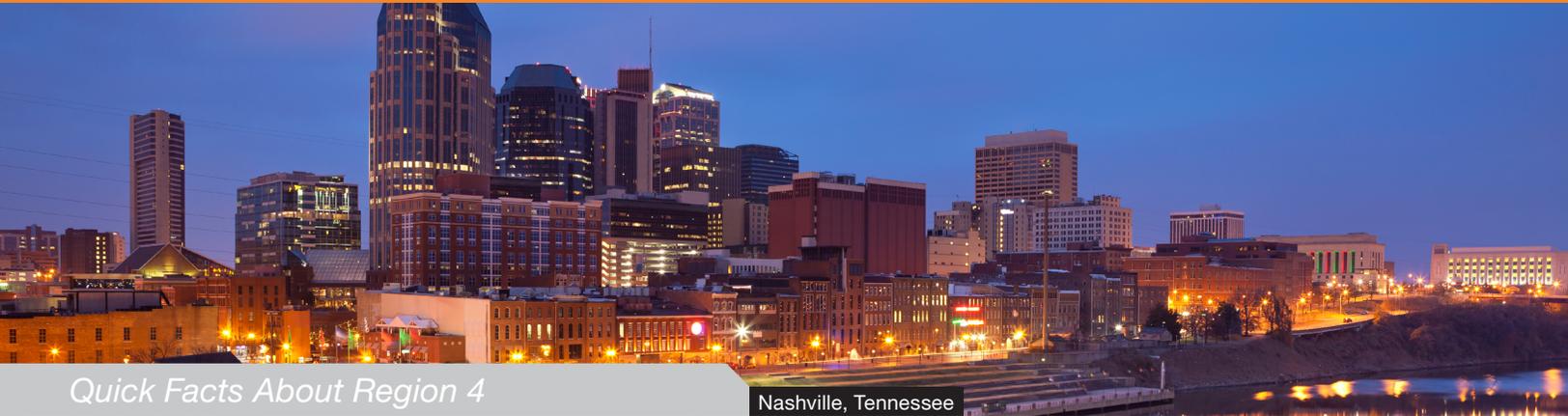


HUD PD&R Regional Reports

Region 4: Southeast/Caribbean



Nashville, Tennessee

By Tammy Fayed | 2nd quarter 2015

Quick Facts About Region 4

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



Overview

For the past 4 years, economic conditions in the Southeast/Caribbean region strengthened. As a result, during the past 3 years, both sales and rental housing markets tightened, from soft conditions throughout the region to mixed conditions. During the second quarter of 2015, nonfarm payroll jobs increased 2.5 percent in the region compared with a 2.2-percent increase during the same quarter a year earlier. Significant job growth in the region led to fewer delinquent mortgage loans and a higher number of home sales in every state in the region except Mississippi, where economic conditions remained weak and home sales declined 9 percent during the 12 months ending May 2015 (CoreLogic, Inc., with adjustments by the analyst). Apartment market conditions softened slightly in some markets where apartment production was high in the past 2 to 3 years, but the number of multifamily units permitted in the region was up 15 percent during the second quarter of 2015.

- Nonfarm payroll and home sales growth was highest in Florida, where payrolls increased 3.5 percent, to 8.07 million, jobs during the second quarter of 2015 and existing home sales increased 13 percent, to 264,000 homes, during the 12 months ending June 2015.
- Home sales prices were up in every state in the region, ranging from 2 percent in North Carolina to 8 percent in Georgia and Tennessee (CoreLogic, Inc., with adjustments by the analyst).
- Apartment vacancy rates among the largest metropolitan areas in the region ranged from 3.1 percent in Miami to 7.4 percent in Columbia (MPF Research).



During the second quarter of 2015, nonfarm payrolls in the Southeast/Caribbean region increased in every payroll sector for the first time in 20 years.

	Second Quarter		Year-Over-Year Change	
	2014 (thousands)	2015 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	26,722.5	27,397.4	674.9	2.5
Goods-producing sectors	3,612.3	3,698.2	85.9	2.4
Mining, logging, and construction	1,215.2	1,261.7	46.5	3.8
Manufacturing	2,397.0	2,436.6	39.6	1.7
Service-providing sectors	23,110.2	23,699.1	588.9	2.5
Wholesale and retail trade	4,338.4	4,451.8	113.4	2.6
Transportation and utilities	1,017.9	1,049.3	31.4	3.1
Information	467.2	471.6	4.4	0.9
Financial activities	1,475.0	1,504.5	29.5	2.0
Professional and business services	3,616.9	3,757.8	140.9	3.9
Education and health services	3,611.9	3,729.7	117.8	3.3
Leisure and hospitality	3,121.2	3,245.1	123.9	4.0
Other services	1,011.4	1,028.8	17.4	1.7
Government	4,450.3	4,460.5	10.2	0.2

