

COMPREHENSIVE HOUSING MARKET ANALYSIS

Crestview-Fort Walton Beach-Destin, Florida

U.S. Department of Housing and Urban Development,
Office of Policy Development and Research

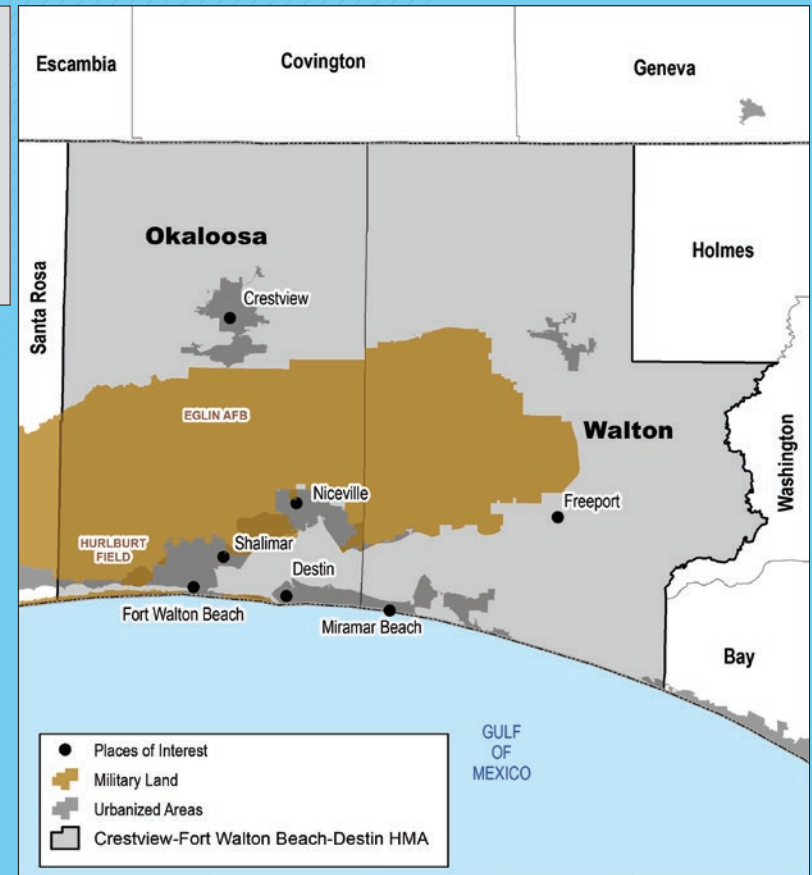
As of March 1, 2019



Executive Summary

Housing Market Area Description

The Crestview-Fort Walton Beach-Destin, Florida Housing Market Area (hereafter, the Crestview HMA) comprises Okaloosa and Walton Counties and is coterminous with the Crestview-Fort Walton Beach-Destin, Florida Metropolitan Statistical Area. The population is estimated at 282,600. The jobs created by more than 4 million tourists drawn annually by miles of sandy beaches and the presence of Eglin Air Force Base (AFB) and Hurlburt Field combine to provide a stable employment base.



Tools and Resources

Find interim updates for this metropolitan area, and select geographies nationally, at PD&R's Market-at-a-Glance [tool](#). Additional data for the HMA can be found in this report's [supplemental tables](#). For information on HUD-supported activity in this area, see the [Community Assessment Reporting Tool](#).



Market Qualifiers

Economy



Strong: The Crestview HMA economy is strong with payrolls up 2.6 percent during the 12 months ending February 2019.

The economy has been growing since 2010, and nonfarm payrolls exceeded the 2006 pre-recession high in 2016. During the 12 months ending February 2019, nonfarm payrolls averaged 116,300, up by 2,900 jobs, or 2.6 percent, from the previous 12 months. Job growth was strongest in the professional and business services sector, the fourth largest payroll sector in the HMA, which increased by 1,100 jobs, or 7.2 percent, during the past 12 months. During the next 3 years, nonfarm payrolls are expected to increase an average of 2.3 percent annually.

Sales Market



Balanced: During the 12 months ending February 2019, new and existing home sales increased 3 percent.

The sales market in the HMA is balanced, with an estimated sales vacancy rate of 2.7 percent, down from 4.1 percent in 2010. During the 12 months ending February 2019, new and existing homes sales averaged approximately 12,050, an increase of 380 homes, or 3 percent, from the previous 12-month period (CoreLogic, Inc., with adjustments by the analyst). During the next 3 years, demand is estimated for 6,275 new homes. The 1,050 homes under construction will satisfy a portion of this demand.

Rental Market



Balanced: During the fourth quarter of 2018, the average apartment rent increased 7 percent compared with the same period a year earlier.

The overall rental housing market in the HMA is balanced, with an estimated vacancy rate (including vacation homes and short-term rentals) of 19.6 percent, down from 26.3 percent in April 2010. Apartment market conditions are slightly tight, with a vacancy rate of 3.6 percent during the fourth quarter of 2018, compared with 2.6 percent the previous year when market conditions were tight (Reis, Inc.). During the forecast period, demand is expected for 1,900 units. Approximately 460 units that are currently under construction will satisfy a portion of the demand.

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3-Year Housing Demand Forecast

	Sales Units	Rental Units
Crestview HMA		
Total Demand	6,275	1,900
Under Construction	1,050	460

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of March 1, 2019. The forecast period is March 1, 2019, to March 1, 2022.
Source: Estimates by the analyst



Economic Conditions

Largest sector: Leisure and Hospitality

The leisure and hospitality sector has been the fastest growing payroll sector in the HMA since 2000 (Figure 1).

Primary Local Economic Factors

Located in the Florida panhandle, the Crestview HMA is a popular destination each year for millions of tourists who enjoy white sandy beaches, golf, fishing, dining, and world-class resorts. The leisure and hospitality sector is the largest sector in the HMA, accounting for 22,600 jobs, or 19 percent, of total nonfarm payrolls. (Figure 2). Payrolls in the leisure and hospitality sector have increased 34 percent since the low point in 2010, after losing an average of 200 jobs, or 0.9 percent, annually during the local economic downturn from 2007 through 2010. In 2018, the economic impact of tourism on Walton County was estimated at nearly \$4.7 billion (Visit South Walton). Hotel tax data show that visitor spending in Okaloosa and Walton Counties increased 7.6 and 7.3 percent, respectively, in 2017 from the previous year (HAAS Center, University of West Florida).

