

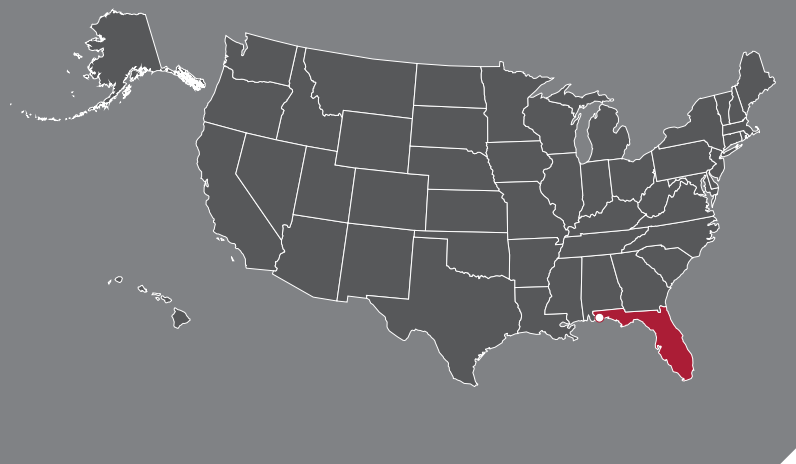
# HUD PD&R Housing Market Profiles

## Pensacola-Ferry Pass-Brent, Florida



### Quick Facts About Pensacola-Ferry Pass-Brent

- Current sales market conditions: slightly tight
- Current apartment market conditions: balanced
- Naval Air Station (NAS) Pensacola is home to the Blue Angels flight demonstration squadron, which attracts tourists from across the world to attend airshows in the metropolitan area.



Pensacola, Florida

By Karen M. Ostrye | As of October 1, 2022

### Overview

The Pensacola-Ferry Pass-Brent, Florida Metropolitan Statistical Area (hereafter, Pensacola metropolitan area) is on the western shore of the Florida panhandle and includes Escambia and Santa Rosa Counties. The economic core of the metropolitan area is in Escambia County, which includes the NAS Pensacola and accounts for an estimated 73 percent of all nonfarm payrolls. A portion of the 160-mile-long Gulf Islands National Seashore is in the Pensacola metropolitan area and is famous for crystal-clear water and white sugar sand formed from quartz from the Appalachian Mountains.

- As of October 1, 2022, the population of the Pensacola metropolitan area is estimated at nearly 526,000, reflecting an average annual increase of 6,175, or 1.3 percent, since 2010.
- Population growth averaged 5,275 people, or 1.1 percent, annually from 2010 to 2017 (Census Bureau decennial census counts and population estimates as of July 1). The population has increased at a faster rate since 2017 by an average of 7,375 people, or 1.5 percent, annually.

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- Net in-migration has accounted for 98 percent of the population growth in the Pensacola metropolitan area since 2017. Net in-migration averaged 7,225 people annually but was augmented by a net natural increase of 150 people annually. Strong economic conditions throughout the nation, coupled with relatively low housing costs in the metropolitan area, contributed to an influx of new residents as telework options became available. From 2010 to 2017, net in-migration averaged 4,025 people annually, or 76 percent of population growth, and net natural increase averaged 1,250 people annually.
- In 2021, approximately 17.1 percent of all residents in the metropolitan area were aged 65 or older, up from 14.0 percent in 2010 and above the portion for the nation, which rose to 16.8 percent in 2021 from 13.1 percent in 2010 (American Community Survey [ACS] 1-year estimates). This fast-growing cohort contributes to a higher median age in the metropolitan area, which rose from 38.3 in 2010 to 39.5 in 2021, compared with 37.2 in 2010 and 38.8 in 2021 nationally.

## Economic Conditions

Economic conditions in the Pensacola metropolitan area have strengthened in the wake of the COVID-19 pandemic downturn. Nonfarm payrolls increased by 7,100 jobs, or 3.8 percent, year over year, to an average of 195,000 jobs during the third quarter of 2022. The metropolitan area had severe job losses during the early stages of the COVID-19 pandemic, but economic conditions in the metropolitan area improved quickly as the local economy reopened. Payrolls in the Pensacola metropolitan area declined by 18,700 jobs, or 10 percent, during April 2020, but as of September 2022 they were 4 percent above the prepandemic level (monthly data; not seasonally adjusted).

