

# HUD PD&R Regional Reports

## Region 4: Southeast/Caribbean



Charlotte, North Carolina

By Robyn E. Bowen | 3rd quarter 2017

### Quick Facts About Region 4

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

### Overview

Economic expansion in the Southeast/Caribbean region that occurred during the past 6 years continued during the third quarter of 2017. Nonfarm payroll jobs in the region grew moderately during the past year; however, the rate of growth slowed from the previous year as the service-providing sectors added 155,200 fewer jobs compared with the third quarter of 2016. Home sales and home sales prices increased in most states in the region during the 12 months ending August 2017, and the number of loans that were seriously delinquent (90 or more days delinquent or in foreclosure) and properties that had transitioned to real estate owned (REO) status declined, although the rate remains above the national level. Apartment vacancy rates, which ranged from 3.8 to 7.3 percent, increased in most of the major metropolitan areas during the third quarter of 2017 as supply began to outpace demand. Single-family construction increased in the region compared with the previous year; however, multifamily construction slowed during the past year.

- During the third quarter of 2017, nonfarm payrolls in the region increased 1.8 percent to 27.62 million jobs compared with an increase of 2.6 percent during the third quarter of 2016.

continued on page 2



continued from page 1

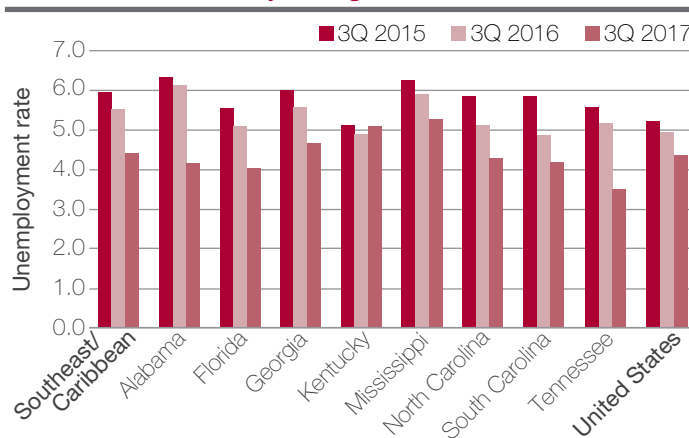
- Home sale increases ranged from 1 to 6 percent in each state in the region, except Mississippi and South Carolina where sales declined 2 and 3 percent, respectively.
- Permitting of single-family homes increased 7 percent, and the number of multifamily units permitted decreased 3 percent during the third quarter of 2017 compared with both increasing 10 percent a year earlier (preliminary data).

## Economic Conditions

Economic conditions in the Southeast/Caribbean region, which began to improve in 2011, continued to strengthen during the third quarter of 2017. Nonfarm payrolls averaged 27.62 million during the third quarter of 2017, an increase of 489,100 jobs, or 1.8 percent, from a year ago. By comparison, nonfarm payrolls increased by 691,200 jobs, or 2.6 percent, during the third quarter of 2016 from the third quarter of 2015. Nonfarm data for Puerto Rico and the U.S. Virgin Islands are omitted from the regional averages in this report due to the lack of data availability after Hurricane Maria struck the islands in September 2017. During the third quarter of 2017, nonfarm payrolls grew in every state in the region, led by Florida, Georgia, and North Carolina. Most payroll sectors in the region added jobs, with the professional and business services, the leisure and hospitality, and the education and health services sectors leading job growth and increasing by 120,200, 71,400, and 70,500 jobs, or 3.2, 2.2, and 1.9 percent, respectively. The highest rate of growth was in the mining, logging, and construction sector. The unemployment rate for the region declined to 4.4 percent during the third quarter of 2017 from 5.6 percent a year ago. By

continued on page 3

### Unemployment rates declined in every state in the Southeast/Caribbean region during the third quarter of 2017 relative to a year ago.



