

# HUD PD&R Regional Reports

## Region 4: Southeast/Caribbean

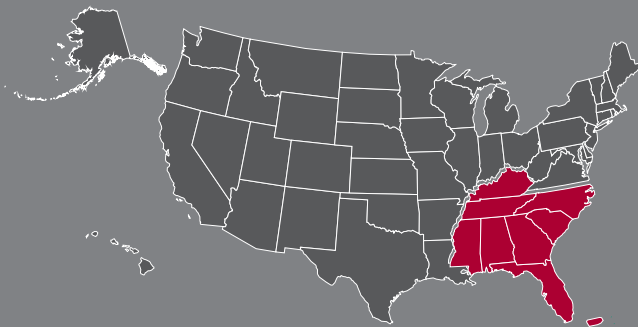


Charleston, South Carolina

By Casey M. Blount | 3rd quarter 2016

### Quick Facts About Region 4

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



### Overview

The Southeast/Caribbean region added nonfarm payrolls for the seventh consecutive year (year over year) during the third quarter of 2016, continuing a trend that began in 2010. The rate of job growth in the region slowed slightly from the same period in 2015 but exceeded the national rate for the third consecutive year. Strengthening economic conditions contributed to improving sales housing and apartment markets. Sales housing markets are currently balanced to slightly soft, with increases in average sales prices and single-family home construction throughout most of the region. Apartment market conditions in the region range from balanced to tight, with vacancy rate declines reported in six of eight major metropolitan areas and rent growth of at least 3 percent also reported in six of those areas (MPF Research).

- The region added 617,000 jobs during the third quarter of 2016, as nonfarm payrolls increased 2.3 percent, less than the 2.6-percent increase during the same period a year ago but greater than the 1.7-percent increase for the nation. The number of nonfarm payroll jobs—27.98 million—represents a 3.4-percent expansion from the prerecession high of 27.05 million during the third quarter of 2007.

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- During the 12 months ending August 2016, home sales increased in one-half of the states in the region, ranging from a 1-percent increase in Kentucky to a 7-percent increase in Georgia. Home sales declined in the remaining states due to significant reductions in real estate owned (REO) sales. Average sales prices rose throughout the region.
- Large pipelines (the number of units under construction and in planning) led to declines in the number of multifamily units permitted in five of the eight states in the region during the third quarter of 2016. Apartment market conditions remained balanced to tight in the largest metropolitan areas of the region, with vacancy rates ranging from 3.0 percent in Miami to 6.7 percent in Jackson (MPF Research).

## Economic Conditions

During the third quarter of 2016, nonfarm payrolls in the Southeast/Caribbean region increased by 617,000 jobs, or 2.3 percent, after a 2.6-percent increase during the third quarter of 2015. The professional and business services sector added the most jobs in the region during the third quarter of 2016, expanding by 138,000 jobs, or 3.6 percent. Since the third quarter of 2009, the sector has added an average of 131,400 jobs, an increase of 3.9 percent, a year, both the greatest and highest-rate job growth among the 11 sectors in the region. The unemployment rate for the region fell to 5.4 percent during the third quarter of 2016, down from 6.0 percent during the third quarter of 2015 despite a 1.9-percent increase in the labor force.

During the third quarter of 2016—

- Every state in the region added jobs, with both the greatest and highest-rate gains recorded in Florida, where nonfarm payrolls expanded by 262,500 jobs, or 3.3 percent. Job growth in the state was led by the professional and business services, leisure

and hospitality, and education and health services sectors, which added 60,800, 47,500, and 46,000 jobs, or 5.0, 4.2, and 3.9 percent, respectively.

- Other notable job gains occurred in Georgia, which added 111,800 nonfarm payrolls, an increase of 3.0 percent. Job growth is likely to continue in the state because BlueCross BlueShield of Georgia recently announced plans for a health care information technology hub in Atlanta, which is expected to create as many as 1,800 jobs.
- Kentucky was the only state in the region where the rate of job growth increased. Nonfarm payrolls in the state expanded by 24,200 jobs, an increase of 1.3 percent, after a 1.2-percent increase during the third quarter of 2015. Ford Motor Company contributed to job gains in the state by creating 2,000 jobs as part of a \$1.3 billion expansion at its facility in Louisville, which began in late 2015.

