

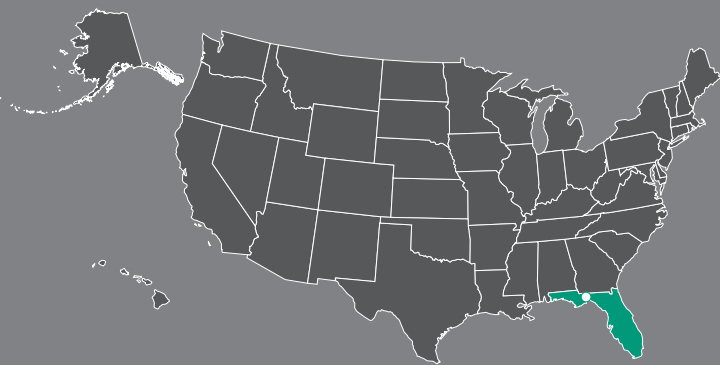
# HUD PD&R Housing Market Profiles

## Tallahassee, Florida



### Quick Facts About Tallahassee

- Current sales market conditions: balanced
- Current apartment market conditions: slightly soft
- The city of Tallahassee is the Florida state capital and home to Florida Agricultural and Mechanical University (hereafter, FAMU) and Florida State University (hereafter, FSU). FSU is one of three locations in the United States of the National High Magnetic Field Laboratory, which houses the largest and highest-powered magnet in the world.



By Maciej Misztal | As of April 1, 2021

### Overview

The Tallahassee metropolitan area in northwest Florida is coterminous with the Tallahassee, FL Metropolitan Statistical Area. The metropolitan area consists of Gadsden, Jefferson, Leon, and Wakulla Counties. The government is the main economic base in the area due to the presence of the state capital, FSU, and Tallahassee Community College. FAMU is the highest ranked among public historically black colleges and universities, according to *U.S. News and World Report* in 2021. FSU is ranked 19th among national public universities by *U.S. News and World Report* in 2021 and received approximately \$250 million in federal, state, and other funding sources in 2020, a record amount. FSU maintains the Museum of Fine Arts in Tallahassee, with more than 6,000 objects in the permanent collection. In February 2021, FSU officially opened a \$70 million state-of-the-art Earth, Ocean, and Atmospheric Science Building. The 23 research labs, 8 teaching labs, and a broadcast studio will support learning and research in environmental science, geology, meteorology, and oceanography study. Total enrollment at FAMU, FSU, and Tallahassee Community college was 9,626, 45,450, and 17,586 students, respectively, in the fall of 2020.

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- As of April 1, 2021, the population of the Tallahassee metropolitan area is estimated at 391,000, an average increase of 2,150, or 0.6 percent, annually since 2010.
- From 2016 to 2020, population growth averaged 2,675 people, or 0.7 percent, annually. Net migration accounted for 1,700 people, or 64 percent of the growth, whereas net natural change (resident births minus resident deaths) accounted for 975 people, or 36 percent of the growth

(Census Bureau decennial census counts and population estimates as of July 1).

- Leon County—which includes the city of Tallahassee—is the most populous county in the metropolitan area, with 295,460 people—accounting for 76 percent of the total population in the metropolitan area in 2020. Gadsden County is the next most populous, followed by Wakulla and Jefferson, with 12, 9, and 4 percent, respectively.

## Economic Conditions

Nonfarm payrolls in the Tallahassee metropolitan area increased every year from 2013 through 2019, surpassing the pre-Great Recession peak in 2017. The local economy contracted in the months after the World Health Organization declared COVID-19 a pandemic on March 11, 2020. The state of Florida issued a stay-at-home order beginning on April 3, 2020. Although the state relaxed the order in late April 2020, many businesses observed significantly lower sales because of the unwillingness of consumers to return to pre-pandemic behaviors. Nonfarm payrolls declined to an average of 180,700 jobs during the first quarter of 2021, a decrease of 7,200 jobs, or 3.8 percent, from the first quarter of 2020. By comparison, nonfarm payrolls for the Southeast/Caribbean region and the nation decreased 4.4 and 5.4 percent, respectively, during the first quarter of 2021. From March through April 2020, nonfarm payrolls declined by 19,200

jobs, or 10.2 percent, in the Tallahassee metropolitan area. Through March 2021, 11,800 jobs have been regained, representing 61 percent of jobs lost. Currently, nonfarm payrolls are still 3.9 percent below the February 2020 level (not seasonally adjusted).

