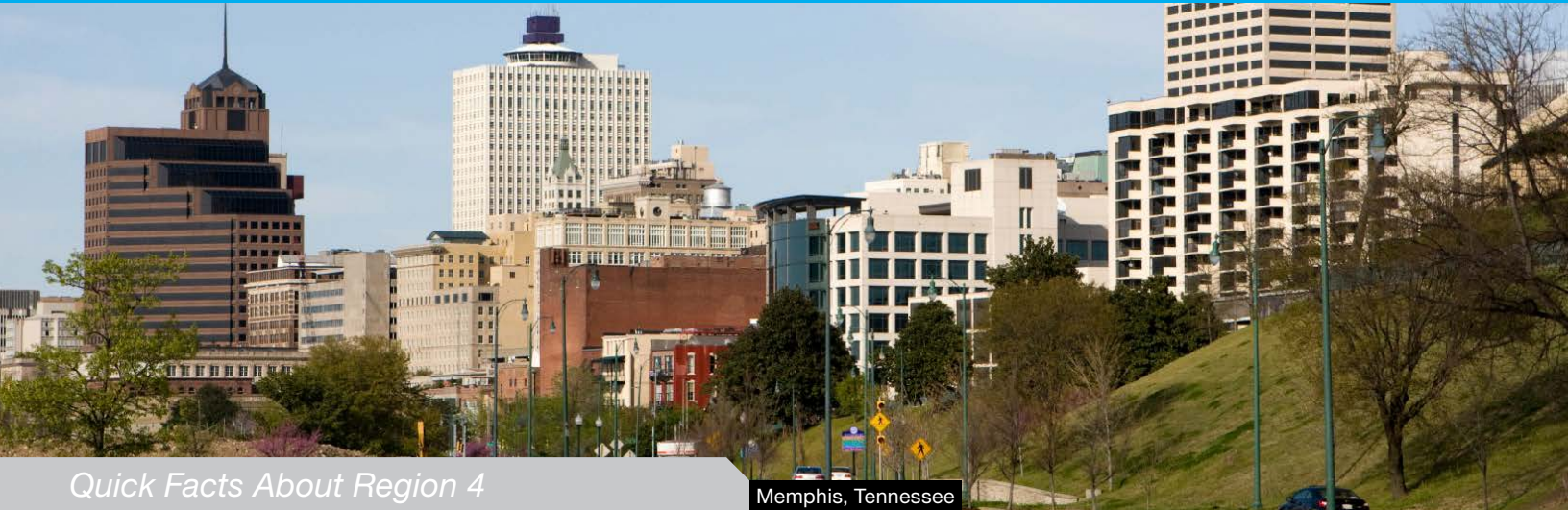


# HUD PD&R Regional Reports

## Region 4: Southeast/Caribbean

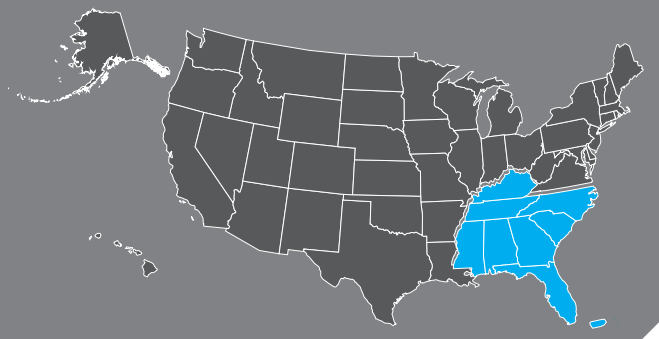


Memphis, Tennessee

By Tammy Fayed | 4th quarter 2017

### Quick Facts About Region 4

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



### Overview

Nonfarm payroll growth was strong during the fourth quarter of 2017 in the Southeast/Caribbean region. Regional growth averaged 1.7 percent but was down from 2.0 percent a year earlier. Nonfarm payrolls increased in every state in the region, but payrolls declined in the territories of Puerto Rico and the U.S. Virgin Islands, partially a result of damage from Hurricanes Maria and Irma in September 2017. Home sales market conditions in the region were mixed, ranging from balanced to slightly soft. Higher home sales and relatively low home production reduced the inventory of homes for sale in the region. Regional home sales increased 3 percent during the 12 months ending November 2017 (CoreLogic, Inc., with adjustments by the analyst). Apartment market conditions in the region were slightly tight to slightly soft. Vacancy rates increased in both the largest and the mid- to large-sized metropolitan areas in the region as a result of the large number of units that were completed in the past year. Despite widespread vacancy rate increases, rents rose across largest metropolitan areas, ranging from 2 to 7 percent (RealPage, Inc.).