During the third quarter of 2022—

- Ten of the 11 nonfarm payroll sectors added jobs or were unchanged in the Pensacola metropolitan area, with the
- fastest job growth in the professional and business services sector, which expanded by 2,300 jobs, or 8.8 percent. Military contracts create jobs in the professional and business services sector, which is the third largest payroll sector in the metropolitan area.
- The leisure and hospitality and the wholesale and retail trade sectors added 1,300 and 1,100 jobs, or 5.2 and 3.6 percent, respectively, as tourism rebounded in the metropolitan area. Expansion is expected to continue with the staffing of the new 209-room Fairfield Inn & Suites Pensacola Beach, which is expected to open in 2023.
- The education and health services and the mining, logging, and construction sectors added 1,100 and 900 jobs, or 3.6 and 7.1 percent, respectively. Baptist Health Care is building

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### Eight of the 11 nonfarm payroll sectors in the Pensacola metropolitan area added jobs during the past year.

	3 Months Ending		Year-Over-Year Change	
	September 2021 (Thousands)	September 2022 (Thousands)	Absolute (Thousands)	Percent
<b>Total Nonfarm Payrolls</b>	187.9	195.0	7.1	3.8
Goods-Producing Sectors	19.9	20.9	1.0	5.0
Mining, Logging, & Construction	12.7	13.6	0.9	7.1
Manufacturing	7.2	7.3	0.1	1.4
Service-Providing Sectors	167.9	174.1	6.2	3.7
Wholesale & Retail Trade	30.3	31.4	1.1	3.6
Transportation & Utilities	4.6	4.6	0.0	0.0
Information	1.6	1.6	0.0	0.0
Financial Activities	15.6	16.4	0.8	5.1
Professional & Business Services	26.1	28.4	2.3	8.8
Education & Health Services	30.8	31.9	1.1	3.6
Leisure & Hospitality	24.9	26.2	1.3	5.2
Other Services	7.0	7.2	0.2	2.9
Government	27.1	26.5	-0.6	-2.2
<b>Unemployment Rate</b>	4.1%	2.7%		

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

Source: U.S. Bureau of Labor Statistics

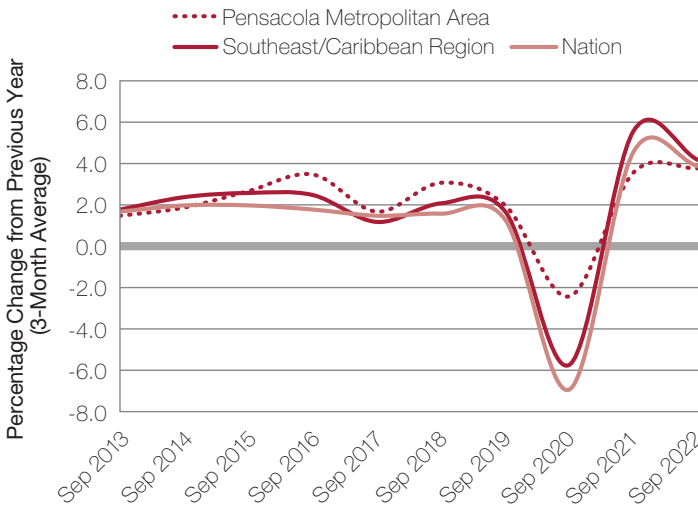


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a new \$650 million, 57-acre campus, which is expected to open in 2023 and will contribute to gains in these sectors.

- Strong job growth in the metropolitan area contributed to an average unemployment rate of 2.7 percent, compared with 4.1 percent a year earlier. Nationally, the unemployment rate was 3.8 percent, down from 6.0 percent a year ago.

**The Pensacola metropolitan area lost jobs at a slower rate than the Southeast/Caribbean region and the nation during the early stages of the pandemic.**



Source: U.S. Bureau of Labor Statistics

The economy of the Pensacola metropolitan area is supported by the NAS Pensacola and NAS Whiting Field, which together employ more than 16,000 military personnel (NAS Pensacola). NAS Pensacola has an economic impact on the metropolitan area of more than \$7.6 billion annually (Greater Pensacola Chamber of Commerce). The Pensacola metropolitan area is home to more than 35,000 military retirees (Florida West Economic Development Alliance).

