

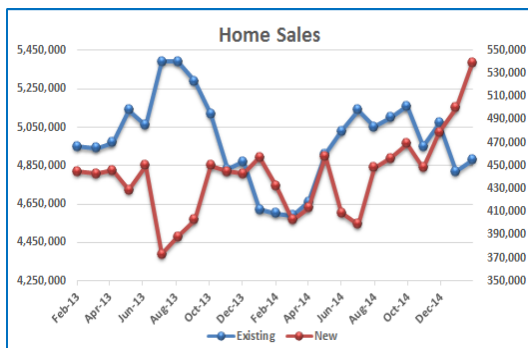
ECONOCAST™ UPDATE – March 30, 2015

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U.S. Economy – Weather Again Makes for a Soft First Quarter

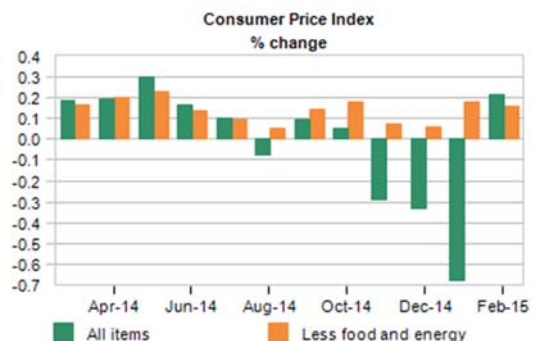
The first quarter data are weaker than expected, and again the severe winter weather was responsible. Most of the lost activity this quarter will be made up in Q2, and I expect a rebound in retail sales and in investment.

Pointing to a stronger Q2, sales of new and existing homes advanced in February despite the weather. Sales of new homes jumped 8% in February and are now almost 25% higher than last year. Prices are up as well. Although sales of existing homes ticked up in February, total sales volume has remained flat for over a year. The investor boom is over now, and there is little thrust from first-time buyers. With demand weak prices for existing homes are just 5% higher than last year.



The depressed levels of home sales are the results of slow growth in wages, weak household balance sheets, a lack of confidence in home prices, and stricter credit standards. As a result, the rental market has absorbed an abnormally high share of total housing demand. These forces are shifting fast in 2015. Accelerating job growth is boosting earnings. In addition, Fannie Mae and Freddie Mac have reduced down payment requirements.

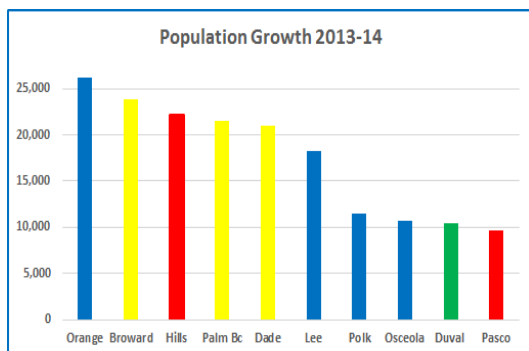
Higher oil prices pushed the CPI up 0.2% in February. Excluding food and energy, the core CPI rose 0.2% in February, up 1.7% over the year. Prices should start rising slowly, but consistently, this year. It appears that oil markets have bottomed out, and with the labor market approaching full employment wages will increase more rapidly putting pressure on prices.



Florida Economy: Population Growth Accelerates

Last week the Census Bureau released population estimates for counties and MSAs for 2014. The report highlighted the strong gains in Florida's MSAs and counties. Florida had 7 of the nation's top 50 numerically gaining metro areas in 2014: Miami-Ft. Lauderdale-W.Palm (or South Florida 66,000); Orlando (50,000); Tampa-St. Pete (41,000); Jacksonville (23,000); Ft. Myers (18,000); Sarasota-Bradenton (16,000); and Lakeland (11,000). Furthermore, six metro areas in Florida were among the 20 fastest growing in the nation. The Villages was the fastest growing MSA in the U.S. with its population rising 5.4% last year. Ft. Myers (6th); Naples (10th); Orlando (16th); Sarasota-Bradenton (18th) and Panama City (19th) round out Florida's contingent.

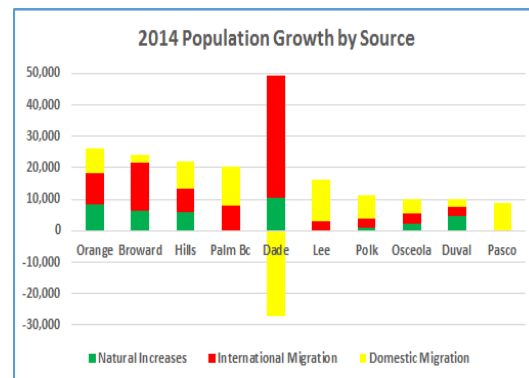
At the county level, Orange County lead Florida followed surprisingly by Broward County. The I-4 corridor from Orange to Hillsborough was the fastest growing region in Florida with four counties in the top 10. South Florida ranked 2nd and no other area came even close.



The sources of population growth are very revealing. Population growth is composed of: (a) natural increase which is the excess of births over

deaths, (b) international migration, and (c) domestic migration. Florida's population growth accelerated strongly during 2014 primarily because of a surge in domestic migration. Evidently, housing markets improved sufficiently in states east of the Mississippi from where Florida receives the bulk of its domestic migrants. Retirees could sell their homes, and the prices were high enough to move to Florida. This is what explains the stellar performance of The Villages and most of the other fastest growing MSAs in percentage terms in Florida. In addition, the sharp acceleration in job growth in Florida, and particularly in Orlando and in South Florida, attracted labor force age migrants to Florida in 2014.

Orange County benefited from strong gains in both domestic and international migration. Surprisingly, so did Broward County, which is largely built out. The surge in migrants from Venezuela joining relatives in Broward in the most logical explanation.



Miami continued receiving the largest number of international migrants in 2014, and it also had the largest volume of residents leaving the County for Broward and Palm Beach primarily continuing a longstanding pattern.