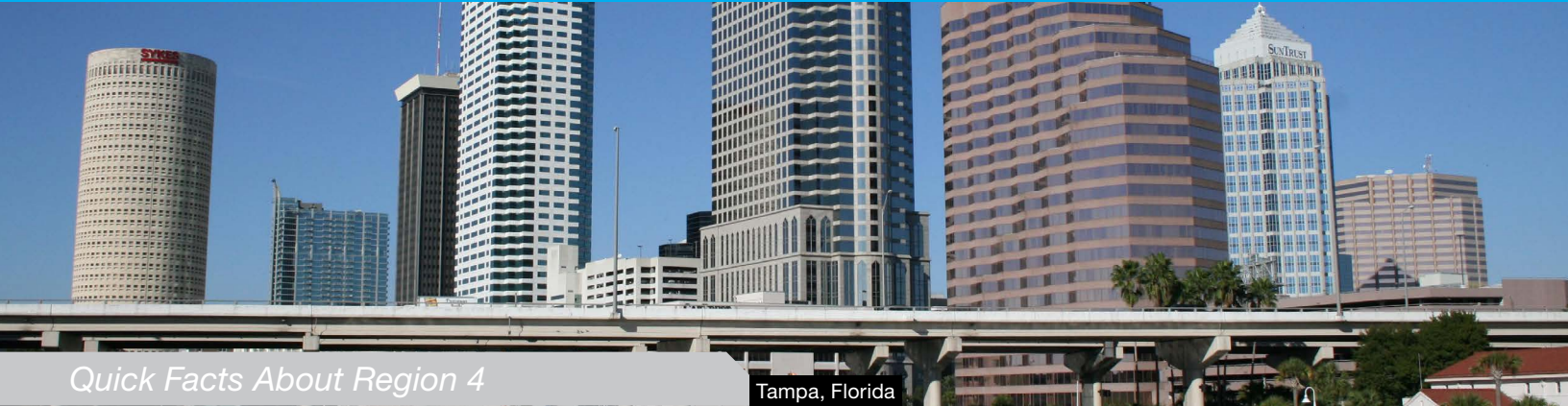


HUD PD&R Regional Reports

Region 4: Southeast/Caribbean



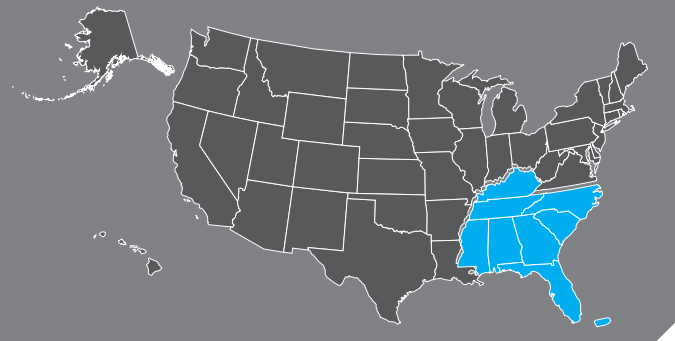
Tampa, Florida

By Tammy Fayed | 4th quarter 2016

Quick Facts About Region 4

- **Sales market conditions—**
 - Fourth quarter 2016: mixed (balanced to slightly soft).
 - Third quarter 2016: mixed (balanced to slightly soft).
 - Fourth quarter 2015: mixed (balanced to slightly soft).

- **Apartment market conditions—**
 - Fourth quarter 2016: mixed (balanced to tight).
 - Third quarter 2016: mixed (balanced to tight).
 - Fourth quarter 2015: mixed (balanced to tight).



