

HUD PD&R Housing Market Profiles

Palm Bay-Melbourne-Titusville, Florida



Quick Facts About Palm Bay-Melbourne-Titusville

Melbourne, Florida

By Karen M. Ostrye | As of July 1, 2021

- Current sales market conditions: tight
- Current apartment market conditions: balanced
- The Palm Bay-Melbourne-Titusville, FL Metropolitan Statistical Area is home to the National Aeronautics and Space Administration (NASA), a growing number of private space exploration companies, and many space exploration missions that originated there; it is known as the Space Coast.

Overview

The Palm Bay-Melbourne-Titusville, FL Metropolitan Statistical Area (hereafter, Palm Bay metropolitan area) on the eastern shore of Florida consists of Brevard County and has 72 miles of beaches, which makes it a popular destination for tourists and retirees. The Canaveral National Seashore attracts an average of 1.6 million visitors each year, and 1.5 million people visit the Kennedy Space Center Visitor Complex annually. The Port Canaveral cruise industry generated nearly \$1.3 billion in direct expenditures and serviced the second largest number of multi-day cruise passengers in the United States in 2018 (2018 Economic Contributions of Port Canaveral). Cruises are temporarily discontinued due to the COVID-19 pandemic.

- As of July 1, 2020, the Palm Bay metropolitan area population is estimated at 614,200, an average annual increase of 6,300, or 1.1 percent, since 2010.
- Population growth averaged 2,925 people, or 0.5 percent, annually from 2010 to 2014, with a net natural decline of 1,200 offsetting in-migration of 4,125 during a period of local economic contraction. From 2014 to 2020, population growth averaged 8,775 people, or 1.5 percent, annually,

continued on page 2



continued from page 1

with a net natural decline of 2,300 people offsetting higher in-migration of 11,100 people, in response to strong job growth in the Palm Bay metropolitan area.

- Individuals ages 65 years and older represented 20 percent of the population in 2010 but accounted for 24 percent in

2019. The median age in the metropolitan area increased from 45.5 years in 2010 to 47.2 years in 2019, compared with the median age of 40.7 and 42.4 years for the state of Florida in 2010 and 2019, respectively (American Community Survey 1-year estimates).

Economic Conditions

Economic conditions in the Palm Bay metropolitan area are recovering from the COVID-19 recession. Through June 2021, the Palm Bay metropolitan area regained approximately 23,500 jobs, or 89 percent, of the payrolls lost during the recession (not seasonally adjusted). During the second quarter of 2021, nonfarm payrolls rose to an average of 230,600 jobs, an increase of 15,200 jobs, or 7.1 percent, from the second quarter of 2020.

During the second quarter of 2021—

- The leisure and hospitality sector added the most jobs of any sector, an increase of 5,800 jobs, or 28.4 percent, compared with a year earlier. Travelers were anxious to visit the nine new hotels added to the Palm Bay metropolitan area in 2019. As of the last week in June 2021, hotel occupancy increased approximately 63 percent from the same week in 2020 (visitspacecoast.com). Hotels were filled to nearly 75 percent capacity, compared with 72 percent during the same week in 2019, before the onset of the pandemic.

- The mining, logging, and construction sector added 1,300 jobs, or 8.4 percent, compared with a year earlier. This growth was due in part to construction underway on the Launch and Landing Facility, which will repurpose the space shuttle runway for commercial space flights at Cape Canaveral Spaceport.
- The professional and business services sector added 2,100 jobs or 5.9 percent, compared with a year earlier. After a record 31 successful space flights in 2020, the space industry continued its expansion with the \$20 million renovation of the Lockheed Martin Spacecraft, Test, Assembly and Resource Center, which will officially open in July 2021. Engineering positions represented 10 percent of the total payrolls in this sector in the Palm Bay metropolitan area in 2020.
- The manufacturing sector added 1,800 jobs, or 6.4 percent. Defense contracts and spacecraft production contribute to the manufacturing sector representing 13 percent of nonfarm

continued on page 3

Nearly all nonfarm payroll sectors in the Palm Bay metropolitan area added jobs during the second quarter of 2021.

