

HUD PD&R Regional Reports

Region 4: Southeast/Caribbean

Quick Facts About Region 4



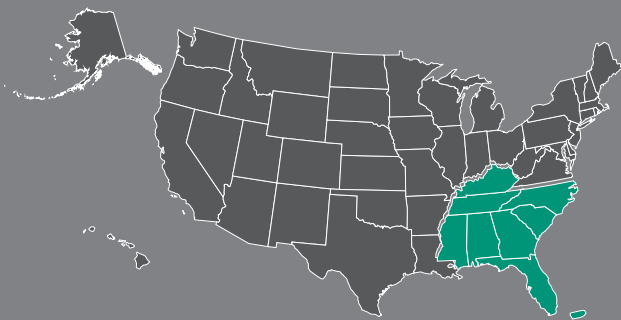
Sales market conditions—

- First quarter 2018: mixed (balanced to slightly soft).
- Fourth quarter 2017: mixed (balanced to slightly soft).
- First quarter 2017: mixed (balanced to slightly soft).



Apartment market conditions—

- First quarter 2018: mixed (slightly tight to slightly soft).
- Fourth quarter 2017: mixed (slightly tight to slightly soft).
- First quarter 2017: mixed (balanced to tight).



Jacksonville, Florida

By Casey M. Blount | 1st quarter 2018

Overview

Economic and housing market conditions in the Southeast/Caribbean region continued to trend in a generally positive direction during the first quarter of 2018, with job growth and increasing home sales prices in most states. Moderating trends appear to be emerging, particularly in some of the larger apartment markets in the region, however. Nonfarm payrolls in the region averaged 28.68 million, an increase of 399,700 jobs, or 1.4 percent, from a year ago. Sales markets in the region were balanced to slightly soft, with significant declines in the number of distressed sales contributing to increased home prices in most states. Apartment market conditions in the region also remained mixed, ranging from slightly soft to slightly tight, although large numbers of new apartment units contributed to increased vacancy rates in several major markets.

During the first quarter of 2018—

- The region added jobs year over year for the seventh consecutive year, although the rate of growth declined from the 2.0-percent rate a year ago and was lower than the national rate, 1.5 percent, for the first time since the first quarter of 2012.
- In the region, 59,500 single-family homes were permitted, a 5-percent increase from the first quarter of 2017, with population growth and declining inventories of available homes for sale putting upward pressure on home prices in most states.
- Average rents increased throughout much of the region, which contributed to a 14-percent increase in the total number of multifamily units permitted following a 16-percent decline a year ago. Rising vacancy rates limited new multifamily development in some markets, however.



Economic Conditions

Economic conditions in the Southeast/Caribbean region strengthened during the first quarter of 2018, as the region added jobs for the seventh consecutive year. The year-over-year rate of job growth slowed for the second consecutive year, however. Nonfarm payrolls in the region averaged 28.68 million jobs during the first quarter of 2018, an increase of 399,700 jobs, or 1.4 percent, from the first quarter of 2017. By comparison, the rate of job growth in the region peaked at 2.7 percent during the first quarter of 2016 before slowing to 2.0 percent during the first quarter of 2017. Job growth slowed during the first quarter of 2018 in every state in the region except Mississippi, where nonfarm payrolls increased by 12,550 jobs, or 1.1 percent, after an increase of 4,200 jobs, or 0.4 percent, during the first quarter of 2017. The most significant slowing of job growth occurred in Florida and South Carolina, where nonfarm payrolls increased by 166,900 and 32,150 jobs, or 2.0 and 1.6 percent, respectively, down from 241,400 and 48,250 jobs, or 2.9 and 2.4 percent, respectively, during the first quarter of 2017. The professional and business services and the leisure and hospitality sectors added the most jobs in the region, expanding by 75,000 and 71,400 jobs, or 1.9 and 2.2 percent, respectively. Combined, the two sectors accounted for 36.6 percent of all job gains in the region. In percentage terms, job growth was fastest in the transportation and utilities and the mining, logging, and construction sectors, which added 42,700 and 49,500 jobs, or 3.8 and 3.6 percent, respectively. The transportation and utilities sector benefitted from the opening of several distribution centers in the region including an Amazon.com facility in Jacksonville, Florida, which created 1,500

jobs when it opened in late 2017, and a warehouse for beauty retailer Sephora, which created 400 jobs when it opened in mid-2017 in Olive Branch, Mississippi. A 7-percent increase in residential construction activity in the region contributed to the job growth in the mining, logging, and construction sector. The information sector, which decreased by 3,200 jobs, or 0.7 percent, was the only sector in the region to lose jobs during the first quarter of 2018.

