

HUD PD&R Regional Reports

Region 4: Southeast/Caribbean

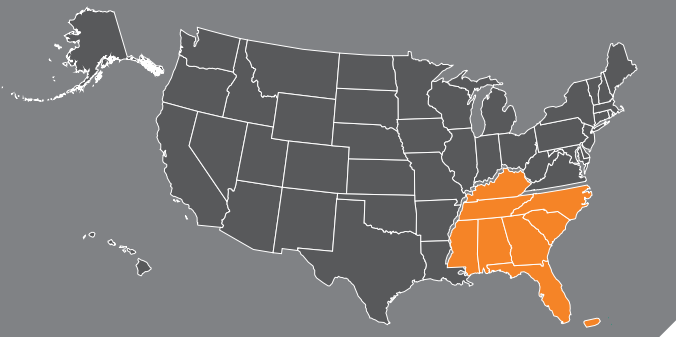


Miami, Florida

By Casey M. Blount | 2nd quarter 2017

Quick Facts About Region 4

- **Sales market conditions—**
Second quarter 2017: mixed (balanced to slightly soft).
First quarter 2017: mixed (balanced to slightly soft).
Second quarter 2016: mixed (balanced to slightly soft).
- **Apartment market conditions—**
Second quarter 2017: mixed (slightly tight to slightly soft).
First quarter 2017: mixed (slightly tight to slightly soft).
Second quarter 2016: mixed (balanced to tight).



Overview

Economic conditions in the Southeast/Caribbean region remained strong during the second quarter of 2017, which contributed to improvements in most sales and apartment markets. The year-over-year rate of job growth in the region of 2.0 percent slowed, relative to the 2.5-percent rate a year ago, but exceeded the national rate of 1.5 percent for the fourth consecutive year. Sales markets in the region remained balanced to slightly soft. Significantly decreased levels of distressed (short sales plus real estate owned [REO]) sales contributed to a decline in the total number of homes sold in some states, although average home sales prices increased throughout the region. Apartment market conditions were mixed, ranging from slightly tight to slightly soft. Rent growth was strong in most markets in the region, although high levels of apartment construction during the past year resulted in notable apartment vacancy rate increases and decreased multifamily permitting in some markets.

During the second quarter of 2017—

- The professional and business services and the education and health service sectors combined to account for approximately 40 percent of the job growth in the region.
- Of the 100 markets covered by MPF Research, 4 of the 10 fastest growing apartment inventories were in the Southeast/Caribbean region, including Nashville and Columbia.
- The total number of housing units permitted in the region increased 7 percent. The number of single-family homes permitted increased between 3 and 14 percent in all eight states in the region, and the number of multifamily units permitted fell due to declines in five states.



The rate of job growth in the Southeast/Caribbean region slowed from the previous year, but remained above the national rate.

	Second Quarter		Year-Over-Year Change	
	2016 (thousands)	2017 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	28,068.1	28,627.6	559.5	2.0
Goods-producing sectors	3,855.4	3,935.4	80.0	2.1
Mining, logging, and construction	1,343.0	1,395.0	52.0	3.9
Manufacturing	2,512.4	2,540.4	28.0	1.1
Service-providing sectors	24,212.7	24,692.3	479.6	2.0
Wholesale and retail trade	4,521.4	4,586.8	65.4	1.4
Transportation and utilities	1,109.9	1,131.9	22.0	2.0
Information	475.4	472.8	- 2.6	- 0.5
Financial activities	1,539.6	1,574.2	34.6	2.2
Professional and business services	3,876.5	4,011.1	134.6	3.5
Education and health services	3,805.6	3,893.7	88.1	2.3
Leisure and hospitality	3,362.8	3,442.9	80.1	2.4
Other services	1,050.3	1,075.9	25.6	2.4
Government	4,471.2	4,502.9	31.7	0.7

Note: Numbers may not add to totals because of rounding.
Source: U.S. Bureau of Labor Statistics

