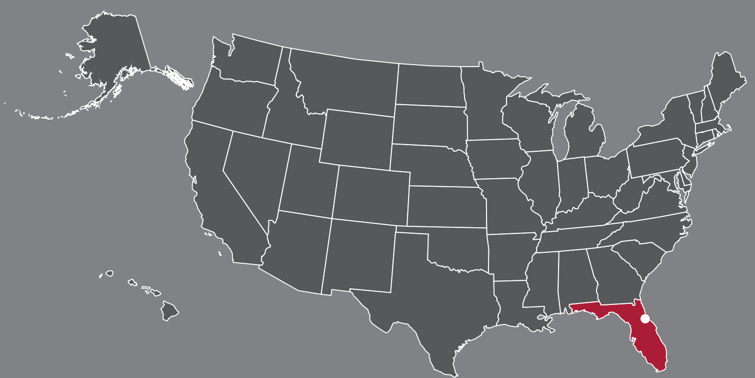
HUD PD&R **Housing Market Profiles**

Deltona-Daytona Beach-Ormond Beach, Florida


Daytona Beach, Florida

Quick Facts About Deltona-Daytona Beach-Ormond Beach

- **Current sales market conditions: balanced**
- **Current rental market conditions: balanced**
- **Tourism is a major part of the Deltona-Daytona Beach-Ormond Beach economy, with an estimated $6.2 billion in expenditures by tourists during 2019. An estimated 10 million visitors annually make their way to the beaches, NASCAR races, and other events held throughout the year, helping generate 57,600 jobs, with 3,800 related to accommodation alone.**



By David Kelley | As of August 1, 2020

Overview

The Deltona-Daytona Beach-Ormond Beach, Florida (hereafter, Daytona Beach) metropolitan area consists of Volusia and Flagler Counties in Florida. Located on the Atlantic coast, the popular vacation and retirement area is home to the Daytona International Speedway, which hosts the Daytona 500 NASCAR race and 200 other events throughout the year. The track has begun wrapping up the first phase of a $400 million renovation, named One Daytona, that began construction in 2013 and began opening hotels, restaurants, and other entrainment venues in 2016. The renovation itself is expected to add $1.6 billion annually to the Volusia County economy and is estimated to create 4,300 direct and indirect jobs during this phase (International Speedway Corp.).

- As of August 1, 2020, the estimated population of the Daytona Beach metropolitan area is 675,100.
- The popularity of the area as a retirement destination and vacation spot has led to relatively stable net in-migration since 2013. Net in-migration accounted for 100 percent of the population growth during this period and averaged 14,000 people annually from 2013 to 2019 (Census Bureau population estimates as of July 1).

continued on page 2

continued from page 1

- The fastest rate of population growth has been in retirement-age adults aged 65 and older, which increased 3.4 percent annually. Retirement-age adults made up an average of 32 percent of net in-migration during the 2014-to-2018 period (Integrated Public Use Microdata Series [IPUMS] USA; 2018 American Community Survey [ACS] 5-year estimates). The median age increased from 45.3 years in 2010 to 47.8 years in 2019 (ACS 1-year estimates).
- The population of working-age adults aged 25 to 64 increased by 1.1 percent annually from 2010 to 2019. Working-age adults moving into the area accounted for an average of 57 percent of net in-migration during the 2014-to-2018 period (IPUMS USA; 2018 ACS 5-year estimates).

Economic Conditions

Economic conditions in the Daytona Beach metropolitan area have declined significantly since April 2020 due to efforts to contain the spread of COVID-19. Before the World Health Organization declared a pandemic on March 11, 2020, economic conditions in the Daytona Beach metropolitan area had been strong since recovery from the Great Recession began in 2011. Nonfarm payroll job growth outpaced that of the region and the nation as the construction of One Daytona began in 2013, peaking at 4.5 percent growth during 2016 compared with the national 1.8-percent increase during the same year. After the construction of the main venues finished in 2016, job growth slowed but exceeded national growth until 2019, when growth averaged 0.7 and 1.5 percent for the metropolitan area and the nation, respectively. Job growth was starting to pick up again in early 2020 when the World Health Organization declared COVID-19 a pandemic. Hotel and motel occupancy was up 2 percent from February 2019 to February 2020; the Daytona 500 is held every February. Florida issued a stay-at-home order beginning on April 3, 2020. Among other restrictions, the order resulted in the closure of all restaurant dining rooms, theme parks, and bars in the state. It required that all nonessential businesses limit their activity to minimum basic operations. The order was lifted for most of the state as of May 4, 2020, but hotel occupancy during July 2020 remained at 56 percent, much lower than the 79 percent during July 2019.