During the first quarter of 2021—

- The government sector declined by 3,000 jobs, or 4.7 percent, compared with a year earlier—the largest sector loss during the period—because of reduced tax revenues resulting from the pandemic.
- Payrolls in the leisure and hospitality sector declined by 2,900 jobs, or 14.2 percent, the second largest loss. Hotels, restaurants, movie theaters, and sporting venues were forced to lay off employees as travel slowed and people stayed home amid efforts to limit the spread of COVID-19.

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### The Tallahassee metropolitan area lost jobs in 7 of the 11 sectors due to the pandemic.

	3 Months Ending		Year-Over-Year Change	
	March 2020 (Thousands)	March 2021 (Thousands)	Absolute (Thousands)	Percent
<b>Total Nonfarm Payrolls</b>	187.9	180.7	-7.2	-3.8
Goods-Producing Sectors	11.9	11.8	-0.1	-0.8
Mining, Logging, & Construction	8.5	8.3	-0.2	-2.4
Manufacturing	3.4	3.5	0.1	2.9
Service-Providing Sectors	176.1	169.0	-7.1	-4.0
Wholesale & Retail Trade	21.9	21.6	-0.3	-1.4
Transportation & Utilities	2.2	2.2	0.0	0.0
Information	3.2	3.0	-0.2	-6.3
Financial Activities	7.8	7.5	-0.3	-3.8
Professional & Business Services	22.5	22.9	0.4	1.8
Education & Health Services	25.3	24.5	-0.8	-3.2
Leisure & Hospitality	20.7	17.8	-2.9	-14.0
Other Services	9.1	9.1	0.0	0.0
Government	63.4	60.4	-3.0	-4.7
<b>Unemployment Rate</b>	4.0%	4.5%		

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

Source: U.S. Bureau of Labor Statistics



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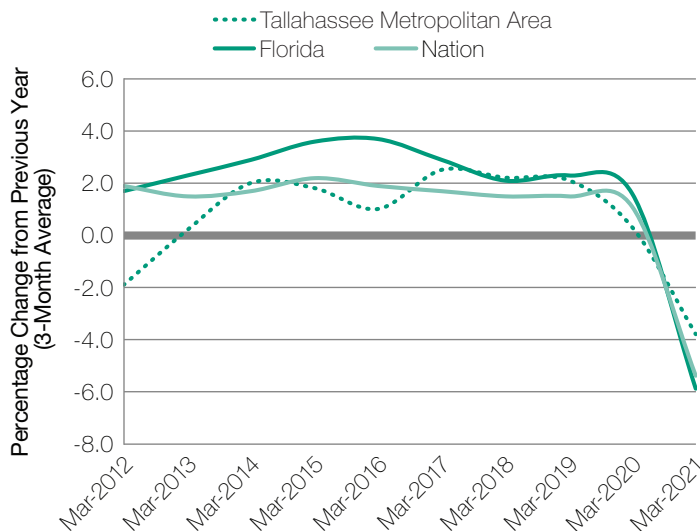
- Payrolls in the education and health services sector decreased by 800 jobs, or 3.2 percent, compared with a gain of 1,000 jobs, or 4.0 percent, during the first quarter of 2020. Elective procedures were put on hold to limit the possibility of patient exposure to COVID-19. Contributing to the previous strong growth in the sector was the construction of two free-standing ER facilities in 2020, costing \$30 million and ushering in 800 new jobs.
- The professional and business services sector increased by 400 jobs, or 1.8 percent—the only sector out of 11 to gain jobs compared with a year earlier. The relatively low need for face-to-face interactions and the widespread

adoption of teleworking made the sector less susceptible to impediments due to COVID-19 countermeasures.

