

HUD PD&R Regional Reports

Region 4: Southeast/Caribbean

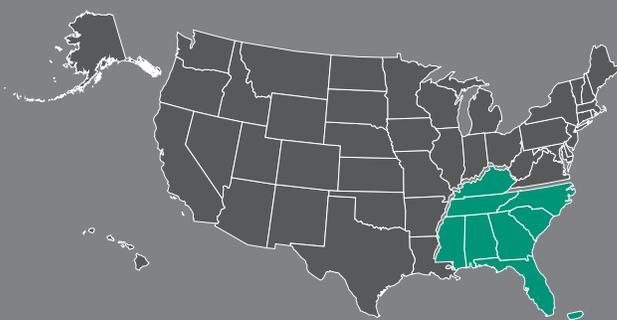


Quick Facts About Region 4

Atlanta, Georgia

By Tammy Fayed | 1st quarter 2015

- **Sales market conditions—**
First quarter 2015: mixed (balanced to soft).
Fourth quarter 2014: mixed (balanced to soft).
First quarter 2014: mixed (balanced to soft).
- **Apartment market conditions—**
First quarter 2015: mixed (balanced to tight).
Fourth quarter 2014: mixed (balanced to slightly tight).
First quarter 2014: mixed (soft to tight).



Overview

Economic conditions in the Southeast/Caribbean region continued to strengthen during the first quarter of 2015. Nonfarm payrolls exceeded prerecession levels in most areas of the region, which resulted in increasing population, improving sales housing markets, and strong demand for apartments. Population increased in every state in the region from 2013 to 2014, but declined in the Caribbean territories of Puerto Rico and the U.S. Virgin Islands. The greatest population increase occurred in Florida, which accounted for 50 percent of the increase in the region. Sales market conditions were mixed, ranging from generally balanced throughout the region to soft in a few sales markets. Inventories of homes for sale increased but remain low (local Realtor® associations), and sales increased in every state in the region except Mississippi, where employment growth lagged the remainder of the region. Apartment market conditions and construction trends were mixed, depending on the current multifamily pipeline and recent completions. The tightest markets among the larger metropolitan areas of the region were Miami, Nashville, and Louisville, where vacancy rates averaged 2.6, 4.5, and 5.1 percent, respectively (MPF Research).

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During the first quarter of 2015—

- Nonfarm payrolls for the region increased 2.8 percent, the highest quarterly rate of growth in more than 15 years.
- Home sales were greatest in Florida, where declining distressed home sales continued to boost the average sales price. During the 12 months ending March 2015, home sales increased 12 percent (Florida Realtors®), the greatest increase in the region, and the average price of a home increased 5 percent, to \$266,300, the highest average price in the region.

- The greatest increase in apartment rents, of 9 percent, occurred in Atlanta, where apartment demand was strong and the vacancy rate continued to decline.
- Single-family homebuilding increased 7 percent as a result of the improving economy and sales markets and was up in every state except North Carolina, where the number of homes permitted fell 8 percent. Multifamily construction increased 6 percent for the region, but trends varied significantly by state.

Economic Conditions

During the first quarter of 2015, nonfarm payroll growth in the Southeast/Caribbean region continued to accelerate, a trend that began during the first quarter of 2014. Payrolls increased 2.8 percent during the first quarter of 2015, to an average of 27.03 million jobs, compared with increases of 1.9 and 1.7 percent during the same quarters in 2014 and 2013, respectively. The professional and business services, leisure and hospitality, and education and health services sectors added 150,000, 129,200, and 119,900 jobs, increases of 4.3, 4.4, and 3.3 percent, respectively, and accounted for 54 percent of nonfarm payroll growth during the quarter. With a 4.9-percent gain, the mining, logging, and construction sector was the fastest growing sector in the region, primarily a result of a 5.6-percent, or 54,600-job, increase in the construction subsector because of improving sales housing markets and high

levels of multifamily housing construction. The unemployment rate for the region fell from 7.3 percent during the first quarter of 2014 to 6.2 percent during the first quarter of 2015.

During the first quarter of 2015—

- Nonfarm payrolls increased in every state in the region, ranging from 283,500 jobs, or 3.7 percent, in Florida to 7,500 jobs, or 0.7 percent, in Mississippi; jobs continued to decline in Puerto Rico, where payrolls fell by 5,000 jobs, or 0.6 percent.
- In Georgia and North Carolina, nonfarm payrolls increased by 142,300 and 123,000 jobs, or 3.5 and 3.0 percent, respectively.
- Unemployment rates fell throughout the region, except in South Carolina, where the rate increased to 6.6 percent from 6.3 percent a year earlier because of an increase in the labor force

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Nonfarm payrolls in the Southeast/Caribbean region increased during the first quarter of 2015 at the fastest year-over-year rate in more than 15 years.

