

# HUD PD&R Regional Reports

## Region 4: Southeast/Caribbean



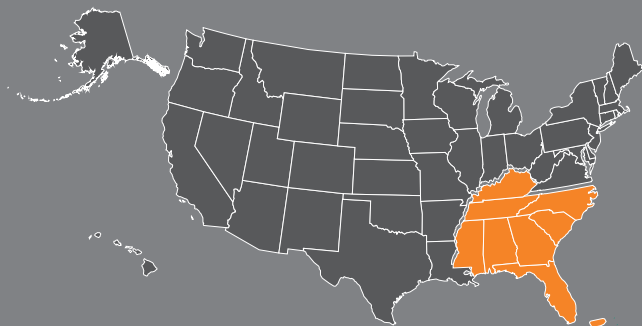
### Quick Facts About Region 4

Raleigh, North Carolina

By Tammy Fayed | 2nd quarter 2014

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

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



### Overview

During the second quarter of 2014, nonfarm payrolls in the Southeast/Caribbean region have increased at the highest year-over-year rate since 2006. Sales housing market conditions ranged from balanced to soft but continued to improve. Home sales were up in every state in the region, with annual increases ranging from 2 percent in Mississippi to 10 percent in Georgia, which previously lagged the housing recoveries of other states in the region. Apartment market conditions in the region were mixed, ranging from balanced in most metropolitan areas to tight in areas such as the Miami and Nashville metropolitan areas, where the vacancy rates averaged 2.8 and 3.9 percent, respectively, because strong demand outpaced apartment construction.

- Nonfarm payrolls for the region grew 2.0 percent during the second quarter of 2014 compared with the number of jobs a year earlier. By contrast, nonfarm payrolls in the second quarter of 2013 were up 1.5 percent from a year earlier.
- Sealed Air Corporation announced plans to relocate its corporate headquarters to the city of Charlotte, which would bring approximately 1,260 new jobs to the metropolitan area by the end of 2017. The company currently has production facilities and sales offices in other areas of North Carolina.
- Single-family homebuilding in the region declined less than 1 percent from a year ago, but individual state trends were mixed. The number of homes permitted in the region during the second quarter of 2014 was 36 percent more than during the same quarter 2 years ago.



PD&R

In the second quarter of 2014, nonfarm payroll growth, led by the professional and business services sector, was the greatest amount of growth in the Southeast/Caribbean region since 2006.

	Second Quarter		Year-Over-Year Change	
	2013 (thousands)	2014 (thousands)	Absolute (thousands)	Percent
<b>Total nonfarm payrolls</b>	26,135.0	26,654.5	519.5	2.0
Goods-producing sectors	3,515.5	3,604.5	89.0	2.5
Mining, logging, and construction	1,161.4	1,219.6	58.2	5.0
Manufacturing	2,354.0	2,384.9	30.9	1.3
Service-providing sectors	22,619.5	23,050.0	430.5	1.9
Wholesale and retail trade	4,235.5	4,331.9	96.4	2.3
Transportation and utilities	990.7	1,012.0	21.3	2.1
Information	458.0	462.2	4.2	0.9
Financial activities	1,453.5	1,469.0	15.5	1.1
Professional and business services	3,463.4	3,614.7	151.3	4.4
Education and health services	3,544.8	3,595.4	50.6	1.4
Leisure and hospitality	3,006.9	3,112.1	105.2	3.5
Other services	993.4	1,003.0	9.6	1.0
Government	4,473.4	4,449.6	-23.8	-0.5

