

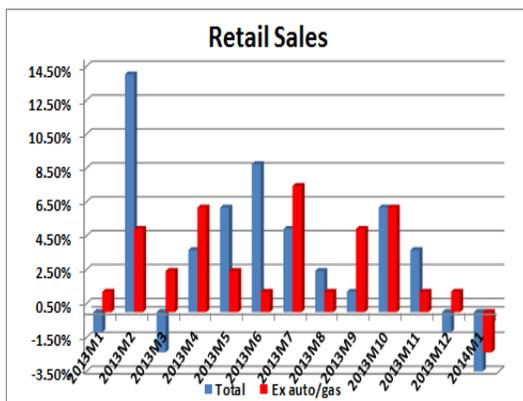
## ECONOCAST™ UPDATE – February 24, 2014

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### U.S. Economy – 2014Q1 a Bit Weaker than Initially Expected

The year is off to a slower start than expected due to a combination of (a) severe winter weather and (b) the leveling off of the housing rebound. Nevertheless, the fundamentals remain strong and the Fed continues to hold interest rates very low as it tapers its bond purchases.

These factors are reflected in January's retail sales report. Overall sales fell 0.4% or at a nearly -5% annual rate and sales for the prior two months were revised downward. Declines were widespread as core sales (less autos and gasoline) also dropped in January. Weather certainly was a major factor. However, this weakness is likely to be temporary and to melt away soon.



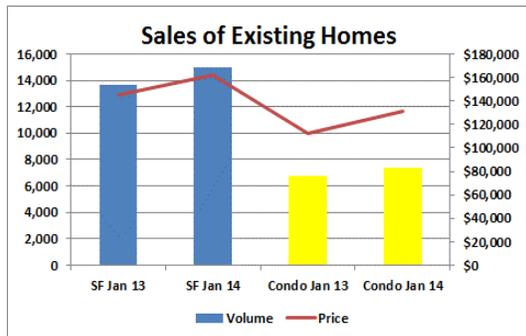
Winter is taking its toll on housing activity. Sales of existing homes declined to 4.62 million annualized units in January pushing sales 5.1% below December 2013 and 5.1% below January 2013. Sales gains slowed to a 10.7% gain from January 2013, compared with the 12% to 13% y/y pace achieved in mid-2013.

New home sales are also likely to disappoint. Pending sales are down and traffic through models is weak. Some of the recent weakness reflects higher mortgage rates, stiff lending standards, and rising prices. However, the winter storms have clearly impacted markets and it will take until spring before sales rebound fueled by pent up demand.



## Florida Economy: Housing Market Update

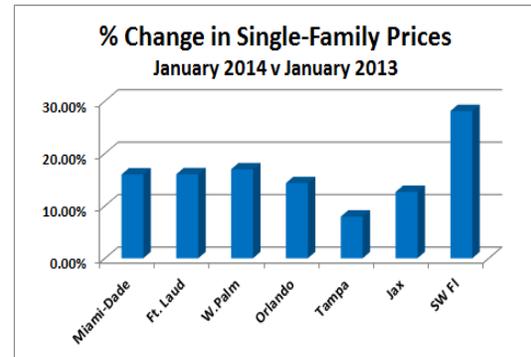
Sales of existing homes continued advancing in Florida in January. Sales of homes and condos both increased over January 2013 totals by 10% and prices increased 20% and 22% respectively. While welcome news, the pace of the rebound in sales of existing homes in Florida is levelling out.



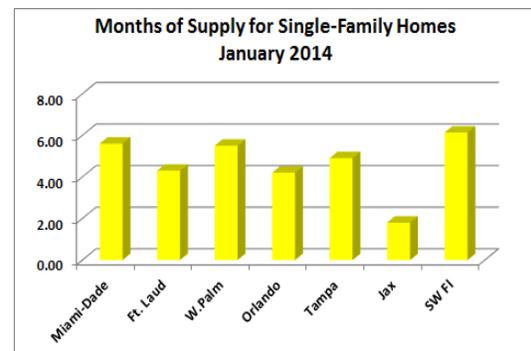
While the sales volumes of existing homes remained high across Florida, there was some significant variation among the major metro areas. For example, for the 12-months ending January 2014 existing home sales rose 12% in Miami-Dade and 10% in Southwest Florida. But, sales declined by 4% over the year in Orlando and Ft. Lauderdale. This suggests that the rate of sales gains is slowing as Florida's existing home marketplace moves towards equilibrium.



The average price paid for single-family homes soared 28% over the last year in Southwest Florida led by huge gains in Naples. Prices increased about 15% in most other major metro areas. Only Tampa Bay's prices failed to rise at double digit rates.



The supply of existing single-family homes for sale remains very tight. At current sales rates the statewide average inventory would only satisfy 5.6 months of sales. This is well below the typical 6-to-9 months of inventory. Some markets, like Jacksonville, are particularly tight. But inventory levels are low across the State. The lack of inventory may be inhibiting sales and driving prices gains higher. But, over time the higher prices and continuing strong sales should draw more inventory into the market.



Florida should enjoy a very good winter sales season setting the stage for stronger gains this winter season.