

HUD PD&R Regional Reports

Region 4: Southeast/Caribbean



Quick Facts About Region 4

Miami, Florida

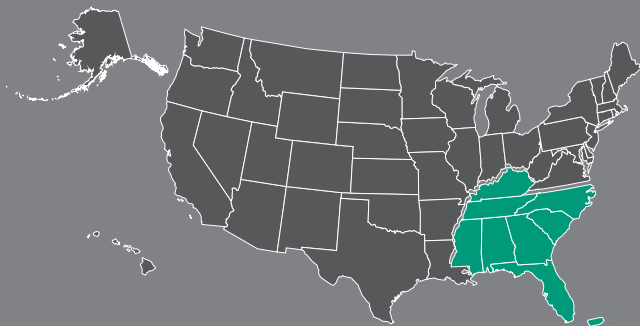
By Casey M. Blount | 1st Quarter 2019

Sales market conditions—

First quarter 2019: mixed (slightly tight to slightly soft)
Fourth quarter 2018: mixed (slightly tight to slightly soft)
First quarter 2018: mixed (balanced to slightly soft)

Apartment market conditions—

First quarter 2019: mixed (slightly tight to balanced)
Fourth quarter 2018: mixed (slightly tight to balanced)
First quarter 2018: mixed (slightly tight to slightly soft)



Overview

Economic and housing market conditions in the Southeast/Caribbean region continued to be favorable during the first quarter of 2019 although the available inventory of homes for sale increased for the first time since 2009 contributing to a modest decline in single-family home construction. Job growth accelerated while unemployment declined throughout much of the region. Nonfarm payrolls in the region averaged 29.26 million, an increase of 553,200 jobs, or 1.9 percent, from a year ago. Both the number of home sales and the average sales price in the region rose and sales markets were mixed, slightly tight to slightly soft. Apartment market conditions also remained mixed in the region, ranging from slightly tight to balanced, with declining vacancy rates and strong rent growth in most major markets.

During the first quarter of 2019—

- The region added jobs year over year for the eighth consecutive year as the rate of growth accelerated from the 1.5-percent rate a year ago and exceeded the rate for the nation 1.7 percent.
- In the region, 58,800 single-family homes were permitted, down slightly from the first quarter of 2018, although the

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number of homes sold increased 1 percent to 1.55 million and the average home sales price increased 5 percent to \$237,200.

- Multifamily permitting declined 3 percent in the region, which allowed for absorption of existing inventory and contributed

to rising rents. Apartment vacancy rates declined in six of the eight major markets in the region while rent growth exceeded the national average of 5 percent in five of them.

Economic Conditions

Nonfarm payrolls in the Southeast/Caribbean region have increased each year since 2011, with job growth exceeding the national rate during much of the period. Nonfarm payrolls in the region averaged 29.26 million during the first quarter of 2019, an increase of 553,200 jobs, or 1.9 percent, compared with an increase of 423,100 jobs, or 1.5 percent, during the first quarter of 2018. Each state in the region added jobs during the past year, ranging from 0.7-percent growth in Mississippi to 2.4-percent growth in Florida. The territories of Puerto Rico and the U.S. Virgin Islands both added jobs at a faster rate than any state in the region, as economic conditions continued to recover from the impact of Hurricanes Irma and Maria. Nonfarm payrolls rose to 870,600 jobs in Puerto Rico and 34,350 jobs in the Virgin Islands, increases of 2.6 and 4.7 percent, respectively. The professional and business services and education and health services sectors led job growth in the region and expanded by 101,900 and 99,000 jobs, or 2.5 and 2.5 percent, respectively. The fastest job growth was in the transportation and utilities sector, which expanded by 57,900 jobs, or 4.9 percent, due in large part to the ongoing expansion

of Amazon.com, Inc.'s distribution network. The company created jobs at several new facilities in the region during the past year including 1,500 jobs in Memphis, Tennessee, and 1,000 jobs in Jefferson, Georgia. The unemployment rate for the region averaged 4.0 percent during the first quarter of 2019, down from 4.3 percent during the first quarter of 2018, with declines in six of eight states as well as Puerto Rico, where the rate fell from 10.2 to 8.7 percent. Mississippi was the only state where the unemployment rate increased, rising from 4.9 percent to 5.0 percent, while the rate in North Carolina remained unchanged at 4.3 percent. By comparison, the unemployment rate for the nation was 4.1 percent, down from 4.3 percent a year ago.

