

# HUD PD&R Regional Reports

## Region 4: Southeast/Caribbean

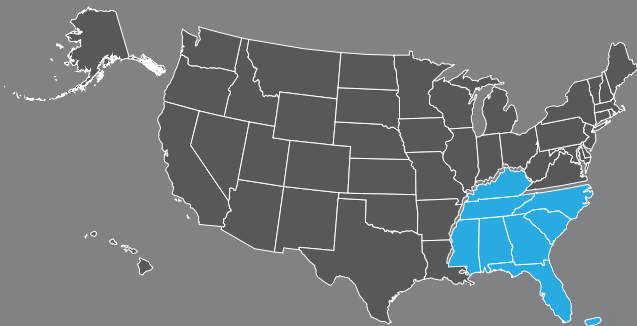


### Quick Facts About Region 4

Atlanta, Georgia

By Casey M. Blount | 4th quarter 2018

- Sales market conditions—**  
Fourth quarter 2018: mixed (slightly tight to slightly soft)  
Third quarter 2018: mixed (slightly tight to slightly soft)  
Fourth quarter 2017: mixed (balanced to slightly soft)
- Apartment market conditions—**  
Fourth quarter 2018: mixed (slightly tight to balanced)  
Third quarter 2018: mixed (slightly tight to balanced)  
Fourth quarter 2017: mixed (slightly tight to slightly soft)



### Overview

Economic conditions in the Southeast/Caribbean region continued to strengthen during the fourth quarter of 2018. Nonfarm payrolls in the region increased 2.1 percent, up from growth of 1.2 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 nonfarm payrolls rose by 233,100 jobs, or 2.7 percent. Unemployment rates declined in six of the eight states in the region. In Puerto Rico, the unemployment rate decreased by more than 2 percentage points as economic conditions in the territory improved following the impact of Hurricanes Irma and Maria in 2017. 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 while the average sales price increased 6 percent. Apartment market conditions in the region were also mixed, ranging from slightly tight to balanced. Average rents rose throughout the region, with rent growth of at least double the 3-percent rate for the nation in five of the eight markets covered in this report.

continued on page 2



continued from page 1

During the fourth quarter of 2018—

- Unemployment rates in the region ranged from 3.1 percent in Florida and Tennessee to 8.1 percent in Puerto Rico.
- New and existing home sales in the region totaled 1.55 million, and the average sales price in the region rose to \$235,700.
- Among the largest markets in the region, the lowest apartment vacancy, 4.8 percent, and the highest average rent, \$1,591, were in Miami.

## Economic Conditions

After slowing during 2017, the rate of job growth in the Southeast/Caribbean region accelerated during the past year, resuming a trend of strong job growth that began in 2011. Nonfarm payrolls averaged 29.49 million during the fourth quarter of 2018, an increase of 613,800 jobs, or 2.1 percent, compared with an increase of 346,100 jobs, or 1.2 percent, during the fourth quarter of 2017. Each state in the region added jobs during the past year, ranging from a 0.9-percent growth in Kentucky to a 2.7-percent growth in Florida. Nonfarm payrolls increased by 11,100 and 1,800 jobs or 1.3 and 5.1 percent, respectively, in the Caribbean territories of Puerto Rico and U.S. Virgin Islands as the recovery from Hurricanes Irma and Maria continued. All nonfarm payroll sectors added jobs in the region, led by the professional and business services and leisure and hospitality sectors, which added 124,000 and 104,700 jobs, respectively. Both sectors expanded 3.1 percent. The fastest job growth was in the transportation and utilities sector, which added 61,100 jobs, or 5.1 percent, due in part to continued expansion by Amazon, Inc. within the region. A combined 2,500 jobs were created with the opening of new Amazon, Inc. distribution centers in Orlando and Miami during the past year, while 1,200 jobs were created at a new facility in the

city of Jefferson, Georgia, and 600 jobs were added at an existing facility in Lexington, Kentucky. The unemployment rate for the region averaged 3.6 percent during the fourth quarter of 2018, down from 4.2 percent during the fourth quarter of 2017, with declines in six of eight states as well as Puerto Rico, where the rate fell from 10.5 to 8.1 percent. Alabama was the only state where the unemployment rate increased, rising slightly from 3.5 percent to 3.6 percent. By comparison, the unemployment rate for the nation was 3.6 percent, down from 3.9 percent a year ago.

