

# HUD PD&R Regional Reports

## Region 4: Southeast/Caribbean

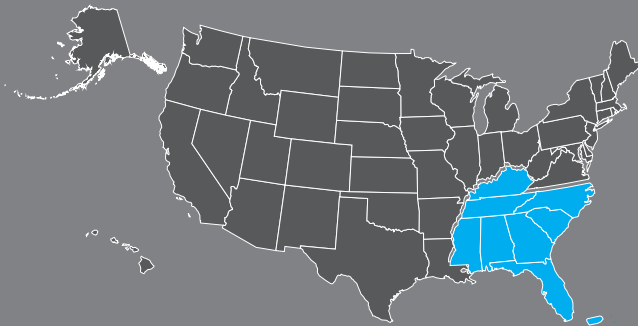


### Quick Facts About Region 4

Jacksonville, Florida

By Charles P. Huggins | 4th quarter 2015

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



### Overview

Although the economic expansion in the Southeast/Caribbean region continued at a healthy pace during the fourth quarter of 2015, the number of nonfarm payroll jobs added during the quarter in the region was less than the number added a year earlier for the first time since the fourth quarter of 2010. Nevertheless, the pace of economic growth was sufficient to sustain improving sales housing and apartment market conditions throughout the region. The number of seriously delinquent loans (loans 90 or more days delinquent or in foreclosure) and real estate owned (REO) properties declined, and home sales and prices increased in most states in the region during the 12 months ending November 2015. Apartment vacancy rates declined in most of the major metropolitan areas during the fourth quarter of 2015. Residential construction activity increased in the region during the fourth quarter of 2015 at a similar pace as in the fourth quarter of 2014.

- During the fourth quarter of 2015, nonfarm payrolls in the region increased 2.3 percent, to 27.84 million, compared with an increase of 2.5 percent during the fourth quarter of 2014.
- Home sales increases ranged from 3 to 13 percent in every state in the region except Mississippi, where sales declined 5 percent.
- Permitting of single-family homes and multifamily units increased 10 and 13 percent, respectively, during the fourth quarter of 2015 compared with permitting during the fourth quarter of 2014 and similar to the respective increases of 10 and 14 percent reported a year earlier (preliminary data).



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Nonfarm payrolls in the Southeast/Caribbean region increased 2.3 percent in the fourth quarter, led by the professional and business services sector.

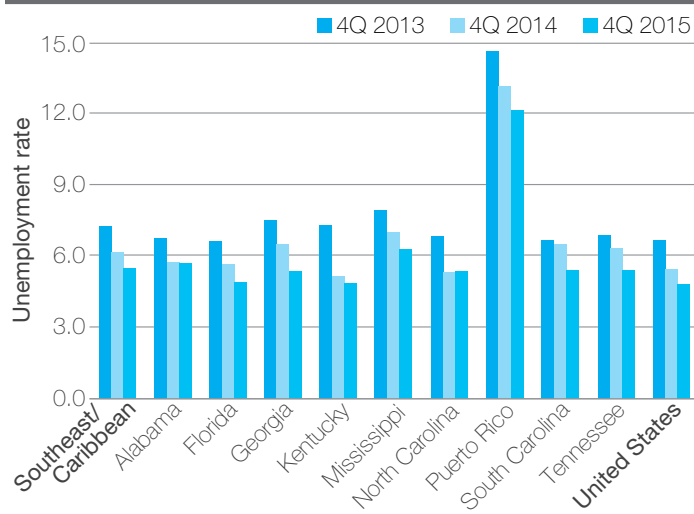
	Fourth Quarter		Year-Over-Year Change	
	2014 (thousands)	2015 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	27,226.3	27,840.4	614.1	2.3
Goods-producing sectors	3,678.3	3,755.4	77.1	2.1
Mining, logging, and construction	1,249.4	1,298.3	48.9	3.9
Manufacturing	2,428.9	2,457.1	28.2	1.2
Service-providing sectors	23,548.0	24,085.0	537.0	2.3
Wholesale and retail trade	4,471.7	4,561.0	89.3	2.0
Transportation and utilities	1,058.7	1,087.7	29.0	2.7
Information	472.9	470.1	- 2.8	- 0.6
Financial activities	1,493.8	1,530.4	36.6	2.5
Professional and business services	3,728.6	3,859.6	131.0	3.5
Education and health services	3,701.5	3,813.0	111.5	3.0
Leisure and hospitality	3,082.0	3,193.1	111.1	3.6
Other services	1,015.3	1,033.8	18.5	1.8
Government	4,523.4	4,536.4	13.0	0.3

