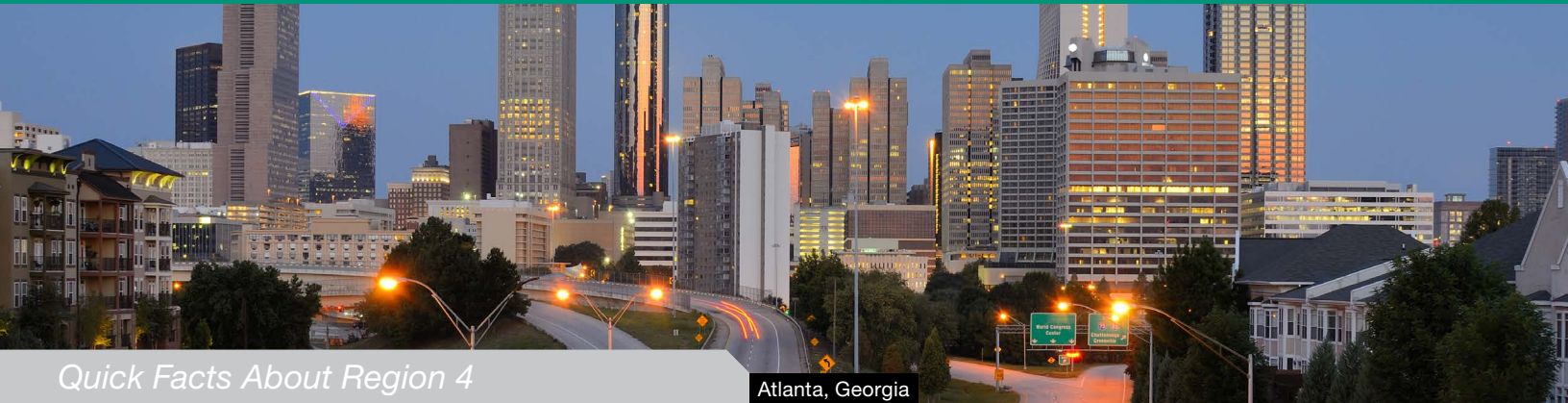


HUD PD&R Regional Reports

Region 4: Southeast/Caribbean



Quick Facts About Region 4

Atlanta, Georgia

By Charles Huggins | 1st quarter 2017



Sales market conditions—

First quarter 2017: mixed (balanced to slightly soft).
Fourth quarter 2016: mixed (balanced to slightly soft).
First quarter 2016: mixed (balanced to slightly soft).



Apartment market conditions—

First quarter 2017: mixed (balanced to slightly tight).
Fourth quarter 2016: mixed (balanced to tight).
First quarter 2016: mixed (balanced to tight).

Overview

Economic and housing conditions in the Southeast/Caribbean region were generally positive during the first quarter of 2017, although moderating trends appear to be emerging. Nonfarm payrolls increased an average of 2.2 percent, but growth in the region slowed from 2.7 percent a year earlier. Sales markets in the region were balanced to slightly soft, and moderate employment growth during the past year supported higher home sales, except in Florida, Kentucky, and Mississippi. In Florida, the decline in distressed home sales (short sales and real estate owned [REO] sales) more than offset the increase in nondistressed sales, resulting in a 3-percent decline in total sales (CoreLogic, Inc., with adjustments by the analyst). Apartment market conditions in the region were mixed, ranging from balanced to slightly tight.

During the first quarter of 2017—

- Approximately one-half of the new jobs that were added in the region were in the professional and business services, the education and health services, and the wholesale and retail trade sectors.
- The tightest apartment market in the region was Miami, where the vacancy rate was 3.9 percent and the average rent increased 7 percent, to \$1,406 (MPF Research).
- Although the number of housing units permitted in the region increased 5 percent, to 77,500, the trends for single-family homes and multifamily units permitted moved in opposite directions, with single-family homes increasing 16 percent, to 56,800, and multifamily units decreasing 16 percent, to 20,700.



