

HUD PD&R Housing Market Profiles

Crestview-Fort Walton Beach-Destin, Florida

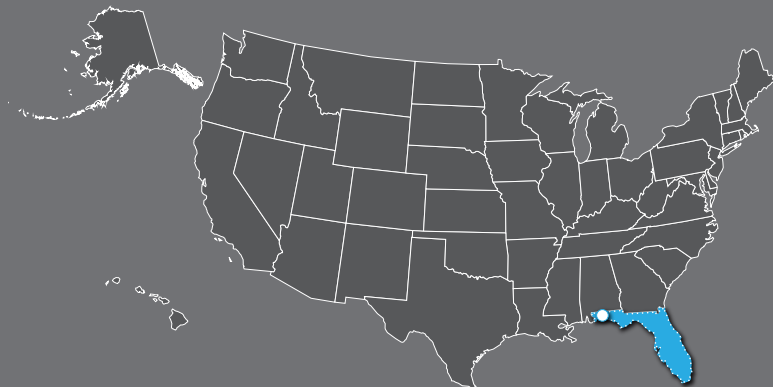


Quick Facts About Crestview-Fort Walton Beach-Destin

Destin, Florida

By [Karen M. Ostrye](#) | As of January 1, 2024

- Current sales market conditions: balanced
- Current apartment market conditions: soft
- The Crestview-Fort Walton Beach-Destin Metropolitan Statistical Area is home to more than 40,000 military veterans. Approximately 22 percent of the population in Okaloosa County are veterans, the largest concentration in Florida (Stacker.com).



Overview

Along the Florida panhandle, the Crestview-Fort Walton Beach-Destin Metropolitan Statistical Area (hereafter, Crestview metropolitan area) is on the western shore of Florida and includes Okaloosa and Walton Counties. Crystal clear water and white sand beaches along the Gulf of Mexico draw more than 5 million visitors each year, providing a \$7.2 billion economic impact on the metropolitan area (Walton County Tourism, 2022). The metropolitan area is home to two U.S. Air Force installations and one of the largest military communities in Florida. A combined 29,000 personnel are stationed at Eglin Air Force Base (AFB) and Hurlburt Field.

- As of January 1, 2024, the population of the metropolitan area is estimated at 309,000, reflecting an average increase of 5,875, or 2.0 percent, annually since 2020. An influx of new residents augmented robust retirement migration as telework options became available. From 2020 to the current date, net in-migration averaged 5,550 people annually, or 94 percent of population growth. Net natural increase averaged 325 people annually.
- In the period following the Great Recession, population growth was moderate and averaged 4,600 people, or

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1.9 percent, annually from 2010 to 2016 (U.S. Census Bureau decennial census counts and population estimates as of July 1). Net in-migration averaged 3,375 people, accompanied by net natural increase of 1,225 people annually.

- Strong stock market growth and an aging national population increased the migration of retirees to the metropolitan area during the late 2010s. Net in-migration accounted for 85 percent of the population growth in the metropolitan area from 2016 to 2020. Net in-migration accelerated to 5,025 people annually and was accompanied by net natural increase of 920 people annually.

- From 2010 to 2020, residents aged 65 and older increased from 14.5 to 17.6 percent of the total metropolitan area population compared with respective portions of 13.0 and 16.8 percent of the population nationally. The portion of residents in Walton County aged 65 years and older grew from 16.2 percent in 2010 to 20.3 percent in 2020, and the portion in Okaloosa County increased from 13.9 percent in 2010 to 16.6 percent in 2020. With a median age of 45 in 2020, the residents of Walton County are older compared with residents of Okaloosa County and the nation, who had respective median ages of 38 and 39 years.

Economic Conditions

Economic conditions in the Crestview metropolitan area were strong during the fourth quarter of 2023, but job growth has begun to slow after the robust recovery from the COVID-19 pandemic downturn. Ten of the 11 payroll sectors added jobs or remained unchanged during the fourth quarter of 2023. The manufacturing, the wholesale and retail trade, the transportation and utilities, and the information sectors remained flat, and the financial activities sector fell 2.5 percent.

As of the fourth quarter of 2023—

- The highest job gain was in the leisure and hospitality sector, which expanded by 1,100 jobs, or 4.8 percent. The sector is the largest in the metropolitan area, representing 18 percent of all jobs.