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

## Economic Conditions

Economic conditions in the Southeast/Caribbean region, which began to improve in 2010, continued to strengthen during the fourth quarter of 2015, albeit at a slightly slower pace than a year ago. Nonfarm payrolls averaged 27.84 million during the fourth quarter of 2015, an increase of 614,100 jobs, or 2.3 percent, from a year ago. By comparison, nonfarm payrolls increased by 658,100 jobs, or 2.5 percent, during the fourth quarter of 2014. During the fourth quarter of 2015, nonfarm payrolls grew in every state and Caribbean territory in the region, led by Florida, Georgia, and North Carolina. All payroll sectors in the region added jobs except the information sector, which recorded a loss of 2,800 jobs, or 0.6 percent. The sectors that had the greatest increases from a year ago were the professional and business services, education and health services, and leisure and hospitality sectors, which recorded gains of 131,000, 111,500, and 111,100 jobs, or 3.5, 3.0, and 3.6 percent, respectively. The unemployment rate for the region declined to 5.5 percent during the fourth quarter of 2015 from 6.1 percent a year ago; the U.S. unemployment rate declined from 5.5 percent to 4.8 percent during the same period. The unemployment rate declined in every state in the region except North Carolina, which experienced a small 0.1-percentage-point increase to 5.4 percent compared with the rate in the fourth quarter of 2014.

The unemployment rate declined in Puerto Rico and in every state in the Southeast/Caribbean region except North Carolina in the fourth quarter of 2015.



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

During the fourth quarter of 2015—

- Payroll growth was greatest in Florida, Georgia, and North Carolina, which gained 235,900, 96,800, and 92,800 jobs, or 3.0, 2.3, and 2.2 percent, respectively.

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- Nonfarm payrolls increased 0.4 percent in both Puerto Rico and the U.S. Virgin Islands, or by 3,800 and 200 jobs, respectively. By comparison, during the fourth quarter of 2014, Puerto Rico lost 21,900 jobs, or 2.3 percent, from the fourth quarter of 2013; the U.S. Virgin Islands recorded no change for the same period.
- The unemployment rate among the states in the region ranged from 4.9 percent in Florida and Kentucky to 6.3 percent in Mississippi. Georgia and South Carolina had identical rates of 6.5 percent in the fourth quarter of 2014 and 5.4 percent in the fourth quarter of 2015; the 1.1-percentage-point declines were the greatest decreases among the states.
- The average unemployment rate was 12.1 percent in Puerto Rico, the highest rate in the region, declining from 13.1 percent during the fourth quarter of 2014.
- Boeing South Carolina, based in Charleston, plans to open a new interior parts fabrication plant in late 2016 that is expected to create 2,000 new jobs in the next 5 years. Mercedes-Benz Vans, a division of the German-owned Daimler Company, is to begin an expansion of its production facility in North Charleston in 2016 that is expected to add 1,300 jobs when fully operational.

## 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 2015. Moderate economic growth continued to support demand and increase home sales in the region. Alabama home sales reached 78,900 during the 12 months ending November 2015 (the most recent data available), an increase of 13 percent from the previous 12 months, the greatest increase in the region, as payroll growth in the state continued (CoreLogic, Inc., with adjustments by the analyst). Georgia and Tennessee had the second highest growth rate in the region, each increasing 9 percent, to 187,900 and 141,700 homes sold, respectively. In Mississippi, home sales declined by 850, or 5 percent, from the previous 12-month period to approximately 14,850 homes. Home prices increased in every state in the region, including Mississippi, where prices increased 2 percent, to \$175,800, in part because of the decline of distressed home sales (REO and short sales). Georgia and Florida, which had

the greatest payroll gains in the region, also led the region in home sales price appreciation, with prices up 8 and 7 percent respectively. Prices were also up 7 percent in Tennessee from a year ago.

The rates of seriously delinquent mortgages and loans that transitioned into REO status declined in every state in the region from a year ago. In December 2015, 4.8 percent of home loans in the region were seriously delinquent or had transitioned into REO status, down from 5.9 percent in December 2014 (Black Knight Financial Services, Inc.). The percentage for the region remains above the national rate, which was 4.1 percent in December 2015, down from 4.8 percent in December 2014. Mississippi had the highest percentage in the region and ranked third in the nation at 6.7 percent, declining from 7.6 percent during the previous year. Florida had the fourth highest percentage in the nation at 6.2 percent, declining from 8.3 percent in December 2014.