During the fourth quarter of 2018—

- In Florida, nonfarm payrolls averaged 8.93 million, an increase of 233,100 jobs, or 2.7-percent. A 29-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 36,050 jobs, or 6.9 percent, the fastest growth rate of any sector in the state.
- Job growth exceeded the national rate of 1.7 percent in five of the eight states in the region including Georgia, North Carolina, and Tennessee where nonfarm payrolls expanded by 2.3, 2.1,

continued on page 3

Economic conditions continued to strengthen in the Southeast/Caribbean region during the fourth quarter of 2018, as every nonfarm payroll sector added jobs.

	Fourth Quarter		Year-Over-Year Change	
	2017 (Thousands)	2018 (Thousands)	Absolute (Thousands)	Percent
<b>Total Nonfarm Payrolls</b>	28,877.1	29,490.9	613.8	2.1
Goods-Producing Sectors	3,987.8	4,103.5	115.7	2.9
Mining, Logging, & Construction	1,428.8	1,495.9	67.1	4.7
Manufacturing	2,559.0	2,607.6	48.6	1.9
Service-Providing Sectors	24,889.3	25,387.3	498.0	2.0
Wholesale & Retail Trade	4,624.3	4,685.0	60.7	1.3
Transportation & Utilities	1,191.1	1,252.2	61.1	5.1
Information	482.5	484.5	2.0	0.4
Financial Activities	1,587.5	1,620.5	33.0	2.1
Professional & Business Services	4,048.1	4,172.1	124.0	3.1
Education & Health Services	3,949.9	4,048.5	98.6	2.5
Leisure & Hospitality	3,366.2	3,470.9	104.7	3.1
Other Services	1,071.0	1,084.2	13.2	1.2
Government	4,568.6	4,569.4	0.8	0.0

Note: Numbers may not add to totals due to rounding.

Source: U.S. Bureau of Labor Statistics

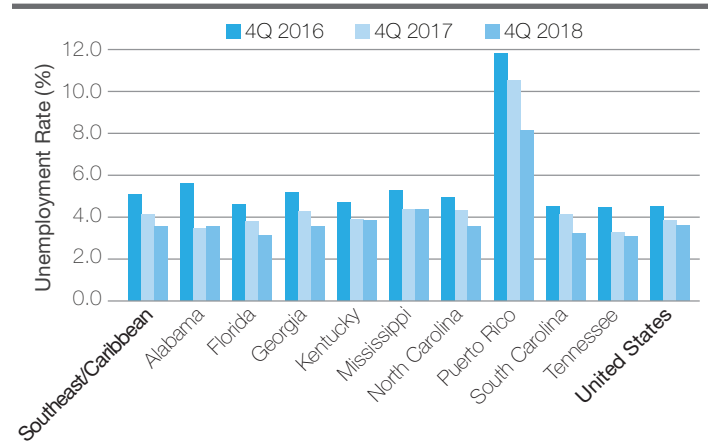


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and 2.0 percent to 4.62 million, 4.57 million, and 3.12 million jobs, respectively, with increases of 104,800, 95,100, and 60,200 jobs, respectively, from a year ago.

- Nonfarm payroll growth accelerated in each state in the region, with the most significant change in Alabama, which added 37,900 jobs, or 1.9 percent, up from an increase of 20,500 jobs, or 1.0 percent, a year ago. The manufacturing sector, which expanded by 10,700 jobs, or 4.0 percent, led gains in the state. The growing automotive manufacturing industry contributed heavily to those gains with Mercedes-Benz USA beginning a \$1 billion expansion that will eventually create 600 new jobs at its manufacturing facility in the city of Tuscaloosa and Honda Manufacturing of Alabama completing an \$85 million expansion of its facility in the city of Lincoln, which now employs more than 4,500.
- In South Carolina and Mississippi, nonfarm payrolls expanded by 39,000 and 13,800 jobs, or 1.8 and 1.2 percent, respectively.

Unemployment rates declined in six of the eight states in the Southeast/Caribbean region as well as Puerto Rico, where the rate fell by more than 2 percentage points.



