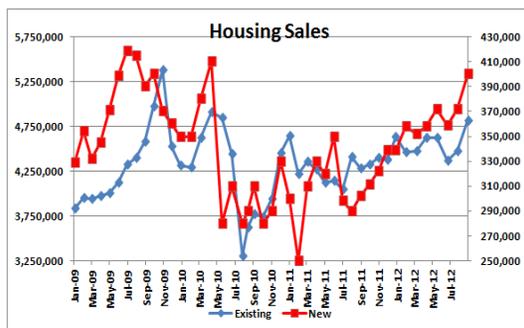


ECONOCAST™ UPDATE – September 24, 2012

U.S. Economy – Housing Turns Stronger

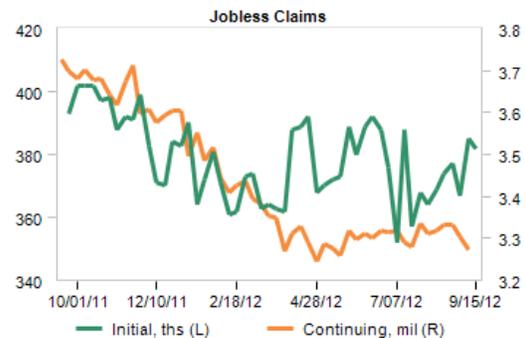
Finally, housing markets are rebounding. August sales of existing homes jumped by 7.8% over July and stand 9% above this time last year. Sales are running at an annual pace of 4.82 million units which is the fastest since May 2010. The months of inventory declined to 6.1 even though listings increased 2.9%. The fact that sales outpaced mounting new listings demonstrates the real strength of the market. Furthermore, prices are up too with the median closing price up 9.5% over the year due in part to a decline in the share of distress.



Builders are reporting strong traffic in their sales centers and new residential construction jumped to an annual rate of 750,000 units in August which is 29% above last year. On this basis I expect new

home sales to also rise strongly as shown in the chart above.

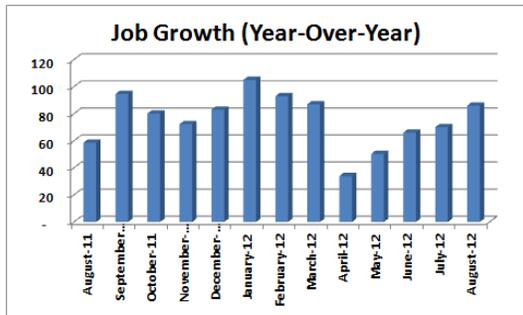
The housing recovery comes not a moment too soon. Manufacturing and exports are weakening in the face of Europe's recession and the global slowdown in growth. Jobless claims edged down last week but remain elevated signaling no acceleration in job growth. Fortunately, job growth at +/- 100,000/month is strong enough to sustain growth of 2% in real GDP.



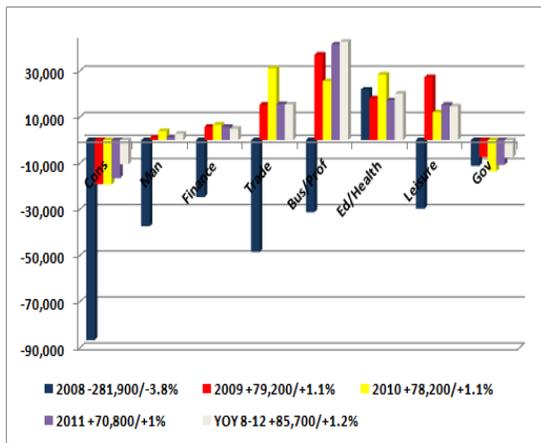
Although recession is deepening in Europe, financial markets continue to improve following the ECB's promise to purchase European government bonds. Last week's auction of Spanish debt was surprisingly successful with rates declining over 100 basis points. Italian bonds also rallied. Regrettably, the U.S. Congress adjourned without resolving the looming fiscal cliff.

Florida Economy: Job Growth Continues Improving Slowly

The August employment report for Florida was as expected. Job growth continues to slowly improve, but even with over 86,000 jobs generated over the year, the rate of job growth in Florida is only 50% of the U.S. rate, which is not saying much.



The composition of job growth was interesting with accelerating gains in business and professional services, which includes temporary help services. Trends in temporary help are good leading indicators for overall job growth, so growth here is encouraging. Also, the job losses in construction and government are dissipating. As these losses are reduced, top line growth will accelerate next year.



Job growth in Orlando came roaring back in August jumping nearly 26,000 compared to last year paced by gains in tourism, trade, and professional services. Even construction jobs increased in Orlando. Tampa Bay also had good job growth with gains in healthcare, education, trade, and tourism.

August 2012 Data	Over-the-Month Change		Over-the-Year Change	
	Level	Percent	Level	Percent
Cape Coral-Fort Myers MSA	-1.1	-0.5	-2.0	-1.0
Crestview-Fort Walton Beach-Destin MSA	-0.3	-0.4	-0.5	-0.6
Deltona-Daytona Beach-Ormond Beach MSA	-0.7	-0.5	-2.4	-1.5
Fort Lauderdale-Pompano Beach-Deerfield Beach MD	-2.3	-0.3	4.1	0.6
Gainesville MSA	-1.1	-0.9	-2.8	-2.2
Jacksonville MSA	5.5	0.9	5.6	1.0
Lakeland-Winter Haven MSA	0.3	0.2	2.2	1.1
Miami-Fort Lauderdale-Pompano Beach MSA	-4.8	-0.2	4.8	0.2
Miami-Miami Beach-Kendall MD	1.7	0.2	4.3	0.4
Naples-Marco Island MSA	0.2	0.2	3.8	3.4
North Port-Bradenton-Sarasota MSA	0.5	0.2	1.7	0.7
Ocala MSA	1.1	1.2	1.8	2.0
Orlando-Kissimmee-Sanford MSA	7.9	0.8	25.9	2.6
Palm Bay-Melbourne-Titusville MSA	-0.9	-0.5	1.5	0.8
Panama City-Lynn Haven-Panama City Beach MSA	-0.5	-0.7	-0.8	-1.1
Pensacola-Ferry Pass-Brent MSA	-0.9	-0.6	-3.0	-1.9
Port St Lucie MSA	0.6	0.5	-2.3	-1.9
Punta Gorda MSA	-1.2	-2.9	-0.4	-1.0
Sebastian-Vero Beach MSA	0.5	1.1	0.4	0.9
Tallahassee MSA	2.2	1.3	-0.5	-0.3
Tampa-St. Petersburg-Clearwater MSA	0.3	*	15.7	1.4
West Palm Beach-Boca Raton-Boynton Beach MD	-2.0	-0.4	-1.6	-0.3

Job growth in South Florida was positive, but the pace of job gains has slowed significantly. Miami-Dade and Broward saw gains of just +/- 4,000 over the year and West Palm lost 1,600 jobs over the year. West Palm's tourism sector was particularly weak with losses now stretching over three years in this sector.

Notably, 10 of Florida's 17 MSAs lost jobs over the last 12-months at a time when job growth statewide accelerated. Losses in Gainesville and Tallahassee are readily understandable given their dependence on State government. Losses in Pensacola and Panama City are surprising given the strength in tourism in those areas this summer. Finally, Port St. Lucie, Punta Gorda, and Ft. Myers are still suffering from the lingering effects of the housing crash.