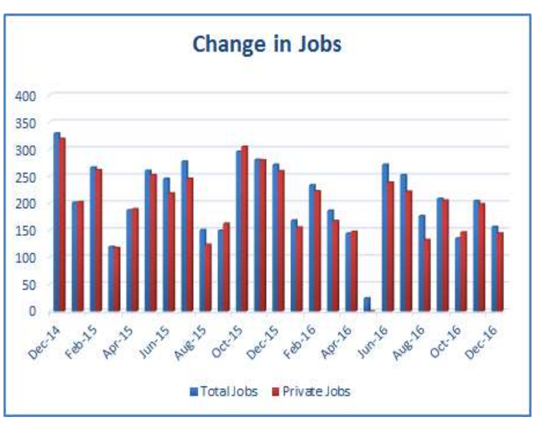
ECONOCAST™ WEEKLY

ECONOCAST™ UPDATE – January 9, 2017

U.S. Economy – Off to a Good Start

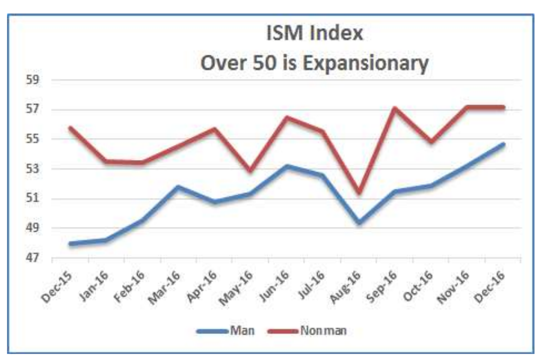
Last year ended strongly. Employment increased by 2.2 million, the unemployment rate dropped to 4.7 percent, wages are accelerating, manufacturing is improving, and a record 18 million vehicles were sold.

Although job growth slowed in December to 156,000, November job gains were revised up. The unemployment rate edged higher to 4.7% for the right reasons as both the labor force participation and employment increased. Wages are growing at a steady pace rising by 3% consistent with the tightness in the labor market. Upward wage pressure is expected to attract more workers into the labor market, but their entry is unlikely to slow the steady increase in wages.



U.S. manufacturing accelerated at the end of 2016. The ISM manufacturing index rose from 53.2 in November to 54.7 in December, boosted by stronger orders and rising production. It appears that the drag from the energy sector is abating. Rig counts are on track to rise around 110% annualized in the fourth quarter. While the fundamentals have improved, so have the political risks. The Trump administration's stance on trade could be problematic with talk of increasing tariffs.

The nonmanufacturing sector, accounting for 88% of GDP, continues to expand robustly with the ISM at 57.2 in December. The gains were broad-based, and the prospects for 2017 are favorable. Rising employment and stronger wage growth will continue to support the nonmanufacturing sector.



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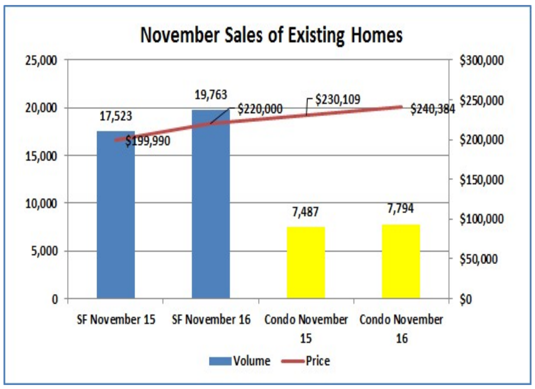
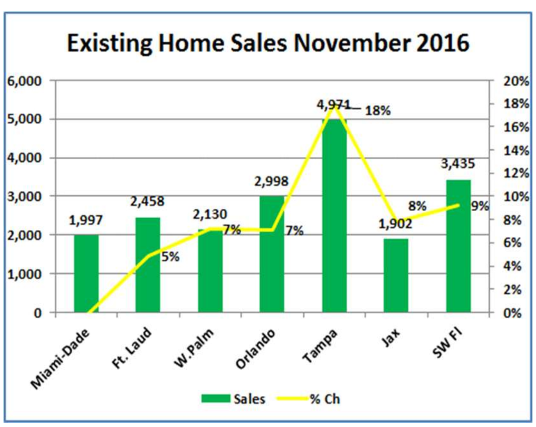
Florida Economy: Existing Home Sales Rebound in November

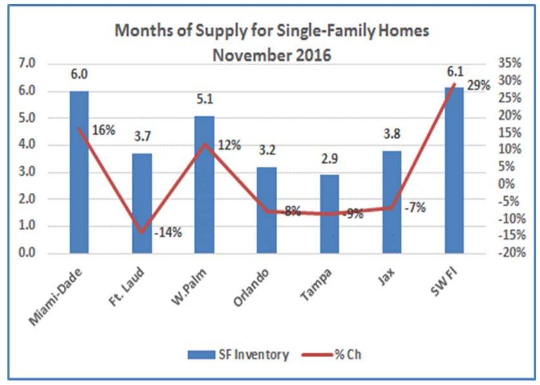
Existing home sales rebounded strongly over the 12-months ending in November, fully reversing the losses posted in October. Sales of existing single-family homes were up 13% and prices rose by 10%. Condo sales and prices rose by 4%. Inventories remained very low, but rising prices are finally triggering higher listings which should begin to ease the supply constriction.



Closings improved in every metro area, except for Miami-Dade which was flat compared to last year. Sales jumped by 18% in Tampa Bay, more than double the increase of any other metro area. But, there were strong gains in all other areas as well.



The November rebound has put additional pressure on most markets. Even though median prices for single-family sales were up 4%-to-13% across the metro markets, inventories remained very tight. New listings are increasing, but not fast enough to allow inventory levels to increase relative to the accelerating pace of sales. Most markets have less than the equilibrium level of 6-months of inventory compared to current sales, and in many markets months of supply continued to fall.



However, this was not the case for condo and townhomes in Miami-Dade or in Southwest Florida (particularly Naples). Inventory levels are bloated compared to contracting sales, and the trend is worsening. However, Miami-Dade and Naples are the exceptions. In most other markets inventories of multifamily products remained tight, especially in Orlando, Tampa and Jacksonville. In those markets, strong job growth and limited speculative supplies have kept markets tight.