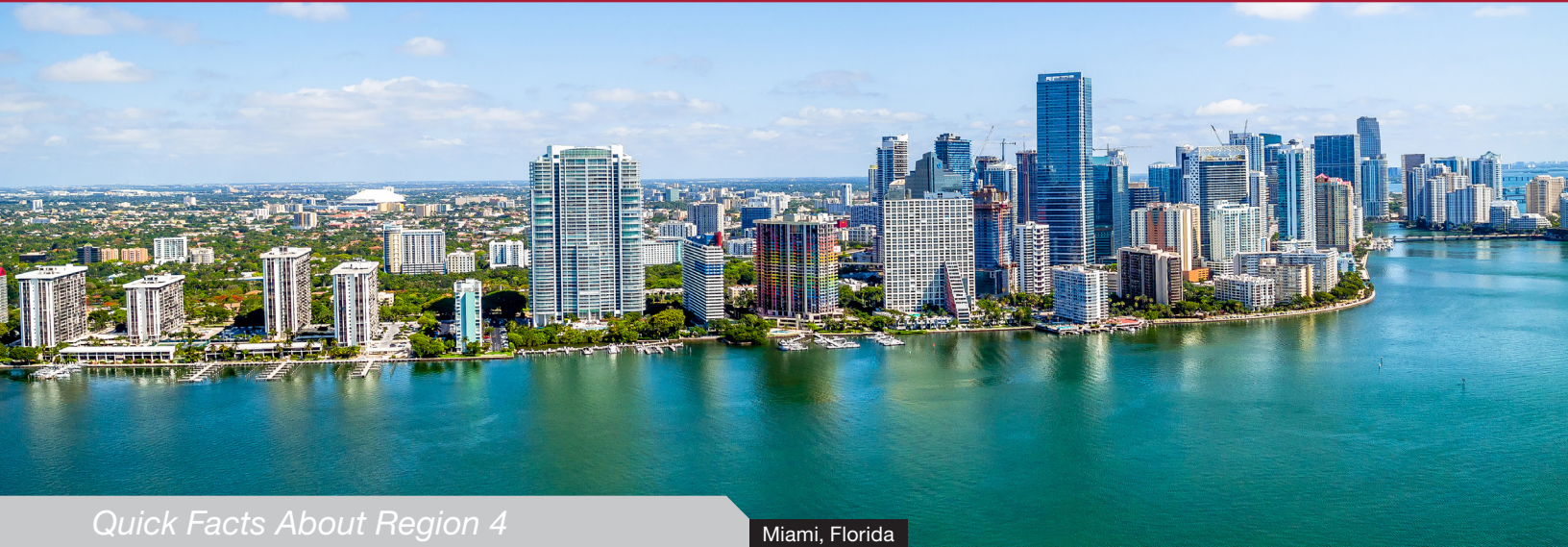


HUD PD&R Regional Reports

Region 4: Southeast/Caribbean



Quick Facts About Region 4

Miami, Florida

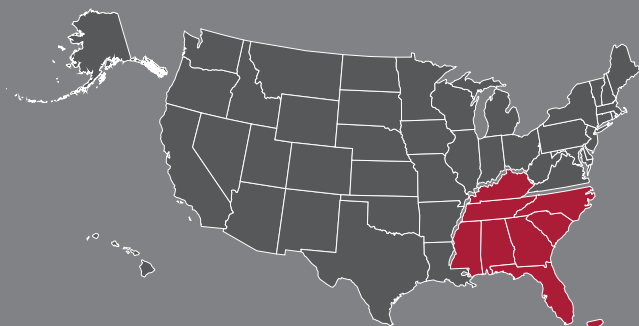
By Casey M. Blount | 3rd quarter 2018

Sales market conditions—

Third quarter 2018: mixed (slightly tight to slightly soft).
Second quarter 2018: mixed (slightly tight to slightly soft).
Third quarter 2017: mixed (balanced to slightly soft).

Apartment market conditions—

Third quarter 2018: mixed (slightly tight to balanced).
Second quarter 2018: mixed (slightly tight to slightly soft).
Third quarter 2017: mixed (slightly tight to slightly soft).