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**Nonfarm payrolls in the Southeast/Caribbean region increased year over year for the 25th consecutive quarter.**

	Third Quarter		Year-Over-Year Change	
	2015 (thousands)	2016 (thousands)	Absolute (thousands)	Percent
Total nonfarm payrolls	27,360.6	27,977.6	617.0	2.3
Goods-producing sectors	3,771.6	3,848.0	76.4	2.0
Mining, logging, and construction	1,298.0	1,342.2	44.2	3.4
Manufacturing	2,473.6	2,505.7	32.1	1.3
Service-providing sectors	23,589.0	24,129.7	540.7	2.3
Wholesale and retail trade	4,456.2	4,558.4	102.2	2.3
Transportation and utilities	1,078.2	1,094.7	16.5	1.5
Information	473.1	462.2	-10.9	-2.3
Financial activities	1,519.0	1,552.8	33.8	2.2
Professional and business services	3,783.6	3,921.6	138.0	3.6
Education and health services	3,699.6	3,809.7	110.1	3.0
Leisure and hospitality	3,225.5	3,325.6	100.1	3.1
Other services	1,026.0	1,038.8	12.8	1.2
Government	4,327.8	4,365.8	38.0	0.9

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

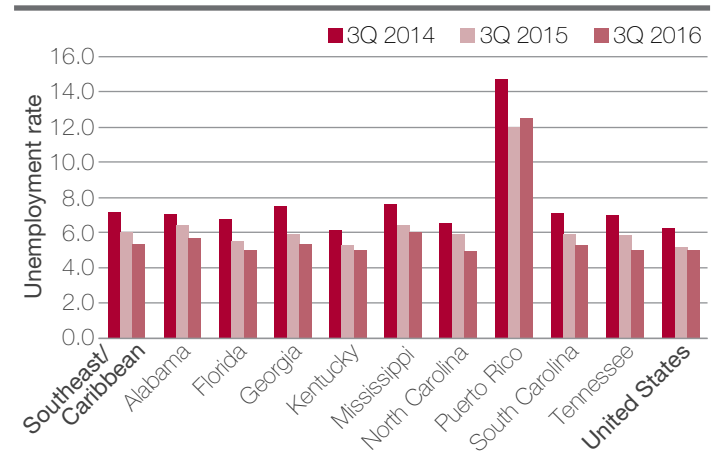
Source: U.S. Bureau of Labor Statistics



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- The only job loss in the region occurred in Puerto Rico, which declined by 6,775 jobs, or 0.8 percent; nonfarm payrolls in the U.S. Virgin Islands remained largely unchanged. The economies of both territories are yet to recover from the most recent national recession, with nonfarm payrolls during the third quarter of 2016 approximately 16 and 18 percent less than their respective highs, which occurred during the third quarters of 2004 and 2007, respectively.
- Unemployment rates decreased in every state in the region, with the greatest declines occurring in Alabama, North Carolina, and Tennessee, where the rates were 5.7, 4.9, and 5.0 percent, down from 6.4, 5.9, and 5.8 percent, respectively, during the third quarter of 2015. The rate in Kentucky was 4.9 percent, the same as North Carolina, the lowest in the region. The 6.0-percent rate in Mississippi was the highest in the region, but it was lowest for a third quarter in the state since 2001. The unemployment rate in Puerto Rico was 12.6 percent, up from 11.9 percent a year ago.

**Unemployment rates declined throughout the Southeast/Caribbean region and were lower in Kentucky and North Carolina than the rate for the nation.**



3Q = third quarter.  
Source: U.S. Bureau of Labor Statistics

## Sales Market Conditions

Sales housing market conditions in the Southeast/Caribbean region remained mixed (balanced to slightly soft) during the third quarter of 2016. Markets throughout the region improved significantly during the past 6 years, with strong job growth and low levels of home-building since the early 2010s contributing to reductions in the available inventory for sale. The number of seriously delinquent (90 or more days delinquent or in foreclosure) loans and REO properties declined throughout the region, continuing a trend that began in 2011. During August 2016, 3.2 percent of mortgages were seriously delinquent or had transitioned into REO status, down from 4.3 percent in August 2015 and much less than the 11.0-percent rate in August 2010 (CoreLogic, Inc.). In Florida, the rate of seriously delinquent loans and REO properties fell from 6.0 percent during August 2015 to 3.9 percent during August 2016, the largest decline in the region (CoreLogic, Inc.). Mississippi reported the highest rate in the region, at 4.2 percent in August 2016, down from 5.0 percent during August 2015.

