

HUD PD&R Regional Reports

Region 4: Southeast/Caribbean



Quick Facts About Region 4

Atlanta, Georgia

By Tammy Fayed | 1st quarter 2016

- **Sales market conditions—**
First quarter 2016: mixed (balanced to slightly soft).
Fourth quarter 2015: mixed (balanced to slightly soft).
First quarter 2015: mixed (balanced to soft).
- **Apartment market conditions—**
First quarter 2016: mixed (balanced to tight).
Fourth quarter 2015: mixed (balanced to tight).
First quarter 2015: mixed (balanced to tight).

Overview

After 5 years of nonfarm payroll growth in the Southeast/Caribbean region, payrolls continued to increase at a moderate rate of 2.5 percent during the first quarter of 2016. The improving economic conditions have increased population growth, which was 1.0 percent from 2014 to 2015 (Census Bureau population estimates as of July 1), the highest rate of growth since 2010. Sales housing markets are currently balanced to slightly soft and have improved significantly since the peak of the housing crisis in 2010. Mississippi is the only state that still lags behind the remainder of the region, with declines in home sales and average prices reported during the past 12 months. Apartment market conditions are balanced to tight, with the lowest vacancy rates, 2.3 and 3.9 percent, reported in Miami and Nashville, respectively (MPF Research).

- Nonfarm payrolls increased by 684,300 jobs during the first quarter of 2016, 37 percent of which was a result of a 225,800-job increase in Florida.
- Home sales increased in every state in the region except Mississippi, ranging from 4-percent increases in Kentucky and South Carolina to a 10-percent increase in Alabama.
- Despite large pipelines that led to declines in the number of multifamily units permitted in five of the eight states in the region, apartment market conditions remained balanced to tight in the largest metropolitan areas of the region, including Nashville and Atlanta, where rents increased 9 and 8 percent, respectively (MPF Research).



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Nonfarm payroll growth that began in 2011 in the Southeast/Caribbean region continued at a moderate pace of 2.5 percent during the first quarter of 2016.

	First Quarter		Year-Over-Year Change	
	2015 (thousands)	2016 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	26,982.2	27,666.5	684.3	2.5
Goods-producing sectors	3,669.0	3,775.9	106.9	2.9
Mining, logging, and construction	1,227.9	1,289.3	61.4	5.0
Manufacturing	2,441.0	2,486.6	45.6	1.9
Service-providing sectors	23,313.3	23,890.7	577.4	2.5
Wholesale and retail trade	4,386.1	4,504.1	118.0	2.7
Transportation and utilities	1,055.5	1,091.4	35.9	3.4
Information	465.5	460.5	- 5.0	- 1.1
Financial activities	1,486.7	1,523.7	37.0	2.5
Professional and business services	3,673.7	3,818.0	144.3	3.9
Education and health services	3,678.7	3,783.7	105.0	2.9
Leisure and hospitality	3,070.5	3,172.6	102.1	3.3
Other services	1,008.6	1,029.0	20.4	2.0
Government	4,488.1	4,507.7	19.6	0.4