	First Quarter		Year-Over-Year Change	
	2014 (thousands)	2015 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	26,293.9	27,033.1	739.2	2.8
Goods-producing sectors	3,543.6	3,648.0	104.4	2.9
Mining, logging, and construction	1,165.8	1,222.7	56.9	4.9
Manufacturing	2,377.9	2,425.3	47.4	2.0
Service-providing sectors	22,750.2	23,385.1	634.9	2.8
Wholesale and retail trade	4,284.9	4,402.6	117.7	2.7
Transportation and utilities	1,005.8	1,043.9	38.1	3.8
Information	465.6	468.7	3.1	0.7
Financial activities	1,457.0	1,488.8	31.8	2.2
Professional and business services	3,525.4	3,675.4	150.0	4.3
Education and health services	3,582.3	3,702.2	119.9	3.3
Leisure and hospitality	2,950.3	3,079.5	129.2	4.4
Other services	993.2	1,018.3	25.1	2.5
Government	4,485.8	4,505.7	19.9	0.4

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

Source: U.S. Bureau of Labor Statistics

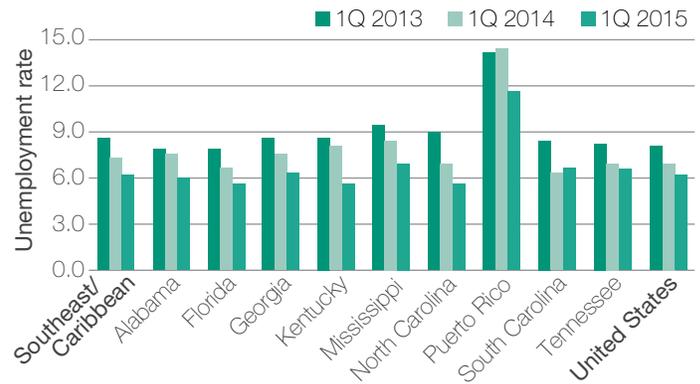


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that exceeded employment growth. The labor force decreased in every other state in the region except North Carolina and Tennessee.

- The greatest declines in the unemployment rates in the region occurred in Puerto Rico and Kentucky, where the rates fell to 11.6 and 5.7 percent from 14.3 and 8.1 percent, respectively, a year earlier.
- Under Armour, Inc., a Baltimore-based sports apparel company, announced plans to invest more than \$100 million in a new 1 million-square-foot distribution facility, with the potential for an additional 1 million square feet of space in the future, that is expected to create 1,500 jobs in the Nashville metropolitan area during the next 5 years. The first phase of the distribution center is expected to open in early 2016.

The unemployment rate in the Southeast/Caribbean region was the lowest quarterly rate since 2008.



1Q = first quarter. Source: U.S. Bureau of Labor Statistics

Population

During the 2000s, population growth in the Southeast/Caribbean region averaged 1.3 percent a year (Census Bureau population estimates as of July 1). Growth has slowed since 2008 to less than 1 percent a year as a result of the national recession and soft sales housing markets in areas of the nation where out-migration to the region was common, including northeastern states. As a result of improving economic and sales market conditions from 2013 to 2014 in both the region and in northeastern states, the population in the region increased by nearly 586,000, or 0.9 percent, 68 percent of which was a result of net in-migration.

During the 12 months ending July 1, 2014—

- The population of Florida increased by approximately 293,000, or 1.5 percent, a higher rate than in any other state in the region, and 91 percent of the population increase was from net in-migration.
- The second greatest absolute increase in population in the region occurred in Georgia, where the population increased by approximately 102,600, or 1.0 percent, and 51 percent of the increase was from net in-migration.
- No states in the region lost population, but the populations of the Caribbean territories of Puerto Rico and the U.S. Virgin Islands declined 1.3 and 1.0 percent, respectively, a downward trend that began in the mid-2000s (Census Bureau population estimates as of July 1; U.S. Virgin Islands).

The population in the Southeast/Caribbean region grew more from 2013 to 2014 than during any period since 2008.

