

Economic Conditions

The Naples HMA, with nearly 30 miles of white sand beaches on the Gulf of Mexico and home to the Everglades National Park, is a popular vacation destination. Tourism is the major component of the local economy, and more than 1.79 million people visit the HMA annually. Tourism generated more than \$1.98 billion in economic activity during 2016 (Research Data Services, Inc.). The HMA has more than 90 golf courses and is the self-proclaimed Golf Capital of the World with the most golf holes per capita of any community in the country (The Greater Naples Chamber of Commerce). The beaches and numerous golf courses have also helped turn the HMA into a major retirement destination.

From 2000 through 2006, when the first wave of baby boomers began to retire and net in-migration to the HMA was high, nonfarm payrolls increased by an average of 5,900 jobs, or 5.3 percent, annually to 132,900. With the increasing demand for housing, the mining, logging, and construction sector rose by an average of 1,800 jobs, or 10.4 percent, annually, faster than any other sector. During the same period, jobs in the leisure and hospitality sector increased by an average of 900 jobs, or 4.5 percent, annually in response to the increasing number of retirees and higher levels of tourism in the HMA compared with the 2007-through-2010 period. From 2000 through 2006, the education and health services sector increased by an average 700 jobs, or 5.4 percent, annually. Part of the increase in the sector was because Ave Maria College moved to the HMA from Ypsilanti, Michigan. The college became Ave Maria University in 2007, when it moved to its permanent campus in the northeast of the HMA.

With the onset of the national recession that began at the end of 2007, the local economy entered a downturn when people spent less money on vacations and, at the same time, declining housing prices elsewhere significantly reduced net in-migration to the HMA. From 2007 through 2010, nonfarm payrolls in the HMA declined by an average of 5,400 jobs, or 4.4 percent, annually to 111,200. A reduction in residential construction in response to fewer retirees moving to the HMA, which lowered demand for new housing units, affected the mining, logging, and construction sector. From 2007 through 2010, the mining, logging, and construction sector had the greatest decrease in jobs, declining by an average of 3,700 jobs, or 21.4 percent, annually. The national recession had a delayed impact on the leisure and hospitality sector, which declined from 2008 through 2009 by an average of 1,200 jobs, or 5.1 percent, annually.

When the national economy started improving in 2011, and consumer spending increased, the economy of the HMA began to recover and nonfarm payrolls increased. The rate of nonfarm payroll growth from 2011 through 2015 averaged 4.1 percent, or 5,000 jobs, a year to 136,100. During 2015, nonfarm payrolls in the HMA surpassed prerecession peak levels for the first time. Growth in the leisure and hospitality and the mining, logging, and construction sectors, which increased by averages of 1,000 and 900 jobs, or 4.5 and 8.4 percent respectively, a year, supported job growth from 2011 through 2015. Growth in both sectors was partly the result of the \$12.5 million casino floor expansion and the construction of a new 99-room hotel at the Seminole

Casino Hotel, one of the largest employers in the HMA (Table 2). The completion of construction at the Seminole Casino Hotel in March 2015 created over 100 jobs in the leisure and hospitality sector. From 2011 through 2015, increased expansion and construction of other hotels also contributed to growth in both sectors, including the \$80 million, 32-room expansion of the Inn on Fifth in 2012 and the new \$20 million Hyatt House that opened in 2016. Jobs added at each establishment are unknown.

Table 2. Major Employers in the Naples HMA*

Name of Employer	Nonfarm Payroll Sector	Number of Employees
NCH Healthcare System	Education & health services	4,000
Publix Super Markets, Inc.	Wholesale & retail trade	2,800
Collier County Government (excluding Sheriff's Office)	Government	2,125
Arthrex, Inc.	Manufacturing	1,700
Collier County Sheriff's Office	Government	1,400
The Ritz Carlton Hotel Company, L.L.C.	Leisure & hospitality	1,100
The Country Club of Naples	Leisure & hospitality	1,050
Seminole Casino Hotel Immokalee	Leisure & hospitality	880
Marriot International, Inc.	Leisure & hospitality	780
Employee Professionals	Professional & business services	NA

* Naples-Immokalee-Marco Island HMA.

NA = data not available.

Note: Excludes local school districts.

Source: Collier County Comprehensive Annual Financial Report, 2016

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

	12 Months Ending		Absolute Change	Percent Change
	December 2015	December 2016		
Total nonfarm payroll jobs	136,100	142,300	6,200	4.6
Goods-producing sectors	17,000	18,700	1,700	10.0
Mining, logging, & construction	13,600	15,000	1,400	10.3
Manufacturing	3,400	3,800	400	11.8
Service-providing sectors	119,100	123,600	4,500	3.8
Wholesale & retail trade	24,500	25,200	700	2.9
Transportation & utilities	1,700	1,900	200	11.8
Information	1,500	1,600	100	6.7
Financial activities	8,000	8,000	0	0.0
Professional & business services	15,300	16,100	800	5.2
Education & health services	19,900	21,000	1,100	5.5
Leisure & hospitality	26,500	27,200	700	2.6
Other services	8,500	9,100	600	7.1
Government	13,200	13,500	300	2.3

* Naples-Immokalee-Marco Island HMA.

