

HUD PD&R Regional Reports

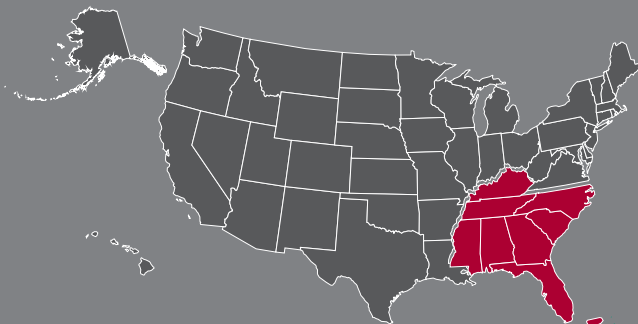
Region 4: Southeast/Caribbean



Tampa, Florida

Quick Facts About Region 4

- **Sales market conditions—**
Third quarter 2014: mixed (balanced to soft).
Second quarter 2014: mixed (balanced to soft).
Third quarter 2013: mixed (balanced to soft).
- **Apartment market conditions—**
Third quarter 2014: mixed (balanced to tight).
Second quarter 2014: mixed (balanced to tight).
Third quarter 2013: balanced.



By Robyn E. Bowen | 3rd quarter 2014

Overview

Economic expansion occurred in the Southeast/Caribbean region during the past 4 years and continued during the third quarter of 2014, when nonfarm payrolls increased at the highest year-over-year rate since 2005. Home sales increased in most states in the region, with Kentucky reporting the highest rate of growth after declining during the previous year. The number of distressed loans and REO (Real Estate Owned) properties declined, which contributed to home sales prices increasing in every state in the region. The demand for apartments continued to increase throughout the region during the third quarter of 2014. Apartment vacancy rates declined in most major metropolitan areas, and rent increases ranged from 1 to 7 percent. Residential construction activity in the region increased 5 percent during the third quarter of 2014, slowing from an increase of 15 percent during the third quarter of 2013 when markets began to come into balance.

- During the third quarter of 2014, nonfarm payrolls in the region increased 2.1 percent, more than the increase of 1.8 percent during the third quarter of 2013 and more than the U.S. increase of 1.9 percent during the third quarter of 2014.

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- The Boeing Company announced plans for a \$1 billion expansion at its campus in the city of Charleston, SC, which is expected to add 2,000 jobs by 2020. Boeing currently employs 6,700 people at its campus in North Charleston, where the 787 Dreamliner aircraft is assembled.

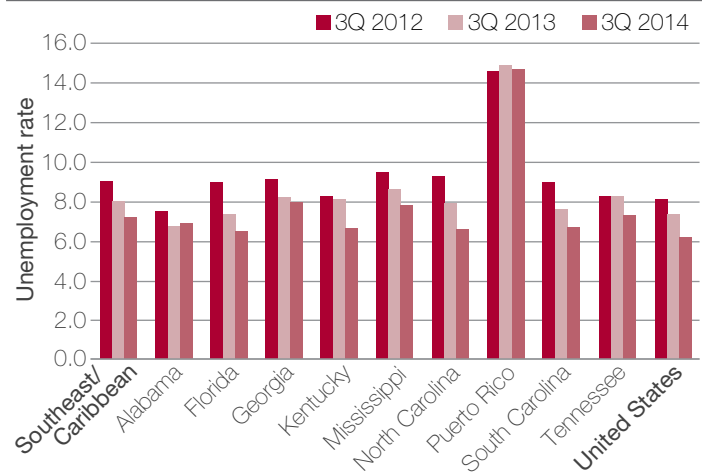
- The 45,400 single-family homes permitted during the third quarter of 2014 accounted for nearly 74 percent of all new residential construction in the region compared with 67 percent during the same quarter 2 years ago.