Overview

Economic and housing conditions in the Southeast/Caribbean region were positive during the fourth quarter of 2016. Nonfarm payroll growth averaged 2.0 percent, and Florida accounted for 46 percent of all new jobs, up from 39 percent a year earlier, but growth in the region slowed slightly from 2.4 percent a year earlier. Sales housing markets in the region were balanced to slightly soft; solid employment growth during the past year contributed to more home sales in every state in the region except Florida and South Carolina, where fewer distressed sales (short sales and real estate owned [REO] home sales) led to 2 percent fewer homes sold in each state (CoreLogic, Inc., with adjustments by the analyst). Apartment market conditions in the region were mixed, ranging from balanced to tight.

During the fourth quarter of 2016—

- The professional and business services, education and health services, and leisure and hospitality sectors led job growth and accounted for 56 percent of all new jobs in the region.
- The tightest apartment market in the region was in Miami, where the vacancy rate was 2.2 percent and average rent increased 7 percent, to \$1,386 (MPF Research).
- Although the total number of units permitted in the region increased 2 percent, to 69,750, the trends for single-family homes and multifamily units permitted moved in opposite directions, with single-family permitting increasing 7 percent and multifamily permitting decreasing 7 percent.



Nonfarm payroll growth in the Southeast/Caribbean region continued at a moderate pace but slowed from 2.4-percent growth a year earlier.

| | Fourth Quarter | | Year-Over-Year Change | |
|------------------------------------|---------------------|---------------------|-------------------------|---------|
| | 2015 (thousands) | 2016 (thousands) | Absolute (thousands) | Percent |
| Total nonfarm payrolls | 27,882.5 | 28,438.7 | 556.2 | 2.0 |
| Goods-producing sectors | 3,797.2 | 3,864.5 | 67.3 | 1.8 |
| Mining, logging, and construction | 1,308.0 | 1,346.3 | 38.3 | 2.9 |
| Manufacturing | 2,489.2 | 2,518.2 | 29.0 | 1.2 |
| Service-providing sectors | 24,085.3 | 24,574.2 | 488.9 | 2.0 |
| Wholesale and retail trade | 4,568.8 | 4,652.8 | 84.0 | 1.8 |
| Transportation and utilities | 1,105.8 | 1,121.2 | 15.4 | 1.4 |
| Information | 469.2 | 463.1 | - 6.1 | - 1.3 |
| Financial activities | 1,525.3 | 1,562.2 | 36.9 | 2.4 |
| Professional and business services | 3,881.2 | 4,002.1 | 120.9 | 3.1 |
| Education and health services | 3,790.6 | 3,891.7 | 101.1 | 2.7 |
| Leisure and hospitality | 3,188.0 | 3,277.4 | 89.4 | 2.8 |
| Other services | 1,030.2 | 1,040.8 | 10.6 | 1.0 |
| Government | 4,526.2 | 4,562.9 | 36.7 | 0.8 |