- During the 3 months ending July 2020, nonfarm payrolls decreased to 194,900, a decrease of 9,300 jobs, or 4.6 percent, from a year earlier. The sector hit hardest during that period was leisure and hospitality, declining by 5,700

continued on page 3

Most nonfarm payroll sectors in the Daytona Beach metropolitan area declined in the 3 months ending July 2020.

	3 Months Ending		Year-Over-Year Change	
	July 2019 (Thousands)	July 2020 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	204.2	194.9	-9.3	-4.6
Goods-Producing Sectors	25.6	25.0	-0.6	-2.3
Mining, Logging, & Construction	14.1	14.6	0.5	3.5
Manufacturing	11.4	10.4	-1.0	-8.8
Service-Providing Sectors	178.6	169.9	-8.7	-4.9
Wholesale & Retail Trade	36.1	35.3	-0.8	-2.2
Transportation & Utilities	2.6	2.5	-0.1	-3.8
Information	2.4	2.1	-0.3	-12.5
Financial Activities	8.6	8.5	-0.1	-1.2
Professional & Business Services	23.5	23.6	0.1	0.4
Education & Health Services	40.0	38.7	-1.3	-3.2
Leisure & Hospitality	33.3	27.6	-5.7	-17.1
Other Services	8.9	8.4	-0.5	-5.6
Government	23.1	23.2	0.1	0.4
Unemployment Rate	3.6%	11.1%		

Note: Numbers may not add to totals due to rounding.
Source: U.S. Bureau of Labor Statistics

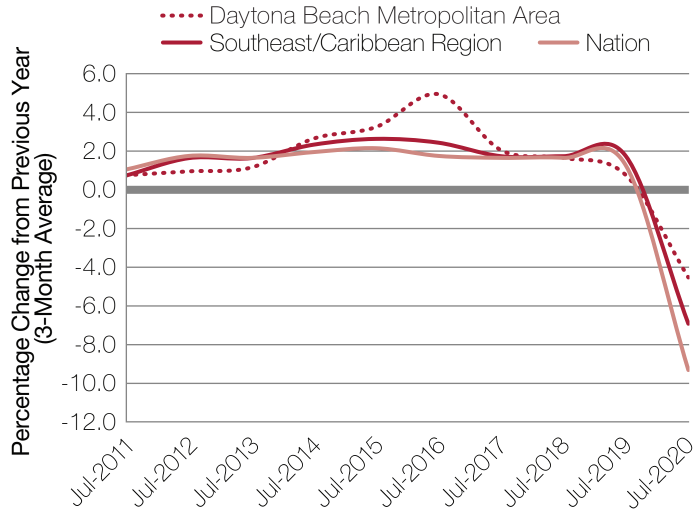
continued from page 2

jobs, or 17.1 percent. Job losses in this sector accounted for 33.6 percent of the current decline in jobs in the metropolitan area and were not only caused by restrictions on in-person interaction but also due to canceled events and reduced tourism.

- The professional and business services sector was one of only three sectors to grow year-over-year during the 3 months ending July 2020. In addition, it is the only sector to have grown since the COVID-19 pandemic was declared, increasing by 200 jobs since March. That increase is likely due to business support services for larger companies less affected by COVID-19-related restrictions, such as Amazon.com, Inc.
- The mining, logging, and construction sector gained jobs in construction-related industries from the previous year, increasing by 500 jobs, or 3.5 percent, during the 3 months ending July 2020 from the same period during the previous year. Year-to-date, payrolls in this sector have remained level.
- By July 2020, all sectors had started to add jobs again except for the education and health services sector. Since the start of the pandemic in March 2020, the education and health services sector has lost 2,600 jobs, likely due to private schools and health practitioners reducing capacity as workers and consumers maintain a reluctance for in-person interaction during the pandemic.
- The unemployment rate increased to an average of 11.1 percent during the 3 months ending July 2020 from 3.6 percent during the 3 months ending July 2019 because of job losses related to COVID-19 restrictions.

