

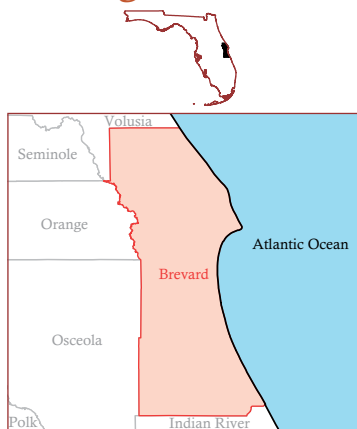


Palm Bay-Melbourne-Titusville, Florida

U.S. Department of Housing and Urban Development | Office of Policy Development and Research | As of December 1, 2017

PD&R

Housing Market Area



The Palm Bay-Melbourne-Titusville Housing Market Area (hereafter, Palm Bay HMA) is coterminous with the Palm Bay-Melbourne-Titusville, FL Metropolitan Statistical Area and consists of Brevard County. The HMA, situated along the Atlantic Coast approximately 35 miles east of Orlando, is a major destination for retirees and tourists because of its warm climate, more than 70 miles of coastline, Port Canaveral, and the Kennedy Space Center. Nicknamed Florida's Space Coast, the HMA is the primary launch site for most National Aeronautics and Space Administration (NASA) missions and home to a growing private aerospace industry.

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Summary

Economy

Economic conditions in the Palm Bay HMA have strengthened since 2013, and nonfarm payrolls are currently near the previous high of 215,500 in 2006. Nonfarm payrolls totaled 214,900 during the 12 months ending November 2017, up by 6,600 jobs, or 3.2 percent, from the previous 12 months. The unemployment rate fell to 4.4 percent from 5.2 percent a year ago. Nonfarm payrolls are expected to grow an average of 1.7 percent a year during the 3-year forecast period.

Sales Market

The sales housing market in the HMA is balanced, with a vacancy rate currently estimated at 1.4 percent, down from 3.8 percent in April 2010. New and existing home sales totaled 13,650 during the 12 months ending November 2017, down by 1,850, or 12 percent, from the previous 12 months. During the forecast period, demand is estimated for 5,950 new homes (Table 1). The 1,150 homes currently under construction in the HMA will satisfy some of the demand.

Rental Market

The rental housing market in the HMA is balanced, with an estimated rental vacancy rate of 8.4 percent, down from 14.5 percent in April 2010. During the forecast period, demand is estimated for 1,975 new market-rate rental units. The 730 units currently under construction and approximately 490 units expected to begin construction within the next 18 months will satisfy most of the demand during the first 2 years of the forecast period (Table 1).

Table 1. Housing Demand in the Palm Bay HMA* During the Forecast Period

	Palm Bay HMA*	
	Sales Units	Rental Units
Total demand	5,950	1,975
Under construction	1,150	730

* Palm Bay-Melbourne-Titusville HMA.

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of December 1, 2017. The forecast period is December 1, 2017, to December 1, 2020.

Source: Estimates by analyst

Economic Conditions

The economy in the Palm Bay HMA has strengthened since 2013, when economic conditions were weak and the HMA was still reeling from the housing market crisis of the late 2000s. During the 12 months ending November 2017, nonfarm payrolls in the HMA rose by 6,600 jobs, or 3.2 percent, to 214,900 following a gain of 6,900 jobs, or 3.4 percent, a year earlier (Table 2). The payroll growth rate during the past 12 months was more than double the 1.5-percent growth rate for the nation. The unemployment rate in the HMA fell to 4.4 percent from 5.2 percent a year earlier.

The current rate of nonfarm payroll growth is higher than the rate during the economic expansion of the early to mid-2000s. Although the nation recovered from the 2001 recession, the unemployment rate in the HMA rose to 5.9 percent in 2002, and payrolls remained relatively stable, averaging 192,300 jobs from 2001 through 2002. Declines in the manufacturing and the professional and business services sectors, which decreased by 1,000 and

800 jobs, or 3.9 and 2.4 percent, annually, offset gains in the education and health services and the government sectors, which rose by 700 and 600 jobs, or 2.9 and 2.3 percent, annually, respectively. During the next 4 years, high demand for residential and commercial construction and steady net in-migration to the HMA fueled growth. From 2003 through 2006, nonfarm payrolls in the HMA rose an average of 5,800 jobs, or 2.9 percent, annually, and the unemployment rate fell to a low of 3.3 percent in 2006. All employment sectors expanded during the period, with growth led by the mining, logging, and construction sector, which increased by an average of 1,400 jobs, or 9.3 percent, annually because of strong demand for housing. A significant portion of the rise in residential construction during the period consisted of condominiums, which, in the HMA, are mostly second homes and investment properties. The professional and business services sector recovered previous losses, adding an average of 1,100 jobs, or 3.3 percent, annually and reaching a new high of 36,700 in 2006, as employment expanded to serve new customers in the HMA.