Overview

Economic conditions in the Southeast/Caribbean region strengthened during the third quarter of 2018 following relatively slow job growth during the third quarter of 2017. Nonfarm payrolls in the region increased 2.2 percent during the third quarter of 2018, up from growth of only 1.1 percent during the previous year and higher than the 1.7-percent rate for the nation. The largest and fastest job gains in the region were in Florida, where growth was slowed by the impact of Hurricane Irma during the third quarter of 2017. Nonfarm payrolls in the state rose by 282,200 jobs, or 3.3 percent, during the third quarter of 2018, up from an increase of only 112,700 jobs, or 1.3 percent, a year ago. Unemployment rates declined in seven of the eight states in the region and in Puerto Rico, where the rate decreased by 2 percentage points. Sales market conditions in the region were mixed, ranging from slightly tight to slightly soft. New and existing home sales increased 2 percent in the region during the most recent 12 months, whereas the average sales price increased 5 percent. Apartment market conditions in the region were also mixed, ranging from slightly tight to balanced. Average rents rose in all major markets, including 6-percent increases in the Atlanta and Birmingham market areas, which exceeded the national average of 4 percent.

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- Unemployment rates ranged from 3.5 percent in South Carolina to 9.1 percent in Puerto Rico.
- New and existing home sales in the region totaled 1.54 million, and the average sales price in the region rose to \$232,200.
- The lowest apartment vacancy rate among the largest markets in the region was 4.2 percent in Louisville. The highest average rent, \$1,558, was in Miami.

Economic Conditions

Nonfarm payrolls in the Southeast/Caribbean region have increased each year since 2011, with job growth exceeding the national rate during much of the period. The rate of job growth in the region slowed dramatically during the third quarter of 2017, due in part to the impact of Hurricanes Irma and Maria, but accelerated during the past year. Nonfarm payrolls averaged 29.01 million during the third quarter of 2018, an increase of 611,300 jobs, or 2.2 percent, compared with an increase of 328,600 jobs, or 1.1 percent, during the third quarter of 2017. Each state in the region added jobs during the past year, ranging from 0.8-percent growth in Kentucky to 3.3-percent growth in Florida. Nonfarm payrolls decreased 2.0 percent in the Caribbean territories of Puerto Rico and the U.S. Virgin Islands, representing declines of 17,500 and 730 jobs, respectively. The leisure and hospitality and the professional and business services sectors led job growth in the region, expanding by 123,100 and 111,200 jobs, or 3.6 and 2.8 percent, respectively. The fastest job growth was in the mining, logging, and construction sector, which expanded by 82,000 jobs, or 5.8 percent, due in part to increased residential construction throughout much of the region. The unemployment rate for the region averaged 4.0 percent during the third quarter of 2018, down from 4.6 percent during the third quarter of 2017, with declines in seven of eight states

and in Puerto Rico, where the rate fell from 11.1 to 9.1 percent. Tennessee was the only state in which the unemployment rate increased, rising from 3.6 percent to 3.9 percent. By comparison, the unemployment rate for the nation was 3.9 percent, down from 4.4 percent a year ago.

During the third quarter of 2018—

- In Florida, nonfarm payrolls averaged 8.75 million, an increase of 282,200 jobs, or 3.3 percent. A 28-percent increase in residential (single-family and multifamily) permitting activity contributed significantly to job growth in the state. The mining, logging, and construction sector expanded by 49,150 jobs, or 9.7 percent, the second most jobs added and highest growth rate of any sector in the state.
- Job growth also exceeded the national rate of 1.7 percent in Georgia, North Carolina, and Tennessee, where nonfarm payrolls expanded 2.2, 2.2, and 2.0 percent to 4.55 million, 4.50 million, and 3.07 million jobs, respectively—increases of 97,050, 97,300, and 59,700 jobs, respectively, from a year ago.

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Every sector in the Southeast/Caribbean region added jobs during the third quarter of 2018.

	Third Quarter		Year-Over-Year Change	
	2017 (thousands)	2018 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	28,401.7	29,013.0	611.3	2.2
Goods-producing sectors	3,956.5	4,081.8	125.3	3.2
Mining, logging, and construction	1,407.2	1,489.2	82.0	5.8
Manufacturing	2,549.3	2,592.7	43.4	1.7
Service-providing sectors	24,445.2	24,931.1	485.9	2.0
Wholesale and retail trade	4,539.6	4,591.2	51.6	1.1
Transportation and utilities	1,150.2	1,203.1	52.9	4.6
Information	477.4	482.2	4.8	1.0
Financial activities	1,582.7	1,611.1	28.4	1.8
Professional and business services	3,963.2	4,074.4	111.2	2.8
Education and health services	3,876.0	3,964.3	88.3	2.3
Leisure and hospitality	3,403.1	3,526.2	123.1	3.6
Other services	1,065.1	1,086.7	21.6	2.0
Government	4,387.8	4,391.9	4.1	0.1

