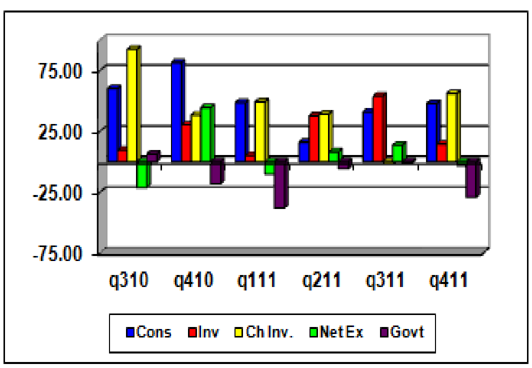
ECONOCAST UPDATE – January 30, 2012

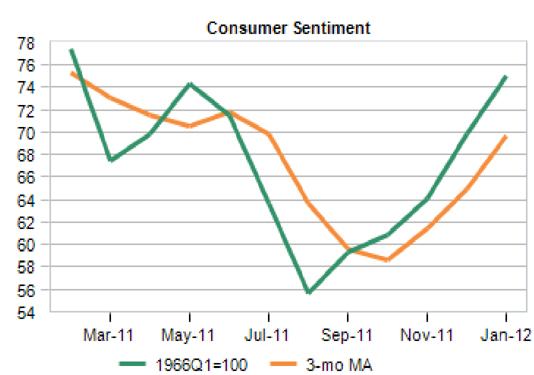
U.S. Economy – No Straight Lines

Real GDP grew at a 2.8% rate in the 4th quarter up from 1.8% in the 3rd quarter. While the top line growth improved, it was below expectations. Worse yet, a $58 billion inventory swing accounted for 1.9 percentage points of the gain. While this replenished depleted inventories, it cannot sustain growth going forward. Consumption spending did increase in the 4th quarter, but not by as much as expected due to limited gains in income. Investment spending slowed with housing flat and business investment in equipment slowing from the 3rd quarter. Net exports were flat as global demand slowed and Europe entered recession. Government spending dropped based on continuing cuts in state and local spending.



At its meeting last week the Federal Reserve confirmed that it will keep interest rates very low, and extended the low rates through 2014. In addition, the Fed reduced its forecast for growth in 2012 to 2.2%-to-2.7%. These trends emphasize the importance of Congress extending the payroll tax cuts and unemployment benefits scheduled to expire in February.

Fortunately, job growth continues to slowly improve. Although new claims ticked up last week, they are on a downward trend suggesting that job growth for December will increase above 200,000 when announced at the end of this week. The slowly improving labor market supports rising consumer confidence. We expect these trends to continue in 2012 and for GDP growth to slowly accelerate as well.



Florida – More Tourists

Florida's important tourism market has improved. Data on hotel occupancy and room rates reflect the gains. As shown below, occupancy rates improved on average in both November and December by about 3 percentage points. Most of the major tourism areas enjoyed gains with the important exception of the Orlando area. In Orlando the year-over-year declines were modest and reflect the outsized gains in 2010 with the opening of the Harry Potter attraction rather than any real weakness. The gains in 2010 made it impossible to repeat this momentum in 2011.

Area	11-Nov	Nov-10	11-Dec	Dec-10
Florida	52%	48%	48%	45%
Miami-Dade	79%	73%	71%	71%
Broward	72%	70%	73%	69%
Palm Beach	64%	60%	62%	60%
Orange	68%	65%	67%	70%
Osceola	48%	54%	57%	54%
Collier	64%	56%	57%	52%
Lee	50%	46%	48%	44%
Pinellas	55%	52%	49%	43%
Hillsborough	58%	53%	55%	51%

Average daily room rates also increased on average in Florida in both November and December. The rate gains were particularly strong in Miami-Dade and Palm Beach counties. Central Florida rates were basically flat despite the weaker demand as shown below.

Area	11-Nov	Nov-10	11-Dec	Dec-10
Florida	$89.33	$85.63	$89.49	$85.69
Miami-Dade	$151.10	$133.05	$174.14	$161.06
Broward	$102.06	$97.31	$109.42	$102.83
Palm Beach	$121.32	$115.18	$144.40	$136.78
Orange	$98.55	$94.23	$100.03	$101.93
Osceola	$70.22	$71.06	$70.22	$71.06
Collier	$145.58	$136.53	$167.76	$157.33
Lee	$104.70	$99.94	$113.60	$108.99
Pinellas	$96.47	$90.98	$92.22	$84.96
Hillsborough	$85.82	$78.53	$82.86	$78.53

Combining changes in occupancy and in average daily rate produces a metric termed RevPar, or revenue per occupied room which is the industry standard for analysis. As the table below demonstrates, RevPar was up by more than 10% on average in Florida in both November and December. Only in Central Florida did RevPar decline, and the reductions were modest.

Area	11-Nov	% Change	11-Dec	% Change
Florida	$46.02	11%	$43.21	12%
Miami-Dade	$118.61	22%	$124.34	10%
Broward	$73.79	9%	$79.44	12%
Palm Beach	$77.04	12%	$88.81	9%
Orange	$67.41	10%	$67.42	-6%
Osceola	$33.49	-13%	$40.03	4%
Collier	$93.61	23%	$96.29	18%
Lee	$52.66	14%	$54.53	13%
Pinellas	$53.15	13%	$45.56	26%
Hillsborough	$49.95	20%	$45.57	14%

These data reflect the strength of this winter's tourism season in Florida. Typically, a strong tourism season is correlated with accelerating population growth and rising home sales. Essentially, the demonstration impact of a winter vacation in Florida is strong, and it stimulates households to move. The impacts on businesses are substantial as a result. Thus, we expect Florida's recovery to gain momentum this year assuming Congress extends the tax cuts and benefits and Europe manages to muddle through its financial problems.