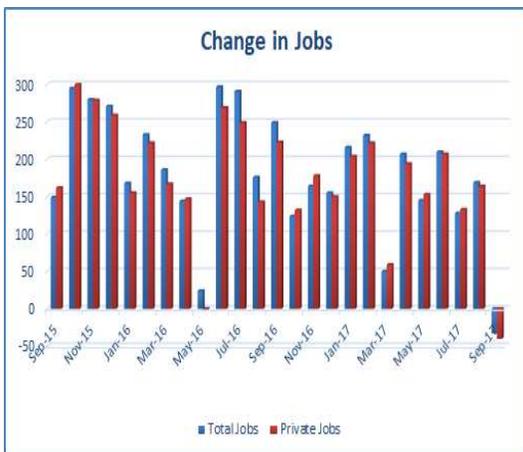


ECONOCAST™ UPDATE – October 9, 2017

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U.S. Economy – Hurricane Impacts

The economic impact of hurricanes Harvey and Irma are showing up in the September data. September payroll employment dipped by 33,000 jobs. Leisure/hospitality, most of it in Florida, created most of the drag, declining by 111,000. The unemployment rate declined to 4.2%, but this too was due to the inability to access all of the sample households in the storm-affected areas. Based on the experience from prior hurricanes, the September dip will be quickly reversed. Recent indicators support this view. The ISM surveys and even continuing unemployment insurance claims point to sustained growth and even renewed momentum in the economy.



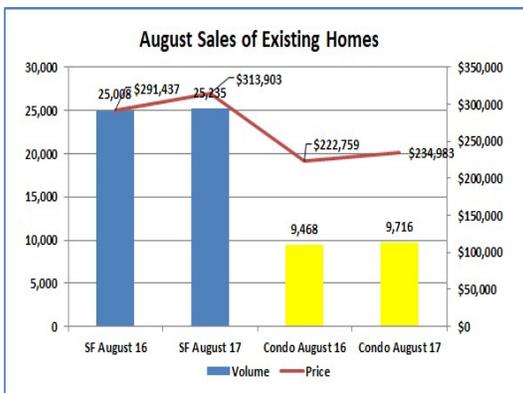
The degree to which this will translate into higher payroll gains will depend on the ability of employers to fill their vacancies as the labor market tightens further, but the increase in the labor force participation was a good sign.

The ISM manufacturing index jumped to 60.8 up from 58.8 in August. New orders are fueling the gains courtesy of the weak dollar and a stronger global economy. The ISM non-manufacturing index soared to 59.8 in September up from 55.3, and it is at its highest level since August 2005. The hurricanes were a net positive boosting new orders, consuming inventories, and accelerating deliveries. Since non-manufacturing accounts for 88% of GDP, this is very encouraging.



Florida Economy: Existing Home Sales Flat in August

Sales of existing single-family homes were up by just 1% in August compared to last year. Sales of townhomes and condos were a bit better, up 2.6% over last year. But their prices were 7.7% and 5.5% higher, respectively. It is clear that the lack of supply is holding back sales volumes and boosting prices. High demand and rising prices are prompting an increase in new listings, but not fast enough to reduce the pressure. There are just 3.8 months of inventory at current sales rates for single-family homes and only 5.4 months for multIs, when 6.0 months is considered to be normal.

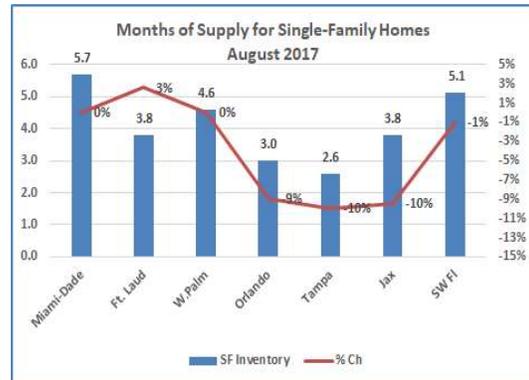


There were strong regional differences in August. Sales dropped 10% in Miami and 9% in Ft. Lauderdale compared to 2016.



At the other extreme, sales were up 4% in Orlando and Jacksonville. Otherwise, sales of existing homes were essentially the same as last year for Florida's other metro markets.

The inventory of single-family homes is tight everywhere in Florida, but it is historically tight in Orlando, Tampa and Jacksonville.



By contrast, the inventory of condominiums remains bloated in Miami, and conditions worsened in August with the drop off in sales. Otherwise, inventory levels are very tight, though not quite as tight as in the single-family market.



The influx of Puerto Ricans will push demand up strongly in 2018, particularly in Orlando and Miami. Since new supply can only be delivered with a lag, markets will tighten further and prices will rise faster.