During the first quarter of 2018—

- Although job growth in Florida slowed by nearly a full percentage point from the previous year, nonfarm payrolls in the state still expanded by the largest number and at the fastest rate in the region, 166,900 jobs and 2.0 percent, respectively. The professional and business services sector, which expanded by 35,450 jobs, or 2.7 percent, added the most jobs in the state although the mining, logging, and construction sector, which expanded by 29,900 jobs, or 6.0 percent, had the fastest growth rate, due in part to a 17-percent increase in residential permitting.
- Nonfarm payrolls in North Carolina and Georgia increased by 77,450 and 75,750 jobs, or 1.8 and 1.7 percent, respectively, the second and third fastest rates in the region.
- Nonfarm payrolls declined in the territories of Puerto Rico and the U.S. Virgin Islands, partly because of the damage resulting from Hurricanes Irma and Maria, which made landfall in August and September 2017, respectively. Payrolls in the territories averaged 846,400 and 35,700 jobs, decreases of 36,750 and

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Job growth continued in the Southeast/Caribbean region but was slower than the national rate for the first time in 6 years.

| | First Quarter | | Year-Over-Year Change | |
|------------------------------------|---------------------|---------------------|-------------------------|---------|
| | 2017 (thousands) | 2018 (thousands) | Absolute (thousands) | Percent |
| Total nonfarm payrolls | 28,276.7 | 28,676.4 | 399.7 | 1.4 |
| Goods-producing sectors | 3,904.5 | 3,979.9 | 75.4 | 1.9 |
| Mining, logging, and construction | 1,369.4 | 1,418.9 | 49.5 | 3.6 |
| Manufacturing | 2,535.1 | 2,561.0 | 25.9 | 1.0 |
| Service-providing sectors | 24,372.2 | 24,696.4 | 324.2 | 1.3 |
| Wholesale and retail trade | 4,535.4 | 4,552.2 | 16.8 | 0.4 |
| Transportation and utilities | 1,133.6 | 1,176.3 | 42.7 | 3.8 |
| Information | 477.8 | 474.6 | - 3.2 | - 0.7 |
| Financial activities | 1,556.2 | 1,583.6 | 27.4 | 1.8 |
| Professional and business services | 3,911.6 | 3,986.6 | 75.0 | 1.9 |
| Education and health services | 3,877.6 | 3,944.8 | 67.2 | 1.7 |
| Leisure and hospitality | 3,292.4 | 3,363.8 | 71.4 | 2.2 |
| Other services | 1,057.6 | 1,070.5 | 12.9 | 1.2 |
| Government | 4,529.9 | 4,544.2 | 14.3 | 0.3 |

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

Source: U.S. Bureau of Labor Statistics

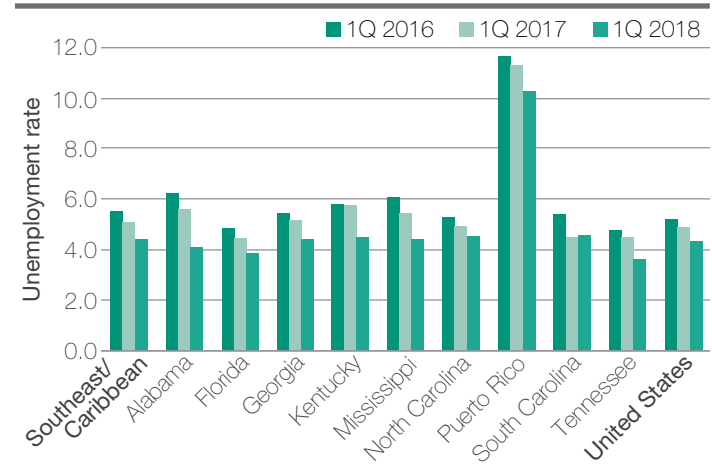


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2,775 jobs, or 4.2 and 7.2 percent, respectively, compared with a decline of 0.8 percent and a gain of 0.1 percent, respectively, a year earlier.