Several companies have expanded in the Daytona Beach metropolitan area during the past year. Security First Insurance Company completed its new headquarters in November 2019, which will bring 700 workers to the city of Ormond Beach. Brown & Brown, Inc., the seventh largest insurance company in the world, is finishing construction on a new 11-story, $25 million headquarters in downtown Daytona Beach, which is expected to be completed by the end of the year. The company, headquartered in Volusia County since 1939, plans to add 600 more employees by 2023. Amazon.com, Inc. also plans to add 500 jobs through 2023 at the newly opened distribution center.

Nonfarm payroll growth in the Daytona Beach metropolitan area outpaced the region and the nation while One Daytona was under construction, but growth slowed after 2018.



Source: U.S. Bureau of Labor Statistics

Largest Employers in the Daytona Beach Metropolitan Area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
AdventHealth	Education & Health Services	6,050
Volusia County	Government	3,400
Publix Super Markets, Inc.	Wholesale & Retail Trade	3,425

Note: Excludes local school districts.
Source: Volusia County Economic Development

Sales Market Conditions

The sales market in the Daytona Beach metropolitan area is currently balanced, with an estimated vacancy rate of 2.4 percent as of August 1, 2020, down from 4.1 percent during 2010. The vacancy rate declined mostly because of strong net in-migration and economic trends that caused demand to outpace supply after the Great Recession. Job growth resumed in the metropolitan area in late 2011, and new and existing home sales prices began recovering in late 2011 and late 2012, respectively. From June 2012 to June 2020, new and existing home sales prices increased by averages of 5 and 4 percent annually, respectively. The difference between the growth in existing and new home sales prices stems mainly from the large supply of real estate owned (REO) housing for sale after the Great Recession, which temporarily lowered the average price for existing homes. From June 2012 to June 2020, new home sales increased by an average of 22 percent annually, whereas existing home sales increased by an average of 9 percent annually (Metrostudy, A Hanley Wood Company). The working-age population (ages 25 to 64) have been buying existing entry-level or detached housing. During the 2014-to-2018

continued on page 4

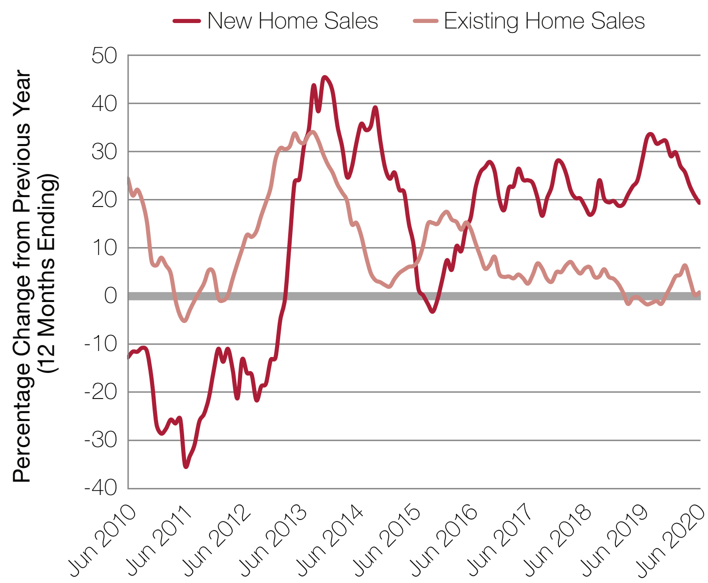
continued from page 3

period, around 95 percent of the working-age population lived in single-family detached housing (IPUMS USA; 2018 ACS 5-year estimates). By contrast, the retirement-age population (ages 65 and older) has been purchasing homes in new retirement communities and condominiums during the 2014-to-2018 period; just 74 percent of retirement-age homeowners lived in single-family detached housing.

