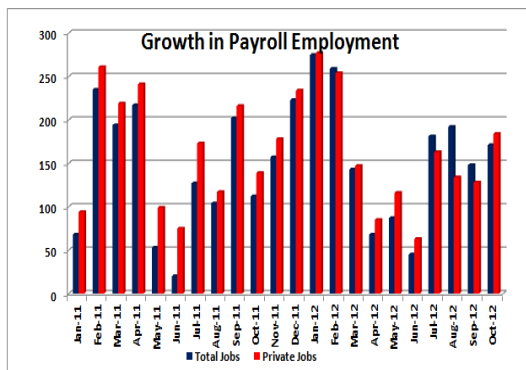


ECONOCAST™ UPDATE – November 5, 2012

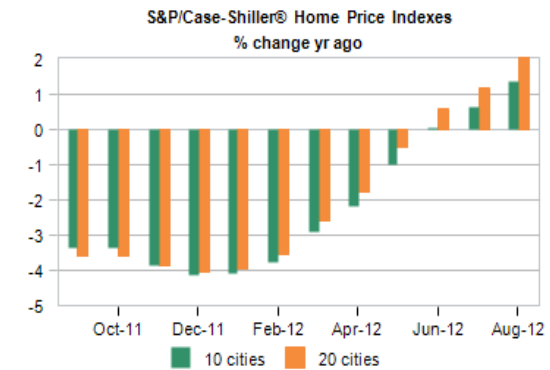
U.S. Economy – Job Growth and Hurricane Sandy Impacts

The October employment report was much better than expected. Payroll employment increased 171,000, and importantly numbers for the previous two months were revised higher by 84,000. Private sector job growth has averaged almost 150,000 over the last three months. The unemployment rate ticked up to 7.9% because more workers joined the labor force.



Labor markets have clearly improved by more than previously recognized. The upward revisions for July and August coupled with sustained gains in manufacturing and construction suggest that employment growth will continue to accelerate modestly. These data help explain why consumer spending has been so robust over the last three months.

Further support to the household sector comes from rising home prices. The Case-Schiller index of existing home prices has risen steadily since February and broke above their year-earlier levels in June. Prices are now up 2% compared to last year for the 20-city average. Although prices are still 30% below their prior peak, the fact that sustained gains have unfolded supports household spending.

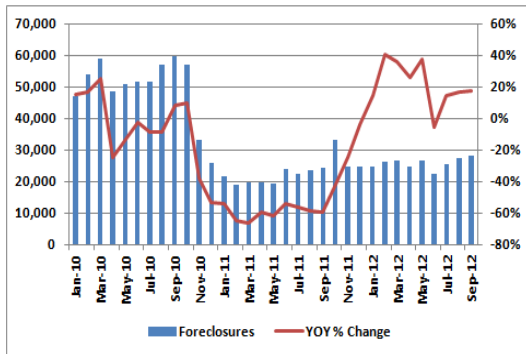


The other big news last week was Hurricane Sandy. The storm will rank among the 10 most costly disasters in U.S. history. Counting property damage and lost output Sandy will cost \$40 billion according to Moody's Analytics. However, the effect on real GDP will be minor. Rebuilding supported by insurance and government assistance will stimulate a weak sector and create more modern infrastructure. Most of

the lost output will be recovered over the next few months.

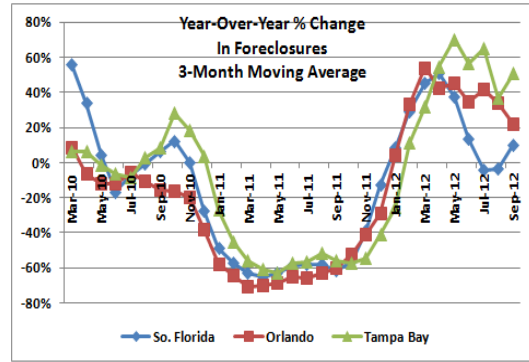
Florida Economy: Foreclosures Will Limit Housing Rebound

Florida's housing markets have improved substantially over the last year. Sales of new and existing homes are running well ahead of last year and prices have increased 5%-to-10%. Some of the price increase reflects a lower percentage of distress sales in the marketplace. However, prices have risen by less than market conditions warrant given the very low level of homes for sale. It is likely that the overhang of foreclosed properties with more on the horizon has damped increases in home prices. Foreclosures are well below their peaks reached in 2010, but new foreclosures in 2012 are running 22% ahead of 2011. So, foreclosures are sure to limit price increases in 2013 across Florida.



While most metro areas display trends in foreclosures similar to the statewide data, there are important differences. Foreclosures are higher in South Florida so far in 2012, but their rates of increase are about the same as the statewide trends and lower than other major metro areas. So far this year foreclosures in South Florida are 21% above last year. By contrast, foreclosures have increased by an average of 34% and

39% for Orlando and Tampa Bay respectively.



Housing markets in all three of these major metro areas became seriously overbuilt in the housing boom and suffered with excessive home inventories and big volumes of foreclosed homes. South Florida's markets are improving faster in part because of soaring purchases by foreign buyers and investors. While investors have also been active in the Orlando and Tampa Bay markets, the volumes have been far higher in South Florida.

Interestingly, the hard hit housing markets of Southwest Florida have experienced a marked reduction in foreclosure activity over the last few months after an earlier spike. As a result, foreclosures so far this year are 5% below last in Collier County and 26% down in Lee. Foreclosures are up in Sarasota County, by 27% bucking the trend.