In 2007, local economic conditions weakened, and net in-migration to the HMA slowed rapidly. The housing markets weakened, and the mining, logging, and construction sector recorded heavy losses. From 2007 through 2013, the sector decreased an average of 1,300 jobs, or 9.4 percent, annually. Moreover, the professional and business services and the manufacturing sectors declined by averages of 1,300 and 600 jobs, or 4.1 and 2.8 percent, a year, respectively. The negative impact of the housing crisis and the national recession on the

Table 2. 12-Month Average Nonfarm Payroll Jobs in the Palm Bay HMA,* by Sector

	12 Months Ending		Absolute Change	Percent Change
	November 2016	November 2017		
Total nonfarm payroll jobs	208,300	214,900	6,600	3.2
Goods-producing sectors	34,500	37,200	2,700	7.8
Mining, logging, & construction	12,300	13,800	1,500	12.2
Manufacturing	22,200	23,400	1,200	5.4
Service-providing sectors	173,800	177,700	3,900	2.2
Wholesale & retail trade	33,100	33,600	500	1.5
Transportation & utilities	3,400	3,600	200	5.9
Information	2,200	2,300	100	4.5
Financial activities	7,600	7,800	200	2.6
Professional & business services	29,600	30,500	900	3.0
Education & health services	35,100	36,100	1,000	2.8
Leisure & hospitality	26,400	26,900	500	1.9
Other services	8,500	8,700	200	2.4
Government	27,800	28,100	300	1.1

* Palm Bay-Melbourne-Titusville HMA.

Notes: Numbers may not add to totals because of rounding. Based on 12-month averages through November 2016 and November 2017.

Source: U.S. Bureau of Labor Statistics

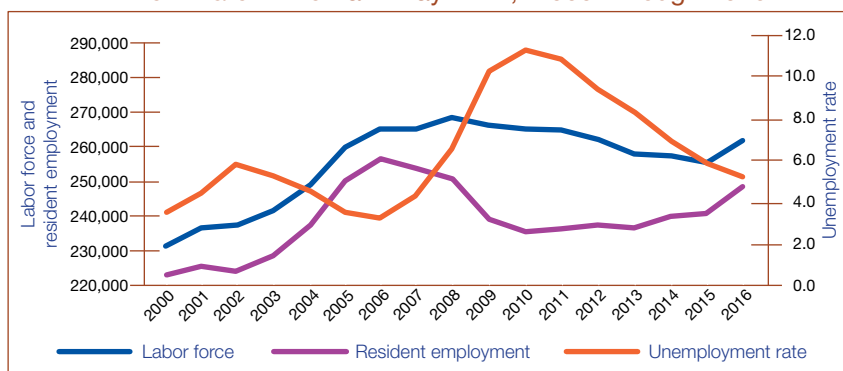
HMA further deepened when the government and government contractors laid off more than 7,000 employees after NASA ended the Space Shuttle program in 2011. The unemployment rate spiked during the downturn, reaching 11.3 percent during 2010 and averaging 10.5 percent from 2009 through 2012 (Figure 1). Although weak consumer spending in the HMA adversely affected most nonfarm payroll sectors, the education and health services sector continued expanding during the downturn because of the demand for healthcare services by the large elderly population. From 2007 through 2013, the sector added an average of 700 jobs annually, an increase of 2.2 percent a year.

Following the retirement of the Space Shuttle program, private industry began to take over development of advanced rockets and spacecraft, spurring competition to transport cargo to and from the International Space Station, expand satellite communications, and develop space tourism. In addition, in 2014, the defense contractor Northrop Grumman Corporation announced a \$500 million expansion of its campus at Orlando Melbourne International Airport and plans to add 1,800 jobs to help design and manufacture the Air Force's new stealth bomber.

The availability of jobs and low real estate prices during the mid-2010s prompted population growth, and net in-migration to the HMA has risen to the highest levels since the mid-2000s. From 2014 through 2016, nonfarm payrolls expanded an average of 5,400 jobs, or 2.7 percent, annually, and 9 of the 11 payroll sectors gained jobs. During the period, the leisure and hospitality and the mining, logging, and construction sectors expanded the most, rising averages of 1,200 and 1,100 jobs, or 5.0 and 10.9 percent, annually, respectively, and the unemployment rate in the HMA fell to 5.2 percent in 2016. The catalyst for job growth in the mining, logging, and construction sector from 2014 through 2016 was the recovery in the housing market, which led to increased residential construction.

During the 12 months ending November 2017, the mining, logging, and construction sector led job growth in the HMA, expanding to 13,800 jobs, an increase of 1,500, or 12.2 percent, the highest level since 2007. This increase followed a gain of 1,300 jobs, or 11.4 percent, a year earlier. The demand for construction workers rose after Hurricane Irma battered the HMA in September 2017. The storm affected nearly 6,700 homes and caused nearly \$200 million in property damage (Brevard County). Moreover, growth in the tourism industry resulted in a need for infrastructure improvements. Work is nearly complete on the \$30 million expansion of the U.S. Specialty Sports Association Space Coast Complex and stadium. The upgraded venue, with 15 baseball fields, is expected to host approximately 50 events annually, with the first tournament in January 2018. Approximately 75,000 hotel room nights a year during its

Figure 1. Trends in Labor Force, Resident Employment, and Unemployment Rate in the Palm Bay HMA,* 2000 Through 2016