- The education and health services sector had the largest percentage gain, increasing by 1,000 jobs, or 7.7 percent. This sector has grown nearly 15 percent since 2020 because of the large retirement population. Three of the 10 largest employers in the metropolitan area provide medical services.
- The professional and business services sector added 500 jobs, or 2.2 percent. Military contracts create jobs in the professional and business services sector, which is the second largest payroll sector in the metropolitan area.
- The mining, logging, and construction sector added 400 jobs, or 5.0 percent. More growth in this sector is expected with Central Moloney, Inc. constructing a \$50 million

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Ten of the 11 nonfarm payroll sectors added jobs or remained unchanged in the Crestview metropolitan area during the past year.

	3 Months Ending		Year-Over-Year Change	
	December 2022 (Thousands)	December 2023 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	128.7	132.2	3.5	2.7
Goods-Producing Sectors	11.6	12.0	0.4	3.4
Mining, Logging, & Construction	8.0	8.4	0.4	5.0
Manufacturing	3.6	3.6	0.0	0.0
Service-Providing Sectors	117.1	120.2	3.1	2.6
Wholesale & Retail Trade	20.2	20.2	0.0	0.0
Transportation & Utilities	2.7	2.7	0.0	0.0
Information	1.6	1.6	0.0	0.0
Financial Activities	7.9	7.7	-0.2	-2.5
Professional & Business Services	22.3	22.8	0.5	2.2
Education & Health Services	13.0	14.0	1.0	7.7
Leisure & Hospitality	22.9	24.0	1.1	4.8
Other Services	4.9	5.0	0.1	2.0
Government	21.5	22.1	0.6	2.8
Unemployment Rate	2.2%	2.8%		

Note: Numbers may not add to totals due to rounding.

Source: U.S. Bureau of Labor Statistics

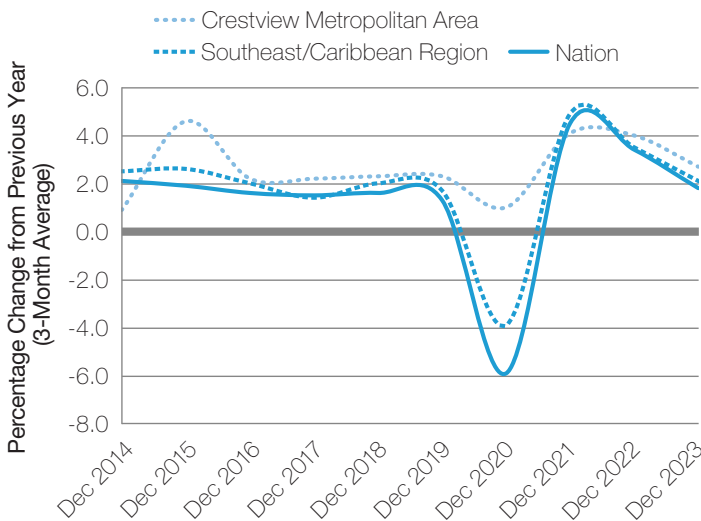


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electrical transformer manufacturing facility in the city of Crestview that is scheduled to break ground in the first quarter of 2024.

- Strong labor force growth in the metropolitan area contributed to an average unemployment rate of 2.8 percent compared with 2.2 percent a year earlier. Nationally, the unemployment rate was 3.6 percent, unchanged from a year ago.

The Crestview metropolitan area added jobs at a faster rate than the Southeast/Caribbean region and the nation during the past year.



Source: U.S. Bureau of Labor Statistics

Eglin AFB and Hurlburt Field, which have a combined economic impact of nearly \$9.2 billion annually, support the metropolitan area economy. In addition to providing direct jobs, the military supports jobs in the metropolitan area through \$1.43 billion in U.S. Department of Defense contracts. In total, military installations account for 73,200 direct and indirect jobs, including military personnel, in the metropolitan area (Enterprise Florida, 2022).

In 2021, the metropolitan area attracted 5.3 million visitors, who spent more than \$4.8 billion (Walton County Tourism). Gulf Islands National Seashore is partly in the metropolitan area, and many fishing, snorkeling, and watersports attractions are available in the Choctawhatchee Bay and Gulf of Mexico. Southern Walton County is home to Point Washington State Forest, a 15,000-acre recreation and preservation area with more than 27 miles of nature trails. The metropolitan area has become a retirement destination, partly because of the climate, white sand beaches, and ample golf courses combined with relatively affordable housing.