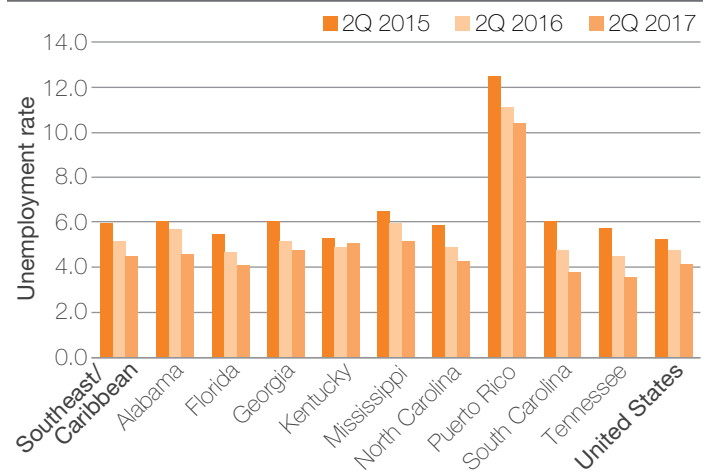
Economic Conditions

During the second quarter of 2017, the Southeast/Caribbean region added jobs, year over year, for the seventh consecutive year. Every state in the region added jobs although the combined rate of growth slowed from the previous year. Nonfarm payrolls in the region rose to an average of 28.63 million jobs, an increase of 559,500 jobs, or 2.0 percent, compared with an increase of 604,900 jobs, or 2.5 percent, during the second quarter of 2016. The year-over-year rate of job growth in the region remained faster than the national rate of 1.5 percent, continuing a trend that began during 2013, however. The professional and business services and the education and health services sectors added the most jobs in the region during the second quarter of 2017, with increases of 134,600 and 88,100 jobs, or 3.5 and 2.3 percent, respectively. The fastest rate of job growth occurred in the mining, logging, and construction sector, which added 52,000 jobs, or 3.9 percent. A 7-percent increase in residential (single-family plus multifamily) permitting in the region contributed to gains in the sector. The information sector, which declined by 2,600 jobs, or 0.5 percent, was the only sector in the region to lose jobs. The unemployment rate for the region was 4.5 percent during the second quarter of 2017, down from 5.2 percent during the second quarter of 2016, but higher than the national rate of 4.2 percent.

During the second quarter of 2017—

- Florida led nonfarm payroll growth in the region, both in the number of jobs and percentage terms. Nonfarm payrolls in the

The unemployment rates declined in every state in the Southeast/Caribbean region except Kentucky but remained higher than the national rate, except in South Carolina and Tennessee.



2Q = second quarter.
Source: U.S. Bureau of Labor Statistics

state averaged 8.59 million jobs, an increase of 236,800 jobs, or 2.8 percent, from the second quarter of 2016. Similar to the region, the professional and business services and education and health services sectors, which gained 47,700 and 36,700 jobs, or 3.7 and 3.0 percent, respectively, led job growth in the state.

- Georgia and North Carolina added 124,300 and 79,300 jobs, or 2.9 and 1.9 percent, respectively. These states combined with Florida to account for 79 percent of job gains in the region.

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- Kentucky was the only state in the region where job growth accelerated from the previous year. Nonfarm payrolls in the state averaged 1.95 million jobs, a 1.7-percent increase, after the number of jobs increased 1.5 percent during the second quarter of 2016. A \$1.3 billion expansion of the Ford Motor Company plant in Jefferson County, which created 2,000 jobs, contributed to job gains in the state.
- Puerto Rico was the only state or territory in the region to lose jobs. Nonfarm payrolls in the territory declined by 10,450 jobs, or 1.2 percent, continuing a trend of year-over-year job losses that began during the second quarter of 2013. The number of jobs in the U.S. Virgin Islands increased by 200, or 0.6 percent.
- The unemployment rate declined in every state and territory in the region except for Kentucky, where the rate increased slightly from 4.9 to 5.1 percent. The largest declines in the region were in Alabama and South Carolina, where the rates decreased to 4.6 and 3.8 percent, respectively, down from 5.7 and 4.8 percent a year earlier.