	Population Estimate (as of July 1)			Percent Change	
	2012	2013	2014	2012 to 2013	2013 to 2014
United States	314,112,078	316,497,531	318,857,056	0.8	0.7
Southeast/Caribbean	66,134,603	66,639,809	67,225,748	0.8	0.9
Alabama	4,817,484	4,833,996	4,849,377	0.3	0.3
Florida	19,355,257	19,600,311	19,893,297	1.3	1.5
Georgia	9,919,000	9,994,759	10,097,343	0.8	1.0
Kentucky	4,383,465	4,399,583	4,413,457	0.4	0.3
Mississippi	2,986,137	2,992,206	2,994,079	0.2	0.1
North Carolina	9,748,181	9,848,917	9,943,964	1.0	1.0
Puerto Rico	3,642,281	3,595,839	3,548,397	- 1.3	- 1.3
South Carolina	4,722,621	4,771,929	4,832,482	1.0	1.3
Tennessee	6,455,177	6,497,269	6,549,352	0.7	0.8
U.S. Virgin Islands	105,000	105,000	104,000	0.0	- 1.0

Sources: U.S. Census Bureau; U.S. Virgin Islands



Sales Market Conditions

Sales housing market conditions in the Southeast/Caribbean region were mixed during the first quarter of 2015, ranging from balanced to soft. Sales markets in the region have improved dramatically since 2010, when home sales were low, seriously delinquent loans (those 90 or more days delinquent or in foreclosure) were high, and employment was declining. In March 2015, 5.7 percent of home loans were seriously delinquent or had transitioned into real estate owned (REO) status, down from 6.8 percent a year earlier and 12.2 percent in March 2010 (Black Knight Financial Services, Inc.). The decrease in REO and short sales competing with regular (nondelinquent) resale properties has increased average sales prices throughout the region and the number of homeowners willing to put their homes on the market, leading to increased inventory of homes available for sale. In Florida, existing single-family home sales increased 12 percent during the 12 months ending March 2015, to 253,900, and the average price of a home increased 5 percent, to \$266,300 (Florida Realtors®). Sales of new and existing homes (including single-family homes, townhomes, and condominiums) increased 12 percent in Kentucky, where 66,300 homes sold during the 12 months ending February 2015; home prices were up 3 percent, to \$140,800 (CoreLogic, Inc., with adjustments by the analyst). Average new and existing home prices increased 8 percent in Georgia and Tennessee, the greatest price increases in the region during the 12 months ending February, to \$188,200 and \$165,700, respectively.

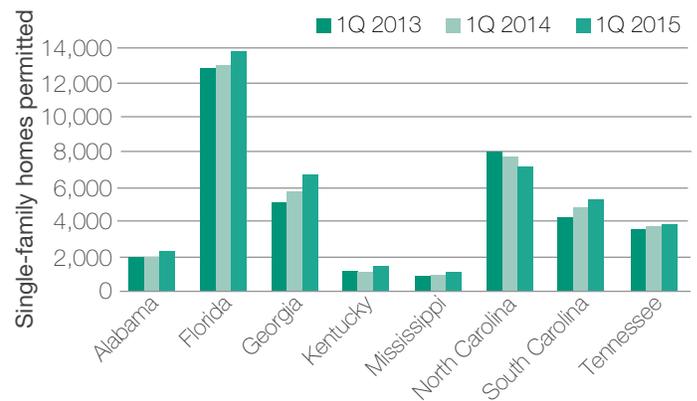
Strong economic conditions and improving sales markets led to increased homebuilding (as measured by the number of single-family homes permitted) during the first quarter of 2015. The number of homes permitted during the past 12 months was the most since 2007.

During the first quarter of 2015 (preliminary data)—

- Despite colder than usual weather for the region, homebuilding increased 7 percent from a year earlier, to approximately 41,800 homes.

- Single-family home permitting increased in every state in the region except North Carolina, where the number of single-family homes permitted declined 8 percent from a year ago, to 7,200 homes.
- In Georgia, where employment growth continues to strengthen after initially lagging the regional recovery from the national recession, single-family home permitting increased by 1,000 units, or 17 percent, from a year earlier, a higher percentage increase than any other state in the region, to approximately 6,750 homes.
- The number of homes permitted in Florida was the greatest in the region at 13,800, a 6-percent increase from a year ago.

Strong employment growth and recovering sales markets led to a 7-percent increase in the number of single-family homes permitted in the Southeast/Caribbean region.



1Q = first quarter.

Note: Based on preliminary data.

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

Home sales were up in every state in the Southeast/Caribbean region except Mississippi.

	12 Months Ending	Number of Homes Sold			Average or Median	Price		
		2014	2015	Percent Change		2014 (\$)	2015 (\$)	Percent Change
Alabama (N&E)	March	43,300	45,700	6	AVG	151,500	156,500	3
Florida* (E)	March	226,200	253,900	12	AVG	253,200	266,300	5
Georgia (N&E)	February	166,300	172,000	3	AVG	174,500	188,200	8
Kentucky (N&E)	February	59,300	66,300	12	AVG	136,400	140,800	3
Mississippi (N&E)	February	18,650	16,850	-10	AVG	168,800	178,800	6
North Carolina (N&E)	February	158,200	161,200	2	AVG	191,700	195,400	2
South Carolina (N&E)	March	62,100	65,400	5	AVG	158,900	164,300	3
Tennessee (N&E)	February	129,600	132,400	2	AVG	153,200	165,700	8

AVG = average. E = existing. N&E = new and existing.