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

## Sales Market Conditions

Sales markets in the Southeast/Caribbean region were mixed during the fourth quarter of 2018, ranging from slightly tight to slightly soft. Declines in available inventory limited the volume of home sales activity in some markets, although home sales prices rose throughout much of the region as economic conditions continued to strengthen. The inventory of available homes in the region increased from 3.7 months in November 2017 to 3.9 months in November 2018 but has declined during 6 of the past 8 years and is 64 percent below the November high of 10.9 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 2.9 months in November 2018, up slightly from 2.8 months in November 2017, but the lowest figure in the region. During the 12 months ending November 2018, a total of 1.55 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.

continued on page 4

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)	November	98,150	101,100	3	AVG	160,600	171,900	7
Florida (N&E)	November	591,100	606,400	3	AVG	256,000	274,300	7
Georgia (N&E)	November	228,900	237,900	4	AVG	215,200	225,500	5
Kentucky (N&E)	November	78,900	77,950	-1	AVG	160,300	163,500	2
Mississippi (N&E)	November	13,900	14,350	3	AVG	216,900	208,500	-4
North Carolina (N&E)	November	219,400	225,400	3	AVG	219,000	229,200	5
South Carolina (N&E)	November	117,300	118,800	1	AVG	211,200	224,100	6
Tennessee (N&E)	November	169,700	169,500	0	AVG	189,700	202,100	7

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



continued from page 3

New and existing home prices increased 6 percent during the most recent 12 months and are approximately 10 percent higher than during the previous peak in 2006, prior to the housing market crisis. The number of homes sold increased in six of the eight states in the region during the 12 months ending November 2018 with Kentucky and Tennessee the only states where home sales declined. The largest increase, 4 percent, was in Georgia. The average home sales price increased in every state in the region except Mississippi, where home prices declined 4 percent. Home prices increased at least 5 percent in six of the eight states in the region with 7-percent increases in Alabama, Florida, and Tennessee.

Declining levels of readily available land limited new home construction in several states during the past year, although the total number of single-family homes permitted in the Southeast/Caribbean region rose, due in large part to increased development activity in Florida. The number of single-family homes permitted was unchanged or declined in five of the eight states in the region with the largest and fastest decrease in Mississippi, where the number of homes permitted fell by 240, or 17 percent, to 1,175.

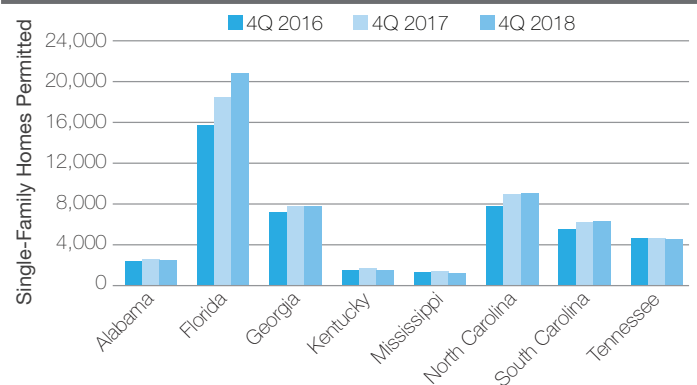
During the fourth quarter of 2018 (preliminary data)—

- The number of single-family homes permitted in the region increased 4 percent, to approximately 54,050, after a 12-percent increase during the fourth quarter of 2017.
- Florida, where development recovered following the impact of Hurricanes Irma and Maria in late 2017, was one of three states in the region where single-family permitting increased. The number of single-family homes permitted in the state rose 13 percent from 18,550 to 21,000.

## Apartment Market Conditions

Apartment market conditions in the Southeast/Caribbean region were mixed during the fourth quarter of 2018, ranging from balanced in most of the major markets to slightly tight in Miami. Apartment vacancy rates declined throughout much of the region, with the only increases in Nashville and Jackson, where the rate rose slightly from 5.1 to 5.3 percent and from 5.9 to 6.0 percent, respectively (RealPage, Inc.). The largest decline, from 6.8 percent to 5.4 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 with rent growth exceeding the 3-percent rate for the nation in every market except Jackson. The sharp decline in the apartment vacancy rate in Birmingham contributed to a 9-percent increase in the average rent, the fastest growth rate in the region. Miami remained one of the most expensive apartment markets in the region, with an average rent of \$1,591, up 6 percent from a year ago and 18 percent higher than the national average of \$1,353.

### Florida accounted for nearly all of the increase in single-family permitting in the Southeast/Caribbean region during the fourth quarter of 2018.