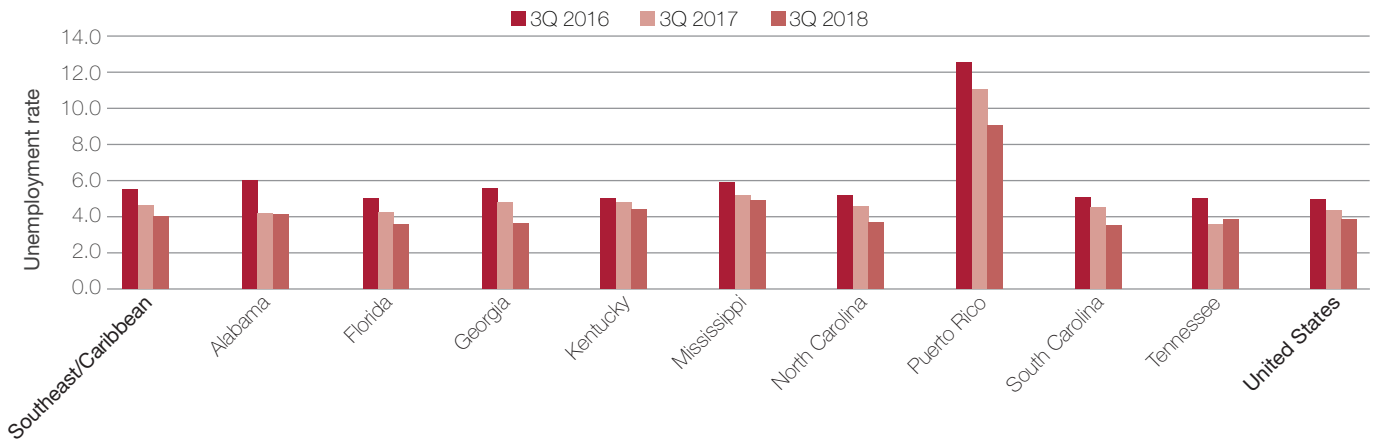
Note: Numbers may not add to totals because of rounding.

Source: U.S. Bureau of Labor Statistics



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With the exception of Tennessee, unemployment rates declined throughout the Southeast/Caribbean region during the third quarter of 2018.



3Q = third quarter.
Source: U.S. Bureau of Labor Statistics

- Nonfarm payroll growth accelerated in each state in the region, with the most significant change in Mississippi, which added 19,950 jobs, or 1.7 percent, up from 2,025 jobs, or 0.2 percent, a year ago. The professional and business services sector, which expanded by 7,425 jobs, or 7.0 percent, led gains in the state.
- In Alabama and South Carolina, nonfarm payrolls expanded by 23,950 and 34,300 jobs, or 1.2 and 1.6 percent, respectively.

Sales Market Conditions

Sales markets in the Southeast/Caribbean region were mixed during the third quarter of 2018, ranging from slightly tight to slightly soft. Strengthening economic conditions and relatively low levels of construction have contributed to rising home prices and significant declines in available inventory throughout much of the region relative to the late 2000s and early 2010s. The inventory of available homes in the region remained unchanged at 3.9 months in August 2018 but has declined during 6 of the past 8 years and is down 65 percent from the August high of 11.3 months in 2010, during the peak of the housing crisis (CoreLogic, Inc., with adjustments by the analyst). Limited availability of developable land and skilled construction labor have contributed to very low levels of for-sale inventory in some parts of the region. In Kentucky, the supply of available homes was only 3.0 months in August 2018, down from 3.1 months in August 2017, and was the lowest figure in the region. During the 12 months ending August 2018, 1.54 million new and existing homes (including single-family homes, townhomes, and condominiums) were sold in the region, an increase of 2 percent from the previous 12 months. New and existing home sales prices increased 5 percent during the most recent 12 months and are approximately 8 percent higher than they were during the previous peak in 2006, before the housing market crisis. The number of homes sold increased in six of the eight states in the region during the 12 months ending August 2018, excepting Florida and South

Carolina, where the home sales totals were largely unchanged. The largest percentage increase in home sales, 5 percent, was in North Carolina. The average home sales price increased in every state in the region except Mississippi, where home sales prices were largely unchanged. Home sales price increases were at least 6 percent in four of the eight states in the region, with the largest increase, 11 percent, in North Carolina.

