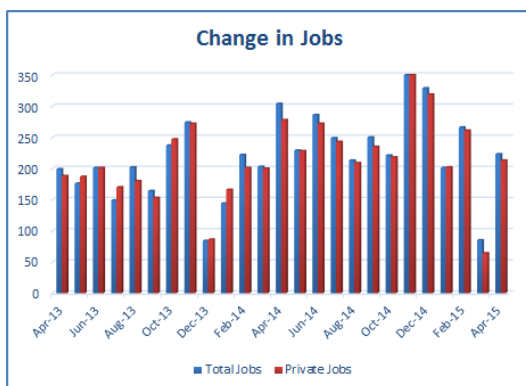


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U.S. Economy – Good but not Great

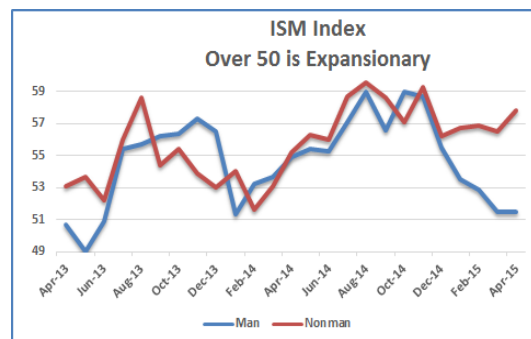
Job growth rebounded in April, up 223,000 and the unemployment rate dipped to 5.4%. While this was encouraging, the already weak March job count was revised 40,000 lower pushing three-month moving average down to 191,300 in sharp contrast to the pace of more than 300,000 at the end of 2014. Low energy prices took a toll on energy-related industries, but the weakness will be short-lived since oil prices have rebounded. Services, construction, and government are holding up much better. Given the fundamental strength, I expect job growth to jump back above the 250,000 monthly mark.



Wage gains remain restrained, but the household survey was very positive. Household employment

improved, the labor force increased, and fewer workers worked part-time involuntarily.

Manufacturing failed to rebound in April restrained by the high value of the dollar and the fall in oil prices. Yet the ISM manufacturing index remained unchanged at 51.5 in April still in the expansionary zone. The ISM nonmanufacturing jumped to 57.8 in April. The details were stronger, especially for new orders. This suggests the economy is rebounding in this second quarter of 2015.



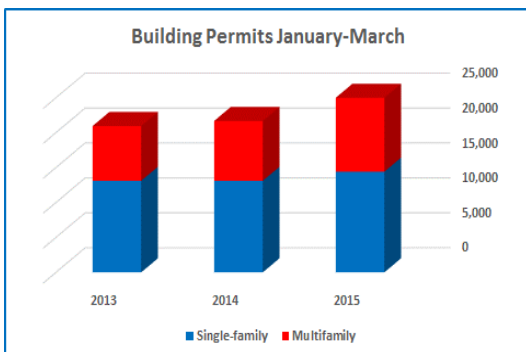
However, the forward pointing indicators are not as strong as they were at this point last year. Business investment in particular remains very weak. This points to a lower first half trajectory for the economy in 2015 compared to 2014.

Florida Economy: More Signs of Acceleration

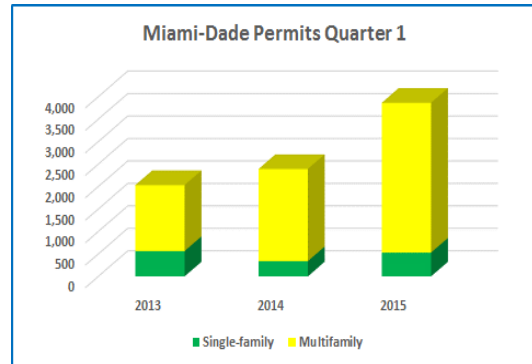
Florida's economy is growing strongly and far outperforming the U.S. Lower energy prices are a big plus for Florida, which consumes a lot of energy while producing very little. Low interest rates and this very long period of moderate growth in the U.S. economy stimulates retiree migration into Florida. The latest AAA poll found that 5% more Americans will be traveling this Memorial Day compare to last year with Orlando their number one destination along with other Florida destinations. Tourism is running at record levels, and the industry should see over 100 million visitors this year.

Existing home sales have rebounded to pre-crash levels, but average prices remain well below the prior peak. Demand levels are quite high reflecting the overall recovery in Florida.

Building permit activity has accelerated strongly during the first three months of 2015 compared to the last two years. Permit volume jumped to almost 25,000 units so far in 2015 compared to about 21,000 in the first quarter of the last two years. Most of the gain has come in multifamily permits including both rental apartments and condominiums.



While most metro areas in Florida have experienced strong gains in both total permits and particularly in multifamily permits, Miami-Dade County has had the strongest acceleration in multifamily activity in Florida. While permit activity for single-family units has remained relatively stable at about 500 units in the first quarter of each year, multifamily permit activity has doubled since 2013 from less than 1,500 to over 3,330 in 2015Q1. Not only is this pace of growth in multifamily activity unsustainable, but even this level of activity is worrisome if it continues for the balance of 2015.



By contrast, after a big jump in apartment permits in Orange County in 2013Q1 multifamily activity has receded to more sustainable levels. Single-family activity has increased each year since 2013 and is running in line with the gains in employment and household formations.

