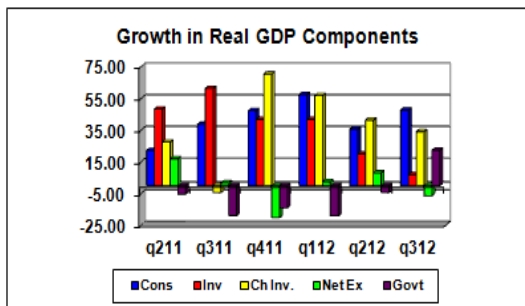


ECONOCAST™ UPDATE – October 29, 2012

U.S. Economy – Growth at 2%

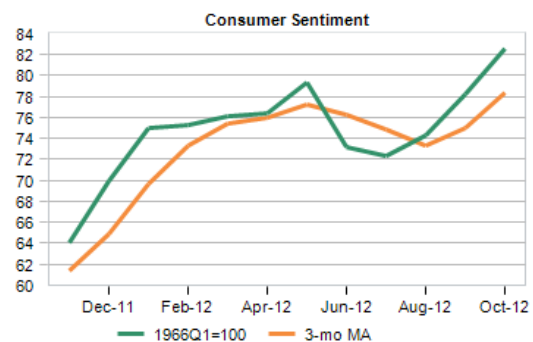
Real GDP grew at a disappointing 2% pace in the 3rd quarter, which at least was up from 1.3% in the second quarter. Consumer spending advanced and inventories increased. The big surprise was a surge in federal spending, as agencies accelerated their spending ahead of the looming fiscal cliff, which drove up government spending at its strongest pace in three years. The surge in housing offset weakness in business investment spending, but overall investment increased slightly. Net exports were weaker from the global economic slowdown.



The 3rd quarter report extended the string of subpar growth reports that have characterized this recovery so far. The continuing slow growth and the uncertainties posed by the fiscal cliff caused the Federal Reserve to announce again after their October meeting that they would do whatever

was necessary to assure that the economy grew and unemployment declined. They promised to continue their stimulus program not just while the economy was weak, but “for a considerable time after the economic recovery strengthens.”

In contrast to the business sector, where firms are reluctant to hire or to invest, consumer confidence has soared recently to its highest level since late 2007. Stronger housing markets play a big role in this improvement. However, the strength seems out of line with other fundamentals including modest employment gains and high gas prices.



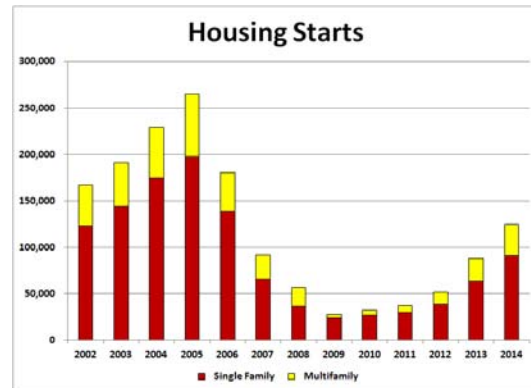
High consumer confidence coupled with modest economic growth may set the stage for stronger growth next year once the uncertainties of the election are behind us and assuming resolution of the fiscal cliff.

Florida Economy: Forecast Update Sees Faster Growth

Prospects for Florida's economy have improved. Next year should bring stronger growth of 3% in real GDP by the second half of the year as monetary stimulus combines with some form of fiscal policy resolution to stimulate growth. Very low interest rates and stronger housing markets nationwide favor Florida's economy which will enjoy accelerating population growth and good gains in tourism. Miami-Dade will benefit from more immigration from Venezuela in 2013 as Chavez nationalizes more of their economy causing those who can to leave.

Population growth has moved steadily higher since the 2009 trough, and the pace will pick up in 2013-14 based on stronger housing markets in the eastern U.S. and accelerating international migration. Job growth will break out of its modest trajectory in 2013 as housing starts improve in Florida along with growing tourism and service sector demands from the growing population. While the peak will be well below the levels of 2004-5, Florida's growth will be the strongest for any state east of the Mississippi.

Housing starts will finally move significantly higher next year since: (a) the inventory is greatly reduced, (b) prices have stabilized, (c) population growth accelerates, and (d) stronger employment promotes more household formation. While considerably below the prior peak, the moderate housing recovery will prove more sustainable.



Nonresidential construction is also expected to rebound strongly in 2013-14 after the very deep recession. At this juncture, much of the excess inventory is gone and vacancy rates for most income producing properties in most areas is now low enough to support new construction. Retail, warehouse and office space will be supported by the growing population, but government construction will remain low by historical standards based on the erosion of public finances.