3Q = third quarter.  
 Note: Due to Hurricane Maria in September 2017, unemployment data for Puerto Rico and the U.S. Virgin Islands were omitted from this figure because of lack of data availability.  
 Source: U.S. Bureau of Labor Statistics

### Nonfarm payrolls in the Southeast/Caribbean region increased 1.8 percent, led by the mining, logging, and construction and the professional and business services sectors.

	Third Quarter		Year-Over-Year Change	
	2016 (thousands)	2017 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	27,129.2	27,618.3	489.1	1.8
Goods-producing sectors	3,791.3	3,860.5	69.2	1.8
Mining, logging, and construction	1,342.1	1,388.2	46.1	3.4
Manufacturing	2,449.2	2,472.3	23.1	0.9
Service-providing sectors	23,337.9	23,757.8	419.9	1.8
Wholesale and retail trade	4,367.4	4,416.6	49.2	1.1
Transportation and utilities	1,102.3	1,122.3	20.0	1.8
Information	454.6	450.8	- 3.8	- 0.8
Financial activities	1,506.8	1,535.7	28.9	1.9
Professional and business services	3,788.4	3,908.6	120.2	3.2
Education and health services	3,689.2	3,759.7	70.5	1.9
Leisure and hospitality	3,257.1	3,328.5	71.4	2.2
Other services	1,032.7	1,060.0	27.3	2.6
Government	4,139.4	4,175.5	36.1	0.9

Notes: Numbers may not add to totals because of rounding. Due to Hurricane Maria in September 2017, nonfarm data for Puerto Rico and the U.S. Virgin Islands were omitted from the regional figure averages because of lack of data availability.  
 Source: U.S. Bureau of Labor Statistics



continued from page 2

comparison, the national rate declined from 5.0 to 4.4 percent. The unemployment rate declined in every state in the region except Kentucky, which increased from 4.9 to 5.1 percent, from the third quarter of 2016 to the third quarter of 2017, as labor force growth outpaced growth in employment.

During the third quarter of 2017—

- Payrolls in Florida, Georgia, and North Carolina were up 175,400, 100,500, and 66,500 jobs, or 2.1, 2.3, and 1.5 percent, respectively.
- The mining, logging, and construction sector had the highest rate of growth, increasing 3.4 percent, or by 46,100 jobs, from the previous year.

- The unemployment rates among the states in the region ranged from 3.5 percent in Tennessee to 5.3 percent in Mississippi. Tennessee had the highest percentage point decline from the previous year, as employment growth more than doubled labor force growth.
- Philips, a global health technology company, announced it will add 800 jobs at its new administrative and technology center in the Nashville metropolitan area during the next 2 years.
- Mercedes-Benz U.S. International, Inc. broke ground on a \$1.3 billion expansion of its Global Logistics Center and After Sales Hub in the town of Woodstock, Alabama. The factory is expected to employ 600 people when opened in 2020.

## Sales Market Conditions

Sales housing market conditions in the Southeast/Caribbean region were mixed, ranging from balanced to slightly soft, during the third quarter of 2017. Moderate economic growth continued to strengthen demand for homes and increase home sales in most of the region. Tennessee home sales reached 162,600 during the 12 months ending August 2017, an increase of 6 percent from the previous 12 months (CoreLogic, Inc., with adjustments by the analyst), the highest rate of increase in the region as employment growth in the state accelerated. Kentucky and North Carolina had the second highest growth rates in the region, both increasing 5 percent to 78,300 and 206,200 homes sold, respectively. Home sales declined in both Mississippi and South Carolina during the 12 months ending August 2017, decreasing by 300 and 2,900 homes, or 2 and 3 percent, respectively, from the previous 12-month period to approximately

16,100 and 102,500 homes. Home sales prices increased in every state in the region, due in part to the decline of distressed home sales (REO and short sales). Florida, North Carolina, and South Carolina led price gains with 6-percent increases in home sales prices from the previous 12 months, with Florida having the highest average sales price at \$256,500. The rates of seriously delinquent mortgages and loans that transitioned into REO status declined in every state in the region from a year ago. In August 2017, 2.6 percent of home loans in the region were seriously delinquent or had transitioned into REO status, down from 3.2 percent in August 2016 (CoreLogic, Inc.). Mississippi had the highest percentage of seriously delinquent loans and REO properties in the region in August 2017 at 3.8 percent, down from 4.2 percent in August 2016. North Carolina had the lowest percentage in the region at 2.1 percent,

continued on page 4

**Home sales and prices increased throughout most of the Southeast/Caribbean region, with the exceptions of Mississippi and South Carolina, where home sales declined.**

