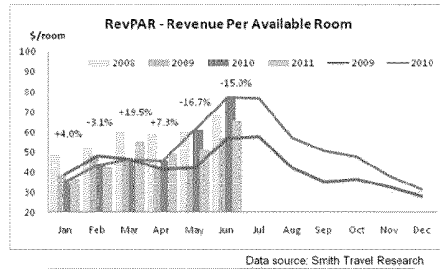
- RevPAR (hotel) in June decreased by 15.0% on a year-over-year comparison. The spill response efforts raised the June 2010 RevPAR significantly.
- June '11 Condo Rev Per Available Unit highest since 2007.
- Taxable lodging rentals and retail sales in May was up by >10% in Gulf Shores & Orange Beach.

Shrimp

- Jan –Jun landing was the highest during past 5 yrs.
- Dock site prices in June dropped about 5% from May, but still higher than 2007 and 2009 during the same period.

Real Estate – Baldwin Condo Market

- Average selling prices in April 2011 was about flat with April 2010 .
- Longer average days on market since Oct 2010.



Media Stories

Baldwin County...currently leads the state in year-over-year gains in overall home sales" "...home sales totaled 1,203, up 14 percent over the same time period last year. In April, condo sales alone rose to 127, up 21 percent from a year ago."
"Prices also are on the rise, at least where condos are concerned. While the overall average selling price in Baldwin County through April is flat compared to a year ago, the year-to-date average condo price has risen 11 percent, to \$261,866."

AL coast RevPAR:

June: -15%

Jan-June: -3.0%

Real Estate:

Escambia : price stable. Activities dropped and picked up in 2010.

Santa Rosa: Limited condo sales.

Okaloosa: price stable. Activities dropped and picked up in 2010.

Walton: Price dropped some and picked up in 2011.

Bay: continue declining due to oversupply.

State of Economy – Florida Panhandle



Unemployment Rate

- 8.7% in May, on an improving trend; better than May 2010. Better than the FL state and US.

Tourism

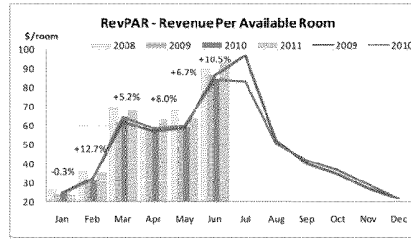
- RevPAR (hotel) in June up by 10.5% on a year-over-year comparison. Higher than June 2008.
- Bed tax in May was up by 13.3%.

Shrimp

- Jan – Jun landing was the highest during past 5 yrs. The landing in June almost doubled the 5 yr average.
- Dock site prices in June dropped about 10% from May. Prices higher than 2009, but lower than other yrs (2007 – 2010)

Real Estate – Condo Market

- MLS data show the # of sales down post the oil spill. Activities picked up in the fall.
- Average selling price change from April '10 to April '11 varied by county, ranging from - 18% to +4%.
- Metro Market Trend data showed increases in # of sales and average selling prices in June for 2 out of the 3 counties.



Data source: Smith Travel Research

Media Stories

Okaloosa, Walton homes sales exceed last year's; Santa Rosa lags.

"Real estate values continued to **fluctuate** in June."

"According to Metro Market Trends, in Okaloosa and Walton counties the average sale price for condominiums and townhomes increased by 25% and 8.5%, respectively. At the same time, the average price for a single-family home dropped by 2.6%."

"In Walton County, the average single-family home... a 15% price decrease from 2010 when condo/townhome values... a 6.5% increase."

"that trend was reversed in Santa Rosa County..."

US RevPAR:

June: +7.8%

Jan – June: +8.5%

FL Panhandle:

June: +10.5%

Jan – Jun: 7.6%

State of Economy – Other Gulf Species



Menhaden

- According to NOAA – National Marine Fisheries, year-to-date landing through July was 37% higher than the past 5 yr average.
- Disagree with GCCF claim payment on menhaden.

Shrimp

- June landing – 2nd highest during past five yrs
- Year-to-date through June landing – highest during past five yrs.
- Import Jan-May below average; However import in May was up by 7% vs. May'10.
- Wholesales prices in July down by ~5%.

Oyster

- 2011 data not released by NOAA or the states. Request made via FOIA (Freedom Of Information Act).
- Disagree with GCCF compensation methodology.