During the 12 months ending August 2016, home sales increased in one-half of the eight states in the region (CoreLogic, Inc., with adjustments by the analyst). Georgia, Tennessee, and North Carolina reported the greatest percentage gains in home sales—7, 6, and 4 percent, respectively. Home sales increased 1 percent in Kentucky and declined in the remaining four states, due primarily to significant reductions in REO sales. In Florida and South Carolina,

where home sales declined 2 percent each, REO sales declined 37 and 28 percent, respectively. Average home sales prices increased throughout the region, led by Florida and Tennessee, where the average prices increased 6 percent each, to \$244,000 and \$180,000, respectively. In Georgia, South Carolina, Alabama, and Kentucky, average home prices increased 5 percent each, to \$206,500, \$204,100, \$161,000, and \$149,100, respectively. Mississippi, where home sales declined 5 percent, had the smallest increase in average home sales price in the region, at 1 percent. Recent data, however, show more significant improvement in the sales market in the 10-county central Mississippi area, which includes the Jackson metropolitan area. During the 12 months ending August 2016, the number of home sales in the area increased 7 percent from the previous 12-month period, and the average home sales price increased 2 percent (Central Mississippi Multiple Listing Service).

During the third quarter of 2016 (preliminary data)—

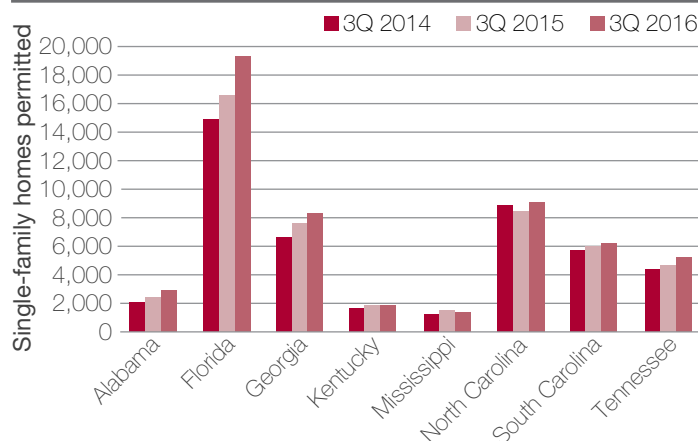
- Builders increased single-family home production, as measured by the number of homes permitted, in the region for the sixth consecutive year as the number of jobs increased, unemployment declined, and home sales market conditions continued to improve. The number of single-family homes permitted increased 10 percent, to 54,100, up from 49,150 during the third quarter of 2015 and the highest total for a third quarter since 2007.

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- Seven of the eight states had an increase in the number of homes permitted, ranging from a 1-percent increase in Kentucky to a 16-percent increase in Florida. The number of homes permitted declined 1 percent in Mississippi.
- Florida accounted for approximately 36 percent of the single-family homes permitted in the region. A total of 19,450 homes were permitted in the state, up from 16,800 during the third quarter of 2015, with the Jacksonville, Orlando, and Tampa market areas accounting for 82 percent of the increase.
- Single-family permitting increased 11 percent in Tennessee. Construction is now under way at Capitol View, a 32-acre, mixed-use development in Nashville. When complete, the project is expected to include up to 1,000 residential units, 1 million square feet of office space, approximately 300,000 square feet of retail space, two hotels, and a grocery store.

**Single-family permitting increased in seven of the eight states in the Southeast/Caribbean region because sales market conditions continued to improve.**



3Q = third quarter.

Note: Based on preliminary data.

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

**Continued economic growth contributed to home sales price increases of at least 5 percent in all but two states in the Southeast/Caribbean region.**

	12 Months Ending	Number of Homes Sold			Average or Median	Price		
		2015	2016	Percent Change		2015 (\$)	2016 (\$)	Percent Change
Alabama (N&E)	August	80,800	80,300	-1	AVG	153,300	161,000	5
Florida (N&E)	August	555,600	545,300	-2	AVG	230,700	244,000	6
Georgia (N&E)	August	188,100	201,200	7	AVG	196,800	206,500	5
Kentucky (N&E)	August	73,550	74,100	1	AVG	142,600	149,100	5
Mississippi (N&E)	August	11,900	11,300	-5	AVG	191,300	192,300	1
North Carolina (N&E)	August	181,900	189,400	4	AVG	200,200	208,900	4
South Carolina (N&E)	August	102,900	100,500	-2	AVG	194,100	204,100	5
Tennessee (N&E)	August	142,100	150,700	6	AVG	170,500	180,000	6

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

Notes: Includes 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

## Apartment Market Conditions

Apartment market conditions were mixed throughout the Southeast/Caribbean region during the third quarter of 2016, ranging from balanced to tight. The apartment vacancy rate declined in six of the eight major markets in the region, with the lowest rate, 3.0 percent, reported in Miami, where the number of units completed declined to 7,975 from 9,550 during the previous year (MPF Research). The greatest vacancy rate increase, from 4.5 to 6.7 percent, occurred in Jackson, partly because 160 units were completed during the past year, the first new units to enter the market since 2012. Average

rents increased at least 3 percent in six of the eight markets. Rent growth was fastest in Nashville, where the average rent increased 8 percent to \$1,116, as 5,450 new units entered the market, up from 4,875 units during the previous year. Rent growth was slowest in Jackson and Birmingham, where average rents increased 2 percent each to \$805 and \$857, respectively. Continuing a trend that began in 2011, the highest and lowest rents in the region were in Miami and Louisville, where average rents were \$1,396 and \$793, respectively.