Largest Employers in the Crestview Metropolitan Area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
United States Department of Defense	Government	37,000
Sandestin Golf and Beach Resort	Leisure & Hospitality	1,800
Walmart Inc.	Wholesale & Retail Trade	1,700

Notes: Excludes local school districts. Data include military personnel, who are generally not included in nonfarm payroll survey data.

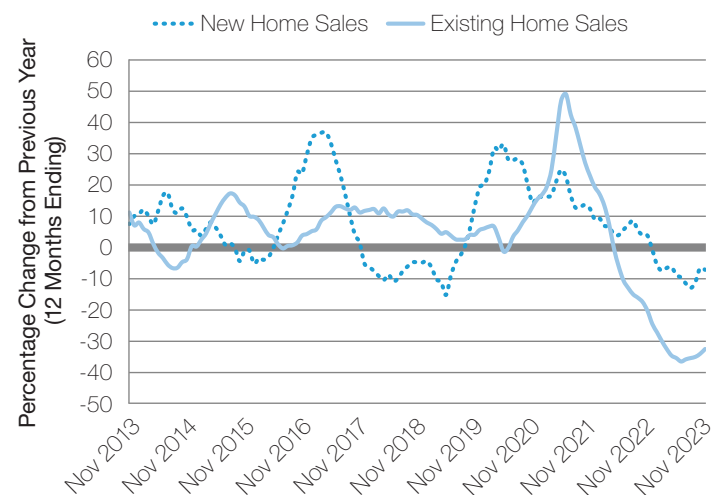
Sources: One Okaloosa Economic Development Council; Florida Chamber of Commerce

Sales Market Conditions

Sales market conditions in the Crestview metropolitan area are currently balanced, with a 7.1-month supply of for-sale inventory during November 2023, up from a 3.9-month supply a year earlier (Redfin, a national real estate brokerage). An increase in telework strengthened the demand for sales housing in the metropolitan area during the early stage of the COVID-19 pandemic. However, a rapid increase in mortgage interest rates led to decreased home sales during the past 18 months. The average interest rate for a 30-year fixed-rate mortgage was 7.8 percent during November 2023 compared with an average of 6.6 percent during November 2022 and 2.9 percent during November 2021 (Freddie Mac). During the 12 months ending November 2023, home sales totaled approximately 10,600, down 29 percent from the previous 12 months. The average sales price fell 1 percent to \$594,900 (CoreLogic, Inc., with adjustments by the analyst). The percentage of mortgages that were seriously delinquent or had transitioned to real estate owned (REO) status fell to 0.9 percent during November 2023,

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New and existing home sales have declined in the Crestview metropolitan area during most of the past year.

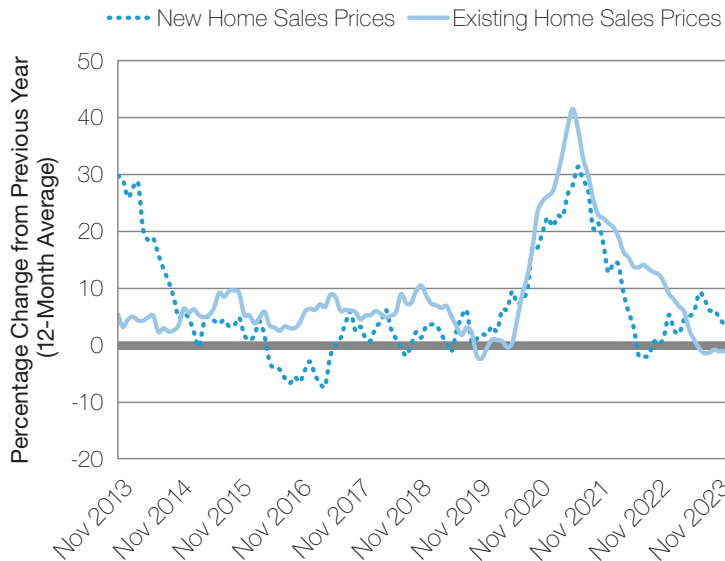


Note: Data include new and existing single-family homes, townhomes, and condominiums. Source: CoreLogic, Inc., with adjustments by the analyst