During the first quarter of 2019—

- In Florida, nonfarm payrolls averaged 8.3 million, an increase of 208,100 jobs, or 2.4 percent, the fastest rate of any state in the region. The state benefited significantly from an increase of 16,150 jobs, or 5.4 percent, in the transportation and utilities sector, including a combined 3,000 jobs at new Amazon.com, Inc. facilities in Orlando and Sunrise.

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All but one sector in the Southeast/Caribbean region added jobs during the first quarter of 2019.

	First Quarter		Year-Over-Year Change	
	2018 (Thousands)	2019 (Thousands)	Absolute (Thousands)	Percent
Total Nonfarm Payrolls	28,704.0	29,257.2	553.2	1.9
Goods-Producing Sectors	4,001.7	4,099.2	97.5	2.4
Mining, Logging, & Construction	1,434.4	1,487.4	53.0	3.7
Manufacturing	2,567.3	2,611.7	44.4	1.7
Service-Providing Sectors	24,702.3	25,158.0	455.7	1.8
Wholesale & Retail Trade	4,533.4	4,579.3	45.9	1.0
Transportation & Utilities	1,176.4	1,234.3	57.9	4.9
Information	478.3	472.8	-5.5	-1.1
Financial Activities	1,586.8	1,623.9	37.1	2.3
Professional & Business Services	4,025.6	4,127.5	101.9	2.5
Education & Health Services	3,940.8	4,039.8	99.0	2.5
Leisure & Hospitality	3,349.9	3,445.9	96.0	2.9
Other Services	1,072.7	1,088.5	15.8	1.5
Government	4,538.5	4,546.0	7.5	0.2

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

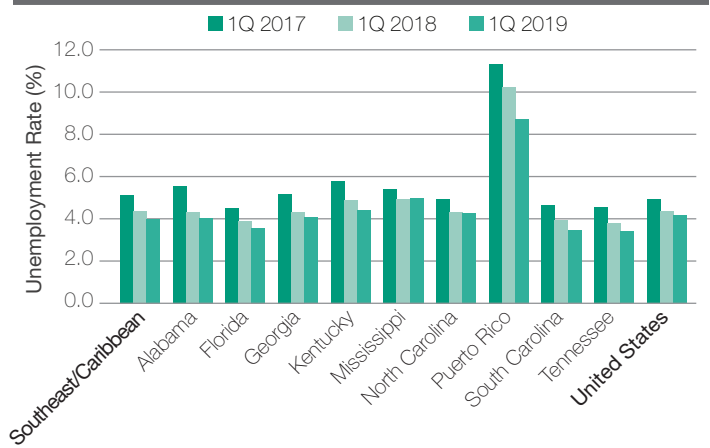
Source: U.S. Bureau of Labor Statistics



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- Job growth also exceeded the national rate of 1.7 percent in Georgia and Tennessee, where nonfarm payrolls rose by 95,100 and 61,350 jobs, or 2.1 and 2.0 percent, respectively, to 4.57 million and 3.07 million jobs.
- Nonfarm payroll growth accelerated in six of the eight states in the region, with the most significant change in Alabama, which added 34,850 jobs, or 1.7 percent, up from an increase of 18,750, or 0.9 percent, a year ago. The manufacturing sector contributed significantly to job gains in the state, expanding by 4,600 jobs, or 1.7 percent. Strong job growth is expected to continue in the sector, with Mazda and Toyota collaborating on a \$1.3 billion auto assembly plant in the city of Huntsville, which is expected to create 4,000 jobs when it opens in 2021.
- North Carolina and South Carolina added 67,900 and 31,750 jobs, respectively. Both increases represent 1.5-percent growth, down from respective rates of 1.8 and 2.6 percent a year ago. Nonfarm payrolls expanded by 22,150 and 8,525 jobs, or 1.2 and 0.7 percent, respectively in Kentucky and Mississippi.

Unemployment rates in the Southeast/Caribbean region declined in six of the eight states, as well as Puerto Rico, during the first quarter of 2019.



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 2016. From 2016 to 2018, the population in the region increased an average of 0.9 percent, or by approximately 601,000, annually, to 69.59 million, while the population of the nation expanded an average of 0.6 percent annually (Census population estimates as of July 1). Strong job growth in the region contributed to the difference in population growth rates during the period. From 2016 through 2018, nonfarm payrolls in the region increased an average of 1.9 percent, annually, which is higher than the national rate of 1.7 percent a year.