- The unemployment rate increased to 4.5 percent from 4.0 percent during the same period a year earlier. The monthly rate peaked at 9.0 percent during July 2020, the highest since 2011.

As the largest employer in the area, the state of Florida has a heightened impact on local employment. The government sector comprises 33.4 percent of all nonfarm jobs, more than twice as much as the next largest sector. The 2020 legislature reduced government spending by \$300 million through scaling back and eliminating programs from the \$92 billion spending budget, causing furloughs and layoffs. A decline in student populations, who transitioned to remote learning and were subject to campus curfews, contributed to job losses in several sectors, especially leisure and hospitality. The universities switched to remote learning for the 2020–2021 school year but plan to return to full on-campus staffing and a majority of in-person classes for the fall of 2021. One exemption to the decrease in enrollment was the 23-percent increase in FSU graduate students in the fall of 2020, considerably greater than the original goal of a 3-percent increase.

**After recovering from the Great Recession, the Tallahassee metropolitan area had moderate job growth until the pandemic.**



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

**Largest Employers in the Tallahassee Metropolitan Area**

Name of Employer	Nonfarm Payroll Sector	Number of Employees
The State of Florida	Government	30,900
Florida State University	Government	14,311
Tallahassee Memorial Healthcare, Inc.	Education and Health Services	4,162

Note: Excludes local school districts.  
Sources: Tallahassee Chamber of Commerce, Florida State University, Tallahassee Memorial Healthcare, Inc., estimates by the analyst

**Sales Market Conditions**

The sales housing market in the Tallahassee metropolitan area is currently balanced. Approximately 6,100 new and existing single-family homes, townhomes, and condominiums sold during the 12 months ending March 2021—down 2 percent from the 6,225 homes sold during the same period the previous year (Zonda). During the same period, the average sales price of a new or existing home increased 5 percent to \$244,900, compared with an 8-percent increase during the previous 12 months. The percentage of home loans in the Tallahassee metropolitan area that were seriously delinquent (90 or more days delinquent or in foreclosure) or had transitioned into

real estate owned (REO) status was 4.2 percent in February 2021, up from 1.6 percent a year ago but still below the peak of 9.0 percent at the beginning of 2013 (CoreLogic, Inc.). By comparison, the rate for the nation was 3.9 percent in February 2021, up from 1.3 percent a year ago and below the peak of 8.6 percent in early 2010.

During the 12 months ending March 2021—

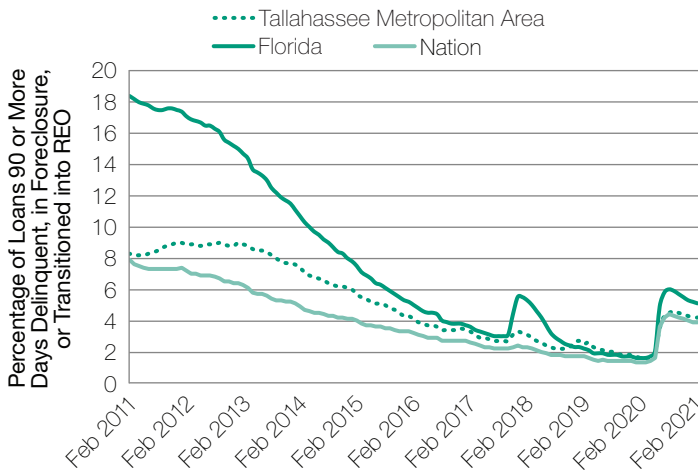
- New home sales totaled 380, down 23 percent from the 500 sales a year ago. The average sales price for a new home was \$303,700, an increase of 9 percent from a year

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The Tallahassee metropolitan area had fewer home loans 90 or more days delinquent, in foreclosure, or recently transitioned to REO status than the state for most of the decade.