The professional and business services sector has been a significant part of job growth in the region since 2011. From 2011 through 2016, the sector added an average of 128,600 jobs, or 3.7 percent, which accounted for 25 percent of all jobs added in the region during the period. The sector expanded, year over year, for 29 consecutive quarters, a trend that is likely to continue given a series of recent announcements. The Boston Consulting Group recently announced plans to construct a new \$9.2 million office in downtown Atlanta, which is expected to create 230 permanent jobs when it opens in 2018. AXA Equitable Life Insurance Company plans to add 550 jobs during the next 5 years as part of an expansion in Charlotte. The sector, which encompasses the employment services, administrative support services, and waste remediation services industries, is also likely to benefit from large-scale projects in other sectors. Amazon.com Inc. will create as many as 4,000 jobs in the transportation and utilities sector when it opens four fulfillment centers in Jacksonville, FL during the next year. In the same sector, a recently announced \$41.7 million expansion of the Gap Inc. distribution facility near Nashville will create 500 new jobs.

Sales Market Conditions

In the Southeast/Caribbean region, sales housing market conditions were mixed during the second quarter of 2017, ranging from balanced to slightly soft. Sales markets continued to tighten as the percentage of seriously delinquent loans (90 or more days delinquent or in foreclosure) or had transitioned into REO status declined. In May 2017, 2.7 percent of loans in the region were seriously delinquent or in REO status, down from 3.5 percent a year earlier. Rates declined in every state in the region and ranged from 2.2 percent in North

Carolina to 3.9 percent in Mississippi. The largest decline was in Florida, where the rate fell to 3.1 percent, down from 4.4 percent during May 2016.

The total number of homes sold declined in four of the eight states in the region. Large reductions in the number of distressed sales (short sales and REO sales) contributed significantly to those declines, and the average home sales price increased in every state. In Florida,

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Average home sales prices increased at least 4 percent in every state in the Southeast/Caribbean region except Mississippi.

	12 Months Ending	Number of Homes Sold			Price			
		2016	2017	Percent Change	Average or Median	2016 (\$)	2017 (\$)	Percent Change
Alabama (N&E)	May	91,150	81,000	- 11	AVG	157,000	164,800	5
Florida (N&E)	May	564,000	556,600	- 1	AVG	238,800	254,400	7
Georgia (N&E)	May	201,900	215,300	7	AVG	203,000	212,400	5
Kentucky (N&E)	May	76,800	77,200	1	AVG	147,400	155,700	6
Mississippi (N&E)*	May	20,750	19,500	- 6	AVG	181,300	183,800	1
North Carolina (N&E)	May	191,400	200,300	5	AVG	204,200	214,200	5
South Carolina (N&E)	May	102,300	99,800	- 2	AVG	200,500	209,500	4
Jackson, MS Metropolitan Area (N&E)**	June	2,850	2,925	3	AVG	185,700	193,400	4

AVG = average. N&E = new and existing.

* Data exclude the Jackson metropolitan area. ** Data are for January 2016 through June 2017 and include 10 counties, 5 counties more than the Jackson, MS Metropolitan Statistical Area.

Note: Data include new and existing single-family homes, townhomes, and condominiums.

Sources: CoreLogic, Inc., with adjustments by the analyst; Central Mississippi Realtors®



