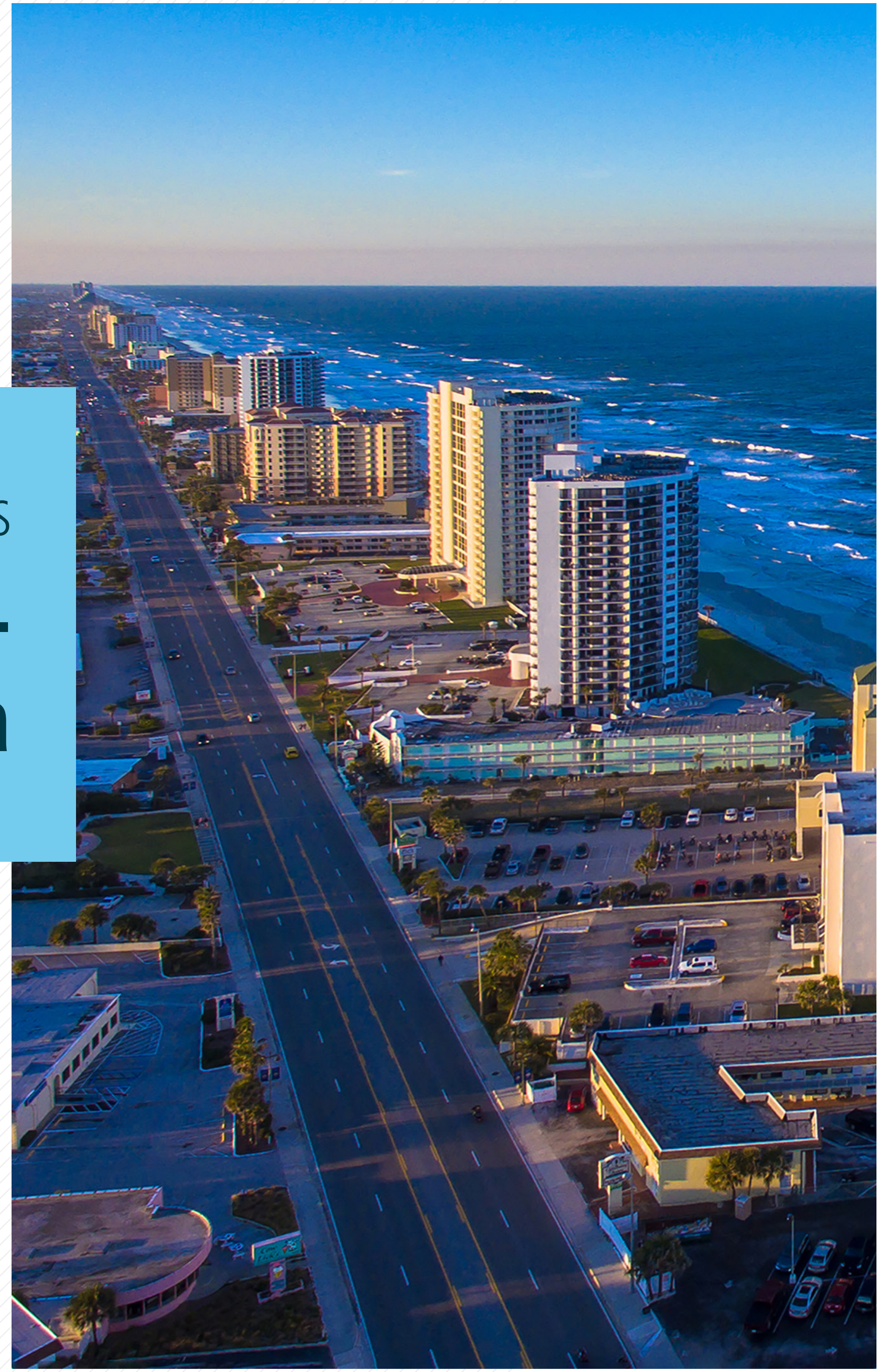
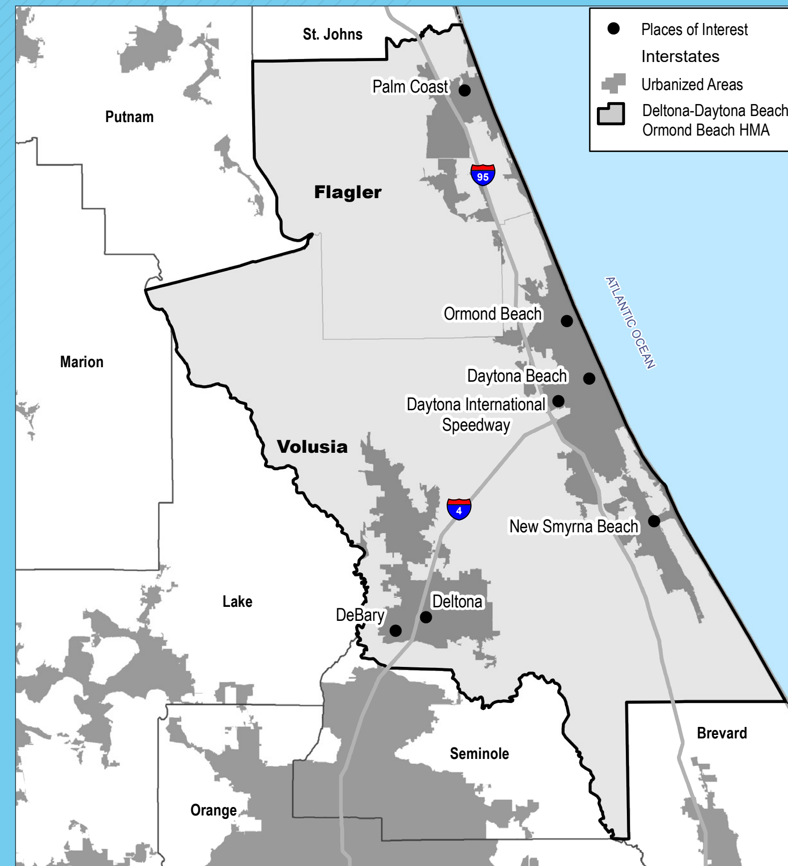
COMPREHENSIVE HOUSING MARKET ANALYSIS

Deltona-Daytona Beach-Ormond Beach, Florida



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

As of April 1, 2019



Executive Summary

Housing Market Area Description

The Deltona-Daytona Beach-Ormond Beach Housing Market Area (hereafter, Deltona HMA) is coterminous with the Deltona-Daytona Beach-Ormond Beach, FL Metropolitan Statistical Area and consists of Volusia and Flagler Counties. The southwestern portion of the HMA is adjacent to the Orlando metropolitan area, whereas the eastern portion, situated along the Atlantic Coast, is a destination for retirees and tourists because of its warm climate, nearly 50 miles of coastline, and the Daytona International Speedway. The HMA is home to the National Association of Stock Car Auto Racing (NASCAR) and a host to the iconic Daytona 500 race. The population of the HMA is estimated at 668,000 as of April 1, 2019.

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

Relatively Strong: Nonfarm payrolls increased 1.9 percent during the 12 months ending March 2019.

The economy in the HMA continues to expand after recovering from the previous recession from 2011 to 2016. During the 12 months ending March 2019, nonfarm payrolls grew by 3,900 jobs, or 1.9 percent, following a gain of 3,000 jobs, or 1.5 percent, during the previous 12 months, and the unemployment rate declined from 4.3 to 3.7 percent. Most recent job growth occurred in the mining, logging, and construction and the leisure and hospitality sectors. During the 3-year forecast period, nonfarm payrolls are expected to rise an average of 2.1 percent annually.

Sales Market

Slightly Tight: The average sales price of a home increased 9 percent during the 12 months ending March 2019.