- Despite slowed job growth, resident employment growth in the region exceeded labor force growth and the regional unemployment rate fell to 4.4 percent, down from 5.1 percent a year ago. The unemployment rate for the region was slightly higher than the national unemployment rate, 4.3 percent, but is the lowest regional rate during a first quarter since 2000.
- Unemployment rates decreased in every state in the region except South Carolina, where the rate increased slightly to 4.6 percent. The largest declines were in Alabama, where the rate fell to 4.1 percent from 5.6 percent a year ago, and Kentucky, where the rate was 4.5 percent, down from 5.8 percent a year ago. Tennessee had the lowest state unemployment rate in the region, 3.6 percent, while South Carolina had the highest rate. In Puerto Rico, the unemployment rate declined from 11.3 percent a year ago to 10.2 percent, although the decline was primarily the result of a 3.3-percent decline in the labor force, which exceeded the 2.1-percent decline in resident employment.

Job growth contributed to declining unemployment rates in seven of the eight states in the Southeast/Caribbean region.



1Q = first quarter.

Source: U.S. Bureau of Labor Statistics

Population

Population growth in the Southeast/Caribbean region has exceeded the rate for the nation since 2015. From 2015 to 2017, the population in the region increased an average of 1.0 percent, or by approximately 676,700 people, annually, to 69.08 million while the population of the nation expanded an average of 0.7 percent annually (Census Bureau population estimates as of July 1). Strong job growth in the region contributed to the difference in population

growth rates during the period. From 2015 through 2017, nonfarm payrolls in the region increased an average of 2.4 percent annually, notably higher than the national rate of 1.8 percent a year.

From 2016 to 2017—

- Florida accounted for approximately 48 percent of the population growth in the region but only 30 percent of the total population.

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Population growth has exceeded the national rate in six of the eight states in the Southeast/Caribbean region since 2015.

| | Population Estimate (as of July 1) | | | Percent Change | |
|----------------------------|------------------------------------|-------------|-------------|----------------|--------------|
| | 2015 | 2016 | 2017 | 2015 to 2016 | 2016 to 2017 |
| United States | 321,039,839 | 323,405,935 | 325,719,178 | 0.7 | 0.7 |
| Southeast/Caribbean region | 67,724,407 | 68,424,717 | 69,077,764 | 1.0 | 1.0 |
| Alabama | 4,850,858 | 4,860,545 | 4,874,747 | 0.2 | 0.3 |
| Florida | 20,268,567 | 20,656,589 | 20,984,400 | 1.9 | 1.6 |
| Georgia | 10,199,533 | 10,313,620 | 10,429,379 | 1.1 | 1.1 |
| Kentucky | 4,422,057 | 4,436,113 | 4,454,189 | 0.3 | 0.4 |
| Mississippi | 2,985,297 | 2,985,415 | 2,984,100 | 0.0 | 0.0 |
| North Carolina | 10,041,769 | 10,156,689 | 10,273,419 | 1.1 | 1.1 |
| South Carolina | 4,892,423 | 4,959,822 | 5,024,369 | 1.4 | 1.3 |
| Tennessee | 6,590,726 | 6,649,404 | 6,715,984 | 0.9 | 1.0 |
| Puerto Rico | 3,473,177 | 3,406,520 | 3,337,177 | -1.9 | -2.0 |

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

Source: U.S. Census Bureau

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The population of the state increased by approximately 327,800, or 1.6 percent, both the largest and fastest increase in the region.

- After Florida, the highest population growth rate was in South Carolina, where the population expanded by approximately 64,550, or 1.3 percent.

- The populations of both Georgia and North Carolina increased 1.1 percent, or approximately 115,800 and 116,700, respectively.
- The population of Mississippi was virtually unchanged at 2.98 million. In Puerto Rico, population decline accelerated to 2.0 percent, or approximately 69,350 people, compared with a decline of 1.9 percent, or approximately 66,650 people, a year earlier due in large part to the ongoing economic crisis in the territory.

