

# HUD PD&R Regional Reports

## Region 4: Southeast/Caribbean

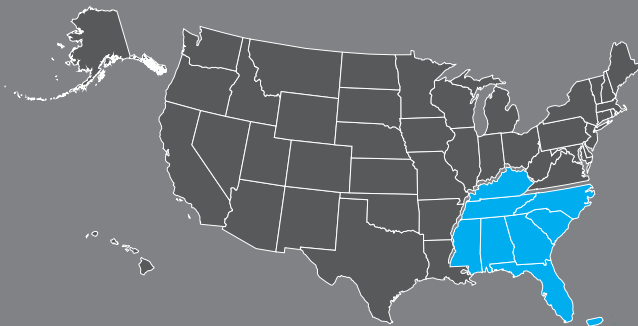


### Quick Facts About Region 4

Miami, Florida

By Tammy Fayed | 4th quarter 2014

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



### Overview

Nonfarm payroll growth in the Southeast/Caribbean region accelerated during the fourth quarter of 2014, resulting in improvements in the sales housing and apartment markets. Sales housing market conditions in the region were mixed, ranging from balanced to soft. More homeowners put their homes up for sale and inventories began to increase, contributing to more home sales in every state in the region except Mississippi, where home sales declined 9 percent as a result of weak nonfarm payroll growth during the past 2 years. Apartment market conditions during the fourth quarter of 2014 were mixed, ranging from balanced to slightly tight. The large number of apartments completed in 2014 increased vacancy rates in some metropolitan areas of the region, including Charlotte, Miami, and Nashville, and the large number of units under construction in other metropolitan areas, such as Atlanta and Louisville, are expected to soften the market slightly in 2015.

- During the fourth quarter of 2014, nonfarm payrolls increased 2.3 percent compared with the increase of 1.7 percent a year earlier.
- Mercedes-Benz USA, LLC, announced plans to relocate its corporate headquarters from New Jersey to the Atlanta metropolitan area beginning in July 2015. Approximately 1,000 employees are expected to move to a temporary facility before a new 10-acre facility is constructed in Sandy Springs, a northern Atlanta suburb.
- As a result of improvements in the sales markets in the region, the number of single-family homes permitted was up 10 percent, to 39,400 homes. Homebuilding in 2014 reached its highest level since 2007.



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Stronger housing markets in the Southeast/Caribbean region contributed to a 5.1-percent increase in the mining, logging, and construction sector.

	Fourth Quarter		Year-Over-Year Change	
	2013 (thousands)	2014 (thousands)	Absolute (thousands)	Percent
<b>Total nonfarm payrolls</b>	26,518.5	27,123.5	605.0	2.3
Goods-producing sectors	3,574.0	3,687.3	113.3	3.2
Mining, logging, and construction	1,202.7	1,264.6	61.9	5.1
Manufacturing	2,371.3	2,422.7	51.4	2.2
Service-providing sectors	22,944.5	23,436.2	491.7	2.1
Wholesale and retail trade	4,363.5	4,441.5	78.0	1.8
Transportation and utilities	1,015.7	1,050.0	34.3	3.4
Information	457.9	468.2	10.3	2.2
Financial activities	1,464.0	1,482.5	18.5	1.3
Professional and business services	3,554.6	3,722.0	167.4	4.7
Education and health services	3,602.9	3,667.8	64.9	1.8
Leisure and hospitality	2,967.6	3,069.9	102.3	3.4
Other services	993.5	1,007.7	14.2	1.4
Government	4,524.8	4,526.6	1.8	0.0

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

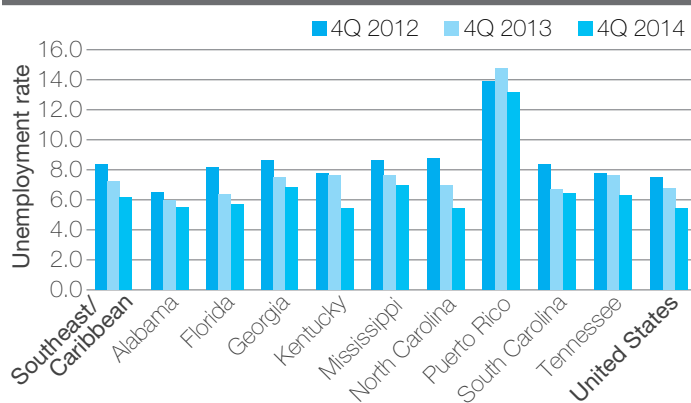
## Economic Conditions

Nonfarm payroll growth that began in late 2010 in the Southeast/Caribbean region strengthened during the fourth quarter of 2014. Nonfarm payrolls averaged 27.12 million jobs, an increase of 605,000 jobs, or 2.3 percent, compared with an increase of 448,200 jobs, or 1.7 percent, a year earlier. Payrolls in the region increased in every nonfarm payroll sector, with the professional and business services and the leisure and hospitality sectors accounting for a combined 45 percent of job growth. The unemployment rate for the region decreased from 7.2 percent during the fourth quarter of 2013 to 6.2 percent during the fourth quarter of 2014, primarily a result of increased resident employment, a significant improvement from a year earlier when the unemployment rate decline was primarily a result of a decrease in the labor force.