The sales market in the HMA is slightly tight, with an estimated sales vacancy rate of 1.8 percent, down from 4.1 percent in 2010 when the market was soft. Total sales of single-family homes, townhomes, and condominiums during the 12 months ending March 2019 were approximately 18,425, reflecting an increase of 600, or more than 3 percent, from a year earlier, while the average home sales price rose $19,500, or 9 percent, to $239,600. During the 3-year forecast period, demand is estimated for 12,750 new homes for sale. The 1,200 homes under construction are expected to meet a portion of demand during the first year of the forecast period.

Rental Market

Balanced but Tightening: The apartment vacancy rate declined from 5.7 percent during the first quarter of 2018 to 4.6 percent during the first quarter of 2019.

The overall rental market is currently balanced, but tightening, with a current vacancy rate estimated at 6.5 percent, down significantly from 14.1 percent in 2010. The apartment market is slightly tight, with a vacancy rate of 4.6 percent during the first quarter of 2019, down from 5.7 percent a year earlier (Reis, Inc.). Average apartment rents rose 4 percent during the first quarter of 2019, faster than the 3-percent average annual rent growth from 2011 through 2017. During the forecast period, demand is expected for an additional 2,950 rental units. The 790 units under construction and the approximately 540 units expected to start construction in the next 3 years will meet nearly one-half of demand during the forecast period.

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3-Year Housing Demand Forecast

		Sales Units	Rental Units
Deltona HMA	Total Demand	12,750	2,950
	Under Construction	1,200	790

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

Economic Conditions

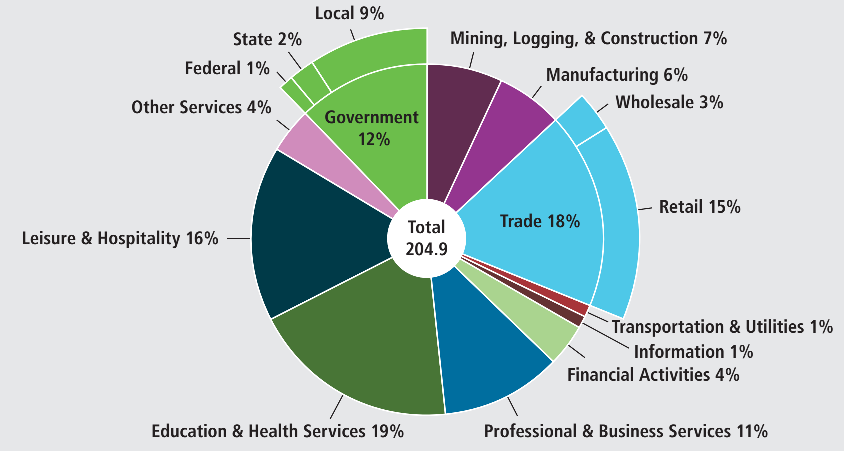
Largest sector: Education and health services

Roughly 87 percent of all nonfarm payroll jobs in the HMA are in service-providing sectors.

Primary Local Economic Factors

The HMA became a popular tourist destination early in the 20th century when mass-production of automobiles allowed for easier travel around the country. The wide beach with hard-packed sands in the city of Daytona Beach allowed for automobile testing and racing. Today, car racing takes place at the Daytona International Speedway, which has been hosting the Daytona 500 race since 1959. The HMA continues to be popular with tourists and is also becoming a retirement destination. Approximately 10 million visitors spend $6 billion annually in the HMA (Mid-Florida Marketing and Research, 2017). The leisure and hospitality sector is the third largest payroll sector in the HMA, with 33,300 jobs and accounts for 16 percent of all nonfarm payroll jobs (Figure 1). In January 2016, the $400 million renovation of the Daytona International Speedway was completed. The 101,500-seat stadium that, in addition to the Daytona 500 race, hosts more than 200 events each year, has a $1.6 billion economic impact on the state of Florida annually (International Speedway Corp.). Currently, construction continues at One Daytona—a new mixed-use development across from the speedway. The complex is already home to various entertainment and hospitality venues including several restaurants, a movie theater, a bowling alley, and two recently opened hotels: the 145-room The Daytona, and the 145-room Fairfield Inn & Suites. Hard Rock Hotel on Daytona Beach, with more than 200 rooms, is another new hotel that opened in 2018.

Figure 1. Current Nonfarm Payroll Jobs in the Deltona HMA, by Sector



Notes: Nonfarm payroll is in thousands. Percentages may not add to 100 percent due to rounding. Based on 12-month averages through March 2019.
Source: U.S. Bureau of Labor Statistics

Economic Periods of Significance

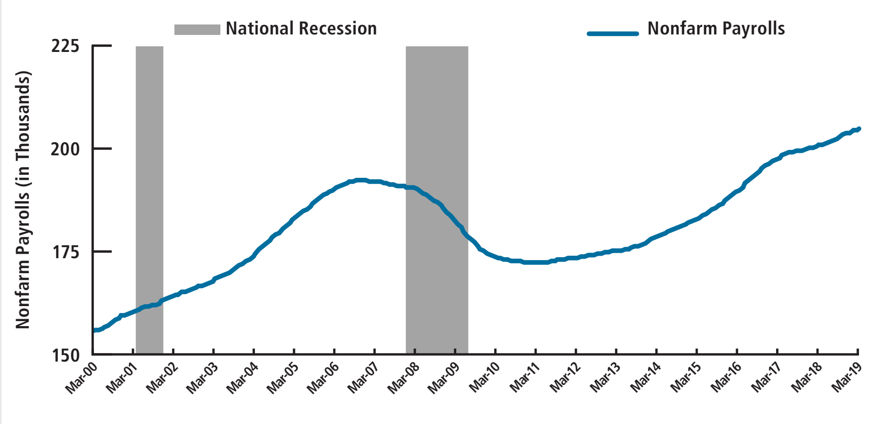
2001 Through 2006

Economic conditions in the Deltona HMA during the early-to-mid 2000s were strong. Fast population growth, boosted by the continued inflow of retirees moving to the HMA, led to high demand for residential and commercial construction and overall strong job gains. From 2001 through 2006, nonfarm payrolls in the HMA rose an average of 5,500 jobs, or 3.2 percent, annually, and the unemployment rate fell to a low of 3.4 percent in 2006. The professional and business services and the mining, logging, and construction sectors led job growth and increased an average of 1,400 and 1,300 jobs, or 9.3 and 10.0 percent, annually.

2007 Through 2010

In 2007, economic conditions in the HMA began to weaken with the onset of the Great Recession and the national housing crisis. From 2007 through 2010, nonfarm payrolls in the HMA declined by an average of 5,000 jobs, or 2.7 percent, a year, with one-half of losses occurring in 2009 (Figure 2). During the economic downturn, 10 out of 11 payroll sectors lost jobs, and the trend of strong in-migration to the HMA ended, severely slowing population growth. Nearly one-half of all payroll losses occurred in the mining, logging, and construction sector when fewer homes were built, causing the demand for construction workers to decline significantly. During the 2007-to-2010 period, the sector fell an average of 2,400 jobs, or 16.6 percent, annually. The manufacturing and the wholesale and retail trade sectors had average annual declines of 900 and 700 jobs, or 8.5 and 2.0 percent, respectively. Additionally, the government sector fell an average of 500 jobs, or 1.6 percent annually. An average decline of 700 jobs annually, or 3.3 percent, in the local government subsector was partially offset by an average annual increase of 200 jobs, or 3.9 percent, in the state government subsector.

Figure 2. 12-Month Average Nonfarm Payrolls in the Deltona HMA



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

2011 through 2017

Economic recovery in the HMA began in 2011, however, initial growth was sluggish. From 2011 through 2013, nonfarm payrolls rose an average of 1,800 jobs, or 1.0 percent, annually; however, with improving economic conditions and stronger net in-migration, nonfarm payroll growth accelerated to an average of 5,600 jobs or 3.0 percent annually from 2014 through 2017. The leisure and hospitality and the professional and business services sectors led job growth from 2011 through 2017, with average gains of 1,000 and 900 jobs, or 3.9 and 4.6 percent, annually.