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**Home prices increased in every state in the Southeast/Caribbean region; home sales increased in every state but Mississippi.**

	12 Months Ending	Number of Homes Sold			Price			
		2014	2015	Percent Change	Average or Median	2014 (\$)	2015 (\$)	Percent Change
Alabama (N&E)	November	69,850	78,900	13	AVG	150,700	154,000	2
Florida (N&E)	November	517,300	552,200	7	AVG	219,100	234,200	7
Georgia (N&E)	November	172,500	187,900	9	AVG	184,500	198,800	8
Kentucky (N&E)	November	67,600	69,350	3	AVG	139,800	146,200	5
Mississippi (N&E)	November	15,700	14,850	-5	AVG	172,800	175,800	2
North Carolina (N&E)	November	166,700	175,100	5	AVG	193,800	202,200	4
South Carolina (N&E)	November	93,450	96,350	3	AVG	186,100	198,100	6
Tennessee (N&E)	November	129,700	141,700	9	AVG	160,400	172,200	7

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

Note: Includes only single-family homes.

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



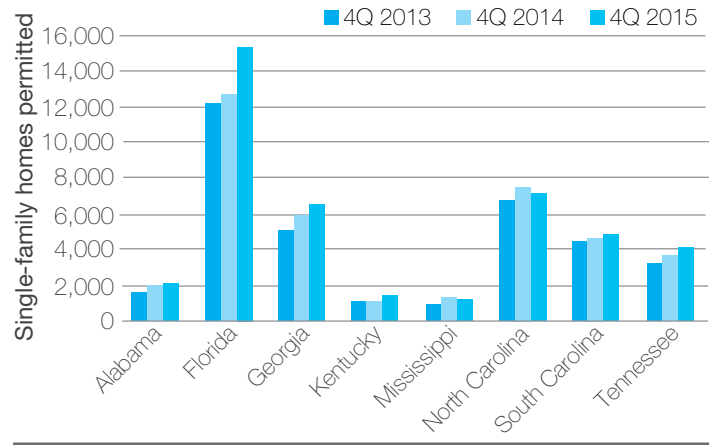
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Continued economic growth and increased home sales have increased single-family construction activity, as measured by the number of single-family homes permitted, in the region. In 2015, 186,300 homes were permitted, a 10-percent increase from the number permitted in 2014 (preliminary data). Permitting of single-family homes has increased each year since falling to a low of 112,900 in 2011.

During the fourth quarter of 2015 (preliminary data)—

- The number of single-family homes permitted in the region increased by 3,825 homes, or 10 percent, from the fourth quarter of 2014, to approximately 43,250 homes.
- In Alabama, Georgia, and Tennessee, where home sales increased the most in the region, single-family permitting increased 2, 11, and 14 percent, to 2,150, 6,600, and 4,200 homes, respectively.
- Florida led the region in single-family permitting with 15,450 homes, an increase of 21 percent from a year ago, after only a 4-percent increase during the fourth quarter of 2014, as home sales market conditions improved.
- Single-family building activity declined in North Carolina and Mississippi by 500 and 125 homes, or 7 and 9 percent, respectively.

**Single-family permitting increased in every Southeast/Caribbean region state except Mississippi and North Carolina.**



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

Despite the decline in North Carolina, the state accounted for the second highest level of single-family permitting in the region, with nearly 7,150 homes permitted.

## Apartment Market Conditions

Apartment market conditions were mixed throughout the Southeast/Caribbean region during the fourth quarter of 2015, ranging from balanced to tight. Charlotte, Miami, and Nashville apartment markets were tight despite above-average annual increases in apartment supply of 5,450, 2,550, and 4,000 units, respectively. Vacancy rates in the markets declined to 4.3, 2.4, and 3.6 percent from 5.0, 3.1,

and 4.5 percent, respectively, during the fourth quarter of 2014 because of strong demand from expanding economies (MPF Research). Vacancy rates in Birmingham and Louisville increased slightly, from 7.0 and 4.2 percent to 7.2 and 4.4 percent, respectively. In Birmingham, the vacancy rate increase occurred despite a relatively small increase in apartment supply of approximately 300 units from the

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**Apartment market conditions were mixed in the Southeast/Caribbean region; Atlanta led in vacancy rate decline and tied with Nashville for rent growth.**

