

HUD PD&R Regional Reports

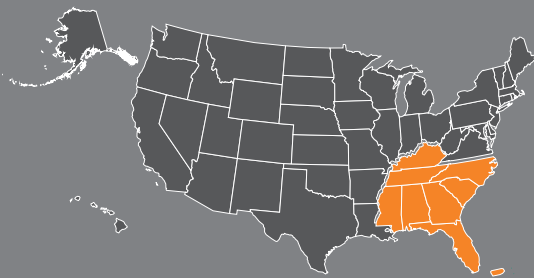
Region 4: Southeast/Caribbean



Nashville, Tennessee

Quick Facts About Region 4

- **Sales market conditions—**
Second quarter 2018: mixed (slightly tight to slightly soft).
First quarter 2018: mixed (balanced to slightly soft).
Second quarter 2017: mixed (balanced to slightly soft).
- **Apartment market conditions—**
Second quarter 2018: mixed (slightly tight to slightly soft).
First quarter 2018: mixed (slightly tight to slightly soft).
Second quarter 2017: mixed (slightly tight to slightly soft).



By Tammy Fayed | 2nd quarter 2018

Overview

During the second quarter of 2018, nonfarm payroll growth in the Southeast/Caribbean region continued at a strong pace of 1.6 percent but slowed from 1.7-percent growth during the same quarter a year earlier. Florida led the region, with 183,700 jobs, or 2.1 percent, added, but the state also led the region in the biggest slowdown compared with the number of jobs added a year earlier. Unemployment rates were down in every state in the region and in Puerto Rico, with the commonwealth posting the largest decrease, despite a slight decline in the labor force. Sales market conditions in the region were mixed, ranging from slightly tight to slightly soft. New and existing home sales were up 1 percent for the region, but only four of the eight states in the region had higher home sales than during the second quarter of 2017. Apartment markets in the region were generally balanced with some tight markets, especially in Florida. Average rents increased in each of the largest metropolitan areas in the region.

During the second quarter of 2018—

- Unemployment rates ranged from 3.1 percent in South Carolina to 9.3 percent in Puerto Rico.

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- New and existing home sales in the region totaled 1.52 million homes, and the average price of a home in the region increased 5 percent to \$228,800.

- Miami had the lowest apartment vacancy rate of 3.7 percent among the largest markets in the region, down from 4.0 percent, a year earlier. Atlanta and Miami each had rent increases of 5 percent, the highest in the region.

Economic Conditions

Nonfarm payroll growth in the Southeast/Caribbean region was strong but continued to slow during the second quarter of 2018, a trend that began in 2016. Nonfarm payrolls averaged 29.03 million during the quarter, an increase of 464,400 jobs, or 1.6 percent, compared with an increase of 479,200 jobs, or 1.7 percent, a year earlier. Job gains were recorded in every state in the region, but the Caribbean territories of Puerto Rico and the U.S. Virgin Islands lost 30,000 and 2,600 jobs, or 3.4 and 6.8 percent, respectively as a result of Hurricanes Irma and Maria in September 2017. Job gains ranged from 0.5 percent in Kentucky to 2.1 percent in Florida and North Carolina. The leisure and hospitality and the professional and business services sectors led job growth in the region with increases of 90,500 jobs and 85,800 jobs, or 2.6 and 2.2 percent, respectively. Job growth accelerated in the construction subsector to an increase of 64,200 jobs, or 4.6 percent, compared with a 57,100-job, or 4.4-percent, increase a year ago, partly a result of increased residential construction in the region. The unemployment rate for the region declined from 4.5 percent during the second quarter of 2017 to 3.9 percent during the second quarter of 2018, the lowest rate in the region since 2000. The unemployment rates fell in every state in the region. By comparison, the unemployment rate for the nation fell to 3.8 percent from 4.2 percent a year earlier.