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

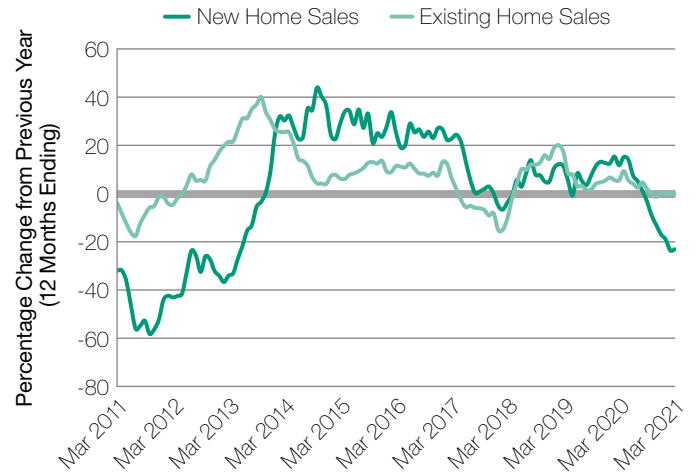
earlier. Prices rose due to limited inventory and the increasing cost of materials. Sales are down in part because of the state government budget cuts and reduced employment.

- Existing home sales totaled 5,725, unchanged from a year earlier. The average sales price for an existing home was \$240,900, an increase of 6 percent from \$228,000 a year earlier and 48 percent higher than the recent low of \$162,900 in late 2014.
- REO sales accounted for 3 percent of existing home sales, down from 5 percent a year earlier and well below the peak level of 31 percent at the beginning of 2014. The forbearance plans for federally backed mortgages in the Coronavirus Aid, Relief, and Economic Security (CARES) Act have allowed some homeowners to avoid foreclosure, despite the recent increase in mortgage delinquencies.

Sales construction activity, as measured by the number of single-family homes, townhomes, and condominiums permitted (hereafter, homes), grew during the past 8 years but have not reached pre-Great Recession levels. The 1,200 single-family homes permitted in 2020 were 39 percent of the 2,825 homes permitted in 2005, at the height of building activity.

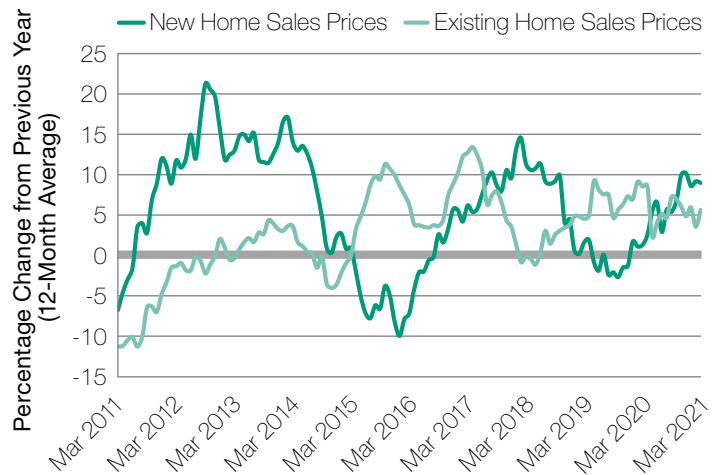
- During the 12 months ending March 2021, the number of homes permitted increased 15 percent to 1,175 homes from 1,025 homes permitted a year earlier (preliminary data).

Sales of new homes decreased during the past year in the Tallahassee metropolitan area.



Note: Sales are for single-family homes, townhomes, and condominiums.  
Source: Zonda

Sales prices in the Tallahassee metropolitan area rose during the past year.



