

ECONOCAST™ UPDATE – September 26, 2016

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U.S. Economy – Housing Flat

One hallmark of this business cycle is that housing markets have failed to provide their normal cyclical boost. They were once again flat in August as housing starts, building permits and existing home sales all disappointed. Starts fell 5.8 percent in August to an annualized rate of 1.14 million units after averaging over 1.2 million units in the previous two months. They are essentially unchanged from last year.



Permits for future home construction were down slightly in August, although the decline was in multifamily permits. Single-family building permits rose 3.7 percent on the month which suggests solid single-family starts in coming months.

Existing-home sales dipped again in August, led by a drop in single-family

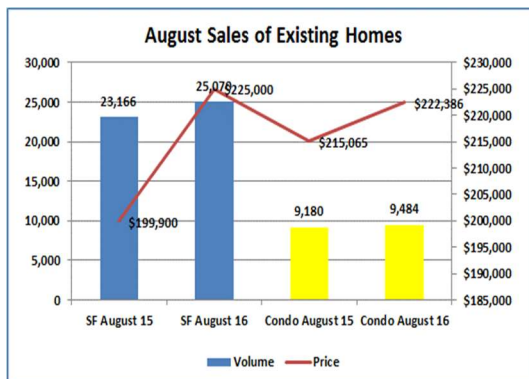
sales that was most evident in the South. Listings are still stubbornly low, so that the months supply of homes is still falling despite the downward turn in sales. The lack of supply is limiting sales. Affordability is compromised as the inventory of homes for sale shrank 10.1 percent over the past year, while the median price of homes sold rose 5.1 percent. Even so, prices still remain well below their boom peaks leaving many homeowners still underwater. With prices rising at a 5% rate it makes sense for some owners to continue to hold their homes off the market.

New home sales will be released later today. After jumping 12.6% in July, I expect sales to remain steady. If so, August sales will be more than 30% higher than last year. The surge in new home sales will help ease tight inventory levels.



Florida Economy: Existing Home Sales Rebound

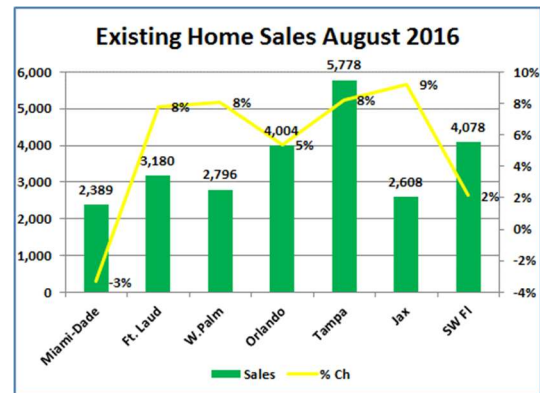
Existing home sales rebounded in August retracing most of the losses recorded in July. Compared to last year sales of single-family homes increased 8% and condo sales were up 3%. Prices rose by 12% and 3% for singles and condos respectively compared to August 2015.



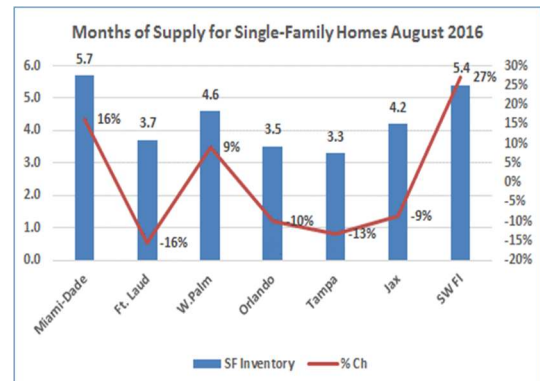
Another sign of market strength is the reduction in the time from listing-to-sale which declined 5% over the year. Inventories remained very tight with just 4.2 months of inventory for singles and 5.4 months for multis at current sales rates. With prices up and inventory levels low I have expected that listings would be rising faster, but so far this is not happening.

While the statewide numbers improved in August, as did the sales in every major market, there remains substantial weakness in Miami and in Southwest Florida. Existing home sales contracted 3% over the year in Miami, because sales of condos dropped by nearly 14%. In Southwest Florida sales were up only 2% compared to last year and prices rose just 2.5%. Sales were noticeably weak in Naples and Sarasota-Bradenton.

By contrast, sales were up between 5% and 9% in Florida's other major metro markets.



Data on the months of inventory at current sales rates is very telling. Although single-family markets are very tight across Florida, inventory levels are highest in Miami and in Southwest Florida and rising fastest.



These trends are magnified in the condo market with inventories growing by 35% in Miami and 51% in Southwest Florida.