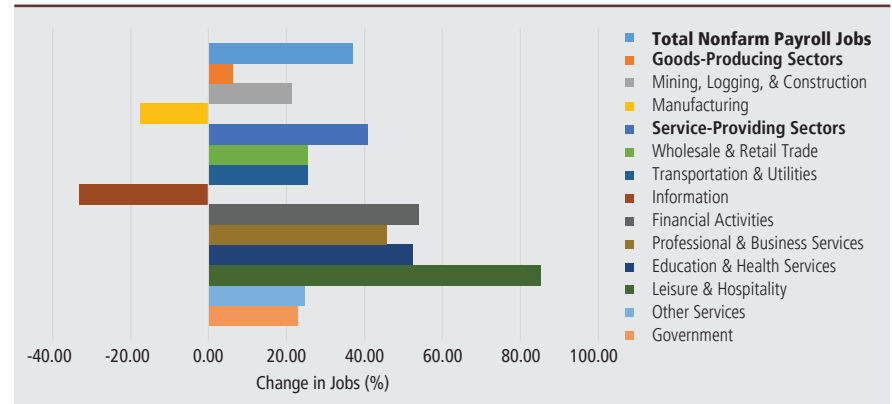
Okaloosa County is home to Eglin AFB, the largest military base in the United States, and Hurlburt Field, which supports the training of worldwide aviation special forces. As of September 2018, Eglin AFB and Hurlburt Field are home to approximately 8,725 and 8,025 soldiers, respectively, including on-base and deployed personnel (Table 1). These are the two largest employers in the

Table 1. Military Personnel and Dependents Residing on Military Bases in the Crestview HMA

Name of Employer	Military	Dependents	Combined
Eglin Air Force Base	8,724	12,446	21,170
Hurlburt Field	8,033	10,478	18,511

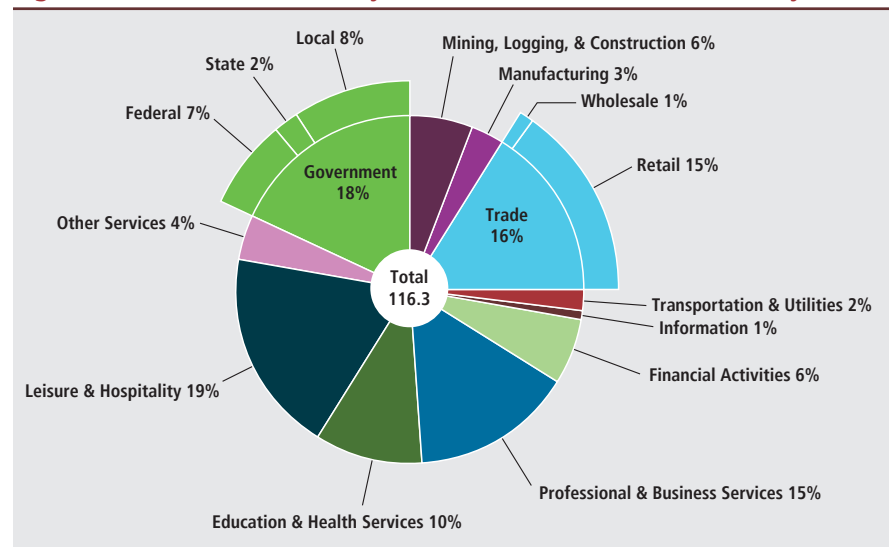
Source: Defense Manpower System

Figure 1. Sector Growth in the Crestview HMA, 2001 to Current



Note: Current is based on 12-month averages through February 2019.
Source: U.S. Bureau of Labor Statistics

Figure 2. Current Nonfarm Payroll Jobs in the Crestview HMA, by Sector



Notes: Total nonfarm payroll is in thousands. Percentages may not add to 100 percent due to rounding.
Current is based on 12-month averages through February 2019.
Source: U.S. Bureau of Labor Statistics



Crestview HMA (Table 2). Eglin AFB was established in 1935 and is home to the 96th Test Wing. Neighboring Hurlburt Field, built in 1942, is home to the Air Force Special Operations Command. In addition to the \$1.6 billion in salaries, more than \$2 billion was spent on direct expenditures by these military operations in 2016. The economic impact on the surrounding region is estimated at more than \$5.5 billion (Enterprise Florida). In Okaloosa County in 2016, the military accounted for an estimated 72,000 jobs, including military and civilian payrolls as well as indirect positions supported by the bases (Enterprise Florida). Operations contribute to continued growth in the professional and business services sector because many small companies in the HMA fulfill Department of Defense (DoD) contracts.

Current Conditions—Nonfarm Payrolls

The leisure and hospitality sector, the largest sector in the HMA, has added the most jobs of any sector since the economic recovery began in 2011. During the 12 months ending February 2019, sector payrolls increased by 600 jobs, or 2.9 percent, compared with a gain of 800 jobs, or 3.5 percent, during the 12 months ending February 2018 (Table 3). The many hotels and restaurants added along the southern coast of the HMA since 2014 continue to add jobs. The Sandestin Hotel, which broke ground in 2018, is expected to add 250 rooms to Village at Baytown Wharf in 2020. The government and the wholesale and retail trade sectors are the next largest and account for 18 and 16 percent of all nonfarm payrolls, respectively. The professional and business services sector, which is fourth largest and accounts for 15 percent of jobs in the HMA, added the most jobs during the past 12 months, up 1,100 jobs, or 7.2 percent, compared with a 400-job, or 2.8-percent gain during the previous 12 months. Part of this growth is attributable to the expansion of companies that provide services to Eglin AFB. Beast Code, LLC, an employee-owned and operated defense software engineering company has been awarded several DoD contracts and is expected to add 40 jobs at its Fort Walton Beach facility by 2021.

Table 2. Major Employers in the Crestview HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Eglin Air Force Base	Government	5,000
Hurlburt Field	Government	1,950
Sandestin Golf and Beach Resort	Leisure & Hospitality	1,800
Walmart Inc.	Wholesale & Retail Trade	1,363
Fort Walton Beach Medical Center	Education & Health Services	1,222
Northwest Florida State College	Government	1,081
Okaloosa County	Government	936
Reliance Test & Technology, LLC	Professional & Business Services	750
North Okaloosa Medical Center	Education & Health Services	652
BAE Systems, Inc.	Manufacturing	545

Notes: Excludes local school districts and active military. Only civilian employees were included.
Sources: Economic Development Council of Okaloosa County, Florida; 96th Force Support Squadron Marketing Office; Hurlburt Field 1st Special Operations Wing Public Affairs Office