Current Conditions—Nonfarm payrolls

Job growth in the Deltona HMA was stronger during the 12 months ending March 2019 compared with the same period a year earlier. Nonfarm payrolls increased by 3,900 jobs, or 1.9 percent, following a gain of 3,000 jobs, or 1.5 percent, during the previous 12 months (Table 1). Growth in the tourism industry and the construction subsector was mainly responsible for job gains during the past 12 months. The leisure and hospitality and the mining, logging, and construction sectors grew by 1,300 and 1,200, or 4.0 and 8.9 percent, adding to their respective increases of 1,000 and 700 jobs, or 3.3 and 5.3 percent, during the previous 12 months. In March 2019, 220 new jobs were created when a Dave & Buster’s restaurant opened in the city of Daytona Beach. Notable growth also occurred in the wholesale and retail trade and the education and health services sectors which, during the 12 months ending March 2019, grew by 700 and 600 jobs, or 2.0 and 1.6 percent, respectively. The education and health services sector is the largest nonfarm payroll sector in the HMA with 39,600 jobs, comprising 19 percent of nonfarm payrolls, and includes four of the nine largest employers in the HMA (Table 2). The retail trade subsector accounts for 86 percent of the 36,400 jobs in the wholesale and retail trade sector. Publix Super Markets, Inc. and Walmart Inc. are the two largest employers in the sector with 3,900 and 3,050 employees, respectively. Most of the recent growth in the sector occurred because 11 new retail stores have opened at One Daytona since 2017, and in 2018, The Tanger Outlets mall with nearly 70 new stores opened in the city of Daytona Beach. The professional and business services sector was the only employment sector in the HMA to record job losses during the 12 months ending March 2019, down by 500 jobs, or 2.3 percent. The sector has been the fastest growing sector in the HMA since 2001, however, with payrolls nearly doubling (Figure 3).

Table 1. 12-Month Average Nonfarm Payroll Jobs (1,000s) in the Deltona HMA, by Sector

	12 Months Ending March 2018	12 Months Ending March 2019	Absolute Change	Percentage Change
Total Nonfarm Payroll Jobs	**200.9**	**204.9**	**3.9**	**1.9**
Goods-Producing Sectors	24.7	26.1	1.4	5.7
Mining, Logging, & Construction	13.1	14.3	1.2	8.9
Manufacturing	11.6	11.9	0.2	2.1
Service-Providing Sectors	176.3	178.8	2.5	1.4
Wholesale & Retail Trade	35.7	36.4	0.7	2.0
Transportation & Utilities	2.6	2.6	0.0	0.0
Information	2.4	2.4	0.0	0.0
Financial Activities	8.5	8.7	0.3	3.0
Professional & Business Services	23.5	23.0	-0.5	-2.3
Education & Health Services	39.0	39.6	0.6	1.6
Leisure & Hospitality	32.0	33.3	1.3	4.0
Other Services	9.0	9.1	0.1	0.8
Government	23.5	23.6	0.1	0.4

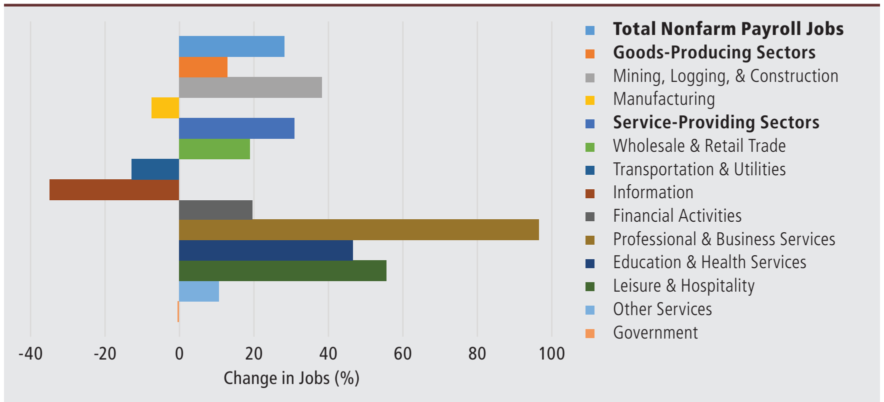
Notes: Based on 12-month averages through March 2018 and March 2019. Numbers may not add to totals due to rounding. Data are in thousands.
Source: U.S. Bureau of Labor Statistics

Table 2. Major Employers in the Deltona HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Advent Health	Education & Health Services	6,900
Halifax Health	Education & Health Services	4,050
Publix Super Markets, Inc.	Wholesale & Retail Trade	3,900
County of Volusia	Government	3,400
Walmart Inc.	Wholesale & Retail Trade	3,050
State of Florida	Government	2,975
Stetson University	Education & Health Services	1,800
Daytona State College	Government	1,450
Embry-Riddle Aeronautical University	Education & Health Services	1,400
National Association for Stock Car Auto Racing	Professional & Business Services	1,275

Note: Excludes local school districts.
Sources: Team Volusia; Flagler County 2017 Comprehensive Annual Financial Report

Figure 3. Sector Growth in the Deltona HMA, 2001 to Current

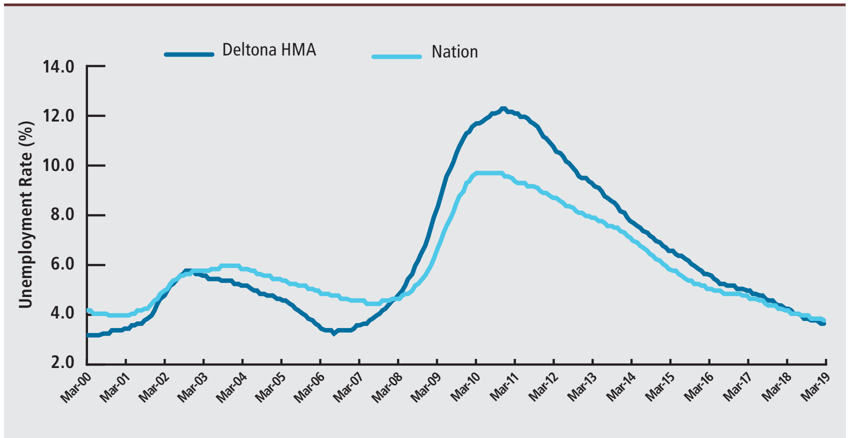


Note: The current date is April 1, 2019.
Source: U.S. Bureau of Labor Statistics

Current Conditions—Unemployment

During the 12 months ending March 2019, the average unemployment rate in the HMA was 3.7 percent, down from 4.3 percent a year earlier. Employment growth has been faster than the labor force increase, contributing to the declining unemployment rate. The current average unemployment rate in the HMA is the lowest since 3.4 percent in 2006 and substantially below the peak of 12.3 percent in 2010. Additionally, for the first time since the end of 2007, the average unemployment rate in the HMA is currently below the national unemployment rate of 3.8 percent (Figure 4).

Figure 4. 12-Month Average Unemployment Rate in the Deltona HMA and the Nation



Note: Based on 12-month averages.
Source: U.S. Bureau of Labor Statistics

Employment Forecast

During the 3-year forecast period, economic conditions in the HMA are expected to remain strong, with nonfarm payrolls increasing an average of 2.1 percent annually. Substantial growth is expected in the construction subsector and the leisure and hospitality sector. The recently opened Daytona Hotel is looking to fill 100 positions, and Bonefish Grill, a restaurant scheduled to open in April 2019 in the city of Daytona Beach, will also add 100 jobs. Five new hotels are currently in planning, and construction on large single-family and multifamily developments will continue during the forecast period. Jobs lost in the professional and business sector during the 12 months ending March 2019 are expected to be largely recovered during the forecast period because of planned expansions of local insurance companies. In April 2019, construction will start on the $40 million new headquarters of Brown & Brown Insurance. The new facility is expected to employ 600 professionals by 2020. Later in 2019, construction is expected to be finished on the headquarters for Security First Insurance in the city of Ormond Beach; the company plans to hire more than 20 new employees. German medical products manufacturer B. Braun Medical Inc. expanded its manufacturing plant and opened a distribution center in 2018. Currently, the company employs 140 workers but plans to further expand by adding manufacturing and office space in the HMA. Employment at B. Braun is expected to rise to 300 by the end of 2019, with potential to increase to 500 once the expansion is complete.