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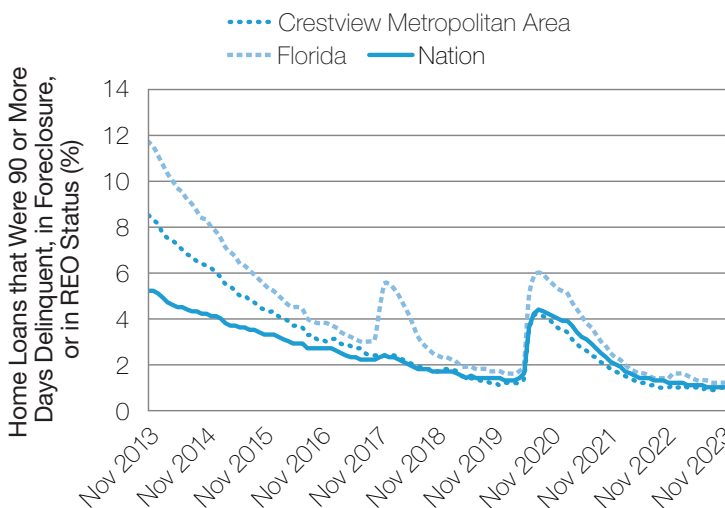
down slightly from 1.0 percent in November 2022 compared with respective rates of 1.0 and 1.2 percent nationally. The economic contraction at the onset of the COVID-19 pandemic led to a temporary rise in the delinquency rate, which reached a high of 4.2 percent during August 2020, slightly less than the recent peak of 4.4 percent for the nation during August 2020.

Existing home prices began to decline, and new home prices increased in the Crestview metropolitan area during the past year.



Note: Data include new and existing single-family homes, townhomes, and condominiums.
Source: CoreLogic, Inc., with adjustments by the analyst

The rate of seriously delinquent loans and REO properties in the Crestview metropolitan area has mostly been lower than the rates for the state and the nation since late 2020.



REO = real estate owned.

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

During the 12 months ending November 2023—

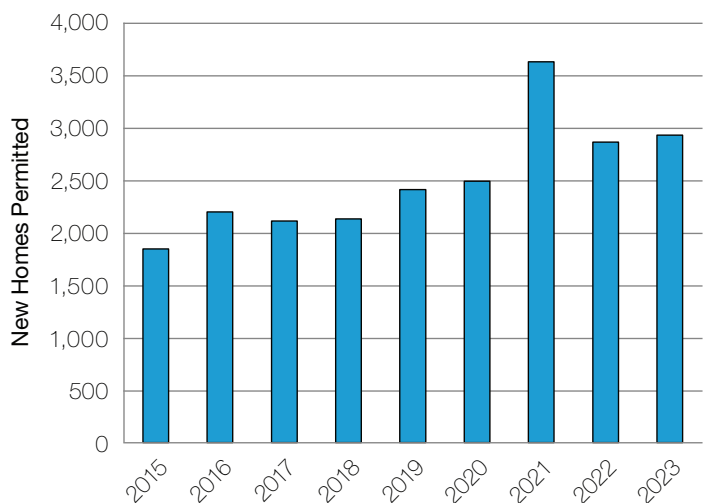
- The average existing home sales price decreased 1 percent to \$597,400 following an increase of 11 percent during the 12 months ending November 2022.
- Existing home sales decreased 33 percent to 8,750 homes compared with a decline of 21 percent during the previous 12-month period.
- The average price of a new home increased 3 percent to \$592,200, partly due to rising building material and labor costs.
- New home sales declined 7 percent compared with a year earlier to 1,850 homes sold compared with an increase of 4 percent during the previous 12-month period. Declining home sales were partly due to increases in mortgage interest rates coupled with higher new home sales prices.

Home construction in the metropolitan area, as measured by the number of single-family homes, townhomes, and condominiums permitted, has been elevated since 2021 because developers have been responding to strong population growth. During 2023, new home permitting increased 2 percent from a year earlier to 2,925 homes (preliminary data, with adjustments by the analyst).