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

Source: U.S. Bureau of Labor Statistics

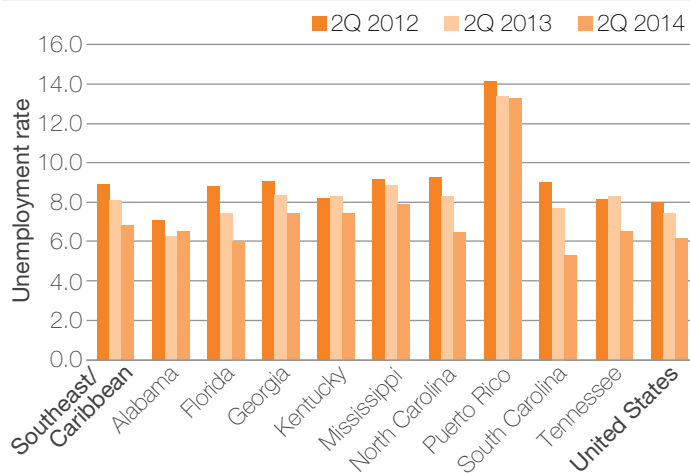
## Economic Conditions

During the second quarter of 2014, nonfarm payrolls in the Southeast/Caribbean region averaged 26.65 million jobs, an increase of 519,500 jobs, or 2.0 percent, from a year ago. Approximately one-half of the nonfarm payroll increase occurred in the professional and business services and the leisure and hospitality sectors, which added 151,300 and 105,200 jobs, increases of 4.4 and 3.5 percent, respectively. As a result of improving sales housing market conditions and a large number of apartments under construction, the construction subsector increased by 50,500 jobs, or 5.3 percent, from a year ago. After peaking in 2006, the subsector declined each subsequent year before stabilizing in 2012 and then began to increase in 2013, with a gain of 37,900 jobs, or 4.1 percent. The government sector was the only employment sector to decline during the second quarter of 2014, decreasing by 23,800 jobs, or 0.5 percent. The unemployment rate for the region fell to 6.8 percent during the second quarter of 2014 from 8.0 percent a year earlier. The decrease was a result of employment growth and a decline of less than 1 percent in the labor force.

During the second quarter of 2014—

- Nonfarm payrolls in Florida increased by 232,500 jobs, or 3.1 percent, accounting for 45 percent of payroll growth in the region.

The unemployment rate in the Southeast/Caribbean region decreased in every state except Alabama.



2Q = second quarter.

Source: U.S. Bureau of Labor Statistics

- In Tennessee and South Carolina, payrolls increased 2.1 and 2.0 percent, or by 57,300 and 37,700 jobs, respectively, making them the two fastest growing states in the region after Florida.
- Payrolls in the Caribbean territories of Puerto Rico and the Virgin Islands decreased by 2,000 and 800 jobs, or 0.2 and 2.0 percent, respectively, continuing the downward trend that began in the late 2000s because of declining government employment and the relocation of private-sector jobs to the mainland and other countries.

continued on page 3

continued from page 2

- Unemployment rates declined from a year ago in every state in the region except Alabama. South Carolina had the greatest unemployment rate decrease in the region, at 2.4 percentage points. The unemployment rate in South Carolina is now at its lowest level in more than a decade.

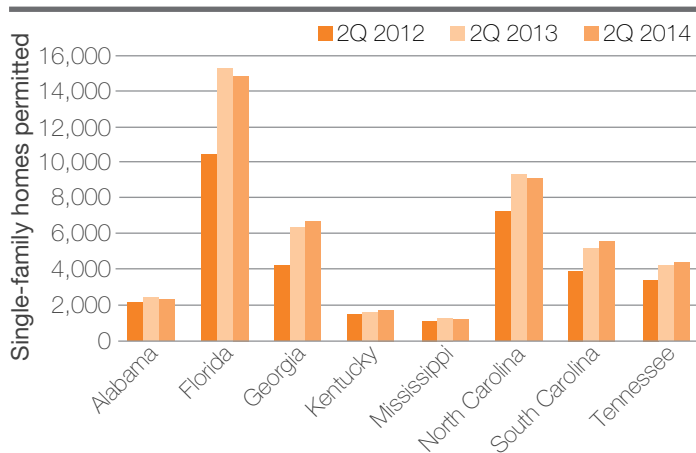
- Unemployment rates among states in the region ranged from 5.3 percent in South Carolina to 7.9 percent in Mississippi. In Puerto Rico, the unemployment rate averaged 13.3 percent.