Population and Households

Current population: 668,000

Net in-migration to the HMA has accounted for all population growth in the HMA since 2000.

Population Trends

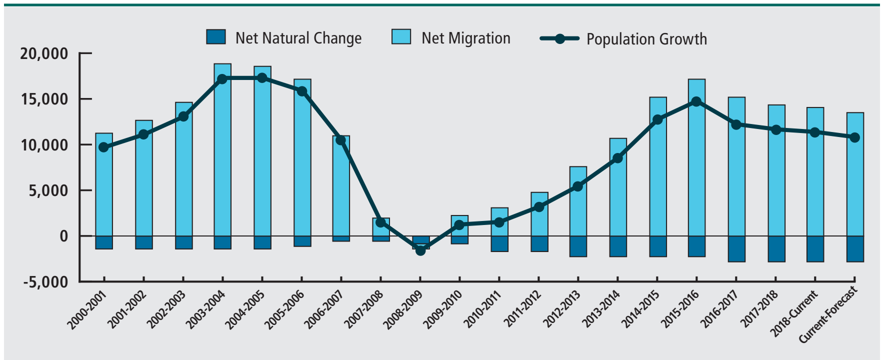
The population of the Deltona HMA as of April 1, 2019, is estimated at 668,000, representing an average increase of 8,625, or 1.4 percent, annually since April 2010 (Table 3). During the economic expansion from 2001 to 2006, population growth in the HMA averaged 13,750, or 2.6 percent, annually (U.S. Census Bureau population estimates as of July 1), as well-paying construction jobs attracted workers to the HMA. Net in-migration during that period averaged 15,150 people annually, while net natural change (resident births minus resident deaths) averaged a decline of 1,400 people annually. Population growth initially slowed to 10,350, or 1.8 percent, from 2006 to 2007; net in-migration declined to an average of 10,850 people. With the onset of the Great Recession, from 2007 to 2009, net in-migration fell to 1,950 people in the first year, and net out-migration of 780 people occurred a year later, stalling population growth completely during the period (Figure 5). A large supply of affordable housing since the national housing crisis contributed to the return of population growth, and in 2013, population growth was further boosted by stronger job growth. Gains were slow initially; from 2009 to 2013, net in-migration rose each year and averaged 4,400 people annually, accelerating to an average of 14,300 people annually from 2013 to the current date, with peak net in-migration of 17,050 people in 2015. The rising share of older residents in the HMA has contributed to slower population growth this decade and is responsible for a higher rate of net natural decline, which averaged 1,675 annually from 2009 through 2013, but has increased to 2,525 annually since 2013. By comparison, net natural change averaged a decline of 1,100 people annually from 2000 to 2010.

Table 3. Deltona HMA Population and Household Quick Facts

		2010	Current	Forecast
Population Quick Facts	Population	590,289	668,000	699,900
	Average Annual Change	9,700	8,625	10,650
	Percentage Change	1.8	1.4	1.6
		2010	**Current**	**Forecast**
Household Quick Facts	Households	247,422	281,500	294,800
	Average Annual Change	4,150	3,800	4,425
	Percentage Change	1.8	1.4	1.6

Notes: 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 April 1, 2019 (the current date), to April 1, 2022.
Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by the analyst

Figure 5. Components of Population Change in the Deltona 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 April 1, 2019 (the current date), to April 1, 2022.
Sources: U.S. Census Bureau; current to forecast—estimates by the analyst

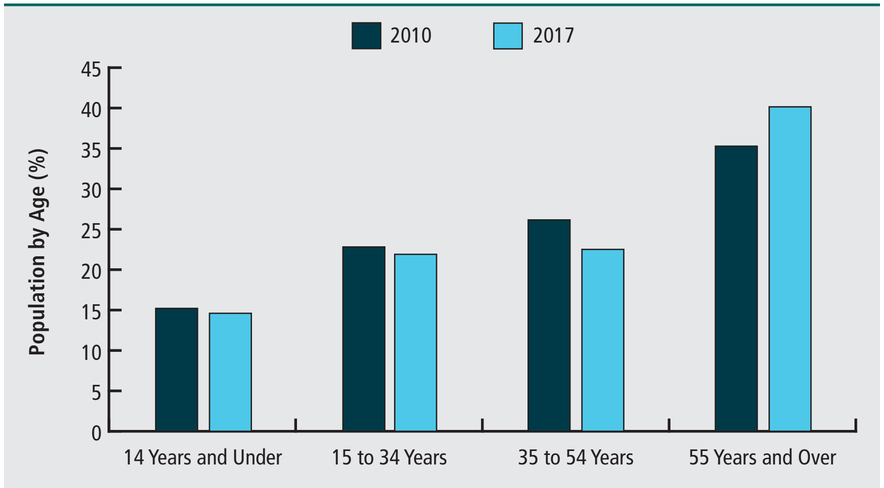
Age Cohort Trends

In 2017, the median age in the HMA was 47.0 years, up from 45.3 in 2010 and substantially higher than the median age of 38.0 years in the nation (2017 and 2010 American Community Survey [ACS] 1-year data). A large supply of homes available at lower prices in the early years following the housing crisis contributed to the HMA becoming more popular as a retirement destination. Since 2010, the age cohort of those 55 and older grew substantially faster than the overall population, increasing by an average of 7,640 or 3.2 percent, annually, to an estimated 270,200. People aged 55 and older account for a rising share of total population in the HMA,growing from 35.6 percent in 2010 to 40.5 percent in 2017 (Figure 6).

Household Trends

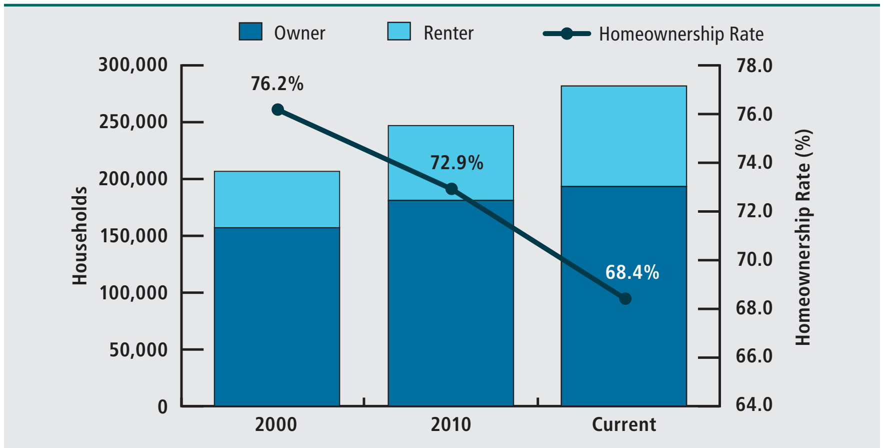
Like population growth, household growth in the HMA since 2010 has been slower than it was during the 2000s. The current number of households in the HMA is estimated at 281,500, reflecting an average annual increase of 3,800, or 1.4 percent, since 2010. By comparison, from 2000 to 2010, household growth averaged 4,150, or 1.8 percent, annually. Renter households have accounted for roughly 64 percent of net household formation since 2010, compared with 43 percent during the 2000s. As a result, the homeownership rate fell to an estimated 68.4 percent as of the current date, down from 72.9 percent in 2010 and 76.2 percent in 2000 (Figure 7). In 2017, householders aged 55 and older were estimated to account for 69 percent of owner households in the HMA, up from 59 percent in 2010. By comparison, the share of homeowners aged 55 and older in the nation was 54 percent in 2017.

