

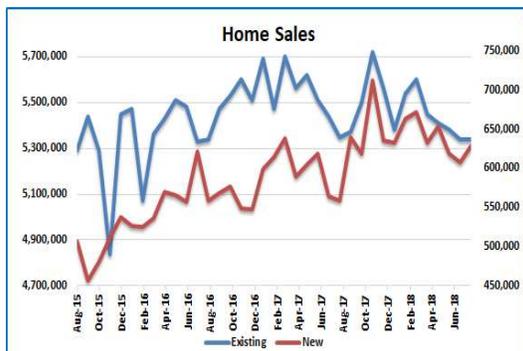
## ECONOCAST™ UPDATE – October 1, 2018

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### U.S. Economy – With GDP Growth and 2% Inflation Fed Raises Rates

It was no surprise that the Fed raised the funds rate by 25 bps this week. Growth is running at 3% and inflation at 2%, which is just what the Fed wants. Of interest is that the Fed no longer characterizes its monetary policy as “accommodative.”

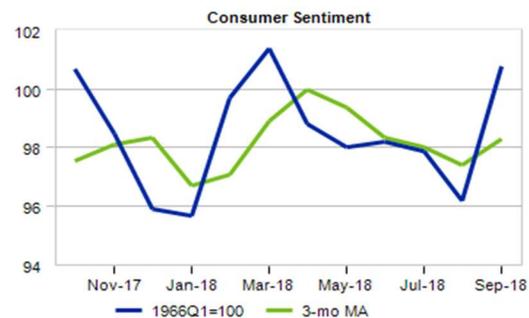
Existing-home sales were flat in August, leaving total sales down by 1.5% from August 2017. Clearly the market has leveled off burdened by a combination of: low supply; higher prices; rising mortgage rates; and reduced tax deductibility. However, a housing contraction is unlikely since prices are not over-valued, and there is a shortage of housing. Sales of new homes rose 3.5% and are almost 12% above last year. Although inventories are low, prices are up just 2% from August 2017.



Personal income increased 0.3% in August driven higher by a 0.5% gain in wages and salaries. This was its biggest gain since January indicating that the tight labor market is finally resulting in rising wages. However, the growth in real disposable income lagged, because of higher prices – particularly for gasoline up nearly 2% in August. As a result, excluding food and energy consumption, spending was flat in August.



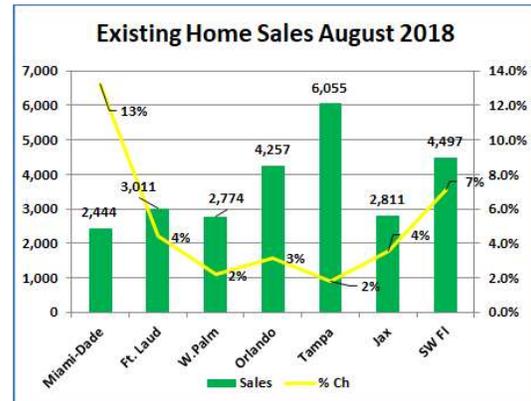
Consumers feel that now is a good time to buy a home or car.



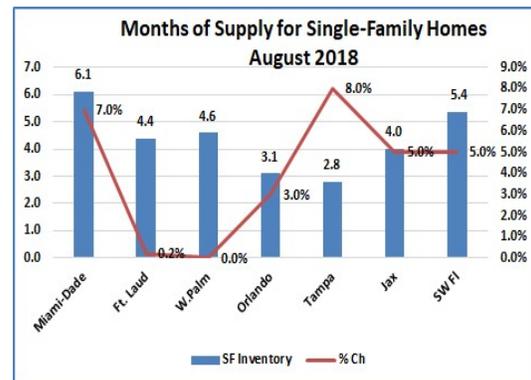
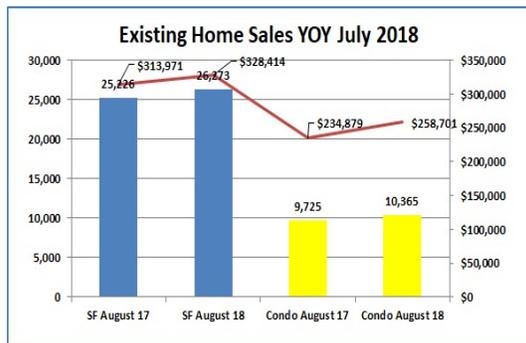
## Florida Economy: Existing Home Sales Strong and Steady in August

Sales of existing homes remained strong and steady in August. Sales were up 4% over last year for single-family homes and by nearly 7% for townhomes and condominiums. Prices were 5% and 10% over the year for singles and multis, respectively. These rates of increase have been sustained over the last six months. This is surprising given the very low levels of inventory for sale standing at 4 months for singles and 5 months for multis, compared their equilibrium level of 6 months of inventory at current sales rates. Tight inventory levels are restricting sales and driving prices higher. However, at current price levels more owners are listing their homes for sale foretelling of easing inventory constraints soon.

Even so, as reported a few weeks ago, the high level of permits points to a jump in deliveries over the next 18-months that will again challenge this market. Otherwise, sales were up 2% to as much as 7% across the State's major markets. Tampa Bay continues to lead the State in total sales volume by a wide margin.



Higher sales prices are inducing more owners to list their homes. As a result, listings are rising in most markets, and this has begun to ease historically low inventory levels.



After languishing for months, existing home sales shot up 13% in Miami-Dade with gains of 10% for single-family units and nearly 16% for multis. These strong gains came despite the fact that average prices were 15% higher for singles and 20% higher for multis compared to last August. Since median price increases were far more modest, this means a number of trophy-priced units sold in August. Nevertheless, the surge in sales was welcome news moving the market back towards equilibrium.

