

HUD PD&R Housing Market Profiles

Pensacola-Ferry Pass-Brent, Florida



Quick Facts About Pensacola-Ferry Pass-Brent

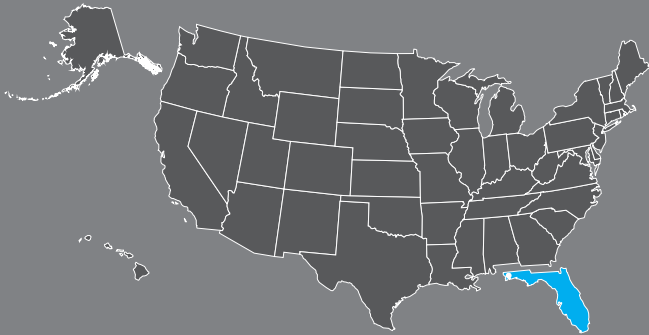
- **Current sales market conditions: soft.**
- **Current apartment market conditions: balanced.**
- **Navy Federal Credit Union is in the midst of a long-term \$1 billion expansion of operations at its Greater Pensacola-area operations campus.**

By Fernando L. Ramirez | As of October 1, 2014

Overview

The Pensacola-Ferry Pass-Brent (hereafter, Pensacola) metropolitan area comprises Escambia and Santa Rosa Counties at the westernmost end of the Florida panhandle. The principal city of Pensacola is in Escambia County, approximately 60 miles east of Mobile, Alabama, and is the site of Naval Air Station (NAS) Pensacola, home of the U.S. Navy's Blue Angels.

- As of October 1, 2014, the population of the metropolitan area was estimated at 472,400, an increase of 5,200, or 1.1 percent, annually since April 1, 2010.
- Since 2010, net in-migration to the metropolitan area has averaged 3,850 people annually, more than the average annual rate of 1,700 people that prevailed from 2000 through 2010.
- Pensacola is the most populous city in the metropolitan area, with a population of approximately 51,900, or 11 percent of the population of the metropolitan area.



The leisure and hospitality sector led growth during the past year in the Pensacola area.

| | 3 Months Ending | | Year-Over-Year Change | |
|------------------------------------|-------------------------------|-------------------------------|-------------------------|---------|
| | September 2013 (thousands) | September 2014 (thousands) | Absolute (thousands) | Percent |
| Total nonfarm payrolls | 161.1 | 162.7 | 1.6 | 1.0 |
| Goods-producing sectors | 15.2 | 15.2 | 0.0 | 0.0 |
| Mining, logging, and construction | 9.3 | 9.2 | -0.1 | -1.1 |
| Manufacturing | 5.9 | 6.0 | 0.1 | 1.7 |
| Service-providing sectors | 145.9 | 147.5 | 1.6 | 1.1 |
| Wholesale and retail trade | 26.2 | 26.6 | 0.4 | 1.5 |
| Transportation and utilities | 4.1 | 4.1 | 0.0 | 0.0 |
| Information | 2.4 | 2.5 | 0.1 | 4.2 |
| Financial activities | 10.1 | 10.2 | 0.1 | 1.0 |
| Professional and business services | 22.2 | 22.3 | 0.1 | 0.5 |
| Education and health services | 26.6 | 26.5 | -0.1 | -0.4 |
| Leisure and hospitality | 21.5 | 22.6 | 1.1 | 5.1 |
| Other services | 5.6 | 5.4 | -0.2 | -3.6 |
| Government | 27.4 | 27.4 | 0.0 | 0.0 |
| | (percent) | (percent) | | |
| Unemployment rate | 7.0 | 6.3 | | |

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

Economic Conditions

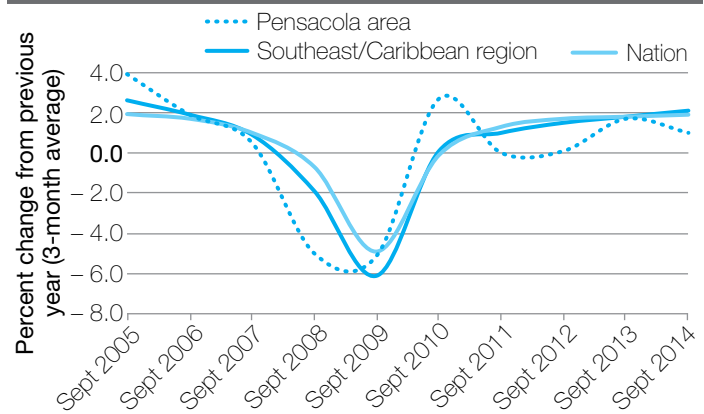
Economic conditions in the Pensacola metropolitan area are improving after nonfarm payroll declines in 2008 and 2009. Despite recent improvement, nonfarm payrolls remain below the prerecession peak of 172,100 jobs recorded during the 3 months ending May 2007. In 2013, the largest employer, NAS Pensacola, had an annual economic impact on the metropolitan area economy estimated at \$1.2 billion (NAS Pensacola data).

