

# COMPREHENSIVE MARKET ANALYSIS REPORTS



Policy Development & Research

## **Gulfport-Biloxi, Mississippi Housing Market Area**

### **Economic and Housing Market Conditions Pre- and Post-Katrina: A Comprehensive Market Analysis Special Report**

**As of September 1, 2005  
With Updates to March 1, 2006**



**ECONOMIC RESEARCH**

U.S. Department of Housing and Urban Development

## **Foreword**

This analysis has been prepared for the assistance and guidance of the U.S. Department of Housing and Urban Development (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 HUD's Economic and Market Analysis Division. 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 wishes to express its appreciation to those industry sources and state and local government officials who provided data and information on local economic and housing market conditions.

In late August 2005, Hurricane Katrina devastated the Gulfport-Biloxi, Mississippi Housing Market Area (HMA). The destruction of infrastructure, commercial buildings, and residential housing units significantly impacted the economy and housing market of the metropolitan area. The current statistical data used in the analysis has an as-of date of September 1, 2005, and excludes the impact of the hurricane. Any comments and estimates, which are included in reference to market conditions between September 1, 2005, and March 1, 2006, are based on the best information available obtained from local sources during fieldwork.

This analysis takes into consideration changes in the economic, demographic, and housing inventory characteristics of the market area during two periods: from 1990 to 2000 and from 2000 to the as-of date of the analysis—September 1, 2005 (current date). In the analysis, 1990 and 2000 refer to the dates of the decennial census—April 1 unless specified otherwise. This analysis presents counts and estimates of employment, population, households, and housing inventory as of the 1990 Census, 2000 Census, and current date. Housing market conditions are updated where possible to March 1, 2006.

This analysis was prepared by Peter Chestney and Erin Browne, HUD field economists stationed in Jacksonville and Atlanta, respectively, based on fieldwork conducted during the week of February 26, 2006. Questions regarding the findings and conclusions of the analysis may be addressed to Mr. Chestney at 904-232-1777 and at [peter\\_l\\_chestney@hud.gov](mailto:peter_l_chestney@hud.gov) or to Ms. Browne at 404-331-5001 and at [erin\\_k\\_browne@hud.gov](mailto:erin_k_browne@hud.gov).

## Housing Market Area

The Gulfport-Biloxi, Mississippi Housing Market Area (HMA) is located on the Gulf of Mexico west of Jackson County, Mississippi, and east of Louisiana. It includes Harrison and Hancock Counties on the coast and Stone County adjacent to Harrison County on the north. The two largest cities in the HMA are Gulfport and Biloxi, both of which are located in Harrison County.

## Summary

Hurricane Katrina impacted all aspects of the HMA. The various studies and analyses that have been completed by other federal agencies and state and local agencies have all reached the conclusion that no part of the HMA went unscarred. Dr. Loren C. Scott's June 2006 analysis, *Advancing in the Aftermath II: Tracking the Recovery from Katrina and Rita*, concludes that, of the 41,090 homes destroyed in Mississippi by Hurricane Katrina, nearly two-thirds were in the Gulfport-Biloxi HMA. An additional 60,600 homes in the area were rendered uninhabitable from wind damage or storm surge.

At the time the hurricane made landfall, the economy was showing signs that a slight recovery was under way. Average annual employment was up in the HMA for the 12-month period ending August 2005 compared with the previous 12 months. Exhibit 1 summarizes the labor force and resident employment in the HMA from 2000 to August 2005.

**Exhibit 1. Average Labor Force and Resident Employment, Gulfport-Biloxi HMA, 2000 to August 2005**

	2000	Sept. 2003– Aug. 2004	Sept. 2004– Aug. 2005
Labor Force	116,945	120,600	123,600
Resident Employment	111,229	114,700	116,300
Unemployed	5,716	6,500	7,350
Unemployment Rate	4.9%	4.8%	5.9%

Source: U.S. Department of Labor, Bureau of Labor Statistics

Nonfarm employment was also rebounding before the hurricane hit, especially in the service-providing sectors. Since then, nonfarm employment has fallen approximately 20 percent. All employment sectors except construction suffered losses; most notable were the losses in the leisure and hospitality sector and the trade, transportation, and utilities sectors. Exhibit 2 summarizes trends in nonfarm employment in the HMA since 2000.

**Exhibit 2. Trends in Nonfarm Employment, Gulfport-Biloxi HMA, 2000 to February 2006**

Nonfarm Employment	Number of Workers Employed by Nonfarm Businesses				
	2000	Sept. 2003– Aug. 2004	Sept. 2004– Aug. 2005	Jan.–Aug. 2005 Avg.	Feb. 2006*
Gulfport-Biloxi HMA					
Total Nonfarm Employment	111,800	113,600	114,900	115,200	92,700
Construction	5,700	5,200	5,500	5,800	6,100
Trade, Transportation, and Utilities	20,300	20,500	20,700	20,600	16,700
Leisure and Hospitality	29,700	29,900	29,400	29,500	14,800

\* Data is for February only.