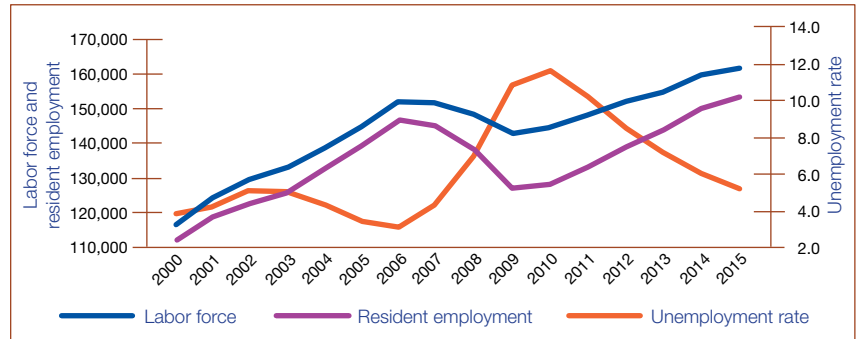
Notes: Numbers may not add to totals because of rounding. Based on 12-month averages through December 2015 and December 2016.

Source: U.S. Bureau of Labor Statistics

During 2016, nonfarm payrolls in the Naples HMA increased by an average 6,200 jobs, or 4.6 percent, to 142,300 (Table 3). The mining, logging and construction sector continued adding jobs in the HMA, increasing by 1,400 jobs, or 10.3 percent, the most of any other sector. The leisure and hospitality sector increased by 700 jobs, or 2.6 percent. Notable gains during 2016 also occurred in the education and health services sector, which increased by 1,100 jobs, or 5.5 percent. Growth in the sector was partly because the NHC Healthcare System opened the Robert, Mariann and Megan MacDonald Pediatric Emergency Department at North Naples Hospital. The number of jobs added is unknown. A large percentage gain also occurred in the manufacturing sector, up by 11.8 percent, or 400 jobs, in 2016. Arthrex, a medical device manufacturer, contributed to job growth in the sector. In the summer of 2013, the company added between 400 and 500 jobs when construction was completed on a \$25 million, 190,000-square-foot surgical device and implant manufacturing facility near the Ave Maria community in the northeast area of the HMA. An additional 120,000 square feet were added to the facility in 2016. The unemployment rate fell to an average of 4.8 percent during 2016, down from 5.2 percent in 2015. The current unemployment rate is far below the recent peak of 11.6 percent in 2010 (Figure 1).

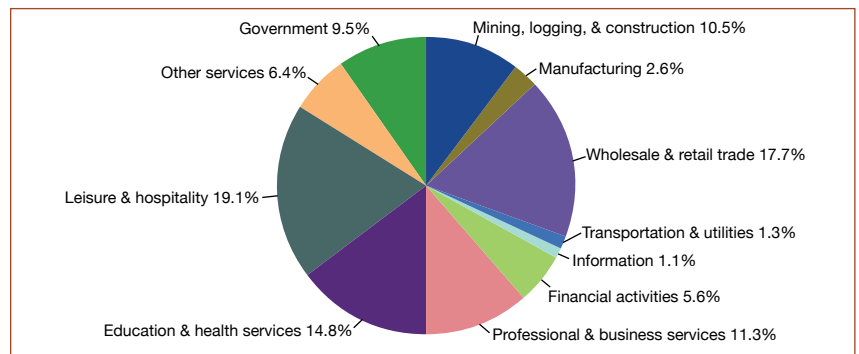
Tourism dominates the local economy, and the leisure and hospitality sector is the largest employment sector, with 27,200 jobs, accounting for 19.1 percent of all nonfarm payroll jobs in the HMA (Figure 2). Since 2000, the only decline in the sector occurred from 2008 through 2009.

Figure 1. Trends in Labor Force, Resident Employment, and Unemployment Rate in the Naples HMA,* 2000 Through 2015



* Naples-Immokalee-Marco Island HMA.
Source: U.S. Bureau of Labor Statistics

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



* Naples-Immokalee-Marco Island HMA.
Note: Based on 12-month averages through December 2016.
Source: U.S. Bureau of Labor Statistics

Since 2011, the pace of job growth in the sector has accelerated to an average of 1,000 jobs, or 4.2 percent, annually. Growth in the sector is expected to continue steadily during the next 3 years with the completion of several hotel renovations and expansions throughout the HMA, two of which are in the city of Marco Island. The \$40 million and \$320 million renovations and expansions of the Hilton Marco Island Beach Resort and Spa and the JW Marriott Marco Island Beach Resort, respectively, are currently under way with completion expected in 2017. The total jobs added have yet to be announced.