During the second quarter of 2018—

- Although Florida was among five states in the region with lower nonfarm payroll growth than the same quarter a year earlier, the 28,200-job slowdown in Florida exceeded the regional 14,800-job reduction. Nonfarm payrolls in Florida averaged 8.75 million jobs, an increase of 183,700 jobs, or 2.1 percent, compared with a gain of 211,900 jobs, or 2.5 percent, a year earlier.
- In Georgia, nonfarm payrolls averaged 4.53 million jobs, an increase of 80,200 jobs, or 1.8 percent, compared with the second quarter of 2017. The largest gains occurred in the education and health services sector and the construction subsector, which increased by 17,100 and 16,500 jobs, or 3.0 and 9.0 percent, respectively.
- Alabama, Mississippi, and North Carolina were the only states in the region with higher job growth than a year earlier, averaging 22,200, 16,300, and 94,100 jobs, or 1.1, 1.4, and 2.1 percent, respectively, compared with growth of 0.9, 0.5, and 1.6 percent a year earlier, respectively. After lagging the remainder of the region since the recession, in 2018, Mississippi finally regained the number of jobs lost as a result of the most recent national recession.

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The leisure and hospitality sector led employment growth in the Southeast/Caribbean region during the second quarter of 2018.

	Second Quarter		Year-Over-Year Change	
	2017 (thousands)	2018 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	28,566.1	29,030.5	464.4	1.6
Goods-producing sectors	3,950.3	4,044.5	94.2	2.4
Mining, logging, and construction	1,403.7	1,467.1	63.4	4.5
Manufacturing	2,546.7	2,577.3	30.6	1.2
Service-providing sectors	24,615.8	24,986.1	370.3	1.5
Wholesale and retail trade	4,556.1	4,593.2	37.1	0.8
Transportation and utilities	1,137.9	1,188.7	50.8	4.5
Information	481.5	479.2	-2.3	-0.5
Financial activities	1,573.4	1,600.1	26.7	1.7
Professional and business services	3,959.7	4,045.5	85.8	2.2
Education and health services	3,898.1	3,959.3	61.2	1.6
Leisure and hospitality	3,445.1	3,535.6	90.5	2.6
Other services	1,072.1	1,088.0	15.9	1.5
Government	4,491.9	4,496.4	4.5	0.1

Note: Numbers may not add to totals because of rounding.

Source: U.S. Bureau of Labor Statistics



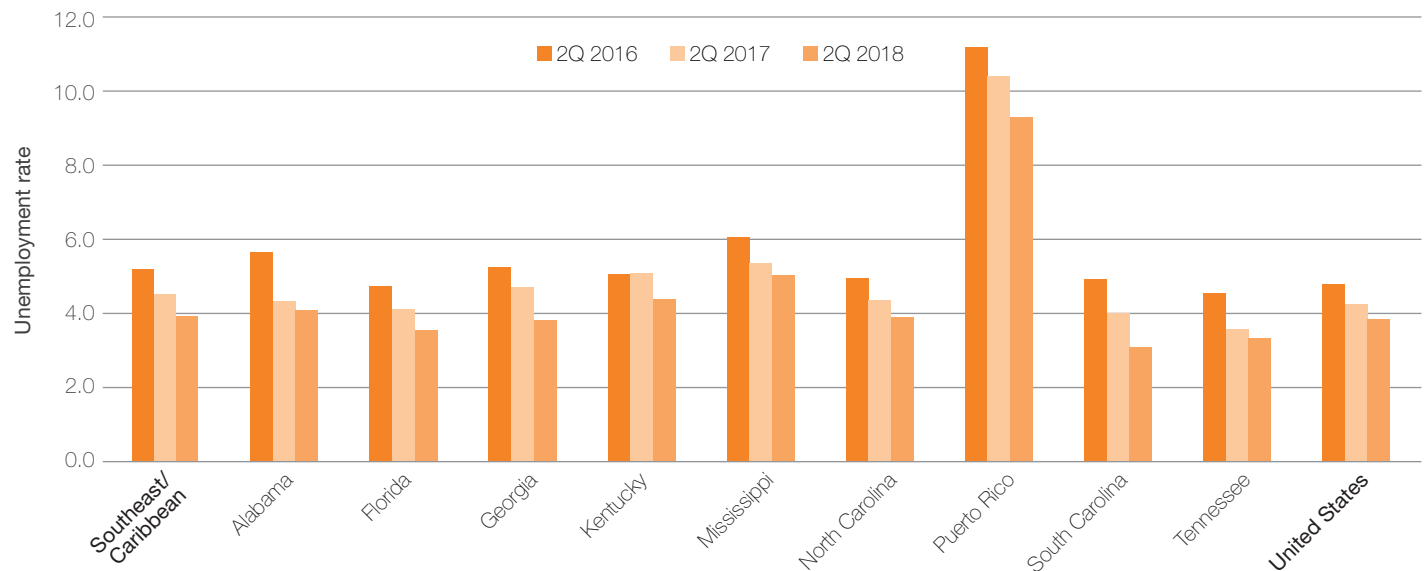
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- The unemployment rates in states in the region ranged from 3.1 percent in South Carolina to 5.0 percent in Mississippi. Despite being the highest unemployment rate among the states in the region, the Mississippi unemployment rate has steadily fallen from a peak of 10.4 percent in 2010.
- In Puerto Rico, the unemployment rate decreased from 10.4 to 9.3 percent, despite a 0.2-percent decline in the labor force.