Source: U.S. Department of Labor, Bureau of Labor Statistics

The population of the HMA increased from 2000 to August 2005 at a rate slightly lower than the 1.7-percent annual increase posted during the 1990s. It is estimated that, as of Hurricane Katrina's landfall, the population was 259,900 and the number of households was 100,700. Hurricane Katrina caused a dramatic decrease in population and the number of households in the HMA. As of March 1, 2006, it is estimated that the population is 251,400 and the number of households is 96,900. Exhibit 3 presents the changes in population and households in the HMA since 1990.

**Exhibit 3. Changes in Population and Households, Gulfport-Biloxi HMA,  
April 1, 1990, to March 1, 2006**

	April 1, 1990	April 1, 2000	Sept. 1, 2005	Mar. 1, 2006
<b>Population</b>				
Gulfport-Biloxi HMA	207,875	246,190	259,900	251,400
Harrison County	165,365	189,601	199,000	193,600
Hancock County	31,760	42,967	46,400	42,400
Stone County	10,750	13,622	14,600	15,400
<b>Households</b>				
Gulfport-Biloxi HMA	75,059	93,182	100,700	96,900
Harrison County	59,557	71,538	76,900	74,500
Hancock County	11,817	16,897	18,650	17,000
Stone County	3,685	4,747	5,150	5,400

Note: Numbers may not add to HMA totals due to rounding.

Sources: 1990 and 2000—U.S. Census

September 1, 2005, Population and Households—Estimates by analyst

March 1, 2006, Population and Households—Estimates by analyst

The median family income in the HMA rose during the 1990s, but almost 7,000 families remained below the poverty level as of 2000. Exhibit 4 highlights median income levels for each of the counties and the number of families living below the poverty level in the HMA in 2000.

**Exhibit 4. Median Family Income, Total Families, and Families Living Below the  
Poverty Level, Gulfport-Biloxi HMA, 2000**

	Median Family Income (\$)	Total Number of Families	Number of Families Below Poverty Level	Percent of Families Below Poverty Level
Gulfport-Biloxi HMA	40,985	60,851	6,991	11.5
Harrison County	41,445	48,989	5,660	11.6
Hancock County	40,307	11,882	1,331	11.2
Stone County	36,856	3,651	529	14.5

Source: 2000—U.S. Census

Low mortgage interest rates and innovative financing options kept the sales market strong before the hurricane devastated the area. The average sales price of residential homes in the area increased from 1996 through 2004 by 4.9 percent a year to \$129,800. In 2005, the average sales price increased dramatically due to the impact of Hurricane Katrina on the housing market. After an initial spike in average home sales prices of more than 30 percent in September and October 2005, the increases have moderated as more homes are renovated and reenter the sales market. Exhibit 5 highlights average home sales prices recorded in two of the three counties in the HMA and neighboring Jackson County since 1996.

**Exhibit 5. Average Home Sales Prices, Three Mississippi Counties, 1996 to February 2006**

	Average Home Sales Price (\$)			
	1996	2004	Jan.–Jul. 2005	Sept. 2005– Feb. 2006
Harrison, Hancock, and Jackson Counties	88,650	129,800	144,900	160,800

Notes: The Mississippi Gulf Coast Multiple Listing Service, Inc., covers Harrison, Hancock, and Jackson Counties only. No data are available for August 2005.

Source: Mississippi Gulf Coast Multiple Listing Service, Inc.

Between 2000 and the time of Hurricane Katrina’s landfall, the rental market improved slightly. The Federal Emergency Management Agency (FEMA) estimated that more than 15,000 of the rental units that were habitable before the storm were seriously damaged or destroyed and unavailable for occupancy. Another 10,000 rental units sustained minor damage from the storm. Local sources estimate average rents will be between 25 and 30 percent higher than pre-Katrina levels by the spring of 2006. As of March 1, 2006, rental units are nearly 100 percent occupied. Exhibit 6 presents a comparison of total rental units, renter household percentages, and vacancy rates in the HMA from 2000 to September 1, 2005.

**Exhibit 6. Rental Inventory, Tenure, and Vacancy Rate, Gulfport-Biloxi HMA, 2000 to  
September 1, 2005**

HMA and Submarkets	2000	Sept. 1, 2005	2000	Sept. 1, 2005	2000	Sept. 1, 2005
	Number of Rental Units	Number of Rental Units	Renter Households (%)	Renter Households (%)	Rental Vacancy Rate (%)	Rental Vacancy Rate (%)
Gulfport-Biloxi HMA	34,953	36,100	33.3	31.9	11.2	10.9
Harrison County	29,870	31,000	37.3	36.1	10.6	10.5
Hancock County	4,073	3,975	20.4	18.2	15.3	14.5
Stone County	1,010	1,075	18.8	18.8	11.8	10.3