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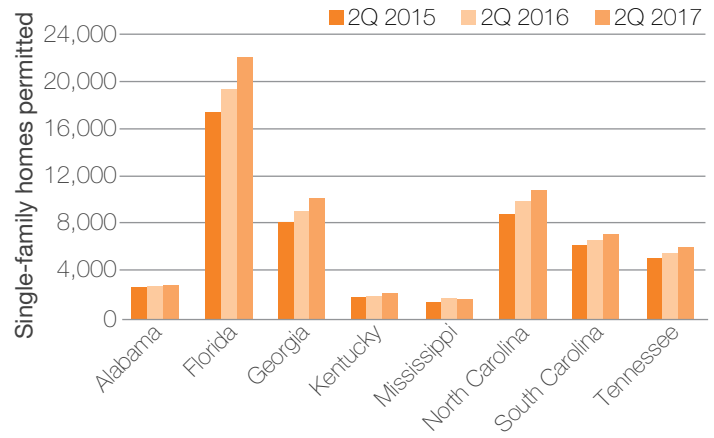
the number of homes sold declined 1 percent, to 556,600, during the 12 months ending May 2017 (CoreLogic, Inc., with adjustments by the analyst). The number of distressed sales in the state declined 45 percent, offsetting a 7-percent increase in regular resales. The largest decline in sales was in Alabama, where the number of homes sold declined 11 percent due, in part, to a 29-percent decline in distressed sales. Home sales in Georgia and North Carolina increased 7 and 5 percent, to 215,300 and 200,300, respectively. During the 12 months ending May 2017, average home sales prices ranged from \$164,800 in Alabama to \$254,400 in Florida. The 7-percent increase in Florida was the fastest increase in the region. In Mississippi, the average home sales price increased 1 percent, the slowest increase in the region. Data from Central Mississippi Realtors® show a 3-percent increase in the average home sales price in the 10-county Jackson market area during the 6 months ending June 2017, however.

Single-family homebuilding (as measured by the number of single-family homes permitted) increased in every state in the region as builders responded to a reduced inventory of homes available for sale, which declined to a 4.0-month supply during the 12 months ending May 2017, down from a 4.3-month supply during the previous 12 months.

During the second quarter of 2017 (preliminary data)—

- Single-family permitting increased in every state in the region for the second consecutive year. Up 11 percent from the second quarter of 2016, 63,150 homes were permitted, the highest total for a second quarter since 2007.
- Both the largest and fastest increase was in Florida, which accounted for approximately 35 percent of all single-family homes

A decreased inventory of homes available for sale contributed to increased single-family home permitting in every state in the Southeast/Caribbean region.



2Q = second quarter.
 Note: Based on preliminary data.
 Source: U.S. Census Bureau, Building Permits Survey

permitted and 44 percent of the increase in single-family permitting in the region. From the second quarter of 2016, 22,050 homes were permitted in the state, an increase of 2,650 homes, or 14 percent.

- The number of single-family homes permitted increased at least 10 percent in five of the eight states in the region, including increases of 12 percent in Georgia and 10 percent in Tennessee.
- In North Carolina, 10,900 single-family homes were permitted, up 10 percent from the second quarter of 2016, the second-highest total in the region.

Apartment Market Conditions

Apartment market conditions in the region were mixed during the second quarter of 2017, ranging from slightly tight to slightly soft. High levels of apartment construction contributed to increased vacancy rates in several markets, although growth in average rents was strong. During the second quarter of 2017, vacancy rates in the eight major markets in the region ranged from a low of 4.2 percent in Charlotte to a high of 6.9 percent in Birmingham (MPF Research). Vacancy rates increased in seven of the eight markets, with the largest increase in Nashville, where the vacancy rate was 5.0 percent, up from 3.4 percent a year ago, because a significant number of new apartment units entered the market. From the second quarter of 2016 to the second quarter of 2017, the apartment inventory in Nashville expanded approximately 6 percent, the second-fastest rate in the nation (MPF Research). Average rents increased in all eight of the major markets in the region, with growth

of at least 5 percent, or more than double the 2-percent average for the nation, in all but one region (MPF Research). Rent growth ranged from 2 percent in Jackson, which had the lowest average rent of \$828, to 8 percent in Atlanta, Columbia, and Louisville, where average rents were \$1,117, \$947, and \$854, respectively. The Miami market area, which includes Broward, Miami-Dade, and Palm Beach Counties, had the highest average rent in the region at \$1,467, up 5 percent from the second quarter of 2016.

The number of multifamily units permitted declined in the Southeast/Caribbean region during the second quarter of 2017, because developers responded to rising vacancy rates in some major markets and significant existing pipelines (units under construction and in planning) in others. Increased levels of multifamily permitting in Florida, Tennessee, and South Carolina offset some of the decline in the remaining five states, however.