- During the fourth quarter of 2017, Florida added 211,600 jobs, or 2.5 percent, more than any state in the region. Job growth occurred across multiple sectors, including the professional and business services sector and the construction subsector.

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- Home sales trends were mixed in the region during the 12 months ending November 2017, but average prices were up in each state. Home sales increased in Florida, Georgia, Kentucky, North Carolina, and Tennessee, ranging from 1 to 10 percent (CoreLogic, Inc.).
- Miami had the tightest apartment market in the region. Despite the completion of nearly 6,700 units during the past year, the vacancy rate in Miami increased the least of the largest metropolitan areas of the region from 3.6 percent a year ago to 3.8 percent during the fourth quarter of 2017 (RealPage Inc.).

## Economic Conditions

The economy of the Southeast/Caribbean region began expanding in 2011 and continued to grow during the fourth quarter of 2017, but the year-over-year rate of growth slowed, a trend that began in late 2015. Nonfarm payrolls averaged nearly 29 million jobs during the fourth quarter of 2017, an increase of 472,500 jobs, or 1.7 percent, annually. Annual job growth peaked at 695,300 jobs, or 2.7 percent, in 2015 but slowed to 676,200 jobs, or 2.6 percent, in 2016. During the fourth quarter of 2017, growth slowed or remained constant in every state in the region except South Carolina, Kentucky, and Mississippi, where job gains increased to 42,700, 23,200, and 13,900 jobs, or 2.1, 1.2, and 1.2 percent compared with gains of 35,000, 22,000, and 2,000 jobs, or 1.7, 1.2, and 0.2 percent, a year earlier, respectively. The professional and business services and the education and health services sectors increased by 128,900 and 71,600 jobs, or 3.2 and 1.8 percent, respectively, and accounted for 42 percent of regional job growth during the quarter. The mining, logging, and construction sector added 56,900 jobs, or 4.1 percent, with 98 percent of the gain in the sector a result of additional jobs

in the construction subsector. The construction subsector has added jobs each year since 2013 due, in part, to increased levels of apartment construction. The only sector in the region to decline during the fourth quarter of 2017 was the information sector, which decreased slightly by 800 jobs, or 0.2 percent, annually.

During the fourth quarter of 2017—

- As usual for the region, Florida led payroll growth with 45 percent of regional job growth. The state added 211,600 jobs, or 2.5 percent, annually to reach 8.75 million jobs. Job gains were distributed across a wide range of sectors with the highest number of jobs added in the professional and business services sector and the construction subsector, which gained 49,700 and 41,800 jobs, or 3.8 and 8.6 percent, respectively.
- Job gains in Georgia and North Carolina averaged 84,700 and 78,100 jobs, or 1.9 and 1.8 percent, respectively. Rates of growth in the states were down from 2.7 and 2.0 percent, respectively, during the fourth quarter of 2016.

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### Nonfarm payrolls increased 1.7 percent in the Southeast/Caribbean region, with gains in every sector except the information sector.

	Fourth Quarter		Year-Over-Year Change	
	2016 (thousands)	2017 (thousands)	Absolute (thousands)	Percent
<b>Total nonfarm payrolls</b>	28,522.9	28,995.4	472.5	1.7
Goods-producing sectors	3,908.7	3,993.4	84.7	2.2
Mining, logging, and construction	1,375.2	1,432.1	56.9	4.1
Manufacturing	2,533.5	2,561.3	27.8	1.1
Service-providing sectors	24,614.2	25,002.0	387.8	1.6
Wholesale and retail trade	4,622.5	4,655.9	33.4	0.7
Transportation and utilities	1,146.5	1,171.4	24.9	2.2
Information	475.0	474.2	- 0.8	- 0.2
Financial activities	1,560.0	1,580.8	20.8	1.3
Professional and business services	3,987.8	4,116.7	128.9	3.2
Education and health services	3,896.2	3,967.8	71.6	1.8
Leisure and hospitality	3,306.5	3,353.2	46.7	1.4
Other services	1,053.4	1,085.2	31.8	3.0
Government	4,566.4	4,596.7	30.3	0.7

