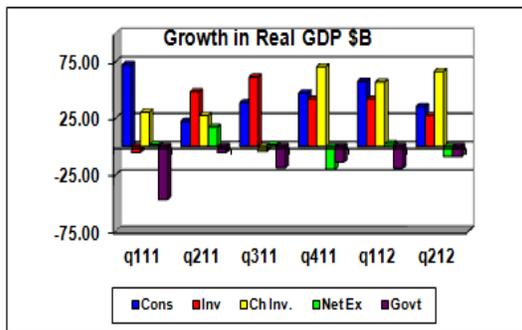


## ECONOCAST™ UPDATE - JULY 30, 2012

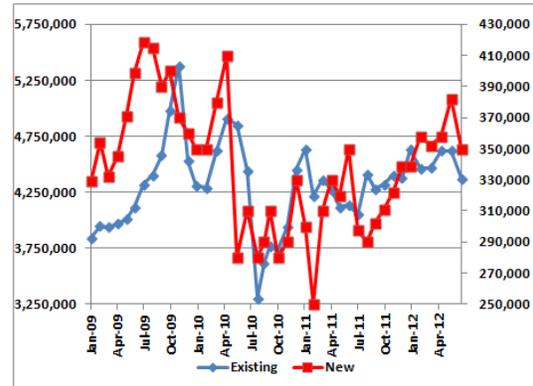
### U.S. Economy – Growth at 1.5%

As expected, 2<sup>nd</sup> quarter growth in real GDP slowed to a 1.5 % pace, down from 2% in the first quarter. A drop in consumption of durable goods and a rise in imports were primarily responsible. Fixed investment gains slowed, inventory investment increased, and the drag from declining government spending diminished. Annual revisions back to 2009 showed slightly slower growth over the period, primarily the result of weaker growth early in the recovery, in the first half of 2010.



Against expectations, sales of new single-family homes in June declined 8.4% m/m to 350,000 annualized units. But this was entirely because the Census Bureau revised upward the May figure significantly to 382,000, the strongest pace since April 2010. Furthermore, Census has been revising up initial monthly sales

numbers frequently, and second quarter sales are up an annualized 13%. With historically low mortgage rates and a labor market that is at least inching along, housing should continue to strengthen.



The ongoing Eurozone turmoil nearly boiled over last week when Spain's bond yields jumped above 7%. However, ECB President Draghi soothed markets by declaring that the ECB was prepared to "do whatever it takes to preserve the Euro." Thereafter rates dropped sharply in Europe and barely ticked up in the U.S. with the 10-Year bond trading at 1.44%.

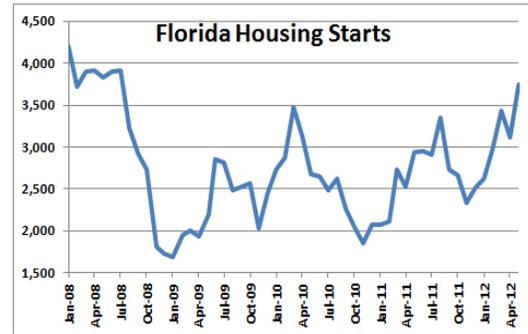
U.S. financial markets rallied pushing the Dow above 13,000 on expectations that the Fed will again attempt to stimulate the economy through quantitative easing, "QE3".

## Florida Economy: Housing May Save the Day

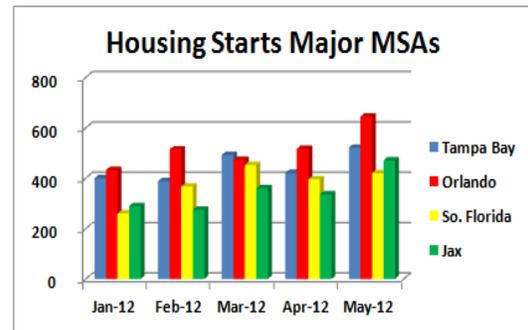
It is ironic that housing, which triggered the Great Recession, may save the U.S. and Florida economies from dipping back into recession. As noted above, the U.S. economy is stuck in a very slow growth trajectory given the current mix of monetary and fiscal policies, recession in Europe and the global slowing of economic activity, and the risks associated with the looming “fiscal cliff” and associated political brinksmanship. The only dynamic sector is housing which continues to slowly recover and which benefits from extraordinarily low interest rates.

For Florida housing markets are particularly important for two main reasons. First, the housing sector is significant in the context of Florida’s economy. Second, the health of the national housing market, especially that part lying East of the Mississippi, is particularly important for that is the source of much of Florida’s population growth. The improvements in housing markets in the East is supporting accelerating population growth in Florida, which also further stimulates demand for housing in Florida.

Although housing starts remain well below their peak of 18,000 starts in March 2006, starts are up significantly from their low point. Over 3,700 homes were started in May 2012 a gain of 27% compared to last year at this time. Starts have accelerated fairly consistently every month since October 2011.



Single-family housing starts have improved in very metro area in Florida. The gains in Orlando are particularly noteworthy. Over 650 homes were started in Orlando in May up almost 50% compared to last year. Tampa Bay starts were also up sharply and May was very strong in Jacksonville.



Starts are also up sharply in along Florida’s Southwest coast which endured some of the worst of the boom/bust housing cycle. Single-family starts are much higher in Ft. Myers, Naples, and Sarasota-Bradenton reflecting the recovery now unfolding slowly in all of Florida’s housing markets.