During the fourth quarter of 2014—

- The construction subsector increased by 50,400 jobs, or 5.0 percent, continuing strong growth in the subsector that began in 2013 as a result of tightening sales and rental housing market conditions that prompted new residential construction.
- Nonfarm payroll growth accelerated in every state in the region except Mississippi, where payroll growth slowed to 0.1 percent compared with a 1.4-percent increase a year earlier, mainly a result of losses in the construction and retail trade subsectors of 8.0 and 2.7 percent, respectively.
- Nonfarm payroll losses continued in the Caribbean territories of Puerto Rico and the U.S. Virgin Islands, but the decreases slowed

Kentucky recorded the greatest unemployment rate decline in the Southeast/Caribbean region because of a decrease in the labor force.



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

to 0.1 and 0.2 percent, respectively, compared with nonfarm payroll decreases of 2.5 and 2.9 percent, respectively, a year earlier.

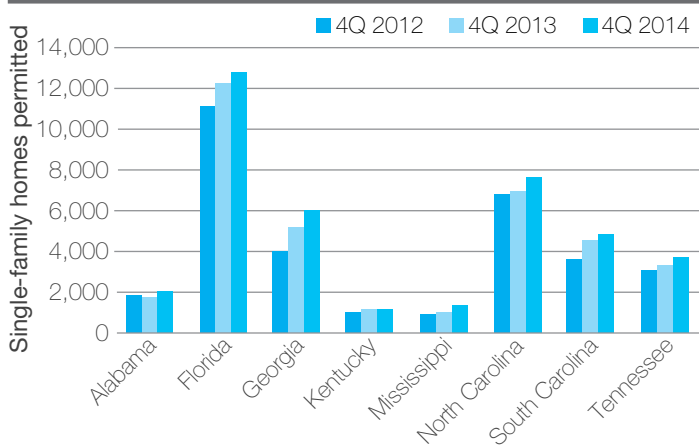
- Kentucky nonfarm payrolls accelerated the most dramatically in the region, increasing by 36,400 jobs, or 2.0 percent, up from a gain of 5,800 jobs, or 0.3 percent, a year ago.
- Average unemployment rates fell in every state in the region and ranged from 5.4 percent in Kentucky and North Carolina to 6.9 percent in Mississippi, but the causes of the decreases varied. Only Florida, Georgia, and South Carolina had increases both in the labor force and resident employment, indicating that resident employment grew faster than the labor force in those states. The unemployment rate in Puerto Rico decreased to 13.1 percent from 14.7 percent a year earlier.



## Sales Market Conditions

Sales housing market conditions in the Southeast/Caribbean region improved significantly during the past 5 years and were mixed in the fourth quarter of 2014, ranging from balanced to soft. In December 2014, 5.9 percent of mortgage loans were seriously delinquent (90 or more days delinquent or in foreclosure) or had transitioned into REO (Real Estate Owned) status, down from 7.6 percent in December 2013 and dramatically improved from the peak of 12.5 percent in February 2010 (Black Knight Financial Services, Inc.). With a declining number of seriously delinquent loans and REO properties, REO and short sales also fell. In 2010, approximately 30 percent of existing home sales in the region were REO and short sales but, in 2014, the percentage fell to 20 percent (CoreLogic, Inc., with

**Because of improving sales market conditions in the Southeast/Caribbean region, homebuilding increased 10 percent during the fourth quarter of 2014.**



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

**Strong employment growth and more available inventory increased home sales in most states in the Southeast/Caribbean region during the past year.**

	12 Months Ending	Number of Homes Sold			Price			
		2013	2014	Percent Change	Average or Median	2013 (\$)	2014 (\$)	Percent Change
Alabama (N&E)	December	43,150	44,500	3	AVG	149,000	156,200	5
Florida* (E)	December	226,200	244,500	8	AVG	248,100	263,900	6
Georgia (N&E)	November	159,700	164,200	3	AVG	175,700	190,900	9
Kentucky (N&E)	November	57,950	65,750	13	AVG	136,500	139,200	2
Mississippi (N&E)	November	18,200	16,550	-9	AVG	171,600	175,800	2
North Carolina (N&E)	November	155,900	158,900	2	AVG	189,700	195,200	3
South Carolina (N&E)	December	47,300	51,000	8	AVG	196,500	204,000	4
Tennessee (N&E)	November	128,600	130,000	1	AVG	152,400	164,000	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®

adjustments by the analyst). Fewer low-priced REO and short sales led to greater price growth in every state in the region in 2014, ranging from 2-percent increases in Kentucky and Mississippi to a 9-percent increase in Georgia. Home sales in 2014 were up in every state in the region except Mississippi, where limited job growth hindered home sales. New and existing homes sales increased 13 and 8 percent in Kentucky and South Carolina, to 65,750 and 51,000 homes, respectively. Existing home sales in Florida increased 8 percent, to 244,500. Home sales increased more modestly, ranging from 1 to 3 percent, in Tennessee, North Carolina, Alabama, and Georgia.