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

Source: U.S. Bureau of Labor Statistics

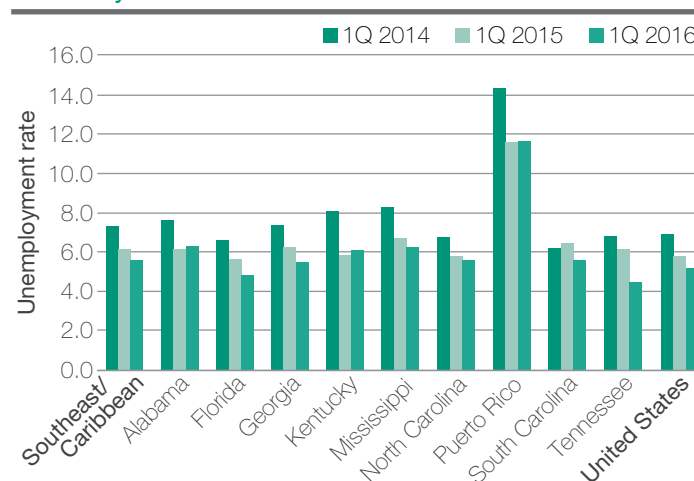
Economic Conditions

During the first quarter of 2016, nonfarm payrolls in the Southeast/Caribbean region increased by 684,300 jobs, or 2.5 percent, from the first quarter of 2015 to reach an average of 27.67 million jobs. As it has for the past 5 years, the professional and business services sector led payroll growth during the first quarter of 2016, with a gain of 144,300 jobs, or 3.9 percent. Every state in the region had job gains during the quarter. Despite a 1.4-percent gain in the labor force during the first quarter of 2016, the unemployment rate for the region fell to 5.6 percent from 6.2 percent during the first quarter of 2015.

During the first quarter of 2016—

- Florida, the state with the most nonfarm payrolls in the region, led employment gains for the region by adding 255,800 jobs, an increase of 3.2 percent, to reach 8.26 million jobs. The largest gains were in the professional and business services, education and health services, and leisure and hospitality sectors, which gained 52,800, 43,600, and 42,400 jobs, or 4.4, 3.7, and 3.8 percent, respectively. As an example of the companies adding jobs in the state, in March 2016, Solar Media Team, a solar power leads company, announced that it would hire more than 160 workers to its new call center in Deerfield Beach, and expects to reach 300 employees by the end of 2016.

Unemployment rates decreased in every state in the Southeast/Caribbean region except Alabama and Kentucky.



1Q = first quarter.

Source: U.S. Bureau of Labor Statistics

- Other notable state gains were in Georgia and North Carolina, which recorded gains of 127,500 and 97,400 nonfarm payroll jobs, or 3.0 and 2.3 percent, respectively.
- In Mississippi, where job growth since 2010 has lagged that of other states in the region, nonfarm payroll growth nearly doubled from the same period a year ago, to 1.5 percent, or 16,700 jobs, compared with growth of 0.8 percent, or 9,400 jobs, during the first quarter of 2015. Job losses in the state subsided in late 2011, and quarterly growth gradually improved but began to exceed 1.0 percent only in mid-2015.

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- Only the territories of Puerto Rico and the U.S. Virgin Islands had job losses; they lost 10,100 jobs, or 1.1 percent, and 500 jobs, or 1.3 percent, respectively. The economies of both territories have generally been in a state of decline since the mid-to-late 2000s and have not recovered from the additional job losses from the most recent national recession. Nonfarm payrolls during the first quarter of 2016 were approximately 15 and 18 percent below peak employment, respectively.
- Unemployment rates for states in the region ranged from 4.5 percent in Tennessee to 6.3 percent in Alabama and Mississippi. The rates declined in every state in the region except Alabama and Kentucky, where the rates increased from 6.1 to 6.3 percent and from 5.9 to 6.1 percent, respectively. The unemployment rate in Puerto Rico was virtually unchanged at 11.7 percent.

Manufacturing sector payrolls in the region began declining in 1996, a trend that continued through 2010. In 2011, the trend reversed, and manufacturing payrolls began to increase. During the first quarter of 2016, manufacturing sector payrolls increased to 2.49 million

jobs, a 45,600-job, or 1.9-percent, increase. Job growth in the sector is expected to continue because of current expansions, including several at automobile manufacturers and suppliers throughout the region. Kamtek, a supplier of stamped parts for Mercedes-Benz U.S. International Inc. and other automakers, announced a \$530 million expansion in Birmingham, Alabama, that is expected to add 350 jobs and bring its employment to 900. As part of the expansion, Kamtek will invest \$80 million in a new 148,000-square-foot aluminum casting facility and \$450 million to expand its existing operation in Valley East Industrial Park during the next 5 years. In South Carolina, BMW of North America, LLC, is currently investing \$1 billion in its Greenville plant that is expected to increase output 50 percent. The project is expected to have added 800 new jobs by the time it is complete in 2017. In Kentucky, Ford Motor Company announced plans to invest \$1.3 billion in its Kentucky Truck Plant in Louisville to support the redesigned 2017 Ford F-Series Super Duty. The expansion is expected to add 2,000 new jobs to the current plant workforce of 4,400 by the end of 2016.

