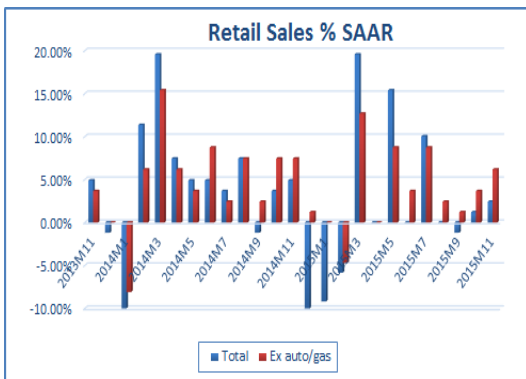


ECONOCAST™ UPDATE – December 14, 2015

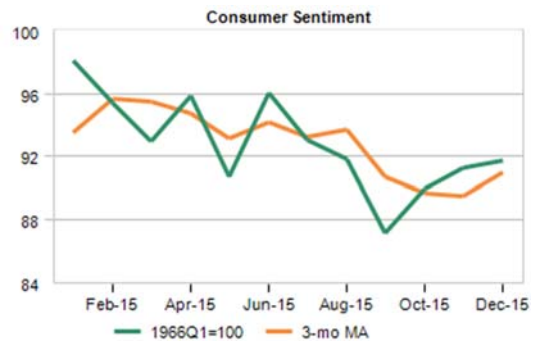
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U.S. Economy – Retail Sales are Stronger than they Appear

Retail sales were weaker again in November rising just 0.2%. This makes four straight months of little growth, the worst four-month result since the four months ended in March, when sales were limited by severe winter weather. Sales have not advanced strongly in consecutive months since late last year. However, sales are not quite this bad. Much of the weakness was caused by falling gasoline prices, and other prices have not increased either. Furthermore, the weakness is isolated to just a few segments. Core sales, excluding gasoline and cars, rose 0.5% in November and were up 3.6% over the past year. So, underlying real spending trends are far better than the top-line sales figures suggest.



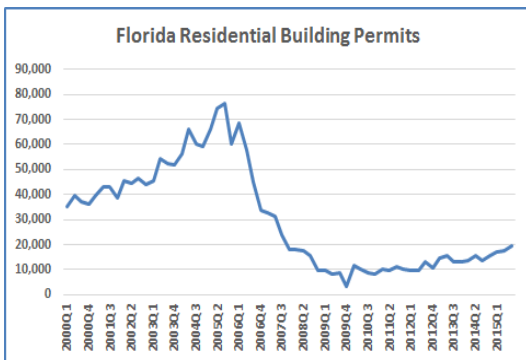
Going forward sales will improve. Falling energy prices are a plus for consumers. Job growth is pushing wages higher. Housing markets will keep improving as well, and higher house prices lift wealth and construction. Consumer confidence remains high rising for the third month reflecting lower gasoline prices and stronger job growth.



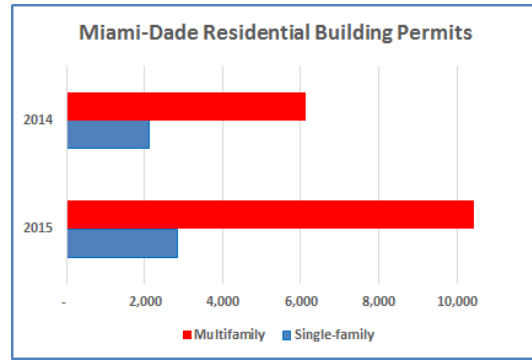
The Federal Reserve meets this week and all signs point to the first increase in the Federal Funds rate since 2008. Markets have already priced in a gradual but steady pace of increases over the upcoming 24 months as the Fed moves to normalize rates. In addition, the Fed will slowly reabsorb over \$1 trillion in liquidity that it pumped into bonds and mortgages. The Fed will not renew maturing debt and will slowly sell some assets.

Florida Economy: Building Permits Up Strongly

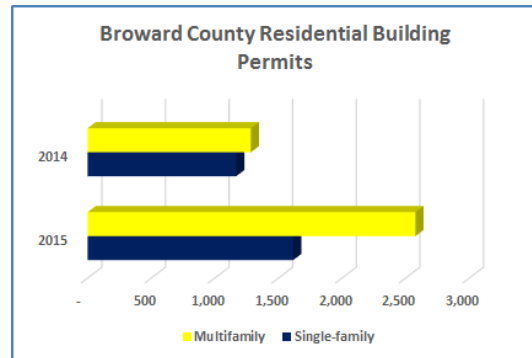
Residential building permits are up 23% so far this year compared to 2014. Yet, despite the surge, most Florida markets are not on the path to overbuilding. At the current pace 104,503 residential building permits will be issued in 2015, however strong population growth will push household formations up to about 150,000. Furthermore, even with the rise in permits this year; they remain far below their historic peak and well below their average quarterly pace of 30,297 achieved since 2000Q1.



That said multifamily permit activity has soared in South Florida this year. Miami-Dade is most at risk for overbuilding. Total permit volume has jumped 61% so far this year powered by a 70% leap in permits for multifamily apartments and condominiums. Clearly, this is unsustainable. Furthermore, the total volume of permits is projected to approach 13,500 - a volume that is sufficient to house over 35,000 people at Miami-Dade's average household size. While seasonal residents and purchasers of second homes will absorb a substantial volume of this new construction, the volume is so large that it will likely overwhelm the rise in demand.



The market situation is similar in Broward County. While the absolute numbers are smaller, the percentage increase in total permit volume is higher at 70% over 2014. Multifamily permits are up a whopping 101%.



Fortunately, outside of South Florida building permit activity has increased more modestly, especially for multifamily construction. Orange County (Orlando's core) is representative of this trend, where permit volume has increased just 14% as multifamily permits have contracted in 2015.