	12 Months Ending	Number of Homes Sold				Price		
		2016	2017	Percent Change	Average or Median	2016 (\$)	2017 (\$)	Percent Change
Alabama (N&E)	August	92,100	92,300	0	AVG	158,800	165,900	4
Florida (N&E)	August	563,000	571,000	1	AVG	242,400	256,500	6
Georgia (N&E)	August	206,900	214,100	3	AVG	204,800	215,000	5
Kentucky (N&E)	August	74,800	78,300	5	AVG	149,700	157,200	5
Mississippi (N&E)	August	16,400	16,100	-2	AVG	192,600	196,400	2
North Carolina (N&E)	August	197,100	206,200	5	AVG	205,500	217,300	6
South Carolina (N&E)	August	105,400	102,500	-3	AVG	201,600	212,800	6
Tennessee (N&E)	August	153,900	162,600	6	AVG	177,800	187,500	5

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, which is the most populous county in the Jackson metropolitan area.

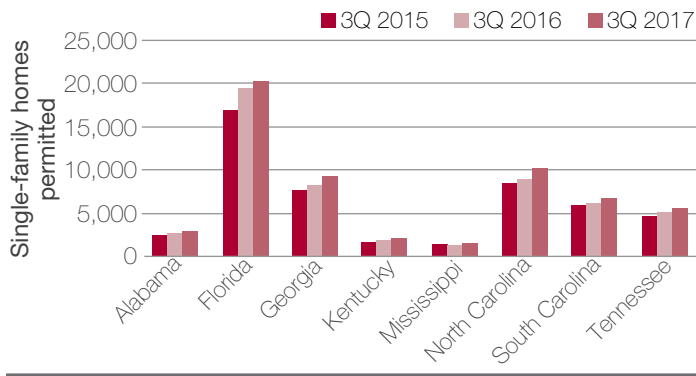
Source: CoreLogic, Inc., with adjustments by the analyst



continued from page 3

down from 2.5 percent during the previous year. Florida declined the most during the past year, with a rate of 3.0 percent in August 2017 from 4.0 percent in August 2016. The percentage of seriously

**Single-family permitting increased throughout the Southeast/Caribbean region.**



3Q = third quarter.  
 Note: Based on preliminary data.  
 Source: U.S. Census Bureau, Building Permits Survey

delinquent home loans and REO properties in the region remains above the national average, which was 2.2 percent in August 2017, down from 2.7 percent in August 2016.

Continued economic growth and increased home sales, have increased the number of single-family homes constructed in the region, as measured by the number of single-family homes permitted.

During the third quarter of 2017 (preliminary data)—

- Single-family homes permitted in the region increased by 4,000 homes, or 7 percent, from the previous year to approximately 58,050 homes.
- In Mississippi, North Carolina, and Georgia, single-family permitting increased 14, 12, and 11 percent to 1,525, 10,100, and 9,175 homes, respectively.
- Florida led the region in single-family permitting with 20,200 homes permitted, an increase of 4 percent from a year ago, following a 16-percent increase during the third quarter of 2016, as home sales market conditions improved.
- No states in the region reported declines in single-family permitting.

