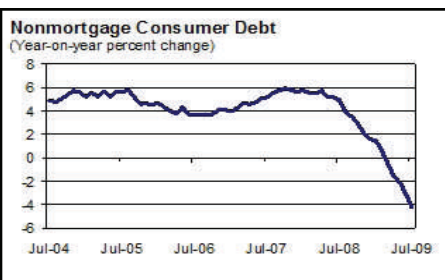
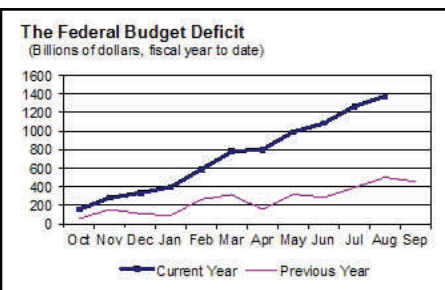
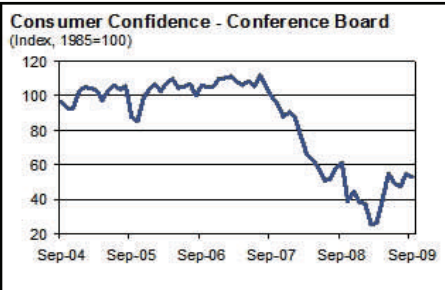
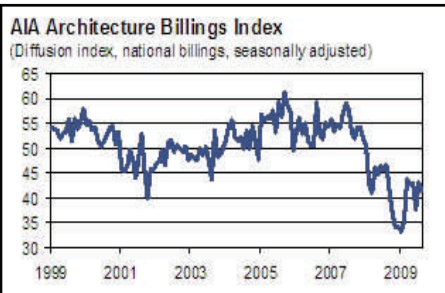
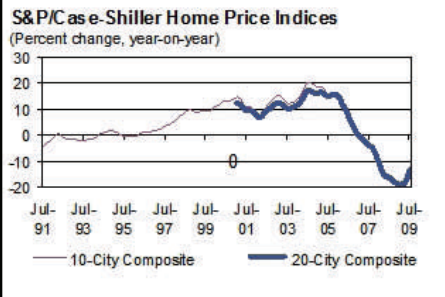


Economic Perspectives

Real estate and economic digest

A concise review of select real estate and economic reports

September 30, 2009



SOURCE: Global Insight

Case-Shiller, one of the most respected and widely watched home price indices rose again in July. Case-Shiller prepares composite indices for 10 and 20 cities across the country. Miami is the closest city to Seacoast core markets being tracked by Case-Shiller. While year over year change is down, most recent months have shown an increase in home prices. In July, home prices increased in 18 of 20 cities. Nine of those cities saw prices increase for the third straight month.

The Federal Housing Finance Agency (FHFA), regulator of both Fannie Mae and Freddie Mac, tracks price trends for mortgages securitized or guaranteed by both organizations. Using a purchase only index (refinances not included) the FHFA reported that the nation's home prices reached a cycle low point in November 2008. The July 2009 index is roughly equivalent to what it was in March 2005 before the huge bubble inflation and subsequent decline between 2005 and 2008. All of the significant housing indicators suggest that home prices are starting to turn positive after nearly three years of stunning decline. The stability, however, remains fragile. Recent sale activity was stimulated by an \$8,000 tax credit to some first time home buyers. The program ends on November 30th unless renewed by Congress. If not renewed, sales volume could suffer and price increase could lose momentum.

On the commercial side, the **Architecture Billings Index** dipped lower by 1.4 points to 41.7 in August. The index is a leading indicator of future (6-9 months) commercial, multifamily and institutional construction. A score above 50 indicates an increase in architectural billings which usually portends an increase in future commercial construction. The last reading above 50 was in January 2008. Commercial construction continues to be plagued by declining values, an absence of financing and the adverse impact of a recessionary broader economy. We can take from this that commercial construction will likely be negligible for the foreseeable future.

Consumer Confidence. After a huge 7.1 point gain in August, the Conference Board's Consumer Confidence Index declined slightly in September. After a record low reading of 25.3 in February, the index has bounced around in the 47 to 55 range — well off its low but still not showing a high level of confidence in the economy. Consumer attitudes appear to reflect the tensions between an economy that is entering recovery but one that is still losing jobs. Consumer views about the future are more balanced than their views about the current situation. A majority of consumers surveyed anticipated no short term change in economic conditions. The majority also rated jobs as "hard to find."

Federal Budget. The federal budget statement showed a \$111.4 Billion deficit in August. Overall receipts fell 7.3% year over year with individual tax receipts down 11.1% as a result of high unemployment, lower incomes and lower wages. The "Make Work Pay" tax credit also contributed to the decline. Receipts overall are down 16.25% in fiscal 2009 as a result of the weak economy. The deficit for the 2009 fiscal year is now \$1.4 Trillion and is likely to approach \$1.6 Trillion as a result of still weak economic conditions in most sectors of the economy.

Non Mortgage Consumer credit plunged by \$21.6 Billion in July. June consumer credit was revised to a more severe decline of \$15.5 Billion. Revolving credit, which includes credit cards, declined by \$6.1 Billion while installment credit fell by \$15.4 Billion. Consumer lending at commercial banks was down \$11.8 Billion following a \$15.6 Billion decline a month earlier.