Sources: 2000—U.S. Census  
Current—Estimate by analyst

## Background

To help rebuild the gulf coast, citizens groups and local officials are studying numerous economic and housing recovery plans and initiatives. As of March 1, 2006, a final recovery plan has not been approved, and, before a final recovery plan can be approved, FEMA must release new flood plain maps, as necessitated by new insurance requirements and building codes. Therefore, this analysis does not offer any comments about any proposed recovery plans or initiatives,<sup>1</sup> nor does it provide a final conclusion or demand estimate for the future need of housing in the HMA. Any followup to this analysis will be provided when recovery plans and/or initiatives are approved. The following discussion and detailed tables provide the basis of the analysis presented in the summary.

## Economy of the Area

### *Economy of the HMA as of Hurricane Katrina's Landfall*

Tourism was the main driver of the local economy in the HMA for many years. Tourists were drawn to the gulf shore beaches and casinos in Gulfport and Biloxi, and, as a result, leisure and hospitality was the largest employment sector in the HMA when Hurricane Katrina came ashore. The 12 casinos open at the time employed more than 15,100 people and accounted for nearly one-half of the 30,500 employees in the sector. Government was the second largest employment sector, with 18,100 employees; of those employees, 7,400 worked for local government and 6,300 worked in local education. Another 20,800 were employed in trade, transportation, and utilities, with retail trade accounting for 69 percent of that total. The military also played a significant role in the local economy

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<sup>1</sup> Since March 1, 2006, the Federal Emergency Management Agency (FEMA) has released revised Flood Insurance Rate Maps for the affected areas of the Mississippi Gulf Coast, and most of the 11 localities along the two-county coastal area of the HMA have revised building codes that include the FEMA guidelines.

before Hurricane Katrina devastated the area. Data available from the U.S. Department of Defense indicate that, as of September 30, 2004 (the most recent data available before landfall), nearly 10,900 military personnel were in the HMA. Approximately 6,925 Air Force personnel were stationed at Keesler Air Force Base (AFB) and 3,375 Navy personnel were stationed in Gulfport.

The introduction of floating casinos in 1993 stimulated the economy, leading to an increase in nonfarm employment by approximately 4,300 jobs a year during the 1990s; however, this growth was not evenly distributed. More than two-thirds of the 38,800 jobs created during the decade were concentrated in 3 years: 1993, 1994, and 1999. Employment growth in the construction, leisure and hospitality, and retail trade sectors during the 3 years accounted for three-quarters of the increase in nonfarm employment for the entire decade. During those years, the building of hotels to accommodate visitors to the casinos resulted in more than 90 percent of the 21,000-job increase in leisure and hospitality employment. In addition, during the 1990s, construction employment increased by 3,500 jobs and retail trade increased by 3,300 jobs, with more than half of the new jobs entering the economy in those 3 years. As a result of this growth, the unemployment rate decreased from 7.8 percent in 1992 to 3.7 percent in 1999.

The national recession that occurred in the early part of the 2000s impacted the local economy. From 2000 to August 2005, nonfarm employment increased at an average annual rate of 0.5 percent compared with an average annual rate of 5.0 percent during the 1990s. This sluggishness was largely the result of declining tourism. Although the number of casinos remained the same between April 2000 and January 2005, the number of people employed by the casinos declined by 2,750, or 18 percent. From 2000 through August 2005, construction employment decreased by 10 percent, or 500 jobs. During the same period, the only significant employment growth occurred in the military, which increased from 8,700 to 10,900 military personnel between September 2000 and September 2004. The unemployment rate increased from 3.7 percent in 1999 to 5.2 percent in 2004. Table 1 shows trends in labor force, employment, and unemployment from 1990 through August 2005.

In the 12 months before Katrina's landfall, the economy had shown signs of strengthening. Nonfarm employment increased by 1,300 jobs compared with the previous 12-month period ending August 2004. This increase represents an average annual growth rate of 1.1 percent compared with an average annual rate of 0.5 percent for the period between 2000 and August 2005. In the 12 months ending August 2005, the construction sector led employment growth in the HMA, with a 6-percent increase over the previous 12-month period, and the service-providing sector grew by 1,200 jobs, or 1.2 percent, compared with the previous 12-month period. As the economy began to improve, the labor force increased faster than total employment, causing the unemployment rate to increase slightly to 5.9 percent during the 12-month period ending August 2005. Table 2 shows trends in nonfarm employment by industry from 1990 through August 2005.