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

Source: U.S. Bureau of Labor Statistics



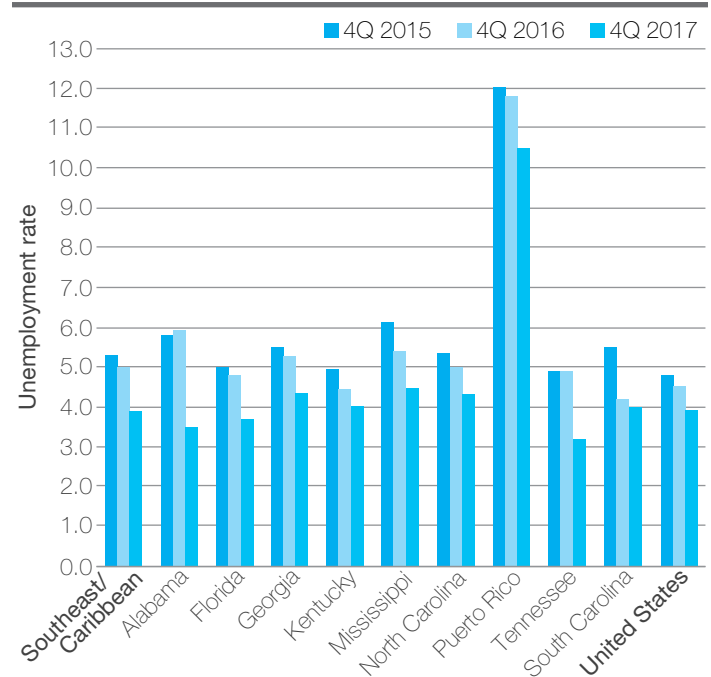
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- Nonfarm payrolls declined in the territories of Puerto Rico and the U.S. Virgin Islands, partly because of the resulting damage from Hurricanes Maria and Irma. Payrolls averaged 856,500 and 35,900 jobs, decreases of 46,200 and 2,200 jobs, or 5.1 and 5.9 percent, respectively, compared with a loss of 1.2 percent and a gain of 0.9 percent a year earlier.
- Despite labor force growth of 1.2 percent, resident employment growth in the region was strong enough to lower the regional unemployment rate to 3.9 percent, down from 5.0 percent a year earlier. The current unemployment rate for the region was the same as the national unemployment rate and is the lowest regional rate in the past 20 years.
- Unemployment rates decreased in every state in the region, with the largest decline of 2.4 percentage points in Alabama where the rate declined to 3.5 percent from 5.9 percent a year ago. State unemployment rates in the region ranged from a low of 3.2 percent in Tennessee to a high of 4.5 percent in Mississippi. In Puerto Rico, the unemployment rate declined from 11.8 percent a year ago to 10.5 percent during the fourth quarter of 2017, but the decline was primarily a result of a 1.7-percent decline in the labor force.

Since the regional economy began its recovery in 2011 from the most recent national recession, manufacturing payrolls have expanded in the region, partially reversing more than a decade of job losses in the sector during the late 1990s and the 2000s. From 2011 through 2016, manufacturing payroll jobs increased by an average of 44,800 jobs, or 2.0 percent, annually compared with an average loss of 97,600 jobs, or 3.4 percent, annually from 1996 through 2010. During the fourth quarter of 2017, the manufacturing sector gained 27,800 jobs, or 1.1 percent, to reach 2.56 million jobs. Growth in the sector is expected to continue with several announced expansions in multiple states in the region. Tool manufacturer Milwaukee Tool announced plans for a combined \$33.4 million investment at three locations in Mississippi that is expected to add 600 new jobs to its 1,600 employees in the state. An expected date for completion of the projects has not yet been announced. In the fourth quarter of 2017, Braid Industries, Inc., announced plans to build a \$1.3 billion aluminum mill in northeastern Kentucky

to produce sheet metal for automotive and aerospace uses. The project is expected to begin construction in 2018 and be complete in 2020, creating 550 new jobs. In Sandy Springs, South Carolina, orthopedic medical device company Arthrex, Inc., which is headquartered in Florida, plans to invest \$69 million to construct a new manufacturing facility beginning in 2018, with completion in 2019. The facility is expected to create 1,000 new jobs. In Alabama, Daimler AG announced plans to invest \$1 billion and create 600 jobs in Tuscaloosa producing Mercedes-Benz electric automobiles. The factory is expected to assemble electric sport utility vehicles for the company's EQ brand to compete with other electric luxury vehicles in the market, and a new battery plant will also be built near the existing plant. No start or completion dates have yet been announced for the projects.