The wholesale and retail trade sector, the second largest payroll sector in the HMA, is dominated by the retail trade subsector because of the numerous

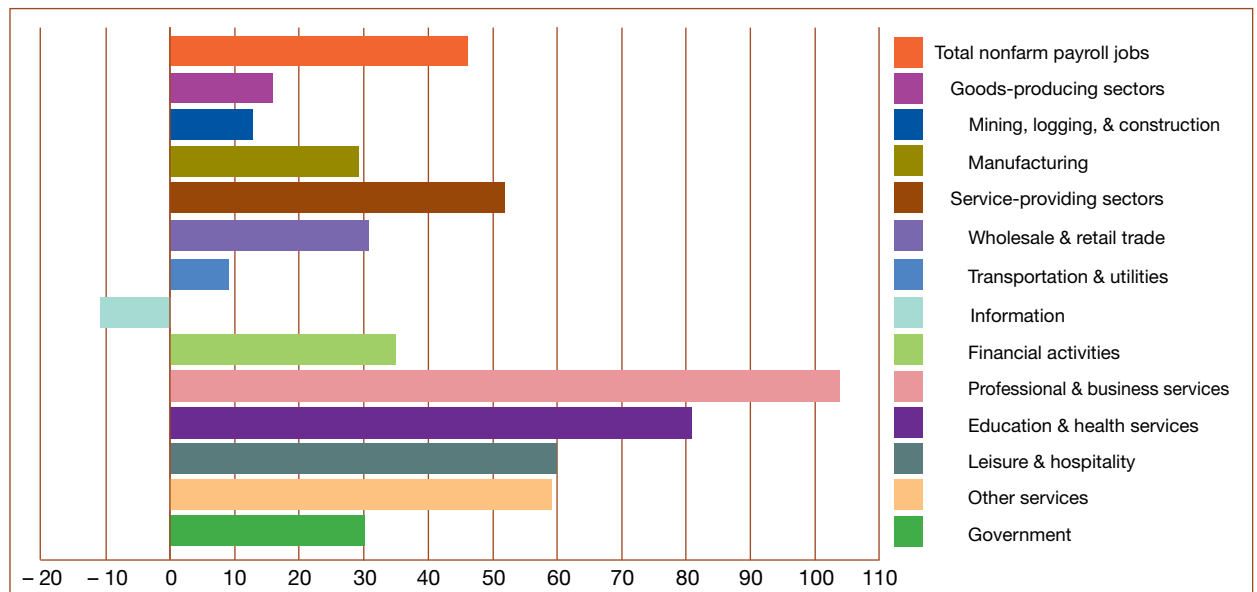
malls and shops that cater to residents and tourists. During 2016, the wholesale and retail trade sector increased by 700 jobs, or 2.9 percent, to 25,200 jobs. Most of this growth was in the retail trade subsector, which increased by 500 jobs, or 2.4 percent, to 21,300 jobs. During spring 2016, job growth in the subsector was partly the result of the opening of the Tamiami Crossing Shopping Center, which consists of six large stores with nearly 120,000 square feet of retail space in the main building and four additional stand-alone buildings with no vacancies. Job growth is expected to continue during the 3-year forecast period when the 12,600-square-foot Commons on Collier shopping center opens in early 2017. Job numbers have not been announced.

With the tropical climate, low state business taxes, and no individual income tax, the HMA is an attractive destination for company headquarters. As a result, the professional and business services sector has been the fastest growing employment sector since 2000, increasing by an average 4.5 percent, or 500 jobs, annually. With 16,100 jobs, the sector is currently the fourth largest employment sector in the HMA. During 2016, this sector expanded by 800 jobs, or 5.2 percent, compared with an 800-job, or 5.9-percent, increase during 2015. Arthrex, based in the HMA since 1991, is currently expanding their local corporate headquarters

by 66,000 square feet, adding 325 permanent jobs during the forecast period. Figure 3 shows the percentage change in the employment sectors since 2000.

During the forecast period, nonfarm payroll growth is expected to average 3,500 jobs, or 2.4 percent, annually. Growth in the economy is expected to be higher in the first year of the forecast period and moderate through the third year. Job growth is likely to remain strongest in the leisure and hospitality, the mining, logging, and construction, and the professional and business services sectors.

Figure 3. Sector Growth in the Naples HMA,* Percentage Change, 2000 to Current



* Naples-Immokalee-Marco Island HMA.

Note: Current is based on 12-month averages through December 2016.

Source: U.S. Bureau of Labor Statistics

Population and Households

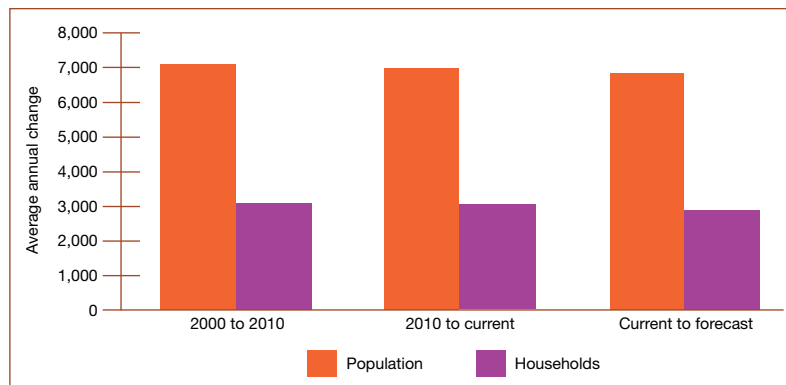
As of January 1, 2017, the population of the Naples HMA is estimated at 368,300. Only 11 percent combined reside in the Everglades, Marco Island, and Naples