Sales Market Conditions

Sales market conditions in the Southeast/Caribbean region remained mixed, ranging from balanced to slightly soft, during the first quarter of 2018, unchanged from a year ago. Continued job gains, strong population growth, and relatively low levels of single-family home production lowered the inventory of homes for sale in the region to a 3.8-month supply from a 4.2-month supply a year earlier and a February peak of an 11.7-month supply in 2009. During the 12 months ending February 2018, 1.51 million homes sold in the region, a 2-percent increase from the previous 12 months (CoreLogic, Inc., with adjustments by the analyst). Home sales in the region increased despite a dramatic decline in distressed (real estate owned [REO] and short) sales, which fell 44 percent to 72,850 during the most recent 12 months. Distressed homes accounted for only 5 percent of existing home sales, down from 10 percent during the 12 months ending February 2017 and a fraction of the 31-percent peak rate during 2010. Home sales trends varied throughout the region, increasing in Florida, Georgia, Kentucky, North Carolina, and Tennessee but declining in Alabama, Mississippi, and South Carolina. After a 3-percent decline during the 12 months ending February 2017, the number of homes sold in Kentucky increased 7 percent to 81,650 during the 12 months ending February 2018, the largest percentage increase in the region. In Florida, 582,000 homes sold

during the 12 months ending February 2018, a 1-percent increase from the previous 12 months and the most home sales in the region. Home sales in Georgia, North Carolina, and Tennessee increased 5, 4, and 4 percent to 228,500, 216,700, and 167,600 homes, respectively, reflecting strong economic conditions in each state.

The average price for a home in the region increased 5 percent to approximately \$225,800, nearly identical to the increase for the region during the previous 12 months. Home prices increased in seven of the eight states in the region, ranging from increases of 3 percent in Alabama and Kentucky to 7 percent in South Carolina, where the number of distressed sales declined 34 percent. In Florida, the number of distressed properties declined 54 percent during the 12 months ending February 2018 and the average home sales price increased 6 percent to \$262,800, the highest figure in the region. The average home sales price declined 1 percent in Mississippi.

Low levels of new home production have allowed for absorption of existing inventory in the region since the early 2010s. Rising home prices and a sharp decline in the inventory of available homes contributed to an overall increase in homebuilding activity in the region during the past year, although the increase was notably concentrated in larger market areas.

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Declining numbers of distressed sales contributed to increased home prices in all but one state in the Southeast/Caribbean region.

| | 12 Months Ending | Number of Homes Sold | | | Average or Median | Price | | |
|----------------------|------------------|----------------------|---------|----------------|-------------------|-----------|-----------|----------------|
| | | 2017 | 2018 | Percent Change | | 2017 (\$) | 2018 (\$) | Percent Change |
| Alabama (N&E) | February | 97,500 | 95,600 | - 2 | AVG | 159,700 | 165,100 | 3 |
| Florida (N&E) | February | 575,400 | 582,000 | 1 | AVG | 247,300 | 262,800 | 6 |
| Georgia (N&E) | February | 218,000 | 228,500 | 5 | AVG | 209,200 | 217,400 | 4 |
| Kentucky (N&E) | February | 76,150 | 81,650 | 7 | AVG | 152,700 | 157,500 | 3 |
| Mississippi (N&E) | February | 23,000 | 21,700 | - 6 | AVG | 179,900 | 178,700 | - 1 |
| North Carolina (N&E) | February | 208,200 | 216,700 | 4 | AVG | 211,000 | 222,500 | 5 |
| South Carolina (N&E) | February | 113,000 | 110,400 | - 2 | AVG | 203,900 | 217,600 | 7 |
| Tennessee (N&E) | February | 161,200 | 167,600 | 4 | AVG | 183,600 | 193,300 | 5 |

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

Notes: Data include new and existing single-family homes, townhomes, and condominiums. Data for Mississippi exclude Hinds County, which is the most populous county in the Jackson metropolitan area.