## Sales Market Conditions

During the second quarter of 2014, sales housing market conditions in the Southeast/Caribbean region were mixed, ranging from balanced to soft, but were improving. As a result of greater employment and population growth, home sales were up in every state in the region, and home sales prices generally increased at a moderate pace. Home sales and prices increased more in Georgia than in other states in the region. During the 12 months ending May 2014, new and existing home sales in Georgia increased 10 percent, to 160,100 homes, and prices increased 11 percent, to \$182,400 (CoreLogic, Inc.). Existing home sales were up 8 percent in Florida during the 12 months ending June 2014, to 234,000 homes (Florida Realtors®). Because of a limited inventory of homes available for sale, home prices increased in most states in the region, including Florida, where the average price of an existing home increased 9 percent, to \$257,700. The percentage of loans in the region that were 90 or more days delinquent, were in foreclosure, or transitioned into REO (Real Estate Owned) status decreased from 8.7 percent in June 2013 to 6.3 percent in June 2014 (Black Knight Financial Services, Inc.). In Florida, the rate of distressed loans and REO properties decreased from 13.9 to 9.3 percent during the same period. April 2014 was the first month since 2008 that the rate in Florida fell below 10.0 percent.

continued on page 4

### Single-family homebuilding slowed in the Southeast/Caribbean region despite improving sales market conditions.



2Q = second quarter.

Note: Based on preliminary data.

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

### Strong employment and population growth resulted in increased home sales in the Southeast/Caribbean region.

	12 Months Ending	Number of Homes Sold			Average or Median	Price		
		2013	2014	Percent Change		2013 (\$)	2014 (\$)	Percent Change
Alabama (N&E)	June	41,000	43,600	6	AVG	147,100	153,100	4
Florida* (E)	June	216,300	234,000	8	AVG	235,800	257,700	9
Georgia (N&E)	May	145,900	160,100	10	AVG	164,800	182,400	11
Kentucky (N&E)	May	57,800	60,100	4	AVG	133,700	137,800	3
Mississippi (N&E)	May	14,850	15,200	2	AVG	171,900	171,400	0
North Carolina (N&E)	May	141,200	151,800	8	AVG	186,500	194,700	4
South Carolina (N&E)	June	59,000	64,100	9	AVG	198,400	207,500	5
Tennessee (N&E)	May	120,600	127,000	5	AVG	145,300	158,200	9

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

\*Includes only single-family homes.

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

continued from page 3

During the second quarter of 2014 (preliminary data)—

- Single-family homebuilding, as measured by the number of homes permitted, for the region as a whole decreased less than 1 percent from a year ago, to 45,650 homes, but trends in individual states were mixed.
- The number of single-family homes permitted increased 7 percent each in South Carolina and Kentucky, to 5,550 and 1,675 homes, respectively.

- In Georgia and Tennessee, permits were issued for 6,700 and 4,375 homes, respectively, a 6-percent increase in each state.
- Permitting decreased 3 to 4 percent in Alabama, Florida, Mississippi, and North Carolina after double-digit increases in the previous year.