municipalities (Florida Office of Economic and Demographic Research, 2016), and approximately 89 percent reside in the unincorporated area of Collier County. The coastal location

of the HMA makes it an attractive retirement destination for Midwesterners, accounting for approximately 18 percent of domestic net in-migration (Internal Revenue Service tax return data). Of the HMA population, 30 percent is age 65 or older, up from 27 percent in 2010 (American Community Survey [ACS] 1-year estimates). In the nation, 15 percent of the population is age 65 or older, up from 13 percent in 2010. The HMA had a median age of 49.8 years in 2015, significantly higher than the national median age of 37.8 years. As a result, the average net natural change (resident births minus resident deaths) has declined every year since 2008, and nearly all population growth is the result of net in-migration.

During the early 2000s, the HMA benefited from rapid population growth resulting from high levels of net in-migration, which slowed dramatically during the national recession. From 2000 to 2005, the population increased by an average of 10,700, or 3.9 percent, annually, with net in-migration averaging 9,500 people a year and accounting for more than 88 percent of all population growth (Census Bureau population estimates as of July 1).

Figure 4. Population and Household Growth in the Naples HMA,* 2000 to Forecast



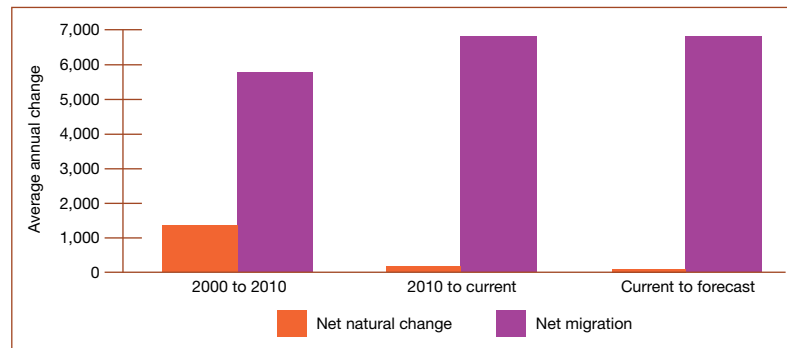
* Naples-Immokalee-Marco Island HMA.

Notes: The current date is January 1, 2017. The forecast date is January 1, 2020.

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

This period of population growth was the fastest, because rising home prices throughout the nation enabled people to sell their homes on retirement and relocate to the HMA. Population growth slowed to an average 5,175 people, or 1.7 percent, annually from 2005 to 2006, with net in-migration accounting for 69 percent of the population growth and averaging 3,575 people a year. With the economic downturn and national housing crisis beginning in 2007, people delayed retirement. These factors affected population growth in the HMA, which slowed further to an average of 1,950 people, or 0.6 percent, annually from 2006 to 2009. Net in-migration averaged 580 people a year and accounted for 30 percent of population growth. Even though local and national economic conditions were deteriorating from 2009 through 2010, population from 2009 to 2012 averaged 4,675 people annually, or 1.4 percent. Net in-migration increased to 4,200 people a year and accounted for 90 percent of the population growth. With an improving national economy, population growth since 2012 has averaged 7,950 people, or 2.3 percent, annually, with 99 percent of the growth a result of net in-migration. The proportion of people ages 65 and older that moved from different states has generally increased and accounted for 36 percent of all people moving from different states in 2015 compared with 19 percent in 2008 (ACS 1-year estimates).

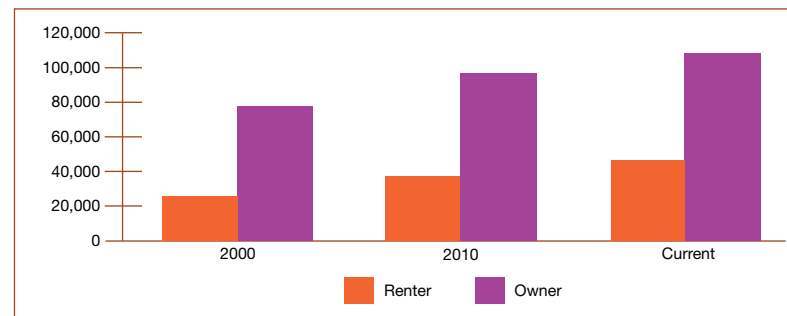
As job growth moderates during the next 3 years, the population of the Naples HMA is expected to increase by an average of 6,800, or 1.8 percent, annually to 388,700, nearly all from net in-migration (Figure 4). Approximately 36 percent of the population growth is expected to continue to

Population and Households *Continued*
Figure 5. Components of Population Change in the Naples HMA,* 2000 to Forecast


* Naples-Immokalee-Marco Island HMA.