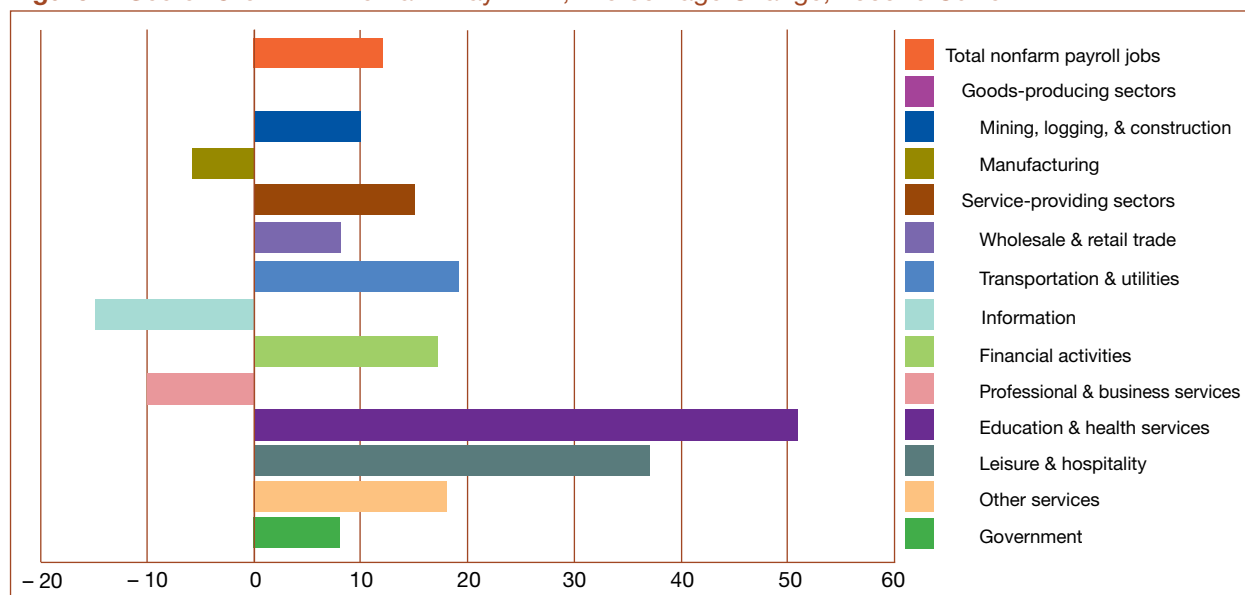
* Palm Bay-Melbourne-Titusville HMA.

Source: U.S. Bureau of Labor Statistics

first 3 years of operation and 100,000 nights annually afterward are expected following the expansion. The leisure and hospitality sector has been one of the fastest growing employment sectors in the HMA since 2000 (Figure 2). Port Canaveral, the second busiest cruise port in the nation, supports the tourism industry in the HMA. During the 12 months ending November 2017, the leisure and hospitality sector expanded by 500 jobs, or 1.9 percent, compared with an increase of 1,100 jobs, or 4.3 percent, during the previous 12 months.

Demand for health care, especially among the elderly population of the HMA, contributed to growth in the education and health services sector. It is the largest payroll sector in the HMA, with 36,100 jobs, accounting for nearly 17 percent of all nonfarm jobs (Figure 3). During the 12 months ending November 2017, the sector added 1,000 jobs, a gain of 2.8 percent compared with 1,300 jobs, or 3.8 percent, a year earlier. Health First is the largest employer in the HMA, with more than 8,000 employees (Table 3). Earlier in 2017, the new Parrish Medical

Figure 2. Sector Growth in the Palm Bay HMA,* Percentage Change, 2000 to Current

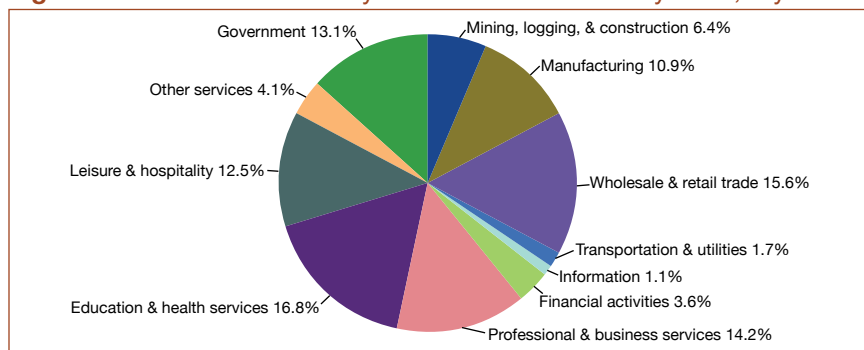


* Palm Bay-Melbourne-Titusville HMA.

Notes: Current is based on 12-month averages through November 2017. During this period, payrolls in the goods-producing sectors showed no net change.

Source: U.S. Bureau of Labor Statistics

Figure 3. Current Nonfarm Payroll Jobs in the Palm Bay HMA,* by Sector



* Palm Bay-Melbourne-Titusville HMA.

Note: Based on 12-month averages through November 2017.