- New home construction has generally trended upward since 2015. Single-family homes permitted averaged 2,075 homes annually from 2015 through 2018 compared with an average of 2,450 homes annually during 2019 and 2020. New home construction reached a recent peak of 3,625 homes in 2021.

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After robust growth in 2021, new home construction was slightly slower in the Crestview metropolitan area during the past 2 years.



Note: Data include new single-family homes, townhomes, and condominiums.
Sources: U.S. Census Bureau, Building Permits Survey; 2015–22—final data and estimates by the analyst; 2023—preliminary data and estimates by the analyst



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- Development has been particularly strong in and around the cities of Destin—north of Route 98—and Crestview—along Interstate 10 and State Route 85. Several single-family home communities are underway, including the Magnolia Creeks subdivision, which is south of the city of Crestview near the interchange of Interstate 10 and State Route 85. Approximately 80 of the 83 single-family homes planned at buildout in the

development have sold. The community offers three- to four-bedroom homes ranging in size from 1,600 to 1,800 square feet, respectively, with prices starting at \$315,000.

- Harbor Place is a 54-townhome community in the city of Destin, north of State Route 98, with prices starting in the \$400,000s. Nearly all of these 1,500-square-foot, three-bedroom homes with one-car garages have sold.

Apartment Market Conditions

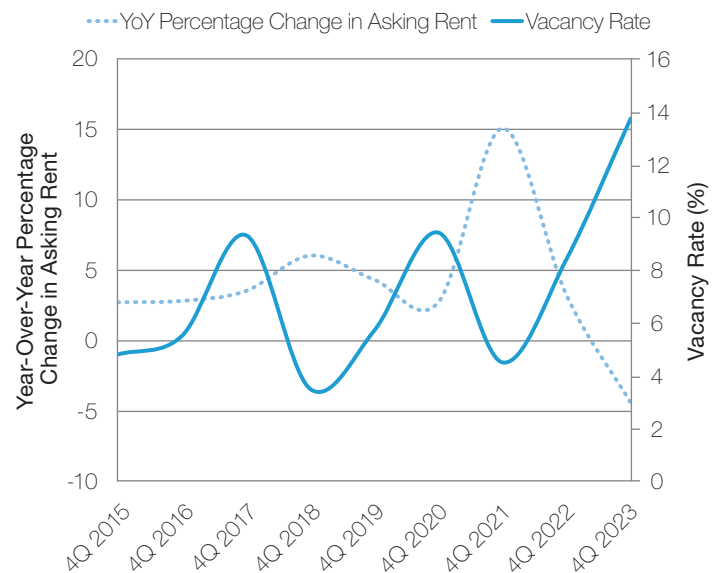
Strong renter household growth contributed to declining apartment vacancy rates through the late 2010s, but rising vacancy rates accompanied an increase in apartment construction during the past 2 years. The recent influx of new, mostly higher-priced luxury apartment units resulted in sharp rent growth in the Crestview metropolitan area during 2021 and early 2022, following a period of strong gains during the late 2010s. However, since the first quarter of 2023, rents have declined in the metropolitan area.

As of the fourth quarter of 2023—

- The apartment market in the metropolitan area is soft, with a vacancy rate of 13.7 percent, up from 8.4 percent during the fourth quarter of 2022 (CoStar Group). The apartment vacancy rate increased during the past year due to a significant increase in apartment completions.
- The average rent in the metropolitan area was \$1,663, down 4 percent from a year ago, following an increase of 3 percent the previous year. By comparison, the average rent for the nation increased 1 percent to \$1,664 following a 4-percent increase the previous year.
- Apartment market conditions in Okaloosa County, the location of Eglin AFB and other major employment centers, are less soft than conditions in Walton County. The apartment vacancy rate in Okaloosa County rose to 11.8 from 6.0 percent as of the fourth quarter of 2022. The average rent in Okaloosa County was \$1,568, down 2 percent from \$1,604 the previous year.
- More than 80 percent of the units added since 2020 are in Walton County; thus, the county had an elevated apartment vacancy rate of 17.2 percent, up from 15.7 percent a year ago. Apartment vacancies in the county are currently concentrated around the southern beach areas, where many higher-priced luxury units have been built. The average rent in Walton County was \$1,908, down 9 percent from \$2,087 the previous year.