Table 3. 12-Month Average Nonfarm Payroll Jobs in the Crestview HMA, by Sector

	12 Months Ending February 2018	12 Months Ending February 2019	Absolute Change	Percentage Change
Total Nonfarm Payroll Jobs	113.4	116.3	2.9	2.6
Goods-Producing Sectors	9.8	9.9	0.0	0.4
Mining, Logging, & Construction	6.6	6.9	0.3	4.0
Manufacturing	3.2	3.0	-0.2	-7.0
Service-Providing Sectors	103.6	106.4	2.9	2.8
Wholesale & Retail Trade	18.6	19.1	0.5	2.6
Transportation & Utilities	2.0	2.1	0.1	6.7
Information	1.2	1.2	0.0	3.6
Financial Activities	6.7	7.2	0.5	7.4
Professional & Business Services	15.9	17.0	1.1	7.2
Education & Health Services	11.9	11.9	0.0	-0.3
Leisure & Hospitality	22.0	22.6	0.6	2.9
Other Services	4.8	4.7	-0.1	-2.2
Government	20.4	20.5	0.1	0.5

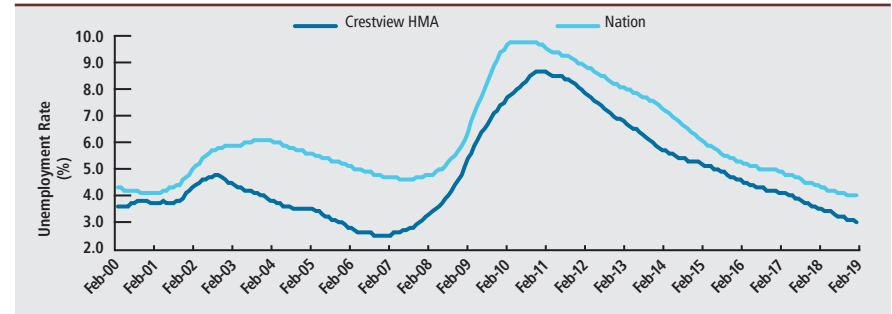
Notes: Based on 12-month averages through February 2018 and February 2019. Numbers may not add to totals due to rounding.
Source: U.S. Bureau of Labor Statistics



Current Conditions—Unemployment

The average unemployment rate in the Crestview HMA is historically lower than the average for the state and the nation. The unemployment rate, which peaked at 8.6 percent during 2010, averaged 2.9 percent during the 12 months ending February 2019, down from 3.4 percent a year earlier. Florida unemployment rates declined from an average of 4.8 percent to 4.1 percent, and national unemployment rates declined from an average of 4.3 percent to 3.9 percent, during the period. Figure 3 shows the national and the HMA unemployment rate trends from 2000 to current.

Figure 3. 12-Month Average Unemployment Rate in the Crestview HMA and the Nation



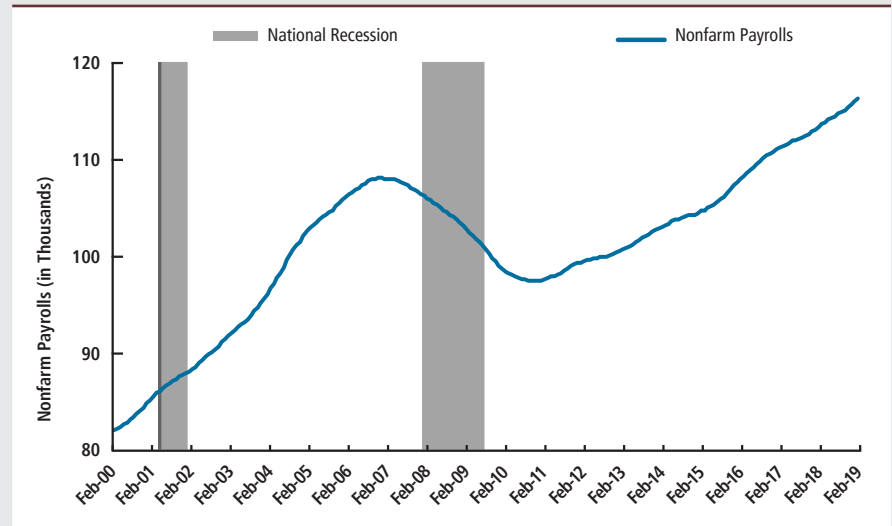
Note: 12-month moving average.
Source: U.S. Bureau of Labor Statistics

Historic Trends

Overview

The economy of the Crestview HMA has improved considerably since the Great Recession and has added jobs every year since 2010. (Figure 4). From 2007 through 2010, the HMA lost an average of 2,700 jobs, or 2.6 percent, annually. The largest absolute losses were in the mining, logging, and construction sector. The only sectors that did not incur job losses during this period were the government, the transportation and utilities, and the education and health services sectors. The military presence in the HMA has been stable, with very little change in the number of soldiers assigned to the bases since 2000. Steady growth in the education and health sector can partly be attributed to the growth in the population aged 60 and older. The economy began to recover in 2011 and has averaged growth of 2,300 jobs, or 2.2 percent, annually through 2018. All payroll sectors added jobs or remained stable during the expansion, except for the manufacturing sector.

Figure 4. 12-Month Average Nonfarm Payrolls in the Crestview HMA



Note: 12-month moving average.
Sources: U.S. Bureau of Labor Statistics; National Bureau of Economic Research

2000 through 2006

Economic growth was widespread from 2001 through 2006 in the Crestview HMA, adding an average of 3,900 jobs, or 4.1 percent, annually. Job gains were largest in the leisure and hospitality sector, with an average increase of 900 jobs, or 6.2 percent, annually, accounting for 32 percent of jobs added in the service-providing sectors. Some of these jobs can be attributed to the growth of Destin as a popular vacation destination, which added more than 1,400 hotel rooms during this period. The financial activities sector added 500 jobs, or 7.9 percent, annually during this period of expansion. This was due in large part to increased activity in mortgage originations during the build up to the housing crisis. The mining, logging, and construction sector increased by 700 jobs, or 10.0 percent, annually because of higher levels of homebuilding during this period.

2007 through 2010

The growth in the mining, logging, and construction and the financial activities sectors from the housing boom in the early 2000s reversed at a rapid pace with the onset of the housing crisis. From 2007 through 2010, the mining, logging, and construction sector declined by an average annual rate of 1,100 jobs, or 13.3 percent, due to the reduction in both single-family and multifamily homebuilding. The financial activities sector declined by an average annual rate of 400 jobs, or 5.9 percent, during the same period. This was the result of the decline in mortgage originations as the housing crisis developed. During this period that included the Great Recession, the retail trade subsector declined by an average of 500 jobs, or 3.0 percent, annually. Food World and Bruno's Supermarkets, LLC closed their doors in 2009, resulting in a combined 139 jobs lost in the HMA. The information sector lost an average of 300 jobs, or 14.1 percent, annually. The manufacturing sector, which remains below pre-recession highs, began to decline during this period, losing 300 jobs, or 6.3 percent, annually. Chromalloy Gas Turbine LLC closed its doors, laying off 257 people in 2009 due to a decrease in airline industry orders.