Notes: The current date is January 1, 2017. The forecast date is January 1, 2020.

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

Figure 6. Number of Households by Tenure in the Naples HMA,* 2000 to Current


* Naples-Immokalee-Marco Island HMA.

Note: The current date is January 1, 2017.

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

constitute retirees moving to the HMA. Figure 5 shows the components of population change in the HMA from 2000 to the forecast date.

Household growth in the HMA generally has mirrored population growth, with higher rates in the early and mid-2000s that slowed in the late 2000s. From 2000 through 2010, the number of households increased from 102,973 to 133,179, an average annual increase of 3,025, or 2.6 percent. The number of households in the HMA is currently estimated at 153,300, an average annual increase of 2,975, or 2.1 percent, since April 2010. The homeownership rate is currently estimated at 69.7 percent, down from 72.2 percent during April 2010 (Table DP-1 at the end of this report). The homeownership rate is likely to continue to decline, although at a slower rate because of significantly reduced levels of foreclosures and improving economic conditions. During the 3-year forecast period, the number of households is expected to increase by an average of 2,800, or 1.8 percent, annually. Figure 6 depicts the number of households by tenure from 2000 through the current date.

Housing Market Trends

Sales Market

The sales housing market in the Naples HMA is currently balanced, with an estimated 2.2-percent vacancy rate, down from the 5.4-percent vacancy rate in April 2010. The decline in the vacancy rate resulted from improved economic conditions that enabled a larger number of households to

purchase homes. A lower level of home construction since the late 2000s also contributed to the absorption of some of the excess inventory. During 2016, an average 3-month supply of homes was available for sale, up from 2.6 months a year earlier but less than one-half of the peak of 7.0 months

Housing Market Trends

Sales Market *Continued*

reached during December 2007, when local economic conditions began deteriorating (Naples Area Board of Realtors®).

The existing single-family home, townhome, and condominium (hereafter, existing homes) sales market in the HMA was severely impacted during the national housing crisis. Existing home sales totaled 17,950 during 2005 before declining by an average of 6,000 homes, or more than 33 percent, annually to 5,925 homes sold in 2007 (Metrostudy, A Hanley Wood Company, with adjustments by the analyst). From 2008 through 2013, existing home sales grew by an average 1,350, or nearly 23 percent, annually to 14,000 homes sold because of increased net in-migration from 2009 to 2012, even when economic conditions were deteriorating. Since 2014, existing home sales have fluctuated but generally have declined. During 2016, existing home sales averaged 11,900 homes sold, down an average of 700 homes, or 5 percent, annually since 2014. Although home sales peaked in 2005, the average sales price for an existing home did not peak until 2007 at \$632,200. Following this peak, the average sales price declined an average of \$95,550, or 15 percent, annually to \$345,600 in 2010 because of increased real estate owned (REO) home sales. The average price for existing homes began to increase again in 2011, and by 2016, was up an average of \$22,600, or nearly 7 percent, annually to \$481,200, which was 31 percent below the high in 2007.

The national economic downturn had a significant effect on the HMA sales market, causing a sharp increase in the number of seriously delinquent (90 or more days delinquent or in foreclosure) and REO properties by

2010, but the number has since declined. As of December 2016, 1.8 percent of all home loans were seriously delinquent or had transitioned into REO status, down from 2.7 percent a year earlier and significantly less than the peak of 17.3 percent reached during January 2010 (CoreLogic, Inc.). The current rate in the HMA is below the current average of 3.7 percent for Florida and 2.6 percent for the nation. Seriously delinquent and REO loans in Florida and the nation peaked during early 2010, at 18.8 and 8.6 percent, respectively. During 2016, approximately 830 REO homes sold in the HMA, comprising 7 percent of all existing home sales, down from an average of 36 percent of all existing home sales in 2009, when REO home sales peaked, at 2,975 (Metrostudy, A Hanley Wood Company, with adjustments by the analyst). During 2016, the average REO sales price was \$313,700, up \$48,250, or 18 percent, from 2015. Since 2005, REO home prices have been approximately 50 percent less than the average sales price of a regular resale home and significantly have affected the overall average sales price of existing homes.

With an improving local economy and increased in-migration to the HMA, the market for new single-family homes, townhomes, and condominiums (hereafter, new homes) began to improve in 2010, but sales are below the mid-2000 levels. New home sales totaled 2,825 during 2016, an increase of 300 homes, or nearly 12 percent, from the 2,525 homes sold during 2015. By comparison, new homes sales totaled 5,100 during 2005 before declining every year by an average 1,050 homes, or nearly 21 percent, to 860 homes sold during 2009. The sale of new homes began to increase again