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

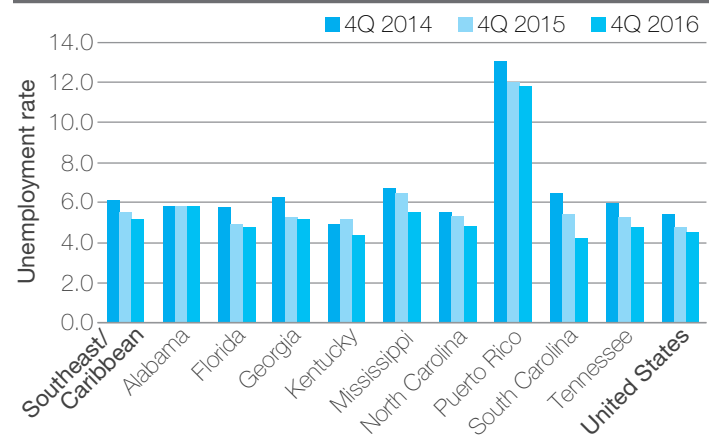
Economic Conditions

Nonfarm payroll growth in the Southeast/Caribbean region continued to moderate in 2016, a trend that began in late 2015, following the trend of gradually accelerating growth during the previous 4 to 5 years. During the fourth quarter of 2016, nonfarm payrolls increased to an average of 28.44 million jobs, a 556,200-job, or 2.0-percent, increase compared with an increase of 645,200 jobs, or 2.4 percent, during the fourth quarter of 2015. The professional and business services, education and health services, and leisure and hospitality sectors led growth during the quarter with increases of 120,900, 101,100, and 89,400 jobs, or 3.1, 2.7, and 2.8 percent, respectively. Of the three leading sectors, only the education and health services sector added more jobs during the current quarter than a year earlier, when it added 96,100 jobs, or 2.6 percent. The information sector was the only regional sector to decline, falling by 6,100 jobs, or 1.3 percent, with losses distributed across multiple states in the region. Tennessee was the only state in the region to post significant gains in the sector, adding 1,200 jobs, or 2.8 percent. The unemployment rate for the region fell from 5.5 percent during the fourth quarter of 2015 to 5.2 percent during the fourth quarter of 2016. The drop was a result of solid employment gains and occurred despite a 2.4-percent increase in the labor force.

During the fourth quarter of 2016—

- As expected, Florida led nonfarm payroll growth in the region with the addition of 258,000 jobs, or 3.1 percent, to reach an

Unemployment rates declined or remained stable in every state and territory in the Southeast/Caribbean region, with the largest decline in South Carolina.



4Q = fourth quarter.
Source: U.S. Bureau of Labor Statistics

average of 8.51 million jobs. As in the region as a whole, job growth was concentrated in the professional and business services, education and health services, and leisure and hospitality sectors, which gained 48,900, 49,100, and 51,700 jobs, or 3.9, 4.0, and 4.6 percent, respectively.

- Georgia and North Carolina followed Florida in job growth for the region with gains of 99,200 and 81,900 jobs, or 2.3 and 1.9 percent, respectively. Both states had significant growth in construction subsector jobs, which increased 5.1 and 4.0 percent, or by 8,700 and 7,700 jobs, respectively, during the quarter, partially a result of increased homebuilding.

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- Mississippi was the only state in the region with job losses, averaging 4,900 jobs, or 0.4 percent. Losses were distributed across multiple sectors with the largest loss of 6,800 jobs, or 6.4 percent, in the professional and business services sector.
- The territory of the U.S. Virgin Islands added 500 jobs, or 1.2 percent, and continued its trend of job gains that began earlier in 2016, reversing a 5-year trend of declines.
- The unemployment rates declined or remained unchanged in every state and territory in the region, with the largest decreases in South Carolina and Mississippi, where the rates decreased to 4.3 and 5.5 percent from 5.4 and 6.5 percent, respectively, a year earlier.

Several commercial projects began development during the fourth quarter of 2016 that, along with increased sales housing production, contributed to a 41,300-job, or 3.3-percent, increase in construction subsector employment in the region. The new projects are expected to contribute to solid employment growth in the region during the next 2 to 3 years. New projects include a \$300 million expansion of the United Parcel Service, Inc. (UPS) package facility in Louisville that is expected to have three phases and be complete in 2020, eventually adding 300 jobs to the metropolitan area. Groundbreaking for the expansion was held in late 2016. Amazon.com, Inc.,

began expanding its presence in North Carolina by renovating and expanding two unused industrial facilities. In the city of Charlotte, work began on a large warehouse near the Charlotte Douglas International Airport to support the company's Amazon Prime service. The Seattle-based company also leased a 325,000-square-foot industrial facility in Durham to use as a storage and distribution facility. The two new locations are in addition to an existing distribution facility in the city of Concord, in the northern portion of the Charlotte metropolitan area. The number of jobs from the expansions have not yet been announced. In south Florida, Magic Leap, a startup company working on a head-mounted virtual retinal display, announced plans to redevelop an existing 260,000-square-foot industrial facility in Plantation into a \$150 million research and development facility that is expected to create 725 new jobs. The company currently operates facilities in Plantation and Dania Beach and employs approximately 800 people around the world, including 200 to 300 in Florida. In South Carolina, Whirlpool Corporation began a \$17 million expansion in Greenville that will double the size of its distribution facility and add 200 new jobs to its current local workforce of 1,200. The expansion, which is expected to be complete in mid-2017, follows a \$40 million, 218,000-square-foot production facility expansion in 2014.