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

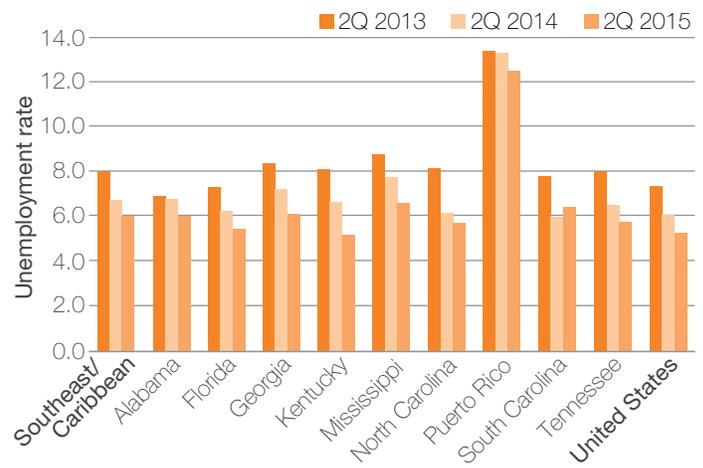
Economic Conditions

Economic growth in the Southeast/Caribbean region continued to strengthen during the second quarter of 2015, a trend that began in 2011. During the second quarter of 2015, nonfarm payrolls increased by 674,900 jobs, or 2.5 percent, to 27.40 million jobs compared with an increase of 586,700 jobs, or 2.2 percent, a year earlier. Payrolls increased in every state in the region and stabilized in the Caribbean territories. Every sector in the region gained jobs, led by the professional and business services, leisure and hospitality, and education and health services sectors, which increased by 140,900, 123,900, and 117,800, or 3.9, 4.0, and 3.3 percent, respectively. The improving sales markets, led to more single-family homebuilding and higher construction subsector payrolls, which increased 4.7 percent, or by 47,700 jobs. Mississippi was the only state with a decline in construction payrolls during the quarter, losing 4,800 jobs, or 9.4 percent, as a result of the weak Mississippi economy, which has not fully recovered from the most recent national recession. During the first quarter of 2015, the unemployment rate for the region averaged 6.0 percent, down from 6.8 percent during the second quarter of 2014.

During the second quarter of 2015—

- Florida had the highest nonfarm payroll growth in the region, averaging 274,500 jobs, or 3.5 percent, 20 percent of which was the result of an increase in the leisure and hospitality sector by 55,200 jobs, or 5.0 percent.

Unemployment rates declined in every state in the Southeast/Caribbean region, except in South Carolina, during the second quarter of 2015.



2Q = second quarter.
Source: U.S. Bureau of Labor Statistics

- In Georgia and North Carolina, payrolls increased by 112,700 and 105,000 jobs, or 2.7 and 2.5 percent, respectively. Nonfarm payrolls appear to have stabilized in both Puerto Rico and the U.S. Virgin Islands, but payrolls in the territories are each approximately 14 percent less than 2005 levels.
- The state unemployment rates for the region ranged from a low of 5.2 percent in Kentucky to 6.6 percent in Mississippi. The unemployment rate in Puerto Rico, at 12.5 percent, declined from 13.3 percent a year ago, but it remains significantly higher than the state rates.

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- South Carolina was the only state in the region with an increase in the unemployment rate, from 6.0 percent during the second quarter of 2014 to 6.4 percent during the second quarter of 2015.
- Construction is currently under way on a 2.2-million-square-foot, multiuse development in Dunwoody, a northern suburb of Atlanta.

State Farm Insurance, which currently employs approximately 5,500 people in the Atlanta metropolitan area, is expected to occupy 585,000 square feet of office space in the development and plans to add as many as 2,500 jobs at the site in the coming years. Initial occupancy is currently scheduled for late 2016.

Sales Market Conditions

Sales housing market conditions in the Southeast/Caribbean region were mixed during the second quarter of 2015, ranging from balanced to soft. In June 2015, 5.0 percent of mortgage loans in the region were seriously delinquent (90 or more days delinquent or in foreclosure) or transitioned into real estate owned (REO) status, down from 6.3 percent in June 2014 (Black Knight Financial Services, Inc.). The region had the highest percentage of delinquent loans and REO properties among the 10 HUD-defined regions in the nation in 2010 but currently ranks second after the New York/New Jersey region, where the percentage was 7.3 percent in June 2015 because of a backlog of loans in the foreclosure process. In Florida, the percentage of seriously delinquent loans and REO properties fell to 6.7 percent in June 2015 from 9.3 percent in June 2014 and 18.8 percent in June 2010. While the sales market continued to recover during the 12 months ending June 2015, existing single-family home sales in Florida increased 13 percent, to 264,000, and the average price of a home increased 5 percent, to \$270,200