- During the 12 months ending June 2020, existing home sales (single-family homes, townhomes, and condominiums) increased to 16,900 a 1-percent increase from the previous year. Existing home sales prices increased 4 percent, to $358,800, compared with a 2-percent decline the previous year.
- The number of new home sales increased to 3,200 homes during the 12 months ending June 2020, a 19-percent increase from the previous year. New home sales prices increased only 1 percent, to $300,300, a significant slowdown from the 7-percent increase during the previous year.
- In June 2020, the percentage of home loans that were seriously delinquent (90 or more days delinquent or in foreclosure) or had transitioned into REO status increased to 4.0 percent from 1.8 a year earlier, in line with that of the nation, at 4.0 percent, but lower than the 5.2 percent for the state (CoreLogic, Inc.).

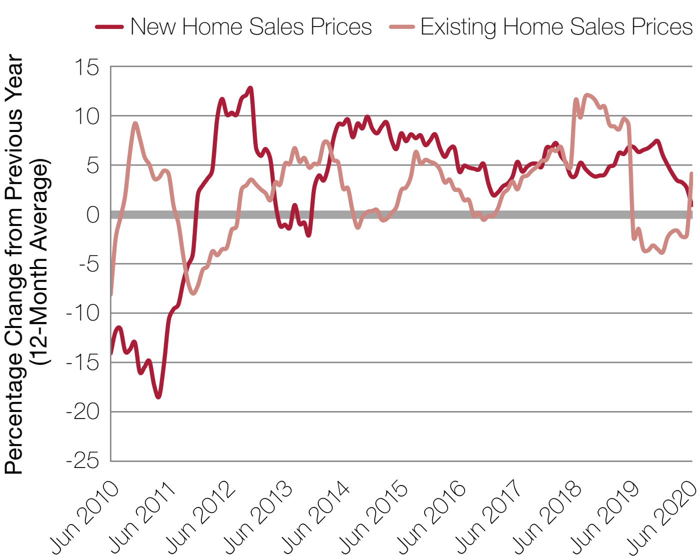
continued on page 5

New and existing home sales growth in the Daytona Beach metropolitan area peaked as the construction of One Daytona began, but new home sales have generally maintained high growth since 2016.



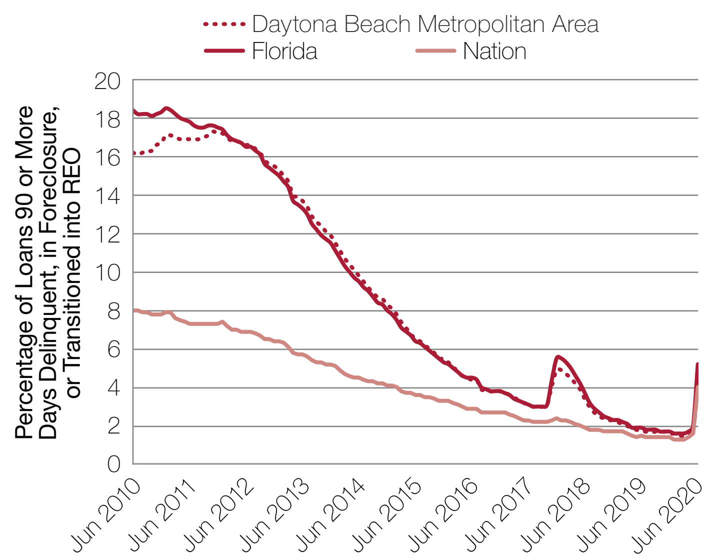
Note: Sales include single-family homes, townhomes, and condominiums.
Source: Metrostudy, A Hanley Wood Company, with adjustments by the analyst

Since the end of 2019 in the Daytona Beach metropolitan area, growth in new home sales prices has slowed, whereas growth in existing home sales prices has accelerated.



Note: Prices include single-family homes, townhomes, and condominiums.
Source: Metrostudy, A Hanley Wood Company, with adjustments by the analyst

The percentage of mortgages 90 or more days delinquent, in foreclosure, or recently transitioned to REO status in the Daytona Beach metropolitan area has increased in line with that of the nation but was below the rate for Florida during June 2020.