Sales Market Conditions

Sales housing market conditions in the Southeast/Caribbean region were mixed, ranging from balanced to slightly soft, during the fourth quarter of 2016. Sales markets in the region continued to improve as the percentage of seriously delinquent loans (loans 90 or more days delinquent or in foreclosure) and REO properties continued to fall. In October 2016, 3.1 percent of properties were seriously delinquent or had transitioned into REO status, down from 4.2 percent a year earlier. After nearly a decade of elevated delinquencies, the rate of seriously delinquent loans and REO properties finally fell to a similar rate as before the sales market crisis of the late 2000s and early 2010s. While the sales market recovery continued during the 12 months ending September 2016, home sales increased in every state in the region except Florida and South Carolina, where home sales fell 2 percent in each, to 549,700 and 101,600 homes, respectively (CoreLogic, Inc., with adjustments by the analyst). Distressed home sales in Florida and South Carolina decreased 34 and 21 percent, respectively, and accounted for the declines in overall sales; nondistressed sales increased 6 and 1 percent, respectively, in the two states. In Georgia, sales increased 8 percent,

to 204,700, the largest increase in the region. Average home prices increased at similar rates across the eight states in the region, ranging from 5 to 6 percent. Alabama, Florida, and Tennessee had the highest rates of growth at 6 percent, to reach \$161,200, \$243,800, and \$179,700, respectively.

Increasing homes sales in most metropolitan areas and rising home sales prices throughout the region led builders to increase single-family homebuilding, as measured by the number of homes permitted, in every state in the region.

During the fourth quarter of 2016 (preliminary data)—

- The number of single-family homes permitted in the region increased by approximately 2,975, or 7 percent, to 46,200 homes. The number of homes permitted in 2016 was the highest level recorded since 2007.
- At approximately 15,800 homes, Florida accounted for 34 percent of the number of single-family homes permitted in the region, but the rate of increase in the state slowed significantly, to 2 percent, from a 21-percent increase during the fourth quarter of 2015.

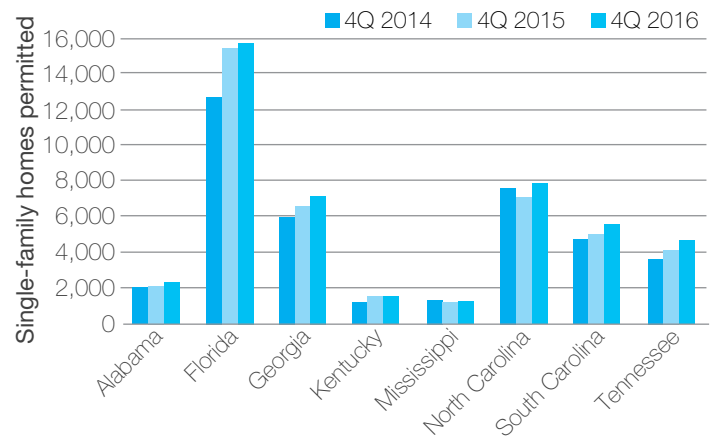
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- The number of homes permitted was up 11 and 12 percent in Tennessee and South Carolina, to 4,650 and 5,550 homes, respectively. In Tennessee, the increase was primarily a result of more homebuilding in the Nashville metropolitan area, whereas in South Carolina, the increase was more evenly spread among the larger metropolitan areas of the state, including Charleston, Columbia, Greenville, and Spartanburg.
- In North Carolina and Georgia, permitting of single-family homes increased by 730 and 570 homes, or 10 and 9 percent, to 7,875 and 7,175, respectively.

As a result of increasing home sales and prices, the number of single-family homes permitted was up in every state in the Southeast/Caribbean region.