Source: U.S. Bureau of Labor Statistics

Table 3. Major Employers in the Palm Bay HMA*

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Health First	Education & health services	8,000–8,999
Harris Corporation	Manufacturing	6,000–6,999
Brevard County	Government	3,000–3,999
National Aeronautics and Space Administration (NASA)	Government	2,000–2,999
Northrop Grumman Corporation	Manufacturing	2,000–2,999
Rockledge Regional Medical Center	Education & health services	2,000–2,999
Eastern Florida State College	Government	1,000–1,999
Florida Institute of Technology	Education & health services	1,000–1,999
Lockheed Martin Corporation	Manufacturing	1,000–1,999
Rockwell Collins	Manufacturing	1,000–1,999

* Palm Bay-Melbourne-Titusville HMA.

Note: Excludes local school districts.

Source: Space Coast Economic Development Commission, 2017 second quarter data

Center-Mayo Clinic medical office building in the city of Titusville was completed. The 50,000-square-foot facility is expected to create more than 200 new jobs by 2020.

The presence of NASA and growth in the aerospace industry since 2014 have contributed to job gains in the manufacturing and the professional and business services sectors. The manufacturing sector contains 4 of the 10 largest employers in the HMA. In 2016, aircraft maker Embraer S.A. expanded its presence in the HMA by opening a new 50,000-square-foot manufacturing facility to produce airplane seats. The \$8 million investment was Embraer's fourth expansion project in the HMA since 2008, which created 150 new jobs (Embraer). In March 2017, OneWeb Satellites began construction of a 150,000-square-foot satellite manufacturing facility, scheduled to be complete in early 2018, that will result in more than 300 new jobs. The investment totals \$85 million (Space Coast Economic Development

Commission). During the 12 months ending November 2017, the manufacturing and the professional and business services sectors expanded by 1,200 and 900 jobs, or 5.4 and 3.0 percent, following gains of 1,400 and 600 jobs, or 6.6 and 2.0 percent, a year earlier, respectively.

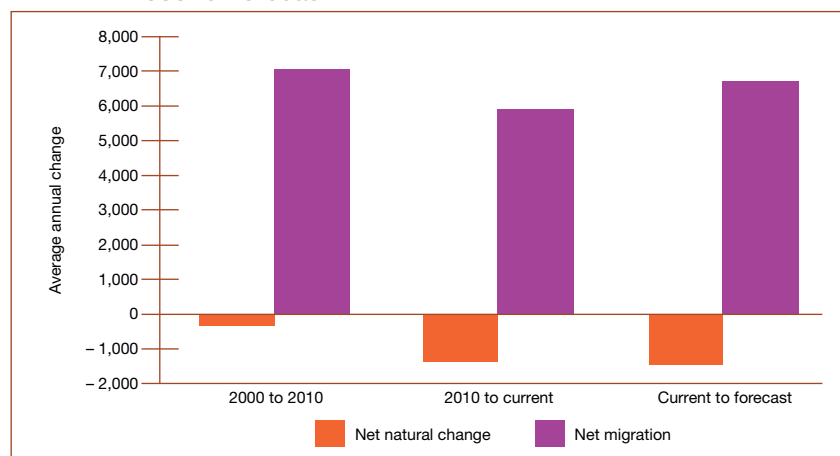
Continued expansions in the aerospace, healthcare, and travel industries will contribute to growth during the 3-year forecast period. Nonfarm payrolls are expected to increase an average of 1.7 percent annually. Work is nearly complete on Blue Origin's new orbital launch complex at Kennedy Space Center, a capital investment of \$205 million that will create 330 new jobs by 2026. Lockheed Martin Corporation plans to invest \$80 million and move 300 jobs to the HMA by 2020 to work on ballistic missile development. The leisure and hospitality sector is expected to add jobs when two hotels currently under construction and four more in planning are completed.

Population and Households

Since 2010, population growth has been moderate, because the economic recovery in the Palm Bay HMA began much later than in the nation. As of December 1, 2017, the population of the HMA is estimated at 577,400, an increase of 0.8 percent annually since 2010 compared with a 1.3-percent annual growth rate during the 2000s. All population growth in the HMA since 2010 has been the result of net in-migration (Figure 4). The HMA is a popular retirement community, with 31 percent of the population aged 60 or older, up from 25 percent in 2000. In 2016, the median

age was 47.3 years, substantially higher than the median age of 37.9 years in the nation (2016 American Community Survey [ACS] 1-year data). The HMA does not have a major urban center, and nearly one-half of the population resides in an unincorporated portion of Brevard County. The cities of Palm Bay, Melbourne, and Titusville, with populations of approximately 111,100, 81,200, and 46,000, together account for nearly 40 percent of the total HMA population. Figure 5 shows population and household growth in the HMA from 2000 to the forecast date.

Figure 4. Components of Population Change in the Palm Bay HMA,* 2000 to Forecast

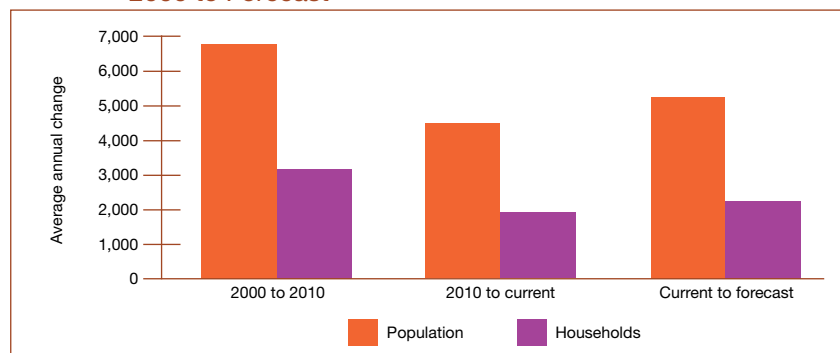


* Palm Bay-Melbourne-Titusville HMA.