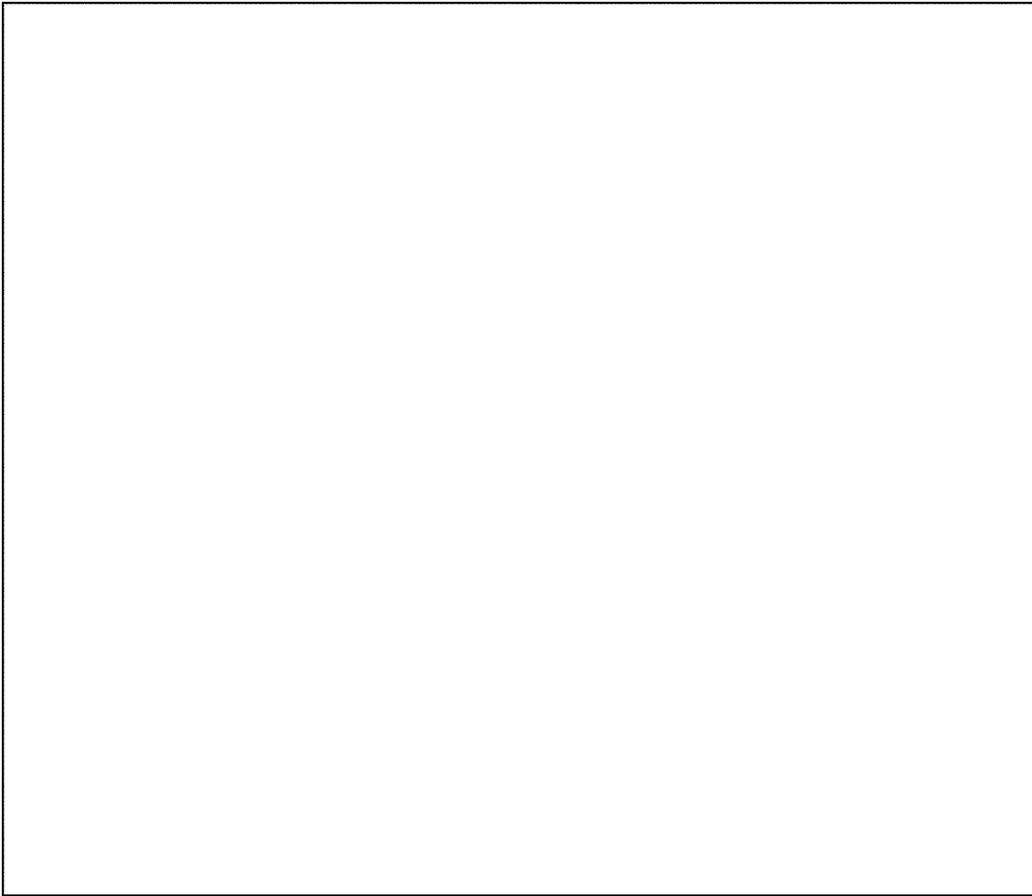
Blue Crab

- 2011 data not released by NOAA or the states. Request made via FOIA.
- Media reports parasite infections in some areas.