	3 Months Ending		Year-Over-Year Change	
	June 2020 (Thousands)	June 2021 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	215.4	230.6	15.2	7.1
Goods-Producing Sectors	43.8	46.9	3.1	7.1
Mining, Logging, & Construction	15.5	16.8	1.3	8.4
Manufacturing	28.3	30.1	1.8	6.4
Service-Providing Sectors	171.6	183.7	12.1	7.1
Wholesale & Retail Trade	31.0	33.9	2.9	9.4
Transportation & Utilities	4.1	4.3	0.2	4.9
Information	1.8	1.8	0.0	0.0
Financial Activities	8.6	9.0	0.4	4.7
Professional & Business Services	35.5	37.6	2.1	5.9
Education & Health Services	34.1	35.2	1.1	3.2
Leisure & Hospitality	20.4	26.2	5.8	28.4
Other Services	7.7	8.2	0.5	6.5
Government	28.2	27.5	-0.7	-2.5
Unemployment Rate	11.6%	4.6%		

Note: Numbers may not add to totals due to rounding.

Source: U.S. Bureau of Labor Statistics



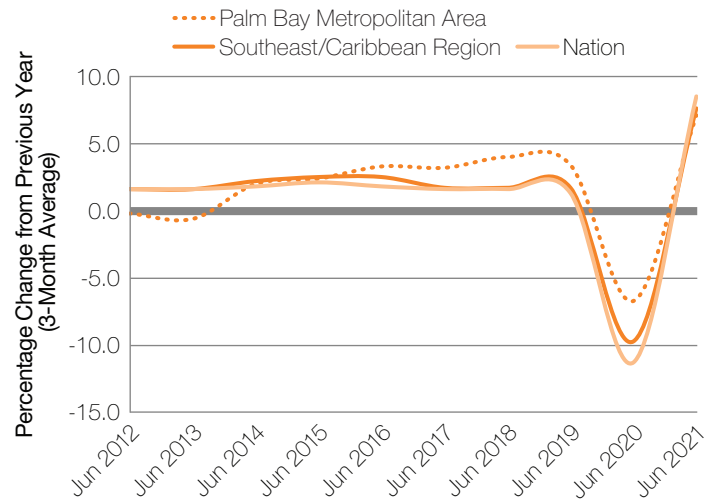
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payrolls in the Palm Bay metropolitan area, compared with the 8-percent for the United States as a whole.

- The unemployment rate declined to 4.6 percent from 11.6 percent during the same period a year earlier but was higher than the 3.2 percent rate during the second quarter of 2019, before the onset of the pandemic.

The Palm Bay metropolitan area benefits from the presence of Patrick Space Force Base (SFB), which comprises the 45th Space Wing and Cape Canaveral Space Force Station, sustaining an economic impact of \$1.29 billion annually on the metropolitan area (Patrick SFB Fiscal Year 2020 Economic Impact Analysis). A growing number of private space exploration companies such as Space Exploration Technologies Corp. (SpaceX), Blue Origin, LLC, Lockheed Martin Corporation, and The Boeing Company combine with the military presence to employ consultants, engineers, and military contractors, and highly skilled manufacturers.

The rate of nonfarm payroll growth in the Palm Bay metropolitan area was higher than the rate for the state and the nation from 2016 through 2020.



Source: U.S. Bureau of Labor Statistics

Largest Employers in the Palm Bay Metropolitan Area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Health First, Inc.	Education & Health Services	8,000-8,999
L3Harris Technologies, Inc.	Manufacturing	7,000-7,999
Northrop Grumman Corporation	Manufacturing	3,000-3,999

Note: Excludes local school districts and military personnel.
Source: Economic Development Commission of Florida's Space Coast

Sales Market Conditions

Sales housing market conditions in the Palm Bay metropolitan area are currently tight. Home sales have fallen in the past year due to low inventory, and price growth has escalated as the market has become more competitive for buyers. As of June 2021, 1.8 months of available inventory were for sale in the metropolitan area, down from 3.1 months in June 2020 (Redfin, a national real estate brokerage). The COVID-19 recession impeded the ability of some homeowners to make mortgage payments in the Palm Bay metropolitan area, but the impact was not as severe as in the state and nation. The percentage of home loans that were seriously delinquent (90 or more days delinquent) or in real estate owned (REO) status increased from 1.3 percent in February 2020 to 4.0 percent in August 2020 because of job losses from COVID-19 restrictions (CoreLogic, Inc.). The rate for the Palm Bay metropolitan area was lower than the rates for the state and nation, which increased from 2.2 and 1.7 percent to 6.0 and 4.4 percent, respectively, during

the same period. The local economy has begun to recover, and the rate declined to 2.9 percent in June 2021, below the rates for the state and nation of 3.8 and 3.1 percent, respectively.

