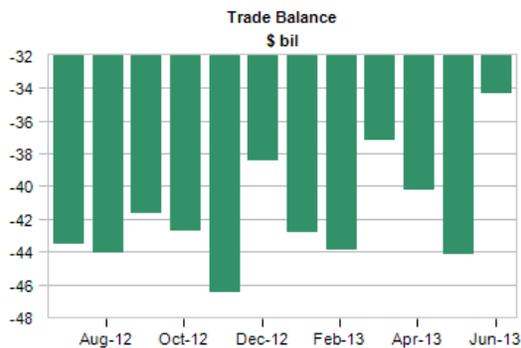


ECONOCAST™ UPDATE – August 12, 2013

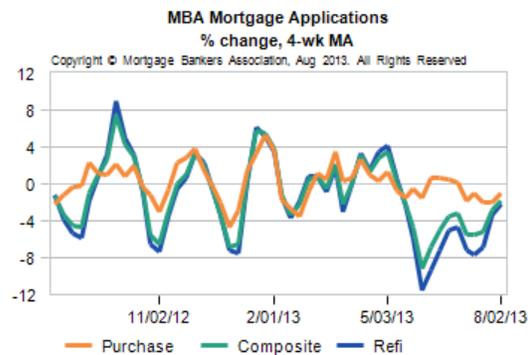
U.S. Economy – Upside Surprise

This week's data suggest that the economy is growing faster than previously thought. The U.S. trade deficit unexpectedly narrowed to its lowest level since late 2009. Exports rose 2.2%, while imports fell 2.5% lower than the prior month at \$225.4 billion. The trade data suggest that external demand for U.S. goods is growing a little stronger while U.S. domestic demand is still subdued. In addition, rising U.S. energy production is replacing foreign oil imports.

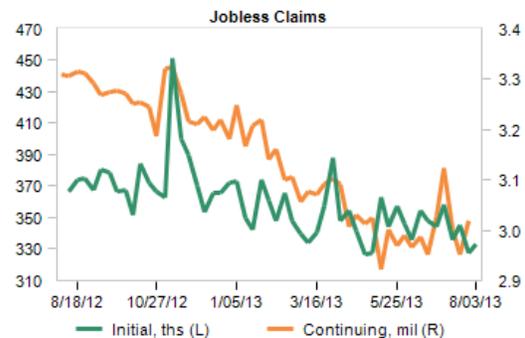


Despite the May spike in interest rates, which pushed mortgage rates up 85 bps, housing markets continue to strengthen. Applications for new mortgages continue to grow at 3.5% or more per month. In addition, even with higher rates the sharp initial declines in refinancing is ending and application volume is improving.

Inventories of homes for sale remain very tight which is supporting rising prices.



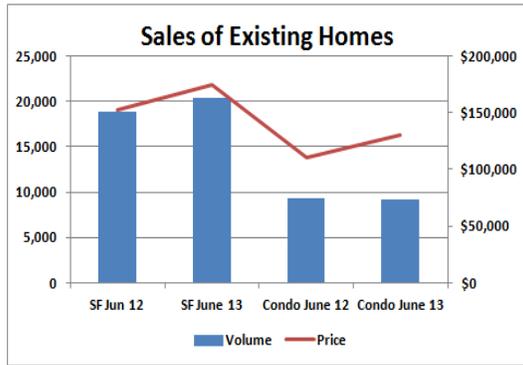
The labor market has performed better in 2013 than had been expected given the sequester, higher payroll taxes, and global weakness. New claims for unemployment compensation has fallen to pre-recession levels.



These data paint a brighter picture for the second half of 2013 with stronger growth on tap.

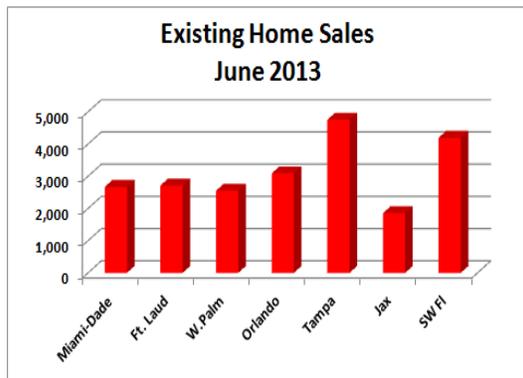
Florida Economy: Housing Markets Continue Improving

Sales of existing single-family homes rose 9% over the 12-months ending June 2013 and prices jumped 15%. Although condo sales dipped 2% prices were up 18% over last year.



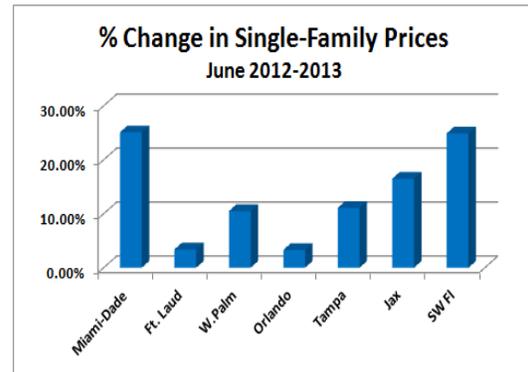
Pending sales are up over 20% compared to last year pointing to even stronger sales ahead. The inventory of homes for sale is very tight, just five months at the rate of existing sales. As a result, prices will continue increasing as well.

Existing home sales have increased all across Florida. Compared to last year, the volume and the gain in sales in Southwest Florida (Naples, Ft. Myers, Sarasota/Bradenton) is particularly noteworthy.

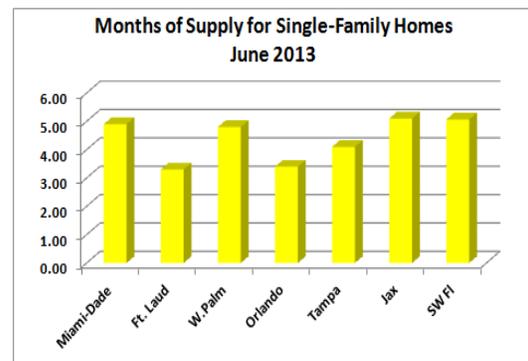


With tight inventory and rising sales volumes, prices are increasing strongly in many markets. The

median closing price for single-family homes jumped 25% over the last year in Miami-Dade and Southwest Florida. Gains were considerably slower in Orlando and Ft. Lauderdale over the 12-months ending June 2013, but this was largely because prices had risen very strongly in 2012.



Statewide inventories of homes for sale are very low and most major markets have very tight supplies. Typically, inventories average about 6 months of supply compared to current sales rates. All major metro markets have much tighter inventory levels. Orlando and Ft. Lauderdale have inventories of just 3.3 months of supply at current sales levels.



While rising interest rates will arrest the sharp gains in sales prices, the strengthening economy will support increasing home sales volumes.