**Apartment Market Conditions**

Apartment market conditions were mixed throughout the Southeast/Caribbean region during the third quarter of 2017, ranging from slightly soft to slightly tight. The elevated volume of new apartments coming on the market during the past year resulted in vacancy rates increasing throughout the region. The vacancy rate in the city of Nashville increased the most from 3.6 percent during the third quarter of 2016 to 6.6 percent during the third quarter of 2017 (MPF Research). The large increase was due in part to approxi-

mately 10,500 new apartment units coming on the market during the past year compared with an average of 4,300 units annually during the past 3 years. The Miami metropolitan area apartment market was slightly tight compared with very tight conditions during the previous year as supply outpaced demand. The apartment vacancy rate in the Miami metropolitan area was 3.8 percent during the third quarter of 2017, up from 1.8 percent during the third quarter of 2016. Nearly 1,175 apartment units were added in the

continued on page 5

**Apartment market conditions were mixed in the Southeast/Caribbean region, with rents and vacancy rates increasing across the region.**

	Market Condition	Vacancy Rate			Average Monthly Rent		
		3Q 2016 (%)	3Q 2017 (%)	Percentage Point Change	3Q 2016 (\$)	3Q 2017 (\$)	Percent Change
Atlanta	Balanced	4.2	5.4	1.2	1,073	1,133	6
Birmingham	Slightly soft	5.9	7.3	1.4	857	905	6
Charlotte	Balanced	3.5	4.9	1.4	1,027	1,065	4
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	1.8	3.8	2	1,332	1,483	11
Nashville	Slightly soft	3.6	6.6	3	1,116	1,147	3

3Q = third quarter.  
 \* Second quarter.  
 Sources: market condition—HUD, PD&R, Economic and Market Analysis Division; vacancy rate and average monthly rent—MPF Research



continued from page 4

Miami metropolitan area during the past year compared with an average of 810 units added annually during the past 3-year period. Vacancy rates in the Birmingham and Charlotte metropolitan areas also increased from 5.9 and 3.5 percent to 7.3 and 4.9 percent, respectively. The Miami, Columbia, and Louisville metropolitan areas led rent growth; the average rent increased 11, 8, and 8 percent to \$1,483, \$947, and \$854, respectively. The average rent increased the least in the Jackson metropolitan area during the third quarter of 2017 to \$828, a 2-percent increase.

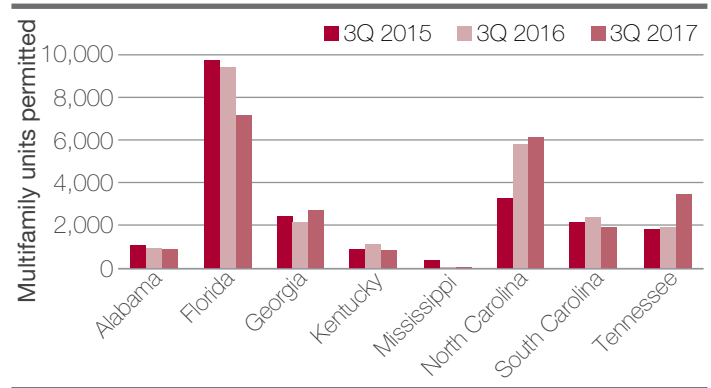
Multifamily construction in the region, as measured by the number of units permitted, decreased as developers responded to rising vacancy rates in the region.

During the third quarter of 2017 (preliminary data)—

- Permits were issued for 23,200 multifamily units in the region, a 3-percent decline from the number of units permitted during the third quarter of 2016.
- In Florida, after decreasing by nearly 350 units, or 4 percent, during the third quarter of 2016, the number of units permitted declined by 2,325 units, or 25 percent, the largest decline in the region, as vacancy rates increased throughout the state.
- The number of units permitted in Kentucky and South Carolina declined 23 and 21 percent to 860 and 1,950 units, respectively, due in part to a large apartment pipeline in both states.

- Despite softening apartment market conditions, the number of multifamily units permitted increased by 550 and 1,500 units, or 26 and 76 percent, in Georgia and Tennessee, respectively. Tennessee had the highest increase in the region. In North Carolina, the number of units permitted was 6,150, up 6 percent from the past year.

**Multifamily permitting in the Southeast/Caribbean region decreased overall, after increasing during the previous year.**



3Q = third quarter.  
 Note: Based on preliminary data.  
 Source: U.S. Census Bureau, Building Permits Survey

