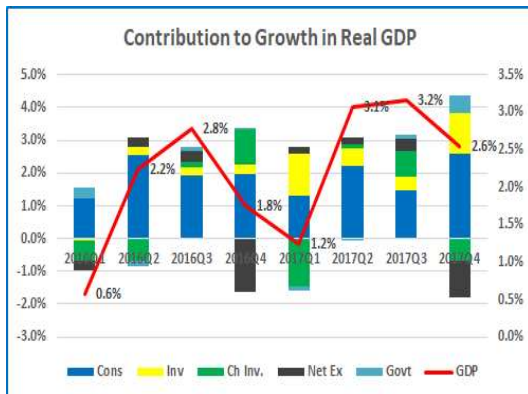


ECONOCAST™ UPDATE – January 29, 2018

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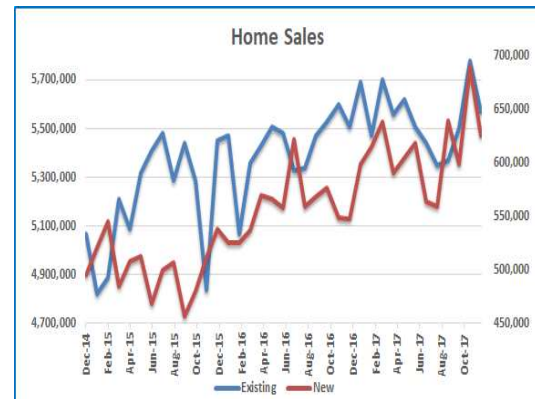
U.S. Economy – GDP and Financial Markets Continue Strong Gains

Despite continuing policy uncertainty in Washington, U.S. financial markets keep marching higher and real GDP grew a sturdy 2.6% pace to close out 2017. While growth did slow from the 3% pace over the last 6-months, this was largely from a big drop in trade which subtracted 1.1% from growth. But, trade will quickly improve in 2018 courtesy of the strengthening global economy and depreciation in the U.S. dollar. The inventory build was small shaving 0.7% off GDP. On the plus side real consumption spending rose at a 3.8% pace, much stronger than earlier in 2017 and a good sign for 2018. Investment spending rose 8% fueled by 11% gains in housing and in business equipment spending.



Strong consumption and investment spending, coupled with lower inventories, set up the first half of 2018 for 3.5% growth.

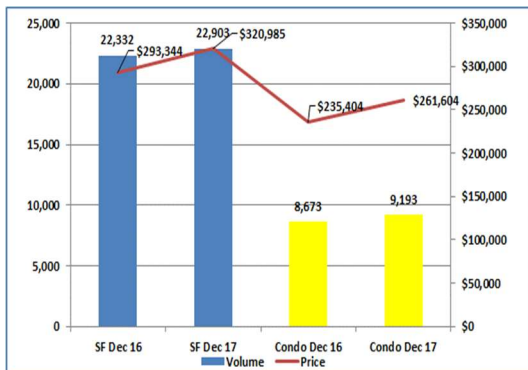
Bad weather depressed home sales in December. Existing home sales fell 4% and new home sales were down by 9%. These are one-time events, and housing markets remain in good shape. After a long climb home sales are finally approaching their long-term historical averages.



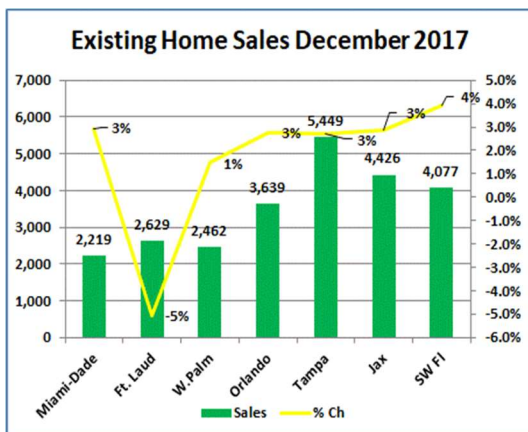
After a brief shutdown Congress reset the budgetary deadline, once again, to February 8th. Despite little public negotiation, the S&P was up 2.2% for the week and 10-Year rose to 2.66%. The growing global euphoria, reflected by rising global asset prices, raises concerns that investors have become overly optimistic.

Florida Economy: Existing Home Sales Up Modestly in December

Sales of existing single-family homes edged up 2% in December and prices were 9% higher than last year. Inventory levels are extraordinarily low at just 3.6 months compared to their normal 6 months. It appears that low inventories are limiting sales and pushing up prices. The multifamily segment had similar trends with sales up 6% and prices up 11% with only 5 months of available inventory.



Regionally, sales in Miami and in Southwest Florida rebounded in December and were up 3% and 4% respectively over last year. However, sales were noticeably softer in Ft. Lauderdale and in West Palm.

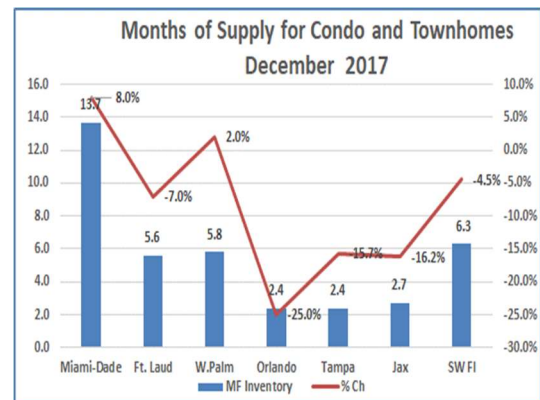


Inventories of single-family homes remained historically tight, especially in Orlando, Tampa, and Jacksonville.

Despite rising sales and double-digit gains in prices, new listing failed to keep up with sales in Orlando, Tampa and Jacksonville causing inventories to shrink even further in December.



The story was much the same for multifamily inventories in Orlando, Tampa, and Jacksonville with low inventories shrinking further in December. In Miami rising sales were met with even faster growth in new listings, causing inventory levels to rise – counter to the trends in most other areas.



Although prices have increased significantly in Florida, average home prices are still 7% below their prior cyclical peak. Florida is one of only six states in the U.S. where home prices have yet to fully recover. For perspective average home prices are now 12% higher than their past peak for the U.S. as a whole.