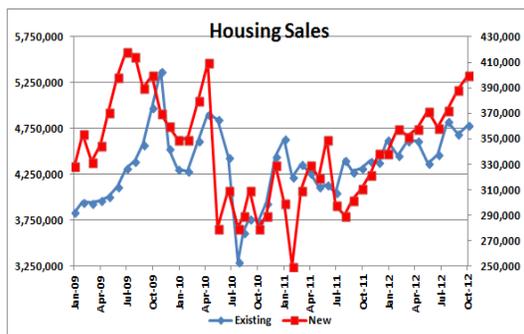


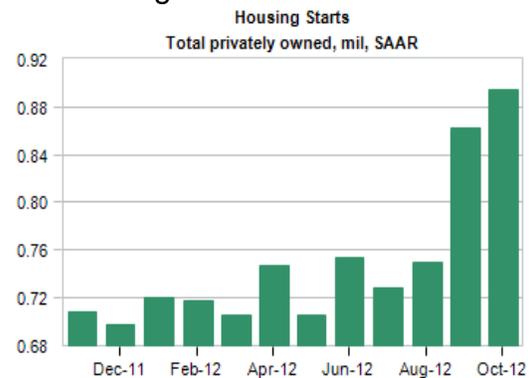
ECONOCAST™ UPDATE – November 26, 2012

U.S. Economy – Housing Recovery

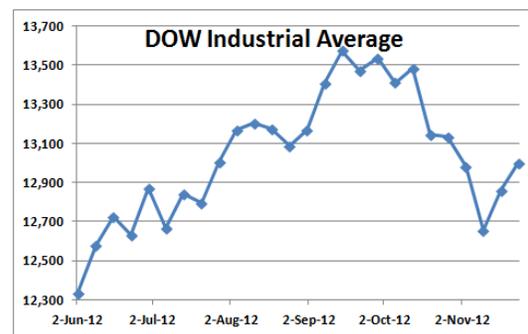
Housing markets now appear to be recovering and are poised to lead growth in 2013. Sales of existing homes rose 2.1% in October to their second fastest pace in almost two years. Sales totaled 4.79 million units at an annual rate, and are 11% above their level at this time last year. Hurricane Sandy did dampen sales in the Northeast, but even so inventory levels are at just 5.4 months compared to sales, so supply has hit its lowest point since mid-2006 relative to sales. Price appreciation is strong at 11.1% over the year, but a declining share of distress sales is behind some of these price gains. New home sales will be reported next week but they will likely be about 400,000 on an annual basis.



Strong sales are stimulating new residential construction as starts rose to a seasonally adjusted annual rate of 894,000 in October, a 3.6% gain from September and the fastest pace since mid-2008. Apartment construction led the gains. Although total permits declined in October, completions increased a sharp 14.5%. Overall, the data reflect a housing recovery that is accelerating.

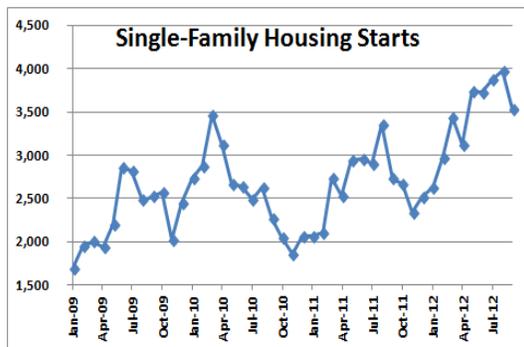


Equity markets have rallied strongly as we edge away from the fiscal cliff.

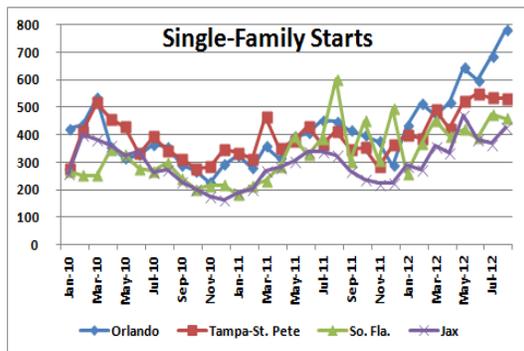


Florida Economy: Improving Housing

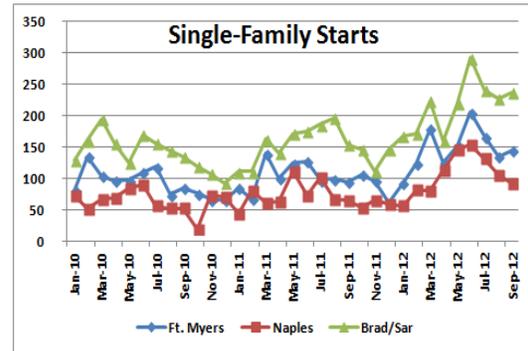
Consistent with national trends, Florida's housing markets have also improved significantly over the last year. Statewide single-family housing starts dipped in September, but they were 30% higher than a year ago. Single-family starts are running at an annual rate of nearly 50,000 units. While this is far below the 2006 peak, it still represents a healthy rebound from the historic lows touched in 2009.



Orlando lead all major metro areas in the state with single-family starts at 800 last month. Tampa-St. Pete, South Florida, and Jacksonville have all had good gains as well. With inventory levels very low and a rising tide of existing home sales Florida's homebuilding market is poised for further good gains in 2013.



Even across southwest Florida, which endured the worst of the of Florida's boom/bust housing cycle, starts have begun to recover. The Bradenton/Sarasota market has shown the best gains, but even in Ft. Myers, arguably the epicenter of the bust in Florida, starts have begun moving higher on a sustained basis.



However, there remains an ominous cloud over the rising sun of Florida's housing markets, foreclosures. The good news is that foreclosures remain well below their peak 2010 levels. The bad news is foreclosures have increased by 17% this year compared to last year. The rising tide of foreclosures is threatening, but the volumes are not so high as to significantly affect housing starts. But, they are high enough to restrain the prices of existing homes. Given the very tight inventory situation, existing home prices should be rising much faster, but the volume of foreclosed properties coming to market has kept prices down and will continue to do so in 2013.