During the 12 months ending June 2021 —

- New home sales totaled 2,025, down 4 percent from the 2,100 homes sold a year ago partly because supply chain interruptions and input price uncertainty caused by the pandemic slowed construction slightly in recent months. The average sales price for a new home was \$317,700, a decrease of 1 percent from a year earlier.
- Existing home sales totaled 13,150, down 7 percent from the 14,200 homes sold during the previous 12-month period. Concerns about exposure to COVID-19, coupled with an increase in working from home, have made potential sellers hesitant to list their homes for sale during the pandemic.

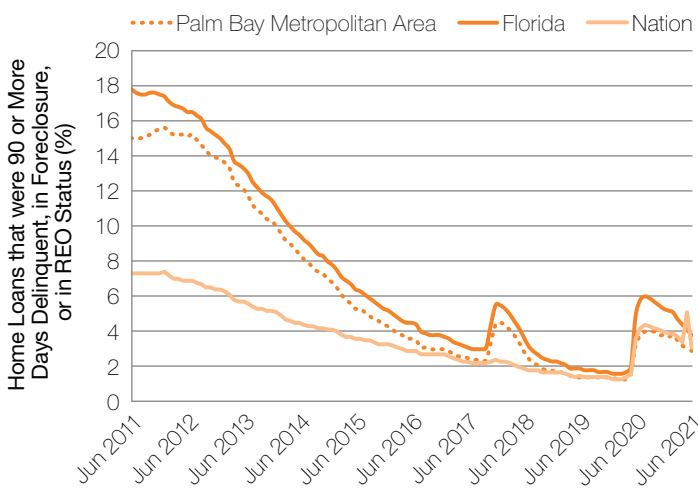
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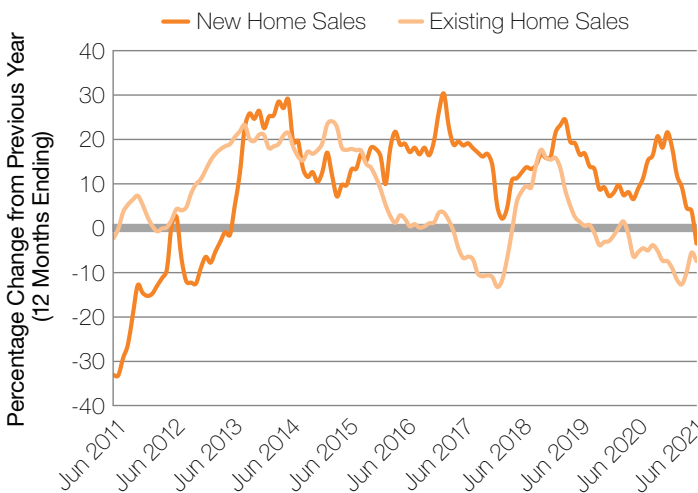
- The average sales price for existing homes was \$291,000, an increase of 16 percent from \$250,500 a year earlier. Interest rates, which were already low before the pandemic, have fallen further, which has given buyers the ability to buy higher priced homes without higher housing payments.
- REO sales accounted for 2 percent of existing home sales, down from 4 percent a year earlier and well below the 37 percent peak in June 2011.

The percentage of home loans that were 90 or more days delinquent, in foreclosure, or recently transitioned to REO status has been lower in the Palm Bay metropolitan area than the percentage for the state and the nation, since early 2020.



REO = real estate owned.
Source: CoreLogic, Inc.

Existing home sales fell, and new home sales mostly increased during the past year in the Palm Bay metropolitan area.

