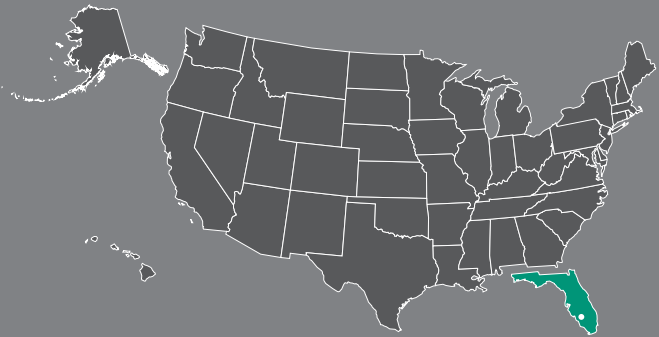


# HUD PD&R Housing Market Profiles

## Naples-Immokalee-Marco Island, Florida

### Quick Facts About Naples-Immokalee-Marco Island

- **Current sales market conditions: balanced.**
- **Current apartment market conditions: balanced.**
- **Tourism is the primary catalyst of economic activity in the metropolitan area, which is known as the “Paradise Coast” with nearly 30 miles of beaches on the Gulf of Mexico and the Everglades National Park. In 2016, more than 1.79 million people visited the metropolitan area, generating nearly \$2 billion in economic activity, up from the 1.38 million visitors and \$1.17 billion economic impact in 2010 (Research Data Services, Inc.).**



By Diana Villavicencio | As of March 1, 2017

### Overview

The Naples-Immokalee-Marco Island (hereafter, Naples) metropolitan area is coterminous with Collier County on the southwestern coast of Florida. The temperate climate and more than 90 golf courses in the metropolitan area (The Greater Naples Chamber of Commerce) have supported tourism and transformed the metropolitan area into a major retirement destination. People aged 65 and older accounted for nearly 29 percent of all out-of-state arrivals to the metropolitan area during 2015 (most recent data available, American Community Survey 1-year estimates).

- As of March 1, 2017, the estimated population of the metropolitan area is 368,800, an average increase of 7,275, or 2.1 percent, a year since 2011 (Census Bureau population estimates as of July 1). Improving economic conditions during the period contributed to average annual net in-migration of 7,200 people and accounted for nearly 99 percent of population growth.
- From 2006 to 2011, population growth averaged 2,975 people, or 0.9 percent, annually when weak economic conditions slowed net in-migration to an average of 1,925 people a year.
- During the peak growth period from 2000 to 2006, population growth averaged 9,800 people, or 3.6 percent, annually. Strong job growth during the period contributed to average net in-migration of 8,525 people a year.

The mining, logging, and construction sector accounted for 71 percent of total job gains in the Naples area during the 3 months ending February 2017.

	3 Months Ending		Year-Over-Year Change	
	February 2016 (thousands)	February 2017 (thousands)	Absolute (thousands)	Percent
<b>Total nonfarm payrolls</b>	143.9	145.6	1.7	1.2
Goods-producing sectors	17.8	19.5	1.7	9.6
Mining, logging, and construction	14.3	15.5	1.2	8.4
Manufacturing	3.5	3.9	0.4	11.4
Service-providing sectors	126.1	126.1	0.0	0.0
Wholesale and retail trade	25.7	25.5	-0.2	-0.8
Transportation and utilities	2.0	1.9	-0.1	-5.0
Information	1.6	1.6	0.0	0.0
Financial activities	8.0	8.0	0.0	0.0
Professional and business services	15.9	16.0	0.1	0.6
Education and health services	21.0	21.7	0.7	3.3
Leisure and hospitality	29.1	28.1	-1.0	-3.4
Other services	9.1	9.4	0.3	3.3
Government	13.7	13.8	0.1	0.7
	<b>(percent)</b>	<b>(percent)</b>		
Unemployment rate	4.6	4.7		

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

## Economic Conditions

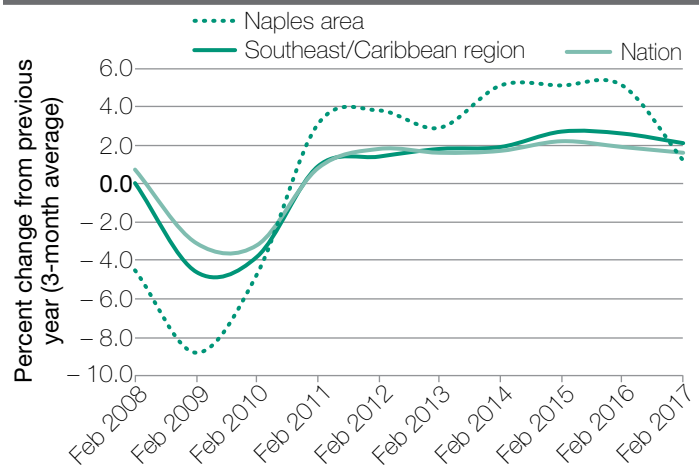
The economy of the Naples metropolitan area has strengthened since 2011. From 2011 through 2013, nonfarm payroll growth averaged 3.3 percent a year before accelerating to an average of 5.1 percent a year from 2014 through 2016. Although job growth has moderated during the 3 months ending February 2017, current nonfarm payrolls total 145,600 jobs, surpassing the prerecession peak of 135,600 in 2007 by more than 7 percent.