Nonfarm payroll growth in the Southeast/Caribbean region was less than growth the previous year for the first time since the first quarter of 2011.

	First Quarter		Year-Over-Year Change	
	2016 (thousands)	2017 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	27,700.6	28,308.7	608.1	2.2
Goods-producing sectors	3,797.5	3,892.3	94.8	2.5
Mining, logging, and construction	1,299.7	1,356.9	57.2	4.4
Manufacturing	2,497.8	2,535.4	37.6	1.5
Service-providing sectors	23,903.1	24,416.4	513.3	2.1
Wholesale and retail trade	4,476.7	4,565.2	88.5	2.0
Transportation and utilities	1,104.5	1,124.3	19.8	1.8
Information	471.3	470.3	-1.0	-0.2
Financial activities	1,521.6	1,557.7	36.1	2.4
Professional and business services	3,815.7	3,924.5	108.8	2.9
Education and health services	3,777.7	3,884.2	106.5	2.8
Leisure and hospitality	3,201.2	3,288.4	87.2	2.7
Other services	1,032.7	1,058.4	25.7	2.5
Government	4,501.6	4,543.5	41.9	0.9

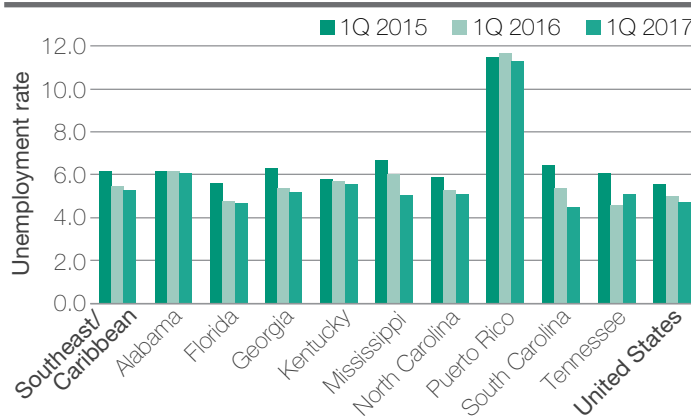
Note: Numbers may not add to totals because of rounding.

Source: U.S. Bureau of Labor Statistics

Economic Conditions

Nonfarm payroll growth continued in the Southeast/Caribbean region during the first quarter of 2017, recording the seventh consecutive year-over-year increase. It was the first quarter since the beginning of the trend in the first quarter of 2011, however, that the year-over-year growth was less than the year earlier. During the first quarter of 2017, nonfarm payrolls increased to an average of 28.31 million jobs, a 608,100-job, or 2.2-percent, increase compared with an increase of 718,300 jobs, or 2.7 percent, during the first quarter of 2016. The professional and business services, the education and health services, and the wholesale and retail trade sectors led growth during the quarter with increases of 108,800, 106,500, and 88,500 jobs, or 2.9, 2.8, and 2.0 percent, respectively. Of the three leading sectors, only the education and health services sector added more jobs during the current quarter than a year earlier when 99,800 jobs were added in the sector, an increase of 2.7 percent. The information sector was the only sector to decline, decreasing by 1,000 jobs, or 0.2 percent, with losses occurring in all but three states in the region; Georgia, Kentucky, and Tennessee added 1,800, 1,000, and 700 jobs, or 1.6, 4.6, and 1.6 percent, respectively in the sector. The unemployment rate for the region fell from 5.5 percent during the first quarter of 2016 to 5.3 percent during the first quarter of 2017. The drop was a result of a 2.7-percent increase in resident employment, while the number of unemployed declined 1.0 percent during the same period.

Unemployment rates decreased in Puerto Rico and every state in the Southeast/Caribbean region except for Tennessee.



1Q = first quarter.

