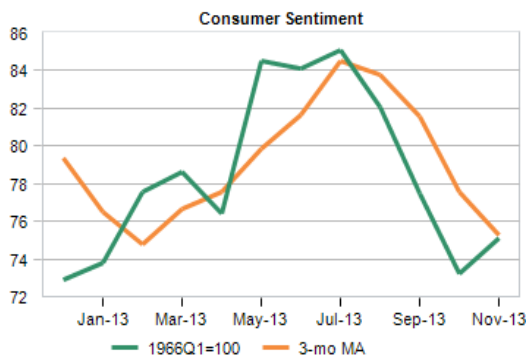


ECONOCAST™ UPDATE – December 2, 2013

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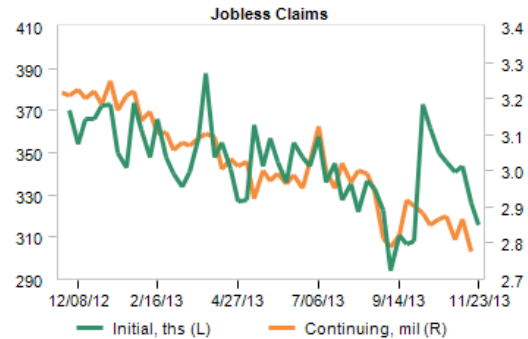
U.S. Economy – Let the Shopping Begin!

Retailers reported that Black Friday sales were running ahead of last year in a welcome surprise to what was expected to be, at best, a mediocre shopping season. Consumers evidently shook worries over the government shutdown and looming uncertainties based on a rebound the consumer confidence index. However, good news is modest since the index is way off its recovery high reached in the summer.



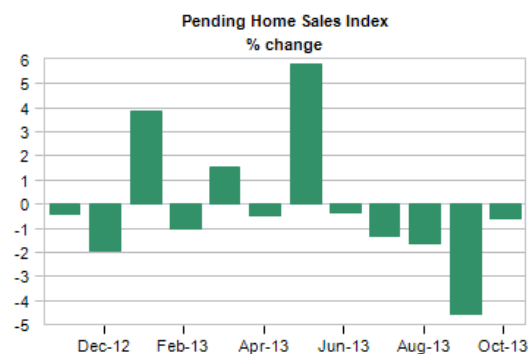
The two key factors that will determine the strength in consumer spending and GDP will be the growth in jobs and in disposable incomes. Labor market indicators continue signaling improvement. Initial claims for unemployment insurance fell 10,000 to 316,000 in the week ended

November 23. The four-week moving average fell 7,500 to 331,750. Claims have fallen steadily for the past month and are at their lowest level since late September.



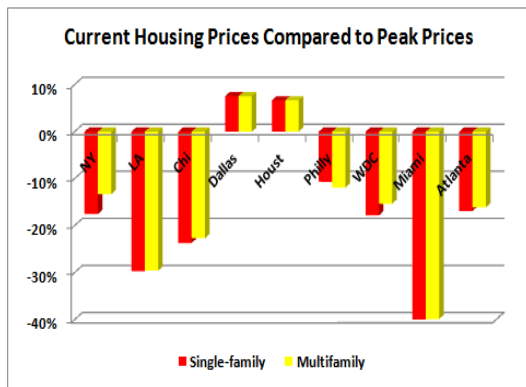
With virtually no inflation these gains in employment will lead to improvement in disposable income supporting retail sales.

Tempering the outlook is the topping out of the housing recovery. Higher mortgage rates have damped demand since the summer.

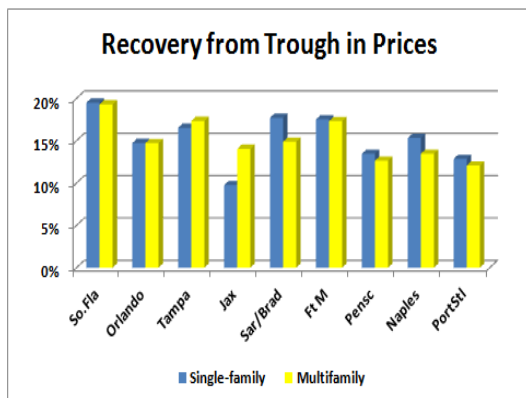


Florida Economy: Gauging the Housing Market's Recovery

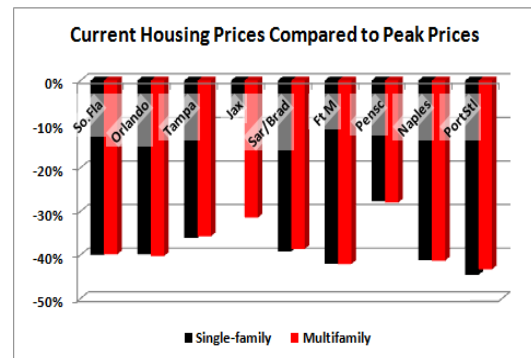
Florida's housing markets have staged a significant recovery over the last 18 months with rising prices and stronger sales. Although markets have healed, prices remain well below their prior peaks. For perspective consider current home prices compared to their prior peak for the nation's ten most populous metro areas. Only Dallas and Houston have home prices above the prior peak levels. In South Florida (Miami, Ft. Lauderdale, W. Palm) despite the fact that prices have rebounded 20% from their trough, they are still 40% below their prior peak.



Across Florida housing prices have bounced back 15%-to-25% compared to their lowest levels which were in general touched in 2011.



The rebound in Florida home prices has boosted household wealth, which supports consumption, and it has pulled many homes above their mortgage levels stimulating new listings. However, prices still remain far below their prior peaks generally reached in late 2006. As shown below, prices are still 20%-to-40% below their peaks in most metro areas. Only Jacksonville's single-family market recovered to near its prior peak pricing level.



The recent nationwide slowdown in home sales is consistent with the recent slowing of home sales in Florida. Since mortgage rates started rising this summer, the trajectory for Florida's housing sales leveled out as well. While sales rates remain robust, there was little forward momentum over the last 90-days. The recent surge in new foreclosure filings means that supply will increase. Prices have risen to levels at which financial institutions find it profitable to complete foreclosures and to bring more defaulted properties to market. The increased supply will limit future price increases. Going forward the strength in housing markets will be determined by the relative strength of higher population growth and job formation compared to the force of rising interest rates.