

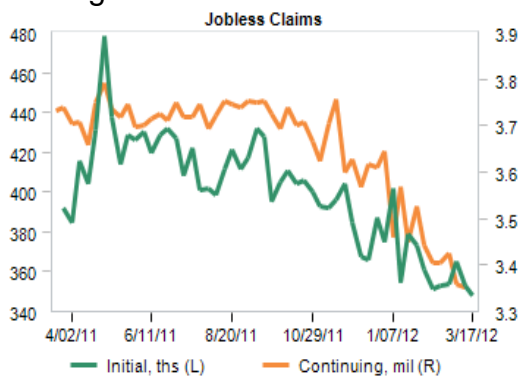


ECONOCAST UPDATE – March 26, 2012

U.S. Economy – Weather Distorts but Growth Remains Steady

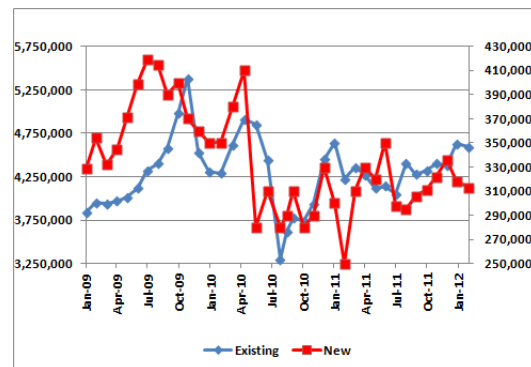
The unusually warm winter directly boosts the economy by reducing energy consumption and by allowing more outdoor economic activities. In addition, because the weather is unusual the real increases in economic activity are magnified by the seasonal adjustment process. Nevertheless, this week’s economic data continue pointing to GDP growth of 3% or more.

Most importantly this week jobless claims dropped to a four-year low highlighting sustained improvement in hiring.



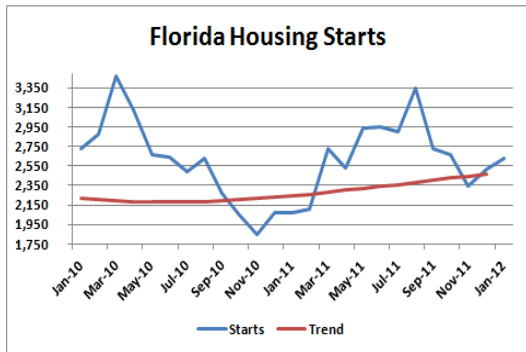
Housing indicators were surprisingly weaker in February. Existing home sales slipped 0.9% in February to an annualized 4.59 million units, but the Realtors revised January sales up by

1.3%. Thus even with February’s slight drop, average sales are running 4% faster in three months ending in February than in the three months ending in November. Sales are firming as job growth accelerated. Other positive signs include low months of inventory and seeming stabilization in the median house price. Sales of new homes in February dipped 1.6% from the January pace to an annual level of 313,000. Census revised downward January sales but revised December sales upward. On average, sales are up in the last three months compared with the three-month average ending in November. view of the six-month outlook and traffic of homebuyers. Ironically, the increase in mortgage rates above 4% should help housing by pushing potential buyers to purchase before rates rise again.

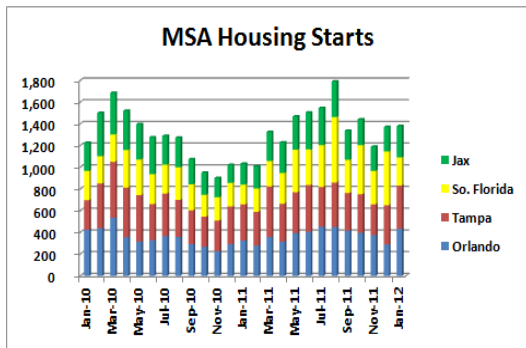


Florida Economy: Florida's Housing Markets Slowly Recover

Florida's housing markets are slowly improving. While progress is haltingly slow, the basic trend is slowly higher. For example, while housing starts are quite volatile from month-to-month the overall trend over the last 24 months is slightly better.

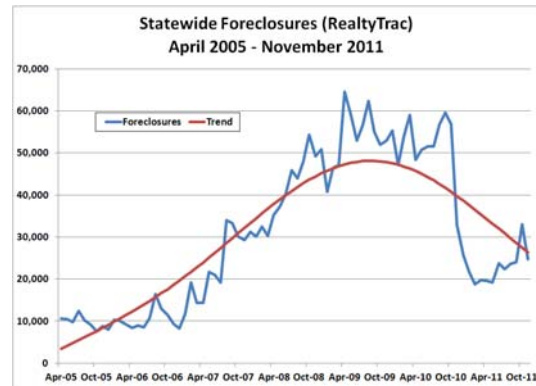


Most of this two-steps forward and one-step back pattern comes from markets in Tampa and Orlando, but all four of the largest metro areas displays this same pattern.



Florida's housing markets in particular, along with the other most troubled areas in the U.S., continue to suffer from serious structural imbalances that inhibit the natural market tendency towards equilibrium. The severe over building that characterized the

housing bubble fosters substantial excess supply that still clogs markets. This was exacerbated by the documentation scandal that caused banks to limit their foreclosure processing. Now that the banks have settled with most of the various state attorneys general, foreclosure filings have increased across the U.S. and in Florida.



Florida's judicial process for foreclosures is very slow and the courts are clogged with cases. As a result, the market cannot regain balance. It will take many years for the stock of foreclosures in Florida to be processed and absorbed at current rates. As a result, this shadow inventory will hang over Florida's housing markets. The main effect is to put continuous downward pressure on pricing. As is the case for the nation, rising employment in Florida is generating increasing demand for housing. This coupled with continuing strong demand for Florida housing from South Americans has bolstered Florida's housing markets all but arresting the fall in home prices. The problem for the markets is that even with increased demand, the shadow inventory, of somewhat unknowable size at any point in time, limits price recovery. So, volumes slowly improve and will continue to do so without rising prices.