Population

Population growth in the Southeast/Caribbean region has accelerated during the past 2 years, partially because of higher employment growth and improving sales housing markets in other regions that have allowed homeowners to sell their properties and relocate. In 2011, nonfarm payrolls increased an average of 1.0 percent annually but, by 2015, the rate of growth had increased to 2.5 percent annually. From 2014 to 2015, the population in the region increased 1.0 percent, or by approximately 668,600, to 67.78 million, the

fastest rate of growth since 2010 (Census Bureau population estimates as of July 1). The population increased 0.9 percent from 2013 to 2014 and 0.8 percent each year from 2010 to 2013.

From 2014 to 2015—

- Approximately 55 percent of the population growth in the region was a result of growth in Florida of approximately 365,700 people, or 1.8 percent, 92 percent of which was a result of net in-migration.

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The population in the Southeast/Caribbean region increased at a faster pace from 2014 to 2015 than during the previous 12-month period.

	Population Estimate (as of July 1)			Percent Change	
	2013	2014	2015	2013 to 2014	2014 to 2015
United States	316,427,395	318,907,401	321,418,820	0.8	0.8
Southeast	66,509,177	67,107,386	67,775,965	0.9	1.0
Alabama	4,830,533	4,846,411	4,858,979	0.3	0.3
Florida	19,594,467	19,905,569	20,271,272	1.6	1.8
Georgia	9,991,562	10,097,132	10,214,860	1.1	1.2
Kentucky	4,398,500	4,412,617	4,425,092	0.3	0.3
Mississippi	2,990,976	2,993,443	2,992,333	0.1	0.0
North Carolina	9,845,432	9,940,387	10,042,802	1.0	1.0
South Carolina	4,768,498	4,829,160	4,896,146	1.3	1.4
Tennessee	6,496,130	6,547,779	6,600,299	0.8	0.8
Puerto Rico	3,593,079	3,534,888	3,474,182	- 1.6	- 1.7

Source: U.S. Census Bureau

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- After Florida, South Carolina had the highest population growth rate, at 1.4 percent. The population in the state increased by approximately 67,000 to reach 4.90 million.
- In Georgia and North Carolina, strong employment growth also resulted in significant increases in population, which totaled 117,700 and 102,400 people, or 1.2 and 1.0 percent, respectively.
- Mississippi was the only state where the population declined slightly, falling by approximately 1,100, but the rate of decline was virtually 0. The state has had low job growth and, as a result, net out-migration was 9,850 people, which was partially offset by net natural change (resident births minus resident deaths) of approximately 8,700 people. In Puerto Rico, the population decline accelerated to 60,700 people, or 1.7 percent, compared with 58,200 people, or 1.6 percent, a year earlier.

Sales Market Conditions

Sales housing market conditions in the Southeast/Caribbean region were mixed (balanced to slightly soft) during the first quarter of 2016. Local markets have tightened significantly during the past 5 years as a result of improving economic conditions, declines in available inventory for sale, and reduced homebuilding. Seriously delinquent (90 or more days delinquent or in foreclosure) loans and real estate owned (REO) properties have become a less significant part of the sales market in the region than they were 6 years ago, at the peak of the housing crisis in early 2010. During February 2016, 3.8 percent of mortgages were seriously delinquent or in REO status, down from 5.1 percent in February 2015 and 11.5 percent in February 2010 (CoreLogic, Inc.). Florida remained the state with the highest percentage of seriously delinquent loans and REO properties in the region, at 5.0 percent in February 2016, significantly improved from 18.8 percent in February 2010 (CoreLogic, Inc.). During the 12 months ending in February 2016, home sales increased in every state in the region except Mississippi, where home sales declined 4 percent, to approximately 14,750 homes (CoreLogic, Inc., with adjustments by the analyst). The average price of a home fell

1 percent in the state, to \$179,600. Weak economic conditions and out-migration since 2010 have hindered sales and prices in the state, but conditions have improved from a year ago. Alabama, Georgia, and Tennessee reported the largest percentage gains in home sales of 10, 9, and 9 percent, respectively, to approximately 80,600, 191,700, and 145,500 homes, respectively. The average home price increased moderately in each of those states, with average increases of 4, 7, and 6 percent, to \$156,100, \$200,600, and \$173,700, in Alabama, Georgia, and Tennessee, respectively.