During the 3 months ending September 2014—

- Nonfarm payrolls averaged 162,700 jobs, an increase of 1,600 jobs, or 1.0 percent, from the same 3-month period in 2013.
- The leisure and hospitality sector accounted for more than one-half of the net job growth, increasing by 1,100 jobs, or 5.1 percent, because of growth in tourism.
- The education and health services sector lost 100 jobs, or 0.4 percent, partly because Sacred Heart Health System laid off approximately 90 employees in the second half of 2013.
- The unemployment rate averaged 6.3 percent, down from the average of 7.0 percent recorded during the same period a year ago.

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Nonfarm payrolls in the Pensacola area continued to recover after recording steep losses during 2008 and 2009.



Note: Nonfarm payroll jobs.
Source: U.S. Bureau of Labor Statistics

Largest employers in the Pensacola area

| Name of Employer | Nonfarm Payroll Sector | Number of Employees |
|-----------------------------|-------------------------------|---------------------|
| Naval Air Station Pensacola | Government | 23,400 |
| Baptist Health Care | Education and health services | 4,500 |
| Sacred Heart Health System | Education and health services | 3,475 |

Note: Excludes local school districts.
Sources: Greater Pensacola Chamber; Naval Air Station Pensacola

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In August 2014, the latest data available, bed tax (a tax on hotels) revenues in the metropolitan area totaled \$1,789,000, up 18 percent from \$1,510,000 in August 2013 because increased tourism led to growth in the leisure and hospitality sector (University of West Florida, Haas Center). By comparison, bed tax revenues in August

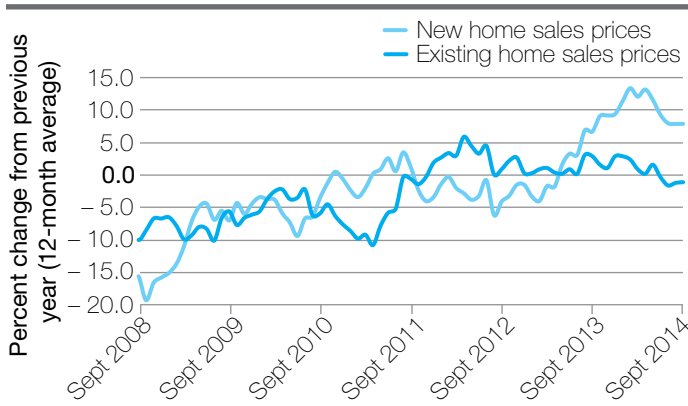
2010 totaled \$785,300 because of the effects of the Gulf Coast oil spill. In 2014, the Navy Federal Credit Union added 530 jobs as part of a \$1 billion expansion at its Heritage Oaks Campus in the city of Pensacola. The credit union plans to add another 5,000 jobs by the time the expansion is complete in 2026.

Sales Market Conditions

The sales housing market in the Pensacola metropolitan area is soft but improving. During the 12 months ending September 2014, the number of new homes sold totaled 1,025, nearly unchanged from the previous 12-month period (Metrostudy, A Hanley Wood Company). During the same period, the number of existing homes sold totaled 8,050, a 10-percent increase because of improved economic conditions. Despite recent increases, the current level of home sales remains below the levels from 2005 through 2007, when the number of new and existing homes sold averaged 2,375 and 11,250 a year, respectively.

- During the 12 months ending September 2014, the average sales price of new homes increased 8 percent, to \$215,700, but the average sales price of existing homes decreased 1 percent, to \$165,000, because the number of REO (Real Estate Owned) homes sold increased 48 percent during the period.
- During the same period, prices for new and existing homes remained below the annual prerecession peaks of \$277,900 and \$206,500, respectively, in 2006 because nonfarm payrolls had not yet recovered to prerecession levels.

New home sales prices in the Pensacola area have been increasing since 2013, while existing home sales prices have remained stagnant.