Economic Conditions

During the third quarter of 2014, nonfarm payrolls in the Southeast/Caribbean region increased by 548,000 jobs, or 2.1 percent, from a year ago, to an average of 26.61 million jobs, the highest third quarter average since 2007. Nonfarm payrolls grew in every state in the region, led by Florida, Georgia, and North Carolina. Payrolls increased in Puerto Rico by 3,300 jobs, or 0.4 percent, and no change occurred in the Virgin Islands. The unemployment rate for the region declined to 7.2 percent during the third quarter of 2014 from 8.0 percent a year ago, as employment increased and the labor force slightly decreased. The unemployment rate declined in almost every state in the region, with Kentucky reporting the greatest improvement, from 8.2 to 6.7 percent, from the third quarter of 2013 to the third quarter of 2014. Alabama reported the only unemployment rate increase in the region, from 6.7 to 6.9 percent, as employment declined slightly more than the decrease in the labor force.

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Unemployment rates in the Southeast/Caribbean region declined, except in Puerto Rico, where they were stable, and Tennessee, where they increased slightly.



3Q = third quarter.
Source: U.S. Bureau of Labor Statistics

Nonfarm payrolls in the Southeast/Caribbean region increased 2.1 percent during the third quarter, with Florida leading all states in growth.

	Third Quarter		Year-Over-Year Change	
	2013 (thousands)	2014 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	26,058.0	26,606.0	548.0	2.1
Goods-producing sectors	3,546.0	3,655.1	109.1	3.1
Mining, logging, and construction	1,188.7	1,254.4	65.7	5.5
Manufacturing	2,357.4	2,400.7	43.3	1.8
Service-providing sectors	22,511.9	22,950.9	439.0	2.0
Wholesale and retail trade	4,258.6	4,334.0	75.4	1.8
Transportation and utilities	993.1	1,023.5	30.4	3.1
Information	457.7	463.4	5.7	1.2
Financial activities	1,463.8	1,477.8	14.0	1.0
Professional and business services	3,492.0	3,647.7	155.7	4.5
Education and health services	3,523.4	3,581.0	57.6	1.6
Leisure and hospitality	3,001.2	3,102.6	101.4	3.4
Other services	991.8	1,002.5	10.7	1.1
Government	4,330.3	4,318.5	-11.8	-0.3

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



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During the third quarter of 2014—

- Payroll growth was greatest in Florida, North Carolina, and Georgia, which gained 208,700, 90,900, and 85,300 jobs, or 2.8, 2.2, and 2.1 percent, respectively.
- The professional and business services, leisure and hospitality, and wholesale and retail trade sectors led job growth, accounting for more than 60 percent of total payroll growth in the region.
- The government sector had the only decline in the region, losing 11,800 jobs, or 0.3 percent, with nearly 65 percent of those

losses occurring in North Carolina, where budget constraints led to employment declines in the state and local government subsectors.

- The unemployment rate among the states in the region ranged from 6.5 percent in Florida to 8.0 percent in Georgia. The unemployment rate in Florida is the lowest third quarter average since 2007.
- Puerto Rico reported an average unemployment rate of 14.7 percent, the highest rate in the region, declining from 14.9 percent during the third quarter of 2013, but increasing from the 14.6-percent rate 2 years earlier.

Sales Market Conditions

Sales housing market conditions in the Southeast/Caribbean region were mixed, ranging from balanced to soft during the third quarter of 2014. Moderate economic growth continued to strengthen demand and increase home sales in every state in the region except Mississippi. Mississippi began to trail the region in growth during the second quarter of 2014 and, during the 12 months ending August 2014 (the most recent data available), the number of homes sold in the state declined by 600, or 5 percent, from the previous 12-month period to approximately 11,700 homes (CoreLogic, Inc.). Kentucky reported the greatest gain in home sales in the region during the 12 months ending August 2014, increasing by 5,050 homes sold, or 9 percent, to approximately 61,550 homes sold. Home sales prices increased in every state in the region, ranging from 1 percent in Mississippi to 7 percent in Florida, Georgia, and Tennessee, partly because

of the decline in the number of distressed homes on the market, which have lower average prices. The rates of distressed mortgages declined in every state in the region from a year ago. In September 2014, 6.0 percent of home loans in the region were 90 or more days delinquent, were in foreclosure, or transitioned into REO status, down from 8.1 percent in September 2013 (Black Knight Financial Services, Inc.). Florida had the second highest percentage of distressed loans and REO properties in the nation in September 2014, at 8.6 percent, declining from 12.6 percent in September 2013, the largest decline in the nation. The percentage of distressed home loans and REO properties in the region remains above the national average, which was 4.7 percent in September 2014, down from 6.0 percent in September 2013.