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

- A majority of homebuilding was in Leon County, which permitted 71 percent of all single-family homes in 2020. From 2010 through 2020, 70 percent of homes in the metropolitan area were built in Leon County.
- Lakewood Ranch is a development with several communities under construction, one of which is the neighborhood of Harmony—which, when complete, will comprise 677 homes; prices for these three- and four-bedroom single-family houses start at \$594,995 and \$661,995, respectively.

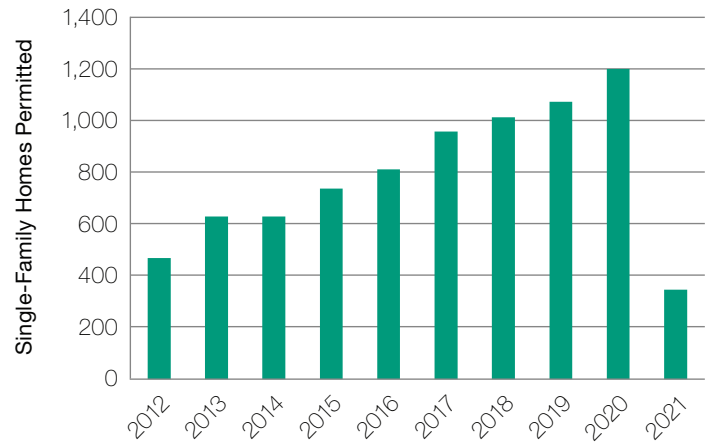
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Also, part of Lakewood Ranch, the nearby neighborhood of Lakewood National Golf Club, will comprise 1,577 homes with two- and three-bedroom single-family homes starting at \$284,999 and \$470,999, respectively.

Sales construction in the Tallahassee metropolitan area steadily increased during the past decade.



Note: Includes preliminary data from January 2020 through March 2021. Source: U.S. Census Bureau, Building Permits Survey, with estimates by the analyst

Apartment Market Conditions

The apartment market in the Tallahassee metropolitan area is currently slightly soft, similar to a year ago but tighter than conditions in 2010. The construction of new rental units and the conversion of single-family homes or condominiums to rental use mostly kept pace with the increase in the number of renter households after 2010. The pandemic and state government budget cuts contributed to softening conditions during the past year. The student apartment market also softened during the past year due to decreases in campus enrollment (Moody’s Analytics REIS).

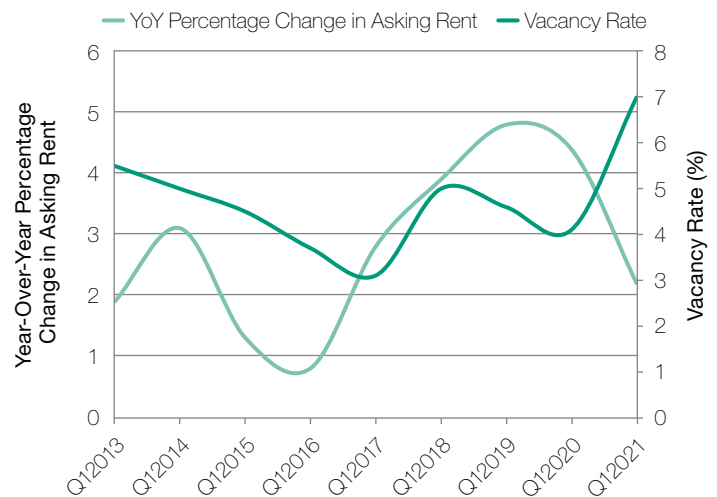
- During the first quarter of 2021, the apartment vacancy rate in the Tallahassee metropolitan area was 7.0 percent, up from 4.1 percent during the first quarter of 2020 and more than twice the recent low of 3.1 percent in the first quarter of 2017 (Moody’s Analytics REIS). The average apartment rent rose \$20, or 2 percent, from a year earlier, to \$1,050 during the first quarter of 2021.
- Student renters make up an estimated 17 percent of renter households in the metropolitan area. The FSU student apartment vacancy rate was 2.3 percent during the 2019–20 school year, down from 3.3 percent during the previous year. Average rent during this period was \$1,000 per bed, a 10-percent increase from the previous year.
- The FAMU student apartment vacancy rate was 10.7 percent during the 2019–20 school year, up from 5.3 percent during the previous year because of the transition to remote learning during the pandemic. The average rent during this period was

\$400 per bed, a slight decrease from the previous year. The differences in rents between the two universities stem from the amenities provided and the number of beds per unit.