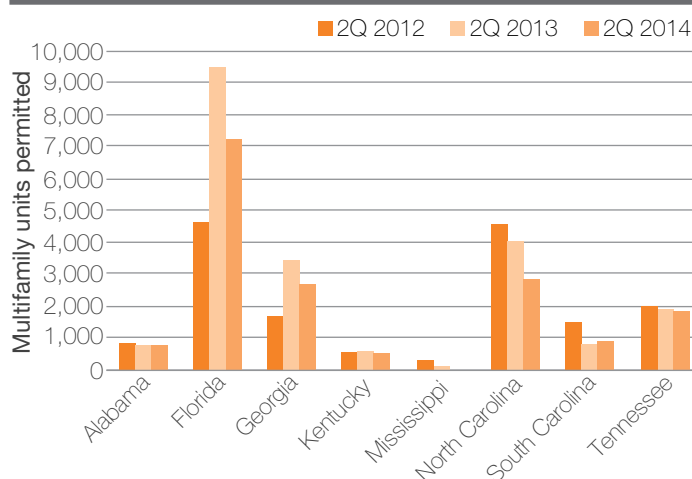
## Apartment Market Conditions

Apartment market conditions in the Southeast/Caribbean region were mixed, ranging from balanced to tight, during the second quarter of 2014. In some markets, apartment completions outpaced demand during the 12 months ending June 2014, leading to slight increases in the vacancy rate. As a result of recent completions in Charlotte, the vacancy rate increased from 4.5 to 5.0 percent (MPF Research). Miami and Nashville continued to be among the tightest markets in the region and, despite considerable apartment construction, supply did not keep pace with absorption. The vacancy rate in Miami decreased to 2.8 percent from 2.9 percent a year ago. In Nashville, the vacancy rate decreased from 4.2 to 3.9 percent. Rents were up in the largest metropolitan areas in the region. In Miami, the average rent increased 5 percent, to \$1,230. In the Atlanta and Nashville metropolitan areas, rents increased 6 percent each, to \$894 and \$933, respectively.

Multifamily construction, as measured by the number of units permitted, increased in 2012 and 2013 in response to strong apartment demand and tightening apartment markets. Permitting activity decreased during the second quarter of 2014 from a year earlier as the

continued on page 5

The number of multifamily units permitted decreased 20 percent in the Southeast/Caribbean region, primarily because of a 24-percent decline in Florida.



2Q = second quarter.

Note: Based on preliminary data.

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

Conditions were mixed in apartment markets in the Southeast/Caribbean region, with the greatest decline in the vacancy rate reported in Atlanta.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		2Q 2013 (%)	2Q 2014 (%)	Percentage Point Change	2Q 2013 (\$)	2Q 2014 (\$)	Percent Change
Atlanta	Balanced	7.8	6.5	- 1.3	840	894	6
Birmingham	Balanced	6.4	7.7	1.3	791	808	2
Charlotte	Balanced	4.5	5.0	0.5	851	887	4
Columbia	Balanced	7.3	7.4	0.1	794	807	2
Jackson	Balanced	5.4	6.2	0.8	748	770	3
Louisville	Tight	4.8	4.4	- 0.4	736	763	4
Miami	Tight	2.9	2.8	- 0.1	1,166	1,230	5
Nashville	Tight	4.2	3.9	- 0.3	879	933	6

2Q = second quarter.

Sources: market condition—HUD, PD&amp;R, Economic and Market Analysis Division; vacancy rate and average monthly rent—MPF Research

continued from page 4

number of units under construction and vacancy rates began to increase in some markets. Apartments have accounted for more than 95 percent of all multifamily construction in the region since 2010.

During the second quarter of 2014 (preliminary data)—

- Permits were issued for 16,850 multifamily units in the region, a 20-percent decline from the second quarter of 2013.
- Because of the large number of units under construction in North Carolina, the number of multifamily units permitted fell 30 percent, to 2,825, the greatest percentage decline in the region.
- The number of units permitted in Florida decreased 24 percent, or by 2,250 units, to 7,250, representing 54 percent of the regional decline. The number of units permitted fell by 2,150 and 1,000 in Miami and Orlando, respectively, because the large number of units permitted in 2012 and 2013 resulted in significant pipelines in each metropolitan area.
- The number of units permitted increased 19 percent, to 900 units, in South Carolina; permitting was relatively unchanged in Alabama and Mississippi, at 770 and 60 units, respectively.