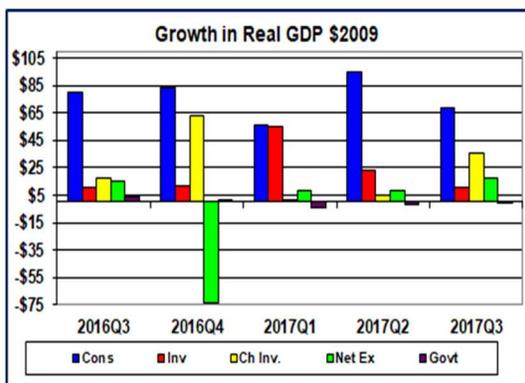


## ECONOCAST™ UPDATE – October 30, 2017

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### U.S. Economy – Few Tricks and Lots of Treats in the Data

Real GDP grew by 3.2% in 2017Q3. This is first time since 2014 that the economy has grown by more than 3% in two consecutive quarters. However, the details were less impressive. Consumption spending slowed, and much of the GDP gain was from inventory build which is not sustainable. Real final sales to domestic purchasers, or GDP minus inventories and net exports, rose 1.8% at an annualized rate in 2017Q3 and was the first sub-2% gain since the first quarter of 2016. Real final sales to domestic purchasers is the engine of the economy, but it was likely hurt by the hurricanes.

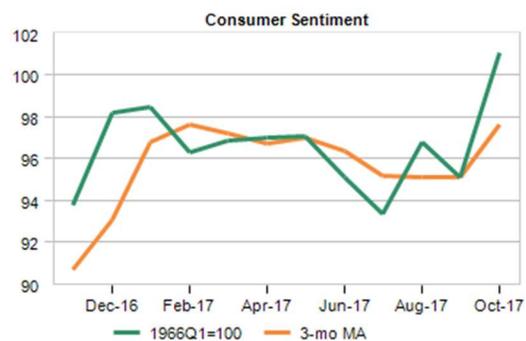


Sales of new homes surged in September more than making up for their prior losses, boosting sales 17%

above last year's level. The hurricanes have had little impact on new home sales since most homes are sold before they are completed.



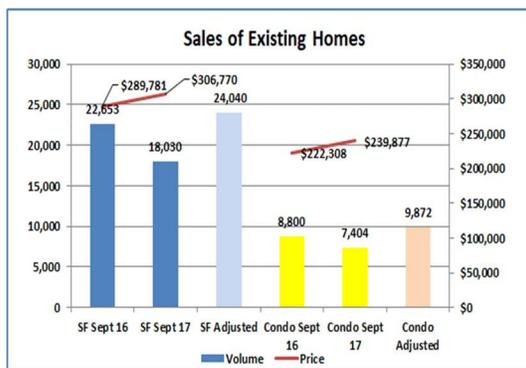
Consumer confidence is at its highest level since January 2004 supported by optimism over future conditions and strong consumer balance sheets.



All of this boosts the odds that the Fed will increase the funds rate in December regardless of who the President may appoint to be its chairman.

## Florida Economy: Irma Impacts September Housing Data

Hurricane Irma caused sales of existing homes to drop by 19% compared to September 2016. Essentially, Irma delayed about 1-week of sales. Correcting for the delay indicates that sales were actually stronger this year than last. Abstracting from the storm impacts, sales of single-family homes would have been 6% above last year and multifamily units 12% higher. Pricing was not affected by Irma, and prices were 8% higher for both singles and multis compared to last year.



Again, correcting for the impact of Irma, existing home sales were generally lower in South Florida, especially in Miami-Dade, but higher most everywhere else. Sales were 9% above last September in Orlando and Jacksonville and 6% higher in Southwest Florida.



Prices were 5%-to-10% higher across the major markets. The biggest price gains were in the markets with the strongest increases in sales. Because of the difficulties inherent to adjusting for Irma, the weak sales in Miami-Dade are not worrisome. The data for October will be an important gauge.

Inventory levels remain historically tight, especially for single-family homes. Normally a market has six months of inventory at current sales rates, but inventories are 3 or less months in Orlando and Tampa and are below normal in every major market.



The inventory situation for condominiums and townhomes is much the same, very tight, with the exception of Miami-Dade. There, inventory levels remain elevated and levels are coming down only very slowly.