From 2017 to 2018—

- Florida accounted for approximately 58 percent of the population growth in the region but only 31 percent of the total population. The population of the state increased by approximately 322,500, or 1.5 percent, both the largest and the fastest increase in the region.
- After Florida, the highest population growth rate was in South Carolina where the population expanded by approximately 62,900, or 1.3 percent. The number of jobs in the state increased 2.4 percent during the period, equaling Florida for the fastest rate in the region.
- The populations of North Carolina, Georgia, and Tennessee increased 1.1, 1.0, and 0.9 percent, or approximately 112,800, 106,400, and 61,200, respectively.
- The respective populations of Kentucky and Alabama both increased by 0.3 percent, or approximately 14,550 and 12,750, respectively, while the population of Mississippi declined slightly. In Puerto Rico, the impact of Hurricanes Irma and Maria in late 2017 resulted in a population decline of 3.9 percent, or approximately 129,800 people.

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

	Population Estimate			Percentage Change	
	2016	2017	2018	2016 to 2017	2017 to 2018
United States	323,071,342	325,147,121	327,167,434	0.6	0.6
Southeast/Caribbean Region	68,392,437	69,034,338	69,594,513	0.9	0.8
Alabama	4,864,745	4,875,120	4,887,871	0.2	0.3
Florida	20,629,982	20,976,812	21,299,325	1.7	1.5
Georgia	10,304,763	10,413,055	10,519,475	1.1	1.0
Kentucky	4,438,229	4,453,874	4,468,402	0.4	0.3
Mississippi	2,988,298	2,989,663	2,986,530	0.0	-0.1
North Carolina	10,156,679	10,270,800	10,383,620	1.1	1.1
South Carolina	4,958,235	5,021,219	5,084,127	1.3	1.3
Tennessee	6,645,011	6,708,794	6,770,010	1.0	0.9
Puerto Rico	3,406,495	3,325,001	3,195,153	-2.4	-3.9

Note: Population estimates for 2016, 2017, and 2018 are as of July 1.

Source: U.S. Census Bureau



Sales Market Conditions

Sales market conditions in the Southeast/Caribbean region remained mixed, ranging from slightly tight to slightly soft, during the first quarter of 2019, after ranging from balanced to slightly soft a year ago. The available for-sale inventory in the region increased for the first time, year over year, since 2009, but remained under a 4.0-month supply for the second consecutive year (CoreLogic, Inc., with adjustments by the analyst). During February 2019, the available for-sale inventory in the region increased to a 3.9-month supply, up slightly from a 3.8-month supply a year earlier, but lower than the 4.0-month supply in February 2017 and less than one-half of the 10.8-month supply in February 2009. During the 12 months ending February 2019, 1.55 million homes sold in the region, a 1-percent increase from the previous 12 months. Home sales in the region rose despite a continued decline in distressed (real estate owned [REO] and short) sales, which fell 18 percent to 56,600 during the most recent 12 months. Distressed homes accounted for only 4 percent of existing home sales, down from 5 percent during the 12 months ending February 2018 and a fraction of the 31-percent peak rate during 2010. Home sales increased in six of the eight states in the region with the fastest rate of growth, 4 percent, in both Alabama and Mississippi. The largest increase was in North Carolina, where the number of homes sold increased by 6,600, or 3 percent, to 227,600. The number of homes sold in Georgia, South Carolina, and Florida increased 2, 2, and 1 percent, respectively, to 237,100, 124,500, and 600,200 homes, respectively. Despite job growth in both states, home sales declined slightly to 78,250 in Kentucky and declined 1 percent to 168,400 in Tennessee.

The average price for a home in the region increased 5 percent to approximately \$237,200 following an increase of 6 percent during the previous 12 months. Home prices increased in seven of the eight states in the region, ranging from a 7-percent increase in Alabama to a 3-percent increase in Kentucky. The highest average home price during the 12 months ending February 2019, \$276,200, was in Florida, followed by \$230,500 in North Carolina. Those figures represent increases of 6 and 4 percent, respectively, from the previous 12 months. Average home sales prices increased 6, 5, and 4 percent, respectively in Tennessee, South Carolina, and Georgia to \$204,300, \$225,300, and \$226,400, respectively. The average home sales price declined 3 percent to \$212,400 in Mississippi.

New home construction in the region declined slightly during the past year after increasing an average of 16 percent a year from the first quarter of 2012 through the first quarter of 2018 as strengthening economic conditions and consistent population growth contributed to absorption of existing inventory. The number of single-family homes permitted declined in five of eight states but remained well above the very low levels of the late 2000s and early 2010s throughout the region.