Note: Includes single-family homes, townhomes, and condominiums.
Source: Metrostudy, A Hanley Wood Company

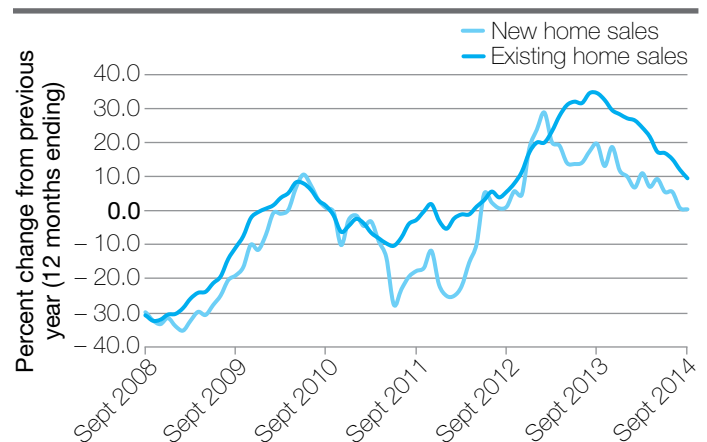
- As of September 2014, 7.0 percent of mortgage loans were 90 or more days delinquent, were in foreclosure, or transitioned into REO status, down from 9.0 percent in September 2013 (Black Knight Financial Services, Inc.) because of the improved economy.
- During the 12 months ending September 2014, REO sales accounted for 28 percent of existing home sales, up from 21 percent during the 12 months ending September 2013, because the backlog of distressed loans and REO properties is gradually clearing through the foreclosure pipeline as a result of the implementation of Florida's Foreclosure Backlog Reduction Plan, which began in July 2013.

Although single-family permitting activity in the metropolitan area has been increasing since 2009, the number of single-family homes permitted remains well below prerecession levels, partly because nonfarm payrolls have yet to fully recover.

- During the 12 months ending September 2014, 1,550 single-family homes were permitted, a decrease of 13 percent from the previous 12-month period because of the slowing rate of growth in

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New and existing home sales have been increasing since mid-2012 in the Pensacola area.



Note: Includes single-family homes, townhomes, and condominiums.
Source: Metrostudy, A Hanley Wood Company

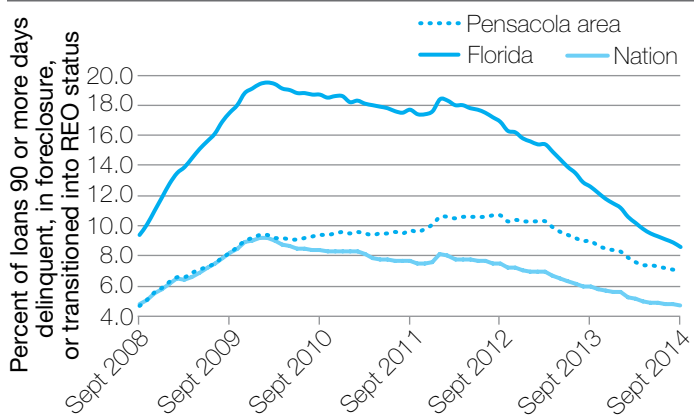


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new home sales but an increase from the 1,325 homes permitted during the 12 months ending September 2012 (preliminary data).

- The number of single-family homes permitted averaged 3,000 annually from 2000 through 2007 before declining to an average of 1,275 annually from 2008 through 2011 because of job losses from 2008 through 2009.

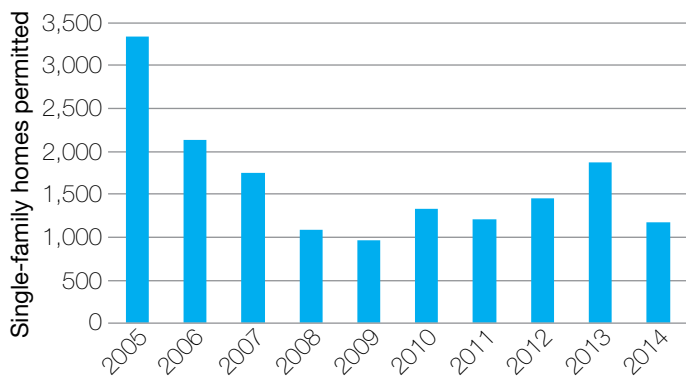
The percentage of distressed loans and REO properties has been declining since 2012 in the Pensacola area.