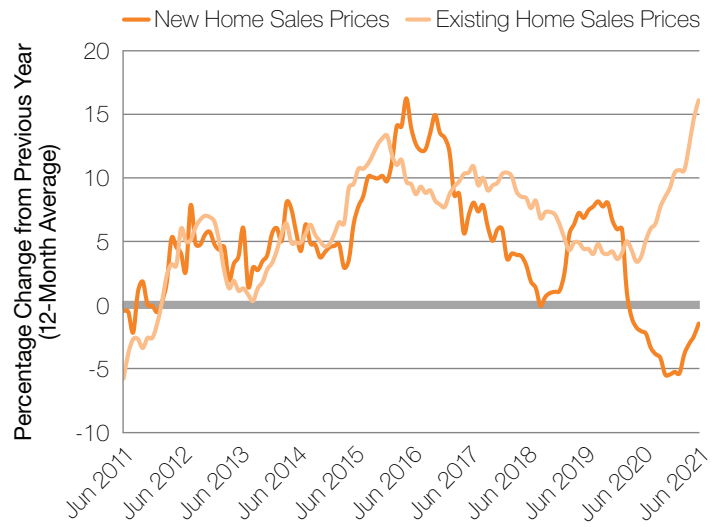


Note: Includes single-family, townhomes, and condominiums.
Source: Zonda

Single-family homebuilding (measured by the number of single-family homes permitted) has increased since 2015, as excess inventory has been absorbed and migration into the Palm Bay metropolitan area has increased. An average of 2,400 homes were permitted each year from 2015 through 2020, up from an average of only 1,250 homes a year from 2012 through 2014. During the 12 months ending June 2021, 3,475 single-family homes were permitted in the metropolitan area, a 40-percent

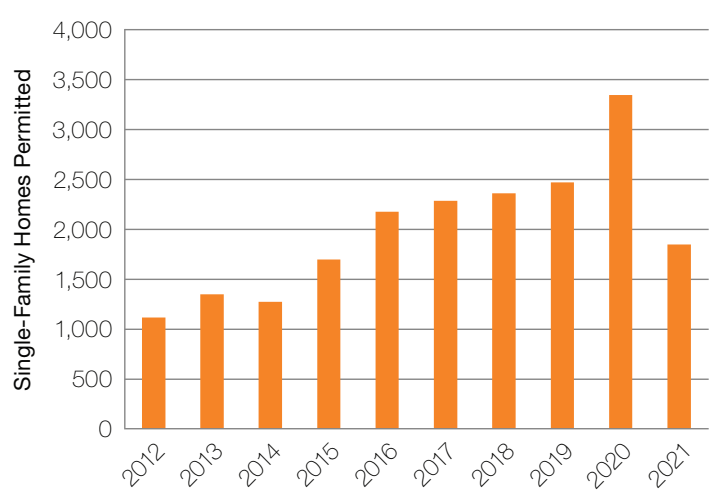
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The average price of an existing home increased, and the average price of a new home declined during the past year in the Palm Bay metropolitan area.



Note: Includes single-family, townhomes, and condominiums.
Source: Zonda

The number of single-family homes permitted in the Palm Bay metropolitan area has generally trended upward since 2012.



Note: Includes preliminary data from January 2021 through June 2021.
Source: U.S. Census Bureau, Building Permits Survey, with estimates by the analyst



continued from page 4

increase from 2,475 homes during the same period a year ago (preliminary data).

- New home construction is notable in the area west of the city of Palm Bay as builders continue to develop areas along Interstate 75. Heritage at Tillman Lakes is a community of four-bedroom and five-bedroom homes, with prices ranging from \$253,000 to \$311,000, and 25 of the 40 homes planned at buildout are complete.
- Nearly 40 percent of new homes built in the past 5 years are in unincorporated areas, such as Viera West. For retirees

coming to the Palm Bay metropolitan area, Bridgewater at Viera is a community for residents who are ages 55 and older in Viera West. All homes have three bedrooms and range from \$407,000 to \$454,000.

- About 10 percent of new homes built in the past 5 years were in the city of West Melbourne. Construction of 4 of the 146 homes planned is complete at Sawgrass Lakes The Willows in West Melbourne. Prices start at \$324,000 for three-bedroom and four-bedroom homes.

Apartment Market Conditions

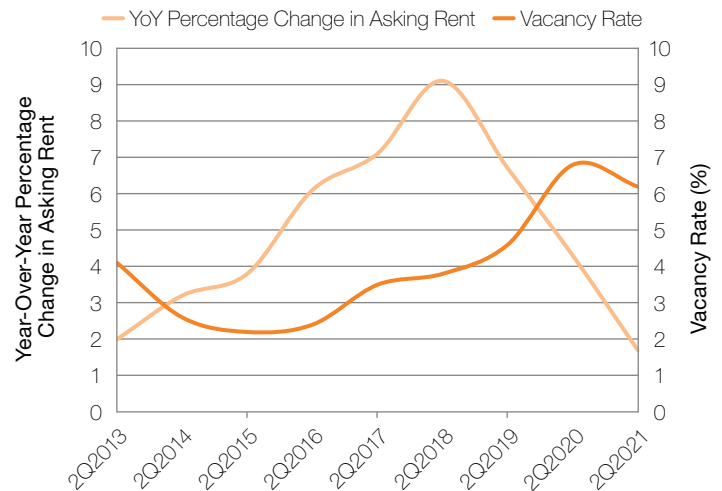
The apartment market in the Palm Bay metropolitan area is currently balanced. Apartment market conditions were soft after the Great Recession, but relatively slow construction and stronger renter household growth put downward pressure on apartment vacancy rates and upward pressure on rents. Job growth in the Palm Bay metropolitan area contributed to higher levels of in-migration and further tightening of the apartment market, which has been balanced since the second quarter of 2020 after apartment construction increased from 2018 through 2020.