During the 3 months ending February 2017—

- Nonfarm payrolls increased 1,700 jobs, or 1.2 percent, compared with the average number of jobs during the same 3-month period in 2016. This year was the first since 2011 that the rate of job growth in the metropolitan area was lower than the rate in the Southeast/Caribbean region and the nation, which were up 2.1 and 1.6 percent, respectively.
- The mining, logging, and construction sector added the most jobs, expanding by 1,200, or 8.4 percent, to 15,500 jobs. The sector benefited from increased residential, commercial, and industrial development projects and has been the fastest-growing sector in the metropolitan area since 2011. The number of jobs in the sector, however, remains 35 percent below the prerecession high of 23,900 during 2006.

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During the 3 months ending February 2017, nonfarm payroll growth in the Naples area slowed to a rate lower than the national rate for the first time since 2010.



Source: U.S. Bureau of Labor Statistics

### Largest employers in the Naples area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
NHC Healthcare System	Education and health services	4,000
Publix Super Markets, Inc.	Wholesale and retail trade	2,800
Collier County (excluding Sheriff's Office)	Government	2,125

Note: Excludes local school districts.

Source: Collier County Comprehensive Annual Financial Report, 2016



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- The manufacturing sector had the fastest rate of growth, increasing by 11.4 percent, or 400 jobs, to 3,900. Arthrex, Inc., a medical device manufacturer, added 350 jobs following the completion of a \$47 million, 218,000-square-foot expansion of its surgical device and implant manufacturing facility in December 2016.
- As job growth moderated, the unemployment rate averaged 4.7 percent, up from 4.6 percent during the same period 1 year earlier, but significantly lower than the peak of 11.5 percent during the 3 months ending February 2010.

Beginning in 2010, after 2 years of job losses in the leisure and hospitality sector, improved national economic conditions contributed to job growth in the sector. From 2010 through 2015, the number of visitors to the metropolitan area increased every year by an average of 6.4 percent annually. During the same period, the leisure and hospitality sector increased by an average of 900 jobs, or 3.9

percent, annually. During 2016, tourist counts fell 2 percent from a record 1.83 million visitors during 2015. As a result, during the 3 months ending February 2017, the leisure and hospitality sector was one of only three sectors to lose jobs, declining by 1,000 jobs, or 3.4 percent, to 28,100 jobs. Despite this decline, the leisure and hospitality sector is the largest sector in the metropolitan area and accounts for more than 19 percent of total nonfarm payrolls. The sector benefited from the expansion and completion of several large-scale projects, with additional development under way. A \$12.5 million casino expansion and a new 99-room hotel at the Seminole Casino Hotel were completed in 2015, creating approximately 100 jobs. The new \$20 million Hyatt House was completed in 2016; jobs added are unknown. Phase 3 of the \$320 million JW Marriott® Marco Island Beach Resort renovation is currently under way, with completion scheduled for October 2017. On completion, the property will have 810 guestrooms and suites across 3 towers and more than 800 employees.

## Sales Market Conditions

The sales housing market in the Naples metropolitan area is currently balanced, with an estimated 2.2-percent vacancy rate, down from 5.7 percent in April 2010. Conditions have improved since 2010, when the contraction in the housing market had significantly impacted the metropolitan area. In April 2010, 16.8 percent of mortgages were seriously delinquent (90 or more days delinquent or in foreclosure) or had transitioned into real estate owned (REO) status, a rate that declined to 1.8 percent as of January 2017 (CoreLogic, Inc.). The current rate of seriously delinquent loans and REO properties is lower than the 3.7- and 2.6-percent rates for Florida and the nation, respectively.

