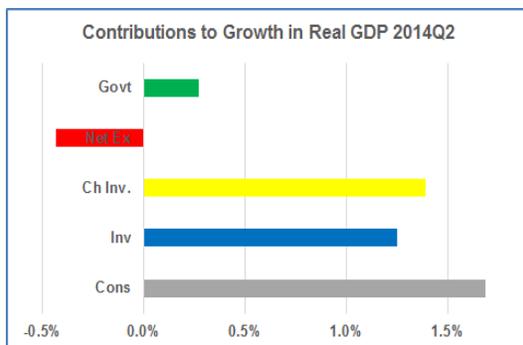


ECONOCAST™ UPDATE – September 29, 2014

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U.S. Economy – Acceleration

The latest economic data confirm accelerating growth in the 2nd half. Real GDP grew at a 4.2% rate in the second quarter, based on BEA's second estimate, more than reversing the first quarter's 2.1% drop. Consumer spending made the largest contribution to growth, and importantly investment spending surged. Inventory investment increased to support higher demands. Although exports improved, the gain was more than offset by rising imports. Gains in real disposable income accelerated setting the stage for rising consumption in the 2nd half. Corporate profits rose supporting stronger stock prices.



Sales of new homes rebounded in August, jumping 18% over July, and sales were 33% higher compared to

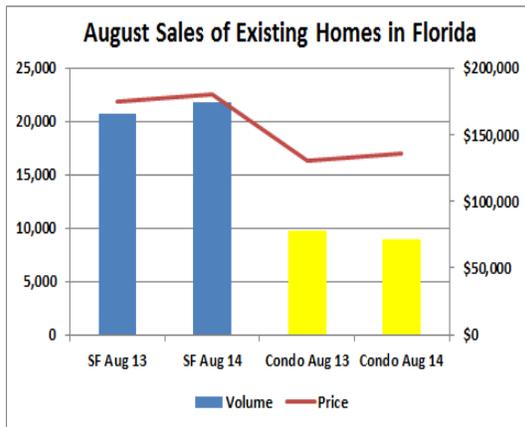
August 2013. Finally, homebuilding appears to have regained momentum following a weak start this year. It is also a good sign that the number of new homes for sale has increased steadily since bottoming out in mid-2012, and now exceeds 200,000. Even so, inventories remain far below their historical average of 300,000.

Dissapointingly, existing home sales ticked lower in August falling 5.3% below August 2013. Despite the year-over-year decline, home sales are still trending up over the last six months. Furthermore, much of the decline in sales came from fewer distress sales and lower investor purchases. The market has rebalanced to a more normal mix of sales. Missing are many first time homebuyers. However, as growth accelerates I expect that stronger household formations will fuel higher sales.

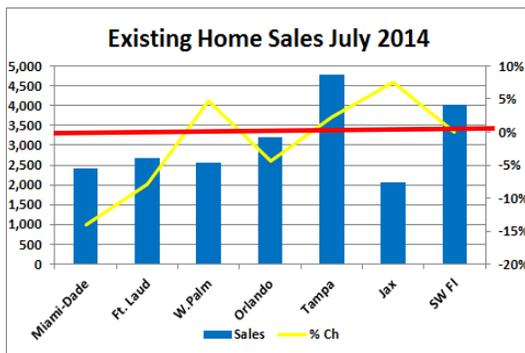


Florida Economy: Housing Markets Reach Equilibrium

Florida's residential housing market has probably reached equilibrium. On a year-over-year basis single-family sales ticked up and condo sales dipped. Prices on average rose modestly with single-family homes fetching 3% more and condo prices rising 4% compared to last year. This is similar to the pattern over the last six months or so.

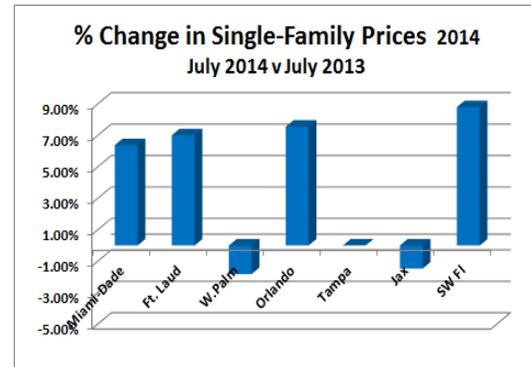


While there were substantial regional market variations, most major metro areas posted slight overall declines in sales compared to last year. So, sales volumes remain high, but they are no longer rising rapidly.

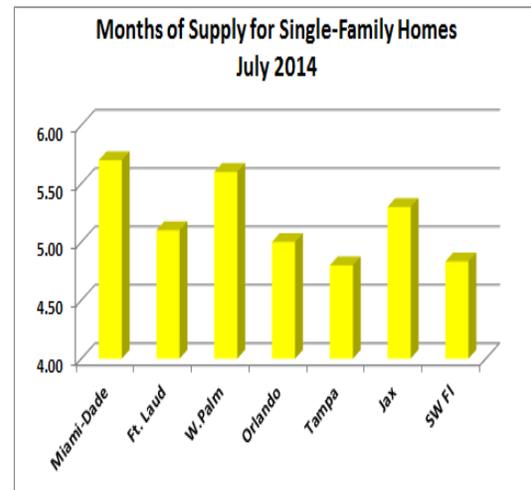


Pricing trends were also decidedly mixed in August. Average prices rose in some markets and declined in others. Year-over-year gains were strongest in southwest Florida, but

this is primarily due to the deep drops in home sales and home prices during the recession instead of surging strength in their markets. The gains in prices have decelerated markedly all across Florida over the last six months – again reflecting the adjustment to equilibrium.



Rising prices and stronger demand have induced more owners to list their homes for sale. As a result, the months of supply have risen relatively consistently over the last six months to the point where many markets are approaching the six-month level which is considered to be equilibrium.



The second half should be stronger for both new and existing home sales in Florida. Economic fundamentals, including low rates and rising employment, will support higher levels of sales and prices.