## **The Impact of Hurricane Katrina on the HMA**

Although Hurricane Katrina dramatically impacted all sectors of the economy, the leisure and hospitality sector and the trade, transportation, and utilities sector were especially damaged. Between August 2005 and January 2006, nonfarm employment fell by approximately 22 percent to 90,600 jobs. During those 5 months, employment in the leisure and hospitality sector fell by 54 percent to 14,000 jobs and in the trade, transportation, and utilities sector fell by 22 percent to 16,200 jobs. Nearly three-quarters of the decrease in trade, transportation, and utilities employment occurred in retail trade. The military presence was also significantly reduced, decreasing by more than 45 percent from 10,900 personnel as of September 2004 to 5,950 personnel as of September 2005. This loss was fairly evenly split between personnel stationed at the Naval Construction Battalion Center and Keesler AFB.

Employment data indicate the first signs of recovery occurred in February 2006, when nonfarm employment in the HMA increased by 2,100 jobs to 92,700. The two hardest hit sectors accounted for almost two-thirds of the increase: the leisure and hospitality sector increased by 800 jobs during the month, while the trade, transportation, and utilities sector increased by 500 jobs. Already up 7 percent since the storm struck, construction employment increased by another 3 percent during February 2006 to a total of 6,100 jobs. Although the number of unemployed people decreased by 2,500 during the month, the unemployment rate remained at 15.6 percent.

Considerable uncertainty remains regarding the cost and timing of reconstruction. Some estimates put the number of workers in the HMA required to help rebuild as high as 20,000, although a precise count is impossible to calculate. Workers with specific skills, such as framing, roofing, and drywall, in particular, are in demand and can expect an average wage of \$20 or more an hour. High labor and construction costs, shortages of materials, and delayed insurance settlements are slowing recovery and rebuilding.

## **Household Incomes**

The median family income of the HMA was \$40,985, according to the 2000 Census. This figure represents an increase of 4.7 percent a year from the 1990 Census figure of \$25,832. HUD's Economic and Market Analysis Division estimated the 2006 median income of the HMA at \$46,800, an average annual increase of 1.9 percent since 2000. HUD's 2006 median family income estimate was based on pre-Katrina data and should not be considered reliable in the current environment. The data needed to provide an accurate estimate are not yet available.

## **Population**

Between the 1990 and 2000 Censuses, the population of the HMA increased at an average annual rate of 1.7 percent, or approximately 3,825 a year. Most of this increase occurred in Harrison County, which increased by 2,425 a year, or at an average annual rate of 1.4 percent. The population of Hancock County increased by 1,125 a year, or at an

average annual rate of 3.1 percent, which was the fastest rate of the three counties. As of the 2000 Census, the total HMA population was 246,190, with approximately 77 percent residing in Harrison County.

As in the 1990s, population growth from 2000 to September 2005 was concentrated in Harrison County, where the population increased by approximately 1,725 a year, considerably slower than the average annual gains during the 1990s. During the current period, the populations of Hancock and Stone Counties also increased at slower rates than they did during the 1990s. From 2000 to September 2005, average annual population growth was about 630, or 1.4 percent, in Hancock County and approximately 175, or 1.2 percent, in Stone County. The lower rates of population growth can be attributed to slower employment growth. As of Hurricane Katrina's landfall, the total population of the HMA was estimated at 259,900, an average annual increase of approximately 2,525 since 2000. Table 3 presents the trends in population change from 1990 to September 1, 2005 for the HMA.

The Governor's Commission on Recovering, Rebuilding, and Renewal (GCRRR), estimated the October 2005 HMA population at 227,100. This estimate is almost 13 percent lower than HUD's September 1, 2005 population estimate. Comparing the two population estimates for before and after the storm, Harrison County decreased by 15,550 and Hancock County, which experienced the most storm damage, was down by 16,350. The population of Stone County increased by about 3,525 as people from coastal areas were forced to relocate inland. As services were restored and previously closed areas were reopened, residents began returning. According to the GCRRR, by January 2006, the population in the HMA had increased by about 16,900 to nearly 244,000. Estimates indicate that, although nearly two-thirds of those displaced in Harrison County in September 2005 had returned by January 2006, only a little more than one-half of those displaced in Hancock County in September 2005 had returned by January 2006. The population of the HMA is estimated at approximately 251,400 as of March 1, 2006, about 8,500 fewer people than when Hurricane Katrina came ashore.

## **Households**

The slowing of the HMA economy since 2000 has impacted population growth and resulted in fewer household formations. The average annual household growth rate of 1.5 percent is lower than the 2.2-percent rate recorded during the 1990s. Since 2000, the number of households has increased by approximately 1,000 a year in Harrison County, 325 a year in Hancock County, and 75 a year in Stone County. An estimated 100,700 households resided in the HMA as of Hurricane Katrina's landfall. Table 3 presents trends in household change in the HMA from April 1, 1990 to September 1, 2005.

As a result of Hurricane Katrina, the population of and the number of households in the HMA decreased. Based on the estimated population of 251,400, the number of households in the HMA was 96,900 as of March 1, 2006, a reduction of about 4 percent since September 1, 2005. Between September 1, 2005, and March 1, 2006, the number of households is estimated to have decreased by more than 3 percent in Harrison County and

by approximately 9 percent in Hancock County. During the same period, the number of households increased by more than 5 percent in Stone County because many coastal residents temporarily relocated to the inland county.