(Florida Realtors®). New and existing home sales increased 11 percent in Kentucky, to 67,100 homes sold, during the 12 months ending May 2015 (CoreLogic, Inc., with adjustments by the analyst), the highest increase in the region after Florida. Mississippi was the only state in the region with a decline in sales, down 9 percent, to 15,050 new and existing homes. Despite a decline in sales, home sales prices increased 5 percent in Mississippi, to \$184,600, as a result of fewer distressed sales (REO and short sales). Home prices increased 8 percent in Georgia and Tennessee, more than in any other state in the region, to averages of \$192,600 and \$168,900, respectively.

Strengthening economic conditions and increasing home sales contributed to higher single-family construction activity in the region. During the second quarter of 2015 (preliminary data)—

- Permits were issued for approximately 51,750 single-family homes in the region, a 13-percent increase from the second quarter of 2014.

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During the second quarter of 2015, home sales were up in every state in the Southeast/Caribbean region, except in Mississippi, where weak economic conditions led to fewer home sales.

	12 Months Ending	Number of Homes Sold			Average or Median	Price		
		2014	2015	Percent Change		2014 (\$)	2015 (\$)	Percent Change
Alabama (N&E)	June	43,550	47,400	9	AVG	153,700	158,600	3
Florida* (E)	June	233,800	264,000	13	AVG	257,800	270,200	5
Georgia (N&E)	May	167,400	177,900	6	AVG	178,000	192,600	8
Atlanta	May	103,800	108,400	4	AVG	205,700	226,200	10
Kentucky (N&E)	May	60,700	67,100	11	AVG	137,000	143,600	5
Mississippi (N&E)	May	16,450	15,050	-9	AVG	176,100	184,600	5
North Carolina (N&E)	May	157,100	165,300	5	AVG	193,400	197,300	2
Charlotte	May	43,700	48,150	10	AVG	219,400	227,200	4
South Carolina (N&E)	June	65,500	70,900	8	AVG	165,000	175,000	6
Tennessee (N&E)	May	129,200	134,800	4	AVG	155,900	168,900	8
Nashville	May	42,000	46,500	11	AVG	216,900	235,400	9

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

*Includes only single-family homes.

Note: Includes single-family homes, townhomes, and condominiums (except in Florida).

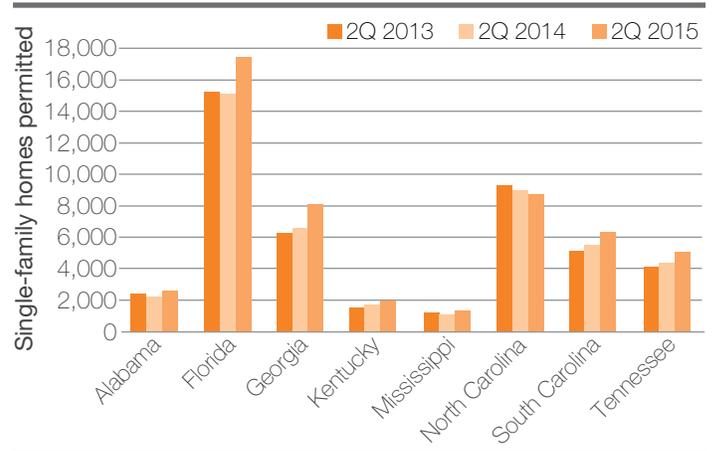
Sources: Alabama Center for Real Estate; CoreLogic, Inc., with adjustments by the analyst; Florida Realtors®; South Carolina Realtors®



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- North Carolina was the only state in the region that had a decline in single-family homes permitted, decreasing 4 percent, to 8,750 homes, following a 3-percent decline during the second quarter of 2014. Although permits for single-family homes are down slightly in recent months, the number of homes permitted in the state in 2015 is on track to approach the average of 35,200 homes permitted in 2013 and 2014 and is much higher than the average of 26,550 homes permitted from 2009 through 2012.
- In Florida and Georgia, permits for single-family homes increased by 2,325 and 1,450 homes, or 15 and 22 percent, respectively. Both states were hard hit by foreclosures during the early 2010s, but sales markets in each state have improved significantly, leading to higher single-family home production. In June 2015, 4.0 percent of home loans in Georgia were seriously delinquent or transitioned into REO status compared with 9.6 percent in June 2010.
- Permits for single-family homes increased more than 10 percent in each of the remaining states in the region. In Alabama, Kentucky, Mississippi, South Carolina, and Tennessee, the number of homes permitted was up 16, 14, 20, 14, and 16 percent, respectively.