Manufacturing payrolls continued to increase in the region, a trend that began in 2011 after a long, substantial decline in the sector during the previous decade. During the second quarter of 2018, payrolls in the manufacturing sector increased by 30,600 jobs, or 1.2

percent, to reach 2.58 million jobs. Additional job gains in the sector are expected in the region as a result of recent job announcements, including four announcements in western Tennessee that are expected to add 800 new jobs. The most recent among the announcements was the news that Monogram Refrigeration, LLC, plans to invest \$9.3 million in its Tennessee manufacturing plant to add two new assembly lines and approximately 200 new jobs. As another example of planned additions to the sector, Hanwha Q CELLS Korea Corporation, a manufacturer of solar energy technology, announced plans for a \$150 million solar module manufacturing plant in Dalton, Georgia. The facility is expected to be completed in 2019 and create 500 new jobs.

The unemployment rate declined in Puerto Rico and in every state in the Southeast/Caribbean region, with the largest decrease in Puerto Rico.



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

Sales Market Conditions

Conditions in sales markets in the Southeast/Caribbean region were mixed during the second quarter of 2018, ranging from slightly tight to slightly soft. The inventory of available homes decreased to a 3.9-month supply in May 2018, down from 4.1 months a year earlier (CoreLogic, Inc.). The supply of homes has fallen significantly since the peak of the housing market crisis in 2010 when the available inventory was more than 11 months. The tightening of markets throughout the region was a result of strong economic conditions and limited construction since 2010, partially because of limited lot availability and skilled construction labor, especially in larger cities in the region. Kentucky had the most limited supply of available homes in the region in May 2018, at 2.7 months, which was down from 2.9 months in May 2017

and a peak of 11.1 months in July 2011. During the 12 months ending May 2018, sales of new and existing homes in the region (including single-family homes, townhomes, and condominiums) totaled 1.52 million homes, a 1-percent increase from the previous 12 months. New and existing home prices increased 5 percent during the past 12 months to an average of \$228,800. Home sales prices are currently approximately 6 percent higher than during the previous peak in 2006 before the sales housing crisis. Home sales increased in four of the eight states in the region during the second quarter of 2018, ranging from 2 percent in Tennessee to 7 percent in Kentucky. Home sales were virtually unchanged in Florida where 583,000 homes sold; as usual, Florida had the largest number of homes sold in the region. The average price of a home increased

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in every state in the region, except Mississippi where home prices declined 1 percent. Home price increases ranged from 1 percent in Kentucky to 6 percent in Florida, South Carolina, and Tennessee.

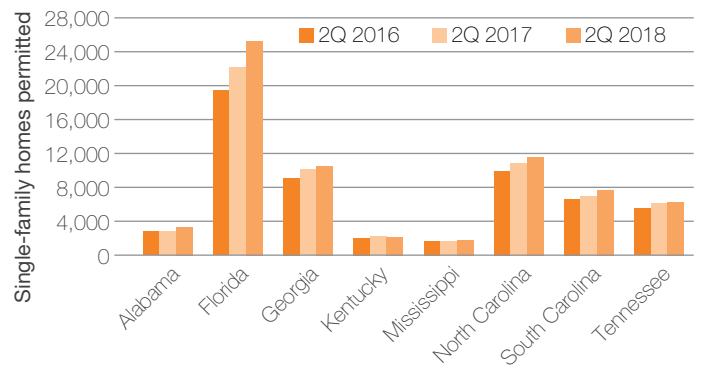
Strong economic conditions and tightening sales markets encouraged builders to expand homebuilding (as measured by the number of units permitted) in the Southeast/Caribbean region, with increases in every state in the region except Kentucky where the number of homes permitted was virtually unchanged from a year earlier.