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

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

Figure 5. Population and Household Growth in the Palm Bay HMA,* 2000 to Forecast



* Palm Bay-Melbourne-Titusville HMA.

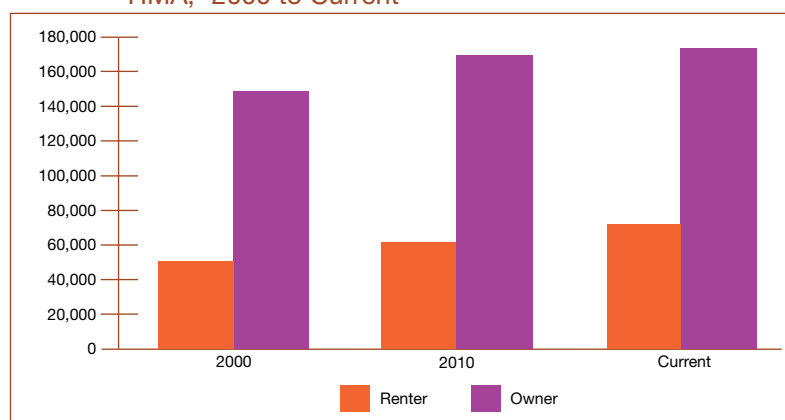
Notes: The current date is December 1, 2017. The forecast date is December 1, 2020.

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

The strongest period of population growth in the HMA occurred from 2003 to 2005 during the housing boom. During the period, well-paying construction jobs attracted workers to the HMA, and in-migration of retirees increased. Population growth averaged 12,550 people, or 2.5 percent, annually, with net natural decline (resident births minus resident deaths) that averaged 430 annually offsetting in-migration (U.S. Census Bureau decennial census counts and population estimates as of July 1). From 2005 to 2007, population growth in the HMA slowed to an average of 4,900 people, or 0.9 percent, annually. During the next 5 years, weak economic conditions, caused by the housing market crash, national recession, and the end of the Space Shuttle program, led to a further slowdown in population growth. From 2007 to 2012, net in-migration to the HMA fell to an average of 1,800, and population growth averaged 1,325, or 0.2 percent, annually as net natural decline accelerated. With an improving national economy and housing markets, retirees again began to move to the HMA. In addition, expanding aerospace and defense industries prompted people to

relocate to the HMA to fill available jobs. Since 2013, population growth has averaged 6,325 people, or 1.1 percent, annually, with all the growth a result of net in-migration. During the next 3 years, the population of the HMA is forecast to grow by an average of 5,200, or 0.9 percent, annually, and net in-migration is expected to account for all population growth.

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



* Palm Bay-Melbourne-Titusville HMA.

Note: The current date is December 1, 2017.

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

The current number of households in the HMA is estimated at 243,800, an average growth of 1,850, or 0.8 percent, annually since 2010 compared with an average increase of 3,150, or 1.5 percent, annually during the 2000s. Renter households have accounted for roughly 72 percent of net household formations since 2010 compared with 33 percent during the 2000s. As a result, the homeownership rate fell to an estimated 70.9 percent as of the current date, down from 73.5 percent in 2010 and 74.6 percent in 2000 (Table DP-1 at the end of this report). During the 3-year forecast period, improving economic conditions and availability of reasonably priced homes in the HMA are expected to slow the decline in the homeownership rate, and the number of households is expected to grow by an average of 2,225, or 0.9 percent, annually. Figure 6 shows the number of households by tenure in the HMA since 2000.

Housing Market Trends

Sales Market

The sales housing market in the Palm Bay HMA is currently balanced, with an estimated vacancy rate of 1.4 percent, down from 3.8 percent in April 2010. Conditions are improving in the sales market due to the expanding economy and increased in-migration compared with earlier in the decade. During November 2017, a 2.8-month supply of inventory of single-family homes (including townhomes) was on the market, up slightly from a 2.5-month supply a year earlier, while the supply of condominiums declined

to 3.4 months from 3.6 months during the same time (Space Coast Association of Realtors).

Existing home sales rebounded from the number of homes sold during the economic recession but fell during the past year largely because of a limited supply of homes available for sale. In the HMA, sales of existing homes (including single-family homes and townhomes) totaled 10,150 during the 12 months ending November 2017, down by 1,575 homes, or 14 percent,

from the previous 12 months (Metrostudy, A Hanley Wood Company). The average sales price of an existing single-family home during the 12 months ending November 2017 was \$227,100, up \$20,500, or 10 percent, from a year earlier but 6 percent below the previous high in 2006. Existing home sales in the HMA peaked at 15,100 in 2005 and fell precipitously by an average of 3,100 sales, or 27 percent, annually to a low of 5,775 homes sold in 2008, partly because of tightened lending standards. Existing home sales rebounded somewhat during the next 3 years, averaging 6,625 home sales annually from 2009 through 2011. A year later, existing home sales began to rise and continued to grow as the economic recovery strengthened. From 2012 through 2015, existing home sales increased by an average of 3,100 sales, or nearly 16 percent, annually to 11,700 homes sold. Growth slowed significantly in 2016, when existing home sales grew 1 percent to 11,800. Although home sales peaked in 2005, the average sales price for an existing home did not peak until a year later at \$242,400. Following this high, the average sales price for an existing single-family home fell for 5 consecutive years to a low of \$142,200 in 2011. The average price for existing single-family homes began to rise in 2012 and reached \$208,000 in 2016, an average gain of \$13,150, or 8 percent, annually.