Tourists are drawn to metropolitan area beaches, golfing, fishing, and boating. The metropolitan area is home to the longest fishing pier in Florida, which stretches 1,545 feet. In 2021, 2.48 million visitors to the Pensacola metropolitan area spent more than \$1.2 billion, supporting jobs in the trade and the leisure and hospitality sectors, which combine to account for nearly 30 percent of all jobs in the metropolitan area.

### Largest Employers in the Pensacola Metropolitan Area

Name of Employer	Nonfarm Payroll Sector	Number of Employees
United States Navy	Government	18,500
Navy Federal Credit Union	Financial Activities	8,725
Baptist Health Care	Education & Health Services	6,625

Notes: Excludes local school districts. Data for the United States Navy include 16,000 uniformed military personnel at Naval Air Station (NAS) Pensacola and NAS Whiting Field, who are not included in nonfarm payrolls.

Sources: Florida West Economic Development Alliance; U.S. Department of Defense

## Sales Market Conditions

Sales market conditions in the Pensacola metropolitan area are currently slightly tight, with a 2.5-month supply of for-sale inventory during September 2022, down from a 3.2-month supply a year earlier (Redfin, a national real estate brokerage). Recent trends in increased teleworking strengthened the demand for sales housing in the metropolitan area during the past year; however, a rapid increase in mortgage interest rates has slowed home sales growth in the past few months. During the 12 months ending September 2022, home sales totaled approximately 15,550, up 6 percent from the previous 12 months. The average sales price rose 17 percent to \$306,200 (CoreLogic, Inc., with adjustments by the analyst).

During the 12 months ending September 2022—

- Existing home sales increased 7 percent to 13,000 homes, compared with a decline of 5 percent during the previous 12-month period.
- An influx of remote workers contributed to the average existing home sales price increasing 16 percent to

\$294,700, following an increase of 23 percent during the 12 months ending September 2021.

- New home sales increased 1 percent compared with a year earlier to 2,550 homes sold, compared with an increase of 5 percent during the previous 12-month period. Slower home sales growth was partly due to increases in mortgage interest rates coupled with higher new home sales prices.
- The average price of a new home increased 26 percent to \$365,000 and was 24 percent higher than the price of an existing home. Strong price growth was due, in part, to rising building material costs.
- The percentage of mortgages that were seriously delinquent or had transitioned to real estate owned (REO) status fell to 1.6 percent, down from 2.8 percent in September 2021, compared with respective rates of 1.3 and 2.5 percent nationally. The economic contraction at the onset of the COVID-19 pandemic led to a temporary rise in the delinquency rate, which reached

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a high of 4.6 percent during November 2020, higher than the recent peak of 4.4 percent for the nation during August 2020.

Home construction in the metropolitan area, as measured by the number of single-family homes permitted, has been elevated since 2020 because developers have been responding to increased population growth after several years of subdued construction. During the 12 months ending September 2022, single-family home permitting decreased 10 percent from a year earlier to 3,425 homes (preliminary data, with adjustments by the analyst).

**In the Pensacola metropolitan area, growth in new home sales slowed after a recent peak in mid-2021, whereas existing home sales growth has been elevated.**



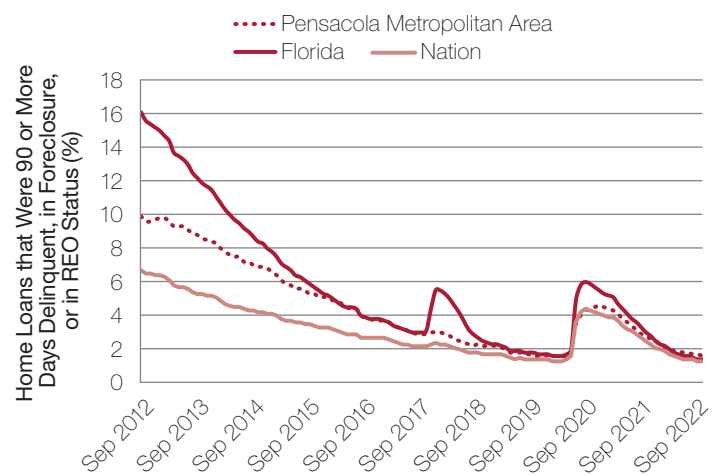
**Rising interest rates have contributed to slower price growth in the Pensacola metropolitan area since mid-2022.**