2011 through 2018

Total nonfarm payrolls have been increasing since 2011, although the manufacturing sector, which began declining in 2007, decreased by an average

of 200 jobs, or 4.7 percent annually. The mining, logging, and construction sector increased by an average of 200 jobs, or 2.4 percent, annually supported by homebuilding and resort construction. In November 2016, The Henderson, a 170-room luxury resort was completed and Hyatt Place Sandestin opened in January 2019 adding 84 rooms, creating an undisclosed number of jobs. The expansion of Route 98, which connects the beach communities, began in 2018 between Miramar Beach in Walton County and Destin in Okaloosa County and is anticipated to be complete in 2020. The addition of two more lanes and sidewalks to this four-lane highway is expected to support the increased traffic from the growing popularity of these vacation destinations. From 2011 through 2018, the leisure and hospitality sector added 700 jobs, or 3.6 percent, annually. A large portion of these jobs has been added in the southern part of the HMA where the major artery is being expanded. The wholesale and retail trade sector expanded by 500 jobs, or 2.9 percent, annually. Porsche of Destin and United Yacht Sales opened to serve the beach communities in 2015 and 2016, respectively, adding an undisclosed number of jobs. Companies in the professional and business services sector, which expanded by 500 jobs, or 3.7 percent, annually, augment the nearby military operations. The financial activities sector added 200 jobs, or 2.6 percent, annually. Omnicommander, a technology company in Miramar Beach that services credit union websites, added 30 new jobs in 2018.

Employment Forecast

During the 3-year forecast period, nonfarm payrolls are expected to increase at an average annual rate of 2.3 percent, with job growth occurring in most sectors of the economy. Allegiant Air announced earlier this year that it will invest \$50 million and add 65 jobs at Destin-Fort Walton Beach Airport. This is anticipated to bring \$418 million in tourism revenue during the next 5 years. MAG Aerospace, a defense company, will be opening a new facility in Fort Walton Beach and expects to add 50 engineering positions during the next 3 years.



Population and Households

Current population: 282,600

The HMA population has increased rapidly since 2010, partly because of growing net in-migration.

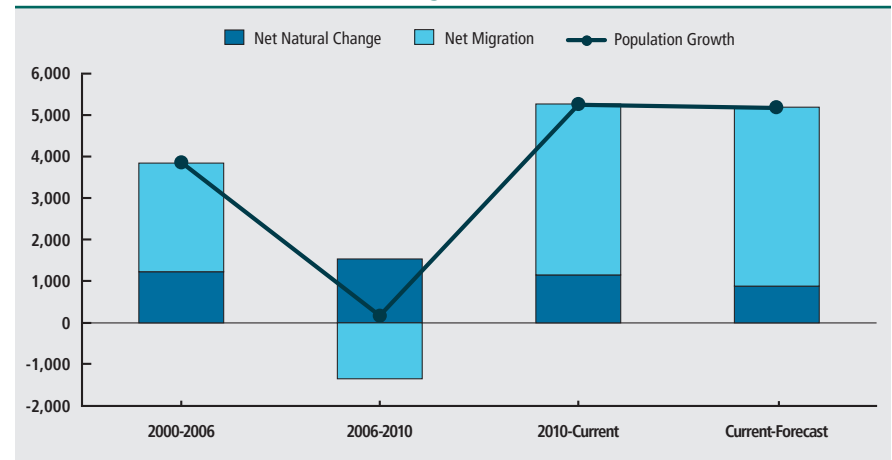
Population Trends

Population trends have largely mirrored economic conditions in the Crestview HMA since 2000. From April 2000 to July 2006, when nonfarm payrolls were increasing, the HMA population grew by an average of 3,850, or 1.7 percent, annually, with an average annual net in-migration of 2,625 people and an average annual net natural increase (births minus deaths) of 1,225 people (U.S. Census Bureau decennial count and population estimates as of July 1). Population growth fell to an average of 180, or 0.1 percent, annually from 2006 to 2010, during the economic slowdown. The annual net out-migration of 1,325 people was offset slightly by a net natural increase of 1,500 people, annually. During this period, the national housing crisis prevented retirees from relocating to this area because they could not sell their homes. Since 2010, population growth averaged 5,250, or 2.0 percent, annually, including net in-migration of approximately 4,100 people and net natural increase of 1,150 people. Nearly one-half of all people moving into the HMA came from other areas of the Southeast. The higher net in-migration can be attributed to an increase in jobs and because of the increasing popularity of the HMA as a retirement destination. Figure 5 shows the components of population change from 2000 through the forecast.

Age Cohort Trends

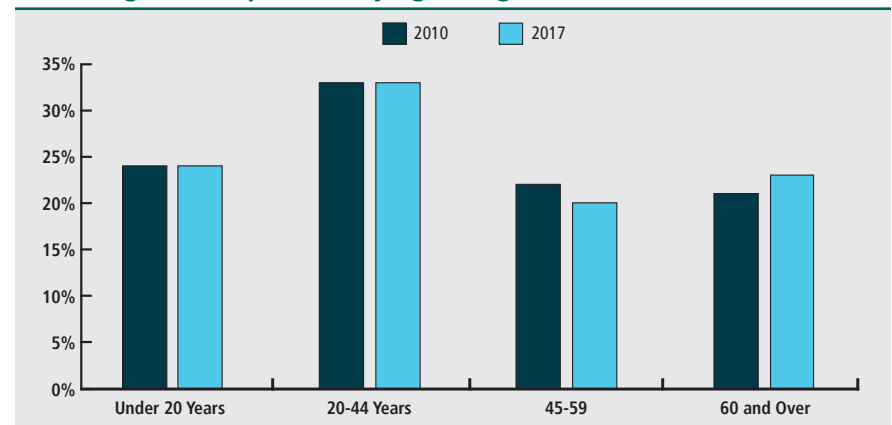
The share of seniors (ages 60 and older) living in the HMA increased from 2010 to 2017, whereas the share of all other age cohorts declined or remained steady (Figure 6). The fastest growing cohort was residents ages 60 and older,

Figure 5. Components of Population Change in the Crestview HMA, 2000 Through the Forecast



Notes: Net natural change and net migration totals are average annual totals over the time period. The forecast period is from March 1, 2019, to March 1, 2022.
Sources: U.S. Census Bureau; current to forecast—estimates by the analyst

Figure 6. Population by Age Range in the Crestview HMA



Source: 2010 and 2017 American Community Survey, 1-year data



rising from 21 percent of the population in 2010, to 23 percent in 2017. This increase can be attributed to the migration of retirees into the HMA. The rising share of seniors partly contributed to the decline in net natural increase during the current decade. The share of residents ages 44 and younger remained steady, whereas the share of residents ages 45 to 59 has declined.