Source: U.S. Bureau of Labor Statistics

During the first quarter of 2017—

- Florida, Georgia, and North Carolina combined to produce 75 percent of the nonfarm payroll growth in the region, led by Florida, which added 253,400 jobs, or increased 3.1 percent, to reach an average of 8.56 million jobs. Job growth in Florida was led by the education and health services, the professional and business services, and the wholesale and retail trade sectors, which gained 46,700, 42,000, and 40,000 jobs, or 3.8, 3.3, and 2.8 percent, respectively.
- Georgia and North Carolina recorded job growth of 124,300 and 79,300 jobs, or 2.9 and 1.9 percent, respectively. Georgia was

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the only state in the region that recorded a greater year-over-year increase in nonfarm jobs compared with a year earlier, 2.9 percent compared with 2.7 percent during the first quarter of 2016. In Georgia, growth was led by the leisure and hospitality sector, which increased 5.7 percent, or by 25,700 jobs, during the quarter. In North Carolina, growth was led by the professional and business services sector, which increased 3.3 percent, or by 19,500 jobs.

- Mississippi was the only state in the region with job losses, averaging 1,300 jobs, or 0.1 percent. The losses represented the first year-over-year first-quarter decrease for the state since 2010 after a 20,600-job, or 1.8-percent, increase during the first quarter of 2016. Job losses during the past year were spread among several sectors.
- The average unemployment rate for the region decreased to 5.3 percent from 5.5 percent, and the national rate decreased to 4.7 percent from 5.0 percent during the first quarter of 2016. The unemployment rates declined in every state and territory in the

region except for Tennessee, where the rate increased from 4.6 to 5.1 percent. The largest declines in the region were in South Carolina and Mississippi, where the rates decreased to 4.5 and 5.1 percent from 5.4 and 6.0 percent, respectively, from a year earlier.

Regional employment in the manufacturing sector began expanding in 2011, after more than a decade of job losses; recent growth is partially a result of increasing automobile manufacturing in the region. During the first quarter of 2017, manufacturing payrolls increased by an average of 37,600 jobs, or 1.5 percent. Expanding automobile production in the Southeast/Caribbean region is expected to continue to bring new job opportunities. In Tennessee, LKQ Corporation, an automobile parts distributor, plans to build an expanded 100,000-square-foot regional headquarters in La Vergne to house its current staff of 400, plus an additional 150 that are expected to be hired in the next 5 years. In South Carolina, Sundaram-Clayton Limited, a manufacturer of automotive aluminum cast products, is building a \$50 million plant in Dorchester County that will create 130 new jobs when full plant operations begin by late 2018.

Population

Population growth in the Southeast/Caribbean region accelerated during the past 2 years, partially because of higher employment growth that has drawn new residents, aided by improved housing markets that have facilitated increased mobility. Nonfarm payroll growth in the region averaged 1.7 percent from 2012 through 2013 but averaged 2.5 percent from 2014 through 2016. From 2015 to 2016, the population in the region increased 1.0 percent, or by approximately 671,800, to 68.38 million (Census population estimates as of July 1). By comparison, the population increased 1.0 percent from 2014 to 2015 and 0.8 percent each year from 2012 to 2013.

From 2015 to 2016—

- Approximately 55 percent of the population growth in the region was a result of growth in Florida, which totaled approximately 367,500 people, or 1.8 percent, 89 percent of which was a result of net in-migration.
- After Florida, South Carolina had the highest population growth rate at 1.4 percent. The population in the state increased by approximately 66,300 to reach 4.96 million.

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Population in the Southeast/Caribbean region increased at a 1.0-percent annual rate during each of the past 2 years.

	Population Estimate (as of July 1)			Percent Change	
	2014	2015	2016	2014 to 2015	2015 to 2016
United States	318,563,456	320,896,618	323,127,513	0.7	0.7
Southeast/Caribbean region*	67,067,009	67,710,445	68,382,218	1.0	1.0
Alabama	4,843,214	4,853,875	4,863,300	0.2	0.2
Florida	19,888,741	20,244,914	20,612,439	1.8	1.8
Georgia	10,087,231	10,199,398	10,310,371	1.1	1.1
Kentucky	4,413,057	4,424,611	4,436,974	0.3	0.3
Mississippi	2,992,400	2,989,390	2,988,726	- 0.1	0.0
North Carolina	9,934,399	10,035,186	10,146,788	1.0	1.1
South Carolina	4,828,430	4,894,834	4,961,119	1.4	1.4
Tennessee	6,544,663	6,595,056	6,651,194	0.8	0.9
Puerto Rico	3,534,874	3,473,181	3,411,307	- 1.7	- 1.8

Note: Does not include U.S. Virgin Islands.