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Home sales and prices increased throughout most of the Southeast/Caribbean region because of strong employment growth but, in Mississippi, sales declined.

	12 Months Ending	Number of Homes Sold			Price			
		2013	2014	Percent Change	Average or Median	2013 (\$)	2014 (\$)	Percent Change
Alabama (E)	September	42,400	44,000	4	AVG	148,800	154,800	4
Florida* (E)	September	224,900	238,000	6	AVG	243,600	260,500	7
Georgia (N&E)	August	153,900	160,800	4	AVG	171,000	183,200	7
Kentucky (N&E)	August	56,500	61,550	9	AVG	135,700	139,600	3
Mississippi (N&E)	August	12,300	11,700	-5	AVG	181,200	182,300	1
North Carolina (E)	August	149,300	155,400	4	AVG	188,600	195,000	3
South Carolina (N&E)	September	62,400	64,800	4	AVG	202,000	208,100	3
Tennessee (N&E)	August	125,200	127,900	2	AVG	149,200	160,300	7

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

*Includes only single-family homes.

Sources: Alabama Center for Real Estate; CoreLogic, Inc.; Florida Realtors®; South Carolina REALTORS®

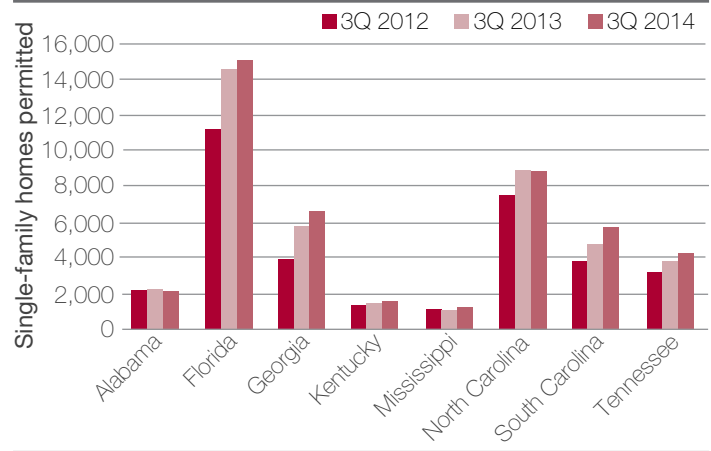


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During the third quarter of 2014 (preliminary data)—

- In response to continued economic growth and improvement in most home sales markets, the number of single-family homes permitted in the region increased by 2,825 homes, or 7 percent, from the third quarter of 2013, to approximately 45,400 homes.
- Single-family permitting increased 21 and 16 percent in South Carolina and Mississippi, to 5,725 and 1,225 homes, respectively.
- Permitting increased 13 percent in Georgia, to 6,600 homes, after increasing 48 percent during the third quarter of 2013 and increased 3 percent in Florida, to 15,050 homes, following a 30-percent increase during the previous year.
- The number of homes permitted in Alabama declined 5 percent, to 2,125 homes, compared with an increase of 3 percent during the third quarter of 2013.

In response to improved sales market conditions, single-family permitting increased during the third quarter throughout the Southeast/Caribbean region, with the exception of Alabama, where permitting declined slightly.



3Q = third quarter.
 Note: Based on preliminary data.
 Source: U.S. Census Bureau, Building Permits Survey

Apartment Market Conditions

During the third quarter of 2014, apartment market conditions were mixed throughout the Southeast/Caribbean region, ranging from balanced to tight. In the Miami-Miami Beach-Kendall Metropolitan Division and Nashville metropolitan area, where markets remain tight, strong economic growth continued to increase the demand for apartments, outpacing new supply. Apartment vacancy rates in these areas were 2.5 and 3.9 percent, down from 3.0 and 4.0 percent, respectively, during the third quarter of 2013 (MPF Research).