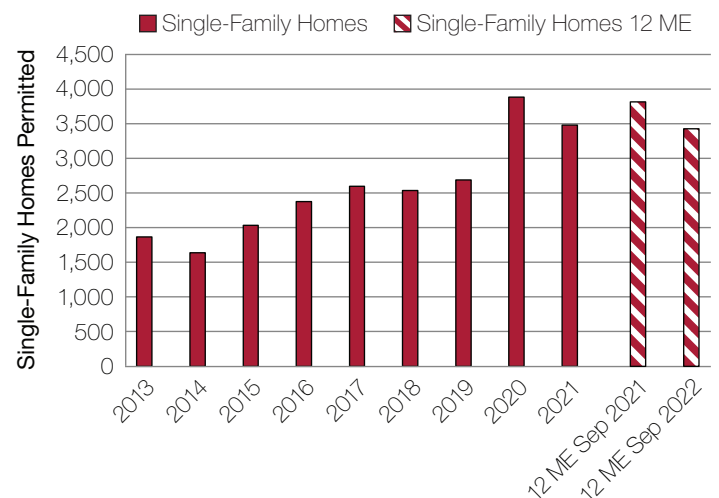
- From 2015 through 2020, single-family home construction trended upward, increasing by an average of 370 homes, or 15 percent, annually, to 3,875 homes permitted in 2020, compared with an average of 1,500 homes permitted annually from 2010 through 2014.
- Development has been particularly strong in and around the community of Ensley, along the Interstate 10 corridor, northwest of the city of Pensacola. Several communities are underway in the area, including Mahogany Woods, between Interstate

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**The rate of seriously delinquent loans and REO properties declined significantly in the Pensacola metropolitan area from a year ago but remained higher than the rates for the state and the nation.**



**The number of single-family homes permitted in the Pensacola metropolitan area has been elevated since 2020.**



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10 and State Route 29. Construction of the 37 homes in the development is nearly complete, with prices starting at \$339,000 for 1,800-square-foot, four-bedroom homes.

- The Water's Edge single-family-home community in the city of Gulf Breeze in coastal Santa Rosa County is nearing

completion. Thirty-seven homes have sold at the community, and three- and four-bedroom homes, ranging in size from 2,400 to 3,200 square feet, are available for sale at prices starting in the high \$400,000s.

## Apartment Market Conditions

Strong renter household growth contributed to declining apartment vacancy rates through the late 2010s, but an increase in apartment construction during the past 2 years has been accompanied by rising vacancy rates. The recent influx of new, mostly higher-priced apartment units has resulted in sharp rent growth in the metropolitan area during the past 2 years, following a period of strong gains during the late 2010s.

During the third quarter of 2022—

- The apartment market in the metropolitan area is balanced, with a vacancy rate of 7.8 percent, up from 5.7 percent during the third quarter of 2021 (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 \$1,322, up 5 percent from a year ago, following an increase of 12 percent the previous year. For comparison, the average rent for the nation increased 9 percent to \$1,638, following a 3-percent increase the previous year.
- The average rent for age-restricted apartments increased 3 percent to \$1,738 from a year earlier, compared with a 1-percent increase during the previous year. The average

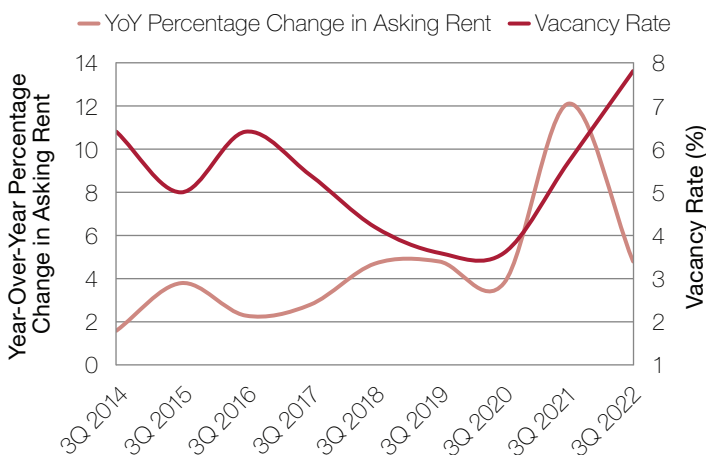
apartment vacancy rate for age-restricted apartments was 5.9 percent, up from 4.6 percent during the third quarter of 2021.