## **Housing Inventory**

Between 1990 and 2000, the housing inventory in the HMA increased at an average annual rate of 2 percent, or 1,750 units a year. Despite a slowdown in household growth, additions to the housing inventory increased by approximately 1,950 units a year, with most of the additions in Harrison County. As of Hurricane Katrina's landfall, the housing inventory in the HMA was estimated at 116,700 units. Table 4 presents trends in housing inventory, occupancy, and vacancy by tenure for 1990, 2000, and September 1, 2005.

After averaging fewer than 550 single-family building permits issued each year between 1990 and 1992, single-family building permit activity in the HMA picked up in 1993 with the opening of the first casinos and averaged more than 1,100 permits a year from 1993 through 1999. From 2000 to the current date, units authorized by single-family building permits have averaged 1,500 units a year, peaking at 1,875 in 2004. Record-low interest rates and alternative financing were the main reasons for this increase, because nonfarm employment was growing slowly at 0.5 percent a year during the period. For the 12-month period ending August 2005, the number of single-family units permitted totaled 1,775, up slightly from 1,700 units permitted in the previous 12-month period. An estimated 780 single-family homes were under construction as of Hurricane Katrina's landfall. According to local data, the average cost of a new single-family home before Katrina was about \$115,200. Although some speculative homes were being built, most home builders delayed permitting until sales contracts were executed.

During the 1990s, nearly 3,500 multifamily units were permitted in the HMA, with most of those issued in Harrison County. Hancock County issued 50 building permits, while only 20 multifamily units were permitted in Stone County. As the economy improved during the last half of the 1990s, multifamily permit activity increased. Approximately 75 percent, or 2,575, of the total number of multifamily units permitted for the decade were issued from 1995 to 1999, and an additional 1,250 multifamily building permits were issued in 2000.

As economic growth slowed in the early 2000s, multifamily building permit activity slowed as well. Multifamily units permitted in the HMA between 2001 and Hurricane Katrina's landfall averaged 400 a year compared with an average of 825 a year between 1998 and 2000. Approximately 2,050 multifamily units were permitted in the HMA during this 5-year period, with 2,000 of these in Harrison County.

For the 12-month period ending August 2005, the number of multifamily units permitted in the HMA totaled about 750, more than twice the number permitted during the previous 12-month period, when only 340 multifamily units were authorized. An estimated 800 multifamily units were under construction on September 1, 2005, with most located in

Harrison County. Table 5 presents trends in building permit activity for single-family and multifamily housing from 1990 through August 2005.

As noted earlier, Dr. Loren C. Scott's June 2006 analysis, *Advancing in the Aftermath II: Tracking the Recovery from Katrina and Rita*, concludes that nearly two-thirds of the 41,090 homes destroyed by Hurricane Katrina in Mississippi were in the Gulfport-Biloxi HMA. A total of 60,600 homes in the area were rendered uninhabitable from wind damage or storm surge. FEMA estimates the number of rental units severely damaged or destroyed at approximately 15,000; another 10,000 rental units received less significant damage. Because only 20 percent of renter-occupied units in the HMA are in structures with 10 or more units, it is estimated that most of the damaged or destroyed inventory consisted of single-family and mobile homes. As of March 1, 2006, renovations have enabled all but the most severely damaged apartments to become habitable. Repairs on the most seriously damaged units will not begin until insurance claims are settled and new FEMA flood plain maps are issued. Multifamily building permit activity has been almost nonexistent since September 2005, with only 17 multifamily units authorized in the 6 months since Hurricane Katrina made landfall.

Between September 1 and December 31, 2005, the number of building permits issued for single-family homes fell dramatically in the HMA. According to the Census Bureau, for the period September through December 2005, single-family building permits totaled only 229 units compared with 585 units for September through December 2004. During January and February 2006, single-family building permit activity increased sharply, totaling 416 units for the 2-month period.

As a result of labor and material shortages throughout the HMA, current construction time for a standard 1,200- to 1,500-square-foot, single-family home is 8 to 9 months compared with 4 to 5 months before the hurricane hit. Local sources estimate construction costs have increased approximately 20 percent compared with prehurricane conditions. Local builders and developers estimate that the average wait time to start construction after a sales contract is signed can exceed 1 year.

## **Rental Market Conditions**

When the first casinos opened in the mid-1990s, the rental market in the HMA tightened, partly because many newly constructed multifamily units were built as condominiums or seasonal rentals rather than as homes for year-round renters. At the time of the 2000 Census, rental market conditions were soft and the rental vacancy rate was 11.2 percent. Since 2000, a slower economy has further dampened demand for rental units. In addition, homeownership became increasingly popular, easing demand for rental units even more. The rental vacancy rate was estimated to be slightly less than 11 percent at the time of Hurricane Katrina's landfall and would have been higher if not for a sharp decrease in multifamily units produced after 2000. The rental vacancy rate for each county in the HMA was lower on September 1, 2005, than it was in 2000, ranging from 10.3 percent in Stone County and 10.5 percent in Harrison County to 14.5 percent in Hancock County.