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



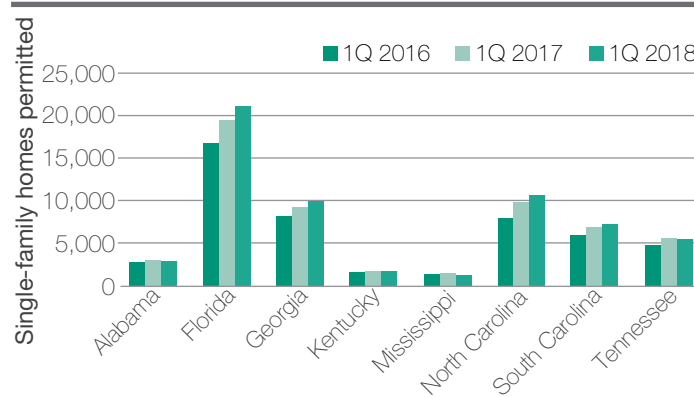
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During the first quarter of 2018 (preliminary data)—

- Approximately 59,500 single-family homes were permitted in the region, an increase of 2,575 homes, or 5 percent, compared with an increase of 7,975 homes, or 19 percent, a year earlier. The increase in permitting activity was limited by declines in four states, unlike the previous year when the number of single-family homes permitted increased in all eight states in the region.
- Florida accounted for 35 percent of the homes permitted in the region. Both the 21,000 single-family homes permitted and the 9-percent increase in permitting activity in the state were the highest figures for any state in the region.
- In Georgia, the number of homes permitted increased by approximately 710, or 8 percent, to 9,875. The Atlanta metropolitan area, where the number of homes permitted increased 9 percent to 6,675, accounted for 68 percent of the homes permitted and 77 percent of the increase in the state.
- The number of single-family homes permitted in North Carolina increased by 610, or 6 percent to 10,450. A combined 6,775 homes were permitted in the Raleigh metropolitan area, the Durham-Chapel metropolitan area, and the North Carolina portion of the Charlotte metropolitan area, up 11 percent from a year ago. The number of homes permitted in the remainder of the state declined 2 percent, to 3,675, however.

- In Mississippi, 1,250 single-family homes were permitted, down 18 percent from a year ago. The declining population of the state contributed to the decrease, which was both the largest and fastest in the region. The number of homes permitted declined 6, 3, and 2 percent, respectively, to 2,775, 1,675, and 5,425 in Alabama, Kentucky, and Tennessee.

The number of single-family homes permitted increased 5 percent in the Southeast/Caribbean region, with the largest and fastest increase in Florida.



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 remained mixed during the first quarter of 2018, ranging from slightly tight to slightly soft, although large numbers of new apartment completions contributed to increased vacancy rates in several major markets. From the first quarter of 2017 to the first quarter of 2018, apartment vacancy rates increased in five of the eight metropolitan areas covered in this report with the largest increases, 1.4 and 0.9 percentage points, occurring in the Louisville and Nashville markets, respectively (Axiometrics, Inc.). During the past year, 2,275 new units were completed in Louisville while 9,900 new units were completed in Nashville. Those figures represent 4- and 7-percent increases in the respective apartment inventories. Modest vacancy rate increases of 0.5, 0.4, and 0.1 percent occurred in the Jackson, Charlotte, and Atlanta markets, respectively, while the rate remained unchanged in Columbia. Apartment vacancy rates declined by 0.7 and 0.2 percentage point, respectively, in Birmingham and Miami. The apartment market in Miami remained slightly tight with a 4.9-percent vacancy rate, the lowest in the region, while the apartment market in Birmingham remained slightly soft with a 7.0-percent rate. The highest vacancy rates in the region, 7.5 and 7.1 percent, were in the Jackson and Columbia markets, respectively.

The average monthly rent increased in all but one of the markets, with growth at or above the national average, 2 percent, in one-half of them. The fastest rate of rent growth in the region occurred in Atlanta, where average rents increased 5 percent to \$1,169. Rent growth in the market was driven by the completion of approximately 12,000 new apartment units during the past year, many of which are on the high end of the market. Significant numbers of new high-end units also contributed to rent growth in Charlotte, Louisville, and Nashville, where average rents increased 3, 2, and 1 percent to \$1,069, \$881, and \$1,150, respectively, despite notable vacancy rate increases in all three markets. The average rent in Miami increased 1 percent to \$1,606, the highest figure in the region, while the average rent in Jackson declined 4 percent to \$868, the lowest figure in the region.