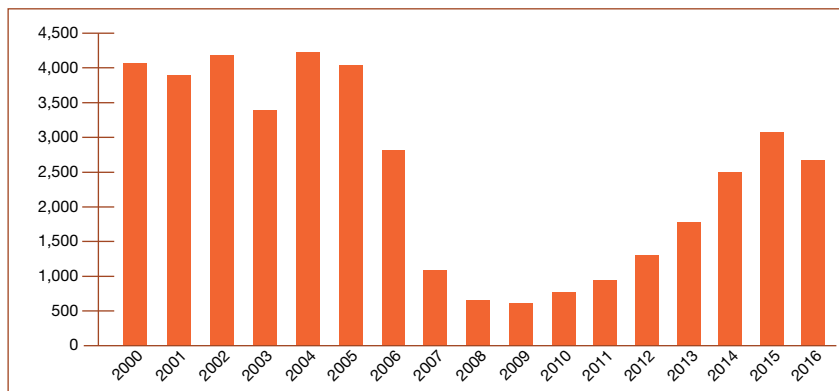
in 2010 when improving economic conditions nationally helped contribute to an increased number of people retiring and relocating to the HMA. By 2014, 1,975 new homes sold, an average increase of 220 homes, or approximately 26 percent, annually since 2010. The average sales price of all new homes during 2016 was \$556,600, a decrease of \$7,000, or approximately 12 percent, from the previous year. Prior to this decline, new home sale prices increased every year from 2011 through 2015 to reach \$563,600, representing an average increase of \$30,700, or approximately 7 percent, annually. Prior to the recession, new home sales prices averaged \$499,700 in 2006.

After declining substantially following the housing crisis, single-family home construction activity, as measured by the number of single-family homes permitted, increased in the Naples HMA every year from 2010 through 2015 but is below levels during the early to mid-2000s (Figure 7). From 2000 through 2005, single-family homebuilding activity averaged 3,950 homes annually. Permitting then declined to an average of 2,825 in 2006 before declining further to an

average of only 780 homes permitted annually from 2007 through 2009. From 2010 through 2015, homebuilding increased every year to reach 3,075 homes permitted during 2015. Preliminary estimates of single-family homes permitted during 2016, which do not include all the permitting jurisdictions in the HMA, indicate a decrease in construction with 2,650 single-family homes permitted, down from 2,800 during 2015 for the same limited number of permitting jurisdictions.

The condominium market locally was severely affected during the national housing crisis, and the production of new condominium units remains limited in the HMA even with improving conditions. Condominium sales in the HMA peaked in 2005 (earliest data available) with 10,700 units sold, of which 2,250 units, or approximately 21 percent, were newly constructed units. Following this peak, the local market was hard hit and condominium sales declined to 3,525 units in 2008, reflecting an average annual decline of 1,825 units sold, or approximately 17 percent. Since 2009, condominium sales have fluctuated but generally have increased and, by 2016, totaled 6,150 units sold, indicating an average increase of 375, or nearly 11 percent, annually. New condominium sales fluctuated but generally declined from 2006 through 2012 to 190 units sold, and for the 7-year period accounted for 3 percent of all condominium sales. In 2016, sales of new condominium units accounted for 8 percent of all condominium sales in the HMA. The average sales price of a condominium unit peaked in 2007, at \$536,200, and declined by an average of \$43,250, or approximately 8 percent, annually during the next 5 years, reaching

Figure 7. Single-Family Homes Permitted in the Naples HMA,* 2000 to Current



* Naples-Immokalee-Marco Island HMA.

Notes: Includes townhomes. Current includes data through December 2016. Data for 2016 are preliminary.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

an average sales price of \$319,900 in 2012. The sharp decline in the average sales price was partly a result of a large number of condominium units sold as REO sales and partly that new condominium construction declined rapidly, causing downward pressure on the average sales price. With improving market conditions and a reduction in the number of REO sales in the HMA, the average sales price of a condominium has increased since 2013 by an average of \$16,950, or more than 5 percent, annually to \$387,700 during 2016.

New sales housing developments in the HMA include the Ave Maria master-planned community, 35 miles northeast of the city of Naples. The unincorporated community, established

around the Ave Maria Oratory and University in 2007, is an ongoing development consisting of eight subdivisions. Approximately 1,300 of the 11,000 homes planned at buildout have been completed. Del Webb Naples, an age-restricted subdivision in the Ave Maria community, will have 2,000 homes at buildout and includes a golf course. Home prices start at \$204,990 for a two-bathroom home and \$318,990 for a three-bedroom home. The unincorporated community also includes Coquina at Maple Ridge, a development that will have 277 homes at buildout and prices that start at \$196,990 for a two-bathroom home.

During the next 3 years, demand is expected for an estimated 8,075 new homes in the HMA as it is expected to continue to attract retirees. Demand is expected to be lower during the second and third years of the 3-year forecast period as economic growth moderates (Table 1). The 1,025 homes currently under construction and a portion of the estimated 49,600 other vacant units in the HMA that may reenter the market will satisfy some of the demand. Demand is expected to be greatest in the \$250,000-to-\$649,999 price range. Table 4 shows the estimated demand for market-rate sales housing by price range.

