

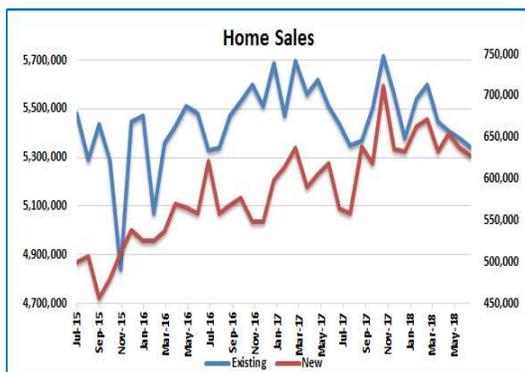
## ECONOCAST™ UPDATE – August 27, 2018

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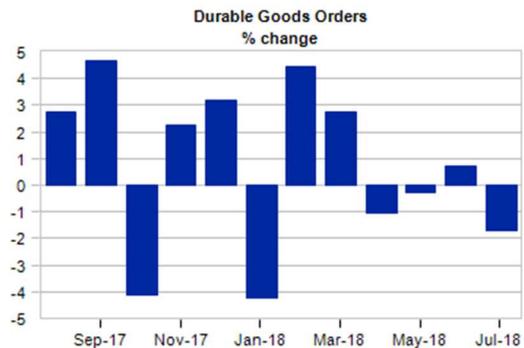
### U.S. Economy – Housing Weakens Further Despite a Strong Economy

In contrast to a strong overall economy, sales of both new and existing homes fell again in July. Sales of existing homes slipped 0.7% in July down for the fourth month in a row pushing sales back to 2016 levels. The problem is not a lack of demand, despite rising mortgage rates and higher prices. The problem is primarily on the supply side. Inventories are very tight, and most homes that are listed sell within a month. Even at higher prices, owners remain reluctant to list their properties.

New-home sales slid 1.7%, down for the second month in a row in July. But, sales are still up by 12.8% from July 2017. Pricing is softening as a result, rising just 1.8% over the year.



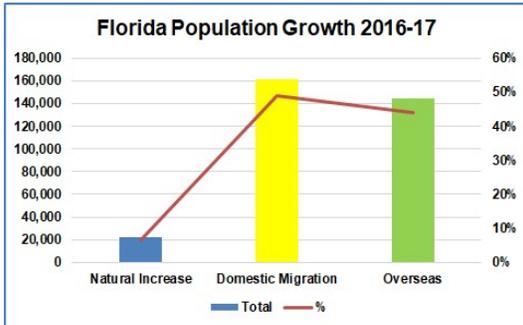
There are few signs that the tax cuts are stimulating investment. For the third time in four months new orders for durable manufactured goods declined in July dropping 1.7%. The decrease was mainly caused by transportation, mostly nondefense and defense aircraft. Furthermore, shipments decreased 0.2%, while total inventories increased 1.3% not encouraging on either score.



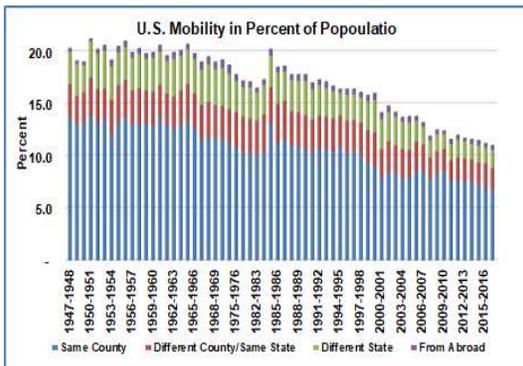
The minutes of the last Fed meeting confirmed their intent to raise rates at their September meeting. Fed Chair Powell recently stated that the “economy has strengthened substantially” with little risk of overheating. He also pushed back strongly against President Trump’s complaint that higher rates will hurt the economy. Mr. Powell stated that the Fed is non-political and will continue with its policy to raise rates.

## Florida Economy: Changing Mobility – Impact on Florida

Almost 95% of Florida’s population growth comes from people moving here. About half come from other states and the balance from overseas, including from Puerto Rico.



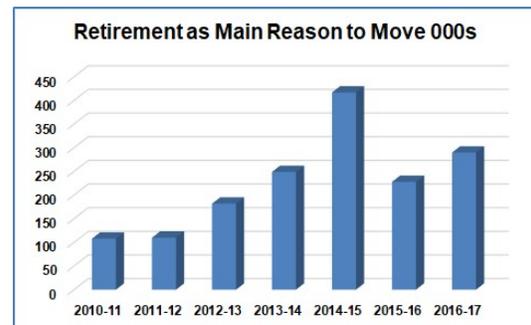
Therefore, the continuous drop in domestic mobility is concerning. Since 1950 the percentage of the U.S. population moving dropped from over 21% to about 11% last year. All components fell including those moving within their home county. Fewer than 2% moved to another state down from over 3% in 1950.



The main reasons people move are to: form their own household, family reasons, marriage, to own a home/not rent, or work related. Only about 1% move primarily to retire. About 4% of the U.S. population 65+ moved last year for a total of over 3.5 million movers. However, most of these moves were within the same county,

and only 619,000 moved to another state last year. Of those aged 25-64 about 11% moved last year totaling some 10 million. Most of these moves also remained within their home county. Only about 1/3 or 6.6 million moved to another state.

Demographic changes, especially the aging of the baby boomers, is impacting the mobility trends. While overall mobility trends are dropping, including for those 65+, the number of people who report that retirement is the main reason for their move has increased since 2010 from about 100,000 per year to an average of over 260,000 per year. Of course, people 65+ move for other reasons besides to retire. But, this increase in those moving primarily because of retirement is beneficial for Florida.



The data on miles moved is also revealing. Since 2002 miles moved has declined with 40% moving less than 50 miles. However, the percentage moving 500+ remained steady.