*Includes only single-family homes.

Sources: Alabama Center for Real Estate; CoreLogic, Inc., with adjustments by the analyst; Florida Realtors®; South Carolina Realtors®



Apartment Market Conditions

During the first quarter of 2015, apartment market conditions in the Southeast/Caribbean region were mixed, ranging from balanced to tight. Despite a large number of completions, demand continued to exceed supply in most major markets in the region, leading to additional declines in apartment vacancy rates. The only major metropolitan areas with slight increases in the rate were Charlotte, Jackson, and Nashville, where unusually large numbers of completions caused the rates to increase to 5.4, 6.5, and 4.5 percent from 5.3, 6.2, and 4.2 percent, respectively, a year earlier (MPF Research). In Miami, conditions were tight, with a 2.6-percent vacancy rate down from 3.1 percent a year earlier, and the average rent increased 4 percent, to \$1,267. Among the largest metropolitan areas in the region, Atlanta had the greatest monthly rent increase—9 percent, to \$943—and the vacancy rate continued to decline, to 6.7 percent from 7.5 percent a year earlier. The only major metropolitan area with a rent decline was Jackson, where the 2-percent decline accompanied increases in the number of units completed and the vacancy rate.

Demand for apartments in the Southeast/Caribbean region remained strong in the first quarter of 2015. As a result, multifamily construction activity (as measured by the number of units permitted) was nearly exclusively for apartments, but trends in apartment construction activity were mixed, with a cutback in some states with large pipelines but an increase in other states where activity has been relatively low or where apartment markets remain tight.

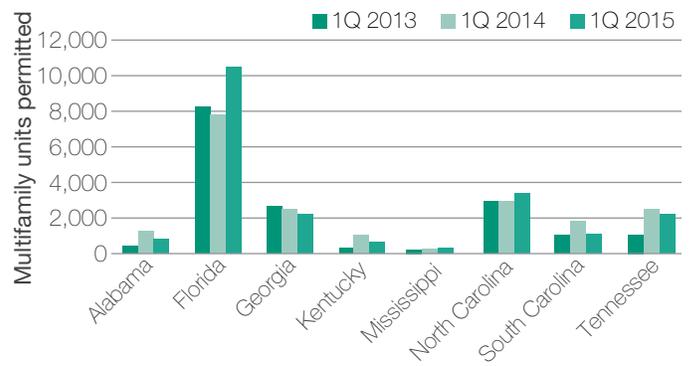
During the first quarter of 2015 (preliminary data)—

- The number of multifamily units permitted in the region increased by 1,200, or 6 percent, to 21,150 units after a 19-percent increase in multifamily units permitted a year ago.
- In Florida, where markets were generally tight, multifamily permitting activity led the region and increased 34 percent, to

approximately 10,500 units; 63 percent of the increase for the state was a result of greater permitting in the Miami metropolitan area, one of the tightest apartment markets in the region.

- In North Carolina, 3,425 units were permitted, a 20-percent increase, after a decline during the same period a year ago, which was a result of the large pipeline; because some of those recently completed units have now been absorbed, multifamily permitting again increased.
- The number of multifamily units permitted declined 13 percent in Georgia, to 2,150 units, and 38 percent in South Carolina, to 1,175 units, but permitting activity in both states remains near the highest levels since 2008.

Multifamily permitting trends in the Southeast/Caribbean region were mixed, depending on apartment market conditions and the number of units in the pipeline.



1Q = first quarter.
 Note: Based on preliminary data.
 Source: U.S. Census Bureau, Building Permits Survey

Despite strong demand, vacancy rates increased in some markets in the Southeast/Caribbean region that had large numbers of completions.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		1Q 2014 (%)	1Q 2015 (%)	Percentage Point Change	1Q 2014 (\$)	1Q 2015 (\$)	Percent Change
Atlanta	Balanced	7.5	6.7	- 0.8	867	943	9
Birmingham	Balanced	7.7	6.9	- 0.8	805	801	0
Charlotte	Balanced	5.3	5.4	0.1	869	917	6
Columbia	Balanced	9.1	7.8	- 1.3	786	820	4
Jackson	Balanced	6.2	6.5	0.3	780	768	- 2
Louisville	Slightly tight	5.5	5.1	- 0.4	744	758	2
Miami	Tight	3.1	2.6	- 0.5	1,216	1,267	4
Nashville	Slightly tight	4.2	4.5	0.3	912	975	7

1Q = first quarter.
 Sources: Market condition—HUD, PD&R, Economic and Market Analysis Division; vacancy rate and average monthly rent—MPF Research