Table 4 presents the trends in housing inventory, tenure, and vacancy rates from 1990 through September 1, 2005, for owner-occupied and renter-occupied housing.

Single-family rental vacancy rates are typically higher than apartment vacancy rates because the housing stock is usually older and in need of repair. The Gulfport-Biloxi rental market is no exception. At the time of the 2000 Census, more than half of all renter vacancies were single-family detached units. Before Hurricane Katrina changed the apartment landscape, the apartment market was balanced, with a 5-percent vacancy rate.

Data on rents before Katrina's landfall are limited for several reasons, including a change in structure ownership or onsite management personnel or a loss of information during the storm and in its aftermath. An analysis of available data suggests that, before the storm, the average rent for a two-bedroom unit was \$600 and 6 months later it was \$820. It is estimated that apartment rents increased between 25 and 30 percent between August 2005 and March 2006.

Of the 25,000 rental units estimated to be destroyed or severely damaged, more than half were single-family residences and seasonal units. Most rental units with minor damage were habitable by March 1, 2006, but most rental units with severe damage remain under repair.

The estimated 20,000 rental units that are habitable are 100-percent occupied. The hurricane destroyed or severely damaged more than one-third of the rental inventory, generating a massive increase in demand for the remaining units, which is compounded by demand from owners of damaged or destroyed property who are not living in FEMA-supplied trailers. Essentially, there are no rental vacancies. The normal forces of supply and demand have not governed apartment rents in this post-Katrina economy. For example, a group of three or four construction workers who want to rent a two-bedroom unit might find paying two times the prehurricane monthly rent to be a bargain relative to a long-term hotel bill. Local apartment complex surveys indicate that rents have increased significantly, but the estimates available are imprecise. Upward pressure on rents is expected to continue for the remainder of at least the next 12 to 24 months. Area labor and repair costs have increased significantly, as have the already high insurance costs.

## **Sales Market Conditions**

Historically low mortgage interest rates and creative financing options kept the home sales market strong from 2000 until Hurricane Katrina's landfall. Sales of existing single-family residences more than doubled from 1,825 in 2000 to 4,525 in 2004, according to the Mississippi Gulf Coast Multiple Listing Service, Inc., which covers Harrison and Hancock Counties in the HMA and adjacent Jackson County to the east. The average sales price of a home increased 17 percent from \$110,500 in 2000 to \$129,800 in 2004. Table 6 presents trends in residential sales activity in Harrison, Hancock, and Jackson Counties from 1996 to December 2005.

The already rapid increase in the average home sales price was accelerated by the impact of Hurricane Katrina, which influenced an increase of 16 percent in the average sales price from \$129,800 in 2004 to \$151,000 in 2005. Through the first 8 months of 2005, the average home sales price was \$143,900, 11 percent higher than it was in 2004. From September through December 2005, the average home sales price was \$167,600, 16 percent higher than in the first 8 months of 2005. After an initial spike in sales prices during September and October 2005, prices began to subside as more homes were renovated and reentered the sales market. The average sales price of an existing home decreased to \$150,400 between December 2005 and February 2006; however, sales prices remain above the average compared with the first 8 months of 2005. Table 7 details residential sales data for Harrison, Hancock, and Jackson Counties for two periods in 2005.

## **Need for Affordable Housing**

More than one-half of the units damaged or destroyed by Hurricane Katrina were occupied by households earning one-half or less of the area median family income.

A year later, with affordable housing still a critical problem for the HMA, several initiatives have been proposed to address it. Gulf Opportunity Zone tax credits, authorized by Congress and administered by the Mississippi Regional Housing Authority, are available to generate financing for low- to moderate-income housing. The Mississippi Development Authority has proposed a program enabling landlords to obtain forgivable loans of up to \$30,000 per unit to rehabilitate units damaged by Hurricane Katrina. At least one-half of the rehabilitated units would have to be leased to families earning 80 percent or less of the area median. The program would be funded with \$250 million in federal money. Mississippi also offers the Homeowners' Assistance Grant Program to eligible households living outside the FEMA-designated flood plain. In a recent initiative, FEMA is offering to sell trailers to the current occupants.

