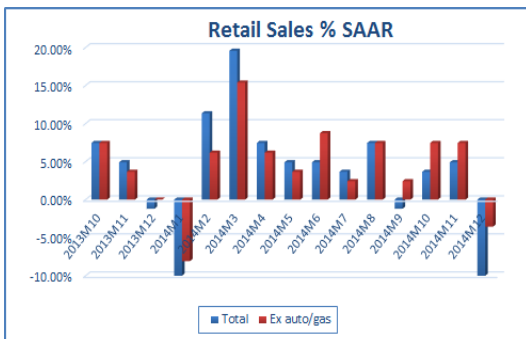


ECONOCAST™ UPDATE – January 19, 2015

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U.S. Economy – Bad News Week, but Still a Good Economy

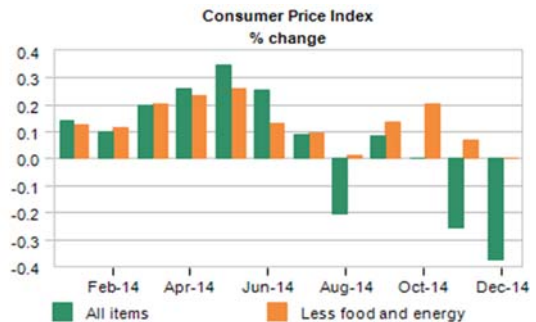
Although most of this week's economic news was bad, the economy and the outlook remain quite good. Consider the December drop in reported retail sales, down 0.9% or more than 10% SAAR. But, this was mostly because gas prices plummeted. However, even excluding gas and autos sales retail sales still fell by 5% SAAR.



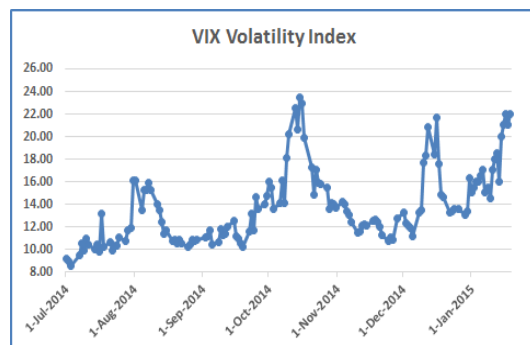
The reported drop in December sales mostly reflects the impact from falling energy prices and faulty seasonal adjustment. The drop is wholly inconsistent with rising employment, higher real wages (even with the nominal decline in December wages), and rising consumer confidence. Holiday sales were good despite the disappointing December result. Combining November and December

core retail sales grew 4.7% from the prior year, better than growth in 2012 or 2013.

Inflation remains extraordinarily low. Top line CPI dropped 0.4% on lower gasoline prices, but the core rate also retreated. This allows the meager gains in wages to translate into solid real increases in spending power.

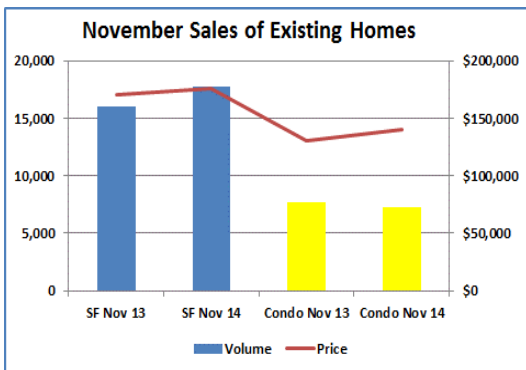


Financial markets were volatile. The Vix was choppy and foreign exchanges reacted to the rise in the Swill Franc. But overall, not to worry since this is temporary.

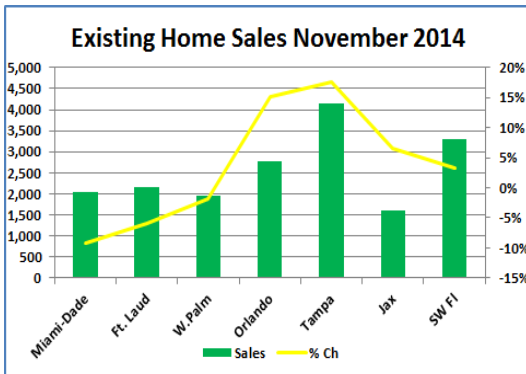


Florida Economy: Housing Markets Strong

Florida's housing markets remained strong in November (the latest month available). Existing single-family home sales rose 11% as condo sales eased 4% over the year. Sales prices for single-family and condominiums rose 4% and 8% respectively. Statewide inventory levels remained very low amounting to just 5.4 months of supply at current sales rates.

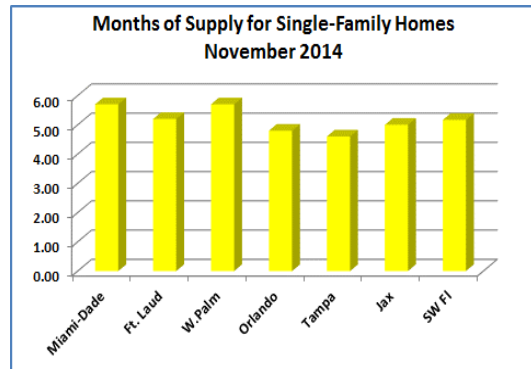


Existing home sales rose strongly along the I-4 corridor. Sales were up 18% compared to last year in Tampa Bay and 15% in Orlando. Sales rose just 3% in Southwest Florida and sales dipped across South Florida down by 9% in Miami-Dade, 6% in Ft. Lauderdale and 2% in Palm Beach.

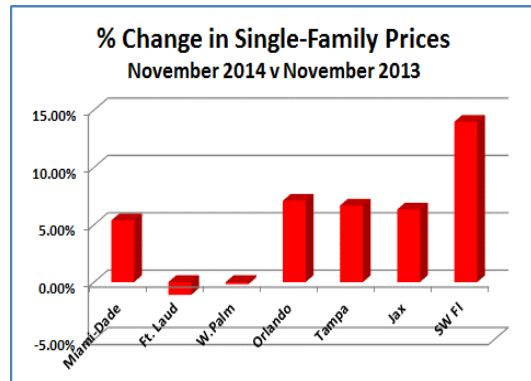


Inventories were particularly tight in Tampa Bay and Orlando at less than

5 months of inventory at current sales rates. And, despite the slower sales across South Florida, inventories remained tight running below 6 months at current sales rates.



Sales prices for single-family homes rose in every major metro area except for Ft. Lauderdale and Palm Beach where sales prices dipped 1% or less. By contrast, prices rose more than 10% across Southwest Florida. The strong gains in sales prices from Naples to Bradenton across Southwest Florida reflect the recovery following their worst crash since the Depression.



These data confirm that Florida's housing markets have largely achieved equilibrium. Most of the existing excess inventory has been absorbed. Strong gains in population growth and in employment have absorbed the inventory setting the stage for a much improved housing market in 2015.