Developers responded to accelerating job growth and rising home sales prices with increased homebuilding (as measured by the number of homes permitted) in the Southeast/Caribbean region during the past year. The number of single-family homes permitted increased in five of the eight states in the region with the only decline in Kentucky, where the number of homes permitted decreased 5 percent.

During the third quarter of 2018 (preliminary data) —

- The number of single-family homes permitted in the region increased 6 percent, to approximately 61,650, after a 7-percent increase during the third quarter of 2017.
- The largest and fastest increase in permitting activity was in Florida, where approximately 23,100 single-family homes were permitted, an increase of 3,000 homes, or 15 percent from a

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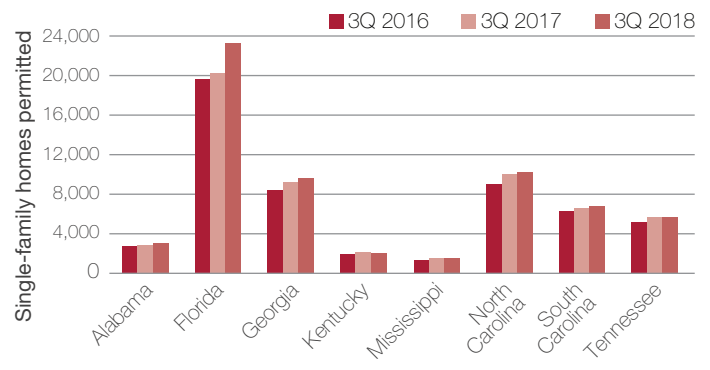
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year ago. During the first half of 2018, 4 of the 10 fastest selling master-planned communities (MPCs) in the nation were in the state (RCLCO Real Estate Advisors). The Villages, an age-restricted community approximately 45 miles southwest of Orlando and 75 miles northeast of Tampa, is estimated to have had the highest number of home sales of any MPC in the nation during the first half of 2018, at approximately 1,125. More than 50,000 of the 56,250 homes that were initially planned at the development have been sold, and an expansion of up to 20,000 additional homes is expected following the purchase of neighboring land in mid-2017. Prices for new homes at the development currently range from the mid-\$200,000s to the low \$800,000s.

- In Alabama, Georgia, and South Carolina, approximately 3,025, 9,550, and 6,800 homes were permitted, representing increases of 6, 4, and 3 percent, respectively.
- The number of single-family homes permitted was virtually unchanged in North Carolina at approximately 10,150, after an increase of 12 percent during the previous year. Despite strong home price growth, developers did not increase home construction in the state because the

available inventory had increased to a 5.2-month supply in August 2018, up from a 3.9-month supply in August 2017. The number of single-family homes permitted in Mississippi, 1,500, was also unchanged from a year ago.

During the third quarter of 2018, the largest and fastest increase in single-family permitting in the Southeast/Caribbean region was in Florida.



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

The number of homes sold increased in six of the eight states in the Southeast/Caribbean region during the past year, while the average sales price increased in all but one.

	12 Months Ending	Number of Homes Sold			Price			
		2017	2018	Percent Change	Average or Median	2017 (\$)	2018 (\$)	Percent Change
Alabama (N&E)	August	95,900	98,000	2	AVG	160,000	162,500	2
Florida (N&E)	August	591,900	590,800	0	AVG	255,000	271,000	6
Georgia (N&E)	August	225,400	235,400	4	AVG	213,900	223,400	4
Kentucky (N&E)	August	77,700	80,400	3	AVG	157,600	160,300	2
Mississippi (N&E)	August	17,950	18,300	2	AVG	200,700	200,100	0
North Carolina (N&E)	August	215,000	226,300	5	AVG	204,400	226,700	11
South Carolina (N&E)	August	119,000	119,400	0	AVG	208,300	221,700	6
Tennessee (N&E)	August	167,600	169,600	1	AVG	187,500	198,500	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.