An increase in rental construction since 2020 has brought the market into balance, and it is expected to remain in balance as population growth continues and units currently under construction are completed in 2023 and 2024. From 2015 through 2021, an average of 730 multifamily units were permitted in the metropolitan area, up from an average of 190 units annually from 2010 through 2014. During the 12 months ending September 2022, 520 multifamily units were permitted in the metropolitan area, down 59 percent from 1,275 units during the previous 12 months (preliminary data and estimates by the analyst).

- Approximately 2,275 units, or 85 percent of all multifamily units built in the metropolitan area, have been completed in Escambia County during the past 5 years. Recent construction in and around the community of Ensley, near Interstate 10, accounted for approximately 72 percent of the new multifamily units completed in the county since 2017.
- Inspire Apartments, a 350-unit property southwest of Interstate 10, began leasing in mid-2021. Rents at the

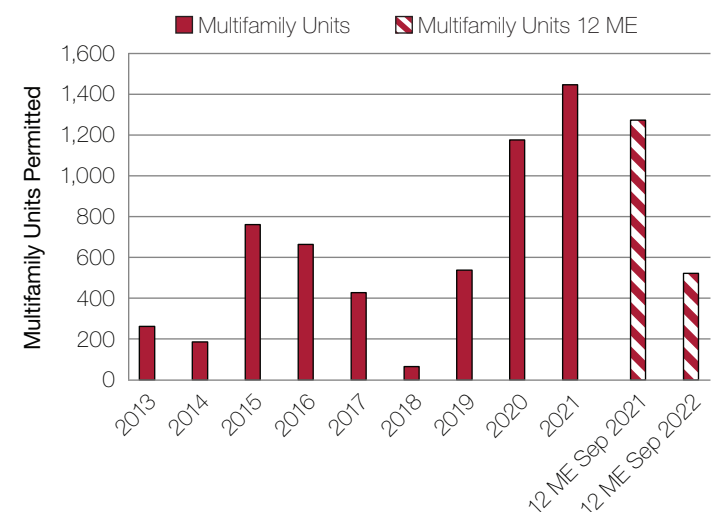
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**Rent growth peaked in 2021, and the vacancy rate has trended upward since 2020 in the Pensacola metropolitan area.**



3Q = third quarter. YoY = year-over-year.  
Source: CoStar Group

**Multifamily construction has been notably elevated in the Pensacola metropolitan area since 2020.**



12 ME = 12 months ending.

Sources: U.S. Census Bureau, Building Permits Survey; 2013–21—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst



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property currently range from \$1,304 to \$2,586 for studio, one-bedroom, two-bedroom, and three-bedroom units.

- The remaining 400 units, or 15 percent of the multifamily units built in the metropolitan area during the past 5 years, are in Santa Rosa County. The cities of Gulf Breeze and Milton accounted for 56 and 25 percent of those units, respectively.
- Azalea Bay apartments, a 222-unit community in the city of Gulf Breeze, close to State Routes 98 and 281, is leasing,

with rents ranging from \$1,625 to \$1,850 for one-bedroom units, \$1,900 to \$2,050 for two-bedroom units, and \$2,250 to \$2,400 for three-bedroom units.

- For residents aged 62 and older, Carter Crossing, which was completed in 2018 in the city of Milton, has 99 income-restricted studio, one-bedroom, and two-bedroom apartments with rents ranging from \$623 to \$798.

## Terminology Definitions and Notes

### A. Definitions

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 homes, townhome, and condominium sales.
Net Natural Increase	Resident births are greater than resident deaths.
Seriously Delinquent Mortgages	Mortgages 90+ 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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