**Table 1  
Labor Force and Total Employment  
Gulfport-Biloxi HMA  
1990 Through August 2005**

<b>Gulfport-Biloxi HMA</b>	<b>1990</b>	<b>1991</b>	<b>1992</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>
Labor Force	89,340	91,038	94,465	99,311	103,520	102,690	102,899	104,159	106,315	110,231
Employment	83,206	84,408	87,111	93,502	97,542	95,631	97,522	99,089	102,088	106,114
Unemployment	6,134	6,630	7,354	5,809	5,978	7,059	5,377	5,070	4,227	4,117
Rate (%)	6.9	7.3	7.8	5.8	5.8	6.9	5.2	4.9	4.0	3.7
	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>Previous 12 Mos.<sup>a</sup></b>	<b>Current 12 Mos.<sup>b</sup></b>			
Labor Force	116,945	116,497	116,589	118,779	121,830	120,580	123,628			
Employment	111,229	111,329	110,148	112,702	115,490	114,741	116,280			
Unemployment	5,716	5,168	6,441	6,077	6,340	5,839	7,348			
Rate (%)	4.9	4.4	5.5	5.1	5.2	4.8	5.9			

<sup>a</sup> September 2003 through August 2004.

<sup>b</sup> September 2004 through August 2005.

Source: U.S. Department of Labor, Bureau of Labor Statistics

**Table 2  
Nonfarm Employment by Industry  
Gulfport-Biloxi HMA  
1990 Through August 2005**

Employment Sector	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	Previous 12 Mos.	Current 12 Mos.
Total Nonfarm	71.9	72.5	75.8	86.2	95.2	93.7	95.3	99.5	103.3	110.7	111.8	112.4	111.9	113.0	113.9	113.6	114.9
Goods-Producing	11.2	11.2	11.3	12.1	12.0	11.0	11.4	12.6	13.4	13.8	13.2	13.2	12.2	11.3	11.3	11.3	11.4
Construction & Mining	2.7	2.7	3.1	4.3	4.7	4.5	4.9	5.2	5.9	6.2	5.7	5.9	5.4	5.0	5.2	5.2	5.5
Manufacturing	8.4	8.4	8.2	7.8	7.3	6.5	6.5	7.4	7.6	7.6	7.5	7.3	6.8	6.2	6.0	6.1	5.9
Service-Providing	60.7	61.4	64.5	74.1	83.1	82.6	84.0	86.9	89.9	96.9	98.6	99.2	99.7	101.7	102.6	102.3	103.5
Trade, Transportation, & Utilities	14.7	14.5	14.4	15.0	15.6	16.0	16.7	17.6	18.1	19.1	20.3	20.1	20.0	20.4	20.5	20.5	20.7
Retail Trade	9.6	9.6	9.6	10.1	10.5	10.9	11.1	11.7	12.0	12.9	13.8	13.7	13.7	14.4	14.4	14.6	14.3
Leisure & Hospitality	8.8	8.5	10.8	18.5	25.7	23.6	23.7	24.3	25.6	29.8	29.7	30.0	29.5	29.8	29.7	29.9	29.4
Government	19.3	19.6	19.7	20.1	20.4	20.4	20.3	20.9	21.6	22.0	22.6	22.9	23.2	23.7	24.2	23.9	24.6
Federal	8.8	8.7	8.6	8.6	8.3	8.3	8.1	8.2	8.2	8.1	8.0	8.0	7.9	8.1	8.2	8.1	8.3
State	1.0	1.1	1.1	1.1	1.2	1.2	1.2	1.3	1.4	1.7	2.1	2.1	2.1	2.3	2.4	2.4	2.4
Local	9.5	9.8	10.0	10.4	10.9	10.9	11.0	11.4	12.0	12.2	12.5	12.8	13.2	13.3	13.6	13.4	13.9

<sup>a</sup> September 2003 through August 2004.

<sup>b</sup> September 2004 through August 2005.

Notes: Figures are in thousands.

Numbers may not add to totals due to rounding.

Source: U.S. Department of Labor, Bureau of Labor Statistics—NAICS

**Table 3  
Population and Household Trends  
Gulfport-Biloxi HMA  
April 1, 1990 to September 1, 2005**

	April 1, 1990	April 1, 2000	Current Date	Average Annual Change			
				1990 to 2000		2000 to Current	
				Number	Rate (%)	Number	Rate (%)
<b>Population</b>							
Gulfport-Biloxi HMA	207,875	246,190	259,900	3,825	1.7	2,525	1.0
Harrison County	165,365	189,601	199,000	2,425	1.4	1,725	0.9
Hancock County	31,760	42,967	46,350	1,125	3.1	630	1.4
Stone County	10,750	13,622	14,550	290	2.4	170	1.2
<b>Households</b>							
Gulfport-Biloxi HMA	75,059	93,118	100,700	1,800	2.2	1,400	1.5
Harrison County	59,557	71,528	76,900	1,200	1.8	1,000	1.3
Hancock County	11,817	16,897	18,650	500	3.6	320	1.8
Stone County	3,685	4,747	5,150	100	2.6	75	1.5

Notes: Rate of change is calculated on a compound basis.  
Average annual changes are rounded for comparison.  
Numbers and averages may not add to HMA totals due to rounding.