Source: U.S. Census Bureau



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- In Georgia and North Carolina, strong employment growth helped produce 1.1-percent population increases in each state, which totaled 111,000 and 111,600 people, respectively.
- Mississippi was the only state where the population declined slightly, falling by 660, but the rate of decline was virtually 0 percent. Low job growth in the state led to net out-migration of

7,475 people, which was partially offset by net natural change (resident births minus resident deaths) of approximately 6,875 people. In Puerto Rico, the population decline accelerated to 61,900 people, or 1.8 percent, compared with 61,700 people, or 1.7 percent, a year earlier, due in large part to the ongoing economic and debt crisis of the territory.

Sales Market Conditions

Sales housing market conditions in the Southeast/Caribbean region were mixed, ranging from balanced to slightly soft, during the first quarter of 2017. Sales markets in the region continued to tighten as the percentage of seriously delinquent loans (90 or more days delinquent or in foreclosure) and properties that had transitioned to REO status continued to fall. In February 2017, 3.0 percent of properties were seriously delinquent or in REO status, down from 3.8 percent a year earlier and at the lowest level since 2007 when the housing crisis began.

While the sales market recovery continued during the 12 months ending February 2017, home sales increased in every state in the region except Florida, Kentucky, and Mississippi, where home sales fell 3, 3, and 7 percent to 547,100, 74,650, and 23,150 homes, respectively (CoreLogic, Inc., with adjustments by the analyst). Distressed home sales (short sales and REO sales) in the three states decreased 39, 14, and 12 percent, respectively. In Florida, distressed sales accounted for 18 percent of total sales during the 12 months ending

February 2016 but fell to 11 percent during the 12 months ending February 2017. In Kentucky, the corresponding percentages fell from 9 to 8 percent, and in Mississippi the rate remained relatively unchanged at approximately 5 percent. Nondistressed sales increased 5 percent in Florida, but the decrease in distressed sales of 38,800 homes more than offset the 23,200-home increase in nondistressed sales. Home sales in both Georgia and North Carolina increased 6 percent during the 12 months ending February 2017 to 207,100 and 197,400, respectively. Average home prices increased in every state in the region, ranging from 2 percent in Mississippi, to reach \$178,700, to 6 percent in Alabama and Tennessee, to reach \$161,400 and \$183,300, respectively.

Increasing homes sales in most areas and rising home sales prices throughout the region led builders to increase single-family homebuilding (as measured by the number of single-family homes permitted) in every state in the region.

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Home sales increased 10 percent in the Southeast/Caribbean region and average prices increased in all states, five with increases of 5 or more percent.

	12 Months Ending	Number of Homes Sold			Average or Median	Price		
		2016	2017	Percent Change		2016 (\$)	2017 (\$)	Percent Change
Alabama (N&E)	February	86,477	86,533	0	AVG	154,889	164,437	6
Florida (N&E)	February	562,656	547,061	-3	AVG	237,202	249,704	5
Georgia (N&E)	February	195,590	207,071	6	AVG	201,158	210,190	4
Kentucky (N&E)	February	77,197	74,674	-3	AVG	143,938	150,426	5
Mississippi (N&E)*	February	24,815	23,127	-7	AVG	174,774	178,726	2
North Carolina (N&E)	February	186,822	197,352	6	AVG	202,513	212,425	5
South Carolina (N&E)	February	103,727	106,450	3	AVG	197,792	206,174	4
Tennessee (N&E)	February	147,743	155,386	5	AVG	172,557	183,334	6
Jackson, MS Metropolitan Area** (N&E)	March	1,161	1,203	4	MED	159,500	164,000	3

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

* Data exclude the Jackson metropolitan area.