4Q = fourth quarter.

Note: Based on preliminary data.

Source: U.S. Census Bureau, Building Permits Survey

- In North Carolina and South Carolina, approximately 9,125 and 6,300 homes were permitted, representing increases of 2 and 1 percent, respectively.
- The number of single-family homes permitted was virtually unchanged in Georgia and Tennessee at approximately 7,825 and 4,650 single-family homes, respectively. In Alabama and Kentucky, the number of single-family homes permitted declined to 2,425 and 1,550, respectively. Both figures represent 3-percent declines from the fourth quarter of 2017.

Multifamily permitting activity in the region rose significantly during the fourth quarter of 2018, after a decline during the fourth quarter of 2017. A total of 28,700 multifamily units were permitted in the region during the fourth quarter of 2018, an increase of 9,175 units, or 47 percent, from the 19,550 units permitted a year ago. Multifamily permitting increased in six of the eight states in the region with strong rent growth contributing to increased development activity in several major markets, particularly Miami and Atlanta.

During the fourth quarter of 2018 (preliminary data)—

- The 13,150 units permitted in Florida were the most of any state in the region, as was the increase of 5,175 units from a year ago. A 26-percent increase in the Miami market, where a total of 3,150 units were permitted, contributed significantly to the increase for the state.
- In Georgia, the number of multifamily units permitted more than tripled to 5,350, the largest percentage increase in the region.

continued on page 5



continued from page 4

During the fourth quarter of 2018, rent growth was at least double the national rate of 3 percent in five of the eight major markets in the Southeast/Caribbean region.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		4Q 2017 (%)	4Q 2018 (%)	Percentage Point Change	4Q 2017 (\$)	4Q 2018 (\$)	Percent Change
Atlanta	Balanced	6.1	5.3	-0.8	1,137	1,209	6
Birmingham	Balanced	6.8	5.4	-1.4	870	946	9
Charlotte	Balanced	5.2	5.0	-0.2	1,042	1,101	6
Columbia	Balanced	6.5	6.0	-0.5	878	914	4
Jackson	Balanced	5.9	6.0	0.1	818	846	3
Louisville	Balanced	5.5	5.0	-0.5	831	869	5
Miami	Slightly Tight	4.8	4.8	0.0	1,498	1,591	6
Nashville	Balanced	5.1	5.3	0.2	1,113	1,192	6

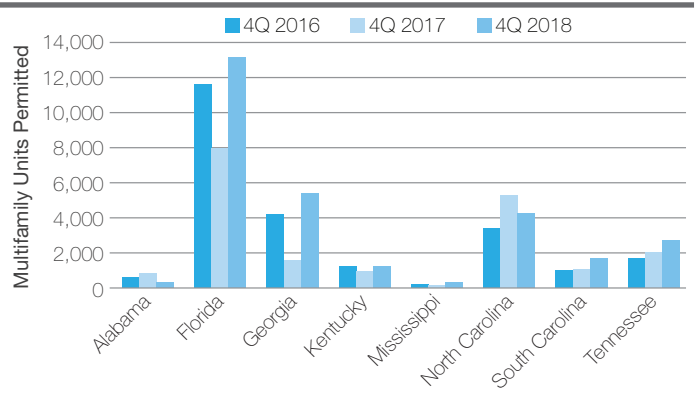
4Q = fourth quarter.

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

A total of 4,350 units were permitted in the Atlanta market, which accounted for 81 percent of the units permitted in the state and was the second-highest figure for the market during a fourth quarter since 2001.

- Multifamily permitting in Kentucky, South Carolina, and Tennessee rose by 30, 67, and 32 percent, respectively, to 1,175, 1,675, and 2,675 units, respectively. In Mississippi the number of units permitted nearly doubled to 260.
- The number of units permitted in North Carolina declined 20 percent to 4,225. A relatively large development pipeline in the state contributed to the decline as the 5,250 units permitted a year ago represent the second-highest fourth quarter total since 2001. A total of 250 units were permitted in Alabama during the fourth quarter of 2018, down 69 percent from a year ago.

The number of multifamily units permitted increased in most states in the Southeast/Caribbean region during the fourth quarter of 2018 and more than tripled in Georgia.



4Q = fourth quarter.

Note: Based on preliminary data.

Source: U.S. Census Bureau, Building Permits Survey

