

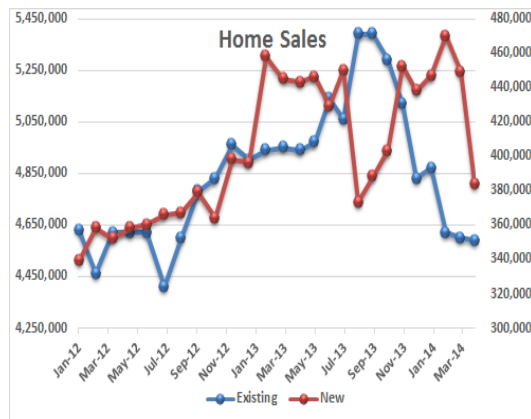
ECONOCAST™ UPDATE – April 28, 2014

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U.S. Economy – Housing Harbinger?

The housing market recovery has stalled. Sales of new single-family homes dropped 14% in March to 384,000 annualized units. Sales are down by 13.3% from March 2013. Months of supply increased to six turning a tight housing market into a balanced market.

Sales of existing homes were flat in March arresting six months of declines. Two constraints on home sales are easing: tight inventories and tight mortgage credit. With the months of supply rising the number of desirable homes for sale will increase. At 5.2 months of supply, the market is on the tight side, but less than last year at this time.

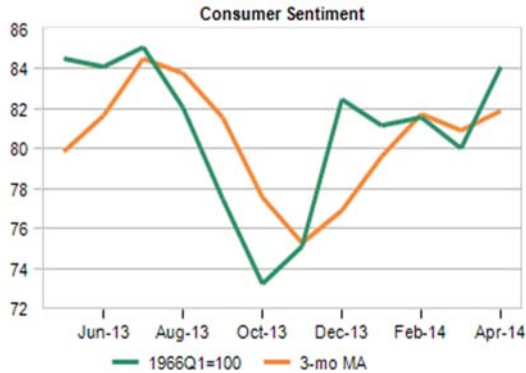


The weakness in housing markets is surprising given that the fundamentals appear to be strong: (a) rising job gains, (b) strong consumer confidence, and (c) expanding credit. Yet, housing remains very weak by historical standards. Existing home sales of 4.6 million are below their 20-year average of 4.8 million and new home sales while better than in 2010 are only half of their 20-year average of 752,000 and less than their 50-year average of 663,000. The weakness in residential construction is the worst for any recovery since the Depression and reduces growth of GDP by 1.5% compared to a typical housing recovery.

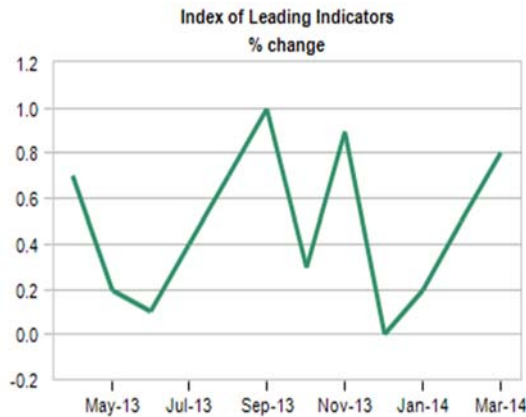
The persistent weakness is largely due to very low levels of household formations – down from 1.4 million per year from 2001 to 2006 to just 569,000 from 2007 to 2013. This drop is mostly because young people are remaining with their parents far longer than normal. This is due in part to weak employment among those aged 20-24 where employment remains 7% below 2007 levels and to the fact that 25% of employed people ages 25-to-34 are still living with their parents. Evidently, it will take more time in a slowly recovering labor market to boost employment

prospects and wages sufficiently to encourage these young people to form their own households and buy or rent homes.

Consumer rose to 84.1 from 80 in March, its highest reading since July. Improved confidence about their current financial situation as well as higher expectations for the next year pushed the index up.



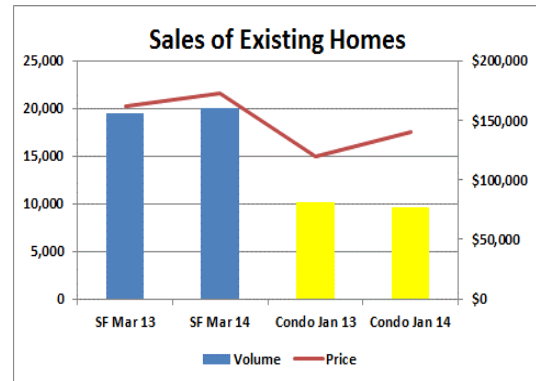
The Conference Board index of leading indicators also rose a strong 0.8% in March following a 0.5% increase in February and marks the seventh increase in eight months.



These indices point to accelerating growth in the months ahead.

Florida Economy: Housing Stalls

Florida's housing markets, like those in the nation as a whole, have also stalled. Sales of existing single-family homes are only up 3% over the 12 months ending in March with condo and townhome sales up 7% over the year. Price gains were 7% and 17% for homes and condos respectively.



Sales volumes across the State's major metro areas ranged from just over 1,500 in Jacksonville to nearly 4,500 in Tampa Bay and across Southwest Florida from Bradenton to Naples. The growth in sales ranged from a high of 8% in West Palm to a low of -9% in Orlando comparing March 2014 to March 2013.

