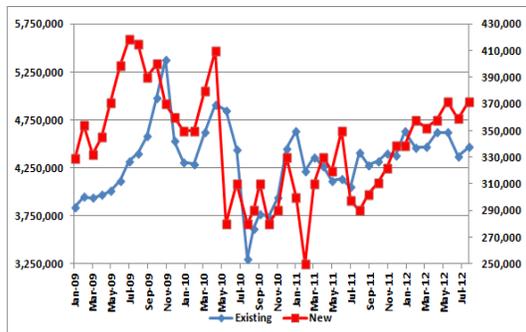


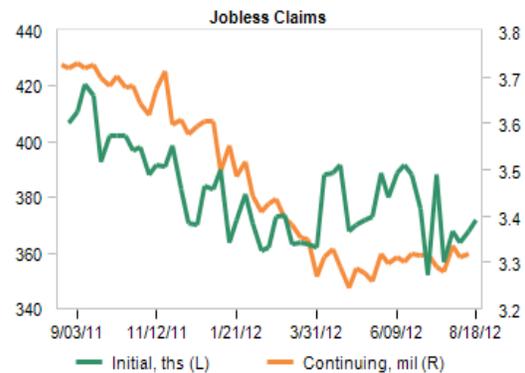
ECONOCAST™ UPDATE – August 27, 2012

U.S. Economy – Housing a Bit Better

Housing markets continue to slowly improve. New single-family home sales rose 3.6% in July to 372,000 units on an annual basis. Sales were up 25.3% over the year. The months of available supply fell to 4.6 and remain historically low as builders remain very cautious. Sales of existing homes increased 2.3% to 4.47 million annualized units in July. While the rebound was expected, it was very modest and below expectations. Months of inventories held mostly stable at a reasonable 6.4 months. Listings of homes available for sale remain unchanged from last month but are down 21% from a year ago, because there were fewer distressed listings. Also reflecting a decline in the distress share of home sales, the median existing-house price rose 9.4% year to year



Although housing was a bit better in July, labor markets are stuck. New claims for unemployment compensation remain the +/- 370,000 range. At this level of claims I expect that net job gain in August will be about 150,000.

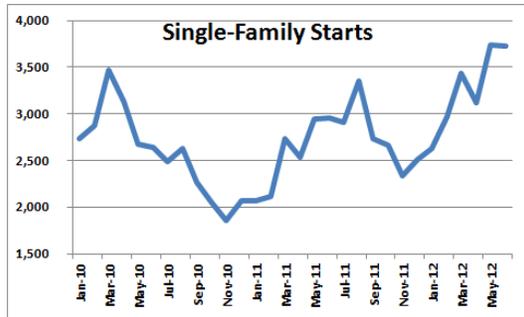


The other significant economic news this week was the release of the FOMC meeting minutes wherein “many members” judged that additional monetary accommodation would be needed “fairly” soon barring a “substantial and sustainable” strengthening in the economy. However, with the election just a few months away and the economy not in jeopardy of a recession yet, any easing is most likely in December. Furthermore, barring a sudden collapse in Europe, Fed action will have more at the end of the year, when the fiscal cliff is reached. The fiscal drag that would

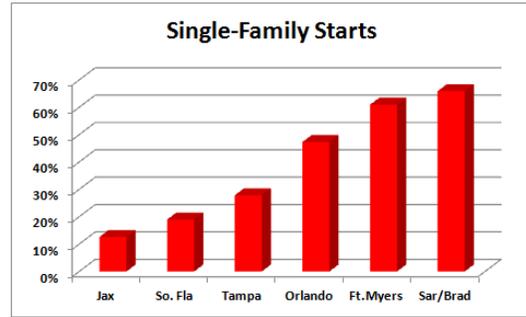
hit the economy in early 2013 is huge. If Congress fails to scale it back, the economy will fall back into recession.

Florida Economy: Housing Markets Improve Here Too

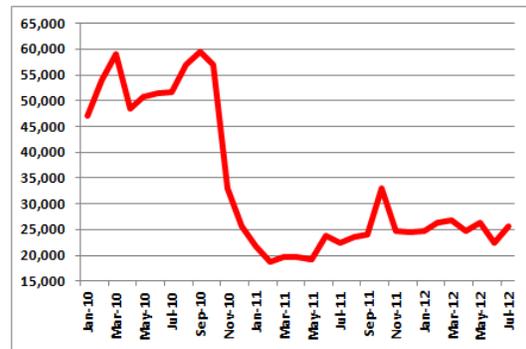
Florida's housing markets continue to slowly improve with starts of single-family homes up 26% compared to June 2011. While still way below the historic peak of over 20,000 starts in August 2005, starts have steadily improved over the last 18-months in Florida.



While almost every metro area in Florida has enjoyed a significant rebound in single-family housing starts, the gains on Florida's Southwest coast are notable. After suffering the brunt of the boom-bust cycle, Southwest Florida's housing markets are recovering at a surprisingly strong pace. Sarasota/Bradenton and Ft. Myers have both had rebounds of more than 60% in single-family home starts over the 12-months ending June 2012. Starts in Tampa-St. Pete are up 28% and in Naples single-family housing starts have more than doubled. Strong rebounds are also in evidence in Orlando, Pensacola, and Port St. Lucie.



Foreclosures have remained relatively low in Florida over the last year, up 14% from last year. After a worrisome spike when the attorney generals of a number of states settled cases over foreclosure documentation issues with major banks, foreclosures spiked up. However, fears of another huge surge in foreclosures have, so far, proved unfounded giving housing markets a welcome break.



However, the 14% statewide average increase in foreclosures over the year obscure some substantial increases in some major markets across the State as the chart below shows.