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

Apartment Market Conditions

During the third quarter of 2018, apartment market conditions in the Southeast/Caribbean region were mixed, ranging from balanced in most major markets to slightly tight in the Louisville and Miami market areas. Apartment vacancy rates declined throughout much of the region, with the only increase in the Nashville market area, where the rate rose slightly from 4.4 to

4.5 percent (RealPage, Inc.). The largest decline, from 6.7 percent to 5.3 percent, was in Birmingham, where slowed multifamily permitting during the past 2 years has allowed for significant absorption of existing inventory. Average apartment rents increased in each of the major markets in the Southeast/Caribbean region during the third quarter of 2018, including 6-percent increases in

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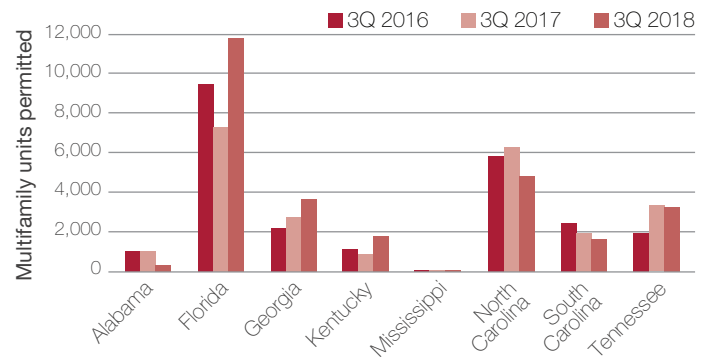
Atlanta and Birmingham; those increases exceeded the national growth rate of 4 percent. Miami remained one of the most expensive apartment markets in the region, with an average rent of \$1,558, up 4 percent from a year ago and 16 percent higher than the national average of \$1,347.

After a reduction in multifamily permitting activity in the region during the third quarter of 2017, developers responded to declining vacancy rates and strong rent growth with increased multifamily construction activity during the third quarter of 2018. During the third quarter of 2018, 27,300 multifamily units were permitted in the region, an increase of 3,775 units, or 16 percent, from the previous year. The increase was notably concentrated in major markets, particularly in Florida, Georgia, and Kentucky, with the number of multifamily units permitted declining in five of the states in the region.

- The 11,800 units permitted in Florida was the most of any state in the region, as was the increase of 4,525 units from a year ago.
- In Kentucky, the number of multifamily units permitted more than doubled to 1,800, the largest percentage increase in the region. A significant increase in development activity in Louisville, where the number of multifamily units permitted nearly tripled from a year ago, contributed to the increase for the state. Recent development in the market has been particularly prevalent in southwest Louisville; this includes Edge on 4th, a 237-unit development that recently began lease-up. Rents at the property currently start at \$1,050 for studio units, \$1,225 for one-bedroom units, \$1,900 for two-bedroom units, and \$3,200 for three-bedroom units.

- The Atlanta market continued to lead apartment construction in Georgia, where multifamily permitting increased 34 percent to 3,650 units. During the third quarter of 2018, 2,450 units were permitted in Atlanta, up 5 percent from a year ago; these represented more than two-thirds of all units permitted in the state.
- The largest percentage decline in multifamily permitting was in Alabama, where 310 units were permitted, down 71 percent from a year ago. The largest decline in units, 1,450, was in North Carolina, where 4,825 units were permitted as compared with 6,275 units during the third quarter of 2017. The number of units permitted in Mississippi also declined, but only slightly, from 70 to 65 units.

The number of multifamily units permitted declined in most states in the Southeast/Caribbean region during the third quarter of 2018, but more than doubled in Kentucky.



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

Apartment vacancy rates declined in most major markets in the Southeast/Caribbean region during the third quarter of 2018 with the exception of Nashville, where the rate increased slightly.

Market	Market Condition	Vacancy Rate			Average Monthly Rent		
		3Q 2017 (%)	3Q 2018 (%)	Percentage Point Change	3Q 2017 (\$)	3Q 2018 (\$)	Percent Change
Atlanta	Balanced	5.5	4.8	-0.7	1,129	1,192	6
Birmingham	Balanced	6.7	5.3	-1.4	887	938	6
Charlotte	Balanced	4.6	4.4	-0.2	1,053	1,101	5
Columbia	Balanced	5.5	5.1	-0.4	883	916	4
Jackson	Balanced	5.8	5.6	-0.2	822	849	3
Louisville	Slightly tight	4.8	4.2	-0.6	850	868	2
Miami	Slightly tight	5.0	4.4	-0.6	1,503	1,558	4
Nashville	Balanced	4.4	4.5	0.1	1,126	1,172	4

3Q = third quarter.
 Sources: market condition—Economic and Market Analysis Division; vacancy rate and average monthly rent—RealPage, Inc.