During the 12 months ending February 2017—

- The number of new homes (including single-family homes, townhomes, and condominiums) sold totaled 2,625, down 1 percent from the 2,675 homes sold during the previous 12 months (Metrostudy, A Hanley Wood Company, with adjustments by the analyst). The average sales price for new homes was \$560,600, nearly unchanged from the price during the same period 1 year earlier. The rates of change for new home sales and new home sales prices are lower than the average annual increases of 15 and 5 percent from 2011 through 2016, respectively.
- Existing home sales totaled 11,750, down approximately 17 percent from the 14,200 sold during the 12 months ending February 2016. By comparison, from 2011 through 2015, existing home sales

averaged 12,550 a year. The recent decline in existing home sales was largely caused by a 20-percent decrease in regular resales, which totaled 10,950; regular resales had generally trended upward since 2011 until this decline. REO sales also declined during the past 12 months 44 percent, to 820, and accounted for 7 percent of existing sales.

- The average sales price for existing homes rose 2 percent, to \$489,900, up from \$481,400 during the previous year. Existing home sales prices have recovered from a low of \$347,500 during 2010, when REO sales accounted for 30 percent of existing sales. During the past 12 months, the average REO home sales price was approximately one-third the average regular resale home sale price of \$500,000 in the metropolitan area.

Single-family homebuilding activity, as measured by the number of single-family homes permitted, trended upward from 2010 through 2015. Activity declined in 2016 but remains high.

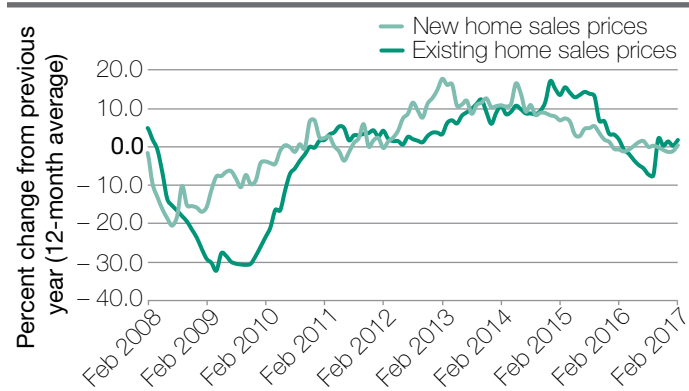
- The number of single-family homes permitted totaled 2,600 during the 12 months ending February 2017, down 10 percent from 2,900 homes permitted during the previous 12 months (preliminary data).
- Single-family homes permitted averaged 640 annually from 2008 through 2009, before increasing 15 percent annually, from 770 homes permitted in 2010 to 3,075 in 2015.

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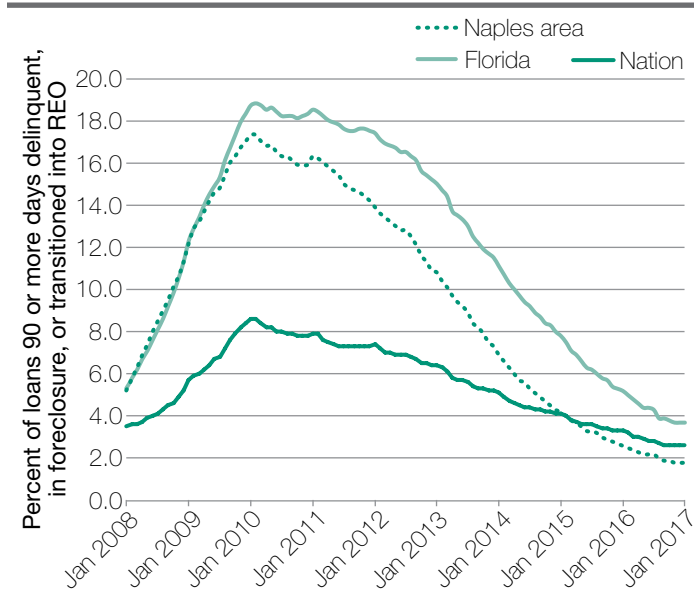
- Since 2011, approximately 89 percent of single-family home construction has occurred in the unincorporated portion of the metropolitan area. One of the largest developments in the unincorporated area is Ave Maria, a 4,000-acre master-planned community, 35 miles northeast of the city of Naples. Construction of the 8 subdivisions in the Ave Maria community has been ongoing since 2007, with approximately 1,300 of the 11,000 homes completed that are planned at buildout.