A substantial decline in the rate of mortgage delinquencies since the housing crisis contributed to balanced housing market conditions. As of November 2017, 3.4 percent of all mortgage loans in the HMA were seriously delinquent (90 or more days delinquent or in foreclosure) or had transitioned into real estate owned (REO) status, up slightly from 3.0

percent in November 2016 but far below the peak of 15.6 percent in January 2012 (CoreLogic, Inc.). In November 2017, the rate of seriously delinquent loans and REO properties in the HMA was lower than the 4.4-percent rate in Florida, where delinquencies peaked at a rate of 18.8 percent in February 2010. During the 12 months ending November 2017, REO sales totaled 990 and accounted for 7 percent of all home sales in the HMA compared with a high of 3,700 during 2014, when REO sales accounted for 27 percent of all home sales. The average sales price of an REO property was \$156,000 during the 12 months ending November 2017, about 34 percent below the average existing home sales price.

During the 12 months ending November 2017, sales of new single-family homes in the HMA accounted for 9 percent of all sales and totaled 1,225, an increase of 30, or 2 percent, from the previous 12 months. New home sales peaked at 4,100 in 2006 and then declined by an average of 600 homes, or 29 percent, annually to 530 homes sold in 2012. Following that 6-year decline, sales of new single-family homes rebounded in 2013 and continued to grow in response to improving economic conditions. From 2013 through 2016, new home sales rose by an average of 170 homes, or 23 percent, annually. During the 12 months ending November 2017, the average sales price of a new home was \$323,600, a gain of \$37,600, or 13 percent, from a year earlier. By comparison, the price of a new single-family home in the HMA averaged \$246,600 in 2006 before declining an average of 8 percent annually to \$191,600 in 2009, as economic conditions worsened. New home sales prices began to increase before the

Housing Market Trends

Sales Market *Continued*

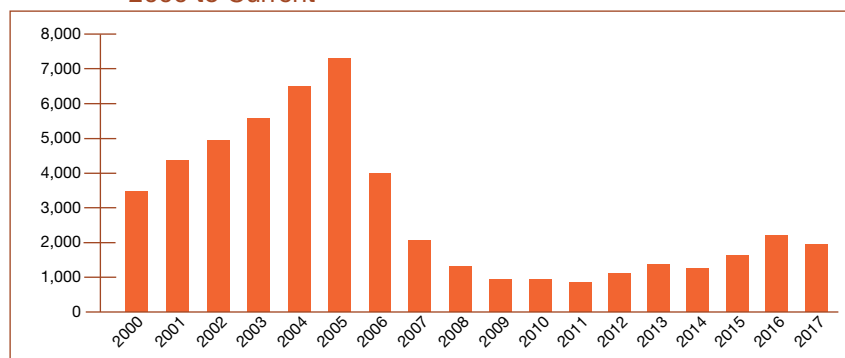
local economy started to recover from the past recession, likely because the supply of new homes fell sharply following the housing market crisis. The average sales price of a new home was unchanged in 2010 and began to increase in 2011; growth averaged 6 percent annually to \$256,500 in 2015. A year later, the average sales price of a new single-family home was \$287,800 as annual price growth accelerated to 12 percent.

Condominium sales, which are predominately oceanfront structures that typically serve as seasonal second homes, have rebounded since the lows during the past recession. Condominium sales peaked in 2005 at 4,075 units, 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 20 percent annually to 1,300 units in 2010. Since then, the condominium market recovered slowly to 2,650 units sold in 2015, an average increase of 15 percent annually. During the 12 months ending November 2017, sales of condominiums in the HMA totaled 2,250, a decline of 310 units, or 12 percent, from a year earlier; new unit sales accounted for less than

1 percent. Investor activity in the condominium sales market has been strong during the past 12 months, with approximately 56 percent of all condominiums in the HMA purchased by absentee owners, up from 55 percent a year earlier and from a recent low of 45 percent in 2007. The average sales price of a condominium unit peaked in 2006 at \$254,000 and declined an average of nearly 9 percent annually to \$134,600 in 2013. With improving economic and home sales market conditions, the average sales price of a condominium has risen since 2013 by an average of \$10,900, or 7 percent, annually to \$178,300 during the 12 months ending November 2017.