Permits issued for single-family homes increased during the second quarter of 2015 in the Southeast/Caribbean region as a result of improving sales markets.



2Q = second quarter.
 Note: Based on preliminary data.
 Source: U.S. Census Bureau, Building Permits Survey

Apartment Market Conditions

Apartment market conditions in the Southeast/Caribbean region were mixed during the second quarter of 2015, ranging from tight in Miami and Nashville to soft in Columbia. After 4 years of decreasing vacancy rates, markets in the region have begun to soften, partially as a result of the high number of apartment completions. Vacancy rates in Charlotte increased slightly from 4.9 percent during the second quarter of 2014 to 5.0 percent during the second quarter of 2015 (MPF Research). In Louisville, the vacancy rate increased

from 4.4 to 4.8 percent. Despite increases in vacancy rates in many metropolitan areas of the region, the vacancy rates continued to decline in Atlanta, Birmingham, and Jackson, from 6.4, 7.8, and 6.2 percent to 5.8, 6.5, and 4.9 percent, respectively. Rent increases ranged from 2 percent in Birmingham and Jackson to 9 percent in Atlanta, where rents averaged \$827, \$781, and \$971, respectively. Rents were flat in Louisville, at \$763.

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Because of a large numbers of construction completions during the second quarter of 2015, vacancy rates increased slightly in some apartment markets in the Southeast/Caribbean region, including in Miami and Charlotte.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		2Q 2014 (%)	2Q 2015 (%)	Percentage Point Change	2Q 2014 (\$)	2Q 2015 (\$)	Percent Change
Atlanta	Balanced	6.4	5.8	- 0.6	893	971	9
Birmingham	Slightly soft	7.8	6.5	- 1.3	808	827	2
Charlotte	Balanced	4.9	5.0	0.1	884	946	7
Columbia	Soft	7.4	7.4	0.0	800	839	5
Jackson	Balanced	6.2	4.9	- 1.3	769	781	2
Louisville	Balanced	4.4	4.8	0.4	761	763	0
Miami	Tight	2.8	3.1	0.3	1,230	1,301	6
Nashville	Tight	3.8	3.7	- 0.1	930	999	7

2Q = second quarter.
 Sources: Market condition—HUD, PD&R, Economic and Market Analysis Division; vacancy rate and average monthly rent—MPF Research

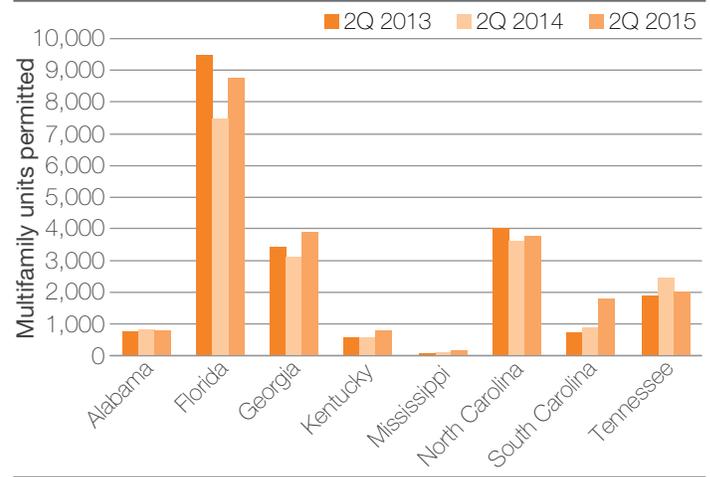


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Strong employment growth in the region and mostly balanced apartment markets led to continued increases in multifamily permit activity. During the second quarter of 2015 (preliminary data)—

- The number of multifamily units permitted in the region increased 15 percent, to approximately 21,900 units, more than 95 percent of which are estimated to be apartments.
- Florida had both the highest number of units permitted, at approximately 8,750 units, and the largest increase in the number of units permitted, at 1,250 units, or 17 percent, because apartment market conditions were the tightest among the states in the region.
- In North Carolina, where the pipeline has been large, the number of units permitted was up a modest 4 percent, to 3,800 units.
- In Tennessee and Alabama, the number of multifamily units permitted fell 18 and 3 percent, respectively. The 450-unit decline in Tennessee was primarily the result of a 41-percent, or 590-unit, decline in Nashville, where the large pipeline led to a decrease in new production, despite tight market conditions. Approximately 9,000 units were under construction in the Nashville metropolitan area during the quarter (MPF Research).

Despite large pipelines in most major cities in the Southeast/Caribbean region during the second quarter of 2015, multifamily permitting increased in every state except Alabama and Tennessee.



2Q = second quarter.
 Note: Based on preliminary data.
 Source: U.S. Census Bureau, Building Permits Survey