During the first quarter of 2016 (preliminary data)—

- As a result of improving economic and sales market conditions, builders increased single-family home production, as measured by the number of homes permitted, in the region. The number of single-family homes permitted increased 15 percent from the first quarter of 2015, or by 6,450 homes, to 48,550.
- Increases in the number of homes permitted ranged from 6 percent in North Carolina, where 7,750 homes were permitted, to 36 percent in Kentucky, where 1,600 homes were permitted.

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Home sales and prices increased in every state in the Southeast/Caribbean region except in Mississippi, where the economic and population growth have been weak.

	12 Months Ending	Number of Homes Sold			Average or Median	Price		
		2015	2016	Percent Change		2015 (\$)	2016 (\$)	Percent Change
Alabama (N&E)	February	73,200	80,600	10	AVG	150,200	156,100	4
Florida (N&E)	February	526,400	553,600	5	AVG	222,000	238,400	7
Georgia (N&E)	February	175,200	191,700	9	AVG	187,800	200,600	7
Kentucky (N&E)	February	71,000	73,850	4	AVG	138,900	146,900	6
Mississippi (N&E)	February	15,400	14,750	- 4	AVG	181,000	179,600	- 1
North Carolina (N&E)	February	169,500	180,600	7	AVG	195,100	203,800	4
South Carolina (N&E)	February	96,800	100,600	4	AVG	186,500	199,200	7
Tennessee (N&E)	February	133,500	145,500	9	AVG	164,000	173,700	6

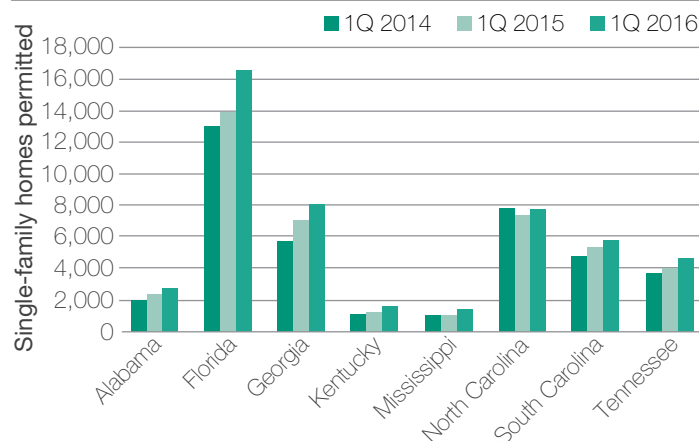
AVG = average. N&E = new and existing.

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

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- Approximately 40 percent of the increased homebuilding was a result of a 20-percent, or 2,725-home, increase in Florida, where permits were issued for 16,600 homes, 34 percent of the regional total.
- Among the many for-sale projects under way in the region, HALCYON, a new \$370 million mixed-use development, broke ground in Forsyth County, Georgia, a suburb of Atlanta. The first phase of the development is expected to be complete in the fall of 2017 and contain 87 single-family homes, 155 townhomes, 448 apartments, retail space, offices, and a 110-room hotel. A second phase is planned for the future with additional hotel, office, and retail space. Prices for sales units are expected to start in the high \$400,000s.

Because of economic growth and improving sales market conditions, single-family permitting increased in every state in the Southeast/Caribbean region.



