

ECONOCAST™ UPDATE – March 27, 2017

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U.S. Economy – Home Sales Remain Strong, but Political Risk Rise

Although sales of existing homes slipped 3.7% in February, they remain 5.4% ahead of last year. The decline in sales is probably because prices have increased 7.6% over the last 12 months. The price rise has finally caused listings to go up. It is becoming clear that a higher level of prices is needed in order to boost the supply of homes on the market and sales in general.

New home sales jumped 6.1% in February, more than offsetting their December drop. Sales are now 12.8% higher than in February 2016. The market is slowly progressing, but sales are still slightly below 600,000, compared to the pre-housing bubble historical average of about 700,000. High prices are an obstacle. For a full recovery, the prices for new-home have to come down, especially compared with existing homes, and this is starting to happen. After peaking at nearly 40% in 2014, the median price premium for new homes has fallen below 30%, but it needs to go a lot lower to reach the pre-housing bubble historical average.



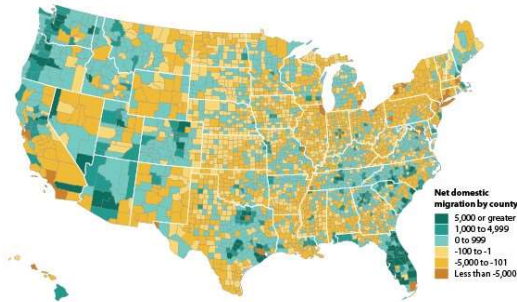
The Federal Housing Finance Agency Purchase-Only House Price Index increased 5.7% in January on a year-ago basis, which is slightly slower than the past few months. Most markets are now well above their prior peaks.

Area	% change yr ago	% change from peak
U.S.	5.70	7.00
NE	3.60	-0.80
Mid Atl	3.80	-0.60
So. Atl	6.20	1.40
ENC	5.00	3.80
We. Ce	4.60	12.70
ESC	3.50	10.20
Wes Ce	6.00	30.40
Mo. Mou	8.30	7.50
Pacific	7.70	-2.00

Political risks to the economy rose with the failure of the vote to repeal and replace the ACA. Attention now turns to the even more difficult task of reforming the U.S. tax system.

Florida Economy: Growth Accelerates

Florida's economy appears to be accelerating with strong population growth over the last year fueled by rising domestic migration into Florida.

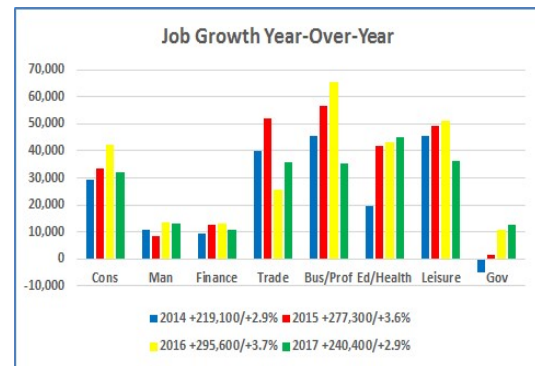


The Census Bureau reported that Orange and Hillsborough Counties were Florida's fastest growing from July 1, 2016 to July 1, 2017, growing at over 29,000 each and ranking 8th and 10th, respectively in the U.S. Florida's metropolitan areas also ranked high for growth over this period. Florida had nine metropolitan areas in the top 25 for the U.S. - far more than any other state.

Metro	% Growth	U.S. Rank
Villages	4.3%	1
Ft. Myers	3.1%	5
Punta Gorda	3.0%	8
Sarasota	2.7%	10
Lakeland	2.6%	12
Vero	2.6%	13
Orlando	2.5%	15
Pt. St. Lucie	2.4%	16
Naples	2.4%	17
Daytona	2.3%	21

The surge in population growth was fueled primarily by domestic migration. It appears that a significant portion were retirees, but Florida's strong job growth is also attracting those looking for work.

On a seasonally adjusted basis, job growth was reported to have ticked down -5,000 in February, but this is a quirk of seasonal adjustment. On a year-over-year basis, job growth was 240,400 - or about the same pace as before. All sectors showed gains. The leading sectors continue to be education and healthcare driven by gains in ambulatory health centers and doctors' offices; leisure with gains in food services; and trade, construction, and professional services were all up more than 30,000 jobs over the last 12-months.



More interestingly, Florida's labor force continues growing strongly. The labor force grew 0.6% in February, twice the annual gain of 3.1% over the last year. Employment increased at the same pace as the labor force, so Florida's unemployment rate remained at 5%.

The strong growth in the labor force reflects the strength of job growth in Florida over the last few years. Florida has consistently ranked 2nd in job growth with only California stronger. As a result, more Floridians are entering the labor force, and Florida is attracting those seeking work from states East of the Mississippi. The recent surge in population growth will further fuel Florida's economy over the next 12-to-18 months.