Figure 6. Population by Age Range in the Deltona HMA



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

Figure 7. Households by Tenure and Homeownership Rate in the Deltona HMA



Note: The current date is April 1, 2019.
Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by the analyst

Forecast

During the 3-year forecast period, improving economic conditions and the availability of reasonably priced homes in senior active adult communities in the HMA, compared with other areas in the country, are expected to contribute to continued net in-migration to the HMA. As a result, the population of the HMA is expected to grow by an average of 10,650, or 1.6 percent annually, reaching approximately 699,900 by April 1, 2022. Households are estimated to increase during the 3-year forecast period by an average of 4,425, or 1.6 percent, a year, reaching 294,800 households. Approximately two-thirds of the additional households are expected to be owner households, which is expected to slow the decline in the homeownership rate in the HMA.

Home Sales Market Conditions

Market Conditions: Slightly Tight

The average home sales price in the HMA is currently 17 percent below the previous peak of $275,700 in 2007.

Current Conditions

The sales housing market in the Deltona HMA is currently slightly tight, with an estimated vacancy rate of 1.8 percent, down from 4.1 percent in April 2010 (Table 4). Since the end of the previous economic downturn in the HMA during 2010, limited new sales housing construction activity, improving economic conditions, and increased net in-migration have helped to significantly reduce the excess inventory of homes for sale brought on by the Great Recession, contributing to the sales housing market recovery. During March 2019, a 3.8-months' supply of for-sale homes (including townhomes) was on the market, up slightly from a 3.4-months' supply a year earlier, while during the same period the supply of condominiums rose from 5.5 to 7.8 months' worth (Daytona Beach Area Association of Realtors®).

Table 4. Home Sales Quick Facts in the Deltona HMA and the Nation

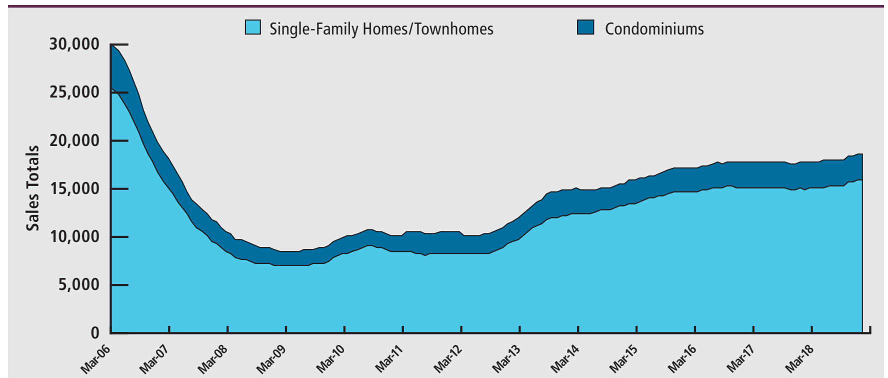
		Deltona HMA	Nation
Home Sales Quick Facts	Vacancy Rate	1.8%	NA
	Months of Inventory	3.8	3.8
	Total Home Sales	18,400	5,787,000
	1-Year Change	3.3%	-0.9%
	Average New Home Sales Price	$301,200	$411,600
	1-Year Change	9%	1%
	Average Existing Home Sales Price	$232,300	308,300
	1-Year Change	9%	3%
	Mortgage Delinquency Rate	2.0%	1.6%

NA = data not available.
Notes: The vacancy rate is as of the current date (April 1, 2019); home sales and prices are for the 12 months ending March 2019; and months of inventory and mortgage delinquency data are as of March 2019.
Sources: Metrostudy, A Hanley Wood Company, with adjustments by the analyst; Daytona Beach Area Association of Realtors®

New and Existing Home Sales

New and existing home sales (hereafter, home sales) in the HMA have increased during the past 7 years in response to steadily improving economic conditions. New home sales have made up less than 19 percent of all home sales in the HMA since the end of 2011, and trends in new home sales have generally followed overall sales trends. Existing home sales consist of both regular resales and distressed sales. During the 12 months ending March 2019, home sales totaled 15,650, up by 600 homes, or 4 percent, from the number of homes sold during the previous 12 months (Metrostudy, A Hanley Wood Company). By comparison, home sales activity in the HMA peaked at 25,750 in 2005 and fell precipitously by an average of 24 percent annually to 7,075 sales in 2008 (Figure 8). Home sales rebounded slightly a year later, but activity remained sluggish, averaging 8,225 sales from 2009 through 2011, in part because home sales prices continued to decline. Sales activity began to improve steadily a year later; home sales increased an average of 10 percent annually from 2012 through 2017.

Figure 8. 12-Month Sales Totals by Type in the Deltona HMA



Source: Metrostudy, A Hanley Wood Company, with adjustments by the analyst

Condominium Sales

Condominium sales, which are predominately oceanfront structures that serve as seasonal homes, continue to recover since the last recession. Condominium sales peaked in 2005 at 4,600, with newly constructed units accounting for approximately 22 percent of all condominium sales. The housing crisis severely affected the local market, and condominium sales decreased an average of 23 percent annually to 1,450 units in 2008. Since then, the condominium market recovered slowly to 2,800 units sold in 2017, an average annual increase of 8 percent. During the 12 months ending March 2019, sales of condominiums in the HMA totaled 2,775, relatively unchanged from a year earlier; new units represented only 1 percent of total sales.

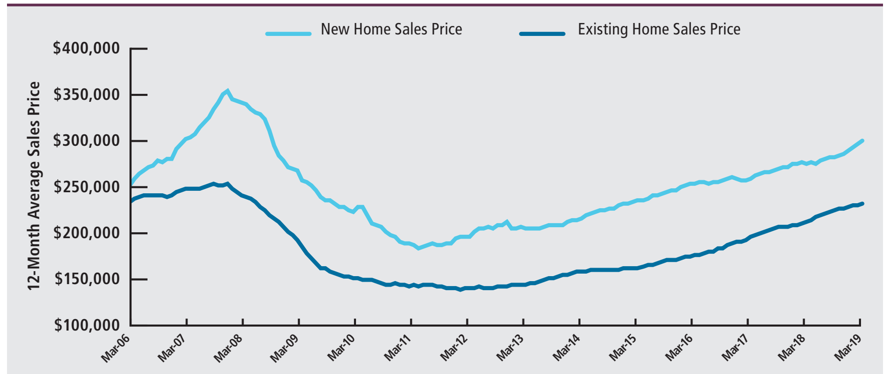
REO Properties and Delinquent Mortgages

As of March 2019, approximately 2.0 percent of all mortgage loans in the HMA were seriously delinquent or had transitioned into real estate owned (REO) status, down sharply from 4.5 percent in March 2018 and far below the peak of 17.3 percent in November 2011 (CoreLogic, Inc.). In March 2019, the rate of seriously delinquent loans and REO properties in the HMA was roughly the same as the 2.1-percent rate in Florida, but above the 1.6-percent national rate. Florida is a judicial foreclosure state, which causes the foreclosure process to take longer than in non-judicial states—the main reason behind elevated rates in the HMA and in Florida compared with the average for the nation.