Table 4. Estimated Demand for New Market-Rate Sales Housing in the Naples HMA* During the Forecast Period

Price Range (\$)		Units of Demand	Percent of Total
From	To		
178,990	189,999	800	10.0
190,000	249,999	1,200	15.0
250,000	449,999	2,000	25.0
450,000	649,999	2,000	25.0
650,000	999,999	1,200	15.0
1,000,000	and higher	800	10.0

* Naples-Immokalee-Marco Island HMA.

Notes: The 1,025 homes currently under construction and a portion of the estimated 49,600 other vacant units in the HMA will likely satisfy some of the forecast demand. Demand for 50 mobile homes during the forecast period is excluded from this table. The forecast period is January 1, 2017, to January 1, 2020.

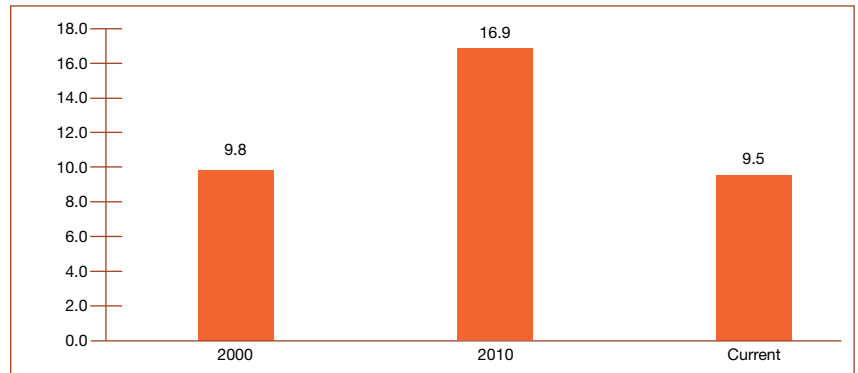
Source: Estimates by analyst

Rental Market

Rental housing market conditions are currently balanced in the Naples HMA. The estimated vacancy rate for all rental units (including single-family homes, manufactured homes, and apartment units) is estimated at 9.5 percent, down from 16.9 percent in April 2010 (Figure 8). Rental market conditions have improved since 2010, because strict lending

standards increased demand for rental units, leading to decreased vacancy levels and increased average rents. Single-family homes represented 32 percent of all occupied rental units in the HMA in 2015 (ACS 1-year data), up from 30 percent in 2010, because of an increase in the conversion of sales units to rental use.

Figure 8. Rental Vacancy Rates in the Naples HMA,* 2000 to Current



* Naples-Immokalee-Marco Island HMA.

Note: The current date is January 1, 2017.

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

The apartment market accounted for 47 percent of all occupied rental units in 2015 (ACS 1-year data). Apartment market conditions in the HMA are currently tight because of demand outpacing new supply. During the fourth quarter of 2016, the apartment vacancy rate was 4.6 percent, up from 2.7 percent during the fourth quarter of 2015 (Axiometrics, Inc.). By comparison, the apartment vacancy rate peaked in 2007 at 19.2 percent, because high levels of newly constructed units from 2000 through 2007 were left unabsorbed when the economic downturn significantly curtailed in-migration to the HMA. Apartment market conditions began improving in 2008, because of stringent mortgage lending standards that impeded potential homebuyers from purchasing homes. By 2010, the apartment vacancy rate in the HMA was 11.3 percent and declined every year through 2014, partly a result of improving economic conditions, increased net in-migration, and lower levels of multifamily construction. The average monthly rent for an apartment during the fourth quarter of 2016 was \$1,353, an increase of \$66, or 5 percent, from the fourth quarter of 2015 and \$72, or 7 percent, from \$919 in 2010. The average monthly

rent for an apartment in the nation during the fourth quarter of 2016 was lower than the HMA at \$1,291 and reflects a 5-percent average annual growth since 2010.

Multifamily construction activity, as measured by the number of multifamily units permitted, has accelerated since 2013 in response to increased rental demand but is well below the prerecession level. Prior to the recession, the most recent peak in multifamily permitting totaled 5,300 units in 2000 before slowing to an average 2,875 units permitted a year from 2001 through 2007. The number of multifamily units permitted declined dramatically, to the lowest level since 1980 (earliest data available), from 2008 through 2012 to an average 380 units permitted annually because previous high levels of construction, coupled with reduced population growth and high vacancy rates, limited the need for new construction. From 2013 through 2015, multifamily permitting rose to average 1,075 units annually. Preliminary estimates of multifamily permitting during 2016, which include only some of the permitting jurisdictions in the Naples HMA, indicate an increase in construction

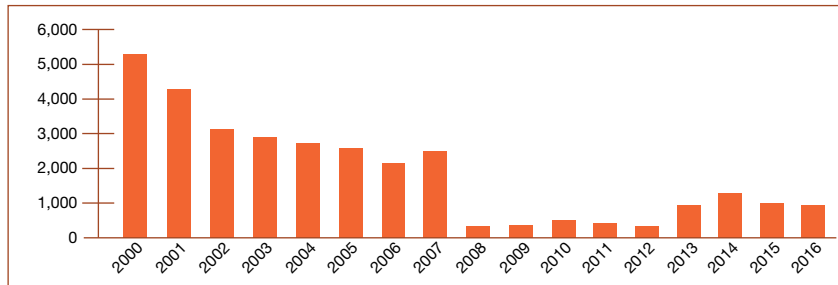
with 920 multifamily units permitted, up from 890 during 2015. Of the 25,475 multifamily units permitted in the HMA from 2000 through 2007, an estimated 12,800 units, or more than 50 percent, were built as owner-occupied units for either retirees migrating to the HMA or for seasonal second homes. Since 2008, approximately 25 percent of all multifamily units in the HMA have been built for owner occupancy. Figure 9 shows the number of multifamily units permitted in the HMA from 2000 through 2016.

