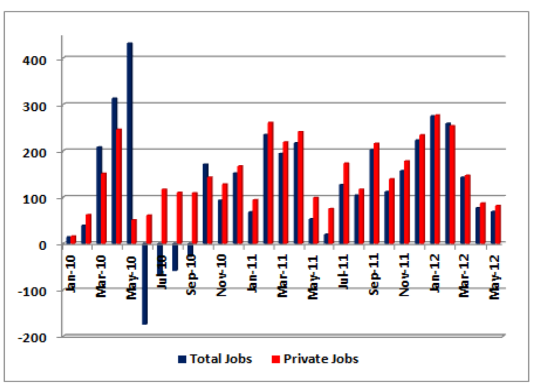
FISHKIND & ASSOCIATES

ECONOCAST UPDATE – June 4, 2012

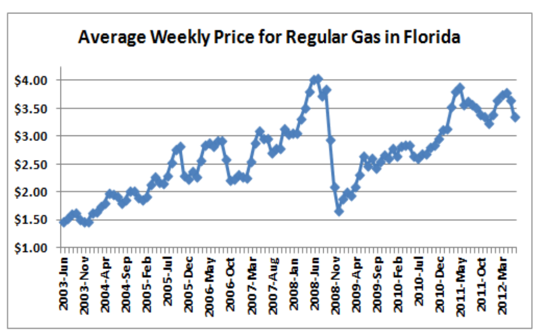
U.S. Economy – Growth Slows

U.S. economic growth has slowed to less than a 2% pace, about the same as in the first quarter. Signs of a spring slowdown include another weak employment report, poor car sales in May, and weaker new construction spending.

Job growth disappointed for the third month in a row, and the weather cannot be blamed. Payroll employment increased by only 69,000, while the gains for the prior two months were revised downward by a total of 49,000. The weakness was broad across industries. The unemployment rate increased to 8.2% from 8.1% as more people stepped back into the labor force.

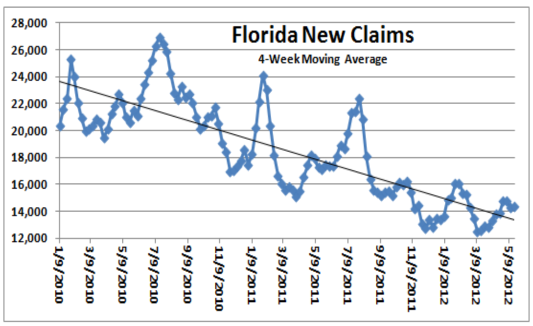


The continuing bad news from Europe unsettled global financial markets. Spain announced it must begin recapitalizing its banking system but failed to reveal how it will pay for it. The yield on 10-year Spanish bonds soared to 6.5%, and investors fled to the safety of U.S., Swiss and German bonds driving them to record lows. U.S. stocks dropped sharply giving up all their gains for the year. Furthermore, there are no prospects for improvement with the next Greek election in two weeks and the likely exit of Greece from the Euro. In this environment employers are very reluctant to hire or to invest. That said, the recovery is not in imminent danger. Extraordinarily low interest rates provide some boost. Home mortgage refinancing volume is up almost 7% over the last four weeks and application volume is booming. Lower payments from lower rates will support growth. Furthermore, gasoline prices have dropped dramatically.

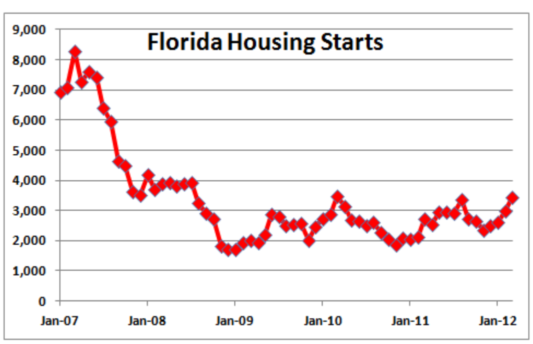


Florida Economy: Modest Momentum

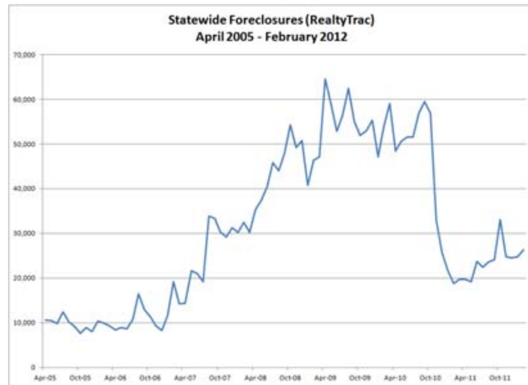
Florida's modestly paced recovery remains on track. Importantly, new claims for unemployment compensation are once again moving back to their lower trajectory over the last few weeks. This is a welcome relief following the weaker than expected April employment report coupled with rising new claims data in April.



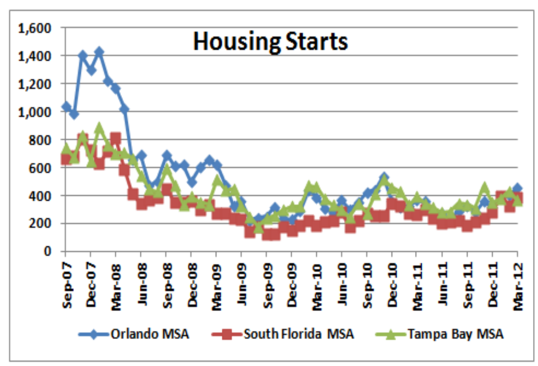
Florida's residential housing market mirrors this modest recovery path. Starts are up 25% compared to a year ago. However, relative to their recent past and to even more normal periods, starts remain deeply depressed. This not only reflects that national housing market malaise, but for Florida the hangover from the previous boom remains a real problem.



The continuing market disequilibrium in Florida's housing market is reflected in the recent surge in new foreclosure filings. Filings have been increasing sharply over the last three months as banks have restarted the foreclosure process interrupted by last year's documentation scandal. With that now settled foreclosures are again rising depressing housing markets in Florida.



Regionally, housing starts are up across all Florida's MSAs. Miami is up the most compared to last year, by nearly 90%, with strong gains in the 30% range over the year in Tampa and Orlando.



However, these markets cannot recover fully until the inventory of foreclosed and troubled properties is absorbed. At the rate financial institutions are slowly metering out the foreclosures coupled with the average 24-months or more it takes to process a Florida foreclosure, full recovery probably cannot occur until 2015.