- The vacancy rate for professionally managed two- and three-bedroom single-family rentals was 4.4 and 2.9 percent, respectively, in March 2021—relatively unchanged since

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The apartment vacancy rate increased in the Tallahassee metropolitan area since the start of the pandemic.



Q1 = first quarter. YoY = year-over-year. Source: Moody’s Analytics REIS



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mid-2017 (CoreLogic, Inc.). The average rent was \$940 and \$1,225, up from \$910 and \$1,110, respectively, the year before.

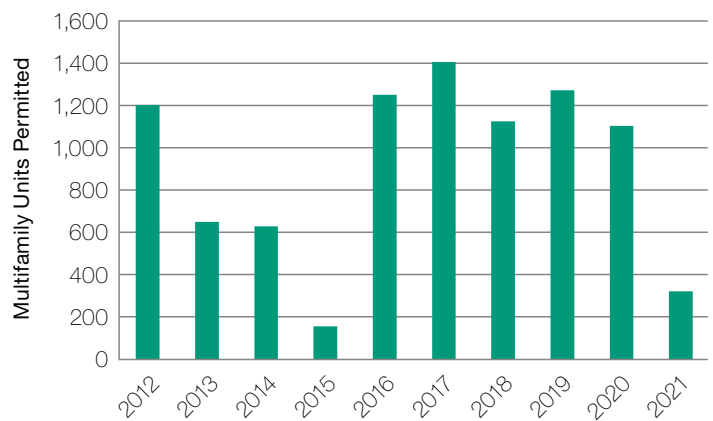
Multifamily construction activity, as measured by the number of units permitted, stabilized after the mid-2010s as homebuilders reacted to improving economic conditions. Single-family renters are a stable minority among renters.

- During the 12 months ending March 2021, 1,225 rental units were permitted, unchanged from a year ago (preliminary data). The number of units increased significantly to an average of 1,325 in 2016 and 2017 before stabilizing at an average of 1,175 from 2018 through 2020.
- From 2010 through 2019, on-campus student housing units with 2,725 beds were built, including fraternities and sororities. An example of market-rate, off-campus student housing currently under construction is The Nine at Tallahassee, which is building 48 units consisting of 228 bedrooms near the FSU campus. The property is expected to be completed by the fall of 2021.
- In 2019, 32 percent of renters in the metropolitan area lived in single-family homes, up slightly from 2010 (2010 and 2019 American Community Survey 1-year estimates).
- After the Great Recession, nearly all multifamily housing construction occurred in Leon County. A major project underway near the intersection of Interstate 10 and U.S. Route 27 is the 328-unit Grove Park Apartments, with rents for one-, two-, and three-bedroom units starting at \$1,150,

\$1,340, and \$1,490, respectively. The project is set to open in the fall of 2021.

- Among the mixed-use projects in downtown Tallahassee is the soon-to-be-completed Cascades project, which was expected to cost \$158 million and have a nearly \$300 million economic impact (FSU Center for Economic Forecasting and Analysis). The 161-unit Millstream at Cascades apartments is leasing with rents for studio and one-, two-, and three-bedroom units starting at \$1,356, \$1,625, \$2,152, and \$2,972, respectively.

### Multifamily units permitted in the Tallahassee metropolitan area have been steady after a peak in 2017.



Note: Includes preliminary data from January 2020 through March 2021. Source: U.S. Census Bureau, Building Permits Survey, with estimates by the analyst