An increase in rental construction starting in 2019 has softened the apartment market. Apartment construction averaged 370

Rents declined, and vacancy rates increased in the Crestview metropolitan area during the past year.



4Q = fourth quarter. YoY = year-over-year.
Source: CoStar Group

units annually from 2015 through 2018 but increased sharply in 2019 to 1,950 units. After falling to an average of 270 units annually during 2020 and 2021, apartment construction began to increase in 2022. During 2023, 2,675 rental units were permitted in the metropolitan area, more than double the 1,275 units permitted during 2022 (preliminary data and estimates by the analyst).

- Approximately 3,450 units, or 58 percent, of all rental units in the metropolitan area were built in Walton County during the past 5 years.
- Recent rental construction in and around the community of Santa Rosa Beach near U.S. Highway 98 has accounted for approximately 35 percent of the new rental units completed in Walton County since 2019. Recently completed properties in the community of Santa Rosa Beach include Primrose at Santa Rosa Beach, a 350-unit apartment development

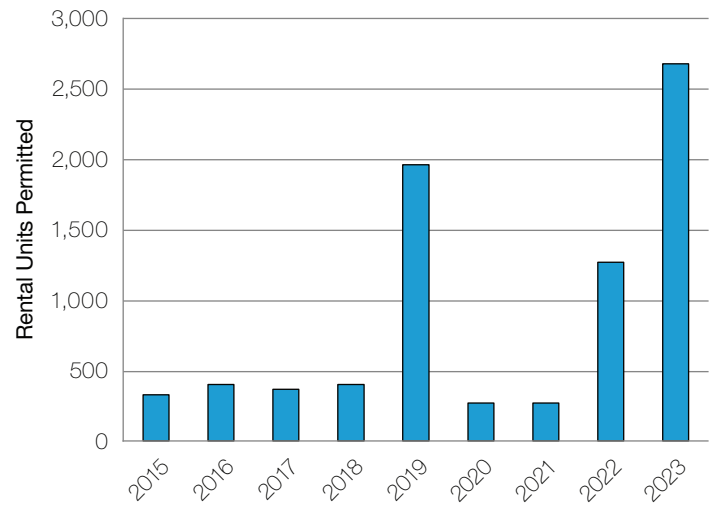
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completed in 2021 north of U.S. Highway 98. Rents range from \$1,855 to \$3,875 for one- to three-bedroom units.

- The remaining 2,475 rental units built in the metropolitan area during the past 5 years are in Okaloosa County. The city of Crestview accounted for 40 percent of those units.
- Keystone Townhomes, a 102-unit apartment community near Interstate 10 in the city of Crestview, was completed in 2022. These three-bedroom, two-and-one-half bath units with garages rent for \$2,050 and have short-term lease options, making them attractive for servicemembers.
- For residents aged 62 and older, Brookdale Fort Walton Beach, an assisted-living and memory care apartment community completed in 2022, has 32 units, which include studio and companion suites, with rents starting at \$3,055.

Rental construction was strong in the Crestview metropolitan area during 2023.



Sources: U.S. Census Bureau, Building Permits Survey; 2015–22—final data and estimates by the analyst; 2023—preliminary data and estimates by the analyst

Terminology Definitions and Notes

A. Definitions

Apartment Vacancy Rate/Average Monthly Rent	Data are for market-rate and mixed market-rate and affordable general occupancy apartment properties with five or more units, including only those that are stabilized.
Building Permits	Building permits do not necessarily reflect all residential building activity. Some units are constructed or created without a building permit or are issued a different type of building permit. For example, some units classified as commercial structures are not reflected in the residential building permits. As a result, the analyst, through diligent fieldwork, makes an estimate of this additional construction activity. Some of these estimates are included in the discussions of single-family and multifamily building permits.
Distressed Sales	Short sales and real estate owned (REO) sales.
Existing Home Sales	Includes resales, short sales, and REO sales.
Home Sales/Home Sales Prices	Includes single-family home, townhome, and condominium sales.
Net Natural Increase	Resident births are greater than resident deaths.
Seriously Delinquent Mortgages	Mortgages 90 or more days delinquent or in foreclosure.

B. Notes on Geography

1.	The metropolitan statistical area definition noted in this report is based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated April 10, 2018.
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