4Q = fourth quarter.
 Note: Based on preliminary data.
 Source: U.S. Census Bureau, Building Permits Survey

Home sales prices were up in every state in the Southeast/Caribbean region as a result of increasing home sales, low inventory, and solid employment growth.

| | 12 Months Ending | Number of Homes Sold | | | Average or Median | Price | | |
|----------------------------|------------------|----------------------|---------|----------------|-------------------|-----------|-----------|----------------|
| | | 2015 | 2016 | Percent Change | | 2015 (\$) | 2016 (\$) | Percent Change |
| Alabama | September | 84,000 | 85,700 | 2 | AVG | 151,600 | 161,200 | 6 |
| Florida | September | 560,300 | 549,700 | -2 | AVG | 231,000 | 243,800 | 6 |
| Georgia | September | 190,200 | 204,700 | 8 | AVG | 196,500 | 205,900 | 5 |
| Kentucky | September | 75,900 | 75,700 | 0 | AVG | 140,900 | 147,700 | 5 |
| North Carolina | September | 184,400 | 192,300 | 4 | AVG | 199,100 | 208,500 | 5 |
| South Carolina | September | 103,700 | 101,600 | -2 | AVG | 194,600 | 204,100 | 5 |
| Tennessee | September | 144,100 | 152,800 | 6 | AVG | 170,200 | 179,700 | 6 |
| Jackson metropolitan area* | December | 5,521 | 5,814 | 5 | AVG | 188,150 | 189,159 | 1 |

AVG = average.
 *Data include 10 counties, 5 more counties 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®

Apartment Market Conditions

Apartment market conditions were mixed throughout the Southeast/Caribbean region during the fourth quarter of 2016, with balanced markets in most metropolitan areas but tight or slightly tight markets in some others, including Louisville, Miami, and Nashville. During the fourth quarter of 2016, vacancy rates in eight of the major metropolitan areas of the region ranged from 2.2 percent in Miami to 7.4 percent in Birmingham (MPF Research). Vacancy rates increased in four of the eight metropolitan areas, many a result of a high number of units completed in the past year. With large pipelines (units under

construction and in planning) throughout much of the region, vacancy rates are expected to continue their upward trend in the next 2 to 3 years. Despite a high number of completions during the past 12 months, the vacancy rate in Atlanta declined from 5.0 percent during the fourth quarter of 2015 to 4.7 percent during the fourth quarter of 2016. In Jackson, the rate increased from 5.6 to 6.0 percent, which contributed to the lowest increase in average rent in the region, at 1 percent. As expected, rent increases in the region during the past year were highest in the tightest metropolitan

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markets and in markets with decreasing vacancy rates. The highest average rent increases of 7 percent occurred in Miami and Nashville, where rents were the highest in the region, at \$1,386 and \$1,104, respectively. Rents increased 6 percent each, to \$825 and \$893, respectively, in Louisville, where the market was slightly tight, and Columbia, where the vacancy rate declined more than in any of the other largest metropolitan areas in the region.

Multifamily construction trends throughout the Southeast/Caribbean region were mixed during the fourth quarter of 2016. In states where pipelines remained large and the vacancy rate increased, the number of units permitted declined, but in other states, the number of units permitted continued to increase.

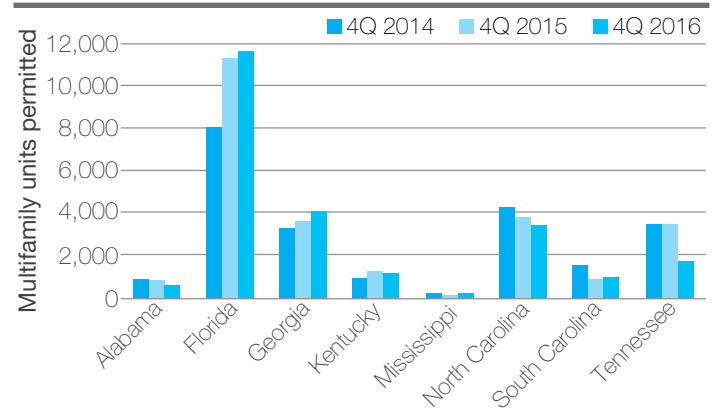
During the fourth quarter of 2016 (preliminary data)—