From 2012 through 2016, multifamily construction in the region, as measured by the number of units permitted, increased an average of 23 percent, annually. Improving economic conditions and accelerating population growth contributed to the increase, with several states, including Tennessee, Kentucky, and North Carolina, nearing or exceeding previous record highs during the period. Multifamily permitting in the region declined 8 percent in 2017, as a significant

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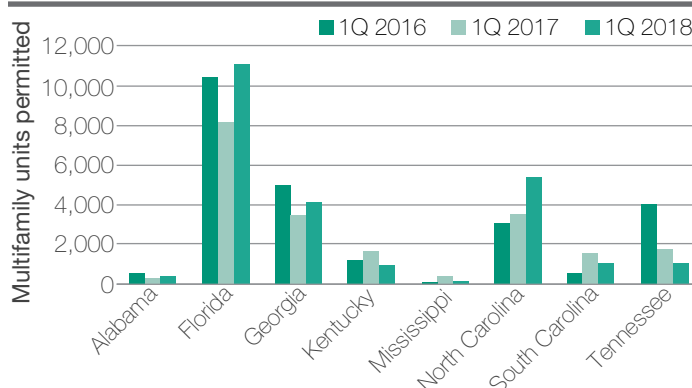
wave of new apartment completions began putting upward pressure on vacancy rates in several markets. Development continued to slow in some markets during the past year, although the total number of multifamily units permitted in the region increased, driven by rent growth and relatively stable vacancy rates in large markets such as Atlanta and Miami.

During the first quarter of 2018 (preliminary data)—

- Approximately 23,800 multifamily units were permitted in the region, an increase of 2,975 units, or 14 percent, compared with a decrease of 3,950 units, or 16 percent, a year earlier.
- The number of multifamily units permitted in Florida increased 36 percent, or by 2,875 units, to 11,000, which remained the highest number of units permitted in the region. That figure includes 3,800 units in Miami, where the number of units permitted increased 31 percent from a year ago.
- The largest percentage increase in apartment production in the region was in North Carolina, where the number of multifamily units permitted increased 48 percent, or by 1,725 units, to 5,350. Multifamily permitting was heavily concentrated in the largest metropolitan areas in the state. The Raleigh, Durham-Chapel Hill, and Charlotte (North Carolina portion) metropolitan areas accounted for a combined 4,850 units, or 91 percent of the total for the state, up from 2,700 units, or 75 percent of the state total, a year ago.

- In Georgia, the number of units permitted increased by approximately 640, or 18 percent, to 4,100. The Atlanta metropolitan area, where 3,375 units were permitted, accounted for 82 percent of the units permitted in the state.
- In Tennessee and Kentucky, the number of multifamily units permitted decreased by 750 and 710 units, or 43 and 44 percent, respectively. The declines were heavily concentrated in the Nashville and Louisville markets where multifamily permitting slowed 46 and 89 percent, respectively, in response to sharp apartment vacancy rate increases during the past year.

The number of multifamily units permitted increased in the Southeast/Caribbean region despite declining levels in some major markets.



1Q = first quarter.

Note: Based on preliminary data.

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

Rents increased throughout much of the Southeast/Caribbean region, although high numbers of new apartment units increased vacancy rates in several markets.

| | Market Condition | Vacancy Rate | | | Average Monthly Rent | | |
|------------|------------------|--------------|-------------|-------------------------|----------------------|--------------|----------------|
| | | 1Q 2017 (%) | 1Q 2018 (%) | Percentage Point Change | 1Q 2017 (\$) | 1Q 2018 (\$) | Percent Change |
| Atlanta | Balanced | 6.1 | 6.2 | 0.1 | 1,117 | 1,169 | 5 |
| Birmingham | Slightly soft | 7.7 | 7.0 | -0.7 | 893 | 903 | 1 |
| Charlotte | Balanced | 5.0 | 5.5 | 0.4 | 1,040 | 1,069 | 3 |
| Columbia | Balanced | 7.1 | 7.1 | 0.0 | 863 | 899 | 4 |
| Jackson | Slightly soft | 7.0 | 7.5 | 0.5 | 903 | 868 | -4 |
| Louisville | Balanced | 4.9 | 6.3 | 1.4 | 864 | 881 | 2 |
| Miami | Slightly tight | 5.1 | 4.9 | -0.2 | 1,593 | 1,606 | 1 |
| Nashville | Slightly soft | 5.0 | 5.9 | 0.9 | 1,136 | 1,150 | 1 |

1Q = first quarter.

Note: Data for Miami include Dade, Broward, and Palm Beach Counties.

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