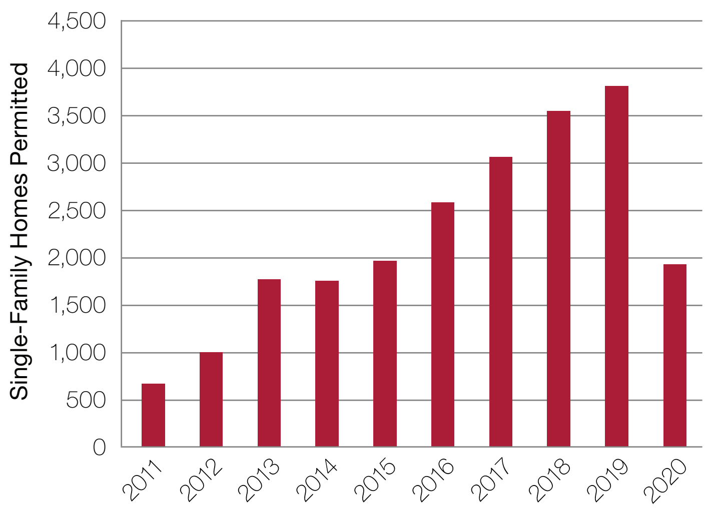
REO = real estate owned.
Source: CoreLogic, Inc., with adjustments by the analyst

continued from page 4

Since 2016, strong net in-migration and economic growth have led to an acceleration in single-family home construction, as measured by the number of single-family homes permitted. From 2016 through 2019, single-family home construction increased by an average 410 homes, or 14 percent, annually. Most of the new single-family construction in the metropolitan area has occurred in Volusia County; the number of single-family homes permitted increased by an average of 18 percent annually from 2016 through 2019. The number of single-family homes permitted in Flagler County has also been growing rapidly, increasing by an average of 20 percent annually during the same period.

- A total of 3,325 single-family homes were permitted in the metropolitan area during the 12 months ending June 2020, a 41-percent increase from the 2,350 homes permitted during the same period a year earlier (preliminary data).
- The fastest growth in Volusia County has been in the city of Deltona, which is adjacent to the Orlando-Kissimmee-Sanford, FL Metropolitan Statistical Area. Single-family home construction in the city of Deltona grew by an average of 61 percent annually from 2016 through 2019, increasing from 100 homes permitted in 2016 to 425 homes permitted in 2019.
- One of the larger communities currently under construction is Latitude Margaritaville, which is expected to have 6,650 homes when completed in the next 5 to 7 years. Year-to-date, approximately 190 homes have sold for a median price of $363,100, with sizes ranging from 1,500 to 2,575 square feet (Metrostudy, A Hanley Wood Company).

Single-family homebuilding in the Daytona Beach metropolitan area has maintained steady growth since 2013.



Note: Includes preliminary data from January 2020 through June 2020.
Source: U.S. Census Bureau, Building Permits Survey, with estimates by the analyst

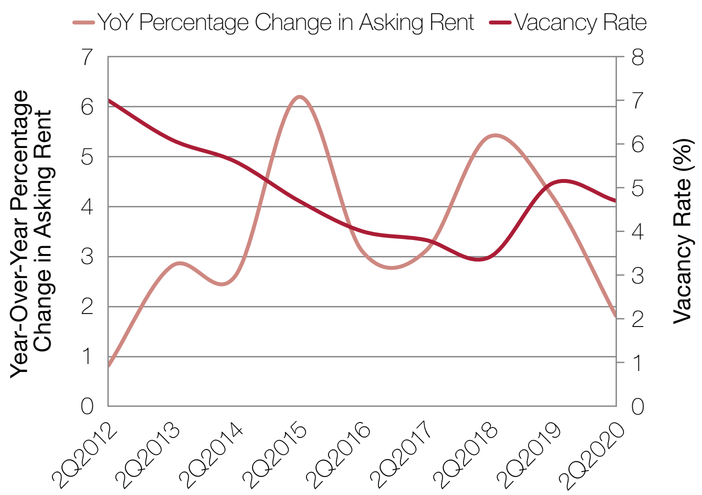
Rental Market Conditions

Rental housing market conditions in the Daytona Beach metropolitan area are currently balanced. The overall rental vacancy rate (including single-family homes, mobile homes, and apartments) is estimated at 7.0 percent as of August 1, 2020, a decrease from 14.1 percent in April 2010. The apartment market was also soft in 2010, with market conditions tightening throughout much of the 2010s. The apartment vacancy rate reached a low of 2.8 percent in the third quarter of 2018; however, excess apartment construction during 2018 and 2019 led to the apartment vacancy rate increasing to 6.3 percent in the third quarter of 2019 (Reis, Inc.).