- The number of multifamily units permitted in the region fell to 23,550, a 7-percent, or 1,800-unit, decline compared with a 2,875-unit, or 13 percent, increase during the fourth quarter of 2015.
- The number of units permitted in Tennessee and North Carolina decreased by 1,800 and 440 units, or 52 and 12 percent, respectively, the largest declines in the region. The decreases in the two states were primarily a result of 72 and 46 percent fewer units permitted in the Nashville and Charlotte metropolitan areas, respectively, because of large pipelines and increasing vacancy rates in the two metropolitan areas. Downtown submarkets in Charlotte and Nashville were included in the 2016 list of 10 most active submarkets in the nation for apartment construction since 2012, with the South End/Uptown Charlotte submarket taking the top position (MPF Research).
- Georgia had the largest increase in the number of units permitted, at 440 units, or 12 percent, primarily a result of a 430-unit increase in the Gainesville metropolitan area. The number of units permitted also increased 2 and 6 percent in Florida and

South Carolina, respectively. In Mississippi, the number of units permitted increased to approximately 175 units from 125 units a year earlier.

- Approximately one-half of the 1,150 units permitted in Kentucky were in the Louisville metropolitan area, many of which are in the downtown area. Approximately \$1.2 billion in private development is under construction, including both commercial and residential projects (Louisville Downtown Partnership). During the next 2 years, the number of apartments in the downtown area is expected to increase 27 percent, to 3,275 units. Apartment properties under construction include Axis on Lexington, a 300-unit, \$45 million apartment complex that is expected to be complete in late 2017 with rents for studio, one-bedroom, and two-bedroom units ranging from approximately \$900 to 1,000, \$930 to 1,300, and \$1,400 to 1,700, respectively.

Multifamily permitting trends were mixed in the Southeast/Caribbean region, with the number of units falling the most in North Carolina and Tennessee because of large pipelines.



4Q = fourth quarter.
 Note: Based on preliminary data.
 Source: U.S. Census Bureau, Building Permits Survey

Although vacancy rate trends were mixed in the Southeast/Caribbean region, average rent increased in eight of the largest metropolitan areas in the region.

| | Market Condition | Vacancy Rate | | | Average Monthly Rent | | |
|------------|------------------|--------------|-------------|-------------------------|----------------------|--------------|----------------|
| | | 4Q 2015 (%) | 4Q 2016 (%) | Percentage Point Change | 4Q 2015 (\$) | 4Q 2016 (\$) | Percent Change |
| Atlanta | Balanced | 5.0 | 4.7 | -0.3 | 1,007 | 1,062 | 5 |
| Birmingham | Balanced | 7.2 | 7.4 | 0.2 | 832 | 862 | 4 |
| Charlotte | Balanced | 4.3 | 4.5 | 0.2 | 968 | 1,008 | 4 |
| Columbia | Balanced | 5.8 | 5.0 | -0.8 | 844 | 893 | 6 |
| Jackson | Balanced | 5.6 | 6.0 | 0.4 | 795 | 804 | 1 |
| Louisville | Slightly tight | 4.4 | 4.1 | -0.3 | 779 | 825 | 6 |
| Miami | Tight | 2.4 | 2.2 | -0.2 | 1,300 | 1,386 | 7 |
| Nashville | Slightly tight | 3.6 | 4.2 | 0.6 | 1,031 | 1,104 | 7 |

4Q = fourth quarter.

Sources: Market condition—HUD, PD&R, Economic and Market Analysis Division; vacancy rate and average monthly rent—MPF Research