Recent apartment development in the HMA is concentrated in high-end apartments to satisfy the increased rental demand after the housing crisis. The 282-unit Orchid Run was completed in June 2016 in the city of

Naples with one-, two-, and three-bedroom rents starting at \$1,523, \$1,801, and \$1,901, respectively. The growing retiree population has also affected the rental market, and projects currently under construction include high-end developments intended for retirees. Approximately four properties with 460 apartments and assisted-living units for seniors are currently under construction in the HMA. The All Seasons of Naples, currently under construction in the city of Naples, will feature 100 independent living and 62 assisted living one- and two-bedroom units. The project is scheduled for completion in the summer of 2017; proposed asking rents have not yet been released.

During the next 3 years, demand is estimated for 2,450 new market-rate rental units in the HMA (Table 1), with demand peaking in the first year and tapering off in the second and third years as economic growth and net in-migration moderate. The 1,025 units currently under construction will meet a portion of the forecast rental housing demand. Table 5 shows the forecast demand for new market-rate rental housing in the HMA by rent level and number of bedrooms.

Figure 9. Multifamily Units Permitted in the Naples HMA,* 2000 to Current



* Naples-Immokalee-Marco Island HMA.

Notes: Excludes townhomes. Current includes data through December 2016. Data for 2016 are preliminary.

Sources: U.S. Census Bureau, Building Permits Survey; estimates by analyst

Table 5. Estimated Demand for New Market-Rate Rental Housing in the Naples HMA* During the Forecast Period

One Bedroom		Two Bedrooms		Three or More Bedrooms	
Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand	Monthly Gross Rent (\$)	Units of Demand
1,250 to 1,449	300	1,400 to 1,599	440	1,690 to 1,889	120
1,450 to 1,649	380	1,600 to 1,799	490	1,890 to 2,089	200
1,650 or more	170	1,800 or more	160	2,090 or more	170
Total	850	Total	1,100	Total	490

* Naples-Immokalee-Marco Island HMA.

Notes: Numbers may not add to totals because of rounding. Monthly rent does not include utilities or concessions. The 1,025 units currently under construction will likely satisfy some of the estimated demand. The forecast period is January 1, 2017, to January 1, 2020.

Source: Estimates by analyst

Data Profile

Table DP-1. Naples HMA* Data Profile, 2000 to Current

	2000	2010	Current	Average Annual Change (%)	
				2000 to 2010	2010 to Current
Total resident employment	111,735	128,427	155,800	1.4	3.3
Unemployment rate	3.7%	11.6%	4.8%		
Nonfarm payroll jobs	97,300	111,200	142,300	1.3	4.2
Total population	251,377	321,520	368,300	2.5	2.0
Total households	102,973	133,179	153,400	2.6	2.1
Owner households	77,825	96,159	106,900	2.1	1.6
Percent owner	75.6%	72.2%	69.7%		
Renter households	25,148	37,020	46,500	3.9	3.4
Percent renter	24.4%	27.8%	30.3%		
Total housing units	144,536	197,298	210,200	3.2	0.9
Owner vacancy rate	2.6%	5.4%	2.2%		
Rental vacancy rate	9.8%	16.9%	9.5%		
Median Family Income	\$59,100	\$70,800	\$66,500	1.8	- 1.0

* Naples-Immokalee-Marco Island HMA.

Notes: Numbers may not add to totals because of rounding. Employment data represent annual averages for 2000, 2010, and the 12 months through December 2016. Median Family Incomes are for 1999, 2009, and 2015. The current date is January 1, 2017.

Sources: U.S. Census Bureau; U.S. Department of Housing and Urban Development; estimates by analyst

Data Definitions and Sources

2000: 4/1/2000—U.S. Decennial Census
 2010: 4/1/2010—U.S. Decennial Census
 Current date: 1/1/2017—Analyst’s estimates
 Forecast period: 1/1/2017–1/1/2020—Analyst’s estimates

The metropolitan statistical area definition 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.

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. Demand estimates in this report are for year-round housing production needed to achieve a balanced market at the end of the forecast period and do not contain estimates for seasonal or vacation housing units.

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.

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.

For additional data pertaining to the housing market for this HMA, go to huduser.gov/publications/pdf/CMARtables_Naples_Immokalee_MarcoIslandFL_17.pdf.

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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.

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.

For additional reports on other market areas, please go to huduser.gov/portal/ushmc/chma_archive.html.