

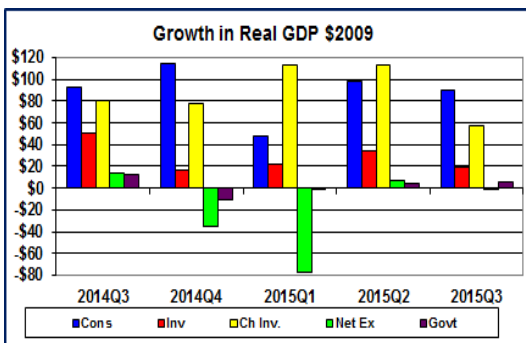
ECONOCAST™ UPDATE – November 2, 2015

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U.S. Economy – Weak Data, but Lower Political Risk

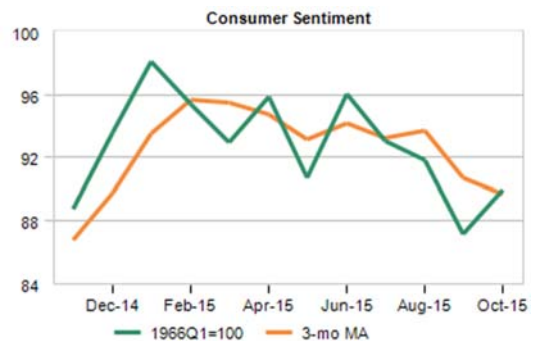
There was little good economic news last week, but the political risks associated with the debt ceiling and the budget were resolved. Congress passed a 2-year budget and raised the debt ceiling through March 2017. Lower political risk means lower interest rates and somewhat stronger growth ahead.

The top line data reports are worse than the fundamental reality. The advance estimate for real GDP depicts a slowing economy growing at just 1.5% in the 3rd Quarter. However, most of the slowing is attributable to much reduced inventory investment. Consumption spending remained strong supported by a 3.1% rise in disposable income underpinned by continuing job growth.



The slower growth in fixed investment was largely because of the lull in residential construction. Business investment in equipment rose at a 5% pace reflecting confidence in the outlook. Commodity prices are stabilizing so the worst of the adjustment is behind us.

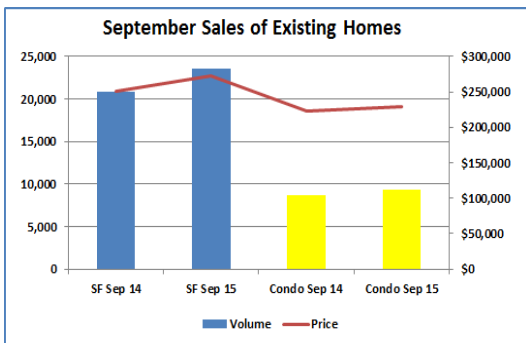
Consumer confidence rebounded in September. Consumers are feeling better about current conditions, and they have more favorable economic expectations. The stock market recovery over the past month has regained most of the August losses restoring household wealth.



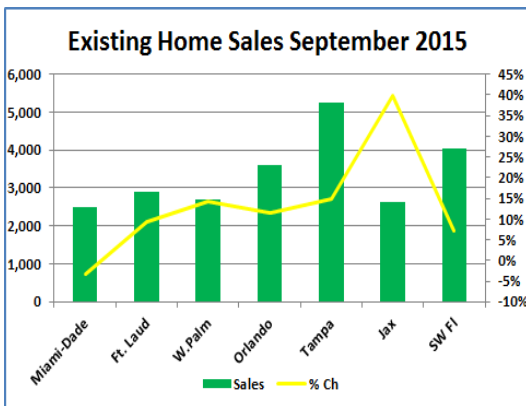
In other data last week, new claims for unemployment remained very low signaling stronger gains in employment in September. Home prices rose 5% compared to last year according to the Case-Schiller home price index, another support to household wealth.

Florida Economy: Strong Existing Homes Sales in September

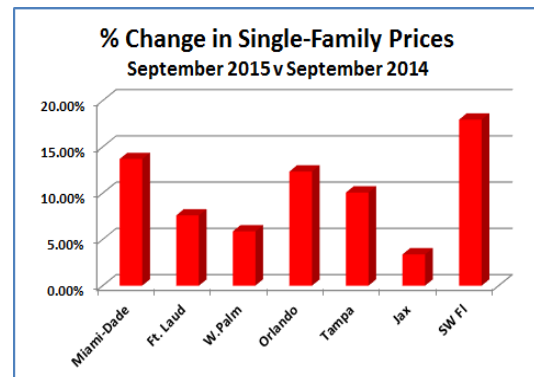
Existing homes sales remained strong in September. Single-family sales rose 13% and the average closing price jumped 9% to \$272,658 compared to September 2014. Condominium closings increased 8% and their average price was 3% greater than last year. The strength in existing home sales reflects the high levels of population growth and job formation, coupled with very low mortgage rates.



These statewide data obscure significant regional variations. For example, over the last year sales of existing homes in Jacksonville skyrocketed 40% while at the same time sales dipped 3% in Miami-Dade. The remaining major metro areas had sales gains over the year ranging from 7% in Southwest Florida to 15% in Tampa Bay.



The variations in price growth were just as startling, and just as inverted. For example, the average closing price for single-family homes rose over 13% in Miami-Dade but by only 3% in Jacksonville. For Southwest Florida average single-family closing prices rose 18% powered by dramatic prices increases in Naples, where the average closing price for single-family homes was the highest in Florida at \$746,787. Obviously, the luxury single-family marketplace has recovered. The highest average closing price in September 2015 for an existing condominium was \$393,590 in Miami-Dade.



The supply of existing single-family homes for sale continued to decline in September 2015 compared to the accelerating pace of sales. Normally markets maintain a six month supply of inventory listed for sale. Every major market in Florida has much less inventory.