Builders in the HMA have responded to higher demand for new homes caused, in part, by higher net-in migration since 2013. Single-family homebuilding, as measured by the number of single-family homes permitted, totaled 2,050 during the 12 months ending November 2017, up 75 homes, or 4 percent, from the previous 12 months (preliminary data). Single-family construction peaked in 2005 at 7,325, after rising for 5 consecutive years an average of 16 percent annually, fueled by the national housing boom and strong population growth (Figure 7). During the next 4 years, the housing crisis significantly affected the HMA, and single-family home construction decreased an average of 41 percent annually to 880 homes in 2009 and remained near this level through 2011. Home construction started to rebound in 2012, when 1,125 homes were permitted. By 2016, the number of homes permitted reached 2,175, an average increase of 260 homes, or 18 percent, annually.

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



* Palm Bay-Melbourne-Titusville HMA.

Notes: Includes townhomes. Current includes data through November 2017.

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

Housing Market Trends

Sales Market *Continued*

Construction is under way on Cashel Village, a 56-lot final phase of the 560-home Capron Ridge planned community north of the city of Melbourne. Single-family homes at

Cashel Village, ranging from 1,600 to 3,000 square feet, will be priced starting in the \$340,000s. Currently, 27 lots have sold. Early in 2018, work is expected to begin on a new 112-unit luxury condominium building on Merritt Island. When complete in 2019, the property will consist of two- and three-bedroom units from 1,335 to 2,180 square feet priced from \$269,900 to \$519,900.

During the 3-year forecast period, demand is estimated for 5,950 new homes (Table 1). The 1,150 homes currently under construction will satisfy a portion of that demand. Demand will be greatest for new homes in the \$200,000-to-\$399,999 range (Table 4).

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

Price Range (\$)		Units of Demand	Percent of Total
From	To		
127,000	199,999	360	6.0
200,000	299,999	2,075	35.0
300,000	399,999	1,425	24.0
400,000	499,999	890	15.0
500,000	599,999	480	8.0
600,000	699,999	240	4.0
700,000	799,999	180	3.0
800,000	and higher	300	5.0

* Palm Bay-Melbourne-Titusville HMA.

Notes: The 1,150 homes currently under construction in the HMA will likely satisfy some of the forecast demand. The forecast period is December 1, 2017, to December 1, 2020.

Source: Estimates by analyst

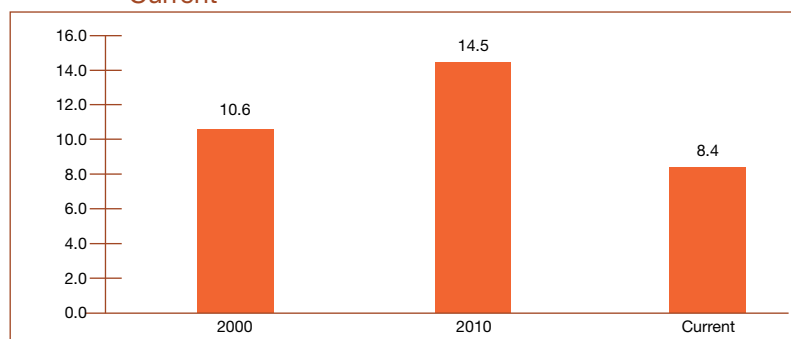
Rental Market

The rental housing market (including single-family homes, mobile homes, and apartments) in the Palm Bay HMA is currently balanced, with an overall estimated rental vacancy rate of 8.4 percent, down from 14.5 percent in April 2010 (Figure 8). Limited multifamily construction activity and an increase in net in-migration to the HMA since 2013 have contributed to a decline in rental vacancies. In 2016,

an estimated 44 percent of renter households lived in single-family homes, up from 42 percent in 2010 (2016 and 2010 ACS 1-year data).

The apartment market in the HMA is tight with a 2.4-percent vacancy rate during the third quarter of 2017, down from slightly tight conditions with a vacancy rate of 3.4 percent a year earlier (Reis, Inc.). The average rent for an apartment is currently \$924, a gain of \$34, or nearly 4 percent, from a year earlier. During the economic downturn in the HMA, many apartment units constructed from 2004 through 2008 were left unabsorbed. In 2009, the apartment vacancy rate peaked at 12.5 percent, and the average rent declined 1 percent for the second consecutive year to \$725. As multifamily construction fell to historically low levels and the absorption of previously vacant units increased, the apartment vacancy rate

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



* Palm Bay-Melbourne-Titusville HMA.

Note: The current date is December 1, 2017.

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

Housing Market Trends

Rental Market *Continued*

started to fall and reached 2.5 percent in 2014. From 2010 through 2011, rent growth averaged only 1 percent annually but rose to an average of 3 percent a year from 2012 through 2014 as the demand for apartment units exceeded the added supply. Since 2014, the apartment vacancy rate rose to 3.2 percent in 2016, as new apartment units became a part of the rental inventory. The apartment market remained tight, and rent growth accelerated further, averaging 6 percent annually from 2015 to 2016.