**Unemployment rates decreased in every state in the Southeast/Caribbean region as a result of strong employment growth.**



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

**Sales Market Conditions**

Sales market conditions in the Southeast/Caribbean region generally ranged from balanced to slightly soft during the fourth quarter of 2017. Strong economic conditions and relatively low levels of single-family home production lowered the inventory of homes for sale in the region to a 3.8-month supply from a 4.3-month supply a year earlier and a November peak of a 11.2-month supply in 2008. More than 1.48 million homes sold in the region during the

12 months ending November 2017, 3 percent more than during the previous 12 months (CoreLogic, Inc., with adjustments by the analyst). Home sales increased despite dramatically decreasing distressed (real estate owned and short) sales, which fell 45 percent during the past 12 months to 80,850 homes. Distressed homes accounted for 6 percent of existing home sales compared with 11 percent during the 12 months ending November 2016 and

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30 percent in 2010, during the worst of the sales housing crisis. Home sales trends varied throughout the region with homes sales increasing in Florida, Georgia, Kentucky, North Carolina, and Tennessee but declining in Alabama, Mississippi, and South Carolina. The largest increase in sales, 10 percent, occurred in Kentucky where 81,000 homes sold. Sales in the state represented a significant recovery from the 6-percent decline during the previous 12 months. In Florida, 576,800 homes sold, the largest number of home sales in the region and 1 percent higher than during the previous year. Home sales in Georgia, Tennessee, and North Carolina increased 6, 6, and 5 percent to 225,600, 167,300, and 214,300 homes, respectively, reflecting strong economic conditions in each state.

The average price for a home in the region increased 5 percent to approximately \$222,900, similar to the 5-percent increase for the region during the previous 12 months. Although home sales trends were mixed across the region, home prices increased in every state in the region, ranging from 1 percent in Mississippi to 6 percent in Florida and North Carolina.

Single-family homebuilding, as measured by the number of single-family homes permitted, has increased each year since 2011 and is less than one-half the regional peak of nearly 526,400 homes in 2005. Low levels of production since 2008 have allowed the market to recover from overbuilding and weak economic conditions during the latter part of the previous decade and contributed to relatively large recent average home sales price increases.

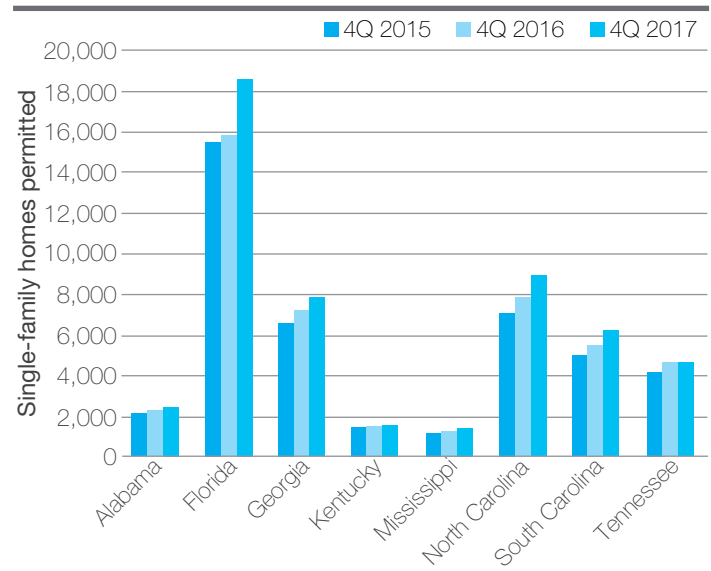
During the fourth quarter of 2017 (preliminary data)—

- The number of single-family homes permitted in the region increased 12 percent to approximately 51,750 homes compared with a 7-percent increase during the previous 12 months.