New and Existing Home Sales Prices

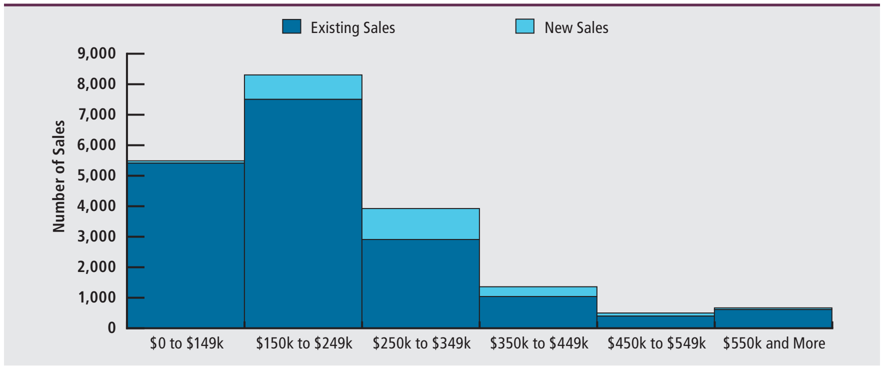
A significant reduction in REO sales and relatively low construction activity in the aftermath of the housing crisis have contributed to large home sales price increases in the HMA since 2012. During the 12 months ending March 2019, the average sales price of existing homes in the HMA rose 9 percent, to $232,300, which followed an 8-percent increase a year earlier (Metrostudy, A Hanley Wood Company; Figure 9). REO sales during the 12 months ending March 2019 accounted for 5 percent of existing home sales in the HMA, and currently, the average sales price of an REO property is $165,600, nearly 29 percent below the average regular resale price. Although home sales peaked in 2005, the average sales price for an existing home did not peak until 2 years later at $248,600; roughly 7 percent above the current existing home sales price. Following this high, the average existing home sales price fell for 4 consecutive years at an average annual rate of 13 percent to $141,100 in 2011. From 2007 through 2011, REO sales, as a proportion of all existing homes sales in the HMA, rose from 5 percent to 33 percent, with a high of 40 percent in 2010, greatly contributing to the decline of the existing home sales price. With continued economic growth in the HMA, the average home sales price began to rise in 2012 and reached $209,100 in 2017, an average gain of 7 percent, annually. For new homes, the average sales price during the 12 months ending March 2019 also rose 9 percent, to $301,200. Currently, the average price of a new home in the HMA is 57 percent above the low of $191,600 in 2010, but 13 percent below the all-time high of $345,500 in 2007. During the past 12 months, sales were greatest among new homes priced from $250,000 through $349,000 (Figure 10).

Figure 9. 12-Month Average Sales Price by Type of Sale in the Deltona HMA



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

Figure 10. Sales by Price Range During the 12 Months Ending March 2019 in the Deltona HMA



Source: Metrostudy, A Hanley Wood Company

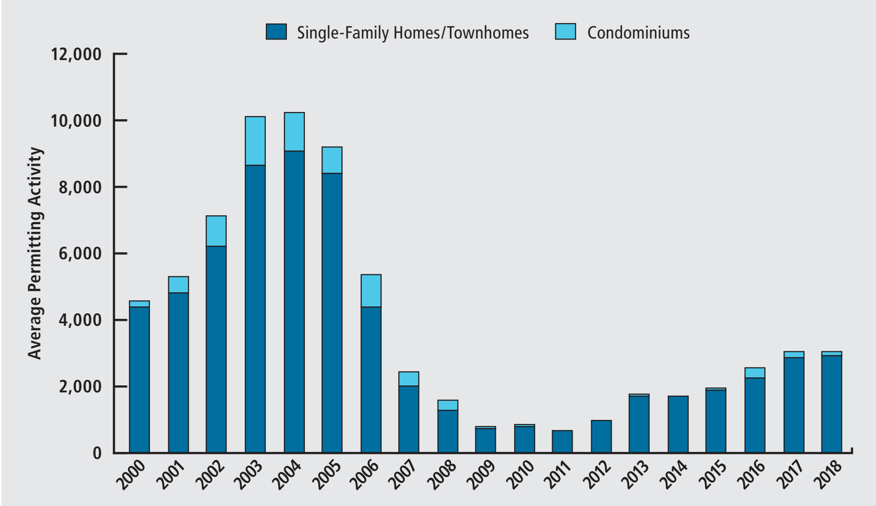
Condominium Sales Prices

The average sales price of a condominium unit in the HMA peaked in 2007 at $421,400 and declined an average of 20 percent annually to $172,200 in 2011. With improving economic and home sales market conditions, the average sales price of a condominium has risen since 2011 by an average of nearly 5 percent annually to $239,100 during the 12 months ending March 2019.

Sales Construction Activity

Builders in the HMA have responded to increased demand for new homes, caused in part by stronger net in-migration to the HMA since 2013, by increasing home construction. Sales construction activity, as measured by the number of single-family homes, townhomes, and condominium units permitted, totaled 3,150 during the 12 months ending March 2019, up 3 percent from the previous 12 months (preliminary data with adjustments by the analyst). During the national housing boom, sales construction in the HMA peaked from 2003 through 2005, averaging 9,875 sales units permitted annually (Figure 11). During the next 4 years, the housing crisis significantly affected the HMA, and sales construction activity decreased an average of 47 percent annually to 760 sales units permitted in 2009; it remained near this level through 2011. Construction began to rebound in 2012, with 1,000 single-family homes, townhomes, and condominium units permitted. By 2017, the number of sales units permitted reached 3,050, an average increase of 400 units, or 29 percent, annually.

Figure 11. Average Annual Sales Permitting Activity in the Deltona HMA



Notes: Permitting activity includes single-family, townhomes, and condominiums. 2018 includes data through March 2019.
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

New Construction

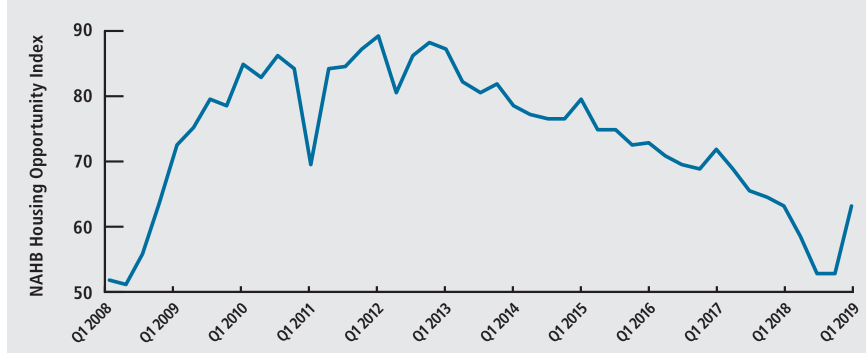
In 2017, construction began on Latitude Margaritaville, an age-restricted single-family home development in Daytona Beach, which is expected to have 3,400 homes when buildout is completed in 2024. This popular retirement community features several recreational, dining, and entertainment amenities.

Prices for new two- and three-bedroom homes range from mid-$200,000s to $400,000, with a monthly homeowner's association fee ranging from $250 to $275. Currently, 578 new homes have been sold, and more than 1,700 homes are expected to be built at the development during the next 3 years. Also, in 2017, work began on the first 350-home phase of the planned 1,200-home Mosaic community in Daytona Beach. The general occupancy development currently has 19 three- and four-bedroom single-family homes available for sale with homes priced from the mid-$200,000s to more than $500,000.

Housing Affordability

The rapid absorption of distressed properties has contributed significantly to the decline in affordability as home prices in the HMA have increased at a much faster rate than income since the early 2010s. The National Association of Home Builders' (NAHB) Housing Opportunity Index (HOI) for the HMA, which represents the share of homes sold that would have been affordable to a family earning the local median income, was 63.1 during the first quarter of 2019, unchanged from the first quarter of 2018 (Figure 12). The average HOI for the most recent four quarters was 56.9, down from the prior four-quarter average of 65.6, and substantially below the 85.7 four-quarter average that ended during the first quarter of 2013. During the first quarter of 2019, according to the HOI, 153, or 65 percent, of the 237 ranked metropolitan areas in the nation were more affordable than the Deltona HMA, compared with only 60, or 25 percent during the first quarter of 2013. Among the metropolitan areas adjacent to the Deltona HMA, during the first quarter of 2019, the Orlando metropolitan area was less affordable and ranked 173rd, while the Palm Bay area was more affordable with the 135th rank in the nation.