Household Trends

An estimated 115,800 households currently reside in the Crestview HMA, an estimated 65.8 percent of whom are homeowners. Since 2010, the number of households has increased by an average of 2,375, or 2.3 percent, annually, compared with an average increase of 1,175, or 1.3 percent, annually from 2000 to 2010 (Table 4). The number of renter households since 2010 has increased by an average of 920, or 2.6 percent, annually, compared with an average of 560, or 2.0 percent, from 2000 to 2010. By comparison, the number of owner households during the same period has increased by an average of 1,450, or 2.1 percent, annually, compared with 620, or 1.0 percent, from 2000 to 2010. The homeownership rate in the HMA is currently lower than the rate in 2000. In the wake of the housing crisis, the rate declined and fell below 63 percent by 2015 (American Community Survey [ACS], 1-year data). The homeownership rate has increased since 2015, however, with the economic expansion in the HMA.

Table 4. Crestview HMA Population and Household Quick Facts

	2010	Current	Forecast	
Population Quick Facts	Population	235,865	282,600	298,200
	Average Annual Change	2,475	5,250	5,175
	Percentage Change	1.1	2.0	1.8
Household Quick Facts	Households	94,680	115,800	122,900
	Average Annual Change	1,175	2,375	2,375
	Percentage Change	1.3	2.3	2.0

Notes: The average annual changes and percentage changes are based on averages from 2000 to 2010, 2010 to current, and current to forecast. The forecast period is from the current date (March 1, 2019), to March 1, 2022.

Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by the analyst

Forecast

During the 3-year forecast period, economic growth is expected to contribute to continuing in-migration into the HMA, which is estimated to average 4,275 people annually. As a result, the population is expected to increase by an average of 5,175, or 1.8 percent, a year, reaching approximately 298,200 by March 1, 2022. Households are estimated to increase during the forecast period by an average of 2,375, or 2.0 percent, annually, reaching 122,900 households.



Home Sales Market Conditions

Market Conditions: Balanced

Existing home sales prices increased nearly 8 percent during the 12 months ending February 2019, up from 7 percent in the previous 12-month period.

Current Conditions

The sales housing market in the HMA is currently balanced, with 3.9 months of supply of new and existing homes available as of March 1, 2019, down from 4.3 the previous 12-month period (Emerald Coast Association of Realtors®). The popularity of the HMA as a resort and retirement destination and the expansion of the national economy have increased the demand for second homes. Net in-migration due to job growth and low levels of homebuilding have contributed to the absorption of excess inventory since 2010. As of March 1, 2019, the sales vacancy rate is estimated at 2.7 percent, down from 4.1 percent in 2010 (Table 5). New and existing home sales prices have increased 6 and 8 percent

Table 5. Home Sales Quick Facts in the Crestview HMA and the Nation

	Crestview HMA	Nation
Vacancy Rate	2.7%	NA
Months of Inventory	3.9	3
Total Home Sales	12,050	6,069,000
1-Year Change	3.2%	-3.0%
Average New Home Sales Price	\$411,500	\$379,000
1-Year Change	6%	1%
Average Existing Home Sales Price	\$370,100	\$294,000
1-Year Change	8%	3%
Mortgage Delinquency Rate	1.8%	1.6%

NA = data not available.

Notes: The vacancy rate is as of the current date (March 1, 2019); home sales and prices are for the 12 months ending February 2019; and months of inventory and mortgage delinquency data are as of February 2019.

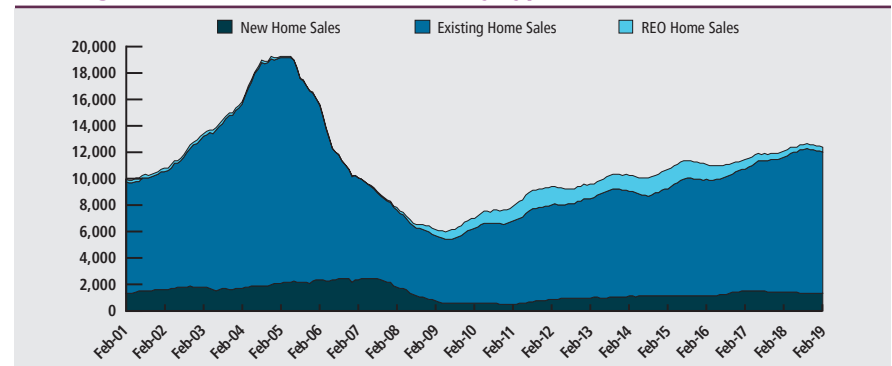
Source: CoreLogic, Inc. with adjustments by the analyst

during the 12 months ending February 2019, respectively, from the previous year (CoreLogic, Inc., with adjustments by the analyst). Since 2017, average annual sales of new homes have declined.

Existing Home Sales

During the 12 months ending February 2019, 10,750 existing homes sold, which consists of both regular resale and real estate owned (REO) homes, in the HMA, a 5-percent increase from the previous 12-month period, and REO properties accounted for 3 percent of all existing home sales (CoreLogic, Inc., with adjustments by the analyst). Existing home sales increased an average of 2,100, or 18 percent, annually from 2000 through 2004, during Florida’s housing boom. Existing home sales peaked during 2004, with 17,000 homes sold, and REO sales comprised less than 1 percent of the total. From 2005 through 2008, the number of home sales declined at an average annual rate of 2,975 homes or 26 percent. In 2008, the average existing home sales count hit a low of 5,100, during the period of out-migration from 2006 through 2010. From 2009 through 2011, average existing sales count rose by 670 homes, or 12 percent, annually. Though nearly one-half the increase was foreclosures, REO sales increased by 320 homes, or 48 percent, annually. In 2011, REO sales comprised nearly 20 percent of existing home sales (Figure 7). The population of the HMA began to increase

Figure 7. 12-Month Sales Totals by Type in the Crestview HMA



Note: New and existing home sales include single-family homes, townhomes, and condominiums.
Source: CoreLogic, Inc., with adjustments by the analyst



in 2010; from 2012 through 2018, existing home sales increased at an average annual rate of 530 homes, or 6 percent, and the number of REO sales declined by 150 homes, or 17 percent, annually.

