

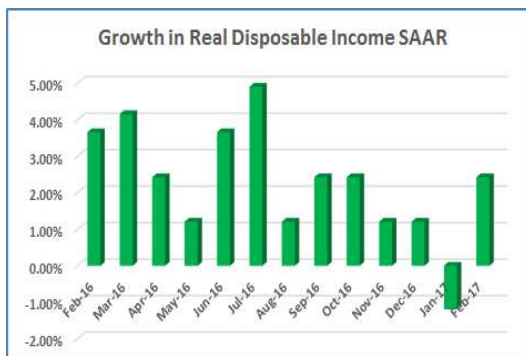
## ECONOCAST™ UPDATE – April 3, 2017

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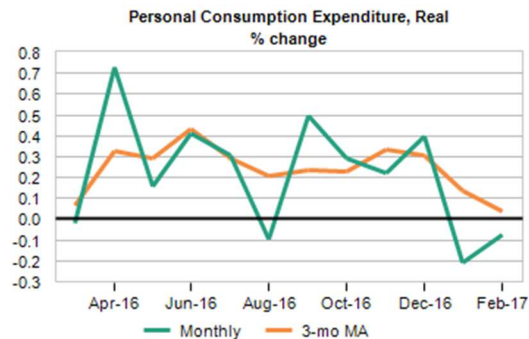
### U.S. Economy – Slow Start for 2017

Economic data this week point to slower than expected GDP growth in 2017Q1. Despite the fact that income is growing nicely, real consumer spending was down in January and in February. While a variety of statistical and one-time factors have impacted spending, reduced real spending will push GDP growth below 1% this quarter.

Nominal personal income grew 0.4% in February dipping from a revised 0.5% gain in January. Disposable income grew by 0.3% on a nominal basis but rose 0.2% when adjusted for inflation. Wages and salary growth increased to 0.5%. The labor market has tightened enough to finally spur stronger wage growth. But, accelerating inflation, now running at nearly 2% on an annual basis, is eroding the gains in nominal income.



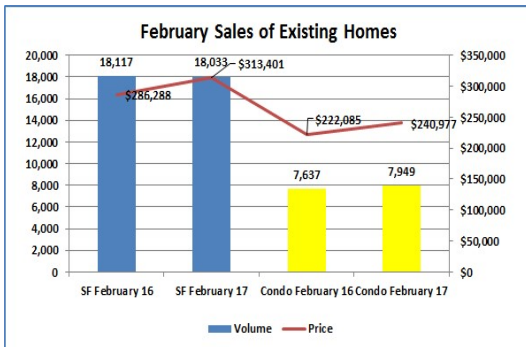
It was surprising that consumer spending has declined two months in a row -- especially since consumer confidence remains at near record levels. But: (a) warmer than usual weather reduced spending for utilities and (b) a slowing in auto spending to more sustainable levels, explain why when disposable real income increased, real spending contracted.



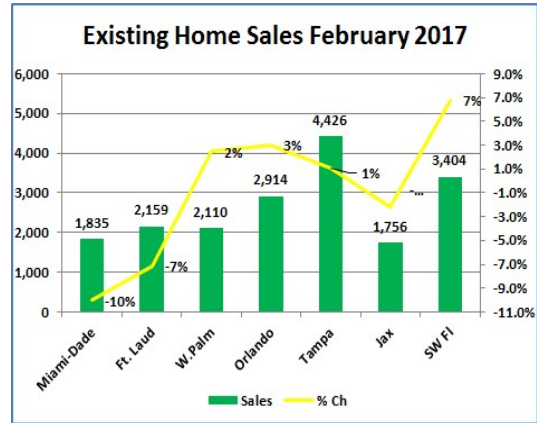
The expected personal tax cuts the Trump administration has promised would help offset the pressure that inflation is currently applying to discretionary household budgets. However, the recent failure of the President and Republican leaders in the House to push through their healthcare bill increases the uncertainty surrounding the timing and size of such tax cuts. The odds are that they will be less than the Trump administration and House Republicans have previously proposed.

## Florida Economy: Existing Home Sales Remain Steady in February

Sales of existing homes were 1% higher this February compared to last year. While sales of single-family homes dipped 0.5%, rising sales of townhomes and condos, up 4.5%, fully offset that softness. Prices were up strongly over last year with singles up 9.5% and multis up 8.5%. Inventories are very tight with just 4.2 months of supply for singles and 6.2 months for multis. With prices so much higher, it was surprising that new listings were down compared to last year. This suggests that inventories will tighten further and prices will rise faster over the next few months. These forces will stimulate more rental demand and support rising new home construction.



Existing home sales weakened further in Miami and Ft. Lauderdale with declines of 10% and 7%, respectively. In Miami sales of both singles and multis were down 10%. In Ft. Lauderdale the decline was in multis only with singles flat. Yet, despite the weakness in sales, prices continued rising in Miami and Ft. Lauderdale. Contracting sales are causing new listings to shrink, which is finally slowing the growth in active listings. If this trend continues, it will bring these markets into equilibrium.



Elsewhere in Florida, home sales were generally a bit higher than last year. The 7% surge in sales in Southwest Florida came primarily from a 20% jump in sales in Naples. While top line sales were stronger in February, the percentage gains are inflated because year-ago sales dipped lower. Nevertheless, this may mark a turn in the Naples marketplace where the contraction in sales over the prior 3-months was becoming worrisome. Sales were also stronger in Ft. Myers, Sarasota and Bradenton in February.

The inventory levels in the single-family market remain very tight in most areas. However, inventories of condominiums and townhomes remained bloated in Miami and in Naples, which inflated the figures for Southwest Florida.