Figure 12. Deltona HMA Housing Opportunity Index



NAHB = National Association of Home Builders. Q1 = first quarter.
Source: NAHB/Wells Fargo

Forecast

During the next 3 years, demand is expected for 12,750 new sales units in the HMA (Table 5). The 1,200 homes currently under construction will meet a portion of the demand. Sales demand is expected to remain stable during the 3-year forecast period and be greatest for sales units priced between $250,000 and $350,000.

Table 5. Demand for New Sales Units in the Deltona HMA During the Forecast Period

	Sales Units
Demand	12,750 Units
Under Construction	1,200 Units

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

Rental Market Conditions

Market Conditions: Balanced but Tightening

Conditions in the overall rental market are balanced, but apartment market conditions are slightly tight.

Trends in Rental Market Conditions

The rental housing market (including single-family homes, mobile homes, and apartments) in the Deltona HMA is currently balanced, with an overall estimated rental vacancy rate of 6.5 percent, down from 14.1 percent in April 2010 (Table 6). The previous economic downturn in the HMA from 2007 through 2010 led to the significant softening of rental market conditions after a large supply of unsold homes became available as rental units. Limited apartment construction activity, and an increase in net in-migration to the HMA since 2013 have contributed to a decline in rental vacancies. An estimated 51 percent of renter households in the HMA live in single-family homes, relatively unchanged since 2010; the rate is significantly above the 34-percent share for the nation. (2017 and 2010 ACS 1-year estimates). Approximately 30 percent live in structures with five or more units, compared with 35 percent in 2010.

Apartment Market Trends

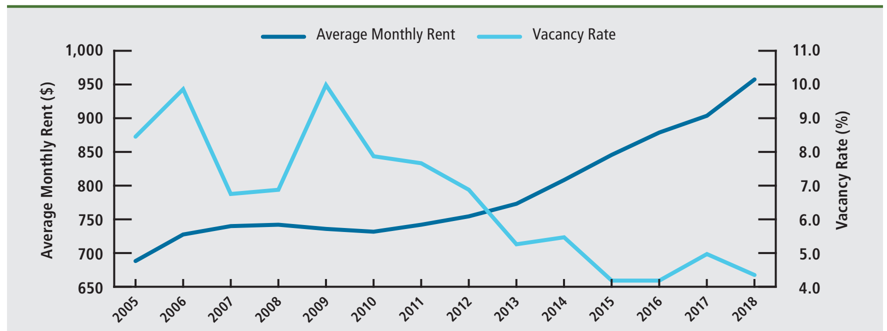
The apartment market in the HMA is slightly tight with a 4.6-percent vacancy rate during the first quarter of 2019, down from balanced conditions with a vacancy rate of 5.7 percent a year earlier (Reis, Inc.). The average rent for an apartment is currently $965, a gain of $41, or more than 4 percent, from the first quarter of 2018 (Figure 13). During the economic downturn in the HMA, many then-newly constructed apartment units were left unabsorbed, and in 2009, the apartment vacancy rate peaked at 10.0 percent. The soft market conditions caused average rents to fall for 2 years to a low of $733 in 2010. As apartment construction fell to historically low levels, and the absorption of previously vacant units increased, the apartment vacancy rate started to fall and reached 5.3 percent in 2013. A year later, the apartment vacancy rate remained relatively unchanged, but conditions tightened further because low construction activity in the HMA persisted, and the apartment vacancy rate fell to an average of 4.2 percent from 2015 through 2016. More rental units were added to the inventory after a spike in construction activity during 2016, but these were absorbed very quickly, and at the end of 2018, the apartment vacancy rate was 4.4 percent. Since the end of 2010, the average apartment rent in the HMA grew by an average of 3 percent annually, with the largest gain of 6 percent in 2018.

Table 6. Rental and Apartment Market Quick Facts in the Deltona HMA

		2010 (%)	Current (%)
Rental Market Quick Facts	Rental Vacancy Rate	14.1	6.5
	Occupied Rental Units by Structure		
	Single-Family Attached & Detached	49	51
	Multifamily (2–4 Units)	11	13
	Multifamily (5+ Units)	35	30
	Other (Including Mobile Homes)	5	6
		Current	**YoY Change**
Apartment Market Quick Facts	Apartment Vacancy Rate	4.6%	-1.1
	Average Rent	$965	4%

YoY = year-over-year.
Notes: The current date is April 1, 2019. Current data for "occupied rental units by structure" are American Community Survey, 2017 1-year data. Apartment data are Reis, Inc.
Sources: American Community Survey, 1-year data; Reis, Inc.

Figure 13. Apartment Rents and Vacancy Rates in the Deltona HMA

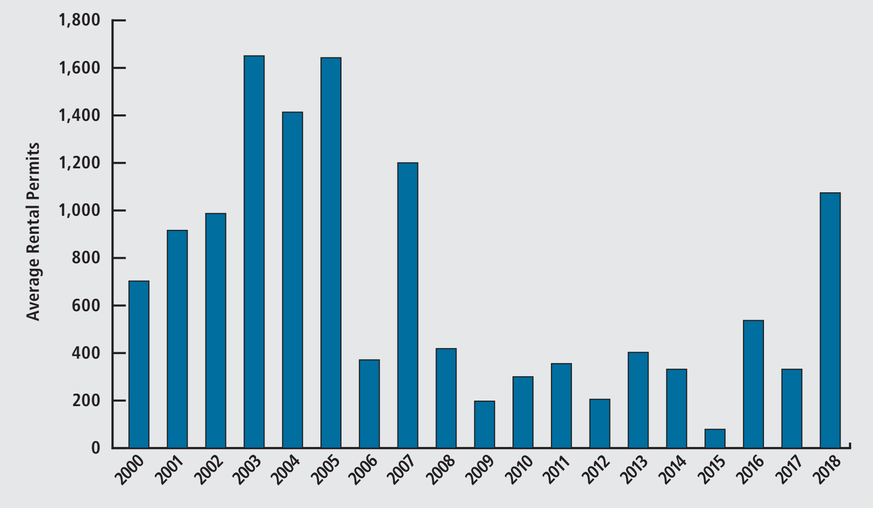


Source: Reis, Inc. (Annual Data)

Rental Construction Activity

After an extended period of limited rental construction activity following the Great Recession, the 264-unit Sands Parc luxury apartment complex opened in the city of Daytona Beach in mid-2017 and reached stable occupancy in less than 5 months, signaling high demand for new apartment units. Builders responded by increasing construction, as measured by the number of rental units permitted. During the 12 months ending March 2019, approximately 1,000 rental units were permitted, the highest levels since 2007, and nearly triple the 360 units permitted during the previous 12 months (Figure 14). By comparison, from 2008 through 2015, an average of 290 rental units was permitted annually, with a low of 80 in 2015. Construction rose to 540 units a year later, in large part because of Sands Parc, but moderated to 340 rental units in 2017, before the current rise. An increase in construction of general occupancy apartment units has occurred mainly in the city of Daytona Beach—near One Daytona and north along I-95 towards the city of Ormond Beach—and in southwestern Volusia County after SunRail commuter rail service linked the HMA in the city of DeBary to the nearby Orlando metropolitan area in 2014. Construction of new age-restricted rental units has been relatively widespread throughout the HMA and has accounted for roughly 39 percent of total multifamily rental units produced since 2010, compared with only 12 percent during the 2000s (Dodge Data & Analytics LLC).