- The apartment market vacancy rate decreased to 4.6 percent during July 2020, down from 4.9 percent a year ago (Reis, Inc.). Despite a large number of recent job losses, an eviction moratorium in Florida has kept the vacancy rate from increasing even more.
- Rent growth averaged 1.7 percent from July 2019 to July 2020, slowing from the 4.3-percent growth from July 2018 to July 2019, as increased construction reduced tightness

continued on page 6

Rent growth in the Daytona Beach metropolitan area has slowed and vacancy rates have increased as construction activity has increased since 2018.



2Q = second quarter. YoY = year-over-year.
Source: Reis, Inc.

continued from page 5

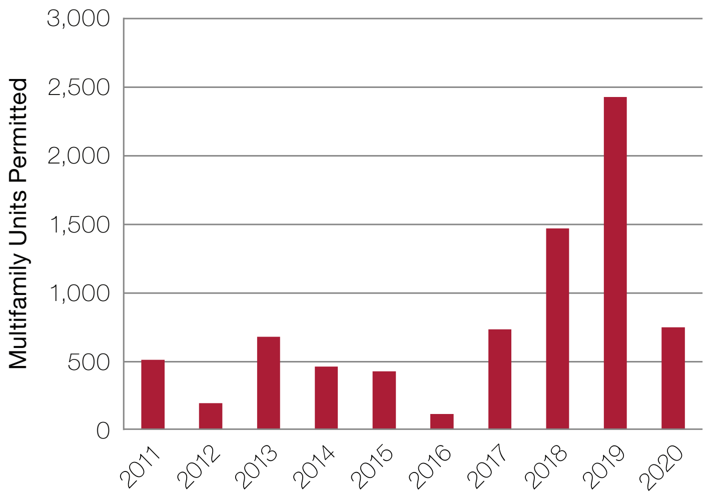
in the market. By comparison, rent growth increased by an average of 4.4 percent annually from 2013 to 2018.

- Among the retirement-age population, only 12.1 percent were renters during the 2014-to-2018 period, up from 10.9 percent during the 2009-to-2013 period (IPUMS USA; 2013 and 2018 ACS 5-year estimates). The average rent paid by the retirement-age population was slightly higher during the 2014-to-2018 period, at $975 versus $940, than for the remainder of renters in the Daytona Beach metropolitan area.
- Students make up approximately 8 percent of all renters in Daytona Beach due to the presence of Daytona State College and Embry-Riddle Aeronautical University, which enrolled 16,950 and 7,525 students, respectively, in 2019. The average rent for students was $1,000 during the 2014-to-2018 period, compared with the average rent for the remainder of the Daytona Beach metropolitan area of $940 (IPUMS USA; 2018 ACS 5-year estimates).

Multifamily home construction activity, as measured by the number of units permitted, accelerated in 2017, as strong economic conditions and population growth since the recession created tight apartment market conditions. The current construction levels are higher than prerecession levels.

- Multifamily construction totaled 1,225 units during the 12 months ending July 2020, up from the 250 units permitted during the 12 months ending July 2019 (preliminary data). Multifamily construction for 2019 totaled 2,425 units, a 64-percent increase from the 1,475 units constructed in 2018.
- From 2017 through 2019, multifamily permitting averaged 1,550 units, more than triple the 2011-through-2016 period, when an average of 400 units were permitted.
- As the One Daytona construction began in 2013, multifamily units permitted increased from 190 units in 2012 to 680 units in 2013. Another jump occurred, from 110 units in 2016 to 730 units in 2017, as the market began tightening due to strong economic and population growth.
- Recently completed apartments are almost exclusively in and around the cities of Daytona Beach and Port Orange. Some recently completed units include the 292-unit Springs at Port Orange in 2020. Rents range from $1,200 for a studio apartment to $1,425 for a two-bedroom unit.
- Tomoka Pointe is a 276-unit apartment community in the city of Daytona Beach and was completed in the fall of 2019. Rents range from $1,200 for a studio apartment to $1,725 for a three-bedroom unit.

Multifamily permitting has increased significantly in the Daytona Beach metropolitan area since 2016.



Note: Includes preliminary data from January 2020 through June 2020.
Source: U.S. Census Bureau, Building Permits Survey, with estimates by the analyst