- The number of single-family homes permitted increased in every state in the region. The largest increase in both the number and percentage of homes permitted occurred in Florida, where single-family homes increased by approximately 2,725, or 17 percent, to approximately 18,500. Recent construction included the new retirement community Latitude Margaritaville for residents aged 55 years and older in Daytona Beach. Sales for

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The number of single-family homes permitted increased in every state in the Southeast/Caribbean region, with the largest increase of approximately 2,725 homes in Florida.



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

Home prices increased in every state in the Southeast/Caribbean region as a result of increasing demand and limited new supply.

	12 Months Ending	Number of Homes Sold			Price			
		2016	2017	Percent Change	Average or Median	2016 (\$)	2017 (\$)	Percent Change
Alabama (N&E)	November	94,100	92,050	- 2	AVG	158,900	162,800	2
Florida (N&E)	November	570,800	576,800	1	AVG	244,200	257,800	6
Georgia (N&E)	November	213,800	225,600	6	AVG	206,900	215,200	4
Kentucky (N&E)	November	73,800	81,000	10	AVG	152,100	157,900	4
Mississippi (N&E)	November	23,500	22,000	- 6	AVG	182,700	184,300	1
North Carolina (N&E)	November	204,000	214,300	5	AVG	207,500	220,000	6
South Carolina (N&E)	November	105,100	103,500	- 2	AVG	203,800	214,800	5
Tennessee (N&E)	November	158,200	167,300	6	AVG	180,600	190,300	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



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the first phase of the 6,900-home community have begun, with 350 homes expected to be completed each year and build-out reached in 20 years. Construction may increase up to 600 homes a year to reach completion in slightly more than 10 years if sales are higher than expected.

- In North and South Carolina, the number of homes permitted increased 14 and 12 percent to approximately 8,975 and 6,225 homes, respectively. Georgia followed North and South Carolina with a 9-percent increase to reach 7,850 homes. Low inventories of available homes for sale and strong demand for new

homes spurred continued development in each of the three states. The inventory of homes for sale fell to 3.3, 4.5, and 3.5 months of supply from 3.7, 5.2, and 4.0 months a year earlier for North Carolina, South Carolina, and Georgia, respectively.

- Tennessee had the smallest increase in the number of homes permitted in the region at less than 1 percent. The slow growth in units was partially a result of a 200-home, or 7-percent, decline in the number of homes permitted in the Nashville metropolitan area, the largest metropolitan area in Tennessee.

## Apartment Market Conditions

Conditions in apartment markets in the Southeast/Caribbean region were mixed during the fourth quarter of 2017, ranging from slightly tight to slightly soft, but markets softened from a year ago because of the large number of units that were completed. Markets are expected to continue to soften during the next 12 months as additional units come online. From the fourth quarter of 2016 to the fourth quarter of 2017, apartment vacancy rates increased in each of the largest metropolitan areas in the region, ranging from 0.2 percentage point in Miami to 1.9 percentage points in Louisville (RealPage, Inc.). Miami remained the tightest market in the region with a vacancy rate of 3.8 percent, up from 3.6 percent a year earlier. In Nashville, where apartment development set records in recent years, the vacancy rate increased from 4.3 to 5.1 percent and is expected to continue to rise because of the large number of units still under construction. The Nashville apartment market added 9,900 units during the past year, the 10th highest metropolitan gain covered by RealPage, Inc. The number of completed units represents a more than 7-percent expansion of the existing inventory, the fastest rate in the nation. In Atlanta and Charlotte, vacancy

rates increased slightly from 5.6 and 4.6 percent to 6.0 and 5.2 percent, respectively. Vacancy rates also rose in each of the mid- to large-sized metropolitan areas of the region, including Charleston, Greensboro, Jacksonville, Lexington, Memphis, Orlando, Raleigh, and Tampa, among others.

Average monthly rent growth remained strong throughout the largest metropolitan areas of the region despite rising vacancy rates. In Louisville, rents increased 7 percent, the highest increase in the region, to an average of \$873. Rents were the highest in Miami at \$1,564, a 6-percent increase from a year earlier. Rents also increased 6 percent in Jackson to an average of \$851. In Nashville, rents averaged \$1,116, but rent growth slowed to 2 percent following growth of 4 to 9 percent from 2013 through 2016. Approximately 45 percent of Class A properties in Nashville offered rent concessions during the fourth quarter of 2017 compared with 42 percent a year ago and 9 percent during the fourth quarter of 2012.