** Data are for the first quarters of 2016 and 2017 and include 10 counties, 5 more counties than the Jackson, MS Metropolitan Statistical Area.

Note: Data include new and existing single-family homes, townhomes, and condominiums.

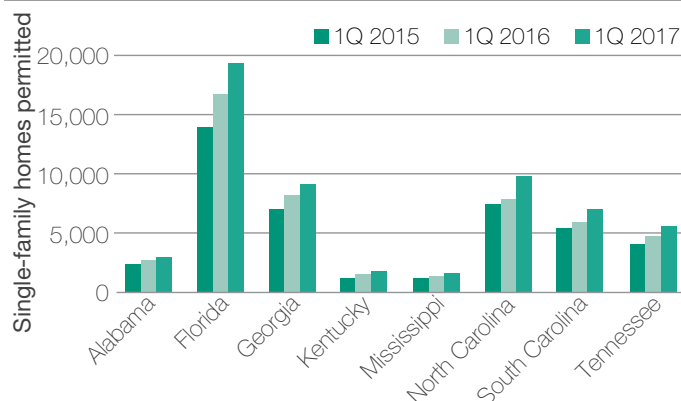
Sources: CoreLogic, Inc., with adjustments by the analyst; Central Mississippi Realtors®

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During the first quarter of 2017 (preliminary data)—

- The number of single-family homes permitted in the region increased by approximately 7,850 homes, or 16 percent, to 56,800 and followed a 16-percent increase during the first quarter of 2016.
- Florida accounted for approximately 34 percent of the homes permitted in the region, at approximately 19,350 homes, although the rate of increase from a year earlier slowed from 20 to 16 percent.
- With a 24-percent gain, North Carolina recorded the highest-percentage increase in the number of homes permitted in the region. The 9,800 homes permitted in the state were the second highest number in the region behind Florida.
- In Georgia and South Carolina, the number of single-family homes permitted increased by approximately 960 homes in each state, or 12 and 16 percent, to 9,125 and 6,875, respectively.

Single-family home permitting in the Southeast/Caribbean region increased 16 percent, with Florida and North Carolina contributing 58 percent of the increase.



1Q = first quarter.

Note: Based on preliminary data.

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

Apartment Market Conditions

Apartment market conditions in the Southeast/Caribbean region were mixed throughout the region during the first quarter of 2017, with balanced markets in most metropolitan areas, slightly tight markets in some areas, such as Miami, and slightly soft markets in others, such as Louisville. During the first quarter of 2017, vacancy rates in eight of the major metropolitan areas of the region ranged from 3.9 percent in Miami to 7.8 percent in Birmingham (MPF Research). Vacancy rates increased in seven of the eight largest metropolitan areas, caused by large numbers of units completed or easing demand during the past year. With large pipelines (units under construction and in planning) throughout much of the region, vacancy rates are expected to continue to rise in the next 2 to

3 years. Despite a large number of completions during the past 12 months, the vacancy rate in Atlanta declined from 6.0 percent during the first quarter of 2016 to 5.7 percent during the first quarter of 2017; the tightening market contributed to a 7-percent annual increase in rents. In Miami, the average rent also increased 7 percent, to \$1,406, the highest rent in the largest metropolitan markets, despite a 1.6-percentage-point increase in the vacancy rate to 3.9 percent; demand remained strong. Charlotte also recorded a 7-percent increase in the average rent despite a 1.0-percentage point increase in the vacancy rate, to 5.1 percent. The largest vacancy rate increase among the major markets in the region occurred in Nashville, where the rate increased by 1.8 percentage