REO = Real Estate Owned.
Source: Black Knight Financial Services, Inc.

- Ashley Plantation is a 200-home subdivision currently under development in Pace, northeast of the city of Pensacola; prices start at \$220,000 for new three-bedroom, two-bathroom homes and range as high as \$400,000. Approximately 60 percent of the planned homes are complete, and the remaining 40 percent are expected to be complete during the next 2 years.

Permitting of single-family homes in the Pensacola area has been increasing since 2009 but remained below prerecession levels.



Note: Includes preliminary data from January 2014 through September 2014.
Source: U.S. Census Bureau, Building Permits Survey

Apartment Market Conditions

Apartment market conditions in the Pensacola metropolitan area are currently balanced. The apartment market has tightened since 2010 because of an improved economy, coupled with low levels of apartment completions. Apartments constitute a minimal percentage of the overall rental housing inventory, at 26 percent.

During the third quarter of 2014—

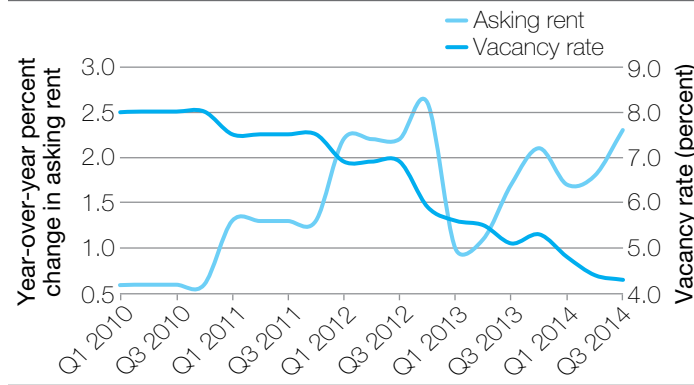
- The apartment vacancy rate was 4.3 percent, down from 5.1 percent during the third quarter of 2013 (Reis, Inc.). Apartment absorption during the 12 months ending September 2014 totaled 250 units compared with 550 during the previous 12 months (ALN Apartment Data, Inc.).
- Asking rents for all apartments averaged \$725, a 2-percent increase compared with the average asking rent during the same quarter a year ago.
- The average asking apartment rents by number of bedrooms were \$620, \$740, and \$1,000 for one-, two-, and three-bedroom units, respectively.

Multifamily permitting activity in the Pensacola metropolitan area increased during the past 12 months as developers responded to tightening apartment market conditions.

- Approximately 440 multifamily units were permitted during the 12 months ending September 2014 compared with 25 during the previous 12 months (preliminary data).
- Multifamily permitting averaged 630 units a year from 2000 through 2007 before declining to an average of 150 units a year from 2008 through 2012, when the market was soft.

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Rents have increased and vacancy rates have declined since 2009 in the Pensacola area.



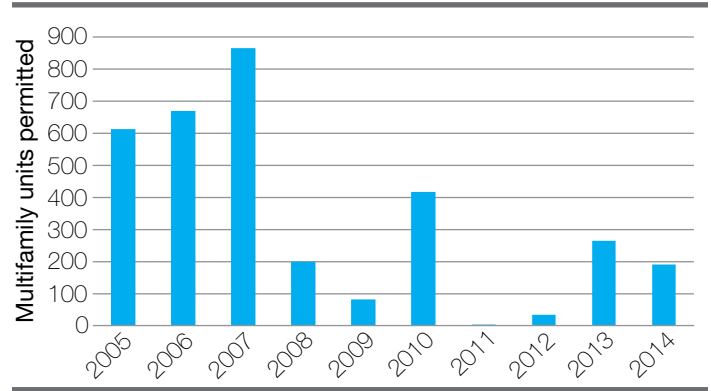
Source: Reis, Inc.



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- The 165-unit Residences at Hillview, currently under construction near the University of West Florida campus, is expected to be complete by August 2015; the starting rents are currently unknown.
- The 92-unit Fairfield Manor, currently under construction in the city of Pensacola, is expected to be complete by December 2014. The rents are expected to start at \$579 and \$670 for one- and two-bedroom units, respectively.

Permitting of multifamily units in the Pensacola area has increased since recording lows in 2011 and 2012.



Note: Includes preliminary data from January 2014 through September 2014.
 Source: U.S. Census Bureau, Building Permits Survey