Since 2012, multifamily construction, as measured by the number of units permitted, has been high in the region. Several states,

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### Miami had the tightest apartment market in the Southeast/Caribbean region during the fourth quarter of 2017.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		4Q 2016 (%)	4Q 2017 (%)	Percentage Point Change	4Q 2016 (\$)	4Q 2017 (\$)	Percent Change
Atlanta	Balanced	5.6	6.0	0.4	1,085	1,144	5
Birmingham	Slightly soft	7.0	7.0	0.0	847	873	3
Charlotte	Balanced	4.6	5.2	0.6	1,008	1,046	4
Columbia*	Balanced	5.3	6.2	0.9	890	918	3
Jackson*	Slightly soft	6.7	7.4	0.7	805	851	6
Louisville*	Balanced	3.4	5.3	1.9	814	873	7
Miami	Slightly tight	3.6	3.8	0.2	1,480	1,564	6
Nashville	Slightly soft	4.3	5.1	0.8	1,097	1,116	2

4Q = fourth quarter. \* Third quarter.

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



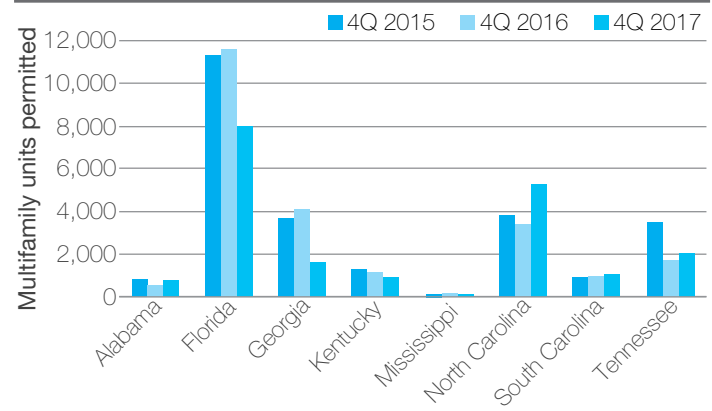
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including Tennessee, Kentucky, and North Carolina, were near or exceeded previous record levels set in the mid-2000s, but unlike the previous period, recent development was primarily for apartments rather than a combination of apartments and condominiums. A significant number of new units were completed in the region during the past year, which contributed to increased apartment vacancy rates. Although the number of units under construction remains high, builders responded to softening apartment market conditions, with decreased production, as measured by the number of units permitted, in Florida, Georgia, Kentucky, and Mississippi, as well as the region as a whole.

During the fourth quarter of 2017 (preliminary data)—

- Approximately 19,550 multifamily units were permitted in the region, a decrease of 4,025 units, or 17 percent.
- The number of multifamily units permitted fell 31 percent in Florida, or by 3,650 units, to 7,950, which remained the highest number of units permitted in region.
- The largest increase in apartment production in the region and the only state to have an increase of more than 1,000 units was in North Carolina, where multifamily units permitted increased 57 percent, or by 1,900 units, to 5,250. The increase was broadly distributed throughout the state with moderate increases of less than 350 units in several metropolitan areas.
- In Georgia, the number of units permitted declined by approximately 2,575, or 63 percent, to 1,500. Approximately 75 percent of the decline in Georgia was a result of cutbacks in production in the Atlanta metropolitan area, where nearly 14,000 units are currently under construction.

The number of multifamily units permitted decreased in the Southeast/Caribbean region because of increased apartment vacancy rates during the past year and the large number of units already under construction.



4Q = fourth quarter.

Note: Based on preliminary data.

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

- Despite rising vacancy rates in market-rate properties in Atlanta, the market for housing for households earning 60 percent or less of Area Median Income (AMI) remained tight with an estimated vacancy rate below 5 percent and waiting lists at most properties. As part of the goal to retain and increase below-market-rate housing in Atlanta, the city of Atlanta and Invest Atlanta approved the use of \$9 million toward the development of a \$90.5 million, 14-story apartment tower in downtown Atlanta (Invest Atlanta). Of the 302 units, 20 percent, or 60 units, will be set aside for families earning 80 percent or less of AMI. The property is expected to begin construction in early 2018 with a completion date not yet announced.