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Solid rent increases occurred in the Southeast/Caribbean region despite vacancy rate increases in seven of the eight major markets.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		1Q 2016 (%)	1Q 2017 (%)	Percentage Point Change	1Q 2016 (\$)	1Q 2017 (\$)	Percent Change
Atlanta	Balanced	6.0	5.7	- 0.3	1,018	1,090	7
Birmingham	Slightly soft	6.8	7.8	1.0	831	882	6
Charlotte	Balanced	4.1	5.1	1.0	980	1,049	7
Columbia	Balanced	5.9	6.1	0.2	850	905	6
Jackson	Balanced	5.2	5.7	0.5	797	817	3
Louisville	Balanced	3.7	4.7	1.0	786	836	6
Miami	Slightly tight	2.3	3.9	1.6	1,315	1,406	7
Nashville	Balanced	3.9	5.7	1.8	1,059	1,114	5

1Q = first quarter.

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



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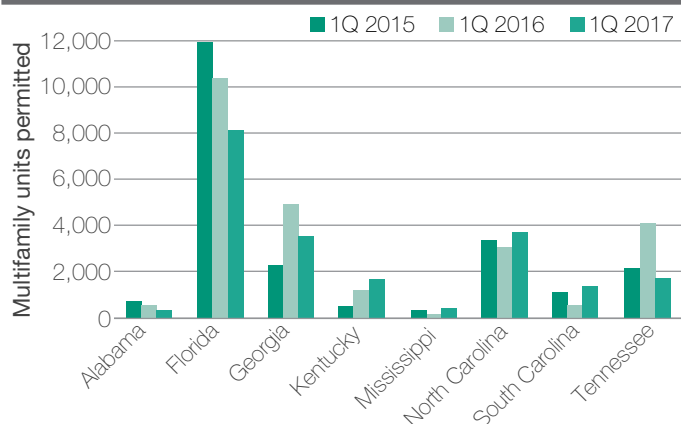
points; despite the vacancy increase, the average rent increased 5 percent. In Jackson, the rate increased from 5.2 to 5.7 percent, which contributed to a 3-percent increase in average rent in the metropolitan area, the lowest increase in the region. Rents increased 6 percent each to \$836 and \$905, respectively, in Louisville and Columbia, where the markets were balanced. The average rent also increased 6 percent in Birmingham, despite a 1.0-percentage point increase in the vacancy rate to 7.8 percent, the highest rate among the eight major metropolitan markets in the region.

Multifamily construction trends throughout the Southeast/Caribbean region were mixed during the first quarter of 2017. In some states where pipelines remained large and the vacancy rate increased, the number of units permitted decreased, but in other states the number of units permitted continued to increase.

During the first quarter of 2017 (preliminary data)—

- The number of multifamily units permitted in the region fell to 20,700 units, a 16-percent, or 4,050-unit, decline compared with a 2,400-unit, or 11-percent, increase during the first quarter of 2016.
- The number of units permitted in Tennessee and Florida decreased by 2,350 and 2,300 units, or 58 and 22 percent, respectively, the largest declines in the region. The decreases in the two states were primarily a result of a 4,475-unit, or 50-percent, decrease in Nashville and a 3,650-unit, or 25-percent, decrease in Miami that occurred because of large pipelines and increasing vacancy rates in the two metropolitan areas.
- The number of units permitted in Georgia decreased by 1,450, or 29 percent, to 3,500, after a 120-percent increase during the first quarter of 2016.

Multifamily unit permitting in the Southeast/Caribbean region decreased 16 percent, led by declines in Tennessee and Florida.



1Q = first quarter.

Note: Based on preliminary data.

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

- The largest increase in the region occurred in South Carolina, where 1,350 units were permitted, an 840-unit, or 166-percent, increase compared with the relatively low 505 units permitted during the first quarter of 2016. The number of units permitted also increased 22 percent in North Carolina and 36 percent in Kentucky. In Mississippi, 410 units were permitted compared with 105 units during the first quarter of 2016.

Included among the large number of units under construction in the Miami metropolitan area is Altis Bonterra in the city of Hialeah, Florida, a 314-unit property with one-, two-, and three-bedroom units with rents ranging from \$1,500 to \$2,460. Leasing is under way and completion is expected by September 2017 (McGraw-Hill Construction Pipeline database).