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 (balanced to tight) during the first quarter of 2016. Vacancy rates fell in eight of the largest metropolitan areas of the region; the largest decrease occurred in Columbia, where the vacancy rate decreased to 5.9 percent from 7.5 percent a year earlier (MPF Research). Conditions were tight in Miami and Nashville, where the vacancy rates were 2.3 and 3.9 percent, respectively. Rents in Miami were the highest in the region at an average of \$1,315, a 4-percent increase from a year earlier. In Nashville, rents increased

9 percent—faster than any of the other major metropolitan areas in the region—to \$1,059. Rents also increased significantly, 8 percent, in Atlanta, where the vacancy rate fell to 6.0 percent from 6.7 percent a year earlier.

Although conditions in apartment markets throughout the Southeast/Caribbean region are generally balanced to tight, multifamily construction, as measured by the number of units permitted, has declined in many areas because of the large pipelines, or number of units under construction and in planning.

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Vacancy rates declined and rents increased in each of the major metropolitan areas of the Southeast/Caribbean region.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		1Q 2015 (%)	1Q 2016 (%)	Percentage Point Change	1Q 2015 (\$)	1Q 2016 (\$)	Percent Change
Atlanta	Balanced	6.7	6.0	- 0.7	942	1,018	8
Birmingham	Balanced	6.9	6.8	- 0.1	801	831	4
Charlotte	Balanced	5.4	4.1	- 1.3	914	980	7
Columbia	Balanced	7.5	5.9	- 1.6	820	850	4
Jackson*	Balanced	6.4	5.6	- 0.8	772	795	3
Louisville*	Balanced	5.1	4.4	- 0.7	758	779	3
Miami	Tight	2.4	2.3	- 0.1	1,259	1,315	4
Nashville	Tight	4.5	3.9	- 0.6	974	1,059	9

1Q = first quarter.

* Data for Jackson and Louisville are from the fourth quarter of 2015.

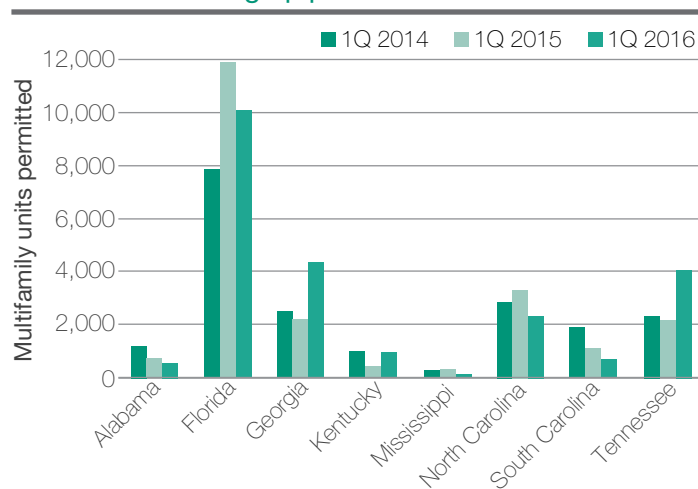
Sources: Market condition—HUD, PD&R, Economic and Market Analysis Division; vacancy rate and average monthly rent—MPF Research

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During the first quarter of 2016 (preliminary data)—

- Multifamily permitting increased 4 percent, to 23,300 units, but trends were mixed throughout the region.
- The number of multifamily units permitted increased 96, 113, and 90 percent in Georgia, Kentucky, and Tennessee, to 4,400, 960, and 4,075 units, respectively.
- The number of multifamily units permitted fell in Alabama, Florida, Mississippi, North Carolina, and South Carolina. Declines ranged from 240 units, or 70 percent, in Mississippi to 1,800 units, or 15 percent, in Florida. Declines were the most dramatic in Florida, North Carolina, and South Carolina because pipelines have been unusually large for those states.
- In Charlotte, which has one of the largest pipelines in the region, Crescent Stonewall Station broke ground. The 450-unit, mixed-used, transit-oriented development is expected to include plaza space connecting to the lightrail Stonewall Station, a large parking deck, and restaurant and retail space anchored by a Whole Foods grocery store. The property is expected to be complete in 2017, with two hotels planned at a later phase. Rents for the property have not yet been announced.

The number of multifamily units permitted declined in several areas of the Southeast/Caribbean region as a result of a large pipeline.



1Q = first quarter.

Note: Based on preliminary data.

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