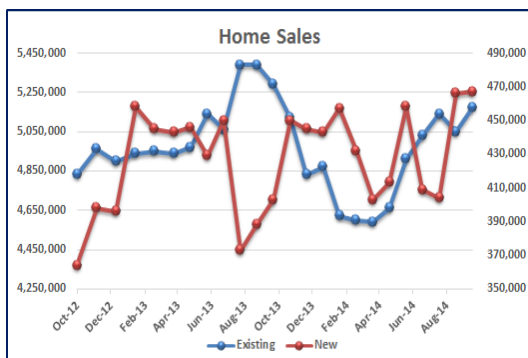


ECONOCAST™ UPDATE – October 27, 2014

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U.S. Economy – Confirming 3.5% Growth in GDP

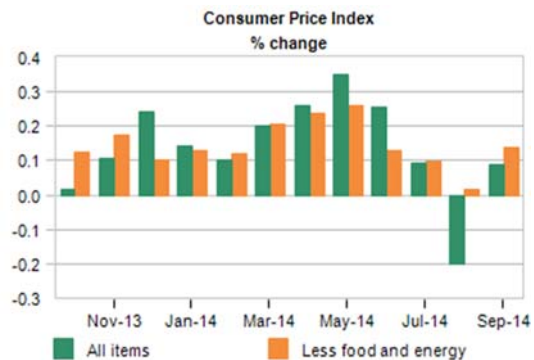
This week's data confirms that GDP is growing at about 3.5% SAAR. Home sales continue to improve, but only very slowly. Sales of existing homes ticked up to 5.17 million in September, up by 2.4% from the revised August total, but they are still 1.7% below September 2013. New home sales rose to 467,000 SAAR -- up 17% higher than last year.



Since the recession ended, housing has lagged. Home construction remains well below the pace of household formation with the excess stuck in the rental and existing-home markets. First time buyers are far below prior recoveries. That said, housing will improve a bit faster in 2015 as job growth and personal income growth accelerate. The ratio of U.S. employment to working-age

population will regain its prerecession peak by late 2017, boosting homebuyer confidence, so that sales and single-family construction will pick up over the next few years.

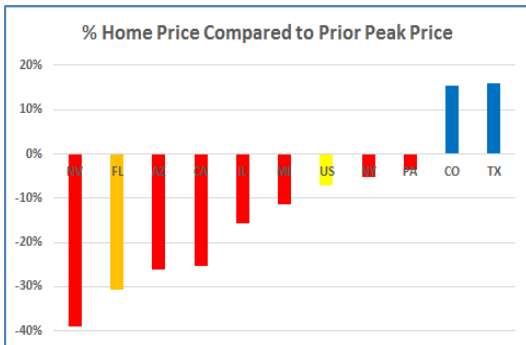
The CPI inched up 0.1% in September with higher prices for food and shelter offsetting weaker energy prices. Inflationary pressure remains tame as both top-line and core CPI have increased just 1.7% over the last 12 months. As a result, the Fed will be in no hurry to raise interest rates.



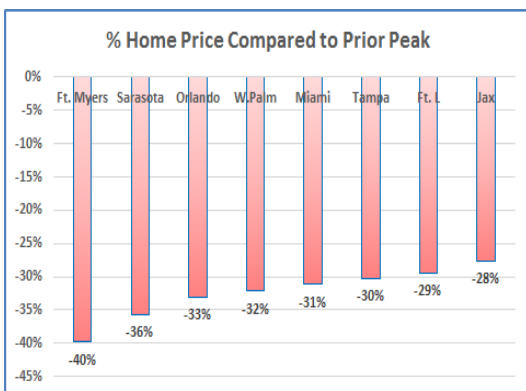
Initial claims for unemployment insurance rose 17,000 to 283,000 in the week ending October 18, but the four-week moving average of claims fell 3,000 to 281,000 -- the lowest level since mid-2000. This means that the October employment report is likely to show more than 225,000 new jobs were created.

Florida Economy: Home Prices Recover Slowly

Home prices in Florida are recovering from the housing bust, but the recovery is slow and incomplete. Home prices dropped 45% from their peak in 2006Q2 to their trough in 2011Q3. Since then prices have recovered 27%, but that still leaves prices 31% below the prior peak. Compared to other states, only Nevada's home prices are more depressed than Florida's. For the U.S. as a whole home prices are only 4% below their past peak. In some states, such as Colorado and Texas, home prices are substantially higher than in the past.

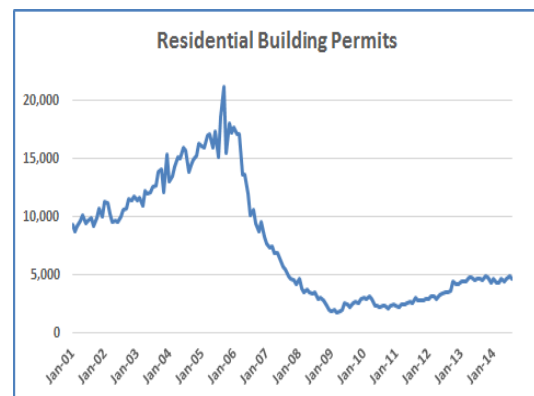


Throughout Florida home prices are far below their past peaks. Across Florida's major metro areas home prices remain as much as 40% below the past peak in Cape Coral-Ft. Myers to 28% down in Jacksonville.



Home prices are rising, but only very slowly now. Over the last year prices have increased by about 5% on average in Florida. At this pace it will take nearly a decade for prices to regain the past peak.

The pace of new construction, while much improved from the low point in 2009, remains very depressed by historical standards. Therefore, the addition of new homes at higher prices to the housing stock will have very little impact on average residential property values in Florida.



The pace of construction activity and price improvement should accelerate moderately over the balance of this year and into 2015. The fundamentals support stronger gains going forward. Employment growth in Florida is running at relatively high levels which supports accelerating household formation and improving levels of disposable income. Florida's population growth is also accelerating as the improving job market attracts in more working age families. Added to this is the rising pace of retiree migration, which is also supported by stronger home sales nationwide. These trends will accelerate in 2015. Mortgage rates remain low and underwriting standards are relaxing a bit. So, 2015 should be better for housing in Florida and in the nation.