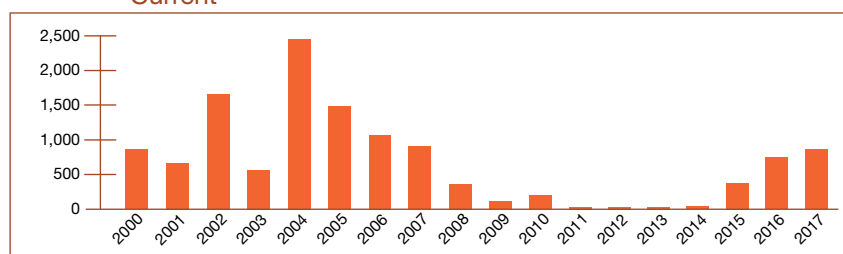
During the past 3 years, improving economic conditions and strong demand for new apartment units, fueled by increasing net-in migration, resulted in the highest level of multifamily construction in the HMA since 2008, as measured by the number of multifamily units permitted (Figure 9). Multifamily production during the past 12 months continued to increase as 840 multifamily units were permitted during the 12 months ending November 2017, up by 70 units, or 9 percent, from a year earlier (preliminary data). Early in the 2000s, multifamily construction in the HMA was elevated in 2002 and 2004, when 1,675 and 2,450 multifamily units were permitted. More than 40 percent of all units built in those years were new projects in the cities of Melbourne, Titusville, and Rockledge. Following the high

of 2004, multifamily construction fell precipitously for 5 consecutive years to 110 units permitted in 2009, an average decline of 46 percent annually. In 2010, multifamily construction rebounded to 220 units permitted, however the shutdown of the Space Shuttle Program further contributed to weak economic conditions in the HMA, and multifamily construction declined to an average of only 30 units annually from 2011 through 2014. A year later, multifamily construction rose significantly, as builders increased the pipeline of new multifamily homes in response to high demand and tight apartment market conditions. An average of 570 multifamily units were permitted annually from 2015 through 2016.

Most of the multifamily units permitted in the HMA are for apartments, but condominiums have made up a varying portion of them since 2000. From 2000 through 2006, production of new condominiums in the HMA accounted for 44 percent of all multifamily construction. Following the housing boom, condominium permitting, as a share of all multifamily units permitted, declined to 7 percent from 2007 through 2016. Builders recently responded to rising demand. During the 12 months ending November 2017, approximately 31 percent of multifamily units permitted were condominiums.

Some of the recent apartment developments in the HMA include Marisol at Viera in the master-planned community of Viera. The 282-unit luxury resort-style development opened in 2016 and is nearly completely leased up. Marisol at Viera rents one-bedroom units from \$1,276 to \$1,354, two-bedroom units from \$1,602 to \$1,706,

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



* Palm Bay-Melbourne-Titusville HMA.

Notes: Excludes townhomes. Current includes data through November 2017.

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

and three-bedroom units from \$1,828 to \$1,848. Early in 2018, construction is expected to commence on the 171-unit Highline Apartments in the city of Melbourne. When complete in 2019, this property will offer 14 studios, 75 one-bedroom units, and 82 two-bedroom units with starting rents ranging from \$1,225 to \$1,550.

During the 3-year forecast period, demand is estimated for 1,975 new

market-rate rental units (Table 1). Demand is expected to be greatest for two-bedroom units that rent from \$1,350 to \$1,549 (Table 5). The 730 units currently under construction and approximately 490 additional units, with construction planned to commence during the next 18 months, will satisfy approximately two-thirds of the demand during the forecast period.

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

Zero Bedrooms		One Bedroom		Two Bedrooms		Three or More Bedrooms	
Monthly Rent (\$)	Units of Demand	Monthly Rent (\$)	Units of Demand	Monthly Rent (\$)	Units of Demand	Monthly Rent (\$)	Units of Demand
900 to 1,099	60	950 to 1,149	200	1,150 to 1,349	290	1,350 to 1,549	110
1,100 or more	40	1,150 to 1,349	250	1,350 to 1,549	350	1,550 to 1,749	160
		1,350 or more	80	1,550 to 1,749	210	1,750 to 1,949	110
				1,750 or more	55	1,950 or more	50
Total	100	Total	530	Total	910	Total	430

* Palm Bay-Melbourne-Titusville HMA.

Notes: Numbers may not add to totals because of rounding. Monthly rent does not include utilities or concessions. The 730 units currently under construction will likely satisfy some of the estimated demand. The forecast period is December 1, 2017, to December 1, 2020.

Source: Estimates by analyst

Data Profile

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

	2000	2010	Current	Average Annual Change (%)	
				2000 to 2010	2010 to Current
Total resident employment	223,468	235,757	257,200	0.5	1.3
Unemployment rate	3.6%	11.3%	4.4%		
Nonfarm payroll jobs	191,800	193,900	214,900	0.1	1.5
Total population	476,230	543,376	577,400	1.3	0.8
Total households	198,195	229,692	243,800	1.5	0.8
Owner households	147,885	168,841	172,800	1.3	0.3
Percent owner	74.6%	73.5%	70.9%		
Renter households	50,310	60,851	71,000	1.9	2.0
Percent renter	25.4%	26.5%	29.1%		
Total housing units	222,072	269,864	277,700	2.0	0.4
Owner vacancy rate	2.3%	3.8%	1.4%		
Rental vacancy rate	10.6%	14.5%	8.4%		
Median Family Income	\$48,300	\$62,200	\$58,300	2.6	- 0.9

* Palm Bay-Melbourne-Titusville HMA.

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

Forecast period: 12/1/2017–12/1/2020—
Estimates by the analyst

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.

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_PalmBay_Melbourne_TitusvilleFL_18.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.