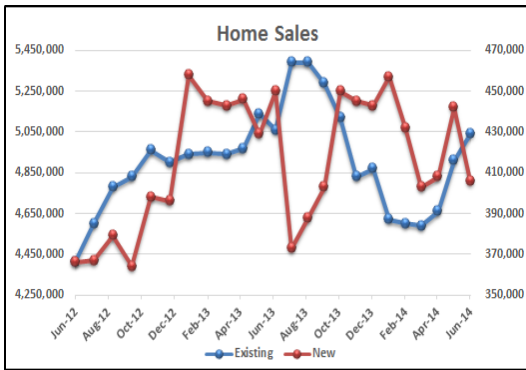


ECONOCAST™ UPDATE – July 28, 2014

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U.S. Economy – Mixed Messages

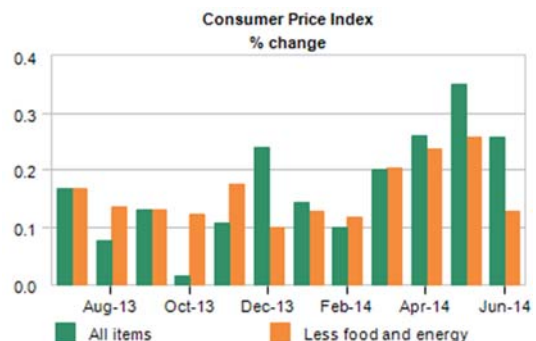
Housing markets provided mixed reports for June. Sales of existing homes rose strongly for the third month in a row, but new home sales dropped sharply. A conundrum!



Although the monthly pace of existing home sales is still below average, at least it they are decisively moving up. Since most of the fundamental drivers for housing are improving steady, the outlook for the rest of this year and next looks strong. The key is job growth which is accelerating. While lending standards are still tight, they are slackening as refinancing fall and bankers look to new mortgages. The major risk is that first-time homebuyers will fail to fill the hole left by investors.

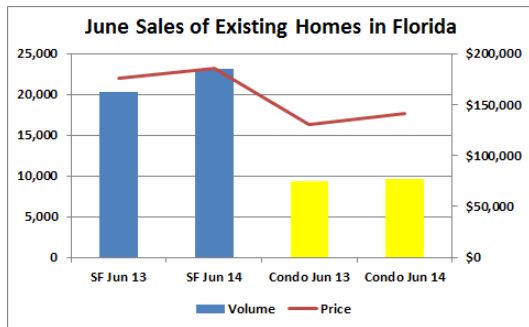
Surprisingly, new home sales plummeted in June, down 8.1% from May and 11.5% below their June 2013 level. Much of this was due to major revisions to the data. While revisions are typical for this data series, the latest ones are unprecedented in magnitude. Other new home indicators such as the National Association of Home Builders' housing market index suggest housing is improving. And, the fundamentals are still supporting strong demand going forward.

In other news, consumer prices rose 0.3% in June pushed by higher gasoline prices. The core CPI slowed, inching up 0.1%. Both headline and core inflation remained close to 2% on a year-ago basis. Oil prices have stabilized and gas prices are down so far in July, so no sustained acceleration in prices is underway.



Florida Economy: Existing Home Sales Strengthen in June

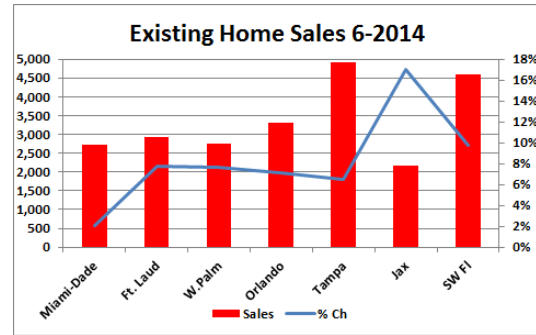
Sales of existing single-family homes in Florida rose 14% in June compared to year earlier totals, and condo/townhome sales increased 3%. Florida's existing home marketplace continues to outperform the nation and unlike the national data, Florida did not experience any year-over-year declines in sales volume.



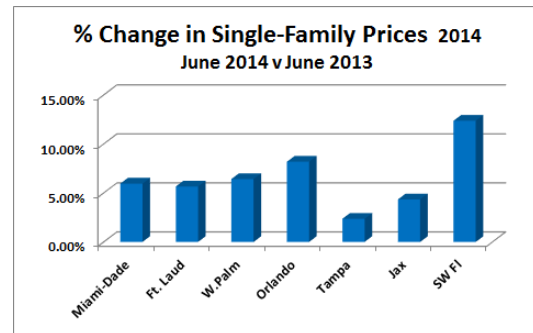
Median prices were up a modest 5.2% for singles and 5.8% for condo/townhomes over the year. Price increases have moderated, because inventory levels have increased as more listing were made and distress sales have dropped as a percentage of total sales. Distress sales have declined over the cycle and they represented only 26% of all single-family sales and 22% of condo/townhome sales in June. As a result, the big rebound from the recessionary low in pricing is behind.

Most major metro markets in Florida enjoyed buoyant volumes of existing home sales paced by Tampa Bay's almost 5,000 sales in June. However, in most areas sales gains were far below double digits compared to last year. The exceptions were in Jacksonville where June sales were 17% higher than last year and across

Southwest Florida where sales were up 10% over the year.



Median single-family home prices were up by 12% over the year in Southwest Florida. However, most other metro areas had more modest price increases over the last 12 months ranging from 2.4% in Tampa Bay (despite the strong rise in sales volume) to 8% in Orlando.



The data on months of supply measured at current sales volumes averaged 5.2 months across the major markets. A supply of 6 months is considered "normal". So market remain on the tight side in June.