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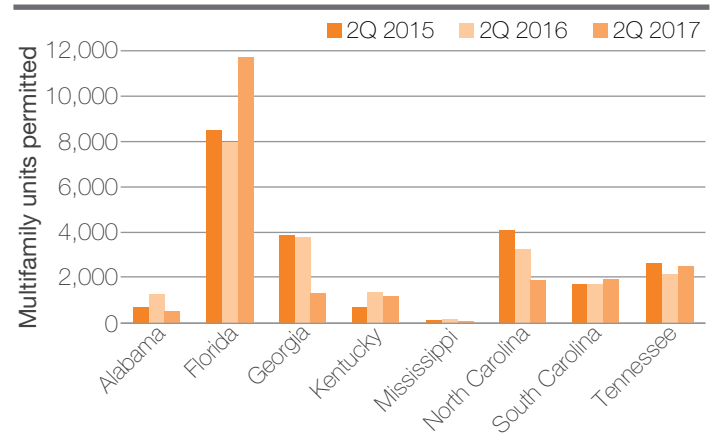
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During the second quarter of 2017 (preliminary data)—

- The number of multifamily units permitted in the region totaled 20,900, down 3 percent from the second quarter of 2016.
- The largest declines were in Georgia and North Carolina, where the number of units permitted decreased 2,500 and 1,375 units, or 66 and 43 percent, respectively. The decline in Georgia included a 71-percent decrease in the number of units permitted in Atlanta, where an estimated 26,800 units, or approximately 6 percent of the existing apartment inventory, are currently under construction. A 21-percent decrease in the number of units permitted in Charlotte, where an estimated 12,000 units, or approximately 7 percent of the existing apartment inventory, is currently under construction, contributed to the decline in North Carolina.
- In Florida, multifamily permitting totaled 11,650 units, up 46 percent from the second quarter of 2016. Despite a significant increase in the apartment vacancy rate, the 4,450 units permitted in the Miami market area were more than double the 2,150 units permitted a year ago. Notably, the number of units permitted in Miami-Dade County, where the apartment vacancy rate was only 3.8 percent, more than tripled from 940 to 2,925.
- Multifamily permitting rose 18 and 13 percent, to 2,500 and 1,900 units, in Tennessee and South Carolina, respectively. An 82-percent increase in the combined number of units permitted in Chattanooga, Knoxville, and Memphis contributed significantly to the increase in Tennessee. The number of units permitted in

Nashville declined 7 percent in response to the 1.6-percentage point increase in the apartment vacancy rate, however. The increase in multifamily permitting in South Carolina included a 244-percent increase in the number of units permitted in Columbia, where the apartment inventory expanded 5 percent from the second quarter of 2016, the eighth fastest rate in the nation (MPF Research).

Increased apartment vacancy rates in several major markets contributed to an overall decline in the number of multifamily units permitted in the Southeast/Caribbean region.



2Q = second quarter.
 Note: Based on preliminary data.
 Source: U.S. Census Bureau, Building Permits Survey

High levels of new apartment construction resulted in increased apartment vacancy rates but strong growth in monthly rents in the Southeast/Caribbean region.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		2Q 2016 (%)	2Q 2017 (%)	Percentage Point Change	2Q 2016 (\$)	2Q 2017 (\$)	Percent Change
Atlanta	Balanced	5.2	5.0	-0.2	1,034	1,117	8
Birmingham	Slightly soft	6.7	6.9	0.2	852	891	5
Charlotte	Balanced	3.9	4.2	0.3	992	1,064	7
Columbia	Balanced	4.4	5.6	1.2	874	947	8
Jackson	Balanced	4.4	4.5	0.1	814	828	2
Louisville	Balanced	3.7	4.4	0.7	793	854	8
Miami	Slightly tight	2.8	4.3	1.5	1,396	1,467	5
Nashville	Balanced	3.4	5.0	1.6	1,085	1,136	5

2Q = second quarter.
 Sources: market condition—HUD, PD&R, Economic and Market Analysis Division; vacancy rate and average monthly rent—MPF Research