During the second quarter of 2018 (preliminary data) —

- Permits for single-family homes increased 9 percent in the region to approximately 68,800 homes after a 10-percent increase during the second quarter of 2017.
- Florida had both the largest number and the largest increase in the number of single-family homes permitted at approximately 25,250 homes permitted, a 3,125-home, or 14-percent, increase from the second quarter of 2017.
- In Georgia and North Carolina, approximately 10,550 and 11,600 homes were permitted, representing increases of 4 and 7 percent, respectively.
- Homes permitted increased at the highest rate, 19 percent, in Alabama to reach approximately 3,400 homes permitted. Homebuilding in the remaining three states in the region increased 2, 7, and 11 percent in Tennessee, Mississippi, and South Carolina to reach approximately 6,225, 1,825, and 7,725 homes, respectively.

A new single-family home community, Quinn Ridge, has been proposed in Collierville, Tennessee, approximately 30 miles southeast of the city of Memphis that would be the largest subdivision built in the area since 2010. The development would include approximately 540 single-family homes on 177 acres built in phases of 20 to 50 homes a year with completion in at least 10 years in the future. The homes are expected to be 2,500 square feet or larger with an average price of \$500,000. Homes will be marketed to older households, but with no age restrictions.

Permits for single-family homes increased more in Florida during the second quarter of 2018 than in any other state in the Southeast/Caribbean region.



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

Home sales trends were mixed in the Southeast/Caribbean region; four of the eight states recorded higher homes sales than a year ago.

	12 Months Ending	Number of Homes Sold			Price			
		2017	2018	Percent Change	Average or Median	2017 (\$)	2018 (\$)	Percent Change
Alabama (N&E)	May	97,600	96,050	- 2%	AVG	\$159,700	\$165,800	4%
Florida (N&E)	May	585,500	583,000	0%	AVG	\$251,700	\$267,200	6%
Georgia (N&E)	May	222,100	230,300	4%	AVG	\$211,700	\$219,200	4%
Kentucky (N&E)	May	76,300	81,700	7%	AVG	\$155,000	\$157,300	1%
Mississippi (N&E)	May	22,950	22,350	- 3%	AVG	\$191,400	\$190,200	- 1%
North Carolina (N&E)	May	212,700	218,800	3%	AVG	\$214,100	\$224,600	5%
South Carolina (N&E)	May	117,900	117,200	- 1%	AVG	\$206,000	\$218,400	6%
Tennessee (N&E)	May	164,900	168,400	2%	AVG	\$185,300	\$195,900	6%

AVG = average. N&E = new and existing.
 Notes: Data include new and existing single-family homes, townhomes, and condominiums. Data for Mississippi exclude Hinds County, the most populous county in the Jackson metropolitan area.
 Source: CoreLogic, Inc., with adjustments by the analyst.