	Market Condition	Vacancy Rate			Average Monthly Rent		
		4Q 2014 (%)	4Q 2015 (%)	Percentage Point Change	4Q 2014 (\$)	4Q 2015 (\$)	Percent Change
Atlanta	Balanced	6.1	5.0	- 1.1	929	1,007	8
Birmingham	Balanced	7.0	7.2	0.2	808	837	4
Charlotte	Tight	5.0	4.3	- 0.7	908	968	7
Columbia	Balanced	6.8	5.8	- 1.0	804	844	5
Jackson	Balanced	6.4	5.6	- 0.8	772	795	3
Louisville	Balanced	4.2	4.4	0.2	759	779	3
Miami	Tight	3.1	2.4	- 0.7	1,250	1,300	4
Nashville	Tight	4.5	3.6	- 0.9	955	1,031	8

4Q = fourth quarter.  
 Sources: Market condition—HUD, PD&R, Economic and Market Analysis Division; vacancy rate and average monthly rent—MPF Research





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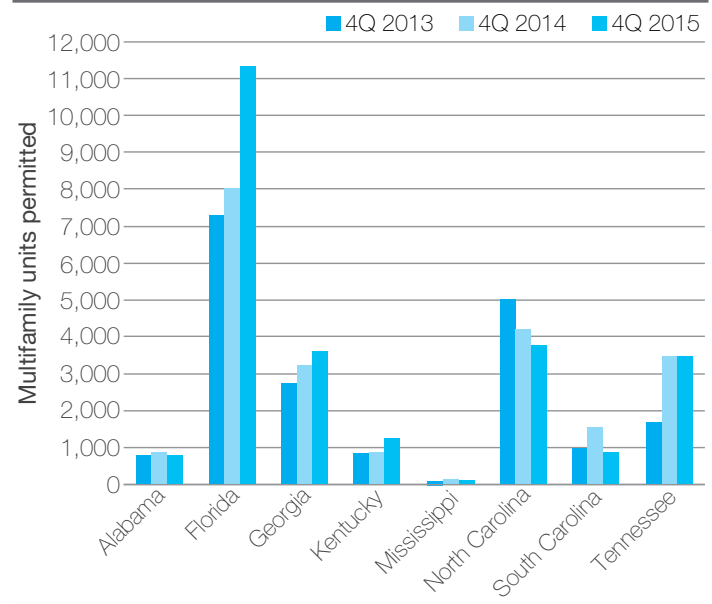
fourth quarter of 2014. In Louisville, demand was strong but fell slightly short of the 2,000-unit increase in apartment inventory. Atlanta had the greatest decline in the vacancy rate, from 6.1 to 5.0 percent, as a result of strong job growth, followed by Jackson, with the rate declining from 6.4 to 5.6 percent. Rent growth was led by Atlanta and Nashville, where the average rent increased 8 percent each, to \$1,007 and \$1,031, respectively, in response to declining vacancy rates. Louisville and Jackson reported the lowest average rents, \$779 and \$795, respectively, both 3-percentage-point increases from a year ago.

Multifamily construction, as measured by the number of units permitted, has increased in the region as rental demand continues to grow. In 2015, 91,750 multifamily units were permitted in the Southeast/Caribbean region, an increase of 14,100 units, or 18 percent, from 2014 (preliminary data). By comparison, the number of multifamily units permitted increased by 4,200 units, or 6 percent, from 2013 to 2014. The number of multifamily units permitted has increased each year since 2010, when 30,500 units were permitted.

During the fourth quarter of 2015 (preliminary data)—

- Permits were issued for 25,350 multifamily units in the region, a 13-percent increase from the number of units permitted during the fourth quarter of 2014.
- Florida accounted for nearly one-half of the multifamily units permitted in the region. The 11,350 units permitted in the state were 41 percent more than the number permitted a year ago.
- In Georgia and Kentucky, multifamily permitting activity averaged 3,650 and 1,250 units, respectively, increases of 12 and 46 percent from a year ago.

Multifamily permitting increases in Florida, Georgia, and Kentucky more than offset declines in other Southeast/Caribbean region states.



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

- The remaining states in the region—Alabama, Mississippi, North Carolina, South Carolina, and Tennessee—reported declines in the number of multifamily units permitted. The greatest declines occurred in North Carolina and South Carolina, with decreases of 450 and 650 units, or 11 and 43 percent, respectively, because of a large number of apartment units currently under construction and in planning.