- During the second quarter of 2021, the apartment vacancy rate was 6.2 percent, down from 6.8 percent a year earlier because the recent increase in apartment construction has brought the apartment market into balance (Moody's Analytics, REIS).
- The vacancy rate reached a low of 2.2 percent during the second quarter of 2015 because a shift in preferences to large apartment communities, combined with low rental construction, led to tight market conditions.
- During the second quarter of 2021, the average apartment rent increased 2 percent from a year earlier to \$1,138.
- Rent growth has been slowing since it peaked at 9 percent during the second quarter of 2018. Some of this can be attributed to the 3,800 units added since 2019, which helped ease tight market conditions in the metropolitan area.

In response to strong demand, multifamily construction in the metropolitan area, measured by the number of multifamily units permitted, has been elevated since 2018. During the 12 months ending June 2021, 1,475 multifamily units were permitted in the metropolitan area, down 27 percent from 2,025 units during the previous 12 months.

- As of July 1, 2021, an estimated 1,550 multifamily units were under construction in the Palm Bay metropolitan area.

Rent growth was moderate, and the vacancy rate has primarily increased in the Palm Bay metropolitan area since 2018.



2Q = second quarter. YoY = year-over-year. Source: Moody's Analytics, REIS

- From 2012 through 2017, an average of 360 multifamily units were permitted annually, compared with an average of 1,975 units a year from 2018 through 2020.
- More than one-half of the rental units built in the past 3 years have been in the Melbourne-West Melbourne area. Azalea at West Melbourne, built in 2020, has one-bedroom to three-bedroom apartment units with rents ranging from \$1,575 to \$2,295. This 316-unit community is near the Interstate 95 interchange at route 192, which leads directly to the beaches of Indialantic and Melbourne Beach.
- About 10 percent of all multifamily units built in the past 5 years have been in the city of Rockledge. Rockledge Flats, a 247-unit community in the city of Rockledge, was

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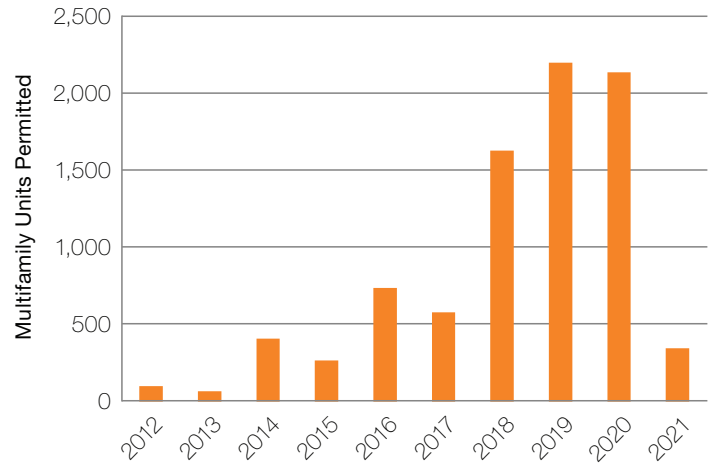


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completed in 2021 and is now leasing one-bedroom to three-bedroom apartments ranging from \$1,350 to \$2,085.

- Apartments intended for residents ages 55 and older represent 16 percent of all the apartments built in the past 3 years, and about 12 percent of these are income restricted. Luna Trails is a community with 86 units restricted to households earning up to 60 percent of area median income in Titusville, in the northern part of the metropolitan area, and has one-bedroom to three-bedroom units available from \$705 to \$949.

Multifamily permitting was elevated from 2018 through 2020 in the Palm Bay metropolitan area.



Note: Includes preliminary data from January 2021 through June 2021.
 Source: U.S. Census Bureau, Building Permits Survey, with estimates by the analyst