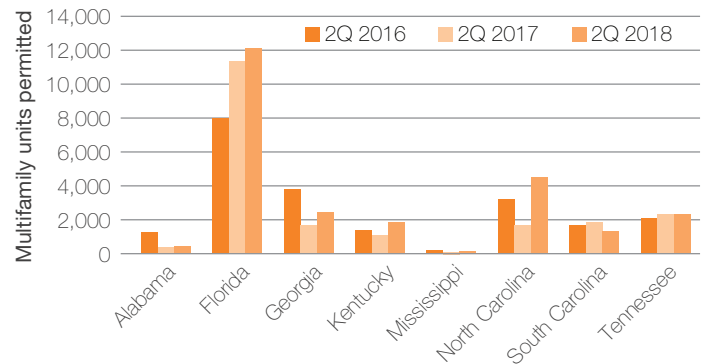


Apartment Market Conditions

Apartment markets in the Southeast/Caribbean region were mixed during the second quarter of 2018, with most markets exhibiting balanced conditions and a few having slightly tight conditions, especially in Florida. Miami was one of the tightest metropolitan area apartment markets in the region during the quarter, and the vacancy rate declined to 3.7 percent from 4.0 percent during the second quarter of 2017 (RealPage, Inc.). Vacancy rates also declined in Atlanta and Birmingham to 5.5 and 6.4 percent, respectively, from 5.7 and 6.9 percent a year earlier. Metropolitan areas with increases in the vacancy rate, each less than 1 percentage point, included Charlotte, Columbia, Jackson, Louisville, and Nashville. The largest increase occurred in Nashville where the vacancy rate rose 0.8 percentage point as a result of the large number of units that were completed in the past year. Despite rising vacancy rates in many of the largest metropolitan areas in the region, average monthly rents increased in each area during the second quarter, ranging from 1 to 5 percent. The largest increases of 5 percent were recorded in Atlanta and Miami to reach \$1,164 and \$1,583, respectively. Miami is currently one of the most expensive rental markets in the Southeast/Caribbean region. In Birmingham, Charlotte, and Columbia, average rents increased 4 percent to \$906, \$1,081, and \$892, respectively.

After dramatic cutbacks in multifamily construction throughout much of the region a year ago, the number of units permitted rebounded during the second quarter of 2018 in most states except South Carolina. Approximately 25,000 multifamily units were permitted in the region, an increase of 4,550 units, or 22 percent, from the second quarter of 2017.

The number of multifamily units permitted increased 22 percent in the Southeast/Caribbean region during the second quarter of 2018, partly a result of a large increase in multifamily units permitted in North Carolina.



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

During the second quarter of 2018 (preliminary data)—

- Florida had the largest number of units permitted in the region at approximately 12,050. One of the largest properties completed in Florida in 2018 was the 85-story, 821-unit Panorama Tower in Miami. The property is the tallest building in Florida and includes

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Most major markets in the Southeast/Caribbean region were balanced during the second quarter of 2018 with the exception of Miami, which was slightly tight.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		2Q 2017 (%)	2Q 2018 (%)	Percentage Point Change	2Q 2017 (\$)	2Q 2018 (\$)	Percent Change
Atlanta	Balanced	5.7	5.5	-0.2	1,107	1,164	5
Birmingham	Balanced	6.9	6.4	-0.5	873	906	4
Charlotte	Balanced	4.6	4.8	0.2	1,039	1,081	4
Columbia	Balanced	6.2	6.3	0.1	861	892	4
Jackson*	Balanced	6.5	7.0	0.5	817	834	2
Louisville	Balanced	4.6	4.8	0.2	842	848	1
Miami	Slightly tight	4.0	3.7	-0.3	1,506	1,583	5
Nashville	Balanced	4.4	5.2	0.8	1,108	1,143	3

2Q = second quarter.

Note: * First quarter 2018.

Sources: Market Condition: Economic and Market Analysis Division; Vacancy Rate and Average Monthly Rent: RealPage, Inc.



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office, retail, and hotel space and a large array of high-end amenities for residents. Rents for one-, two-, and three-bedroom units start at \$2,800, \$3,625, and \$6,300, respectively.

- South Carolina was the only state in the region to record a cutback in the number of units permitted, to approximately 1,350 units, a 28-percent decline. The decrease was largely the result of a nearly 600-unit decline in the Charleston metropolitan area where multifamily production has been at or near record levels during the past 3 years.
- The largest increase during the quarter occurred in North Carolina where the number of multifamily units permitted more than doubled to approximately 4,500 units compared with 1,650 units permitted during the second quarter of 2017. A large portion of the increase can be attributed to spikes in production in the Charlotte, Durham, and Raleigh metropolitan areas where the number of units permitted increased approximately 1,225, 800, and 760 units to reach 1,750, 1,100, and 1,175 units, respectively.

- In Georgia and Kentucky, the number of units permitted increased 45 and 61 percent, or by 750 and 680 units, to 2,425 and 1,800 units, respectively.

Permits for multifamily units averaged more than 12,000 units a year in Georgia during the past 5 years with more than 85 percent of those units located in Atlanta. Development in Atlanta shows little sign of slowing, with permits for multifamily units up 50 percent during the second quarter of 2018 compared with a year earlier. Nearly 30,000 units are currently in planning stages in the metropolitan area (McGraw-Hill Construction Pipeline database), including Quarry Yards, a 70-acre mixed-used development to be adjacent to the Bankhead transit station on the west side of Atlanta. When complete, the project is expected to include up to 850 residential units, 575,000 square feet of office space, 75,000 square feet of retail and restaurant space, and a 300-room hotel. The estimated \$400 million first phase is expected to break ground in 2019.

