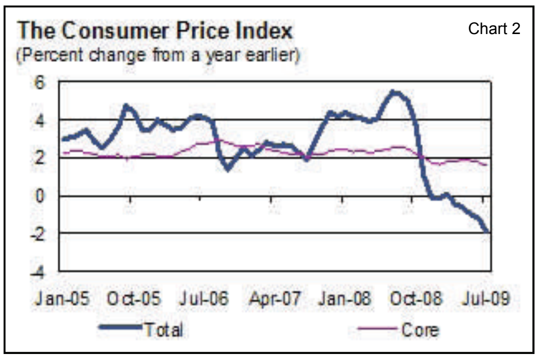
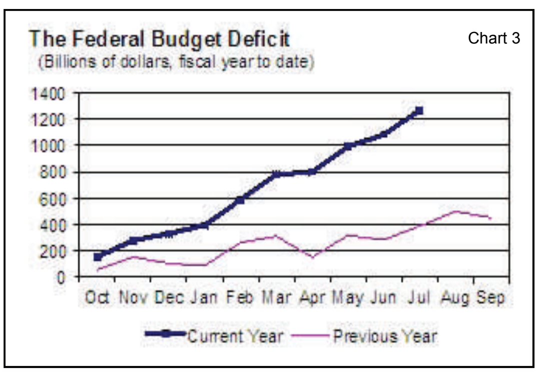
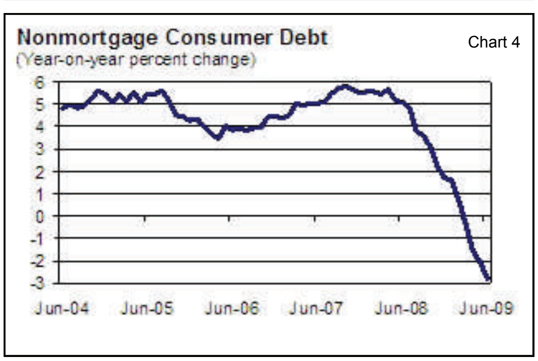
Seacoast NATIONAL BANK

Real Estate Economic News and Insight

Economic Perspectives







SOURCES: IHS Global Insight | Bureau of Labor Statistics | Census Bureau | Commerce Department |Federal Reserve | Treasury

Economic Digest — Week of August 10th

A review of select real estate and economic reports from the preceding week

August 15, 2009

The **pending home sales index** (PHSI) for June (Chart 1) was released last week by the National Association of Realtors. The index increased 3.6% in June — the fifth straight monthly increase. The PHSI is usually a good indicator of closed sales volume 30-60 days into the future. Recently however, it has lost some of its predictive power due to a disproportionate number of contracts falling through at the last minute. The unusual level of fallout appears to be the result of buyers' having difficulty obtaining financing due to both credit issues and property valuations.

Foreclosures rose again in July setting a new record for the third time in the last five months. There were 360,149 new foreclosures nationwide according to RealtyTrac. Foreclosure filings increased 6.74% in July month over month and 32.32% year over year. In Florida, there were new filings at the rate of one in 154 housing units. Locally, St. Lucie County experienced foreclosure filings at the rate of one in 87 housing units while Broward County experienced one in 94. Other Seacoast counties were generally consistent with the state level.

Florida had 54,486 new filings in July which is up 6.78% over June and up 23.11% from a year earlier. In terms of the number of foreclosure filings, Florida was second in the nation behind California and followed by Arizona and Nevada.

The **homeowner vacancy rate** is a measure of the number of homes that are vacant and offered for sale. It is calculated and reported by the census bureau. Second quarter 2009 data show substantial variation around the country however, rates have started to fall in many metro areas that were most severely impacted by the housing crisis. Rates have generally fallen slightly in most Seacoast served metros. The exception is the four county Metro Orlando area (Orange, Seminole, Lake and Osceola counties) where the homeowner vacancy rate rose 2.8% over the last year to 7.3%.

The **Consumer Price Index** (Chart 2) was flat in July as consumers continued to curtail spending. Weak demand and steep discounting have kept a lid on prices. Headline inflation is down 2.1% from a year earlier. That is the steepest decline since 1950. Nevertheless, the reading is likely distorted as gasoline prices peaked in July 2008 thus intensifying the downward slide year over year. Core inflation (not including the volatile food and energy components) moved only marginally higher at 0.1%. July will probably mark the trough in CPI decline. The risk going forward is rising inflation as a result of the extraordinary level of government stimulus spending.

The **federal budget deficit** for the fiscal year grew to $1.3 Trillion (Chart 3) as the recession continued to take its toll on revenues at the same time government spending has surged. Overall government revenues are down 16.9% with individual income and business tax receipts leading the way down — a clear result of high unemployment. At the same time, expenditures rose 26.2% pushing outlays to the highest level on record.

The Federal Reserve's balance sheet continued to shift out of emergency facilities that inflated the balance sheet so dramatically the third and fourth quarters of 2008. Treasury instruments and agency debt continued to climb leaving the balance sheet at just under $2.0 Trillion — twice the pre-crisis level but down from about $2.5 Trillion during last year's near collapse of the U.S. financial system.

The amount of non mortgage **consumer credit** (Chart 4) declined by 10.4 Billion in June. Consumer credit contracted sharply at banks and the shortfall was not made up in securitized asset lending. All forms of consumer credit declined.