During the first quarter of 2019 (preliminary data)—

- Approximately 58,800 single-family homes were permitted in the region, down from 59,050 homes a year ago. The decline represents the first year-over-year decrease in single-family permitting during the first quarter since 2011.

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The number of homes sold increased in six of the eight states in the Southeast/Caribbean region during the past year while the average sales price increased in all but one.

	12 Months Ending	Number of Homes Sold				Price		
		2018	2019	Percent Change	Average or Median	2018 (\$)	2019 (\$)	Percent Change
Alabama (N&E)	February	97,900	101,900	4	AVG	161,800	173,200	7
Florida (N&E)	February	596,600	600,200	1	AVG	260,900	276,200	6
Georgia (N&E)	February	232,400	237,100	2	AVG	216,800	226,400	4
Kentucky (N&E)	February	78,550	78,250	0	AVG	161,300	166,900	3
Mississippi (N&E)	February	12,250	12,700	4	AVG	219,000	212,400	-3
North Carolina (N&E)	February	221,000	227,600	3	AVG	221,500	230,500	4
South Carolina (N&E)	February	122,300	124,500	2	AVG	214,600	225,300	5
Tennessee (N&E)	February	170,500	168,400	-1	AVG	192,500	204,300	6

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, the most populous county in the Jackson metropolitan area.

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

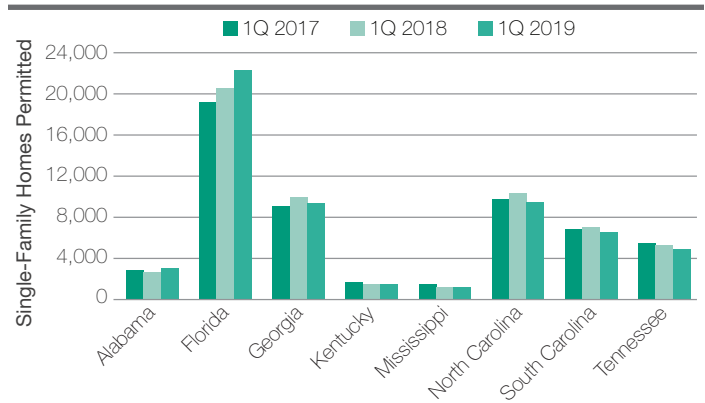
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- Florida accounted for 38 percent of the homes permitted in the region. Both the 22,350 single-family homes permitted in the state and the increase of 1,700 homes were the highest figures for any state in the region.
- In North Carolina, Georgia, and South Carolina, the number of single-family homes permitted decreased 9, 6, and 6 percent, to 9,475, 9,375, and 6,675, respectively. Single-family permitting activity declined for the second consecutive year in both Tennessee and Kentucky, where the number of homes permitted decreased 7 and 5 percent, respectively, to 4,975 and 1,550, respectively.
- The number of single-family homes permitted rose 14 percent, to 3,125, in Alabama, the fastest increase in the region, while the number of single-family homes permitted increased 6 percent, to 1,275, in Mississippi.

During the first quarter of 2019, the largest increase in single-family permitting in the Southeast/Caribbean region was in Florida while the fastest increase was in Alabama.



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, slightly tight to balanced, during the first quarter of 2019, after ranging from slightly tight to slightly soft a year ago. Apartment vacancy rates declined in six of the eight major markets covered in this report with the largest decline, 1.0 percentage point, in Birmingham, where apartment market conditions moved from slightly soft to balanced. Only 540 multifamily units have been permitted in the market since 2017, after an average of 1,000 units were permitted each year from 2014 through 2016. The apartment vacancy rate declined by 0.7-percentage points to 5.2 percent in Atlanta, due in part to a 55-percent reduction in multifamily permitting activity which allowed for absorption of recently completed inventory (RealPage, Inc.). In Miami, apartment market conditions remained slightly tight as the apartment vacancy

rate declined by 0.3 percentage points to 4.3 percent. Apartment vacancy rates in the Louisville, Nashville, and Columbia markets were 4.9, 5.3 and 6.5 percent, respectively, down by 0.4-, 0.2-, and 0.2-percentage points, respectively, from a year ago. The apartment vacancy rate increased by 0.5-percentage points in Jackson, where the 6.6-percent rate was the highest in the region. Despite a 34-percent decline in the number of multifamily units permitted, the apartment vacancy rate in Charlotte remained unchanged at 5.2 percent.