Figure 14. Average Annual Rental Permitting Activity in the Deltona HMA

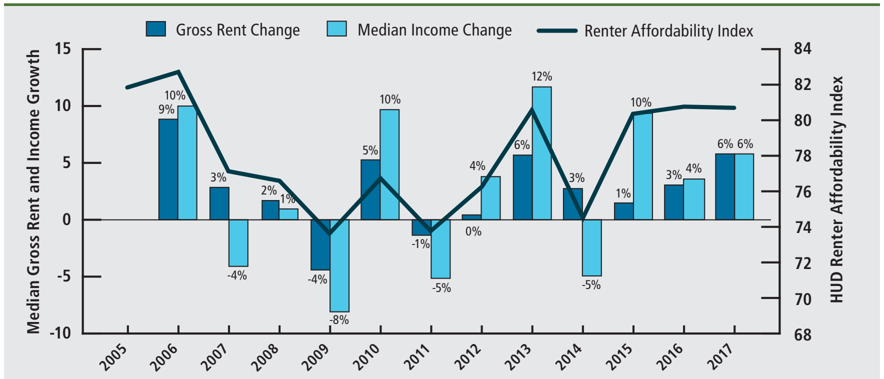


Notes: Includes apartments and units intended for rental occupancy. 2018 includes data through March 2019.
Sources: U.S. Census Bureau, Building Permits Survey; 2000 through 2017—final data and estimates by the analyst; 2018 and 2019—preliminary data and estimates by the analyst

Housing Affordability: Rental

Rental housing in the Deltona HMA is expensive; however, renting has been becoming more affordable since 2009 due to income growth outpacing rent growth. From 2006 through 2009, the median gross monthly rent in the HMA remained unchanged, while the median household income for renter households fell 11 percent to $24,508. As a result, the HUD Rental Affordability Index, a measure of median renter household income relative to qualifying income for the median-priced rental unit, trended downwards. The index was 73.6 during 2009, down from 82.8 in 2006 (Figure 15). Since the end of 2009 through 2017, the median gross monthly rent rose 26 percent to $1,046; however, the median household income for renter households increased 38 percent to $33,807. As a result, the HUD Rental Affordability Index rose to 81 in 2017. The rental affordability index values, persistently below 100, indicate that the median income of renter households in the HMA has not been enough to qualify for the median-priced rental units.

Figure 15. Deltona HMA Rental Affordability



Source: American Community Survey, 1-year data

Table 7. Percentage of Cost Burdened Renter Households in the Deltona HMA and the Nation, by Income, 2011–2015

		Deltona HMA	Nation
Cost Burdened	Renter Households with Income <50% AMFI	13.4	25.7
	Total Renter Households	26.0	22.0
		Deltona HMA	Nation
Severly Cost Burdened	Renter Households with Income <50% AMFI	61.5	50.2
	Total Renter Households	27.1	23.8

AMFI = Area Median Family Income.
Notes: "Cost-burdened" households spend between 30–49 percent of their income on rent and "severely cost-burdened" households spend over 50 percent of their income on rent.
Sources: Consolidated Planning/CHAS Data; 2011–2015 American Community Survey, 5-year estimates (huduser.gov)

During the 2011-through-2015 period, an estimated 26.0 percent of all renter households in the HMA were cost burdened, spending between 30 and 49 percent of their income on rent, while 27.1 percent were severely cost burdened, spending more than 50 percent of income towards rent (Table 7). By comparison, nationwide, 22.0 and 23.8 percent of renter households were cost burdened and severely cost burdened, respectively. For renter households in the Deltona HMA with incomes less than 50 percent of the Area Median Family Income (AMFI), only 13.4 percent were cost burdened, while 61.5 percent were severely cost burdened. Nationwide, a noticeably larger proportion of households were cost burdened—25.7 percent—while the share of severely cost-burdened renter households was lower at 50.2 percent.

Low-Income Housing Tax Credit (LIHTC) is the primary source of funding for new affordable rental housing in the nation. From 2010 through 2016, 787 LIHTC units were placed in service in the Deltona HMA (an average of about 112 units each year), with more than 80 percent of those units reserved for households with incomes at or below 60 percent of the AMFI (HUD LIHTC database). Approximately 160 units, or 20 percent, were targeted to households with seniors. By comparison, from 2000 through 2009, 3,429 new LIHTC units were placed in service in the HMA (an average of almost 343 units each year), with 98 percent of units reserved for households with incomes at or below 60 percent of AMFI, with 80 units, or 2 percent, reserved for households headed by seniors. The most recently completed LIHTC property in the HMA was the 61-unit Palm Coast Landing Senior Apartments that was placed in service in 2016.

In addition to LIHTC, income-eligible residents may qualify for housing choice vouchers (HCV) through the local public housing authority (PHA) or project-based rental assistance (PBRA). PHAs within the HMA managed approximately 2,800 HCVs in 2018 (Table 8); waitlists are closed until further notice. Within the Deltona HMA, nearly 2,375 units are subsidized through PBRA and other programs. The number of households that are receiving federal rental assistance in the HMA has increased by 17 percent since 2010, compared with a 5-percent rise nationwide.

Table 8. Picture of Subsidized Households in the Deltona HMA and the Nation, 2018

	Deltona HMA	Deltona HMA Change Since 2010 (%)	U.S. Total	National Change Since 2010 (%)
Total Assisted Households (2018)	5,181	17.0	4,650,853	5.0
Total Housing Voucher Households (2018)	2,806	20.2	2,264,047	11.0
Average HCV Tenant Monthly	$392	7.4	$370	0.8
Average Monthly HUD Subsidy	$621	-15.6	$753	-4.5

HCV = housing choice voucher.
Note: Dollar changes are inflation adjusted using the Consumer Price Index for All Urban Consumers (CPI-U).
Source: National and Local Assisted Housing (huduser.gov)

In the HMA, approximately 680 people were homeless in 2018, of which 59 percent were unsheltered homeless (2018 Point-in-Time Count). The HMA rate is higher than the 43 percent share of unsheltered homeless in Florida. Homelessness in the HMA has decreased substantially since 2010 when 2,155 persons were homeless; the share of unsheltered homelessness was then higher, at 67 percent, as well.

New Construction

Scheduled to open in April 2019, the 276-unit Tomoka Pointe Apartments near Tanger Outlets in the city of Daytona Beach will offer one-, two-, and three-bedroom units with rents starting at $1,195, $1,460, and $1,690, respectively. Located at the One Daytona development, also in Daytona Beach, the 282-unit Icon One Daytona apartment complex is currently under construction and is expected to open in August 2019. The property will offer one-, two-, and three-bedroom units with monthly rents starting at $1,320, $1,525, and $1,705, respectively. In the city of DeLand, construction is underway on the 100-unit Banyan Cove Apartments, targeted to households with seniors. When completed during the second half of 2019, the property will offer one- and two-bedroom units with monthly rents of $708 and $840, respectively.

Forecast

During the 3-year forecast period, demand is estimated for 2,950 new rental units in the HMA (Table 9). The 790 units under construction and approximately 530 additional units, with construction planned to commence during the next 18 months, will satisfy approximately one-half of rental demand during the forecast period.

Table 9. Demand for New Rental Units in the Deltona HMA During the Forecast Period

	Rental Units
Demand	2,950 Units
Under Construction	790 Units

Note: The forecast period is April 1, 2019, to April 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 Census Bureau.
Months' Supply of For-Sale Homes	Ratio of homes for sale to homes sold in a month.
Home Sales/ Home Sales Prices	Includes new and existing single-family home and townhome sales.
Distressed Sales	Short sales and real estate owned (REO) sales.

Seriously Delinquent Mortgages	Mortgages 90+ days delinquent or in foreclosure.
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.
Age-Restricted Housing	Housing restricted to older adults, typically aged 55 and older. Includes, but is not limited to, market-rate and affordable senior apartments, independent living, and assisted-living facilities.
Rental Housing Market/Rental Vacancy Rate	Includes apartments and other rental units such as single-family, multifamily, and mobile homes.
Cost Burdened	Spending more than 30 percent of household income on housing costs.
Low-Income Housing Tax Credit (LIHTC)	Housing typically restricted to residents with a household income at, or below, 60 percent of area median income (AMI). Examples include, but are not limited to, public housing, Section 8 housing, and low-income housing tax credit (LIHTC) housing.
Forecast Period	4/1/2019–4/1/2022—Estimates by the analyst

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 NAHB 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 the Department.
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.
Cover Photo	Photo courtesy of iStock

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