Improving sales market conditions, which led to higher sales prices and low inventories of available for-sale housing, spurred homebuilding in the region. In 2014, 169,800 homes were permitted, a 5-percent increase from the number permitted in 2013 (preliminary data). Permitting of single-family homes in the region has increased each year since falling to a low of 112,800 homes in 2011.

During the fourth quarter of 2014 (preliminary data)—

- The number of single-family homes permitted increased 10 percent in the region, to approximately 39,400 homes; the number of homes permitted increased in every state in the region (preliminary data).
- The number of single-family homes permitted increased by 770 homes, or 15 percent, in Georgia and by 720 homes, or 10 percent, in North Carolina from the same quarter a year earlier, to approximately 5,950 and 7,650 homes, respectively, the greatest increases in the region.
- Approximately 12,750 homes were permitted in Florida, more than in any other state in the region, a 4-percent increase from a year earlier.



## Apartment Market Conditions

Apartment market conditions in the Southeast/Caribbean region were mixed (balanced to slightly tight) during the fourth quarter of 2014. The large number of apartment completions in 2014 increased vacancy rates in several metropolitan areas in the region, including Charlotte, Miami, and Nashville, where vacancy rates increased from 4.7, 3.3, and 4.0 percent during the fourth quarter of 2013 to 6.0, 4.4, and 4.5 percent, respectively, during the fourth quarter of 2014. Vacancy rates in Birmingham, Columbia, Atlanta, and Louisville fell to 7.0, 6.8, 6.5, and 4.2 percent, respectively, because demand outpaced completions. Throughout the region, the large number of units under construction and the strengthening sales housing market are expected to increase vacancy rates in 2015. With the average rent increasing 8 percent, to \$934, Atlanta led the increase in rents in the region during the fourth quarter of 2014. Rents increased 6 percent from a year earlier in Charlotte and Nashville, to \$918 and \$955, respectively.

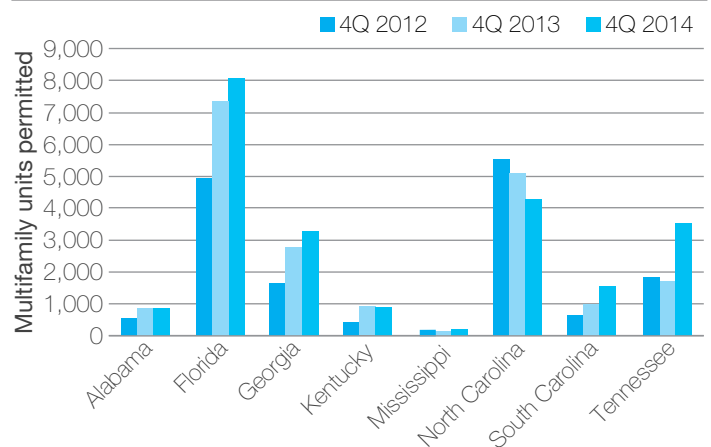
Strong demand for apartments in the Southeast/Caribbean region continues to stimulate multifamily construction, as measured by the number of multifamily units permitted, but a large pipeline slowed the pace of permitting growth.

During the fourth quarter of 2014 (preliminary data)—

- The number of multifamily units permitted in the region increased by approximately 2,825 units, or 14 percent, to 22,500 units.
- Permitting growth slowed from the same period a year ago, when the number of multifamily units permitted increased by 4,050 units, or 26 percent.
- The number of units permitted declined 16 and 2 percent in North Carolina and Kentucky, respectively. Development in North Carolina has fallen since 2012, when a recordsetting 18,750 units were permitted during the year.

- The greatest increase in multifamily permitting occurred in Tennessee, where the number of units permitted increased by approximately 1,775 units, or more than 100 percent, to 3,500 units. Nearly all the increase in the state can be explained by a 1,675-unit increase in Nashville, where apartment market conditions are currently slightly tight.

The number of multifamily units permitted increased in every state in the Southeast/Caribbean region except North Carolina and Kentucky, and permitting more than doubled in Tennessee.



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

Some apartment markets in the Southeast/Caribbean region became more balanced during the fourth quarter of 2014 because of the completion of a large number of apartments.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		4Q 2013 (%)	4Q 2014 (%)	Percentage Point Change	4Q 2013 (\$)	4Q 2014 (\$)	Percent Change
Atlanta	Balanced	7.0	6.5	-0.5	864	934	8
Birmingham	Balanced	7.8	7.0	-0.8	792	802	1
Charlotte	Balanced	4.7	6.0	1.3	866	918	6
Columbia	Balanced	8.6	6.8	-1.8	802	805	0
Jackson	Balanced	6.4	6.4	0.0	759	772	2
Louisville	Slightly tight	5.7	4.2	-1.5	732	758	4
Miami	Slightly tight	3.3	4.4	1.1	1,208	1,264	5
Nashville	Slightly tight	4.0	4.5	0.5	901	955	6

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