Sources: 1990 and 2000—U.S. Census  
Current—Estimates by analyst

**Table 4  
Housing Inventory, Tenure, and Vacancy  
Gulfport-Biloxi HMA  
1990, 2000, and September 1, 2005**

	Gulfport-Biloxi HMA			Harrison County			Hancock County			Stone County		
	1990	2000	Current Date	1990	2000	Current Date	1990	2000	Current Date	1990	2000	Current Date
Total Housing Inventory	88,522	106,051	116,700	67,813	79,636	87,250	16,561	21,072	23,700	4,148	5,343	5,775
Occupied Units	75,059	93,182	100,700	59,557	71,538	76,900	11,817	16,897	18,650	3,685	4,747	5,150
Owners	48,852	62,129	68,550	36,572	44,826	49,150	9,339	13,447	15,250	2,941	3,856	4,175
%	65.1	66.7	68.1	61.4	62.7	63.9	79.0	79.6	81.8	79.8	81.2	81.2
Renters	26,207	31,053	32,150	22,985	26,712	27,750	2,478	3,450	3,400	744	891	970
%	34.9	33.3	31.9	38.6	37.3	36.1	21.0	20.4	18.2	20.2	18.8	18.8
Vacant Units	13,463	12,869	16,000	8,256	8,098	10,350	4,774	4,175	5,025	463	596	620
For Sale	1,701	1,225	1,525	1,292	863	1,075	366	290	370	43	72	70
Rate (%)	3.4	1.9	2.2	3.4	1.9	2.2	3.8	2.1	2.4	1.4	1.8	1.7
For Rent	4,059	3,900	3,950	3,591	3,158	3,250	401	623	580	67	119	110
Rate (%)	13.4	11.2	10.9	13.5	10.6	10.5	13.9	15.3	14.5	8.3	11.8	10.3
Other Vacant	7,703	7,744	10,550	3,373	4,077	6,025	3,977	3,262	4,075	353	405	440

Note: Numbers may not add to totals due to rounding.

Sources: 1990 and 2000—U.S. Census  
Current—Estimates by analyst

**Table 5  
Residential Building Permit Activity  
Gulfport-Biloxi HMA  
1990 Through August 2005**

<b>Gulfport-Biloxi HMA</b>	<b>1990</b>	<b>1991</b>	<b>1992</b>	<b>1993</b>	<b>1994</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>
Total	496	506	672	1,199	1,925	1,684	1,464	1,165	2,223	1,486
Single-Family	492	494	653	1,078	1,189	902	1,044	1,001	1,124	1,373
Multifamily	4	12	19	121	736	782	420	164	1,099	113
	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>Previous 12 Mos.<sup>a</sup></b>	<b>Current 12 Mos.<sup>b</sup></b>			
Total	2,852	1,289	1,886	1,962	2,368	2,053	2,529			
Single-Family	1,590	1,079	1,594	1,418	1,875	1,712	1,780			
Multifamily	1,262	210	292	544	493	341	749			

<sup>a</sup> September 2003 through August 2004.

<sup>b</sup> September 2004 through August 2005.

Source: U.S. Census Bureau, Building Permit Survey

**Table 6  
Residential Sales Activity  
Harrison, Hancock, and Jackson Counties, Mississippi  
1996 to December 2005**

Year	Harrison, Hancock, and Jackson Counties, Mississippi		
	No. of Sales	Average Home Sales Price (\$)	Percent Annual Change in Home Sales Price
1996	2,475	88,650	N/A
1997	2,575	94,950	7.1
1998	2,800	101,200	6.6
1999	2,975	106,400	5.2
2000*	1,825	110,500	3.8
2001	2,625	111,400	1.1
2002	3,025	114,800	3.0
2003	3,475	122,400	6.7
2004	4,525	129,800	5.7
2005**	4,100	151,000	16.3

Notes: N/A = not applicable.

\*Data for 2000 are for 9 months. Data for May, June, and November were not available.

\*\*Data for 2005 are through November 2005.

The Mississippi Gulf Coast Multiple Listing Service, Inc., covers Harrison, Hancock, and Jackson Counties.

Source: Mississippi Gulf Coast Multiple Listing Service, Inc.

**Table 7**  
**Residential Sales Activity**  
**Harrison, Hancock, and Jackson Counties, Mississippi**  
**2005**

	Residential Sales			Average Sales Price			
	Jan.– Jul. 2005	Sept.– Dec. 2005	Total No. of Sales	Jan.– Jul. 2005	Sept.– Dec. 2005	Amount of Increase	Percent of Increase
<b>Harrison, Hancock, and Jackson Counties</b>	2,750	1,350	4,100	\$135,500	\$147,600	\$12,100	8.9

Notes: Because of Hurricane Katrina, no data are available for August.  
The Mississippi Gulf Coast Multiple Listing Service, Inc., covers Harrison, Hancock, and Jackson Counties.

Source: Mississippi Gulf Coast Multiple Listing Service, Inc.