New Home Sales

Approximately 1,275 new homes sold in the HMA during the 12 months ending February 2019, down 6 percent from the 1,375 homes sold during the previous 12 months. New home sales averaged 1,775 from 2000 through 2005 during a period of strong economic growth. From 2006 through 2012, the number of new home sales declined at an average annual rate of 180 homes, or 11 percent, due to out-migration as a result of the Great Recession. New home sales began to improve with the recovering economy and increased at an average annual rate of 120 homes, or 10 percent, from 2013 through 2016. From 2017 through 2018, however, the number of new home sales declined an average of 70 homes, or 5 percent, annually, despite strong economic and population growth. This is partly attributable to limited available developable lots and a tight construction labor market.

Delinquent Mortgages

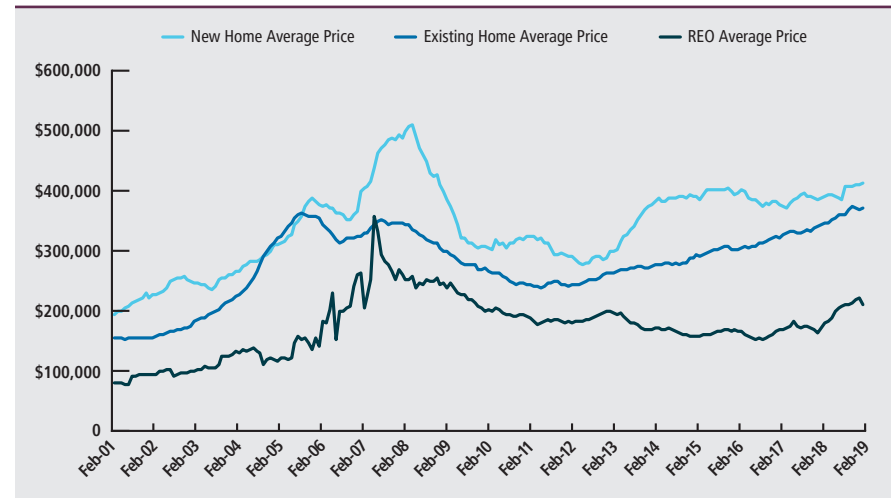
The rate of seriously delinquent home loans and REO properties in the HMA peaked in January 2011 at 12.6 percent, compared with an 18.5-percent statewide rate and a 7.9-percent rate nationwide (CoreLogic, Inc.). The delinquency rate was 1.8 percent in February 2019, compared with 2.4 percent in the previous 12-month period. For context, the delinquency rate fell from 5.3 to 2.2 percent statewide and 2.3 to 1.6 percent nationwide during the same period.

Existing Home Sales Prices

The average sales price of an existing home was \$370,100 during the past 12 months, up almost 8 percent from the 12 months ending February 2018. Prices increased at an average annual rate of \$40,600, or 18 percent, from

2001 through 2005. During the economic downturn, demand for existing homes declined, and from 2005 through 2011, existing home prices dropped an average of \$19,200, or 6 percent, annually. In 2011, the average existing sales price reached a low of \$241,700. REO sales, which peaked in early 2011, brought the average existing home sales price down because bank-owned homes sell at a lower price than regular market-rate homes (Figure 8). Existing home sales prices improved with the economy, and from 2012 through 2018, increased an average of \$18,350, or 6 percent, annually.

Figure 8. 12-Month Average Sales Price by Type of Sale in the Crestview HMA



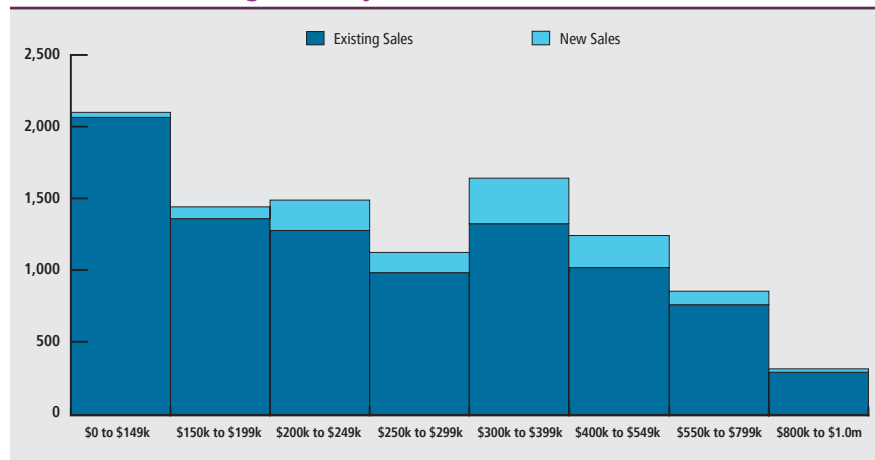
Source: CoreLogic, Inc., with adjustments by the analyst

New Home Sales Prices

The average sales price of a new home was \$411,500 during the 12 months ending February 2019, a 6-percent increase from a year ago. The current price is 17 percent below the pre-recession peak in 2007. This is partly because many of the recently built new homes are farther from the beach. The largest share of

new homes sold have been in the \$300,000-to-\$399,000 price range (Figure 9). New home prices increased at an average annual rate of \$43,250, or 15 percent, from 2001 through 2007, during the economic expansion. In 2007, the average sales price of a new home was \$493,900. The recession caused new home prices to fall, declining an average of \$50,150, or 12 percent, a year from 2008 through 2011. In 2012, the average new home price hit a low of \$288,300. The demand for homes increased with improved economic conditions and prices increased an average of \$16,500, or 5 percent, annually from 2012 through 2018.

Figure 9. Share of Sales by Price Range During the 12 Months Ending February 2019 in the Crestview HMA

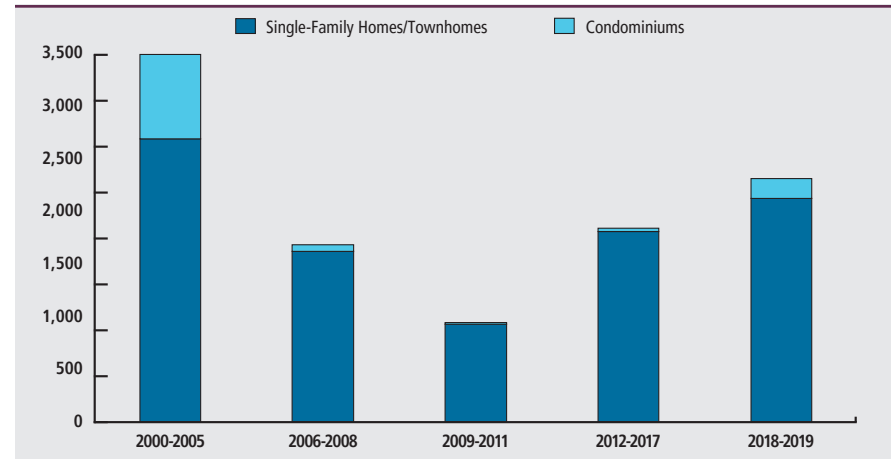


Source: Metrostudy, A Hanley Wood Company

Sales Permit Activity

Permitting of homes for sale has trended upward since 2012 but is well below the historically high levels reached during the housing boom of the mid-2000s (Figure 10). During the 12 months ending February 2019, 2,150 homes were permitted, a 2-percent increase from the 2,100 homes permitted during the previous 12 months (preliminary data, with adjustments by the analyst). From 2000 through 2005, an average of 3,500 homes was permitted. When the