Rents in both of the two areas increased 4 percent, to \$1,233 and \$948, respectively. The apartment vacancy rate in the Charlotte metropolitan area decreased slightly to 4.4 percent during the third quarter of 2014 from 4.5 percent during the same quarter of 2013, as demand increased and the delivery of new units began to slow. Rents in the metropolitan area increased nearly 4 percent, to \$905. The largest decline in the apartment vacancy rate occurred in the Atlanta metropolitan area, falling from 7.3 percent during the third

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Apartment market conditions were mixed in the Southeast/Caribbean region, with Atlanta leading the region in both the decline in the vacancy rate and rent growth.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		3Q 2013 (%)	3Q 2014 (%)	Percentage Point Change	3Q 2013 (\$)	3Q 2014 (\$)	Percent Change
Atlanta	Balanced	7.3	6.0	- 1.3	855	915	7
Birmingham	Balanced	6.5	6.3	- 0.2	800	810	1
Charlotte	Balanced	4.5	4.4	- 0.1	872	905	4
Columbia	Balanced	7.3	6.9	- 0.4	800	820	3
Jackson	Balanced	6.7	6.7	0	754	773	3
Louisville	Balanced	5.0	4.1	- 0.9	738	762	3
Miami	Tight	3.0	2.5	- 0.5	1,190	1,233	4
Nashville	Tight	4.0	3.9	- 0.1	914	948	4

3Q = third quarter.
 Sources: Market condition—HUD, PD&R, Economic and Market Analysis Division; vacancy rate and average monthly rent—MPF Research



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quarter of 2013 to 6.0 percent during the third quarter of 2014, resulting from continued improvement in the local economy. The tightening of the market led to a 7-percent increase in the average rent, to \$915.

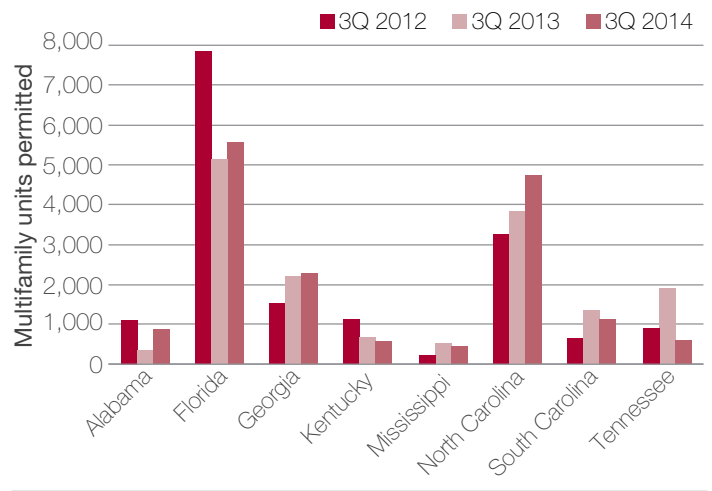
Multifamily construction in the region, as measured by the number of units permitted, increased during the third quarter of 2014 as rental demand continued to grow and vacancy rates declined, after a decrease in permitting a year ago resulting from an excess of new supply coming on the market.

During the third quarter of 2014 (preliminary data)—

- Permits were issued for 16,350 multifamily units in the region, a 2-percent increase from the number of units permitted during the third quarter of 2013.
- After declining nearly 71 percent during the third quarter of 2013, the number of units permitted more than doubled in Alabama, to 890 units permitted; the Birmingham metropolitan area accounted for nearly 30 percent of the units permitted.
- Improving apartment market conditions contributed to a near 21-percent increase in the number of multifamily units permitted in North Carolina, where 4,750 units were permitted, an increase of nearly 920 units, which was the largest increase in the region.
- The number of units permitted in Tennessee and South Carolina declined 69 and 15 percent, to 610 and 1,175 units, respectively, due in part to large gains that occurred in both states during the third quarter of 2013.

- Approximately 5,575 multifamily units were permitted in Florida, a 9-percent increase from the previous year, as demand for apartments increased and apartment market conditions tightened following a 35-percent decline in permitting during the third quarter of 2013.

Multifamily permitting in the Southeast/Caribbean region increased overall, despite the near 70-percent decline in Tennessee.



3Q = third quarter.
 Note: Based on preliminary data.
 Source: U.S. Census Bureau, Building Permits Survey