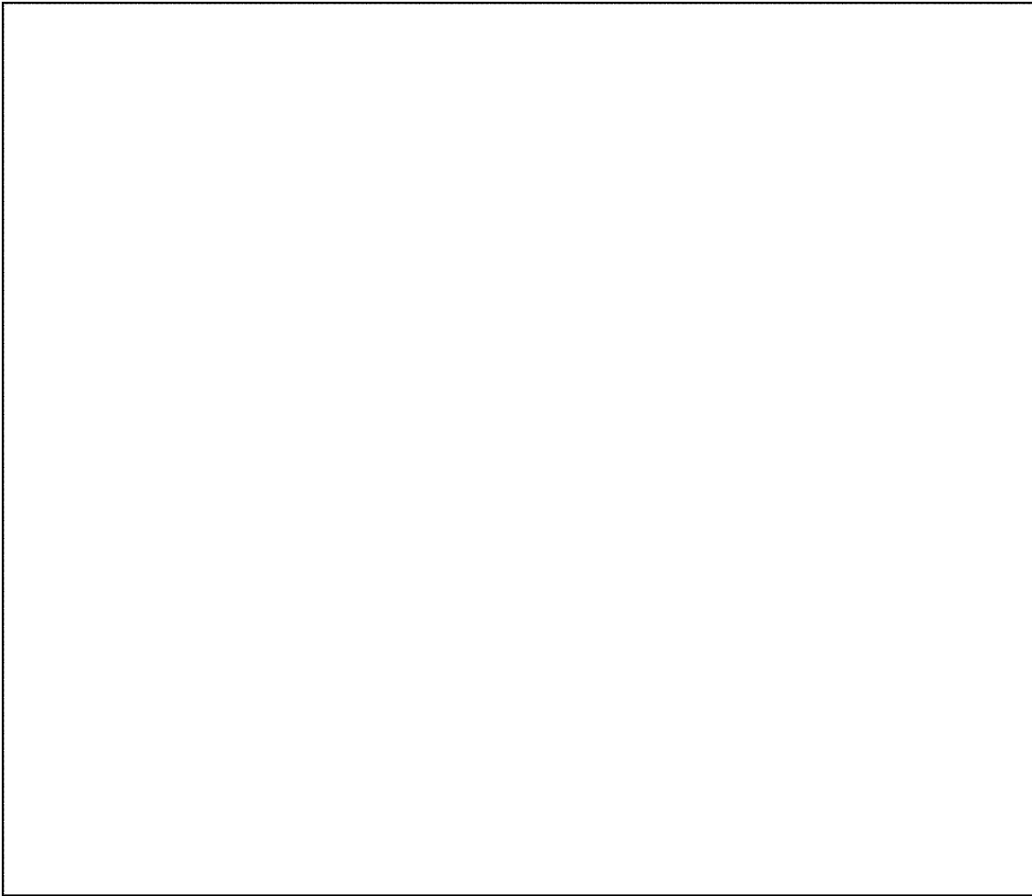
Finfish

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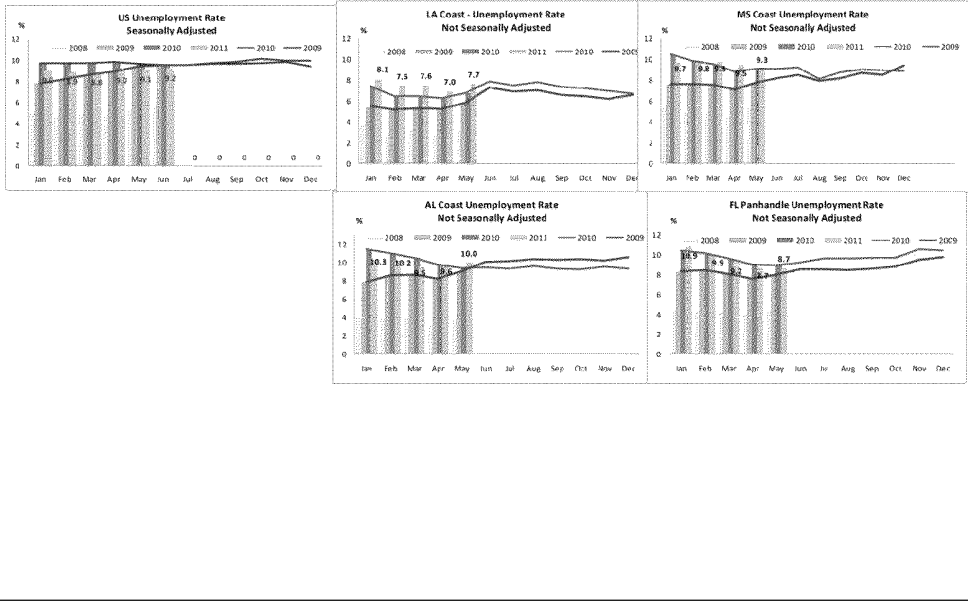
Ramifications on GCRO



Back up



Unemployment Rate



Gulf Coast Map



LA Economy:

1. seafood and fishing
2. agriculture
3. petroleum (onshore and offshore)
4. tourism (social and cultural, history. It was bought by President Thomas Jefferson from France in 1803 for \$15m.
5. shipping

MS Economy:

1. agriculture
 2. manufacturing (ship building in Pascagoula, refinery)
 3. seafood and fishing (fishing, oyster etc.)
 4. casino and gambling (along the MS river and Gulf Coast)
 5. Coasting cities: Bay St. Louis, Gulfport, Biloxi, Pascagoula.
- Other than capital city Jackson, Gulfport is the 2nd largest city in the state and Biloxi is the 3rd largest city in the state.

AL Economy:

1. Agriculture

2. Auto manufacturing, aerospace parts, steel and mineral oil & gas. Rapidly expanding auto manufacturing industry: Honda, Hyundai, Mercedes-benz, Toyota.

3. Education and technology

4. U.S. Army

5. Tourism.

Mobile: funded by French. Oldest city. Have seaport for shipping.

Birmingham: banking center

Along the coast: Dolphin Island, Gulf Shore and Orange Beach.

FL Economy

1. Tourism (mostly from NE of the county)

2. Agriculture (fruit etc)

3. mining (phosphate)

4. aerospace

5. trade.

Wikipedia:

At the end of the third quarter in 2008, Florida had the highest mortgage delinquency rate in the country, with 7.8% of mortgages delinquent at least 60 days.^[126] A 2009 list of national housing markets that were hard hit in the real estate crash included a disproportionate number in Florida.^[128] The early 21st century building boom left Florida with 300,000 vacant homes in 2009, according to state figures.^[129] In 2009, the US Census Bureau estimated that Floridians spent an average 49.1% of personal income on housing-related costs, the third highest percentage in the country.^[130]

In the third quarter of 2009, there were 278,189 delinquent loans, 80,327 foreclosures.^[131] Sales of existing homes for February 2010 was 11,890, up 21% from the same month in 2009. Only two metropolitan areas showed a decrease in homes sold: [Panama City](#) and [Brevard County](#). The average sales price for an existing house was \$131,000, 7% decrease from the prior year.