Figure 10. Average Annual Sales Permitting Activity in the Crestview HMA



Notes: Includes single-family homes, townhomes, and condominiums. 2018–2019 data is annualized. Sources: U.S. Census Bureau, Building Permits Survey; 2000 through 2017—final data and estimates by the analyst; 2018 and 2019—preliminary data and estimates by the analyst

Florida sales housing market began to slow, from 2006 through 2008, an average of 1,675 units was permitted annually. From 2009 through 2011, the foreclosure crisis was underway, and 930 homes were permitted annually. Homebuilders responded to the increase in net in-migration and, from 2012 through 2017, an average of 1,825 homes were permitted annually. During the period from 2000 through 2005, condominiums comprised nearly 30 percent of all sales units permitted, compared with slightly more than 2 percent of the total since 2006.

New Construction

Homebuilding in the HMA is concentrated along the beaches and in the city of Crestview. In Crestview, D.R. Horton has completed 209 homes in the Redstone Commons subdivision approximately 2 miles north of Route 10. Upon completion in early 2020, the subdivision is expected to have approximately 380 homes. Homes range from 1,625 to 3,200 square feet, and list prices range from

\$207,900 to \$326,900. In Walton County, homebuilding along Route 20 and in the city of Freeport is beginning to increase. Laurel Oaks, just outside of Freeport, has two homes underway and 41 homes planned upon completion. Homes range from 1,661 to 2,361 square feet and are priced between \$259,900 and \$312,300. In southern Walton County, adjacent to Port Washington State Forest, 48 of the 55 new homes have sold in the Paradise Cove subdivision, ranging from 1,872 to 2,601 square feet with prices from \$370,000.

Forecast

Based on current and anticipated economic and population growth in the Crestview HMA, demand is estimated for 6,275 new homes during the next

3 years, with demand evenly distributed each year of the forecast (Table 6). This does not include the demand for second homes. The 1,050 homes currently under construction are expected to meet a portion of the demand during the first year of the forecast.

Table 6. Demand for New Sales Units in the Crestview HMA During the Forecast Period

Sales Units	
Demand	6,275 Units
Under Construction	1,050 Units

Note: The forecast period is March 1, 2019, to March 1, 2022.
Source: Estimates by the analyst



Rental Market Conditions

Market Conditions: Balanced

Rental unit construction has increased since 2012, with approximately 90 percent of new units built in the southern beach communities.

Current Conditions and Recent Trends

Rental market conditions in the Crestview HMA have transitioned from soft in 2010 to currently balanced. The rental vacancy rate in 2010 was 26.3 percent and has fallen to an estimated 19.6 percent currently (Table 7). The high vacancy rates reflect the large number of vacation and other short-term rental properties that are captured in the available for-rent data. An undetermined number of

Table 7. Rental and Apartment Market Quick Facts in the Crestview HMA

Rental Market Quick Facts		2010 (%)	Current (%)
	Rental Vacancy Rate	26.3	19.6
	Occupied Rental Units by Structure		
	Single-Family Attached & Detached	47	45
	Multifamily (2-4 Units)	14	14
Multifamily (5+ Units)	29	31	
Other (Including Mobile Homes)	10	10	

Apartment Market Quick Facts		Current	YoY Change
	Apartment Vacancy Rate	3.6%	1%
	Average Rent	\$915	7%
	Studio	\$735	48%
	One-Bedroom	\$819	5%
	Two-Bedroom	\$928	8%
Three-Bedroom	\$1,190	4%	

YoY = year-over-year.

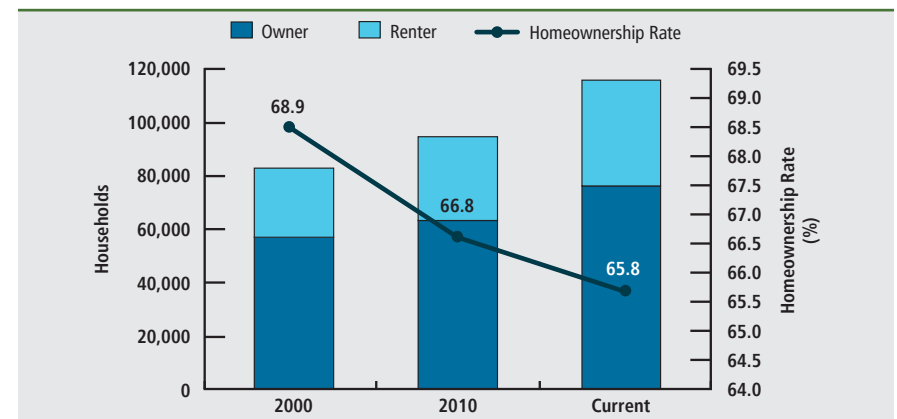
Note: The current date is March 1, 2019.

Sources: 2017 American Community Survey, 1-year data; Reis, Inc.

seasonal rental units that are available only for tourists on a short-term basis contribute to the overall vacancy rate. Some of these are second homes that are used by owners a portion of the year.

The elevated level of apartment building from 2004 through 2006 was followed by the economic slowdown and out-migration. Increased foreclosures lead to single-family homes being purchased for rental investment purposes. These increases to rental inventory and declining demand combined to soften the market significantly. Since 2010, renter households have increased at an average annual rate of 2.6 percent, 63 percent faster than growth in renter households during the period from 2000 to 2010, which has contributed to the decline in the vacancy rate. Some of the investment properties that had been rental homes during the foreclosure crisis have been resold to homeowners, contributing to the decline in vacancy rates in the rental market since 2010. Figure 11 shows households by tenure and homeownership rates in the HMA. In 2017, approximately 45 percent of all rental units were single-family homes, down from 47 percent in 2010, compared with the national rate of 28 percent, up from 27 percent. (ACS 1-year data).

Figure 11. Households by Tenure and Homeownership Rate in the Crestview HMA



Note: The current date is March 1, 2019.

Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by the analyst



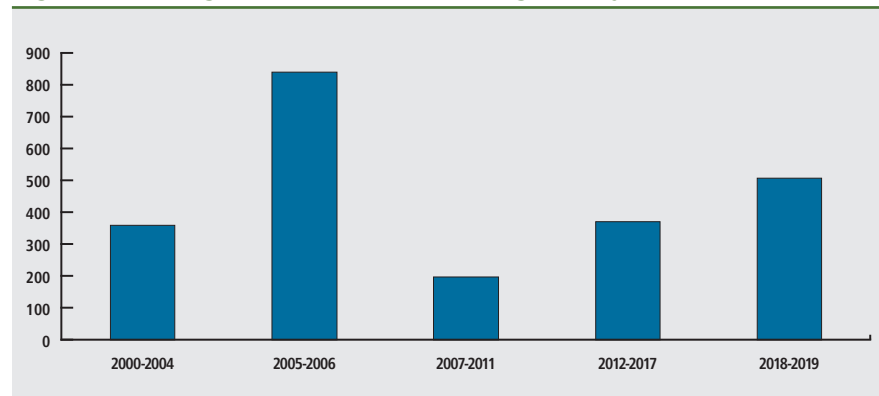
Apartment Market Conditions and Recent Trends

Conditions in the apartment market are slightly tight, compared with soft conditions in 2011, when the vacancy rate was 13.5 percent. During the fourth quarter of 2018, the apartment vacancy rate in the HMA was 3.6 percent, up from 2.6 percent during the fourth quarter of 2017 (Reis, Inc.). During the fourth quarter of 2018, the average apartment rent was \$915, an increase of 7 percent compared with the same period a year earlier. An estimated 5 percent of renter households in the HMA are military families from Eglin AFB and Hurlburt Field living in off-base housing. Nearly 80 percent of military personnel that are accompanied by family live outside the military installations.

Rental Permit Activity

Permitting of rental units has increased since the recovery from the Great Recession but has not reached the high levels of the boom during the mid-2000s (Figure 12). During the 12 months ending February 2019, approximately 590 rental units were permitted, compared with the 50 units permitted during the previous 12-month period (preliminary data, with adjustments by the analyst).

Figure 12. Average Annual Rental Permitting Activity in the Crestview HMA



Notes: Includes apartments and units intended for rental occupancy. 2018–2019 data is annualized. Sources: U.S. Census Bureau, Building Permits Survey; 2000 through 2017—final data and estimates by the analyst; 2018 and 2019—preliminary data and estimates by the analyst

From 2012 through 2017, an average of 370 rental units was permitted annually. For context, rental permitting averaged 840 units annually from 2005 through 2006. From 2007 through 2011, the national economy weakened, people began to leave the HMA, and rental permitting fell, averaging only 200 units permitted each year. An estimated 460 rental units are currently under construction, primarily in southern Walton County, near the beaches.

New Construction

Recent construction activity includes the 264-unit Sanctuary at 331, which was completed in mid-2018. This community is between Choctowatchee Bay and Point Washington State Park and has units ranging in size from 735 to 1,075 square feet. Rents for these newly constructed one- and two-bedroom units start at \$1,460 and \$1,820, respectively. The construction of Seaglass, which is a 288-unit garden-style apartment community near Henderson Park in Destin, was completed in 2018. Rents for the studio, one-, two-, and three-bedroom units at this community start at \$1,213, \$1,476, \$1,700, and \$2,185, respectively. Legacy Lifestyles Senior Housing is an assisted living community in Destin that is currently under construction and expected to be completed in August 2019. The rents are not yet available for the 144 age-restricted units at this property.

Forecast

During the 3-year forecast period, demand is estimated for an additional 1,900 rental units (Table 8). Demand is expected to be evenly distributed among all years of the forecast period. The 460 units currently under construction are expected to meet some of the demand during the first year of the forecast period.

Table 8. Demand for New Rental Units in the Crestview HMA During the Forecast Period

Rental Units	
Demand	1,900 Units
Under Construction	460 Units

Note: The forecast period is March 1, 2019, to March 1, 2022. Source: Estimates by the analyst



Terminology Definitions and Notes

A. Definitions

Demand	The demand estimates in the analysis are not a forecast of building activity. They are the estimates of the total housing production needed to achieve a balanced market at the end of the 3-year forecast period given conditions on the as-of date of the analysis, growth, losses, and excess vacancies. The estimates do not account for units currently under construction or units in the development pipeline.
Other Vacant Units	In this analysis conducted by the U.S. Department of Housing and Urban Development (HUD), other vacant units include all vacant units that are not available for sale or for rent. The term, therefore, includes units rented or sold but not occupied; held for seasonal, recreational, or occasional use; used by migrant workers; and the category specified as "other" vacant by the U.S. Census Bureau.
Building Permits	Building permits do not necessarily reflect all residential building activity that occurs in an HMA. Some units are constructed or created without a building permit or are issued a different type of building permit. For example, some units classified as commercial structures are not reflected in the residential building permits. As a result, the analyst, through diligent fieldwork, makes an estimate of this additional construction activity. Some of these estimates are included in the discussions of single-family and multifamily building permits.
Distressed Sales	Short sales and real estate owned (REO) sales.
Seriously Delinquent Home Loans	Mortgages 90+ days delinquent or in foreclosure.



Home Sales/ Home Sales Prices	Includes single-family home, townhome, and condominium sales.
Rental Market/ Rental Vacancy Rate	Includes apartments and other rental units such as single-family, multifamily, and mobile homes.
Forecast Period	3/1/2019–3/1/2022—Estimates by the analyst
Cost Burdened	Spending more than 30 percent of household income on housing costs.

B. Notes on Geography

1.	The metropolitan statistical area, definition noted in this report is based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated February 28, 2013.
2.	Urbanized areas are defined using the U.S. Census Bureau's 2010 Census Urban and Rural Classification and the Urban Area Criteria.
3.	The census tracts referenced in this report are from the 2010 Census.



C. Additional Notes

1.	The National Association of Home Builders Housing Opportunity Index represents the share of homes sold in the HMA that would have been affordable to a family earning the local median income, based on standard mortgage underwriting criteria.
2.	This analysis has been prepared for the assistance and guidance of HUD in its operations. The factual information, findings, and conclusions may also be useful to builders, mortgagees, and others concerned with local housing market conditions and trends. The analysis does not purport to make determinations regarding the acceptability of any mortgage insurance proposals that may be under consideration by HUD.
3.	The factual framework for this analysis follows the guidelines and methods developed by the Economic and Market Analysis Division within HUD. The analysis and findings are as thorough and current as possible based on information available on the as-of date from local and national sources. As such, findings or conclusions may be modified by subsequent developments. HUD expresses its appreciation to those industry sources and state and local government officials who provided data and information on local economic and housing market conditions.
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