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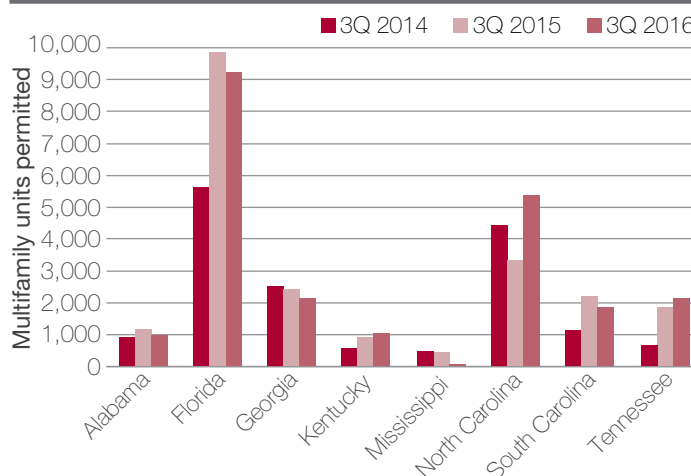
Multifamily permitting increased significantly in North Carolina, Tennessee, and Kentucky, contributing to an increase in the total number of units permitted in the region. The number of units permitted declined in some major markets because of large pipelines, however.

During the third quarter of 2016 (preliminary data)—

- The number of multifamily units permitted in the region was 22,800, a 4-percent increase from the number of units permitted during the third quarter of 2015.
- Multifamily permitting increased 62, 18, and 13 percent, respectively, in North Carolina, Tennessee, and Kentucky. The 5,375 units permitted in North Carolina represented the highest total for a third quarter on record. Developers responded to tightening apartment market conditions, particularly in the Charlotte market area, where 3,175 units were permitted, nearly 2.5 times the 1,275 units permitted during the third quarter of 2015.
- Large numbers of units moving from planning to under construction in major markets in Georgia and Florida resulted in 10- and 6-percent declines in the number of units permitted in the two states, respectively. The pipeline in Atlanta has increased significantly. An estimated 22,700 units are currently under construction in the market, up from 14,000 units last year (MPF Research). Construction in the Midtown neighborhood is particularly notable. A total of 17 projects comprising 5,125 units are currently under construction in the neighborhood, including AMLI Arts Center, a 30-story apartment tower that will consist of 351 units when it is complete in the fall of 2017, and the 435-unit Modera Midtown, which is scheduled to be complete by the summer of 2018.

- The number of multifamily units permitted in Mississippi decreased 79 percent, partly because of the increased apartment vacancy rate in Jackson. Multifamily permitting activity slowed 16 and 14 percent, respectively, in Alabama and South Carolina.

**Multifamily permitting rose in the Southeast/Caribbean region because of significant increases in North Carolina, Tennessee, and Kentucky, but large development pipelines in several major markets contributed to declines in most states.**



3Q = third quarter.

Note: Based on preliminary data.

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

**Apartment vacancy rates declined in six of the eight major metropolitan areas highlighted this quarter in the Southeast/Caribbean region and were lower than 4 percent in four of them.**

	Market Condition	Vacancy Rate			Average Monthly Rent		
		3Q 2015 (%)	3Q 2016 (%)	Percentage Point Change	3Q 2015 (\$)	3Q 2016 (\$)	Percent Change
Atlanta	Balanced	5.8	5.2	- 0.6	1,003	1,073	7
Birmingham	Balanced	7.1	5.9	- 1.2	837	857	2
Charlotte	Tight	4.2	3.5	- 0.7	969	1,027	6
Columbia	Balanced	6.3	5.3	- 1.0	842	890	6
Jackson	Balanced	4.5	6.7	2.2	789	805	2
Louisville	Tight	4.8	3.7	- 1.1	763	793	4
Miami	Tight	3.4	3.0	- 0.4	1,354	1,396	3
Nashville	Tight	3.0	3.6	0.6	1,031	1,116	8

3Q = third quarter.

Note: Data for Louisville are for the second quarter of 2016.

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