The average monthly rent increased in all eight markets, with growth above the national average of 5 percent in five of them. The fastest rates of rent growth in the region were in Nashville, Birmingham, and Charlotte, where the average rents increased 8,

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Apartment vacancy rates declined in six of the eight major markets within the Southeast/Caribbean region during the first quarter of 2019, with rent growth of at least 5 percent in seven of them.

	Market Condition	Vacancy Rate			Average Monthly Rent		
		1Q 2018 (%)	1Q 2019 (%)	Percentage Point Change	1Q 2018 (\$)	1Q 2019 (\$)	Percent Change
Atlanta	Balanced	5.9	5.2	-0.7	1,157	1,232	6
Birmingham	Balanced	6.6	5.6	-1.0	888	958	8
Charlotte	Balanced	5.2	5.2	0.0	1,054	1,123	7
Columbia	Balanced	6.7	6.5	-0.2	885	927	5
Jackson	Balanced	6.1	6.6	0.5	826	850	3
Louisville	Balanced	5.3	4.9	-0.4	839	879	5
Miami	Slightly Tight	4.5	4.3	-0.3	1,521	1,608	6
Nashville	Balanced	5.5	5.3	-0.2	1,126	1,212	8

1Q = first quarter.

Sources: Market condition—Economic and Market Analysis Division; vacancy rate and average monthly rent—RealPage, Inc.



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8, and 7 percent to \$1,212, \$958, and \$1,123, respectively. Among the major markets in the region, Miami and Atlanta continued to have the highest rents. Average rents in both markets increased 6 percent, to \$1,608 and \$1,232, respectively. In Columbia and Louisville, the average rents increased to \$927 and \$879, respectively, both up 5 percent from a year ago, while the average rent in Jackson rose 3 percent to \$850 but remained the lowest in the region.

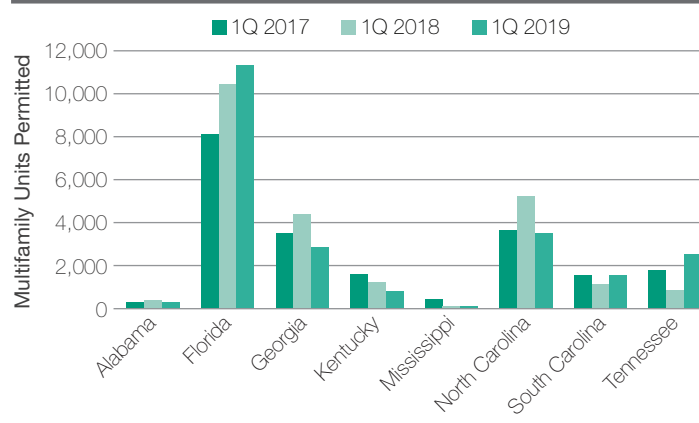
Multifamily construction in the region, as measured by the number of units permitted, increased an average of 23 percent annually from 2012 through 2016. Improving economic conditions and accelerating population growth contributed to the increase, with several states, including Tennessee, Kentucky, and North Carolina, nearing or exceeding previous record highs during the period. Multifamily permitting has remained at relatively high levels in the region since 2017 but has declined during 2 of the past 3 years with development activity slowing in response to significant waves of new apartment completions in several markets.

During the first quarter of 2019 (preliminary data)—

- The number of multifamily units permitted in the region decreased 3 percent from a year ago although the total of 22,850 units permitted represents the third-highest figure for a first quarter since 2007.
- Despite the overall decline in units permitted in the region, multifamily permitting increased in three states with both the largest and the fastest increase in Tennessee, where the number of units permitted nearly tripled to 2,500. The number of multifamily units in the Nashville market more than doubled, to 1,750 which contributed significantly to the increase for the state.

- Multifamily permitting in Florida increased 9 percent, or by 900 units, to 11,350, which remained the highest number of units permitted in the region. The respective totals of 1,550 and 75 units permitted in South Carolina and Mississippi represented increases of 35 and 25 percent, respectively, from a year ago.
- In North Carolina and Georgia, the number of multifamily units permitted fell by 1,725 and 1,525 units, or 33 and 35 percent, to 3,475 and 2,850, respectively. Significantly reduced apartment development activity in Charlotte and Atlanta contributed to the statewide declines.
- Multifamily permitting declined 35 percent to 800 units in Kentucky and 26 percent to 260 units in Alabama.

The overall number of multifamily units permitted declined in the Southeast/Caribbean region during the first quarter of 2019 but nearly tripled in Tennessee.



1Q = first quarter.

Note: Based on preliminary data.

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