**Existing home sales prices in the Naples area increased slightly in the past year partially because of a 44-percent reduction in the number of REO properties sold.**



REO = real estate owned.  
 Note: Includes single-family homes, townhomes, and condominiums.  
 Source: Metrostudy, A Hanley Wood Company, with adjustments by analyst

**The rate of seriously delinquent mortgages and REO properties in the Naples area has been below the national rate since 2015.**



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

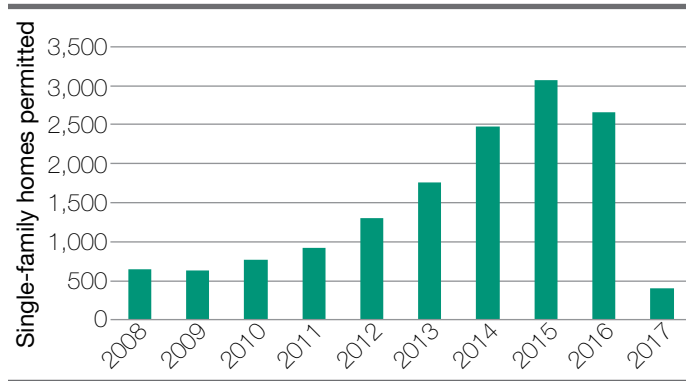
- Del Webb, an age-restricted subdivision in the Ave Maria community, will have 2,000 homes at buildout and includes a golf course. Home prices start at \$204,990 for a two-bedroom, two-bathroom home and \$318,990 for a three-bedroom, three-bathroom home. The Ave Maria community also includes Coquina in Maple Ridge, a subdivision that will have 277 homes at buildout; prices start at \$196,990 for a two-bedroom, two-bathroom home.

**Existing home sales in the Naples area have declined since early 2016, whereas new home sales have decreased since February 2017.**



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

**Single-family home permitting increased in the Naples area from 2010 through 2015 and remained elevated.**



Note: Includes preliminary data from January 2016 through February 2017.  
 Source: U.S. Census Bureau, Building Permits Survey



## Apartment Market Conditions

The apartment market in the Naples metropolitan area currently is balanced compared with soft conditions in 2007. Increased renter household growth contributed to the absorption of excess units since the late 2000s.

During the fourth quarter of 2016—

- The apartment vacancy rate was 4.6 percent, up from 2.7 percent during the fourth quarter of 2015 (Axiometrics, Inc.). Relatively high levels of multifamily construction, from 2013 through 2016, contributed to the recent increase in the apartment vacancy rate.
- The apartment vacancy rate is much lower than the 19.2-percent peak during the fourth quarter of 2007. High levels of newly constructed units, from 2000 through 2007, contributed to soft apartment market conditions.
- The average monthly rent for an apartment was \$1,350, up 5 percent from the fourth quarter of 2015 and up an average 5 percent annually from the fourth quarter of 2007.

**Although apartment vacancy rates declined during the fourth quarter of 2016, increased apartment construction in the Naples area has contributed to relatively elevated vacancy rates and slowing rent growth since the second quarter of 2016.**

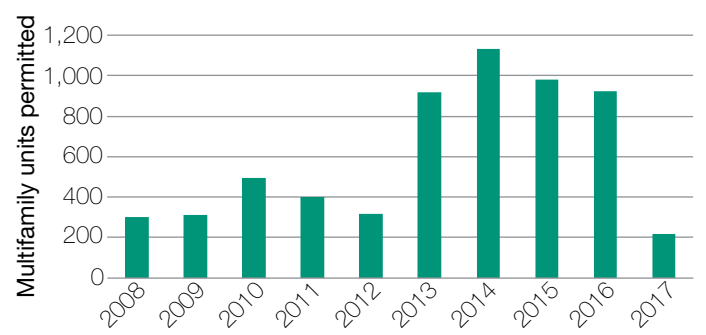


Q4 = fourth quarter.  
Source: Axiometrics, Inc.

Multifamily construction activity, as measured by the number of multifamily units permitted, has increased since 2013 in response to increased rental demand but remains below construction levels before the recession.

- During the 12 months ending February 2017, 1,025 multifamily units were permitted, up from 940 units permitted during the previous year (preliminary data).
- Multifamily permitting averaged 2,750 units annually from 2000 through 2007, before slowing to average 360 units permitted annually from 2008 through 2012, the lowest level in recent history. From 2013 through 2015, multifamily permitting rose to an average of 1,000 units annually.
- In south Naples, the 296-unit Milano Lakes Apartments is currently under construction. The property will comprise eight buildings with one-, two-, and three-bedroom units. The first four buildings are expected to be completed during the fall of 2017, and the project is expected to be complete by April 2018. Rents have not yet been released.
- Luxury developments intended for retirees are currently under construction, including 4 properties combining 460 apartments and assisted living units for seniors. The All Seasons Naples, currently under construction in the city of Naples, will have 100 independent living and 62 assisted living one- and two-bedroom units. The project is scheduled to be completed in the summer of 2017. Proposed rents have not yet been released.

**Developers have responded to rent growth and low vacancy rates with increased multifamily permitting in the Naples area since 2013.**



Note: Includes preliminary data from January 2016 through February 2017.  
Source: U.S. Census Bureau, Building Permits Survey